

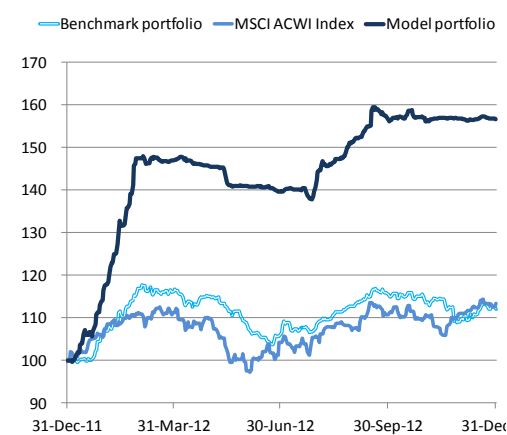
## Finding that bull market in the Arab world

**Looking for trading opportunities outside domestic markets:** In an upward trending domestic stock market, investors' portfolios can benefit from the tide of positive sentiment. However, when the domestic market turns south, stocks can turn into falling knives, and absent short-selling regulations, investors seem to have only two choices: 1) remain invested and take the losses in stride or 2) cash out of that domestic market altogether in hopes of the next bull run. What investors often neglect, however, is that their choices are not quite so limited. We believe that any given time, there is a bull market somewhere in the world; it's just a matter of finding it early enough and making the decision to invest in it while it lasts.

**A cross-market view can present more investment opportunities:** With a more global cross-market view, we believe investors can scour for an array of investment opportunities that can help diversify away from the downside risks of the domestic market. Investors can do so by employing tools of both fundamental analysis and technical analysis. In this white paper, we focus on the latter and explain how our technical analysts at MubasherTrade have capitalized on our global reach and looked across different stock markets (namely Egypt and major GCC markets) in search of winning trading opportunities with the ultimate goal of finding that bull market.

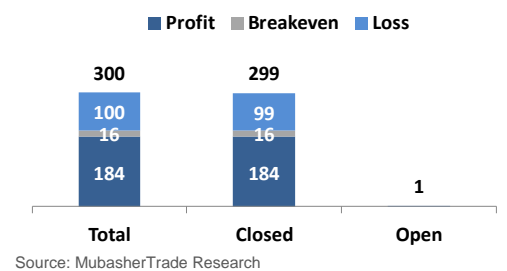
**Our technical analysis-based model portfolio generates a 43.19% alpha:** In 2012, our real-time trading alerts helped our investors beat the World benchmark by 43.19%. Our model portfolio was based on the technical analysis-driven opportunities made during 2012. Indeed, our model portfolio performance attribution indicated that not only did we beat the World benchmark, but we also did so with a higher positive active performance of 44.58% vis-à-vis our regional "US dollar-based" benchmark. Please read inside for more details on how our real-time trading alerts could help find that bull market in the Arab world.

### Relative performance | 2012



Source: Bloomberg, MubasherTrade Research

### Opportunities initiated in 2012



Source: MubasherTrade Research

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2012
28.40%	26.61%	7.74%	3.38%	-2.51%	4.74%	6.25%	9.24%	9.31%	2.59%	2.92%	9.13%	56.62%
16.51%	20.53%	0.49%	-0.89%	-3.28%	0.27%	4.33%	6.18%	3.37%	2.59%	1.08%	4.09%	43.04%
6.94%	15.05%	0.42%	-0.97%	-3.30%	0.18%	2.95%	4.09%	2.93%	2.57%	0.08%	2.79%	19.88%
6.08%	13.30%	0.41%	-0.99%	-3.85%	-0.52%	2.51%	3.79%	2.52%	0.42%	-0.10%	2.14%	14.88%
5.72%	9.74%	-0.36%	-1.09%	-5.16%	-0.91%	2.39%	2.33%	2.44%	0.37%	-0.31%	0.91%	13.44%
4.12%	9.32%	-0.60%	-1.39%	-5.31%	-1.33%	2.15%	2.23%	2.00%	-0.72%	-0.72%	-0.04%	12.04%
3.24%	6.41%	-2.23%	-1.49%	-6.19%	-2.70%	2.15%	2.21%	1.87%	-0.76%	-1.70%	-0.15%	9.51%
2.15%	4.83%	-3.41%	-1.62%	-7.71%	-3.48%	2.09%	1.94%	1.71%	-0.88%	-3.79%	-0.37%	5.96%
1.36%	4.50%	-4.72%	-1.93%	-9.34%	-3.80%	1.25%	1.28%	0.32%	-2.44%	-4.77%	-0.50%	1.12%
-2.41%	2.10%	-6.24%	-3.53%	-9.78%	-6.53%	-1.56%	0.34%	-4.19%	-3.70%	-15.56%	-1.64%	-4.79%

2012	Model Portfolio
56.62%	Model Portfolio
43.04%	EGX 30 Index
19.88%	Dubai
14.88%	UAE
13.44%	MSCI ACWI Index
12.04%	Benchmark Portfolio
9.51%	Abu Dhabi
5.96%	Saudi Arabia
1.12%	Kuwait
-4.79%	Qatar

Note: All indices performances are in US dollar terms.  
Source: Bloomberg, MubasherTrade Research

## Background

### Mubasher Real-Time Alerts: A model portfolio

We at Mubasher are committed to introducing new products and services, with a view to consistently delivering investment solutions that add value to our clients. To this end, we have employed the latest technology solutions to introduce Mubasher Real-Time Trading Alerts, whereby our clients receive real-time alerts through email and/or SMSs alerting them to trading opportunities that our technical analysts pick throughout the different markets we cover intraday. We claim that by acting on the alerts we published in 2012 alone, clients would have enhanced the performance of their portfolios. Although our real-time alerts are all stand-alone trading opportunities, we combined them all as part of a hypothetical model portfolio an average client could have built throughout the year 2012. This model highlights how actively-managed accounts based on our technical analysis-driven alerts could have generated positive alpha in a portfolio context.

### Model assumptions

However, we had to make a few assumptions to turn these alerts into actionable trading opportunities. Using all alerts published in 2012, we assumed:

- 1) The time horizon is the full calendar year 2012 (1 Jan through 31 Dec).
- 2) Five markets covered (Egypt, Kuwait, Qatar, Saudi Arabia, and the UAE).
- 3) The portfolio default currency is the US dollar.
- 4) Each trade size is USD10,000 per security, capped at 2% of the average daily turnover in that specific security over the preceding 90 days.
- 5) Average commission per trade is 0.25% (25 basis points).
- 6) When investing in non-USD securities, the US dollar is converted into the domestic currency then converted back to US dollar at position closing at the prevailing exchange rate on each trade date.
- 7) Average commission per FX transaction is 0.05% (5 basis points).
- 8) Entry and exit price levels are the volume-weighted average price (VWAP) on the trade date; hence, we excluded same-day trades.
- 9) Starting cash value in the portfolio is zero until the first trade is made (on 4 Jan 2012) when cash is deposited to make the first trade, enough to cover the purchase price and trading and FX commissions.
- 10) Cash required to make any trade is deposited into the client's account on the trade date, provided the portfolio does not have enough cash balance.
- 11) Cash from sale proceeds are deposited into the client's account on the trade date, waiting to be utilized in future trades.
- 12) Open trades as of 31 December 2012 are marked to market as if they have been closed on that date.

## Performance Attribution

### Model evaluation methodology

In order to measure the model portfolio performance, we first determined the evaluation methodology. We evaluated the portfolio using the time-weighted rate of return (TWRR), which calculates the compounded daily rate of growth of one unit of money initially invested in the model portfolio.

Since our model portfolio can be considered actively managed, we analyzed its performance through performance attribution. We broke down the model portfolio performance (P) into the return on the market index (M) and excess return due to style (S) in order to work out its active return (A) as per the following formula:

$$P = M + S + A$$

### Global Market | M

We used the MSCI ACWI Index (a free-float weighted equity index that includes both emerging and developed world markets).

### Style Benchmark | $S = B - M$

Absent a suitable style benchmark (B) to compare the model portfolio performance against, we customized an equal-weighted portfolio of the main indices in each of the five markets we cover (i.e. one-fifth allocation to each index), with a base of 100, using the following market indices in US dollar terms:

- 1) **Egypt:** EGX 30 Index.
- 2) **Kuwait:** Kuwait Stock Exchange Index.
- 3) **Qatar:** Qatar Exchange Index.
- 4) **Saudi Arabia:** Tadawul All Share Index.
- 5) **UAE:** The simple daily average performance of both Abu Dhabi (Abu Dhabi Securities Market) and Dubai (Dubai Financial Market General) indices.

### Active Performance | $A = P - B$

Finally, we worked out the difference between the model portfolio performance and that of the style benchmark, which can be attributed to active management. Please see Figure 2 for the overall model performance attribution.

## Conclusion

### Model performance

During 2012, we initiated 300 real-time trading alerts across all five markets (excluding alerts for same-day trades). Applying the aforementioned assumptions, 93 (or 31%) of those alerts were capped by the average daily turnover percentage cap (i.e. USD10,000 was higher than 2% of the 90-day average daily turnover), leaving 207 of the 300 opportunities uncapped. Overall, our model portfolio generated a return of 56.62%, net of trading and FX commissions. This compares favorably to MSCI ACWI Index's 13.44% (a positive alpha of 43.19%) and the customized regional "US dollar-based" benchmark's 12.04% (an even higher positive active performance of 44.58%). Had we executed all 300 opportunities without a cap, the model portfolio would have generated an even higher return of 66.70%.

As per Figure 6, our model portfolio ranked first compared to the six indices of our five covered markets by achieving:

- Highest return,
- Highest ex post alpha,
- Highest active daily return,
- Highest information ratio,
- Highest Sharpe ratio,
- Lowest Maximum drawdown (greatest peak-to-trough), and
- Lowest worst daily return.

### Recommendation

We believe that by taking a more regional market view and utilizing our MubasherTrade global trading platform, our clients can enjoy two main benefits:

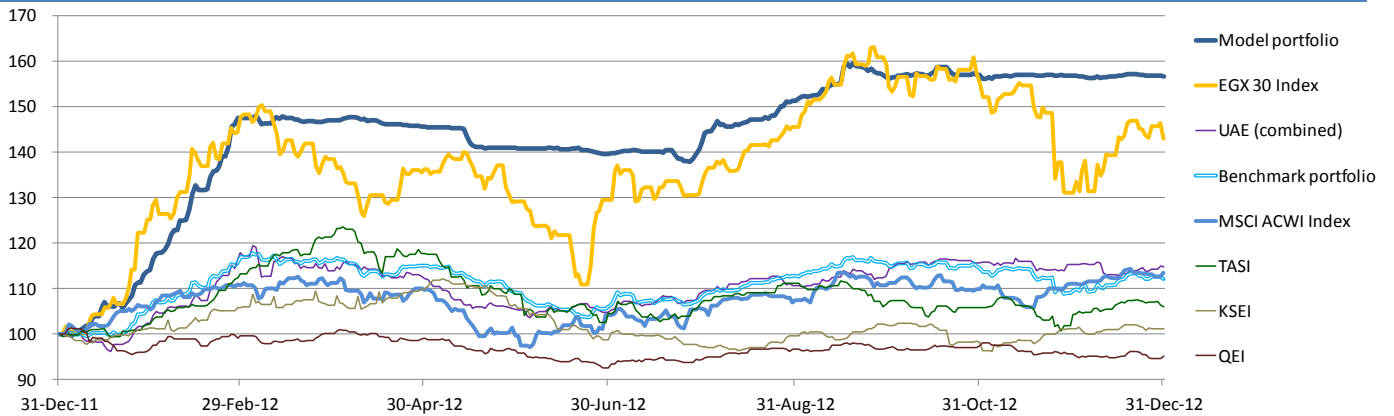
- 1) Never get stuck in own domestic "bear" market.
- 2) Diversification by including bull markets to reduce the overall risk inherent in other bear markets.

***MubasherTrade Global clients can sign up for the Real-Time Trading Alerts service by setting their preferences in their online trading account under "Research & Advisory". Non-clients can subscribe to this service by opening an account with MubasherTrade Global or contacting our Sales team.***

***For more information, please visit our website:***

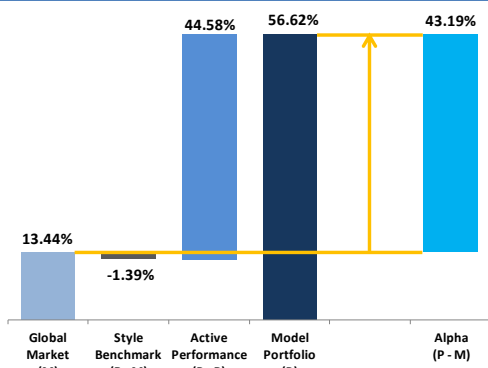
***<http://www.mubashertrade.com/>***

Figure 1 | Model portfolio relative performance vs. major market indices | 2012, daily



Source: Bloomberg, MubasherTrade Research

Figure 2 | Model perf. attribution | 2012



Source: Bloomberg, MubasherTrade Research

Figure 3 | Model portfolio price perf. vs. regional indices | 2012, quarterly

Index	Symbol / Market	Q1 2012	Q2 2012	Q3 2012	Q4 2012	2012
Model Portfolio	(P)	47.0%	-5.0%	12.1%	0.1%	56.6%
MSCI ACWI Index	(M)	11.3%	-6.4%	6.2%	2.5%	13.4%
Benchmark Portfolio	(B)	16.2%	-8.8%	8.9%	-3.0%	12.0%
EGX 30 Index	(Egypt)	38.5%	-6.5%	22.9%	-10.1%	43.0%
KSEI	(Kuwait)	6.4%	-7.1%	3.3%	-0.9%	1.1%
QEI	(Qatar)	0.1%	-7.6%	4.8%	-1.8%	-4.8%
TASI	(KSA)	22.1%	-14.4%	1.9%	-0.6%	6.0%
ADSMI	(UAE)	6.3%	-4.1%	6.4%	1.0%	9.5%
DFMGI	(UAE)	21.8%	-11.9%	8.7%	2.8%	19.9%

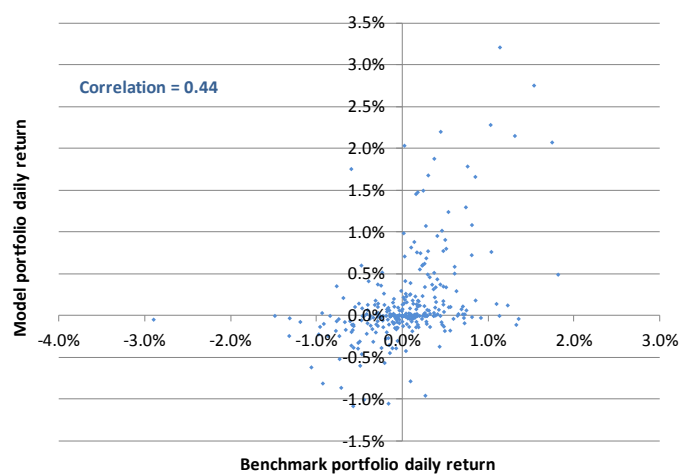
Source: Bloomberg, MubasherTrade Research

Figure 4 | Markets overall correlation | 2012

	Model Portfolio	MSCI ACWI Index	Benchmark Portfolio	Egypt	Kuwait	Qatar	Saudi Arabia	Abu Dhabi	Dubai
Model Portfolio	1.00	0.09	0.44	0.29	0.13	0.24	0.18	0.30	0.41
MSCI ACWI Index		1.00	0.08	-0.02	0.03	0.10	0.14	0.09	0.16
Benchmark Portfolio			1.00	0.83	0.38	0.27	0.42	0.32	0.44
Egypt				1.00	0.09	-0.02	0.07	0.02	0.07
Kuwait					1.00	0.08	0.02	0.14	0.25
Qatar						1.00	0.16	0.27	0.35
Saudi Arabia							1.00	0.21	0.19
Abu Dhabi								1.00	1.00
Dubai									1.00

Source: Bloomberg, MubasherTrade Research

Figure 5 | Model vs. benchmark portfolios correlation | 2012



Source: Bloomberg, MubasherTrade Research

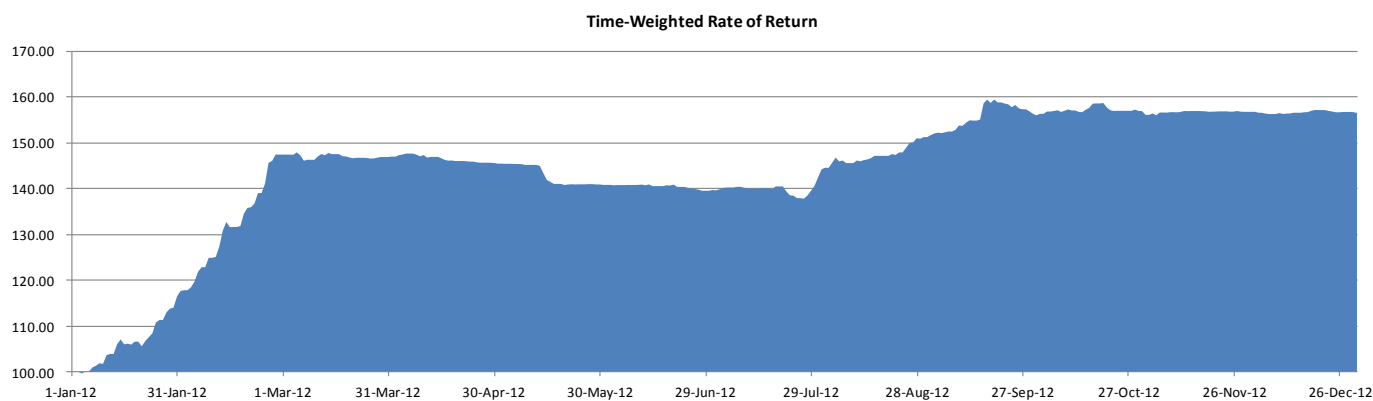
Figure 6 | Key return vs. risk metrics, model portfolio vs. major market indices | 2012

Metric	Ranking (out of 7)*	Model Portfolio (P)	MSCI ACWI Index (M)	Benchmark Portfolio (B)	EGX 30 Index (Egypt)	KSEI (Kuwait)	QEI (Qatar)	TASI (KSA)	ADSMI (UAE)	DFMGI (UAE)	Avg. UAE (UAE)
<b>Return</b>	<b>1</b>	<b>56.62%</b>	<b>13.44%</b>	<b>12.04%</b>	<b>43.04%</b>	<b>1.12%</b>	<b>-4.79%</b>	<b>5.96%</b>	<b>9.51%</b>	<b>19.88%</b>	<b>14.88%</b>
<b>Ex post alpha (vs. M)</b>	<b>1</b>	<b>43.19%</b>		<b>-1.39%</b>	<b>29.61%</b>	<b>-12.32%</b>	<b>-18.22%</b>	<b>-7.48%</b>	<b>-3.93%</b>	<b>6.44%</b>	<b>1.45%</b>
Active daily return (Index - B)	1	0.092%			0.077%	-0.027%	-0.045%	-0.014%	-0.006%	0.021%	0.007%
Active daily risk [SD of (Index - B)]	2	0.513%			1.147%	0.599%	0.503%	0.637%	0.520%	0.799%	0.556%
<b>Information ratio</b>	<b>1</b>	<b>0.18</b>			<b>0.07</b>	<b>-0.05</b>	<b>-0.09</b>	<b>-0.02</b>	<b>-0.01</b>	<b>0.03</b>	<b>0.01</b>
Risk-free rate (US T10 on 3 Jan 2012)		1.95%		1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%
Standard deviation	3	9.56%		9.02%	28.86%	11.28%	6.52%	12.79%	8.00%	16.88%	11.02%
<b>Sharpe ratio</b>	<b>1</b>	<b>5.72</b>		<b>1.12</b>	<b>1.42</b>	<b>-0.07</b>	<b>-1.03</b>	<b>0.31</b>	<b>0.95</b>	<b>1.06</b>	<b>1.17</b>
<b>Beta (vs. B)</b>	<b>3</b>	<b>0.47</b>		<b>1.00</b>	<b>2.65</b>	<b>0.47</b>	<b>0.19</b>	<b>0.59</b>	<b>0.28</b>	<b>0.81</b>	<b>0.55</b>
<b>Maximum drawdown (greatest peak-to-trough)</b>	<b>1</b>	<b>-6.83%</b>	<b>-13.64%</b>	<b>-12.03%</b>	<b>-26.25%</b>	<b>-14.29%</b>	<b>-8.63%</b>	<b>-18.51%</b>	<b>-8.29%</b>	<b>-18.08%</b>	<b>-13.23%</b>
<b>Best daily return</b>	<b>3</b>	<b>3.21%</b>	<b>3.03%</b>	<b>1.82%</b>	<b>7.54%</b>	<b>2.67%</b>	<b>1.13%</b>	<b>3.21%</b>	<b>1.78%</b>	<b>4.73%</b>	<b>2.85%</b>
<b>Worst daily return</b>	<b>1</b>	<b>-1.08%</b>	<b>-2.09%</b>	<b>-2.90%</b>	<b>-9.82%</b>	<b>-3.07%</b>	<b>-2.05%</b>	<b>-4.22%</b>	<b>-2.55%</b>	<b>-4.82%</b>	<b>-3.50%</b>
<b>Best % return per advice</b>		<b>87.50</b>			<b>61.70</b>	<b>27.14</b>	<b>8.61</b>	<b>87.50</b>	<b>28.74</b>	<b>81.70</b>	
Security ticker		7050			PHDC	KPPC`R	IQCD	7050	ALDAR	ARTC	
<b>Worst % return per advice</b>		<b>-23.04</b>			<b>-23.04</b>	<b>-19.05</b>	<b>-5.66</b>	<b>-17.45</b>	<b>-4.96</b>	<b>-7.14</b>	
Security ticker		MPCO			MPCO	GFH`R	QIHK	8110	ALDAR	TABREED	

\* Rank 1 is best and rank 7 is worst; the seven are Model Portfolio, EGX 30, KSEI, QEI, TASI, ADSMI, and DFMGI.  
Note: All indices performances are in US dollar terms.

Source: Bloomberg, MubasherTrade Research

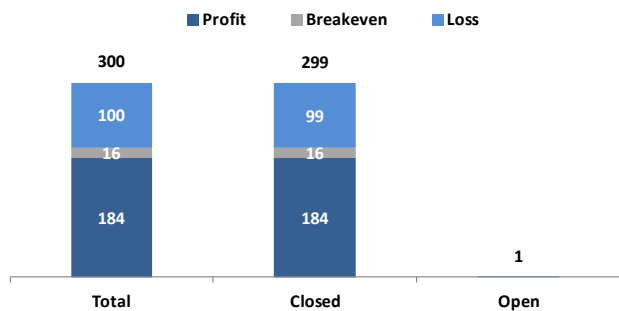
Figure 7 | Model portfolio cumulative performance | 2012



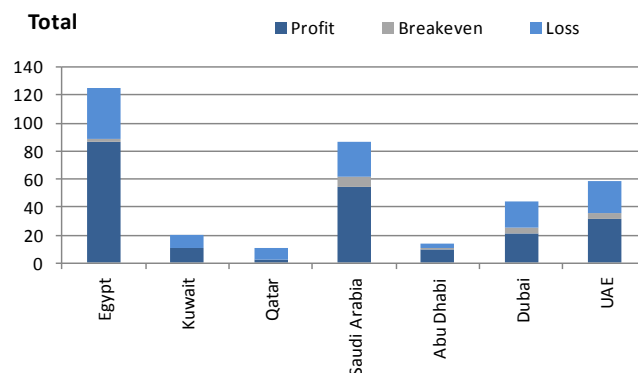
Source: MubasherTrade Research

Figure 8 | Real-Time Trading Alerts Statistics | 2012

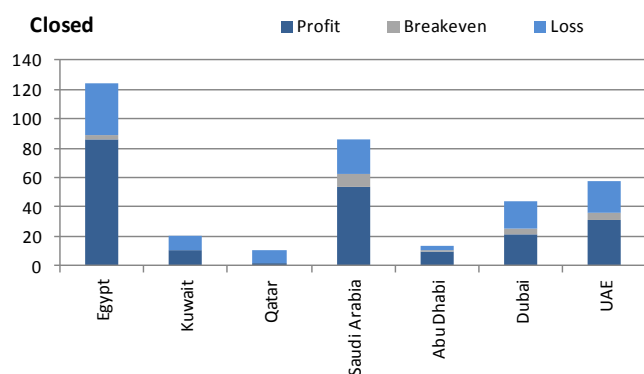
A) Total opportunities initiated by status



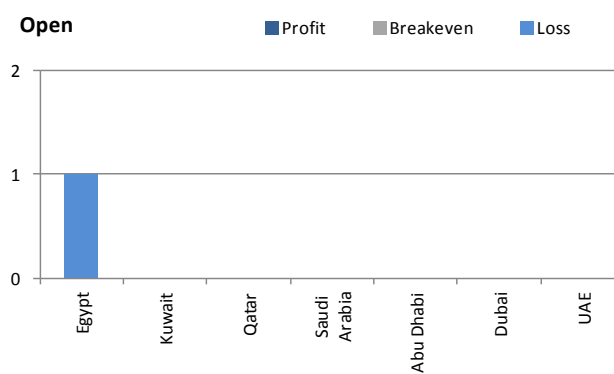
B) Total opportunities initiated by market



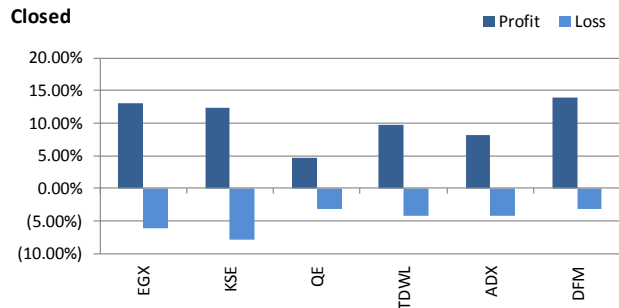
C) Total opportunities closed by market



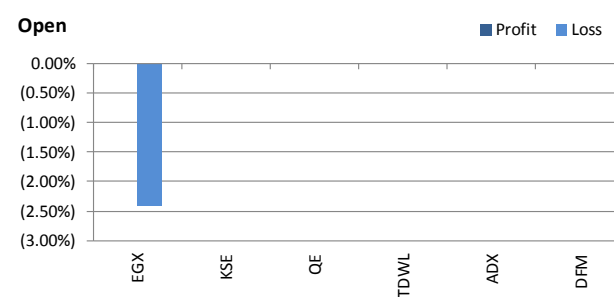
D) Total opportunities open by market



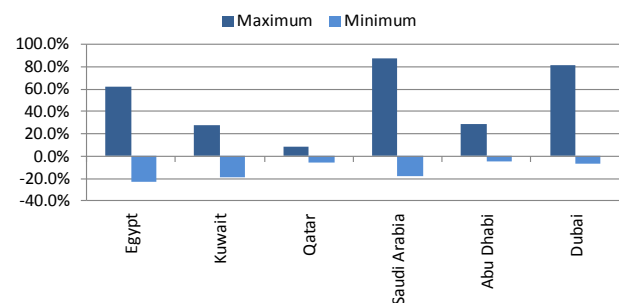
E) Average return per closed opportunity by market



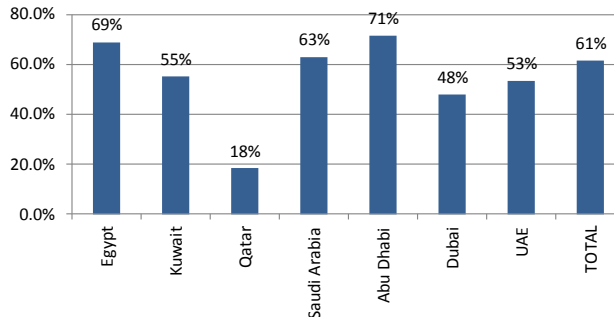
F) Average return per open opportunity by market



G) Maximum and minimum return per opportunity by market



H) Hit rate (no. of profitable opportunities/total) by market



Source: MubasherTrade Research

## Disclosure Appendix

### Technical Analysis

#### Methodology

Technical market analysis is, at its essence, a study of crowd behavior and market psychology. We enhance this analysis by studying chart patterns, overlaying a large suite of technical indicators, volatility and volume data to gauge sentiment and trend strength, looking for divergences and confirmation. It is vitally important to view indicators in relation to where the market is in its wave cycle.

Our methodology is to focus on stocks that are suitable for active traders, swing traders and proactive investors focusing on these stocks for long positions and, when appropriate, for shorting. The technical analysis process we use is based on the 'pure' price and volume, rule-based analysis of the Elliott Wave Principle and to overlay a broad suite of technical indicators, positioning and sentiment evidence in order to recommend a trade. The time horizon is normally short- to medium-term (days, multi-week/month). Translating our analysis into actual trading ideas and positions, our investment process combines a trend following trading methodology and its discipline with the technical analysis of the Elliott Wave Principle. A potential trade set-up is given by the wave structure and supporting technical analysis such as Japanese candlesticks, trend extension and exhaustion measures, momentum oscillators and sentiment. However, the trade is only executed when there is an objective movement of momentum in the direction the technical analysis suggests. The trade entry and trade exit are governed by the moving averages acting as both a trailing stop loss and take profit discipline. By overlaying a disciplined, proven investment strategy such as Trend Following on technical analysis we seek to run winning trades and cut losing trades early.

#### Other Disclosures

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