

FTSE GROUP ANALYSIS: UNITED ARAB EMIRATES

As an award winning global index provider, FTSE helps investors worldwide make informed investment decisions and benchmark the performance of their investments. FTSE calculates over 120,000 End of Day and Real Time indices covering more than 80 countries and all major asset classes. Whether you are an institutional or individual investor, an asset manager or investment bank, an investment consultant or research analyst, FTSE has an index solution that's right for you.

Additionally, FTSE has created partnerships with some of the world's leading investment management firms, independent research houses and over 20 securities exchanges to combine global index expertise with local market knowledge. This theme is evident in the Gulf Cooperation Council (GCC) region where successful partnerships have been established with institutions such as the Abu Dhabi Securities Exchange (ADX), NASDAQ Dubai, Coast Investment Management and Silatech. Silatech is a bold new initiative engaging the public, private and civil society sectors to promote large-scale job creation across the Middle East and North Africa (MENA) region.

EVOLVING FINANCIAL MARKETS AND INVESTABILITY IN THE UNITED ARAB EMIRATES (UAE)

A snapshot of the UAE

The UAE is a federation of seven states, termed emirates, situated in the southeast of the Arabian Peninsula bordering Oman and Saudi Arabia. The UAE has the world's seventh largest oil reserves¹ and possesses one of the most developed economies in the region.

With a population of just under five million and a GDP of US\$231.3 billion², the country has developed rapidly over the last decade. The UAE is currently set for a moderate and steady growth rate of 2% in 2010 and 2.7% in 2011³. This steady upward trend provides an opportune time for both domestic and international investors.

It is interesting to note that this growth does not come solely from the UAE's key exports – oil and gas. In fact, the UAE has worked consistently to diversify its economy, creating long-term sustainability and reducing GDP based on oil and gas to 25%⁴. Continued investment in the private sector has boosted employment and created new sectors such as banking. This diversification is captured in the companies listed on ADX which include amongst others, energy, insurance and telecommunications sectors.

At present the UAE operates three separate exchanges; Abu Dhabi Securities Exchange, Dubai Financial Market and NASDAQ Dubai, providing a diverse range of approaches for international and domestic investors. Under current UAE law, foreign investors are able to invest up to 49% in local incorporated joint stock companies. This law is under review with the aim of increasing direct foreign ownership.

FTSE works closely with the domestic exchanges and market authorities, as well as asset management companies in the region to aid the development and capacity of domestic financial markets. This includes the introduction of liquid and tradable index-linked products encouraging international investment in the region and by providing local funds with an independent benchmark.

UAE: An investment opportunity

FTSE understands that investors need an objective and consistent approach to the categorisation of markets. Through its Country Classification review, FTSE works closely with both the institutional investor community and domestic market authorities to regularly review individual countries' classification status.

Country Classification provides an objective and consistent approach to the categorisation of markets, ensuring global benchmarks reflect an accurate and relevant market structure. Additionally, investors are provided with an all important risk-management insight into the regulatory and trading practices of the markets contained within the FTSE Global Equity Index Series (GEIS).

The UAE has fulfilled a range of criteria as laid out by FTSE's quality of markets criteria in conjunction with institutional investors. The domestic exchanges and market authorities have undertaken consistent efforts to improve market conditions and compete on an international level. FTSE is pleased to announce the UAE's inclusion into FTSE GEIS as a Secondary Emerging Market (as of September 2010), opening up a stream of potential investment in to the country.

Accessing the UAE: FTSE NASDAQ UAE 20 Index

In 2006, FTSE partnered with leading stock exchange NASDAQ Dubai to create the first Gulf Cooperation Council (GCC) country tradable indices for domestic, regional, and international investors. These indices are intended to facilitate the creation of investment products but also pave the way for the introduction of exchange traded index derivatives including futures and options.

The FTSE NASDAQ Dubai Index Series utilises NASDAQ Dubai's equity derivatives platform. The platform offers investors the first on-exchange equity derivatives market in the UAE, consisting of futures on the FTSE NASDAQ Dubai UAE 20 Index. The FTSE NASDAQ Dubai UAE 20 Index comprises 20 individual stocks listed on NASDAQ Dubai, Dubai Financial Market and the Abu Dhabi Securities Market (all futures are created by NASDAQ Dubai itself using global derivatives standards).

The FTSE NASDAQ Dubai UAE 20 Index, one of five indices in the series, reflects the performance of the largest and most liquid UAE stocks. Companies within the index are screened to FTSE's world class standards and include free-float weighting, liquidity screening and international accessibility to ensure only the most investable and tradable companies are included.

The index has been designed to offer a broad based investment opportunity for both domestic and international investors and has a high correlation with UAE and wider Middle East markets, including Saudi Arabia.

1 2009/2010 data from the Central Intelligence Agency, USA
 2 2009/2010 data from the Central Intelligence Agency, USA
 3 2010 forecast by Institute of International Finance (IIF)
 4 2009/2010 edition of the Global Market Guide by Nomura

FTSE NASDAQ DUBAI UAE 20 INDEX 1-YEAR PERFORMANCE (USD TOTAL RETURN)



SOURCE: FTSE Group, data as at 31 May 2010

FTSE NASDAQ DUBAI UAE 20 INDEX TOP 5 CONSTITUENTS

Rank	Constituent Name	ICB Sector	Net Mkt Cap (USDm)	Index Weight (%)
1	Emaar Properties	Real Estate Investment & Services	2,725	20.35
2	DP World	Industrial Transportation	2,291	17.11
3	First Gulf Bank/United Arab Emirates	Banks	1,730	12.92
4	Dubai Financial Market	Financial Services	1,697	12.67
5	Aldar Properties PJSC	Real Estate Investment & Services	851	6.35
Totals			9,293	69.39

SOURCE: FTSE Group, data as at 31 May 2010

FTSE NASDAQ DUBAI UAE 20 INDEX ICB INDUSTRY BREAKDOWN

ICB Code	ICB Industry	No. of Constituents	Net Mkt Cap (USDm)	Index Weight (%)
0001	Oil & Gas	1	194	1.45
1000	Basic Materials	-	-	-
2000	Industrials	5	3,292	24.58
3000	Consumer Goods	-	-	-
4000	Health Care	-	-	-
5000	Consumer Services	1	532	3.97
6000	Telecommunications	-	-	-
7000	Utilities	1	643	4.80
8000	Financials	12	8,731	65.20
9000	Technology	-	-	-
Totals		20	13,392	100.00

SOURCE: FTSE Group, data as at 31 May 2010

FTSE NASDAQ DUBAI UAE 20 INDEX PORTFOLIO CHARACTERISTICS

FTSE NASDAQ Dubai UAE 20 Index	
Number of Constituents	20
Net Market Cap (USDm)	13,392
Constituent Sizes (Net Market Cap USDm)	
Average	670
Largest	2,725
Smallest	55
Median	316
Weight of Largest Constituent (%)	20.35
Top 10 Holdings (% Index Market Cap)	87.26

SOURCE: FTSE Group, data as at 31 May 2010

PERFORMANCE AND VOLATILITY TABLE (USD TOTAL RETURN)

	PERFORMANCE				VOLATILITY
	3M (%)	6M (%)	YTD (%)	12M (%)	1YR Vol (%pa)*
FTSE NASDAQ DUBAI UAE 20 Index	5.8	-9.5	-9.1	14.2	48.2

* Based on daily total returns and annualised based on 260 trading days in a year
SOURCE: FTSE Group, data as at 31 May 2010

INFORMATION

Index Universe

FTSE NASDAQ Dubai Index Series (UAE)

Base Date

12/06/06 (FTSE NASDAQ Dubai Index Series)

Index Calculation

Every 15 seconds

Index Distribution

End-of-Day Distribution

Indices are available at 06:00 GMT or 07:00 BST
Sunday through to Thursday

Currency

US Dollar and AED

Review Dates

Semi-Annually in April and October

Index Rules

Available at www.ftse.com/nasdaqdubai

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