

Investment Plan - October 2009

Dear Valued Investor,

In Q4 2008, we had an initial estimate of a quick recovery in stock markets. At the end of Q2 2009, our view changed because basically the market went “too high, too fast” for our taste. Such market action is usually followed by a sharp correction before resuming normal growth of stock market indices.

This week, the Dow briefly hit the 10,000 mark which was our threshold. Hitting this level, among other indicators, signifies a return of confidence in the market. Whereas, we have not ruled out completely the chance of another sharp correction in stocks, we believe we have seen a temporary low in stock market indices (U.S.) for the next 18 months at least. Any new correction should be temporary.

We still see the world economy to be undergoing a phase of recuperation from the previous boom/bust cycle. This means that we don't expect to see 2007 level of economic growth before 4 years at the very least. During which, we should see the market doing one of two things:

- 1- Drop about 50% of its recent gains (still above 2009 low) and start taking a milder pace of growth to reflect this recuperation process.
- 2- Go into a series of boom/bust cycles, followed by a stabilization phase before resuming its uptrend at a sustainable growth pace. This is our most likely scenario at this point. The target of the current boom cycle is near the previous S&P high of 1576 plus or minus (we are now at 1092).

We have devised an investment plan which we see fit for both scenarios. Our strategy at this period is a strategy of buy and hold. This means that we will be committed to a number of companies for some time no matter what the market action is. For this strategy, we scanned the market for bargain issues both fundamentally and technically. We have come up with a list of 10 companies which

we subdivided into category A and B, based on the overall potential of the sector, industry and company.

Category A is comprised of 6 companies which will constitute about 60% of our portfolio. Category B is comprised of 4 companies which will constitute about 30% of our portfolio. We will phase into these positions. This leaves 10% of the portfolio which will be dedicated for speculation purposes. We have made a list of 9 companies with speculative potential. As an opportunity arises in any of them we will do speculation on the stock in question using about 5% of our portfolio.

These lists may change depending on market action and fundamental developments, either in the economy, industry or company itself. Nevertheless, we do not envisage any drastic change in any of these lists. They were made based on long term analysis not short term performance. The former is usually a very robust basis for making such lists.

Finally I would like to wish you a great trading year.

**Thank you and best regards,
Mohamed El Hawary**

**Managing Director
Andalucia Financial Consultancy and Investment**