

✘ Their portfolios returns were equal to, or exceeded that of the PEX's Al-QUDS Index. The fact that they made good returns and continue to invest substantial capital in Palestine, suggests that PEX stocks are still expected to be good investments. Empirical research (field tests or technical analyses) found that following such investors proved to yield statistically significant returns.

SUSTAINED INVESTOR CONFIDENCE IS ANOTHER CONVINCING REASON TO INVEST IN PEX LISTED COMPANIES.

Other Returns

Having proved that investment in Palestine has yielded high returns and is expected to continue to do so, there are yet further compelling reasons to invest in PEX companies. Migrant Palestinians and other supporters of the just Palestinian cause will always find investing in Palestine a rewarding and effective way to further their cause. It is known that throughout history, nations rich in resources have been able to achieve their fair goals and aspirations more effectively than those lacking in resources. Furthermore, it is expected that donors and local governments will soon resume their full funding of Palestinian state-building and the economy will pick up quickly allowing the PEX listed companies to capitalize on new opportunities.

Finally, there is a nation - a resilient nation - living in the West Bank and Gaza who are not going anywhere. After all is said and done, with the help of the international community, this nation will have its independent and prosperous economy, the highest return will be on the side of those who took the risk and shouldered the burden of waiting.

For further information, please do not hesitate to contact us at:

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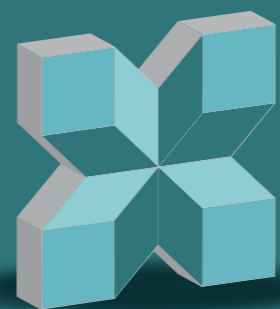
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10 Reasons to Invest in Palestine

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1 - Robustness and High Growth

Palestine Exchange (PEX) has been able to perform well despite debilitating economic conditions.

✘ The PEX statistics on trading volumes, market capitalization, trading volume to market capitalization and their ratios to GDP, reveal good liquidity and the ability to mobilize domestic resources and attract foreign capital.

✘ The Palestinian stocks are resilient and able to endure the worst of conditions, as proven over the years 2002 to 2004 during the Israeli invasion of the West Bank and Gaza and under the current economic sanctions imposed on the Palestinian government since 2006.

✘ This performance was accompanied by handsome growth and return over the past 10 years; The PEX AL-QUDS index averaged a solid annual return of 17.5%. This return was reaped by a passive buy and hold strategy. Active strategies show even better performance; the AL-QUDS index reached an all time high of 1388 in 2006 resulting in some investors and investment companies being able to generate solid returns in that period. Yet the relatively low trading volume during the same time period shows that many investors did not exploit the investment opportunity available to its full capacity.

AN ATTRACTIVE FEATURE OF THE PEX FOR FUTURE INVESTORS IS THE ABILITY TO CAPITALIZE ON ANTICIPATED OPPORTUNITIES WHICH ARE OFTEN OVERLOOKED.

2 -Undervaluation

Stocks at the PEX are undervalued.

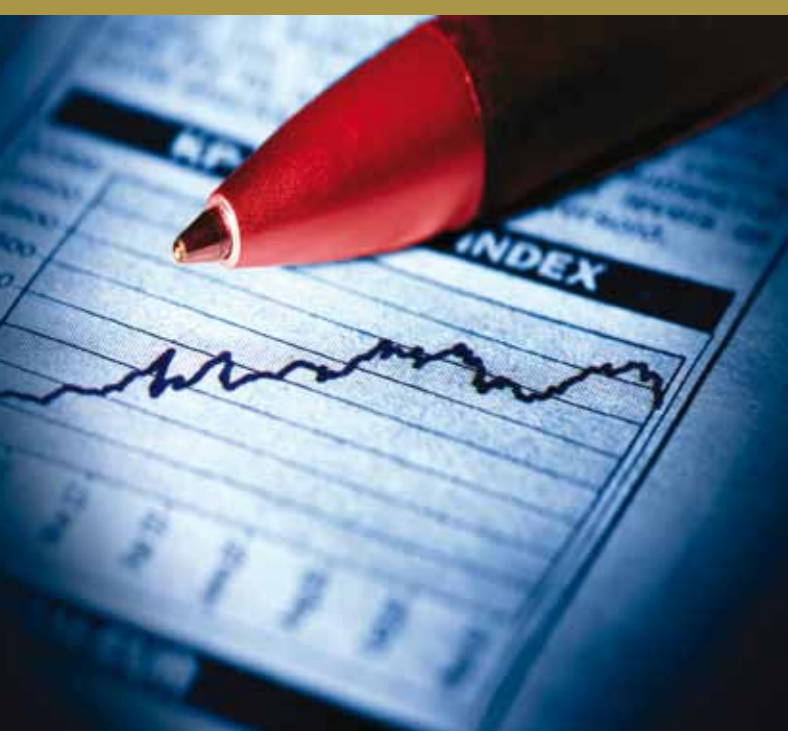
✘ The reason for this undervaluation is not due to any inefficiencies at the PEX but rather because it is overlooked by many investors due to the ensuing political situation in Palestine. This phenomenon is not particular to Palestine and is in line with the 'neglected firm' effect known to exist in other parts of the world, even among the largest and most efficient markets. Empirical research has found that investing in neglected firms yields significant abnormal returns. Such returns were produced between 2005 and 2006 following a brief breakthrough in the political situation after the death of President Yasser Arafat.

✘ The PEX has held many training courses in stock valuation where a number of the PEX listed firms were found to be undervalued.

Undervaluation of stocks presents an attractive investment opportunity in listed companies.

3 -Strength of the Legal Infrastructure

The legal infrastructure of the securities exchange in Palestine is now complete. The Legislative Council passed a set of laws to regulate all aspects of the securities market such as; securities trading, capital markets, investment management, clearance and the setting up of



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investment companies, brokerage firms, securities firms, and settlement and deposit entities. The laws also assign specific tasks of regulatory oversight to different institutions.

✘ The Capital Market Authority monitors and supervises the work of the stock market and non-depository financial institutions, and enforces financial reporting and disclosure.

✘ The PEX monitors the technicalities of trading activities and enforces financial reporting and disclosure.

✘ The Companies' Officer monitors the company reports and ensures they abide by the standards set by the Companies Law.

✘ Media coverage in Palestine is one of the strongest in the region and the PEX occupies the better part of the economic section of all media outlets in the country. This system of checks and balances helps the PEX to continue with its strong record of integrity and legal compliance.

THE INTRICATE SYSTEM OF LEGAL CHECKS AND BALANCES STRENGTHENS THE STANDING OF THE PEX AS A CANDIDATE FOR DOMESTIC AND FOREIGN INVESTMENTS.

4 -Strength of the Financial Infrastructure

Trading and investing in securities is a complex task that requires a complex financial system to ensure its accuracy and timeliness.

THE FINANCIAL INFRASTRUCTURE IN PALESTINE HAS PROVED THE ABILITY TO MANAGE INVESTMENTS AND SECURITIES TRADING VERY EFFICIENTLY. IT HAS ALSO PROVEN ITS ABILITY TO UTILIZE THE LATEST TECHNOLOGY AND OFFER NEW PRODUCTS TO ITS INVESTORS.

✘ The PEX is a virtual exchange that uses computers and telecommunications to carry out trading transactions and in this light it has established full E-trading facility which is in the process of expanding to include non listed companies.

✘ Brokerage firms have been successful in executing trades as per investors' orders via the use of technology and experienced personnel.

✘ The banking system has a proven record of efficiency in transferring funds from investors' checking and savings accounts to their corresponding brokerage accounts. The PEX has a custodian agreement with HSBC that ensures the safekeeping of shares for domestic and international investors.

THE EFFICIENCY OF THE FINANCIAL INFRASTRUCTURE IN PALESTINE ENSURES THAT DOMESTIC AND FOREIGN INVESTORS HAVE CONTROL OVER THEIR INVESTMENTS AND LIQUIDITY POSITIONS, WHICH IS A VERY ATTRACTIVE FEATURE OF INVESTING IN PALESTINIAN STOCKS.

5 -Strength of the Management Team

✘ Since its inception, the PEX had been successful in recruiting qualified personnel to run the PEX and its various departments. The CEO's are PhD holders and the heads of departments hold MBAs, as do many other personnel.

✘ The PEX and its member brokerage firms encourage their personnel to pursue higher education degrees by giving incentives and providing financial and moral support. The PEX is keen on providing continuous training to its securities trading and investment staff, and recruits top quality trainers from home and abroad for local training as well as sending personnel abroad to attend international training courses. The PEX regularly invites qualified trainers to provide introductory, intermediate and advanced training for its employees and the financial and investment communities in Palestine.

THE STRENGTH AND ABILITIES OF ITS MANAGERIAL STAFF IS ANOTHER PROMISING FEATURE OF THE PEX.

6 -Dissemination of Financial Knowledge

To ensure the delivery of high quality products and services to investors in Palestine, the PEX offered training directly to brokerage firms and investors. The PEX held numerous courses throughout the year, taught by trainers and other highly qualified professionals on both general topics such as investment awareness and public education, and more specialized programs like professional brokers' certification and accreditation.

✘ The PEX is pursuing a long term strategy to produce qualified personnel, money managers and investors by teaming up with universities, government agencies, financial institutions and other entities to offer much needed practical knowledge and increasing the awareness of financial markets and the businesses of financial institutions amongst the student population.

✘ The PEX is establishing major correspondence offices across the country in order to enable it to offer high quality training and services around Palestine. These offices are staffed with top-of-the-line professionals who provide services, information and guidance to investors and finance professionals.

✘ The PEX is building a state-of-the-art database to hold trading and other financial and economic data. The data will be available to investors, analysts and academics to help them make well-informed investment decisions, security analysis and empirical research, and help the provision of adequate student education. A library is already in place and the PEX website is rich in data which



is accessible and informative. Some of this information has already begun to be used for research purposes.

DISSEMINATING FINANCIAL KNOWLEDGE ENABLES THE FINANCIAL COMMUNITY TO MATURE AND CREATES A FUTURE GENERATION THAT IS BETTER EQUIPPED AND THEREFORE ABLE TO TURN INVESTMENT IN PALESTINE INTO BOTH A PROFITABLE PROPOSITION IN THE LONG-TERM AND A PROMISING ENDEAVOR IN THE SHORT-TERM.

7 -Promoting Investment in Palestine

The PEX has been using all of its available resources to promote investment in Palestine. Training courses are offered continuously to individuals and institutions in the areas of investment management, portfolio management, and risk management.

✘ The PEX has always encouraged investors to start the business of investment funds by holding seminars and training courses on investment funds and their usefulness as a tool to manage institutional money, like that of insurance companies and pensions.

✘ The PEX has been lobbying the government to complete the legislation of investment management and investment company laws.

✘ The PEX has invited investment funds from neighboring countries to include Palestinian stocks in their portfolio.



THE PEX HAS SUCCEEDED IN RECRUITING LARGE INDIVIDUAL AND INSTITUTIONAL INVESTORS DOMESTICALLY AND REGIONALLY, WHICH WILL ATTRACT OTHERS TO JOIN IN.

8 -Plans to Provide New Services

The PEX is conducting studies to provide investors with other services and products like bonds, money market instruments, E-trading facilities for unlisted companies, diversity of companies, derivative securities, foreign exchange, and even an integrated financial center like that of Qatar and the UAE. Although such expansion may seem ambitious, the PEX has always been an ambitious endeavor which has resulted in a success story.

THE EFFORTS OF THE PEX HAVE MADE INVESTING IN PALESTINE MORE ATTRACTIVE BECAUSE BY GIVING INVESTORS THE NEEDED ASSURANCE THAT ITS MANAGEMENT WORKS ON PROVIDING INVESTORS WITH CUTTING EDGE OPPORTUNITIES AND CONTINUOUSLY EXPLORES SHORT AND LONG TERM INVESTMENT OPPORTUNITIES.

9 -The Nature of PEX Listed Companies

✘ The fact that most of the listed companies at the PEX are either service companies (financial and utility), companies that provide essential goods for the fortune of any gathering of people (GMC, NCI), or companies that are protected by intellectual property rights or by barriers to entry (PEC, Paltel), makes these companies a profit-making opportunity under stern economic conditions.

✘ There are 4-5 million Palestinians growing at a high rate whose daily needs are offered by these companies.

✘ Money always finds ways to reach the pockets of those who need these companies' products regardless of the hardships they may be under. Through various arrangements, international help to the Palestinian economy continued even under harsh economic sanctions. Palestinians inside Palestine tend to have families abroad who send them the money needed to keep a respectable standard of living.

✘ Most of the companies in Palestine have never reported losses and the better half of them have been reporting higher profits than their peers in neighboring countries.

THE COMPANIES LISTED ON THE PEX ARE BOTH NEEDED AND PROTECTED, PROVIDING THEM WITH A UNIQUE SITUATION THAT IS NOT EXPECTED TO CHANGE (BUT FOR THE BETTER DUE TO POPULATION GROWTH) AND THEREBY PROMISING THEIR CONTINUED GROWTH AND PROFITABILITY.

10 -Capital Investment in Palestine

✘ For the past 15 years affluent Palestinian and non-Palestinian businesses and businessmen have invested a good portion of their wealth in Palestine.

✘ These are known to be successful entrepreneurs and institutions which have proved successful in Palestine too.