

Investing in our Palestine of Opportunities

Courtesy of Palestine Exchange

Palestine's stock exchange, its listed companies, and its banking system are ahead of many of its peers in the MENA region. Its GDP has risen 50 percent since the beginning of 2007, and is expected to beat the forecasts for the MENA region during the next few years. Palestine has a young, well-educated workforce and a supportive diaspora of approximately 70 million people.

However, Palestine suffers from negative stereotypes as a result of its political situation. Much is said about Palestine in the news, yet very little is broadcast about doing business in Palestine.

Back in 2005, when Israel withdrew from Gaza, people hoped that a long-lasting peace would soon prevail. This impacted the stock exchange, and the Al-Quds index of the Palestine Exchange (PEX) tripled, recording growth of 306 percent, the highest worldwide for that year. This was a clear indicator of how the Israeli

Table 1: Market Cap and Distribution of Listed Companies on the PEX

Sector	No. of Companies	Market Cap (US\$ millions)
Banking and Financial Services	8	873.06
Insurance	7	99.41
Investment	9	519.08
Industry	12	272.60
Services	12	1,274.10
Total Market Cap (as of 30/04/2015)		3,038.26

Source: The Palestine Exchange www.pex.ps



-Palestine suffers from negative stereotypes as a result of its political situation. Much is said about Palestine in the news, yet very little is broadcast about doing business in Palestine.

- For more than eighteen years, the PEX has been able to maintain its presence under challenging political and economic conditions, and has been successful in positioning itself as a robust exchange among its emerging markets peers.

- What could go wrong for this country, and this market, has already done so many times over.

Occupation is a major obstacle to any sustainable development of the Palestinian economy and the potential for the economy to rebound should the political situation improve.

When addressing investment in Palestine, one can't help but to recognize the Palestine Exchange, the gate to investment in Palestine. For more than eighteen years, the PEX has been able to maintain its presence under challenging political and economic conditions and has been successful in positioning itself as a robust exchange among its emerging markets peers.

The PEX today has forty-eight listed companies, across five main economic sectors: banking and financial services, insurance, investment, industry, and services. The PEX market capitalization is around US\$3.10 billion.

Listed companies have been able to remain profitable over the years, and thirty-three out of forty-seven companies were profitable in 2014. The PEX is one of the most rewarding exchanges in the region, with a dividend yield of 5.92 percent in 2013 and an average of 6.34 percent over the past five years.

Palestine enjoys a friendly and encouraging legal and regulatory environment vis-à-vis foreign

investment. There are no capital taxes or foreign exchange restrictions. Much foreign investment has poured into the PEX over the years with assets under custody constantly increasing.

The PEX is also attractive for institutional investors who seek long-term rewards. The PEX uses best-of-breed technologies and enjoys high transparency, and listed companies are 96 percent compliant with disclosure

rules. The PEX is a well-regulated market operating within international standards. It is listed on the MSCI and the S&P on their stand-alone indices, and is on the “watch list” of FTSE international indices for possible promotion to frontier-market status.

Investors have been taking into account facts, such as the attractive valuation of PEX-listed stocks, low multiples, and high-dividend yields, as well as the consistently good financial performance of listed Palestinian companies. Palestine also enjoys reliable infrastructure, modern telecom services, and a well-regulated and liquid banking sector.

Finally, it is important to emphasize that, over the years, the Palestinian economy has proven to be resilient. What could go wrong for this country, and this market, has already done so many times over. All investors should really be asking themselves, what would happen if events start moving in Palestine’s favor?

About the Palestine Exchange (PEX)

The Palestine Exchange (PEX) was established in 1995 as a private shareholding company to promote investment in Palestine, and was fully automated upon establishment—a first amongst the Arab stock exchanges. The first trading session was held on February 18, 1997. The PEX became a public shareholding company in February 2010, responding to principles of transparency and good governance and was listed on the exchange in April 2012. The PEX operates under the supervision of the Palestinian Capital Market Authority.

Chart 1: Expected Annual GDP Growth (2014-2017)

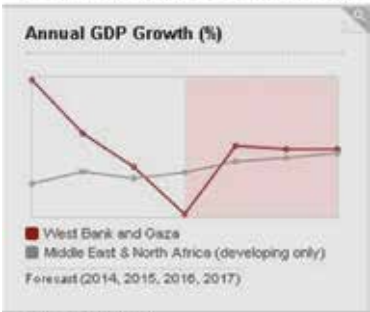


Chart 2: Ownership Distribution between Foreign and Palestinian Investors of Listed Palestinian Stocks

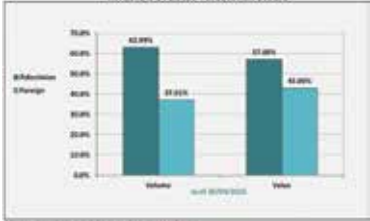
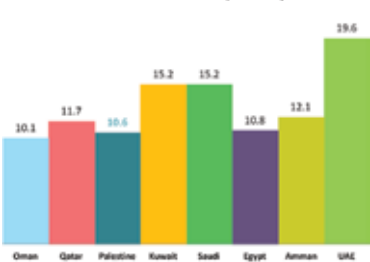


Chart 3: 2014 Market P/E Comparison



Our Readers Say ...

“... Banks here don’t really cater to my age group much. I know that elsewhere there are specific types of accounts and credit cards that are issued specifically to students. But I haven’t found anything like that here”. — Ehab Yousef (Birzeit, 20)