EFG Hermes Egypt Fund
May 2020

Investment Objective

The principal investment objective of the fund is long term capital appreciation through achieving the highest possible risk-adjusted returns.

Investment Universe

- The fund invests principally in listed securities of companies that are established or doing a substantial part of their business in Egypt
- The fund is allowed to invest in listed securities in the MENA region up to 20% of the fund's Net Asset Value and based on the fund manager's outlook.

Subscription/Redemption

- The fund offers weekly liquidity to investors.
- The valuation day for the fund is Monday of every week (subject to be a business day in Egypt, Bahrain & Bermuda).
- There is no Entry/Exit load applied by the fund manager.
- Minimum initial investment is USD10,000.
- Minimum additional investment is USD1,000.

Fund Details

Type of scheme	Open Ended
Inception date	August 1996
Share price	USD 23.1
Listing	Irish Stock Exchange
Index of reference	EGX30 Cap USD Index
Bloomberg Ticker	EFGHEGY BH
ISIN	BMG2948Y1093

Quantitative Data (Since Inception)

Standard Deviation	26.6%
Beta	0.7
Sharpe Ratio	0.0

Fund Manager

Management Company	EFG Hermes Asset Management
Fund Manager	Nabil Moussa
Managing Since	June 2012
Contact Person	Ahmed Shalaby
Telephone	+20235356536
Mobile	+201005407086
E-mail	ambusinessdeveg@efg-hermes.com

Fund Administrator

Fund Administrator	HSBC Middle East (Bahrain)
Contact Person	Lohit Nayak
Telephone	+973 1756 9567
Fax	+973 1756 9574

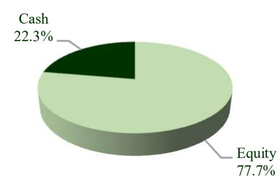
Portfolio

Performance Figures

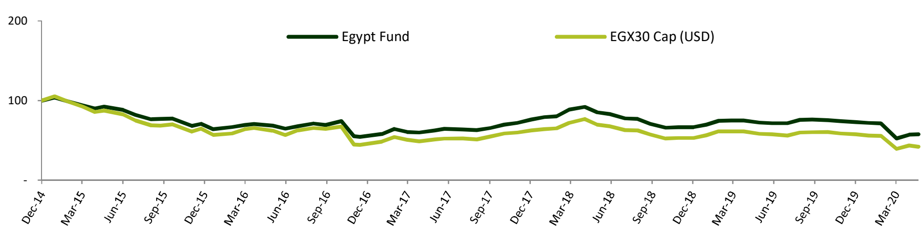
Date	Return
May 2020	0.8%
YTD	-21.3%
1 Year	-20.3%
5-YTD	-37.6%
Since Inception	201.9%

*EFG Hermes Egypt Fund achieved a strong 5-YTD return of 29.4% in EGP but it was affected by the sharp currency devaluation as shown above.

Asset Allocation



Track Record Vs EGX30 Cap (USD)



Market Outlook

Market Commentary & Strategy

- The Egyptian market main index EGX30 decreased by 26.8% from the beginning of 2020, and by 44.3% since its peak in April 2018. The Egyptian market has been moving in the same direction with MSCI Emerging Markets yet with a higher magnitude given that the MSCI EM dropped by 16.5% in 2020 and by 26.9% since its 2018 peak. We believe that markets in general suffered from two main reasons: 1) The spread of Coronavirus and its impact on the global economy, and 2) The global trade war between the USA and China that lead to a slowdown in global trade along with depressed commodity prices thus keeping emerging countries exports at low rates.

- We believe that the current lockdowns across the world along with political tension between the USA and China will have negative impact on global economies growth rate thus we opt to keep a reasonable liquidity position along with concentrating our investments in sectors that rely on domestic private consumption rather than external demand. Moreover, we believe that the market is currently in a reassessing phase given the new economic development and its expected impact on corporate earnings. Therefore, we will concentrate our investments in defensive sectors and companies with strong balance sheet and low leverage that will enable it to pass the storm and capture growth opportunities in the rebound phase.

Economic Updates

- The executive board of the IMF approved Egypt's request for an emergency financial assistance package worth USD2.8 billion to meet the country's urgent needs post the outbreak of COVID-19. According to the IMF, the loan will help limit the decline in net international reserves and provide financing to the budget for targeted and temporary spending in order to contain the economic impact of COVID-19.

- Egypt successfully raised USD5.0 billion Eurobond over three tranches. The first tranche worth USD1.25 billion (4-year tranche), while the second tranche is worth USD1.75 billion (12-year tranche), and the third tranche worth USD2.0 billion (30-year tranche). The Eurobond was successfully covered around 5 times and was priced in a range of 5.475% to 7.505% above US treasury rates. We highlight that this pricing is around 2.5% less than the previous month pricing.

- The CBE maintained overnight deposit and lending rates stable at 9.25% and 10.25% respectively in an expected move given that the CBE held last March an emergency meeting cutting rates by 300 bps in a preemptive move to support the economy amid the outbreak of COVID-19.

- Ministry of Finance indicated that FY20/21 budget deficit could widen to 7.8% of GDP compared to its previous forecast of 6.2% given the negative impact of COVID-19 on the economy. Moreover, the primary surplus would also drop from previous projection of 2.0% to 0.6%. Finally, total debt could rise to 88% of GDP compared to the previous estimate of 83%.

- The CBE announced that Egypt's foreign reserves dropped by USD3.0 billion amounting to USD37.1 billion in April down from USD45.5 billion in February and USD41.1 billion in March. The CBE attributed the drop to three factors: 1) Repayment of External Debt worth USD1.6 billion, 2) Portfolio investment outflows through the CBE's legacy FX repatriation mechanism, and 3) imports of strategic goods. As a result of this drop, Egypt's import coverage ratio dropped from 7.3 months to 6.7 months.

- Inflation increased slightly to 5.9% in April up from 5.1% in March driven by an acceleration in food prices given the seasonality associated with the holy month of Ramadan. Meanwhile, non-food inflation slowed slightly as a reflection of lower fuel prices.