

Fund Strategy & Outlook

The Egyptian market was flat during August 2017 with 0.03% decrease in EGP terms and 1.18% increase in USD terms. During the month, Telecom and food and beverage sectors outperformed the market with Telecom Egypt and Juhayna increasing by 14.9% and 5.0% respectively. In addition, the market average daily turnover was EGP0.65 billion. Foreign investors and Arab investors were net buyers by EGP369 million and EGP87 million respectively, while local investors were net sellers by EGP456 million. The EFG-Hermes Egypt Fund lost 1.1% during the month versus 1.7% for the HFI Index.

El Sewedy Cables released its 1H2017 results reporting 95.7% increase in operating revenues from EGP10.55 billion in 1H2016 to EGP20.66 billion. This growth was due to increase in average wire and cable prices by 107% after EGP flotation to reach EGP10.39 billion and increase in revenues of turnkey projects by 136% to reach EGP8.0 billion. In addition, net income increased by 84.6% from EGP1.63 to EGP3.01 billion. The company's board of directors proposed to distribute dividend of EGP8.0 per share implying a dividend payout ratio of 60% from 1H17 profits. Moreover, Egyptian International Pharmaceuticals (EPICO) announced its 1H2017 results showing an increase of 25.1% from EGP0.96 billion in 1H2016 to EGP1.20 billion. The company's net income grew by 67.3% to reach EGP372 million. On the real estate front, Nasr City housing announced its approval of converting part of its shares into GDRs to be listed in London. However, the company is still waiting for EFSA approval.

On the economic front, a presidential statement announced a drop of 1.6% in Egypt's budget deficit from 12.5% in FY15/16 to 10.9% in FY16/17. In addition, as per the statement, Egypt's GDP growth rate is 4.1% and it is expected to increase in a range between 4.6% and 4.8% in FY17/18. The government is also expecting that tax revenue will increase to 17% of GDP up from its current level 13%. According to the central Bank of Egypt, Egypt's tourism increased 3x in 4Q16/17 to reach USD1.5 billion. Furthermore, unemployment rate decreased by 0.02% to reach 11.98%. Egypt's Net International Reserves grew by 15.1% to reach USD36.0 billion in July. The growth was due to strong foreign inflow after the last interest rate hike in addition to receiving USD1.25 billion second tranche loan installment from the IMF. Egypt's inflation rate also increased from 29.8% in June to 33.0% in July 2017.

The fund manager remains cautiously optimistic about the outlook of the stock market over the coming period. The manager extends his overall equity exposure level and sector allocation strategy with focus on stocks with compelling valuations and strong balance sheets.

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Objective

The principal objective of the fund is long term capital appreciation through investing in Egyptian equity and equity-related securities.

Fund Performance

Returns	Egypt Fund
Month to Date *	-1.1%
Year to Date	15.6%
2016	-23.4%
2015	-29.1%
2014	19.5%
2013	16.7%
2012	46.4%
2011	-53.6%
2010	8.5%
2009	12.8%
2008	-46.2%
2007	61.9%
2006	8.6%
2005	130.7%
2004	113.1%

*MTD figures reflect performance between July 31, 2017 and August 28, 2017

Fund Information

NAV per share	USD 25.15
Launch Date	August, 1996
Listing	Irish Stock Exchange
Structure	Open Ended
Management fee	1.75%
Minimum Subscription	USD 10,000
Subscription/Redemption	Weekly

Fund Identifiers

ISIN	BMG2948Y1093
Sedol	0-306-504
Reuters Code	LCFR13, RSJA55, CLSA51, WDRIFMEA1, ABNFUNDS15
Bloomberg Ticker	EFGHEGY BH

Fund Characteristics

No. of Holdings	21
Beta	0.8
Sharpe Ratio	0.1

Top Holdings

Holding	Sector	% Holding
Commercial International Bank	Banks	19.9%
Eastern Tobacco	Personal & Household Products	10.7%
ElSewedy Electric Co	Industrial Goods and Services and Automobiles	8.3%

Allocation By Economic Sector

