

### Fund Manager's Strategy & Outlook

Market volatility increased in December with a negative bias owing to renewed friction in the streets. Average daily turnover amounted to USD40 million with the bulk of trading emanating from local investors. The fund closed the month with a decline of 9.7% bringing its return for 2011 to -53.6%.

December was a busy month for Orascom Construction Industries (OCI) as the company announced filing with the Egyptian and UK authorities for the start of the demerger process of its construction business from the fertilizers business. The demerger was initially applied to allow each of the businesses to pursue an independent growth strategy and is expected to be completed by 1Q 2012. The company also announced acquiring minorities in its Texas based subsidiary Pandora Methanol LLC bringing the group's total stake in the company to 100% and renaming it to OCI North America. OCI has won two contracts during the month, a USD810mn contract for the third phase of Egyptian Grand Museum in a joint venture with BESIX group and USD100mn for civil works package for Assiut hydropower plant. On the banking front, Commercial International Bank (CIB) has participated in a syndicated loan amounting to EGP855mn for Orascom Hotel & Development (OHD) to finance development of new hotels and to refinance short-term debt. In addition, Juhayna Food Industries has signed an EGP300mn loan contract with Commercial International bank to help finance its new yoghurt plant which is expected to double its current production capacity and estimated to start its operations by the end of 2013.

On the economic front, Egypt recorded an economic growth of 0.2% in the first quarter of the FY2011/2012 vs. 0.4% in the previous quarter. Vital economic sectors were hit during the quarter including tourism, manufacturing and construction while revenues from Suez Canal and Telecommunication sector remained stable. Annual Headline inflation accelerated to 9.1% in November on higher food prices while core inflation dropped to 7.0% year-on-year in November from 7.6% in October. On a separate note, Egypt received an additional USD270mn from Arab Monetary Fund to back the country's reforms in its financial sector and USD1bn from the armed forces to support international reserves.

With market volatility prevailing during the current political evolution, the fund manager continues exploiting short term trading opportunities while keeping long term positions in defensive stocks. The cash position will be opportunistically allocated to long-term value plays on market dips.

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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		-9.7%
2011		-53.6%
2010		8.5%
2009		12.8%
2008		-46.2%
2007		61.9%
2006		8.6%
2005		130.7%
2004		113.1%

### Fund Information

NAV per share		USD 19.65
Launch Date		August, 1996
Listing		Irish Stock Exchange
Structure		Open Ended
Management fee		1.75%
Minimum Subscription		USD 10,000
Subscription/Redemption		Monthly

### Fund Identifiers

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

### Fund Characteristics

No. of Holdings		14
Beta		0.80
Sharpe Ratio		-0.06

### Top Holdings

Holding	Sector	% Holding
Orascom Construction Industries	Construction	10.9%
Commercial International Bank	Banking	10.2%
Talaat Mustafa Group	Real Estate	7.7%

### Allocation By Economic Sector

