

Fund Manager's Strategy & Outlook

The political scene occupied the news throughout the last month of 2012. The long awaited constitutional voting took place during the month witnessing strong opposition from several political parties. Post political clashes the market took a heaving beating which invited foreign investors who were bottom fishing. The fund shed 2.9% during December 2012 bringing its total returns for 2012 to 46.4%.

The month of December was a quiet month in terms news and announcements on the companies' front. Nevertheless, the much anticipated NSGB acquisition deal was finalized with the bank reaching a final agreement with Qatar National Bank (QNB) to sell the 77.17% stake of Societe Generale for USD1.97 bn bringing the total value of the bank to USD 2.56 bn. Despite the bank's strong asset quality and high profitability, the relatively low deal value could be justified by Egypt's hampered political and economic situation as well as Societe Generale's willingness to dispose its Egyptian operations. The deal value had a negative impact on the bank's trading price as well as the banking sector as a whole; particularly acquisition targets. On a separate note, Orascom Construction Industries (OCI) subsidiary "International Steam Boilers" was renationalized due to issues in its initial privatization contract dated back to 1994. The court ruling entailed that OCI returns all assets of the company to the government in return it would receive all funds previously paid in the transaction. The company commented that its subsidiary does not generate any revenues for OCI.

On the economic front, the country's balance of payments gap has sharply narrowed during 3Q 2012 reaching USD519 million versus 2.4 billion in 3Q 2011. The balance of payments was largely supported by increasing remittances reaching USD 4.9 billion during the quarter. Net International Reserves remained stable during the last month of the year due to the last installment of USD500 million deposited by the Qatari government. The country's foreign reserves stood at USD15 billion in December 2012 showing a year-on-year drop of 17% versus 50% in 2011. It is worth mentioning that the Central Bank of Egypt (CBE) has introduced FX auctions in an effort to protect the county's foreign reserves which caused the value of the EGP to fall against the USD reaching 6.32 EGP/USD by the end of the month.

With positive sentiment crawling into the market, the fund manager will maintain a cautiously optimistic view during the coming period. Furthermore, equity exposure and asset allocation for the fund were adjusted by the fund manager in light of current market conditions.

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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	-2.9%
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%

Fund Information

NAV per share	USD 28.76
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	0.81
Sharpe Ratio	0.09

Top Holdings

Holding	Sector	% Holding
ORASCOM CONSTRUCTION INDS	Construction	16.1
COMMERCIAL INTERNATIONAL BANK	Banking	13.4
ORASCOM TELECOM HOLDING	Telecom.	10.9

Allocation By Economic Sector

