

Fund Strategy & Outlook

The Egyptian market showed a 7.8% increase in EGP and a 6.09% in USD terms during December 2016 bringing the EGX30 overall return of 2016 to 76.2% in EGP and -25.1% in USD terms. With the heightened daily turnover levels post the local currency floatation, the market was able to end the year with an average daily turnover of EGP739 million after maintaining an average daily turnover of EGP569 million pre floatation compared to EGP1.63 billion post floatation. The EFG-Hermes Egypt Fund lost 1.6% during the month versus gain 0.5% for the HFI Index.

It is worth mentioning that Obour Land concluded the sale of 40% in an IPO deal worth around EGP774 million. The private offering was for 56 million shares and it was covered 7.4x, while the public offering was for 24 million shares and it was covered 1.9x and the stock started trading mid-December 2016 at EGP9.68 per share.

Commercial International Bank (CIB) signed an agreement with a group of Egyptian and regional investors to sell 71.9% stake in CI Capital at EGP683 million. The firm is the bank's investment arm is valued at EGP950 million, the deal is still subject to regulatory approvals and is expected to be finalized during 1Q2017. Ezz Steel released its 9M16 results showing a 16.9% increase in operating revenue to reach EGP14.92 billion. This came on the back of increasing steel prices to reflect the higher costs of production on the company favored by the local currency devaluation. On the real state front, Palm hills signed an agreement with Arab African bank, Banque misr and Sarwa capital to introduce securitization bonds for total of EGP404 million which will be used to cover its existing debt. EDITA decided to raise prices across all of its major segments by a range of 20-50% in response to weaker EGP post recent currency floatation, which lead to higher sugar prices in addition to the recent impact of the Value Added Tax.

On the economic front, the World Bank and African Development bank approved to pay the second tranche of the USD3.0 and USD1.5 billion loans which amount to USD1.0 billion and USD0.5 billion respectively, to be directed to development projects. On the same note, USD2.0 billion by the International Finance Corporation (IFC) was pledged to support the private sector in Egypt over the coming three years. The government also signed a three years currency swap agreement with China to reduce USD demand for trade and investment transactions, the agreement worth CNY18.0 billion equivalent to USD2.6 billion. During December 2016, the Monetary Policy Committee (MPC) kept the overnight deposit and lending rates unchanged at 14.75% and 15.75% respectively after the 5.50% hike during the year. The Central Bank of Egypt announced that Egypt's Net international Reserves increased significantly at the end of December to reach USD24.2 billion. Egypt's inflation rate also increased to reach 19.4% as of November 2016; the highest in the past two decades, following the EGP floatation decision and the increase in fuel prices.

The fund manager is cautiously optimistic about the future prospects of the stock market performance, especially after the solid rally that took place in 4Q2016. Accordingly, the manager would maintain his diversified overall equity exposure and reshuffle the portfolio holdings into undervalued stocks that retain upside potential and realize gains in fairly valued stocks.

Tel: +20 2 3535 6528 / Fax: +20 2 3537 0924
E-mail: AMsales@efg-hermes.com

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 *	-1.6%
Year to Date	-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 November 28 2016 and December 12, 2016

Fund Information

NAV per share	USD 21.76
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	24
Beta	0.8
Sharpe Ratio	0.0

Top Holdings

Holding	Sector	% Holding
Commercial International Bank	Banking	18.5%
Global Telecom Holding	Telecommunications	8.1%
Eastern Tobacco	Personal & Household	7.2%

