

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 30.49
Listing	Irish Stock Exchange
Index of reference	Hermes Financial Index
Bloomberg Ticker	EFGHEGY BH
ISIN	BMG2948Y1093

Quantitative Data (Since Inception)

Standard Deviation	27.0%
Beta	0.8
Sharpe Ratio	0.1

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	ambusinessdev@efg-hermes.com

Fund Administrator

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

Performance Figures

Date	Return
December 2017	5.6%
Full Year 2017	40.1%
1 Year	40.1%
5-YTD	6.0%
Since Inception	299.1%

*EFG Hermes Egypt Fund achieved a strong 5-YTD return of 199% in EGP but it was affected by the sharp currency devaluation as shown above.

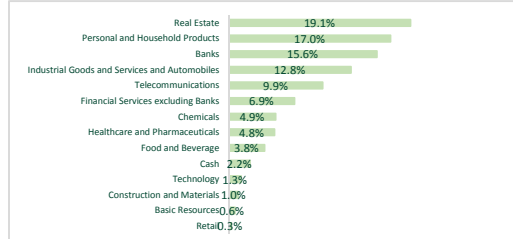
Top Holdings

Stock Name	Sector	Weight
Eastern Tobacco	Personal & Household Products	13.1%
Commercial International Bank Egypt	Banks	13.1%
El Sewedy Electric	Industrial Goods & Services	12.8%
TMG Holding	Real Estate	8.0%
Global Telecom	Telecom	7.8%

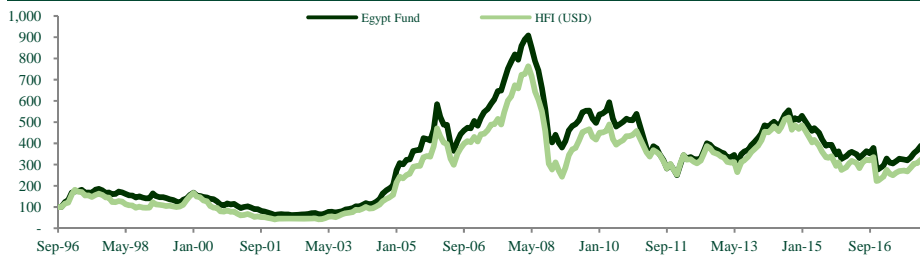
Performance Contributors (Monthly)

Stock Name	Sector
Eastern Tobacco	Personal & Household Products
El Sewedy Electric	Industrial Goods & Services
Egyptian International Pharmaceuticals	Healthcare and Pharmaceuticals

Sector Allocation



Track Record Vs HFI (USD)



Market Outlook

Market Commentary

- The Egyptian market main index EGX30 increased 3% in December to end 2017 increasing 21.7%. We highlight that an appreciation of 3.5% in EGP during 2017 led to an increase of 25.9% in EGX30 in USD terms.
- Foreigners were the main buyers in the market ending 2017 as net buyers by EGP8.5 billion while Arabs ended the year as net buyers by EGP0.7 billion keeping local investors as the only net sellers by EGP9.2 billion.
- Consumer Staples and Health Care Sectors were the major outperformers during 2017 led by Eastern Company that increased by 232% on the back of a series of price hikes post EGP floatation along with resilient demand given the nature of the product. We highlight that both sectors are supported by strong private consumption given Egypt's population in excess of 100 million.
- Chemicals and Fertilizers also outperformed the market given the hike in commodity prices during 2017 in addition to revaluation of the sector post the EGP floatation in November 2016.
- Telecoms and Information Technology, on the other hand, underperformed the market, mainly on the back of higher CAPEX and debt post EGP floatation.

Economic Update

- Egypt's current account deficit decreased by 65.7% in 1Q17/18 amounting to USD1.6 billion down from a deficit of USD4.8 billion in 1Q16/17. This significant drop is on the back of 3 main reasons: 1) Net Tourism proceeds of USD2.0 billion compared to a deficit of USD0.3 billion in 1Q16/17; 2) Increase of 37.4% in remittances from Egyptians abroad reaching USD5.9 billion; and 3) An 11% increase in total exports to USD5.8 billion.
- Zohr Gas Field discovered by Eni back in 2015 with an estimated 30 trillion cubic feet reserves started production with an initial rate of 350 million cubic feet per day. Production should increase to 2.7 billion cubic feet per day in 4Q18 or 1Q19. This project should reduce Egypt's import bill by USD3 billion per annum.
- S&P raised Egypt's credit rating outlook to positive from stable while maintaining sovereign rating at B-. The agency stated that the improved outlook was on the back of higher reserves and strong economic growth, while the high fiscal deficit and public debt were behind maintaining the sovereign rating at B-.

Strategy

- We expect an expansionary policy by the government due to presidential elections leading GDP growth to be in the range of 5.0%. Moreover, we believe that inflation has peaked last July at 33% and has been falling over the past 4 months and we expect it to keep declining over the next 6 months leading to 3-4% interest rate cuts throughout 2018. Finally, we believe that better current account and balance of payment dynamics especially with the beginning of production in Zohr Gas field might lead to a slight appreciation in EGP.
- As a result, we overweight stocks that we believe are well positioned to benefit from the above theme, and has a strong balance sheet to capture growth opportunities.