

Fund Manager's Strategy & Outlook

The Egyptian market is still overshadowed by high volatility on the back of uncertainty regarding corporate results. Analysts are still uncertain over the outlook for the rest of the year and this weighed on the HFI performance as it dropped 10% during the month of February. The Egypt Fund managed to outperform yet again by 4.7%, bringing year to date outperformance to the index to a full 8%.

The Fund still maintains a large weighting in Telecom Egypt, Egypt's sole fixed-line operator. Earlier in February the company announced that it has agreed to sell its 50:50 Algerian fixed line joint venture with Orascom Telecom to the Dubai based VTEL Holdings Ltd. The company's management later announced that it was still looking to buy a telecom firm in the region to reduce dependence on its home market.

The Fund's top banking sector exposure is the Commercial International Bank (CIB) which reported a net profit of EGP1.4 billion for the year ending December 2008, 6.5% higher than the EGP1.3 billion reported for 2007. CIB demonstrated a weak performance during 4Q 2008, where the net income for the quarter was EGP104 million, 70% lower than the EGP345 million reported during Q3 2008 and 79% lower than the EGP491 million reported in 4Q 2007. The main reason behind the drop is a 42% drop in net fees and commissions and a 502% surge in booked provisions, in addition to the higher administrative expenses resulting into a lower efficiency.

During February 2009 the Monetary Policy Committee (MPC) at the Central Bank of Egypt (CBE) decided to cut interest rates by an aggressive 1% (100 bps). The rate cut was triggered by a rapid deceleration in economic growth and an improvement in the inflation outlook. Data released by the government showed economic growth decelerating sharply to 4.1% year-on-year in 2Q2008/09 (4Q2008) compared to 5.8% in the previous quarter and 7.7% a year earlier. This was mainly due to the external demand shock which further depressed domestic demand. It is expected that the CBE reduce rates further during 2009 in an attempt to stimulate economic growth.

As the corporate result season for Egyptian companies comes to full disclosure the market is searching for a clearer view for the year ahead. Stocks still offer attractive bargaining opportunities however; low visibility is in the way of the purchasing power. The investment manager will maintain the current high cash cushion, fishing for opportunities to deploy cash effectively.

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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	-5.1%
Year to Date	-13.5%
2008	-46.2%
2007	61.9%
2006	8.6%
2005	130.7%
2004	113.1%

Fund Information

NAV per share	USD 29.90
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	16
Beta	0.78
Sharpe Ratio	0.31

Top Holdings

Holding	Sector	% Holding
Telecom Egypt	TMT	4.2%
Mobilnil	TMT	4.0%
Maridive Oil & Services	Oil & Petrochemicals	3.9%

Allocation By Asset Breakdown

