

Fund Manager's Strategy & Outlook

February was a moderate month in terms of performance with the market slightly gaining ground after a sharp decline in the beginning of the year. The month was characterized by strong Arab purchasing which countered local and foreign selling pressure. We note that Arab investors ended the month as net buyers by around EGP205 million while local and foreign investors were net sellers by EGP35 million and EGP170 million, respectively. The EFG-Hermes Egypt Fund gained 4.1% during the month versus 4.1% for the HFI Index.

On the companies' front, Commercial International Bank released FY2015 results with net income reaching EGP4.73 billion in FY2015 from EGP3.74 billion in 2014 showing 26.4% annual increase. This came on the back of a significant improvement in interest income reaching EGP8.12 billion up 29.7% from EGP6.26 billion in FY2014 due to higher interest spread increasing from 3.1% in 2014 to 3.8% in 2015. Global Telecom also released FY2015 results indicating 11.8% annual decline in net operating revenue to USD2.89 billion. The drop in sales was mainly on the back of 25.0% decline in revenues from the company's operations in Algeria due to the delay in offering 3G services, thus, losing competitive edge in the Algerian market. However, the company's net losses narrowed from USD460 million in FY2014 to USD143 million in FY2015 on the back of the decline in the company's debt by 56.6% and a decline in interest expense by 51.4% after the company was able to resolve its dispute with the Algerian government. El Sewedy Cables announced that one of its subsidiaries signed an EPC preliminary contract in Angola with the Ministry of Energy and Water to develop three power plants worth USD484.5 million. The EPC contract will be 100% paid in USD and the company will receive its receivables outside of Angola thus limiting repatriation risks.

On the economic front, Egypt's Minister of Finance stated that GDP growth in FY15/16 will be targeted at 4.0 - 4.25% as a result of the drop in the tourism industry post the Russian plane crash which should widen the budget deficit to 11.0 - 11.5%. The CBE governor stated that the country will not float the EGP as long as the foreign reserves are below USD25 billion. The CBE also increased the monthly cap on FX cash deposits to USD1.0 million in order to ease imports of production inputs in addition to allowing individuals arriving to Egypt with more than USD10k to deposit their funds. These steps aim at easing restrictions and improving FX liquidity within local banks with a special focus on providing foreign currency for the import of basic goods and productive sectors in the economy. Net International Reserves slightly increased to USD16.5 billion by the end of January 2016. Headline inflation dropped to 10.1% in January 2016 from 11.1% during the previous month.

Following the local currency devaluation that took place in early March 2016, the fund manager currently positions the Egyptian market as a tactical overweight for selective stocks that are expected to benefit from current conditions and to outperform over the coming period. The fund manager will adjust his top picks accordingly and will also maintain his USD cash allocation and exposure to USD stocks.

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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 *	4.1%
Year to Date	-6.1%
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 January 18, 2015 and February 29, 2016

Fund Information

NAV per share	USD 26.7
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	27
Beta	0.8
Sharpe Ratio	0.04

Top Holdings

Holding	Sector	% Holding
Commercial International Bank	Banking	16.2%
Eastern Tobacco	Personal & Household	11.0%
El Swedy Electric Co	Industrial Goods	6.4%

Allocation By Economic Sector

