

Fund Manager's Strategy & Outlook

The market witnessed an expected beginning of year rally driven by short-term optimism of the New Year and on news of worldwide coordinated stimulus packages. The short lived rally was soon reversed and the market began to slide with large profit taking waves. The HFI closed the first month of the year down 13.0% and the Fund Manager's strategy was successful in outperforming the index by a whopping 4%.

As part of our defensive stock selection strategy, Telecom Egypt (TE) is our top pick followed by the leading local mobile operator Mobinil. The latter announced full year 2008 results reporting increase in bottom line figure by 7.9% to record EGP2.0 billion. This came on the back of higher than expected EBITDA, which stood at EGP4.9 billion, growing by 27.5% year-on-year, realizing an improvement in margin by 230 bps to record 46.8%, and lower than expected interest expense. Revenue rose by 21.3% to reach EGP10.0 billion as the company's total subscribers rose by a 33.0% year-on-year to record 20.1 million subscribers as end of year, adding around 5.0 million during the year and 1.2 million subscribers during 4Q08 alone.

December inflation figure witnessed an expected decline, with the year-on-year increase in the urban Consumer Price Index at 18.3% in December 2008, compared to a year-on-year increase of 20.3% in November. The year-on-year increase in the Food and Beverages sub-index also declined to 21.9%, from 26.4% in November. While the drop is significant compared to previous months, it does not fully reflect the much bigger fall in international food and commodity prices and we still believe further drops in 2009 will be more significant.

During January, the government announced it will implement a number of measures to help reduce the impact of the global and domestic slowdown. Among announced measures is the removal of the development fee on exports of all vehicles, currently at 2%; exempting imported car parts from customs duties; reducing or removing the sales tax on local cars. Furthermore, the government announced an addition to its stimulus package amounting to EGP15 billion to be spent over FY2009/2010, bringing total announced amount by the government to EGP30 billion.

The Investment Manager maintains a cautious investment stance and mainly focuses on keeping a high level of cash and slowly building positions in stocks that are defensive with attractive valuations while trading the market's volatility.

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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	-8.9%
Year to Date	-8.9%
2008	-46.2%
2007	61.9%
2006	8.6%
2005	130.7%
2004	113.1%

Fund Information

NAV per share	USD 31.50
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	EFHGEGY BH

Fund Characteristics

No. of Holdings	16
Beta	0.78
Sharpe Ratio	0.25

Top Holdings

Holding	Sector	% Holding
Telecom Egypt	TMT	5.5%
Mobinil	TMT	5.0%
Maridive Oil & Services	Oil & Petrochemicals	5.0%

Allocation By Asset Breakdown

