

Fund Strategy & Outlook

The Egyptian market started the month with an 8.8% increase in EGP terms and 5.5% in USD terms. However, towards mid-January 2017 investors started to lock in profits post the significant gains that started since the local currency flotation, which pressured the market causing a 5.7% drop in EGP terms and 5.8% in USD terms. As a result, the market ended the month gaining 2.7% in local currency yet declined by 0.7% in USD currency. During the month, foreign and Arab investors were net buyers by EGP1.49 billion and EGP19.0 million respectively, while local investors were net sellers by EGP1.51 billion. The EFG-Hermes Egypt Fund gained 6.5% during the month versus 8.3% for the HFI Index.

Commercial International Bank (CIB) released its 2016 results showing a 23.4% increase in net interest income from EGP8.12 billion in 2015 to EGP10.02 billion in 2016. This positive return came on the back of 54.0% growth in average interest earning assets. Net income also grew by 24.4% from EGP4.73 billion in 2015 to EGP5.88 billion in 2016. Global Telecom also announced applying a share buyback program for 10% of the company's shares at a price of EGP7.09 per share equivalent to EGP4.1 billion that started on 19 January and will end on 16 February 2017. On the real state front, Nasr city board of directors approved selling 4 million treasury shares at market price before February 13th 2017 (expiration date). The company announced the proceeds of the sale will be paid in the form of cash dividend to shareholders.

On the economic front, Egypt managed to raise USD4.0 billion in Eurobonds, which is double the initial target amount. The procedure of selling the Eurobonds was done over three tranches and the subscription was covered 3.4x making it one of the most subscribed bonds in emerging markets in the last three years. After the IMF announcement of the details of its agreement with the Egyptian government, which commits Egypt to apply a capital gain tax or stamp duty tax on stock market, the Ministry of Finance considers applying a stamp duty tax on stock market transactions and it confirmed delaying capital gain tax for three years. The Central Bank of Egypt announced an increase of 24.3% in Egypt's current account deficit in 1Q16/17 to reach USD4.98 billion. This came despite the drop in the country's trade deficit, yet due to lower incoming tourists and private transfers of the Egyptian remittances. Egypt's Net international Reserves increased by 8.6% at the end of January to reach USD26.4 billion due to the proceeds of the Eurobonds. Egypt's inflation rate also increased to reach 23.3% as of December 2016.

The fund manager will maintain his diversified stock allocation between defensive, consumer stocks and undervalued high beta names and his overall equity exposure to benefit from the market movements over the coming period.

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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 *	6.5%
Year to Date	6.5%
2016	-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 December 12 2016 and January 12, 2016

Fund Information

NAV per share	USD 23.2
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	23
Beta	0.8
Sharpe Ratio	0.0

Top Holdings

Holding	Sector	% Holding
Commercial International Bank	Banking	17.8%
Eastern Tobacco	Personal & Household	8.7%
Global Telecom Holding	Telecommunications	8.1%

Allocation By Economic Sector

