

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 27.9
Listing	Irish Stock Exchange
Index of reference	Hermes Financial Index
Bloomberg Ticker	EFGHEGY BH
ISIN	BMG2948Y1093

Quantitative Data (Since Inception)

Standard Deviation	26.6%
Beta	0.8
Sharpe Ratio	0.0

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
Fax	+973 1756 9574

Portfolio

Performance Figures

Date	Return
January 2019	4.6%
YTD	4.6%
1 Year	-11.9%
5-YTD	-20.6%
Since Inception	264.8%

*EFG Hermes Egypt Fund achieved a strong 5-YTD return of 101.3% in EGP but it was affected by the sharp currency devaluation as shown above.

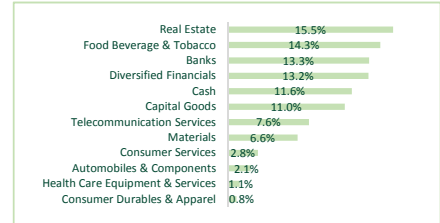
Top Holdings

Stock Name	Sector	Weight
Commercial International Bank Egypt	Banks	10.8%
Eastern Tobacco	Food Beverage & Tobacco	9.5%
ElSewedy Electric Co	Capital Goods	7.8%
Talaat Moustafa Group	Real Estate	7.5%
Egyptian Financial Group-Hermes Holding Co	Diversified Financials	5.5%

Performance Contributors (Monthly)

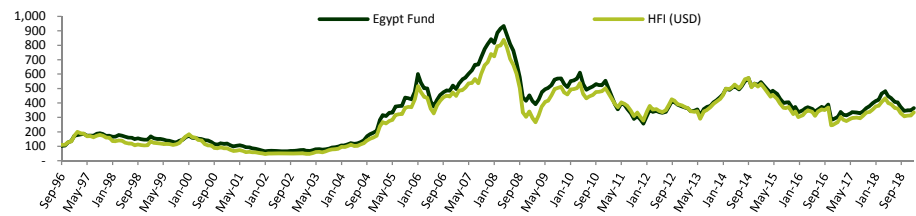
Stock Name	Sector
Commercial International Bank Egypt SAE	Banks
Talaat Moustafa Group	Real Estate
Egypt Kuwait Holding Co SAE	Diversified Financials

Sector Allocation*



* GICS Industry Group

Track Record Vs HFI (USD)



Market Outlook

Market Commentary

- EGX30 started 2019 with gains of 8.4% during January post a 13.2% loss in 2018. The market rally was aligned with the hype in MSCI emerging markets with its main index increasing by 8.7% during the same period.
- EGX30 announced its semi-annual balance removing eight companies from the index: 1) Abu Qir Fertilizers, 2) Egypt Aluminum, 3) EDITA, 4) Sidi Kreir Petrochemicals, 5) Ibn Sina Pharmaceuticals, 6) QNB Al Ahli, 7) Porto Group, and 8) Orascom Construction to be replaced by the following eight companies: 1) Arab Company for Asset Management, 2) Orascom Development, 3) Arab Investment and Development, 4) CIRA, 5) Egyptian Chemical Industries - KIMA, 6) Sarwa Capital, 7) Oriental Weavers, and 8) GB Auto.
- The telecommunication sector rallied during the month with Global Telecom (21.5%) post Veon discussion with FRA options to take the company and Telecom Egypt (10.3%)
- Banking sector also outperformed the market especially CIB (12.1%) due to strong foreign inflows in January
- Real estate sector outperformed with SODIC (16.6%), TMG (15.0%) and Palm hills (6.7%)
- MM Group was the highest outperformer in January with +23.5% on the back of Vitas Egypt (MM group subsidiary) receiving microfinancing licence from FRA

Economic Update

- IMF Completes Egypt's Fourth Review of Egypt's Economic Reform Program
- Egypt Achieves Primary Surplus of 0.4% of GDP in 1H18/19
- Egypt's Current Account Deficit Flat at USD1.75 Billion in 1Q18/19
- Net International Reserves was flat during January 2019 at USD42.6 billion
- Inflation rate increased by 5.8% during January 2019 to reach 12.7% up from 12.0% as of December 2018

Strategy

The EGX 30 index increased by 21.5% from its bottom in December reaching 14,754 point as of February 7th, 2019 yet we are still 19.7% below the peak. We highlight that this coincided with MSCI EM increasing by 10.8% from its bottom reached in October yet it is still 18.6% below its peak. We believe that emerging markets should receive strong inflows from investors similar to the ones we saw in 2017 given the change in direction the Fed has recently taken and lowering its assumptions of further hikes.

We believe that Egypt should outpace emerging markets given the following:

- ≡ Continuous improvement in economic indicators with Egypt achieving primary budget surplus for the first time in 15 years in addition to achieving GDP growth in the range of 5.5% in the next fiscal year.
- ≡ The rationalization in oil prices improves Egypt's budget outlook and gives the government more freedom in adjusting the subsidies and reducing the overall budget deficit.
- ≡ Healthy net international reserves in the range of USD42.6 billion which covers 8.1 months of imports despite USD11.4 billion foreign investment outflows from Egypt's local treasuries in 2018.
- ≡ The Egyptian market is currently trading at P/E (2019e) of 8.6x while achieving an ROE of 22.9% while the MSCI EM is currently trading at P/E (2019e) of 11.9x while achieving an ROE of 12.4%.

We highlight that Egypt is trading at deep discount to MSCI EM markets given its current high interest rates; therefore, we believe that if the CBE renewed its easing cycle that started last year this is going to be strong catalyst to the market. We believe that post the recent rally, the market might move a bit of a sideways for a period before resuming its uptrend.

Finally, we highlight that historically speaking when EGX was traded at P/E valuation range of 8.7x, the subsequent 12 months returns were never negative based on a number of observations with the minimum yield was 17%, while the maximum yield was 93%, and the average yield was 54%.