

Fund Strategy & Outlook

The Egyptian market showed stellar performance during July 2016 with 15.0% return raising the YTD negative performance for the EGX30 to a positive 13.9% return. Towards the end of the month, the market witnessed a strong rally on the back of renewed negotiations with the IMF on USD12 billion loan over three years. Local investors were buyers during the month by EGP307 million and Arab investors were net buyers by EGP80 million while foreign investors were net sellers by EGP387 million accordingly. The EFG-Hermes Egypt Fund gained 4.4% during the month versus 9.8% for the HFI Index.

Commercial International Bank (CIB) released its 1H2016 results showing 19.9% growth in net interest income reaching EGP4.53 billion while the bank's net income followed suite and showed an annual increase of 22.2% reaching EGP2.26 billion. The growth was mainly due to 1) increase in the bank's interest spread to 2.08% compared to 2.02% in 1H2015, 2) increase in cost to income ratio to 25.7% due to the acquisition of Citibank retail portfolio, and 3) decrease in effective tax rate to 25.7%. On the Telecom front, Global Telecom finalized the merge of its Pakistani subsidiary Mobilink with Warid Telecom. This deal is expected to enhance the company's annual cash flow by around USD100 million and create CAPEX and OPEX synergies of around USD500 million. El Sewedy Cables signed a contract for the engineering and construction of 385 km transmission line with the Egyptian Electricity Transmission company. This should increase the company's backlog by whopping 7.8% reaching EGP21.4 billion.

On the economic front, Egypt is officially negotiating a three years USD12 billion IMF loan to restructure deficit and fiscal issues that the country is currently facing. The government also announced the possibility of issuing Eurobonds amounting to USD2-3 billion along with a USD4.0 billion loan from the World Bank post reaching a final agreement with the IMF. It is worth mentioning also that Saudi Arabia and UAE have pledged a USD4.5 billion loan which is expected to be paid over the coming few months. Egypt's Net international Reserves slightly inched up to reach USD17.55 billion at the end of June 2016. Inflation increased to 14% in June 2016, thus, reaching its highest level during the past seven years.

The fund manager slightly raises exposure as ongoing talks with the IMF delegation have been reflecting positively on the local market and hence we are cautiously optimistic for the short and medium term. We maintain our selectiveness and diversity of stocks that would benefit from the EGP devaluation and market movement 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 *	4.4%
Year to Date	-4.6%
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 June 27, 2016 and July 25, 2016

Fund Information

NAV per share	USD 27.1
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	28
Beta	0.8
Sharpe Ratio	0.05

Top Holdings

Holding	Sector	% Holding
Commercial International Bank	Banking	14.2%
Eastern Tobacco	Personal & Household	10.3%
Global Telecom Holding	Telecommunications	8.6%

Allocation By Economic Sector

