

### Fund Strategy & Outlook

The Egyptian market was stable during July 2017 with 0.2% increase in EGP terms. However, in USD terms the market increased by 1.62% as the EGP currency strengthened by 1.4% against the USD currency. During the month, foreign investors were net buyers by EGP248 million, while local investors and Arab investors were net sellers by EGP0.5 million and EGP247 million respectively. The EFG-Hermes Egypt Fund lost 1.1% during the month versus a gain of 1.2% for the HFI Index.

EGX30 announced its semi-annual balance removing four companies from the index including Juhayna, Credit Agricole Egypt, Orascom Construction, and GB Auto to be replaced by Alexandria Minerals Oil Company (AMOC), Abu Dhabi Islamic Bank Egypt, Egyptian Financial Industrial Company (EFIC), and Egyptian Chemical Industries (KIMA).

Commercial International Bank (CIB) released its 1H2017 results reporting an increase of 26.7% in net interest income from EGP4.53 billion in 1H2016 to EGP5.74 billion. This growth was due to an increase of 45.6% in average interest earning assets. The bank's net income also grew by 29.2% to reach EGP3.56 billion. EFG-Hermes acquired 50% in Frontier Investment Management for total of USD21.5 million; this transaction will lead to an increase in EFG-Hermes total assets under management to reach USD4.5 billion. Juhayna released its 1H2017 results with 17.4% growth in operating revenues to reach EGP2.86 billion. However, the company's operating revenues also increased by 17.4% reaching EGP2.48 billion, which led to an increase in EBITDA by 17.7% amounting to EGP384 million. On the other hand, net income dropped by 22.5% from EGP110 million to EGP85 million. This was due to a 56.4% increase in net interest expense from EGP120 million to EGP187 million. Ezz Steel announced its 1Q2017 results showing an increase of 63.4% in operating revenue to reach EGP8.11 billion. On the other hand, the company reported a net loss of EGP521 million on the back of the company's high debt level with the high interest rate environment led to 2.4x spike in financing costs amounting to EGP692 million.

On the economic front, the Monetary Policy Committee (MPC) announced increasing the overnight deposit and lending rates by additional 2.0% to reach 18.75% and 19.75% respectively. In addition, the IMF board approved and disbursed the second tranche (USD1.25 billion) of the USD12.0 billion loan. Egypt's Net International Reserves inched up by 0.64% in June to reach USD31.3 billion from USD31.1 billion in May. Egypt's inflation rate also maintained its level at 29.8% in June.

The fund manager maintains his stock selection and sector allocation strategy focusing on undervalued stocks with strong fundamentals and solid balance sheets. Exposure to highly leveraged companies will remain reduced given the heightened interest rate environment over the short term period.

Tel: +20 2 3535 6528 / Fax: +20 2 3537 0924  
E-mail: [AMsales@efg-hermes.com](mailto:AMsales@efg-hermes.com)

### 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 *	-1.1%
Year to Date	16.9%
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 June 19 2017 and July 31, 2017

### Fund Information

NAV per share	USD 25.44
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	21
Beta	0.8
Sharpe Ratio	0.1

### Top Holdings

Holding	Sector	% Holding
Commercial International Bank	Banking	19.5%
Eastern Tobacco	Personal & Household Products	11.7%
ElSewedy Electric Co	Industrial Goods and Services and Automobiles	7.6%

