

Fund Manager's Strategy & Outlook

The Egypt Fund continued to add to its previous gains, closing the month up 2.0% thus bringing its YTD returns to 11.5%. The market rallied continuously for the first half of the month adding almost 14% to its previous gains. The second half witnessed a correction that wiped off all the month's gains as investors took some of their profits off the table; ending the month up 1.9%.

Orascom Telecom (OT) shed some of the previous month's returns as the dispute with France Telecom seemed to be going nowhere. Nevertheless, towards the end of the month OT announced the introduction of a submarine data cable by year-end, the intention to float its subsidiaries in Tunisia and Algeria, and rolling out mobile banking services in Pakistan.

Economic news remained on the positive side with the Minister of Finance announcing that full-year GDP growth is expected to exceed 4% and inflation declining to 10.2% year-on-year in May and is expected to ease further. The government's stimulus package seemed to have achieved its announced goal and, apart from contributing to overall growth and lifting sentiment, we saw some of its positive effects trickling down to the listed universe with Orascom Construction Industries announcing the award of two infrastructure contracts in Egypt totaling USD 168mn. The government's increasing infrastructure spending is expected to benefit materials manufacturers as well such as El Sewedy Cables which should also benefit from climbing copper prices.

On the same note, policy makers at the Central Bank of Egypt (CBE) stayed with the same growth-inducing policy track and cut its benchmark rates for the fourth consecutive time this year by 50bps. The CBE has announced growth in non-official reserves for the first time since May 2008 reflecting positive portfolio inflows into T-bills and equities and reinforcing the CBE's ability to stabilize the exchange rate when needed.

The Investment Manager raised the Fund's overall exposure this month and this increase was targeted mainly at mid-caps and reshuffling away from some large caps which had outperformed the market. This strategy fared well for the Fund as both have contributed positively to performance by month end.

Despite the correction and declining volumes, which are usually slow in the summer season, the market seems to be holding on to its gains and the economy is still showing robustness. The Investment Manager intends to opportunistically benefit from any short term correction and build positions in undervalued stocks with solid financials and stable outlook.

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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	2.0%
Year to Date	11.5%
2008	-46.2%
2007	61.9%
2006	8.6%
2005	130.7%
2004	113.1%

Fund Information

NAV per share	USD 38.55
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	EFGHEGY BH

Fund Characteristics

No. of Holdings	22
Beta	0.98
Sharpe Ratio	0.55

Top Holdings

Holding	Sector	% Holding
Telecom Egypt	TMT	7.2%
CIB	Financial Services	7.1%
Orascom Telecom	TMT	6.9%

Allocation By Asset Breakdown

