

Fund Manager's Strategy & Outlook

The recent political events in Egypt and the heightened degree of uncertainty were reflected into increasing volatility in the stock market since resumption of trading in late march. The Fund lost -29.9% in the year to date returns.

The Egyptian Stock Exchange resumed its trading activity on the 23rd of March after being closed for almost two months. After an initial downward move, the market saw a rally in the following few sessions with an increasing participation of local retail investors foreign buying flow was concentrated in selective picks in the market. Average daily turnover amounted to USD84 million since the resumption of trading vs. USD116 for the past 3 months..

The market saw a motion of result announcements during the month,. On the banking front, National Societe General Bank (NSGB) reported strong 4Q2010 results, driven by strong revenue growth and provisions recoveries. Heavy weight Orascom Construction Industries (OCI) 4Q201 results where above expectations reporting a 76% year-on-year increase in net income and a lower than expected financing costs that are mainly due to an FX gain. With regards to the telecom sector, Telecom Egypt 4Q2010 results were mixed, with revenues exceeding expectations, earnings in line, and a disappointing EBITDA margin due to the implementation of the early retirement benefit program starting July 2010.

On the economic front, GDP expected growth rate for fiscal year 2010/2011 has been revised downwards from previously 6% to 2%-3% due to the recent political turmoil. Headline inflation figure has slightly decelerated to reach 10.7% year-on-year in February 2011 from 10.8% in January 2011. Core inflation figures showed similar behavior with a slight monthly drop from 9.74% in January to 9.51% in February 2011 which is still above the assumed comfort zone of the Central Bank of Egypt of 6-8%.

The fund manager's strategy for the coming period is to concentrate investments on the main beneficiaries of the current situation; companies with strong balance sheets, export revenues, high dividend plays, commodity linked plays and beneficiaries of the FX movement and exit from sectors and selective companies that could be negatively affected by a further currency devaluation or potential new government regulations.

EFG-Hermes Asset Management

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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
YTD	-29.9%
2010	8.5%
2009	12.8%
2008	-46.2%
2007	61.9%
2006	8.6%
2005	130.7%
2004	113.1%

Fund Information

NAV per share	USD 29.66
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	18
Beta	1.12
Sharpe Ratio	0.13

Top Holdings

Holding	Sector	% Holding
Orascom Construction Industries	Construction	15.0%
Commercial International Bank	Banking	13.5%
Talaat Mustafa Group	Real Estate	6.8%

Allocation By Economic Sector

