

Fund Manager's Strategy & Outlook

The Egyptian stock market delivered a stellar performance during the month of March 2016. Local currency devaluation was the main driver behind the market rally with the EGX30 index surging by 22.4% in March and turning the YTD losses in the first two months into a positive YTD performance of 7.4%. The devaluation created an attractive entry point for foreign investors, accordingly, the market witnessed a significant increase in the average daily turnover with strong foreign buying countering local and Arab sales. The EFG-Hermes Egypt Fund gained 4.2% during the month versus 7.5% for the HFI Index.

The market saw the newest addition to the Egyptian Stock Exchange after Arabian Food Industries (Domty) concluded the sale of 49% in an IPO deal worth around EGP1.0 billion. The private offering was covered 5.5x, while the public offering was covered 10.7x and the stock started trading mid-March 2016. EFG-Hermes also announced selling 40% of Credit Libanais Bank for a total consideration of USD310 million. Post the implementation of the deal, EFG Hermes stake in the bank will be reduced to 23% with an irrevocable agreement to sell the remaining stake for USD182 million before May 31st, 2017. El Sewedy Cables released 2015 results indicating 20.9% growth in sales from EGP17.01 billion in 2014 to EGP20.57 billion in 2015. This growth was mainly on the back of 2.4x increase in Turnkey revenues reaching EGP6.44 billion reflecting the company's contribution in fast track projects awarded by the Egyptian government in addition to an improvement in gross margin from 14.7% to 18.3%. Telecom Egypt released 2015 results posting flat sales of EGP12.2 billion with net profit increasing by 47.6% reaching EGP3.00 billion in 2015 due to a reversal in deferred taxes. The company is proposing to distribute a dividend per share of EGP0.75 implying a payout ratio of 42.7%.

On the economic front, the Central Bank of Egypt (CBE) took several stern decisions during the month starting with a 13.6% local currency devaluation reaching EGP8.87/USD. The CBE announced that it will adopt a more flexible exchange rate regime that better reflects the underlying forces of supply and demand and lead to greater transparency and liquidity in the market. Moreover, the CBE stated that it targets to increase Net International Reserves (NIR) to USD25.0 billion during 2016 on the back of expected direct and indirect foreign inflows as confidence is restored. Currently NIR remain stable for the third consecutive month at USD16.6 billion. On a separate note, the Monetary Policy Committee (MPC) increased overnight deposit and lending rates by 1.50% to 10.75% and 11.75% respectively aiming to reduce currency speculation and limit expected inflationary pressures post the currency devaluation.

The fund manager will maintain the fund's diversified asset allocation between defensive and consumer stocks to weather the volatility in the equity markets in addition to targeting selective undervalued high beta and real estate to capture upside movements.

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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 *	4.2%
Year to Date	-2.1%
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 January 18, 2015 and March 28, 2016

Fund Information

NAV per share	USD 27.8
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	15.4%
Eastern Tobacco	Personal & Household	10.4%
Talaat Moustafa Group	Real Estate	6.9%

Allocation By Economic Sector

