

Fund Strategy & Outlook

The Egyptian market showed an increase of 8.9% in EGP terms during March 2017, however, the market decreased in USD terms by 6.1% due to the strengthen of USD against the local currency. The positive EGP performance was mainly due to the USD appreciation coupled with attractive prices as several investors share a positive outlook on the Egyptian market for 2017. The market average daily turnover was EGP1.1 billion. The EFG-Hermes Egypt Fund -5.8% during the month versus -6.7% for the HFI Index.

The Commercial International bank (CIB) obtained the Egyptian Financial Supervisory Authority (EFSA) approval for selling 75% of its stake in CI Capital to a group of investors for EGP710 million. CIB expects around EGP390 million in capital gains from this transaction. Moreover, Oriental Weavers released its full year 2016 results showing a 15.4% increase in operating revenues from EGP5.88 billion in 2015 to EGP6.78 billion in 2016. Despite a 51.8% increase in gross profit due to the top line increase mentioned above and a 3.6% expansion in gross margins, net income grew by 35.9% reaching EGP484 million due to booking FX losses of EGP106.7 million and interest expenses of EGP111.2 million. On the real estate front, Talaat Mostafa Group (TMG) also announced its 2016 results reporting a 6.0% growth in revenue amounting to EGP6.6 billion and an 18.2% increase in contracted sales to reach EGP7.4 billion. Net income also grew by 8.5% year-on-year to reach EGP827 million. On the same front, Juhayna announced operating revenues of EGP4.99 billion for full year 2016 implying 18.0% annual growth. However, the company's net income decreased by 80.9% to EGP54 million due to an FX loss of EGP47 million.

On the economic front, the government approved to apply stamp duty tax on stock market transactions amounting to 0.125% in the first year, 0.15% in the second year and 0.175% in the third year. In addition, any investor sells more than a third of a company's shares, a 0.3% stamp duty tax will be applied to the transaction. The new stamp duty tax should result in an annual revenue around EGP1.0 - 1.5 billion and is still pending final approval from. The state council before being proposed to the parliament with expectation to be implemented in May 1st, 2017. The Minister of Finance announced that the second tranche (USD1.25bn) of the IMF loan (USD12.0 billion) is expected to be disbursed in May as a delegation from the IMF will visit Egypt from 28 April to 8 May to review FY17/18 budget. The Minister of Petroleum also announced that Egypt received Saudi Aramco oil products shipments and starting April 2017, the shipments will return to its regular monthly schedule. On the other hand, Net tourism proceeds decreased from a surplus of USD985 billion in 1H15/16 to a deficit of USD320 million in 1H16/17. This drop was mainly due to the fall of Russian plane in November 2015. Egyptian Remittances also declined by 3.8% from USD8.24 billion in 1H15/16 to USD 7.93 billion in 1H16/17 due to increased executions in the parallel markets pre currency floatation that took place in November 2016. Egypt's total imports decreased to USD28.33 billion and its total exports increased to USD10.45 billion implying a 10.1% drop in Egypt's trade deficit. Finally, Egypt's current account deficit increased by 2.9% reaching USD9.65 billion in 1H16/17. Egypt's annual headline inflation rate reached 30.2% as of February 2017 as the weakening of the local currency is causing more pressure on prices.

The fund manager extends his equity exposure and stock allocation strategy. The fund holdings remain diversified to benefit from market movements 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 *	-5.8%
Year to Date	11.7%
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 February 27 2017 and March 27, 2017

Fund Information

NAV per share	USD 24.3
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	20
Beta	0.8
Sharpe Ratio	0.1

Top Holdings

Holding	Sector	% Holding
Commercial International Bank	Banking	15.2%
Eastern Tobacco	Personal & Household	10.1%
ElSewedy Electric	Industrial Goods and Services and Automobiles	7.8%

Allocation By Economic Sector

