

Fund Manager's Strategy & Outlook

The market witnessed a volatile and frantic period during the month of May. The buildup to the presidential elections kept investors excited and bullish for the biggest part of the month. However, concerns over the low turnout to the elections and government discussions over a capital gains tax forced the market to correct aggressively in the last couple of days of the month. The fund gained 1.9% for the month bringing year-to-date returns to 17.5%.

A number of companies reported their financial results over the month. Global Telecom released its 1Q2014 results showing a net income of USD38 million, an increase of 102% quarter-on-quarter, on the back of FX gains and a low comparison base. As for Talaat Mostafa Group, the company reported net profits of EGP160.8 million for 1Q2014, an increase of 15.4% from the same period last year. The increase is attributed to the delivery of higher-margin apartments and land sales related to standalone units. As for the banks, Commercial International Bank (CIB) reported net income of EGP805 million for 1Q2014, an increase of 22.5% year-on-year, due to increased retail loans and growth in fee and investment income. EFG-Hermes also released its 1Q2014 figures, with revenues reaching EGP563 million, up 14% year-on-year. Higher executions across all markets drove brokerage income up, as well as lower operating costs, to boost the company's figures for the quarter. In other news, Eastern Tobacco signed a five-year toll-manufacturing agreement with JTI to manufacture two cigarette brands for the Japanese company. The contract should add EGP17 million per annum in revenues.

On the economic front, the government confirmed that it will start cutting subsidies by the end of May. Moreover, it approved a 5% tax hike on individuals and companies whose annual income exceeds EGP1 million. Furthermore, the Ministry of Finance is currently studying the imposition of a capital gains tax of 10.0% on equity transactions. Meanwhile, annual urban inflation dropped to 8.9% in April from 9.8% a month earlier on the back of easing food prices. As for net international reserves (NIR) it saw an increase of USD70 million to reach USD17.5 billion in April 2014 due to the continued GCC grants and aides.

The fund manager will maintain his well-diversified equity exposure level of 93%. The fund manager remains positive of the government's commitment to undertake immediate reforms regarding subsidies and taxes in order to reduce the budget deficit

EFG-Hermes Asset Management

Tel: +20 2 3535 6528 / Fax: +20 2 3537 0924

E-mail: 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	1.9%
Year to Date	17.5%
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%

Fund Information

NAV per share	USD 39.4
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	23
Beta	0.8
Sharpe Ratio	0.2

Top Holdings

Holding	Sector	% Holding
Commercial International Bank	Banking	14.8%
Global Telecom	Telecom.	11.3%
T M G Holding	Real Estate	9.6%

Allocation By Economic Sector

