

Fund Manager's Strategy & Outlook

The Egyptian market witnessed heightened volatility and shed 3.7% during the month of May 2016. Local investors continued their selling momentum during the month with net sales amounting to EGP592 million versus EGP253 million net Arab buying and EGP338 million net foreign buying. The EFG-Hermes Egypt Fund lost 2.9% during the month versus 2.9% for the HFI Index.

Cleopatra Hospital Group announced the offering of 40 million shares worth EGP360 million in an IPO in the Egyptian Stock Market. The IPO was 85% offered through a private placement, and 15% through a public subscription. Both tranches were offered at a price per share of EGP9.00 with the private placement being over-subscribed 6.7x, and the public subscription was over-subscribed 28.6x. It is worth mentioning that the selling shareholder will make use of the gross proceeds (EGP360 million) to participated in a closed subscription capital increase at the IPO price.

CIB released 1Q2016 results indicating 21.3% growth in net interest income reaching EGP2.27 billion. The growth was mainly volume driven in addition to 12 bps improvement in interest spread. The bank's net operating profit grew only by 7.5% to EGP1.74 billion and the growth in operating profit was lower than growth in net interest income due to 1) 23.1% increase in operating expenses to EGP602 million, and 2) 5.7% decline in net fees and commissions income to EGP379 million. On the other hand, net Income increased by 16.6% reaching EGP1.29 billion. This was due to a lower tax rate as a result of the change in tax law that occurred in 2015. Global Telecom also released 1Q2016 results indicating 0.9% increase in sales to USD707.1 million. Despite of the slow sales growth, the company's EBITDA increased by 12.3% thus improving EBITDA margin from 43.1% in 1Q2015 to 48.0% in 1Q2016. Moreover, the company's financial restructuring led to 38.1% drop in interest expenses, in addition to achieving FX gain of USD6.7 million in 1Q2016 compared to USD27.1 million loss in 1Q20s15. As a result, the company achieved a net income of USD48.1 million during the quarter compared to a net loss of USD69.9 million in 1Q2015.

On the economic front, the government approved the new Value Added Tax (VAT) Law to replace the sales tax law as a part of the country's economic reform program. The law will be sent to the parliament for final approval. The law includes several exemptions to food, transportation, education, and health sectors while the Ministry of Finance suggests that the inflationary impact of the VAT is going to be in the range of 0.8-1.3% only. Egypt's Net international Reserves increased by 2.7% during April 2016 reaching USD17.01 billion up from USD16.56 in March 2016. This improvement is mainly attributed to higher foreign currency deposits placed at local banks. Inflation reached 10.27% in April 2016 compared to 9.02% in March 2016. This is considered the highest inflation figure since December 2015, and can be mainly attributed to the EGP devaluation that occurred in March causing sharp increases in the prices of food and retail items.

As market turbulence dominates the local stock market scene, the fund manager prolongs his cautious view and maintains his position in defensive and undervalued high beta and real estate names.

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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 *	-2.9%
Year to Date	-3.5%
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 April 18, 2016 and May 30, 2016

Fund Information

NAV per share	USD 27.4
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	28
Beta	0.8
Sharpe Ratio	0.04

Top Holdings

Holding	Sector	% Holding
Commercial International Bank	Banking	15.5%
Eastern Tobacco	Personal & Household	9.6%
Talaat Moustafa Group	Real Estate	6.5%

Allocation By Economic Sector

