

Fund Strategy & Outlook

The Egyptian market showed an increase of 7.3% in EGP terms and 7.1% in USD terms during May 2017 as foreign investors increased their buying momentum in the market. During the month, banking and consumers sectors outperformed the market with Commercial International bank (CIB) and Obour land increasing by 12.4% and 20.7% respectively. In addition, the average daily turnover reached EGP1.01 billion. Foreign and Arab investors were net buyers by EGP1.52 billion and EGP54 million respectively, while local investors were net sellers by EGP1.57 billion. The EFG-Hermes Egypt Fund gained 4.0% during the month versus 5.3% for the HFI Index.

MSCI announced keeping Egypt's emerging market status in its semi-annual index review by replacing Talaat Mostafa Group with EFG-Hermes. Commercial International Bank (CIB) released its 1Q2017 results reporting an increase of 22.7% in net interest income from EGP2.27 billion in 1Q2016 to EGP2.78 billion. This growth was due to an increase of 51.8% in average interest earning assets. In addition, net income also grew by 34.2% to reach EGP1.73 billion. Moreover, Eastern Tobacco announced its 9M16/17 results showing an increase of 38.0% YoY in operating revenue to reach EGP7.85 billion. On the other hand, the company reported a limited growth of 24.2% in net income from EGP1.82 billion in 9M15/16 to EGP1.34 billion in 9M16/17. This came on the back of FX losses and provisions. On the same front, El Sewedy Cables released its 1Q2017 results with 108.5% growth in operating revenues. EBITDA also increased by 172.4% from EGP719 million to EGP1.96 billion. In addition, the company's net income increased by 99.2% to reach EGP1.51 billion.

On the economic front, the Monetary Policy Committee (MPC) announced increasing the overnight deposit and lending rates by 2.0% to reach 16.75% and 17.75% respectively. This decision was mainly to contain inflation that has been increasing since November 2016 after the local currency flotation and the energy subsidy cuts. In addition, Egypt managed to raise an additional USD3.0 billion in Eurobonds, the procedure of selling the Eurobonds was also done over three tranches and the subscription was covered 4.0x with 80% demand from Europe and north America. Furthermore, the parliament announced its approval on the new investment law that includes several incentives to investors. Egypt's Net International Reserves increased only by 0.4% in April to reach USD28.64 billion. Egypt's inflation rate also increased to reach 31.5% in April 2017.

Post the unexpected MPC decision of a 2.0% interest rate hike, the fund manager will reduce exposure to highly levered names that would be burdened by higher interest costs and accordingly their profitability would be negatively affected. The Fund Manager will focus on companies with strong and cash rich balance sheets in addition to solid fundamentals that would weather the current interest rate environment.

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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 *	4.0%
Year to Date	14.8%
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 March 27 2017 and April 24, 2017

Fund Information

NAV per share	USD 24.99
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	21
Beta	0.8
Sharpe Ratio	0.1

Top Holdings

Holding	Sector	% Holding
Commercial International Bank	Banking	16.3%
Eastern Tobacco	Personal & Household	10.7%
ElSewedy Electric Co	Industrial Goods and Services and Automobiles	7.9%

Allocation By Economic Sector

