

Fund Manager's Strategy & Outlook

November was a rough month for the Egyptian market. As of the 25th, (the last business day for the Fund in November), the market was down 7.61%, while the Fund fared slightly better, declining 6.96% over the same period.

The decline can be attributed to a severe correction during the third week of the month as worries arose over the Algerian operations for several major listed companies. The fears were somewhat substantiated for Orascom Telecom (OT) as the Algerian government declared that the company owes USD 596mn in taxes that the company was exempt from earlier. Concerns were also raised for Orascom Construction Industries (OCI), whose fertilizer and construction divisions both operate in Algeria, as well as El Sewedy Cables, which owns a factory there. The fears were largely overblown, especially for companies other than OT, and even for the latter analysts agreed that the events did not warrant such a steep decline in price and with the worst performance in the market and a large weight in the index, the stock dragged the market downwards.

Large caps reported strong Q3 results. The list included OCI, Commercial International Bank, and Mobinil; all reporting consensus-beating results and showing a reassuringly sustained trend in earnings.

On the economy's side, GDP growth numbers for the 1st quarter of the 2009/2010 fiscal year came in strong at 4.9% which shows an accelerated growth and implies that the economy is on track for another strong year. The Central Bank of Egypt echoed that by keeping rates stable during its last policy meeting. A government spokesperson declared that the construction and telecommunication sectors are still exhibiting double-digit growth and that the Suez Canal and tourism revenues are still showing negative year-on-year growth, although the former is continuing to show monthly growth and is recovering much of the volumes lost as global trade picks up. Inflation on the other hand recorded 13.3% in October, higher than expected, but still much lower than last year's levels.

After the Fund's closing date in November, specifically on the last day of the month (which is not reflected in this month's performance since it was not a working day for the Fund), the market reacted very negatively to the news announced right before the Eid holiday that Nakheel (a real estate developer owned by the government of Dubai) has asked for a standstill on a portion of its debt due in December. Egypt was not alone among the affected (all regional markets and several major global markets lost substantial ground on the back of the news) but the negative effect started to subside the following day and Egypt was the first to reverse its direction. The selling wave on the 30th did present a buying opportunity for many of the stocks that were indiscriminately and reactively sold. As the market holds its own against others in the region, it is becoming more attractive to investors with attractive valuations, positive growth in companies' earnings, higher transparency, and a robust and sustained economic performance that is coming from a diversified and domestic base.

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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	-7.0%
Year to Date	17.15%
2008	-46.2%
2007	61.9%
2006	8.6%
2005	130.7%
2004	113.1%

Fund Information

NAV per share	USD 40.51
Launch Date	August, 1996
Listing	Irish Stock Exchange
Structure	Open Ended
Management fee	1.75%
Minimum Subscription	USD 10,000
Subscription/Redemption	Monthly

Fund Identifiers

ISIN	BMG2948Y1093
Sedol	0-306-504
Reuters Code	LCFR13, RSJA55, CLSA51, WDRIFMEA1, ABNFUNDS15
Bloomberg Ticker	EFGHEGY BH

Fund Characteristics

No. of Holdings	24
Beta	0.99
Sharpe Ratio	0.59

Top Holdings

Holding	Sector	% Holding
OCI	Contracting	13.5%
CIB	Banking	10.0%
Orascom Telecom	TMT	9.6%

Allocation By Economic Sector

