

The EFG-Hermes Egypt Fund October 31, 2007

Fund Manager's Strategy & Outlook

Your EFG-Hermes Egypt Fund continues to deliver strong returns, adding 8.2% to your NAV for the month of October, bringing your year to date return to 48.8%, thus outperforming the broad-based market index, HFI, by more than 8.0%. The month of October was characterized by strong buying inflows from western institutions, with the HFI reaching life time high levels.

The largest sector contributing to this month performance was the real estate sector, which added 2.8% to your return. Your holding, Sixth of October Development and Investment Company (SODIC) led the performance of the sector, with the stock appreciating by around 20%. On a separate note, real estate developer, Talaat Mostafa Group is scheduled to be offered in November, Egypt's second largest IPO after Telecom Egypt. The offering size is expected to range from US\$ 341 million to US\$ 405 million. The company is expanding locally as well as regionally and currently owns a land bank of 46.4 million sqm for development.

The financial services sector was among the most active sectors during the month, adding 2.6% to the fund's performance. Egyptian Kuwaiti Holding led the news with the announcement of forming a joint venture in collaboration with South Valley Cement to build a 1.5 million ton per annum cement factory. The stock rallied by 24.4% during the month.

As for the cement sector, the government sold 8 new cement licenses through auction, 5 of which were expansion capacity for already existing companies. The sale earned the government EGP 2.1 billion, around 0.3% of GDP, with the proceeds directed towards developing Egypt's infrastructure in the industrial zones. The new capacities are expected to come on stream in mid 2010.

Your telecom holding, Mobinil surprised the market with its impressive nine months results, with net income increasing by 18% to reach EGP 1.4 billion, on the back of a 31% growth in revenues reaching EGP 6.1 billion. The market leader added 1.8 million subscribers during the third quarter of 2007 bringing its total subscribers to 13.7 million.

On the construction and contracting front, the regional conglomerate, Orascom Construction Industries (OCI) continued to fare positively in the market owing to news of signing an agreement with Dubai Ports World (DPW) to sell its 50% stake in Egyptian Container Handling Company (ECHCO), receiving US\$ 372 million for the transaction, translating into US\$ 1.8 per share. On a separate note, OCI's construction subsidiary in Algeria has been awarded three contracts from the Algerian Ministry of Housing to build the campus for the French International School, a new law school and expand the existing tobacco factory in Algeria for a total consideration of US\$ 86 million.

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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	8.2%
Year to Date	48.8%
2006	8.6%
2005	130.7%
2004	113.1%

Fund Information

NAV per share	USD 59.39
Launch Date	August, 1996
Listing	Irish Stock Exchange
Structure	Open Ended
Management fee	1.75%
Minimum Subscription	USD 10,000
Subscription/Redemption	Monthly
ISIN	BMG2948Y1093
Sedol	0-306-504
Reuters Code	LCFR13, RSJA55, CLSA51, WDRIFMEA1, ABNFUNDS15

Fund Characteristics

No. of Holdings	21
Beta	0.78
Sharpe Ratio	1.45

Top Holdings

Holding	Sector	% Holding
El Watany Bank of Egypt	Financial	12.3%
SODIC	Real Estate	10.5%
CIB	Financial	9.1%
OCI	Contracting	8.0%
OHD	Tourism	5.9%

Allocation By Economic Sector

