

Fund Strategy & Outlook

The Egyptian market increased by 3.3% during October 2017 in EGP and USD terms leading to positive 16.2% YTD return. The market average daily turnover also increased to reach EGP1.30 billion in October 2017. During the month, Arab and foreign investors were net buyers by EGP383 million and EGP14 million respectively, while local investors were net sellers by EGP397 million. The EFG-Hermes Egypt Fund gained 6.4% during the month versus 7.0% for the HFI Index.

It is worth mentioning that Dice Sports and Casual Wear concluded the sale of 62.4% in an IPO deal worth around EGP800 million. The private offering was for 28 million shares and it was covered 3.1x, while the public offering was for 5 million shares, and it was covered 5.9x and the stock started trading on 14 November 2017 at EGP22.6 per share.

Eastern Company GAM raised the BOD proposed dividend by 44% to reach EGP11.5 per share up from EGP8.0 per share, leading to an increase in the payout ratio from 45% to 65%. Juhayna announced its 9M17 results showing an increase of 23.0% in operating revenues to reach EGP4.55 billion. Operating revenues also increase by 23.1% amounting to EGP3.92 billion. On the other hand net income dropped by 10.5% amounting to EGP151 million down from EGP168 million. This came due to a 51.8% spike in net interest expense from EGP191 million to EGP290 million. Moreover, Ezz Steel released its 1H17 results with 99.0% increase in operating revenues to reach EGP17.9 billion. In addition, the company's high debt level with high interest rate environment led to 2.3x spike in financing cost to reach EGP1.4 billion leading to an increase of 2.8x in the company's bottom line loss amounting to EGP1.1 billion.

On the economic front, the CBE increases reserve requirement ratio for domestic banks from 10% to 14%. Furthermore, tourism revenues surged by 3.1x in the first 9 months of 2017 to reach USD5.3 billion up from USD1.7 billion in the first 9 months of 2016. Egypt's inflation rate also decreased from 31.6% in September to 30.8% in October 2017. Egypt's Net International Reserves increased by 1.1% to reach USD36.5 billion

Despite the short-term volatility in the market movement, the fund manager maintains an optimistic outlook for the stock market over the medium term. The manager's sector allocation remains in favor of the real estate, consumer staples and discretionary and industrial sectors as the application of the expansionary monetary policy approaches.

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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 *	6.4%
Year to Date	28.0%
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 September 25, 2017 and October 25 2017

Fund Information

NAV per share	USD 27.9
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	20
Beta	0.8
Sharpe Ratio	0.1

Top Holdings

Holding	Sector	% Holding
Commercial International Bank	Banks	14.6%
ElSewedy Electric Co	Industrial Goods and Services and Automobiles	10.0%
Eastern Tobacco	Personal & Household Products	9.4%

Allocation By Economic Sector

