

### Investment Objective

The principal investment objective of the fund is long term capital appreciation through achieving the highest possible risk-adjusted returns.

### Investment Universe

- The fund invests principally in listed securities of companies that are established or doing a substantial part of their business in Egypt
- The fund is allowed to invest in listed securities in the MENA region up to 20% of the fund's Net Asset Value and based on the fund manager's outlook.

### Subscription/Redemption

- The fund offers weekly liquidity to investors.
- The valuation day for the fund is Monday of every week (subject to be a business day in Egypt, Bahrain & Bermuda).
- There is no Entry/Exit load applied by the fund manager.
- Minimum initial investment is USD10,000.
- Minimum additional investment is USD1,000.

### Fund Details

Type of scheme	Open Ended
Inception date	August 1996
Share price	USD 26.4
Listing	Irish Stock Exchange
Index of reference	Hermes Financial Index
Bloomberg Ticker	EFGHEGY BH
ISIN	BMG2948Y1093

### Quantitative Data (Since Inception)

Standard Deviation	26.8%
Beta	0.8
Sharpe Ratio	0.0

### Fund Manager

Management Company	EFG Hermes Asset Management
Fund Manager	Nabil Moussa
Managing Since	June 2012
Contact Person	Ahmed Shalaby
Telephone	+20235356536
Mobile	+201005407086
E-mail	ambusinessdevge@efg-hermes.com

### Fund Administrator

Fund Administrator	HSBC Middle East (Bahrain)
Contact Person	Lohit Nayak
Telephone	+973 1756 9567
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### Portfolio

#### Performance Figures

Date	Return
October 2018	-7.2%
YTD	-13.6%
1 Year	-5.4%
5-YTD	-14.5%
Since Inception	244.9%

\*EFG Hermes Egypt Fund achieved a strong 5-YTD return of 122.8% in EGP but it was affected by the sharp currency devaluation as shown above.

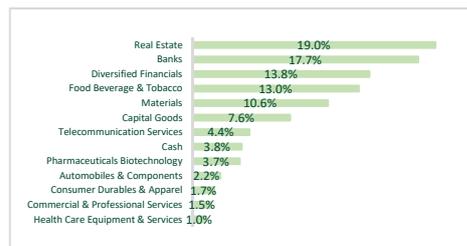
#### Top Holdings

Stock Name	Sector	Weight
Commercial International Bank Egypt	Banks	13.6%
Eastern Tobacco	Food Beverage & Tobacco	8.3%
Talaat Moustafa Group	Real Estate	7.4%
Sidi Kerir Petrochemicals Co	Materials	6.2%
Egypt Kuwait Holding Co	Diversified Financials	5.1%

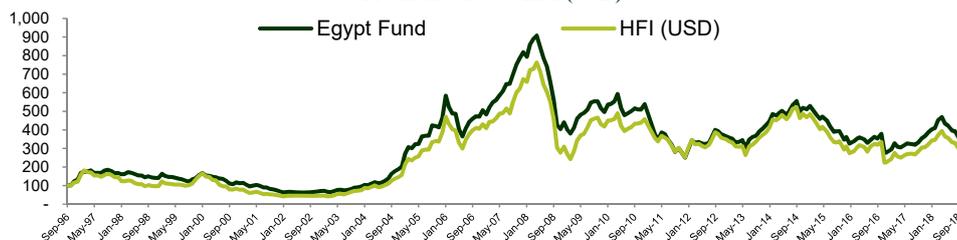
#### Performance Contributors (Monthly)

Stock Name	Sector
Qalaa Holdings SAE	Diversified Financials
Commercial International Bank Egypt SAE	Banks
Arabian Cement Co	Materials

#### Sector Allocation



#### Track Record Vs HFI (USD)



### Market Outlook

#### Market Commentary

- EGX30 continues to decrease in October by -9.30% in EGP and -9.31% in USD reaching a negative YTD performance of -11.8%. The decline was associated with negative performance across global markets with MSCI EM down 8.8% during the same period.
- However, foreign investors were the only net buyers this month with EGP781 million. Arab and local investors were net sellers by EGP35 million and EGP746 million, respectively.
- It is worth mentioning that during the month the market saw the IPO of Cairo for Investment and Real Estate Development (CIRA) that concluded the sale of up to 37.8% of its stake worth around EGP1.3 billion
- Citidel Capital outperformed during October by 17.4% on the back of the announcement of ERC commencement by May 2019.
- AMOC was the biggest underperformer (-37.1%) after severe margin compression due to a shift in Heavy Fuel Oil sales to the export market at lower prices and margins.
- Real Estate sector also underperformed this month especially SODIC (-30.9%) on the back of unfavourable swap ratio implied from the merger deal with Medinet Nasr.

#### Economic Update

- MPC Maintains Overnight Deposit and Lending Rates at 16.75% and 17.75% respectively
- Egypt's Current Account Deficit Drops Significantly by 58.6% to USD6.0 Billion in FY17/18
- The Government Plans to Issue Eurobond in 1Q19 to be denominated in USD, RMB, and JPY
- Net International Reserves keeps inching upwards reaching USD44.5 Billion as of September 2018
- Inflation rate rose to reach 16% as of September up from 14.2% in August

#### Strategy

- We believe that the market correction that started in April is overextended. This is evident by several points:
  - o The market is trading at attractive valuations with EGX 30 trading at a P/E (2019e) of 7.2x compared to MSCI EM average P/E (2019e) of 9.8x.
  - o Foreign and Regional institutions have been buying in the market during October with combined net buying position of EGP840 million as of October, while local institutions were the sellers by EGP420 million net position.
  - o The market is down by 29.3% from its peak level of 18,363 point achieved in April. However, since the CIB is only down by 17.1% while its weight in the index is above 30% we assess that the real market correction excluding the CIB is in the range of 35-40%.
- We highlight that the beginning of the correction was normal; however, the current correction is extended. Historically speaking, every market correction is always extended given the panic caused and gloomy outlook post achieving losses. However, when the market reverse directions it is set for a long term rally that averages 200% return. This is evident by the latest two market corrections in 2011 and 2015.
  - o The market lost 43.8% during the period January 10th, 2011 to October 4th, 2011 dropping from 7,202 point to 4,050 point. This was a normal correction given the political turmoil at that point of time. However, panic caused the market to extend its correction by further 11.4% down to 3,587 point by December 28th, 2011. The market afterwards achieved a long term rally advancing 180.1% over the next 3 years to peak at 10,046 point in February 4th, 2015.
  - o The market lost 36.7% during the period February 4th, 2015 to November 30th, 2015 dropping from 10,046 point to 6,357 point. This was a normal correction given the slowdown in the economy amid the currency crisis. However, panic caused the market to extend its correction by further 9.5% down to 5,754 point by February 14th, 2016. The market afterwards achieved a long term rally advancing 219.2% over the next 3 years to peak at 18,363 point in April 26th, 2018.
- As a result, we believe that we are currently in a period of extended correction caused by local panic, and that although we can't specify the bottom, we are confident of a strong rally in the medium term.