

Fund Manager's Strategy & Outlook

The market continued its upward momentum for the third consecutive month during September 2012. The third quarter of 2012 was the first time we see three consecutive months with positive returns since the January 2011's political turmoil, owing to positive sentiment from local and gulf investors towards the Egyptian market. Furthermore, several promised aid packages and M&A deals which were announced during the month served as a strong catalyst to revive foreign investors' confidence in the Egyptian market. The fund continued delivering strong results with monthly returns of 10.2% in September bringing its year to date performance to 60.1%.

The highest contributing sector to the month's stellar performance was the banking sector after Societe Generale announced that it has received an expression of interest (EoI) from Qatar National Bank (QNB) for a potential sale of its 77.2% stake in National Societe General Bank (NSGB). Accordingly, NSGB stock witnessed a rally rising 39% during the month while other listed banks showed an average increase in price of approximately 20%. An application for due diligence was filled by QNB and later approved by the Central Bank of Egypt (CBE). Construction giant, Orascom Construction Industries (OCI) announced 2Q2012 results with total revenues and net income reaching USD1.35 billion and USD119 million showing a quarter-on-quarter growth of 5% and 28% respectively while the construction backlog for the company stood at USD5.89 billion by the end of the quarter. On a separate note, the company announced winning a construction contract amounting to USD400 million for construction works of Majid Al Futtaim Mall of Egypt which is expected to be completed in 3 years.

On the economic front, Egypt's GDP grew by 3.3% year-on-year in 2Q2012 bringing FY2011/2012 GDP growth to 2.2%. Government officials have announced that the country's targeted GDP growth for FY2012/2013 is 4%-4.5%, depending on increasing public and private sector investment flows. During the month of September several aid pledges were announced including an USD18 billion investments from Qatar in tourism and industry projects over the coming five years. Annual headline inflation remained stable at 6.4% in August while annual core inflation slightly increased to 6.5% in August compared to 6.34% in July.

After the recent rally which the market witnessed during the month of September 2012, the fund manager will cautiously lower the equity exposure level for the fund during the coming period. The fund manager will work on reshuffling the fund's holdings through locking-in profits on cyclical names and stocks that have seen the highest rallies year-to-date, while focusing on stocks offering deep value and high dividend yield.

EFG-Hermes Asset Management

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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	10.2%
Year to Date	60.1%
2011	-53.6%
2010	8.5%
2009	12.8%
2008	-46.2%
2007	61.9%
2006	8.6%
2005	130.7%
2004	113.1%

Fund Information

NAV per share	USD 31.45
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	0.81
Sharpe Ratio	0.12

Top Holdings

Holding	Sector	% Holding
Orascom Construction Industries	Construction	18.4%
Commercial International Bank	Banking	14.7%
Telecom Egypt	Telecom.	11.5%

Allocation By Economic Sector

