

Fund Strategy & Outlook

The Egyptian market showed a weakened performance of -3.4% during September 2016 bringing the EGX30 overall 2016 return to 12.5%. The drop was an anticipated correction following the market's positive performance during July and August 2016. Arab investors were net buyers during the month by EGP350 million, while local and foreign investors were net sellers by EGP67 million and EGP283 million accordingly. The EFG-Hermes Egypt Fund lost -2.5% during the month versus -1.2% for the HFI Index.

It is worth mentioning that Misr Fertilizers Production Company (MOPCO) started trading on the Egyptian Stock Exchange in September 2016, which is the first time a public sector company is listed and traded in the market since the IPO of Telecom Egypt in 2005. MOPCO is 69.3% owned by public sector entities with Egyptian Petrochemicals Holding Company being the largest shareholder with 30.8%. MOPCO is a nitrogen based fertilizer producer with an annual production capacity of 2 million tons and a paid-in capital of EGP2.29 billion distributed over 229 million shares with a par value of EGP10 per share.

Company announcements were minimal during the month of September 2016 with Eastern Company's board of directors announcing its approval on distributing one free share for each stock to be financed from the company's reserves, which will increase the firm's paid in capital from EGP750 million to EGP1.5 billion. This decision will be subject to approval during the Company's General Assembly Meeting scheduled in October 2016. On the construction front, the board of directors of Orascom Construction proposed a share buy-back program of one million shares limited to shareholders who hold their shares on the Egyptian Stock Exchange only. The offer was later approved by the company's Extraordinary General Assembly Meeting, and the Board of Directors announced the buy-back price to be EGP74.05. Furthermore, the EGAM voted to reduce its share capital by canceling the purchased shares upon completion of the program.

On the economic front, Egypt witnessed another hike in annual headline inflation reaching 15.5% on the back of cost-push factors like the increase in electricity prices and weakening EGP in the parallel market causing further pressure on prices. Egypt's Net International Reserves grew by 6.6% to USD16.6 billion at the end of August 2016, the increase was mainly on the back of the USD1.0 billion from UAE deposit and the first tranche of the USD3.0 billion loan from the World Bank amounting USD1.0 billion. On the other hand, Net tourism proceeds decreased from USD4.0 billion in FY14/15 to a deficit of USD320 million. Egyptian Remittances also declined by 12.6% from USD19.2 billion in FY14/15 to USD16.8 billion in FY15/16, accordingly, Egypt's current account deficit increased by 53.7% reaching USD18.7 billion. It is worth mentioning that the VAT law was approved by the Parliament and the President and was implemented on September 9th 2016.

The fund manager maintains his positive outlook on the local market amid the highly anticipated currency devaluation and external foreign currency financing that are expected to come in favor of the stock market performance. Accordingly, the fund manager extends his stock selection strategy and equity exposure level to capture potential rebounds in the market

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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 * | -2.5% |
| Year to Date | -2.2% |
| 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 August 29 2016 and September 26, 2016

Fund Information

| | |
|-------------------------|----------------------|
| NAV per share | USD 27.8 |
| 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 | 27 |
| Beta | 0.8 |
| Sharpe Ratio | 0.07 |

Top Holdings

| Holding | Sector | % Holding |
|-------------------------------|----------------------|-----------|
| Commercial International Bank | Banking | 15.3% |
| Eastern Tobacco | Personal & Household | 11.2% |
| Global Telecom Holding | Telecommunications | 9.3% |

Allocation By Economic Sector

