

Fund Strategy & Outlook

The Egyptian market increased by 3.5% during September 2017 in EGP and USD terms. The market average daily turnover also increased by 71.9% to reach EGP1.12 billion up from EGP0.65 million in August 2017. During the month, foreign investors were net buyers by EGP245 million, while Arab and local investors were net sellers by EGP15 million and EGP230 million respectively. The EFG-Hermes Egypt Fund gained 4.1% during the month versus 6.3% for the HFI Index.

Company announcements were minimal during the month of September 2017 with Heliopolis Housing announcing its FY16/17 results reporting an increase of 41.0% in revenues to reach EG928 million. On the other hand, the company's net profit decreased by 12.9% amounting to EGP345 million. Furthermore, Telecom Egypt launched its mobile network that offers 2G, 3G, and 4G frequency based on a 5-years national roaming agreement signed last June. The company also announced allocating EGP7.0 billion investments in the current year to develop its cable infrastructure, and enhance customer services and marketing campaigns.

On the economic front, the Monetary Policy Committee (MPC) kept overnight deposit and lending rates at 18.75% and 19.75% respectively. In addition, the Central Bank of Egypt (CBE) cleared all Egypt's backlog of foreign currency requests that have been pending since the currency flotation in November 2016. Egypt's current account deficit declined by 21.2% in FY16/17 due to a decrease of 8.4% in the country's trade deficit; net tourism also surged from a deficit of USD324 million to a surplus of USD1.6 billion. Moreover, Egypt plans to issue new Eurobonds that will help to reduce deficit through financing a gap in a range of USD10-12 billion in FY17/18. Egypt's inflation rate also decreased from 33.0% in July to 31.9% in August 2017. Egypt's Net International Reserves is stable with USD36.1 billion

The fund manager maintains an optimistic view on the stock market over the medium term driven by the near term implementation of an expansionary policy by the government. Accordingly, we expect a wave of interest rate cuts to be adopted by the Central Bank of Egypt, as inflation cools down by end of 2017, which would also be supportive for GDP growth. The manager will alter his sector allocation by reducing exposure to the Banking sector, whose profitability is expected to be negatively affected, and increasing exposure to the Real Estate, Industrial and Consumer Staples sectors, which will be beneficiaries of a growth in investments and higher consumer spending.

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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 *	4.1%
Year to Date	20.3%
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 August 28, 2017 and September 25 2017

Fund Information

NAV per share	USD 26.2
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	0.8
Sharpe Ratio	0.1

Top Holdings

Holding	Sector	% Holding
Commercial International Bank	Banks	19.4%
Eastern Tobacco	Personal & Household Products	10.3%
ElSewedy Electric Co	Industrial Goods and Services and Automobiles	9.9%

