

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 28.4
Listing	Irish Stock Exchange
Index of reference	Hermes Financial Index
Bloomberg Ticker	EFGHEGY BH
ISIN	BMG2948Y1093

Quantitative Data (Since Inception)

Standard Deviation	26.7%
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
September 2018	-8.0%
YTD	-6.9%
1 Year	8.4%
5-YTD	-2.2%
Since Inception	271.4%

*EFG Hermes Egypt Fund achieved a strong 5-YTD return of 154.7% in EGP but it was affected by the sharp currency devaluation as shown above.

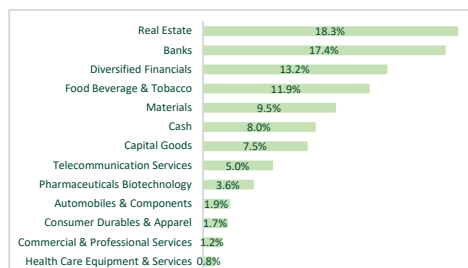
Top Holdings

Stock Name	Sector	Weight
Commercial International Bank Egypt	Banks	13.6%
Eastern Tobacco	Food Beverage & Tobacco	7.7%
Talaat Moustafa Group	Real Estate	7.5%
Egypt Kuwait Holding Co	Diversified Financials	7.1%
Six of October Development & Investment	Real Estate	5.7%

Performance Contributors (Monthly)

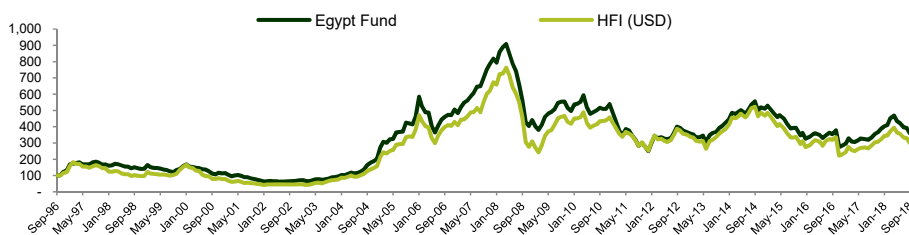
Stock Name	Sector
Obour Land For Food Industries	Food Beverage & Tobacco
Alexandria Mineral Oils Co	Materials
Egyptian Financial Group-Hermes Holding Co	Diversified Financials

Sector Allocation



* GICS Industry Group

Track Record Vs HFI (USD)



Market Outlook

Market Commentary

- EGX30 plunged to its lowest since the beginning of the year recording a drop of 8.7% in EGP and 8.8% in USD terms during September 2018 bringing the YTD performance to a negative 2.7%. The slide in market performance during the month was mainly due to government investigations regarding market transactions that led to a heavy sell off, in addition to the continuous sell off in emerging markets globally.
- Arab investors were the only net buyers this month with EGP426 million. Foreign and local investors were net sellers by EGP279 million and EGP147 million, respectively.
- The highest underperformer sector this month due to fears of slowdown was Real Estate with drop in Palm hills (25.5%), Heliopolis Housing (23.5%) and Madinet Nasr (12.1%). However, TMG outperformed the sector with a decrease of only 2.9% as the company caters different segments.
- The average daily turnover increased for the first time after 5 months to reach EGP778 million up from EGP700 million last month.

Economic Update

- MPC Maintains Overnight Deposit and Lending Rates at 16.75% and 17.75% respectively
- Egypt and China signed trade agreements worth a total of USD18.3 billion with projects including the second phase of the New Administrative Capital, a refinery at Suez Canal Economic Zone, and clean coal power plant.
- The Ministry of Finance announced that foreign holdings in Egyptian Treasuries stood at USD14.2 billion at end of August down 38.5% from USD23.1 billion at the end of March. The drop is a normal reflection of foreign outflows from emerging markets across the past months.
- Net International Reserves stood at USD44.4 Billion as of August 2018
- Inflation rate rose to 14.2% in August from 13.5% in July 2018.

Strategy

- The market lost 20.1% over the past 5 months eroding all gains achieved in the beginning of the year. The decline was mainly on the back of emerging markets sell off that was triggered by the trade war between the US and China, which left investors panicking leading to strong selloff. We highlight that Egypt's treasuries witnessed a more aggressive selling declining by 38.5% from USD23.1 billion at the end of March to USD14.2 billion at the end of August.
- We highlight that what is happening in emerging markets, especially with the free fall in some local currencies like Argentina (-121.8%) and Turkey (-59.4%) is causing negative sentiment across all emerging markets. As a result the CBE had to pause its easing cycle amid concerns that Egypt might face a new devaluation along with significant inflationary pressures that resulted from the constant increase in commodity prices throughout 2018.
- Although, Egypt has been outperforming Emerging markets, whether as a currency or an equity market, we believe that we can't neglect what's happening around us, and the fact that if the problem persists it might have deeper impact. Therefore, we believe that the CBE will keep rates in the current level until the sky is more clear. Moreover, we believe that our current account dynamics along with the kicking of Zohr field and our foreign reserves will be sufficient to hold EGP at current rates.
- Finally, we believe that the recent drop in the market led to some attractive valuations as the market is currently trading at P/E (2019f) of 8.1x compared to MSCI EM average P/E (2019f) of 10.7x. We highlight that historically speaking when EGX30 traded at P/E valuation range of 8.7x, the subsequent 12 months returns were never negative based on a number of observations the minimum yield was 17%, while the maximum yield was 93% and the average yield was 54%.
- Therefore, we still believe in Egypt's long-term story as long as we are moving forward with the reform program yet due to current market risks we will concentrate our investments in companies with strong balance sheets and high cash balances.