المجموعة المالية هيرميس
EFG HERMES
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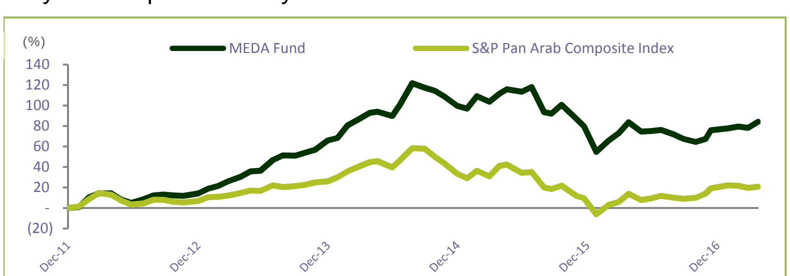
The EFG-Hermes Middle East & Developing Africa (MEDA) Fund
April 2017

Fund Manager's Strategy & Outlook

Brent crude prices slipped below the USD 50 / bbl level on the back of concerns about a surge in US output and doubt on the ability of OPEC to keep output scaled back. However news of a large crude inventory draw pushed prices back up over USD 50 / bbl and U.S. stock draws in the summer should trigger another bump in prices. An extension of the OPEC deal is the likely scenario, however prices look to remain subdued given investment in shale is nowhere near a decline. The rig count for oil-focused rigs is already up 34% in 2017 and operators are continuing to realize technology and efficiency gains bringing their breakeven price lower. During the month Brent gained 1.9% and equity market performance in the region was weak. Turkey was the best performing market having gained 5.8% in USD terms. The Saudi market gained 1.8% followed by the Abu Dhabi market at 1.5%. The Dubai, Omani and Qatari indices lost 0.7%, 2.5% and 2.6%, respectively while the Kuwaiti index dropped 2.7%. Egypt was the worst performing market having lost 3.2% in USD terms in the previous month.

In an unprecedented move Saudi Arabia released its first quarterly budget outturn which showed a 71% Y-o-Y drop in the fiscal deficit to SAR 26bn on the back of a 116% Y-o-Y increase in crude oil revenues. Non-oil revenues were relatively flat and the biggest increase came from taxes on trade and zakat. Additional revenues in the second half of the year are expected in the form of dividends from the Public Investment Fund and the expat levy which is yet to be implemented. The narrower deficit was also driven by a 3% drop in spending on the back of the cut on wages and allowances for the public sector. The drop in the deficit is likely what has prompted the government to surprisingly go ahead and reverse its decision to cut allowances and wages which result in an increase in spending during the second half of 2017. A pickup in domestic consumption as a result of the policy reversal is however likely to be limited partly as a result of expectations of further fiscal reforms to come. Financing costs for the government will continue to rise as the government seeks to fund the deficit through bond issues rather than drawing down on the current account as was the case in Q1 2017. In line with this strategy, Saudi Arabia issued a USD 9bn global sukuk, for which demand was USD 33bn, and plans a second Eurobond later in the year.

In Egypt the government has reached an agreement with the IMF that would release the second installment of the USD 12bn aid package. The Egyptian government expects to receive a further USD 1.25bn in funds during the month of June. The IMF has commended Egypt's efforts to restore investor confidence, the country removed currency controls and this helped trigger investments into the country. The current priority is to now curb inflation and the IMF is looking at the Central Bank to raise rates. According to the World Bank the economy is set to grow at 3.9% in 2017 and accelerating to 5.4% in 2019. The weaker EGP is expected to attract further FDI in the second half of the year and spur a recovery in the tourism sector.



As of April 24, 2017

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Objective

Long-term capital appreciation through investing in Middle East and North African equities and equity related securities.

Fund Performance

	MEDA Fund Class A	S&P Pan Arab*	Difference
MTD**	3.3%	0.8%	2.5%
YTD***	4.7%	1.3%	3.4%
2016	-2.2%	8.8%	-11.0%
2015	-10.0%	-18.0%	8.0%
2014	20.4%	6.0%	14.4%
2013	45.1%	26.3%	18.8%
2012	14.3%	6.8%	7.5%

*Figures reflect performance since inception of S&P Pan Arab Composite Large/Mid Cap Net TR Index in Dec 2004 as of the relevant Valuation Days of the MEDA Fund
**MTD figures reflect performance between March 27 2017 and April 24, 2017
***YTD figures reflect performance between December 12 2016 and April 24, 2017

Fund Characteristics

No. of Holdings	23
Weighted Market Cap	USD 9.6 billion
Average Dividend Yield*	3.1%
P/E Ratio 2017	13.8x

*Figure reflects the weighted average yield of a dividend-bearing security in the portfolio

Fund Metrics*

Alpha	7.4%
Beta	0.90
Volatility	15.1%
Information Ratio	1.22

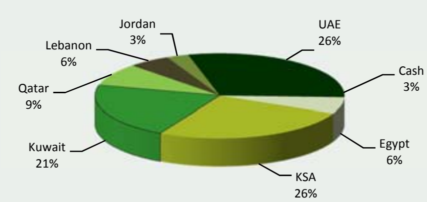
*Calculated vs. S&P Pan Arab Composite Large/Mid Cap Net TR USD since 29th December 2011

Top Five Holdings

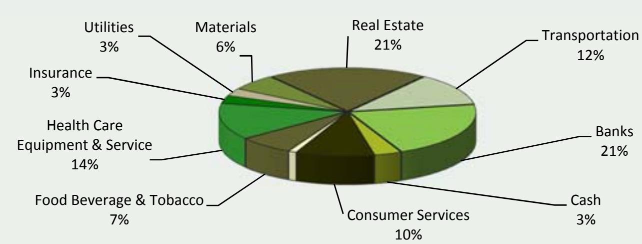
Holding	Country	% of NAV*
Aramex	UAE	9.6%
Human Soft Holding Co	Kuwait	9.4%
NMC Health	UAE	8.4%
Mabanee Co	Kuwait	7.0%
Al Rajhi Bank	KSA	6.0%

*Figures as of April 24, 2017

Allocation By Country



Allocation By Sector



Fund Data

NAV per Share (Class A)	USD 32.12
Launch Date	July 1999
Management Fee	1.4%
Incentive Fee	15% over 10%
Expense Ratio	1.4%
Minimum Subscription	USD 10,000
Subscription / Redemption	Weekly

Fund Identifiers

ISIN (Class A shares)	BMG294041030
Bloomberg Ticker	EFGMEAF BH
Merrill Lynch Code	EFGAT