The EFG-Hermes Middle East & Developing Africa (MEDA) Fund
August 2017

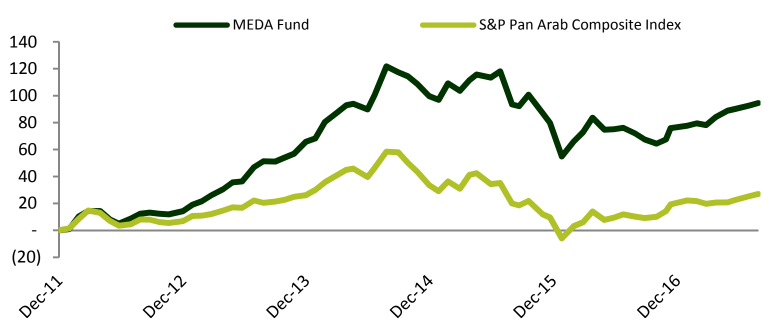
Fund Manager's Strategy & Outlook

Regional markets were quite weak in the previous month with Saudi leading the way having gained 2.4% and Kuwait was the only other market in positive territory with a gain of 0.8%. The Omani, Dubai and Abu Dhabi indices lost 0.4%, 0.6% and 1.8% respectively. The Egyptian market was down 2.1% in USD terms and Qatar was the worst performer having dropped 4.9%. Saudi Arabia suspended dialogue with Qatar, shortly after a phone call between the Qatari leader and the Saudi crown prince. The two sides had discussed holding talks to resolve the Qatar crisis, however Saudi Arabia then accused Qatar of distorting facts about the call. The standoff continues and the overhang on the Qatari market remains. In energy markets The EIA expects US shale drillers to post strong gains in August and September with output growing by 117kbd to 6.15 million barrels in September. The latest reports marks the sixth straight month of forecasted production growth above 100kbd. The supply side remains buoyant while demand expectations have been increased as well, indicating prices to be range bound at current levels in the foreseeable future.

The UAE is now the second country in the GCC to approve the VAT law which will see goods and services subject to a 5% tax rate likely starting in January 2018, after the newly approved excise. Certain sectors will be on an exemption list for VAT such as real estate, transport and hydrocarbons. The law is still however applicable to 70% of the consumer basket in the UAE implying a significant impact on inflation, of approximately 3.0%. The impact from the VAT introduction is likely to have an adverse impact on private consumption as a result. Additionally, businesses operating in the country, specifically the SMEs, which account for c40% of GDP, will face further cost inflation relating to tax reporting and implementation during the VAT adoption process. The tax is set to raise approximately USD 3.3bn in revenues in 2018 which could increase to USD 5.5bn in 2019. Other GCC countries are currently lagging in the process and implementation looks to be deferred in the cases of Qatar and Kuwait.

The Egyptian Central Bank released data showing the current account deficit having narrowed 32% q-o-q, to USD 2.4bn in Q217, the FY deficit standing at USD 15.6bn from USD 19.8bn previously. The improvement primarily came from some rebound in tourist arrivals and revenues, along with higher remittances. Tourist arrivals stood at 4.3mn in the first seven months of the year, as compared to 4.5mn for FY 2016. While this is still well below the 2010 peak of 14.7mn visitors, it is encouraging to see that the perception of Egypt from a security risk perspective is evidently improving and the devaluation has played its part in making it more affordable for tourists. In December, Egypt plans to repay international bonds worth USD 3bn, which were issued during December 2013, according to the Ministry of Finance. Egypt repaid foreign dues worth USD 2.25bn in July and these payments contributed to the decline of foreign exchange reserves to USD 15.5bn compared to USD 17.6bn in June.

The prospect of Saudi and Kuwaiti inclusion to FTSE EM looks promising and is set to be announced towards the end of the current month. For Saudi FTSE EM index could result in inflows of cUSD 3.8-6.5bn, depending on the Aramco IPO, with the weight ranging from c2.6%-4.5%. If Saudi does make the cut implementation would likely begin a year later over two phases, during the September 2018 and March 2019 review.



As of August 28, 2017
Sherif El Haddad, Fund Manager
EFG-Hermes Asset Management
Tel: 9714-363 4047 / Fax: 9714-362 1171
e-mail : AMsales@efg-hermes.com

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**	1.1%	1.3%	-0.2%
YTD***	10.6%	6.5%	4.1%
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 July 31, 2017 and August 28, 2017
***YTD figures reflect performance between December 12, 2016 and August 28, 2017

Fund Characteristics

No. of Holdings	21
Weighted Market Cap	USD 8.0 billion
Average Dividend Yield*	3.1%
P/E Ratio 2017	14.1x

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

Fund Metrics*

Alpha	7.2%
Beta	0.89
Volatility	14.6%
Information Ratio	1.2

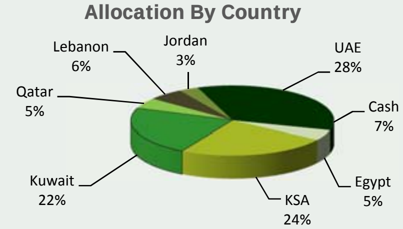
*Calculated vs. S&P Pan Arab Composite Large/Mid Cap Net TR USD since 29th December 2011

Top Five Holdings

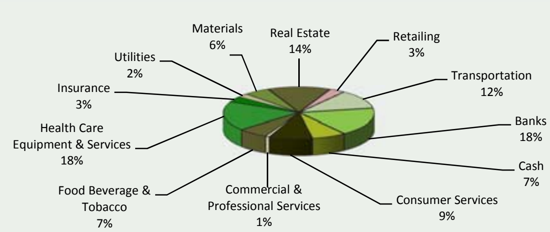
Holding	Country	% of NAV*
NMC Health	UAE	9.9%
Human Soft Holding Co	Kuwait	9.3%
Aramex	UAE	8.5%
Emaar Properties	UAE	7.4%
Mabanee Co	Kuwait	6.3%

*Figures as of August 28, 2017

Allocation By Country



Allocation By Sector



Fund Data

NAV per Share (Class A)	USD 33.96
Launch Date	July 1999
Management Fee	1.4%
Incentive Fee	15% over 10%
Expense Ratio	1.7%
Minimum Subscription	USD 10,000
Subscription / Redemption	Weekly

Fund Identifiers

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