المجموعة المالية هيرميس

EFG HERMES since 1984

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

Fund Manager's Strategy & Outlook

Global risk assets continued their upward trajectory into the last month of the year, with most asset classes closing the year with positive returns. Consistently robust economic data, supported by positive earnings growth and rising valuations helped drive markets during the year, outweighing any concerns stemming from the political noise and monetary policy tightening. During the period, the energy markets were relatively muted, with WTI closing -0.2% and Brent Oil each gaining 1.2%. Within the GCC, expectations for expansionary budget announcements helped market action in some countries, with the Tadawul taking the lead, up 2.3% during the month, followed by Doha and Abu Dhabi, which closed +2% while Dubai, Kuwait and Oman were the exceptions, having ended the period down between c0.9% to c1.6%. Within the periphery, Morocco closed down 2%, while Egypt closed the period +1.5%.

Significant developments during the period included the budget announcements for regional sovereigns:

Saudi Arabia:

- The Ministry of Finance announced a moderately expansionary budget that highlights the government's desire to focus on capital spending that can help stimulate growth within the economy and to rationalize the current expenditure outlay. The budget is geared towards spending on infrastructure, housing, and transportation which should have a multiplier effect on economic activity, employment, and incomes. The government has extended the timeline for fiscal balance to 2023 and is willing to draw down on reserves and borrow further to fund their expansive budgetary policies. Several of the planned reform measures have been delayed from initial timelines allowing time for corporates and households to enhance their absorptive capacity at the time of reform implementation. Post the 2018 budget announcement; the government announced several allowances and salary hikes targeted at the citizen population that helps cushion them from the wider inflationary pressures that are likely to be felt by the expatriate population

Dubai:

- Infrastructure spending is expected to grow by 47% in light of the upcoming EXPO 2020 which should naturally feed into the commercial real estate developers, construction companies, and the banks. The latter is the best way to play this infrastructure led spending within the listed space given the precarious financial health of the listed contractors. The portfolio is OW the two Dubai banks that are actively involved in project financings and are outpacing overall sector growth

Qatar:

- The Qatari budget is least expansionary vis-à-vis its GCC counterparts. However, the government has budgeted for a similar deficit as recorded in FY 2017, with an oil price estimate of USD 45/bbl. Evidently, there are upside risks to the oil revenues, and it is encouraging to see the government exert control over expenditure as FY 2018 will witness the full year impact of the boycott

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**	-0.4%	0.9%	-1.3%
YTD***	5.9%	2.8%	3.1%
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 November 27, 2017 and December 11, 2017
***YTD figures reflect performance between December 12, 2016 and December 11, 2017

Fund Characteristics

No. of Holdings	17
Weighted Market Cap	USD 5.9 billion
Average Dividend Yield*	3.8%

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

Fund Metrics*

Alpha	6.5%
Beta	0.9
Volatility	14.4%
Information Ratio	1.1

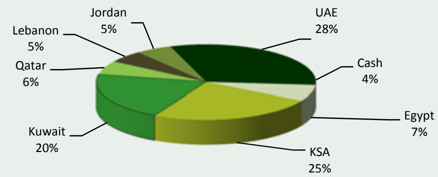
*Calculated vs. S&P Pan Arab Composite Large/Mid Cap Net TR USD since 29th December 2011

Top Five Holdings

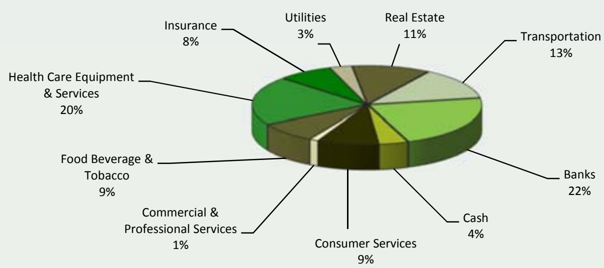
Holding	Country	% of NAV*
NMC Health	UAE	9.3%
Human Soft Holding Co	Kuwait	8.7%
Al Rajhi Bank	KSA	8.5%
Aramex	UAE	8.3%
Mouwasat Medical Services Co	KSA	8.1%

*Figures as of December 11, 2017

Allocation By Country



Allocation By Sector



Fund Data

NAV per Share (Class A)	USD 32.51
Launch Date	July 1999
Management Fee	1.4%
Incentive Fee	15% over 10%
Expense Ratio	1.9%
Minimum Subscription	USD 10,000
Subscription / Redemption	Weekly

Fund Identifiers

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

This update does not constitute an offer of shares and should not be relied upon by any person acquiring or otherwise dealing in shares of the company. Subscription of shares in the company may only currently be made on the terms of the Placing Memorandum of the company. It should be noted that investment in the fund is only suitable for sophisticated investors who are aware of the risks of investing in The EFG-Hermes Middle East & Developing Africa (MEDA) Fund and should be regarded as long term. Please remember that past performance is not necessarily a guide to the future. Market and currency movements may cause the value of shares and the income from them to fluctuate and you may get back less than you invested when you decided to sell your share.

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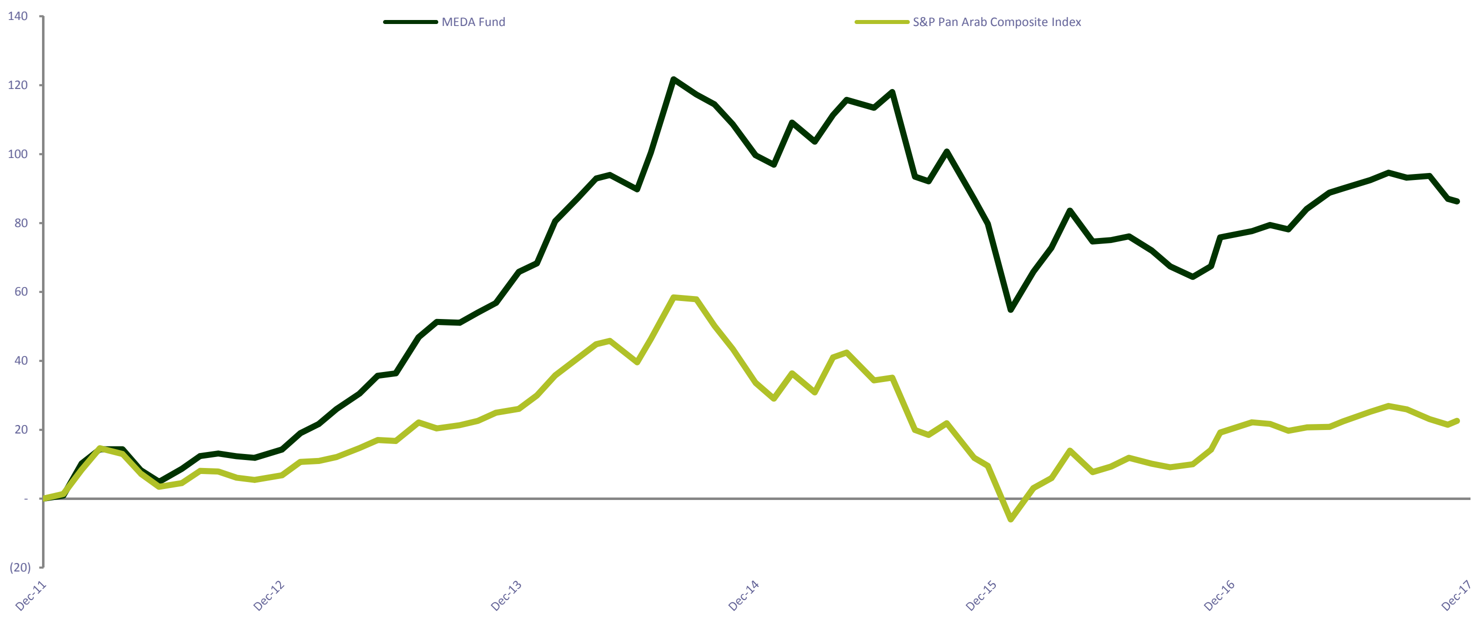
During the month, the Fund lost 0.41% during the month and was behind the benchmark by 1.31%. The Fund's allocation and selection decisions within Saudi Arabia, Kuwait and Qatar were the key contributors to the relative underperformance. The Fund's exposure within Kuwait, across the education, retail and aviation sector were the key negative performance contributors during the period. During the period, there was minimal activity in the Fund with any changes in country and sector allocations predominantly an outcome of market action. The Portfolio ended the period with a cash position of 4.08%.

Crude markets are poised to move into a deficit as the market tightens, on the back of strong global growth tailwinds increasing demand expectations and the extended production cuts helping to reduce the excess oil in storage. Given the high level of conformity of participating countries (OPEC and non-OPEC) in supporting oil markets stability, oil prices are likely to remain range-bound around current levels of USD 65-70/bbl, with a risk to the thesis being a potential Chinese slowdown.
Within the region, current oil price levels are supportive of the expansive budget announcements as it provides sovereigns the fiscal space to extend the reforms timeline and move ahead with the planned aggressive investment spending which should eventually stimulate growth as it trickles into the broader economy.

The Investment Manager maintains the OW on Egypt as the country is finally seeing disinflation owing to the base effect and overcoming the impact from the devaluation and is poised for demand recovery. The FX market in the country is functioning more smoothly, and the Central Bank is likely to cut rates gradually during 2018 as inflation continues to ease, which should help companies with high local currency debt and rotate money out of the T-bills into equities. While the outcome of Egypt's presidential elections in 1H 2018 is widely expected to be a non-event, the market may see some volatility surrounding the polling events which could present buying opportunities. Given the Investment Manager remains constructive on most of the markets in the investment remit, the Portfolio remains almost entirely invested with residual cash level currently at less than 5%.



As of December 11, 2017

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