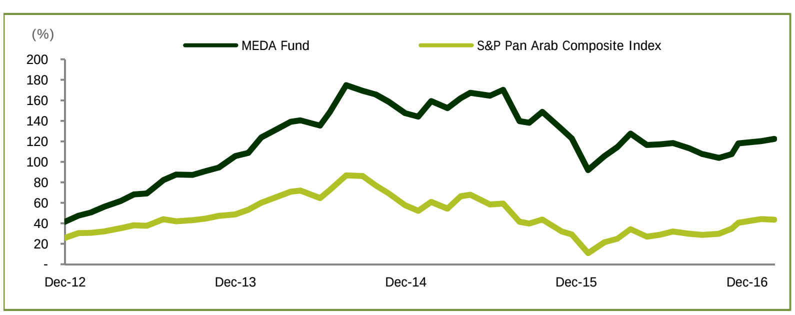
The EFG-Hermes Middle East & Developing Africa (MEDA) Fund
February 2017

Fund Manager's Strategy & Outlook

During the month of February GCC markets were relatively weak in terms of performance. The best performer in USD terms was the Egyptian exchange with a gain of 9.9%, followed by Turkey which saw a 7.0% rally in USD terms. The Qatari, Omani and Abu Dhabi markets gained 1.8%, 1.2% and 0.8%, respectively. The Kuwaiti market slightly retraced some of its previous month's gains with a drop of 0.9% while the Dubai Index lost 1.2%. Saudi was the worst performing market having lost 2.3% in the backdrop of a 1.3% positive move in Brent crude prices which are firmly at the USD 56 / level.

The Saudi Index was dragged lower by the banking sector which was down over 4.0% M-o-M. The sector is underperforming YTD and is currently trading at below its historical average at 10.0x EPS 2017e with a yield of 4.5% for 2018. The settlements of government receivables has proved to be positive for certain sectors but delayed payments had meant that banks were funding working capital requirements for corporates. With this demand shrinking now as payments are received, lending demand is also expected to contract while fee income is also expected to be sluggish. There is also the potential for an uptick in provisioning in 2017 for banks at which we did not see a spike occur already in Q4 2016. There is a positive note on the improved outlook for US rate hikes but it would take starting the second rate hike to materialize into a boost for margins in the sector. There are further headwinds expected in 2017 across other sectors as well as the government may raise fuel prices in the summer and that will coincide with the implementation of the new expat levy. It is unclear currently how much of the new fees will be passed onto employees and how much will be absorbed as costs, potentially to be partly passed onto consumers. Consumption pressures also expected to sustain in 2017 and therefore the focus is likely is to be on streamlining operations, cutting costs and rationalizing spending plans. There are however companies that are better positioned to withstand cost pressures against new fees and that have expansionary plans underway that will underpin top line growth and these are the ones that should outperform. The Saudi King has started a month long Asian tour which aims to promote investment opportunities in the country including the stake sale of Aramco. Any positive agreements or news flow from the trip may provide a boost to the market.

The Kuwaiti market continues to outperform in the region and has several catalyst that could push it higher in the short term. These catalyst include; reducing the tick size for stocks, increasing day trading limits and approximately USD 900mn of recycled funds from the Americana tender offer which is still pending can find its way back adding to liquidity. Leading up to May we can still see a shift from Frontier asset allocators away from Pakistan and a sovereign bond issue during the year should have a positive effect on the market. The macro environment in Dubai continues to be preferred and there companies that provide growth opportunities while still being undervalued.



As of February 27, 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**	1.0%	-0.4%	1.4%
YTD	2.0%	2.1%	-0.1%
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 January 30 2017 and February 27, 2017

Fund Characteristics

No. of Holdings	22
Weighted Market Cap	USD 11.3 billion
Average Dividend Yield*	2.7%
P/E Ratio 2017	15.9x

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

Fund Metrics*

Alpha	6.9%
Beta	0.90
Volatility	15.3%
Information Ratio	1.13

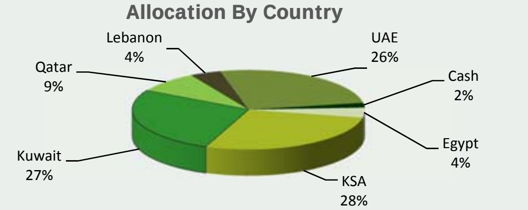
*Calculated vs. S&P Pan Arab Composite Large/Mid Cap Net TR USD since 29th December 2011

Top Five Holdings

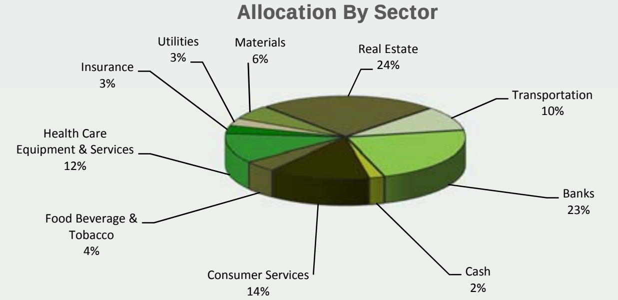
Holding	Country	% of NAV*
Aramex	UAE	9.7%
Mabanee Co	Kuwait	9.2%
Human Soft Holding Co	Kuwait	8.8%
Al Rajhi Bank	KSA	7.7%
NMC Health PLC	UAE	6.6%

*Figures as of February 27, 2017

Allocation By Country



Allocation By Sector



Fund Data

NAV per Share (Class A)	USD 31.31
Launch Date	July 1999
Management Fee	1.4%
Incentive Fee	15% over 10%
Expense Ratio	1.6%
Minimum Subscription	USD 10,000
Subscription / Redemption	Weekly

Fund Identifiers

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