المجموعة المالية هيرميس

EFG HERMES since 1984

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

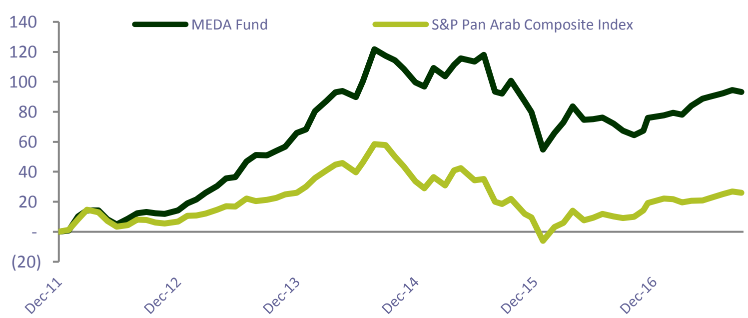
Fund Manager's Strategy & Outlook

Regional markets were largely in the red over the course of the previous month despite a strong rally in crude prices, with the exception of the Egyptian market which saw an upward move of 5.1% in USD terms. The Omani market was the best performer in the GCC with a gain of 2.5%. The Saudi, Dubai and Abu Dhabi indices lost 0.5%, 1.2% and 1.7%, respectively. The Kuwaiti index dropped by 2.0% and the Qatari market was the worst performing having lost 5.5% as the country continues to face a standoff with the Gulf with no signs of easing tensions.

UAE banks are reportedly looking to sell down their Qatari exposure in the secondary market which stands to add to the overhang. While Qatar remains a minor contributor to the banks' balance sheets in terms of asset growth and funding, a longer drawn out dispute is likely to highlight the vulnerability of other sectors and smaller businesses in the UAE, and bring out its second round effects in the rest of the GCC. During the month oil prices rallied 13.8% as President Trump announced his plan to decertify the Iran deal, military movements have progressed in Iraq and a there is a renewed push by OPEC on production cuts which calls on more nations to join the effort. Prices are also currently staying buoyant on strong Chinese imports after an eight month low in August.

Saudi Arabia passed a monumental decree lifting the ban on women driving which will be effective from June 2018, and this decision will bring with it a wide range of economic and social impacts. Women represent approximately 20% of the workforce and with the ability to drive their representation in the workforce could grow by another 10% in line with the NTP and vision 2030 program. There are almost nine million women in Saudi above the age of 19 and with an increase in discretionary income this should lead to a positive impact on discretionary spending and organized retail. There are currently c.1.4mn drivers hired by households in Saudi. The savings for citizens and expats should also translate into an increase in consumption. On the same account the decline in drivers will serve to decrease remittances by a similar amount. Motorization rates in Saudi Arabia are high at 424 vehicles per 1000 population as women can currently own vehicles and hire drivers. The lifting of the ban stands to further increase motorization rates and the number of insured vehicles, while opening up a new market to the insurance sector which will look to charge higher premiums for first time women drivers. Car rental companies also stand to become beneficiaries.

The move towards liberalization and reform provides upside potential for overall economic growth in Saudi. In the near term Saudi companies should see better results namely in the consumer discretionary space as the backlog of payments to public sector employees would be cleared in Q3 2017 and this may fuel pre VAT implementation spending. The new revised Nitaqat program also came into effect in the last quarter as the government looks to bring down unemployment to 7% from 12% by 2030.



As of September 25, 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**	-0.7%	-0.8%	0.1%
YTD***	9.8%	5.7%	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 August 28, 2017 and September 25, 2017
***YTD figures reflect performance between December 12, 2016 and September 25, 2017

Fund Characteristics

No. of Holdings	21
Weighted Market Cap	USD 8.1 billion
Average Dividend Yield*	3.2%
P/E Ratio 2017	19.7x

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

Fund Metrics*

Alpha	7.1%
Beta	0.9
Volatility	14.5%
Information Ratio	1.2

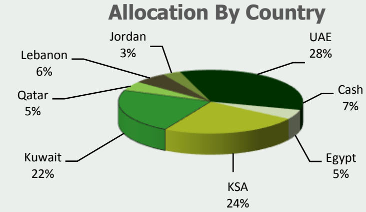
*Calculated vs. S&P Pan Arab Composite Large/Mid Cap Net TR USD since 29th December 2011

Top Five Holdings

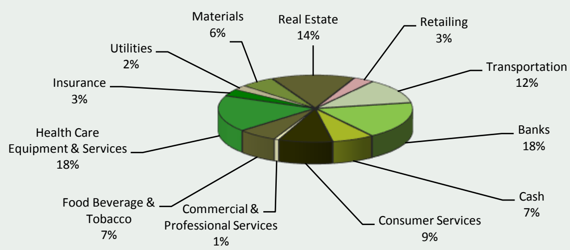
Holding	Country	% of NAV*
NMC Health	UAE	9.5%
Human Soft Holding Co	Kuwait	9.0%
Aramex	UAE	8.4%
Emaar Properties	UAE	7.7%
Mabanee Co	Kuwait	6.4%

*Figures as of September 25, 2017

Allocation By Country



Allocation By Sector



Fund Data

NAV per Share (Class A)	USD 33.71
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