المجموعة المالية هيرميس

EFG HERMES since 1984

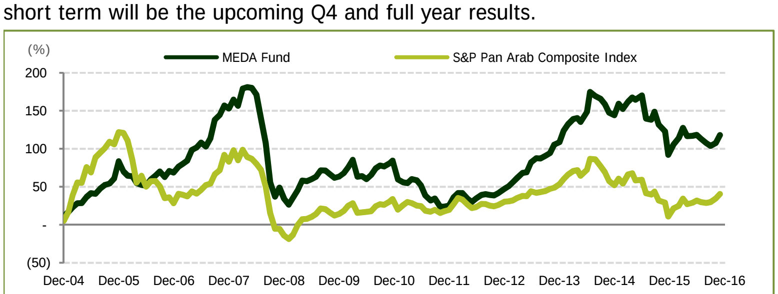
The EFG-Hermes Middle East & Developing Africa (MEDA) Fund December 2016

Fund Manager's Strategy & Outlook

The last month of the year ended with a strong performance across regional markets as Brent crude prices jumped by 11.9%. Energy markets have remained robust post the production cut agreement by OPEC. Saudi Aramco has increased its official pricing for Arab Light Crude to Asia and is in talks to discuss possible supply cuts of 7% for Saudi crude loadings in February, aimed at meeting the commitment to cut production. The expectations are for crude oil fundamentals to realign as demand also picks up in the 2nd half of 2017, pushing prices close to our long-term price range of USD 65 – USD 70 / bbl. In terms of market performance the Dubai Index led the way with a 7.3% rally followed by the Qatari and Abu Dhabi markets which gained 6.8% and 4.7%, respectively. The Omani Index moved up by 4.4% while the Saudi Index gained 3.8%. The Kuwaiti bourse saw the index increase by 3.2%, while the Egyptian market gained 2.1% in USD terms. The Turkish market was the worst performer over the course of the month, as the index remained unchanged in USD terms. These figures reflect performance until Dec 26th 2016.

The Saudi market ended the year on a positive note both on firmer oil prices and a well-received budget statement. Oil revenues are projected to rise significantly by 46% to SAR 480bn with total revenues of SAR 692bn projected, at an assumed average oil price of approximately USD 50 / bbl. The budget calls for expenditure of SAR 890bn and thus a deficit of SAR 198mn is expected, down from SAR 297 bn in 2016. The government also implied it expects oil prices to average USD 65 / bbl by 2019. The Saudi plan to adopt a targeted fiscal expansionary policy in 2017 should provide a boost to the economy after two years of fiscal consolidation. Positive news came for the petrochemical sector as an increase in feedstock prices has been delayed and an expected increase in retail fuel prices also did not materialize. A new expat levy was announced however and this will play negatively on labor intensive industries such as construction and healthcare. A Fiscal Balance program was released as well, it targets growing non-oil revenues, rationalizing operational expenditures, eliminating misdirected subsidies and sustaining growth in the private sector. The traditional blanket subsidy model will see a change towards a program which will target those based on household income levels. The government has also reiterated its intention to reduce its payment cycle to 60 days from the date of invoice; this should significantly improve corporate liquidity and money velocity within the economy. This is a positive for the corporate and banking sector as well as it reduces funding costs through greater system liquidity and improves credit growth prospects.

Qatar announced an expected budget deficit of QAR 28bn on the back of expected revenues of SAR 170bn and expenditures of QAR 198bn. The country posted its first budget deficit in 15 years in 2016 of QAR 47bn. The shortfall will continue to be covered by local and international debt issues. The decline in spending is predominantly due to a rationalization in operating expenditures with a focus to improve efficiency and therefore the impact on the wider population is expected to be muted. The capital spending planned stands to continue to benefit the banking and building materials, utilities sectors. Since policy action in the region has become more visible, 2017 stands to be a less disruptive year than 2016 and corporates have more breathing room as reforms are to be spread over the medium term. The outlook on oil prices has improved however a significant rise will encourage supply to reemerge, the next determining factor for the markets in the short term will be the upcoming Q4 and full year results.



As of December 12, 2016

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**	5.0%	4.3%	0.7%
YTD	-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%
2011	-31.4%	-9.4%	-22.0%
2010	11.7%	16.1%	-4.4%
2009	8.7%	18.4%	-9.7%
2008	-42.1%	-50.6%	8.5%
2007	50.5%	41.1%	9.4%
2006	6.2%	-33.9%	40.1%

*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 28 2016 and December 12, 2016

Fund Characteristics

No. of Holdings	21
Weighted Market Cap	USD 6.9 billion
Average Dividend Yield*	2.4%
P/E Ratio 2016	13.4x

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

Fund Metrics*

Alpha	7.2%
Beta	0.9
Volatility	15.5%
Information Ratio	1.2

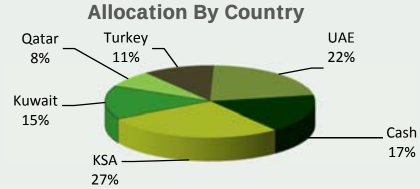
*Calculated vs. S&P Pan Arab Composite Large/Mid Cap Net TR USD since 29th December 2011

Top Five Holdings

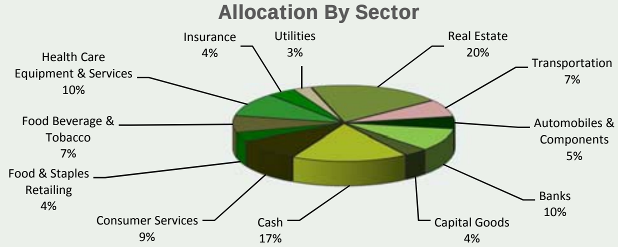
Holding	Country	% of NAV*
Aramex	UAE	7.4%
Kuwait Food Co Americana	Kuwait	6.1%
Emaar Properties	UAE	5.7%
Mouwasat Medical Services	KSA	5.3%
Mabanee Co	Kuwait	5.0%

*Figures as of December 12, 2016

Allocation By Country



Allocation By Sector



Fund Data

NAV per Share (Class A)	USD 30.69
Launch Date	July 1999
Management Fee	1.4%
Incentive Fee	15% over 10%
Expense Ratio	1.80%
Minimum Subscription	USD 10,000
Subscription / Redemption	Weekly

Fund Identifiers

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