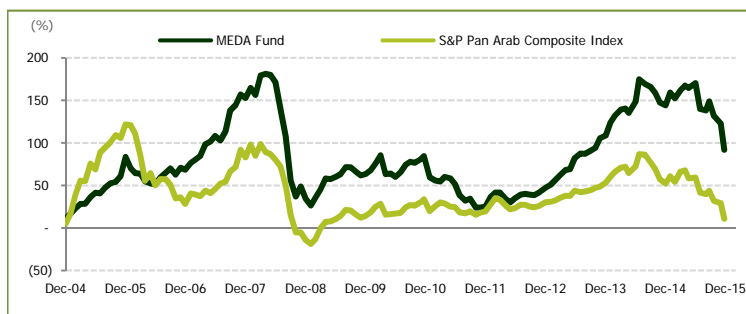


## Fund Manager's Strategy & Outlook

The previous month began with indiscriminate selling across the MENA markets in line with what was being witnessed globally, as oil prices continued their slide downwards, and questions resurfaced with regards to global growth. Over the course of the month crude prices dropped 16.8% which weighed heavily on the GCC markets. The outperformer was the Turkish bourse which lost 7.2% in USD terms, followed by the Omani and Abu Dhabi markets which dropped by 8.1% and 9.0%, respectively. The Qatari Index lost 10.7%, the Kuwaiti market shed 12.0% while the Dubai and Egyptian markets both were down 12.8%. Saudi was the worst performing bourse on the back of a decline in crude prices, the impact on the revision of utility and feedstock prices and overall disappointing Q4 2015 results. Brent crude prices have marginally moved upwards from multi-year lows of below USD 29 /bbl, to currently trading just under USD 33 / bbl. The initial spark came on the back of rhetoric from Russia that it was looking to consider production cuts alongside OPEC and potentially Venezuela.

Potential oil production increases from Iran, Iraq and the GCC including Saudi continue to weigh on oil prices, along with a weaker demand outlook. Demand hit a five year high of 1.8mn b/d in 2015 and according to the IEA this is expected to fall by 20%. However U.S. producers are expected to cut production during 2016 given the current pricing environment and this supply curtailment which should play favorably in terms of crude prices. When this occurs, the Gulf economies will have positioned themselves stronger with lower subsidy bills. Our view is that oil will average USD 35 – USD 40 / bbl in 2016 and rebound over the longer term to USD 55 –USD 60 / bbl while valuations are not reflecting this at present.

In the near term the impact of crude will clearly result in a deceleration of economic activity which is already being witnessed as PMI readings have come in at their lowest points reflecting that the pace of growth has slowed and private sector growth can fall short of expectations. The Saudi government has published reserves figures which show that they now stand at USD 616bn, down USD 19.1bn during December and down USD 115bn for 2015, a faster than expected contraction. While the outlook may look weak, sovereign balance sheets are still very strong and capable of easing the strain and reserves are also sufficient to maintain the USD peg which we do not see a deviation from across the GCC. There has been positive news flow in the form of Saudi Arabia looking to lift local partnership barriers to attract FDIs and Saudi Aramco, which sits on 260bn barrels of crude reserves, may be in the discussion for a share sale.



As of January 25, 2015

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**	-13.9%	-14.2%	0.3%
YTD	-13.9%	-14.2%	0.3%
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 December 21, 2015 and January 25, 2016

### Fund Characteristics

No. of Holdings	26
Weighted Market Cap	USD 3.6 billion
Average Dividend Yield*	2.8%
P/E Ratio 2015	11.0x

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

### Fund Metrics\*

Alpha	11.0%
Beta	0.91
Volatility	14.1%
Information Ratio	2.11

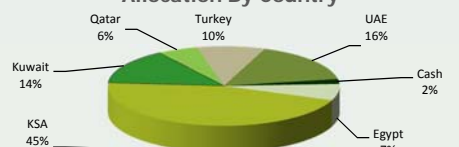
\*Calculated vs. S&P Pan Arab Composite Large/Mid Cap Net TR USD since 29<sup>th</sup> December 2011

### Top Five Holdings

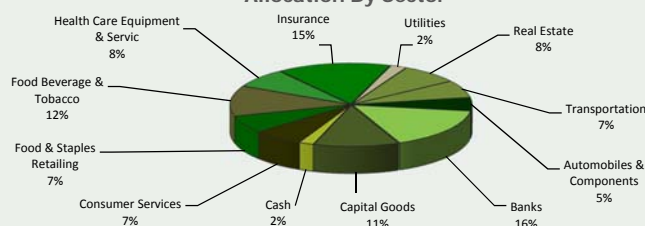
Holding	Country	% of NAV*
Mezzan Holding	Kuwait	7.5%
Saudi Marketing Co	KSA	6.8%
Bupa Arabia	KSA	6.5%
Al Sagr Cooperative Insurance Co	KSA	5.3%
Tofas Turk Otomobil Fabrikasi	Turkey	5.1%

\*Figures as of January 25, 2016

### Allocation By Country



### Allocation By Sector



### Fund Data

NAV per Share (Class A)	USD 27.02
Launch Date	July 1999
Management Fee	1.4%
Incentive Fee	15% over 10%
Expense Ratio	1.67%
Minimum Subscription	USD 10,000
Subscription / Redemption	Weekly

### Fund Identifiers

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