المجموعة المالية هيرميس
EFG HERMES since 1984

The EFG-Hermes Middle East & Developing Africa (MEDA) Fund June 2015

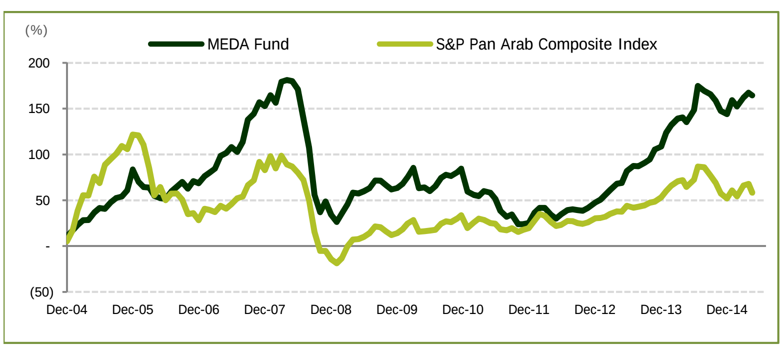
Fund Manager's Strategy & Outlook

Emerging markets witnessed a record month in June in terms of outflows with total redemptions for 2015 standing at USD 26bn which surpasses the total for all of 2014. The weakness in equity inflows which were at an YTD low of USD 3bn, reflected investor concerns around spillovers from Greek negotiations and an impending rate hike from the Fed. Regional markets were also hit in terms of performance as oil made a 6.1% move lower towards USD 60 / bbl. The Abu Dhabi market was the best performing having gained 1.2% followed by the Omani bourse which gained 0.8%. The UAE was the overall best performing country as the Dubai market was relatively unchanged having dropped just 0.6%. The Kuwaiti Index lost 1.7%, as the Qatari and Turkish markets lost 3.1% and 3.3%, respectively. The Saudi Index followed the move in oil prices and lost 6.9% and the worst performing market in the region was the Egyptian bourse which shed 7.5% over the course of the last period.

In Egypt the Ministry of Finance issued its revised FY2015/16 budget following comments by the President calling for more stringent consolidation. The revised budget aims for a fiscal deficit of EGP 251bn (USD 33bn) or 8.9% of GDP vs. the previous target of 9.9% and compared to 10.8% in FY2014/15, with target real GDP growth at 5.0%. The upcoming narrower deficit is largely aided by an EGP 10bn cut in the wage bill as the President announced a freeze on bonuses to all civil servants. This will also allow for a significant reduction on interest payments. Threats to the revenue projections could come from a full implementation of VAT, along with regional events that threaten stability which can combine to hit tourism negatively. The expectation is that the Central Bank will go ahead and increase rates following a VAT implementation as it did following the increase in fuel prices. A final stamp of approval on the budget could be positive on Egyptian equities along with the opening of the Suez Canal extension post Ramadan. The Central Bank is also under process of managing a controlled devaluation of the Pound.

The five permanent members of the UN Security Council and Germany are currently having talks with respect to a sanctions removal deal with Iran. The official deadline has passed and several extensions of timelines are expected to follow. Opponents argue that a deal could set off a chain reaction of nuclear proliferation in the region further harming security and stability. However, the immediate impact will be that of implying an increase in crude oil exports and therefore a negative effect on prices, which have already started drifting aggressively downwards in early July. The oil output for OPEC is over 32 mn b/d and it will take a significant amount of time for Iran to be able to impact supply in any meaningful way. Another important set of events that can hurt sentiment on regional equity markets revolves around Greece as voters returned a 61% "no" vote in a referendum regarding the acceptance austere bailout terms offered by creditors. This only extends the issue at hand without a definite outcome visible in the short term.

The Saudi market finally opened up for QFIs in mid-June without a lot of fanfare as expected, and with the market having dropped 5.2% since then. Several sectors are at premium valuations and we may see the overall environment provide the setting for a short term correction providing attractive entry points. Over the course of the last month the region saw a bomb attack Kuwait but markets have remained resilient. Several new listing have also taken place including Saudi Ground Services, Phoenix Power in Oman and Emaar Misr in Egypt. Currently the market is looking forward to Q2 2015 results. Ramadan which has usually been occurring in Q3 is now split between Q2 and Q3 and is expected to benefit the consumer as well as retail names. The petrochemical sector stands to benefit sequentially in terms of earnings growth on the back of higher end pricing and lower provisioning should help the Qatari and UAE banking sectors bottom line.



As of June 29, 2015

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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**	-1.1%	-5.7%	4.6%
YTD	6.9%	0.5%	6.4%
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 May 18, 2015 and June 29, 2015

Fund Characteristics

No. of Holdings	25
Weighted Market Cap	USD 5.6 billion
Average Dividend Yield*	2.7%
P/E Ratio 2015	12.1x

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

Fund Metrics*

Alpha	14.6%
Beta	0.9
Volatility	12.3%
Information Ratio	2.3

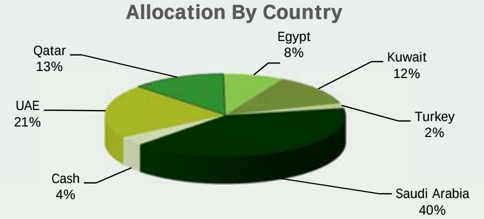
*Calculated vs. S&P Pan Arab Composite Large/Mid Cap Net TR USD since 29th December 2011

Top Five Holdings

Holding	Country	% of NAV*
Mezzan Holding	Kuwait	7.5%
Orascom Construction	UAE	5.6%
Saudi British Bank	Saudi Arabia	5.2%
Elsewedy Electric	Egypt	5.0%
Al khaleej Training and Education	Saudi Arabia	4.7%

*Figures as of June 29, 2015

Allocation By Country



Allocation By Sector

Fund Data

NAV per Share (Class A)	USD 37.25
Launch Date	July 1999
Management Fee	1.4%
Incentive Fee	15% over 10%
Expense Ratio	2.28%
Minimum Subscription	USD 10,000
Subscription / Redemption	Weekly

Fund Identifiers

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