المجموعة المالية هيرميس
EFG HERMES
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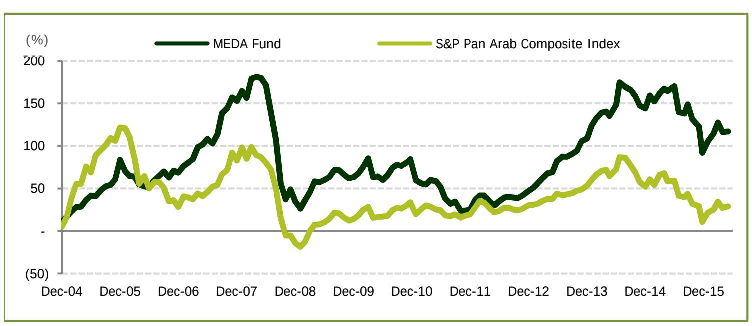
The EFG-Hermes Middle East & Developing Africa (MEDA) Fund
June 2016

Fund Manager's Strategy & Outlook

Regional indices reported mixed performances over the last month given the backdrop of a 5.9% decline in crude prices. Oil prices are expected to continue to be below the USD 50 / bbl level given several negative headwinds related to supply. Nigerian production has increased from 1.3mn to 1.9mn b/d, the 1.4mn b/d that went off line in Canada is expected to return to market and approximately 0.6mn b/d of Libyan capacity is expected to come back online. Amongst MENA markets Abu Dhabi was the best performing with a gain of 4.1% followed by the Qatari index which increased by 2.8%. The Saudi market was the only other in positive territory with a gain of 1.7%. The Kuwaiti and Dubai bourses lost 0.2% and 0.6% respectively while the Oman index shed 1.3%. The Turkish market was down 3.6% while the Egyptian market was the worst performing with a loss of 7.4%, both in USD terms. The event that has overshadowed all others is the UK vote to leave the European Union which the markets were not expecting. A prolonged round of talks on how to accomplish an exit are to follow at this point and could drag on for several years. Any impact on Middle East economies would come in the form of an impact on crude prices as exports to the EU and UK are largely hydrocarbons. Beyond this there is no real direct impact.

In the U.A.E. First Gulf Bank (FGB) and National Bank of Abu Dhabi (NBAD) announced that they are exploring a potential merger, this would in turn create the largest bank in the region in terms of assets, positioned to compete with large regional or international banks. The banking space in the U.A.E. is crowded with approximately 50 banks, credit penetration is at c.100% of GDP while the macro outlook is not as strong given the current oil price environment and as a result this looks to be the catalyst for consolidation. The new entity would represent nearly 25% of the system's loans and deposits. If this merger materializes, it would add to competitive pressures on other local banks and may trigger further consolidation within the sector. The merger may result in up to USD 200mn in fresh passive inflows in the combined entity from MSCI & FTSE trackers. The government also announced a USD 135bn merger between two major government entities Mubadala and International Petroleum Investment Co. (IPIC) in an attempt to diversify the economy. Further clarification on the VAT was released; companies in the UAE that record annual revenues over Dh3.75 million will be obliged to register under a VAT system for purposes of taxation. The U.A.E. is expected to generate close to USD 3bn revenues in the first year of implementation. Earlier this year, Oman's Minister of Financial Affairs stated that GCC countries have agreed to introduce VAT at a rate of 5% in 2018.

In Egypt the market was surprised by the decision of the Central Bank to raise benchmark rates by 100 bps, bringing the YTD increases to 250 bps. Further increases in rates are a potential risk post implementation of VAT and thus discount rates currently are too low. The higher rates will widen the budget deficit by c. 0.3% as the interest burden increases, however the hike does not likely imply further EGP devaluation in the short term. There remains GCC support for reserves currently and the implementing of VAT should release USD 1bn from the World Bank. Egypt may also secure USD10bn from the IMF by agreeing to a structural reform program, but these may be politically difficult to implement.



As of June 27, 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**	0.2%	0.6%	-0.4%
YTD	-2.7%	-1.0%	-1.7%
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 May 30 2016 and June 27, 2016

Fund Characteristics

No. of Holdings	27
Weighted Market Cap	USD 3.8 billion
Average Dividend Yield*	2.8%
P/E Ratio 2015	14.1

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

Fund Metrics*

Alpha	9.9%
Beta	0.91
Volatility	16.0%
Information Ratio	1.77

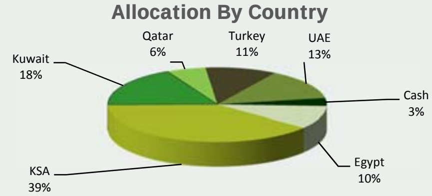
*Calculated vs. S&P Pan Arab Composite Large/Mid Cap Net TR USD since 29th December 2011

Top Five Holdings

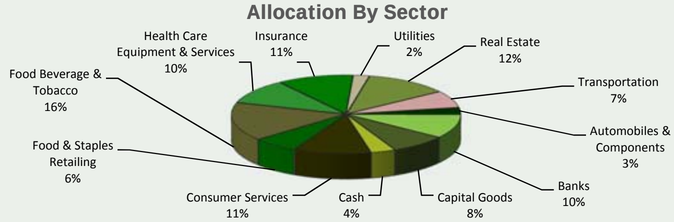
Holding	Country	% of NAV*
Mezzan Holding	Kuwait	8.8%
Saudi Marketing Co	KSA	6.4%
Bupa Arabia for Cooperative Insurance	KSA	6.0%
Kuwait Food Co Americana	Kuwait	5.6%
ElSwedy Electric	Egypt	5.2%

*Figures as of June 27, 2016

Allocation By Country



Allocation By Sector



Fund Data

NAV per Share (Class A)	USD 30.55
Launch Date	July 1999
Management Fee	1.4%
Incentive Fee	15% over 10%
Expense Ratio	1.79%
Minimum Subscription	USD 10,000
Subscription / Redemption	Weekly

Fund Identifiers

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