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

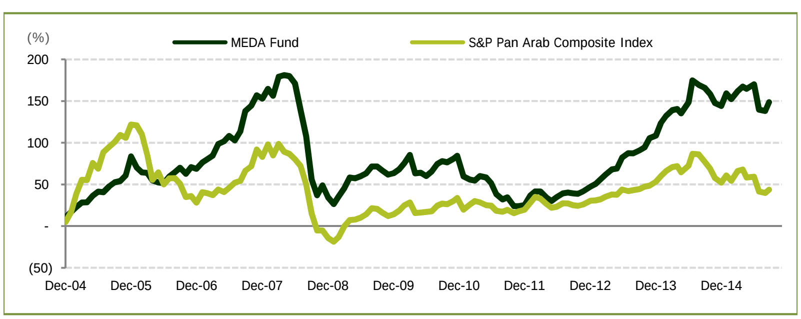
Fund Manager's Strategy & Outlook

Regional markets were resilient as Brent oil dipped by 2.2%. The Turkish market was the best performing having gained 8.8% in USD terms, as election results have improved investor confidence and removed the overhang of a political stalemate. The Saudi market gained 4.3% while the Egyptian Index saw an increase of 3.2% in USD terms. The Omani, Qatari and Abu Dhabi markets saw gains of 3.0%, 2.8% and 1.7%, respectively. The Dubai and Kuwaiti indices were the worst performing with Dubai posting a gain of 1.2% while the Kuwaiti index was relatively unchanged.

The UAE government has approved its federal budget for 2016 which was set at USD 13.2bn compared to USD 13.4bn in the current year. The UAE federal budget typically accounts for 14% of total fiscal spending of the entire country. The IMF expects the UAE to post its first fiscal deficit since 2009 on a consolidated basis, including the federal government and individual emirates combined. The Fund has reduced its exposure to banks as well the real estate sector in the UAE, due to expected liquidity tightening and a significant drop in real estate transactions. Attractive valuations and growth stories can still be found in the healthcare and the capital goods sectors.

Saudi Arabia could potentially ease barriers for foreign ownership on its bourse to boost liquidity. The Capital Market Authority may allow institutional foreign money managers with less than USD5 bn in AUMs to directly own shares. The regulator is also looking at new rules regarding initial public offerings. Since opening the market to direct foreign investment eleven QFIs have received licenses. If new regulations are pushed forward it will provide positive sentiment. The market eagerly awaits the upcoming Saudi budget in order to see the extent of potential spending cuts by the government as it seeks to minimize its fiscal deficit. The Oil minister has confirmed that the country is looking at potentially raising domestic energy prices, without giving away specifics, a step we have witnessed in the UAE already. Complete removal of fuel subsidies, residential energy subsidies and industrial energy subsidies could result in an expected saving of almost 6% of GDP. In the banking sector there are negative headwinds as a result of a rise in the cost of funding and expected formation of non-performing loans due to expected delays in government payments to contractors. Therefore, the Fund is reshuffling out of banking and petrochemical exposure into sectors that would be least affected by any government cutbacks.

In Egypt, although the country is taking steps to boost revenues with the introduction of VAT and consumption taxes, these steps fail to alleviate the balance of payments position putting further pressure on the currency. The government has officially devalued the EGP at auction as foreign currency reserves have declined to USD 16bn and further help from GCC neighbors is not an expected scenario given the current oil price environment. The currency is now trading at above 8 EGP to the USD which would be a positive for foreign investment and tourism. However the tourism industry which makes up approximately 11.3% of Egypt's GDP, while providing up to 14% of the country's foreign currency revenue, is facing a potential severe hit post the tragic Russian plane crash. A further weakening of the currency is expected and the equity markets will likely remain under pressure in the short term. The Egyptian President has appointed a new CBE governor, Tarek Amer, which sends a strong signal of further liberalization and development of the monetary policy framework. The governor is seeking to review all policies related to opening letters of credit for importers in a bid to ease delays and the FX shortage.



As of October 19, 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**	4.5%	2.9%	1.6%
YTD	0.5%	-8.8%	9.3%
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 September 21, 2015 and October 19, 2015

Fund Characteristics

No. of Holdings	29
Weighted Market Cap	USD 3.8 billion
Average Dividend Yield*	4.4%
P/E Ratio 2015	17.4x

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

Fund Metrics*

Alpha	13.3%
Beta	0.90
Volatility	13.7%
Information Ratio	2.4

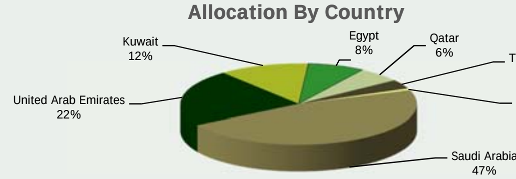
*Calculated vs. S&P Pan Arab Composite Large/Mid Cap Net TR USD since 29th December 2011

Top Five Holdings

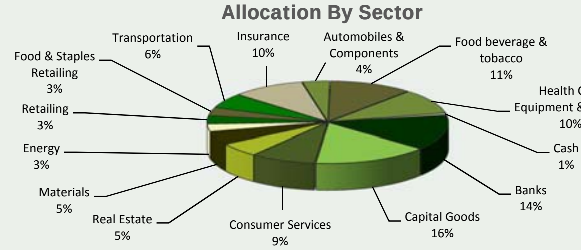
Holding	Country	% of NAV*
Mezzan Holding	Kuwait	7.5%
Al Noor Hospitals Group	UAE	6.5%
Bupa Arabia	KSA	5.9%
ElSwedy Electric	Egypt	4.9%
Orascom Construction	UAE	4.8%

*Figures as of October 19, 2015

Allocation By Country



Allocation By Sector



Fund Data

NAV per Share (Class A)	USD 35.03
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