

Fund Manager's Strategy & Outlook

The Fund closed the last month of the year down 3.7% bringing its return for 2009 to 12.8%. The market's return for the year was 34.9%, lower than its peak for the year during October. December was a scarcely eventful month on the wake of the turmoil seen in regional markets toward the end of November because of Dubai debt concerns. The Egyptian market was the first to recover from the aftermath which reinforced the view that the market is still attractive versus others in the region in spite of the outperformance.

December was a busy month for Orascom Telecom (OT), as the OT-France Telecom (FT) row over Mobinil returned to the scene with the regulator's decision to accept a bid by FT to acquire Mobinil. OT decided to challenge the decision through litigation after failing to appeal it with the regulator. In the meantime, the company is negotiating with the Algerian government over the tax issue raised earlier and they so far have agreed to pay 20% of the requested amount. The heavyweight Orascom Construction Industries, continued to add to its backlog with a new government utilities contract worth EGP 1bn. Government contracts seem to still contribute as a stimulant for contracting and building materials businesses and with further stimulus money underway, this positive effect is likely to continue.

On the economic front, growth figures announced for the first quarter of the fiscal year 2009/2010 ending in September showed a strong momentum for growth. Real GDP growth accelerated to 4.9% y-o-y driven by a strong 6.2% growth in private consumption. Automobile and white goods sales showed improvement signaling higher levels of consumer confidence. Tourism, remittances, Suez Canal revenues continued to recover, while investment contributed positively to GDP growth for the first time in two quarters. While inflation has been in double-digit territory for two months already at 13.3% in November, the Central Bank of Egypt has kept rates unchanged during its last two meetings of the year signaling its comfort with the current levels of inflation.

Overall, 2009 has been a positive year for the Egyptian market and Egyptian companies. It presented several signals of the resilience of the local economy and the government's ability to manage its policy options in a coordinated and arguably effective manner. The highlight of the year's signals is that they mostly paint a positive image for 2010; whether consumer demand figures, trend in private and public investment, companies' backlogs, and market sentiment; and are not symptoms of short term fixes. And while the year started with heavy uncertainties and required caution and patience, it has moved toward normal and promising conditions throughout and set an optimistic stage for 2010.

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Objective

The principal objective of the fund is long term capital appreciation through investing in Egyptian equity and equity-related securities.

Fund Performance

Returns	Egypt Fund
Month to Date	-3.7%
Year to Date	12.8%
2008	-46.2%
2007	61.9%
2006	8.6%
2005	130.7%
2004	113.1%

Fund Information

NAV per share	USD 39.00
Launch Date	August, 1996
Listing	Irish Stock Exchange
Structure	Open Ended
Management fee	1.75%
Minimum Subscription	USD 10,000
Subscription/Redemption	Monthly

Fund Identifiers

ISIN	BMG2948Y1093
Sedol	0-306-504
Reuters Code	LCFR13, RSJA55, CLSA51, WDRIFMEA1, ABNFUNDS15
Bloomberg Ticker	EFGHEGY BH

Fund Characteristics

No. of Holdings	24
Beta	0.99
Sharpe Ratio	0.54

Top Holdings

Holding	Sector	% Holding
Orascom Construction Industries	Contracting	14.7%
Orascom Telecom	TMT	11.7%
Commercial International Bank	Banking	9.3%

Allocation By Economic Sector

