

Fund Manager's Strategy & Outlook

The Egypt Fund closed August up 7.4%, bringing its YTD returns to 24.2%. Volumes in the market have picked up during what is usually a slow time of the year on the back of foreign funds flowing into the regional markets, in what seems to be a rush to get back on the MENA wagon that they had missed earlier, especially with Oil reaching its 2009 peak of \$74/bbl.

The market was treated in August to a flow of results announcements that lacked any negative surprises and was highlighted by positive results from large caps. Telecom Egypt's revenues and margins showed higher-than-consensus growth, and Commercial International Bank showed growth and results were in line with the overall market expectations. The bank remains fairly liquid and the asset quality is stable with more than adequate provisioning from the bank. Fee income grew significantly quarter-on-quarter on the back of contribution from CIB's investment banking operations. Orascom Telecom remained resilient and posted growth in earnings, subscribers, and ARPU vs. the previous quarter.

Real Estate stocks were in center stage throughout August and the Investment Manager was well positioned to benefit from the sector's rally. One of the Fund's top holdings, SODIC, albeit announcing weaker than expected earnings rallied during the month on the back of the pick-up in the real estate prices and the strong performance of their latest launch. Poised to benefit from any recovery in real estate and the overall economy were the building materials stocks which picked up during the month as well. Rising local demand and a positive outlook on the economy and commodities performance all helped spur interest in the sector.

The economy had a busy month in August with the announcement of FY2008/2009 figures showing accelerated growth during the last quarter and a y-o-y figure of 4.7%, which was a positive surprise to all forecasts. Other economic indicators supported the strong performance and solidified the economy's position and outlook. Current account recovered slightly in the quarter while still running a deficit, and flows increased foreign reserves for the third consecutive month helped by a positive EGP/USD outlook and stable inflation and Moody's changed its sovereign rating of Egypt to "stable" from the previous "negative."

On the fiscal front, the government said it is likely to follow the successful 2009 fiscal stimulus with another plan in the coming year and the general expectation is that private investment will soon follow suit after a more subdued FY2008/2009.

As the market begins to reach a normalized state, the Fund Manager will increase the Fund's equity exposure while seeing any correction as an opportunity to build positions in large caps in anticipation of foreign inflows. Overall, the signals are there that the worst might be behind us and with the improved economic outlook for next year, the Fund will be positioned to benefit from its holdings in cyclical stocks.

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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	7.4%
Year to Date	24.2%
2008	-46.2%
2007	61.9%
2006	8.6%
2005	130.7%
2004	113.1%

Fund Information

NAV per share	USD 42.95
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	27
Beta	0.98
Sharpe Ratio	0.68

Top Holdings

Holding	Sector	% Holding
Telecom Egypt	TMT	9.2%
CIB	Financial Services	7.0%
SODIC	Real Estate	5.7%

Allocation By Asset Breakdown

