

The EFG-Hermes Egypt Fund December 31, 2007

Fund Manager's Strategy & Outlook

We are proud to announce that 2007 was a very strong year for your EFG-Hermes Egypt Fund, gaining impressive returns of 61.9% for the year, beating the broad-based index, HFI, by more than 5%, after adding 4.2% during the month of December to your NAV. The strong performance came on back of the manager's strategy to focus on real estate and banking sectors, with both being top contributing sectors to the return for 2007, adding 19.6% and 14.8%, respectively.

During December 2007, Commercial International Bank (CIB) was the highest contributor to your return adding 1.5% to your NAV, after announcing that its 60% owned joint venture in Algeria will begin operations in 2008. Speculations about a possible merge between CIB and Arab African International Bank (AAIB) continue to drive momentum for the stock.

The regional conglomerate, Orascom Construction Industries (OCI), announced the divestment of its cement assets in favor of focusing on its construction and fertilizers business. The cement arm of the group will be taken over by Lafarge in a deal worth US\$14.9 billion, one of the highest EV/ton multiples in the history of the cement industry. The sale will provide OCI's shareholders with a substantial cash dividend amounting to US\$11 billion to be distributed during 1Q 2008, translating into EGP 302 per share. The stock added 1.4% to your return on the back of the positive news.

The telecom giant, Orascom Telecom (OT), sold its 100% owned Iraqi operations to the Iraqi subsidiary of the Kuwaiti-based Zain, MTC-Atheer, for a total consideration of US\$1.2 billion, implying an EV/sub of US\$400.

On the real estate front, your holding Heliopolis Housing & Development, which climbed by around 10% during December 2007, announced that it had sold 29 land plots of its New Heliopolis City project for a total value of EGP30 million, translating into an average selling price of EGP1,380 per sqm.

Economic indicators continued to show improvements driven by high levels of investments and consumer spending. Foreign Direct Investments (FDIs) amounted to US\$2.9 billion for 1QFY07/08 whereas foreign reserves reached life time high levels at US\$31.7 billion by end of December 2007 from US\$26.0 billion in December 2006. Moreover, the unemployment rate dropped to 8.6% in 1Q 2007/08 against 11.1% in the same period the previous year. The tourism sector, one of most rapidly growing sectors in terms of infrastructure and investments inflows, has generated US\$2.8 billion for the 1Q07/08, representing 47% of the total services receipts for the period.

The year ended on a positive stance with companies set to report impressive 2007 results backed by the healthy economic environment. While issues such as unemployment and inflation pose a challenge to the current government, the Egyptian economy looks set for a strong 2008 with average EPS growth figures expected to come in the 20% range.

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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	4.2%
Year to Date	61.9%
2006	8.6%
2005	130.7%
2004	113.1%

Fund Information

NAV per share	USD 64.31
Launch Date	August, 1996
Listing	Irish Stock Exchange
Structure	Open Ended
Management fee	1.75%
Minimum Subscription	USD 10,000
Subscription/Redemption	Monthly
ISIN	BMG2948Y1093
Sedol	0-306-504
Reuters Code	LCFR13, RSJA55, CLSA51, WDRIFMEA1, ABNFUNDS15

Fund Characteristics

No. of Holdings	19
Beta	0.78
Sharpe Ratio	1.55

Top Holdings

Holding	Sector	% Holding
SODIC	Real Estate	12.5%
OCI	Contracting	11.3%
CIB	Financial	9.5%
OT	TMT	9.3%
TMG	Real Estate	6.8%

Allocation By Economic Sector

