

Fund Manager's Strategy & Outlook

Rising global anxiety and continued local street instability pressured the market with the fund retreating 12%. Market turnover reached its lowest levels since the beginning of the year with the market recording an average daily turnover amounting to USD50 million in September.

The market saw mixed news from companies during the month. Construction & fertilizer giant Orascom Construction Industries (OCI) announced its 2Q2011 results reporting net income of USD165 million showing an increase of 15% year-on-year and a drop of 20% quarter-on-quarter on the back of the recently implemented tax increase. The company was awarded a SAR2 billion project to construct a stadium outside Jeddah through its 50% owned subsidiary BESIX. On the real estate front, Talaat Mostafa Group (TMG) announced that its backlog reached EGP21 billion by the end of 2Q2011 and new sales of EGP1.2 billion in 1H2011 compared to EGP2 billion in 1H2010. In addition, the company announced its plans to invest EGP18 billion in its projects Al Rehab and Madinaty through investing EGP6 billion each year over the coming 3 years. Rumors circulated in the market on the much anticipated Djezzy valuation, putting Orascom Telecom (OT) back in the spotlight. The Algerian government did not make an official announcement and the overhang lingers on.

On the economic front, the Egyptian government announced FY2010/2011 figures, reporting economic growth of 1.9% for the full year. Suez Canal revenues reported the largest annual growth of 11% while tourism showed an annual drop of 5.9%. Headline inflation reached its lowest levels in almost four years reaching 8.5% year-on-year in August 2011 vs. 10.4% in July 2011 on the back of lower food prices. Core inflation showed a notable decline as well reaching 7% in August 2011 versus 8.7% in July 2011.

With parliamentary elections nearing, the manager believes market volatility that emanates from current political instability will offer interesting opportunities for the manager to participate in, especially given the attractive valuation multiples that are currently present in operationally sound names.

EFG-Hermes Asset Management

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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		-12.1%
Year To Date		-47.7%
2010		8.5%
2009		12.8%
2008		-46.2%
2007		61.9%
2006		8.6%
2005		130.7%
2004		113.1%

Fund Information

NAV per share		USD 22.14
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		16
Beta		0.79
Sharpe Ratio		0.05

Top Holdings

Holding	Sector	% Holding
Orascom Construction Industries	Construction	17.8%
Commercial International Bank	Banking	14.9%
Talaat Mustafa Group	Real Estate	9.3%

Allocation By Economic Sector

