

Fund Manager's Strategy & Outlook

The month of July was another milestone towards stability in Egypt. The newly elected president has completed the formation of a new government and prime minister; albeit with some criticism. This was positively reflected on the market with the HFI index gaining 4.2% for the month and trading volumes picking up to reach an average of USD60 million vs. an average of USD45 million for the previous month. The trading scene was dominated by retail investors who were bottom fishing. The fund gained 1.9% for the month bringing its year to date performance to 31.8%; thus outperforming the HFI by 5.8% for the year.

The market welcomed news of revived talk over the IMF aid package deal. Talks with the IMF over a possible USD3.2 billion loan stalled for several months after the IMF has stipulated that a deal can only be signed once a "broad based support for a national economic program" is reached. A deal could materialize before the end of the year but the new government would have to decide on its terms and conditions.

On the companies' front, Talaat Mostafa Group (TMG) was hit one more time with negative news concerning its Madinaty project land. A report by the Egyptian advisory panel ruled that TMG's Madinaty contract is invalid (33.0 million sqm). The ruling is advisory and not binding; nevertheless the stock was down nearly 8% for the month. The administrative court will give its final ruling on the case in November of this year. Citadel Capital terminated the sale of its upstream oil asset, NPC, with Sea Dragon Energy Inc., a Calgary-based exploration and development company. Both parties agreed to terminate the agreement on the back of the ongoing economic turbulence and the uncertainty regarding the date on which the acquisition could be completed. SODIC was granted two extra years to complete phases three and four of its Allegria project in Sheikh Zayed City, West of Cairo. The company also announced that the government has agreed to review NUCA's decision to withdraw its Eastown land.

On the economic front, initial data indicates that the Egyptian economy grew between 1.8% to 2.0% in FY2011/12, which ended in June. Preliminary data suggests that 2Q2012 growth stood at around 1.8%, decelerating from 5.1% in 1Q2012. Egypt's net international reserves (NIR) reached USD15.53 billion by the end of June 2012, gaining USD18 million. This is the third consecutive month where NIR increased since the January 25 Revolution. Tourist arrivals have reached 5.4 million tourists in 1H2012, up from 4.1 million tourists in 1H2011. Headline inflation decelerated to an eight-month low of 7.2% year-on-year in June compared to 8.3% year-on-year in May.

With some positive news creeping onto the scene, on top of which the formation of a new government and the resumption of the IMF deal, the fund manager believes that the market offers a trading opportunity on the short-term. Exposure and allocation will be adjusted to reflect this view, maintaining a cautious stance on the long term.

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		1.9%
Year to Date		31.8%
2011		-53.6%
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 25.90
Launch Date		August, 1996
Listing		Irish Stock Exchange
Structure		Open Ended
Management fee		1.75%
Minimum Subscription		USD 10,000
Subscription/Redemption		Weekly

Fund Identifiers

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

Fund Characteristics

No. of Holdings		18
Beta		0.81
Sharpe Ratio		0.05

Top Holdings

Holding	Sector	% Holding
Orascom Construction Industries	Construction	16.5%
Telecom Egypt	Telecom.	15.8%
Commercial International Bank	Banking	14.6%

Allocation By Economic Sector

