

Fund Manager's Strategy & Outlook

The market witnessed its first downdraft in 2012 during the month of March after two months of positive returns. The drop came on the back of political and economic turbulence which resulted in large selling waves emanating from foreign investors. Nevertheless, the fund outperformed the market by 2.2% due to better allocation and stock selection bringing its year to date performance to 31.6%.

The Telecom sector continued dominating the market with news during the month. Orascom Telecom Media & Technology (OTMT) EGM approved the sale of a 29% stake in Mobinil to France Telecom at the pre-announced share price of EGP202.5 adding that most of the sale proceeds will be distributed in the form of a special dividend. Moreover, Orascom Telecom's Djazzy returned under the spotlight after an unofficial announcement from the Algerian government stating that it will pay USD6.5bn to acquire a controlling stake in Djazzy. However, the impact of the news was offset with the company announcing that it has received a judgment from the Algerian court with a fine of USD1.3bn. Djazzy stated that the company and its senior executives have always been in compliance with the law and they are currently preparing to file an appeal. On a separate note, Orascom Construction Industries (OCI) announced FY2011 results showing 12% and 14% annual growth in revenues and net income standing at USD5.5bn and USD677mn respectively. It is worth mentioning that the company's earnings for 4Q 2011 showed a significant quarter-on-quarter drop of 33% on the back of weaker construction margins in addition to several one-offs amounting to USD51.5mn.

On the economic front, Egypt's GDP grew by 0.4% year-on-year in 2Q 2011/2012 despite instability in the country's political environment. During the first half of FY2011/2012, the balance of payments witnessed a widened deficit of USD8bn versus a surplus of USD572mn a year earlier, current account deficit also widened to USD4.1bn on the back of low income from tourism while foreign direct investment saw an outflow of USD418mn from an inflow of USD2.3bn in 1H2010/2011. Annual headline inflation accelerated reaching 9.2% in February 2012 due to higher year-on-year food prices. As expected, net international reserves showed a slower depletion rate during February shedding only USD0.7bn and standing at USD15.7bn.

In anticipation of increasing political tension over the coming period, and prior to presidential elections, affecting the overall market sentiment, the fund manager reshuffled holdings to realize profits and to utilize market volatility to opportunistically reposition.

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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		-4.3%
Year to Date		31.6%
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 25.86
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		16
Beta		0.80
Sharpe Ratio		0.07

Top Holdings

Holding	Sector	% Holding
Orascom Construction Industries	Construction	11.2%
Telecom Egypt	Telecom.	10.5%
Commercial International Bank	Banking	10.1%

Allocation By Economic Sector

