

Fund Manager's Strategy & Outlook

Stock markets around the world were affected by a selling frenzy amid the escalating credit crunch during the month of September. The Egyptian market was no exception to the turmoil with the Hermes Financial Index losing 16.7% as panic-selling prevailed and fundamentals were put aside. The Egypt Fund shed 14.7% of its NAV in September outperforming the Index by 200 basis points owing to the strategy of reduced equity exposure. The sectors that were most hurt this month were real estate and building materials.

On the macro front, Egypt's balance of payment (BoP) ran an overall surplus of USD 5.4 billion in the fiscal year 2007/2008, up from USD 5.2 billion in the previous year. Tourism receipts posted a year-on-year 32% increase to USD 10.8 billion, and Suez Canal revenue was up 23.6% year-on-year to USD 5.2 billion. Net Foreign Direct Investments grew by 20% to USD 13.2 billion.

The inflation figures announced for the month of September reflected a much welcomed surprise as monthly inflation subsided to 0.3% down from 2.4% in August 2008 on the back of decelerating rise in food prices.

During the month several companies announced share buy-back programs due to their attractive valuation multiples. In the short-term, markets may continue to see heightened volatility exacerbated by a lack of clarity on the credit crunch which continues to plague developed markets. As the level of aggression increases, market dislocations arise which present attractive opportunities for the Investment Manager to build positions in high quality stocks that have been battered in this meltdown.

Hashem Montasser – Managing Director

Dalia Shafik – Fund Manager

Mai Mounir – Assistant Vice President

Tel: +2 02 33318 228 / Fax: +2 02 33362 298

e-mail: AMsales@efg-hermes.com



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	-14.7%
Year to Date	-31.4%
2007	61.9%
2006	8.6%
2005	130.7%
2004	113.1%

Fund Information

NAV per share	USD 44.10
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	20
Beta	0.78
Sharpe Ratio	0.61

Top Holdings

Holding	Sector	% Holding
OCI	Contracting	9.1%
Maridive Oil & Services	Oil & Petrochemicals	8.0%
EK Holding	Investments	8.8%

Allocation By Asset Breakdown

