

Fund Manager's Strategy & Outlook

Pressured by the global equity markets turmoil and GCC markets volatility, the Egyptian market lost ground for the second consecutive month this year. The cancellation of the Banque du Caire auction exacerbated the weakness in the market with the broad-based HFI losing 10% while the Egypt Fund lost 7%.

The long-awaited sale of Banque du Caire was cancelled on June 25th with the highest bidder offering USD2.025 billion. According to estimates this implies a price/book valuation of between 3.6x to 4.1x. Government officials have commented on the cancellation stating that the price offered was low compared to a price previously set by the privatization committee. The Government still intends to offer the bank for sale but with much skepticism from the market.

The Fund's largest holding, Maridive & Oil Services outperformed the market this month posting gains of 20% fuelled by escalating oil prices and the company's announcement that it won another oil services contract worth EGP 2 billion.

El Ezz Steel Rebars posted an impressive 57% advance in net income to record EGP 436 million for the first quarter of the year owing to a 35% growth in sales and a 150 bps improvement in gross profit margin.

El Sewedy Cables announced a 50/50 joint venture with Aamal Holding in Qatar to establish a power cables plant with an initial production capacity of 30,000 tonnes and a total investment cost of EGP820m (USD150m). Operations are expected to commence by the end of 2009 or the beginning of 2010, with most of the production intended to be sold locally and to Gulf countries.

On the macro front, the Monetary Policy Committee hiked interest rates 50 bps in an attempt to curb inflation which recorded highs of 20% in May in reaction to energy subsidy removal policies. This was an expected increase owing to the government's attempt to control the budget deficit and redirect subsidies away from fuel and more towards food. The Investment Manager will continue to position the Fund in specific plays where we feel price discrepancies exists.

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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	-7.1%
Year to Date	-3.8%
2007	61.9%
2006	8.6%
2005	130.7%
2004	113.1%

Fund Information

NAV per share	USD 61.85
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

Fund Characteristics

No. of Holdings	22
Beta	0.78
Sharpe Ratio	1.05

Top Holdings

Holding	Sector	% Holding
Maridive Oil & Services	Oil & Petrochemicals	12.7%
El Ezz Steel Rebars	Metals & Mining	9.3%
EK Holding	Investments	9.4%

Allocation By Asset Breakdown

