

Fund Manager's Strategy & Outlook

The Egypt Fund continued to add to its gains, closing the month up 4.5%, bringing its YTD returns to 9.5%. Also maintaining its positive trend, the Egyptian market closed the month of May 8.2% higher than its April close as the market consolidated gains made in the previous two months. While other MENA market witnessed a significant slowdown and some were down for the month, Egypt's gains were supported by strong macro data announced by the government, a constant rally in oil prices during the month to close at \$66/bbl, and strong results from several blue chips.

On the market front, Orascom Telecom and Mobinil were relatively stable and retained the gains made during the OT — France Telecom debacle over the Mobinil consortium, which until now did not result in a sale after several rejections of FT's offers to the CMA. Telecom Egypt, the Fund's current top holding, was the star of the month, announcing results that beat all expectations and rallying 16% during May. The Fund was well positioned to benefit from the stock's performance as the Manager increased exposure to TE throughout the month. Another blue chip, Orascom Construction Industries, reported higher-than-consensus results and rallied on the back of it. SODIC and Olympic Group were among the market's outperformers and the Fund benefited from increasing its allocation to both names.

Macroeconomic figures announced in May by the government showed resilience of the economy during the first nine months of FY2008/2009. Third quarter growth figures showed a 4.3% real growth rate compared to the same period of the previous year, an improvement over the second quarter figure of 4.1%. Private consumption continued to grow at 3.5% y-o-y. While growth has expectedly slowed compared to the FY2007/2008, Egypt remains one of the few markets in the region growing at this rate. Annual inflation rate dramatically improved to stand at 11.7% as of April. The government delivered much of its announced EGP15 billion stimulus package, almost doubling public investments from last year's 3Q figure, and leading it to account for 53% of total investments in the third quarter (compared to only 32% a year earlier), which signals the seriousness of the government's commitment to its economic plan.

Despite declines in Suez Canal and tourism revenues, several sectors in the economy have actually exhibited an even higher growth than last year's. Those included telecommunications and IT, construction, education and health services, and agriculture. Growth in retail and in financial services sectors declined but only marginally and still managed to grow y-o-y by 7.8% and 5.4%, respectively. These sectors account for around 45% of the GDP which shows that locally-driven sectors are strong enough to provide a cushion for the economy when external revenue streams dry up.

Strong macroeconomic figures, solid results, and an overall improved sentiment in the market led The Fund Manager to gradually and strategically increase the overall exposure of the Fund, all while tactically positioning it in robust sectors that are benefiting from the macroeconomic environment and fiscal stimulus, and in stocks with attractive valuation that have yet to catch up to the market.

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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	4.5%
Year to Date	9.5%
2008	-46.2%
2007	61.9%
2006	8.6%
2005	130.7%
2004	113.1%

Fund Information

NAV per share	USD 37.81
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	0.97
Sharpe Ratio	0.53

Top Holdings

Holding	Sector	% Holding
Telecom Egypt	TMT	8.4%
El Sewedy Cables	Building Materials	5.5%
SODIC	Real Estate	5.4%

Allocation by Asset Breakdown

