

## Fund Manager's Strategy & Outlook

The financial crisis took a toll on stock markets worldwide with October 2008 witnessing unprecedented declines in developed and emerging markets. Volatility intensified as credit markets tightened to alarming levels and investors started losing hope of an end to the crisis. Emerging markets were hit especially hard these worries were compounded by the prospect of weakening global demand for commodities. Regional markets posted heavy losses with Egypt being the worst hit shedding 33% followed by Dubai and Saudi reflecting losses of 29% and 26%, respectively. The Egypt Fund outperformed the index by 950 basis points posting a -24% return in October largely due to reduced equity exposure in large-cap stocks that suffered due to foreign flight from their long positions.

The Investment Manager's telecom holdings outperformed the market as investors shifted their positions to more stable business models with sustainable free cash flows. In addition, the real estate sector was the second best performing sector as investors built positions in stocks that were trading at huge discounts to their net asset value. More and more companies across the diverse sectors announced aggressive treasury buyback programs in an effort to calm investors' worries and increase confidence in corporate operations.

Inflation started receding in September due to declines in food and oil prices. The government emphasized its plan to channel this reduced burden on the subsidy bill to infrastructure spending in order to bolster the economy's growth for next year. The government also plans to attract foreign direct investment in the transportation sector by encouraging public-private partnerships.

The Egyptian market reflected a high degree of correlation with international markets over the past several months. The Investment Manager believes that as the impact of negative announcements on the global front become factored in and investors have more clarity on growth prospects, attention will be diverted to the MENA markets owing to their more resilient economies and sustained growth trends. Despite slower growth than previously anticipated, Egypt will remain one of the high growth countries in the world owing to its diversified economic base and young demographic. In the meantime, market dislocations will continue to offer attractive long-term investment opportunities for investors.

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](mailto: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	-24.0%
Year to Date	-47.9%
2007	61.9%
2006	8.6%
2005	130.7%
2004	113.1%

## Fund Information

NAV per share	USD 33.51
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	16
Beta	0.78
Sharpe Ratio	0.26

## Top Holdings

Holding	Sector	% Holding
Maridive Oil & Services	Oil & Petrochemicals	5.3%
OCI	Contracting	4.4%
EK Holding	Investments	4.2%

## Allocation By Asset Breakdown

