The EFG-Hermes Middle East & Developing Africa (MEDA) Fund
June 2014

Fund Manager's Strategy & Outlook

The month of June saw a sharp correction in regional markets, namely in the U.A.E as the Dubai bourse lost 22.5%. Arabtec led the drop losing more than 60% of its value, which helped trigger retail panic and margin calls. The Qatari market lost 16.1% of its value as news flow out of Europe revealed details pertaining to corruption revolving around Qatar's 2022 World Cup bid. The levels of details released indicate that further investigation may be taken on by FIFA and a serious overhang may emerge over the sporting event being held in Qatar. The Abu Dhabi market lost 13.4% during the month of June, the Kuwaiti and Saudi markets dropped by 4.3% and 3.2%, respectively. During the course of the month the Turkish and Egyptian markets were relatively resilient having dropped 1% while Omani bourse gained 2.2% as two IPOs in the utilities sector were listed.

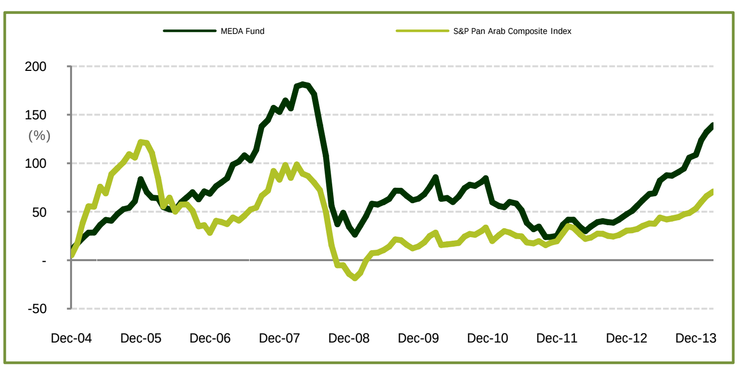
Market expectations are for rates to remain near zero in the developed world well into 2015-2016 and investment flows are seen to be reversing with capital coming back into emerging markets. According to the Institute of International Finance Inc., investors pulled USD 32.5bn out of equities and bonds one year ago during June 2013. Geopolitical tensions led to further outflows, but investors have been finding their way back into EM with USD 45bn in inflows during May, which is the highest total in a month since September 2012.

The new Egyptian cabinet has been sworn in as key ministers of finance, tourism, trade and petroleum have retained their positions. President Sisi has approved an amended budget which calls for deficit of 10% of GDP down from the initial target of 12%. A capital gains tax has been implemented to increase sources of federal revenues and energy prices have also been increased to residential and industrial users, as the government looks to tackle the systemic issue of subsidies. The country has spent close to USD 96bn in energy subsidies over the past decade alone. Investor sentiment is expected to improve with the removal of the political overhang, as a long-term rather than interim government is now in place, hopefully with the ability to deliver on reforms. Expenditure on education and public investments is set to increase, with a budget of EGP 67bn. The market is also looking at a pipeline of IPOs which will provide investment opportunities going forward.

The Dubai market has been volatile with largely retail-dominated flows. In the real estate market, prices are expected to increase albeit at a more reasonable rate and the government has implemented measures such as stricter regulation for off-plan properties, higher registration fees and lower LTVs to curb speculation. A major upcoming project has been announced, The Mall of the World, which will occupy 8mn sqft with a master plan that encompasses resorts, theaters, indoor theme park and hospitality with a capacity for 20,000 rooms to accommodate part of the 180mn annual visitor capacity. This mega project should be ready in time for Expo 2020 and is a large step in developing the tourism infrastructure of Dubai.

Saudi has seen the successful listing of Al Hokair Tourism and Development, and will also be witnessing the listing of a healthcare operator in the coming month. The IPO pipeline remains strong, providing further investment opportunities. The country has mobilized troops as it seeks to secure its borders and recent geopolitical tensions revolving around Iraq saw oil prices spike towards USD 115 / bbl. Any further tensions in the region will dampen sentiment on oil output putting upward pressure on prices again.

Two major events are coming up next month: Eid at the end of Ramadan season, which stands to benefit the consumer sector, and the upcoming Q2 2014 result releases, which should provide the next catalysts for the market.



As of June 30, 2014

Sherif El Haddad, Fund Manager

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Objective

Long-term capital appreciation through investing in Middle East and North African equities and equity related securities.

Fund Performance

	MEDA Fund Class A	S&P Pan Arab*	Difference
MTD**	-2.1%	-4.3%	2.2%
YTD	14.5%	10.7%	3.8%
2013	45.1%	26.3%	18.8%
2012	14.3%	6.8%	7.5%
2011	-31.4%	-9.4%	-22.0%
2010	11.7%	16.1%	-4.4%
2009	8.7%	18.4%	-9.7%
2008	-42.1%	-50.6%	8.5%
2007	50.5%	41.1%	9.4%
2006	6.2%	-33.9%	40.1%

*Figures reflect performance since inception of S&P Pan Arab Composite Large/Mid Cap Net TR Index in Dec 2004 as of the relevant Valuation Days of the MEDA Fund
**MTD figures reflect performance between May 19, 2014 and June 30, 2014

Fund Characteristics

No. of Holdings	29
Weighted Market Cap	USD 8.13 billion
Average Dividend Yield*	2.7%
P/E Ratio 2014	14.1x

*Figure reflects the weighted average yield of a dividend-bearing security in the portfolio

Fund Metrics*

Alpha	11.9%
Beta	1.0
Volatility	10.7%
Information Ratio	2.6

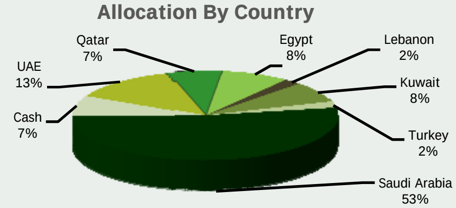
*Calculated vs. S&P Pan Arab Composite Large/Mid Cap Net TR USD since 29th December 2011

Top Five Holdings

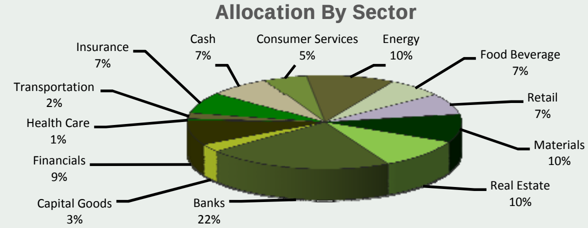
Holding	Country	% of NAV*
Bupa Arabia	Saudi Arabia	7.5%
Fawaz Al -Hokair	Saudi Arabia	7.2%
SABB	Saudi Arabia	6.6%
Rabigh Refining and Transport Services	Saudi Arabia	6.6%
Saudi Hollandi Bank	Saudi Arabia	5.2%

*Figures as of June 30, 2014

Allocation By Country



Allocation By Sector



Fund Data

NAV per Share (Class A)	USD 33.14
Launch Date	July 1999
Management Fee	1.4%
Incentive Fee	15% over 10%
Expense Ratio	2.5%
Minimum Subscription	USD 10,000
Subscription / Redemption	Weekly

Fund Identifiers

ISIN (Class A shares)	BMG294041030
Bloomberg Ticker	EFGMEAF BH