المجموعة المالية هيرميس
EFGHERMES since 1984

The EFG-Hermes Middle East & Developing Africa (MEDA) Fund
October 2012

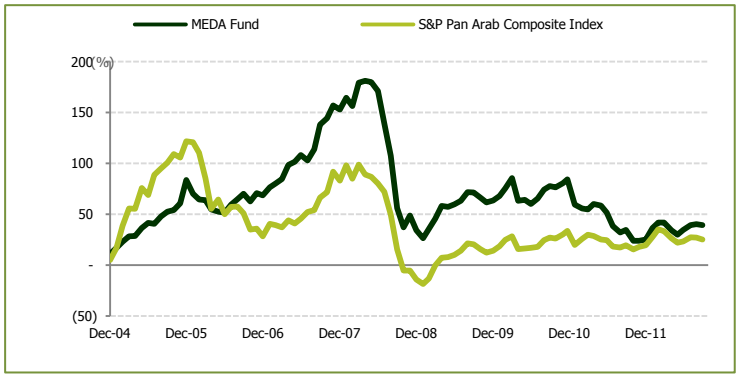
Fund Manager's Strategy & Outlook

MENA markets were generally mixed in October. Abu Dhabi and Dubai gained 2% respectively while Kuwait declined by 3% and Saudi Arabia ended flat. Egypt declined by 2%. The MEDA Fund ended the month largely flat. Political tensions in the region have recently subsided and investors are cautiously awaiting U.S. presidential election results, as an indication to future American foreign policy with respect to the Middle East.

Confidence in an economic recovery in the UAE remains high with Emaar, the largest property developer in the country, launching new projects in the UAE for which demand was much higher than anticipated. The company also made positive announcements of projects and JVs in Turkey, Egypt and Iraq along with a potential IPO in Turkey as well. In Saudi Arabia, the market continues to be plagued by uncertainty, largely as a result of worries about the impact of possible bad loans to the construction industry and a fall in oil prices. The King recently announced the appointment of a new Interior Minister, the first of the Third generation of Al-Sauds to hold a senior ministerial post which bodes well for the outlook on succession. Although we believe that the bulk of the recent selling in Saudi Arabia has been indiscriminate, the Investment manager currently has a neutral view on Saudi Arabia and will maintain the Fund's current exposure.

The Kuwaiti economy continues to suffer due to lack of government investments, companies continue to report weaker results and banks continue to see a growth in NPLs. The Investment Manager remains cautious on Kuwait although the Emir has shown serious desire to move ahead with reform plans but has recently faced very vocal opposition who continue to challenge the government.

Egypt still has plenty of challenges ahead – social & political equilibrium are still missing, however we believe that sustainable progress will be made when the constitution is finalized and economic reforms are implemented, which will inevitably lead to economic growth and restore investor confidence. The likelihood of the IMF loan being awarded before the end of 2012 has significantly decreased, but reserves have been boosted by contributions from GCC countries. This has helped reduce the risk of unmanaged currency devaluation, while Treasury bill yields have fallen and liquidity of banks has improved.



EFG-Hermes Asset Management

Tel: 9714-363 4047 / Fax: 9714-362 1171
e-mail : AMsales@efg-hermes.com

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**	-0.7%	-1.6%	0.9%
YTD	12.3%	6.1%	6.2%
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 September 24th, 2012 and October 22nd, 2012

Fund Characteristics

No. of Holdings	29
Weighted Market Cap	USD 14.3 billion
Average Dividend Yield*	3.1%
P/E Ratio 2012	9.7x

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

Fund Metrics*

Alpha	0.8%
Beta	0.7
Standard Deviation	5.8%
Information Ratio	0.05

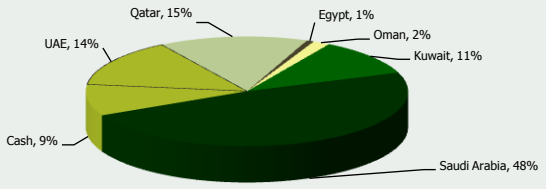
*Calculated vs. S&P Pan Arab Composite Large/Mid Cap Net TR USD since index inception in December 2004

Top Five Equity Holdings

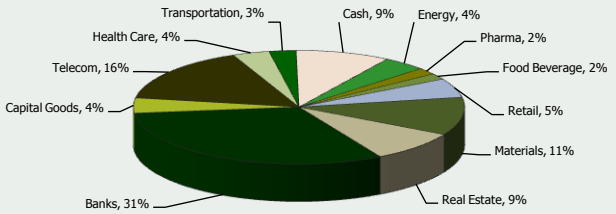
Holding	Country	% of NAV*
SABIC	Saudi Arabia	7.9%
Qatar National Bank	Qatar	6.6%
Emaar Properties	United Arab Emirates	5.7%
Etihad Etisalat	Saudi Arabia	5.7%
Fawaz Abdulaziz AlHohair Company	Saudi Arabia	5.6%

*Figures as of October 22nd, 2012

Allocation By Country



Allocation By Sector



Fund Data

NAV per Share (Class A)	USD 19.60
Fund Size (USD)	USD 78 million
Launch Date	July 1999
Management Fee	1.4%
Incentive Fee	15% over 10%
Expense Ratio	2.1%
Minimum Subscription	USD 10,000
Subscription / Redemption	Weekly

Fund Identifiers

ISIN (Class A shares)	BMG294041030
Bloomberg Ticker	EFGMEAF BH

This update does not constitute an offer of shares and should not be relied upon by any person acquiring or otherwise dealing in shares of the company. Subscription of shares in the company may only currently be made on the terms of the Placing Memorandum of the company. It should be noted that investment in the fund is only suitable for sophisticated investors who are aware of the risks of investing in The EFG-Hermes Middle East & Developing Africa (MEDA) Fund and should be regarded as long term. Please remember that past performance is not necessarily a guide to the future. Market and currency movements may cause the value of shares and the income from them to fluctuate and you may get back less than you invested when you decided to sell your share.