المجموعة المالية هيرميس
EFG HERMES
since 1984

The EFG-Hermes Middle East & Developing Africa (MEDA) Fund
December 2013

Fund Manager's Strategy & Outlook

2013 has finally come to an end and for regional markets it has definitely been one to remember. The UAE bourses, namely Dubai has been the stand out performer for the year having gained 14.4% in December alone, bringing its 2013 performance to 107.7%. The Abu Dhabi market also witnessed a stellar December month, rallying 11.4% which took its 2013 performance to 63.1%. Amongst the other MENA markets Egypt displayed the strongest performance in December having gained 9.7% while the other GCC markets had rather subdued performance. For 2013 the remaining GCC markets were all up between 24.0% and 27.0%.

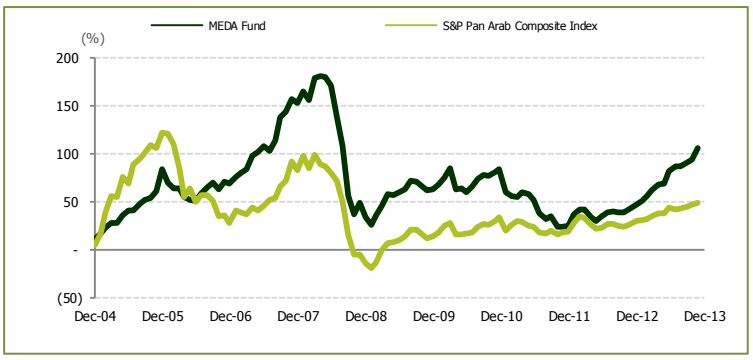
The bulk of the alpha generation of the Fund has come through stock selection. Conviction calls were made on undiscovered companies that went on to outperform significantly as the rest of the market took notice. In Saudi consumer names continued to outperform and in the UAE real estate sector pushed the index higher. Country allocation has provided the remainder of performance contribution. The Fund has a significant overweight to the UAE markets and has benefitted from the recovery story and from the dramatic shift in liquidity which saw turnover more than triple to reach an average of USD 225mn.

Questions on tapering were answered in December as the U.S. Federal Reserve announced that it will begin to cut monthly bond purchases by USD 10bn increments before ending the program in 2014. This announcement along with the pledge to keep interest rates low for an extended period was taken well by the markets and treasury yields have now risen to their highest levels since 2011.

In Saudi the past year has seen a new dynamic with respect to the labor market. Approximately one third of government projects valued at SAR 30bn have been impacted as a result of Saudization according to news sources and the construction sector in particular can be expected to take several months to rebound. Hafiz II which was announced recently should provide some support to the consumer sector this year. The government has also announced the 2014 budget which is the highest on record with expenditures conservatively projected at SAR 855bn.

Egypt has a very busy political timetable ahead as the country attempts to finalize its second transition period in only three years. The coming month is set to witness the constitution referendum, the onset of the trial of ousted leader Morsy and the anniversary of the 2011 revolution. An approval of the constitution will grant the new regime legal recognition, which is instrumental for the unveiling of the remainder of the political roadmap. This will also act as an important factor when dealing with the international community and institutions. Violence however remains a looming possibility, the EGP continues to decline as do foreign reserves and we await the decision on presidential elections.

The momentum and positive sentiment in the UAE is expected to continue while several upcoming IPOs across the GCC markets will present further potential investment opportunities. Full year results are up coming and will provide the next indication on the market direction going into 2014.



As of December 30th, 2013

EFG-Hermes Asset Management

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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**	5.7%	2.8%	2.9%
YTD	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 November 25th, 2013 and December 30th, 2013

Fund Characteristics

No. of Holdings	27
Weighted Market Cap	USD 13.0 billion
Average Dividend Yield*	2.8%
P/E Ratio 2014	13.2x

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

Fund Metrics*

Alpha	12.1%
Beta	1.0
Volatility	10.9%
Information Ratio	2.8

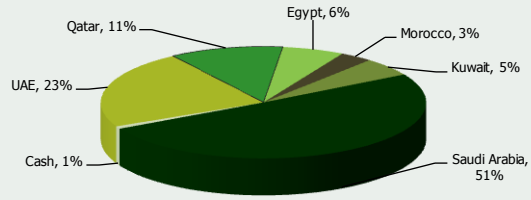
*Calculated vs. S&P Pan Arab Composite Large/Mid Cap Net TR USD since 29th December 2011

Top Five Holdings

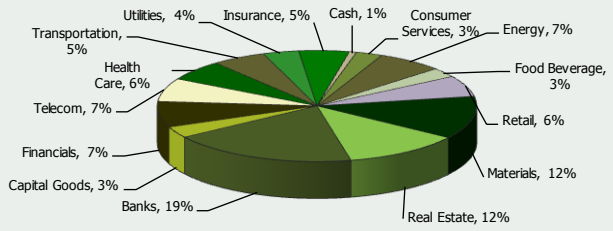
Holding	Country	% of NAV*
SABIC	Saudi Arabia	7.9%
Etihad Etisalat	Saudi Arabia	6.8%
SABB	Saudi Arabia	6.6%
Fawaz Abdulaziz Al hokair & Co.	Saudi Arabia	6.1%
DAMAC Real Estate	United Arab Emirates	5.3%

*Figures as of December 30th, 2013

Allocation By Country



Allocation By Sector



Fund Data

NAV per Share (Class A)	USD 28.94
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.