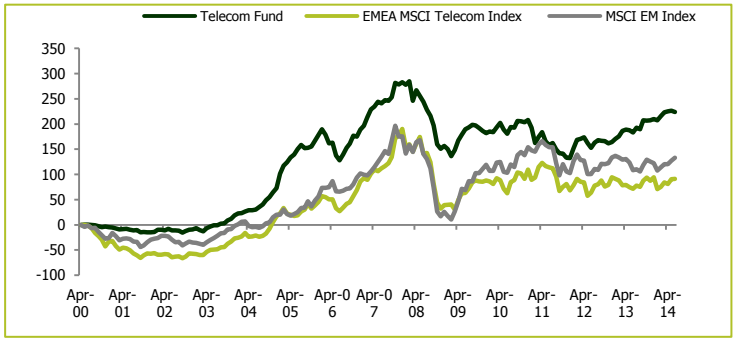
The EFG-Hermes Middle East & Africa Telecom Fund
June 2014

Fund Manager's Strategy & Outlook

The EFG-Hermes Telecom Fund declined by 0.8% in June to bring its YTD performance to 4.5%. This compares to a YTD decline of 2.3% for the MSCI EMEA Telecom Services index. Market performance was generally weak in the MENA region during the month, with Dubai, Qatar and Saudi Arabia indices declining by 22.5%, 16.1% and 3% respectively. As mentioned in our previous note, we had expected volatility to increase as the YTD trend was well below historical norms. This view had been expressed by keeping a very generous cash buffer to mitigate the volatility and to take advantage of asset mispricing opportunities. Our relative returns during the month reflect the success of our strategy.

During the month, our holdings outside of the MENA region outperformed and slightly mitigated share price weakness elsewhere. Telkom SA was once again the star of the showing, having gained 18.1% during the month. Share performance was primarily driven by decent growth in revenues, a return to profit, and the announcement that the dividend will be reinstated in FY 2015. While we view these developments as positive, we are keeping an eye on valuations as the share price gets closer to its intrinsic worth.

While the volatility witnessed during the month is a slight worry, our strategy aims to take advantage of it by deploying our significant cash. The investment manager aims to reshuffle the portfolio and pick up good assets at cheap prices. Expect our cash levels to decrease significantly over the coming months as we seek out new investments to drive our returns upward.



* Line Graph is as of June 2014.

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 listed and unlisted equities and equity-related securities of telecommunications, media, entertainment, information technology, internet and e-commerce companies and related infrastructure companies established or operating in the Middle East and Africa.

Fund Performance

Returns	Telecom Fund
Month to Date*	-0.8%
Year to Date	4.5%
2013	17.3%
2012	13.5%
2011	-24.5%
2010	9.2%
2009	9.9%
2008	-33.1%
2007	32.5%
2006	4.0%
2005	60.6%

Returns	Telecom Fund
1 year	14.3%
3 year	25.2%
5 year	11.8%
Since Inception	223.9%

* MTD figures reflect performance between May 31, 2014 and June 30, 2014.

Fund Characteristics

No. of Holdings	12
Wtd. Market Cap	USD 9.2 billion
Dividend Yield*	2.4%
P/E Ratio 14	7.7x

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

Fund Metrics*

Beta	0.3
Annualized Standard Deviation	13.4%
Annualized Information Ratio	18.8%

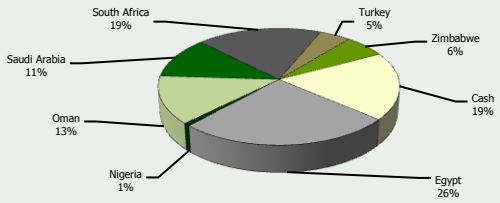
*Calculated vs. MSCI EMEA Telecom Index since Fund inception in April 2000

Top Five Equity Holdings

Holding	Country*	% of NAV
Global Telecom	Egypt	12.9%
Etihad Etisalat	Saudi Arabia	9.3%
TELKOM SA SOC	South Africa	7.1%
Omani Qatari Telecom	Oman	5.4%
MTN GROUP LTD	South Africa	5.4%

* Country assigned by primary listing

Allocation by Country



Fund Data

NAV per share	USD 32.39
No. of Share Certificates	662,292
Launch Date	April 2000
Management Fee	1.75%
Incentive Fee	15%
Benchmark	10% with a high watermark
Expense Ratio	2.8%
Minimum Subscription	USD 10,000
Subscription / Redemption	Monthly

Fund Identifiers

ISIN	BMG294021073
Bloomberg Ticker	EFGHTEL 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 Telecom Fund Limited 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 decide to sell your share.