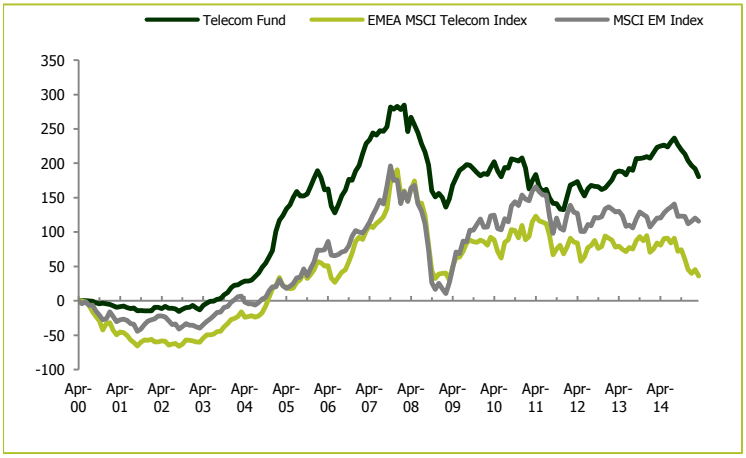
The EFG-Hermes Middle East & Africa Telecom Fund
March 2015

Fund Manager's Strategy & Outlook

Another difficult month saw the EFG-Hermes Telecom Fund lose 4%, to bring its YTD returns to -7.7%. The prevailing weakness within our investable universe continued, as evidenced by the 4.8% decline in the Bloomberg Middle East and Africa Telecom Index (BITEMEAC) in March. The aforementioned index is a more accurate measure of our investable universe, and we will be referencing it going forward. Anyway you cut it though, relative performance does not generate returns for our fund, and we take scant pleasure in knowing that we are outperforming our most relevant benchmark.

As we touched upon during our last note, losses within our holdings are being exacerbated by FX weakness vis-a-vis the dollar in our three largest markets (Egypt, South Africa and Turkey). In fact, FX translation losses have caused nearly 40% of our -7.7% YTD returns. This translation discrepancy is being pressured further by mounting non-cash FX losses reported by companies in our universe, which adversely affect sentiment and share prices.

This is difficult to bear in the short term, but it is mitigated by three factors which leave us cautiously optimistic in the medium / long term: First off, as long term investors, we have no doubt that the long term value proposition across our holdings warrant the short term risk. Most, if not all, of our holdings are trading at +20% discounts to what we view to be the intrinsic value and are supported by a weighted dividend yield north of 4%. Secondly, our 16% USD cash holdings will allow us to take advantage of the dislocation between local share prices and USD returns. Finally, as we have previously stated, our bias will be towards single country operators / companies in order to minimize potential FX headwinds. All things considered, this leaves us confident in our ability to generate long term absolute returns.



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*	-4.0%
Year to Date	-7.7%
2014	-2.0%
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	-13.2%
3 year	3.6%
5 year	-4.5%
Since Inception	180.4%

* MTD figures reflect performance between February 26, 2015 and March 31, 2015.

Fund Characteristics

No. of Holdings	8
Wtd. Market Cap	USD 13.3 billion
Dividend Yield*	4.3%
P/E Ratio 15	15.4

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

Fund Metrics*

Beta	0.3
Annualized Standard Deviation	13.2%
Annualized Information Ratio	24.0%

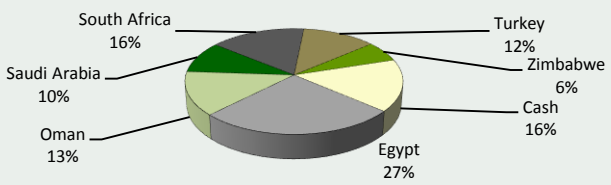
*Calculated vs. MSCI EMEA Telecom Index since Fund inception in April 2000

Top Five Equity Holdings

Holding	Country*	% of NAV
MTN Group	South Africa	12.1%
Omani Qatari Telecom	Oman	10.2%
Turkcell	Turkey	9.3%
Global Telecom	Egypt	9.0%
Telecom Egypt	Egypt	7.7%

* Country assigned by primary listing

Allocation by Country



Fund Data

NAV per share	USD 28.04
No. of Share Certificates	612,973
Launch Date	April 2000
Management Fee	1.75%
Incentive Fee	15%
Benchmark	10% with a high watermark
Expense Ratio	2.63%
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.