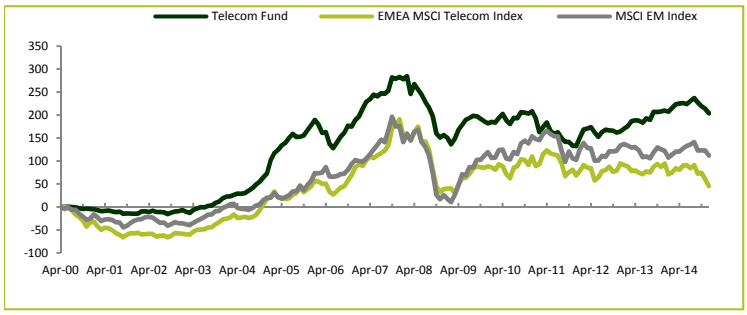
The EFG-Hermes Middle East & Africa Telecom Fund
December 2014

Fund Manager's Strategy & Outlook

The EFG-Hermes Telecom Fund closed 2014 on a negative note, losing 3.2% during December to bring 2014 returns to -2%. This compares to a -25.1% 2014 return for the MSCI EMEA Telecom Services index. Regional markets got hammered during the last month of the year as a confluence of events decimated investor sentiment. The continuing plunge in oil prices has caused a massive rebasing of growth estimates across the board – ignoring the resilience and even benefits to certain segments of the market. Furthermore, concerns about King Abdullah's health late in the month also added to the volatility. Although the TMT sector fared better on a relative basis, the absolute effect across our investable universe was overwhelmingly negative.

While our superior relative returns point to the success of our buy side research approach, we are obviously disappointed to see a negative absolute return for 2014. As we have pointed to previously, volatility levels were causing much trepidation for us these past couple of months; leading us to hold cash in excess of 10%. Having said that, we will repeat what we mentioned in our note from the previous month: the current environment is horrible for traders, but great for investors. Over the medium term – as investors – we have no doubt that we will reap the benefits of the attractive prices for quality assets currently on sale.

Our general expectations for the coming year are that there will be: a) more volatility b) a flight to defensive sectors and c) a premium applied to dividend and income growth. Within our investable universe, we see ample opportunities that tick all these boxes.



* Line Graph is as of December 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*	-3.2%
Year to Date	-2.0%
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	-2.0%
3 year	30.6%
5 year	7.7%
Since Inception	203.7%

* MTD figures reflect performance between November 30, 2014 and December 31, 2014.

Fund Characteristics

No. of Holdings	11
Wtd. Market Cap	USD 10.1 billion
Dividend Yield*	4.2%
P/E Ratio 14	15.2

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

Fund Metrics*

Beta	0.3
Annualized Standard Deviation	13.3%
Annualized Information Ratio	24.9%

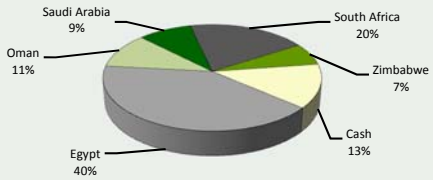
*Calculated vs. MSCI EMEA Telecom Index since Fund inception in April 2000

Top Five Equity Holdings

Holding	Country*	% of NAV
Global Telecom	Egypt	16.1%
Omani Qatari Telecom	Oman	8.5%
Telecom Egypt	Egypt	8.0%
MTN Group	South Africa	7.1%
Saudi Telecom	Saudi Arabia	7.1%

* Country assigned by primary listing

Allocation by Country



Fund Data

NAV per share	USD 30.37
No. of Share Certificates	618,614
Launch Date	April 2000
Management Fee	1.75%
Incentive Fee	15%
Benchmark	10% with a high watermark
Expense Ratio	3.6%
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.