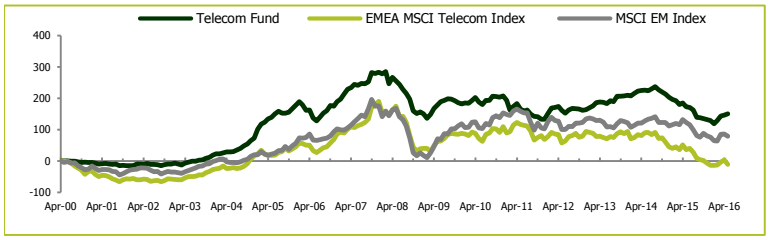
The EFG-Hermes Middle East & Africa Telecom Fund
May 2016

Fund Manager's Strategy & Outlook

The EFG Hermes Telecom Fund gained 1.7% during the month of May to bring YTD gains to 9.4%. Global markets remained buoyant during the month, driven by strong commodity prices and rebounding emerging market currencies. Within our investable universe, investor sentiment was driven by oil prices that crossed 50 USD p/bl. Considering prices had touched 26 USD during the February lows, the change in backdrop is striking. Although we are encouraged by the rebounding markets and in particular the Fund's performance YTD, we remain apprehensive about the markets in general. Volatility remains too elevated to indicate a sea change in trajectory.

Having said that, we remain extremely constructive on our holdings. Our monthly gains were primarily driven by our largest holding, Telecom Egypt (TE). The company's share price added 12.5% during the month to bring its YTD total return to around 48%. Events during the month reaffirmed our core investment thesis, which is simply put: the company is trading well below the intrinsic value of its assets that we as shareholders have claims to. The biggest driver of this asset mispricing is its 45% stake in Vodafone Egypt, the country's largest and most profitable mobile operator. This stake has been discounted heavily as the company and management of TE have been at odds over that latter's intent to apply for a 4G license. As a result, they have withheld dividends for two years and that had caused the share price to tumble. During the month, the company announced that it reached an agreement with Vodafone Egypt and will receive dividends worth 1.5bn EGP over the next 12 months. This has led to healthy rerating in the stock, but we still view the shares as undervalued. We do remain apprehensive about the potential price for the 4G license and the overall strategy. At this juncture, we view the risk/reward skew as attractive.



* Line Graph is as of April 2016

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*	1.7%
Year to Date	9.4%
2015	-24.6%
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	-8.2%
3 year	-12.9%
5 year	-5.6%
Since Inception	150.5%

* MTD figures reflect performance between April 30, 2016 and May 31, 2016.

Fund Characteristics

No. of Holdings	5
Wtd. Market Cap	USD 1.7 billion
Dividend Yield*	6.6%
P/E Ratio 16	9.67

*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	30.9

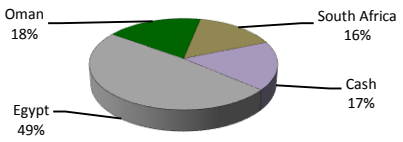
*Calculated vs. MSCI EMEA Telecom Index since Fund inception in April 2000

Top Five Equity Holdings

Holding	Country*	% of NAV
Telecom Egypt	Egypt	19.8%
Ooreedo Oman	Oman	13.4%
Global Telecom Holding SAE	Egypt	12.3%
Telkom SA SOC Ltd	South Africa	11.4%
National Telecom Co	Egypt	3.4%

* Country assigned by primary listing

Allocation by Country



Fund Data

NAV per share	USD 25.05
No. of Share Certificates	610,412
Launch Date	April 2000
Management Fee	1.75%
Incentive Fee	15%
Benchmark	10% with a high watermark
Expense Ratio	2.9%
Minimum Subscription	USD 10,000
Subscription / Redemption	Monthly

Fund Identifiers

ISIN	BMG294021073
Bloomberg Ticker	EFGHTEL BH