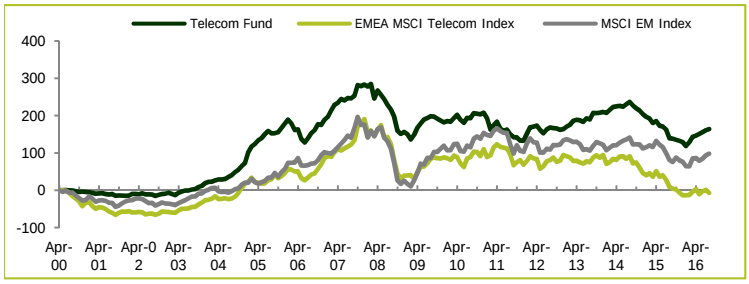
The EFG-Hermes Middle East & Africa Telecom Fund
August 2016

Fund Manager's Strategy & Outlook

The EFG-Hermes Telecom Fund gained 1.2% in August to bring YTD performance to 15.3%. Despite a turbulent month for the region's largest market (Saudi Arabia), the fund's holdings outperformed on positive news flow and general resilience of their business models. During the month, a breakdown of peace talks regarding the ongoing Yemeni conflict, weaker oil prices and the seasonal summer lull triggered a sell-off in Saudi Arabia that took most investors by surprise. Within our investable universe, Saudi telecom companies were hit particularly hard as market beta and regulatory pressures sparked fears of a weak Q3. While the general volatility is a short term worry, valuations on offer in Saudi present good long term opportunities.

During the month, our holdings in Egypt once again contributed the bulk of our returns. Despite a challenging macro environment fueled by regulatory dithering and weak business confidence, our holdings there outperformed. Telecom Egypt made the initial payment for its 4G license, which will allow it to offer fully integrated services. While we view the price of the license as high, the key is the net cost once the value of the company's 45% stake in Vodafone Egypt is crystalized. Our view is that the company's stake is worth more than the value of the license. Having said that, we are slightly perturbed by management's constant flip-flopping on whether they intend to sell their stake or not. It does not bode well for the investment climate if the government is effectively planning on owning two operators that will be competing in the same space. Though nothing final has been decided, we have begun locking in gains on the investment to mitigate the uncertainty.



* Line Graph is as of August 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*	1.2%
Year to Date	15.3%
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	10.5%
3 year	-8.8%
5 year	5.6%
Since Inception	164.0%

*MTD figures reflect performance between July 31, 2016 and August 31, 2016.

Fund Characteristics

No. of Holdings	5
Wtd. Market Cap	USD 1.8 billion
Dividend Yield*	6.2%
P/E Ratio 16	12.0

*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	31.0

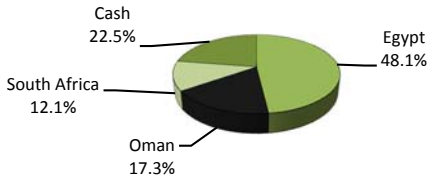
*Calculated vs. MSCI EMEA Telecom Index since Fund inception in April 2000

Top Five Equity Holdings

Holding	Country*	% of NAV
Telecom Egypt	Egypt	17.7%
Global Telecom Holding SAE	Egypt	13.7%
Ooreedo Oman	Oman	12.5%
Telkom SA SOC Ltd	South Africa	8.7%
National Telecom Co	Egypt	3.3%

*Country assigned by primary listing

Allocation by Country



Fund Data

NAV per share	USD 26.4
No. of Share Certificates	597,082
Launch Date	April 2000
Management Fee	1.75%
Incentive Fee	15%
Benchmark	10% with a high watermark
Expense Ratio	3.2%
Minimum Subscription	USD 10,000
Subscription / Redemption	Monthly

Fund Identifiers

ISIN	BMG294021073
Bloomberg Ticker	EFGHTEL BH