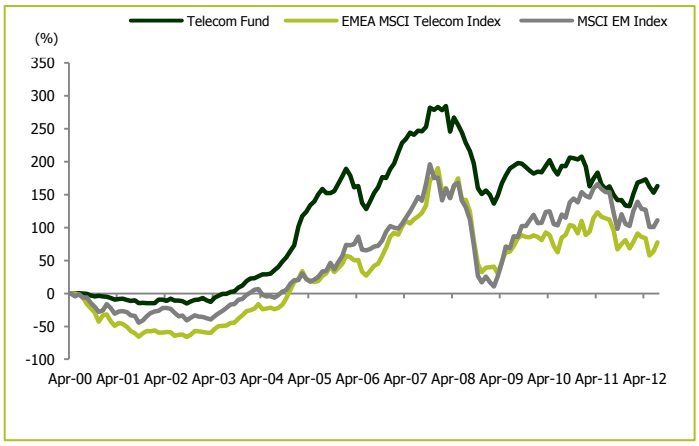
# The EFG-Hermes Middle East & Africa Telecom Fund
# July 2012

## Fund Manager's Strategy & Outlook

The EFG-Hermes Telecom Fund gained 4.1% during July to bring its YTD performance to 13.1%. This compares to a 4.2% YTD return for the MSCI EMEA Telecom Services Index over the same period. Global and regional markets witnessed a strong finish to a volatile month as expectations of central bank intervention alleviated concerns over sovereign yields. With the situations in Spain and Greece continuing to trouble investors, statements by the European Central Bank's (ECB) governor helped markets rebound towards the end of July as the probability of a coordinated intervention increased. Within our investable universe, markets reacted more to Q2 financial results which indicated continuing growth at cheap valuations. The fund's returns were buoyed by these results and by a super-dividend paid by one of our investments (OTMT).

During the month, two of our largest holdings reported robust financial results for the 2nd quarter. In Saudi Arabia, Etihad Etisalat (Mobily) delivered yet another solid set of results which drove the share price higher. Revenues, EBITDA, and net income increased by 13.4%, 12.6% and 17.7% respectively as the Kingdom's fastest growing operator continued to reap the benefits of an effective data strategy. Furthermore, with the distribution of a generous quarterly dividend, the company's stock remains one of the most attractive in the region. In the UAE, a similar trend can be seen in Emirates Integrated Telecom Company (Du), which continues to outpace the incumbent in terms of growth. Revenues, EBITDA and net income for the quarter grew by 12.9%, 36.6%and 57% respectively over the corresponding period last year. Du continues to grow at an impressive pace despite an outsized royalty paid to the government, making the performance even more impressive.

Although we are pleased by the rebound during July, the ongoing volatility remains a cause for concern. A pattern of intervention, relief, then concern followed by volatile panic seems to be repeating itself over the past 24 months, indicative of the severity of the events of the financial crash in 2008. Although these scars are healing, the process is taking time, slowed by both the hesitance of regulators and the fragility of investors' confidence. As stated before, even in this precarious environment, we feel confident in the long term value offered by the fund's holdings.




* Line Graph is as of July 2012.


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* | 4.1% |
| Year to Date | 13.1% |
| 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 | 0.2% |
| 3 year | -10.4% |
| 5 year | -24.3% |
| Since Inception | 163.0% |

* MTD figures reflect performance between June 28th, 2012 and July 31st, 2012.

## Fund Characteristics

| | |
|---|---|
| No. of Holdings | 9 |
| Wtd. Market Cap | USD 6.3 billion |
| Dividend Yield* | 28.7% |
| P/E Ratio 12 | 10.0x |

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

## Fund Metrics*

| | |
|---|---|
| Beta | 0.3 |
| Annualized Standard Deviation | 14.1% |
| Annualized Information Ratio | 15.4% |

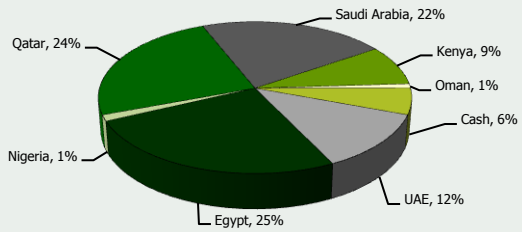
*Calculated vs. MSCI EMEA Telecom Index since Fund inception in April 2000

## Top Five Equity Holdings

| Holding | Country* | % of NAV |
|---|---|---|
| Qatar Telecom | Qatar | 19.5% |
| Etihad Etisalat | Saudi Arabia | 17.3% |
| Emirates Integrated Telecomm | UAE | 9.7% |
| Orascom Telecom Media & Tech. | Egypt | 9.2% |
| Orascom Telecom | Egypt | 7.1% |

* Country assigned by primary listing

## Allocation by Country




## Fund Data

| | |
|---|---|
| NAV per share | USD 26.30 |
| No. of Share Certificates | 667,922 |
| Launch Date | April 2000 |
| Management Fee | 1.75% |
| Incentive Fee | 15% |
| Benchmark | 10% with a high watermark |
| Expense Ratio | 2.3% |
| 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.