Egypt Trust
Time to Take Another Look at Egypt

Lazard Asset Management Egypt

Why Investors Have Stayed Away

- Slow pace of privatization

- Concern with regard to the government’s monetary policy

You Were Right

- Privatization slowed after its initial frenetic pace in 1995, 1996 and early 1997.

- The government moved slowly in adjusting monetary policy at first signs of the liquidity and foreign exchange situation.

And there were some extraneous factors

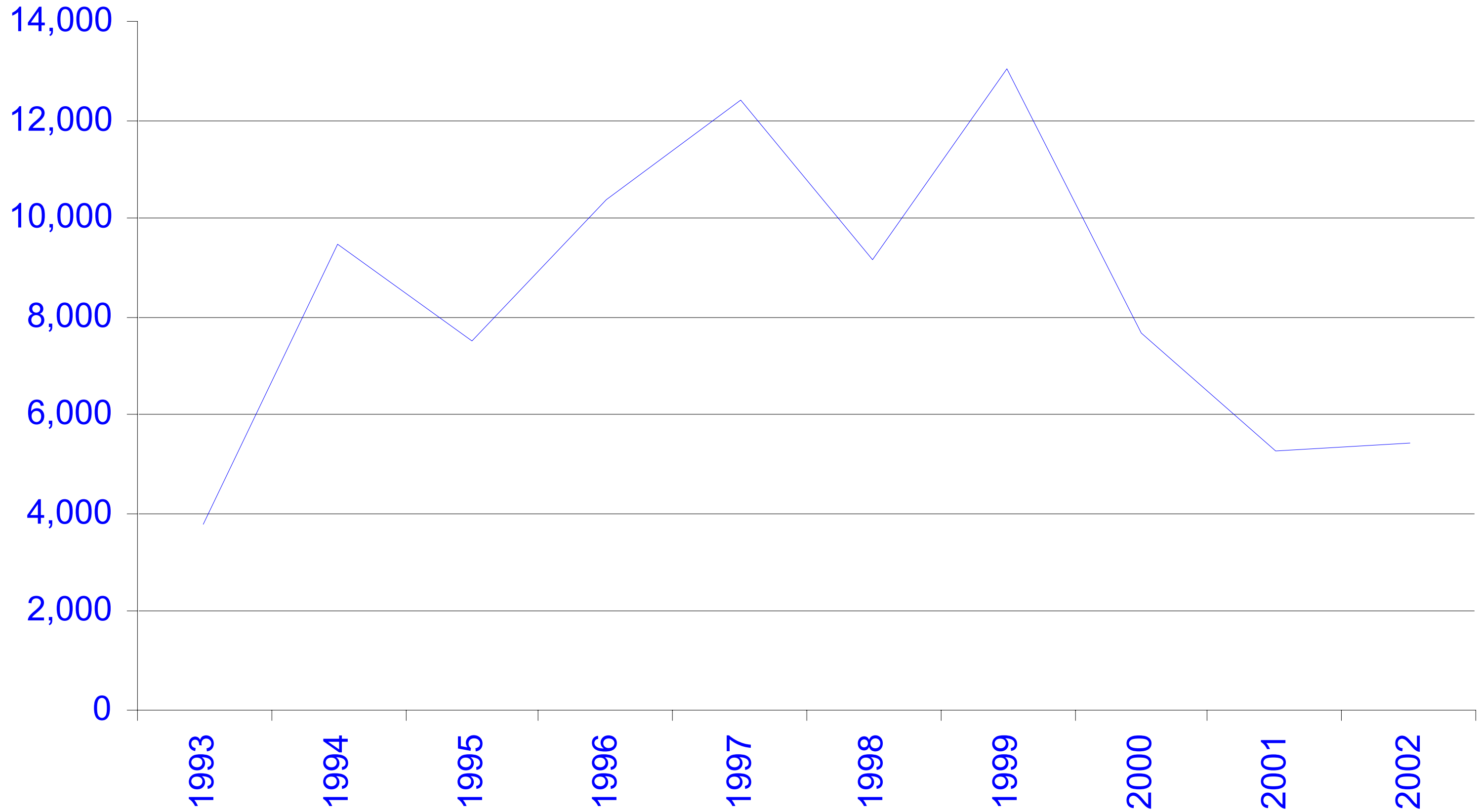
- Luxor attack
- South Asian crisis
- Regional tension
- September 11 attacks

And the result…..

- After an initial rally, during which the market rose 115% from the period between the end of 1995 through February 1997, the index has since fallen to levels seen only in 1993.

- Portfolio investment, which accumulated US$ 1.7 billion in inflows in 1996 and 1997, netted only US$ 300 million in the four years since.

Market Performance



Source: Market proxy is the HFI index.

But even in the years when nothing seemed to be happening

- Privatization of the cement sector, brought names into the market such as:
  - Lafarge/Blue Circle in Alexandria Cement
  - Lafarge/Titan in Beni Suef Cement
  - Ciment Francais in Suez Cement
  - Cimpor In Amereya Cement
  - Cemex in Assuit Cement.

- Privatization of the Telecom sector brought names such as:
  - France Telecom and Motorola into MobiNil
  - Vodafone to Click/Vodafone GSM
  - Quall Comm with Kuwaiti investors in order to establish a wireless PBX network

And…..

- Entrants to the nascent natural gas sector include names such as Gas de France and Union Finosa, which have contracted to establish two LNG projects.

- Siemens in conjunction with a local investor have established an electric cable production facility.

- The government agreed to lease to foreign investors with an option to buy, a major textile company that was previously a major loss maker and a drain on resources.

- For the first time, BOT contracts were given for the construction of two international airports in Alamein and Marsa Allam to private sector investors.

On the Policy Side

- In August and December 2001, the CBE stepped in with unexpected moves and devalued the pound to LE 4.15 to the dollar, widening the transaction band to +/- 3% (in August) and to LE 4.51 (in December), which effectively set the rate at around LE 4.65 to the US dollar. In effect this meant a devaluation of 32% since June 2000.
- While there is general agreement with assessments that reforms need to deepen and accelerate, the government, for the first time in two years, took concrete steps toward liberalization. The moves eased liquidity, took some pressure off the currency and has reduced parallel market activity.
- In the World Bank-sponsored donor's meeting bilateral lenders and international financial institutions have agreed to provide US$ 10.3 billion to Egypt over 2002 to 2004, with US$ 2.1 billion available this year. These amounts are larger than the average amount of economic aid that Egypt receives annually, which is around US$ 2 billion.

And More

- **Trade liberalization-** The association agreement with the EU as a precursor to Egypt's eventual entry into the European Mediterranean Partnership by 2010.
- **Mortgage law-** It will in time boost real estate and banking activity, while releasing a degree of personal capital for investment in the economy.
- **Intellectual property rights law-**It will bring laws on copyright infringement, patents and trademarks in line with the TRIPS agreement and is expected to benefit the media production and information technology industries.
- **Eurobond-**The spreads are among the lowest for countries like Egypt.

At Another Glance

- The concerns have already been factored in the price. The market has reached a support level and is at or near bottom, with record lows in the indices and trading volumes.

- The mitigation of any of these negative factors, such as a regional settlement, will warrant a re-rating.

- Indices are at historical lows with the IFC Investable index down 79% from its peak in February 1997 and down 72% from its most recent peak in January 2000.

Valuation

- At current valuations, the market does offer value. The average market P/E now stands at 6.3 times 2001 earnings. Furthermore, Egypt offers one of the highest dividend yields in the world, currently at around 7.3%.
- On a comparative basis, the Egyptian market looks very attractive relative to other emerging markets.

Emerging Market Comparative Analysis

	PER	Dividend Yield
Russia	5.1	1.1
Egypt	**6.3**	**7.3**
Czech Republic	9.5	2.2
South Africa	12.0	3.3
Poland	20.7	1.6
Hungary	21.4	1.2
Israel	38.0	3.5
Turkey	39.2	1.4

Note: Comparatives are MSCI emerging market country index valuations as of Feb 28, 2002. Israel figures are for the MSCI country domestic index.

Egypt Trust Fund Data

- Closed-end fund incorporated in Luxembourg and launched in 1996, with initial capital of US$ 74 million.
- The investment objective is to achieve medium to long-term growth through investment principally in the equities of companies in the Egyptian market, capitalizing on low valuations and high dividend yields.
- The investment philosophy relies on a conservative value-oriented approach to investment. We look for good management that has demonstrated its ability to grow earnings in the past and undervalued companies where we believe the market has failed to understand their true value.

Fund Data (cont.)

- Discount to NAV stands at 17.7% as of March 21, 2002.
- The only Egypt focused closed-end fund left after the open ending of the peer group.
- There will a vote at the next annual meeting in August 2002 in regards to the open ending of the fund.

Relative Performance

	1996	1997	1998	1999	2000	2001	YTD 2002
Egypt Trust	38.70%	21.85%	-24.83%	11.15%	-28.55%	-23.41%	1.09%
IFCI Index	N/A	-6.77%	-30.86%	24.19%	-44.11%	-46.62%	4.69%
HFI Index	38.29%	19.78%	-26.35%	42.50%	-41.19%	-31.18%	2.97%

Note: Based on total return and year-to-date 2002 figures are as of March 21, 2002

Performance to Closed-End Peers

	Fund Manager	1999	2000	2001	YTD 2002
Egypt Trust	Lazard	11.15%	-28.55%	-23.41%	0.78%
Nile Growth	Alliance	26.68%	-46.61%	-43.24%	0.34%
Egypt Investment	Concord	-1.21%	-25.53%	-27.31%	0.13%
Egypt Fund Ltd	EFG-Hermes	10.78%	-27.66%	-38.51%	-2.50%

Note: YTD 2002 as of March 7, 2002

Performance Since Inception

	Value 8/6/96	Tot Value 3/21/02	Total Return
Egypt Trust	$10.00	$8.43	-15.70%
Market	7,644.57	5,429.32	-28.98%

Note: Total value for the Egypt Trust on March 21, 2002 includes $1.93 in dividends paid out since inception. Market proxy is the Hermes Financial index as IFCI was not in existence at inception.