



Egyptian-American Enterprise Fund "EAEF"

2018 Annual Letter

January 29, 2018

Dear Stakeholders of the Egyptian-American Enterprise Fund,

A year has passed since Egypt embarked on an ambitious reform program taking decisive measures aimed at restoring macroeconomic stability. It has quickly rebuilt an investment case for itself, with a flexible exchange rate regime and an IMF-backed plan to revive the economy. Since then, there have been large inflows of portfolio investment into the Egyptian market, concurrent with a pickup in foreign direct investment, which reached 3.4% of GDP in FY2017 up from 2.1% a year earlier. FX reserves reached all-time high level of USD 37 billion from USD 26 billion in December 2016. Headline inflation eased to 21.9% in December 2017 after a peak of 35.2% in July 2017, and tourism is recovering, showing an increase of 55% YoY in November. With regard to the business climate, the government recently passed investment and bankruptcy laws, in an effort to improve Egypt's ranking as an attractive destination for investment. In its latest report on the second review of the reform program, the IMF raised its forecast for Egypt's GDP growth for FY2017/18 to 4.8% as compared to 4.2% in FY2016/17. The IMF is projecting the economy to strengthen further in the medium term to 6%. Egypt was the turnaround economic reform story of 2017.

As the macroeconomic environment gains stability, the role of the private sector as the primary engine of growth has become more essential. In this regard, I am pleased to report that we have grown our portfolio to seven companies. We closed our latest investment in November 2017 in Orchidia, a pharmaceutical company that provides affordable high-quality alternatives to previously imported pharma products. Orchidia is our second investment in healthcare. The first investment was SmartCare, a tech-enabled healthcare services company.

In 2017, we seeded two first-time funds. We invested in TCV, a midmarket investment fund, in addition to Algebra ventures, which we invested in a year earlier. Within a year, the two funds invested in six companies in an array of sectors including agribusiness, food manufacturing and FinTech. Additionally, we partnered with Egypt Ventures and IFC and committed USD 0.5 million to Flat6labs, a startup accelerator, widening our portfolio across the financial spectrum. Flat6Labs graduated a total of 8 startups in its latest cycle.

We continue to promote financial inclusion and access to financial services for Egypt's large unbanked population through our payment processing business, Fawry, which has grown rapidly, currently reaching more than 20 million Egyptians. Fawry recently attracted an additional foreign impact investor, which shares EAEF's development objectives.

Sarwa Capital, our consumer finance company recently completed a c.USD 68 million in securitization of its portfolio, the largest securitization transaction in the company's history. It also launched a mortgage/home finishing business that we expect to grow significantly. Sarwa signed an agreement with a regional car-hailing application in Egypt to finance its fleet. To date, Sarwa extended over USD 600



million of financing facilities to SMEs and mid-income individuals, which led to the opening of over 30,000 bank accounts to previously unbanked individuals.

In its latest report, the IMF notes that 700,000 jobs need to be created annually for Egypt's young and growing population. Our investments have so far created more than 700 jobs and we continue to grow this number as we develop the investment portfolio. To date, we have invested USD 130 million in the equity of four private companies and three investment funds, and have attracted an additional USD 130 million from foreign institutional investors who joined us in these investments, attracting approximately one dollar for every dollar invested by EAEF.

Our work is made possible by the growing EAEF team in the US where we recently added a financial controller and an associate. The new talent increases our capacity to execute on our mission. We are pleased with our constructive relationship with Lorax Capital Partners "LCP", fulfilling our objective to develop the private sector in Egypt. LCP has been instrumental in enabling us to identify opportunities, which promote financial inclusion, job creation and sustainable economic growth. We continue to actively seek investment opportunities that meet our development objectives while providing promising financial returns.

Further, in 2017 we hosted a number of events to promote Egypt as an investment case with Egyptian and US policy makers including a roundtable discussion with H.E. Amr El Garhy, Egypt's minister of Finance, testified in a hearing before the subcommittee on the Middle East and North Africa of the Committee of Foreign Affairs at the House of Representatives and published an Op-Ed to portray EAEF's mission and strategy.

Lastly, we would like to thank our board of directors for their level of engagement and continued support. We take this opportunity to thank Nadim Gabbani, who resigned last year, after serving as a board member and an investment committee member for the past two years. We wish him well in his future endeavors.

Sincerely,

A handwritten signature in black ink, appearing to read "James A. Harmon". The signature is fluid and cursive, with a large initial "J" and "H".

James A. Harmon
Chairman