



Egyptian-American Enterprise Fund Annual Report

April 17th, 2015

I am pleased to report the progress of the Egyptian-American Enterprise Fund (EAEF) in this 2nd annual report.

In the four years since the Egyptian Revolution of 2011, Egypt has experienced considerable political and economic instability. Since the launch of the EAEF, the Egyptian people have elected two presidents, passed a new constitution and are currently preparing for upcoming parliamentary elections.

As Egypt finds its footing, I find myself increasingly optimistic about the future of the country. Political stability has been restored, and I am encouraged by the Egyptian leadership's commitment to fiscal, legal and governance reforms. There is recognition at the highest levels that attracting investment will be critical to achieving sustainable development, supporting broad-based job creation and protecting the country's most disadvantaged.

Considerable progress has already been made. The implementation of energy reforms in 2014 and the passage of a new investment law in March 2015 resonated strongly with the international community and foreign investors, as reflected in the success of Egypt's Economic Development Conference held in Sharm el-Sheikh in March 2015. In recent months we have seen signs of accelerating growth, lower inflation and increased confidence. The Egyptian government's reform program is off to a strong start, and I am hopeful that the momentum can be sustained.

Despite Egypt's recent achievements, considerable vulnerabilities remain. High public debt, liquidity-constrained banks and capital markets, tight monetary policy and limited fiscal room make it difficult to fund growth. In addition, domestic and regional security challenges continue to test investor and business confidence. The challenging conditions underscore the importance of the EAEF's mission to "stimulate the private sector, generate employment opportunities and promote financial inclusion". During this delicate transition period, the EAEF can help Egypt establish a platform for sustainable, long-term growth.

EAEF has spent the last two years building a solid foundation to enable it to deliver on its objectives. We now have a full board of nine directors (listed below), six of whom are Arabic speaking Egyptians or Egyptian-Americans. Last year we recruited a Chief of Staff, Ms. Amal Enan, a graduate of the Harvard Business School, who is now working closely with me on executing EAEF's strategy. In Egypt, we have established a management company, 'Lorax Capital Partners', which is responsible for sourcing investment opportunities, managing transactions and overseeing projects and portfolio companies. The management company is led by Mr. Ashraf Zaki, a Morgan Stanley alumnus and former head of investment banking at EFG-Hermes. He has assembled an extraordinary team of investment professionals, which I am confident will create significant value for EAEF in the coming years. Lastly, in order to support entrepreneurship and innovation in Egypt, we have recently decided to allocate 5% of the USD 300 million grant funding to startups. Dr. Khalid Ismail, an experienced entrepreneur and angel investor will be leading this effort.

With this excellent board and management team in place, we expect to close on several transactions in Q2 2015. EAEF's first area of focus is financial inclusion. In Egypt, only 10% of the population has a bank account, but we know that access to basic financial services can be important to empowering the poor, reducing income inequality and driving strong and inclusive growth. It serves as a critical link between economic opportunity and economic success. To this end, our team is currently conducting due diligence on Egypt's largest consumer finance company. The management team is highly capable and has already achieved considerable success. With capital and technical assistance from EAEF, we believe that the firm can develop new products and expand its distribution platform to better serve Egypt's disadvantaged population.



Similarly, we are forming a consortium to buy the largest electronic payments company in Egypt. The firm has 15 million customers, an infrastructure of 50,000 service points and performs more than 1.2 million transactions per day. The management team is strong and sees the potential for expansion opportunities in a number of other financial services.

Lastly, we are currently conducting due diligence on our first early stage investment, an innovative food company specializing in Egyptian cuisine. The founder is a young man who has managed to grow the company to four branches and 260 employees. His goal is to establish twelve more branches in Cairo and eventually expand to other countries in the region. We want to encourage young Egyptian entrepreneurs to take greater risk, as well as invest in companies that have the potential to create jobs. Dr. Khalid is playing a critical role in providing strategic and technical guidance to young entrepreneurs, in addition to providing funding solutions that will allow these small firms to grow and thrive.

As we consider investment opportunities in the future, we will invite other countries and multilateral organizations to invest alongside us. These partnerships will not only increase the scale of potential transactions, but will also serve as effective models of cooperation in support of an Egyptian people seeking to realize their potential.

The EAEF is well positioned to make investments that meet our dual bottom line of generating financial returns and promoting private sector development in Egypt. It is the people that determine an organization's success, and I have tremendous confidence in the people driving EAEF today.

Sincerely,



James A Harmon

Chairman

EAEF Board of Directors:

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