

Investment Objective

The principal investment objective of the fund is long term capital appreciation through achieving the highest possible risk-adjusted returns.

Investment Universe

- The fund invests principally in listed securities of companies that are established or doing a substantial part of their business in Egypt
- The fund is allowed to invest in listed securities in the MENA region up to 20% of the fund's Net Asset Value and based on the fund manager's outlook.

Subscription/Redemption

- ≡ The fund offers weekly liquidity to investors.
- ≡ The valuation day for the fund is Monday of every week (subject to be a business day in Egypt, Bahrain & Bermuda).
- ≡ There is no Entry/Exit load applied by the fund manager.
- ≡ Minimum initial investment is USD10,000.
- ≡ Minimum additional investment is USD1,000.

Fund Details

Type of scheme	Open Ended
Inception date	August 1996
Share price	USD 28.8
Listing	Irish Stock Exchange
Index of reference	EGX30 Cap USD Index
Bloomberg Ticker	EFGHEGY BH
ISIN	BMG2948Y1093

Quantitative Data (Since Inception)

Standard Deviation	26.1%
Beta	0.8
Sharpe Ratio	0.1

Fund Manager

Management Company	EFG Hermes Asset Management
Fund Manager	Nabil Moussa
Managing Since	June 2012
Contact Person	Ahmed Shalaby
Telephone	+20235356536
Mobile	+201005407086
E-mail	ambusinessdev@efg-hermes.com

Fund Administrator

Fund Administrator	HSBC Middle East (Bahrain)
Contact Person	Lohit Nayak
Telephone	+973 1756 9567
Fax	+973 1756 9574

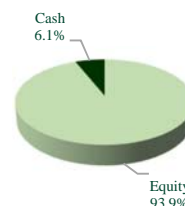
Portfolio

Performance Figures

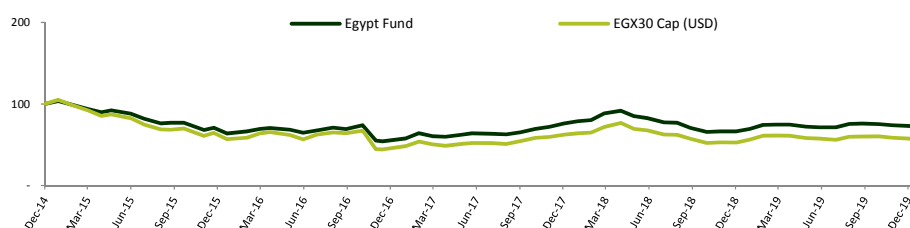
Date	Return
January 2020	-1.7%
YTD	-1.7%
1 Year	3.3%
5-YTD	-30.7%
Since Inception	276.9%

*EFG Hermes Egypt Fund achieved a strong 5-YTD return of 47.2% in EGP but it was affected by the sharp currency devaluation as shown above.

Asset Allocation



Track Record Vs EGX30 Cap (USD)



Market Outlook

Market Commentary & Strategy

- ≡ The Egyptian market main index EGX30 increased by 1.3% in USD terms during January, while EGX30 Capped was flat. The variance in performance is mainly a reflection of the CIB bullish performance increasing 4.1% USD terms with a weight of 43.3% in EGX30, while its weight is being capped to 15% in the EGX30 Capped. Otherwise, with the exception of few stocks mainly in the pharmaceutical and consumer sectors, the whole market was in the red. This poor performance can be perceived normally given that the MSCI EM main index dropped 4.7% during January in a reflection of growth worries post the higher than expected impact of the corona virus.
- ≡ We still believe that Egypt's growth story should support a rerating given the continuous improvement in economic indicators along with the expected boost in private consumption in 2020 as a reflection of the weak inflation figures, and the CBE cutting rates by 6.5% over the past two years (3.5% of which were in the last 6 quarters). Therefore, there is a decent chance for an uptick in the market given that it is currently trading at P/E (2020e) of 8.0x while achieving ROE of 20.8% compared to MSCI EM P/E (2020e) of 13.2x while achieving ROE of 12.0%.
- ≡ In a different note, we highlight that Vodafone announced receiving an offer to sell its 55% stake in Vodafone Egypt from Saudi Telecom Company (STC) for a total consideration of USD2.4 billion implying a deal valuation EV/EBITDA multiple of 7.0x.
- ≡ Finally, we highlight that Foreign investments in local treasury bills and bonds increased from around USD17 in September 2019 to USD22 billion in December 2019.

Economic Updates

- ≡ The CBE maintained overnight deposit and lending rates stable at 12.25% and 13.25% respectively. We believe that the CBE opted to be conservative given the recent hike in oil prices, and given that it already reduced rates by 450 bps cuts across 2019.
- ≡ The government is targeting 6% GDP growth in FY20/21 as per a press release by the Ministry of Planning. Moreover, the government plans to increase its investments by around 36% to EGP1.4 Trillion with priorities given to the transportation and housing sectors.
- ≡ The Ministry of Finance stated that Egypt achieved primary surplus of EGP30.5 billion (0.5% of GDP) up 40% from EGP21.8 billion in 1H18/19 (0.4% of GDP). The government aims to achieve a primary surplus of EGP124 billion (2% of GDP) in FY19/20.
- ≡ Egypt's Net International Reserves inched upwards from USD45.35 billion to USD45.42 billion currently holding an import coverage ratio of 8.6x. We highlight that that Net International reserves are moving upwards for 41 consecutive months since July 2016.
- ≡ Inflation accelerated to 7.1% in December up from 3.6% in November in a sign that inflation is normalizing following the continuous fade away of last year's high base. Food inflation was the main driver accelerating 1.8% in December post its 4.5% drop in November.