

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 28.5
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

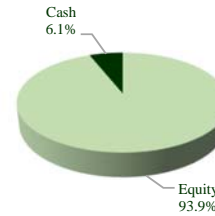
Portfolio

Performance Figures

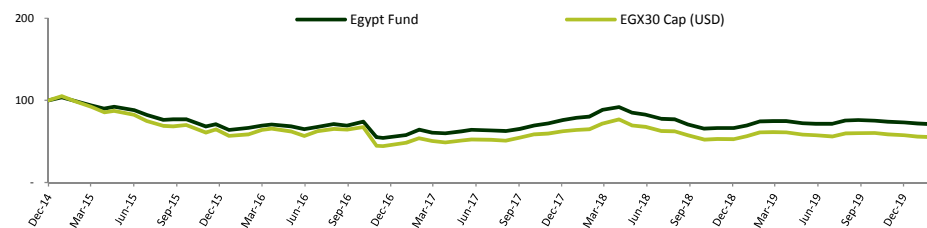
Date	Return
February 2020	-1.0%
YTD	-2.7%
1 Year	-4.4%
5-YTD	-28.4%
Since Inception	273.1%

*EFG Hermes Egypt Fund achieved a strong 5-YTD return of 46.2% 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 decreased by 4.3% in USD terms in the first two months of 2020, while EGX30 Capped is down by 7.3%. The variance in performance is mainly a reflection of the CIB bullish performance increasing 2.1% in USD terms with a weight of around 44% in EGX30, while its weight is being capped to 15% in the EGX30 Capped.
- ≡ The market's negative performance can be attributed to three main reasons. 1) The spread of Coronavirus will lead to global economic slowdown in 1Q20 and a fear that the slowdown will continue if the virus is not contained; 2) The slowdown in global trade along with depressed commodity prices thus keeping emerging countries exports at low rates; and 3) The political tension in the region between the US and Iran.
- ≡ We highlight that the Egyptian market is trading at historic low Multiple P/E (20e) of 7.3x implying more than 40% discount to MSCI EM average multiple P/E (20e) of 12.3x. Therefore, we believe that emerging markets volatility along with socio political escalations are negatively impacting the Egyptian markets, and that current prices are not reflecting the real values of corporates.
- ≡ As a result, given markets volatility and depressed valuations, we believe that we will concentrate our investments in companies with strong balance sheet that are least affected by global slowdown due to their dependence on local private consumption mainly in the following sectors: Health Care, Education, Food and Beverages, and Financial Services.

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 Ministry of Finance announced that overall budget deficit increased from 3.6% of GDP in 1H 18/19 to 3.8% of GDP in 1H19/20, while the government maintained a primary surplus of 0.5% of GDP. The ministry indicated that it is committed to reduce budget deficit to 7.2% compared to 8.2% in the previous fiscal year, while maintaining a 2% primary surplus.
- ≡ Foreign Holdings in Egyptian treasuries continued increasing to reach EGP24 billion as of January 2020 implying USD2.0 month over month increase as per the Ministry of Finance.
- ≡ Unemployment rate stood at 8.0% in 4Q19 down from 8.9% in 4Q18, yet inched higher from the 7.8% recorded in 3Q19. The overall employment force increased by 3.3%, while unemployment among males and females remained flat 4.7% and 22.7%, respectively.
- ≡ Egypt's Net International Reserves inched upwards from USD45.42 billion to USD45.46 billion currently holding an import coverage ratio of 8.6x. We highlight that that Net International reserves are moving upwards for 42 consecutive months since July 2016.
- ≡ Inflation was almost flat at 7.2% in January 2020 compared to 7.1% in December 2019 in a sign that we will start to see a stabilized inflation environment post the EGP floatation phase. Food inflation was the main driver accelerating 2.6% in January compared to an increase of 1.8% in December.