

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 22.9
Listing	Irish Stock Exchange
Index of reference	EGX30 Cap USD Index
Bloomberg Ticker	EFGHEGY BH
ISIN	BMG2948Y1093

Quantitative Data (Since Inception)

Standard Deviation	26.6%
Beta	0.7
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

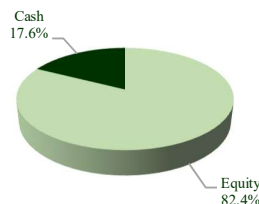
Portfolio

Performance Figures

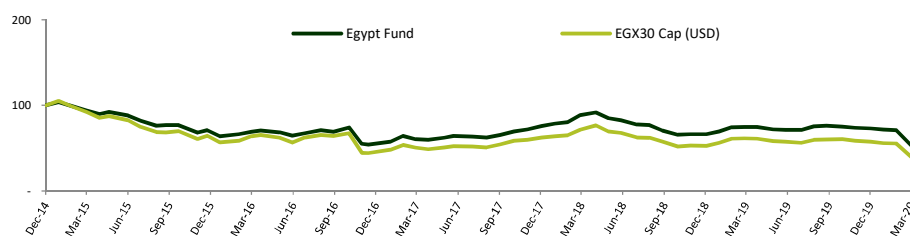
Date	Return
April 2020	9.1%
YTD	-21.9%
1 Year	-23.7%
5-YTD	-36.6%
Since Inception	199.5%

*EFG Hermes Egypt Fund achieved a strong 5-YTD return of 31.2% 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 24.4% from the beginning of 2020, and by 42.5% since its peak in April 2018. This decline is in the same direction with emerging markets; whereby MSCI EM dropped by 17.0% in 2020 and by 27.3% since its 2018 peak. We highlight that the EGP has depreciated by 12.4% since April 2018 implying that the market dropped by 35.4% only in USD terms. The market's negative performance can be attributed to two 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; and 2) The global trade war between the USA and China leading to a slowdown in global trade along with depressed commodity prices thus keeping emerging countries exports at low rates.
- ≡ We believe that the current lockdowns across the world along with political tension between the USA and China will have negative impact on global economies growth rate thus we opt to keep a reasonable liquidity position along with concentrating our investments in sectors that rely on domestic private consumption rather than external demand. As a result, we will focus our investments in the following sectors:
 - **Banking:** The banking sector has strong financial position, and banks have the ability to diversify its investments between corporate loans and government debt in light of the government continuous need for borrowing to cover its budget deficit.
 - **Food and Beverage:** The sector is totally dependent on local private consumption given Egypt's population exceeding 100 million citizen that are in constant need for food supply even in economic slowdown.
 - **Health Care and Education:** Both sectors are dependent on Egypt's private consumption given its population size, and the inability of the government to provide both services to the entire market.

Economic Updates

- ≡ Egypt announcing submitting a request to the IMF seeking fresh funding in order to safeguard its economic reforms that were delivered over the past years, and provide the country with additional buffer to face the impact of outbreak of COVID-19 on the economy. The size and the timing of the funding are still pending negotiations between the government and the IMF. We consider this as a positive development to help the country fund its financing gap given the substantial drop in the country's tourism revenues due to the global travel restrictions.
- ≡ The government reduced its GDP growth forecast for FY20/21 in response to the COVI-19 outbreak down to 3.5% from its previous expectation of 4.5%. The government is expecting drop in total investments by around 12% from EGP840 billion in this fiscal year to EGP740 billion in FY20/20 with government investments representing around 80% of total investments (EGP595 million).
- ≡ The CBE maintained overnight deposit and lending rates stable at 9.25% and 10.25% respectively in an expected move given that the CBE held last month an emergency meeting cutting rates by 300 bps in a preemptive move to support the economy amid the outbreak of COVID-19.
- ≡ S&P maintained Egypt's credit rating at BB with a stable outlook. The agency is expecting that the drop in Egypt's GDP growth is temporary, and that Egypt has adequate liquidity enabling it to contain external and fiscal imbalances.
- ≡ The CBE announced that Egypt's foreign reserves dropped by USD5.4 billion amounting to USD40.1 billion in March down from USD45.5 billion in February. The CBE attributed the drop to three factors: 1) Portfolio investment outflows through the CBE's FX repatriation mechanism, 2) Accommodating foreign currency needs to import strategic goods, and 3) Repayment of external debt service. As a result of this drop, Egypt's import coverage ratio dropped from 8.6 months to 7.6 months.
- ≡ Inflation dropped to 5.1% in March 2020 down from 5.3% in February. The slowdown in annual inflation is mainly a reflection of price stability of volatile food items in addition to favorable base affect that is expected to last until June 2020.