

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 23.6
Listing	Irish Stock Exchange
Index of reference	EGX30 Cap USD Index
Bloomberg Ticker	EFHHEGY BH
ISIN	BMG2948Y1093

Quantitative Data (Since Inception)

Standard Deviation	26.6%
Beta	0.7
Sharpe Ratio	0.0

Fund Manager

Management Company	EFG Hermes Asset Management
Fund Manager	Nabil Moussa
Managing Since	June 2012
Contact Person	Ahmed Shalaby
Telephone	+20235356536
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Fund Administrator

Fund Administrator	HSBC Middle East (Bahrain)
Contact Person	Lohit Nayak
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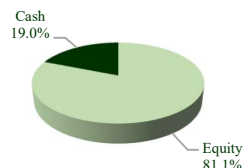
Portfolio

Performance Figures

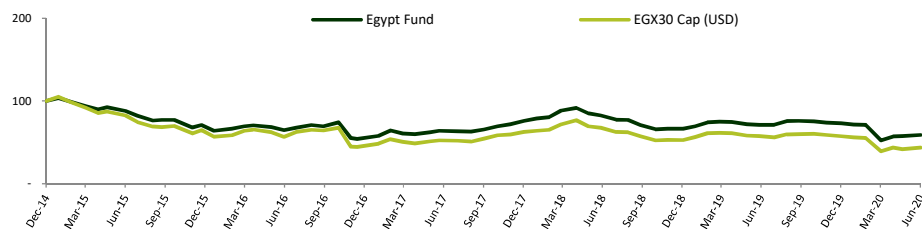
Date	Return
June 2020	2.1%
YTD	-19.7%
1 Year	-17.8%
5-YTD	-33.4%
Since Inception	208.2%

*EFG Hermes Egypt Fund achieved a strong 5-YTD return of 41.4% 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 closed June with a 5.3% gain reducing YTD negative performance to 22.9%, primarily boosted by retail individuals and local institutional buying appetite in line with global market performance despite the underlying fundamentals remaining subdued due to crippled economic activity backed by COVID-19 lockdowns and preventive measures. Foreign participation in the market over the past 3 weeks has been at an average of 10-12% which shows the retail dominance is a function of cash rotation and momentum driven from global markets. Fundamentally, 2Q numbers will be weak and might opt for a sanity check whether current share prices are fair or not. However, to a great extent, foreign institutions were waiting to see some movement in the currency, which happened in early June and now with the signing of the SBA with the IMF, there is growing foreign investor confidence in the debt market, and that interest should soon also come through to the equity market.
- ≡ On the Economic front, the last few weeks have carried mostly good news for the Egypt's FX position. First with Egypt's Net International Reserves (NIR) rose to USD38.2bn by end of June from USD36bn a month earlier, registering their first increase since the COVID-19 shock broke out. The increase was largely driven by the proceeds from first tranche of the IMF's USD5.2bn SBA agreement. Second, the confirmation of the SBA drove an accelerated pace of carry trade inflows, thereby driving a 1.1% appreciation of USD-EGP over the past month. Third, May's net foreign assets' (NFAs) numbers showed CBE used the proceeds of the Eurobond issuance to boost banks' NFA position which turned positive for the first time since March, providing additional buffers for the sector. Finally, the resumption of airport operations in Egypt allowed the first return of tourism activity since March. While arrivals are trivial at this stage, mostly chartered flights from Ukraine, this is still a positive development as it signals a potential for the sector to start to recover much earlier than anticipated. Moreover, IMF released its economic outlook update forecasts, with Egypt and China are the only two countries that are forecasted to witness positive growth in 2020e.
- ≡ On the Corporate front, our top holdings released strong 1Q20 results
 - 1) **FAWRY** released 1Q20 results showing tremendous revenue growth of 48.4% from EGP174 million in 1Q19 to EGP258 million in 1Q20. Revenue growth was on the back of further penetrating the market thus increasing the number of transactions by 48.1% while maintaining average revenue per transaction at almost the same level. The company's operating expenses, on the other hand, increased at a slower pace by 38.4% implying a substantial improvement in the company's EBITDA by 97.0% from EGP29 million (EBITDA Margin of 17.0%) in 1Q19 to EGP58 million (EBITDA Margin of 22.5%) in 1Q20. As a result, the company's net income increased by 134.9% from EGP13 million (Net Margin of 7.6%) to EGP31 million (Net Margin of 12.0%)
 - 2) **Cleopatra Hospitals Group** released 1Q20 results with decent revenue growth of 20.9% from EGP416 million to EGP503 million. Revenue growth was on the back of an increase in average prices across most segments. The company's operating expenses increased at lower pace by 10.4% only leading to 75.3% impressive EBITDA growth from EGP67 million (EBITDA Margin of 16.2%) in 1Q19 to EGP118 million (EBITDA Margin of 23.5%) in 1Q20. Net income increased by 53.4% from EGP54 million (Net Margin of 12.9%) to EGP82 million (Net Margin of 16.3%).
 - 3) **Eastern Company** released 9M 19/20 results showing reasonable revenue growth of 8.6% from EGP10.46 billion in 9M 18/19 to EGP11.37 billion in 9M 19/20. Revenue growth was on the back of a mix of 4.9% increase in sales volume and 3.7% increase in average prices. The company's COGS, on the other hand, increased at a slower pace by 3.2% implying an improvement in gross profit by 17.7% from EGP3.93 billion (Gross Margin of 37.6%) in 9M 18/19 to EGP4.62 billion (Gross Margin of 40.7%) in 9M 19/20. The company's net income, however was pressured by EGP174 million provisions that were taken due to uncertainty related to the outbreak of COVID-19 in addition to 4.2% decline in interest income from EGP306 million to EGP293 million on the back of falling interest rates. As a result, the company's net income increased by 8.1% from EGP2.90 billion (Net Margin of 27.7%) to EGP3.13 billion (Net Margin of 27.5%).

Economic Updates

- ≡ The executive board of the IMF approved a new USD5.2 billion, 12 month loan that aims to help Egypt cope with the impact of COVID-19 on budget and balance of payment shortfalls. The program targets to maintain Egypt's macroeconomic stability while giving priority to protect social and health spending while avoiding an excessive build-up in public debt.
- ≡ The CBE maintained overnight deposit and lending rates stable at 9.25% and 10.25% respectively in an expected move given that the CBE had previously cut rates by 300 bps in an emergency meeting as a preemptive move to support the economy amid the outbreak of COVID-19.
- ≡ Ministry of Finance stated that GDP growth in FY19/20 dropped from the expected 6.0% to around 4.0% (EGP130 billion drop) as a result of the COVID-19 crisis mainly on the back of drop in tax and non-tax revenue. Moreover, the Ministry indicated that it used around EGP63 billion out of the EGP100 billion stimulus package distributed to several sectors including health care and industrials.
- ≡ The CBE released data of bank's net foreign assets in May turning into positive USD0.6 billion up from negative liability of USD5.4 billion in April. This jump can only be explained that the CBE used the USD5.0 billion proceeds from its Eurobond issuance to boost the sector liquidity and strengthen its position.
- ≡ The CBE announced that Egypt's foreign reserves increased to USD38.2 billion in June up from USD36.0 billion in May. As a result of this increase, Egypt's import coverage ratio increased from 6.6 months to 7.0 months.
- ≡ Egypt's headline inflation accelerated to 5.6% in June up from 4.7% in May. Monthly prices increased by 0.1% compared to a zero change in the previous month.