

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 23.9
Listing	Irish Stock Exchange
Index of reference	EGX30 Cap USD Index
Bloomberg Ticker	EGFHEGY BH
ISIN	BMG2948Y1093

Quantitative Data (Since Inception)

Standard Deviation	26.5%
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
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

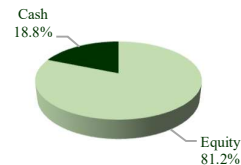
Portfolio

Performance Figures

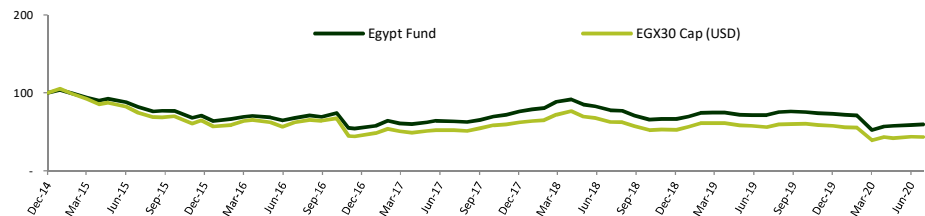
Date	Return
July 2020	1.6%
YTD	-18.4%
1 Year	-16.5%
5-YTD	-27.3%
Since Inception	213.1%

*EFG Hermes Egypt Fund achieved a strong 5-YTD return of 48.6% 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 EGX30 closed July down 1.5% thus increasing its YTD negative performance to 24.1%, as retail and local institutional investors locked some profits after an aggressive run in June. Average turnover inched up marginally m-o-m to EGP688mm, still largely dominated by retail investors. The EGX saw retail selling pressure during the month on the back of the geopolitical risks related to Libya. Foreigners pre-led the move selling down mainly on index heavyweight CIB and its GDR listing.
- ≡ On the Economic front, Egypt's Purchasing Managers Index (PMI) recorded the strongest recovery hitting a one year high though still pointing to a contraction. Numbers showing that private sector activity is nearly back to normal, we think readings have the potential to pick up in the next one to two months as easing of restrictions and travel help further normalize trends. Moreover, Egypt's current account deficit narrowed by 25.2% down to USD7.3 billion in 9M19/20 from USD9.8 billion in 9M18/19. This improvement is attributed to 2 main reasons: i) A drop of 5.7% in trade deficit from USD29.7 billion to USD28.1 billion on the back of lower imports and higher non-petroleum exports, and ii) A 19.1% increase in remittances from Egyptians working abroad from USD17.9 billion to USD21.3 billion. 9M19/20, which ends in Mar-20, indicates minimal impact from the pandemic, and does not reflect lower tourism figures and higher portfolio outflows post Mar-20. It reflects a slight slowdown in overall activity, mainly manufacturing, reflected in the retreat in non-oil merchandise imports.
- ≡ On the Corporate front, our top holdings released strong 2Q20 results
 - 1) **CIRA** released 9M19/20 results with operating revenues increasing by 54.4% from EGP642 million to EGP992 million. The growth in sales is mainly due to 33.1% increase in number of university students enrolled raising utilization from 60.2% to 71.0%, and 42.9% increase in average school fees in addition to 10.7% increase in number of school students enrolled on the back of the recently acquired international school BCCIS. The company's operating expenses, on the other hand, increased by 59.5% amounting to EGP479 million up from EGP300 million in 9M18/19. As a result, EBITDA increased by 50.0% from EGP342 million (EBITDA Margin of 53.3%) to EGP513 million (EBITDA Margin of 51.7%). The company's net income increased by 38.1% from EGP224 million (Net Margin of 34.8%) to EGP309 million (Net Margin of 31.1%).
 - 2) **CIB** released 1H20 results with net interest income increasing by 24.7% YoY from EGP10.0 billion in 1H19 to EGP12.5 billion in 1H20. This growth was mixture of volume growth (12.3% increase in average interest earning assets), and improvement in net interest margin from 3.1% to 3.4%. Net Income, on the other hand, dropped 6.7% from EGP5.4 billion to EGP5.0 billion. The drop in net income was mainly due to 184.2% surge in provisions expense from EGP0.8 billion to EGP2.3 billion. The surge in provisions came on the back of revising economic estimates post the outbreak of COVID-19 and was related to particular industries not specific customers.

Economic Updates

- ≡ Egypt's current account deficit narrowed by 25.2% down to USD7.3 billion in 9M19/20 from USD9.8 billion in 9M18/19. This improvement is attributed to 2 main reasons: i) A drop of 5.7% in trade deficit from USD29.7 billion to USD28.1 billion on the back of lower imports and higher non-petroleum exports, and ii) A 19.1% increase in remittances from Egyptians working abroad from USD17.9 billion to USD21.3 billion.
- ≡ The parliament gave the final approval to Egypt's new banking law with the key highlights being: 1) Setting an industry development fund with banks required to contribute to the fund by 1% of annual earnings, 2) Setting an industry bailout fund to provide emergency assistance and deposits insurance, where banks required to contribute by 0.5% of their total deposits over a 10-year period, and 3) Increasing local banks minimum required paid-in capital from EGP0.5 billion to EGP5.0 billion with banks receiving 3 years grace period to comply.
- ≡ The CBE announced that Egypt's foreign reserves increased for the first time since March by USD2.2 billion to reach USD38.2 billion. The rise is attributed to receiving USD2.0 billion from the IMF representing the first tranche of the USD5.2 billion loan that was approved in June, in addition to USD0.2 billion increase in the value of Gold holdings given the recent rise in international gold prices.
- ≡ Egypt's headline inflation increased to 5.5% in June up from 4.7% in May yet lower than the 5.9% recorded in April. The increase in inflation was widely expected given the lower base effect of last year given the shift in Ramadan and Eid in the international Calendar year.