

## Quarterly Report 4Q 2018

### 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 mainly in securities of companies listed on the Egyptian Stock Exchange
- The fund can also invest in treasury bills, treasury bonds, corporate bonds, securitization bonds and time deposits.

### Subscription/Redemption

- The fund offers daily liquidity to investors except on Thursday
- The valuation day for the fund is the last business day of every week
- Minimum initial investment is 5 IC's
- Maximum investment is 500,000 IC's

### Fund Details

Type of scheme	Open Ended
Inception date	November 1995
IC price	117.18 EGP
Dividend Since Inception	0 EGP
Bloomberg Ticker	EFGBNQA
ISIN	65077563

### Fund Manager

Management Company	Hermes Fund Management
Fund Manager	Nabil Moussa

### Contact Details

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## Portfolio

### Performance Figures

Date	Return
Q4 2018	-5.7%
YTD	-8%
2017	37.5%
5-YTD	103.4%
Since Inception	1071.8%

### Allocation



## Market Outlook

### Market Commentary

- ≡ EGX30 plummeted 10.9% in 4Q2018 resulting in a negative YTD performance of 13.2%. The decline was associated with negative performance across global markets with MSCI EM down 16.6% YTD.
- ≡ It is worth mentioning that during the quarter the market saw the IPO of Cairo for Investment and Real Estate Development (CIRA) that concluded the sale of up to 37.8% of its stake worth around EGP1.3 billion; CIRA managed to outperform the market post IPO up 45%.
- ≡ Citadel Capital continued to outperform the market during the quarter by 16.8% on the back of the announcement of ERC commencement by May 2019.
- ≡ The banking sector continued to underperform with CIB (-9.9%) and Credit Agricole (-6.5%) on the back of the proposed tax law amendments
- ≡ On the other hand, AMOC severely underperformed down 43.5% after margin compression due to a shift in Mascot sales to the export market at lower prices and margins.
- ≡ Real Estate sector also underperformed this month especially SODIC (-38.7%) on the back of the ratio implied from the merger deal with Medinet Nasr.

### Economic Update

- ≡ MPC kept Overnight Deposit and Lending Rates for the sixth consecutive meeting at 16.75% and 17.75% respectively
- ≡ Egypt's Current Account Deficit Drops Significantly by 58.6% to USD6.0 Billion in FY17/18
- ≡ Government Targets to Drop Fiscal Deficit to 7% of GDP
- ≡ Foreign Holdings in Egyptian Treasuries Drops for the Eighth Month in a Row to reach USD10.9 billion as of November
- ≡ Net International Reserves dropped USD2 in December to reach USD42.6 Billion, which records the first drop since 2016
- ≡ Inflation rate falls in December to 12.0% down from 15.7% as of November 2018

### Strategy

- ≡ The investment manager believes that we are currently in a period of extended correction caused by local panic, and that although we cannot specify the bottom, we are confident of a strong rally in the medium-term. The manager believes that Egypt's current high risk free rate is weighing on the markets valuation multiples, and that we need interest rates to start dropping in order to see a sustainable rally.
- ≡ As a result, the manager believes that we are not far away from the bottom if it has not been reached already, yet the market needs a catalyst to make a sustainable run. Therefore, the manager expects that we might move a bit of a sideways in the short term yet we think there is a strong rally from here over the medium term.