

## Bank of Alexandria Mutual Fund No.1

### Quarterly Report –Q4-2016

#### Fund's Performance

The Egyptian market showed a remarkable performance during 4Q2016. The market started the quarter with a 6.4% increase during October. However, in November, the CBE decided to liberalize the EGP exchange rate and as a result, the market witnessed a significant rally and continued this increase during December bringing the overall return for the quarter to 56.6%. With the heightened daily turnover levels post the local currency floatation, the market was able to end the year with an average daily turnover of EGP739 million after maintaining an average daily turnover of EGP569 million pre floatation compared to EGP1.63 billion post floatation. The fund performance for 4Q2016 reached 40.9% while the EGX30 showed a performance of 56.64% for the same period.

#### Economy & Market Outlook

The market saw a new addition to the Egyptian Stock Exchange after Obour Land concluded the sale of 40% in an IPO deal worth around EGP774 million. The private offering was for 56 million shares and it was covered 7.4x, while the public offering was for 24 million shares and it was covered 1.9x and the stock started trading mid-December 2016 at EGP9.68 per share. Commercial International Bank (CIB) released its 9M16 results showing a 20.5% increase in net interest income from EGP5.87 billion in 9M15 to EGP7.07 billion in 9M16. This positive return came on the back of 18.5% growth in average interest earning assets. Net income also grew by 24.4% from EGP3.58 billion on 9M15 to EGP4.46 billion in 9M16. The Bank also signed an agreement with a group of Egyptian and regional investors to sell 71.9% stake in CI Capital at EGP683 million. The firm is the bank's investment arm is valued at EGP950 million, the deal is still subject to regulatory approvals and is expected to be finalized during 1Q2017. El Sewedy Electric also announced its 9M16 results with an increase in net income by 144.0% reaching EGP2.35 billion due to a reduction in the tax rate from 26.7% in 9M15 to 18.4% in 9M16 in addition to an EGP204 million FX gain. Moreover, Ezz Steel released its 9M16 results showing a 16.9% increase in operating revenue to reach EGP14.92 billion. This came on the back of increasing steel prices to reflect the higher costs of production on the company favored by the local currency devaluation. Eastern Tobacco Company released its 1Q16/17 results showing 12.0% growth in sales amounting to EGP1.92 billion. This rise was supported by the devaluation of the EGP, as their foreign brand sales are USD denominated.

On the economic front, the Central Bank of Egypt (CBE) announced the liberalization of the exchange rate and stated that all restrictions on FX deposits and withdrawals and all FX limits on non-essential goods importers will be removed. The Monetary Policy Committee (MPC) also announced a 3.0% hike on overnight deposits and lending rates to be 14.75% and 15.75% respectively. In addition, National bank of Egypt and Banque Misr issued a 20% deposit certificate for 18 months to be paid quarterly and a 16% deposit certificate for 3 years and paid monthly. The IMF also approved a USD 12.0 billion loan to be repaid over 10 years with annual interest rate of 1.65% and paid the first installment of USD2.75 billion. On the same note, the World Bank and African Development bank paid their first tranche and approved to pay the second tranche of the USD3.0 and USD1.5 billion loans which amount to USD1.0 billion and USD0.5 billion respectively, to be directed to development projects. In addition, USD2.0 billion by the International Finance Corporation (IFC) was pledged to support the private sector in Egypt over the coming three years. The government also signed a three years currency swap agreement with China to reduce USD demand for trade and investment transactions, the agreement worth CNY18.0 billion equivalent to USD2.6 billion. Furthermore, fuel prices increased by a range of 30-45%, which is EGP22.0 billion of subsidy savings. During the 4Q2016, Egypt's Net international Reserves increased to reach USD24.2 billion. Egypt's inflation rate also increased to reach 23.3 % as of December 2016; the highest in the past two decades, following the EGP floatation decision and the increase in fuel prices.

#### Investment Strategy

The fund manager is cautiously optimistic about the future prospects of the stock market performance, especially after the solid rally that took place in 4Q2016. Accordingly, the manager would maintain his diversified overall equity exposure and reshuffle the portfolio holdings into undervalued stocks that retain upside potential and realize gains in fairly valued stocks.



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### Fund's Performance

Returns	Bank of Alex Mutual Fund No.1
Q4-2016	40.9%
Q3-2016	8.9%
Q2-2016	-5.9%
Q1-2016	6.2%
YTD 2016	53.4%
2015	-18.0%
2014	22.0%
2013	26.4%
2012	37.0%
2011	-47.4%
2010	6.3%
2009	7.1%
2008	-56.3%
2007	57.1%
2006	14.9%
2005	89.4%
2004	82.9%
2003	64.7%
2002	12.0%
2001	-15.0%
2000	-13.1%
1999	15.9%
1998	-16.6%
1997	18.5%
Since Inception	950.2%

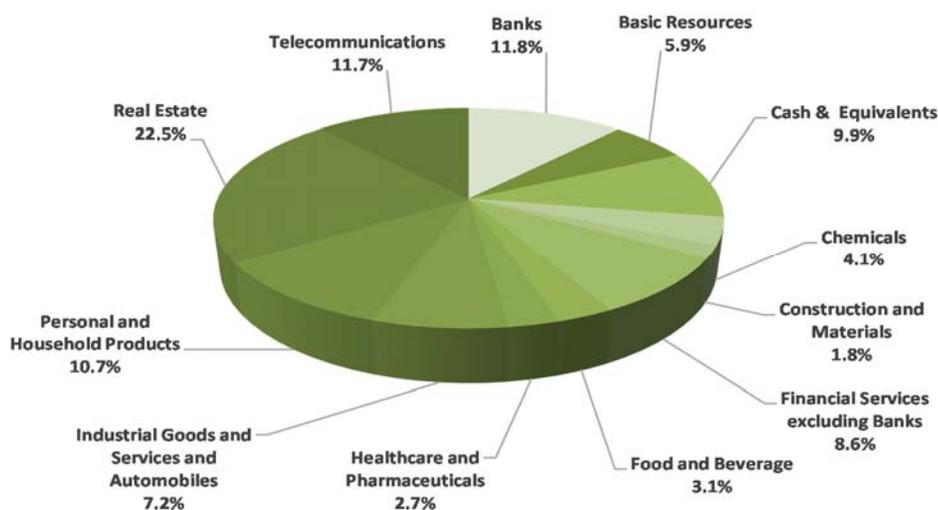
### Top Holdings

Holding	Sector
Global Telecom Holding SAE	Telecommunications
Commercial International Bank Egypt SAE	Banks
Egyptian Financial Group-Hermes Holding Co	Financial Services excluding Banks
EISewedy Electric Co	Industrial Goods and Services and Automobiles
Talaat Moustafa Group	Real Estate

### Fund Information

IC Price (31/12/16) <b>EGP 291.03</b>	Subscription/Redemption <b>Weekly / Weekly</b>
Dividends Distributed Since Inception <b>EGP 302.5</b>	Fund Management <b>EFG-Hermes Asset Management</b>
Inception Date <b>November 1994</b>	Fund Manager <b>Nabil Moussa</b>
Inception Price <b>EGP 100</b>	Assistant fund Manager <b>Mostafa Amer</b>
Bloomberg Ticker <b>EFGALXA</b>	Reuters Lipper Code <b>65077561</b>

### Asset Allocation



For Further Information:

Bank of Alexandria

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