

**Quarterly Report**  
**1Q 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 weekly liquidity to investors
- The valuation day for the fund is the last business day of every week
- Minimum initial investment is 10 IC's
- Maximum investment is 50,000 IC's

**Fund Details**

Type of scheme	Open Ended
Inception date	November 1994
IC price	448.83 EGP
Dividend Since Inception	306.5 EGP
Bloomberg Ticker	EFGALXA
ISIN	65077561

**Fund Manager**

Management Company	Hermes Fund Management
Fund Manager	Nabil Moussa
Assistant Fund Manager	Mostafa Amer

**Contact Details**

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**Portfolio**

**Performance Figures**

Date	Return
Q1 2018	14.2%
YTD	14.2%
2017	36.5%
5-YTD	204.8%
Since Inception	1535.9%

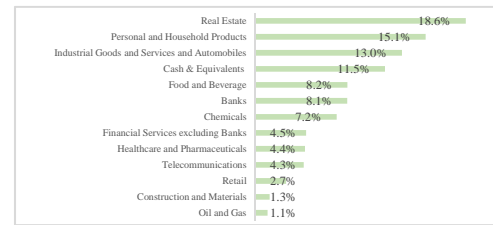
**Top Holdings**

Stock Name	Sector
ElSewedy Electric Co	Industrial Goods and Services and Automobiles
Eastern Tobacco	Personal and Household Products
Commercial International Bank Egypt SAE	Banks
Six of October Development & Investment	Real Estate
Talaat Moustafa Group	Real Estate

**Top Performance Contributors (Quarterly)**

Stock Name	Sector
EASTERN TOBACCO	Personal and Household Products
ELSEWEDY ELECTRIC CO	Industrial Goods and Services and Automobiles
SIX OF OCTOBER DEVELOPMENT	Real Estate

**Sector Allocation**



**Market Outlook**

**Market Commentary**

- The Egyptian market main index EGX30 spiked during March increasing 12.8% to end the month at 17,450 points implying 16.2% positive YTD performance
- Foreigners maintained their buying direction with much stronger momentum ending the month as net buyers by EGP2.5 billion thus absorbing all selling pressures from Arab Investors (net sellers by EGP1.0 billion) and local investors (net sellers by EGP1.5 billion)
- We highlight that average daily turnover increased during March to EGP1.9 billion up from EGP1.3 billion in February and EGP1.2 billion in January
- Fertilizers outperformed mainly Abu Qir Fertilizers (47.5%) and International Agricultural Products (56.7%) on the back of higher Urea prices
- Qalaa Holding outperformed (92.1%) mainly on the back of the announcement ERC, has received additional funding worth about USD500 million to accelerate the completion of its refining project
- Ibn Sina Pharmaceuticals outperformed the market by 18.1% on the back of new health act and recent hike in some medicines
- Telecom Sector, on the other hand, underperformed the market Global Telecom (-11.0%) due to tax claims leading to the delay of FRA respond to Veon tender offer, and Telecom Egypt (-7.9%) on the back of high financing requirement for mobile expansion
- CBE interest rate cuts led to an increase in the Real Estate sector mainly SODIC (42.1%) and Palm Hills (31.0%)

**Economic Update**

- Egypt's budget deficit narrowed to 4.4% in 1H17/18 down from 5.0% in 1H16/17 mainly on the back of 38% increase in total revenue while limiting expenditure growth to 25%
- Fitch Ratings upgraded Egypt's outlook to positive from stable while maintaining sovereign credit rating at B
- The CBE Monetary Policy Committee cut overnight deposits and lending rates by 2.0% during the last two meetings (1% in February and 1% in March) to reach 16.75% and 17.75% respectively
- Egypt issued USD4.0 billion of Eurobonds over three tranches and the book was covered 3 times
- Egypt's GDP growth rate reached 5.3% in 2Q17/18 as per the Ministry of Planning
- Government approved FY18/19 Budget targeting growth of 5.8% up from 5.2% in FY17/18
- Government announced State IPO Program over the Coming 24-30 Months, targeting total proceeds of EGP80 billion
- Egypt's Net International Reserves remained stable at USD42.6 billion in March 2018 compared to USD42.5 billion in February 2018 implying an import coverage ratio of 8.3 months
- Inflation rate reached 13.3% in March almost 1.0% down from 14.4% in February 2018

**Strategy**

- We believe that our previously mentioned view of GDP growth above 5% and continuous decline in inflation is materializing as per the recently announced figures
- As a result, the CBE had recently cut interest rates by 2.0% in its past 2 meetings (1% in February and 1% in March). We believe there is further room for 1%-2% additional cuts during 2018
- Thus, we overweight stocks with a strong balance sheet that allows them to utilize available opportunities in a growing economy