

**Quarterly Report**  
3Q 2019

**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	October 1994
IC price	416.6 EGP
Dividend Since Inception	276 EGP
Bloomberg Ticker	EFGCRAI
ISIN	65077564

**Fund Manager**

Management Company	Hermes Fund Management
Fund Manager	Nabil Moussa

**Contact Details**

Credit Agricole Egypt	
Telephone	19077
Fax	+202-27380584
Website	<a href="https://www.ca-egypt.com/">https://www.ca-egypt.com/</a>

**Portfolio**

**Performance Figures**

Date	Return
Q3 2019	0.2%
YTD	4.3%
2018	-9.0%
5-YTD	58.5%
Since Inception	1483.3%

**Allocation**



**Market Outlook**

**Market Commentary**

- The Egyptian market started the quarter on a positive note +7.2% to stand at 15,110 points with the execution of VEON's acquisition of Global Telecom which created excess liquidity in the market coupled with the CBE resuming interest rate cuts.
- However, the market corrected in September given that the Egyptian market had accelerated by 9.4% YTD which translates to +20.4% in USD terms given that the Egyptian Pound appreciated by around 10.1% since the beginning of the year.
- We highlight that the correction was partially elevated by calls of protest causing some investor concern towards political unrest leading the market to decline by 12.8% to 13,170 points. However, the failure for the call of demonstrations calmed the market and it rebounded back +8.3% to 14,258 points thus ending the quarter +1.1% only.
- We highlight that the market average daily trading surged by 82% from an average daily turnover of EGP561 million in 2Q19 to EGP1 billion in 3Q19.
- Foreign institutions were net buyers during the quarter with EGP1.5 billion, while Local and Arab institutions were net seller during the quarter with EGP1.5 billion and EGP996 million respectively.
- This quarter witnessed the IPO of Fawry for banking and payment technology services with a total offering size EGP255 million; and was covered 30x. Fawry was a top performer during the quarter up 42.7% since the IPO.
- The highest outperformers in 3Q19 were EFIC +42.8% on the back of strong financial results. In addition to CIRA +25.1% on the back of the positive news of gaining approval to add 7 new faculties to one of their universities.
- On the other hand, Citadel Capital was an underperformer losing -35.2% due to the news of the dilution of their stake in ERC.

**Economic Update**

- The Monetary Policy Committee (MPC) cut the overnight deposit, lending rate by 250 bps to 13.25%, 14.25% respectively during the quarter
- The IMF executive board completed its final review of Egypt's economic reform program and voted for the disbursement of the final USD2.0 billion tranche of the USD12.0 billion loan approved back in November 2016
- The government increased fuel prices by an average of 24% implying that most fuel prices are currently fully liberalized for the first time in Egypt's history
- The government announced that Egypt's GDP increased by 5.6% in FY18/19, while the country's overall budget deficit stood at EGP431 billion implying 8.2% of GDP down from 9.7% in the previous fiscal year
- Egypt's current account deficit increased by 37.4% to USD8.19 billion in FY18/19 from USD5.96 billion in FY17/18
- Moody's maintained Egypt's credit rating at B+ with a stable outlook
- Egypt's Net International Reserves remained stable at around USD45 billion thus maintaining its import coverage ratio at 8.0 months
- Inflation kept its declining momentum down to 4.8% in September from 7.5% the previous month, which is considered the lowest figure in 6 years.

**Strategy**

- We still believe that Egypt will keep outperforming emerging markets in the foreseen future given its current growth profile and cheap valuation multiples that are trading below its historical average given the high interest rate environment that prevailed following the floatation of the Egyptian Pound. However, given that the CBE already started the easing cycle cutting rates by 450 bps over 2018 and 2019 with expectations of an additional 150 bps cut before the end of 2020, we believe that Egypt should start moving north towards its historical multiples.