

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 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 | 400.9 EGP |
| Dividend Since Inception | 274.5 EGP |
| Bloomberg Ticker | EFGCRAI |
| ISIN | 65077564 |

Fund Manager

| | |
|--------------------|------------------------|
| Management Company | Hermes Fund Management |
| Fund Manager | Nabil Moussa |

Contact Details

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|-----------------------|---|
| Credit Agricole Egypt | |
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Portfolio

Performance Figures

| Date | Return |
|-----------------|---------|
| Q4 2018 | -6.0% |
| YTD | -9.0% |
| 2017 | 36.8% |
| 5-YTD | 94.4% |
| Since Inception | 1418.4% |

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.