

Quarterly Report 1Q 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 5 IC's

Fund Details

Type of scheme	Open Ended
Inception date	April 1997
IC price	196.87 EGP
Dividend Since Inception	107.75 EGP
Bloomberg Ticker	EFGCRAI
ISIN	65077564

Fund Manager

Management Company	Hermes Fund Management
Fund Manager	Nabil Moussa

Contact Details

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Portfolio

Performance Figures

Date	Return
Q1 2019	7.8%
YTD	7.8%
2018	-9.0%
5-YTD	78.5%
Since Inception	848.4%

Allocation



Market Outlook

Market Commentary

- EGX30 started 2019 with gains of 13.1% in EGP and 16.9% in USD terms during 1Q2019. Local institutions were net buyers during the quarter by EGP1.8 billion, Foreign and Arab institutions were net sellers by EGP2.1 billion and EGP0.13 billion respectively.
- EGX30 Capped index also increased by 12.7% in EGP and 16.5% in USD terms.
- EK Holding outperformed the market during the quarter by +47.3% on the back of the potential gas discovery.
- The consumer sector posted gains with Edita +42.6%, Juhayna +19.7% and Eastern +12.9% supported by the EGP appreciation versus the USD
- Real Estate sector rebounded in 1Q2019 especially Heliopolis Housing +36.4% post the announcement of their land bank. Palm Hills, SODIC and TMG also increased by 24.8%, 22.4% and 15.8% respectively.
- On the other hand, Construction sector was in negative territory with El Sewedy -12.4% and Orascom Construction - 8.7%.

Economic Update

- The CBE Monetary Policy Committee (MPC) decreased overnight deposit and lending rates by 1.0% to 15.75% and 16.75% respectively. However, the MPC decided to keep rates unchanged in March meeting
- Egypt Raises USD4.0 Billion from International Debt Market
- Unemployment Drops to 8.9% in 4Q18
- Egypt's Current Account Deficit Flat at USD1.75 Billion in 1Q18/19
- Egypt records Primary Budget Surplus of 0.5% of GDP in 7M18/19
- Net International Reserves Increase by 3.4% to USD44.1 Billion
- Inflation rate accelerated during the quarter from 12.0% in December 2018 to 14.2% in March 2019

Strategy

- We believe that the Egyptian market should outperform on the medium term due to the following:
 - o Continuous improvement in economic indicators with Egypt achieving primary budget surplus for the first time in 15 years in addition to achieving GDP growth in the range of 5.5% in the next fiscal year.
 - o The rationalization in oil prices improves Egypt's budget outlook and gives the government more freedom in adjusting the subsidies and reducing the overall budget deficit.
 - o The CBE resumed its expansionary policy that started in 2018 but paused due to emerging market conditions, through cutting deposit and lending rates by 100 bps. Market is expecting another 200 bps cut during 2019 yet will be implemented towards the end of the year post absorbing the next energy price hike expected in July.
- Finally, we highlight that VEON Telecom submitted an offer to acquire minorities of Global Telecom in a deal that IF APPROVED by the regulator will result in expected proceeds in the range of EGP7.9 billion (USD450 million) to be reinvested in the market leading to decent inflows relative to the market average liquidity.