

Egyptian Gulf Bank Mutual Fund

Quarterly Report –Q1-2017

Fund's Performance

The Egyptian market started the 1Q2017 with an increase of 2.7% in January and a drop of 5.8% in February as investors started to lock in profits post the significant gains that started since the local currency flotation. However, the market showed an increase of 8.9% during March. This positive performance was mainly due to the USD appreciation coupled with attractive prices as several investors share a positive outlook on the Egyptian market for 2017. As a result, the market ended the 1Q2017 gaining 5.26%. During the quarter, the market average daily turnover was EGP1.22 billion. Foreign and Arab investors were net buyers by EGP2.4 billion and EGP0.09 billion respectively, while Local investors were net sellers by EGP2.5 billion. The fund performance for 1Q2017 reached 10.0% while the EGX30 showed a performance of 5.3% for the same period.

Economy & Market Outlook

Commercial International Bank (CIB) released its 2016 results showing a 23.4% increase in net interest income from EGP8.12 billion in 2015 to EGP10.02 billion in 2016. This positive return came on the back of 54.0% growth in average interest earning assets. Net income also grew by 24.4% from EGP4.73 billion in 2015 to EGP5.88 billion in 2016. In addition, CIB obtained the Egyptian Financial Supervisory Authority (EFSA) approval for selling 75% of its stake in CI Capital to a group of investors for EGP710 million. CIB expects around EGP390 million in capital gains from this transaction. Global Telecom also released its 2016 results showing a 2.1% increase in operating revenues from USD2.89 billion in 2015 to USD2.96 billion in 2016. Net income also grew to reach USD60.9 million in 2016 compared to a loss of USD142.7 million in 2015. This positive return came on the back of USD66.9 million FX income in 2016. Global Telecom also implemented a share buyback program that was covered 2.5x and it was executed on February 20th. The company's board of directors also approved to discontinue the GDR program since it has low liquidity, which was not profitable enough to cover costs for dual listing. On the real state front, Nasr city announced its 2016 results reporting 3.9x increase in contracted sales amounting to EGP3.4 billion in 2016. The company's net income also surged 3.2x to reach EGP769 million in 2016 compared to EGP239 million in 2015. Moreover, SODIC also announced its 2016 results showing 28.3% growth in contracted sales amounted to EGP5.65 billion in 2016, in addition to a 40.4% increase in the company's operating revenue to reach EGP2.07 billion in 2016. Talaat Mostafa Group (TMG) also announced its 2016 results reporting a 6.0% growth in revenue amounting to EGP6.6 billion and an 18.2% increase in contracted sales to reach EGP7.4 billion. Net income also grew by 8.5% year-on-year to reach EGP827 million. On the same front, Oriental Weavers released its full year 2016 results showing a 15.4% increase in operating revenues from EGP5.88 billion in 2015 to EGP6.78 billion in 2016. Despite a 51.8% increase in gross profit due to the top line increase mentioned above and a 3.6% expansion in gross margins, net income grew by 35.9% reaching EGP484 million due to booking FX losses of EGP106.7 million and interest expenses of EGP111.2 million.

On the economic front, Egypt managed to raise USD4.0 billion in Eurobonds, which is double the initial target amount. The procedure of selling the Eurobonds was done over three tranches and the subscription was covered 3.4x making it one of the most subscribed bonds in emerging markets in the last three years. The government approved to apply stamp duty tax on stock market transactions amounting to 0.125% in the first year, 0.15% in the second year and 0.175% in the third year. In addition, any investor sells more than a third of a company's shares, a 0.3% stamp duty tax will be applied to the transaction. The new stamp duty tax should result in an annual revenue around EGP1.0 - 1.5 billion and is still pending final approval from the state council before being proposed to the parliament with expectation to be implemented in May 1st, 2017. The Minister of Finance announced that the second tranche (USD1.25bn) of the IMF loan (USD12.0 billion) is expected to be disbursed in May as a delegation from the IMF will visit Egypt from 28 April to 8 May to review FY17/18 budget. Egypt's annual headline inflation rate reached 30.9% as of March 2017 as the weakening of the local currency is causing more pressure on prices.

Investment Strategy

Post the continued upward movement in the local market in 1Q2017, the fund manager will maintain his cautious view about the market's future prospects. The fund manager will extend his equity exposure and stock allocation strategy and will sustain a diversified set of holdings to benefit from market movements over the coming period.



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Fund's Performance

Returns	Egyptian Gulf Bank Mutual Fund
Q1-2017	10.0%
YTD	10.0%
2016	60.4%
2015	-20.9%
2014	23.3%
2013	30.3%
2012	40.9%
2011	-52.2%
2010	-3.6%
2009	-6.2%
2008	-53.6%
2007	58.7%
2006	11.0%
2005	94.2%
2004	84.7%
2003	72.2%
2002	14.0%
2001	-14.1%
2000	-10.8%
1999	12.3%
1998	-16.8%
Since Inception	428.4%

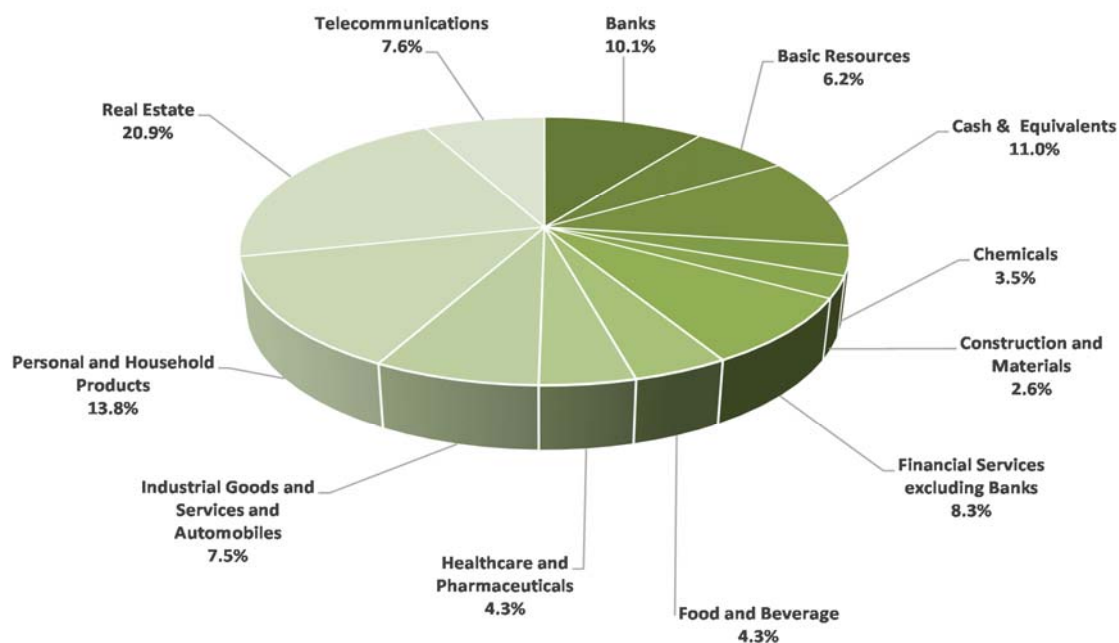
Top Holdings

Eastern Tobacco	Personal and Household Products
ElSewedy Electric Co	Industrial Goods and Services and Automobiles
Egyptian Financial Group-Hermes Holding Co	Financial Services excluding Banks
Commercial International Bank Egypt SAE	Banks
Global Telecom Holding SAE	Telecommunications

Fund Information

IC Price (30/3/2017) EGP 237.3	Subscription/Redemption Weekly/ Weekly
Dividends Distributed Since Inception EGP 220.0	Fund Management EFG-Hermes Asset Management
Inception Date May 1997	Fund Manager Nabil Moussa
Inception Price EGP 100	Assistant fund Manager Mostafa Amer
Bloomberg Ticker EFGULBI	Reuters Lipper Code 65077567

Asset Allocation



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