

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 principally in listed securities of companies that are established or doing a substantial part of their business in Egypt
- The fund is allowed to invest in listed securities in the MENA region up to 20% of the fund's Net Asset Value and based on the fund manager's outlook.

Subscription/Redemption

- ≡ The fund offers weekly liquidity to investors.
- ≡ The valuation day for the fund is Monday of every week (subject to be a business day in Egypt, Bahrain & Bermuda).
- ≡ There is no Entry/Exit load applied by the fund manager.
- ≡ Minimum initial investment is USD10,000.
- ≡ Minimum additional investment is USD1,000.

Fund Details

Type of scheme	Open Ended
Inception date	August 1996
Share price	USD 29.3
Listing	Irish Stock Exchange
Index of reference	EGX30 Cap USD Index
Bloomberg Ticker	EFGHEGY BH
ISIN	BMG2948Y1093

Quantitative Data (Since Inception)

Standard Deviation	26.2%
Beta	0.8
Sharpe Ratio	0.1

Fund Manager

Management Company	EFG Hermes Asset Management
Fund Manager	Nabil Moussa
Managing Since	June 2012
Contact Person	Ahmed Shalaby
Telephone	+20235356536
Mobile	+201005407086
E-mail	ambusinessdev@efg-hermes.com

Fund Administrator

Fund Administrator	HSBC Middle East (Bahrain)
Contact Person	Lohit Nayak
Telephone	+973 1756 9567
Fax	+973 1756 9574

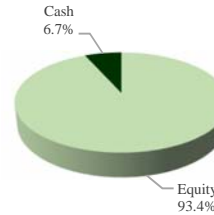
Portfolio

Performance Figures

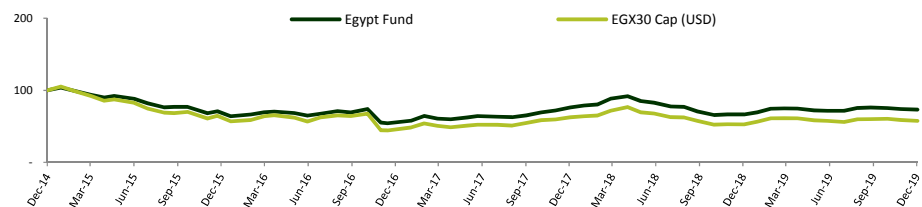
Date	Return
December 2019	-1.2%
YTD	10.0%
1 Year	10.0%
5-YTD	-26.9%
Since Inception	283.6%

*EFG Hermes Egypt Fund achieved a strong 5-YTD return of 63.7% in EGP but it was affected by the sharp currency devaluation as shown above.

Asset Allocation



Track Record Vs EGX30 Cap (USD)



Market Outlook

Market Commentary & Strategy

- ≡ The Egyptian market main index EGX30 increased by 7.1% in 2019, while EGX30 Cap ended the year on a negative note down 2.3%. The variance in the performance of both indices is mainly a reflection of the CIB outstanding performance in 2019 increasing 41.8%. We highlight that the CIB started the year with a 32.1% weight in the index and ended the year with a weight of 42.0%, while the weight of the CIB in the EGX30 Cap was maintained at a maximum of 15% as per the index rules. We believe that the market acted rationally in 2019 rewarding companies with strong balance sheet and positive cash flow in addition to high profile growth. On the other hand, commodity and industrial players were severely harmed due to drop in commodity prices leading to lower revenues, while cost were increasing given the country's strategy to liberalize energy prices in addition to some high leverage.
- ≡ We highlight that emerging markets volatility along with socio political escalations are negatively impacting the Egyptian market, yet we believe that once this volatility is absorbed, Egypt will resume its upward trend on the back of the following: 1) Continuous improvement in economic indicators with Egypt achieving primary budget surplus, along with narrowing the current account deficit, and achieving GDP growth in the range of 5.5 – 6.0% in the next fiscal year., 2) the CBE easing cycle cutting rates by 6.5% over 2018 and 2019 along with new initiatives taken by the CBE and government should support private sector growth, 3) Weak inflation figures along with falling interest rates should boost private consumption, which will be reflected on corporates profitability, and 4) Strong foreign interest in Egypt's debt market with foreigners investing around USD17 billion in local treasuries despite of the interest rate cuts and the 11.5% EGP appreciation that occurred in 2019.
- ≡ We believe that the market is lucrative in terms of valuation currently trading at historic low P/E multiple of 8.0x for 2020 implying a 39.0% discount to MSCI EM P/E (20e) of 13.2x. We note that historically speaking when EGX traded at P/E valuation of around 8.0x, the subsequent 12 months were never negative based on a number of observations with the minimum yield was 17%, while the maximum yield was 93%, and the average yield was 54%.

Economic Updates

- ≡ Egypt's Ministry of Planning announced that GDP grew by 5.6% in 1Q19/20 compared to a growth of 5.3% in the corresponding quarter of the fiscal year 2018/2019. We highlight that the government is targeting 6.0% GDP growth for the full fiscal year 2019/2020.
- ≡ The CBE Monetary Policy Committee (MPC) decreased overnight deposit and lending rates by 100 bps to 12.25% and 13.25% respectively implying total cuts of 450 bps in 2019, and 650 bps since the beginning of the easing cycle in February 2018. The CBE stated that continuous moderation of inflationary pressures is the main reason of its decision, and that future policy rates adjustments will remain a function of inflation expectations.
- ≡ The CBE announced increasing retail clients debt burden ratio to 50% of monthly salary up from 35% previously set in January 2016. The debt burden ratio implies for personal loans, credit card payments, and car loans, while housing loans burden ratio remains unchanged at 40%.
- ≡ Fitch affirmed Egypt's rating at 'B+' with a stable outlook. The credit agency indicated that its rating is a reflection of the improvement in macroeconomic stability and external finances yet the relatively weak governance along with security risks still weigh on the overall rating.
- ≡ Unemployment rate dropped to 7.8% in 3Q19 down from 10.0% in 3Q18, yet inched higher from the 7.5% recorded in 2Q19. The overall employment force increased by 0.34 million to 28.4 million people with unemployment limited to 2.2 million people out of Egypt's total work force.
- ≡ Egypt's Net International Reserves inched upwards from USD45.35 billion to USD45.40 billion thus maintaining import coverage ratio at 8 months.
- ≡ Inflation accelerated reaching 7.1% in December up from 3.6% in November. This increase in inflation rates was expected given the fading away of the high base effect in 2018.