

Fund Manager's Analysis

Fund's Performance

The market saw a dodgy start for the quarter following the ouster of President Morsi and the sit-ins by his supporters that followed. Volatility was the main theme for the period due to the political and economic uncertainty which drove foreign investors away from the market. Meanwhile, local investors were more optimistic with the government's implementation of the road map, pulling the market higher by the end of the quarter. The fund returns for 3Q2013 reached 17.1% while the EGX30 showed a performance of 21.8% for the same period.

Economy & Market Outlook

On the companies' activities, the main highlight was the completion of OCI N.V. share swap. The company announced that it has completed the execution of cash and share elections related to its acquisition of Orascom Construction Industries S.A.E. (OCI S.A.E.). OCI N.V. now owns 97.44% of OCI S.A.E. excluding employees' share options in issue. As a result, EGX30 saw major reshuffling of weights and stocks which was translated into the market activity. The majority of cash proceeds were reallocated by investors to Commercial International Bank (CIB) stock which showed a strong hike in share price. The bank also reported 2Q2013 results showing a 28% year-on-year increase in net income reaching EGP671 million. The bank's operating income increased by 53% on the back of strong growth across all revenue segments. On the telecom front, Telecom Egypt also reported strong 2Q2013 figures on the back of strong wholesale and retail revenues. The company's net income reached EGP861 million showing 45% year-on-year growth also boosted by one off gains. On the real estate front, Talaat Mostafa Group (TMG) net income grew by 12% during 2Q2013 reaching EGP173 million backed by improvement in margins due to the delivery of higher margin units during the quarter.

On the economic front, neighboring countries have pledged more aid and grants to the country; a total of USD12 billion from UAE, Kuwait and, KSA in grants, deposits and hydrocarbon products. This helped the CBE hold an exceptionally large FX auction; USD 1.3 billion, while maintaining stability on the Net International Reserves, at USD 18.7 billion in by the end of the quarter. In addition, the CBE also reduced interest rates by 100 bps over two months to support economic growth. On a separate note, GDP recorded year-on-year growth of 2.2% in 2Q 2013 versus 3.3% a year earlier. Meanwhile, inflation eased to 9.8% during the month of August.

Investment Strategy

Given the improved sentiment on the economic and political fronts, the fund manager shall be slightly increasing the equity exposure level of the fund across the board. However, focus will remain on blue chips and the rather more defensive names, as to be more cautious, given the volatility of the economic and political situations.

For Further Information:

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Fund Performance

Returns	Credit Agricole Bank Mutual Fund No.2
Q3-2013	17.1%
Q2-2013	-2.7%
Q1-2013	-0.8%
YTD 2013	13.0%
2012	39.4%
2011	-44.8%
2010	12.6%
2009	14.6%
2008	-50.3%
2007	63.5%
2006	20.8%
2005	83.6%
2004	73.9%
2003	58.3%
2002	13.1%
2001	-15.8%
2000	-11.4%
1999	12.0%
1998	-16.3%
Since Inception	315.6%

Fund Information

IC Price	94.5
Total Distributed Cash Dividends	EGP 95.75
Free Distributed ICs	1:3 & 3:4
Inception Date	April 1997
Subscription/Redemption	Weekly/Weekly
Reuters Code	65077565
Bloomberg Ticker	EFGCRII

Top Holdings

Holding	Sector
COMMERCIAL INTERNATIONAL BANK	Banks
Global Telecom	Telecommunications
EZZ STEEL	Basic Resources
T M G HOLDING	Real Estate
JUHAYNA FOOD INDUSTRIES	Food & Beverage

Asset Allocation

