

## Quarterly report Q2-2024

### 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 daily subscription to investors
- The fund offers weekly redemption to investors
- The valuation day for the fund is the last business day of every week
- Minimum initial investment is 5 ICS

### Fund Details

Type of Scheme	Open Ended
Inception date	April-2008
IC price	EGP 424.85
Dividends Since Inception	EGP 124.74
ISIN	65122941

### Fund Manager

Management company	Hermes Fund Management
Fund Manager	Nabil Moussa
Assistant Fund Manager	Mostafa Amer
Managing since	July-2013

### Contact Details

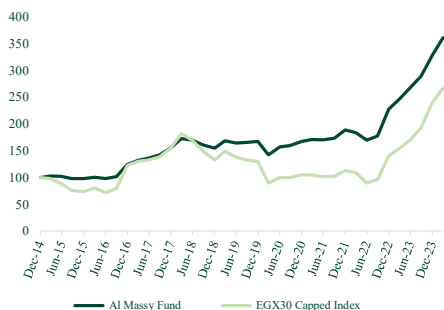
Egyptian Agricultural Bank	
Telephone	+202-27942471
Fax	+202-27948193
Website	<a href="https://www.abe.com.eg/">https://www.abe.com.eg/</a>

## Portfolio

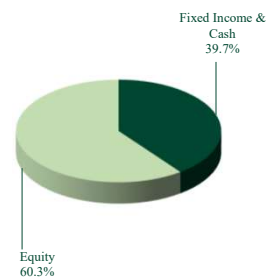
### Performance Figures

Date	Return
Q2-2024	2.8%
YTD	12.8%
2023	44.2%
2022	20.6%
5-YTD	125.4%
Since Inception	528.2%

### Relative Performance



### Asset Allocation



## Market Outlook

### Egyptian Market

The market started the year strongly amid the peak of the currency crisis advancing 34.1% since the beginning of the year till a peak on March 11th. However, the market started to lose momentum afterwards given the high interest rate environment along with the drop in USD to EGP exchange rate from around EGP70 in the parallel market prior to the floatation to around EGP47 for the official rate. This led to a decline of 26.8% throughout the period from March 11th to April 30th, 2024, thus eroding all year-to-date gains and turning into negative territory down to -1.8%. The market afterwards witnessed some optimism on the back of some acquisition news mainly in El Sewedy Electric and CIRA, which led to an overall increase of 13.5% in the next couple of months thus ending 1H24 up 11.5%.

We believe that the market is trading at a P/E (24e) of 6.9x implying 25-30% discount to its historic average; therefore, we expect to see several other companies as acquisition targets given the mismatch between market prices and profitability. As a result, we see the market trading on a sideways range with continuous rotation among sectors in based on changing investment sentiments.

### Market Commentary

- Annual headline inflation has decelerated to 28.1% in May from 32.3% in the previous month, with food deflation translating into a 0.7% MoM drop in the CPI compared to a 1.1% MoM increase in April.
- The World Bank has announced US\$700 million in Development Policy Financing (DPF) for the Government of Egypt to support the country to shift toward more private sector participation, better macroeconomic and fiscal resilience, and a greener growth trajectory
- The IMF and Egypt have reached a staff-level agreement on the third review of the \$8bn loan program, which is set to unlock \$820mn following the IMFF's board approval. The mission stated that Egypt stayed the course to preserve macroeconomic stability through fiscal discipline, tight monetary policy, and a shift to a flexible exchange rate regime.
- Egypt's net foreign assets recorded a surplus of \$14.3bn at the end of May, up from a deficit of \$3.7bn in April. This is the first recorded surplus since February 2022.
- Net international reserves rose by \$5bn in May to \$46.1bn, increasing imports coverage to 8 months as per the CBE. This was supported by the second \$20bn tranche of Ras El-Hekma project, of which \$14bn were fresh inflows.
- Egypt's non-oil private sector activity (PMI) increased to 49.6 in May from 47.4 in April, the highest level in almost three years. Easing inflation and rebounding demand supported the rise. Output and new orders closed most of their gaps to the 50.0 growth threshold.
- The Central Bank of Egypt has maintained interest rates unchanged in its meeting on 23 May. The decision came as forecasts indicate that inflation has already peaked and is expected to moderate in 2024 as inflationary pressures begin to subside, according to the CBE statement. Overnight deposit, lending, and the rate of the main operation stand at 27.25%, 28.25%, and 27.75%, respectively. The discount rate was also kept unchanged at 27.75%.
- Quarter Closed:
  - 3Yrs: 23.90%
  - 5Yrs: 15.00%
  - 7Yrs: 15.50%
  - 10Yrs: 14.68%

### Strategy

- The fund manager will continue extending the investment duration, expecting a period of relaxed monetary policy due to decreasing inflation both locally and worldwide. Additionally, the manager is expanding investments in non-government sectors to take advantage of the significant difference between the corridor (the pricing benchmark) and the treasury market.