

## 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 and weekly liquidity to investors
- The valuation day for the fund is the last business day of every week

### Fund Details

Type of Scheme	Open Ended
Inception date	November-1995
IC price	EGP 273.23
Dividends Since Inception	EGP 0.00
Bloomberg Ticker	EFGBNQA
ISIN	65077563

### Fund Manager

Management company	Hermes Fund Management
Fund Manager	Nabil Moussa

### Contact Details

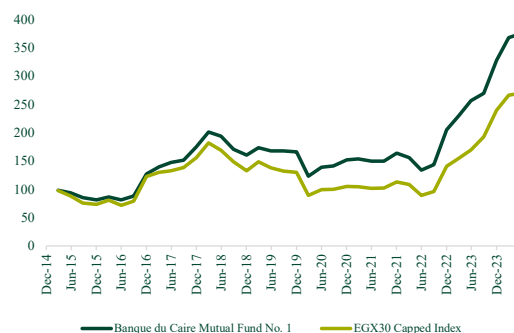
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## Portfolio

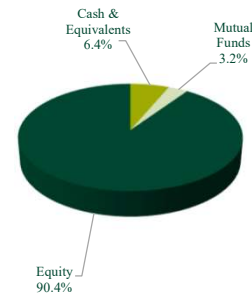
### Performance Figures

Date	Return
Q2-2024	1.9%
YTD	14.4%
2023	59.7%
2022	25.0%
5-YTD	123.5%
Since Inception	2632.3%

### Relative Performance



### Asset Allocation



## Market Outlook

### Global Equity Markets

The US market continued its positive performance in the second quarter of 2024 yet with a slower pace compared to the first quarter with the S&P increasing 3.9% in 2Q24 compared to 10.2% in 1Q24 and implying 14.5% increase in the first half of 2024.

The market appreciation came despite of economic data showing slowdown in overall economic growth, softening labor market, and slowing wage growth. However, investors remained bullish on the back of two main reasons:

- 1) The market was mainly driven by large cap tech stocks on the assumptions of above normal future growth based on new artificial intelligence inventions.
- 2) Drop in average inflation to around 3.3% in the first half of 2024 compared to 4.1% in 2023 and 8.0% in 2022.

As a result, most investors are expecting the FED to start its easing policy in 4Q24, yet the magnitude of the easing is still unclear with some investors projecting two cuts of 25 bps each, while others projecting only one cut of 25 bps, yet both camps are expecting at least 150 bps cut starting from 4Q24 till the end of 2025.

We believe that the bull run is a bit extended setting the stage for a correction/consolidation phase. This should prove temporary given that equity valuations are not that stretched in light of expected future growth from the artificial intelligence trade, and the expected decline in cost of borrowing throughout the FED easing cycle that should begin in 4Q24.

### Emerging Markets

MSCI Emerging Markets index continued to underperform the US market advancing 6.1% in the first half of 2024. We note that MSCI EM index is hindered by China's underperformance given that it weights around 30% of the index, while it advanced 3.5% only during the same period.

China's underperformance was on the back of recent economic data showing weakening growth momentum. Investors believe that the economy needs strong government spending in order to maintain required growth rates, otherwise economic data will keep disappointing in light of weak private investments.

As a result, Chinese stocks are still trading at a wide discount to global markets; therefore, we see limited downside risk, yet we do not see a bull run in light of the government reluctance to use strong stimulus to revive investors' confidence, thus we see Chinese stocks trading in a sideways range.

### 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 (24c) 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.