

Fund Manager's Analysis

Fund's Performance

The market started the year with a good rally on the back of positive developments on the political front as the constitutional referendum passed, and investors now are looking forward to the presidential elections. However, the market saw a correction towards the end of the quarter after a continuous upward run that lasted for a number of months and with many of the expectations that led the market rally materializing. The fund returns for 1Q2014 reached 12.5% while the EGX30 showed a performance of 21.1% for the same period.

Economy & Market Outlook

A number of companies reported healthy financial figures over the period. In the banks sector, Commercial International Bank (CIB) released a strong set of results in 4Q2013 beating analysts' expectations. Earnings came in at EGP757 million, up 28.9% year on year, on the back of growth in operating income. As for real estate, Talaat Mostafa Group reported its FY2013 figures, showing a year on year increase of 7.2% in net income with EGP 585 million. The increase was on the back of improved profit margins and ramped up deliveries in 4Q2013. Madinet Nasr for Housing and Development also reported impressive FY2013 figures with a bottom line of EGP 325 million, increasing 105% year on year, due to strong contributions of land sale revenues with big margins. In consumer stocks, Eastern Tobacco released its 2Q2013/2014 results, showing revenues of EGP1.64 billion, a 9% year on year increase, supported by volume improvements and production efficiencies. Moreover, the company announced the renewal of its toll-manufacturing agreement with Phillip Morris International (PMI) for seven years which should translate into an EGP100 million increase in top line per annum, and the Ministry of Finance decided to increase cigarette prices.

On the economic front, the Minister of Planning announced that Egypt's economy grew by 1.2% in 1H2013/2014, as the stimulus plans are being implemented. Moreover, the government is expecting new Gulf aid worth USD5.8 billion in the form of central bank deposits and petroleum products, as well as, the first installment of a EUR 5 billion support package from the European Union (EU) worth EUR 500 million. Furthermore, the government announced the final details for the second stimulus package, with spending mainly split between development projects and financing social programs, including a rise in the minimum wage. Fitch Ratings has revised the outlook for Egypt's long-term foreign and local currency ratings to stable from negative. As for net international reserves (NIR) it saw an increase of USD202 million to reach USD17.31 billion in February 2014 on the back of an upward revaluation of the value of the Central Bank of Egypt (CBE) gold holdings. Meanwhile, annual inflation continued to decline, reaching 9.8% in February from 11.3% a month earlier on the back of easing food and clothing prices.

Investment Strategy

The fund manager will trim the exposure by locking in profits in high beta names that are deep in the money. Meanwhile, the fund manager will maintain the well diversified stock portfolio with more focus on consumer stocks that are set to benefit from the stimulus packages.

For Further Information:

Bank of Alexandria

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Fund Performance

Returns	Bank of Alex Mutual Fund No.1
Q1-2014	12.5%
YTD 2014	12.5%
2013	26.4%
2012	37.0%
2011	-47.4%
2010	6.3%
2009	7.1%
2008	-56.3%
2007	57.1%
2006	14.9%
2005	89.4%
2004	82.9%
2003	64.7%
2002	12.0%
2001	-15.0%
2000	-13.1%
1999	15.9%
1998	-16.6%
1997	18.5%
Since Inception	669.3%

Fund Information

IC Price	EGP 219.9
Total Distributed Dividends	EGP 295.5
Inception Date	November 1994
Subscription/Redemption	Weekly/Weekly
Reuters Code	65077561
Bloomberg Ticker	EFGALXA

Top Holdings

Holding	Sector
Commercial International Bank	Banks
T M G Holding	Real Estate
EZZ Steel	Basic Resources
Telecom Egypt	Telecommunications
Global Telecom	Telecommunications

Asset Allocation

