

Fund Manager's Analysis

Fund's Performance

The market witnessed a good rally over the quarter as more progress on the political and economic fronts gave investors more confidence. Increased security and stability on the streets helped the government implement its road map, with the constitution draft finalized and set for public referendum. Moreover, positive developments have been made on the economic level, including increasing the economic stimulus package while aides and grants helped the government meet its immediate needs. The fund returns for 4Q2013 reached 12.2% while the EGX30 showed a performance of 19.4% for the same period.

Economy & Market Outlook

The telecom sector dominated the company news. Global Telecom Holding announced that its Algerian subsidiary Orascom Telecom Algeria has been awarded one of the three 3G licenses offered in Algeria. The license will cost USD 40 million and will be valid for 15 years. The company also reported its Q3 2013 results beating expectations on the bottom line after recording USD 46 million in net income, due to a one-off FX gain of USD 12.7 million. As for Telecom Egypt, the company reported impressive Q3 results, showing an increase of 15.6% year-on-year with EGP 2.86 billion in revenues due to an increase in domestic wholesale, international carrier, and international cables revenues. Moreover, the company signed a cooperation agreement with Al-Futtaim Real Estate to supply the Cairo Festival City project with telecommunications, data transfer, and triple play services. As for banks, Commercial International Bank (CIB) reported its Q3 results, recording EGP 920 million in net income, a 51% increase year-on-year. This was mainly due to provision cuts by the bank, along with improved margins driven by improved deposit mix. On the petrochemicals front, Sidi Kerir announced that the company has received approval for the establishment of a new ethylene project. The new project is estimated to have an investment cost of USD150 million and an incremental capacity of 150,000 tons per annum, which would bring the company's total ethylene capacity to 450,000 tons per annum.

On the economic side, Standard & Poor's has raised its sovereign credit rating for Egypt to B-/B from CCC+/C, with a stable outlook. Meanwhile, the Central Bank of Egypt (CBE) decided to cut its rates by 50 basis points, in a move to continue to stimulate the economy. Net International Reserves fell by USD824 million in November to USD17.8 billion after the CBE had repaid Qatar USD 500 million in deposits. Furthermore, annual headline inflation jumped to 12.9% from 10.5% a month earlier due to increase in purchasing power as monetary policy is significantly eased, as well as, a hike in butane gas prices.

Investment Strategy

Given the current economic and political climate, with the constitutional referendum scheduled in January 2014, along with the second economic stimulus plan, the fund manager will maintain the fund's equity exposure over the coming period. The fund's holdings are positioned to benefit from the upcoming political and economic milestones.

For Further Information:

Bank of Alexandria

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Fund Performance

| Returns | Bank of Alex Mutual Fund No.1 |
|-----------------|-------------------------------|
| Q4-2013 | 12.2% |
| Q3-2013 | 16.1% |
| Q2-2013 | -2.3% |
| Q1-2013 | -0.8% |
| YTD 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 | 584.0% |

Fund Information

| | |
|-----------------------------|---------------|
| IC Price | EGP 198.5 |
| 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 |
| Ezz Steel | Basic Resources |
| Global Telecom | Telecommunications |
| Juhayna Food Industries | Food & Beverage |
| T MG Holding | Real Estate |

Asset Allocation

