

Quarterly Report Q2 2019

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 treasury bills, treasury bonds, corporate bonds, securitization bonds and time deposits.
- Investments tenor shouldn't exceed 13 months and the weighted average duration shouldn't exceed 150 days.

Subscription/Redemption

- The fund offers daily liquidity to investors
- The valuation day for the fund is daily
- Minimum initial investment is 100 IC's

Fund Details

Type of scheme	Open Ended
Inception date	May 2009
IC price	EGP 27.36216
Dividend since Inception	EGP 0.00
Duration	118.87 days
Fund Size	EGP 281.27 million
Bloomberg Ticker	EFGAUDM
ISIN	68029463

Fund Manager

Management Company	Hermes Fund Management
Fund Manager	Yehya Abdel Latif
Assistant Fund Manager	Aly Sallam

Contact Details

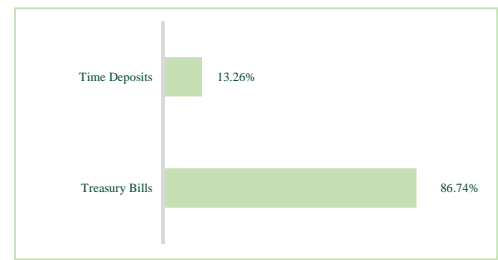
Audi Bank	
Telephone	16555
Website	http://www.bankaudi.com.eg/egypt/

Portfolio

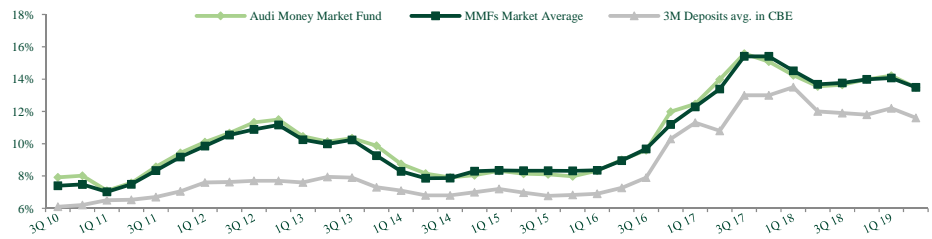
Performance Figures

Date	Return
Q2 2019	13.49%
YTD	14.08%
2018	14.59%
2017	15.07%
5-YTD	11.86%
Since Inception	10.48%

Asset Allocation



Relative Performance



Market Outlook

Market Commentary

- Emerging Markets ended the first quarter in positive territory as the US fed turned dovish, driving up the sentiment on emerging markets assets.
- During the month of May, global assets fell as renewed trade tensions between the US and China showed no clear end in sight. Investors pulled \$3.9Bn from emerging market bond funds.
- Egypt, on the other hand, was still well positioned among its emerging market peers. The S&P rating agency cited strong growth prospects in Egypt seeing the economy expanding by 5.3% in this current fiscal year.
- In addition, foreign holdings of Egypt's Treasury bills recorded a rise of \$2.5Bn, where it reached \$17.4Bn in April, up from \$14.9Bn in March, reflecting the positive sentiment on Egypt.
- Treasury bonds auction coverage ratio during the quarter averaged at 1.69x.
- Egypt's Inflation figures showed an acceleration following two-consecutive months of decline. The annual headline inflation rate rose to 14.1% in May, against 13% in April while monthly inflation rose by 1.1% in May compared to 0.5% in April.
- The Monetary Policy Committee (MPC) decided to keep the overnight deposit, lending rate unchanged to 15.75%, 16.75% respectively during the May meeting.
- The quarter closed at:
 - 3M 17.76%
 - 6M 17.73%
 - 9M 17.72%
 - 1YR 17.32%

Economic Update

- Budget Deficit Drops to 5.3% of GDP in 9M18/19
- Egypt records Primary Budget Surplus of 0.7% of GDP in 9M18/19
- Fitch upgraded Egypt's rating to 'B+' from 'B' with a stable outlook, while Moody's upgraded Egypt's rating to "B2" from 'B3' with a positive outlook.
- Egypt's Current Account Deficit Increases by 8.9% to USD3.85 Billion in 1H18/19
- Net International Reserves inched upwards to USD44.35 billion in June 2019
- Inflation dropped by 4.8% in June reaching 9.4% down from 14.2% in March

Strategy

- Going forward, the fund manager will be maintaining a conservative approach, with medium durations to take advantage of the current higher yield environment.
- The manager will do so while still preserving ample liquidity to meet any market shocks and or redemptions, until further clarity warrants the deployment of funds to increase duration.