

## Bank of Alexandria Fixed Income Fund

### Quarterly Report – Q3-2016

#### Fund's Performance

The Fund achieved annualized returns of 0.54% net of fees and tax by the end of 3Q2016. In comparison, the one-year treasury-bill yield reached an average of 12.73% and money market funds in the market achieved an average return of 9.69% over the same period.

#### Economy & Market Outlook

The fixed income market showed unusual movements along the yield curve given the squeezed economic conditions that the country is currently facing. With excess liquidity in the market due to investors awaiting a significant hike in interest rates, the spread between the long end of the yield curve (10 years bonds) and short term issues was narrowed to its tightest levels in the past 5 years. Overall, the yield curve inched up around 1.0% throughout the quarter in anticipation of economic reforms executions which include an interest rate hike and a currency devaluation. The 3 years, 5 years, 7 years and 10 years treasury bonds closed the quarter with an average net of tax rate of 13.56%, 13.86%, 13.97% and 14.00%.

On the economic front, Egypt announced that it is officially negotiating a three years USD12 billion IMF loan to restructure deficit and fiscal issues that the country is currently facing. The government also announced the possibility of issuing Eurobonds amounting to USD2-3 billion along. Furthermore, the World Bank and UAE also announced providing a USD3.0 billion and USD2.0 billion loans respectively. On a separate note, the VAT law was approved by the Parliament and the President and was implemented on September 9th, 2016 and the rate is 13% for the remaining of FY16/17 and will increase to 14% starting FY17/18. The government also announced raising electricity prices by a range of 25%-47% on residential and commercial use based on their consumption, in order to decrease around EGP30 billion of Electricity Subsidies. Net tourism proceeds decreased from USD4.0 billion in FY14/15 to a deficit of USD320 million. Egyptian Remittances also declined by 12.6% from USD19.2 billion in FY14/15 to USD16.8 billion in FY15/16, accordingly, Egypt's current account deficit increased by 53.7% reaching USD18.7 billion. In addition, annual headline inflation reached its highest level in seven years of 15.5%. This came on the back of weakening EGP in the parallel market causing further pressure on prices along with an increase in electricity prices. Egypt's Net international Reserves grew by 6.6% to USD16.6 billion at the end of August 2016.

#### Investment Strategy

The manager will maintain a cautious approach towards investing, will still maintain the short term focus strategy but with a better selection of maturities to overcome distressed dates and capitalize on high yields environment. Good liquidation opportunities may present themselves where the manager may utilize, to increase the liquid portion even further to enhance the impact of the reinvestment when applicable. The manager will closely monitor the market to look for trend shifting/continuing signs to proactively position the portfolio to benefit the most.



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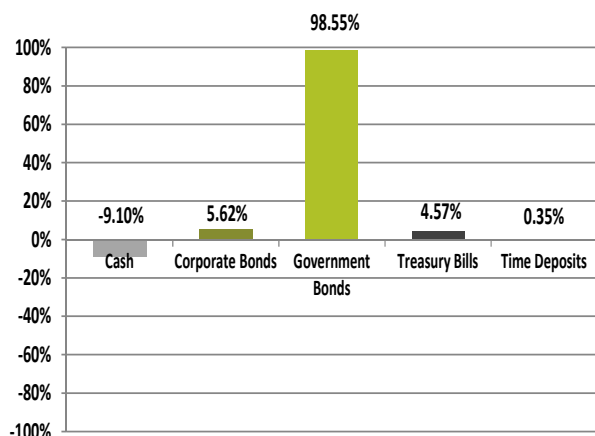
**Fund's Performance**

Returns	BOA FI Returns
Q3 2016	0.54%
Q2 2016	2.79%
Q1 2016	5.56%
YTD	2.94%
2015	8.63%
2014	8.70%
2013	14.56%
2012	11.36%
2011	7.68%
Since Inception	9.23%
Since Inception (Simple)	76.91%

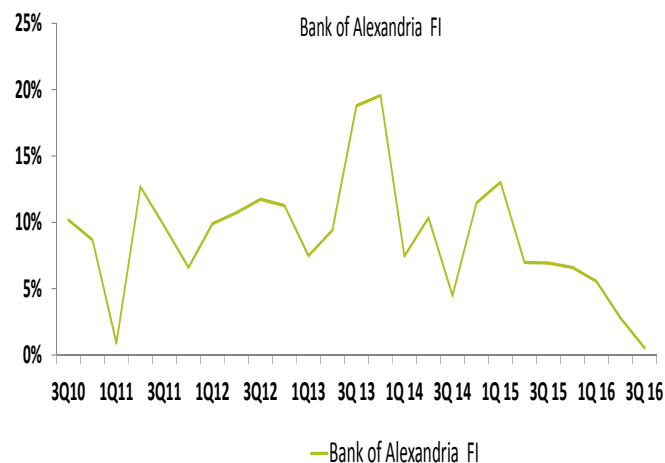
**Fund Information**

IC Price (25/09/16) <b>EGP 17.27702</b>	Subscription <b>Weekly (No Fees) until 12 pm</b> Redemption <b>Monthly (No Fees) until 12 pm</b>
Fund Size (25/09/16) <b>EGP 78,859,982</b>	Fund Management <b>EFG-Hermes Asset Management</b>
Duration (25/09/16) <b>2.47 Years</b>	Fund Manager <b>Khalil El Bawab</b>
Dividends Distributed Since Inception <b>EGP 0.25</b>	Assistant fund Manager <b>Karim Zaafan</b>
Inception Date <b>05 April 2010</b>	Reuters Lipper Code <b>68074583</b>
Inception Price <b>EGP 10</b>	Bloomberg Ticker <b>EFGBOAF</b>

**Asset Allocation**



**Performance**



For Further Information:

Please visit the nearest BOA branch, or call BOA 202-37623167/68/69/70