

## Bank of Alexandria Fixed Income Fund

### Quarterly Report – Q4-2017

#### Fund's Performance

The Fund achieved annualized returns of 17.75% net of fees and tax by the end of 4Q2017. In comparison, the one-year treasury-bill yield reached an average of 14.40% and money market funds in the market achieved an average return of 15.41% over the same period.

#### Economy & Market Outlook

The fixed income market witnessed an eventful quarter, where 4Q2017 was not a quiet quarter with two highly debated MPC meetings and a split market, the fixed income space was significantly active and volatile. Buyers and sellers both bid on MPC cuts and stability as talks of the start of the easing monetary cycle surfaces. The fact that the long end of the curve has rallied aggressively in 3Q (yields dropping an average of 412 bps) with the 10 years reaching the lowest yield since June 2015, may have contributed to the change in trend as a correction was needed. The Ministry of Finance alongside the CBE have increased their issue sizes in bills and variable deposits (compared to maturities), effectively drying up the market's EGP liquidity, which left a number of banks short, affecting their bidding appetite. With the CBE maintaining benchmark rates in its November meeting and the aggressive yields drop in 3Q in addition to bidders with relatively high funding costs, 4Q witnessed a surge in yields of an average of 58bps across all tenors. Thus, the 3 years, 5 years, 7 years and 10 years treasury bonds closed 4Q2017 with an average net of tax rate of 15.64%, 15.77%, 15.64% and 15.76%.

On the economic front, the CBE increased reserve requirement ratio for domestic banks from 10% to 14%. In addition, the CBE raised the entrance fee of its repatriation mechanism for foreign portfolio investors by 1.0% while maintaining the exit fee at 0.5%. Egypt's current account deficit declined by 65.7% in 1Q17/18 amounting to USD1.6 billion. This significant drop came on the back of three main reasons: 1) Net Tourism proceeds of USD2.0 billion; 2) Egyptian remittances increased by 37.4% to reach USD5.9 billion; and 3) Total exports increased by 11% amounting to USD5.8 billion. Furthermore, the Ministry of Petroleum announced that Egypt's new offshore gas field Zohr is set to begin production by year end and it would initially yield 350 million cubic feet per day. Egypt's Net International Reserves remained at USD37.0 billion as of December 2017. Egypt's inflation rate also dropped to 21.9% in December 2017 mainly on the back of favorable base effect post the EGP floatation in November 2016. Additionally, the IMF executive board approved the second review of Egypt's economic reform program paving the way for the disbursement of USD2.0 billion representing the third tranche of the USD12 Billion loan granted to Egypt to support its economic reform program. The IMF highlighted that Egypt's economy is showing signs of stabilization with GDP growth recovering, inflation moderating, fiscal consolidation on track, and international reserves reaching their highest level since 2011. Finally, the CBE maintained overnight deposit and lending rates stable at 18.75% and 19.75% respectively. We note that the CBE has raised rates by 700 bps since floating the pound in November 2016 in order to ease inflation pressures associated with this decision.

#### Investment Strategy

The fund manager is comfortable adding more duration at the current time, but will pay close attention to the market to determine good entry levels and if secondary opportunities present themselves.



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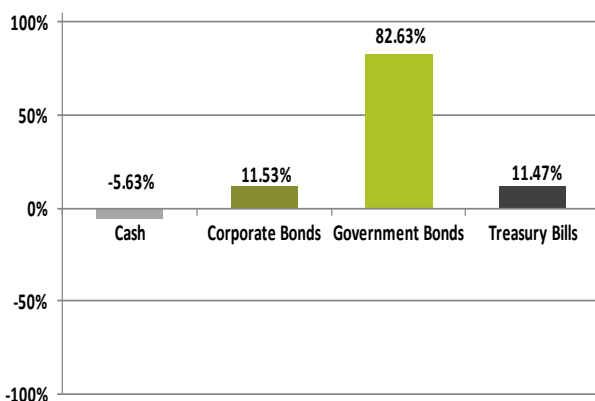
### Fund's Performance

BOA FI Returns	
Q4 2017	17.75%
Q3 2017	27.10%
Q2 2017	10.90%
Q1 2017	12.69%
YTD (31-12-2016)	18.13%
2017	18.13%
2016	3.29%
2015	8.63%
2014	8.70%
2013	14.56%
2012	11.36%
2011	7.68%
Since Inception	10.14%
Since Inception (Simple)	111.31%

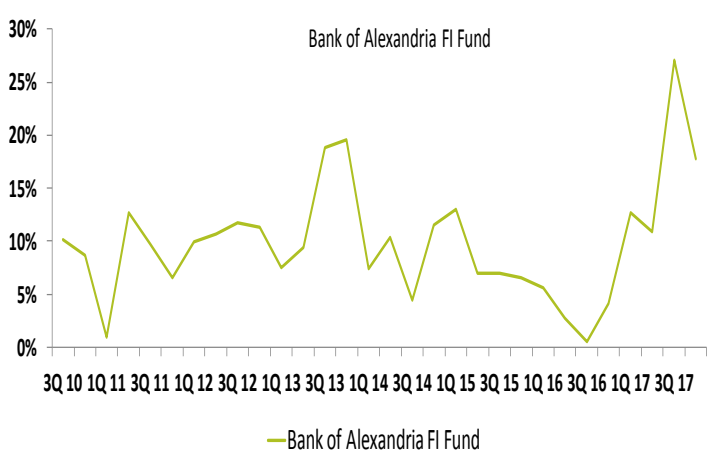
### Fund Information

IC Price (31/12/17) <b>EGP 20.63570</b>	Subscription <b>Weekly (No Fees) until 12 pm</b> Redemption <b>Monthly (No Fees) until 12 pm</b>
Fund Size (31/12/17) <b>EGP 61,658,549</b>	Fund Management <b>EFG-Hermes Asset Management</b>
Duration (31/12/17) <b>2.14 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