

**Quarterly Report
4Q 2018**

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.

Subscription/Redemption

- The fund offers weekly subscriptions to investors
- The fund offers monthly redemptions to investors
- The valuation of the fund is daily
- Minimum initial investment is 100 IC's

Fund Details

Type of scheme	Open Ended
Inception date	April 2010
IC price	EGP 22.52376
Dividend since Inception	EGP 0.25
Duration	2.10 years
Fund Size	EGP 61.61 million
Bloomberg Ticker	EFGBOAF
ISIN	68074583

Fund Manager

Management Company	Hermes Fund Management
Fund Manager	Karim Zaafan

Contact Details

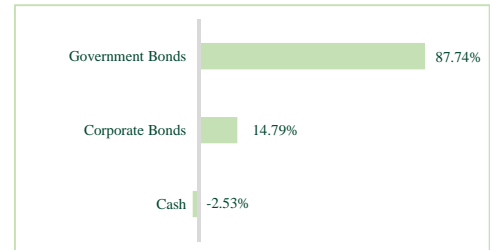
Bank of Alexandria	19033
Telephone	
Website	https://www.alexbank.com/En

Portfolio

Performance Figures

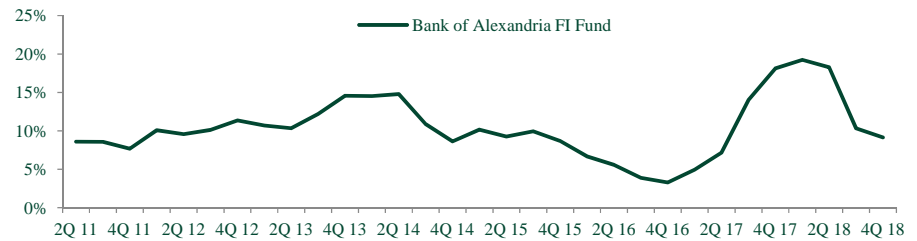
Date	Return*
YTD	9.15%
2017	18.13%
5-Years	57.27%
Since Inception	130.64%

Asset Allocation



* Simple Performance Figures

Performance**



** Simple Performance Figures

Market Outlook

Market Commentary

- ≡ Q4 started after the ministry of finance had cancelled the treasury bonds auction for four consecutive times, as costly interest payments weighs on its budget deficit.
- ≡ In addition, the MOF published its securities quarterly issuances calendar, decreasing its long-term commitments this quarter.
- ≡ During December, the government started decreasing its issuance of corridor-linked deposits returning liquidity to the market.
- ≡ Inflation figures released showed a deceleration in trend for the first time in ten-month, the annual headline inflation dropped to 15.7% in November, down from 17.7% in October.
- ≡ The newly proposed tax law by Egypt ministry of finance on treasuries caused confusion in the fixed income market. The proposed tax shall separate the tax on earnings on from treasuries from corporate tax.
- ≡ As Expected, The Monetary Policy Committee Held rates unchanged during the 15-Nov and 27-Dec meeting.
- ≡ The quarter closed at 3 years 14.52%, 5 Years 14.68%, 7 years 14.48% and 10 years 14.55%

Economic Update

- ≡ MPC kept Overnight Deposit and Lending Rates for the sixth consecutive meeting at 16.75% and 17.75% respectively
- ≡ Egypt's Current Account Deficit Drops Significantly by 58.6% to USD6.0 Billion in FY17/18
- ≡ Government Targets to Drop Fiscal Deficit to 7% of GDP
- ≡ Foreign Holdings in Egyptian Treasuries Drops for the Eighth Month in a Row to reach USD10.9 billion as of November
- ≡ Net International Reserves dropped USD2 in December to reach USD42.6 Billion, which records the first drop since 2016
- ≡ Inflation rate falls in December to 12.0% down from 15.7% as of November 2018

Strategy

- ≡ The Fund manager believes that we are approaching the peak of the current cycle with higher probability towards a reversal in the interest rates movement.