

Quarterly Report
2Q 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.
- 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 of the fund is daily
- Minimum initial investment is 100 IC's

Fund Details

Type of scheme	Open Ended
Inception date	May 2006
IC price	EGP 31.08478
Dividend since Inception	EGP 0.00
Duration	98.82 days
Fund Size	EGP 1,369.95 million
Bloomberg Ticker	EFGALX2
ISIN	65077562

Fund Manager

Management Company	Hermes Fund Management
Fund Manager	Khalil El Bawab
Assistant Fund Manager	Yehya Abdel Latif

Contact Details

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

Portfolio

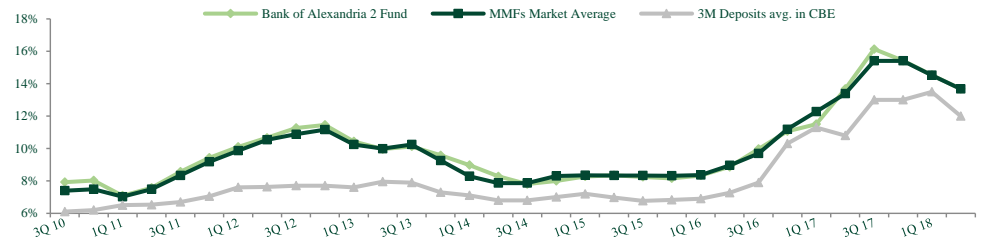
Performance Figures

Date	Return
Q2 2018	13.68%
YTD	14.35%
2017	14.97%
5-YTD	10.85%
Since Inception	9.77%

Asset Allocation

Short-Term Corporate Bonds	0.82%
Time Deposits	43.55%
Treasury Bills	55.63%

Relative Performance



Market Outlook

Market Commentary

- The market rates rallied up with nearly 2% in 2Q2018. The drive was mainly attributed to:
 - o Inflationary pressures due to subsidy cuts
 - o Increase in international commodity prices
 - o Global economic pressures that forced foreign investors to reduce their positions in the local market
- As a result, the Monetary Policy Committee decided to hold rates in its meetings held on 17 May and 28 June
- T-bills closed 2Q2018 with an average net of tax 3M 15.57%, 6M 15.49%, 9M 15.49% and 1yr 15.144%

Economic Update

- The IMF approved disbursing the fourth tranche (USD2.0 billion) of the USD12 billion loan
- S&P Raised Egypt's Sovereign Rating to B from B- with a positive status up from stable
- Egypt's Current Account Deficit Drops Significantly by 57.5% to USD5.3 Billion in 9M17/18 down from USD12.5 billion in 9M16/17. This significant drop is on the back of 2 main reasons: 1) Net Tourism proceeds spiked by 8.5x to reach USD5.5 billion compared to proceeds of USD0.7 billion in 9M16/17; and 2) Increase of 23.2% in remittances from Egyptians working abroad from USD15.8 billion to USD19.5 billion.
- Net International Reserves Stable at USD44.3 Billion as of June 2018
- Inflation rate increased to 14.4% in June up from 11.4% in May 2018. The increase was expected post the hikes in fuel prices

Strategy

- The MPC decided to hold rates during their June 28th meeting, due mainly to strengthening dollar and increased oil prices
- Larger than expected subsidy cut also led to the decision to hold rates in order to mitigate any upward pressure on inflation
- After yields surged over 100bps over the past two months, the fund will selectively purchase treasuries against the upcoming maturities. Leading to significant improvement in daily returns
- Going forward, the fund manager will be keeping a close eye on inflationary figures, as global commodities and strengthening dollar puts pressure on the economy. Maintaining medium durations to take advantage of the current higher yield environment, while still preserving ample liquidity to meet any market shocks and or redemptions