

Bank of Alexandria Money Market Fund 2

Quarterly Report – Q4-2016

Fund's Performance

The Fund achieved annualized returns of 11.06% net of fees and tax by the end of 4Q2016. In comparison, the one-year treasury-bill yield reached an average of 14.34% and money market funds in the market achieved an average return of 11.19% over the same period.

Economy & Market Outlook

The money markets started the quarter with stable yields. During November, the interest rates surged by 3.0% as the Central Bank of Egypt decided to hike interest rates by 3.0% along with liberalizing the EGP currency during the Monetary Policy Committee (MPC). Accordingly, yields on treasury bills jumped around 3.0% as well, nevertheless, throughout the month, the high demand that was evident in the market caused the yields to decline by approximately 2.5%. However, these reforms along with the subsidy removals and the implication of the VAT caused further pressures on prices and accelerated inflation to its highest levels in decade causing yields on treasury bills to jump again by 2.0% towards the end of the quarter. The 3 months, 6 months, 9 months and 1 year treasury bills closed 4Q2016 with an average net of tax of 15.23%, 15.47%, 15.53%, and 15.45%.

On the economic front, the Central Bank of Egypt (CBE) announced the liberalization of the exchange rate and stated that all restrictions on FX deposits and withdrawals and all FX limits on non-essential goods importers will be removed. In addition, National bank of Egypt and Banque Misr issued a 20% deposit certificate for 18 months to be paid quarterly and a 16% deposit certificate for 3 years and paid monthly. The IMF also approved a USD 12.0 billion loan to be repaid over 10 years with annual interest rate of 1.65% and paid the first installment of USD2.75 billion. On the same note, the World Bank and African Development bank paid their first tranche and approved to pay the second tranche of the USD3.0 and USD1.5 billion loans which amount to USD1.0 billion and USD0.5 billion respectively, to be directed to development projects. In addition, USD2.0 billion by the International Finance Corporation (IFC) was pledged to support the private sector in Egypt over the coming three years. The government also signed a three years currency swap agreement with China to reduce USD demand for trade and investment transactions, the agreement worth CNY18.0 billion equivalent to USD2.6 billion. Furthermore, fuel prices increased by a range of 30-45%, which is EGP22.0 billion of subsidy savings. During the 4Q2016, Egypt's Net international Reserves increased to reach USD24.2 billion. Egypt's inflation rate also increased to reach 23.3% as of December 2016; the highest in the past two decades, following the EGP floatation decision and the increase in fuel prices.

Investment Strategy

In line with the fund manager's expectations, the Central Bank of Egypt (CBE) undertook two moves this quarter; allowing the EGP to free float and raising interest rates by 3%. The fund manager was long awaiting these moves and was positioned well with low duration and high liquidity positions to be able to take full advantage of them. However, the fund managers will remain cautious in building on the durations in anticipation of the pass through effect into inflation; due to the EGP depreciation, subsidy removals, and the recently introduced Value Added Tax, which may lead to higher levels of interest rates over the short term.



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Fund's Performance

BOA MMF Annualized Returns	
Q4 2016	11.06%
Q3 2016	9.97%
Q2 2016	8.86%
Q1 2016	8.33%
YTD Since (31-12-2015)	9.91%
2016	9.91%
2015	8.51%
2014	8.52%
2013	10.41%
2012	11.35%
2011	8.52%
2010	7.98%
2009	8.70%
2008	8.42%
2007	8.42%
2006	9.18%
Since Inception	9.09%
Since Inception (Simple)	152.41%

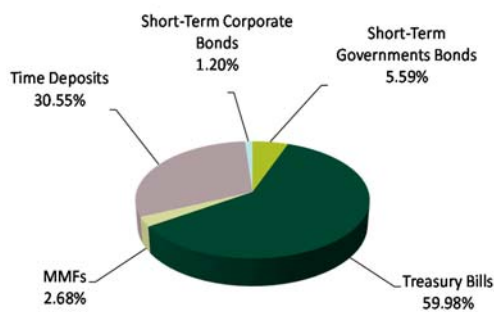
Fund Information

IC Price (31/12/16) EGP 25.24089	Subscription/Redemption Daily (No Fees) until 12 PM
Fund Size (31/12/16) EGP 827,621,982	Fund Management EFG-Hermes Asset Management
Duration (31/12/16) 96.84 Days	Fund Manager Khalil El Bawab
Dividends Distributed Since Inception EGP 0	Assistant fund Manager Yehya Abdel Latif
Inception Date 03 May 2006	Reuters Lipper Code 65077562
Inception Price EGP 10	Bloomberg Ticker EFGALX2

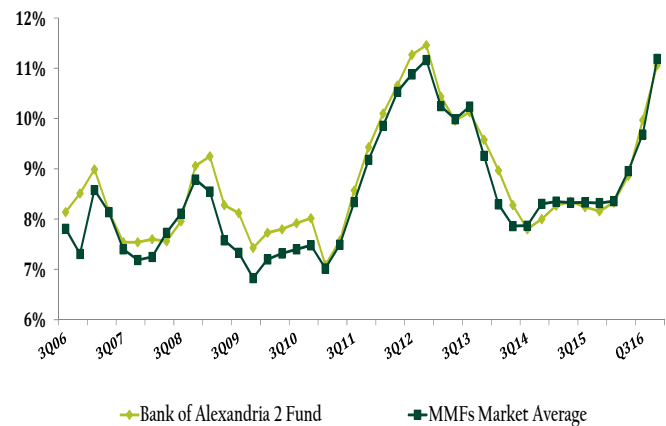
Relative Performance (%)

Deposits Vs BOA MMF	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Q1 2016	Q2 2016	Q3 2016	Q4 2016
3M Deposits avg. in CBE	5.90%	6.50%	6.55%	6.20%	6.69%	7.60%	7.69%	7.00%	6.94%	8.09%	6.90%	7.27%	7.90%	10.30%
BOA MMF Performance	8.42%	8.42%	8.70%	7.98%	8.52%	11.35%	10.41%	8.52%	8.51%	9.91%	8.33%	8.86%	9.97%	11.06%

Asset Allocation



Performance



For Further Information:

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