

Credit Agricole Money Market Fund 3

Quarterly Report – Q3-2016

Fund's Performance

The Fund achieved annualized returns of 10.11% 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 money markets witnessed a sharp increase in yields throughout the third quarter of 2016 by approximately 1.25% despite the Monetary Policy Committee (MPC) keeping interest rates unchanged during its meetings in July and September 2016. The hike came on the back of continuous inflationary pressures amid further weakening of the local currency in the parallel market. Throughout the quarter, investors were focusing on short-term treasury bills with less than 6 months maturity in anticipation of a further increase in interest rates over the coming period, especially with the application of the VAT law, expected currency devaluation and energy subsidy removals in line with the country's Economic Reform Program and IMF requirements. Accordingly, the 3 months, 6 months, 9 months and 1 year treasury bills closed 3Q2016 with an average net of tax of 11.82%, 12.64%, 13.12%, and 13.15%.

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 fund manager continues to be cautious, keeping the fund's weighted average duration in the range of 100-120 days. Currency devaluation, subsidy removals, as well as the recent application of the VAT law are among many variables that weighed more pressure on the country' inflation figures recently announced and is expected to continue its impact over the coming months; this will put more pressure on the MPC to raise interest rates soon. All those factors are the main drivers behind the fund's current asset allocation strategy. Once these expectations materialize, the fund will be positioned to take full advantage of the higher yields, which will directly reflect on the fund's daily return.



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Fund's Performance

Returns	Credit Agricole MMF (YTD ann.)
Q3 2016	10.11%
Q2-2016	9.04%
Q1-2016	8.36%
YTD Since (31-12-2015)	9.39%
2015	8.68%
2014	8.70%
2013	10.77%
2012	11.50%
2011	8.47%
2010	8.21%
2009	7.72%
2008	7.72%
2007	8.82%
2006	8.40%
2005	10.52%
2004	9.33%
2003	9.50%
2002	10.60%
1999 - 2001	11.86%
Since Inception (Annualized)	9.49%
Since Inception	376.80%

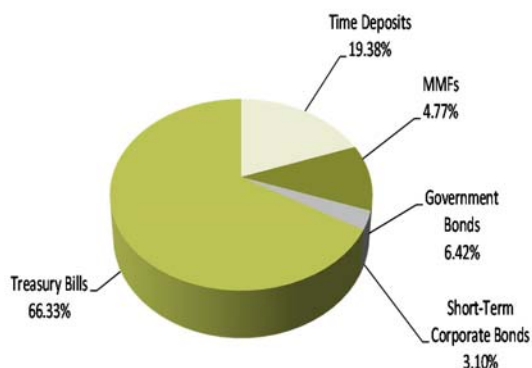
Fund Information

IC Price (30/09/16) EGP 1070.26	Subscription/Redemption Daily (No Fees) until 12 PM
Fund Size (30/09/16) EGP 597,458,181	Fund Management EFG-Hermes Asset Management
Duration (30/09/16) Days 112.56	Fund Manager Khalil El Bawab
Dividends Distributed Since Inception EGP 1589	Assistant fund Manager Yehya Abdel Latif
Inception Date 24 June 1999	Reuters Lipper Code 65077566
Inception Price EGP 1000	Bloomberg Ticker EFGCIII

Relative Performance (%)

Deposits Vs CA MMF	2007	2008	2009	2010	2011	2012	2013	2014	2015	Q1 2016	Q2 2016	Q3 2016
3M Deposits avg. in CBE	5.90%	6.50%	6.55%	6.20%	6.69%	7.60%	7.69%	7.00%	6.94%	6.90%	7.27%	7.90%
CA MMF Performance	8.82%	7.72%	7.72%	8.21%	8.47%	11.50%	10.77%	8.70%	8.68%	8.36%	9.04%	10.11%

Asset Allocation



Performance

