

Quarterly Report
3Q 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 day for the fund is the last business day of every week
- Minimum initial investment is 10 IC's
- Maximum initial investment is 10,000 IC's

Fund Details

Type of scheme	Open Ended
Inception date	June 1999
IC price	EGP 1108.18
Dividend since Inception	EGP 1837.53
Duration	96.81 days
Fund Size	EGP 630.52 million
Bloomberg Ticker	EFGCIII
ISIN	65077566

Fund Manager

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

Contact Details

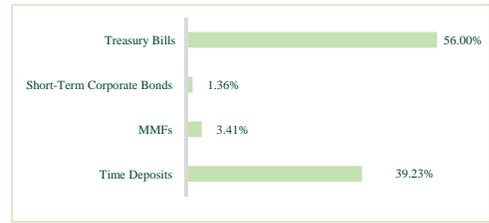
Credit Agricole Egypt	
Telephone	19077
Fax	+202-27380584
Website	https://www.ca-egypt.com/

Portfolio

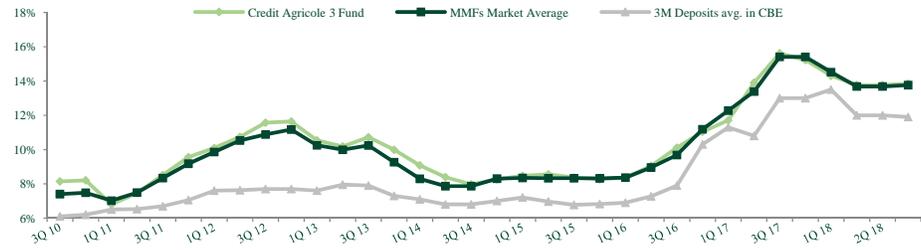
Performance Figures

Date	Return
Q3 2018	13.85%
YTD	14.46%
2017	14.89%
5-YTD	11.14%
Since Inception	9.96%

Asset Allocation



Relative Performance



Market Outlook

Market Commentary

- ≡ 3Q2018 was a volatile quarter with yields dropping during first half as liquidity and demand were high, following that yields rallied back up again to reach record high levels due to foreigners exiting the market and tighter liquidity levels.
- ≡ As a result, the Monetary Policy Committee decided to hold rates in its meetings held on 16 August and 25 September, yet allowing yields to increase in a struggle to keep yields attractive as global markets continue tightening their monetary policies.
- ≡ T-bills closed 3Q2018 with an average net of tax
 - ≡ 3M 15.32%
 - ≡ 6M 15.464%
 - ≡ 9M 15.48%
 - ≡ 1yr 15.296%

Economic Update

- ≡ Tourism revenues jumped in 1H18 to reach USD4.8 billion a growth of 77% from 1H17
- ≡ Moody's upgrades outlook on Egypt from stable to positive. The decision was based on the improvements in the economic and business environments as a result of the ongoing economic reform program
- ≡ The Ministry of Finance announced that foreign holdings in Egyptian Treasuries stood at USD14.2 billion at end of August down 38.5% from USD23.1 billion at the end of March. The drop is a normal reflection of foreign outflows from emerging markets across the past months.
- ≡ Net International Reserves stood at USD44.4 Billion as of August 2018
- ≡ Inflation rate rose to 14.2% in August from 13.5% in July 2018.

Strategy

- ≡ The MPC decided to hold rates during their September 27th meeting, due to continued oil price increase, as well as global monetary tightening.
- ≡ The EM situation continues to spill over, pressuring domestic liquidity through foreign portfolio outflows, pushing yields higher.
- ≡ Oil Minister confirms further subsidy cuts on track as part of the economic reform. Cuts are expected to be costly from an inflation perspective if oil rally continues
- ≡ Inflationary pressure could lead the central bank to leave rates on hold for longer.
- ≡ 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 mainly oil, 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.