

Credit Agricole Money Market Fund 3

Quarterly Report – Q4-2017

Fund's Performance

The Fund achieved annualized returns of 15.23% net of fees and tax by the end of 4Q2017. In comparison, the one-year treasury-bill yield reached an average of 14.40% and money market funds in the market achieved an average return of 15.41% over the same period. The three-month deposit yields reached an average of 13.00% for the same period as Central Bank of Egypt (CBE) statistics show.

Economy & Market Outlook

In 4Q17 the money market witnessed volatility and uncertainty; where yields came down in expectation of a rate cut, before rising again due to unfavorable inflation readings coming in higher than expected. On the other hand, The Ministry of Finance alongside the CBE have increased their issue sizes in bills and variable deposits (compared to maturities), effectively drying up the market's EGP liquidity which left a lot of banks short, affecting their bidding appetite pushing yields higher. By the end of 4Q17, the expectation of a MPC rate cut faded as market participants expected the MPC to begin easing during 1Q18. The 3 months, 6 months, 9 months and 1-year treasury bills closed 4Q2017 with an average net of tax rate of 18.77%, 18.74%, 18.10%, and 17.58%.

On the economic front, the CBE increased reserve requirement ratio for domestic banks from 10% to 14%. In addition, the CBE raised the entrance fee of its repatriation mechanism for foreign portfolio investors by 1.0% while maintaining the exit fee at 0.5%. Egypt's current account deficit declined by 65.7% in 1Q17/18 amounting to USD1.6 billion. This significant drop came on the back of three main reasons: 1) Net Tourism proceeds of USD2.0 billion; 2) Egyptian remittances increased by 37.4% to reach USD5.9 billion; and 3) Total exports increased by 11% amounting to USD5.8 billion. Furthermore, the Ministry of Petroleum announced that Egypt's new offshore gas field Zohr is set to begin production by year end and it would initially yield 350 million cubic feet per day. Egypt's Net International Reserves remained at USD37.0 billion as of December 2017. Egypt's inflation rate also dropped to 21.9% in December 2017 mainly on the back of favorable base effect post the EGP floatation in November 2016. Additionally, the IMF executive board approved the second review of Egypt's economic reform program paving the way for the disbursement of USD2.0 billion representing the third tranche of the USD12 billion loan granted to Egypt to support its economic reform program. The IMF highlighted that Egypt's economy is showing signs of stabilization with GDP growth recovering, inflation moderating, fiscal consolidation on track, and international reserves reaching their highest level since 2011. Finally, the CBE maintained overnight deposit and lending rates stable at 18.75% and 19.75% respectively. We note that the CBE has raised rates by 700 bps since floating the pound in November 2016 in order to ease inflation pressures associated with this decision.

Investment Strategy

The fund manager increased the fund duration to take advantage of the expected interest rates drop. The manager continues to selectively purchase treasuries. Going forward, the fund manager will continue to keep a close eye on inflationary figures while maintaining high durations in anticipation of expected rate cuts.



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Fund's Performance

Credit Agricole MMF Annualized Returns	
Q4 2017	15.23%
Q3 2017	15.62%
Q2 2017	13.90%
Q1 2017	11.71%
YTD Since (31-12-2016)	14.89%
2017	14.89%
2016	10.00%
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	9.77%
Since Inception (Simple)	463.00%

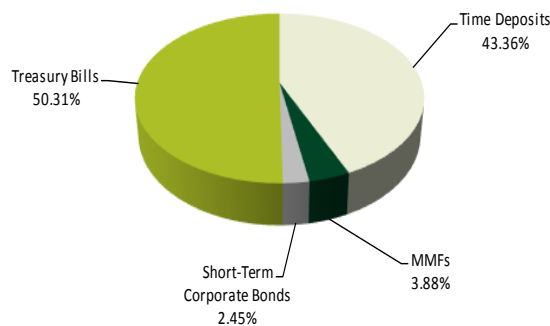
Fund Information

IC Price (31/12/17) EGP 1,000.00	Subscription/Redemption Daily (No Fees) until 12 PM
Fund Size (31/12/17) EGP 502,248,161	Fund Management EFG-Hermes Asset Management
Duration (31/12/17) 140.67 Days	Fund Manager Khalil El Bawab
Dividends Distributed Since Inception EGP 1,838	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	2016	2017	Q1 2017	Q2 2017	Q3 2017	Q4 2017
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%	12.03%	11.30%	10.80%	13.00%	13.00%
CA MMF Performance	8.82%	7.72%	7.72%	8.21%	8.47%	11.50%	10.77%	8.70%	8.68%	10.00%	14.89%	11.71%	13.90%	15.62%	15.23%

Asset Allocation



Performance

