

**Quarterly Report**  
**1Q 2019**
**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 daily
- Minimum initial investment is 25 IC's

**Fund Details**

Type of scheme	Open Ended
Inception date	December 2018
IC price	EGP 1,048.59
Dividend since Inception	EGP 0.00
Duration	132.23 days
Fund Size	EGP 261.78 million

**Fund Manager**

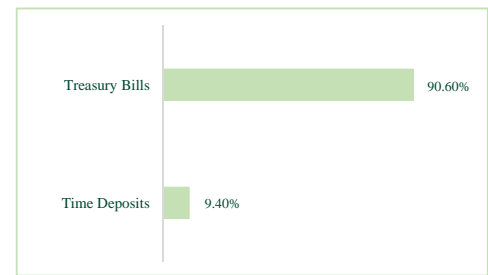
Management Company	Hermes Fund Management
Fund Manager	Yehya Abdel Latif
Assistant Fund Manager	Aly Sallam

**Contact Details**

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**Portfolio**
**Performance Figures**

Date	Return*
Q1 2019	14.12%
YTD	14.12%
Since Inception	15.70%

**Asset Allocation**

**Market Outlook**
**Market Commentary**

- ≡ Q1 started on a positive note as the US-China trade war tension eased. Furthermore, growing expectations of a pause in rate hikes by the Fed have helped stabilize emerging markets and make them more appealing.
- ≡ Demand in the Treasury Market increased despite the uncertainty coming from the Treasury tax imposed on banks.
- ≡ In addition, Egypt alongside other emerging markets witnessed forging inflows since the beginning of the year. The Egyptian treasury bonds market received a great boost from foreign investors. Foreign holdings of Egyptian market reached USD13.0 billion up from USD10.9 billion in November.
- ≡ Treasury Bills auction coverage ratio during the quarter averaged at 2.33x.
- ≡ The Monetary Policy Committee (MPC) decided to cut the overnight deposit, lending rate by 1.0% to 15.75%, 16.75% respectively in the Feb meeting. However, The MPC decided to keep rates unchanged during the March meeting.
- ≡ The quarter closed at:
  - ≡ 3M: 17.32%
  - ≡ 6M: 17.45%
  - ≡ 9M: 17.23%
  - ≡ 1Yr: 17.37%

**Economic Update**

- ≡ Egypt Raises USD4.0 Billion from International Debt Market
- ≡ Unemployment Drops to 8.9% in 4Q18
- ≡ Egypt's Current Account Deficit Flat at USD1.75 Billion in 1Q18/19
- ≡ Egypt records Primary Budget Surplus of 0.5% of GDP in 7M18/19
- ≡ Net International Reserves Increase by 3.4% to USD44.1 Billion
- ≡ Inflation rate accelerated during the quarter from 12.0% in December 2018 to 14.2% in March 2019

**Strategy**

- ≡ Going forward, the fund manager will be maintaining a conservative approach, with medium durations to take advantage of the current higher yield environment. While still preserving ample liquidity to meet any market shocks and or redemptions, until further clarity warrants the deployment of funds to increase duration.