

**Quarterly Report**  
**Q2 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 1,083.56
Dividend since Inception	EGP 0.00
Duration	113.54 days
Fund Size	EGP 270.57 million

**Fund Manager**

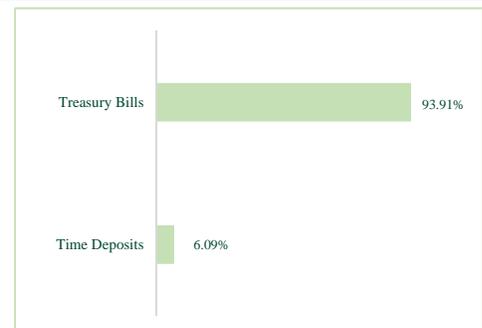
Management Company	Hermes Fund Management
Fund Manager	Yehya Abdel Latif
Assistant Fund Manager	Aly Sallam

**Contact Details**

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**Portfolio**
**Performance Figures**

Date	Return*
Q2 2019	13.38%
Q1 2019	14.12%
YTD	13.98%
Since Inception	14.95%

**Asset Allocation**

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

- Emerging Markets ended the first quarter in positive territory as the US fed turned dovish, driving up the sentiment on emerging markets assets.
- During the month of May, global assets fell as renewed trade tensions between the US and China showed no clear end in sight. Investors pulled \$3.9Bn from emerging market bond funds.
- Egypt, on the other hand, was still well positioned among its emerging market peers. The S&P rating agency cited strong growth prospects in Egypt seeing the economy expanding by 5.3% in this current fiscal year.
- In addition, foreign holdings of Egypt's Treasury bills recorded a rise of \$2.5Bn, where it reached \$17.4Bn in April, up from \$14.9Bn in March, reflecting the positive sentiment on Egypt.
- Treasury bonds auction coverage ratio during the quarter averaged at 1.69x.
- Egypt's Inflation figures showed an acceleration following two-consecutive months of decline. The annual headline inflation rate rose to 14.1% in May, against 13% in April while monthly inflation rose by 1.1% in May compared to 0.5% in April.
- The Monetary Policy Committee (MPC) decided to keep the overnight deposit, lending rate unchanged to 15.75%, 16.75% respectively during the May meeting.
- The quarter closed at:
  - 3M 17.76%
  - 6M 17.73%
  - 9M 17.72%
  - 1YR 17.32%

**Economic Update**

- Budget Deficit Drops to 5.3% of GDP in 9M18/19
- Egypt records Primary Budget Surplus of 0.7% of GDP in 9M18/19
- Fitch upgraded Egypt's rating to 'B+' from 'B' with a stable outlook, while Moody's upgraded Egypt's rating to "B2" from 'B3' with a positive outlook.
- Egypt's Current Account Deficit Increases by 8.9% to USD3.85 Billion in 1H18/19
- Net International Reserves inched upwards to USD44.35 billion in June 2019
- Inflation dropped by 4.8% in June reaching 9.4% down from 14.2% in March

**Strategy**

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