

**Quarterly Report**  
**Q3 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 1,117.90
Dividend since Inception	EGP 0.00
Duration	134.52 days
Fund Size	EGP 411.17 million

**Fund Manager**

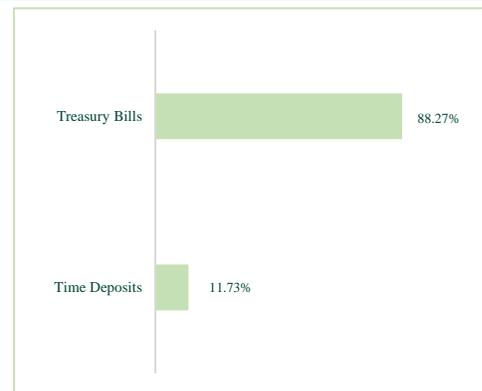
Management Company	Hermes Fund Management
Fund Manager	Yehya Abdel Latif
Assistant Fund Manager	Aly Sallam

**Contact Details**

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**Portfolio**
**Performance Figures**

Date	Return*
Q3 2019	12.57%
Q2 2019	13.38%
Q1 2019	14.12%
YTD	13.80%
Since Inception	14.54%

**Asset Allocation**

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

- Emerging Markets local debt continued looking attractive during the month of July to trades seeking high yields, especially as global central banks signaled policy easing and with the Fed being completely dovish.
- Egypt's local bonds remained highly attractive, as both the primary and secondary market have witnessed heavy demand from both local and foreign investors rushing for high yields.
- Foreign holdings of Egypt's Treasury bills stood at USD 18.3bn by the end of August.
- Treasury bills auction coverage ratio during the quarter averaged at 1.69x.
- Egypt's annual headline inflation decelerated to 4.8% in September from 7.5% in the previous month
- The Monetary Policy Committee (MPC) decided to cut the overnight deposit, lending rate, and the rate of the main operation by 100bps to 13.25%, 14.25%, and 13.75%, respectively During the September meeting. This marks the removal of the 550bps, out of the 700bps that were introduced after the EGP float in 2016.
- The quarter closed at:
  - 3M: 15.80%
  - 6M: 15.59%
  - 9M: 15.27%
  - 1Yr: 14.95%

**Economic Update**

- The IMF executive board completed its final review of Egypt's economic reform program and voted for the disbursement of the final USD2.0 billion tranche of the USD12.0 billion loan approved back in November 2016
- The government increased fuel prices by an average of 24% implying that most fuel prices are currently fully liberalized for the first time in Egypt's history
- The government announced that Egypt's GDP increased by 5.6% in FY18/19, while the country's overall budget deficit stood at EGP431 billion implying 8.2% of GDP down from 9.7% in the previous fiscal year
- Egypt's current account deficit increased by 37.4% to USD8.19 billion in FY18/19 from USD5.96 billion in FY17/18
- Moody's maintained Egypt's credit rating at B+ with a stable outlook
- Egypt's Net International Reserves remained stable at around USD45 billion thus maintaining its import coverage ratio at 8.0 months
- Inflation kept its declining momentum down to 4.8% in September from 7.5% the previous month, which is considered the lowest figure in 6 years.

**Strategy**

- The Fund manager will closely monitor the market, as it is expected that the coming period will show some volatility of which trading opportunities may present themselves. The Manger will attempt to benefit from such opportunities in the short run while maintaining the long-term view of continuation of the easing cycle.