

Quarterly Report
Q4 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 1,151.03
Dividend since Inception	EGP 0.00
Duration	125.17 days
Fund Size	EGP 473.89 million

Fund Manager

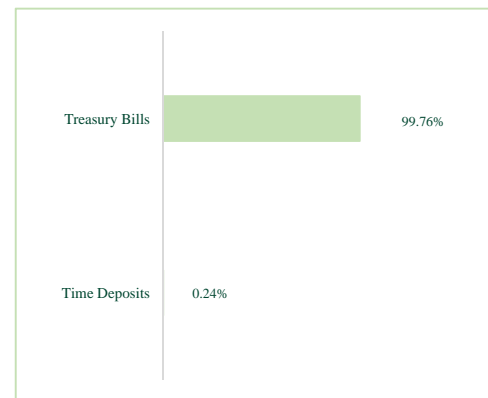
Management Company	Hermes Fund Management
Fund Manager	Yehya Abdel Latif
Assistant Fund Manager	Aly Sallam

Contact Details

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Portfolio
Performance Figures

Date	Return*
Q4 2019	11.76%
Q3 2019	12.57%
Q2 2019	13.38%
Q1 2019	14.12%
YTD	13.59%
Since Inception	14.21%

Asset Allocation

Market Outlook
Market Commentary

- ≡ Egypt remains attractive in terms of debt markets in the region, with improving BOP, stronger EGP, and deceleration in inflation levels.
- ≡ Yields saw a downward drop by nearly 100bps on average throughout Q42019. Due to MPC cut expectations and foreign demand.
- ≡ During the quarter, the MPC cut rates by 200bps pushing yields down. The quarter closed with overnight deposit rate, overnight lending rate, and the rate of the main operation to 12.25%, 13.25%, and 12.75% respectively
- ≡ Foreign holdings of Egyptian debt stood at USD21bn by the end of November
- ≡ Treasury bills auction coverage ratio during the quarter averaged at 1.79x.
- ≡ Egypt's annual headline inflation accelerated to 7.1% in December from 3.6% in the previous month.
- ≡ The CBE has so far reversed a total of 650 bps of the initial 700 bps hike since the EGP floatation in November 2016.
- ≡ The quarter closed at 3M: 15.10%, 6M: 15.05%, 9M: 14.90% and 1Yr: 14.64%

Economic Update

- ≡ Egypt's Ministry of Planning announced that GDP grew by 5.6% in 1Q19/20 compared to a growth of 5.3% in the corresponding quarter of the fiscal year 2018/2019. We highlight that the government is targeting 6.0% GDP growth for the full fiscal year 2019/2020
- ≡ The CBE announced increasing retail clients debt burden ratio to 50% of monthly salary up from 35% previously set in January 2016. The debt burden ratio implies for personal loans, credit card payments, and car loans, while housing loans burden ratio remains unchanged at 40%
- ≡ Fitch affirmed Egypt's rating at 'B+' with a stable outlook. The credit agency indicated that its rating is a reflection of the improvement in macroeconomic stability and external finances yet the relatively weak governance along with security risks still weigh on the overall rating
- ≡ Unemployment rate dropped to 7.8% in 3Q19 down from 10.0% in 3Q18, yet inched higher from the 7.5% recorded in 2Q19. The overall employment force increased by 0.34 million to 28.4 million people with unemployment limited to 2.2 million people out of Egypt's total work force
- ≡ Egypt's Net International Reserves inched upwards from USD45.35 billion to USD45.40 billion thus maintaining import coverage ratio at 8 months

Strategy

- ≡ The Fund Manager expects easing cycle to continue throughout 2020, with authorities keeping an eye on key figures as well as ongoing geopolitical risks in the region, causing some possible volatility during the first half of the year. Hence, the fund manager will benefit from the current yields on the T-bills while maintaining robust maturity ladder to meet any possible shock.