

Quarterly Report 4Q 2018

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 securities of companies listed on the Egyptian Stock Exchange
- All investments must be approved by the Sharai Board of the fund
- The fund can also invest in treasury bills, treasury bonds, corporate bonds, securitization bonds and time deposits.

Subscription/Redemption

- The fund offers weekly liquidity to investors
- The valuation day for the fund is the last business day of every week

Fund Details

Type of scheme	Open Ended
Inception date	December 2004
IC price	119.98 EGP
Dividend Since Inception	73.5 EGP
Bloomberg Ticker	EFGFISL
ISIN	65077570

Fund Manager

Management Company	Hermes Fund Management
Fund Manager	Nabil Moussa

Contact Details

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Portfolio

Performance Figures

Date	Return
Q4 2018	-6.4%
YTD	-10.8%
2017	30.1%
5-YTD	54.6%
Since Inception	111.2%

Sector Allocation



Market Outlook

Market Commentary

- EGX30 plummeted 10.9% in 4Q2018 resulting in a negative YTD performance of 13.2%. The decline was associated with negative performance across global markets with MSCI EM down 16.6% YTD.
- It is worth mentioning that during the quarter the market saw the IPO of Cairo for Investment and Real Estate Development (CIRA) that concluded the sale of up to 37.8% of its stake worth around EGP1.3 billion; CIRA managed to outperform the market post IPO up 45%.
- Citadel Capital continued to outperform the market during the quarter by 16.8% on the back of the announcement of ERC commencement by May 2019.
- On the other hand, AMOC severely underperformed down 43.5% after margin compression due to a shift in Mascot sales to the export market at lower prices and margins.
- Real Estate sector also underperformed this month especially SODIC (-38.7%) on the back of the ratio implied from the merger deal with Medinet Nasr.

Economic Update

- MPC kept Overnight Deposit and Lending Rates for the sixth consecutive meeting at 16.75% and 17.75% respectively
- Egypt's Current Account Deficit Drops Significantly by 58.6% to USD6.0 Billion in FY17/18
- Government Targets to Drop Fiscal Deficit to 7% of GDP
- Foreign Holdings in Egyptian Treasuries Drops for the Eighth Month in a Row to reach USD10.9 billion as of November
- Net International Reserves dropped USD2 in December to reach USD42.6 Billion, which records the first drop since 2016
- Inflation rate falls in December to 12.0% down from 15.7% as of November 2018

Strategy

- The investment manager believes that we are currently in a period of extended correction caused by local panic, and that although we cannot specify the bottom, we are confident of a strong rally in the medium-term. The manager believes that Egypt's current high risk free rate is weighing on the markets valuation multiples, and that we need interest rates to start dropping in order to see a sustainable rally.
- As a result, the manager believes that we are not far away from the bottom if it has not been reached already, yet the market needs a catalyst to make a sustainable run. Therefore, the manager expects that we might move a bit of a sideways in the short term yet we think there is a strong rally from here over the medium term.