

## Quarterly Report 1Q 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 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 the last business day of every week
- Minimum initial investment is 30 IC's

### Fund Details

Type of scheme	Open Ended
Inception date	March 2012
IC price	EGP 186.050
Dividend since Inception	EGP 0.00
Duration	139.30 days
Fund Size	EGP 244.07 million

### Fund Manager

Management Company	Hermes Fund Management
Fund Manager	Khalil El Bawab
Assistant Fund Manager	Yehya Abdel Latif
Managed Since	July 2017

### Contact Details

Ahly United Bank	
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## Portfolio

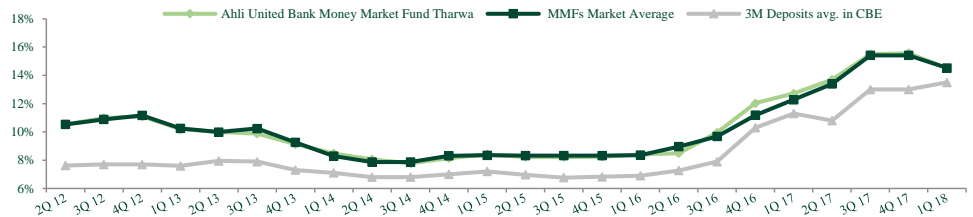
### Performance Figures

Date	Return
Q1 2018	14.51%
YTD	14.51%
2017	15.20%
5-YTD	10.68%
Since Managed by EFG-Hermes	15.79%
Since Inception	10.75%

### Asset Allocation

Time Deposits	49.74%
Treasury Bills	45.29%
Short-Term Bonds	4.97%

### Relative Performance



## Market Outlook

### Market Commentary

- In an expectation of a rate cut, treasury yields started to gradually drop around 150 bps from the start of the quarter until the MPC was held on 15th of February, where MPC decided to cut rates by 100bps. Following the MPC, the market corrected and rebounded with about 45bps
- The following Monetary Policy Committee took place on 29th of March, where another 100bps cut took place in line with market expectation
- Market reaction was muted as the cut had been mostly priced in
- The 3 months, 6 months, 9 months and 1-year treasury bills closed 1Q2018 with an average net of tax rate of 14.52%, 14.42%, 13.84%, and 13.63%

### Economic Update

- Egypt's budget deficit narrowed to 4.4% in 1H17/18 down from 5.0% in 1H16/17 mainly on the back of 38% increase in total revenue while limiting expenditure growth to 25%
- Fitch Ratings upgraded Egypt's outlook to positive from stable while maintaining sovereign credit rating at B
- The CBE Monetary Policy Committee cut overnight deposits and lending rates by 2.0% during the last two meetings (1% in February and 1% in March) to reach 16.75% and 17.75% respectively
- Egypt issued USD4.0 billion of Eurobonds over three tranches and the book was covered 3 times
- Egypt's GDP growth rate reached 5.3% in 2Q17/18 as per the Ministry of Planning
- Government approved FY18/19 Budget targeting growth of 5.8% up from 5.2% in FY17/18
- Government announced State IPO Program over the Coming 24-30 Months, targeting total proceeds of EGP80 billion
- Egypt's Net International Reserves remained stable at USD42.6 billion in March 2018 compared to USD42.5 billion in February 2018 implying an import coverage ratio of 8.3 months
- Inflation rate reached 13.3% in March almost 1.0% down from 14.4% in February 2018

### Strategy

- The fund manager will increase/maintain the fund duration to take advantage of expected further interest rate cuts
- The manager continues to selectively purchase treasuries as well as deposits to lock in interest rates
- Going forward, the fund manager will be keeping a close eye on inflationary figures while maintaining high durations in anticipation of expected rate cuts. While also maintaining high levels of liquidity to meet any sudden redemptions