

## 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 30 IC's

### Fund Details

Type of scheme	Open Ended
Inception date	March 2012
IC price	EGP 220.714
Dividend since Inception	EGP 0.00
Duration	115.15 days
Fund Size	EGP 564.37 million

### Fund Manager

Management Company	Hermes Fund Management
Fund Manager	Yehya Abdel Latif
Assistant Fund Manager	Aly Sallam
Managed Since	July 2017

### Contact Details

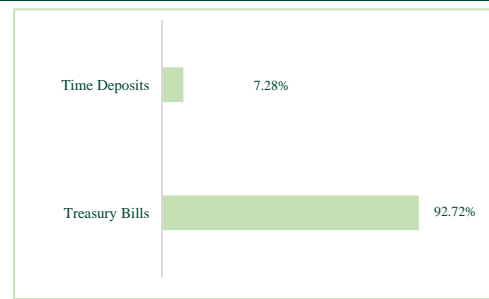
Ahly United Bank	
Telephone	19072
Website	<a href="http://www.ahliunited.com/egypt/">http://www.ahliunited.com/egypt/</a>

## Portfolio

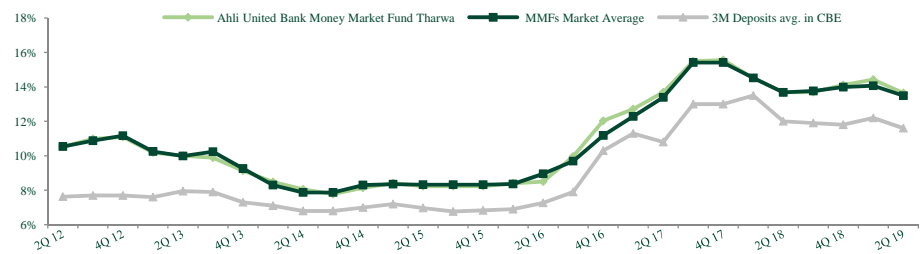
### Performance Figures

Date	Return
Q2 2019	13.65%
YTD	14.28%
2018	14.75%
2017	15.20%
5-YTD	11.97%
Since Managed by EFG-Hermes (01-July-2017)	16.34%
Since Inception	11.41%

### Asset Allocation



### Relative Performance



## 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.