

## Quarterly report Q3-2023

### 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
- The fund can also invest in treasury bills, treasury bonds, corporate bonds, securitization bonds and time deposits.

### Subscription/Redemption

- The fund offers daily subscription to investors
- The fund offers weekly redemption to investors
- The valuation day for the fund is the last business day of every week
- Minimum initial investment is 5 ICs

### Fund Details

Type of Scheme	Open Ended
Inception date	April-2008
IC price	EGP 387.14
Dividends Since Inception	EGP 62.67
ISIN	65122941

### Fund Manager

Management company	Hermes Fund Management
Fund Manager	Nabil Moussa
Assistant Fund Manager	Mostafa Amer
Managing since	July-2013

### Contact Details

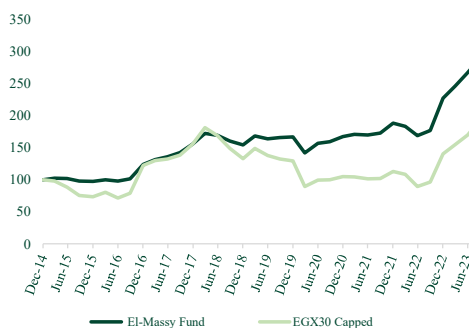
Egyptian Agricultural Bank	
Telephone	+202-27942471
Fax	+202-27948193
Website	<a href="https://www.abe.com.eg/">https://www.abe.com.eg/</a>

## Portfolio

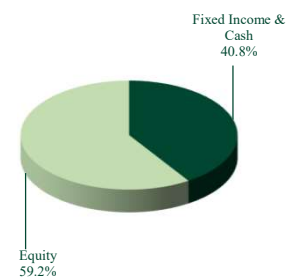
### Performance Figures

Date	Return
Q3-2023	8.1%
YTD	27.2%
2022	20.6%
2021	12.7%
5-YTD	80.3%
Since Inception	391.5%

### Relative Performance



### Asset Allocation



## Market Outlook

### Egyptian Market

The Egyptian market moved on the opposite direction of global markets advancing by 14.2% in the third quarter of 2023 implying YTD total gain of 38.2%. However, if we factor the 19.9% EGP devaluation that occurred in the first quarter of the year, this implies that the market YTD positive performance in 2023 is 10.7% only.

We highlight that corporate's operating profits increased by 40.1% in the first half of 2023, while total earnings if we factor FX gains increased by 57.1%. Therefore, we can see that earnings growth is outpacing the market in local currency implying that valuations are contracting reflecting investor's fear from Egypt's high level of foreign debt and its implications on the currency.

The Egyptian market is currently trading at a P/E of 6.3x, which is around 34% lower than its historic average of 9.6x. We believe that the market requires a flexible FX regime in addition to strong economic reforms and more contributions from the private sector to witness a new cycle of multiple expansion. However, we note that the market is currently acting as a hedge against further EGP devaluation, which we believe will keep the market supported, especially with the expected earnings growth. As a result, we believe that the market will remain achieving positive returns in EGP terms.

### Market Commentary

- driven by food & beverage (up c. 2.4% MoM) and tobacco (up c. 5.8% MoM).
- Egypt's net international reserves (NIR) reached \$34.93bn by the end of August-23.
- JPMorgan placed Egypt's eligibility in its Government Bond Index - Emerging Markets (GBI-EM) series under review for three to six months, with the possibility of removal from the index if FX hurdles persist. Egypt will remain in the index during the review.
- The Monetary Policy Committee (MPC) decided to keep the Central Bank of Egypt's (CBE) overnight deposit, lending rate, and the rate of the main operation unchanged at 19.25%, 20.25%, and 19.75%, respectively in its September meeting.
- Egypt's net foreign liability position narrowed by \$360mn in August reaching \$25.9bn.
- Quarter Closed:
  - 3Yrs: 24.09%
  - 5Yrs: 15.00%
  - 7Yrs: 15.50%
  - 10Yrs: 14.68%

### Strategy

- The fund manager will let duration fall naturally, in order to navigate expected volatility and possible redemptions in the short term. Given market conditions, the fund manager will be seeking to deploy cash positions in the best short-term available option.