

Quarterly report
Q4-2023

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 376.73
Dividends Since Inception	EGP 124.74
ISIN	65122941

Fund Manager

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

Contact Details

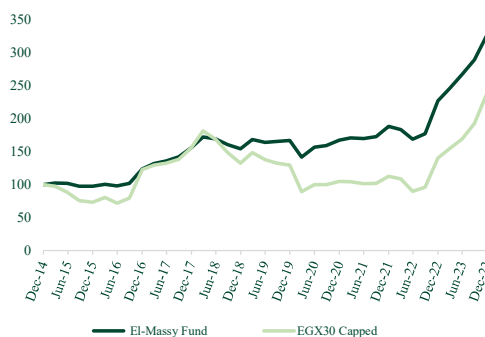
Egyptian Agricultural Bank	
Telephone	+202-27942471
Fax	+202-27948193
Website	https://www.abe.com.eg/

Portfolio

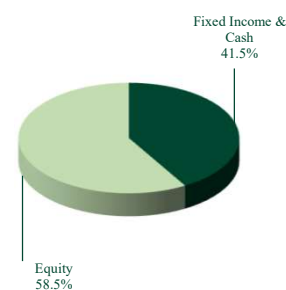
Performance Figures

Date	Return
Q4-2023	13.3%
YTD	44.2%
2022	20.6%
2021	12.7%
5-YTD	112.0%
Since Inception	457.1%

Relative Performance



Asset Allocation



Market Outlook

Egyptian Market

The Egyptian market outperformed global markets increasing 70.5% in EGP terms during 2023, and if we factor the 20% EGP devaluation, the market will be up 36.4% in USD terms. We note that the market performance will be muted in USD terms in line with other emerging markets if we factor the USD rate based on the fluctuating parallel market rate.

We note that corporate earnings increased by 51.0% in the first nine months of 2023 thus we are witnessing market growth ahead of earnings for the first time in several years. We believe that this happened for two main reasons: 1) Investors are factoring that earnings growth is based on the official exchange rate, implying hidden unallocated revenues that will boost total profitability, and 2) The market is currently trading at a P/E (24e) of 8.1x which is around 16% lower than its historic average of 9.6x.

We believe 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

- Headline inflation eased from 35.8% in October to 34.6% in November. This came as monthly momentum inched from 1% in the previous month to 1.3%. The slowdown came on the back of continued moderation in food inflation, with prices increasing 0.2% down from 1.5% in the previous month and 3.6% in the month before.
- Egypt's current account deficit narrowed to \$2.8bn in 1Q23/24 from \$3.2bn a year earlier. This came as the trade deficit narrowed to \$7.9bn from \$9.1bn in 1Q22/23 on the back of a drop in imports to \$16.3bn. Tourism revenues grew c. 9% to \$4.5bn, while FDI saw a drop to \$2.3bn from \$3.3bn. Overall, the balance of payments recorded a surplus of \$229mn vs \$523.5mn in 1Q22/23.
- Net international reserves increased slightly to \$35.22bn in December from \$35.17bn a month earlier.
- Egypt's Purchasing Managers' Index (PMI) slightly rose to 48.5 in December from 48.4 in the previous month, marking the first uptick since last September.
- 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 December meeting.
- Egypt's net foreign liability position narrowed to \$27bn in November from \$27.2bn in October.
- Quarter Closed:
 - 3Yrs: 24.04%
 - 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.