

**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 weekly liquidity to investors
- The valuation day for the fund is the last business day of every week
- Minimum initial investment is 10 ICs
- Maximum investment is 50,000 ICs

**Fund Details**

Type of Scheme	Open Ended
Inception date	December-1994
IC price	EGP 776.67
Dividends Since Inception	EGP 314.00
Bloomberg Ticker	EFGALXA
ISIN	65077561

**Fund Manager**

Management company	Hermes Portfolio and Fund Management
Fund Manager	Nabil Moussa

**Contact Details**

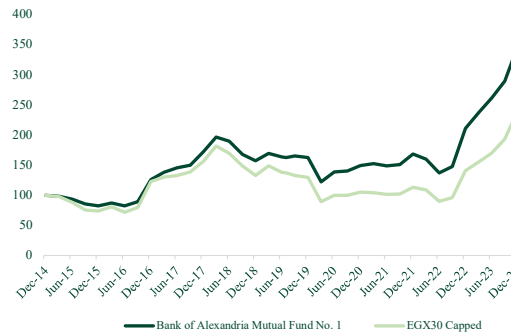
Bank of Alexandria	
Telephone	19033
Website	<a href="https://www.alexbank.com/En">https://www.alexbank.com/En</a>

**Portfolio**

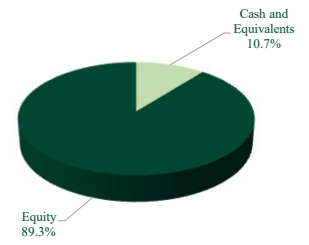
**Performance Figures**

Date	Return
Q4-2023	19.7%
YTD	64.1%
2022	25.3%
2021	12.7%
5-YTD	120.3%
Since Inception	2785.6%

**Relative Performance**



**Asset Allocation**



**Market Outlook**

**Global Equity Markets**

Inflation has been falling gradually in high income economies during 2023; however, the economic performance of these economies was variant. The US economy showed strong resilient, while Europe is considered in a mild recession, and China is struggling to achieve its growth targets. This was reflected in equity markets performance with S&P 500 ending the year up 24.2%, while MSCI Europe was up 16.4%, and MSCI China was down 13.3%.

The resilience of the US economy came as a surprise given the FED tightening policy by increasing interest rates by 5.25% during the period March 2022 to July 2023. However, the US government adopted an expansionary fiscal policy to let the economy make a soft landing rather than entering a phase of recession. As a result, we witnessed a low level of unemployment and increasing real wages thus maintaining strong consumer demand. We note that inflation has dropped in the US from an average of 8.0% in 2022 to 4.2% in 2023 despite of the strong demand, which implies an increase in the supply side attributed to the recovery in supply chain process that was disrupted post the COVID-19 era.

We believe that 2024 will be a bit similar and a bit different to 2023. It will be similar in that rates will remain inflated given that the FED is fearing a new wave of inflation thus will be slow to ease, while it will be different as the fiscal expansionary policy is currently muted by the congress which will lead to a decline in aggregate demand. Therefore, we expect the US economy to witness a slowdown; however, we are not sure if it is going to be extended to a recession or not.

As a result, we see no further hikes in 2024, yet we do not expect the FED to start easing before the second half of 2024. Therefore, with a slowing economy and stable interest rates, we do not expect the USD to rally in 2024, which should bode well for global equity markets.

**Emerging Markets**

Investors were too bullish on their assumptions for Chinese growth in 2023 given it was the first year to re-open post COVID-19 pandemic. However, actual growth figures were lower than expectations which hindered the market performance and leading MSCI China to drop by 13.3% in 2023. This hindered the performance of Emerging markets in general given that China represents around 30% of MSCI EM index. As a result, MSCI EM increased by 7.0% only in 2023 thus significantly underperforming global markets.

We note that the Chinese government started to take several measures including liquidity injections into the economy to boost economic growth. We believe the government need to keep pursuing policies that improves confidence in future growth along with favorable external factors given that we do not expect further strength in USD nor further expansion in interest rates might lead to an improved outlook for China and emerging markets in 2024.

**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.