BANK NXT Helal 2nd Fund

Quarterly report
Q2-2025

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
- All investments must be approved by the Sharia Board of the fund
- 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 first business day of every week

Fund Details

Type of Scheme	Open Ended
Inception date	May-2011
IC price	EGP 229.40
Dividends Since Inception	EGP 304.87

Fund Manager

Management company	Hermes Portfolio and Fund Management
Fund Manager	Nabil Moussa

Contact Details

BANK NXT

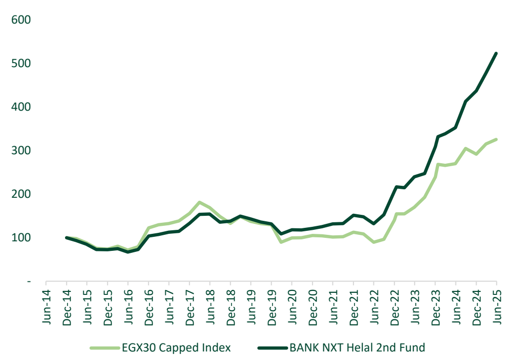
Telephone	16697
Website	https://www.banknxteg.com/

Portfolio

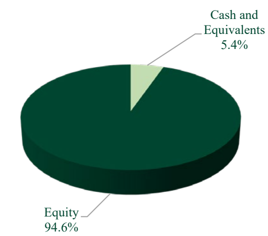
Performance Figures

Date	Return
Q2-2025	9.5%
YTD	19.7%
2024	41.6%
2023	49.4%
5-YTD	343.6%
Since Inception	772.1%

Relative Performance



Asset Allocation



Market Outlook

US Market

The US market ended the first half of 2025 up 5.5% yet with a very volatile performance during the six months. Investors started the year optimistic on the new administration plans to deregulate the economy and apply a fiscal expansionary policy this led to 4.5% increase from the beginning of the year till February 19th whereby the S&P recorded an all-time high of 6,144 points.

However, with the intensifying of trade war prospects between the US and its key trading partners; investors started to fear uncertainty towards growth potentials in light of corporates starting to suffer from higher input costs which led to decision to halt most expansion plans until the uncertainty is cleared. As a result, the market witnessed a strong correction declining 20.6% from the all-time high during the period February 19th to April 8th whereby the S&P fell to 4,876 points implying 17.1% decline from the beginning of the year.

This decline led the US administration to pause new tariffs for 3 months in order to further negotiate with key trading partners, this was in parallel with strong earnings growth among most corporates in 1Q results supported by the technology sector and AI innovations and development. This led the market to erase all losses and increase by 27.2% from the low of April to close the first half of the year at a new all-time high of 6,205 points implying 5.5% YTD gain.

In conclusion, looking on the big picture we believe that the US market bottomed in October 2022 and a new bull market started powered by Artificial Intelligence development. Historically, speaking bull markets that start with new innovations usually span around 5 years. This is mainly because new innovations help increasing the productivity of the economy, and this is evident across many sectors in the US. Therefore, the market uptrend is expected to last until 2027; however, markets also often witness corrections and shakeouts during the uptrend cycle as the one seen earlier this year but it is quickly fixed as long as the growth fundamentals remain intact.

Finally, we note that markets usually move based on earnings and interest rates. Therefore, we believe that the Artificial Intelligence trade innovation will help increase productivity thus support earnings, while interest rate expectations are downward in light of the current stable inflation figures. Therefore, we believe that the market uptrend case till 2027 is the most likely scenario even if there is volatility down the road.

Emerging Markets

Emerging markets outperformed the US market in 1H25 for the first time in several years advancing by 13.7% supported by China's market post the introduction of Deep Seek as a strong AI innovation. We note that the bulk of this outperformance occurred in the first quarter with the second quarter witnessing almost identical performance between the US market and MSCI EM index.

We note the immediate risk for emerging markets is the renewal of US tariffs after the Us administration made a 3 month pause in April to negotiate deals before imposing aggressive tariffs. We note that this risk is reduced for China as the US and China announced agreeing on a framework deal for future trade; although details of the deal are not yet disclosed; however, tariff uncertainty remain valid risk for several emerging countries in Asia that have a large trade surplus with the US.

As such, we might see some volatility in the short term; however, if we look on the big picture for emerging markets, we believe it is still positive based on three key points:

1. The USD weakened against other major currencies by 10.7% during 1H25, and the US administration prefers a weak currency in order to boost its exports and manufacturing, thus the USD will likely remain under pressure, which bodes well for economic growth in emerging markets.
2. The Fed is in an easing cycle, and although its currently in a pause mode in order to assess the impact of Tariffs on inflation, it is most likely to begin rate cuts again in light of the current political pressure, which also bodes well for economic growth in emerging markets.
3. The Chinese economy is gradually improving with the economy on track to achieve the government's target of 5% GDP growth, and given China's weight in MSCI EM index of around 28% we believe this will further support emerging markets.

Egyptian Market:

The Egyptian market increased by 10.5% during the first half of 2025 moving in line with the upward trend of emerging markets. We note that corporates operating income increased by 25.2% during 1Q25 outpacing the market increase; however, we note that earnings capacity to further grow from here during 2025 is limited given that most corporates started to adjust gradually for the new exchange rate post the EGP floatation in March 2024. Therefore, we expect total earnings in 2025 to grow in the range of 25 – 30%, and that the market will increase at a similar rate or even at a higher pace given that we are already trading at significant discount to our historic average. The market is currently trading at P/E (25e) of 5.7x implying around 37% discount to its 5-years average of P/E of 9.0x.

We believe that the market is lacking a clear catalyst given that local investors are already heavily exposed to the market; while foreign investors presence is muted at around 7% of turnover compared to around 15% at the end of 2021.

We believe the market has limited downside from here given that earnings are advancing at higher pace than average market returns, and the market cheap valuation will keep the acquisition theme as a catalyst in 2025.