

Quarterly report Q1-2023

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 363.86
Dividends Since Inception	EGP 25.50
ISIN	65122941

Fund Manager

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

Contact Details

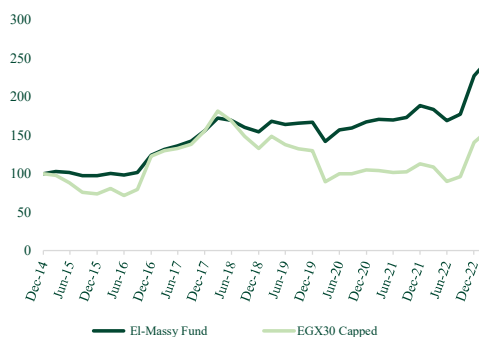
Egyptian Agricultural Bank	
Telephone	+202-27942471
Fax	+202-27948193
Website	https://www.abe.com.eg/

Portfolio

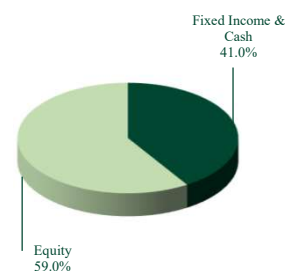
Performance Figures

Date	Return
Q1-2023	8.3%
YTD	8.3%
2022	20.6%
2021	12.7%
5-YTD	42.7%
Since Inception	318.5%

Relative Performance



Asset Allocation



Market Outlook

Equity Commentary

The Egyptian market moved in the same direction with global markets with EGX30 increasing 20.7% from the beginning of the year till February 9th. However, with bearishness in global investment sentiment, the market lost 13.4% during the period February 9th to March 22nd thus limiting its YTD performance to 4.5%. Afterwards, EGX30 advanced by 7.6% from the low of March 22nd till the end of the month to end the quarter up 12.5%. We note that the market is underperforming other global markets in USD terms, given that the EGP devalued by 19.9% in 1Q23 implying -9.9% performance for EGX30 in USD terms during 1Q23.

We highlight that corporate earnings increased by 39.2% in 2022 supported by the energy sector which represent around 24% of the index benefiting from the strength of the USD and the continuous rise in commodity prices. In addition banks which represent around 30% of the index also benefited from the continuous rise in interest rates. We believe that corporate earnings will maintain a strong momentum in 2023 supported by a higher average exchange rate given that USD/EGP average rate in 2022 was EGP19.26 compared to a current rate of EGP31.0. Moreover, the CBE hiked rates by 10% in 2022, which will be reflected in earnings of the financial sector during 2023.

We highlight, that the market valuation multiples are contracting, despite of earnings growing by 39.2% in 2022, the index increased by 22.2% only reflecting investor's fear from Egypt's high level of foreign debt and current account deficit. The Egyptian market is currently trading at a P/E of 7.8x, which is around 27% lower than its 5-year average of 10.7x. We believe that the market requires a flexible FX regime in addition to strong economic reforms and more contribution from the provide sector in order 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 in the near future especially with the expected earnings growth.

Fixed Income Commentary

- Egypt's annual headline inflation accelerated from 31.9% in February to 32.7% in March. The annual rate reflects an increase in monthly inflation by 2.7% down from 6.5% in the previous month. This was mostly driven by a 4.8% MoM increase in the food & beverages sub-index (now accounts for c. 40% of the CPI basket vs a base weight of c. 33%).
- Egypt's net international reserves rose by USD95m in March to USD34.447bn, according to the CBE.
- Egypt's Purchasing Managers' Index fell to 46.7 in March from 46.9 in February; the lowest reading since January 2023 yet slightly higher than the 46.5 recorded in March 2022.
- Egypt's nominal GDP rose 4.3% q-o-q in 4Q, while real GDP rose 1.1% q-o-q, according to the Ministry of Planning.
- The Monetary Policy Committee (MPC) decided to raise the Central Bank of Egypt's (CBE) overnight deposit, lending rate, and the rate of the main operation by 200bps to 18.25%, 19.25% and 18.75%, respectively.
- Egypt's external debt rose by 5.5% during 4Q2022 to USD162.9bn compared to USD154.9bn by end of September 2022. This is an 11.9% increase during the year from USD145.5bn reached by the end of 2021.
- The banking sector net foreign liabilities (NFL) widened to USD23.0bn in February from USD21.7bn in the previous month, according to CBE data.
- Quarter Closed:
 - 1Yr: 22.70%
 - 3Yrs: 21.70%
 - 5Yrs: 20.00%
 - 7Yrs: 15.50%
 - 10Yrs: 14.68%