

Quarterly Report
Q2 2020

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 treasury bills, treasury bonds, corporate bonds, securitization bonds and time deposits.

Subscription/Redemption

- The fund offers weekly subscriptions to investors
- The fund offers monthly redemptions to investors
- The valuation of the fund is daily
- Minimum initial investment is 100 IC's

Fund Details

Type of scheme	Open Ended
Inception date	April 2010
IC price	EGP 29.13152
Dividend since Inception	EGP 0.25
Duration	1.90 years
Fund Size	EGP 147.11 million
Bloomberg Ticker	EFGBOAF
ISIN	68074583

Fund Manager

Management Company	Hermes Fund Management
Fund Manager	Karim Zaafan

Contact Details

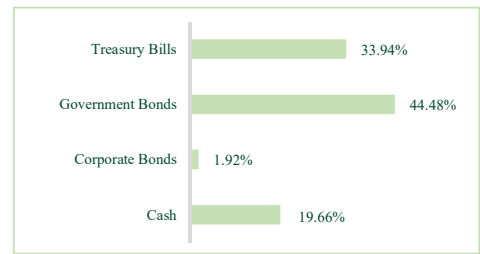
Bank of Alexandria	
Telephone	19033
Website	https://www.alexbank.com/En

Portfolio

Performance Figures

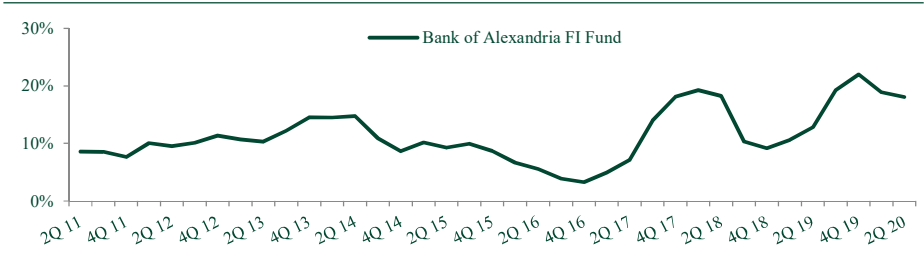
Date	Return*
YTD	6.02%
2019	22.00%
2018	9.15%
5-Years	78.25%
Since Inception	198.30%

Asset Allocation



* Simple Performance Figures

Performance**



** Simple Performance Figures

Market Outlook

Market Commentary

- ≡ During the quarter, the IMF stated that global economy will shrink by 3% this year for the first time since the great depression.
- ≡ The Egyptian government revised its GDP growth forecasts for FY20-21 from 5.6% to 4.2%.
- ≡ OPEC producers agreed to cut 9.7 million barrels per day.
- ≡ Egypt's net international reserves recorded a third consecutive monthly decline in May, reaching its lowest level in three years, standing at USD36Bn in May.
- ≡ The EGP depreciated against the greenback by 2.6% since mid-May. Egypt has sought different sources of funding in order to battle the adverse effects from the spread of the virus. The country embarked on a Eurobonds sale worth USD5Bn in addition to an IMF loan worth USD2.8Bn. Egypt has also made an agreement with the IMF for another USD5.2 funding.
- ≡ Most Countries started re-opening their economies for gradual recovery; however, investors are still assessing the ease of lockdown against the risk of a second wave of infections.
- ≡ The Monetary Policy Committee of the Central Bank of Egypt has decided to keep the benchmark overnight deposit and lending rates unchanged at 9.25% and 10.25%, respectively, at its June meeting.
- ≡ Annual headline urban inflation declined to 4.7% in May 2020 from 5.9% in April, supported by muted inflationary pressures as well as favorable base effects where monthly headline inflation recorded zero in May compared to 1.1% in May 2019.
- ≡ The quarter closed at:
 - ≡ 3Yrs: 13.92%
 - ≡ 5Yrs: 14.10%
 - ≡ 7Yrs: 14.00%
 - ≡ 10Yrs: 14.10%

Economic Update

- ≡ The executive board of the IMF approved Egypt's request for an emergency financial assistance package worth USD2.8 billion to meet the country's urgent needs post the outbreak of COVID-19. According to the IMF, the loan will help limit the decline in net international reserves and provide financing to the budget for targeted and temporary spending in order to contain the economic impact of COVID-19. Additionally, the executive board of the IMF approved a new USD5.2 billion, 12 month loan that aims to help Egypt cope with the impact of COVID-19 on budget and balance of payment shortfalls. The program targets to maintain Egypt's macroeconomic stability while giving priority to protect social and health spending while avoiding an excessive build-up in public debt.
- ≡ Egypt successfully raised USD5.0 billion Eurobond over three tranches. The first tranche worth USD1.25 billion (4-year tranche), while the second tranche is worth USD1.75 billion (12-year tranche), and the third tranche worth USD2.0 billion (30-year tranche). The Eurobond was successfully covered around 5 times and was priced in a range of 5.475% to 7.505% above US treasury rates. We highlight that this pricing is around 2.5% less than the previous month pricing.
- ≡ The CBE maintained overnight deposit and lending rates stable at 9.25% and 10.25% respectively in an expected move given that the CBE held last March an emergency meeting cutting rates by 300 bps in a preemptive move to support the economy amid the outbreak of COVID-19.
- ≡ Ministry of Finance stated that GDP growth in FY19/20 dropped from the expected 6.0% to around 4.0% (EGP130 billion drop) as a result of the COVID-19 crisis mainly on the back of drop in tax and non-tax revenue. Moreover, the Ministry indicated that it used around EGP63 billion out of the EGP100 billion stimulus package distributed to several sectors including health care and industrials.
- ≡ Ministry of Finance indicated that FY20/21 budget deficit could widen to 7.8% of GDP compared to its previous forecast of 6.2% given the negative impact of COVID-19 on the economy. Moreover, the primary surplus would also drop from previous projection of 2.0% to 0.6%. Finally, total debt could rise to 88% of GDP compared to the previous estimate of 83%.
- ≡ The CBE announced that Egypt's foreign reserves increased to USD38.2 billion in June up from USD36.0 billion in May. As a result of this drop, Egypt's import coverage ratio dropped from 6.6 months to 7.3 months.
- ≡ Egypt's headline inflation accelerated to 5.6% in June up from 4.7% in May. Monthly prices increased by 0.1% compared to a zero change in the previous month.

Strategy

- ≡ With such volatility and the uncertainty surrounding the second wave prices are dropping back to lucrative levels. The Manger will attempt to benefit from such chances without hindering his ability to meet any expected liability needs while avoiding unnecessary risks.