

**Quarterly Report**  
Q3 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.
- Investments tenor shouldn't exceed 13 months and the weighted average duration shouldn't exceed 150 days.

**Subscription/Redemption**

- The fund offers daily liquidity to investors
- The valuation day for the fund daily
- Minimum initial investment is 100 IC's

**Fund Details**

Type of scheme	Open Ended
Inception date	May 2006
IC price	EGP 41.09676
Dividend since Inception	EGP 0.00
Duration	130.57 days
Fund Size	EGP 1,653.02 million
Bloomberg Ticker	EFGALX2
ISIN	65077562

**Fund Manager**

Management Company	Hermes Fund Management
Fund Manager	Yehya Abdel Latif
Assistant Fund Manager	Aly Sallam

**Contact Details**

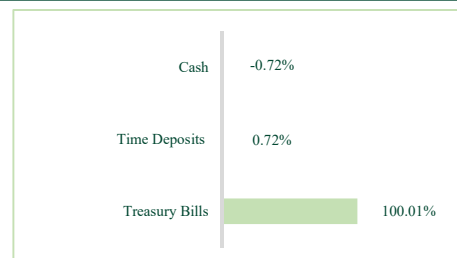
Bank of Alexandria	
Telephone	19033
Website	<a href="https://www.alexbank.com/En">https://www.alexbank.com/En</a>

**Portfolio**

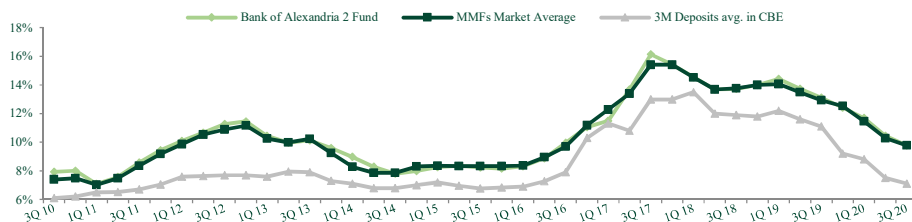
**Performance Figures**

Date	Return
Q3 2020	9.77%
YTD	10.92%
2019	14.10%
2018	14.74%
5-YTD	12.82%
Since Inception	10.33%

**Asset Allocation**



**Relative Performance**



**Market Outlook**

**Market Commentary**

- During the quarter, globally, economic activity remained subdued despite some recovery, international oil prices broadly stabilized, and global financial conditions continued to improve, supported mainly by policy-measures despite the ongoing uncertainty.
- Egypt's PMI rebounded to 44.6 in June, against 40.7 in May. Yet, investors were still caught in the middle between a better than expected economic data and concern over the surge in the number of cases.
- Preliminary figures show FY19/20 real GDP growth of 3.5%, down from 5.6% in the previous year with unemployment increasing to 9.6% in 2Q20 from 7.7% in 1Q20, reflecting the impact of COVID-19 on the economy.
- The quarter closed at 3M: 13.28%, 6M: 13.52%, 9M: 13.44% and 1Yr: 13.65%.

**Economic Update**

- The CBE Monetary Policy Committee (MPC) surprised the market by cutting rates by 50 bps bringing overnight deposit and lending rates to 8.75% and 9.75% respectively implying total cuts of 1,000 bps since the beginning of the easing cycle in February 2018. The CBE stated that muted inflationary pressure registering below 6% since February 2020 confirms the moderation of inflation expectations thus the cut aims to provide appropriate support to economic activity.
- The government announced that fiscal deficit narrowed to 7.8% of GDP in FY19/20 down from 8.2% in FY18/19 despite of COVID-19 crisis and its impact on economy. The government indicated that it achieved a primary surplus of 1.8% of GDP only 0.2% lower than its initial target, while public debt declined to 86.2% of GDP down from 90.4% a year earlier.
- The government announced that GDP growth stood at 3.5% in FY19/20 down from a preliminary figure of 3.8%. The government added that growth have been 1.9% if it wasn't for the support and stimulus package amid the outbreak of COVID-19 in March 2020.
- Unemployment rate jumped to around 9.6% (two year high) amid the outbreak of COVID-19 and its impact on the economy. We highlight that unemployment was 7.7% at the end of March 2020 and jumped around 2% over the next quarter with the outbreak of COVID-19 and the lockdown imposed.
- Egypt sold USD750 million five-year green bonds offering investors a yield of 5.25%. The proceeds of the bond will be used to finance or refinance green projects in transportation, renewable energy, and energy efficiency. It's worth mentioning that Egypt is the first country in the MENA region to issue such bonds.
- The CBE announced that Egypt's foreign reserves inched upwards from USD38.36 billion in August to USD38.43. This is considered the fourth consecutive month with stable reserves post the COVID-19 outbreak that led to USD9.5 billion drop in foreign reserves during the period March to May 2020.
- Egypt's headline inflation climbs to 3.7% in September, MoM rises to 0.3% on marginal cost-push impacts; but food prices continue to decline. We highlight that this is the fifth consecutive month we witness drop in food prices partially due to seasonality and partially due to weak consumption level mostly on the back of recent announced figure of an increase in unemployed people by around 2.7 million.

**Strategy**

- The Fund increased durations taking advantage of the improved sentiment towards the Egyptian economy, which led to increased foreign flow into the local treasuries market. Going forward the fund will continue with a slightly increased duration while still maintaining ample short-term liquidity positions due to the recent flare ups in the ongoing global pandemic which is hampering economic recovery. The fund is well positioned and prepared for any expected volatility as well as to face any redemption requests. The fund manager will continue to monitor the market situation for investment opportunities.