

**Quarterly Report**  
Q4 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 42.09227
Dividend since Inception	EGP 0.00
Duration	112.22 days
Fund Size	EGP 1,635.77 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**

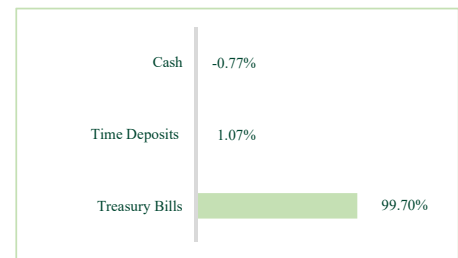
Bank of Alexandria	
Telephone	19033
Website	<a href="https://www.alexbank.com/En">https://www.alexbank.com/En</a>

**Portfolio**

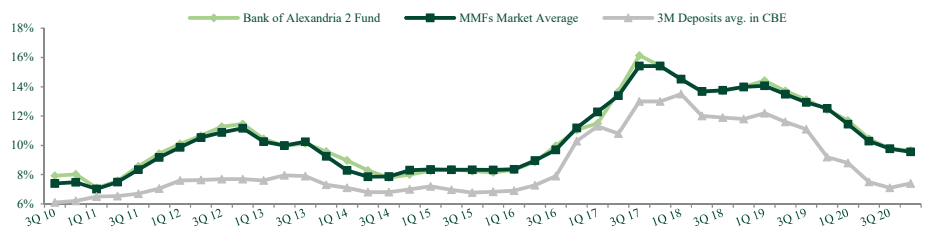
**Performance Figures**

Date	Return
Q4 2020	9.64%
YTD	10.80%
2020	10.80%
2019	14.10%
5-YTD	12.90%
Since Inception	10.32%

**Asset Allocation**



**Relative Performance**



**Market Outlook**

**Market Commentary**

- During the quarter, globally, economic activity remained weak despite the accommodative financial conditions, due to the outbreak of the second wave of COVID-19.
- Egypt's non-oil private sector recovery stalled again in December as covid-19 cases climbed steadily throughout the month, causing muted consumer demand. The PMI gauge fell to 48.2 in December, down from 50.9 in November
- GDP grew at a preliminary estimate of 0.7% y-o-y in 3Q20, partially reversing a decline of 1.7% in 2Q20. Most demand side leading indicators showed signs of recovery in October and November with the unemployment rate falling to 7.3% in 3Q20, the lowest rate on record, from 9.6% in 2Q20.
- Egypt's net international reserves increased to USD40.1bn in December from USD39.2bn in the previous month
- The Monetary Policy Committee of the Central Bank of Egypt has decided to keep the benchmark overnight deposit and lending rates unchanged at 8.25% and 9.25%, respectively, in its January meeting.
- Egypt's annual headline inflation decelerated to 5.4% in December from 5.7% in the previous month.
- The quarter closed at: 3M: 12.71%, 6M: 12.89%, 9M: 12.89%, 1Yr: 12.90%.

**Economic Update**

- The CBE maintained overnight deposit and lending rates stable at 8.25% and 9.25% respectively in an expected move given that the CBE had already cut rates by 10.5% since the beginning of the easing cycle in February 2018. The CBE lowered its inflation target to 7% (+/- 2%) on average during 4Q22 down from its previous expectation of 9%.
- S&P maintained Egypt's rating at B with a stable outlook for the second time post the outbreak of COVID-19 pandemic. The credit agency expects Egypt to maintain positive economic growth of 2.5% in FY20/21 that will jump to 4.8% in FY21/22, and 5.4% in FY22/23.
- The Ministry of Finance stated that foreigners increased their investments in governmental debt to USD21.1 billion by mid-October compared to USD10.4 billion last May. Despite of the increase we are still behind the pre-corona figure of USD27.8 billion as of February 2020. The ministry attributed the increasing appetite lately due to experiencing a quick and easy exit earlier this year unlike other markets that reacted differently during crisis.
- The government announced that unemployment rate dropped to 7.3% in 3Q20 down from 9.6% in 2Q20 and 7.7% in 1Q20 when unemployment surged as an outcome of lockdowns that resulted from the outbreak of COVID-19.
- The CBE announced that Egypt's net foreign reserves rose USD0.84bn in December to USD40.06bn, the highest level since March. An increase in reserves was expected in December, as Egypt received a second tranche of the Stand-By Agreement with the IMF of USD1.6bn.
- Egypt's headline consumer price inflation slowed down to 5.4% in December, from 5.7% in November, thanks to a deceleration in food prices.

**Strategy**

- The fund manager will cautiously add to the duration, aiming to benefit from relatively high yields in anticipation of gradual economic recovery and a continuation of an easing monetary policy.