

**Quarterly report
Q3-2022**

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 weekly liquidity to investors
- The valuation day for the fund is the last business day of every week
- Minimum initial investment is 10 ICs
- Maximum investment is 50,000 ICs

Fund Details

Type of Scheme	Open Ended
Inception date	December-1994
IC price	EGP 331.17
Dividends Since Inception	EGP 314.00
Bloomberg Ticker	EFGALXA
ISIN	65077561

Fund Manager

Management company	Hermes Fund Management
Fund Manager	Nabil Moussa

Contact Details

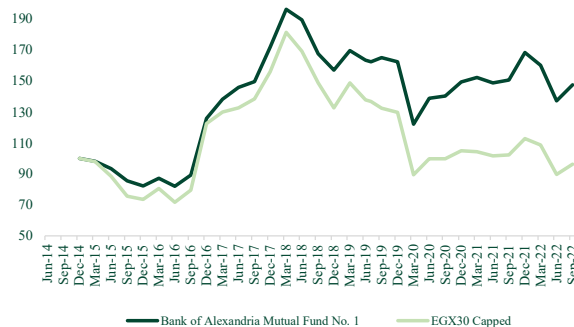
Bank of Alexandria	
Telephone	19033
Website	https://www.alexbank.com/En

Portfolio

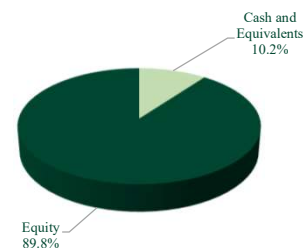
Performance Figures

Date	Return
Q3-2022	7.6%
YTD	-12.3%
2021	12.7%
5-YTD	-1.4%
Since Inception	1130.4%

Relative Performance



Asset Allocation



Market Outlook

Global Equity Markets

Most investors believe that inflation outlook will determine the path of global financial markets. Global markets started the quarter on a positive note whereby expectations that inflation peaked and will be moving downwards thus smoothing the FED hikes going forward. This led to a 13.7% increase in S&P500 and 11.7% increase in MSCI World Index; however, when the USA announced August inflation figures above expectations, markets tumbled as investors are fearing that high interest rate environment will remain longer than expected. As a result, the S&P lost 16.7% to end the quarter down 5.3%, while MSCI World lost 16.4% to end the quarter down 6.6%.

The current debate is whether inflation will remain sticky high in 2023 causing further suffering in global economies implying the continuity of bearish equity markets, or 2023 will witness disinflation thus giving a breath to global economy to pick its growth momentum leading to bullish equity markets.

We note that currently financial markets are receiving mixed signals as some sectors are witnessing disinflation mainly on weaker demand, while inflation remains sticky in other sectors due to disruption in supply. The positive thing in this condition is that global supply disruptions are easing as backlog order are declining while shipping rates and delivery time are improving.

We favor that the scenario of disinflation in 2023 as the improvement in supply chains is coming at a time of global monetary tightening thus squeezing demand, which will lead to significant drop in inflation figures.

Commodities Outlook

The slowdown in all main economies caused weaker demand for oil leading to a drop in oil Brent prices from an average of USD127.6 per barrel in 2Q22 to USD97.7 per barrel in 3Q22. We note that oil peaked in March 8th, 2022 post the Russian invasion to Ukraine trading at USD128.0 per barrel, while it closed the quarter at a price of USD88.0 per barrel implying 31.3% decline from the peak.

We believe that despite of structural supply concerns and the reduction in Russian oil supply, we do not expect any imminent rally in oil prices given the global macroeconomic conditions. In order to be bullish on oil and commodities in general we need to see global economy beginning a growth cycle along with the Fed stopping its contracting monetary policy. That said, we believe that lack of capex spending and inability of alternative energy to meet global demand will put a floor on the decline on energy prices, and once demand improves we will witness at least 10% jump in oil prices.

Egyptian Market Outlook

Egyptian market moved in line with global equity markets starting the quarter with a positive note advancing 13.1%; however, when global markets started to tumble the market followed them declining 5.8% to end the quarter up 6.5%. We note that Egyptian market is constantly moving in the same direction with global markets (especially emerging markets); however, the magnitude might differ.

Stock Exchange	YTD Performance
S&P 500	-24.80%
Nasdaq	-32.40%
MSCI World	-26.40%
MSCI Emerging Markets	-28.90%
EGX 30 (EGP)	-17.80%
EGX 30 (USD)	-33.90%

We highlight that the market performance is in line with global markets in EGP terms; however in USD terms the market is currently trading at its lowest level since 2004. We believe that foreign investors will not re-rate the market before the release of the details of the IMF program along with improving the outlook of private sector growth contribution into the economy.

We note that corporate earnings showed positive momentum in 1H 2022 with an average increase of 35.4% increase among EGX30 listed securities. This growth was mainly on the back of tremendous growth among commodity plays representing around 24% of the index and benefiting from rising USD and acceleration across all commodity prices. Moreover, the banking sector representing around 30% of the index showed strong growth benefiting from rising rates.

In conclusion, we believe the market is extremely cheap and oversold; however, economic uncertainty along with lack of clarity on EGP forecasts is weighing on the outlook for earnings forecasts leading to the lack of strong buying appetite.