Emirates NBD Money Market Fund (Mazid)

Quarterly Report
Q1 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 is daily
- Minimum initial investment is 25 IC's

Fund Details

Type of scheme	Open Ended
Inception date	December 2018
IC price	EGP 1,182.52
Dividend since Inception	EGP 0.00
Duration	119.46 days
Fund Size	EGP 645.48 million
Bloomberg	MAZIDFD
ISIN	2387794

Fund Manager

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

Contact Details

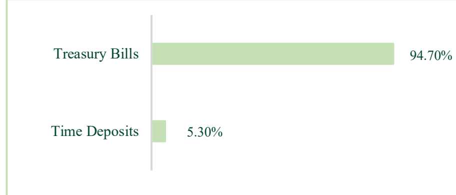
Emirates NBD	
Telephone	16664
Website	http://www.emiratesnbd.com.eg/egypt-en/

Portfolio

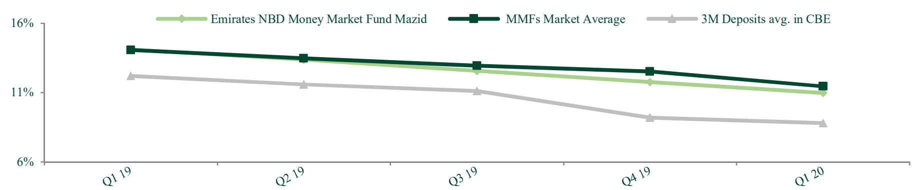
Performance Figures

Date	Return*
Q1 2020	10.98%
YTD	10.98%
Since Inception	13.63%

Asset Allocation



Relative Performance



Market Outlook

Market Commentary

- Emerging Markets are suffering as mounting fears of the adverse effect from the spread of the virus is worsening. Developing nations stocks and bonds lost more than USD 1.1 trillion in value, as investors grow increasingly concerned about the long-term economic impact of the virus
- Emerging market debt and equity outflows have hit USD 80 bn, with investors rushing to snap up cash as a safe haven asset.
- Prices on the two crude benchmarks have both collapsed after the Saudi-Russia price war increased an already serious demand slump caused by the covid-19 outbreak. WTI is now down more than 63% from its recent peak and Brent has lost more than 60%.
- The US Fed delivered another emergency rate cut, cutting its benchmark rate by a full percentage point. Its key rate now is zero to 0.25%, hitting the record low level that it reached during the finical crisis. The US Fed's emergency action came in as more evidence emerged that the virus will hit the global economy growth.
- Out of the USD 80bn Outflows from Emerging Market, around USD 10bn estimated from Egypt.
- EM currencies have also fallen against the USD. The EGP has dropped 26 piasters gradually from its peak of 15.49 on 23 February to reach 15.75.
- Yields on Egypt's Treasury Bills market followed a similar trajectory reaching as high as 16.10% in the secondary market
- With a low inflation reading in March 5.1% and a hefty +ve real interest rate spread, the CBE was able to undertake its biggest rate cut decision on record in an attempt to cushion covid-19's shock on the Egyptian economy.
- The quarter closed at:
  - 3M: 12.80%
  - 6M: 13.64%
  - 9M: 13.70%
  - 1Yr: 13.66%

Economic Update

- The CBE Monetary Policy Committee (MPC) held an unscheduled meeting to cut overnight deposit and lending rates by 300 bps to 9.25% and 10.25% respectively implying total cuts of 950 bps since the beginning of the easing cycle in February 2018. The CBE stated that its decision aims to provide appropriate support to domestic economic activity given the current challenge in external environment, while maintaining its inflation outlook of 9.0% (+/- 3.0%) in 4Q 2020.
- The government reduced its GDP growth forecast for FY19/20 to 5.1% down from 5.6% due to the impact of COVID-19 outbreak on the economy. The government clarified that it achieved 5.6% growth in 1H19/20 and expect growth to slow to 5.2% in 3Q19/20 and 4.0% in 4Q19/20. Moreover, the government expects its economy to grow by 4.2% in FY20/21 down from its initial estimate of 6.0% subject to being able to control COVID-19 before July.
- The government announced reducing natural gas prices to USD4.5 per MMBTU for industrial users (mainly steel and cement), and USD5.5 per MMBTU for other heavy manufacturing industries. Moreover, reducing electricity prices for heavy manufacturing industries by EGP0.1 per KWh. This comes as a part of wider support plans that aims to stimulate industrial activity amid global pressure in light of the COVID-19 outbreak.
- Net International Reserves (NIR) dropped to USD40.1bn from USD45.5bn in Feb yielding a USD5.4bn during the month. Post the drop, NIR still preserves a healthy import cover of 7.6 months, based on 2H19 imports.
- Inflation dropped to 5.1% in March 2020 down from 5.3% in February 2020 driven by 1.7% YoY drop in food prices, mainly vegetables that fell by around 9% during the month.

Strategy

- The Fund Manager will be taking a wait and see approach as the Corona virus side effects are yet to be fully seen. The fund will increase cash position and decrease duration until some clarity or signs of an equilibrium has been reached.