QNB Al Ahli Money Market Fund (Themar)

Quarterly report
Q4 2021

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 100 ICs

Fund Details

Type of Scheme	Open Ended
Inception date	September-2006
IC price	EGP 443.669
Dividends Since Inception	EGP 0.00
Duration	136.36 days
Fund Size	EGP 5,738.98 million
Bloomberg Ticker	EFGNSGB
ISIN	65077571

Fund Manager

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

Contact Details

QNB Al Ahli

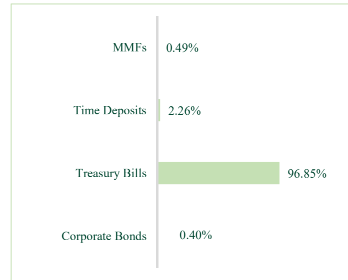
Telephone	19700
Website	http://www.qnbalahli.com/

Portfolio

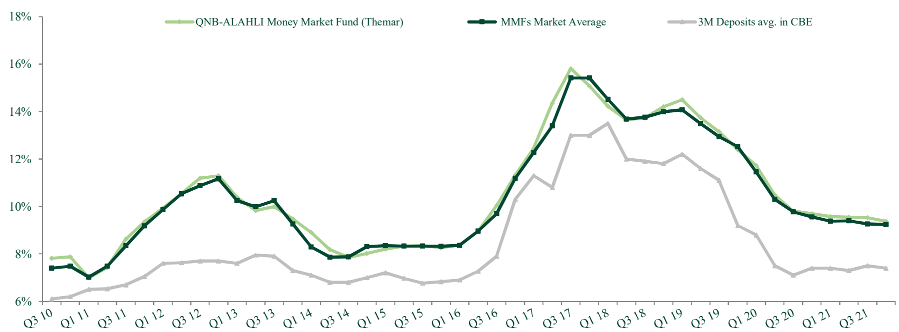
Performance Figures

Date	Return
Q4 2021	9.37%
YTD	9.85%
2021	9.85%
2020	10.83%
2019	14.13%
5-YTD	12.92%
Since Inception	10.25%

Asset Allocation



Relative Performance



Market Outlook

Market Commentary

≡ Real GDP growth recorded a preliminary figure of 9.8% y-o-y in 3Q21 compared to 7.7% y-o-y in 2Q21, reflecting the sustained pickup of domestic economic activity and the partial impact of a positive base effect. Additionally, leading indicators point towards a continued expansion across most economic sectors.

≡ The unemployment rate stabilized at 7.5% in 3Q21, compared to 7.3% in the previous quarter.

≡ Egypt's banking sector's net foreign assets (NFA), including the CBE, decreased c27% m-o-m in November to USD5.28bn from USD7.27bn in October.

≡ Foreign holdings of Egyptian T-bills dropped to USD22.1bn in October, from USD24bn in September.

≡ The quarter closed at: 3M: 11.50%, 6M: 12.12%, 9M: 13.00% and 1Yr: 13.26%

Economic Update

≡ The CBE maintained overnight deposit and lending rates stable at 8.25% and 9.25% respectively implying no change in interest rates during 2021 yet post 10.5% cuts over the period February 2018 to November 2020. We believe that given the global tightening monetary policy, there will be no further rate cuts in the foreseen future.

≡ Ministry of Planning indicated that Egypt's economy is expected to grow by 6-7% in the current quarter (2Q21/22), and expects to end the fiscal year 2021/2022 with an overall GDP growth in the range of 5.5-5.7%. We note that 1Q21/22 growth was 9.8% boosted by very low base effect in the previous year due to COVID-19 lockdown limitations.

≡ The Ministry of Finance stated that total budget deficit reached EGP267 billion in 5M21/22 representing 3.7% of GDP up from 3.2% in the previous year. The increase in deficit was a reflection of 6.5% increase in total revenues compared to a 16.1% increase in total expenditure. Core reason of the increase in expenditure is 23% increase in interest payments representing 40% of total expenditure.

≡ The government announced increasing gas prices by 27.8% for industrial players in the fertilizers, steel, and cement sector that were operating at a fixed rate of USD4.5 per MMBTU to a new rate of USD5.75 per MMBTU. This increase is not applicable to companies that are already operating via pricing formula.

≡ Saudi Arabia deposited USD3.0 billion in the CBE, and extended the maturity of USD2.3 billion existing deposit. This is considered a supportive step to Egypt's foreign reserve position boosting the country's FX buffers to meet its funding needs in FY21/22.

≡ The CBE announced that Egypt's foreign reserves inched upwards to USD40.93 billion in December up from USD40.91 billion in November implying a stable import coverage ratio of 6.9 months.

≡ Egypt's headline inflation slowed to 5.9% in December compared to 5.6% in November.

Strategy

≡ The fund manager will maintain duration, in order to navigate expected volatility in the short term, while still aiming to benefit from relatively high yields in anticipation of gradual economic recovery.