

Quarterly report  
Q1 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 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 30 ICs

Fund Details

Type of Scheme	Open Ended
Inception date	March-2012
IC price	EGP 293.416
Dividends Since Inception	EGP 0.00
Duration	125.55 days
Fund Size	EGP 762.43 million
Bloomberg Ticker	THARWAA.EY

Fund Manager

Management company	Hermes Fund Management
Fund Manager	Yehya Abdel Latif
Assistant Fund Manager	Aly Sallam
Managed Since	July 2017

Contact Details

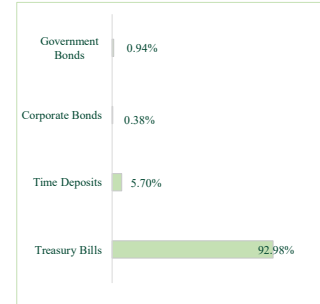
Ahly United Bank	
Telephone	19072
Website	<a href="http://www.ahliunited.com/egypt/">http://www.ahliunited.com/egypt/</a>

Portfolio

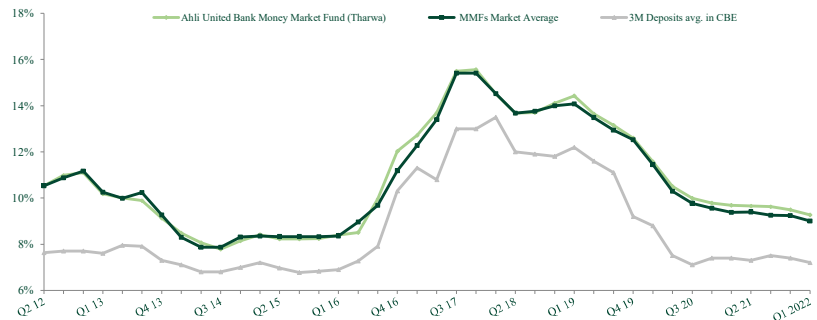
Performance Figures

Date	Return
Q1 2022	9.28%
YTD	9.28%
2021	9.96%
2020	10.88%
2019	14.14%
5-YTD	12.77%
Since Managed by EFG-Hermes (01-July-2017)	16.07%
Since Inception	11.27%

Asset Allocation



Relative Performance



Market Outlook

During Q1 2022, Global markets have been experiencing severe economic downturn due to the following factors:

- ≡ Russia Invasion of Ukraine.
- ≡ The commodities crunch accelerating across the globe.
- ≡ Federal Reserve expected raised interest rates in March Meeting. Market expects five hikes for 2022 and another four next year.
- ≡ COVID-19 pandemic still causing slowdown to domestic growth and supply shocks.

Market Commentary

- ≡ Egypt's 8M21/22 budget deficit widened to 5.15% of GDP from 5% of GDP a year earlier, according to the Ministry of Finance data. Expenditures rose c12% y-o-y to EGP1.05trn, while revenue rose by c9% y-o-y to EGP683bn.
- ≡ The Egyptian pound devalued by more than c16% to bid-ask rates of EGP18.4-18.5/USD.
- ≡ Banque Misr and the National Bank of Egypt offered one-year certificates of deposits (CDs) at an interest rate of 18%.
- ≡ Egypt's banking sector's net foreign assets (NFA), including the CBE, decreased c69% m-o-m in January to USD750m from USD2.41bn in December.
- ≡ Net foreign portfolio outflows in Egypt since the invasion of Ukraine by Russia reached EGP36bn, divided into EGP34.2bn in bonds, and EGP1.9bn in equities.
- ≡ The quarter closed at: 3M: 11.83%, 6M: 12.83%, 9M: 13.38% and 1Yr: 13.50%

Economic Update

- ≡ The CBE hiked overnight rates by 100 bps signaling the first hike to occur since May 2017, and implying overnight deposit rate of 9.25%, and overnight lending rate of 10.25%. Moreover, the EGP was devalued by around 15% back to 2018 levels in an action that aims to keep foreign liquidity in the local market and preserving global financial markets confidence in Egypt. Finally, the CBE stated that exchange rate flexibility is an important factor to maintain the country's competitiveness.
- ≡ The government announced lowering its real GDP growth target in FY22/23 from 5.7% to 5.5% due to the effects of the Russian Ukrainian war on our economy. Moreover, the government indicated its plan to restrict its fiscal budget in order to adjust for the implications of the war.
- ≡ Egypt started discussing with the IMF a new possible loan as the Russian Ukrainian War is adding further pressure on the country's economy. The IMF indicated that its staff is working closely with Egyptian authorities to prepare for a program that helps provide sustainable economic stability, while emphasizing that exchange rate flexibility is essential to absorb external shocks during uncertain time, and that a prudent fiscal and monetary policy will also be needed to preserve macroeconomic stability.
- ≡ Saudi Arabia deposited USD5 billion in the CBE with one-year maturity that can be renewed based on mutual agreement. Moreover, the Saudi Public Investment Fund (PIF) is aiming to attract USD10 billion worth of investments in cooperation with the Sovereign Fund of Egypt. The Egyptian government indicated that investments are part of a package of Saudi projects that will be established in Egypt with details to be announced as soon as possible.
- ≡ The government announced signing USD5 billion worth of investment deals with Qatar. The government gave no details of the signed investment deals indicating only that the two countries will set up a joint committee to strengthen cooperation across different fields.
- ≡ The CBE announced that Egypt's foreign reserves declined in March 2022 to USD37.1 billion from USD41.0 billion in February 2022, this has been the first decline in the past 22 months.
- ≡ Egypt's headline inflation jumped to 10.5% in March up from 8.8% in February implying the highest monthly inflation figure since June 2019, and an average inflation figure of 6.5% for 8M21/22 compared to an average of 4.5% in FY20/21. The jump in inflation was led by a sharp rise in food prices that accelerated driven by a wide range increase in fruits and vegetables, mainly.

Strategy

- ≡ The fund manager will let duration fall naturally, in order to navigate expected volatility and possible redemptions in the short term, while still aiming to benefit from relatively high yields in anticipation of gradual economic recovery.