

Quarterly report
Q3 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 30 ICs

Fund Details

Type of Scheme	Open Ended
Inception date	March-2012
IC price	EGP 280.151
Dividends Since Inception	EGP 0.00
Duration	118.40 days
Fund Size	EGP 843.10 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

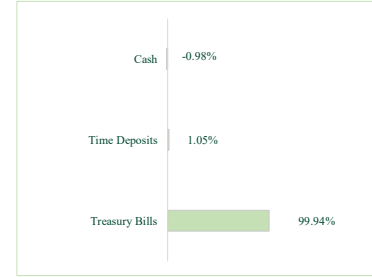
Ahli United Bank	
Telephone	19072
Website	http://www.ahliunited.com/egypt/

Portfolio

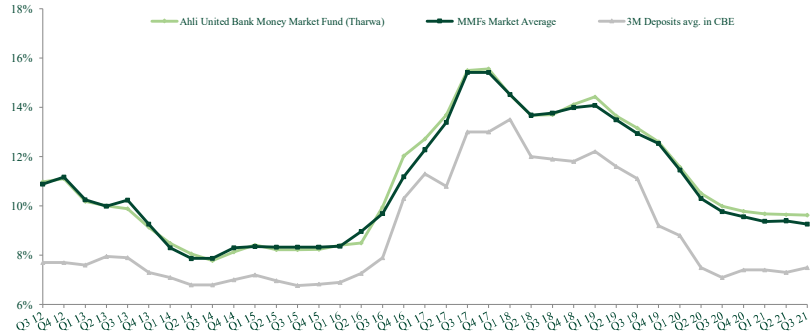
Performance Figures

Date	Return
Q3 2021	9.62%
YTD	9.89%
2020	10.88%
2019	14.14%
5-YTD	13.09%
Since Managed by EFG-Hermes (01-July-2017)	16.08%
Since Inception	11.35%

Asset Allocation



Relative Performance



Market Outlook

Market Commentary

- Real GDP growth recorded a preliminary figure of 7.7% in 2Q21, reflecting a rebound from last year's trough at -1.7% and implying FY20/21 growth of 3.3%.
- Unemployment rate stabilized at 7.3% in 2Q21 compared to 7.4% in 1Q21.
- Egypt's net international reserves (NIR) inched up to USD40.67bn in August from USD40.61bn 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, on its September meeting.
- The Egyptian government sold USD3bn USD denominated benchmark triple tranche Eurobonds. The bonds were c3x oversubscribed and will be used to cover the FY21/22's budget funding needs.
- Egypt's banking sector's net foreign assets, including the CBE, decreased c3% m-o-m in July to USD15.6bn from USD16.0bn in June.
- Foreign holdings in Egyptian treasuries increased to USD33bn in early August, representing c13% of issued treasuries.
- Annual headline urban inflation increased to 5.7% in August from 5.4% in July, mainly driven by unfavorable base effect and higher contribution of food items.
- The quarter closed at 3M: 12.34%, 6M: 12.62%, 9M: 12.70%, 1Yr: 13.06%

Economic Update

Capital Gains Tax to be Implemented on Public Equities for Local Investors starting 2022

The government announced its plan to start from January 1st, 2022 implementing a 10% capital gains tax on public equities, while canceling the 0.1255% stamp duty tax for local resident investors. On the other hand, foreign investors will be exempted from the capital gains tax yet will continue paying stamp duty tax at 0.125% for each transaction.

MPC Maintains Overnight Deposit and Lending Rates

The CBE maintained overnight deposit and lending rates stable at 8.25% and 9.25% respectively for the sixth consecutive meeting yet post 10.5% cuts over the period February 2018 to November 2020. We believe that with global inflationary pressures and the government need to constantly push for price adjustments, there will be no change in interest rates for the remaining period of 2021.

Egypt Raises USD3 in Eurobond Issuance

Egypt raised USD3 billion from its Eurobond issuance that was covered 3 times. The sale included USD1.125 billion 6-year note at a yield of 5.8%, USD1.125 billion 12-year notes at yield of 7.3%, and USD0.75 billion 30-year notes at yield of 8.75%.

Bank's Net Foreign Assets Liability Deepens further into USD4.4 Billion Liability

The CBE announced that net foreign assets of local Egyptian banks went further into the red registering USD4.4 billion net liability position compared to USD1.6 billion in July, and a net asset position of USD1.7 billion in June. This implies USD6.2 billion drop in two months. We believe that drop was due to widening current account deficit due to rising import pressure forcing banks to use some of its assets to fund FX obligations.

Foreign Reserves Inch Upwards to USD40.67 Billion

The CBE announced that Egypt's foreign reserves inched upwards to USD40.83 billion in September 2021 up from USD40.67 billion in August 2021 implying a stable import coverage ratio of 7.2 months.

Inflation Increases to 6.6% in September

Egypt's headline inflation increased to 6.6% in September up from 5.7% in August, and an average of 4.5% during FY20/21. This is the highest monthly inflation figure since April 2020, which was expected due to unfavorable base effect in food prices in August/September 2020. We believe that inflation will keep gradually picking up in light of constant rise in global commodity prices that will force producers to pass on rising input prices. We note that the CBE expects inflation to reach 7% (+/-2%) as of 4Q2022, and we expect the figure to be in line yet towards the mid to upper end.

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 and a continuation of an easing monetary policy in the medium to long term.