

## Quarterly report Q2-2023

### 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 daily subscription to investors
- The fund offers weekly redemption to investors
- The valuation day for the fund is the last business day of every week
- Minimum initial investment is 5 ICs

### Fund Details

Type of Scheme	Open Ended
Inception date	April-2008
IC price	EGP 358.27
Dividends Since Inception	EGP 62.67
ISIN	65122941

### Fund Manager

Management company	Hermes Fund Management
Fund Manager	Nabil Moussa
Assistant Fund Manager	Mostafa Amer
Managing since	July-2013

### Contact Details

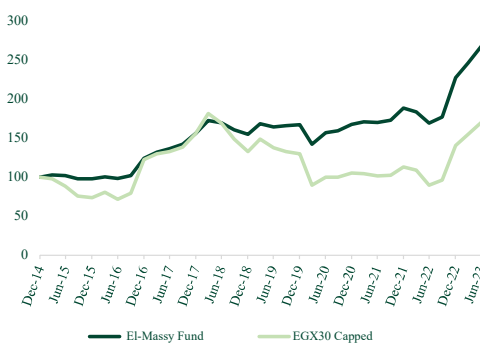
Egyptian Agricultural Bank	
Telephone	+202-27942471
Fax	+202-27948193
Website	<a href="https://www.abe.com.eg/">https://www.abe.com.eg/</a>

## Portfolio

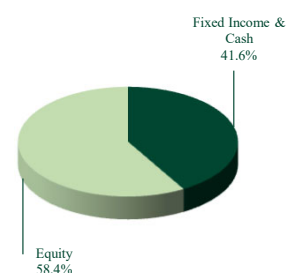
### Performance Figures

Date	Return
Q2-2023	8.7%
YTD	17.7%
2022	20.6%
2021	12.7%
5-YTD	58.1%
Since Inception	354.8%

### Relative Performance



### Asset Allocation



## Market Outlook

### Equity Commentary

The Egyptian market is a tale of two currencies. In local currency, the market was up 21% in the first half of 2023 outperforming global and emerging markets; however, if we factor that the EGP depreciated by around 20% during the same period, we note that the market was down by 3.0% in USD terms.

We highlight that corporate earnings increased by 39.2% in 2022, and 54.1% in 1Q 2023; however, the market main index EGX30 increased by 22.2% in 2022 and 21.0% in 1H23 implying that the market valuation is contracting reflecting investor's fear from Egypt's high level of foreign debt and its implications on the currency.

The Egyptian market is currently trading at a P/E of 6.5x, which is around 40% lower than its 5-year average of 10.7x. We believe that the market requires a flexible FX regime in addition to strong economic reforms and more contribution from the private sector in order to witness a new cycle of multiple expansion. However, we note that the market is currently acting as a hedge against further EGP devaluation, which we believe will keep the market supported in the near future especially with the expected earnings growth. As a result, we believe that the market will remain achieving positive returns in EGP terms.

### Fixed Income Commentary

- Egypt's annual headline inflation accelerated to 35.7% in June from 32.7% in the previous month. The annual rate reflects a monthly inflation of 2.1% (vs 2.7% in May), mostly driven by tobacco prices, which saw a c. 19% MoM increase (vs c. 5% in May). Meanwhile, food inflation moderated with a MoM rise of 1.8% (vs 4.0% in May), which is the lowest reading since August 2022.
- Egypt's net international reserves slightly increased by USD146.5mn, reaching USD34.807bn by the end of June from USD34.66bn in May. Meanwhile, the unofficial foreign reserves inched up in June by USD708mn, reaching its highest level since February-22 at USD9.58bn.
- Egypt's Purchasing Managers' Index (PMI) continued its improvement, rising to 49.1 in June from 47.8 in May. This is the highest reading since August 2021.
- In its meeting on 22 June 2023, the Monetary Policy Committee (MPC) decided to keep the Central Bank of Egypt's (CBE) overnight deposit, lending rate, and the rate of the main operation at their current level of 18.25%, 19.25% and 18.75%, respectively.
- Egypt's banking sector net foreign liability position slightly narrowed to USD24.1bn in April from USD24.3bn in the previous month, according to the Central Bank of Egypt (CBE) data.
- Quarter Closed:
  - 3Yrs: 21.70%
  - 5Yrs: 15.00%
  - 7Yrs: 15.50%
  - 10Yrs: 14.68%