

Quarterly report Q4-2024

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 469.44
Dividends Since Inception	EGP 144.74
ISIN	65122941

Fund Manager

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

Contact Details

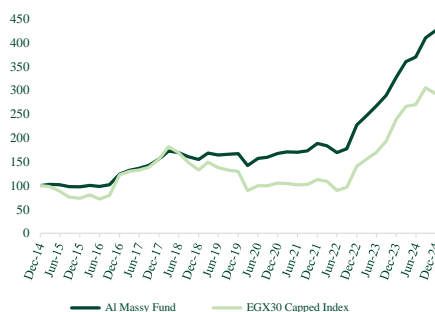
Egyptian Agricultural Bank	
Telephone	+202-27942471
Fax	+202-27948193
Website	https://www.abe.com.eg/

Portfolio

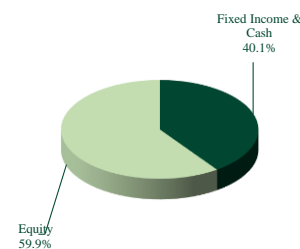
Performance Figures

Date	Return
Q4-2024	3.9%
2024	29.9%
2023	44.4%
2022	20.6%
5-YTD	155.3%
Since Inception	624.8%

Relative Performance



Asset Allocation



Market Outlook

Egyptian Market:

The Egyptian market surged by 2.9x during the period July 2022 to March 2024 driven by EGP weakness and investors looking for alternatives to preserve the value of their money. The market continued its run, increasing by 17.5% from the end of March till the end of September with investors shifting their exposure to stocks that were highly depressed during the FX shortages, mainly in the consumer and healthcare sector. Finally, the market was supported by acquisitions from regional investors into local quality names that turned very cheap in USD terms.

However, the market declined in the last quarter of 2024 by 5.8% moving in parallel with the decline in emerging markets amid fear of an intensified trade war and its implications on emerging economies.

We note that corporates operating income increased by 50.5% during 9M24 compared to limited upside in the market during 2024 by 19.5%, implying multiple contraction. The market is currently trading at P/E (25e) of 6.5x implying around 30% discount to its 5-years average of P/E of 9.3x. We believe that the market is lacking a clear catalyst given that local investors are already heavily exposed to the market; while foreign investors presence is muted at around 7% of turnover compared to 15% pre-currency crisis in 2022.

We believe the market has limited downside from here given that already earnings are advancing at a much higher pace than average market returns; however, a strong rally considering the absence of a clear catalyst is doubtful. Finally, we believe that the market cheap valuation will keep the acquisition theme as a catalyst in 2025. However, we note that the acquisition theme is positive in the short term, yet it has negative long-term implications as the market keeps shrinking in terms of breadth and diversity.

Market Commentary

- Egypt has repaid \$38.7bn in outstanding debt this year, according to the Prime Minister Moustafa Moadbouy. Some \$7bn were repaid during November and December.
- Annual headline inflation decelerated to 25.5% in November from 26.5% a month earlier on lower food prices. This comes as the monthly momentum dropped to 0.5% from 1.1% in October. Meanwhile, annual core inflation has also decelerated to 23.7% in November.
- The CBE decided to keep policy rates unchanged in its final meeting of the year, The overnight deposit and lending rates remained unchanged at 27.25%, and 28.25%, and the main operation and discount rates at 27.75%.
- Egypt's real GDP growth accelerated to 3.5% in 3Q24 from 2.4% in the previous quarter, according to the Ministry of Planning.
- Egypt's net foreign reserves rose by \$157mn in December to \$47.1bn.
- Egypt's PMI dropped to 48.1 in December from 49.2 in November, which marks the sharpest decline since April.
- Average T-Bonds Net Rate Q4 2024:
 - 3Yrs: 19.48%
 - 5Yrs: 12.00%
 - 7Yrs: 12.40%
 - 10Yrs: 11.74%

Strategy

- The fund manager will continue deploying cash in longer tenors, to increase the duration and take advantage of higher rates.