

Quarterly report
Q3-2024

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 corporate bonds, securitization bonds and time deposits.

Subscription/Redemption

- The fund offers weekly liquidity to investors
- The valuation day for the fund is the last business day of every week

Fund Details

Type of Scheme	Open Ended
Inception date	September-1997
IC price	EGP 361.80
Dividends Since Inception	EGP 738.26
Fund size	EGP 50.86 million
Bloomberg Ticker	
ISIN	

Fund Manager

Management company	Hermes Fund Management
Fund Manager	Nabil Moussa
Managed by EFG Since	June-23

Contact Details

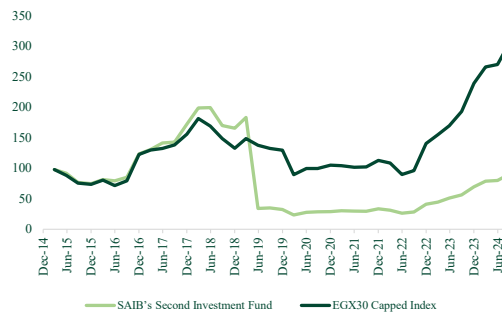
SAIB Bank	
Telephone	16668
Website	http://www.saib.com.eg/

Portfolio

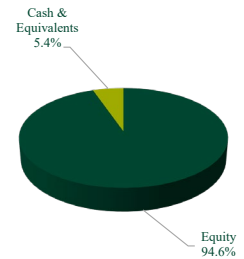
Performance Figures

Date	Return
Q3-2024	12.8%
YTD	29.9%
2023	68.9%
2022	23.1%
Since Managed by EFG-Hermes (26-June-2023)	76.0%
Since Inception	3364.5%

Relative Performance



Asset Allocation



Market Outlook

US Market

The US market continued its positive performance in the third quarter of 2024 increasing by additional 5.5% and closing the quarter at an all-time high of 5,762 points implying 20.8% increase from the beginning of the year.

The market was supported by the FED decision to cut benchmark rates by 50bps starting an easing cycle that investors expect to be extended by further cuts in the range of 150–200 bps over the next 18 months. These expectations are based on the FED recent comments that the focus is currently to keep the economy operating at a full employment level and preventing a prolonged recession. As per the latest announced figures, US headline inflation stood at 2.5% while core inflation stood at 3.2%, while the FED current benchmark rate is 4.75%. Therefore, markets expect the FED to go into neutral interest rate environment within the next 18 months implying 150 bps cut to align with current core inflation rates; however, with expectations that inflation will further go down this might lead to 200 bps cut.

The US market outlook will depend on the economic outlook. So far investors are bullish on 2025 assuming that the US is entering into a recovery phase, and that this phase will be coupled by an easing monetary policy which bodes well for equity valuations. However, we must highlight that the US is going to witness a presidential and parliamentary elections next November, and that the outcome of both elections might have significant weight on future economic policies, which might create some uncertainty and volatility over the short term.

Emerging Markets

MSCI Emerging Markets index made a decent upward move in the third quarter of 2024 advancing 6.0% leading to an increase of 17.5% since the beginning of the year. MSCI EM index was mainly supported by China in the third quarter as MSCI China increased by 21.9% following the government's recent stimulus package.

We believe that China's economic stimulus is a very positive step given that any increase in Chinese domestic demand is very positive for global economy in light of China's weight and impact on global manufacturing and commodity prices. We believe the positive outlook for the Chinese economy along with the FED easing cycle sets the ground for a hype in emerging markets, yet the only threat is an intensifying trade war between the US and China post the elections in the US.

We note that MSCI EM is trading at P/E (25e) of 12.1x compared to its 5-years average of P/E of 15.2x implying 20.4% discount. We also note that at times of growth and easing cycles, emerging markets tend to trade at above average multiples.

Egyptian Market:

The Egyptian market recorded its best quarter since the beginning of 2024 advancing by 13.8% to end the first 9 months up 26.9%. The market witnessed strong volatility in the first half of the year given the surge in USD/EGP rate in the parallel market during the first quarter than the stability of the rate at banks during the second quarter at a 30% discount to the peak of the parallel market rate. However, investors gradually gained confidence in the market with corporates releasing strong earnings growing at a higher-than-expected rate. We note that earnings increased by 63.2% during 1H24; however, this figure was boosted by FX gains and interest income given that the bulk of corporates were long USD and had positive net cash position. Excluding FX and interest income, operating earnings increased by 40.3% which implies that the market is getting cheaper in terms of P/E multiples given that EGX increased by 26.9% only.

We believe that the market is trading at P/E (25e) of 6.0x implying around 40% discount to its historic average. As a result, we believe the market outlook is positive in light of the expected inflows into emerging markets and the appealing valuations; however, for the market to reflect its real potential, the economic policies must move in line with the agreed upon economic reform plan with the IMF.