



MISR
Capital
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RISING ABOVE



نعمل معاً للخير بلدنا

Fund Manager
Misr Capital

Banque Misr Second Fund (Equity Fund) Q1 2020 Newsletter

Issuing Bank
Banque Misr

Fund details

Fund Type	Equity/ Capital Growth
Inception Year	1995
NAV Calculation	Daily
Certificates purchase & redemption (All Banque Misr branches)	Requests received every working day till 12:00PM
Weekly NAV Publishing	Every Sunday (Al Ahram Newspaper)
Certificate purchase Fee	None
Certificate Redemption Fee	0.75%
Fund Manager Fee	0.2 - 0.3 % according to fund's NAV
Fund Performance Benchmark	91 T-Bills (Net of Tax) +3%
Portfolio Manager	Mohamed Fahmy, CFA
Fund's Auditors	Mazars- Baker Tilly

Investment Policy Summary

Equity Min-Max Limits	50%-95%
Fixed Income Min-Max Limit	5%-50%
Fund Distribution	Annual

Fund Information

Fund Size (EGP mn)	95.2
Certificate Value (EGP)	76.4
NAV YTD Low-High (EGP)	68.6-103.5
2019 Distributions/ Certificates	-
Since Inception Distribution (EGP)	79.4
Certificate Par Value (EGP)	66.7
YTD Performance	-26.1%
Annual Return Since Inception	5.0%
Performance Post MC's Management	109.6%
Annual Performance Post MC's Management	9.3%

Investment Strategy

Banque Misr Second Fund (Equity Fund/Growth) follows an investment policy, which is to achieve capital appreciation to the certificate holders in the first place (NAV appreciation) through investing in selected stocks, which are discounted to their fair value and are expected to appreciate, based on their financial results, projections and based on the fund manager's opinion in the market and stocks' outlook.

Economic Update

Due to covid-19 pandemic, the CBE's MPC cut the overnight deposit rate, lending rate and main operation rate by 300bps in an unscheduled meeting on 16 March 2020 to reach 9.25%, 10.25% and 9.75%, respectively. The discount rate was also cut by 300bps to 9.75%.

The Egyptian President announced on 14 March 2020 allocating EGP100 billion to finance a "comprehensive plan" to tackle the disease. In addition, the government shut down schools and universities and imposed partial nationwide curfew.

The CBE and FRA launched an initiative to postpone the credit liabilities for 6 months on banking loans, leasing and microfinance clients. Furthermore, the CBE cancelled the blacklist of companies and individuals and lifted ban on irregular clients to benefit more than 8k companies and over 100k citizens.

Foreign investments in Egyptian treasuries declined significantly during March 2020 to US\$14 billion by end-March 2020 from US\$28 mid- February 2020 and US\$22 billion in December 2019.

Accordingly, Egypt's foreign reserves dropped to US\$40.1 billion in March 2020 from US\$45.5 in February 2020 and December 2019.

Regarding FX resources, Egypt halted all air traffic at its airports from 19 March 2020 and stopped domestic tourism. However, remittances rose 33% YoY during Jan-Feb 2020 to US\$5.2 billion.

Annual headline urban inflation declined to 5.1% in March 2020 from 7.1% in December 2019. That said, the PMI declined to 44.2 points in March 2020 from 48.2 in December 2019.

Market Performance

During Q120, EGX30 declined 31.1% and EGX70 EWI dropped 21.5%. However, the market daily turnover remained stable hovering around US\$40 million on average close to 2019's levels, supported by local institutions and individuals against the foreigners' selloff.

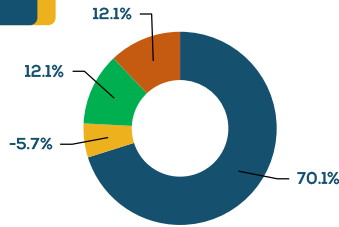
The weakness was mainly driven by the CIB, given its leading nature with the heaviest foreign investments, that contributed 40% of the main index's decline during the quarter.

Biggest weaknesses were seen in Orascom Development (-58%) on high correlation with tourism, Qalaa Holdings (-55%) on low oil prices that affect ERC's profitability and AUTO (-54%) due to the slow-down in sales of cars and TukTuks besides postponing consumer loans instalments.



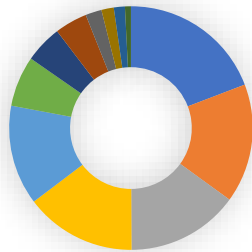
Asset Allocation

- Stocks
- Deposits & Cash
- Mutual Funds
- T-Bills



Sector Allocation

- Real Estate
- F&B and Tobacco
- Banks
- Health Care & Pharma
- NBF Services
- Industrial Goods, & Automobiles
- Construction
- IT & Communication
- Education
- Textiles
- Basic Resources
- Trade & Distributors



Fund Manager Outlook

The current uncertainty would continue to assign an overhang on the global markets during 2020 due to the precautionary measures for covid-19 across most countries amid fears from a second wave prior reaching a vaccine or treatment.

The Egyptian government requested financial assistance from the IMF under the RFI and SBA programs to address immediate balance of payments needs, support affected sectors/people and support macroeconomic policies. IMF approved the first tranche at US\$2.7 billion payable on 10 and 11 May.

Egypt's market is cheap on the price to earnings multiple, trading around 9x for 2020 compared to an average of 10.5x for relative EM markets. In case of recovery during 2H20, the EGX30 is foreseen to increase to 12000 levels.

The market liquidity would remain at healthy levels (cUS\$50 million) benefiting from the CBE's initiative to invest EGP20 billion in the stock exchange against the foreigners' selloff while postponing state IPOs program.

GDP growth is expected to decline to c3% (from 6% previously) besides a foreseen weakness in FX resources from halting tourism since March 2020 amid the impact of low oil prices on remittances from GCC and Suez Canal revenues that would assign further pressure on Egypt's foreign reserves and EGP during 2020.

Expecting stable inflation readings on the 300bps cut in local interest rates in 2020 amid the shift in consumption behavior towards staples under the current measures.

Performance Till Mar.26, 2020 (EIMA Reports)	YTD	2 Years to Date	3 Years to Date	5 Years to Date	6 Years to Date
Banque Misr Second Fund Return	-26.1%	-40.2%	-18.2%	11.9%	16.8%
EIMA Average Equity Funds Return	-25.3%	-41.1%	-16.4%	10.2%	14.9%
Fund Performance to Average Equity Funds	103.2%	97.8%	111.3%	115.9%	112.9%
EGX30 Index Performance	-29.0%	-41.6%	-19.0%	7.8%	16.6%
Fund Performance to the Index	90.0%	96.5%	95.7%	153.2%	101.2%

Other Indicators

Fund's Equity Price to Earnings Multiple (2019)	6.31 x
Fund's Yield 2019 (Stocks & Fixed Income)	7.93
Fund's Equity Beta ²	0.93
Fund's Equity Sharpe Ratio ³	19.61
Fund's Equity Treynor-Black Ratio ⁴	91.93
Equity Estimated Alpha Return ⁵	84.62
EGX30 stocks % of Fund's Equity	86.87
EGX100 stocks % of Fund's Equity	100.00
Avg. Turnover of Fund's stocks to their respective Turnover (days to liquidate)	0.33
Fund Performance Ranking out of the Egyptian Equity Funds*	18

*EIMA's Report



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Banque Misr

Banque Misr was established in 1920 by the leading economist Mohamed Talaat Harb Pasha

The bank captures 16%, 10% and 14% of the deposits, lending and total assets of the Egyptian banking sector respectively, positioning it as the second largest commercial bank in Egypt.

The bank has investments in over 220 projects, including some of the most significant projects in Egypt, in various economic sectors including industrial, touristic, real estate, food, public utilities projects in addition to communications, and information technology.

The bank has over the years created a massive client base, which is close to 6 million customer, through its widespread network of branches which stands at 470 branches and banking units spread over all of Egypt, in addition to its presence abroad.

Misr Capital

Misr Capital (S.A.E.) (MC) is the fully owned full-fledged investment banking arm for Banque Misr (BM) (one of the largest and oldest banks in Egypt; established in 1920 by the pioneer economist and financial expert Mohamed Talaat Harb Pasha, who spearheaded the concept of investing in national savings and directing them towards economic and social development). One-hundred years later, MC is determined to continue to pursue the same vision. MC was established in 2010 and started operating in two main fields; Asset Management and Private Equity. The company's authorized capital is EGP5.0 bn, a paid-in capital is EGP4.2 bn, retained earnings is over EGP2.7 bn and a combined portfolio between assets under management and private equity of a total of EGP 34bn.

In order to achieve the company's goal to become Egypt's leading fully-fledged investment bank, MC's management ventured into several new business lines to complement the existing financial services provided and offered new services in the fields of debt capital markets, fixed income brokerage and invested in the fields of leasing and insurance.

Banque Misr Building - 2nd floor - Financial District

Smart Village, KM 28 Cairo-Alex Desert Road, Giza, Egypt.

Tel.: 02 35370830 / 31 / 32

Fax: 02 35370829

www.misrcapital.com

Disclaimer:

For all of the fund's details, terms and constraints, please review the fund's offering memorandum

Past performance does not guarantee future results

The fund may not be appropriate for all investors

The fund may invest in certain sectors and stocks, which can result in increasing its vulnerability to any significant political, economical or regulatory development

Diversification does not assure a profit or protect against loss in declining markets

Fixed income investment are subject to interest rate risks

The fund's manager opinion in the market and/or stocks mentioned in this report may change without prior notification

The fund's manager opinion is for informational purposes only and should not be construed as an offer, or solicitation of an offer, to buy or sell the securities mentioned in this report

For more information, please visit:

<https://www.banquemisr.com/en/capital-markets/mutual-funds/fund-ii>

Banque Misr Call Center: 19888

www.banquemisr.com