Banque Misr Fourth Fund (El Hesn) In accordance with provisions of Islamic Sharia Law Monthly Factsheet

February 2024

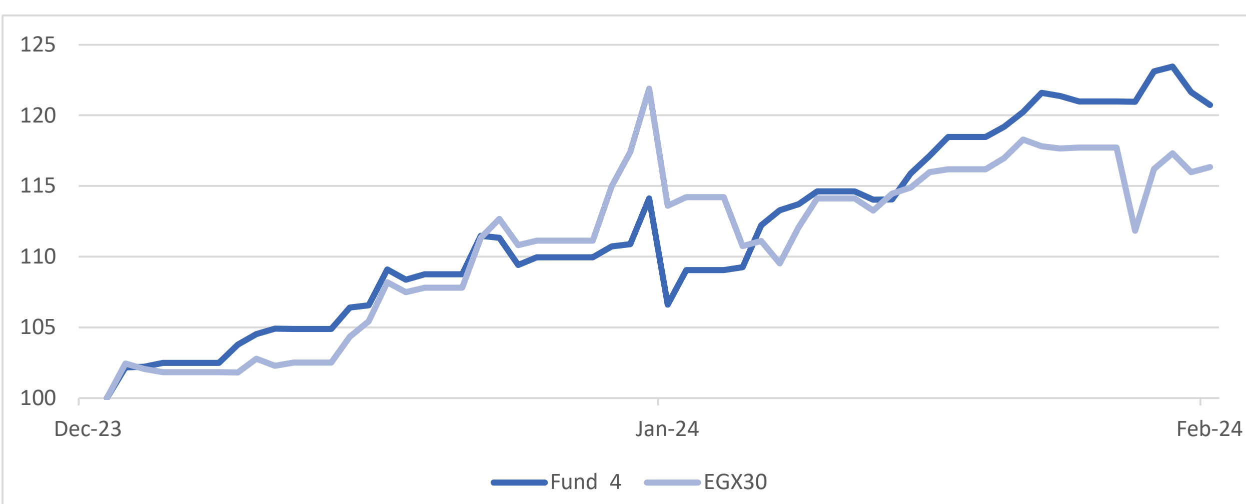
Investment Objective

The fund's objective is to maximize capital growth while minimizing risk through prudent diversification by allocation, sector across securities. The fund invests mainly in equity shares listed on the Egyptian Stock Exchange.

Fund Information

Investment Certificate (IC)	EGP 217.77
Managed By	CI Asset Management
Fund Manager	Abdelkader Ashraf
Asset Class	Islamic Equity Fund
Inception Date	2006
Fund Auditors	PKF- Rashed, Badr & Co..
Subscription/ Redemption	On Wednesday by the end of day price of Thursday and the transactions are implemented on the first working day of every week.
Subscription/ Redemption Fees	Nil
Investment Maximum Limits	Equities: 30%-95% FIXED INCOME, CASH OR EQUIVALENTS MAX: 50%

Performance: 3 Years-to-Date Return (Growth of 100)



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Historical Returns and Risk Ratios

1 Month Return	Fund	13.26%		
	Benchmark	2.41%		
Return Indicators				
Period	Year-to-Date	6 Months	9 Months	12 Months
Fund Return	20.7%	58.3%	61.8%	74.20%
Benchmark (EGX30) Return	16.35%	53.5%	65.55%	70.36%
Excess Return	4.39%	4.79%	-3.80%	3.84%
Risk Indicators				
Standard Deviation (Fund)	20.55%	18.61%	16.42%	17.44%
Standard Deviation (Benchmark)	27.22%	22.87%	20.01%	20.42%
Beta	0.54	0.63	0.64	0.67
Tracking Error	19.01%	14.55%	12.54%	12.83%
Risk-Adjusted Return				
Jensen's Alpha	13.09%	22.51%	22.89%	23.39%
Sharpe Ratio	1.14	2.82	4.29	3.59
Treynor Ratio	0.43	0.84	1.10	0.94
Information Ratio	0.69	1.55	1.83	1.82

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Key Market Developments

- Egypt and UAE sign a historic FDI deal, injecting an up-front USD24bn in fresh funding. On 23 February, the Egyptian government, and Abu Dhabi's ADQ signed a USD35bn deal, of which USD24bn was earmarked for the co-development of Ras El-Hekma on Egypt's North Coast (with Egypt retaining a 35% stake) and USD11bn earmarked for investments in other prime projects across the country.
- Fitch Ratings views that Ras El Hekma deal should relieve the country's external liquidity strains and facilitate an adjustment to its exchange rate, helping in advancing an IMF deal that would unlock additional foreign funding. Nonetheless, Egypt will still face significant macroeconomic and fiscal challenges that constrain the country's credit profile, in Fitch's view. General government debt/GDP reached about 95% in FY23. Fitch Ratings projects interest to exceed 50% of government revenues in FY25.
- Egypt aims to raise some USD6.5bn through the privatization of state-owned companies and assets by the end of the year. A large chunk should be raised by June through stake sales of Wataniya, Gabal El Zeit wind farm, Port Said and Damietta Container & Cargo Handling companies, United Bank, and a Siemens-built power plant in Beni Suef.
- President Abdel Fattah El Sisi announced a new social security package worth EGP180bn. This includes public-sector wage hikes, income tax breaks, higher pensions, and a 50% increase in the public-sector minimum wage to EGP 6k. Personal income tax annual exemption threshold will be raised to EGP 60k from EGP 45k currently, while payouts for 13mn pensioners will rise 15%.
- Turkey, Egypt sign deal to re-establish cooperation mechanism on diplomacy, economy, security.
- Egypt's gas exports increased during Last December to 438mn cubic meters compared to 206mn cubic meters In November. On another note, Egypt is likely to suspend exports of LNG during the coming summer on the back of increased domestic demand as rising temperatures strain supplies, as Egypt's production has declined to 5.5 bcf currently.
- Annual urban inflation decelerates to 29.8% in Jan-24 from 33.7% (+1.6% MoM vs. +1.4% MoM in Dec-23), the fourth consecutive deceleration after six months of acceleration.
- Car manufacturers have been contacted by the local banks to reopen LCs for their manufacturing inputs, for the first time since last June.
- Danieli is looking to establish a USD4bn iron and steel production plant in Egypt.

EGX and Company related news:

- COMI reports 4Q23 where earnings recorded EGP7,229mn (-13% QoQ, +83% YoY), bringing FY23 earnings to EGP29,635mn (+84% YoY). The strong YoY increase in net income was driven by higher net interest income (+65% YoY) and fee income (65% YoY), both more than offsetting higher operating expenses and higher provisioning costs. QoQ, net income fell 13% as COMI booked conservative provisions during 4Q23 (cost of risk at 468bps) to increase NPL coverage (to 305%). The BoD recommended distributing a cash dividend per share of EGP0.55, broadly flat YoY, and implying a decline in the dividend payout ratio to 6% in 2023, from 10% in 2022.
- ADIB reported 4Q23 earnings of EGP1,119mn (+84% YoY, -19% QoQ). The sequential decline was driven by rising OPEX, high provisions and high effective tax rate, despite robust topline. NIM recorded 721bps (+198bps YoY, +38bps QoQ) driven by higher asset yields, more than offsetting the increase in funding costs. CoR increased to 335bps in 4Q23 from 261bps in 3Q23 and 310bps in 4Q22. CAR increased to 18% in 4Q23, comfortably above the min. requirement of 12.5% and up from 14% in 2022.
- CIEB recorded 4Q23 earnings of EGP1.35bn (+66% YoY, +4.2% QoQ), mainly on the back of a strong increase in net interest income (+83% YoY, +11% QoQ) driven by NIM expansion to 8.83% in 4Q23 (+180bps YoY, +36bps QoQ) and strong increase in interest earnings assets. Strong revenue growth more than offset higher operating expenses (+39% YoY, +12% QoQ) and higher provisioning costs (+165% YoY, +71% QoQ). That said, CoR increased to 221bps (+175bps YoY, +154bps QoQ).
- TMGH reported 4Q23 earnings of EGP630bn (+106% YoY,-44% QoQ) (sequential decrease is usually the case in 4Q), implying EGP3.3bn for the full year (+43.8% YoY). Revenue showed 68.2% YoY and 30% QoQ growth to EGP10bn, where RE contributed c80% of revenues at EGP8bn (+2x YoY, +31.5% QoQ). 4Q23 hotel revenues declined 20.3% on an annual basis, coming from a high base in 4Q22, which was boosted by COP27, while inching up 3% sequentially to EGP863mn, contributing 8.6% to total revenue. GPM averaged 30.3% in 4Q23 (-1.5ppts YoY,+1.7ppts QoQ). The company's BoD proposed 2023 DPS of EGP0.218, implying a payout of 13.6%, yielding 0.34%.

- ORWE reported 4Q23 earnings of EGP443mn (+40.3% YoY, -25.6% QoQ) with a margin of 9.3% (+0.9ppts YoY, -4.1ppts QoQ). The sequential decline is driven solely by the export rebates difference. 4Q23 revenues came in at EGP4,785mn (+27% YoY, +6.9% QoQ), on the back of volumes (+7.3% YoY, +10.1% QoQ), while ASP climbed by 18.4% YoY, only to drop sequentially by 2.8%. GPM recorded 15.2% (+8.2ppts YoY, +0.3ppts QoQ), where the YoY expansion was backed by the rise in ASP and decline in polypropylene and freight prices. BoD proposed dividends for FY23 of EGP1.25/share, implying a payout of 48% and yield of 6%.
- PHDC reported 4Q23 earnings of EGP532.2mn (+54.3% YoY, +20.6% QoQ), mainly driven by revenues increase (+52.8% YoY, +41.5% QoQ) driven by higher deliveries and in sales. GPM recorded 27.6% (-4ppts YoY, -5.9ppts QoQ) mainly impacted by the change in delivery mix.
- EFIH recorded 4Q23 earnings of EGP120mn (-6.0% YoY, -72.1% QoQ), implying a NPM of 10.6% (-7.5ppts YoY, -31.1ppts QoQ), driven by revenue growth (+60.6% YoY, +10.2% QoQ) (highest ever reported quarter), and GPM margin expansion to 57.4% (+17.2ppts YoY, +3.5ppts QoQ) due to an increase in high margin business lines' contributions to revenues.
- PHAR reported 4Q23 earnings of EGP179.2mn (-21% YoY, +33% QoQ) mainly pressured by FX adjustments (FX loss of EGP38mn in 4Q23 vs. gain of EGP183mn in 4Q22), which managed to mask strong operational performance (EBITDA +80% YoY, flat QoQ) and a higher share of profit from associates (+8x YoY to EGP38.8mn; c22% of 4Q23's earnings). Revenue increase (+22% YoY, +10% QoQ) on a YoY and QoQ basis came backed by the favorable seasonality towards the second half of the year supported by higher tender (+79.2% YoY, +34.3% QoQ)and export sales (+63.3% YoY, +29.6% QoQ).
- GBCO reported earnings of EGP620mn (-92.9% YoY , -6.4% QoQ) with a margin of 7.1% (-119.2ppts YoY , -0.5ppts QoQ). GB Capital recorded earnings of EGP576mn (-93.2% YoY , +205.3% QoQ), the QoQ rise came backed by top-line as well as enhanced efficiencies and securitizations gains, while the YoY drop is due to the one-off capital gain realized in 4Q22 through the sale of a 7.5% stake in MNT-Halan. Excluding the capital gain, net profit would have increased by 167.5% YoY in 4Q23. GB Capital's 4Q23 portfolio fell by 5.0% QoQ to reach EGP9.0bn on the back of both GB Lease and Drive's securitizations. Moreover, GB Auto recorded FX losses for the quarter amounting to EGP1,020mn, weighing down earnings to EGP45.1mn (-84.6% YoY , -90.5% QoQ). GB Auto's GPM came in at 28.7% (+6.2pps YoY, +6.4pps QoQ), driven by higher ASP and higher contribution from high margin segments including after-sales and tires segments.
- ARCC reported 4Q23 earnings of EGP197mn (+104% YoY,+21% QoQ), supported by revenue growth (+16% YoY, +1% YoY), healthy margins (GPM: 30.2% (+1.3pps YoY, +7.2pps QoQ)), remarkably low interest rate expenses after fully paying off its long-term loans, and relatively low FX losses.
- TMGH's ICON completes acquisition of 51% stake in seven-hotel company through capital increase of USD882mn. This bring the total number of keys owned and to be developed by ICON to c5k. This is expected to more than double ICON's consolidated FCY revenues in 2024 to more than USD250mn, implying a c35% increase in TMGH's share of hotel revenue after adjusting for minority.
- OCDI aims to invest EGP10.0bn in construction activity in its projects in FY24 (+50% YoY). The company is working on four hotels on the North Coast and in West Cairo (total of 500 rooms), with a target to raise hotel and commercial revenue from the current 7.0% to 15.0% of total revenue by FY27.
- ETEL and Hungarian telecom company 4iG have formed a JV to build a subsea cable between Albania and Egypt. The move follows an MoU for the same project inked by the two parties in October.
- ETEL, Telin, e& to build ICE IV subsea system. The new cable system, spanning c11km, plans to deploy the latest open cable technologies and subsea ROADMs to connect Indonesia and Singapore to India, Oman, Egypt, and the UAE. The service date target is 4Q27
- ETEL partners with Huawei to deploy 5G services in Egypt. The partnership has enabled Huwawei to establish 5G sites in hotspot areas across Egypt, leveraging its most advanced wireless technologies to achieve the maximum data transfer rate (throughput). This aligns with the theoretical throughput given the spectrum available.
- VFE will raise its stake in BINV subsidiary and fintech platform, Basata, from 10% to 20% through a capital increase, with the agreement pending the approval from the CBE.
- Philip Morris hikes cigarette retail prices by 14–18% (EGP8–11/pack) across its brand portfolio.
- Elsewedy Cables Qatari JV secures QAR1.3bn EPC contract from Kahramaa. This contract involves the establishment of new underground low and medium voltage cables, covering various voltage levels including 132kV, 66kV, and modifications to existing circuits. The JV is 38.3% owned by SWDY.
- The FRA has approved BINV's MTO to acquire up to 90% of OFH via a share swap (1 BINV share: 56.76 OFH shares).
- EAST is looking to expand its exports destinations to Saudi Arabia, Emirates, and other African countries, as well as increasing their production capacity 20% in 2025.
- CCAP's subsidiary, National Development and Trade (NDT) (64% owned by CCAP, operating in the cement and related activities fields), signed settlement agreements with three of its banks in full settlement of debts of EGP1,447mn. NDT also agreed with a fourth bank to settle its cEGP536mn debt over two years.

Contacts

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