



بنك مصر  
BANQUE MISR

July 2012

# Banque Misr 1<sup>st</sup> Fund (Balanced)

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**Fund Manager:**

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MISR CAPITAL INVESTMENTS S.A.E.





# Glance at the Fund

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- Banque Misr 1<sup>st</sup> Fund (Balanced) follows a balanced investment policy, between generating capital appreciation to the certificate holders (through investing in selected stocks) and investing in money-market low risk instruments (such as, TBs, bonds, and deposits)
- The fund also targets making periodical distributions (Quarterly) to the certificate holders based on the profit generated in each period.
- **This fund fits those seeking to generate a better than banks' saving rates, with a tendency of reducing stock market exposure risk. It is also convenient to those interested in periodical distributions, while maintaining capital appreciation potential.**
- Compared to investing directly in the stock market, investment through funds certificates provides the experience of these funds' managers, and their close monitoring of stock market and the invested companies performance, in addition to attaining diversification with respect to companies and sectors, while generating adequate returns on investing in money market investments.
- The fund also provide benefits from being able to negotiate low execution and bookkeeping fees .



# Fund's Performance in 2012

- BM 1<sup>st</sup> Fund certificate value (NAV) appreciated during the first couple of months of the year, driven by the market rally. However, starting the second week of March, the market witnessed a correction that extended to nearly the end of Q2 2012. ultimately the fund certificate NAV appreciated 9.3% from the beginning of January 2012 to end of June 2012. Given the balanced nature of the fund with nearly half of its size invested in fixed-income & money-market instruments, which provides its own attractive yield, relative to its low risk nature, the fund's NAV fell only 4.2% since the beginning of the correction on the second week of March till the end of June, while the EGX30 fell 14% during the same period.
- Banque Misr 1<sup>st</sup> fund made a cash distribution to its certificate holders worth EGP1/certificate in April 2012.





# Fund's Manager Vision

- The local political uncertainty and concerns of its consequent impact on the economy were the predominant factors that influenced the Egyptian stock market during 1H 2012 as in 2011. The debates and problems that accompanied the efforts to select the members of the constitutional drafting committee, in addition to the friction between the peoples assembly and the cabinet regarding various issues, especially those regarding the IMF US\$3.2 billion loan, with the people's assembly attempting to slow the process of receive the loan, while the cabinet is depending on receiving fresh funds to maintain EGP exchange rate level and revive economic growth have increased investors anxiety during Q2 2012. Furthermore, the presidential elections coincided in Q2, and the uncertainty prior to its completion also made investors jittery. All this resulted in the EGX30 falling 26% from its 2012 peak on March 7 until June 21. The presidential elections were finalized on the last week of June with Dr. Mohamed Mosri, the Muslim Brotherhood candidate emerging triumphant. The elections completion, revived hope in expecting more stability to ensue, and the EGX30 index going up 16% during the last week of June, while ended 1H with a 30% YTD increase.
- The growing state budget deficit, along with the CBE attempting to attract more money to be invested in EGP investment vehicles to curb dollarization, results in interest rates remain as high as reaching close to 16% for the TBs with a one year tenor. Also, we expect the CBE to maintain the high interest rates for a while after the economy starts to pickup in its attempts to revive its foreign currency reserve, which lost over US\$20 bn since 2011 start.



# Fund's Manager Vision

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- Although a lot of aspects regarding Egypt's political framework have not been formulated yet, the completion of the presidential elections, is a major milestone. Furthermore, Dr. Morsi have declared that his agenda will focus on encouraging investments, attempting to have a positive dialogue with all local fronts and to maintain a peaceful framework in his external policy. We expect this and further expected developments to have a positive impact on the stock market.
- Banque Misr 1<sup>st</sup> fund balanced investment strategy, incorporates providing a periodical distribution to the certificate holders, along with targeting certificate value (NAV) appreciation. This is achieved by a minimum of 40% of the fund's assets are invested in fixed income and money market securities that provide a stable stream of income, while between 40-60% of the fund is invested in selected stocks that the fund manager believes based on its fundamentals and market indicators can provide an upside potential to be achieved over the coming period, thereby achieving capital appreciation, in addition to also integrating stocks that may have a more stable fundamental growth but provide good dividend stream.
- We favor for Banque Misr 1<sup>st</sup> fund during Q3 2012 sectors such as the oil related for its good dividend yield, in addition to leading stocks in the banking, telecommunications, real estate, construction, auto, food and fertilizers industries.
- Currently, the largest investments in the fund are: Telecom Egypt, Orascom Construction Industries, Alexandria Minerals oil, Commercial International Bank, Talaat Mostafa Group, Orascom Telecom and Sidi Kerir Pharmaceuticals.



# Fund's Basic Information

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- Issuer : Banque Misr
- Year of fund launch: 1995
- Fund Manager: Misr Capital Investments
- Certificate value (NAV) calculation: Daily (Sun.-Thu.), available in all Banque Misr branches and published in Al Ahram Journal
- Buying & Redeeming Certificates: Daily from any Banque Misr branch
- Fund Auditor: Mostafa Shawky, Salah & Barsoum (Deloitte)
- Fees for Certificate buying: none
- Fees for Certificate redemption: 0.75% of redeemed value



# Certificate Holders' Q&A

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## ? What is a mutual fund?

A mutual fund is a large portfolio that accumulates its size from a large number of investors, to invest in stocks and fixed income instruments. They are managed based on a strategy that its broad lines were outlined in its inception, and the fund manager work on implementing these guidelines to create capital appreciation (stocks increasing in value) and generating an income (from the cash dividends of invested stocks and interest return from money market instruments).

## ? What are the benefits investors get from investing in funds?

The investors would benefit from their certificate value (NAV) appreciation, which they would realize if they sell their holdings in the fund. In addition to receiving a periodical distribution.



# Certificate Holders' Q&A

## ? Are mutual fund risky?

BM 1<sup>st</sup> fund, is established by Banque Misr and managed by Misr Capital Investments, with both having high experience to provide prudent care for the certificate holders investments. However, as any investment, mutual funds are exposed to the stock market fluctuations, and specific corporate risks.

However, the fund manager team works on reducing these risk through stock selection and diversifying the holdings in stocks and sectors and periodically reviewing their strategy. Furthermore, the fund invests a portion of its size in money market instruments, which are characterized by its relatively lower risk level.

## ? What is the adequate holding period for Fund's certificates?

There is no recommended holding period for mutual funds' certificates, while investors are advised to diversify where they put their savings. BM 1<sup>st</sup> fund allocates a portion of its assets into fixed income instruments which provide it with relatively liquid nature, providing an ease to redeem any investor's certificates at anytime. However, it's a time proven fact that the longer the investment horizon, the potential to generate more gains, since long term investment is better than speculation and short-term activity.

