

Quarterly report Q4-2025

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
- All investments must be approved by the Sharia Board of the fund
- The fund can also invest in treasury bills, treasury bonds, corporate bonds, securitization bonds and time deposits.

Subscription/Redemption

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

Fund Details

Type of Scheme	Open Ended
Inception date	December 2004
IC price	EGP 438.23
Dividends Since Inception	EGP 95.75
Bloomberg Ticker	EFGFISL
Reuters Lipper Code	65077570

Fund Manager

Management company	Hermes Fund Management
Fund Manager	Nabil Moussa

Contact Details

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Portfolio

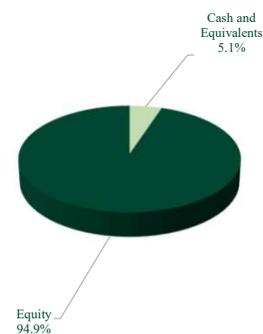
Performance Figures

Date	Return
Q4-2025	19.2%
2025	43.1%
2024	28.7%
2023	58.7%
5-YTD	320.1%
Since Inception	734.1%

Relative Performance



Asset Allocation



Market Outlook

US Market

The US market recorded another positive year ending 2025 with the S&P closing at 6,846 points implying 16.4% gains, and hovering near its all-time high of 6,983 points recorded on December 24th. We note that the market upward movement occurred in parallel with the FED easing cycle, which reduced rates by 1.75% during the period from September 2024 to December 2025, bringing benchmark rates down to 3.5%. However, the FED signaled at its last meeting that future adjustments will be more data dependent. As a result, further rate cuts will depend on labor market stability, given that inflation is already below benchmark rate.

We believe the US economy will deliver higher than anticipated economic growth in 2026, supported by lower interest rates and fiscal stimulus, which should lead to higher productivity growth and increased corporate investment. However, labor market will remain soft until tariff pass-through effects are complete, paving the way for an additional 0.5% in rate cuts to operate the economy at neutral stance.

Some investors argue that the market is in a bubble; however, we highlight two key points:

- The market forward P/E is flat since mid-2024 at around 22x implying that stock price increases have moved in line with earnings growth.
- Based on the Fed model, the equal weighted S&P 500 is 25% undervalued, while the cap-weighted S&P 500 is fairly valued. This suggests that while growth stocks may appear stretched, most common stocks remain undervalued. Needless to say, high-growth stocks typically trade a premium.

As a result, we believe the market may move sideways during the first half of 2026, especially if inflation remains around the 3.0% level, which could keep the Fed more resistant to further cuts. However, in the second half of the year, we expect inflation to decline more rapidly as tariff effects fade and wage growth weakens, allowing monetary policy to resume its easing cycle, and paving the way for the S&P 500 to rise by an additional 15% in 2026.

Emerging Markets

Emerging markets had a strong year in 2025 with the MSCI EM index advancing 30.6% significantly outperforming the US market. We believe that this was normal, given that emerging markets had been trading at a deep discount to the US market. It is typical for this discount to narrow during periods of fed easing and USD weakness against other major currencies.

China is the largest representative within emerging markets, accounting for around 30% of the index, and therefore has a significant impact on overall performance. We note that the Chinese economy is divided into two segments: The "new economy" which includes AI innovations, EV batteries, biopharma and aerospace, and serves as the primary growth driver; and the "old economy" which includes real estate and low-end manufacturing and remains in structural decline. The government appears focused on maintaining this growth model by prioritizing supply-side efficiency over demand stimulation.

We expect the Chinese economy to grow at a similar pace in 2026 supported by rising productivity, and some degree of fiscal stimulus, given China's healthier fiscal position relative to the US. In addition, we anticipate an improvement in Chinese net exports amid easing geopolitical tension between the US and China with two presidential visits planned for April and October 2026.

In conclusion, we believe emerging markets will continue to advance as long as the US remains in an easing cycle and the USD is contained within a range. However, we do not see strong justification for emerging markets to continue outperforming the US market to the same extent of 2025.

Egyptian Market:

The Egyptian market rose by 40.6% in EGP terms during 2025, while the EGP appreciated by 6.6%, implying a total market return of around 50% in USD terms. The market closed the year at 41,829 points just 1.1% below its all-time high of 42,305 points recorded on December 15th.

We note that corporates operating income increased by 24.3% during 9M25, indicating that the market's trading multiple expanded for the first time in several years. The forward P/E rose from around 6.0x to around 7.8x. This expansion was in line with trends across emerging markets, and despite the increase, the market continues to trade about 13% below its historic average P/E of 9.0x.

We believe the market will continue its positive momentum in 2026, supported by additional rate cuts, income recovery following the currency stability leading to stronger domestic demand, and favorable external dynamics mainly weak USD and stable oil prices. As a result, the market should benefit from healthy earnings growth alongside further multiple expansion in line with the expected performance of global and emerging equity markets.