

Quarterly report  
Q1-2026

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 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 last business day of every week
- Minimum initial investment is 5 ICs

Fund Details

Type of Scheme	Open Ended
Inception date	April 1997
IC price	EGP 723.91
Dividends Since Inception	EGP 162.80
Bloomberg Ticker	EFGCRAI
Reuters Lipper Code	65077565

Fund Manager

Management company	Hermes Fund Management
Fund Manager	Nabil Moussa

Contact Details

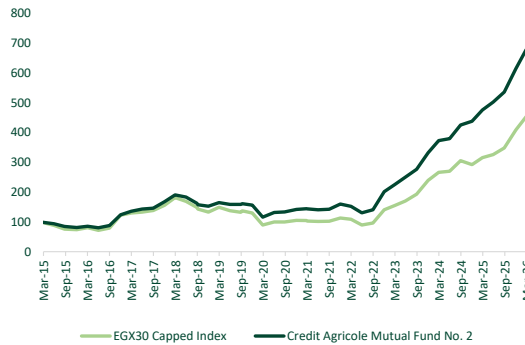
Credit Agricole Egypt	
Telephone	19077
Fax	+202-2738058
Website	<a href="https://www.ca-egypt.com/">https://www.ca-egypt.com/</a>

Portfolio

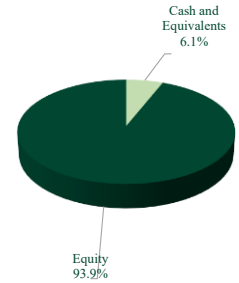
Performance Figures

Date	Return
Q1-2026	10.4%
YTD	10.4%
2025	40.4%
2024	31.8%
5-YTD	369.5%
Since Inception	3809.7%

Relative Performance



Asset Allocation



Market Outlook

US Market

The US market started the year on a positive note, with the S&P rising about 2% in January on expectations that the US economy was entering an inflationary recovery phase and that the administration would support growth ahead of the mid-term elections in November. However, sentiment weakened in February amid discussions of a potential US-Israeli war against Iran and the resulting oil shock, which could reverse the inflationary recovery and threaten growth. As a result, the market declined by 6.4% in February and March, thus ending the quarter down 4.6%.

The market is currently debating two main outlook scenarios. The first, which reflects the consensus view, assumes the administration will face strong pressure to end the war and refocus on the domestic economy through fiscal stimulus and deregulation ahead of the elections. This could support capital markets and push the S&P to new all-time high in the second half of 2026.

The second view argues that a prolonged oil shock could create persistent inflationary pressures, forcing the FED to reverse its easing policy and begin tightening by year-end. This could weigh on global growth and potentially trigger a recession, leading to a 10-15% correction in US equities.

The FED Chair has indicated that the FED does not plan to raise rates in response to rising oil prices, preferring to assess the impact of potential supply disruptions, particularly as rate hikes have limited effectiveness in resolving supply shocks.

Outlook

Market consensus outlines three oil price scenarios:

- Normalized Strait of Hormuz passage within one month: Oil prices at a range of USD80-90 per barrel in 2026, declining to around USD75 in 2027.
- Partial constraints (80% tanker passage): Oil prices at a range of 100-110 per barrel in 2026, before dropping to around USD80 in 2027.
- Prolonged closure: Oil prices spike to the USD150-180 range during 2026, before declining in 2027.

In conclusion, markets appear to be pricing in the optimistic scenario of a short conflict and a continued upward trajectory in equities. However, downside risks remain elevated as long as the war continues.

Emerging Markets

Emerging markets moved in line with the US market, but with a different timing and magnitude. The MSCI EM index started the year strongly, rising 15.3% in the first two months of 2026 on expectations of a weaker USD and a FED easing cycle. However, following the outbreak of the war at the end of February, the market erased all its gains in March, ending the quarter down 0.5%.

China, which represents around 30% of the MSCI EM index, showed a performance closer to the US market. Chinese equities rose by 7.2% in January, supported by 2.1% decline in the USD index. However, as war concerns emerged and the USD reversed course, rising 3.9% in February and March, the Chinese market declined 15.1% ending the quarter down 7.2%.

Outlook

We believe emerging markets will largely mirror US equity performance but with greater volatility. A quick end to the US-Israeli war against Iran and stabilizing oil prices would likely weaken the USD and support global equities. However, if the war prolongs, markets could face a correction that should be more painful in emerging markets than in the US.

Egyptian Market:

The Egyptian market started the year on a strong note, rising 17.7% in the first two months while the currency remained relatively stable. This performance was supported by strong foreign inflows across several sectors, mainly banking, health care, and non-banking financial services. However, sentiment reversed sharply in March following the outbreak of the US-Israeli war against Iran with foreigners turning into net sellers of EGP7.4 billion during the month. This was accompanied by significant outflows from Egypt's treasury-bill carry trade, estimated at USD9-10 billion, which led to a 12.6% depreciation of the EGP against the USD during 1Q26.

As a result, the market lost 7.9% of its value in March, ending the quarter up 8.3% in EGP terms. However, after accounting for the EGP depreciation, the market declined by 5.2% in USD terms. We believe Egypt's case is a similar case to that of other emerging markets, where a prolonged war could weaken global equity markets, including the Egyptian market, which is more vulnerable to currency shocks.

That said, further currency depreciation will support the market in local currency terms, implying that while the market may decline in USD terms, it will rise in EGP terms.