Egyptian Agricultural Bank (Al Massy)

Quarterly report
Q3-2026

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 daily subscription to investors.

The fund offers weekly redemption 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 2008
IC price	EGP 77.13
Dividends Since Inception	EGP 617.27
Reuters Lipper Code	65122941

Fund Manager

Management company	Hermes Fund Management
Fund Manager	Nabil Moussa
Assistant Fund Manager	Mostafa Amer
Managing since	July 2013

Contact Details

Egyptian Agricultural Bank

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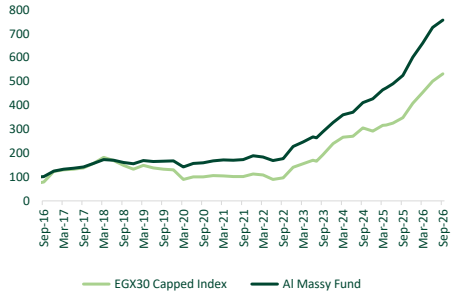
Portfolio

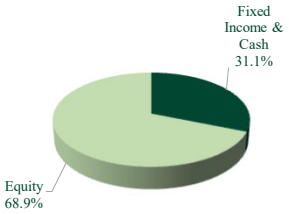
Performance Figures

Date	Return
Q3-2026	4.3%
YTD	26.1%
2025	40.8%
2024	29.9%
5-YTD	338.0%
Since Inception	1187.2%

Relative Performance



Asset Allocation



Market Outlook

Egyptian Market:

The Egyptian market increased by 2.8% during the quarter, thus boosting its YTD gains to 24.1%. However, we note that the EGP has lost 8.2% of its value since the beginning of 2026, limiting the market's YTD gains to 13.9% in USD terms.

Corporate profits increased by 31.4% during the first half of 2026. However, we expect earnings growth to moderate to approximately 20-25% for the full year, implying that the market's performance has been broadly in line with corporate earnings growth.

Despite the market's solid performance, we note that the gains were primarily driven by small-cap stocks rather than large-cap stocks, which were negatively affected by foreign outflows in emerging markets. This is evident as the market's main index EGX30, increased by 17.7% in the first two months of 2026, while the EGX70 declined by 6.3% over the same period. However, following the outbreak of the US-Iran war, foreign investors began reducing their exposure to the Egyptian market, while retail investors increasingly dominated trading activity. This shift resulted in a 51.5% increase in the EGX70 during the period March – September, compared to a mere 5.4% increase in the EGX30.

The Egyptian market is currently trading at P/E (26e) of 9.6x which is almost identical to its historical average. We expect the market to move sideways for the remainder of 2026 before advancing by 25-30% in 2027, supported by our estimates of corporate earnings growth and assuming valuation multiples remain unchanged.

Finally, we note that even within EGX30, the outperformance was largely driven by relatively smaller-cap stocks rather than large-cap stocks. However, we expect market gains to be increasingly concentrated in large-cap stocks given their relative underperformance in 2026 and their strong earnings outlook in 2027.

Market Commentary

- The US/Israel war on Iran re-escalated in Q3-2026, with renewed strikes around the Strait of Hormuz in early September. Brent rose from the low-to-mid USD 80s/bbl in July to a peak of around USD 109/bbl, ending the quarter near USD 102/bbl. Late-September diplomacy and a recovery in crude export flows eased prices from the highs, but geopolitical risks remain highly uncertain.
- EGP gave back part of its Q2-2026 gains, moving from a low of EGP 48.81/USD in early July to around EGP 52.3/USD by quarter-end, as foreign investors turned net sellers of T-bills in September.
- Although the CBE had resumed its easing cycle by cutting rates by 100 bps in February 2026 bringing cumulative cuts to 825 bps since the start of the 2025 easing phase, it is now reassessing its policy outlook due to the war on Iran. The CBE has held its rates unchanged for the fifth consecutive meeting in September and is expected to hold rates steady going forward until the conflict is resolved, given rising inflationary pressures. Policy rates currently stand at 19.00% for deposits, 20.00% for lending, and 19.50% for the main operation.
- Egypt's annual headline inflation stood at 14.50% in August 2026, down from 14.90% in July 2026, leaving real interest rates around 5.00%. Core inflation remained slightly increased to 14.90% in August from 14.70% in July.
- Remittances from Egyptians working abroad climbed 28% Y-o-Y to USD 29.7bn in 7M2026, according to the Central Bank of Egypt (CBE). In July, flows jumped 20% Y-o-Y to USD4.5bn.
- GDP grew by 4.95% in 1Q26 vs 4.75% a year earlier, driven by manufacturing, tourism, telecoms, and Suez Canal recovery. The government targets c5% growth in FY25/26, up from a previous target of 4.5%.
- Egypt's Net foreign reserves continued its upward trend to reach USD 57.215bn in August, up from USD 56.294bn in July.
- Average T-Bonds Net rate Q3 2026:
  - 2YR 18.153%
  - 3YR 18.745%
  - 5YR 15.760%

Strategy

- The fund manager's strategy is to maintain the current duration and preset weights to capitalize on high returns emanating from current market volatility, while adding to the non-treasury exposure to capture the yield enhancement effects. The manager will keep an eye on other opportunities that present itself.