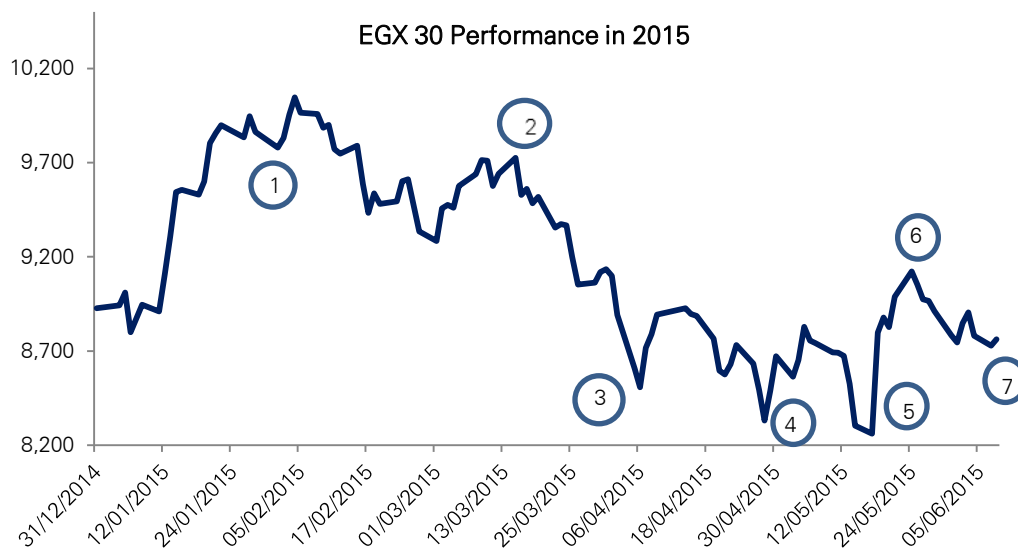


Egypt Stock Market: The Blominvest Report

Egypt's EGX 30 was rather on a downtrend during the first 5 months of this year. The index which encompasses the 30 largest companies listed on Egypt Stock Exchange, witnessed a large boost preceding the Sharm El Cheikh economic summit in March, only to go back downhill ending at 8,762.46 by June 8th, 2015. Many economic, financial and political events drove the index during this period, wiping out some of its early gains and leaving the index with a 2.5% gain since year start. The major events varied between country level economic news, to laws affecting the stock markets trades, and foreign currencies availability in Egypt.



Source: Bloomberg

1. The first noticed trend is the index's appreciation between early January and February 2nd. This was the result of a combination of low oil prices and a controlled depreciation of the local currency, boosting gains across the market.
2. Between early February and mid-March, the relative steadiness in international oil prices and the continued shortage of foreign currencies in Egypt, caused a correction in the market. This later reversed to an upward movement on the back of the approaching Investment Summit in Sharm El Cheikh and the ratification of a new investment law regarding non-taxed incentives and a smoother investment process, which spread positive sentiment in the market.

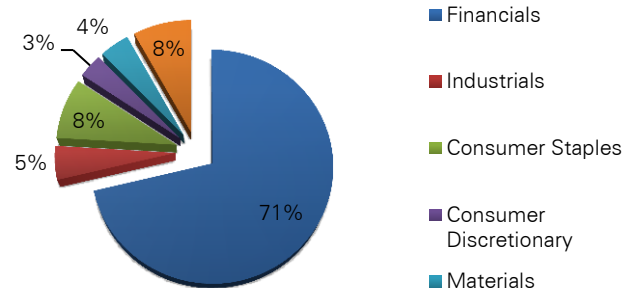
3. Egypt's main index witnessed a steeper downtrend following the beginning of the battles in Yemen between pro-government and rebel forces and the resulting shortage in fuel delivery in the area. Egypt's bourse was also negatively impacted by the government's decision to participate in military operations against the Yemeni rebels on the side of Saudi Arabia and a group of other regional powers.
4. A more volatile period ensued for the EGX 30 in April, as gains made over Easter holidays were quickly wiped out by President Al Sisi's approval of a 10% capital gains and dividends tax proposed a year earlier on July 1st, 2014, a decision believed to have caused Arab and foreigners to shift away from the local stock market.
5. The EGX 30 experienced a further decrease following the government's decision to place daily and monthly limits on foreign currency deposits in bank accounts, amounting to \$10,000 and \$50,000 respectively, in a renewed attempt at weakening the black market by reducing exchange rate gaps between it and the official market for the pound. However, the major headwind on market performance came in the form of the MSCI Emerging Markets Index dropping one of Egypt's four companies, Telecom Egypt. However, there is no current risk of a further downgrade, given that the MSCI will only remove a company from the emerging markets index and classify it as a frontier market following 2 years of poor performances.
6. On May 18th, 2015, the EGX 30 witnessed a significantly improved performance due to the government delaying the capital gains tax previously approved in April for at least 2 years, in a bid to reinvigorate the market and lure foreign investors back to Egyptian stocks.
7. The final trend displayed in the graph was a decline in the index's performance, related to the exit of non-Arab foreign investors from the market over renewed volatility surrounding the performance of the Egyptian currency.

EGX30 Constituent Sectors: *Negative performance across the board with few shining stocks*

Most of the index constituents witnessed a negative performance since year start, and only few companies were able to pull the difference on some sectors. Egypt's main index remains under-diversified, as the financial sector, encompassing banks and real estate companies, constitutes more than 70% of the index.

EGX30 performance and composition –as at June 08, 2015

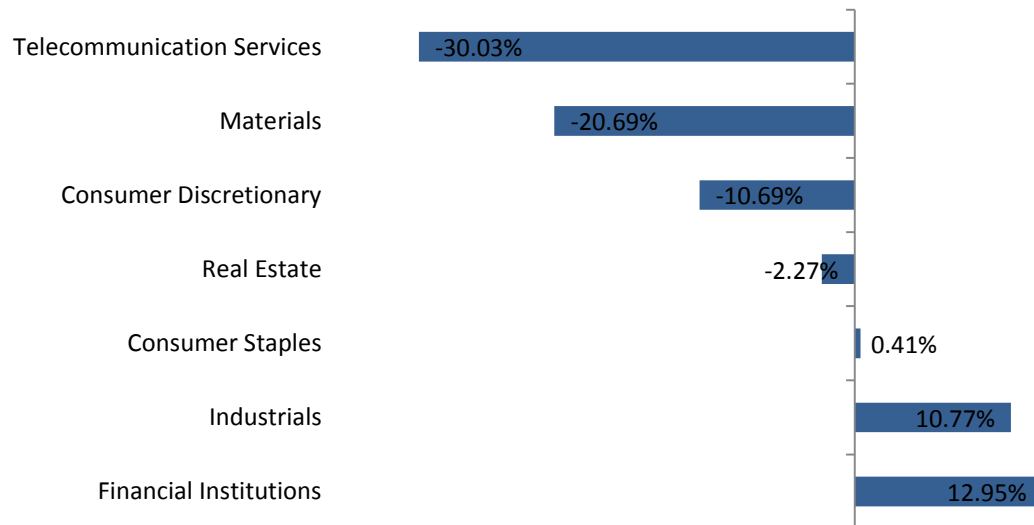
EGX 30 Index	8,762.46
Y-T-D High	10,045.93
Y-T-D Low	8,260.92
Y-T-D	-1.84%
Market Cap (\$M)	27,192.12



Source: Bloomberg

YTD Returns by Sector: Severe drawback for Telecom

Up to June 8, 2015 the EGX 30 reported a year-to-date decrease of 3.02%, as the index as a whole reveals that the majority of listed shares are actually experiencing downward trends in y-t-d performance while major corporations are performing more admirably, as will be explained in the following lines.

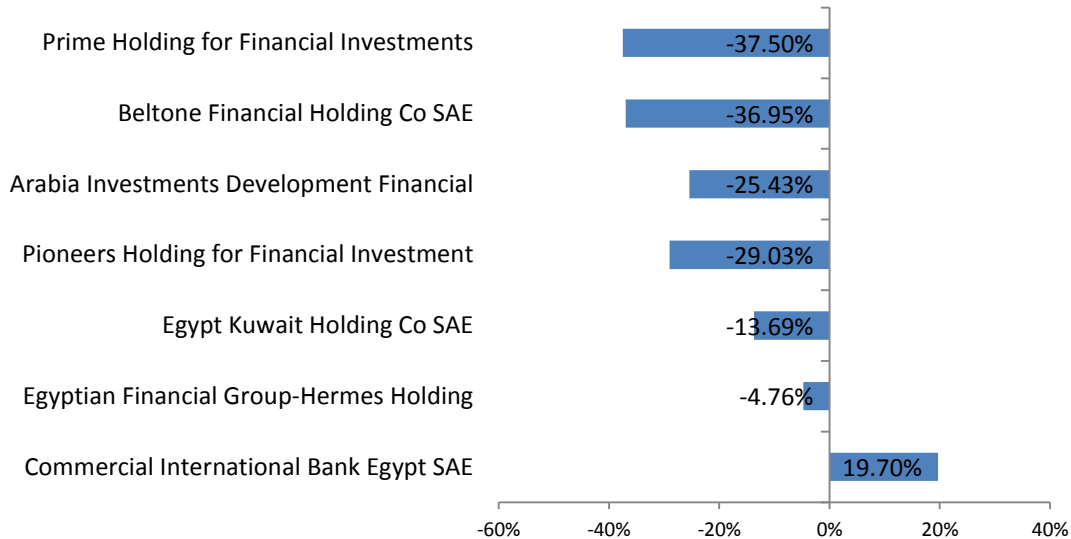


Source: Bloomberg

- a- Financials:** for the sake of analysis, we divided this sector into two sub-sectors, financial institutions and real estate.

1. Financial Institutions Sector: Most Companies in the Red, CIB Stands Out

Although this sector was the best performer on a y-t-d basis, it was led by the positive performance of one single company, the Commercial International Bank (CIB).

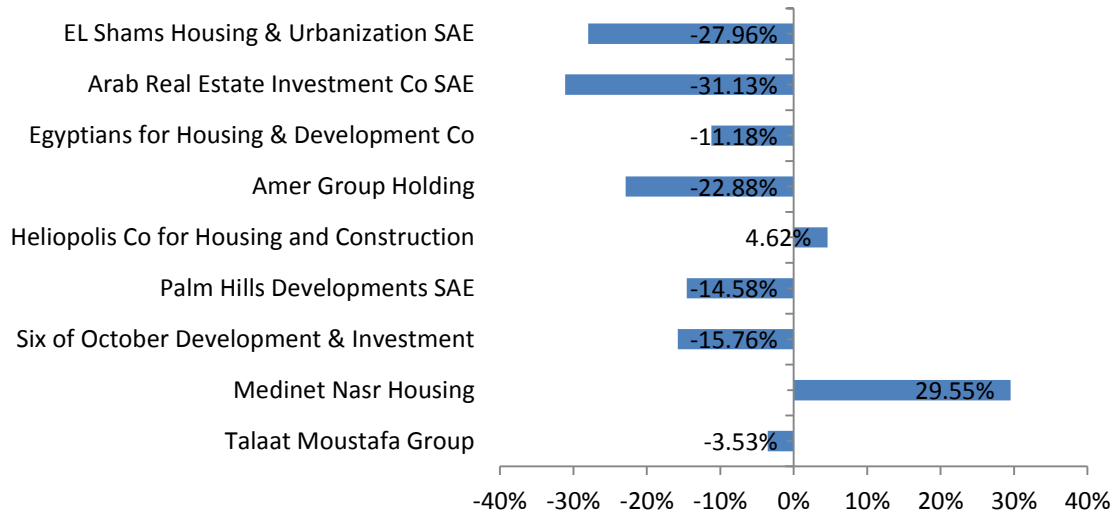


Source: Bloomberg

As the graph above portrays, stocks in the financial institutions' sector are facing subdued performances, with returns ranging between -4.76% (Egyptian Financial Group- Hermes Holding) and -37.50% (Prime Holding for Financial Investments). CIB, on the other hand is the only reason behind the positive performance of the overall sector, with 19.70% y-t-d return on its stock, one of the highest on the entire index, following the increased possibility of winning the bid for Citi's retail portfolio. In addition, CIB holds the biggest weight of all companies on the EGX 30, with a significant 38.52% share.

2. Real Estate Sector: Positive Prospects despite Hardships in Tourism

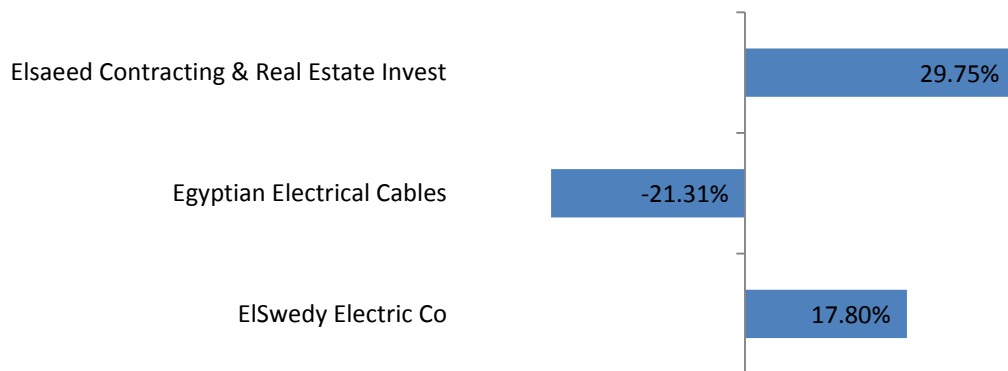
The real estate sector witnessed mixed results among the member companies, but overall market dynamics and difficulties translated in to an overall 2.27% decrease in y-t-d return. Most real estate companies in Egypt suffered the drawbacks of increased construction costs. The decline of Egypt's tourism industry has also hurt these companies, especially those with greater reliance on the hotel and services sectors. On a company-specific level, legal issues surrounding real estate projects undertaken during the country's most sensitive political period prior to and during the uprisings have impacted Talaat Moustafa's share performance, while political and socio-economic conditions inflicted similar downward pressures on Palm Hills' stocks' performance.



However, positive sentiment exists for the real estate sector based on funds promised to develop the real estate sector during the Investment Summit and the subsequent signing of Private-Public Partnerships (PPP) via the Partnership for Development Initiative. Of the real estate companies listed on the EGX 30, Medinet Nasr Housing posted the greatest gains of 29.55% y-t-d, following the distribution of share dividends and the announcement of several projects in Nasr City and New Cairo.

b- Industrials Sector: Domestic Currency's Depreciation Working in Sector's Favor

This sector is comprised of three companies providing capital goods, two of which work in electrical equipment, and one in heavy construction. The 10.77% y-t-d average return of the industrial sector is somewhat misleading when the performance of Egyptian Electrical Cables is also taken into consideration.



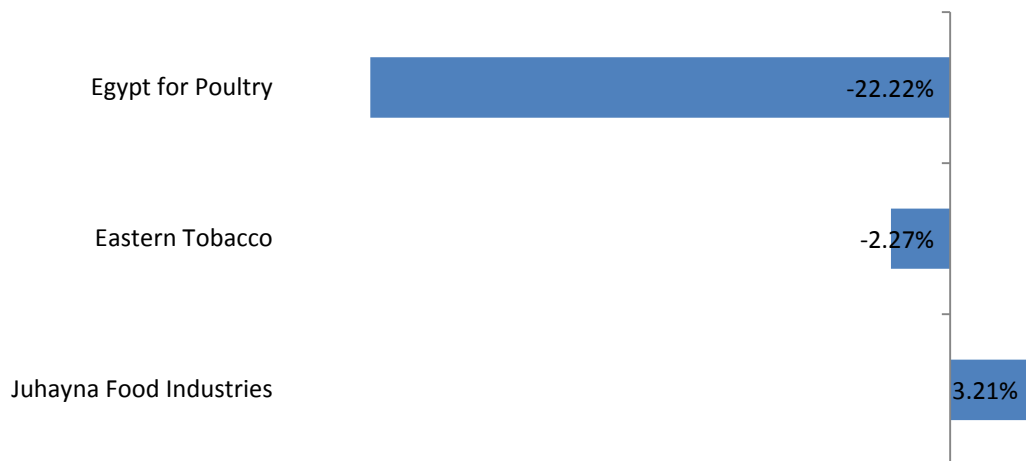
Source: Bloomberg

El Swedy Electric's share performance was greatly boosted by its power generation project being connected to the national power grid at the end of May, in addition to the signing of a € 2B contract with Siemens AG for work on a combined cycle power plant.

Egyptian Electrical Cables, on the other hand, failed to recover from the ongoing problems surrounding the industrial sector, with the power crisis that tainted early-year performance being a significant cause for the company's poor results.

However, the sector as a whole is expected to improve, considering that the continuing depreciation of the pound would allow the industrial sector to benefit from a reinvigorated appetite for local products and return market focus to the industrial sector, rather than trade. The two companies listed on the EGX 30 are also in place to take advantage of the global depreciation of copper prices, a key component of El Swedy's and Egyptian Electrical Cables' products.

c- Consumer Staples Sector: Reforms Reshaping Companies' Performance



The two key players in the consumer staples market are Juhayna Food Industries and Eastern Tobacco. These companies faced contrasting fortunes in their respective markets, resulting in a 0.41% inching up of the sector, as Egypt for Poultry holds too little of a market share to impact sector performance. Juhayna Food Industries' focus on product quality led to their reception of the "Platinum Award of the Arab Quality Award" for 2014. This recognition was a primary driver in Juhayna's shares' 3.21% y-t-d return.

In contrast, Eastern Tobacco, which holds almost a 67% market share in Egypt, where roughly 25% of the adult population smokes cigarettes, suffered from newly imposed stricter tax regulations as the government resorted to taxing the tobacco industry in an attempt to support tax revenues.

d- Consumer Discretionary Sector: Bleak Reflection of Economic Conditions

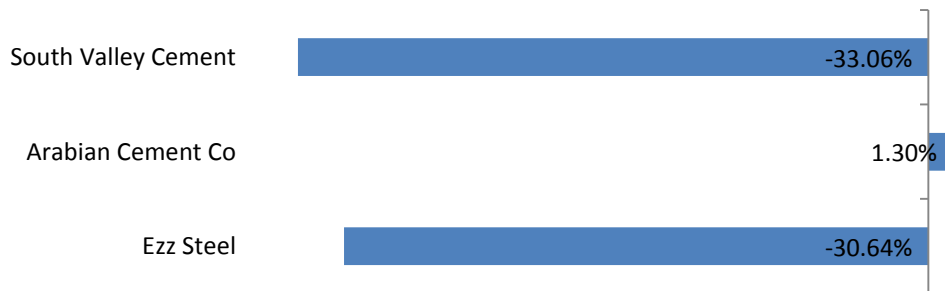
This sector is heavily linked to Egypt's overall macroeconomic conditions, since it is the most reflective sector of purchases by the general public. Financial performance in this sector has suffered during 2015 as a result of the nature of the products supplied. Oriental Weaver's luxury carpets and Arab Cotton Ginning's textile products are most likely to suffer in sales figures when the existing conditions of low available energy, currency fluctuations and political disturbances converge, as has been the case throughout the calendar year.



Source: Bloomberg

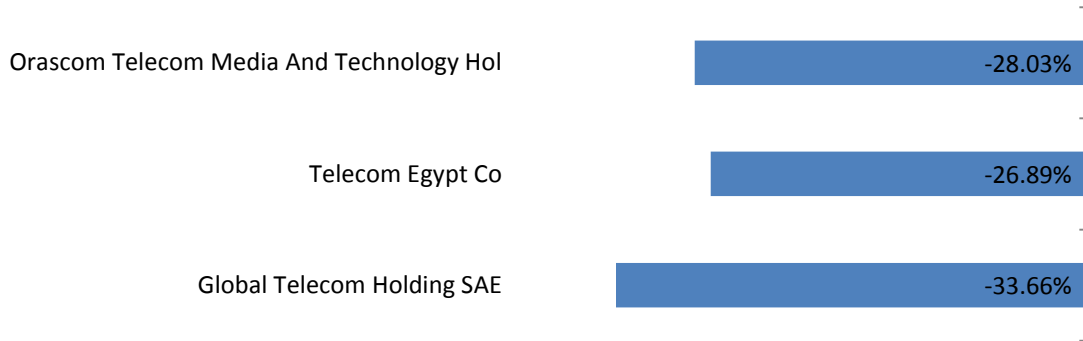
e- Materials Sector: Energy Instability Takes its Toll on Production

The energy crisis experienced early on in 2015 due to complications in Yemen also took its toll on the materials sector, as capital and energy intensive companies in general demonstrated declining performances from the lack of oil availability for their inputs. In parallel, higher costs to transport goods eliminated any profit margins on the companies' sales, and the depreciation of the local currency also exacerbated losses recognized by the companies in this sector. Ezz Steel in particular showed its dependence on stability in energy prices and market dynamics, as the company's 2014 income statement portrayed a net loss of EGP 835.58M (\$109.51M).



Source: Bloomberg

f- Telecommunication Services: Sector Nationalization To Redefine Companies' Activities



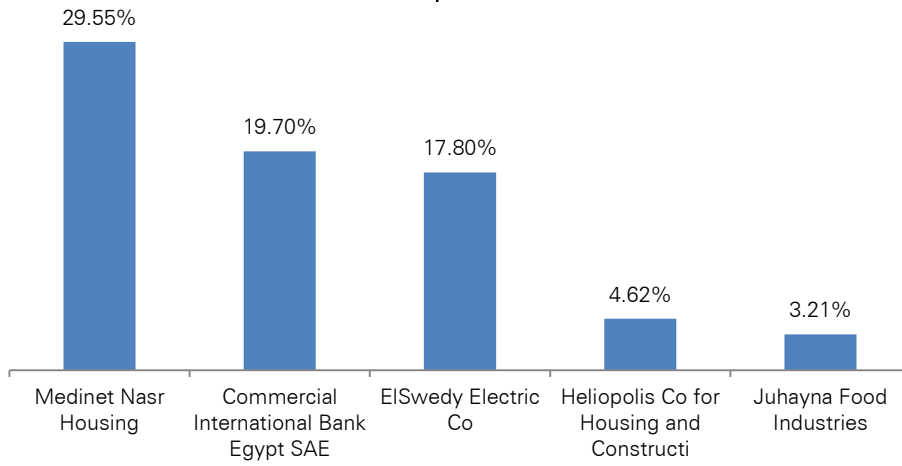
Source: Bloomberg

The Telecommunication Services sector suffered from the overall index performance, which negatively impacted Orascom's and Global Telecom's stock performance. Telecom Egypt's stock also witnessed a dip in performance due to its delisting from the MSCI Index. In addition, prolonged discussions about the Defense Military's decision to acquire a majority stake in a new national entity that will take over the activities of Egyptian telecom companies, such as infrastructure, played its part. A joint majority stake of 60%, held by the Ministry of Defense and other ministries, such as the Ministry of Transportation and the Finance Ministry, will rent the necessary infrastructure to the operator. The three mobile network operators in Egypt, which are Vodafone, Etisalat Misr and Mobinil, each hold an 11.5% share in the new entity, while Telecom Egypt holds the remaining 5.5% share. Worth mentioning that talks regarding this entity are currently suspended, with expectancy that the entity will not eventually be created.

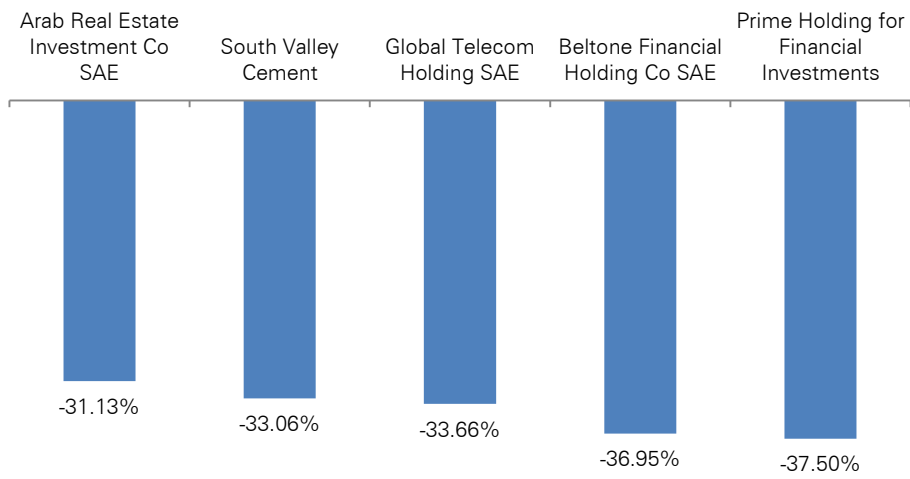
Top 5: Best and Worst Performing Companies

Up to June 8, 2015, the following companies were the best and worst performers on the index.

EGX 30 Top 5 Performers



EGX 30 Worst 5 Performers



Source: Bloomberg

- End -