BANK NXT Helal 2nd Fund

Quarterly report
Q2-2026

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
- 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	May-2011
IC price	EGP 360.52
Dividends Since Inception	EGP 304.87
Reuters Lipper Code	68112730

Fund Manager

Management company	Hermes Portfolio and Fund Management
Fund Manager	Nabil Moussa

Contact Details

BANK NXT

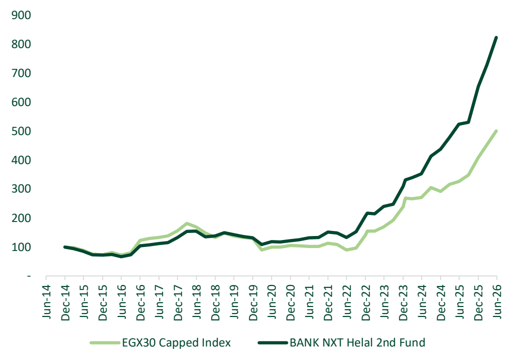
Telephone	16697
Website	https://www.banknxteg.com/

Portfolio

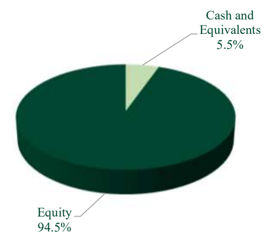
Performance Figures

Date	Return
Q2-2026	12.8%
YTD	25.9%
2025	49.4%
2024	41.6%
5-YTD	524.8%
Since Inception	1270.6%

Relative Performance



Asset Allocation



Market Outlook

US Market

The US market rose sharply during 2Q26, with the S&P500 increasing by 14.9%, thereby erasing all the losses incurred in 1Q26 and ending the first half of the year up 9.6%. The market increase was mainly driven by two major factors:

- **The easing of the oil shock:** The outbreak of the US Iran war in 1Q26 caused oil prices to surge and raised fears of persistent inflation. However, during 2Q26, oil prices declined significantly as supply concerns eased and expectations of a prolonged war diminished, leading to reduced concerns about persistent inflation.
- **Strong Corporate Earnings:** Most US companies, especially large technology firms, reported results that exceeded market expectations, increasing investors' confidence in future growth prospects.

We note that US inflation increased from 2.4% in February 2026 to 4.25% in May 2026 as a result of the spike in energy and commodity prices, while core inflation rose from 2.5% to 2.9% during the same period, moving further away from the Fed's 2.0% target. This has led to differing views among Fed members, with half of the voting committee favoring a rate hike at the latest meeting. However, the new Fed chair did not reveal his preference, indicating that decisions will be made on a meeting-by-meeting basis based on updated economic data.

We believe the current inflation problem is primarily the result of supply shocks. However, with the US and Iran reaching a framework agreement, oil prices have erased most of their war premium, and if the strait reopens as planned, we expect further downside in oil prices as GCC producers increase output alongside Iran following the removal of sanctions, potentially bringing oil prices back into the USD60s level. Moreover, the second component of the inflation problem is tariff increases. However, the initial tariff shock has now passed its one-year anniversary, and its impact on future inflation should begin to diminish.

Therefore, we see little reason for any rate hikes in 2026. Instead, we believe the Fed will most likely remain on hold. If the US Iran agreement remains intact, inflation could fall faster than expected, paving the way for the resumption of monetary easing in 2027.

In conclusion, markets have been trading for weeks on the assumption that the conflict is effectively over, even before the official agreement is signed, which should support a continued upward trajectory in equities. However, downside risks remain elevated as long as the conflict persists.

Emerging Markets

Emerging markets moved broadly in line with the US market, but with much stronger gains, as the MSCI EM index increased by 23.3% in the quarter to end the first half of 2026 up 22.7%. This performance was primarily driven by the strong gains in Korea (up 118.2%) and Taiwan (up 61.7%), reflecting the significant presence of large technology companies in both markets that continue to benefit from AI infrastructure spending, particularly in semiconductor related companies. China, on the other hand, declined by 15.9% during the first half of 2026 as investors remained concerned about weak domestic consumption, and viewed the current policy stimulus as insufficient to support a sustainable recovery.

These developments have dramatically changed the country weights within the MSCI EM index, with China falling from the largest constituent to the third largest, as its weight dropped from around 30% to approximately 20%. Meanwhile, the weights of Taiwan and Korea increased from 20% and 14% to 38% and 32%, respectively.

We believe emerging markets will primarily benefit from improving expectations of global monetary policy and stronger investment sentiment. The MSCI EM index is currently trading at forward P/E of 12.2x, representing a discount of more than 40% to the US market, which is trading at a forward P/E of 22.0x. Therefore, we expect emerging markets to continue moving broadly in line with the US market, with the valuation gap narrowing during monetary easing cycles and widening during monetary tightening cycles.

Egyptian Market:

The Egyptian market had a strong quarter, rising by 11.4% to end the first half of 2026 up 20.7% in EGP terms. Moreover, the EGP appreciated by 11.0% against the USD in 2Q26, erasing most of the losses incurred in 1Q26 and end the first half down only 2.9%. As a result, the market finished the first half of 2026 up 17.2% in USD terms.

We note that market performance has slightly lagged earnings growth, with EGX30 earnings increasing by 24.1% in 1Q26, while the market is currently trading at a 2016 estimated P/E of 8.7x, representing a 7.6% discount to its historical average of 9.3x. We also note that the market is trading at approximately 30% discount to MSCI EM index, compared with its historical average discount of around 20-25%.

We believe the Egyptian market will continue to move broadly in line with the MSCI EM index and is therefore expected to benefit from improving expectations of global monetary policy and if the FED resumes its monetary easing in 2027, we expect the valuation gap between Egypt and the MSCI EM index to narrow towards its historical average.