



# INVESTORS' OUTLOOK

FOR THE MONTH OF AUGUST 2017

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## ECONOMY AND CAPITAL MARKETS UPDATE

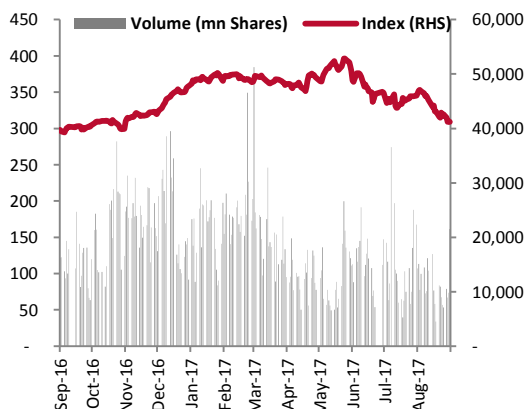
### Economic Summary

Key Indicators	Reported Month	Current	Previous	YTD
CPI Inflation	August	3.41%	2.91%	3.16%
Trade Deficit (USD mn)	August	-3,423	-3,204	-6,627
Remittances (USD mn)	August	1,954	1,542	3,496
Current A/C (USD mn)	July	-2,053	-1,431	-2,053
FDI (USD mn)	July	223	199	223
Tax Collection ** (PKR bn)	August	239	210	449
M2 Growth*	August			13.67%
FX Reserves* (USD bn)	August			20.39

Source: SBP, FBS

\* Latest monthly figures \*\*provisional figures

### KSE 100 one year performance



### Secondary market PKRVs

Tenor	July-17	June-17	Change (bps)
30 Days	5.92	6.00	-8
60 Days	5.95	5.99	-4
3 Months	5.98	5.99	-1
6 Months	6.00	6.00	0
1 Year	6.03	6.04	-1
3 Year	6.65	6.49	16
5 Year	7.27	7.06	21
10 Year	8.25	8.17	8

Source: MUFAP

### Economic Review

CPI Inflation, after posting a 21-month low of 2.9% YoY in July'17, slightly increased to 3.41% YoY during August-17. On a sequential basis, CPI remained flat (+0.19%MoM) driven by Food Inflation (up 0.43%MoM) on the back of uptick in perishable food prices (+1.88% MoM), which was impacted by 'Eid factor'. Overall, average 2MFY18 inflation now stand at 3.16% compared to 3.88% in 2MFY17.

On the external front, current account deficit (CAD) widened by 2.1x YoY to USD2,053 mn in 1MFY18, compared to a deficit of USD662 mn SPLY. Swelling of deficit is mainly due to sharp 78%YoY hike in trade deficit to USD2.9bn for July 2017 where imports increased by mammoth 51%YoY to USD4,696 mn offsetting the reasonable growth of 21%YoY in exports to USD1,495 mn. On the other hand, workers' remittances posted a strong growth of 11%YoY/27% MoM to close the month at USD1,954 mn. Total Foreign exchange reserves increased by 0.5%MoM to USD20.4 billion as of August 31, 2017. As a result, Pak rupee remained stable against the green back at PKR105.4/USD during the month. On fiscal side, tax collection in August 2017 improved by 14%YoY as FBR managed to collect PKR239 bn taking 2MFY18 collection to PKR 449 billion, +12%. Moving ahead, weak outlook on exports due to low global demand, rising imports led by machinery & petroleum imports and absence of FDI are expected to may pose major challenges for the balance of payments and may keep USD/PKR parity in pressure.

### Equity Market Review

Equities posted third consecutive month decline as benchmark KSE 100 index closed the month at 41,207 pts, translating into a negative return of 10.4% MoM taking 8MCY17 loss to 13.8%. Once again, politics took center stage with concerns of policy paralysis on key economic issues kept hurting sentiments. Moreover, geopolitical tensions made headlines when Pakistan came in the crosshairs of US's Afghan policy, thereby keeping investor sideline. During the month, heavy penalty on Pakistan's Largest Bank (HBL) also spoiled the sentiments. As a result, overall activity remained dull as average shares traded reported at 202mn in Aug-17, down 21.6% MoM while average value traded also dropped by 5.8%MoM to PKR10.2bn.

On the liquidity front, foreign investors offloaded shares worth of USD 80.5mn in the month of August'17. Major foreign selling was witnessed in Cements (USD 26.2mn), Commercial banks (USD 17.7mn) and E&Ps (USD 16.8mn). On contrary, adequate domestic liquidity fueled by Companies (+USD 28mn), Banks (+USD 25.4mn), Insurance (+USD 14.3mn) & Mutual Funds (+USD6.7mn) comfortably absorbed the foreign selling. Sector wise, life insurance, pharma and cements were worst performers during the month underperforming the index by 7.2/6.7/5.5% respectively, whereas Technology and Textiles were top performers beating KSE100 by 8.6/7.1/7.1% respectively. Pakistan with forward P/E of 8.7x is trading at a steep discount of 55% as compared to MSCI EM P/E of 15.6x and offers an attractive dividend yield of 6.1%.

### Debt Market Review

During the month, SBP conducted three T-bill auctions with a cumulative target of PKR 1,550 bn against maturity of PKR 1,440 bn. Investors remained biased towards short term bills as major amount was accepted in the 3M tenor (PKR 1,513.4bn) out of total accepted amount of PKR 1,853.8bn (ex. non-competitive bids). Cut-off yields in the latest auction remained unchanged at 5.9910%, 6.0109% and 6.0386% p.a. for 3, 6 and 12 months T-Bills respectively.

Interest in PIBs remained extremely lack luster as the SBP received bids of only PKR25 bn against a target of PKR100 bn, primarily in the 3-yr tenor. The central bank remained resilient over high cost borrowing and rejected all bids. As a result, secondary market yields in the shorter tenors move downward by as much as 9 basis points while increasing in the range of 3-13 basis points in the longer tenor. Moving ahead, market is expected to remain range bound in near term given a stable interest rates scenario.

# MANAGED TAKAFUL FUND

## Fund Objective

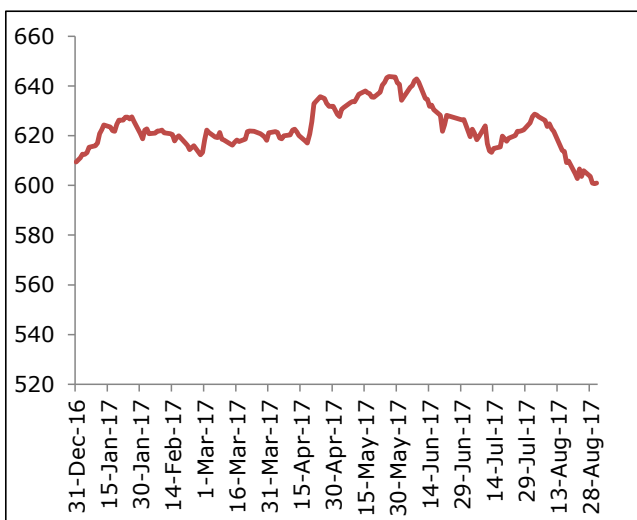
To optimize aggregate long term risk adjusted return through capital appreciation, dividend and profit income by investing in a Balanced Portfolio comprising of Shariah compliant equities, equity mutual funds, Sukuks (Government and Corporate), deposits with Islamic Banks and Windows or any other approved Shariah compliant avenues. The Fund was launched on July 7, 2015.

## Fund Information

Description	Information
<b>Fund Name</b>	Managed Takaful Fund
<b>Fund Size</b>	PKR 1,093 Million
<b>Launch Date</b>	07.07.2015
<b>Bid Price (07.07.2015)</b>	PKR 500.00
<b>Bid Price (31.08.2017)</b>	PKR 600.98
<b>Category</b>	Shariah Compliant Balanced Fund
<b>Pricing Mechanism</b>	Forward on daily basis
<b>Management Fee</b>	1.50% p.a.
<b>Pricing Days</b>	Monday to Friday
<b>Auditors</b>	KPMG
<b>Appointed Actuary</b>	Nauman Cheema, Nauman Associates, Lahore

## Fund Returns

During the month of August 2017 Managed Takaful Fund's (MTF) Unit Price decreased by PKR 24.13 (-3.86%) net of fund management fee.



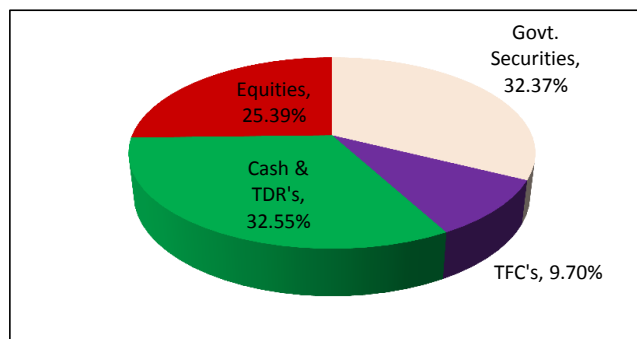
## Investment Committee Members

<b>Ayaz Ahmed</b>	Chairman
<b>Javed Ahmed</b>	Member / CEO
<b>Rafiuddin Zakir Mahmood</b>	Member
<b>John Joseph Metcalf</b>	Member
<b>Lilly R. Dossabhoy</b>	Member
<b>Shan Rabbani</b>	Member

## Fund Returns

Period	Rate of Return
<b>1 month</b>	-3.86%
<b>3 months</b>	-6.20%
<b>12 months</b>	4.58%
<b>Calendar YTD</b>	-1.38%
<b>Since Inception</b>	20.20%

Assets	August-17	July-17
<b>Government Securities</b>	32.37%	34.65%
<b>Term Finance Certificates</b>	9.70%	10.33%
<b>Cash and Short Term Deposits</b>	32.55%	29.88%
<b>Stocks</b>	25.39%	25.15%





# CAPITAL GROWTH TAKAFUL FUND

## Fund Objective

To optimize aggregate long term risk adjusted return through capital appreciation, dividend and profit income by investing in an Aggressive Portfolio primarily comprising of Shariah compliant equities and equity mutual funds with any excess liquidity being invested in Sukuks (Government and Corporate) or deposits with Islamic Banks and Islamic Windows of Conventional Banks.  
The Fund was launched on July 7, 2015.

## Fund Information

Description	Information
<b>Fund Name</b>	Capital Growth Takaful Fund
<b>Fund Size</b>	PKR 1,813 Million
<b>Launch Date</b>	07.07.2015
<b>Bid Price (07.07.2015)</b>	PKR 500.00
<b>Bid Price (31.08.2017)</b>	PKR 631.85
<b>Category</b>	Shariah Compliant Equity Fund
<b>Pricing Mechanism</b>	Forward on daily basis
<b>Management Fee</b>	1.50% p.a.
<b>Pricing Days</b>	Monday to Friday
<b>Auditors</b>	KPMG
<b>Appointed Actuary</b>	Nauman Cheema, Nauman Associates, Lahore

## Fund Returns

During the month of August 2017 Capital Growth Takaful Fund's (CGTF) Unit Price decreased by PKR 49.35 (-7.24%) net of fund management fee.



## Investment Committee Members

<b>Ayaz Ahmed</b>	Chairman
<b>Javed Ahmed</b>	Member / CEO
<b>Rafiuddin Zakir Mahmood</b>	Member
<b>John Joseph Metcalf</b>	Member
<b>Lilly R. Dossabhoy</b>	Member
<b>Shan Rabbani</b>	Member

## Assets

	August-17	July-17
<b>Government Securities</b>	25.26%	26.48%
<b>Term Finance Certificates</b>	4.21%	4.39%
<b>Cash and Short Term Deposits</b>	25.60%	20.40%
<b>Stocks</b>	44.93%	48.74%

## Fund Returns

Period	Rate of Return
<b>1 month</b>	-7.24%
<b>3 months</b>	-12.58%
<b>12 months</b>	4.81%
<b>Calendar YTD</b>	-5.36%
<b>Since Inception</b>	26.37%

