

# INVESTORS' OUTLOOK

FOR THE MONTH OF DECEMBER 2017

# INVESTORS' OUTLOOK

## ECONOMY AND CAPITAL MARKETS UPDATE

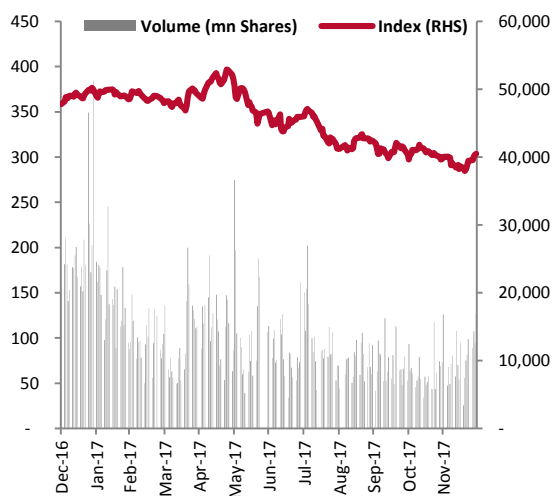
### Economic Summary

| Key Indicators             | Reported Month | Current | Previous | YTD     |
|----------------------------|----------------|---------|----------|---------|
| CPI Inflation              | Dec            | 4.57%   | 3.97%    | 3.75%   |
| Trade Deficit (USD mn)     | Nov            | -2,924  | -3,041   | -15,031 |
| Remittances (USD mn)       | Nov            | 1,577   | 1,654    | 8,021   |
| Current A/C (USD mn)       | Nov            | -1,477  | -1,315   | -6,490  |
| FDI (USD mn)               | Nov            | 207     | 278      | 1,146   |
| Tax Collection ** (PKR bn) | Dec            | 417     | 270      | 1,722   |
| M2 Growth*                 | Dec            |         |          | 2.68%   |
| FX Reserves* (USD bn)      | Dec            |         |          | 20.15   |

Source SBP, FBS

\* Latest monthly figures \*\*provisional figures

### KSE-100 one year performance



### Economic Review

CPI Inflation for the month of December climbed to 7-month high of 4.57%YoY compared to 3.70%YoY in December-16 and 3.97% in November-17. On a sequential basis, CPI is down by 0.10% MoM mainly contributed by food & beverages (-0.24% MoM). Overall, average 1H FY18 inflation now stands at 3.75% compared to 3.89% in 1H FY17. On the external front, with the imposition of Regulatory duties on different non-essential items, goods import during the month posted muted growth of 0.87% MoM while goods exports registered a growth of 8.6% MoM. Resultantly, trade deficit eased off by 3.84% MoM, taking 5MFY18 trade deficit to USD15,030 mn (+29.44% YoY). Furthermore, workers' remittances also remained flat at USD 8,022 mn (+1.3% YoY) during 5MFY18. Overall, current account deficit swelled by 90.7%YoY to USD 6,430 mn in 5MFY18 compared to USD 3,371 mn corresponding year last year. On fiscal front, FBR has provisionally collected PKR 1,722 bn during the 6MFY18 as compared to PKR 1,466 bn SPLY, up +17.4% YoY. Moving ahead, we feel government is well on track with successful issuance of Eurobond & Sukuk worth USD 2.5bn in the international markets coupled with an extension of export package in order to address external account position. Moreover, recent policy moves by newly appointed advisor to prime minister on economic affairs for industries (expected subsidy on input cost and refund disbursement) is expected to boost overall domestic output.

### Equity Market Review

Equities once again posted a decent performance in December where its benchmark KSE-100 index was up by 1.15% MoM (+461pts) to close at 40,471 points, sealing one of the dismal year with cumulative negative return of 15.3%. Investors rejoiced some of the political events such as appointment of Miftah Ismail as advisor to PM on finance, passing of Delimitation Bill by Senate and policy statements by PM to address external account and curb power crisis. Average volumes during the month improved by 34% MoM to stand at 154mn shares while in CY17 clocked-in at 237mn shares, deteriorating 15.6% YoY (CY16: 282mn shares). During CY17 benchmark KSE-100 index declined by 15.3% while touching an all-time high level of 52,876pts, before Pakistan's reclassification to MSCI EM index where subsequent to reclassification from FM to EM, KSE100 index dwindled by 23.5% from its all-time high level to date. The market's tragic performance during the year can be attributed to i) political uncertainty in the wake of ex-Prime Minister Nawaz Sharif's disqualification, ii) deteriorating macroeconomic indicators (ballooning CAD stressing the FX reserves) and iii) rigorous foreign outflow.

Foreigners continued to remain net seller of US\$3.5mn in December taking CY17 outflow of USD488mn. During the year, major outflow was witnessed in sectors i) Cements (USD 169mn) ii) Banks (USD 101mn) iii) Power (USD 51mn), and iv) E&Ps (USD 44mn). On the other hand, domestic liquidity led by Mutual Funds (+USD 216.8mn), Insurance (+USD 171.9mn) and Companies (+USD 136.5 mn) comfortably absorbed all the foreign selling. Pakistan with forward P/E of 7.9x is trading at a steep discount of 48% as compared to MSCI EM P/E of 15.2 and offers an attractive dividend yield of 6.1% vs 2.2% in the Asia-Pacific Region. Thus, we feel this undemanding valuations together with subsiding political situation with smooth transition of democratic structures is expected to attract foreign investors.

### Debt Market Review

During the month of December, SBP held T-Bill auctions with a cumulative target of PKR1,100 bn against maturity of PKR976 bn whereas central bank accepted bids worth PKR686 bn mainly in lower tenor. Cut-off yields for 03 and 06 month tenors were maintained at 5.991% and 6.0109% respectively whereas no bids were received for 12-month tenor. On the other hand, interest in PIBs remained extremely lack-luster as the SBP received bids of only PKR6.4 bn against target of PKR50 bn. Subsequently, central bank rejected all bids and scrapped the auction. Overall activity remained modest as secondary market yields in the shorter tenors gained slightly while trades were witnessed within a wide band as the market expects rise in interest rates subsequently yields in longer tenors of 2Y and above were adjusted by 25-35 basis points while shorter tenure yields improved within a range of 7-9 bps. Going forward, we expect secondary market yields will remain on higher side due expected uptick in inflation amid low base impact and recovery in commodity prices.

### Secondary market PKRVs

| Tenor    | Nov-17 | Oct-17 | Change (bps) |
|----------|--------|--------|--------------|
| 30 Days  | 6.03   | 5.94   | 9            |
| 60 Days  | 6.00   | 5.97   | 3            |
| 3 Months | 6.01   | 5.99   | 2            |
| 6 Months | 6.02   | 6.01   | 1            |
| 1 Year   | 6.04   | 6.03   | 1            |
| 3 Year   | 7.29   | 6.93   | 36           |
| 5 Year   | 7.88   | 7.54   | 34           |
| 10 Year  | 8.39   | 8.29   | 10           |

Source: MUFAP

## 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 1,756 Million                              |
| <b>Launch Date</b>            | 07.07.2015                                     |
| <b>Bid Price (07.07.2015)</b> | PKR 500.00                                     |
| <b>Bid Price (31.12.2017)</b> | PKR 602.30                                     |
| <b>Category</b>               | Shariah Compliant<br>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,<br>Nauman Associates,<br>Lahore |

## Investment Committee Members

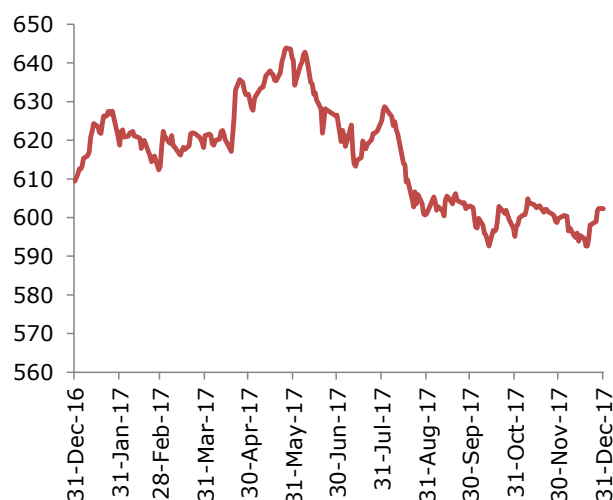
|                                |              |
|--------------------------------|--------------|
| <b>Ayaz Ahmed</b>              | Chairman     |
| <b>Javed Ahmed</b>             | Member / CEO |
| <b>Rafiuddin Zakir Mahmood</b> | Member       |
| <b>John Joseph Metcalf</b>     | Member       |
|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

## Fund Returns

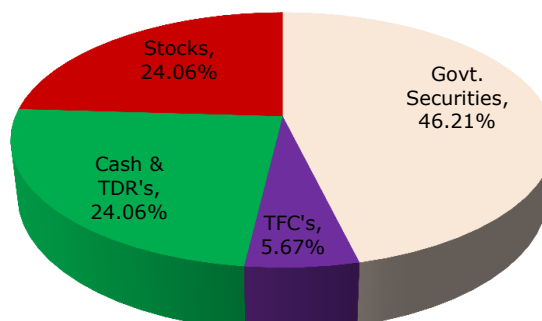
| Period                 | Rate of Return |
|------------------------|----------------|
| <b>1 month</b>         | 0.44%          |
| <b>3 months</b>        | -0.11%         |
| <b>12 months</b>       | -1.16%         |
| <b>Calendar YTD</b>    | -1.16%         |
| <b>Since Inception</b> | 20.46%         |

## Fund Returns

During the month of December 2017 Managed Takaful Fund's (MTF) Unit Price increased by PKR 2.61 (0.44%) net of fund management fee.



| Assets                              | December-17 | November-17 |
|-------------------------------------|-------------|-------------|
| <b>Government Securities</b>        | 46.21%      | 34.19%      |
| <b>Term Finance Certificates</b>    | 5.67%       | 6.70%       |
| <b>Cash and Short Term Deposits</b> | 24.06%      | 38.17%      |
| <b>Stocks</b>                       | 24.06%      | 20.94%      |



## 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 2,858 Million                              |
| <b>Launch Date</b>            | 07.07.2015                                     |
| <b>Bid Price (07.07.2015)</b> | PKR 500.00                                     |
| <b>Bid Price (31.12.2017)</b> | PKR 625.04                                     |
| <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                               |
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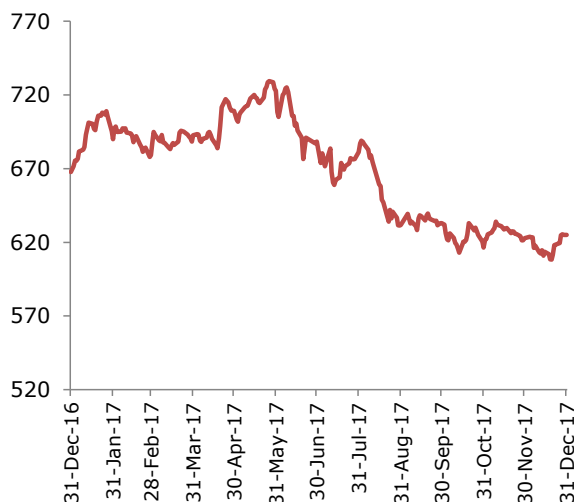
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## Fund Returns

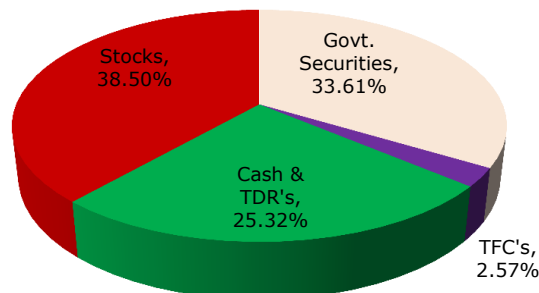
| Period                 | Rate of Return |
|------------------------|----------------|
| <b>1 month</b>         | 0.38%          |
| <b>3 months</b>        | -1.26%         |
| <b>12 months</b>       | -6.38%         |
| <b>Calendar YTD</b>    | -6.38%         |
| <b>Since Inception</b> | 25.01%         |

## Fund Returns

During the month of December 2017 Capital Growth Takaful Fund's (CGTF) Unit Price increased by PKR 2.35 (0.38%) net of fund management fee.



| Assets                              | December-17 | November-17 |
|-------------------------------------|-------------|-------------|
| <b>Government Securities</b>        | 33.61%      | 30.81%      |
| <b>Term Finance Certificates</b>    | 2.57%       | 2.90%       |
| <b>Cash and Short Term Deposits</b> | 25.32%      | 30.41%      |
| <b>Stocks</b>                       | 38.50%      | 35.88%      |





# EQUITY PORTFOLIO DETAILS

## MANAGED TAKAFUL FUND

| Sector Allocation     | Percentage |
|-----------------------|------------|
| Oil & Gas Exploration | 30.65%     |
| Cement                | 15.68%     |
| Textile Composite     | 9.70%      |
| Fertilizers           | 7.26%      |
| Engineering           | 6.07%      |
| Oil & Gas Marketing   | 5.77%      |

| Top Ten Holdings |
|------------------|
| EFERT            |
| HUBC             |
| LUCK             |
| MARI             |
| MTL              |
| NML              |
| OGDC             |
| POL              |
| PPL              |
| THALL            |

## CAPITAL GROWTH TAKAFUL FUND

| Sector Allocation     | Percentage |
|-----------------------|------------|
| Oil & Gas Exploration | 26.67%     |
| Cement                | 12.91%     |
| Fertilizers           | 10.67%     |
| Textile Composite     | 8.97%      |
| Engineering           | 7.72%      |
| Oil & Gas Marketing   | 6.92%      |

| Top Ten Holdings |
|------------------|
| EFERT            |
| ENGRO            |
| HASCOL           |
| HUBC             |
| LUCK             |
| MARI             |
| MTL              |
| NML              |
| OGDC             |
| PPL              |