



# INVESTMENT FACT SHEET

## FOR THE MONTH OF JULY 2019

# FROM INVESTMENT DESK

## ECONOMY AND CAPITAL MARKETS UPDATE

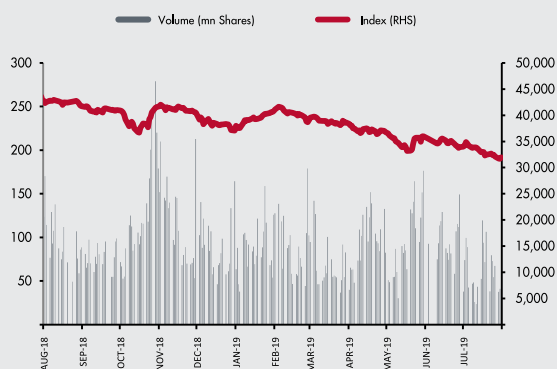
### ECONOMIC SUMMARY

| KEY INDICATORS             | REPORTED MONTH | CURRENT | PREVIOUS | YTD      |
|----------------------------|----------------|---------|----------|----------|
| CPI Inflation              | Jul            | 10.34%  | 8.88%    | 10.34%   |
| Trade Deficit (USD mn)     | Jun            | (2,236) | (2,063)  | (28,219) |
| Remittances (USD mn)       | Jun            | 1,651   | 2,316    | 21,842   |
| Current A/C (USD mn)       | Jun            | (995)   | (1,003)  | (13,587) |
| FDI (USD mn)               | Jun            | 130     | 231      | 1,737    |
| Tax Collection ** (PKR bn) | Jul            | 278     | 472      | 278      |
| M2 Growth*                 |                |         |          | -2.39%   |
| FX Reserves* (USD bn)      | Jul            |         |          | 15.06    |

Source: SBP, FBS

\* Latest monthly figures \*\*provisional figures

### KSE-100 ONE YEAR PERFORMANCE



### SECONDARY MARKET PKRVs

| TENOR    | JUL-19 | JUN-19 | CHANGE (bps) |
|----------|--------|--------|--------------|
| 30 Days  | 13.45  | 12.58  | 87           |
| 60 Days  | 13.60  | 12.70  | 90           |
| 3 Months | 13.72  | 12.75  | 97           |
| 6 Months | 13.90  | 12.85  | 105          |
| 1 Year   | 14.05  | 13.13  | 92           |
| 3 Year   | 14.02  | 13.85  | 17           |
| 5 Year   | 13.60  | 13.88  | -28          |
| 10 Year  | 13.49  | 13.72  | -23          |

Source: MUFAP

### ECONOMIC REVIEW

Inflation accelerated to 10.3%/2.3% (YoY/MoM) in Jul'19, welcoming the new fiscal year with a double digit CPI figure unseen for six years. On sequential basis CPI increased mainly on account of Alcoholic Beverages (+10.8% MoM), Housing (+4.0% MoM) & Transport Group (+3.9% MoM). On the external side, Current Account deficit remained flattish at USD 995 mn in Jun'19 over last month but has shown remarkable progress in the outgoing fiscal year by reducing 32% from USD 19.9 bn in FY18 to USD 13.6 bn in FY19. This can be attributed to improvement in imports (-7.3% YoY) and remittances (+9.7% YoY) while exports remained stagnant. Forex reserves also showed some improvement of USD 619 mn due to inflow of first IMF tranche (~USD 1 bn) and commencement of Saudi deferred oil facility (~USD 275 mn/month) which bolstered reserves to USD 15 bn in Jul'19. On the fiscal side, FBR collected PKR 278 bn in taxes in Jul'19, higher by ~10% over SPLY which is likely due to amnesty scheme however still missed the monthly target by PKR 14 bn. In a detailed press conference and early scheduled MPS, State Bank of Pakistan (SBP) hiked policy rate by 100 bps to 13.25% for a period of two months expressing concern over core inflationary pressures. The SBP expects FY20 Headline inflation to clock between 11-12% wherein with a forward-looking view the current adjustment in interest rates has considered for higher inflation in coming months. With this change, the current real interest rate now stands at 3.4% compared to FY19 average of 2.9%.

### EQUITY MARKET REVIEW

Equities continue to slide for the sixth month running with KSE100 index down by 5.8% to close Jul'19 at 31,938 points taking calendar year performance to -13.84%. KMI30 also continues to tumble, closing the month at 50,569 points with a return of -6.6%. This dismal performance is accompanied by sharp plunge in average daily volumes to seven-year low of 77 mn shares. Despite realization of first IMF tranche and PM Imran Khan's lauded visit with US President Trump, investors remained concerned over inflationary pressures amid another hike in Interest rates and implications of the IMF program, where reforms such as adoption of a market determined exchange rate, tighter monetary policy and regular adjustments in utilities' tariff could dent corporate earnings going forward. Foreign investors returned to our market with net buying of USD 30 mn in Jul'19 while mutual funds were the largest local seller with USD 44 mn and individuals bought USD 15 mn worth of stocks. Among sectors, Fertilizer (+0.8%) was the sole positive performer while Power generation (-11.7%), OMCS (-12%) and Cement (-9.6%) dragged down the index. Going forward, Pakistan with forward P/E of 6.0x is trading at 56% discount compared to Asia Pacific regional average of 13.7x, along with a dividend yield of ~11.0% versus ~2.6% offered by the region.

### DEBT MARKET REVIEW

July saw investors return to the money market in full force fuelled by announcement of 100 bps hike in latest MPS. The central bank accepted PKR 3,280 bn worth of bids in T-bill auctions against target of PKR 2,700 bn in all tenors. Latest cut-off rates rose to 13.75% (+100 bps MoM) for 3-mth tenor, 13.95% (+115 bps MoM) for 6-mth tenor, and 14.24% (+109 bps MoM) for 12-mth tenor. PIB auctions also saw similar level of interest as central bank received PKR 567 bn worth of bids against target of PKR 100 bn out of which only PKR 172 bn worth of bids were accepted at 14.25% (+55 bps MoM) for 3 yr tenor, 13.80% (unchanged) for 5 yr tenor, and 13.55% (-15 bps MoM) for 10 yr tenor. Floaters saw less interest with PKR 128 bn worth of bids received against target of PKR 100 bn wherein SBP accepted just PKR 84 bn at 75 bps over benchmark. Longer term interest rates are believed to have plateaued hence there is strong demand for PIBs which has led to secondary market yields falling by 23-28 bps for longer tenors, while yields for shorter term instruments rose by 87-105 bps.

# 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                                    |
|---------------------------|--|
| Fund Name                 | Managed Takaful Fund                           |
| Fund Size                 | PKR 5,115 Million                              |
| Launch Date               | 07.07.2015                                     |
| Bid Price<br>(07.07.2015) | PKR 500.00                                     |
| Bid Price<br>(31.07.2019) | PKR 591.56                                     |
| Category                  | Shariah Compliant<br>Balanced Fund             |
| Pricing Mechanism         | Forward on daily basis                         |
| Management Fee            | 1.50% p.a.                                     |
| Pricing Days              | Monday to Friday                               |
| Auditors                  | KPMG   |
| Appointed Actuary         | Nauman Cheema,<br>Nauman Associates,<br>Lahore |

## FUND MANAGER'S COMMENTS

During the month of July 2019 Managed Takaful Fund's (MTF) Unit Price decreased by PKR 10.23 (-1.70%) net of fund management fee.



## INVESTMENT COMMITTEE

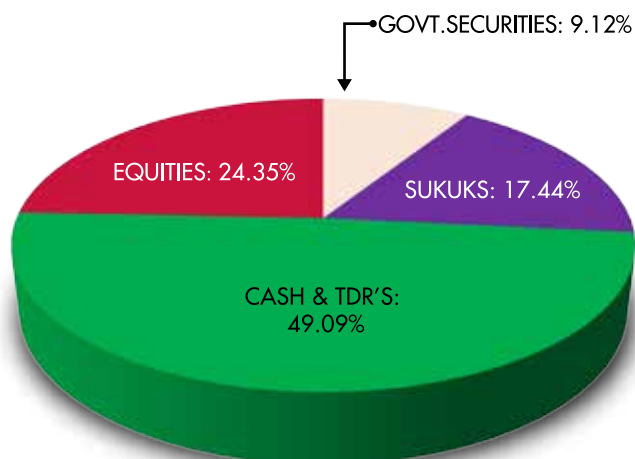
| MEMBERS                 | DESIGNATION  |
|-------------------------|--------------|
| Shahid Ghaffar          | Chairman     |
| Javed Ahmed             | Member / CEO |
| Rafiuddin Zakir Mahmood | Member       |
| John Joseph Metcalf     | Member       |
| Lilly R. Dossabhoy      | Member       |
| Shan Rabbani            | Member       |

## ASSET ALLOCATION

| ASSETS                       | JULY-19 | JUNE-19 |
|------------------------------|---------|---------|
| Government Securities        | 9.12%   | 9.73%   |
| Sukuks                       | 17.44%  | 17.78%  |
| Cash and Short Term Deposits | 49.09%  | 47.43%  |
| Stocks & Mutual Funds        | 24.35%  | 25.06%  |

## FUND RETURNS

| PERIOD          | RATE OF RETURN |
|-----------------|----------------|
| 1 month         | -1.70%         |
| 3 months        | -3.15%         |
| 12 months       | -4.19%         |
| Calendar YTD    | -2.46%         |
| Since Inception | 18.31%         |



# 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                                    |
|---------------------------|--|
| Fund Name                 | Capital Growth Takaful Fund                    |
| Fund Size                 | PKR 6,762 Million                              |
| Launch Date               | 07.07.2015                                     |
| Bid Price<br>(07.07.2015) | PKR 500.00                                     |
| Bid Price<br>(31.07.2019) | PKR 565.87                                     |
| Category                  | Shariah Compliant Equity Fund                  |
| Pricing Mechanism         | Forward on daily basis                         |
| Management Fee            | 1.50% p.a.                                     |
| Pricing Days              | Monday to Friday                               |
| Auditors                  | KPMG   |
| Appointed Actuary         | Nauman Cheema,<br>Nauman Associates,<br>Lahore |

## FUND MANAGER'S COMMENTS

During the month of July 2019 Capital Growth Takaful Fund's (CGTF) Unit Price decreased by PKR 21.80 (-3.71%) net of fund management fee.



## INVESTMENT COMMITTEE

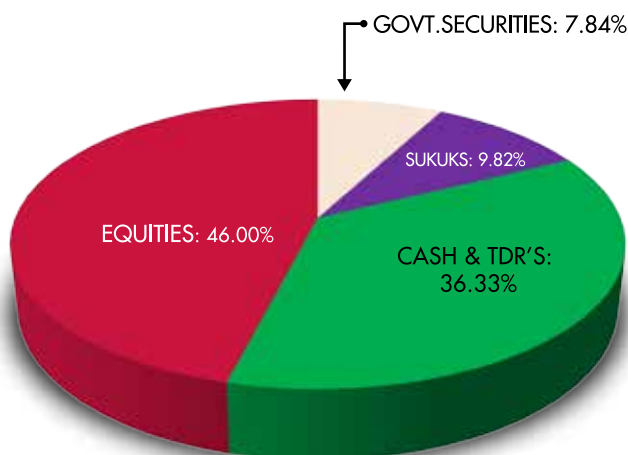
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| Javed Ahmed             | Member / CEO |
| Rafiuddin Zakir Mahmood | Member       |
| John Joseph Metcalf     | Member       |
| Lilly R. Dossabhoy      | Member       |
| Shan Rabbani            | Member       |

## ASSET ALLOCATION

| ASSETS                       | JULY-19 | JUNE-19 |
|------------------------------|---------|---------|
| Government Securities        | 7.84%   | 8.15%   |
| Sukuks                       | 9.82%   | 9.87%   |
| Cash and Short Term Deposits | 36.33%  | 32.85%  |
| Stocks & Mutual Funds        | 46.00%  | 49.13%  |

## FUND RETURNS

| PERIOD          | RATE OF RETURN |
|-----------------|----------------|
| 1 month         | -3.71%         |
| 3 months        | -7.19%         |
| 12 months       | -13.15%        |
| Calendar YTD    | -7.99%         |
| Since Inception | 13.17%         |



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