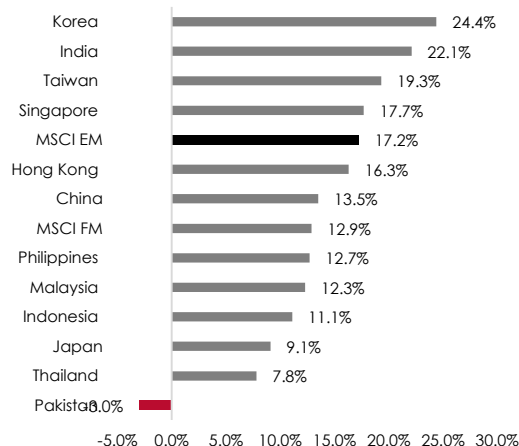


CAPITAL MARKET OUTLOOK

Investment Manager's note

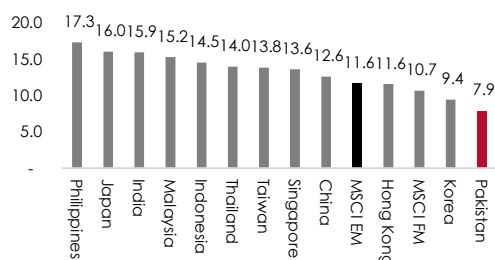
Indices Performance (CY17TD)



*As on June 30, 2017

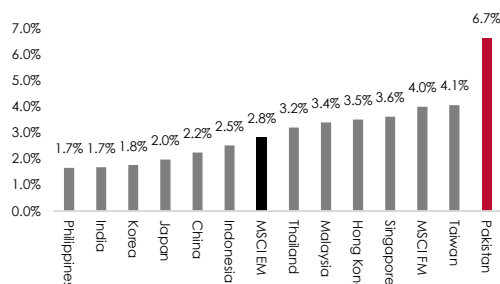
Source: Bloomberg

Lowest forward P/E in the region



Source: Bloomberg

Highest forward DY in the region



Source: Bloomberg

Pakistan Stock Exchange closed another remarkable year with a solid performance of 23.3% in FY17 against 9.8% in FY16. However, benchmark KSE100 index couldn't sustain the gains and witnessed a blood bath with a free fall of 4,026pts (-8.0%MoM) in June-2017 to close the month at 46,565 points, translating into the highest correction since 2008. Through this note, we are highlighting the causes of this unusual event and future outlook on Pakistan's stock market in order to enlighten our clients on their investments.

The key reason for agonizing volatility was prolonged political unrest in the country over outcome of JIT investigation on panama case that kept investors jittery. Resultantly, market continued to test its psychological levels. Situation further exacerbated by unabated foreign outflow (net FIPI-USD 332USD mn in CY17TD) post MSCI EM status due to rebalancing of frontier market funds. Nevertheless, liquidity squeezed at lower levels as average daily traded volume was down by 24%MoM to 338 mn during the month. Thus, in absence of major foreign flows, MSCI large & mid cap stocks (OGDC, HBL, UBL, MCB, LUCK, and ENGRO) were down by 22%-30% from their one year highs as local participants were forced to close out their positions in liquid stock.

In addition to this, despite consensus of OPEC members to cut oil production, global oil prices once again plunged by 19% CTD to close the month at USD43.6 per barrel (WTI) amid US crude inventories pile up. This dragged index heavy weights Oil & gas sectors into tailspin.

Outlook & Recommendation

PSX has underperformed its peers as KSE 100 index is down 3%CYTD in comparison the MSCI EM and FM indices with a return of 17% and 13% respectively. As a result, KSE-100 now trades at an undemanding forward P/E of 7.9x, at 32%/26% discount to the MSCI EM/FM indices along with a handsome dividend yield of 6.7%. This discount is likely to attract foreign investors to Pakistan and any dip from hereafter would be an opportunity for ideal entry.

In addition to this, improvement in macro-economic indicators as country is all set to achieve nine year high GDP growth rate of 5.3% in FY17, ample domestic liquidity (Mutual Fund average cash level at 15%-20%), improved global visibility post MSCI EM inclusion and materialization of multi-billion dollar CPEC are expected to narrow down perceived risk premium of the country. All these would bode well for the bourse to deliver a sharp recovery once political dust gets settled.

On the other hand, relative asset classes have little to offer as boom cycle for commodities has seemingly come to an end while local fixed income instruments' yield lost vigor amid historic low interest rates.

Key risk to market is vulnerable external position of the country as current account deficit in up by 1.3xYoY to USD10.6 bn in 11MFY17. Thus, worsening of CAD could keep PKR/USD parity in pressure and a risk of rupee depreciation cannot be ruled out. However, given steep correction of 17% from its peak levels, market is well poised to deliver a double digit USD return even after incorporating 4-5% rupee depreciation.

On these grounds, investors may prefer equity schemes under specialized investment managers such as Capital Growth Fund and Capital Growth Takaful Fund which are largely concentrated in equities and are expected to outperform other investment alternatives in the medium to long-term. Investors looking for a more moderate allocation can opt for different asset allocation funds namely the Managed Fund and Managed Takaful Fund. Overall, we expect a total return of 18%-20% from the market despite short term volatilities.

Disclaimer: This publication is for informational purposes only and nothing here in should be construed as a solicitation, recommendation or an offer to buy or sell any fund. All investments in insurance schemes are subject to market risks. These may go up or down based on market conditions. Past performance is not necessarily indicative of future results. Please read the offering document to understand the investment policies and the risk involved including risk disclosures for special features.

INVESTORS' OUTLOOK

ECONOMY AND CAPITAL MARKETS UPDATE

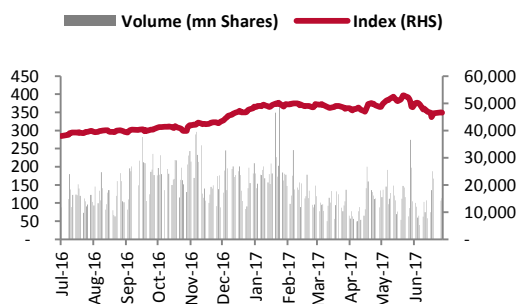
Economic Summary

Key Indicators	Reported Month	Current	Previous	YTD
CPI Inflation	June	3.93%	5.02%	4.16%
Trade Deficit (USD mn)	May	(2,648)	(2,342)	(23,665)
Remittances (USD mn)	May	1,867	1,539	17,463
Current A/C (USD mn)	May	(1,625)	(1,337)	(10,641)
FDI (USD mn)	May	295	154	2,213
Tax Collection ** (PKR bn)	June	492	340	3,352
M2 Growth*	June			13.36%
FX Reserves* (USD bn)	June			23.04

Source SBP, FBS

* Latest monthly figures **provisional figures

KSE 100 one year performance



Secondary market PKRVs

Tenor	Jun-17	May-17	Change (bps)
30 Days	6.00	5.96	4
60 Days	5.99	5.99	0
3 Months	5.99	5.99	0
6 Months	6.00	6.01	-1
1 Year	6.04	6.04	0
3 Year	6.49	6.48	1
5 Year	7.06	7.05	1
10 Year	8.17	8.20	-3

Source: MUFAP

Economic Review

Pakistan achieved nine year high GDP growth rate of 5.3% in FY17 vs 4.3% in FY16 primarily led by services sector with +5.98% YoY growth followed by manufacturing (+4.9% YoY) and agriculture (+3.5% YoY). On the external front, the current account deficit in 11MFY17 further widened to stand at USD 10.6bn vs USD 3.2 bn SPLY. Widening current account is fueled by weak trade balance on the back of flattish exports (-1.6%YoY) and swelling imports (16.7%YoY). Rising trade & service deficit is weighing on foreign reserves as SBP's reserve posted a MTD decrease of USD 272mn to reach USD 16.1bn (USD 21.4bn total reserves). Likewise, remittances remained lack-luster as declining by 2.1% YoY to reach USD 17.4bn during FYTD. However, during May'17 remittances surged 21% MoM to close at USD 1.8bn. FDI reached USD 1.9bn, up by 18% YoY during 11MFY17. On fiscal side, FBR missed tax collection target of PKR3.5tn for FY17 by almost PKR150bn despite aggressive taxation measure (Super tax, higher tax on non-filers, mini-budget).

CPI Inflation for June 2017 clocked in at 3.9% YoY vs. May'17 reading of 5.0% YoY. While the high base effect and decline in cigarette price amid change in duty structure kept inflation reading lower. Furthermore, lower-than-expected number is due to limited increase in food prices despite Ramadan and Eid UL ADA. Meanwhile, Core Inflation continues to remain sticky with non-food non-energy inflation clocking in at 5.5% YoY. As a result, average Inflation for FY17 settled at 4.2% YoY vs 2.9% SPLY.

Equity Market Review

PSX closed another remarkable year with a solid performance of 23.3% in FY17 against 9.8% in FY16. However, benchmark KSE100 index declined by 4,026pts (-8.0%MoM) in June-2017 to close the month at 46,565 points. The key reasons for the massive drop were a) higher political noise over JIT investigation ii) continuous selling by foreign institutions c) deteriorating external position alongside fears of PKR depreciation and d) unfavorable tax regime for capital markets. Moreover, activity remained dull as average trading volume declined by 22% MoM to 265mn against 338mn recorded in May'17.

Foreign institutional investors remained net seller with FIPI reporting an outflow of USD 11.8 mn (excluding one off Hascol transaction of USD18 mn) in Jun'17. Dissection of market participation in the month under review suggests keen foreign interest was concentrated in OMC's (USD 18.7mn); including Vitol acquiring further 10% stake in HASCOL (USD 18mn), Fertilizer (USD 7.1mn) and Food Producers (USD 2.5mn). On the other hand, insurance companies emerged as the largest buyers with positive net inflow of +USD 40mn, followed by Banks +USD 9.5mn, Brokers +USD 7mn and Mutual Funds +USD2.2mn.

On Sector wise, index's heavy-weight sector Oil & Gas was the worst performer (-909 points) of the month amid 8% MoM drop in international crude prices. Underperformers list also include Fertilizers (-498 points) MoM on concerns regarding pricing consensus and Banks (-476 points) MoM on possible delay in interest rate hike. Moving ahead, given significant correction, PSX is trading at an

Debt Market Review

In the PIB auction held during the month, the SBP picked up around Rs. 78 bn against a target of Rs. 50bn with bids received worth Rs 94.7 bn. The yield-curve remained flat as the cutoff yields for 3-year, 5-year and 10-year bonds remained stagnant at 6.4050%, 6.8974% and 7.9358% respectively, while all bids for 20-yr bonds were rejected.

In the T-bills in June, hefty participation was witnessed as Rs. 687 bn was accepted, against a target of Rs. 750 bn. On monthly basis, the yields for 3-months and 12-month instrument remained stagnant at 5.991% and 6.011% respectively while 12-month yields slightly decreased by 1bps to close at 6.040%.



MANAGED TAKAFUL FUND

Fund Objective

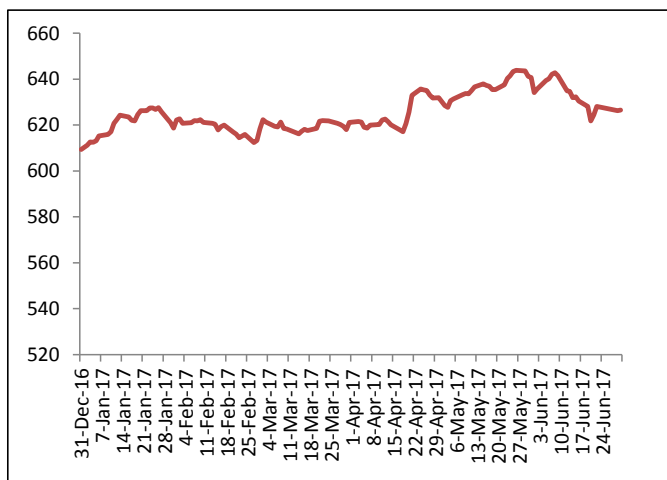
To optimize aggregate long term risk adjusted return through capital appreciation, dividend and profit income by investing in a Balanced Portfolio comprising of Shariah compliant equities, equity mutual funds, Sukuks (Government and Corporate), deposits with Islamic Banks and Windows or any other approved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

Fund Information

Description	Information
Fund Name	Managed Takaful Fund
Fund Size	PKR 953 Million
Launch Date	07.07.2015
Bid Price (07.07.2015)	PKR 500.00
Bid Price (30.06.2017)	PKR 626.54
Category	Shariah Compliant 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, Nauman Associates, Lahore

Fund Returns

During the month of June 2017 Managed Takaful Fund's (MTF) Unit Price decreased by PKR 14.15 (-2.21%) net of fund management fee.



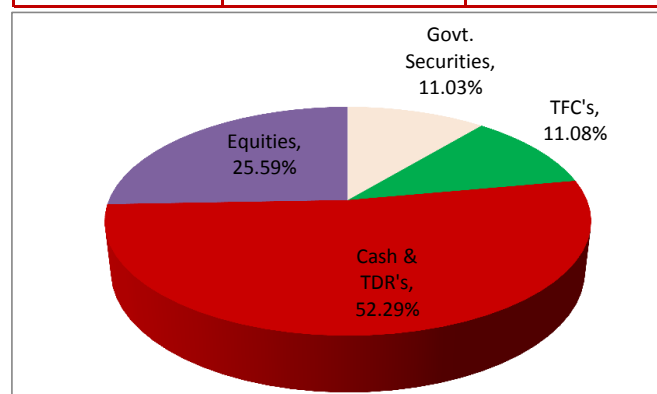
Investment Committee Members

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

Fund Returns

Period	Rate of Return
1 month	-2.21%
3 months	0.86%
12 months	11.13%
Calendar YTD	2.82%
Since Inception	25.31%

Assets	June-17	May-17
Government Securities	11.03%	0.00%
Term Finance Certificates	11.08%	11.72%
Cash and Short Term Deposits	52.29%	59.38%
Stocks	25.59%	28.91%





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 1,628 Million
Launch Date	07.07.2015
Bid Price (07.07.2015)	PKR 500.00
Bid Price (30.06.2017)	PKR 688.26
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, Nauman Associates, Lahore

Investment Committee Members

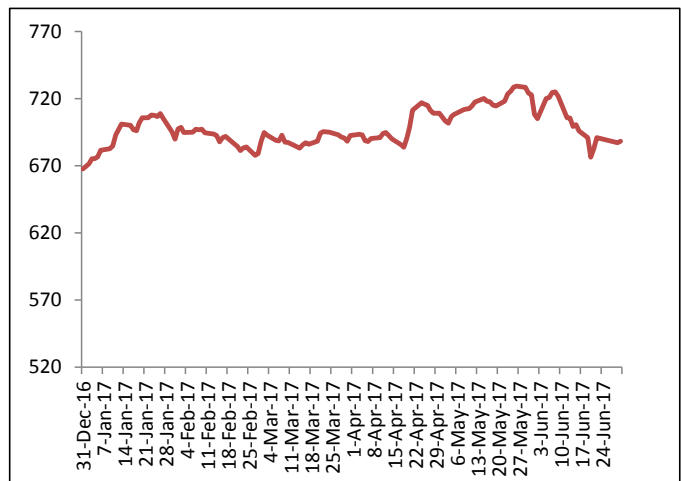
Ayaz Ahmed	Chairman
Javed Ahmed	Member / CEO
Rafiuddin Zakir Mahmood	Member
John Joseph Metcalf	Member
Lilly R. Dossabhoy	Member
Shan Rabbani	Member

Fund Returns

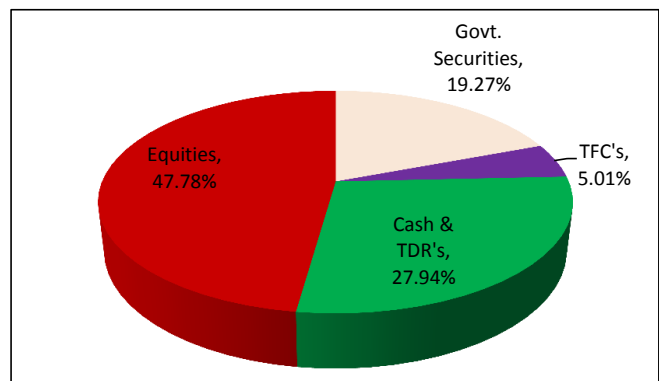
Period	Rate of Return
1 month	-4.78%
3 months	-0.63%
12 months	17.95%
Calendar YTD	3.09%
Since Inception	37.65%

Fund Returns

During the month of June 2017 Capital Growth Takaful Fund's (CGTF) Unit Price decreased by PKR 34.52 (-4.78%) net of fund management fee.



Assets	June-17	May-17
Government Securities	19.27%	6.92%
Term Finance Certificates	5.01%	5.58%
Cash and Short Term Deposits	27.94%	32.04%
Stocks	47.78%	55.45%





EQUITY PORTFOLIO DETAILS

MANAGED TAKAFUL FUND

Sector Allocation	Percentage
Automobile Assembler	16.87%
Pharmaceuticals	13.15%
Engineering	12.46%
Oil & Gas (Marketing Comp	12.22%
Oil & Gas (Exploration Com	8.40%
Others	36.90%

Top Ten Holdings
AGTL
ASTL
HINOON
HUBC
INDU
LUCK
MTL
POL
SHFA
SNGP

CAPITAL GROWTH TAKAFUL FUND

Sector Allocation	Percentage
Automobile Assembler	19.27%
Engineering	13.68%
Oil & Gas (Marketing Comp	12.59%
Pharmaceuticals	10.65%
Oil & Gas (Exploration Com	8.78%
Others	35.03%

Top Ten Holdings
ASTL
CSAP
HASCOL
INDU
MTL
NML
PSMC
SEARL
SHFA
SNGP