

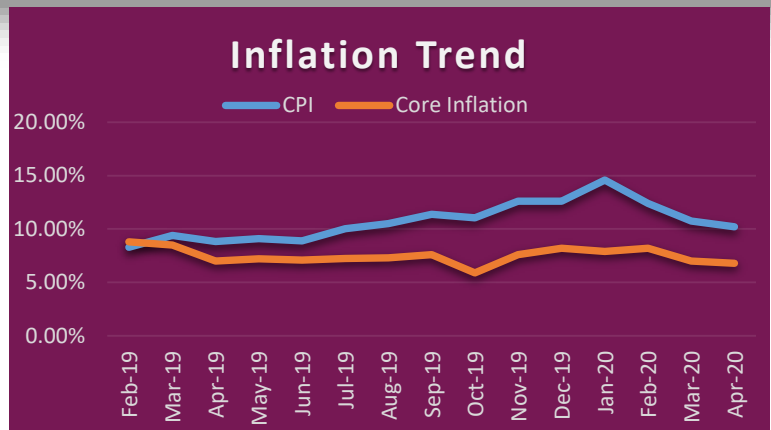


# FUND MANAGER'S REPORT

**For the Month of April 2020**

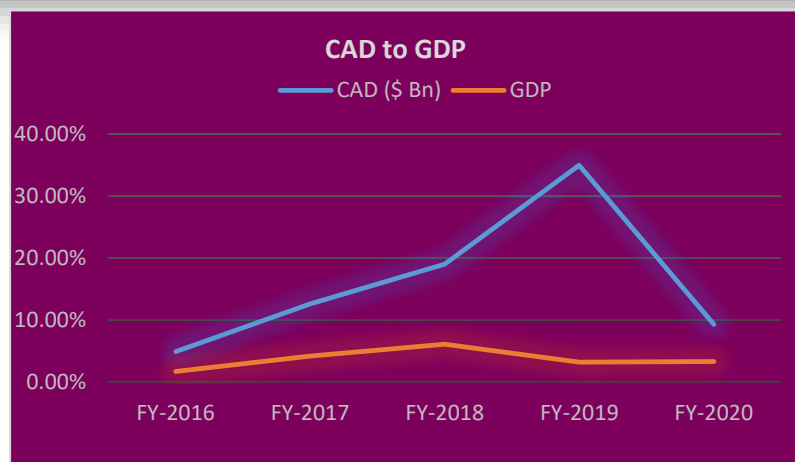
## Economic Review

Since the Covid-19 outbreak has widened, countries & regions might receive a second hit from the drop in trading, supply & vice versa. Yet the situation may become even worse in coming weeks or months & economic fallout might represent one of the biggest shocks of recent decades causing a global economic slowdown. On the demand side, a combination of contagion fear & income decline may result in low private spending. It has already triggered capital flight & a sharp reversal of FDIs, Supply & demand shocks may manifest across countries and industries in different ways, estimated disrupting trade by >35% approx. Meanwhile in Pakistan, most of manufacturing units are partially or fully closed due to pandemic. Hence, Companies are faced with cancellation /or postponement of already awarded orders. With growing pessimistic sentiments & uncertain business outlook, there is a fear of further economic deterioration due to lockdown. The SBP has slashed the Policy Rate by a cumulative 4.25% and has made amendments in prudential regulations for corporates / commercial banks related to loan repayments. The government has announced a Rs.1.2 trillion stimulus package, which includes relief for all sectors of the society including the under privileged, businesses, and the industries. Pakistan has received an emergency loan of USD 1.39 billion from the IMF, and further assistance is expected from other multilateral agencies. The G20 countries have also announced a major debt relief for low income nations and Pakistan is also expected to benefit from postponing of debt payment .Due to governments stimulus packages, fall in interest rate & PKR gaining strength have led liquidity to come back to the market. Recent economic gains are events based & do not reflect real fundamentals changes. From our point of view, it needs to be seen whether the economy remains afloat to climb out of recession rapidly after lockdown taking into account impact of low oil prices, falling remittances & uncertain trades. Current times offer first real test to online-digital-first-business. COVID-19 has forced many industries to shift from cash to digital payments & such Companies in future may emerge stronger, wiser & more globally linked businesses.



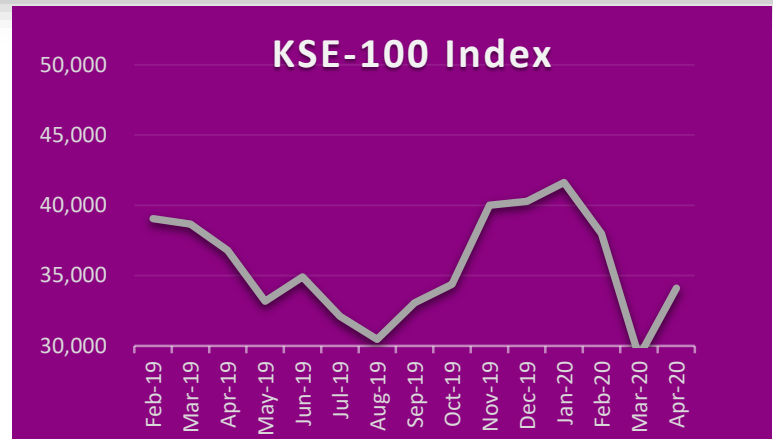
## Money Market Review

On Week to Week, Central banks forex reserves inched up by \$10m to \$17.30b (\$17.29b). In kerb \$ traded @161. The State Bank of Pakistan decided to further cut the Policy Rate by 200 bps to 9%. This decision was made keeping in view the significant decrease in oil prices, improvement in inflation outlook, and the slowdown in overall demand due to outbreak of Coronavirus. Average inflation for FY2020 is expected to clock-in at around 11%, which is likely to further drop to around 6.3% in FY2021. We expect continuation of monetary easing going forward in line with the downward trend of inflation and anticipate a further 200 bps cut in the Policy Rate to 7% in the near term. In a regular T-bills auction (Target 500b – Maturity 705b), against bids of 1,385b, CB accepted 418b, 3M-160b@8.39%(DOWN241bps), 6M121b@8%(DOWN225bps) & 12M-135b@7.47%(DOWN209bps). In secondary market, 6/12m T-bills traded @7.50% - 7.15% as market is creating more room for further policy-rate cut by 100bps in next MPS. 1,186b@9.01% was injected in OPEN MARKET OPERATION. Indicative levels for T-bills 3M-8.15%, 6M-7.60%, 1Y-7.15%, & bonds 3Y-7.40%, 5Y-7.60% & 10Y-8.10%. Rupee closed @160.48 UP 3.10 post receipt of \$1.39b from IMF to help Pakistan to fight COVID-19. Future trend in Rs/\$ parity may see more gain & stability as WB & ADB may extend fresh loans to overcome emerging health & economic shocks. FORWARD premium remained unchanged 3M@1.51 (1.24) & [6M @2.51\(2.53\)](#).



## Stock Market

New economic data points where lower inflation can help the market sustain its current momentum and given the lower inflation trajectory, SBP will have room to cut policy rate further by 100bps in the upcoming monetary policy meeting. Moreover, international oil prices can dictate the movement of index heavyweight oil, where any positive development in oil price dynamics can deliver gains. The impact of Covid-19 on the economy is severe in the short-term. The sell-off in the stock market (KSE 100) down 21% from its January 2020 peak and has priced in a high degree of economic fall, which will eventually recover. Although analysts have predicted economic slowdown will affect the profitability of the corporate listed sector for a couple of quarters. A cumulative 425 bps cut in the Policy Rate by the SBP and a slew of the measures for debt forbearance and moratorium on the principle repayment / deferment of the debt servicing allayed investors' concerns. To mitigate the impact of Covid-19 on the economy, the government also launched an unprecedented fiscal stimulus covering common man, businesses, and industries. The slow pace of the infection cases and a much lower death toll raised hopes that the country would avoid the worst, which was earlier anticipated. The market is trading at a Price-to-Book Value (P/BV) of 1.4x versus the 10-year average of 1.75x. Overall view of experts' historical analysis shows that the stock market performs well in a declining inflation and interest rate environment. A sharp decline in the borrowing cost and slump in global oil prices are expected to boost corporate profitability as the spread of pandemic is to lessen in future. It was later on some progress on the potential treatment of Coronavirus that lifted the sentiment of the market participants. The market rally was broad-based as almost all sectors, barring banks, contributed to the gain in the Index. Investors also looked favourably towards the April inflation reading, expecting a material drop in Month on Month price levels, solidifying the case for further monetary easing by the SBP.



## UNIVERSAL LIFE



### Investment Committee

Members	Designation
Malik Riffat Mahmood	Chairman
Maj Gen Akhtar Iqbal (Retd)	Member
Jehanzeb Zafar	CEO (Member)
Noman Noor Muhammad	COO (Member)
Rehan Mobin	CFO (Member)

### Asset Mix

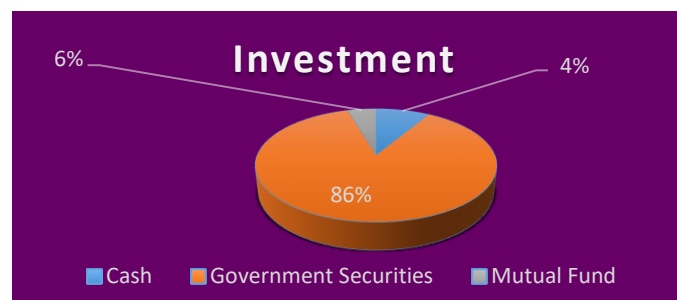
Assets	April	March
Cash and short term deposit	5%	8%
Government Securities	90%	86%
Mutual Fund	6%	6%
%Total Allocation	100%	100%

### Fund Returns

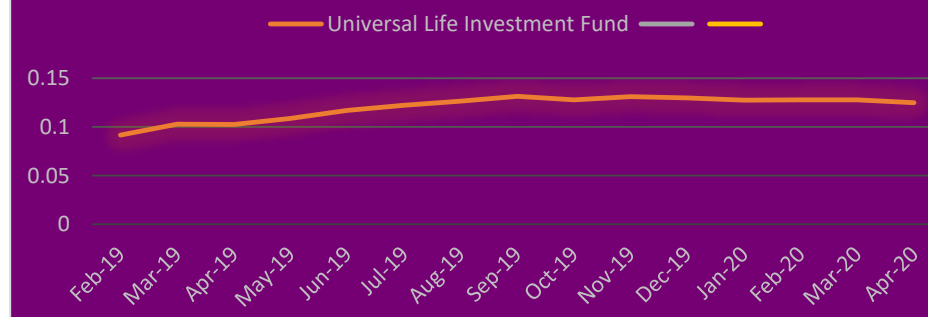
Period	Return
I Month	11.66%
YTD	12.48%

### Terms and Structure

Type of Scheme	Balanced Fund
Nature of Scheme	Income Scheme
Inception Date	Jan 9 <sup>th</sup> , 2007
Fund Size	PKR 295 mn
Auditor	Grant Thornton Anjum Rahman (C.A)
Legal Advisor	Saiduddin & Co



### Returns



**Disclaimer:** This publication is for informational purposes only and nothing herein should be construed as a solicitation or recommendation. The above information and statistics are based on facts and opinions deemed to be reliable at the time of publication. All investments are subject to market risks. Past performance is not necessarily indicative of future results.



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