

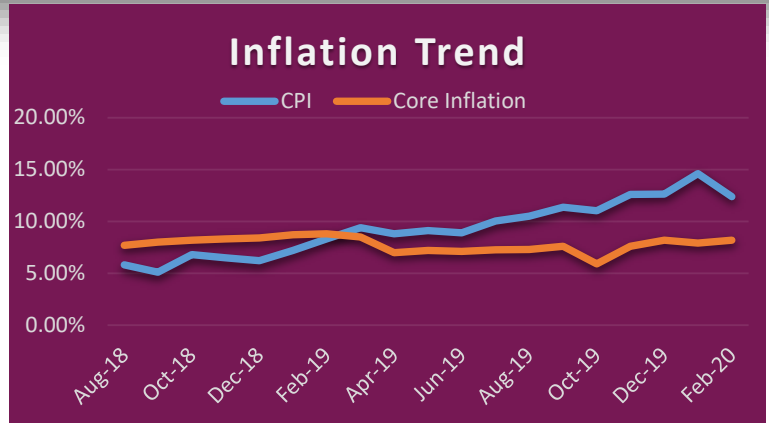


FUND MANAGER'S REPORT

For the Month of February 2020

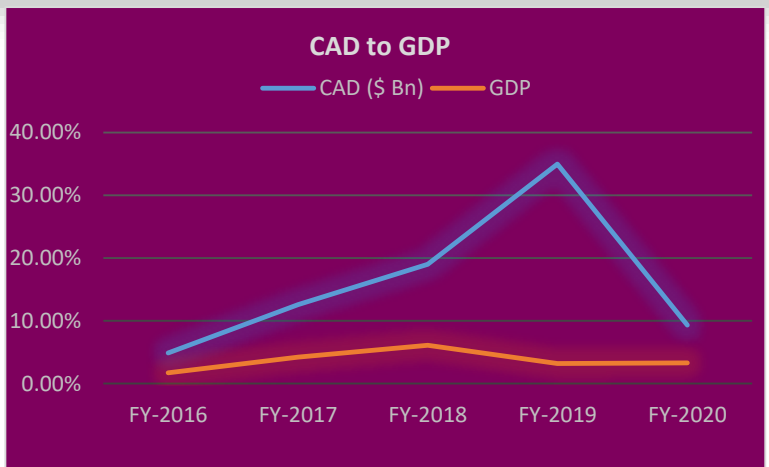
Economic Review

In Pakistan, inflation is more of perception with sellers reluctant on reducing prices on fears of additional inflationary pressures. Impact of fear on spread of COVID-19 is a lesser threat for Pakistan than a possible increase in M1 (cash withdrawal from banks). Stabilization policies pursued by the government have achieved success in containing the ballooning Current Account Deficit (CAD). However, bearing in mind global markets' rate cutting spree & bidding pattern of last two debt auctions, policy-rate cut by 50bps cannot be ruled out in MPS Mar20. Financial institutions investment interest in T-bill may remain intact on a rate cut of up to Fed's 50bps. With some progress in economic fundamentals, investors rushing to create fresh inventory at low rates may add market & interest rate volatility risks for 2nd Half 2020. CPI in February 2020 has clocked-in at 12.4% after peaking at 14.6% in January 2020. However that inflation is likely to recede further as food prices moderate somewhat and base effect kicks-in. Resultantly, we expect reversal of monetary tightening cycle in the near future. Tightening policies coupled with the ongoing reforms for widening of the tax base and documentation of the economy have significantly slowed down economic activity as reflected by the 3.35% contraction in the Large-Scale Manufacturing during 1H FY2020. Consequently, GDP growth during FY2020 is anticipated to decelerate to 2.6% before picking up to 3.6% in FY2021 and 4% in FY2022 on account of expected monetary easing and pick-up in fiscal spending.



Money Market Review

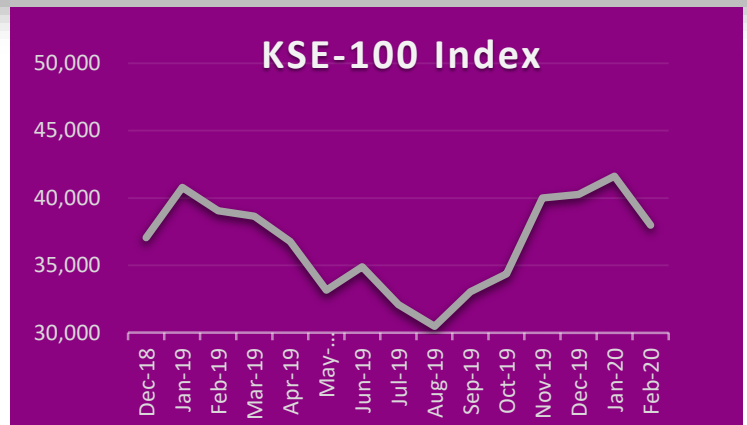
Global Central Banks are staring down economic threat unlike any they've ever faced, as markets look to contain the fallout from a rapidly spreading coronavirus with limited ammunition & tools suited to deal with the broken supply chains & quarantined consumers. No theory exists for dealing with likely monetary menace, which has shuttered factories & impaired Companies. Across the globe. After a sudden bounce early in the week, stocks continue to remain under severe pressure, oil collapsed to \$28.37. Markets are faced with one of the worst times since 2008 amid worries of unknown consequences of COVID-19. As a sign of extreme safety measure to keep economy stimulated & decrease market-risk, before a scheduled meeting, Fed cut-rate (by 50bps) & some other global



Central Banks followed suit. But interest rate cuts cannot restart production lines as workers are either quarantined or staying at home. As a result, tackling COVID-19 will be a key test of the limits of global Central Banks' firepower. Foreign investment in treasury bills has crossed the \$3 billion-mark, showed the State Bank's latest data. The investment inflows in T-bills in the ongoing month was relatively slower at \$215 million taking the total to \$3.114bn. If we talk only of January, the government securities attracted an investment of \$1.5bn. Rupee closed @154.23 decrease of 3 paisa. IMF reached an agreement with Pakistan on reforms required to complete 2nd review of \$6b EFF & will release \$450m in early Apr20. Forward premium 3M@3.83(4.11) & 6M@6.87(7.27) declined as exporters booked or rather sold dollars in forward. On week to week, forex reserves remained unchanged at \$18.74b (\$18.74b). In kerb \$ closed @154.50. Money Market in a regular T-bills auction (Target 300b – Maturity 205b), against bids of 1,240b, State Bank accepted 354b, 3M-127b@13.39% (decrease 2bps), 6M-1.87b@13.34% (increase 4bps) & 12M-225b@13.33% (↓ 19bps). T-bills cut-offs adjustments, decline in 12M by 19bps & rise in 6M by 4bps offered renewed trading opportunities in the backdrop that CPI for Feb20 fell by 220bps to 12.40%. As per our view, This was due to much faster than anticipated decline in food price & pass-through adverse effect of recent rupee devaluation had been fully absorbed. Oil price decline impact may further help in easing future inflationary pressure. OMO injection remained at 740b (from 725b), T-bills traded at 3M-13.30%, 6M-13.32%, 1Y-13.10%, & bonds 3Y-11.85%, 5Y-11.15% & 10Y-11%.

Stock Market

The global sell-off is expected to weigh down on investor sentiments as expectations of global slowdown gain traction and inculcate among domestic investors. Lower oil prices may pose a threat on earnings of index heavyweight Oil and Gas sector, which is likely drag down the index yet it remains a net positive for Pakistan inflation and trade figures. Investors worldwide grew increasingly fearful that coronavirus outbreak may cause a recession, global stock markets lost approx. \$5tr, having slid for 7th straight day with oil breaking \$50 barrier closed at \$46. PSX had a free fall too, with 100-index losing over 2,264 points, down 5.6% to close at 37,984, well below 40,000 barriers. FATF extending the timeline to Jun20 to fulfil remaining AML/CFT reform are also adversely hurting investor's mood and sentiments the sell-off at the local bourse coincided with the rout in global equities and commodity markets, notable oil due to mounting risks to the global economy emanating from the supply disruption and weakening consumer demand & tourism. The benchmark KSE 100 Index slumped by a hefty 3,647 points on a month-on-month basis. Activity during the month, against a hefty USD 56 million- selling by the Foreign Investors, Insurance Companies bought shares worth the same amount. Mutual Funds and Companies were other major sellers in the market, offloading shares to the tune of USD 24 million and USD 4 million, respectively. On the contrary, Other Organizations, Individuals, and Banks/DFIs emerged as other major buyers in the market, accumulating fresh positions to the tune of USD 13 million, USD 8 million, and USD 7 million, respectively.



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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)

Fund Returns

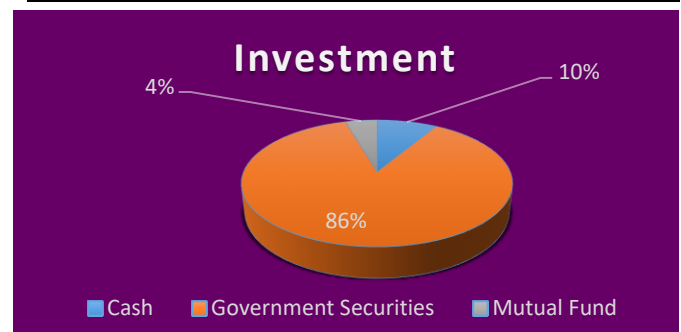
Period	Return
I Month	12.76%
YTD	12.76%

Terms and Structure

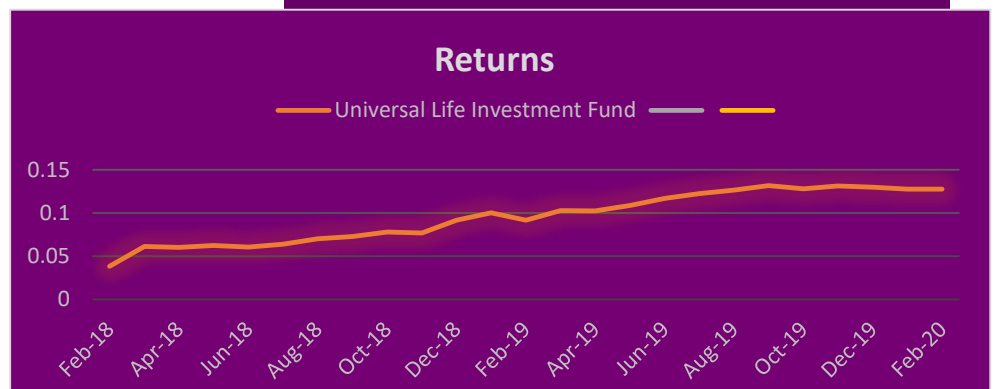
Type of Scheme	Balanced Fund
Nature of Scheme	Income Scheme
Inception Date	Jan 9 th , 2007
Fund Size	PKR 301 mn
Auditor	Grant Thornton Anjum Rahman (C.A)
Legal Advisor	Saiduddin & Co

Asset Mix

Assets	Feb	Jan
Cash and short term deposit	10%	16%
Government Securities	86%	80%
Mutual Fund	4%	4%
%Total Allocation	100%	100%



Returns



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