

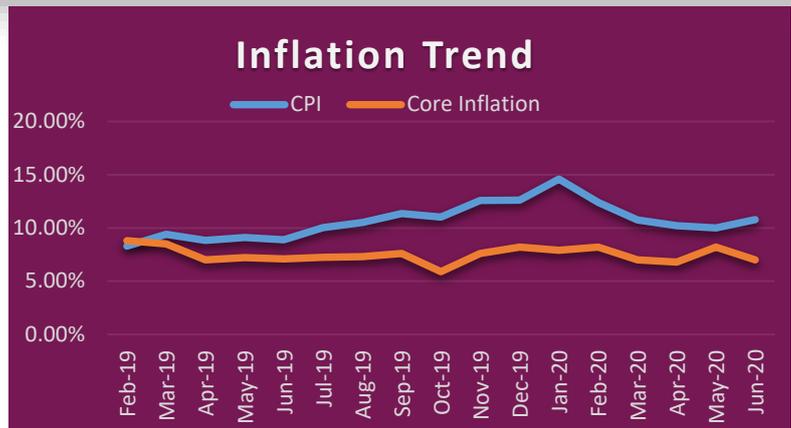


# FUND MANAGER'S REPORT

**For the Month of June 2020**

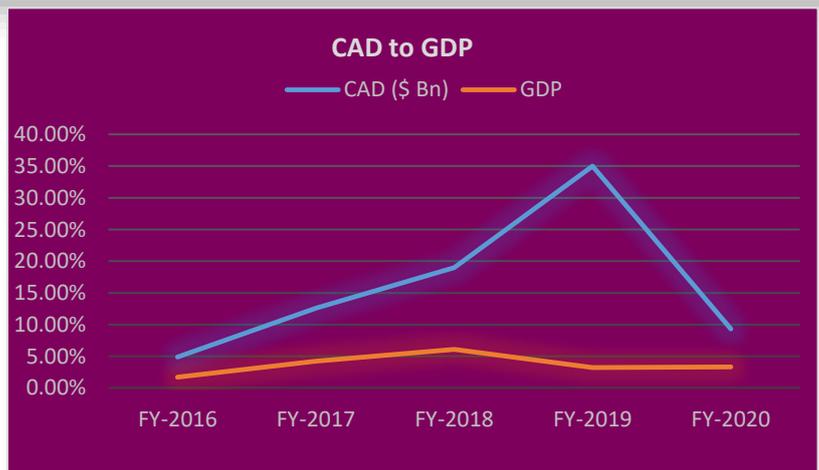
## Economic Review

The 3rd Quarter '20, banks in Equity multipliers are likely to get under pressure as a result of COVID-19 crisis; with S&P reporting that one-third of banks it rates have a stagnant outlook due to deteriorating asset quality, heavy dependence on external funding & prospects of increased economic socio hindrances. With falling remittances, the downturn is especially painful as last year FDI overtook as the largest source of capital inflows for some equity multipliers. In all recessions, COVID-19 downturn may push a lot of countries into a financial crisis that is not of their own making. Unemployment is set to rise once support schemes are not sufficient and firms face the reality of slowing down their operations to adapt to post COVID-19 business levels. Although Pakistan economic worries are reflected in State Banks plan Jun-Aug2020 for domestic-debt management. It has set new auction targets to convert 50% of 1.87tr short term T-bills into long term FR-bonds 900b.). Considering that cash in circulation is slowly rising, COVID-19 smart lockdown may further slowdown business activities and entail higher interest rate sensitivity in the market in 3Q20. Pakistan by setting-up smart-lockdown is by no means out of the woods yet. The pace of economic revival has slowed down, and it may emerge that many seem to agree on one thing: a 2nd wave may test market Pakistan concerns and what unprecedented policy easing may translate for future macroeconomic stability remains mostly muted. Amid COVID-19, it appears that investors heavily rely on or stick more with professional and true research providers for lower-risk investments. Meanwhile, as international oil prices show no signs of softening \$40. However, much of the increase-impact from a short-lived reduction in fuel prices (not worked out its way through the system), may not bring a major hike in inflation & for FY20-21 it may settle CPI at <8% though for Jun20 at 8.6%, GDP growth as a result since 2018 post CAD 20b, it fell >60%. Currency markets work on flows, trends & sentiments & recent impact of COVID-19 outbreak on economic prospects looks severe as lower growth slowdown in exports/remittances is disrupting USD supply. Despite the support of \$1b from donor agencies World Bank/ADB PKR continues to remain under pressure generating a multiplier negative impact due to decline in State bank's FX reserves from time to time though predicted to stabilize the end of July.



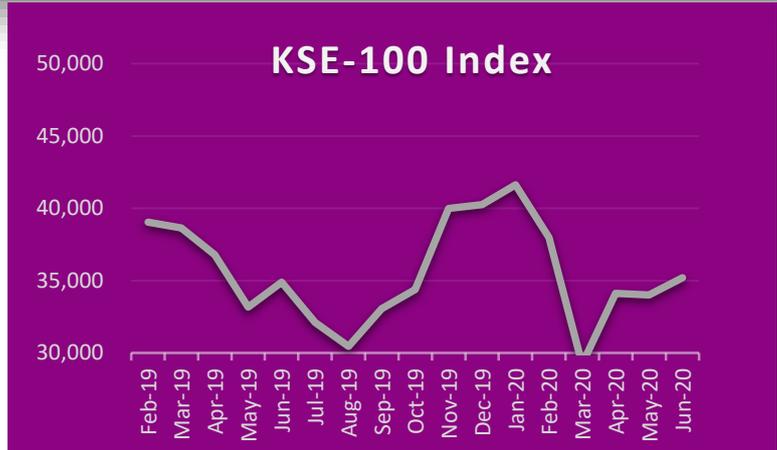
## Money Market Review

Meanwhile, some good news appeared on fiscal front as Pakistan's CAD in May20 ran into a surplus of \$13m compared to \$530m deficit in Apr20. Cumulatively, it has narrowed by 74% YOY to stand at \$3.3b compared to \$12.45b deficit YOY. Meanwhile, some good news appeared on the fiscal front as Pakistan's CAD on May 20 ran into a surplus of \$13m compared to \$530m deficit in Apr20. Cumulatively, it has narrowed by 74% YOY to stand at \$3.3b compared to \$12.45b deficit YOY. Furthermore, worker remittances in the first 11M of FY20 are up by 3% YOY to \$20.6b from \$20b in FY19. FOREIGN EXCHANGE during the last week, PKR remained under pressure touching high of 168.10 & closed @167.67 down 1.03. FORWARD premium traded almost unchanged 3M@2.13 (2.07) & 6M@3.59 (3.35). On Week to Week, forex reserves went down by \$40m to \$16.73b (\$16.77b). In kerb, \$ traded @167.00 MONEY MARKET with another surprise move, reduced policy-rate by 100bps post bond auction (Target 140b), where bids of 111b were accepted 175b received. In 3Y-71b@7.97 % ( Up 33bps %), 5Y20b@8.44 % ( Up39bps), 10Y-16b@8.99 % ( Up30bps) & 15Y-4b@9.90% raising cut-offs by >30bps in all tenors. Accepting higher bonds cut-offs & cutting policy-rate by 100bps indicate State Banks strong intent to switch maturities of its short term debt into longer tenors. In 3Q20, trading in T-bills & bonds may remain slow & volatile as the market has to find new trading levels. Current levels for T-bills are 3M-7.15%, 6M-7.10%, 1Y-7%, & bonds 3Y-7.45%, 5Y8.10% & 10Y-8.65%. OMO injection 925b @7.03%. Fixed 3, 5, 10Y bonds for 420b maturity 101b with 900b T-bills target may allow State bank to pick-up additional >250b from the market (to be funded by OMO injections. Rupee continues to slide, with an intra-week high of 165.5 it closed @163.30 down 20 paise. Forward premium 3M@1.74 (1.51) & 6M@2.75 (2.56) traded with increased volatility due to the rise in derivatives (buy/sell swaps) that was well managed before COVID-19 outbreak. It fell to \$2.8b from all-time high of \$8b & surged by >\$1.7b to \$4.5b with outright FORWARD buying of \$826m. On Week to Week, State banks forex reserves went down by \$1.7b to \$16.92b (\$18.59b). In kerb \$ traded @164 predicted to stabilize the end of July.



## Stock Market

The KSE-100 stock market valuations depend on two key variable factors required rate of return on equity and future corporate earnings growth. The lower discount rate and a higher rate of expected earnings growth would justify higher equity valuations. Although economic slowdown will affect the profitability of corporate listed sector for the next few quarters, KSE-100 market experts have advised to expect robust corporate earnings growth over the next 2-3 years. To mitigate the economic fallout of the Coronavirus pandemic, the SBP has slashed the Policy Rate from 13.25% to 7%. The stock's rally from its lows, the market is still 20% down from its January 2020-peak that priced in a high degree of economic uncertainty, which would eventually decline. Though a reduction in borrowing cost and a decline in global oil prices are also expected to provide a boost to corporate profitability as the spread of pandemic subsides. According to market researchers, these market data factors will affect the upcoming trend of the stock market, as more than 140 Covid-19 vaccines are in the works and many are in the advanced stage. Analysts believe that the stock market would increase sharply on news of the development of an effective vaccine, which is expected by December. Keeping in view, the stock market holds potential to deliver good returns in the medium to long-term given attractive stock market valuations and the returns on alternative fixed income avenues have come down after a large 6.25% reduction in the Policy Rate that has strengthened the case for the flow of funds towards equities and an expected strong build-up in future stock trading.



## 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)

### Fund Returns

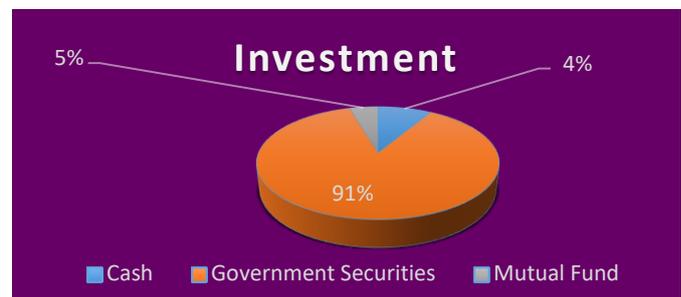
Period	Return
I Month	8.95 %
YTD	11.64 %

### Terms and Structure

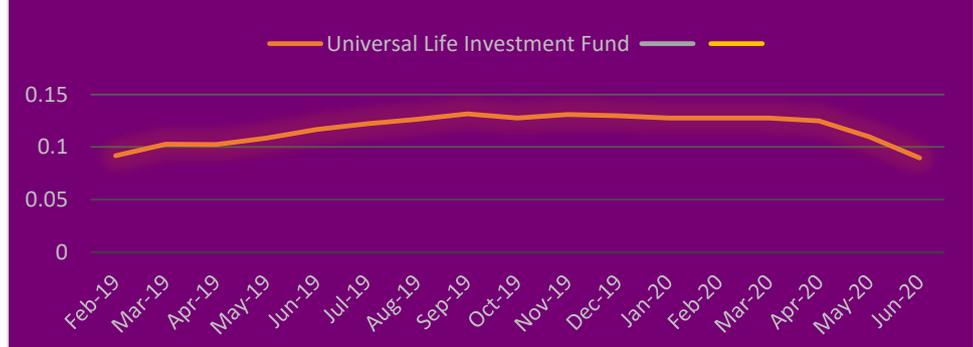
Type of Scheme	Balanced Fund
Nature of Scheme	Income Scheme
Inception Date	Jan 9 <sup>th</sup> , 2007
Fund Size	PKR 301 mn
Auditor	Awais Hyder Liaquat Nauman C.A
Legal Advisor	Saiduddin & Co

### Asset Mix

Assets	June	May
Cash and short term deposit	4%	4%
Government Securities	91%	93%
Mutual Fund	5%	3%
%Total Allocation	100%	100%



### 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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