

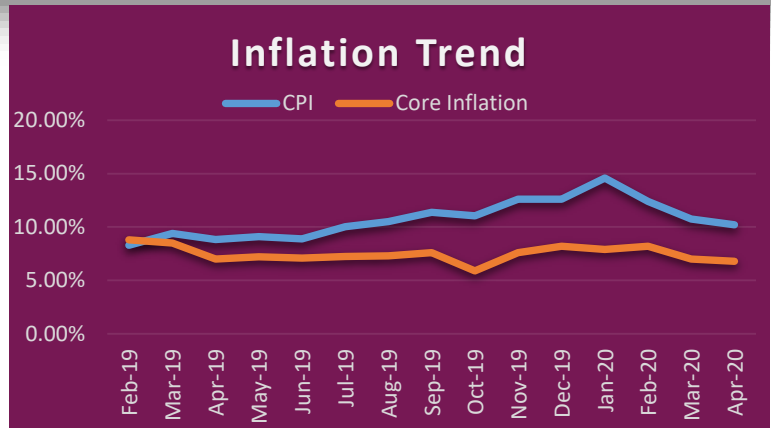


FUND MANAGER'S REPORT

For the Month of May 2020

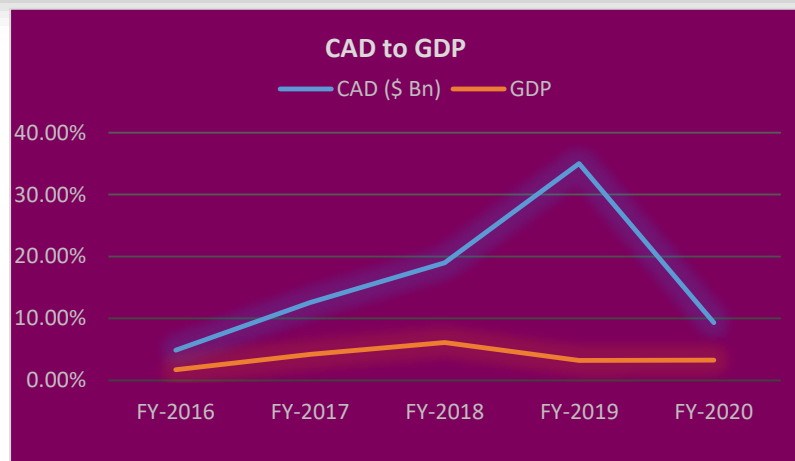
Economic Review

Besides the prevailing pandemic situation, there's a good growth potential for Pakistan's economic indicators ahead, Multinational companies have continued to inject fresh investment into ongoing projects in different sectors of Pakistan's economy like telecommunication, power, and chemical despite the global economic crisis sparked by the coronavirus pandemic. Foreign direct investment (FDI) rose 32% to \$133.2 million in April 2020 compared to \$100.8 million in the same month of the previous year, stats by State Bank of Pakistan (SBP). As per some statistical models, cases are expected to peak in June, however, possibility of subsequent waves cannot be ruled out, as being witnessed in Iran. Despite poor health infrastructure, the relatively low death toll and higher recovery rates raise hope that Pakistan may be spared from the worst as earlier. The Fiscal and monetary authority have responded with unprecedented economic policies in terms of scale and scope that aim at income gap-bridging, debt-forbearance, and monetary easing. The SBP has slashed the Policy Rate by a cumulative 5.25% and has made amendments in prudential regulations for corporates/commercial banks related to loan repayments. The government has announced an Rs.1.2 trillion stimulus package, which includes relief for all sectors of the society including the underprivileged, businesses, and the industries. 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. Expectation of economic growth to pick up gradually in the coming months due to unleashing of pumping-up demand in some sectors of the economy, a gradual increase in investment activity as a result of ongoing monetary easing, and recovery in the agriculture and services sectors.



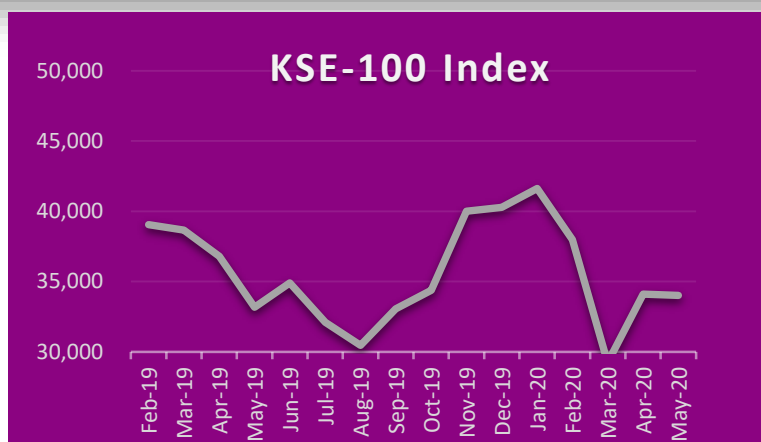
Money Market Review

Monetary Policy Committee (MPC) announcement will largely dictate sentiments going forward where any deviation from our in-house and street expectations of a 100bps cut can turn investor sentiment negative. Market is expected to focus on developments surrounding the Federal Budget expected next month that shall dictate market direction for the rest of the month. Average inflation for FY2020 is expected to clock-in at around 11%, which is likely to further drop to around 7% in FY2021. Expected continuation of monetary easing going forward in line with the downward trend of inflation. We anticipate a further 100 bps cut in the Policy Rate to 7% over the next few months. During the outgoing month, SBP held two T-Bill auctions with a combined target of Rs.725 billion against the maturity of Rs.602 billion. In the first T-Bill auction, an amount of Rs.402 billion was accepted at a cut-off yield of 8.39%, 8.00% and 7.75% for 3-month, 6-month and 12-month tenures, respectively. In the second T-Bill auction, an amount of Rs.215 billion was accepted at a cut-off yield of 8.15%, 7.81% and 7.75% for 3-month, 6-month and 12-month tenures, respectively. In the PIB auction, bids worth Rs.172 billion were realized for 3-year, 5-year, 10-year, and 15-year at a cut-off yield of 7.64%, 8.05%, 8.69% and 9.97%, respectively. However, bids for 20-year were rejected. Furthermore, SBP in the recent floating rate of PIB auction dated 29th May, attracted bids worth around Rs.80 billion. Out of the total bids, only Rs.70 billion was accepted at a cut-off margin of 43 basis points over the benchmark. With the availability of antiviral drug in a couple of months and a potent vaccine in a few months' time, investors should look past the Covid-19 disruption.



Stock Market

Lacklustre month for equities in terms of performance as the benchmark KSE-100 Index shed 180 points during the month after a sharp rebound in the stock market during April-20, in which the market rose by 16.7%, the market remained in the consolidation phase in May. On one hand, investors were perturbed over dismal export numbers, which as per PBS data stood at USD 957 million for the month of April-20. Although, the economic slowdown will affect the profitability of corporate listed sector for the next few quarters, we expect robust corporate earnings growth over the next 5 years. A Sharp reduction in the borrowing cost and decline in global oil prices are also expected to provide a boost to corporate profitability as the spread of pandemic abates. 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.



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

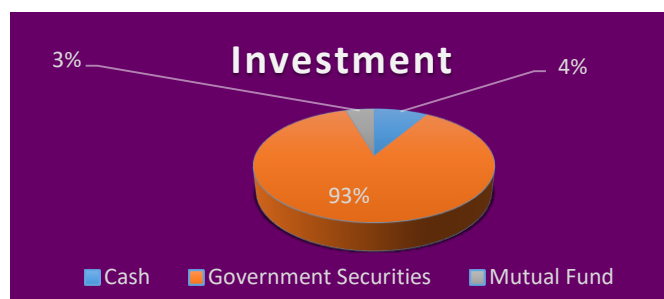
| Period | Return |
|---------|--------|
| I Month | 10.96% |
| YTD | 12.18% |

Terms and Structure

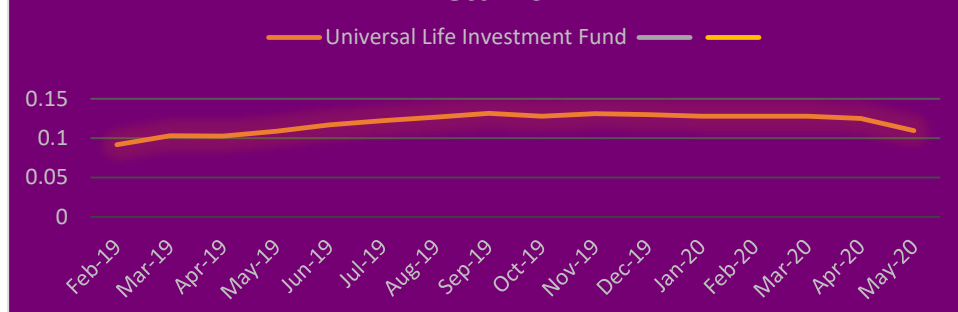
| | |
|------------------|--------------------------------|
| Type of Scheme | Balanced Fund |
| Nature of Scheme | Income Scheme |
| Inception Date | Jan 9 th , 2007 |
| Fund Size | PKR 296 mn |
| Auditor | Awais Hyder Liaquat Nauman C.A |
| Legal Advisor | Saiduddin & Co |

Asset Mix

| Assets | May | April |
|-----------------------------|------|-------|
| Cash and short term deposit | 4% | 5% |
| Government Securities | 93% | 90% |
| Mutual Fund | 3% | 6% |
| %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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