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Market Review & Outlook

From the CIO's Desk

Fund Managers Report - December 2023

2023 has been an eventful year for the local bourse with the benchmark KSE-100 index gaining over 50% during the outgoing calendar year, with most of the gains skewed towards the second half of the year. The market traded in a narrow band in the first half, trading at one of the cheapest valuations the exchange had seen in the last couple of decades on account of economic uncertainties & a volatile exchange rate as risk of a default loomed over the country. However, the culmination of IMF's SBA signed towards the end of Jun-23 infused renewed confidence among investors Consequently, the market witnessed one of the biggest bull runs in the history in the second half of the year which was further supported by emerging clarity on the political front & administrative measures to curb smuggling & unofficial currency markets in September 2023. The newfound confidence triggered a significant response by the investors and the market breached previous high of 53k points last recorded in 2017. The index surged to a high of 66k points in December, closing CY23 at a gain of 54.5% out of which 35% gains recorded in the last quarter of the fiscal year.

Volatility peaked during the last month of the year with the benchmark KSE-100 gyrating in a range of ~7,000 points. The index registered a high of 66k points on the back of a favorable stance articulated by the SBP's monetary policy committee. However, the index retreated by ~11% during the month as political noise increased which was exacerbated by unwinding leveraged positions. Consequently, the index closed at 62,451 points marking a M/M gain of 3.2%. Investor participation, however, remained robust as the average daily volume of the market in the month was recorded at over 1 billion shares – an astronomical surge compared to the 260 million shares recorded in the preceding eleven months. The value traded also depicted similar trajectory with December recording an average value traded of USD92m significantly surpassing the USD 31m recorded on average during the first eleven months of CY23. Foreign participation also contributed to the run up with foreigners buying shares worth USD 26.7m during the month.

The Monetary Policy Committee of the State Bank of Pakistan reasserted an optimistic view, affirming that the real interest rate continues to be positive on a 12-month forward looking basis. Consumer and business confidence surveys improved post signing of the first review of the SLA under IMF's SBA program which is expected to help unlock financial flows and resultantly strengthening the country's foreign exchange position. The MPC reaffirmed its projection of a sustained decline in inflation and opted to maintain the status quo by retaining the policy rate at 22%.

Headline inflation during the last month of 2023 clocked in at 29.7%, slightly over previous month's 29.2%. However, the M/M inflation witnessed a somewhat flattish reading of 0.8%, a significant improvement to the previous month's staggering 2.7% M/M gain owing to the increase in consumer gas prices. Barring any external shocks, we expect high base effect and a favorable trend in M/M readings to help steer inflation towards a downward trajectory going forward. We anticipate monetary easing to start materializing in early 2HFY24.

Another breakeven was recorded in the current account balance for the month of November 2023 taking the 5MFY24 current account deficit to USD 1,160 – a remarkable 64% improvement Y/Y. Favorable trade balance contributed to the contraction of the CAD supported by reduction in imports by 16% thereby improving trade deficit by 34%. The favorable trend of the current account balance is expected to persist throughout the remainder of FY24 owing to muted imports and improvement in remittances by foreign expatriates. We anticipate FY24 current account deficit to remain within the confines of 1.5% of GDP.

Despite a substantial decline in imports observed during the initial half of FY24, the FBR continued its streak of surpassing target in the month of December by collecting PKR 984 billion taking 6MFY24 total collection to PKR 4,468b against a IMF's indicative target of PKR 4,425b outlined in the SBA. Revenue measures taken by the government have notably bolstered domestic revenue generation, surpassing collection amassed from imports. Collection from import stage has shrunk to 36% against a 50:50 ratio of domestic to import collection recorded previously.

Going forward we continue to have a sanguine view of the equity market, which is trading at a forward PE of 5x against long term average of 7.5x with market capitalization to GDP trading at 8.6% relative to historic average of 22%. Anticipated monetary easing as a result of a decelerating inflation is expected to provide a boost to earnings by reducing the cost of capital & improving the relative attraction of equity offering relative to fixed income avenues.

Moreover, burgeoning foreign interest in local enterprises and initiatives is set to bolster Foreign Direct Investment (FDI), thereby fortifying our foreign exchange reserves. A successful completion of the IMF's SBA, potentially followed by a more extensive program is also expected to help support the country's macroeconomic landscape. Lastly, the prospect of timely and peaceful elections is anticipated to bolster both domestic and international confidence in the country's stability and investment climate.

We recommend our investors to invest in our equity funds as per their risk appetite and return expectations. For instance, our UBL Asset Allocation Fund (UAAF) offers an appropriate strategy for investors with low to moderate risk tolerance. This fund invests in a diversified portfolio of stocks, bonds, and money market instruments. It has the potential to earn returns well above those offered in Money Market and Income Funds, while limiting risk by investing no more than 40% of its assets in stocks at any point in time. For those with a higher risk tolerance and return expectations, we have UBL Stock Advantage Fund, which offers pure exposure to the domestic equity market.

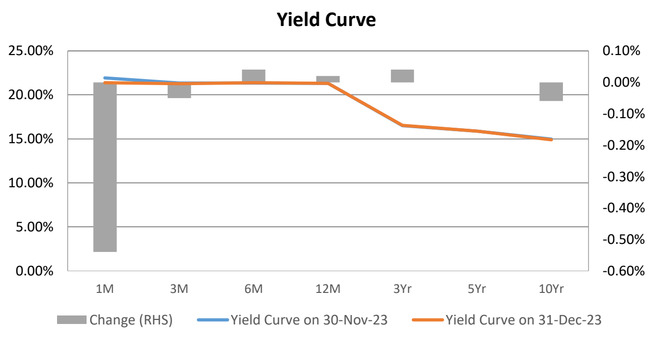
We strongly recommend our investors to also invest in our Voluntary Pension Scheme (UBL Retirement Savings Fund) in order to avail tax benefits, grow their long term savings and achieve retirement security. For those with a longer investment horizon, we recommend a high exposure to Equity Sub-Fund of the Scheme. We have been following an aggressive investment strategy in this Sub-Fund considering its long time horizon and low liquidity/redemption pressures. The strategy has performed well and the Equity Sub-Fund has generated an absolute return of 1046.35% (KSE100 Index: 508.00% since inception). This translates to an average annualized return of 19.56% p.a. (KSE-100 Index: 14.13% p.a.) - thus outperforming the KSE-100 Index by a significant margin.

Syed Suleman Akhtar, CFA | Chief Investment Officer | UBL Fund Managers

Market Review & Outlook

Fund Managers Report - December 2023

Money Market Review & Outlook



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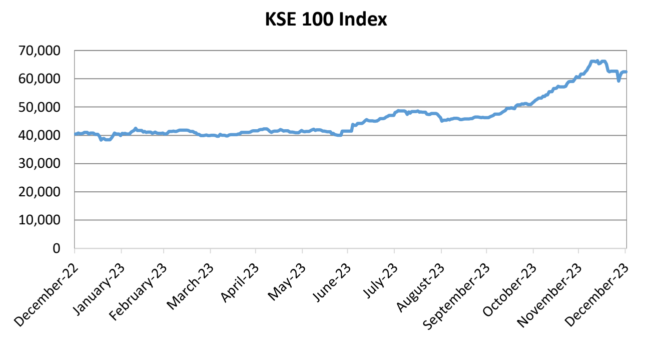
Equity Market Review & Outlook



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UBL Money Market Fund

Fund Managers Report - December 2023

Investment Objective

The objective of UBL Money Market Fund is to generate competitive returns within a low risk portfolio to provide a regular stream of income and easy liquidity to its investors by investing a major chunk of the portfolio in short term government securities.

Fund Performance

	UMMF[1]	UMMF[2]	Benchmark
FY-YTD (p.a.)	21.32%	22.45%	21.43%
December 2023 (p.a.)	20.12%	22.08%	20.65%
Since Inception (CAGR)		9.42%	9.85%
Standard Deviation*		0.33%	1.77%
Sharpe Ratio**		-1.84	-0.56
Weighted Avg Time to Maturity		5 Days	
Total Expense Ratio [3 | 5]		1.54%	
Total Expense Ratio (MTD) [4 | 5]		1.68%	
Total Expense Ratio (FYTD) [4 | 5]		1.53%	

	Nov'23	Dec'23	%
Fund Size (PKR Mn)	14,450	15,548	7.60%
Fund Size excluding FoFs (PKR Mn)	14,450	15,548	7.60%
NAV (PKR)	109.6861	111.5607	1.71%
Leverage	Nil	Nil	Nil

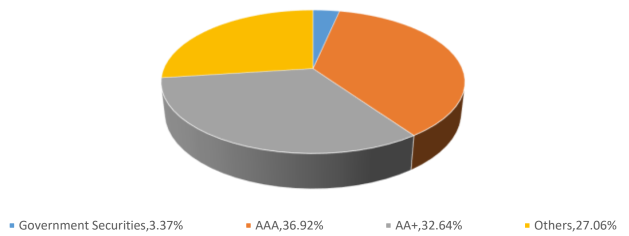
1 Simple Annualized Return | 2 Morning Star Return
* 12m Trailing | ** 12m Trailing, 3M PKRV yield is used as a risk-free rate
3 As per NBFC Regulations, 2008, this includes 0.22% representing government levy, SECP fee and sales tax.
Selling & Marketing Expense PKR 5.70 mn.
4 As per MUFAP standardized template, for MTD & FYTD, this includes 0.21% & 0.22% respectively, representing government levy, SECP fee and sales tax.
5 Annualized.
Note: Benchmark has been changed effective from October 2016; Previously 75% 3M PKRV + 25% 3M TDR (with AA or better banks)

Fund Information

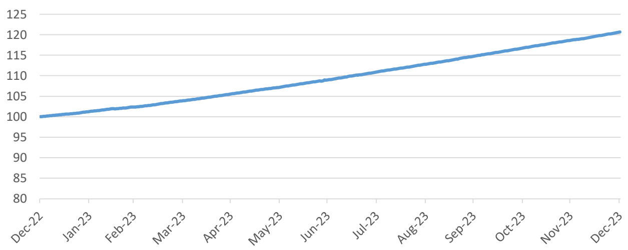
Risk Profile	Low
Fund Type	Open End Fund
Fund Categorization	Money Market
Launch Date	14-Oct-2010
Benchmark	70% Average of 3M PKRV rates + 30% 3M average deposit rate of three 3 AA rated scheduled Banks as selected by MUFAP
Listing	Pakistan Stock Exchange (PSX)
Trustee	Central Depository Company Pakistan Limited
Auditor	A.F. Ferguson & Company
Management Co.Rating	AM1 (VIS) (29-Dec-2023)
Fund Stability Rating	AA+ (f) (VIS) (29-Dec-2023)
Minimum Investment	Rs. 500/- Initial | Subsequent
Load	Upto 1% (Front-end) | Nil (Back-end)
Dealing Days	Monday to Friday
Cut off times	3:00 PM | 4:00 PM (Fri) | 9:30 AM (Same Day Redemption)
Pricing Mechanism	Backward
Management Fee*	Up to 2% of daily net assets not to exceed max. TER regulatory limit.
Fund Manager	Ghufran Ahmed
Investment Committee	Yasir Qadri | Syed Suleman Akhtar, CFA | Hadi Hassan Mukhi | Muhammad Imran | Shaoor Turabee, CFA | Syed Sheeraz Ali | Ghufran Ahmed

* Actual Management Fees charged for the month is 0.97% based on average net assets (annualized).

Portfolio Quality (% of Total Assets)



Value of 100 Rupees invested 12 months ago



Return vs Benchmark

	3 Months	6 Months	1 Year	3 Years	5 Years	Since Inception
UMMF (p.a.)	20.49%	21.32%	20.68%	13.31%	11.98%	9.42%
Benchmark	20.94%	21.43%	20.30%	13.48%	12.09%	9.85%

Simple Annualized Returns | Morningstar Returns for period more than one year

Asset Allocation (% of Total Assets)

	Oct'23	Nov'23	Dec'23
Cash	3.51%	9.89%	92.70%
T-Bills	69.22%	62.40%	3.37%
Placements with Banks	0.00%	2.46%	3.20%
PIB - Floater	23.61%	24.12%	0.00%
Others	3.67%	1.13%	0.73%

Total Amount Invested by FoFs is PKR 0.00 Mn.

Monthly Yield *

	Jan'23	Feb'23	Mar'23	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23	Oct'23	Nov'23	Dec'23	CYTD
UMMF (p.a.)	14.98%	14.25%	17.48%	19.33%	18.52%	19.89%	21.09%	20.11%	20.94%	20.48%	19.81%	20.12%	20.68%
Benchmark	16.28%	17.30%	19.17%	20.26%	20.64%	21.14%	21.74%	21.89%	22.15%	21.55%	20.62%	20.65%	20.30%

* Simple Annualized Returns | For periodic returns as per SECP SCD Cirular No. 16 of 2014, refer to the end of this FMR

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