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Market Review & Outlook

From the CIO's Desk

The local bourse remained volatile during February with a number of factors influencing market sentiments. Following the much-awaited general elections held on February 08, the Index initially dipped over 3% to below 60k level on unanticipated results and the political upheaval surrounding the evolving political situation. Subsequently, the gains started coming in primarily led by the pharmaceutical and E&P sectors. The market celebrated the announcement of deregulation of OTC pharmaceutical products' prices and the increase in gas prices which would allay the liquidity woes of the energy sector. Progress towards formation of the government and agreements over the holders of the offices of Prime Minister and President fuelled further confidence. The banking sector continued higher payouts in the year-end announcements while cyclical sectors also demonstrated better results depicting some uptick in consumer demand, elevating the optimism of the investors. The market closed at 64,578 points returning 4.2% M/M. Following an outflow in January, foreigners remained net buyers mopping shares worth USD 25.8 million during February.

Retail inflation for the month witnessed significant deceleration, clocking in at 23.1% against 28.3% recorded last month. Although increases in prices of POL products coupled with the gas tariff hike had a significant impact, the effect was completely neutralized by a decline in prices of food items which helped steer the M/M inflation down towards just 0.03%. We expect the downward trajectory of inflation to continue, partly due to the high base effect which will likely bring the inflation below the prevailing policy rate of 22% in the ensuing months, making room for sizable monetary easing over the next 12 months. However, additional revenue efforts to meet the FBR revenue target for current fiscal year and FY25 budgetary revenue measures could have an upside bearing on future inflation trajectory, tempering the timing and extent of interest rate cuts.

On the fiscal front, the FBR failed to achieve revenue collection target for a second consecutive month, collecting PKR 681 billion against a target of PKR 714 billion during February, falling short by PKR 33 billion. However, above-target performance during 1HFY24 cloaked the 8MFY24 collection number with FBR amassing PKR 5,831 billion, slightly surpassing the target of PKR 5,829 billion. Significant growth in domestic taxes owing to revenue measures taken in the previous year and high inflation compensated for the shortfall in import linked revenues. As per the current IMF program, should cumulative monthly revenue significantly underperform targets, the authorities, in consultation with IMF staff, would implement additional measures including enhancement in GST rate for textiles, FED on sugar and higher advance/withholding taxes on selected imports.

Current account during the month of Jan-24 recorded a deficit of USD 269 million against a surplus of USD 404 million during Dec-23. The decline results from a higher trade deficit of USD 1.8 billion in Jan-24 against USD 1.3 billion recorded in Dec-23. The increase in imports of petroleum group, led by natural gas and petroleum crude, coupled with increases in imports of fertilizers and food group contributed to the deficit. The current account deficit during 7MFY24 clocked in USD 1.1 billion against USD 3.8 billion recorded in 7MFY23, marking a significant improvement Y/Y. This reduction is owing to a significant decline in cumulative trade deficit during the first seven months. For the remainder of FY24, better crop output, further supported by higher remittances during the remaining 5 months, is expected to keep the trade balance in check. We expect FY24 CAD to remain in the range of 1.0% – 1.4% of GDP. Going forward, the macroeconomic stability and outlook will depend on the policies of the newly elected coalition government. With the IMF review due next month which will conclude the current SBA, it is imperative that the ruling coalition adheres to the benchmarks set by the IMF which will pave the way for another back-to-back bigger program. Subject to continuation of reform measures, we hold a sanguine outlook on local equities over the next 12 months with our view premised on falling inflation/interest rates, a contained external account position and gradual pick-up in GDP growth rate.

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.

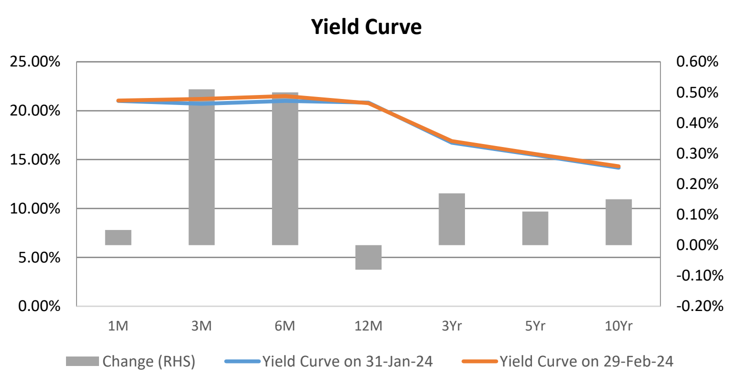
We strongly recommend our investors to also invest in our Voluntary Pension Scheme (UBL Retirement Savings Fund) in order to avail tax benefits, grow their long term savings and achieve retirement security. For those with a longer investment horizon, we recommend a high exposure to Equity Sub-Fund of 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 1069.00% (KSE100 Index: 528.72% since inception). This translates to an average annualized return of 19.47% p.a. (KSE-100 Index: 14.23% 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 - February 2024

Money Market Review & Outlook



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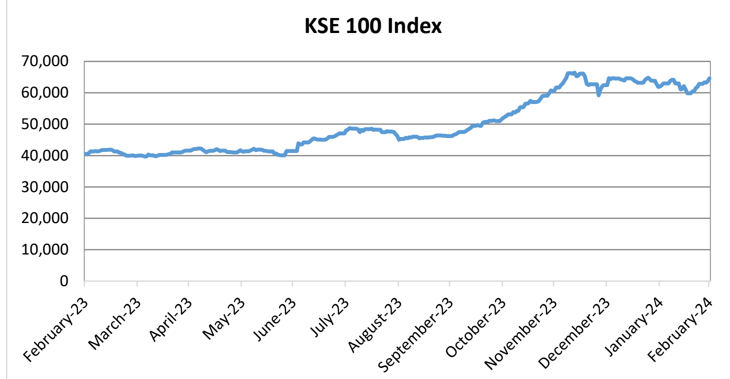
Equity Market Review & Outlook



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Going forward, the macroeconomic stability and outlook will depend on the policies of the newly elected coalition government. With the IMF review due next month which will conclude the current SBA, it is imperative that the ruling coalition adheres to the benchmarks set by the IMF which will pave the way for another back-to-back bigger program. Subject to continuation of reform measures, we hold a sanguine outlook on local equities over the next 12 months with our view premised on falling inflation/interest rates, a contained external account position and gradual pick-up in GDP growth rate.

UBL Money Market Fund

Fund Managers Report - February 2024

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.)	21.39%	22.13%	21.14%
February 2024 (p.a.)	18.56%	20.23%	20.34%
Since Inception (CAGR)		9.56%	9.98%
Standard Deviation*		0.28%	0.86%
Sharpe Ratio**		-0.65	-1.05
Weighted Avg Time to Maturity		42 Days	
Total Expense Ratio [3 | 5]		1.53%	
Total Expense Ratio (MTD) [4 | 5]		1.51%	
Total Expense Ratio (FYTD) [4 | 5]		1.52%	

	Jan'24	Feb'24	%
Fund Size (PKR Mn)	15,704	16,872	7.44%
Fund Size excluding FoFs (PKR Mn)	15,704	16,872	7.44%
NAV (PKR)	113.4595	115.1329	1.47%
Leverage	Nil	Nil	Nil

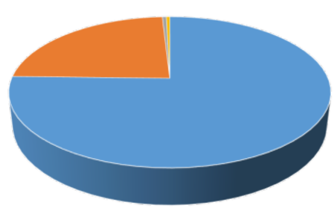
1 Simple Annualized Return | 2 Morning Star Return
* 12m Trailing | ** 12m Trailing, 3M PKRV yield is used as a risk-free rate
3 As per NBFC Regulations, 2008, this includes 0.21% representing government levy, SECP fee and sales tax.
Selling & Marketing Expense PKR 11.01 mn.
4 As per MUFAP standardized template, for MTD & FYTD, this includes 0.20% & 0.21% 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

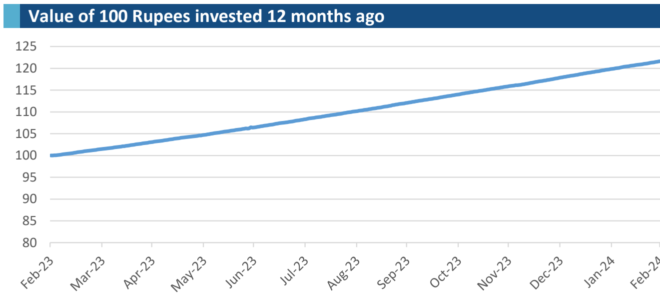
Risk Profile	Low
Fund Type	Open End Fund
Fund Categorization	Money Market
Launch Date	14-Oct-2010
Benchmark	70% Average of 3M PKRV rates + 30% 3M average deposit rate of three 3 AA rated scheduled Banks as selected by MUFAP
Listing	Pakistan Stock Exchange (PSX)
Trustee	Central Depository Company Pakistan 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 | Shaoor Turabee, CFA | Syed Sheeraz Ali | Ghufran Ahmed

* Actual Management Fees charged for the month is 0.90% 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.)	19.92%	20.86%	21.58%	14.12%	12.34%	9.56%
Benchmark	20.38%	20.91%	20.86%	14.21%	12.45%	9.98%

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

Asset Allocation (% of Total Assets)

	Dec'23	Jan'24	Feb'24
Cash	92.70%	31.19%	7.08%
Placements with DFIs	0.00%	8.12%	17.11%
T-Bills	3.37%	59.70%	75.40%
Placements with Banks	3.20%	0.00%	0.00%
Others	0.73%	0.99%	0.41%

Total Amount Invested by FoFs is PKR 0.00 Mn.

Monthly Yield *

	Mar'23	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23	Oct'23	Nov'23	Dec'23	Jan'24	Feb'24	CYTD
UMMF (p.a.)	17.48%	19.33%	18.52%	19.89%	21.09%	20.11%	20.94%	20.48%	19.81%	20.12%	20.04%	18.56%	19.48%
Benchmark	19.17%	20.26%	20.64%	21.14%	21.74%	21.89%	22.15%	21.55%	20.62%	20.65%	20.16%	20.34%	20.25%

* 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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