Al Meezan Investments
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**Al Meezan**
Investment Management Ltd.

# THE COMEBACK INNING

## INSIDE HIGHLIGHTS

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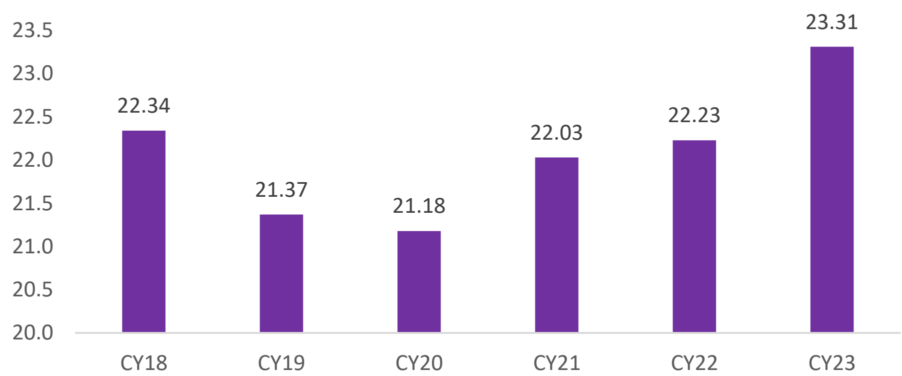
## **Top Themes for FY25: Climate Change, Pension Reforms, SME Financing, Digital Banking, & FDI in focus**

### Pakistan's Vulnerability to Climate Change

Weather conditions in Pakistan have been extreme, with two rounds of heatwaves already having gone through this summer. Temperatures soared across the country, reaching up to 52 Degrees Celsius (°C) in certain parts of Sindh. These conditions result in loss of economic activity in different ways including by way of disruptions in travel and field work, crop damage, etc. In Punjab and Sindh, 9% of the cotton crop and other cash crops have been severely affected, impacting farmers' incomes and economic growth.

The 2022 floods which caused USD 15.2 billion in economic losses, remains a recent memory. Pakistan is ranked the 5th most climate-vulnerable country by the Global Climate Risk Index. International bodies have committed funds to help mitigate these risks wherein the country has received USD 3.3 Bn with regard to climate investment and USD 90 Mn through the Green Climate Fund (GCF). To protect against such disasters, Pakistan must accelerate the development of green energy and infrastructure as according to the World Bank estimates, climate change could cost the country 18-20% of its GDP up till 2050. Hence, significant economic upside and future prospects are linked to Pakistan's as well as global endeavours on combatting climate change.

**Pakistan Average Temperature (°C)**



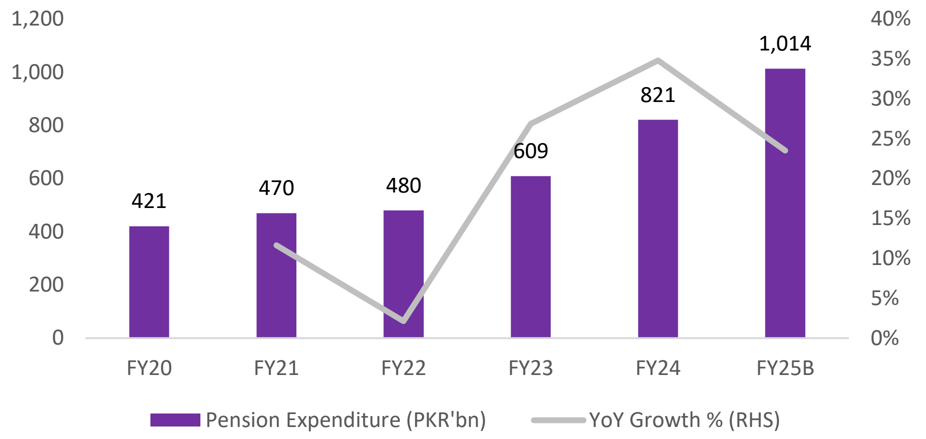

*Source: Pakistan Meteorological Department (PMD), World Bank*

### Pakistan's Pension Reforms: Enabling Fiscal Stability and Market Growth

The IMF has raised concerns about Pakistan's ever-growing pension cost. The country has allocated PKR 1 trillion (+26% YoY) in the FY2024-25 Budget. This translates into ≈ 5% of the total budget size of PKR 18.8 trillion. The expenditure grew at a compounded annual growth rate (CAGR) of 14% over FY12-23 and 18% over the last 4 years. Hence, it is not just growing but expanding at an accelerated rate, making it unsustainable. Pakistan has long avoided pension reforms and continues to pay government employees through revenue rather than in the form of funded liabilities. Recently, the Economic Coordination Committee (ECC) finally approved pension reforms for civilian bodies, effective from 1st July 2024, including the creation of a pension fund and a defined contribution scheme for new entrants. Military pension reforms will take effect from 1st July 2025.

These reforms are intended to reduce rising pension costs and create fiscal space for the government. Additionally, they are expected to have a positive impact on Pakistan's equity and bond markets, given the significant role that pension funds play in markets worldwide.

**Pakistan's Pension Expenditure**



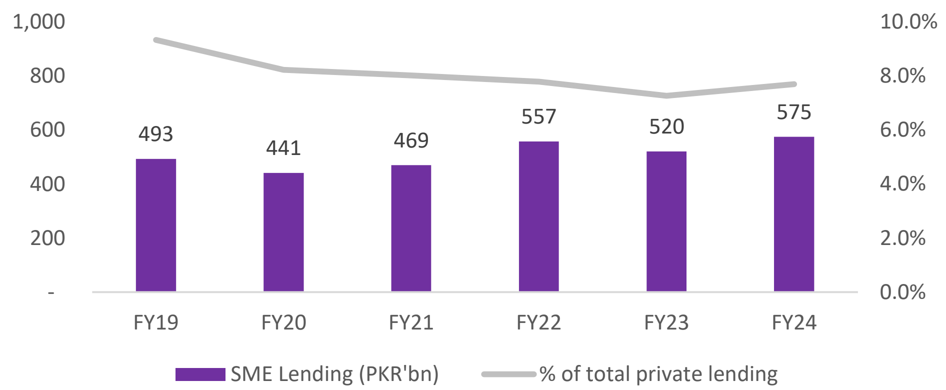

*Source: Ministry of Finance*

## Enhancing SME Financing in Pakistan

SMEs are vital to Pakistan's economy, employing 80% of the country's non-agriculture workforce and contributing 40% to its GDP. However, they face significant financing challenges, with limited funding available due to prioritization of government and large-scale industries. Banks prefer lending to SMEs linked with larger corporations for stable cash flows but broader financing avenues are needed.

SME financing constituted within a range of 7.0% to 9.5% of total private sector lending during FY19-24, much lower than in Bangladesh (25%) and India (18%). The government and SBP are collaborating to boost SME financing. SBP aims to double SME funding to PKR 1,100 billion in five years and urges banks to increase support for micro, small, and medium enterprises (MSMEs). Additionally, the government seeks a long-term IMF loan to improve its credit rating, potentially enabling access to foreign loans and reducing reliance on local banks which may then observe expanded capacity to finance SMEs and drive economic growth.

**SME Lending**

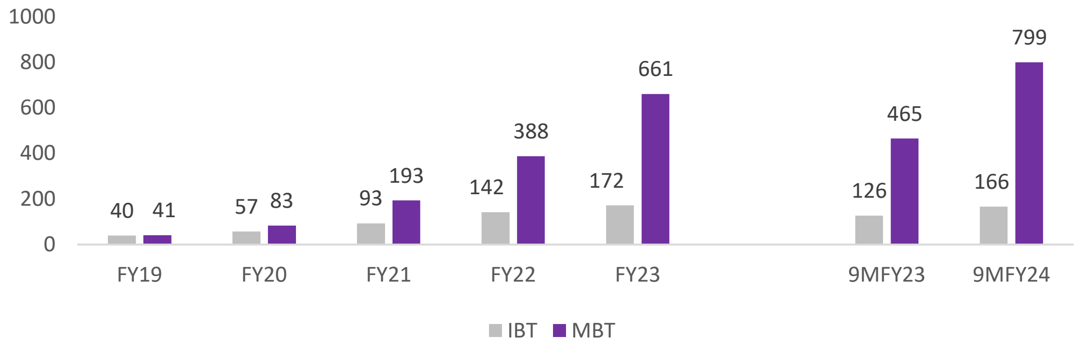



*Source: State Bank of Pakistan*

## Digital Banking – Pushing ahead Financial Inclusion

Pakistan's pursuit of financial inclusion remains a collaborative effort between the State Bank of Pakistan (SBP) and the government. Key strategic priorities include harnessing innovations and advancing the transformative impact of digital banking. The proliferation of mobile banking, driven by expanding internet access, plays a pivotal role in broadening financial services' accessibility across both banked and unbanked segments of the population. Mobile Banking (MB) has seen significant adoption where the number of transactions surged by ~242% from FY21 to FY23 to reach 661 Mn, and increased by 71% YoY in 9MFY24. Internet Banking (IB) also experienced substantial growth as its volumes increased by 84% over FY21 to FY23, and rose 32% YoY in 9MFY24. The rise of digital banking in Pakistan presents a promising outlook. As more people adopt these channels, Pakistan's financial landscape is poised for a brighter, more efficient, and more inclusive future.

**Digital Payment Transactions Volume (Mn)**

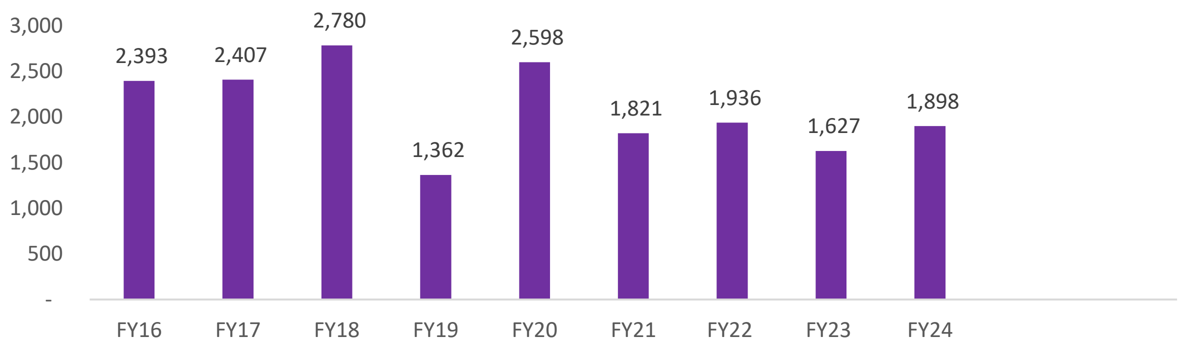



*Source: SBP*

## FDI remains in focus

In the FY24 period, Foreign Direct Investment (FDI) has risen by 15% year-on-year, signaling renewed confidence among foreign investors in Pakistan's economic prospects. Despite ongoing macro challenges, the country's commitment to reforms has bolstered its appeal. Notably, the establishment of the SIFC to attract foreign capital and foster growth along with enhancing collaboration with the Gulf Cooperation Council (GCC) nations in sectors like agriculture, information technology, and defense production take center stage in this endeavor. As Pakistan navigates the current economic landscape; prudent policies, structural reforms, and cooperative efforts remain crucial to attracting FDI that can unlock its potential, creating an environment conducive to sustainable growth and prosperity.

**FDI (USD Mn)**




*Source: SBP*

# Commodity Prices: Volatility amid Economic & Geopolitical Shifts

Commodity prices in FY24 remained volatile due to varying global economic conditions. While strong growth in emerging markets drove demand across multiple sectors in the earlier part, volatility increased later due to heightened geopolitical tensions, particularly in the Middle East, affecting market sentiment. Despite these challenges, supply remained relatively stable, supported by resilient production in key exporting countries. Global demand, though subdued in some sectors, maintained a moderate pace overall. Looking ahead at FY25, the outlook for commodity prices is cautiously bullish but uncertain. Economic recovery is expected to support demand, though at a slower pace due to geopolitical risks and potential supply disruptions affecting commodity prices.

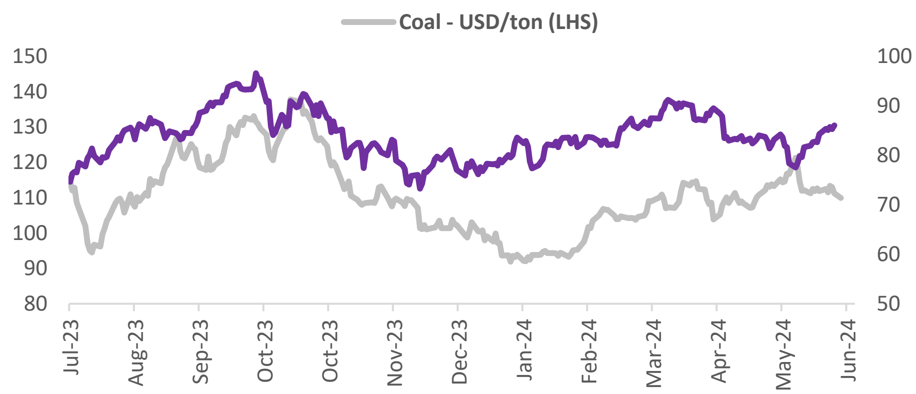
### Oil - *Used in: Energy, Chemical and Transport industry*

Oil prices exhibited significant volatility throughout FY24, due to supply-demand dynamics and geopolitical events. The year began with oil prices peaking at approx. USD 97/bbl. in Sept'23, followed by a decline to a low of USD 73/bbl. in Dec'23, largely attributed to a surge in U.S. oil production reaching record highs. Subsequently, prices showed a gradual rebound, reaching USD 91/bbl. by mid-March and early April. This hike was influenced by geopolitical tensions, notably attacks on ships in the Red Sea, which heightened market uncertainties. Looking forward, the first half of FY25 is expected to observe stability near current levels, with the World Bank anticipating an average of USD 84/bbl. for CY24. Influences of geopolitical factors, economic uncertainties, and supply-demand scenario continue to be risks to watch out for.

### Coal - *Used in: Cement, Chemicals and Power Generation*

Coal consumption surged in 2023 due to disruptions in other energy supply chains. While developed economies reduced their reliance on coal, China and India increased their consumption, accounting for 70% of global demand. Coal prices have declined sharply from their peak level in 2022, having dropped 60% since. Prices stabilized to within a range of USD 90 to USD 135 per ton and averaged around USD 110/ton during FY24. In 2025, the average coal price for the year is expected to decline by approx. 12% YoY due to global shifts towards renewable energy and robust coal supply. However, prices are anticipated to remain above the level seen over FY2015-2019 (Avg ≈ USD 75/ton). Upside risks include elevated oil prices and higher-than-expected demand from China due to stronger economic growth.

**Oil (LHS) to remain elevated while Coal (RHS) to feel pressure**

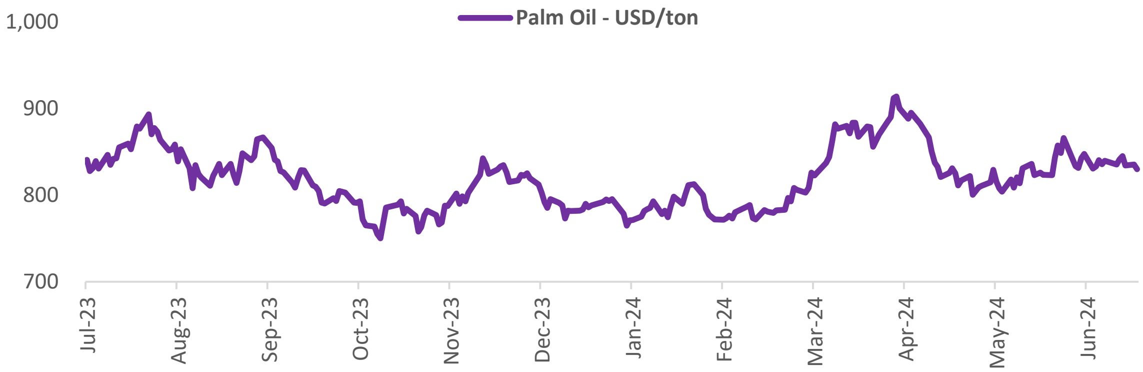



*Source: Bloomberg*

## Palm Oil - *Used in: Food industry*

Palm oil prices trended downward by about 9% from Jul’23 to Oct’23 due to weak demand, particularly from China. In November, prices rebounded but fell again by Feb’24 due to improved global supply chains. In mid-April, prices surged due to lower production in Southeast Asia and declining global stocks but started decreasing again by the end of April as vegetable oil prices recovered and palm oil production increased. By June 2024, prices stabilized around USD 843/ton. Going forward, the World Bank anticipates a 2% rise in palm oil prices.

**Palm oil: Stability to follow, barring any shocks**

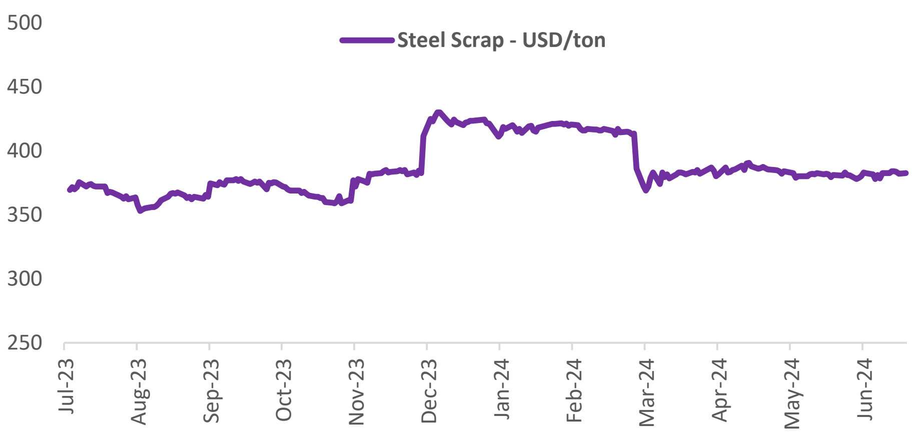



*Source: Bloomberg*

## Steel Scrap - *Used in: Construction industry*

The price of steel scrap has returned to its long-term average of USD 345/ton after peaking at USD 700/ton in 2022. Factors contributing to this reversal include a high-interest-rate environment in developed economies, geopolitical tensions, and weaknesses in China's real estate sector. Despite a real estate stimulus from China boosting prices towards the end of 2023, it failed to generate sufficient demand from developers to support steel scrap prices. Looking ahead, prices are expected to remain around current levels of USD 380/ton or decline further, looking at the projections of iron ore due to ample supply and subdued demand recovery in China's residential construction activities. However, upside risks include anticipated interest rate reductions globally and increased industrial demand in China.

**Steel Scrap: Lackluster demand from China weighing on prices**




*Source: Bloomberg*

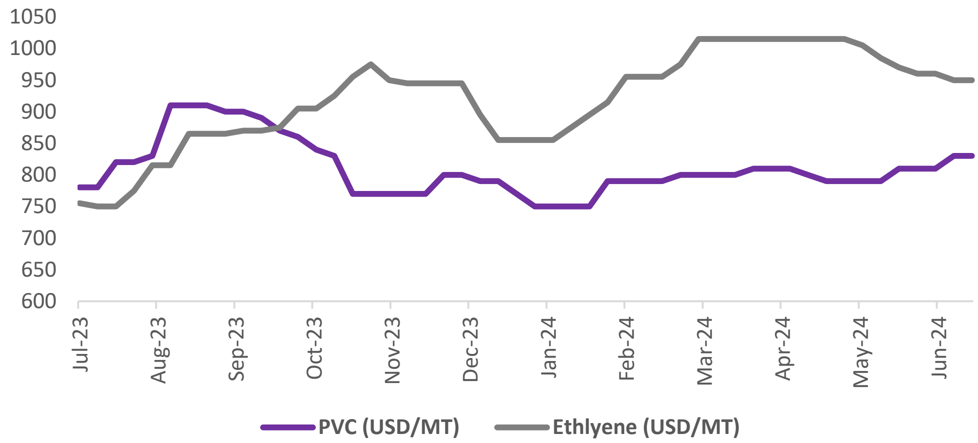
## PVC - *Used in: Construction industry*

Polyvinyl chloride (PVC) prices exhibited a mixed trend over FY24, reaching a historic peak of USD 910/ton in Aug'23 driven by a resurgence in global demand. However, from Sept'23 to Feb'24, the PVC market experienced a decline in prices attributed to reduced demand from packaging and construction industries. Subsequently, prices rebounded partially, increasing from USD 790/ton in May'24 to USD 850/ton by the end of FY24, influenced by uncertainties in the Middle East and Europe, higher sea freight charges, and improved domestic conditions in the Chinese market. The average PVC price for FY24 settled at USD 809/ton.

Conversely, ethylene prices surged from USD 755/ton in July'23 to USD 1,015/ton by March'24, primarily due to escalating global crude oil prices, operational disruptions at Indonesia's Chandra Asri Cracker, and constrained supplies from the Middle East. However, prices eased in June due to reduced demand from the Asian region, concluding the fiscal year at USD 950/ton.

The PVC-Ethylene margin can be expected to remain under pressure in near future on account of high inventory levels and rising sea freight charges potentially causing subdued demand of PVC while elevated crude oil prices may keep Ethylene prices aloft.

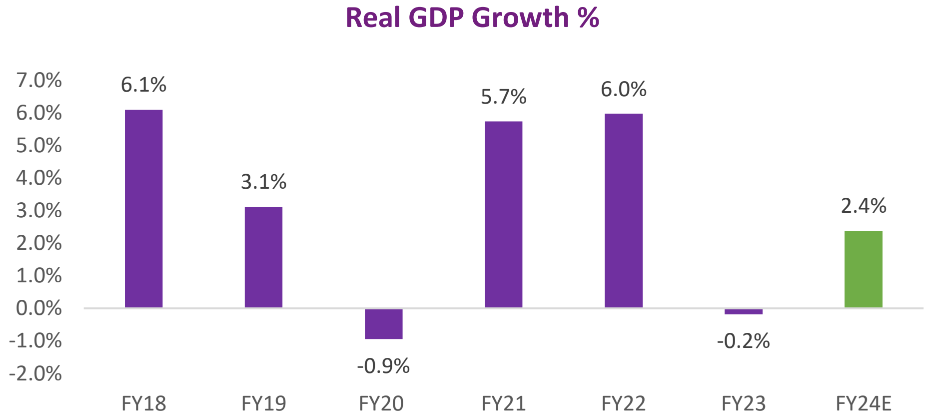
**PVC – Ethylene: Subdued PVC demand amid elevated Crude Oil prices to keep margins in check**




*Source: Bloomberg*

# Economy: The Comeback Inning

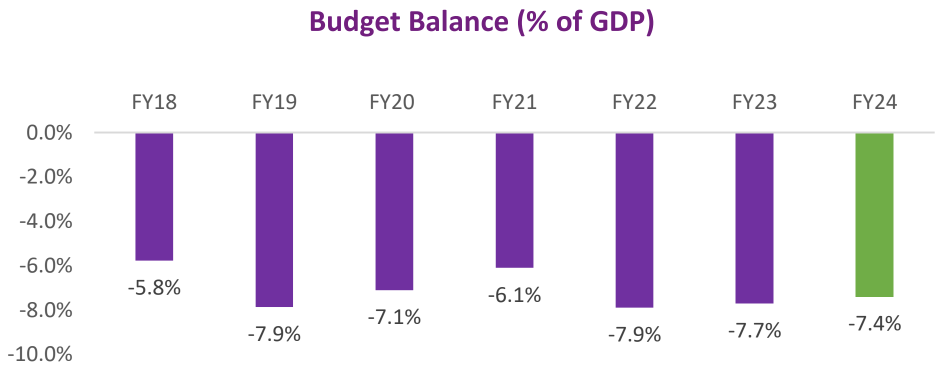
Subsequent to a period of multiple crises in the form of flood devastation, commodities' super cycle, deep dive of the Rupee, heightened political instability, etc., Pakistan's economy is in a visible recovery phase. With an elected government in place and successful completion of the IMF's SBA program, the anticipated move towards a larger and longer IMF program aligned with planned structural reforms, downward slide in inflation, etc., the economy, at least for now, appears to be on the right track. Following a decline of 0.2% in FY23, GDP growth for FY24 has been estimated at 2.38% as per the Economic Survey. Agriculture booked the top contributor spot with 6.25% growth estimated for FY24, followed by 1.21% growth each in the industrial and services sector.




*Source: SBP, Economic Survey*

## Fiscal Deficit:

Disciplined enforcement of macro-economic stabilization and consolidation efforts has reaped rewards in the form of containment of the fiscal deficit to 7.4% of GDP versus 7.7% in the preceding year. Over the same course, the primary balance landed at a surplus of PKR 0.4 tr (0.4% of GDP) as compared to a deficit of PKR 0.7 tr (0.8% of GDP) through reduction in non-markup expenses. The revenue front has witnessed upliftment from the imposition of higher petroleum levy, continuation of super tax, and higher SBP profits. Additionally, FBR's collection for FY24 clocked in at PKR 9.306 tr, landing 30% higher than the previous year. Although it fell short of the budgetary target of PKR 9.415 tr, the sum managed to cross the downward revised target of PKR 9.252 tr.



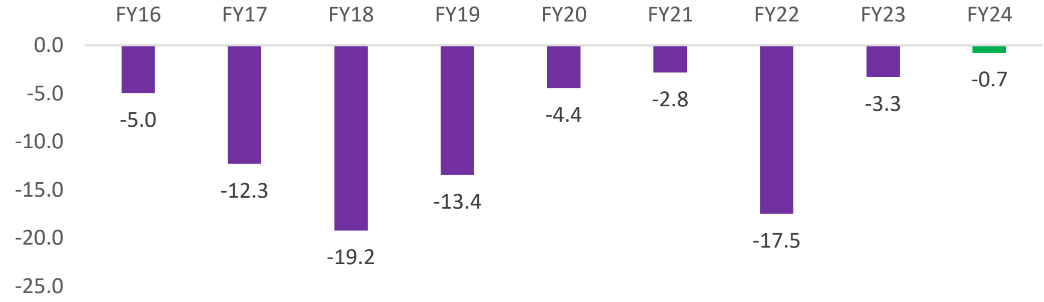

*Source: Economic Survey/IMF*

## Current Account:

On the external front, the Current Account Deficit (CAD) fell sharply to USD 0.7 Bn in FY24, down 79% from USD 3.3 billion in the previous year. Key reasons for reduction in CAD on YoY basis were 1) restrictions on non-essential imports in the earlier part of the year *(gradual move towards easing has taken place since then)*, 2) jump in exports, and 3) elevated remittances.

Remittances grew by 10.7% to USD 30.3 Bn in FY24 as compared to USD 27.3 Bn in FY23. Subsequent to robust flows in March and April, the highest ever monthly figure at USD 3.24 Bn was registered in May 2024 followed by strength in June as well at USD 3.16 Bn. The surge in remittances has been attributed to strong inflows during the Eid season and exchange rate stability along with curtailment in the open-market spread over the inter-bank rate.

**Current Account Balance (USD Bn)**

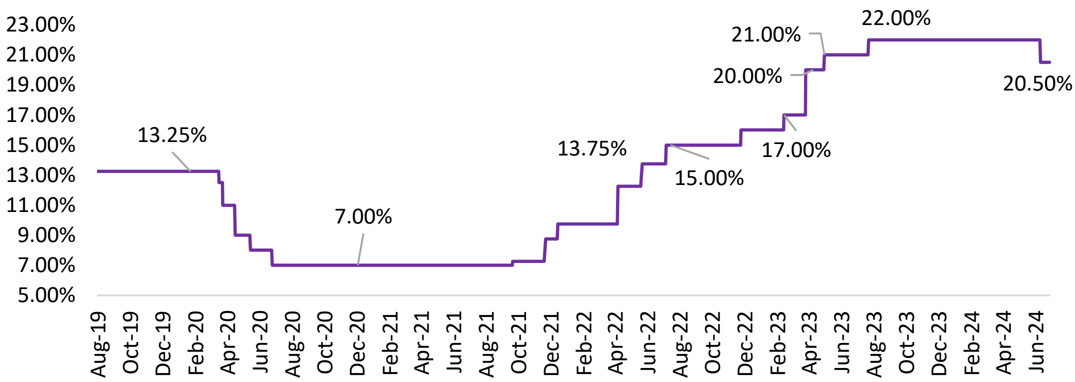



*Source: SBP*

## Monetary Easing – Finally arrived:

CPI Inflation for FY24 landed at 23.4% as compared to 29.2% in the preceding year. Hikes in energy tariffs and their second-round effects along with elevated food inflation kept the figure higher for longer than initially expected. IMF has estimated inflation to decline to an average level of 12.7% in FY25. SBP had maintained policy rate at 22% since June 2023. With the downward trend in inflation seen in recent months, the central bank finally announced a reduction of 150 bps on 10th June 2024, the first cut in 4 years. Further monetary easing is expected to follow over the course of FY25 and beyond.

**Policy Rate**




*Source: SBP*

# Politics: Political clarity to pave the way for long-term structural reforms

The General Elections took place in Pakistan on February 8, 2024, which were expected to yield a clear winner; former Prime Minister Nawaz Sharif, who had returned in Oct-23 after four years of exile in London. With former Prime Minister Imran Khan imprisoned since Aug-23 and disqualified from running for office in these elections, the scales were tipped heavily in favor of PML-N.

However, the elections brought about a surprise outcome, whereby, contrary to widespread expectations, PTI-backed independent candidates emerged as the biggest seat-takers in the National Assembly, followed by PML-N and PPPP. In the days following the elections, PTI supporters alleged that there had been widespread vote-rigging, while the international community also expressed concerns, and called for any claims of interference or fraud to be fully investigated. However, Pakistan's foreign ministry released a statement saying that it was surprised by the negative tone of these statements, which neither took into consideration the complexity of the electoral process, nor acknowledged the free and enthusiastic exercise of the right to vote by millions of Pakistanis.

Nonetheless, with no single party obtaining a simple majority, the country faced the prospect of a hung parliament, prompting aspirants for the prime ministerial position to intensify efforts to secure support from independent candidates and other political parties. Clarity emerged eventually when PML-N and PPPP reached an agreement to form a coalition government, whereby Shahbaz Sharif (PML-N candidate) and Asif Ali Zardari (PPPP candidate) assumed the offices of Prime Minister and President, respectively.

Immediately after coming to power, the coalition government faced some hard tasks, especially in terms of the economy, whereby it needed to enter into a new IMF program as the existing one was supposed to end in Mar-24. In order to secure the new program, the government had to implement painful and unpopular economic measures, which were announced in the Federal Budget for FY25. However, it remains to be seen whether the government is 1) able to implement the required reform measures to satisfy the IMF, and 2) consistently able to meet the necessary benchmarks to remain compliant throughout the term of the agreement.

# Equity: Turning Tides: Unravelling the Phenomenal Bull Run of PSX in Fiscal Year 2024

The market witnessed an incredible bull run, with the KSE100 returning a record-breaking 89% in FY24. The exceptional rally was triggered by the successful signing of USD 3 Bn short-term IMF loan (SBA) at the end of June 2023 and supported by the subsequent staff-level agreement with IMF in its first review. The rally was continuously fueled by stability in exchange rate, steady reserves, and adherence to IMF mandated reforms.

The anticipation leading up to Pakistan's general elections in early February 2024, as well as the actual results, were essential for ensuring market stability. The seamless transition of power from caretaker government to the elected representatives renewed investor confidence as there was greater clarity on policy continuity. This also fostered reduced perception of political instability and continuity of past government's reforms and governance.

Foreign investors returned to Pakistan due to a combination of improved political stability, economic reforms, and attractive investment opportunities. Improved confidence was exhibited by strong inflows in domestic equities and fixed income instruments by foreigners through Special Rupee Convertible Accounts (SCRA). FY24 marked the highest inflows through SCRA in last nine years, cumulating to USD678mn. Of this amount, a large chunk of flows amounting to USD 574mn was attracted towards domestic T-bills due to appealing yields and a stable currency.

**Special Convertible Rupees Accounts (SCRA)**

| (USD mn) | Equity | T-Bills | PIBs | Total |
|---|---|---|---|---|
| FY09 | (1,049.5) | (17.8) | (7.1) | (1,074.4) |
| FY10 | 516.9 | (0.2) | 5.6 | 521.5 |
| FY11 | 182.3 | (8.8) | 18.2 | 188.7 |
| FY12 | (218.4) | (13.3) | (29.2) | (261.4) |
| FY13 | 31.4 | (44.3) | 2.2 | 187.8 |
| FY14 | 556.8 | 91.5 | 41.2 | 689.0 |
| FY15 | 897.5 | (75.3) | 7.1 | 829.5 |
| FY16 | (533.1) | 4.6 | 11.4 | (517.2) |
| FY17 | (661.8) | 94.0 | (35.1) | 602.9 |
| FY18 | (333.7) | - | - | (334.1) |
| FY19 | (457.1) | 0.0 | - | (457.5) |
| FY20 | (404.9) | 612.6 | 87.1 | 294.7 |
| FY21 | (428.7) | (197.9) | 264.5 | (362.0) |
| FY22 | (480.2) | (278.8) | (289.4) | (1,048.3) |
| FY23 | (1.5) | (0.0) | - | (1.5) |
| FY24 | 90.2 | 574.9 | 14.5 | 678.6 |

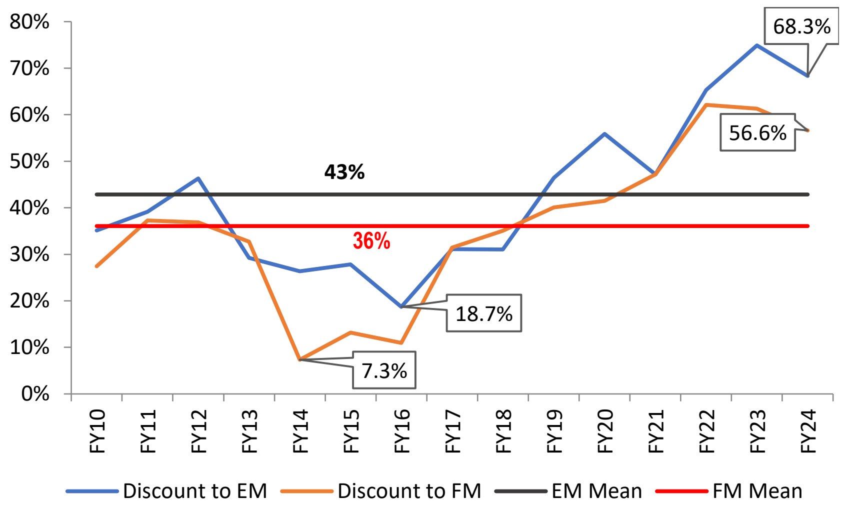
*Source: SBP*

Market capitalization continued to register multi-period highs after a prolonged period of low valuations. Its sustained rise indicates a significant and steady improvement in the overall value of listed companies on the exchange. For a considerable time, these companies experienced depressed valuations due to various economic, political, or industry-specific challenges. However, recent developments have sparked renewed investor interest and confidence, leading to a notable surge in the market valuation of outstanding shares.

The Pakistan Stock Exchange (PSX) had been trading at a historically high discount relative to the MSCI Emerging Markets (MSCI EM) index. However, this trend has been reversing, with the PSX's discount narrowing and moving closer to its historical averages. This reversion suggests a normalization in the valuation gap, implying that investors are beginning to see similar reward on risks and growth prospects at the PSX as they do in other emerging markets.

This convergence towards historical averages indicates a positive shift in investor perception, possibly driven by improved economic indicators, policy reforms, and better corporate performance in Pakistan. As a result, the PSX is regaining its footing relative to global peers, reflecting a more balanced and optimistic outlook from both domestic and international investors.

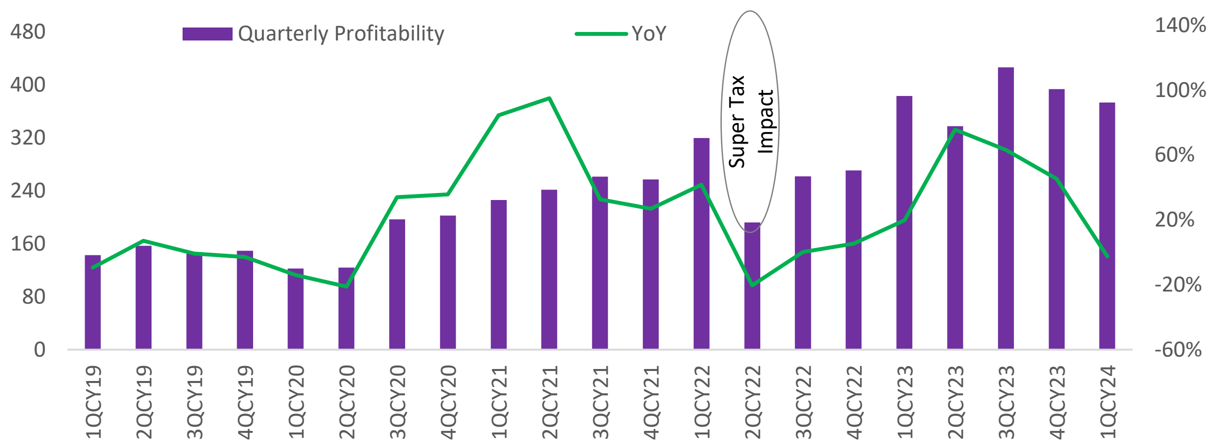
**Discount to EM and FM still higher than historical norms**




*Source: Al Meezan Research, Bloomberg*

As mentioned earlier, the market rally has also been driven by robust profitability, with corporate earnings on the rise. A significant portion of this increase in profits can be attributed to the strong performance of Commercial Banks and Exploration & Production companies, which dominate the overall earnings at the PSX. Looking ahead, corporate profitability is projected to remain strong on account of monetary easing and expected rise in general economic activity.

**Corporate profits continue to remain strong (Rs. Bn)**




*Source: Al Meezan Research*

## Looking ahead into the future...

The stock market outlook depends significantly on adhering to the IMF program and potential inflows from other sources. Additionally, CPI inflation has been on a downward trend from its recent peak, with inflation for June 2024 recorded at 12.6%. This decline is expected to continue in the coming months, with average inflation for FY25 projected to be between 10% and 12%. This suggests a strong case for further policy rate cuts, which would benefit the stock market.

In a recent development, the IMF and Pakistani authorities have reached a staff-level agreement for a USD 7 billion Extended Fund Facility Arrangement (EFF). This significant achievement follows several stabilization measures implemented by the government. The new EFF program is a major positive development, enhancing the long-term outlook for Pakistan's external sector. It is crucial for maintaining foreign investor flows and will support Pakistan's long-term economic reform efforts, thereby boosting investor confidence.

Moreover, valuations remain very attractive by historical standards. The market is trading at a forward P/E ratio of around 4x, compared to its long-term average P/E of about 8x, with a dividend yield of 12%. Selected blue-chip stocks are offering dividend yields in excess of 15%.

# Fixed Income: Monetary Easing Begins!

Fiscal year 2024 ended with the beginning of monetary easing whereby the central bank reduced the policy rate by 150 bps, bringing it down to 20.50%. The central bank MPC committee assessed that underlying pressures have been subsiding amidst a tight monetary policy stance, supported by fiscal consolidation. During the FY24, yields of government securities declined sharply; T-bill yields declined in the range of 267 bps to 405 bps whereby 3, 6, and 12 months' T-bill closed at 19.97%, 19.91% and 18.68% respectively, while PIB yields stood at 16.50% (3 Years), 15.37% (5 Years), and 14.09% (10 Years). Long-term PIB yields showed a downward trend in the range of 71 bps to 297 bps. KIBOR rates also witnessed a decline in the range of 267 bps to 405 bps, whereby 3-month, 6-month, and 12-month KIBOR rates were down by 267 bps, 283 bps, and 405 bps, clocking in at 20.24%, 20.14%, and 19.22%, respectively.

On the liquidity front, the money market remained stable due to regular short-term Open Market Operations (OMO) from SBP, which ensured that the overnight rates remain close to the policy rate.

In the FX market, the rupee has depreciated during the ongoing fiscal year after having started off at PKR 285.99/USD. The rupee made a low of PKR 307.10 on September 5th in the interbank and finally closed at PKR 278.34 at end of June 2024.

**Secondary Market Yields Snapshot:**

| | 27-Jun-23 | 28-Jun-24 | Difference from June 2023 |
|---|---|---|---|
| **SBP Policy Rate** | **22.00%** | **20.50%** | **-1.50%** |
| **GoP Securities** | | | |
| 6- Months T-Bills | 22.87% | 19.91% | -2.96% |
| 10-Year Pakistan Investment Bonds (PIBs) | 15.32% | 14.09% | -1.23% |
| Ijarah Sukuk | 20.21% | 18.11% | -2.10% |
| **Corporate Instruments** | | | |
| TFCs (AA rated and above) | 22.46% | 20.96% | -1.50% |
| Corporate Sukuk | 22.62% | 20.78% | -1.84% |

*Source: MUFAP*

| Highest and Lowest Yields for the Period June 2023 to June 2024 | | |
|---|---|---|
| **T-bills** | **High** | **Low** |
| T-Bill 3 Months | 23.78% | 19.74% |
| T-Bill 6 Months | 24.51% | 19.83% |
| T-Bill 12 Months | 24.73% | 18.68% |
| **PIBs** | **High** | **Low** |
| PIB 3 Year | 21.16% | 16.28% |
| PIB 5 Year | 17.93% | 15.26% |
| PIB 10 Year | 16.61% | 14.03% |

*Source: MUFAP*

### Shariah Compliant end of the Money Market

The central bank continued to conduct GOP Ijarah Sukuk auctions during the year and new assets were also added to tap excess liquidity from the market. During the period under review, the central bank borrowed a total of Rs. 1.9 trillion from Islamic participants. SBP raised Rs 457.70 billion through the auction of 3-year Ijarah while Rs. 593.97 billion were raised in the 1-year tenor and 875.00 billion were raised in the 5-year tenor. The corporate sector continued facing challenges in raising money through long-term Sukuks; however, an increase in the issuance of shorter-tenor instruments was witnessed during the year. Details of available Ijarah Sukuks are as follows:

## Floating Rate Ijarah Sukuk

| Ijarah | Type | Coupon | Remaining Life | Next Reset | Issue Size (bn) | Issue Date | Maturity | Reval 27-Jun-23 | Reval 28-Jun-24 | YTM | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|
| XX | Floater - 5 years | 20.07% | 0.84 | 30-Apr-24 | 76.39 | 30-Apr-20 | 30-Apr-25 | 96.42 | 99.36 | 19.66% | 2.94 |
| XXI | Floater - 5 years | 21.18% | 0.92 | 29-May-24 | 74.62 | 29-May-20 | 29-May-25 | 99.36 | 99.75 | 20.32% | 0.39 |
| XXII | Floater - 5 years | 19.83% | 0.99 | 24-Jun-24 | 47.24 | 24-Jun-20 | 24-Jun-25 | 99.08 | 99.76 | 20.16% | 0.68 |
| XXIII | Floater - 5 years | 20.20% | 1.08 | 29-Jul-24 | 186.91 | 29-Jul-20 | 29-Jul-25 | 99.40 | 99.96 | 19.86% | 0.56 |
| XXIV | Floater - 5 years | 20.76% | 1.45 | 9-Jun-24 | 227.26 | 9-Dec-20 | 9-Dec-25 | 99.71 | 100.75 | 19.18% | 1.04 |
| XXV | Floater - 5 years | 21.20% | 2.27 | 6-Oct-24 | 190.53 | 6-Oct-21 | 6-Oct-26 | 99.44 | 100.47 | 19.60% | 1.03 |
| XXVI | Floater - 5 years | 21.22% | 2.34 | 29-Oct-24 | 584.86 | 29-Oct-21 | 29-Oct-26 | 99.26 | 101.03 | 19.58% | 1.77 |
| XXVII | Floater - 5 years | 21.32% | 2.83 | 27-Oct-24 | 563.32 | 27-Apr-22 | 27-Apr-27 | 99.39 | 100.69 | 19.45% | 1.30 |
| XXVIII | Floater - 5 years | 21.32% | 3.33 | 26-Oct-24 | 243.85 | 26-Oct-22 | 26-Oct-27 | 99.73 | 100.58 | 19.89% | 0.85 |
| XXIX | Floater - 3 years | 19.69% | 1.52 | 5-Jul-24 | 105.96 | 5-Jan-23 | 5-Jan-26 | 99.00 | 99.21 | 20.46% | 0.21 |
| XXXV | Floater - 5 years | 20.88% | 4.00 | 26-Jun-24 | 131.98 | 26-Jun-23 | 26-Jun-28 | 0.00 | 103.03 | 19.77% | 0.00 |
| XXXVI | Floater - 1 year | 21.80% | 0.04 | 12-Jul-24 | 61.43 | 12-Jul-23 | 12-Jul-24 | 0.00 | 100.09 | 17.67% | 0.00 |
| XXXVII | Floater - 3 years | 21.81% | 2.04 | 12-Jul-24 | 27.40 | 12-Jul-23 | 12-Jul-26 | 0.00 | 100.21 | 20.68% | 0.00 |
| XXXVIII | Floater - 1 year | 21.24% | 0.11 | 7-Aug-24 | 99.71 | 7-Aug-23 | 7-Aug-24 | 0.00 | 100.06 | 19.10% | 0.00 |
| XXXIX | Floater - 1 year | 18.39% | 0.23 | 20-Sep-24 | 5.79 | 20-Sep-23 | 20-Sep-24 | 0.00 | 99.96 | 17.69% | 0.00 |
| XL | Floater - 1 year | 20.94% | 0.28 | 9-Oct-24 | 37.55 | 9-Oct-23 | 9-Oct-24 | 0.00 | 100.29 | 18.99% | 0.00 |
| XLI | Floater - 1 year | 19.86% | 0.44 | 4-Jun-24 | 13.22 | 4-Dec-23 | 4-Dec-24 | 0.00 | 100.34 | 18.77% | 0.00 |
| XLII | Floater - 3 years | 20.65% | 2.44 | 4-Jun-24 | 81.69 | 4-Dec-23 | 4-Dec-26 | 0.00 | 99.82 | 20.10% | 0.00 |
| XLIII | Floater - 5 years | 20.76% | 4.44 | 4-Jun-24 | 99.97 | 4-Dec-23 | 4-Dec-28 | 0.00 | 100.16 | 19.87% | 0.00 |
| XLIV | Floater - 3 years | 21.11% | 2.58 | 24-Jul-24 | 16.17 | 24-Jan-24 | 24-Jan-27 | 0.00 | 100.50 | 19.89% | 0.00 |
| XLV | Floater - 5 years | 21.24% | 4.58 | 24-Jul-24 | 259.30 | 24-Jan-24 | 24-Jan-29 | 0.00 | 100.20 | 21.54% | 0.00 |
| XLVI | Floater - 3 years | 21.35% | 2.87 | 10-Nov-24 | 0.65 | 10-May-24 | 10-May-27 | 0.00 | 100.00 | 20.20% | 0.00 |
| XLVII | Floater - 5 years | 21.63% | 4.87 | 10-Nov-24 | 74.62 | 10-May-24 | 10-May-29 | 0.00 | 100.00 | 20.40% | 0.00 |
| PES I | Floater - 10 years | 24.01% | 4.68 | 1-Sep-24 | 200.00 | 1-Mar-19 | 1-Mar-29 | 106.80 | 106.80 | 18.76% | 0.00 |
| PES II | Floater - 10 years | 21.17% | 5.90 | 21-Nov-24 | 199.97 | 21-May-20 | 21-May-30 | 100.02 | 100.12 | 20.11% | 0.10 |
| | | 21.23% | | Total | 3745.37 | | | | | | |

*Source: SBP, MUFAP*

## Fixed Rate Ijarah Sukuk

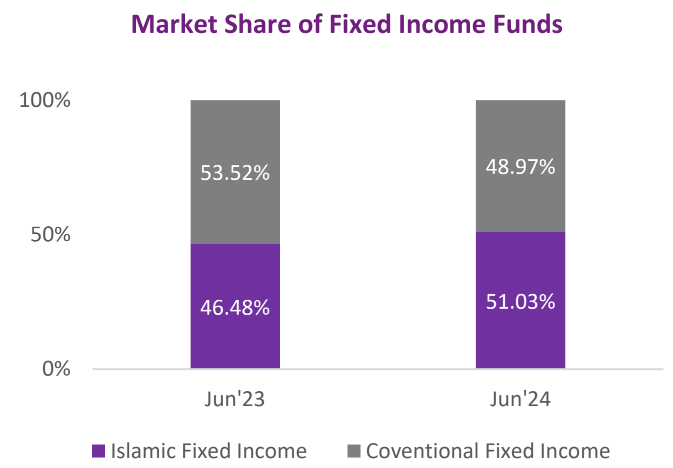
| Ijarah | Type | Coupon | Remaining Life | Next Coupon | Issue Size (bn) | Issue Date | Maturity | Reval 27-Jun-23 | Reval 28-Jun-24 | YTM | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|
| XXIII | Fixed - 5 years | 8.37% | 1.08 | 29-Jul-24 | 44.59 | 29-Jul-20 | 29-Jul-25 | 85.70 | 86.43 | 23.17% | 0.73 |
| XXIV | Fixed - 5 years | 9.45% | 1.56 | 20-Jul-24 | 8.25 | 20-Jan-21 | 20-Jan-26 | 88.00 | 84.42 | 21.72% | -3.58 |
| XXV | Fixed - 5 years | 9.70% | 2.27 | 6-Oct-24 | 12.73 | 6-Oct-21 | 6-Oct-26 | 89.00 | 83.92 | 18.67% | -5.08 |
| XXVI | Fixed - 5 years | 11.40% | 2.47 | 15-Jun-24 | 323.83 | 15-Dec-21 | 15-Dec-26 | 90.08 | 87.58 | 17.84% | -2.50 |
| XXVII | Fixed - 5 years | 12.49% | 2.83 | 27-Oct-24 | 60.89 | 27-Apr-22 | 27-Apr-27 | 92.37 | 88.58 | 17.77% | -3.79 |
| XXVIII | Fixed - 5 years | 12.49% | 3.39 | 16-May-24 | 0.25 | 16-Nov-22 | 16-Nov-27 | 97.37 | 88.33 | 17.16% | -9.04 |
| XXXII | Fixed - 3 Years | 18.24% | 1.80 | 17-Oct-24 | 25.01 | 17-Apr-23 | 17-Apr-26 | 100.00 | 100.41 | 17.90% | 0.41 |
| XXXV | Fixed - 3 Years | 18.49% | 1.99 | 26-Jun-24 | 292.22 | 26-Jun-23 | 26-Jun-26 | 0.00 | 103.51 | 16.35% | 0.00 |
| XXXVI | Fixed - 1 Year | 22.15% | 0.04 | 12-Jul-24 | 6.39 | 12-Jul-23 | 12-Jul-24 | 0.00 | 100.05 | 18.91% | 0.00 |
| XXXVII | Fixed - 1 Year | 22.00% | 0.11 | 7-Aug-24 | 1.81 | 7-Aug-23 | 7-Aug-24 | 0.00 | 100.03 | 20.00% | 0.00 |
| XXXVIII | Fixed - 1 Year | 22.95% | 0.23 | 20-Sep-24 | 10.16 | 20-Sep-23 | 20-Sep-24 | 0.00 | 100.34 | 20.14% | 0.00 |
| XXXIX | Fixed - 5 Years | 16.50% | 4.23 | 20-Sep-24 | 0.50 | 20-Sep-23 | 20-Sep-28 | 0.00 | 101.65 | 15.92% | 0.00 |
| XL | Fixed - 1 Year | 22.49% | 0.28 | 9-Oct-24 | 111.25 | 9-Oct-23 | 9-Oct-24 | 0.00 | 100.66 | 19.08% | 0.00 |
| XLI | Fixed - 3 Years | 16.19% | 2.44 | 4-Jun-24 | 34.65 | 4-Dec-23 | 4-Dec-26 | 0.00 | 100.11 | 16.12% | 0.00 |
| XLII | Fixed - 5 Years | 15.75% | 4.44 | 4-Jun-24 | 52.85 | 4-Dec-23 | 4-Dec-28 | 0.00 | 101.33 | 15.32% | 0.00 |
| XLIII | Fixed - 1 Year | 19.52% | 0.45 | N/A | 36.07 | 11-Dec-23 | 9-Dec-24 | 0.00 | 92.58 | 17.84% | 0.00 |
| XLIV | Fixed - 1 Year | 19.50% | 0.57 | N/A | 6.42 | 24-Jan-24 | 22-Jan-25 | 0.00 | 90.05 | 19.39% | 0.00 |
| XLV | Fixed - 3 Years | 16.05% | 2.58 | 24-Jul-24 | 1.31 | 24-Jan-24 | 24-Jan-27 | 0.00 | 100.00 | 16.03% | 0.00 |
| XLVI | Fixed - 5 Years | 15.49% | 4.58 | 24-Jul-24 | 25.12 | 24-Jan-24 | 24-Jan-29 | 0.00 | 100.00 | 15.48% | 0.00 |
| XLVII | Fixed - 1 Year | 20.10% | 0.65 | N/A | 1.27 | 21-Feb-24 | 19-Feb-25 | 0.00 | 83.30 | 31.01% | 0.00 |
| XLVIII | Fixed - 1 Year | 20.10% | 0.71 | N/A | 13.49 | 15-Mar-24 | 14-Mar-25 | 0.00 | 88.30 | 18.67% | 0.00 |
| XLIX | Fixed - 1 Year | 20.24% | 0.75 | N/A | 15.95 | 29-Mar-24 | 28-Mar-25 | 0.00 | 88.00 | 18.23% | 0.00 |
| L | Fixed - 1 Year | 20.24% | 0.78 | N/A | 15.30 | 9-Apr-24 | 8-Apr-25 | 0.00 | 86.36 | 20.30% | 0.00 |
| LI | Fixed - 1 Year | 20.00% | 0.82 | N/A | 32.53 | 26-Apr-24 | 25-Apr-25 | 0.00 | 86.86 | 18.34% | 0.00 |
| LII | Fixed - 1 Year | 20.20% | 0.86 | N/A | 54.59 | 10-May-24 | 9-May-25 | 0.00 | 86.12 | 18.68% | 0.00 |
| LIII | Fixed - 3 Years | 15.85% | 2.87 | 10-Nov-24 | 0.08 | 10-May-24 | 10-May-27 | 0.00 | 100.00 | 15.82% | 0.00 |
| LIV | Fixed - 5 Years | 15.48% | 2.87 | 10-Nov-24 | 45.13 | 10-May-24 | 10-May-27 | 0.00 | 100.00 | 15.45% | 0.00 |
| LV | Fixed - 1 Year | 19.89% | 0.90 | N/A | 48.33 | 24-May-24 | 23-May-25 | 0.00 | 85.69 | 18.53% | 0.00 |
| | | | | Total | 1282.90 | | | | | | |

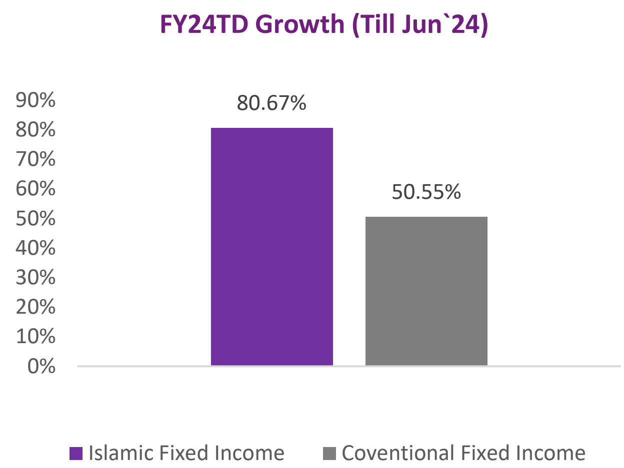
*Source: SBP, MUFAP*

During the period under review, it is also encouraging to note that some new blue-chip corporates from the sugar, telecommunication, communication and power sectors have explored financing through the Shariah-compliant debt market. Corporates mainly targeted the short-term instruments for working capital requirements at relatively better spreads compared to conventional alternatives like TFCs and bank loans. On the other hand, a consistent increase in the issuance of new Sukuk (both government and corporate) have aided the Islamic mutual funds in offering attractive returns to investors along with managing their liquidity effectively.

Going forward, Sukuk issuances are expected to grow as the Government is determined to increase the share of Islamic debt in the overall domestic debt.

## Comparison of Growth in Fixed Income Funds




*Source: MUFAP, FMR*

**Outlook**

Given subsided inflationary pressures, we expect the policy rate to continue its decline in FY25. Fixed Income funds are well positioned to absorb any change in the policy rate with optimal exposures in instruments with longer resetting mechanism. Furthermore, we expect improvement in spreads offered on corporate instruments due to reduction in KIBOR.

We expect our Fixed income and Money market funds will continue to provide an attractive risk-adjusted rate of return to meet their investors' requirements.

# Gold: 2024 & beyond...

Spot Gold (USD/Oz) in FY 2024


*Source: Bullion Vault*

Fiscal year 2024 turned out to be illustrious for the yellow metal. International gold prices started the year around $ 1,921 per oz and peaked at over $ 2,400 per oz in May 2024.

Gold price touched a 2-month low of $ 1,821 per oz in October 2023 due to the relentless surge driven by growing concerns over persistently high interest rates in the US, which exerted downward pressure on gold prices. The global supply chain disruptions resulting from the Russia/Ukraine conflict and elevated geopolitical risks in the Middle East posed serious challenges. However, US inflation levels came down from their peak of around 9% in June 2022 to 3.3% in May 2024, yet still ahead of the Fed's target of 2%.

Towards the end of FY 2024, gold saw upward trajectory and touched a peak of $ 2,427 per oz in May 2024, momentarily, on the back of expectations for China's demand surge, valuation of the US dollar, and the heightened military conflict in the Middle East. There was a notable departure from the typical negative correlation between gold and the US dollar, with both experiencing upward trends attributable to the bolstered demand for safe-haven assets. As for the bigger picture, an increase in central banks' gold reserves and retail investors' inclination towards gold have both contributed to the price surge.

In the future, we anticipate that gold will offer a promising opportunity for investors as the market is expecting the Federal Reserve to commence monetary easing from September 2024 while expecting another rate in rate cut in December. This will be a favorable activity for the bullion as people will move from treasury bills to gold. This surge in demand may potentially see a jump in gold price.

# Meezan Pakistan ETF: Pakistan's first Shariah Compliant ETF

## Meezan Pakistan Exchange Traded Fund (MP-ETF):

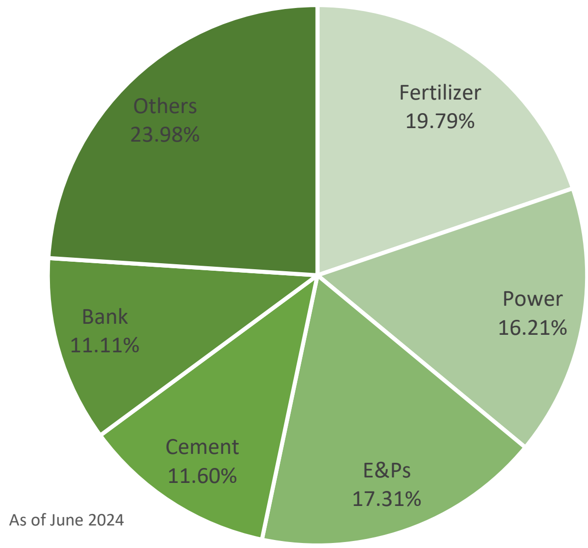
Al Meezan Investment Management Limited is the first Asset Management Company (AMC) in Pakistan to launch several new Shariah Compliant products in the market.

Keeping up this tradition to be the "first-to-market", Al Meezan became the first AMC to launch a Shariah Compliant Equity ETF on October 05, 2020, called Meezan Pakistan ETF (MP-ETF).

MP-ETF provides investors with a diversified exposure to key sectors of the Pakistan Stock Exchange (PSX) such as Cement, Oil & Gas Exploration (E&Ps), Fertilizer, Oil & Gas Marketing (OMCs), Pharmaceuticals, etc. The MP- ETF has an underlying basket of 12 stocks, derived from the sectors mentioned above.

MP-ETF offers exposure to high quality, liquid shariah-compliant stocks in the market. Investors can garner exposure in MP-ETF, while maintaining a sense of security that the fund's operations are fully approved by its Shariah Advisor (Dr. Muhammad Imran Ashraf Usmani Sb).

**Exposure to various sectors (MP-ETF)**

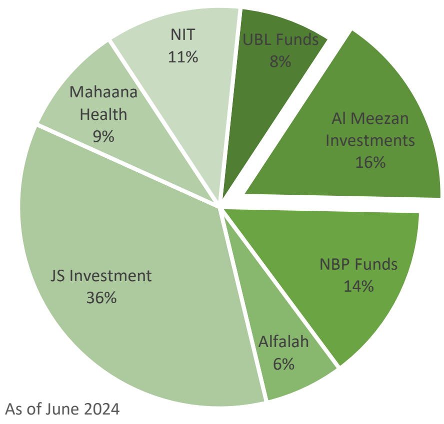



*Source: Al Meezan Research*

Investors in the stock market with a broker account can simply request their broker to purchase shares of MP-ETF from the stock market. These can be monitored by the investor by viewing the price display on the PSX website, on their respective brokerage trading panel.

MP-ETF is the first Shariah Compliant ETF which was launched for the exclusive benefit of investors who are Shariah conscious in nature and seek halal investments.

## Market share




*Source: Al Meezan Research*

## Benefits of an ETF:

An ETF is similar to a Mutual Fund. However, it enjoys certain characteristics that make it stand out when compared directly to a regular Mutual Fund, including but not limited to:

- It enjoys the diversification advantage typically available in Mutual Funds, as it consists of a basket of securities. It is also unique in the sense that its units trade just like a share of stock. The investor can easily approach a broker to buy or sell an ETF unit any time during trading hours when the stock market is open for business.

- Unlike an Open-End Mutual Fund, an ETF provides continuous trading price throughout the trading day. This feature is also similar to that of a stock, where price of any stock is available throughout the day. In contrast, in an Open-End Mutual Fund, NAVs are generally available only at end of the business day.

- Well diversified ETFs generally permit the investor to purchase a basket of stocks in one-go, without having to buy individual stocks and perhaps incur higher transaction costs. Hence exposure through ETFs may in fact lead to reduction in cost for an investor.

- Passive Equity ETFs typically have a passive strategy and may have low management fees, perhaps without any sales-load as well. This may make passive ETFs cost-effective means to take exposure to stocks in a particular index strategy that the ETF aims to mimic.

- Normally, the portfolio of the ETFs and its constituents are available to investors each day, thereby enhancing transparency. When one compares this feature with Open-End Funds, one realizes that such funds generally disclose a certain percentage of their holdings in their Fund Manager Reports which are normally available at end of the month. Thus, investors have the added advantage of tracking an ETF portfolio whenever they like.

Al Meezan Investments
Pure. Profit.

Al Meezan
Investment Management Ltd.

AM1
Rating by VIS & PACRA

# MARKETING HIGHLIGHTS FY2024

**CONTRIBUTORS:** Saman Banatwala, Safi Uddin & Adeel Aslam

ٱلْحَمْدُ لِلَّٰهِ


WE THANK OUR OVER **296,000** INVESTORS
FOR THEIR UNWAVERING TRUST & CONFIDENCE

## TRULY, WE ARE THE FIRST CHOICE OF INVESTORS!

# 500 BILLION & BEYOND:
# A LEGACY OF GROWTH

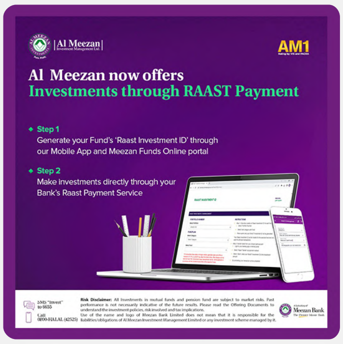
## Milestones and Achievements


Al Meezan is proud to maintain AM1 rating, which is the highest management quality rating in Pakistan awarded by both VIS and PACRA (Credit Rating Companies).


Al Meezan has successfully maintained and strengthened its position as the Largest Asset Management Company in Pakistan with Assets under Management of over PKR 500 Billion*.


We have the privilege of managing the trust of one the largest investor base in Pakistan with over 296,000* investors.

## Innovative Investment Solutions – Wherever You Are, Whenever You Want

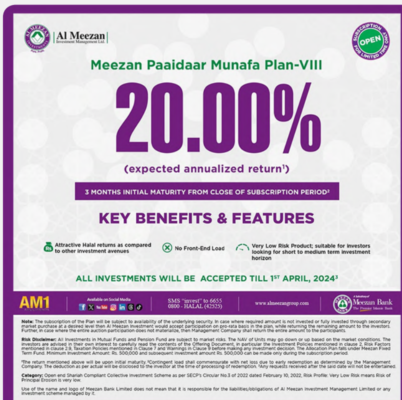



**RAAST Payments**
Investing Made Convenient: Transfer funds directly from your bank account without any charges.

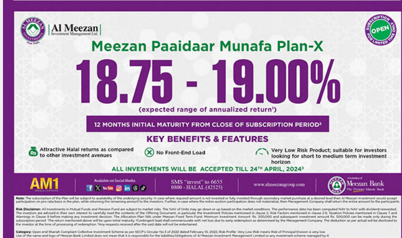

Launch of Inter Bank Fund Transfers & Bill Payment Services.

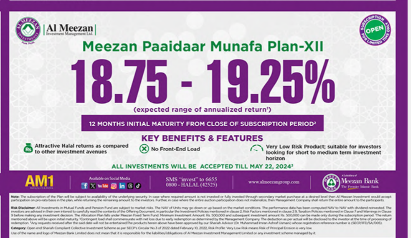
## New Product Launches

During the period, Al Meezan Investments launched Meezan Paaidaar Munafa Plan series i.e. MPMP-VIII, MPMP-IX, MPMP-X & MPMP-XII.







## Awards


Al Meezan Roshan Digital Investment Accounts crossed PKR 1 Billion in Assets Under Management.


Most Ethical Shariah Compliant Investment Manager 2024 by Pakistan Wealth & Finance.


Awarded "Best Asset Management Company in Pakistan" by CFA Society Pakistan and "Asset Management Company of the Year" at the 8th Islamic Finance Forum of South Asia (IFFSA) awards.

## Investor Awareness Initiatives


Monthly Market Outlook by Mr. Muhammad Asad – Acting CEO and CIO.


**Podcast - How to Invest in Mutual Funds?**

All about Mutual Funds with Talha Anwar on Adeel Azhar Talks. An insightful discussion with Mr. Talha Anwar, Chief Sales and Distribution Officer at Al Meezan Investments.



Series of Webinars throughout the year for product awareness.


Learning with Mr. Itminan – Investor Education.

## Expanding Footprint in Central & South Region New Branch Opening in Lahore & Karachi


Keeping in line with its expansion strategy, Al Meezan Investment Management Limited extended its branch network by opening its 4th Branch in Lahore & 10th Branch in Karachi



*Data as of 30th June'2024

**Risk Disclaimer:** All investments in Mutual Funds and Pension Fund are subject to market risks. Past Performance is not necessarily indicative of future results. Please read the offering document to understand the investment policies, risks and tax implication involved.
Our Shariah Advisor is Dr. Muhammad Imran Ashraf Usmani whose registration reference number is (SECP/IFD/SA/005).
Use of the name and logo of Meezan Bank Limited does not mean that it is responsible for the liabilities/obligations of Al Meezan Investment Management Limited or any investment scheme managed by it.

# RISK PROFILE OF COLLECTIVE INVESTMENT SCHEME/PLANS

| Fund Name | Symbol | Funds Category | Risk Profile | Risk of Principal Erosion |
|---|---|---|---|---|
| Meezan Islamic Fund | MIF | Islamic Equity | High | High |
| Al Meezan Mutual Fund | AMMF | Islamic Equity | High | High |
| KSE Meezan Index Fund | KMIF | Islamic Index Tracker | High | High |
| Meezan Energy Fund | MEF | Islamic Equity | High | High |
| Meezan Dedicated Equity Fund | MDEF | Islamic Equity | High | High |
| Meezan Pakistan Exchange Traded Fund | MP-ETF | Exchange Traded Fund | High | High |
| Meezan Gold Fund | MGF | Islamic Commodity | High | High |
| Meezan Asset Allocation Fund | MAAF | Islamic Asset Allocation | High | High |
| Meezan Balanced Fund | MBF | Islamic Balanced | Medium | Medium |
| Meezan Islamic Income Fund | MIIF | Islamic Income | Medium | Medium |
| Meezan Sovereign Fund | MSF | Islamic Income | Moderate | Moderate |
| Meezan Daily Income Fund | MDIF | Islamic Income | Plan Specific (Low to Moderate) | Plan Specific (Low to Moderate) |
| Meezan Fixed Term Fund | MFTF | Open End Islamic CIS as per SECP's Circular No.3 of 2022 | Very Low | Very Low |
| Meezan Cash Fund | MCF | Islamic Money Market | Low | Low |
| Meezan Rozana Amdani Fund | MRAF | Islamic Money Market | Low | Low |
| Meezan Financial Planning Fund of Fund | MFPF | Islamic Fund of Funds | Plan Specific (Medium to High) | Plan Specific (Medium to High) |
| Meezan Strategic Allocation Fund | MSAF | Islamic Fund of Funds | Plan Specific (Medium to High) | Plan Specific (Medium to High) |
| Meezan Strategic Allocation Fund - II | MSAF-II | Islamic Fund of Funds | Medium | Medium |
| Meezan Strategic Allocation Fund – III | MSAF-III | Islamic Fund of Funds | Medium | Medium |

**Disclaimer:** This publication is for informational purpose only and nothing herein should be construed as a solicitation, recommendation or an offer to buy or sell any fund. All investments in mutual funds and pension fund are subject to market risk. The NAV based prices of units and any dividends/returns thereon are dependent on force and factors affecting the capital markets. These may go up or down based on market conditions. Past performance is not necessarily indicative of future results. Performance data does not include cost incurred by investor in the form of sales-load etc. Please read the offering document to understand the investment policies and risks involved.

The products herein above has been approved by our Shariah Advisor (Dr. Muhammad Imran Ashraf Usmani) whose registration reference number is (SECP/IFD/SA/005).