



**INVESTMENT FACT SHEET**  
FOR THE MONTH OF JANUARY 2019

# FROM INVESTMENT DESK

## ECONOMY AND CAPITAL MARKETS UPDATE

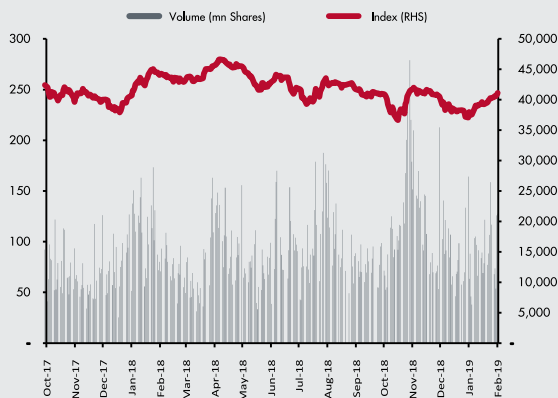
### ECONOMIC SUMMARY

KEY INDICATORS	REPORTED MONTH	CURRENT	PREVIOUS	YTD
CPI Inflation	Jan	7.19%	6.17%	6.20%
Trade Deficit (USD mn)	Dec	(2,624)	(2,291)	(15,550)
Remittances (USD mn)	Dec	1,690	1,609	10,719
Current A/C (USD mn)	Dec	(1,660)	(1,209)	(7,983)
FDI (USD mn)	Dec	319	280	1,199
Tax Collection ** (PKR bn)	Jan	280	350	2,055
M2 Growth*				1.80%
FX Reserves* (USD bn)	Jan			14.80

Source SBP, FBS

\* Latest monthly figures \*\*provisional figures

### KSE-100 ONE YEAR PERFORMANCE



### SECONDARY MARKET PKRVs

TENOR	JAN-19	DEC-18	CHANGE (bps)
30 Days	10.25	10.23	2
60 Days	10.27	10.30	-3
3 Months	10.31	10.30	1
6 Months	10.62	10.58	4
1 Year	11.05	11.18	-13
3 Year	11.88	12.22	-34
5 Year	12.32	12.70	-38
10 Year	13.20	13.16	4

Source: MUFAP

### ECONOMIC REVIEW

CPI rose by 1.0% MoM to touch 7.20% in January 2019, highest monthly number for the last four years. Rent & utilities (up 3% MoM), and food items (up 0.3% MoM) were the highest contributors, while transport prices continued to decline due to falling global oil prices. As a result, CPI for 7MFY19 is now stand at 3.19%, almost twice that of SPLY (1.89%). On the other hand, current account deficit worsened by 37% MoM in Dec-18 to USD 1,660 mn due to surge in imports (+10.6% MoM) despite slight improvement in exports (+5.81% MoM) and remittances (+5.03% MoM). Nevertheless, CAD for 1HFY19 showed improvement of 4.43%YoY to USD 7,983 mn compared to USD 8,353 mn. On the back of multilateral and bilateral inflows, forex reserves jumped by USD 1,050 mn MoM to settle at USD14.80 bn in Jan-19. State Bank of Pakistan (SBP) in its monetary policy statement hiked policy rate by 25bps to 10.25% for a period of two months expressing concern over fiscal deficit and core inflation. On fiscal side, FBR collected PKR 280 bn for Jan-19, +2.64% YoY/-20% MoM taking 7MFY19 collection to PKR2,055 billion (+8%YoY), though short by PKR180 bn to the target. Standard and Poor's (S&P) has downgraded Pakistan's long-term sovereign credit rating to 'B-' from 'B' on the diminished growth prospects as well as elevated external and fiscal stresses. Moving ahead, an entry to IMF program is inevitable for long-term sustainability of the economy but foreign inflows from allies (including the latest announcement of a package of USD 6 bn from UAE) are likely to provide much needed relief in short term.

### EQUITY MARKET REVIEW

Equities ushered in the year 2019 with a bang; benchmark KMI-30 posted phenomenal return of 11.60% for Jan-19, the best monthly performance since last two years while KSE 100 was up by 10.10%. Investors' confidence strengthened due to supportive supplementary budget, stronger FX position as inflows came from GCC and allies, and amended Pak-US relations which would lead to soft IMF negotiations. Overall trading activity improved by 4.1% MoM in January to reach 136 mn shares. Foreigners turned net buyers with net inflows of USD 16.18 mn during the month. Sector wise, Banks recorded highest inflow of USD 19.68 mn, followed by Fertilizer (+USD 2.55 mn). Major sellers were Insurance (-USD 19 mn), Banks (-USD 10 mn), and Individuals (-USD 9 mn) on the local side. Banks led sectoral performance (+13.6% MoM), followed by E&Ps (+17.6% MoM), and Fertilizer (+12.9% MoM), while Tobacco showed dismal return of -7.5%, along with Paper & Board (-4.6% MoM).

Going forward, Pakistan with forward P/E of 7.9x is trading at 37.3% discount compared to Asia Pacific regional average of 12.6x, along with a dividend yield of 7.0%. We expect attractive valuations, foreign inflows, and improvement in macros are expected to keep investors interest alive.

### DEBT MARKET REVIEW

During the month, market remained volatile as investors continue to speculate over policy action amid soft inflation of December 2018. After a long time, PIB auction witnessed hefty participation across all tenors with cumulative bids worth pkr 353 bn against target of pkr 50bn with majority participation in 10-yr bonds. The SBP accepted bids worth pkr 53.8bn in 3yr & 5yr tenors with cut-off yields at 12.24% and 12.70% respectively while all other bids were rejected. As a result, secondary market yields have adjusted downwards in 3 yr and 5yr tenors in the range of 34-38 bps. With three T-Bill auctions held during the outgoing month, Investors continued to show interest in short-term papers wherein Central Bank picked up PKR 962 bn at cut off yield of 10.30% in three-month tenor while all other bids were rejected. Currently the real interest rate is hovering at 3.06%, almost twice of Pakistan's historical average of ~2.2%, signalling peaked out of interest rates. Thus, in the near to mid-term investors are expected to shift towards longer tenor government bonds.

# MANAGED TAKAFUL FUND

## FUND OBJECTIVE

"To optimize aggregate long term risk adjusted return through capital appreciation, dividend and profit income by investing in a Balanced Portfolio comprising of Shariah compliant equities, equity mutual funds, Sukuks (Government and Corporate), deposits with Islamic Banks and Windows or any other approved Shariah compliant avenues. The Fund was launched on July 7, 2015.

## FUND INFORMATION

DESCRIPTION	INFORMATION
Fund Name	Managed Takaful Fund
Fund Size	PKR 4,227 Million
Launch Date	07.07.2015
Bid Price (07.07.2015)	PKR 500.00
Bid Price (31.01.2019)	PKR 625.58
Category	Shariah Compliant Balanced Fund
Pricing Mechanism	Forward on daily basis
Management Fee	1.50% p.a.
Pricing Days	Monday to Friday
Auditors	KPMG
Appointed Actuary	Nauman Cheema, Nauman Associates, Lahore

## INVESTMENT COMMITTEE

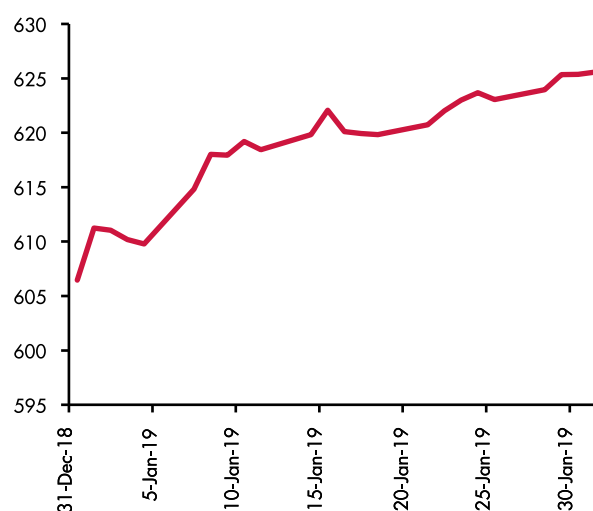
MEMBERS	DESIGNATION
Shahid Ghaffar	Chairman
Javed Ahmed	Member / CEO
Rafiuddin Zakir Mahmood	Member
John Joseph Metcalf	Member
Lilly R. Dossabhoy	Member
Shan Rabbani	Member

## FUND RETURNS

PERIOD	RATE OF RETURN
1 month	3.15%
3 months	-0.49%
12 months	1.05%
Calendar YTD	3.15%
Since Inception	25.12%

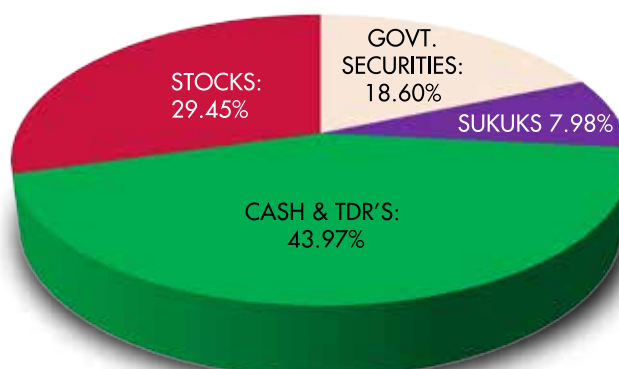
## FUND MANAGER'S COMMENTS

During the month of January 2019 Managed Takaful Fund's (MTF) Unit Price increased by PKR 19.11 (3.15%) net of fund management fee.



## ASSET ALLOCATION

ASSETS	JANUARY-19	DECEMBER-18
Government Securities	18.60%	19.87%
Sukuks	7.98%	8.53%
Cash and Short Term Deposits	43.97%	48.35%
Stocks	29.45%	23.25%



# CAPITAL GROWTH TAKAFUL FUND

## FUND OBJECTIVE

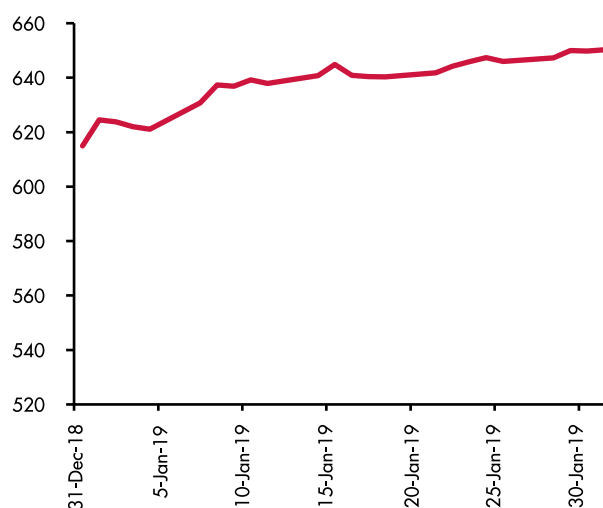
"To optimize aggregate long term risk adjusted return through capital appreciation, dividend and profit income by investing in an Aggressive Portfolio primarily comprising of Shariah compliant equities and equity mutual funds with any excess liquidity being invested in Sukuks (Government and Corporate) or deposits with Islamic Banks and Islamic Windows of Conventional Banks. The Fund was launched on July 7, 2015.

## FUND INFORMATION

DESCRIPTION	INFORMATION
Fund Name	Capital Growth Takaful Fund
Fund Size	PKR 6,353 Million
Launch Date	07.07.2015
Bid Price (07.07.2015)	PKR 500.00
Bid Price (31.01.2019)	PKR 650.23
Category	Shariah Compliant Equity Fund
Pricing Mechanism	Forward on daily basis
Management Fee	1.50% p.a.
Pricing Days	Monday to Friday
Auditors	KPMG
Appointed Actuary	Nauman Cheema, Nauman Associates, Lahore

## FUND MANAGER'S COMMENTS

During the month of January 2019 Capital Growth Takaful Fund's (CGTF) Unit Price increased by PKR 35.25 (5.73%) net of fund management fee.



## INVESTMENT COMMITTEE

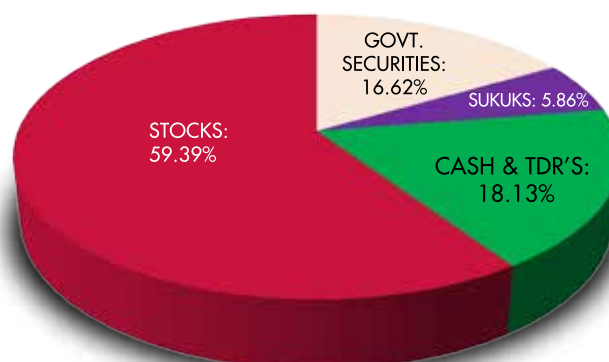
MEMBERS	DESIGNATION
Shahid Ghaffar	Chairman
Javed Ahmed	Member / CEO
Rafiuddin Zakir Mahmood	Member
John Joseph Metcalf	Member
Lilly R. Dossabhoy	Member
Shan Rabbani	Member

## ASSET ALLOCATION

ASSETS	JANUARY-19	DECEMBER-18
Government Securities	16.62%	18.28%
Sukuks	5.86%	6.53%
Cash and Short Term Deposits	18.13%	29.11%
Stocks	59.39%	46.07%

## FUND RETURNS

PERIOD	RATE OF RETURN
1 month	5.73%
3 months	-1.91%
12 months	-0.36%
Calendar YTD	5.73%
Since Inception	30.05%



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