Market Review & Outlook

From the CIO's Desk

Fund Managers Report - November 2023

November was an exceptional month for the local bourse, marked by a remarkable performance attributable to improving macroeconomic visibility and outlook. The above, in conjunction with a newfound clarity in the political sphere, redirected investor attention to the abnormally low valuations of listed companies in the market. The swift and successful completion of the IMF's first review under the 9-Month Stand-By Agreement, coupled with foreign inflows on MSCI semi-annual balancing, meaningfully bolstered confidence and trading activity. Aided by the highest monthly foreign inflow in excess of USD 34 million witnessed in over five years, the market concluded at 60,531 points, marking a notable M/M gain of 16.6%. This surge stands as the highest recorded increase since the post-Covid-19 rally.

The headline inflation for November reached 29.2% Y/Y. CPI on M/M basis recorded an increase of 2.7% reflecting increase in gas prices announced in November. The calculation methodology of staggering increase in the gas prices has inched up the expected inflation curve by 1.5% – 2% for the forward 12 months which may result in slight delay in monetary easing than previously anticipated. Perishable food was another factor contributing to the rise in CPI, however, some respite emerged in transportation owing to the decrease in prices of petroleum products. 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 the first rate cut in February 2024.

The current account in the first four months of FY24 recorded a small deficit of USD 1,059m with the improvement primarily stemming from a sizable reduction in goods imports. On M/M basis, the CAD recorded another breakeven clocking in at USD74m as an increase of ~11% in remittances was offset by a large deficit on primary income, clocking in at ~USD 900m, marking the highest deficit witnessed in over a decade, primarily owing to the clearance of outstanding profit repatriation. We iterate that the external reserves position of the country wouldn't allow running higher external current account deficits and expect FY24 CAD to be under USD5bn.

On the fiscal front, the Federal Board of Revenue (FBR) collected PKR 736 billion in November, surpassing the target for the fifth consecutive month. The cumulative collection for the initial five months of FY24 reached PKR 3,484 billion, marking an impressive 30%Y/Y surge due to strong domestic tax collection. We expect FY24 primary balance to post a surplus in line with IMF target due to contained non-interest expenses growth. However, massive debt servicing cost owing to historic high interest rates is expected to widen FY24 fiscal deficit to 7.0% of GDP.

Although the market has exceeded the 60,000-point mark, a comparative analysis with 2017 levels indicates that it is still undervalued. While the market has breached its previous peak of 53,000 points from May 2017, the market capitalization during that period exceeded PKR 10 trillion, whereas it currently stands close to PKR 8.7 trillion as of the November closing. The KSE-100 Index, functioning as a total return index by encompassing all dividends, has indeed experienced a surge, however, in terms of pure price evaluation, the Index has not aligned with its underlying valuations. Back in 2017, the market traded at a forward PE multiple exceeding 10x, a figure that now stands at under 5x despite strong performance in the previous months. The ongoing re-rating trend is anticipated to persist in the forthcoming months in view of expected improvement in macroeconomic situation and decline in interest rates.

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 1000.03% (KSE100 Index: 489.31% since inception). This translates to an average annualized return of 19.33% p.a. (KSE-100 Index: 13.96% p.a.) - thus outperforming the KSE-100 Index by a significant margin.

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

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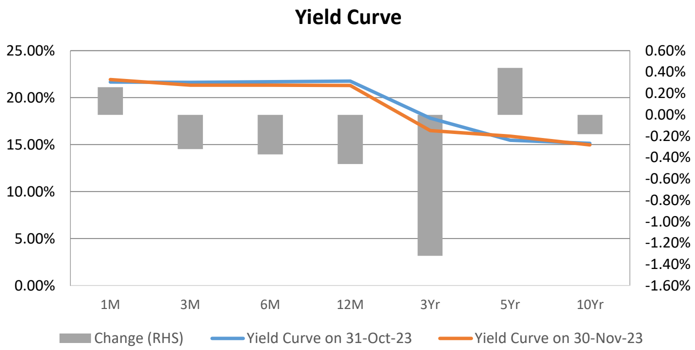

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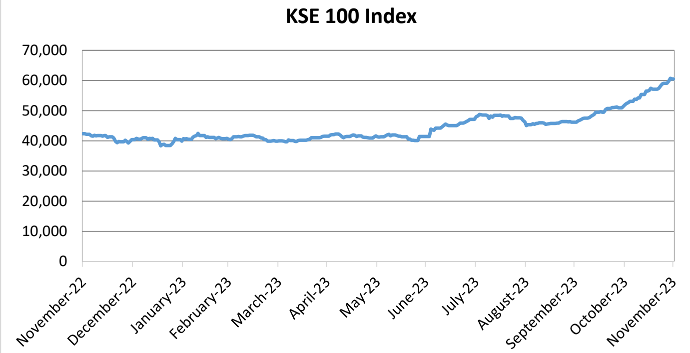
Equity Market Review & Outlook



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UBL Money Market Fund

Fund Managers Report - November 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.)	21.21%	22.53%	21.59%
November 2023 (p.a.)	19.81%	21.72%	20.62%
Since Inception (CAGR)		9.34%	9.78%
Standard Deviation*		0.33%	2.15%
Sharpe Ratio**		-2.28	-0.47
Weighted Avg Time to Maturity		69 Days	
Total Expense Ratio [3 I 5]		1.50%	
Total Expense Ratio (MTD) [4 I 5]		1.50%	
Total Expense Ratio (FYTD) [4 I 5]		1.50%	

	Oct'23	Nov'23	%
Fund Size (PKR Mn)	17,469	14,450	-17.28%
Fund Size excluding FoFs (PKR Mn)	17,469	14,450	-17.28%
NAV (PKR)	107.9287	109.6861	1.63%
Leverage	Nil	Nil	Nil

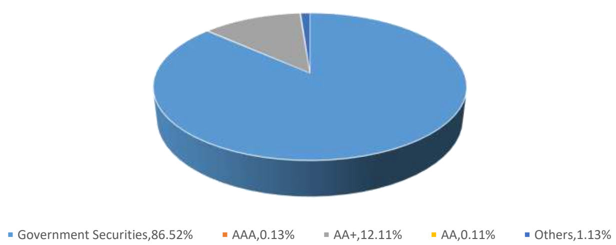
1 Simple Annualized Return | 2 Morning Star Return
* 12m Trailing | ** 12m Trailing, 3M PKRV yield is used as a risk-free rate
3 As per NBFC Regulations, 2008, this includes 0.22% representing government levy, SECP fee and sales tax.
Selling & Marketing Expense PKR 4.50 mn.
4 As per MUFAP standardized 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

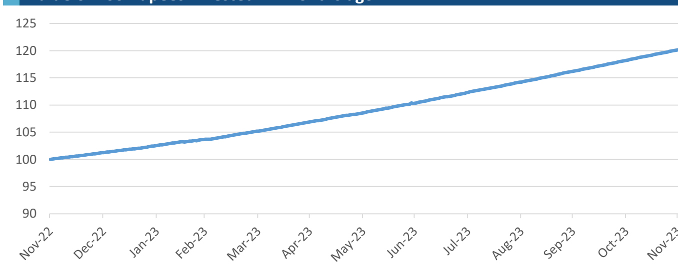
Risk Profile	Low
Fund Type	Open End Fund
Fund Categorization	Money Market
Launch Date	14-Oct-2010
Benchmark	70% Average of 3M PKRV rates + 30% 3M average deposit rate of three 3 AA rated scheduled Banks as selected by MUFAP
Listing	Pakistan Stock Exchange (PSX)
Trustee	Central Depository Company Pakistan Limited
Auditor	A.F. Ferguson & Company
Management Co.Rating	AM1 (VIS) (30-Dec-2022)
Fund Stability Rating	AA+ (f) (VIS) (30-Dec-2022)
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.)	20.76%	21.28%	20.14%	12.88%	11.77%	9.34%
Benchmark	21.44%	21.52%	19.89%	13.08%	11.89%	9.78%

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

Asset Allocation (% of Total Assets)

	Sep'23	Oct'23	Nov'23
Cash	21.42%	3.51%	9.89%
Placements with DFIs	5.80%	0.00%	0.00%
T-Bills	33.51%	69.22%	62.40%
Placements with Banks	4.64%	0.00%	2.46%
PIB - Floater	32.77%	23.61%	24.12%
GOP Ijarah Sukuk	0.00%	0.00%	0.00%
Others	1.85%	3.67%	1.13%

Total Amount Invested by FoFs is PKR 0.00 Mn.

Monthly Yield *

	Dec'22	Jan'23	Feb'23	Mar'23	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23	Oct'23	Nov'23	CYTD
UMMF (p.a.)	14.82%	14.98%	14.25%	17.48%	19.33%	18.52%	19.89%	21.09%	20.11%	20.94%	20.48%	19.81%	20.38%
Benchmark	15.87%	16.28%	17.30%	19.17%	20.26%	20.64%	21.14%	21.74%	21.89%	22.15%	21.55%	20.62%	20.26%

* 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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