



Asset Management Companies

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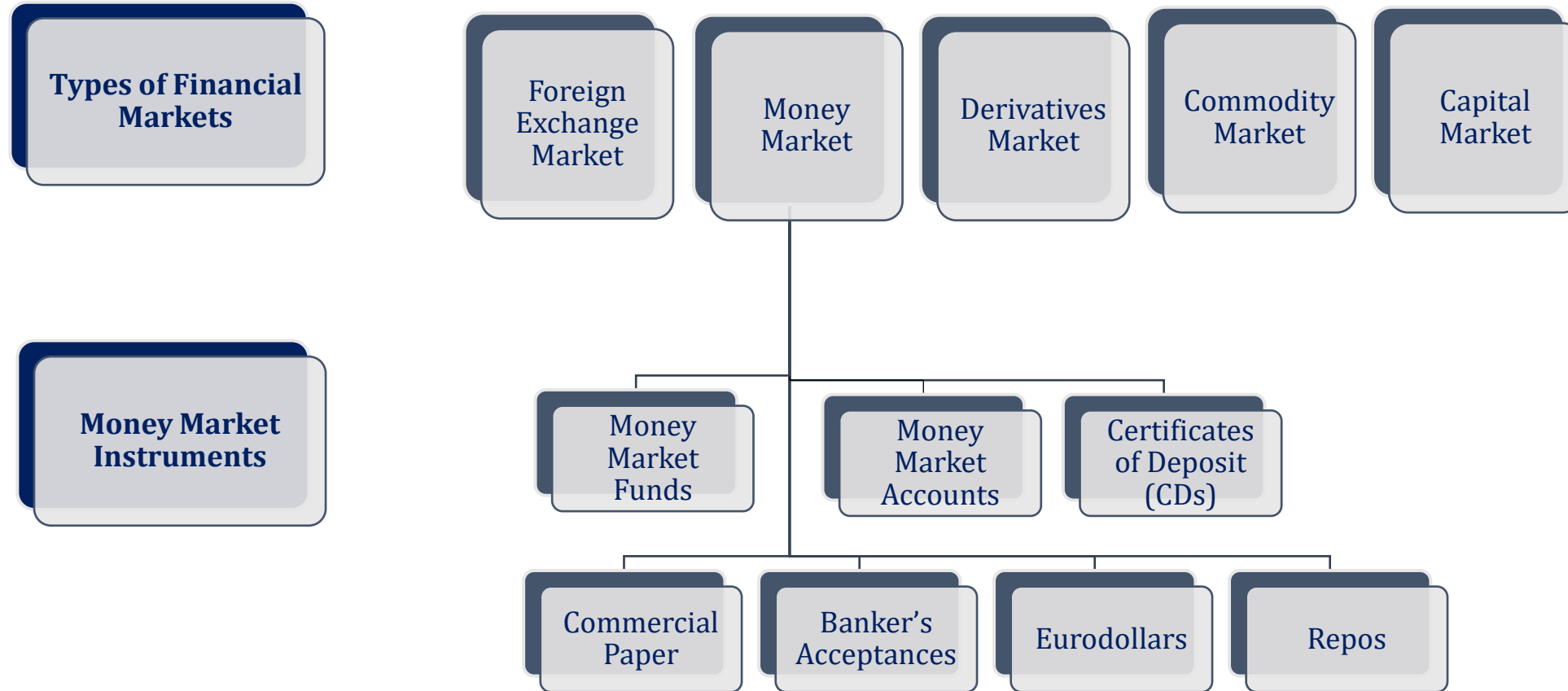


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Asset Management Companies

Capital Markets | Overview



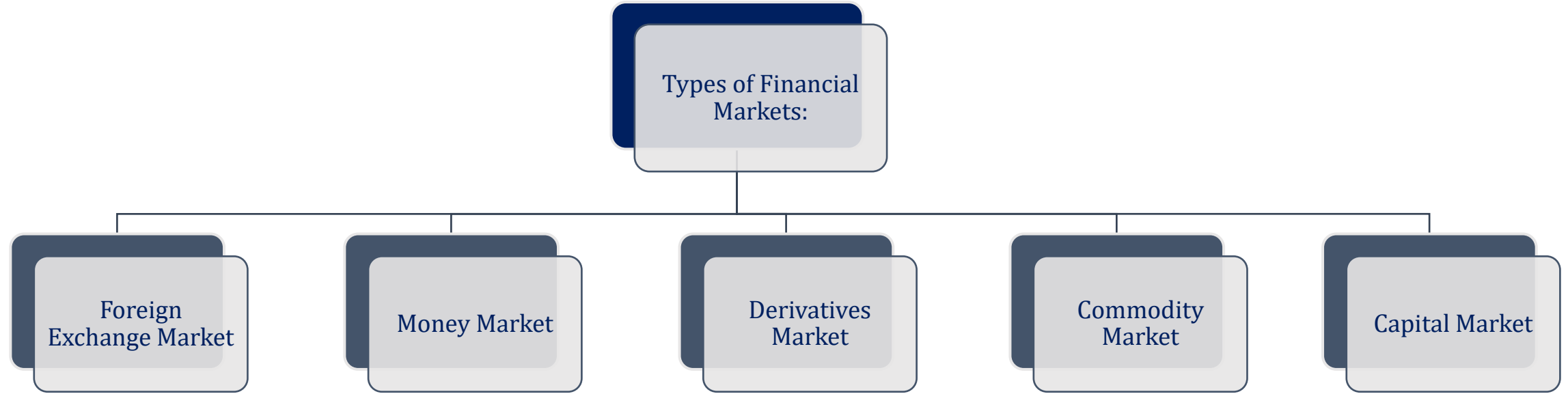
Asset Management Companies

Capital Markets | Overview

- Capital Markets provide viable avenues for raising capital and facilitate buying and selling of financial instruments. The two main categories of financial instruments in which markets are involved are equity securities (commonly known as ‘stocks’ or ‘shares’) and debt securities (TFCs, bonds, Sukuks, Commercial Papers etc.). Capital markets are utilized to raise funds for medium-term (debt instruments) and long-term (bonds and equity securities).
- Other than the distinction between equity and debt, capital markets operate under two structures: primary markets and secondary markets. In primary markets, stocks and bonds are issued directly by the companies to retail and institutional investors often through underwriting.
- The level of capital market development is an important determinant of level of savings, efficiency of investment and ultimately rate of economic growth.
- Capital markets are overseen by regulatory bodies to ensure the protection of investors and smooth functioning of the market within legal parameters. The capital market structure consists of regulators, stock exchanges, clearing houses along with brokers, investors and other market participants.
- The capital market structure in Pakistan consists of an apex regulator of the markets, the Securities and Exchange Commission Pakistan (SECP), Pakistan Stock Exchange (emerged as a result of merging three stock exchanges), Mercantile Exchanges, Central Depository Company (CDC) and a Clearing and Settlement Company. The structure further includes intermediaries or market participants such as brokers which handle the transaction of shares in the capital markets on behalf of investors.

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Types of Financial Markets | Overview



Types of Financial Markets:

Foreign Exchange Market

Money Market

Derivatives Market

Commodity Market

Capital Market

The forex market allows participants, including banks, funds, and individuals, to buy, sell or exchange currencies for both hedging and speculative purposes. It is made up of two levels: the interbank market and the over-the-counter (OTC) market.

The money market refers to trading in very short-term debt investments. It involves large-volume trades between institutions and traders at the wholesale level and money market mutual funds bought by individual investors and money market accounts opened by bank customers at the retail level.

The derivatives market refers to the market for financial instruments such as futures contracts or options that are based on the values of their underlying assets. There are four major types of derivative contracts: options, futures, forwards, and swaps.

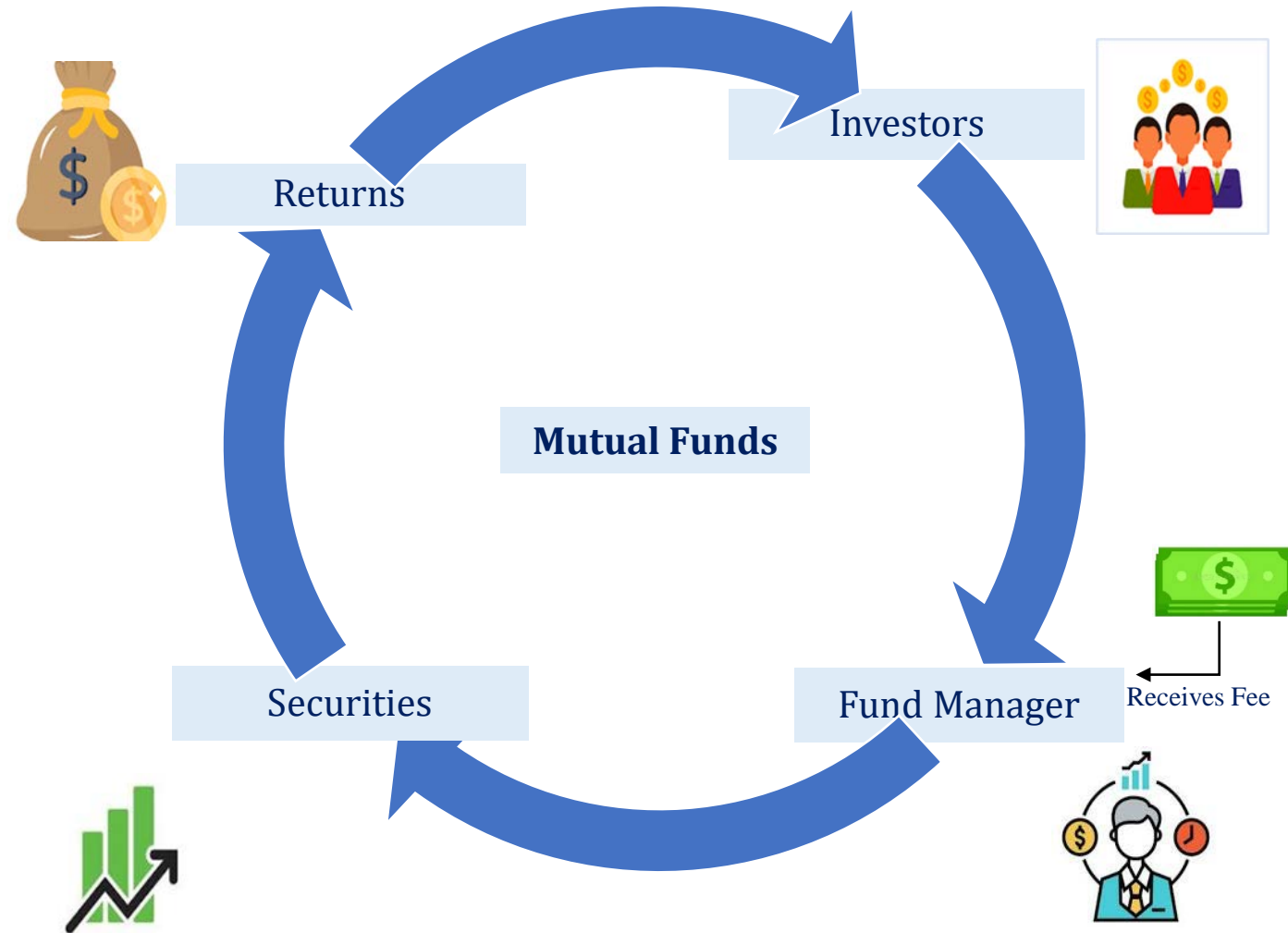
A commodity market is a marketplace for buying, selling, and trading raw materials or primary products. Hard commodities include natural resources such as gold, rubber, and oil, whereas soft commodities are agricultural products or livestock—such as corn, wheat and sugar.

Capital markets refer to the places where savings and investments are moved between suppliers of capital and those who are in need of capital. The most common capital markets are the stock market and the bond market.

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Mutual Funds | Overview

- A Mutual Fund is a type of financial vehicle that pools the money of investors with a common financial goal. The pooled funds are invested in securities such as stocks, bonds, money market instruments and other similar assets in order to meet pre-defined investment objectives.
- The income earned through these investments and the capital appreciation realized are shared by the investors in proportion to the number of units of the fund owned by them.
- Mutual funds give access to small or individual investors access to diversified and professionally managed portfolios that match their specific investment needs. In return for their management and investment services, fund managers receive compensation usually known as a fee.
- In addition, mutual funds also offer liquidity as open-end funds can be redeemed at any point, while closed-end funds can be sold in the secondary market.

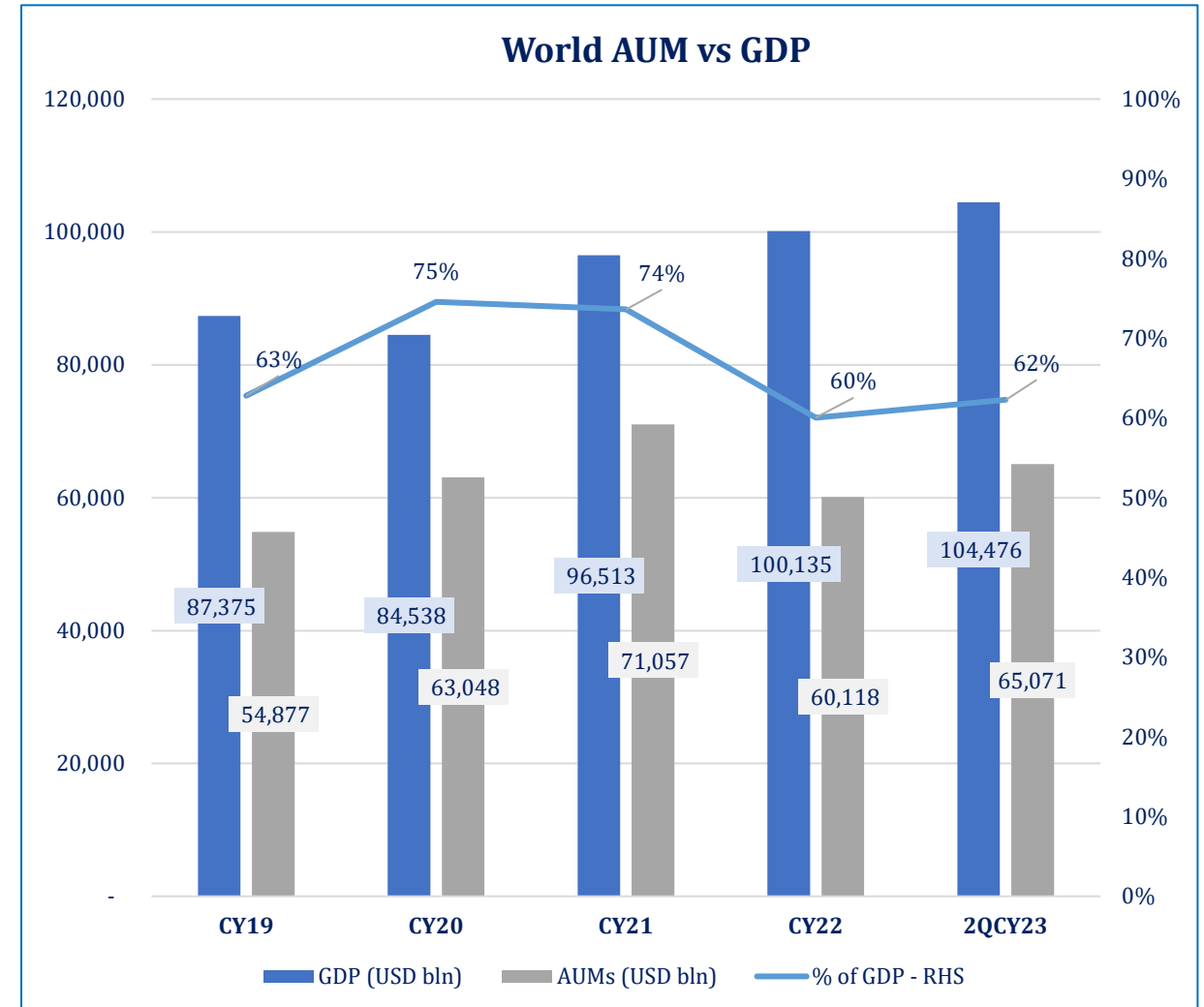


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Global | Open-End Funds | AUMs

Year	CY19	CY20	CY21	CY22	2QCY23
Open-End Fund Assets (USD bln)	54,877	63,048	71,057	60,118	65,071
YoY Growth (%)	17.5%	14.9%	12.7%	-15.4%	8.7%*

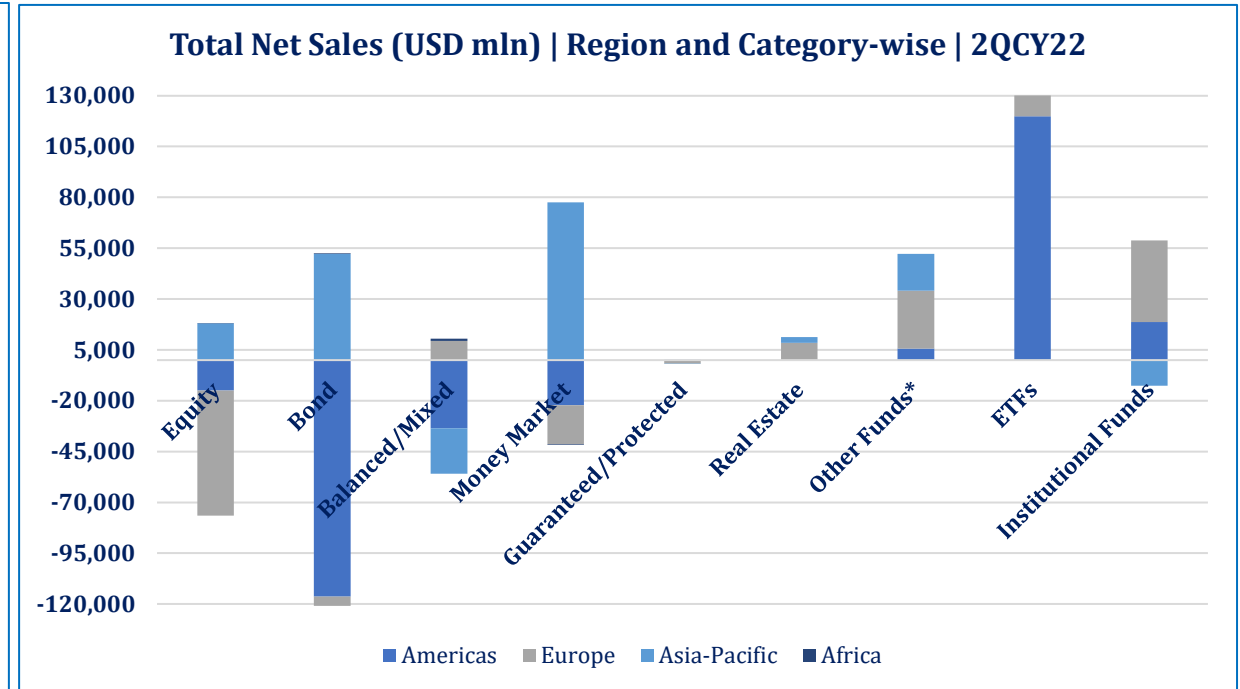
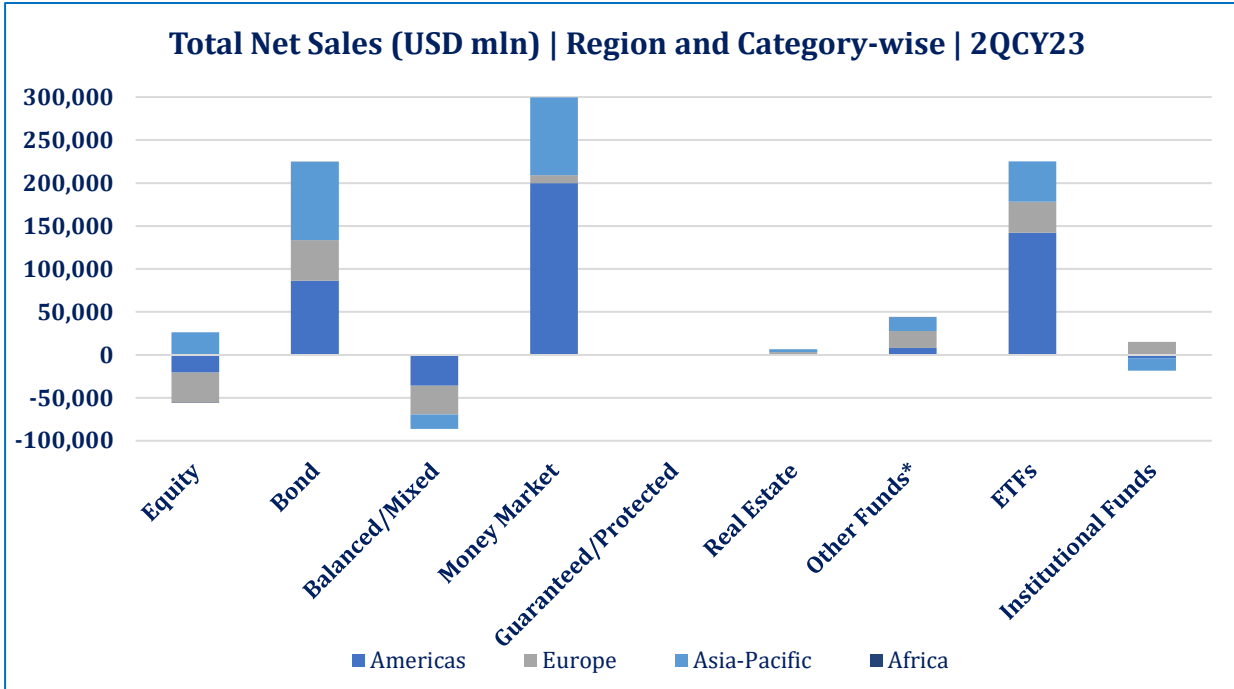
- Average CAGR for the global open-end fund assets for the last four years (CY19-CY22) was recorded at ~3.5%.
- In 2QCY23, global open-end fund assets remained concentrated in equity funds (~46.0%), while the Americas made up ~54.2% of these assets during the same time.
- During 2QCY23, net sales (or net inflows) of open-end fund assets amounted to USD~461bln (an increase of ~415.9% YoY), to which the Americas, Asia & Pacific, Europe and Africa, contributed ~51.6%, ~45.7% ~2.5% and ~0.2%, respectively. Within Asia & Pacific, the most pronounced inflows were reported in China (~83.0%).
- Although the overall European region reported net inflows, a few countries including Luxembourg, Netherlands and the UK reported net outflows depicting a bleak economic outlook. Additionally, the outpouring of investments in these European countries reflect negative investor sentiment.



*Note: Open-End Fund Assets include Mutual Funds, ETFs and Institutional Funds. Funds of Funds (FOF) are not included. GDP figure are estimates from the World Bank; *YoY growth.*

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Global | Open-End Funds | Distribution of Investments



- Money Market Funds recorded the highest level of net inflows in 2QCY23 in the Americas and comprised of ~66.0% of the total word net sales in the money market segment, up ~997.0% YoY. However, the most dramatic decline in sales volume in Americas was of Bonds market which declined by ~235.0% in 2QCY23 YoY.
- In Europe the net sales activity for Bond funds was the highest in 2QCY23, increasing by ~179.0%, while Equity Fund sales declined by a massive ~455.0% from the SPLY, Balanced/Mixed fund sales declined by ~-455.0%, while sales of ETFs increased by ~108.0% as compared with SPLY.
- In Asia-Pacific net sales of ETFs grew by ~127% in 2QCY23 compared to SPLY, highest sales were observed in bonds and money market and were ~74.6% and ~17.0% higher, respectively compared to SPLY.

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Global | Region-Wise Open-End Funds

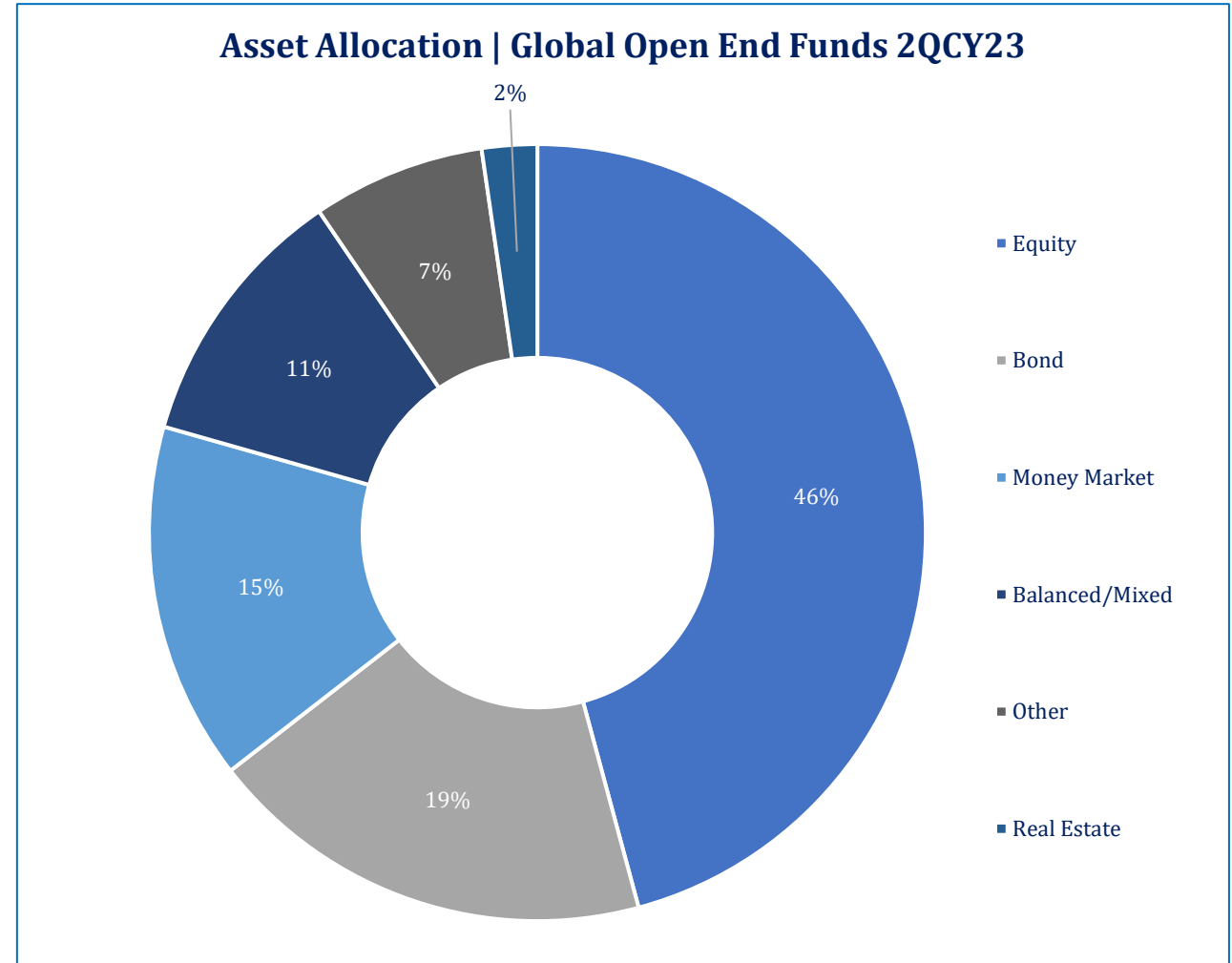
Global Open-End Funds Total Net Assets (USD bln)										
Region	CY19		CY20		CY21		CY22		2QCY23	
	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share
Americas	28,640	52.2%	32,325	51.3%	37,533	52.8%	31,804	52.9%	35,237	54.2%
Europe	18,812	34.3%	21,756	34.5%	23,328	32.8%	19,052	31.7%	20,328	31.2%
Asia & Pacific	7,248	13.2%	8,781	13.9%	9,999	14.1%	9,077	15.1%	9,328	14.3%
Africa	177	0.3%	186	0.3%	197	0.3%	185	0.3%	178	0.3%
Total	54,877	100.0%	63,048	100.0%	71,057	100.0%	60,118	100.0%	65,071	100.0%

Global Open-End Funds Number of Funds										
Region	CY19		CY20		CY21		CY22		2QCY23	
	Nos.	Share	Nos.	Share	Nos.	Share	Nos.	Share	Nos.	Share
Americas	28,733	23.4%	30,298	24.1%	33,039	25.1%	35,636	25.9%	36,440	26.2%
Europe	56,955	46.5%	57,753	45.9%	58,986	44.8%	60,079	43.6%	59,614	42.9%
Asia & Pacific	35,260	28.8%	35,974	28.6%	38,073	28.9%	40,330	29.3%	41,015	29.5%
Africa	1,610	1.3%	1,686	1.3%	1,710	1.3%	1,769	1.3%	1,805	1.3%
Total	122,558	100.0%	125,711	100.0%	131,808	100.0%	137,814	100.0%	138,874	100.0%

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Global | Asset Allocation | Open-End Funds

- During 2QCY23, equity funds account for ~46.0% of the global open-end fund assets followed by bond funds (~19.0%) and money market funds (~15.0%).
- During the period under review, in terms of asset allocation, all fund types, except balanced/mixed, registered an increase in terms of net assets under management with money market fund assets witnessing the largest increase of ~14.6% YoY, followed by equity fund assets ~(12.1%) YoY, while net assets of balanced/mixed open-end fund declined by ~0.4%.



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AUMs | Asia & Pacific Regions (2QCY23)

Particulars (USD bln)	China	Australia	Japan	Korea	India	Taiwan	New Zealand	Philippines	Pakistan	Total
Open-End Fund Assets	3,300	2,479	2,078	646	535	179	100	5	6	9,328
GDP	17,700	1,688	4,231	1,709	3,732	752	249	436	321	30,818
Open-End Fund Assets (% of GDP)	18.6%	146.9%	49.1%	37.8%	14.3%	23.8%	40.2%	1.1%	1.9%	30.3%
Net Sales	175.0	N/A	3.9	1.7	22.6	6.8	0.6	-0.2	0.4	210.8
Net Sales (% of Asia-Pacific Net Sales)	83.0%	N/A	1.9%	0.8%	10.7%	3.2%	0.3%	-0.1%	0.2%	100.0%

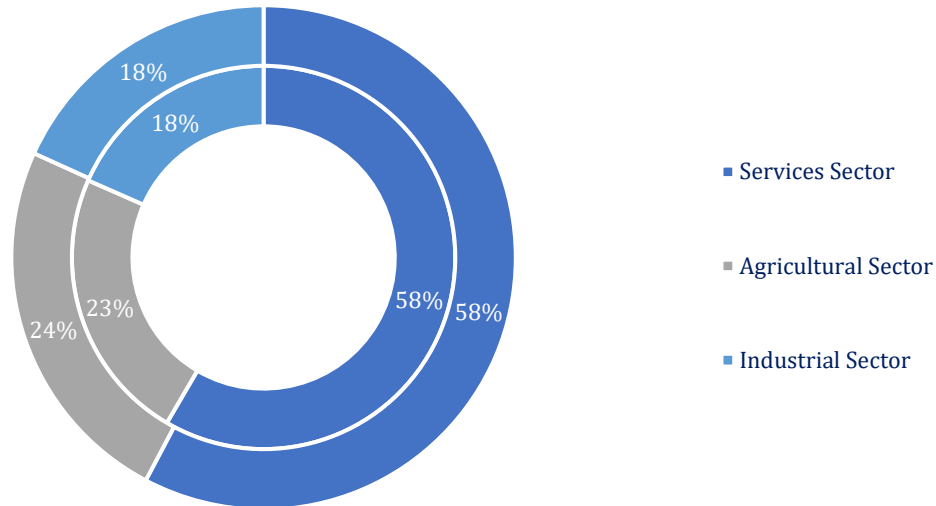
*Note: Pakistan's GDP figure is based on revised FY23 figures converted at the average exchange rate for the year. Other GDP figures are WB CY23 estimates.
N/A: not available*

Asset Management Companies

Local | GDP Breakup

- Pakistan's real GDP posted a contraction of ~0.2% in FY23 (FY22: growth of ~6.2%). However, provisional values for GDP for FY24 show a positive growth in GDP ~2.4%. In nominal terms in FY23, GDP stood at PKR~79.5trn as compared to PKR~63.3trn in FY22. Whereas, the provisional GDP as per National Accounts is expected to clock in at PKR~100.2trn.
- The top 5 sectors in terms of contribution to GDP are (i) Wholesale & Retail Trade; (ii) Livestock (iii) Transport, Storage & Communication; (iv) Other Private Services and (v) Crops

Sectoral Shares in GDP | FY23 (Inner) , FY24* (Outer)



Sector-wise GDP Break-Up (%)			
Sector	FY22	FY23	FY24*
Livestock	14.04	14.41	14.63
Crops	7.84	7.87	8.54
Forestry	0.49	0.56	0.56
Fishing	0.32	0.32	0.31
Agricultural Sector	22.68	23.17	24.04
Large Scale Manufacturing	9.24	8.43	8.24
Construction	2.56	2.29	2.37
Electricity Generation + Distribution & Gas Distribution	2.41	2.61	2.30
Small Scale Manufacturing	1.98	2.16	2.30
Mining & Quarrying	1.71	1.62	1.66
Slaughtering	1.21	1.29	1.34
Industrial Sector	19.11	18.41	18.22
Wholesale & Retail Trade	18.83	18.15	17.78
Transport, Storage & Communication	11.78	13.40	13.26
Other Private Services	8.32	8.83	8.86
Housing Services	5.57	5.77	5.85
General Government Services	4.64	4.35	4.11
Education	2.77	3.04	3.13
Human Health & Social Work Activities	1.55	1.71	1.76
Finance & Insurance	1.86	1.73	1.51
Accommodation & Food and Services	1.40	1.45	1.48
Services Sector	56.71	58.42	57.74

*Note: GDP value is at constant basic prices of 2015-16. *FY24 Sectoral shares in GDP are based on provisional figures*

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Local | Yearly Economic Indicators

Monetary Sector	FY14	FY15	FY16	FY17	FY18	5-Year Avg	FY19	FY20	FY21	FY22	FY23	5-Year Avg	11MFY23	11MFY24
Avg. Inflation Rate (CPI)	8.60%	4.50%	2.90%	4.20%	3.90%	4.82%	7.30%	10.70%	8.90%	21.30%	29.40%	15.52%	29.02%	24.90%
Avg. KIBOR (%)	9.88%	8.85%	6.49%	6.11%	6.39%	7.54%	10.43%	11.95%	7.43%	10.83%	18.26%	11.78%	17.93%	22.01%
Monetary Policy Rate (MPR) (period-end)	9.75%	6.50%	5.75%	5.75%	6.50%	6.85%	12.25%	7.00%	7.00%	13.75%	22.00%	12.40%	21.00%	22.00%
Avg. PKRV (%)	9.75%	8.67%	6.34%	5.95%	6.26%	7.39%	10.20%	11.79%	7.28%	10.68%	18.08%	11.61%	17.75	21.81%
Avg. Exchange Rate (USD/PKR)	102.84	101.5	104.4	104.78	110.1	104.72	136.45	158.4	160.5	191.9	247.66	178.98	244.27	283.54
External Sector	FY14	FY15	FY16	FY17	FY18	5 Year Avg	FY19	FY20	FY21	FY22	FY23	5 Year Avg	11MFY23	11MFY24
Current Account Balance (USD mln)	-3,130	-2,815	-4,961	-12,270	-19,195	-8,474	-13,434	-2,970	-1,852	-17,481	-3,275	-7,802	-3,920	-202
Exports (USD mln)	25,078	24,090	21,972	22,003	24,768	23,582	24,257	22,536	25,630	31,792	27,735	26,390	25,368	28,070
Imports (USD mln)	41,668	41,357	41,118	48,001	55,671	45,563	51,869	43,645	53,785	80,177	55,330	56,961	51,010	49,802
Trade Balance (USD mln)	-16,950	-17,267	-19,146	-25,998	-30,903	22,053	-27,612	-21,109	-28,155	-48,385	-27,595	-30,571	-25,642	-21,732
FX Reserves (USD mln)	14,141	18,699	23,099	21,403	16,384	18,745	14,482	18,886	24,398	15,537	9,160	16,493	8,528	14,216

*Current Account data pertains to 10MFY23 and 10MFY24

Asset Management Companies

Local | Monthly Economic Indicators

Monetary Sector	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Avg. Inflation Rate (CPI)	38.0%	29.4%	28.3	27.4%	31.4%	26.8%	29.2%	29.7%	28.3%	23.1%	20.7%	17.3%	11.8%
Avg. KIBOR (%)	22.1%	22.2%	23.0%	23.1%	23.6%	22.5%	21.6%	21.6%	21.0%	21.5%	21.5%	21.6%	21.3%
Monetary Policy Rate (MPR) (period-end)	21.0%	21.1%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
Avg. PKRV (%)	21.9%	22.0%	22.9%	22.9%	23.5%	22.2%	21.3%	21.4%	20.9%	21.3%	21.2%	21.3%	21.2%
Avg. Exchange Rate (USD/PKR)	286.0	286.9	281.9	294.6	297.9	280.7	285.8	283.3	280.5	279.3	278.7	278.2	278.3
External Sector	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
<i>(USD mln)</i>													
Current Account balance for the Month	155	490	-741	-152	-136	-193	-65	365	-303	98	434	491	N/A
Exports	2,200	2,356	2,068	2,366	2,476	2,690	2,573	2,812	2,790	2,582	2,572	2,351	2,792
Imports	4,328	4,219	3,705	4,528	3,994	4,864	4,539	4,514	4,737	4,306	4,873	4,846	4,902
Trade Balance	-2,128	-1,863	-1,637	-2,162	-1,518	-2,174	-1,966	-1,702	-1,947	-1,724	-2,301	-2,495	-2,110
FX Reserves	8527.7	9,160.0	12,906.5	12,575.8	12,392.7	12,033	11,479	12,673	12,594	12,447	12,759	13,750	14,216

*Note: MPR as of month-end. *Current Account data N/A for the month of May'24.*

Asset Management Companies

Local | T-Bills & PIBs | Overview

T-Bills Auction CY23	Average Yield		
Total Realized Amount (PKR bln)	3M	6M	12M
92	21.32%	21.58%	21.75%

T-Bills Auction 1QCY24	Average Yield		
Total Realized Amount (PKR bln)	3M	6M	12M
90	21.00%	20.49%	20.33%

PIBs Auction CY23			
Tenure	Amount Accepted (PKR bln)	Average Coupon Rate	Weighted Average Yield
3-Year	981	11.00%	18.57%
5-Year	93	10.50%	15.84%
10-Year	175	11.00%	15.13%
15-Year	0	10.50%	0.00%
20-Year	0	11.00%	0.00%

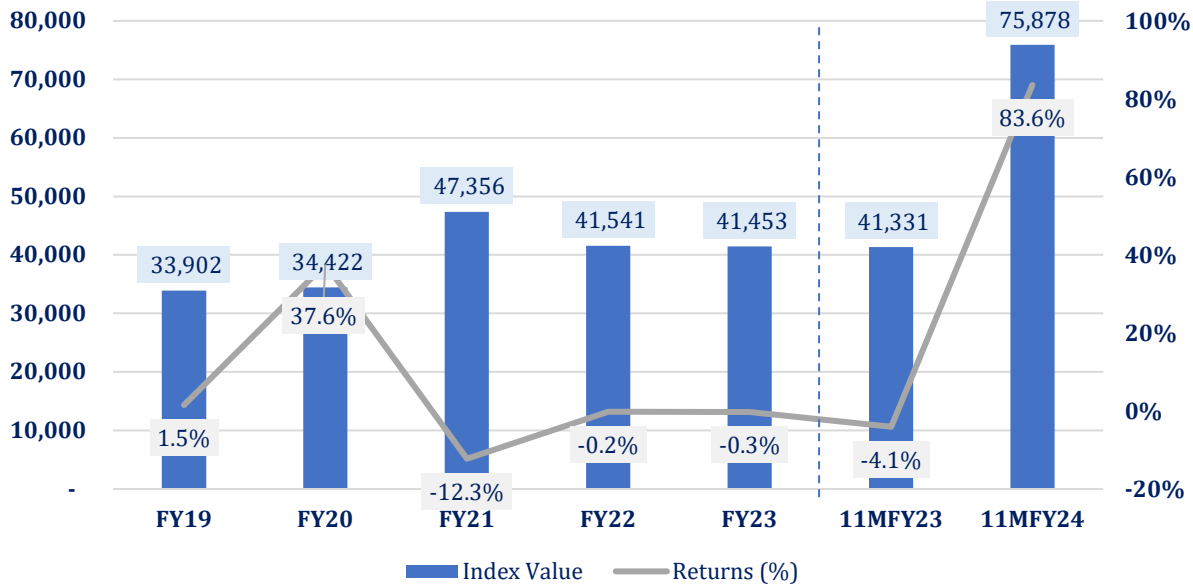
PIBs Auction 1QCY24			
Tenure	Amount Accepted (PKR bln)	Average Coupon Rate	Weighted Average Yield
3 Year	210	13.33%	16.67%
5 Year	87	14.00%	15.46%
10 Year	6	14.00%	14.38%
15 Year	No Bids Received		
20 Year	No Bids Received		

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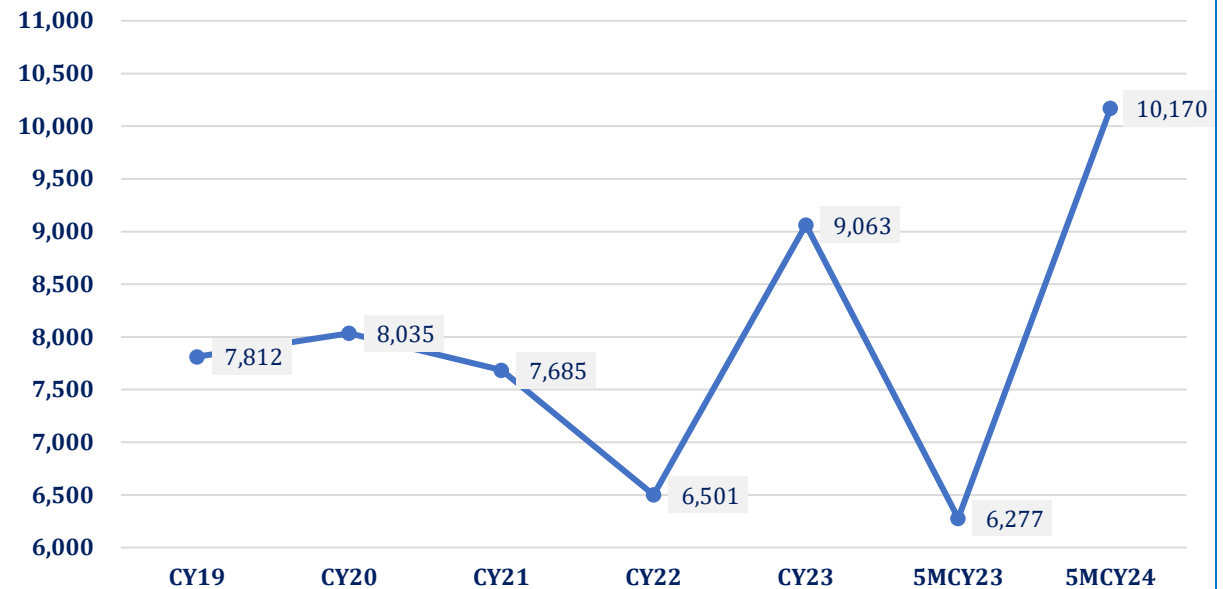
KSE -100 Index Performance

KSE-100 Index	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	11MFY23	11MFY24
Index Value	29,653	34,399	37,784	46,565	41,911	33,902	34,422	47,356	41,541	41,453	41,331	75,878
Returns (%)	41.2%	16.0%	9.8%	23.2%	-10.0%	-19.1%	1.5%	37.5%	-12.3%	-0.2%	-4.1%	83.6%
Avg. Volume ('000')	146,172	140,985	113,970	140,349	83,873	96,809	135,873	246,962	115,839	88,607	90,652	238,312

KSE 100 Index Value | Returns (%)



Market Capitalization | PKR bln



Asset Management Companies

Types of Mutual Funds

- **Open-End Mutual Funds:** These are mutual funds which continuously create new units and redeem issued units on demand. Units of the fund can be bought or redeemed at the prevailing Net Asset Value (NAV).
- **Closed-End Mutual Funds:** These funds have a fixed number of shares like a public company and are floated through an IPO. Once issued, they can be bought and sold in the secondary market at market rates. There are currently no close-end mutual funds in Pakistan.
- **Voluntary Pension Funds** are personalized, defined, savings-cum-investment vehicles for providing comprehensive framework for life after retirement. It is a system established by an employer to expedite and arrange the investment of employees' retirement funds
- High level of returns along with significant new investment in mutual funds led to a large increase in Assets Under Management (AUMs) during CY23 ~37.0% YoY (SPLY: ~40.0%)

Type of Fund (PKR bln) As at	Dec'19	Dec'20	Dec'21	Dec'22	Dec'23	Apr'24
Open-End	651	920	1,088	1,531	2,098	2,436
Closed-End	-	-	-	1	-	2
Voluntary Pension	30	35	39	43	60	67
AUMs	681	955	1,127	1,575	2,158	2,505

Type of Fund (PKR bln) As at	Jun'19	Jun'20	Jun'21	Jun'22	Jun'23
Open-End	513	742	1,016	1,211	1,572
Closed-End	1	-	-	-	-
Voluntary Pension	26	31	38	41	50
AUMs	540	773	1,054	1,252	1,622

Asset Management Companies

Mutual Funds | Categories

- **Equity Scheme:** An equity scheme or equity fund is a fund that invests in Equities more commonly known as stocks. The objective of an equity fund is long-term growth through capital appreciation, although dividends and capital gain realized are also sources of revenue.
- **Balanced Scheme:** These funds provide investors with a single mutual fund that invests in both stocks and debt instruments and with this diversification aimed at providing investors a balance of growth through investment in stocks and of income from investments in debt instruments.
- **Asset Allocation Fund:** These Funds may invest its assets in any type of securities at any time in order to diversify its assets across multiple types of securities & investment styles available in the market.
- **Fund of Fund Scheme:** Fund of Funds are those funds, which invest in other mutual funds. These funds operate a diverse portfolio of equity, balanced, fixed income and money market funds (both open and closed end).
- **Shariah-Compliant (Islamic) Scheme:** Islamic funds are those funds which invest in Shariah Compliant securities i.e. shares, Sukuk, Ijara Sukuks etc. as may be approved by the Shariah advisor of such funds. These funds can be offered under the same categories as those of conventional funds.
- **Capital Protected Scheme:** In this type of scheme, the payment of original investment is guaranteed with any further capital gain which may accrue at the end of the contractual term of the Fund. Such funds are for a specific period.
- **Index Tracker Scheme:** Index funds invest in securities to mirror a market index, such as the KSE 100. An index fund buys and sells securities in a manner that mirrors the composition of the selected index. The fund's performance tracks the underlying index's performance.
- **Money Market Scheme:** Money Market Funds are among the safest and most stable of all the different types of mutual funds. These funds invest in short term debt instruments such as Treasury bills and bank deposits.

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Mutual Funds | Categories

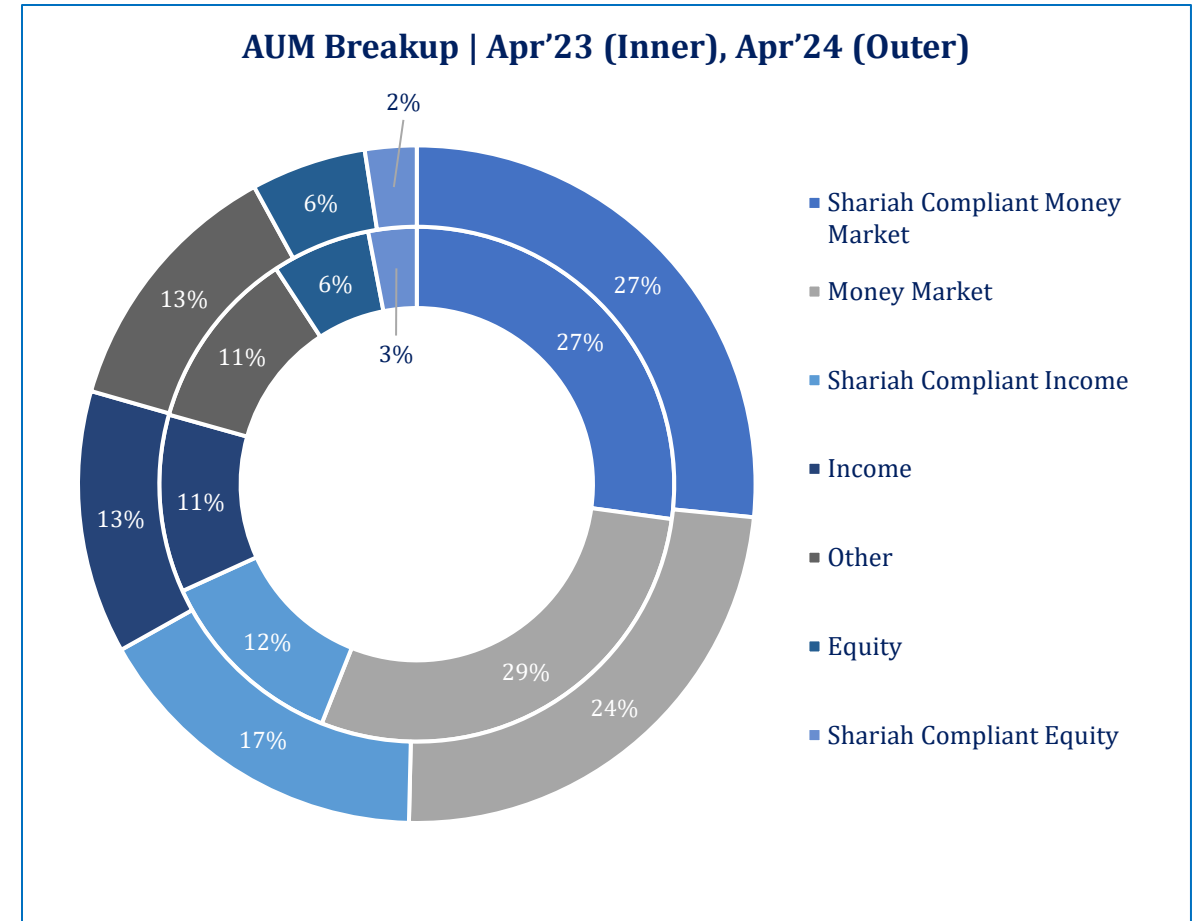
- **Income Scheme:** These funds focus on providing investors with a steady stream of fixed income. They invest in short term and long term debt instruments like TFCs, government securities like T-bills/ PIBs, or preference shares.
- **Aggressive Fixed Income Scheme:** The aim of aggressive income fund is to generate a high return by investing in fixed income securities while taking exposure in medium to lower quality of assets also.
- **Commodity Scheme:** These schemes enable small investors to take advantage of gains in commodities such as gold through pooled investments. They invest at least 70% of their assets in commodity futures contracts, which include both cash-settled and deliverable contracts.
- The table below depicts the number of funds in the categories rated by PACRA.

Categories	Dec'19		Dec'20		Dec'21		Dec'22		Dec'23		Apr'24	
Equity	27	19%	27	16%	27	10%	28	10%	28	9%	27	8%
Islamic Equity	18	9%	19	7%	19	7%	21	7%	21	7%	21	6%
Asset Allocation	14	1%	15	2%	14	5%	13	5%	14	4%	13	4%
Islamic Asset Allocation	11	2%	12	2%	12	4%	12	4%	12	4%	14	4%
Balanced	5	1%	5	1%	4	1%	4	1%	4	1%	4	1%
Others	193	68%	195	72%	206	73%	207	73%	242	75%	255	76%
Total	268	100%	273	100%	282	100%	285	100%	321	100%	334	100%

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Mutual Funds | Category-wise AUMs

Assets Under Management Break Up PKR bln		
Category	Apr'23	Apr'24
Money Market	429	580
Shariah Compliant Money Market	404	647
Equity	92	134
Income	166	306
Shariah Compliant Income	181	402
Shariah Compliant Equity	45	60
Other	170	307
Total AUMs	1,486	2,436



Asset Management Companies

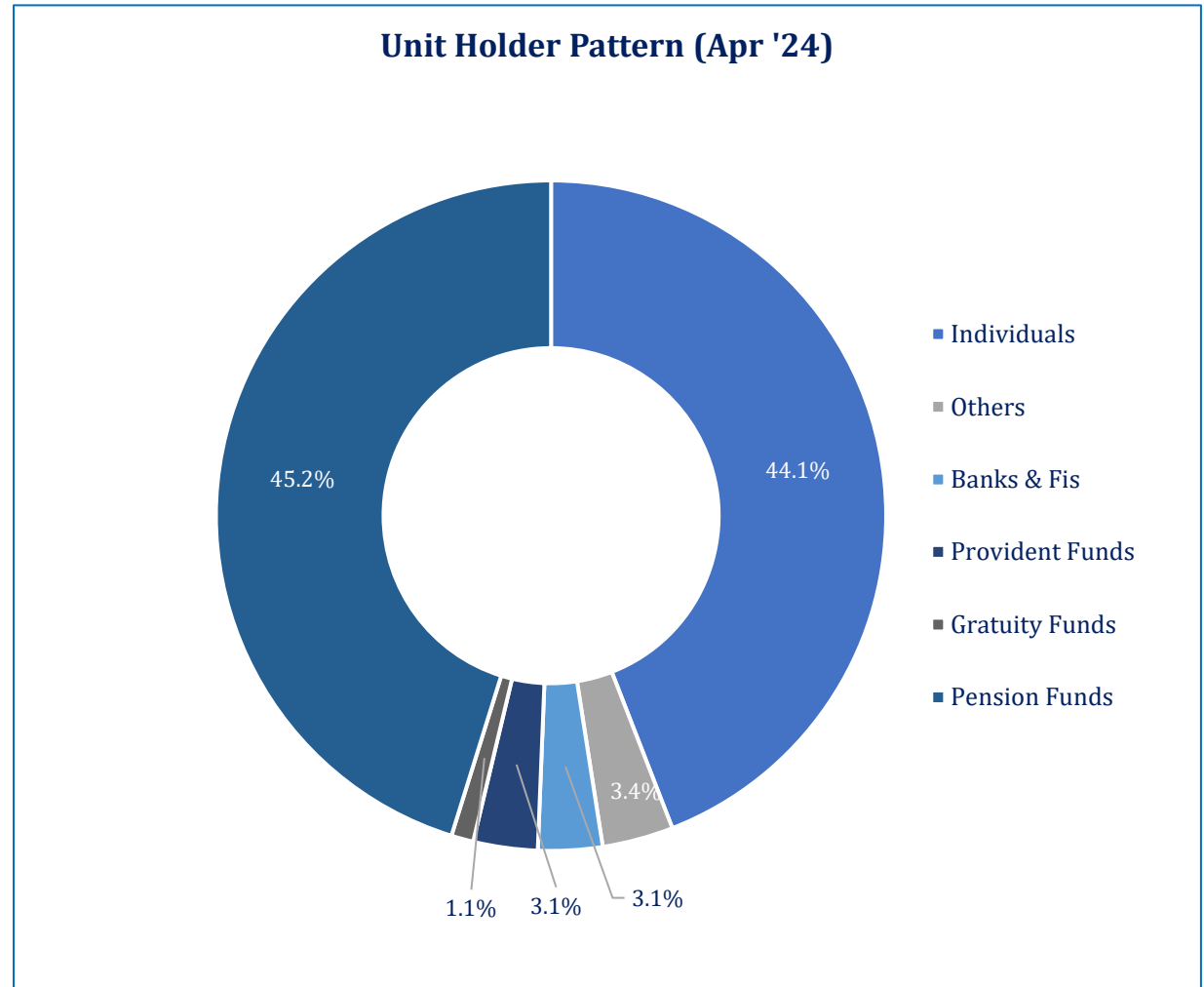
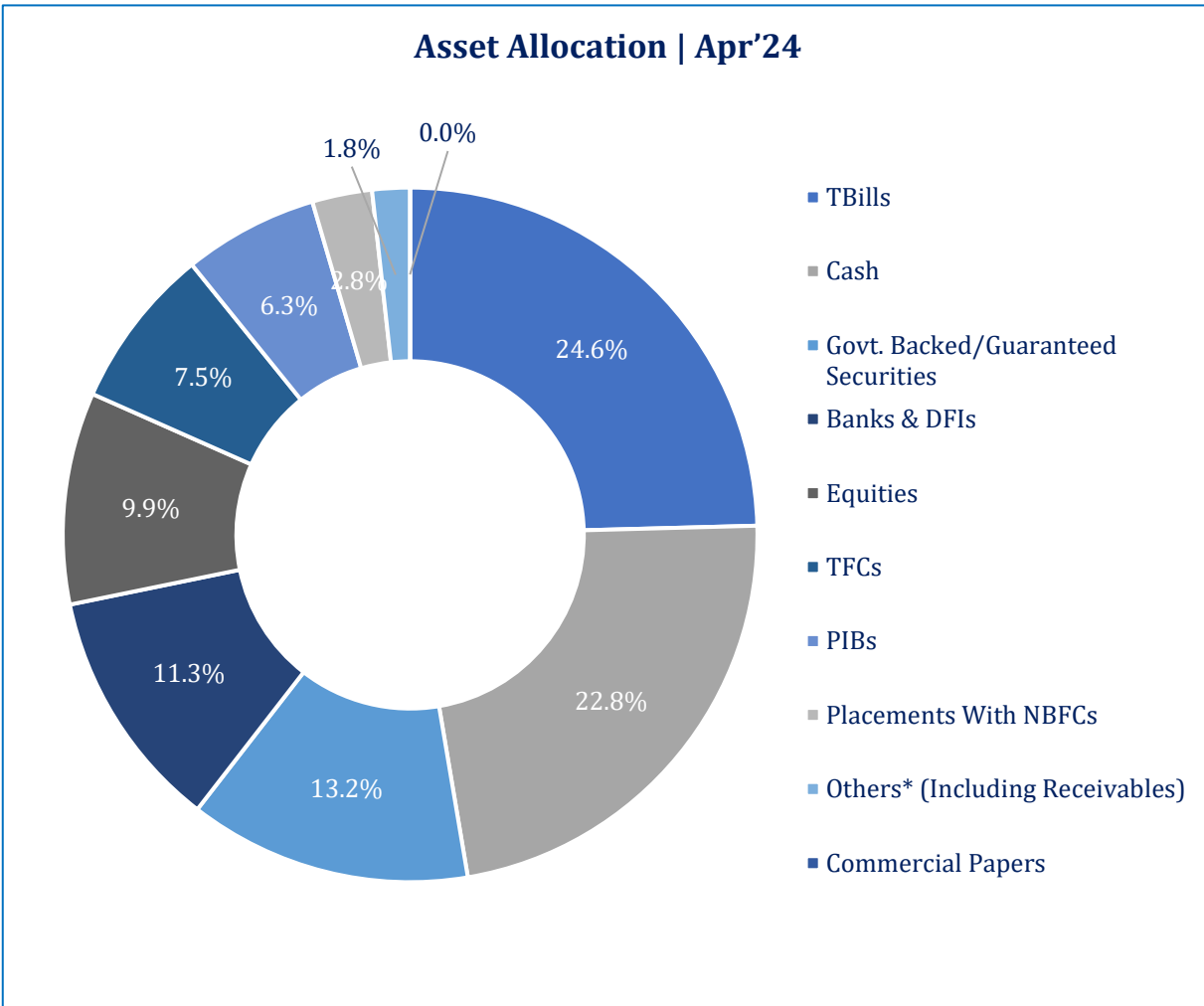
Market Share | Asset Management Companies

(Open-End, VPS, EPF & ETFs) PKR bln							
Sr.	Asset Management Company	Jun'22	Dec'22	Jun'23	Dec'23	Apr'24	
		AUMs	AUMs	AUMs	AUMs	AUM	Market Share
1	Al-Meezan Investment Management Limited	173	267	303	410	496	19.8%
2	NBP Fund Management Limited	169	213	238	268	330	13.2%
3	HBL Asset Management Limited	94	156	159	204	237	9.4%
4	UBL Fund Managers Limited	116	165	153	194	194	7.7%
5	ABL Asset Management Limited	89	127	113	170	183	7.3%
6	MCB Investment Management Limited *	110	160	153	164	206	8.2%
7	Alfalah Investment Management Limited**	60	75	102	149	169	6.7%
8	Faysal Asset Management Limited	76	104	98	134	168	6.7%
9	Al Habib Asset Management Limited	40	75	64	122	145	5.7%
10	National Investment Trust Limited	88	88	86	113	121	4.8%
11	Atlas Asset Management Limited	52	49	53	71	83	3.3%
12	JS Investment Limited	23	43	36	65	64	2.5%
13	Lakson Investments Limited	20	26	31	45	47	1.8%
14	Pak Qatar Asset Management Company Limited	0	5	11	21	24	0.9%
15	AWT Investment Management Limited	2	4	7	14	25	0.9%
16	AKD Investment Management Limited	7	6	6	8	8	0.3%
17	Pak Oman Asset Management	8	9	6	5	4	0.1%
18	786 Investments Limited	1	1	1	1	1	0.0%
19	First Capital Investments Limited	0.1	0.1	0.1	0.1	0	0.0%
20	Pak Qatar Family Takaful Limited***	-	-	0	0.1	0	0.0%
21	Interloop Asset Management Limited****	-	-	-	0.1	0	0.0%
22	Mahaana Wealth Limited*****	-	-	-	-	0	0.0%
Total		1,127	1,575	1,622	2,158	2,505	100%

Note: VPS : Voluntary Pension Schemes; EPF: Employee Pension Funds). *MCB Investment Management Limited (Formerly: MCB-Arif Habib Savings and Investments Limited till Jun'23); **Alfalah Asset Management Limited (Formerly: Alfalah GHP Investment Management Limited till Apr'23); ***VPS Fund Manager Only; **** Interloop Asset Management w.e.f. Sep'23

Asset Management Companies

Mutual Funds | Asset Allocation & Unit Holder Pattern

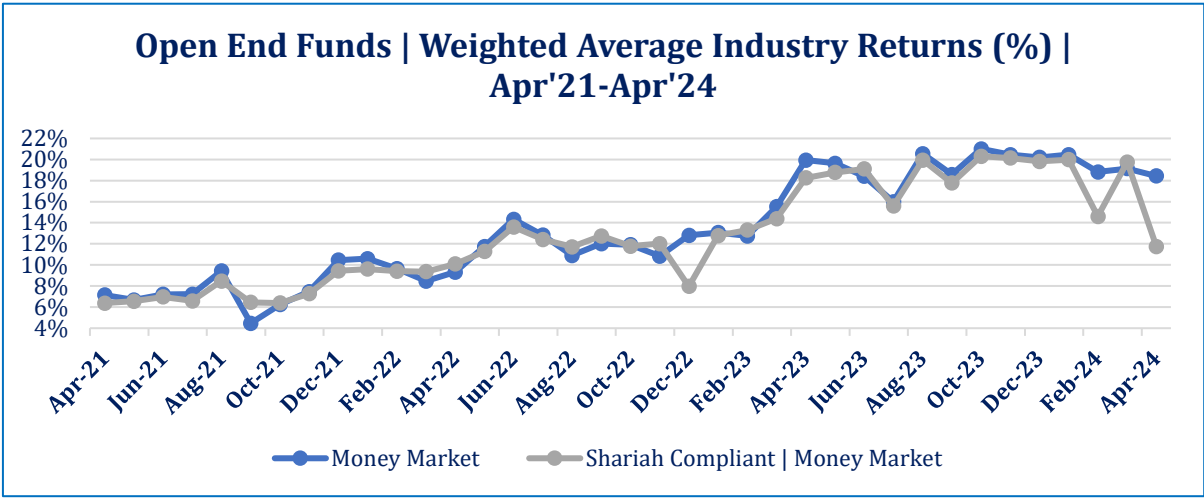
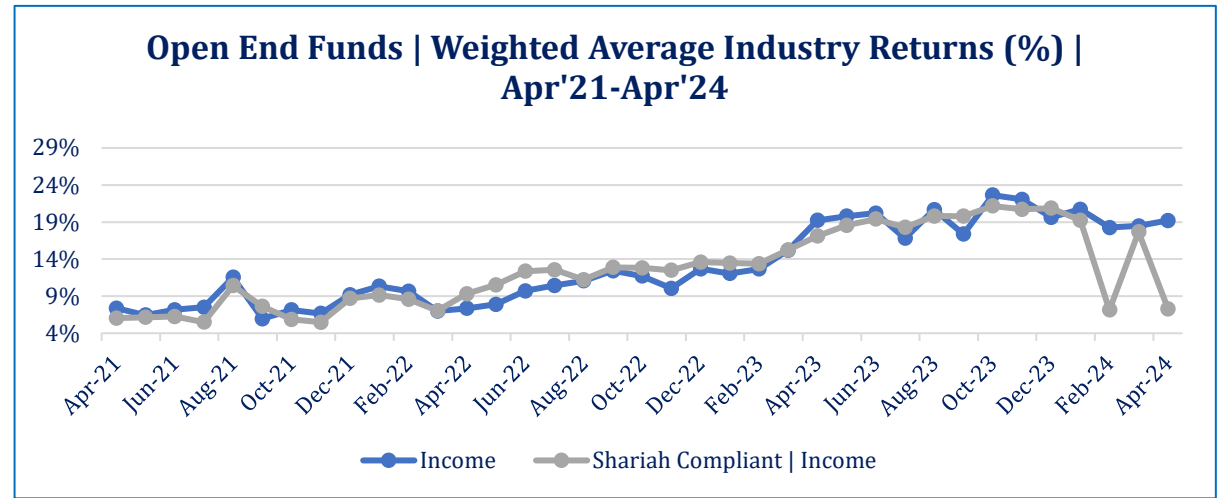
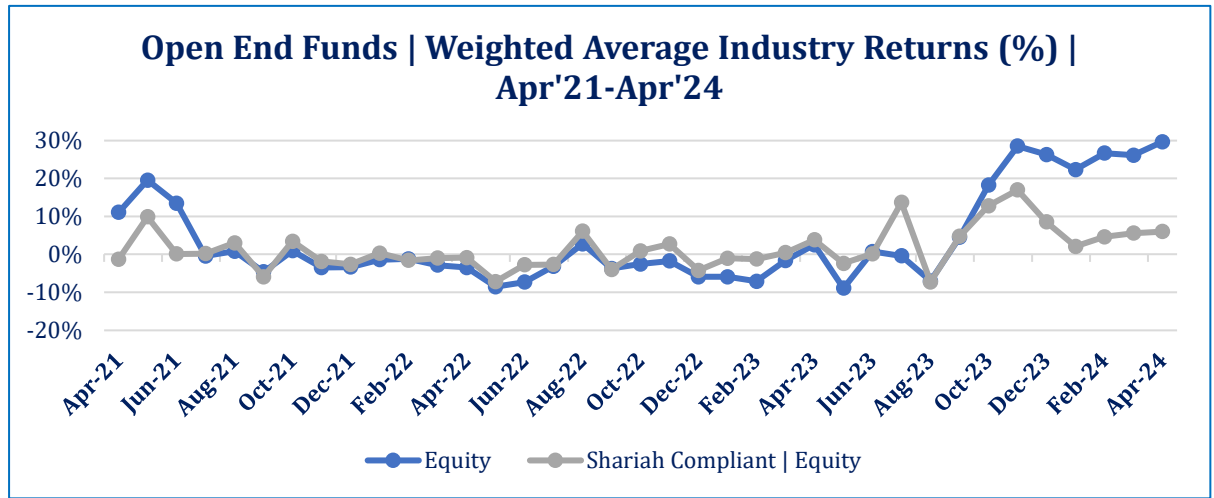


Note: Both graphs are representative of Open Ended Funds.

*Others include Reverse Repo against Government Securities, Reverse Repo against all Other Securities, Spread Transaction/Margin Financing, Others, Liabilities, Fund of Funds. *Asset Allocation does not reflect the complete industry picture as data was not provided by Alfalah.

Asset Management Companies

Mutual Funds | Industry Returns



Note: The data is representative of Open Ended Funds

Asset Management Companies

Mutual Funds | Net Sales

Net Sales (PKR mln)	CY23			Apr'24		
	Sales	Redemptions	Net Sales	Sales	Redemptions	Net Sales
Open End						
Money Market	2,191,646	2,174,062	17,585	146,634	123,033	23,601
Income Scheme	719,407	650,425	68,982	93,618	91,579	2,039
Equity	20,312	40,981	- 20,669	4,955	2,346	2,609
Shariah-Compliant Money Market	1,629,050	1,528,904	100,146	128,784	138,030	(9,246)
Shariah-Compliant Income	726,278	564,100	162,178	68,580	58,713	9,867
Shariah-Compliant Equity	45,077	62,534	- 17,458	6,636	6,040	596
Other	603,939	462,788	141,151	95,124	58,312	36,813
VPS	33,709	29,790	3,919	3,901	2,877	1,024
ETF	162	273	- 111	58	10	47
Employee Pension Fund	491	-	491	48	-	48
Total	5,970,071	5,513,856	456,214	548,338	480,940	67,398

Asset Management Companies

Mutual Funds | Regulatory Framework

- Mutual funds are regulated by the Securities and Exchange Commission of Pakistan (SECP) with the objective of protection of investors and development of the capital market. SECP implements a transparent and rigorous process before issuing licenses to fund management companies. In addition, the SECP also carries out continuous monitoring of mutual funds.
- The following regulations and rules are applicable to sector players:
 - Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003.
 - Non-Banking Finance Companies & Notified Entities Regulations, 2008.
 - Part VIII of The Companies Ordinance, 1984.
 - Anti Money Laundering and Countering Financing of Terrorism Regulations, 2020.
 - Shariah Governance Regulations 2023.
 - Circulars and Directives issued by the SECP under the provisions of the Ordinance.
- Mutual funds are established by a Trust Deed between the AMC and the trustee under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Under the regulations, an independent trustee registered with the SECP has custody of all mutual fund assets.
- All mutual funds are obliged to appoint an independent trustee, which can be a scheduled bank having a minimum of 'AA-' rating and has been in business for at least five years or a subsidiary of scheduled bank having a minimum of AA- rating or an investment finance company having a minimum of AA- rating or a central depository company.
- The trustee is obligated to ensure that, (i) The asset management company invests the fund's assets in accordance with the approved investment policy and authorized investments of the mutual fund; (ii) All mutual fund property including cash is under its control and is registered in the name of, or to the order of the trustee; and (iii) Fund property is held in trust for the unit holders in accordance with the rules, regulations and provisions of the constitutive documents.

Asset Management Companies

Mutual Funds | Regulatory Framework

- **Modified date of applicability of IFRS 9 for financial reporting:** The SECP issued a notification on Sep 29, 2022 for the Non-Banking Finance Companies and Modarabas regarding the modified date for the applicability of International Financial Reporting Standard (IFRS) 9- Financial Instrument in place of International Accounting Standard (IAS) 39 (Financial Instruments: Recognition and Measurement) as reporting period/year ending on or after June 30,2024.
- **Amendments to the Non-Banking Finance Companies (Establishment & Regulations) Rules 2003:** With the approval of the Federal Government, the SECP made amendments to the Non-Banking Finance Companies (Establishment & Regulations) Rules 2003. Business procedures have been streamlined by eliminating the requirements of submitting certified copies of documents like the memorandum, articles of association, and certificate of incorporation, and providing reasons for selecting a business location, statistical data, and additional details. Additionally, directors and chief executive officers are now only required to provide a declaration instead of affidavits verifying accuracy of the information. Moreover, the term "investment company" has been removed from the rules since it no longer exists as a structure.
- **Revisions to the Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Regulations 2020:** The SECP made significant revisions to the Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Regulations 2020. These amendments aim to broaden the regulatory scope to effectively address financial crimes, combat money laundering, and counter the financing of terrorism (CFT).
- **Introduction of Shariah Governance Regulations 2023:** The SECP introduced the Shariah Governance Regulations 2023, consolidating and replacing the previous Shariah Governance Regulations 2018 and the Shariah Advisors Regulations 2017. The framework is expected to enhance trust in Islamic finance, draw investors, encourage financial stability, and stimulate innovation.

Asset Management Companies

Taxation Rules

Mutual Funds

- Capital Gain Tax on mutual fund, if dividend receipts of the fund are more than capital gains is 10% otherwise it is 12.5% (15% for non-filer individual). Capital gain is exempt if units are held for more than 6 years.
- Rate of dividend tax applicable is ~12.5% in case of dividend received by a person from a mutual fund 1 [if the amount of dividend is above 2.5 million and 10% if the amount of dividend is less than or equal to 2.5 million.. Dividend Income received from a mutual fund is taxed at 15%.
- Unit holders of the mutual funds are entitled to tax credit, the amount on which is lower of (a) amount invested in purchase of new units, (b) 20% of the taxable income of the unit holder, or (c) PKR 1 million, and is calculated by applying average rate of tax of unit holder for the tax year.

Investment in Stocks | Individuals:

- According to Section 62 of the Income Tax Ordinance, 2001, a “resident’ tax payer other than a company, is entitled to tax credit on investment in new shares offered to public by a public company listed on a stock exchange in Pakistan.
- This tax credit is available on the lower of (a) The cost of acquiring the shares (b) 10% of Taxable Income for the tax year or (c) PKR~3mln. The tax credit availed on acquisition of such shares will be need to be paid back, if such shares are disposed off within 12 months of the date of acquisition.
- In case of self employed individuals, the maximum tax credit of PKR~220,417 is available on annual taxable income of PKR~6mln or more at an average tax rate of ~22% whereas, in the case of salaries individuals, PKR~203,571 is the maximum tax credit available on annual taxable income of PKR~7mln or more at an average tax rate of ~20%).

Asset Management Companies

Capital Gain Tax on Redemption

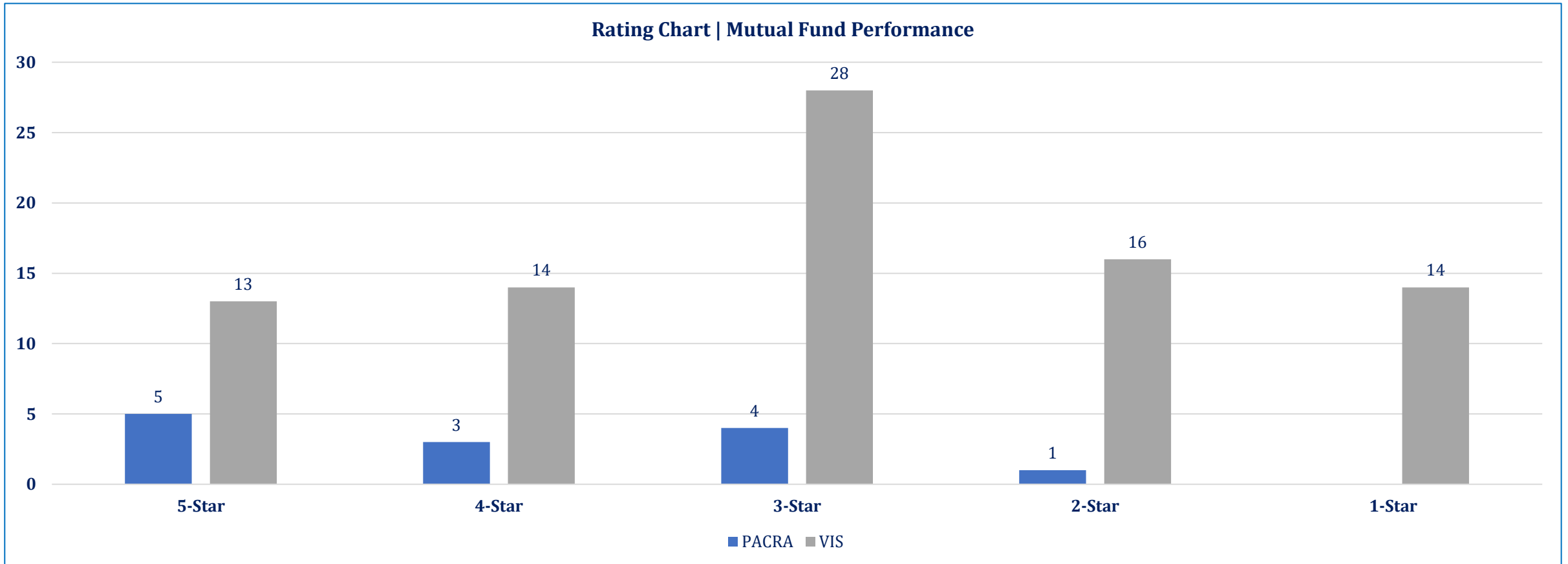
The rate of capital gains tax (CGT) for the redemption of mutual funds units is prescribed under Division VII of Part I of the First Schedule of the Ordinance. The CGT rates for FY23-24 are as follows:

Particulars	Investors appearing in the Active Tax Payers' List	Investors not appearing in the Active Tax Payers' List
Where the holding period of Security or Fund is more than six years	0.00%	0.00%
Stock Funds: For individuals, association of persons and corporates- if dividend receipts of the fund are more than capital gains	10.00%	20.00%
Stock Funds: For individuals, association of persons and corporates - if dividend receipts of the fund are less than capital gains	12.50%	25.00%
Other Funds: For Individuals	10.00%	20.00%
Other Funds: For Corporate	25.00%	50.00%

Asset Management Companies

Rating Curve | Asset Managers

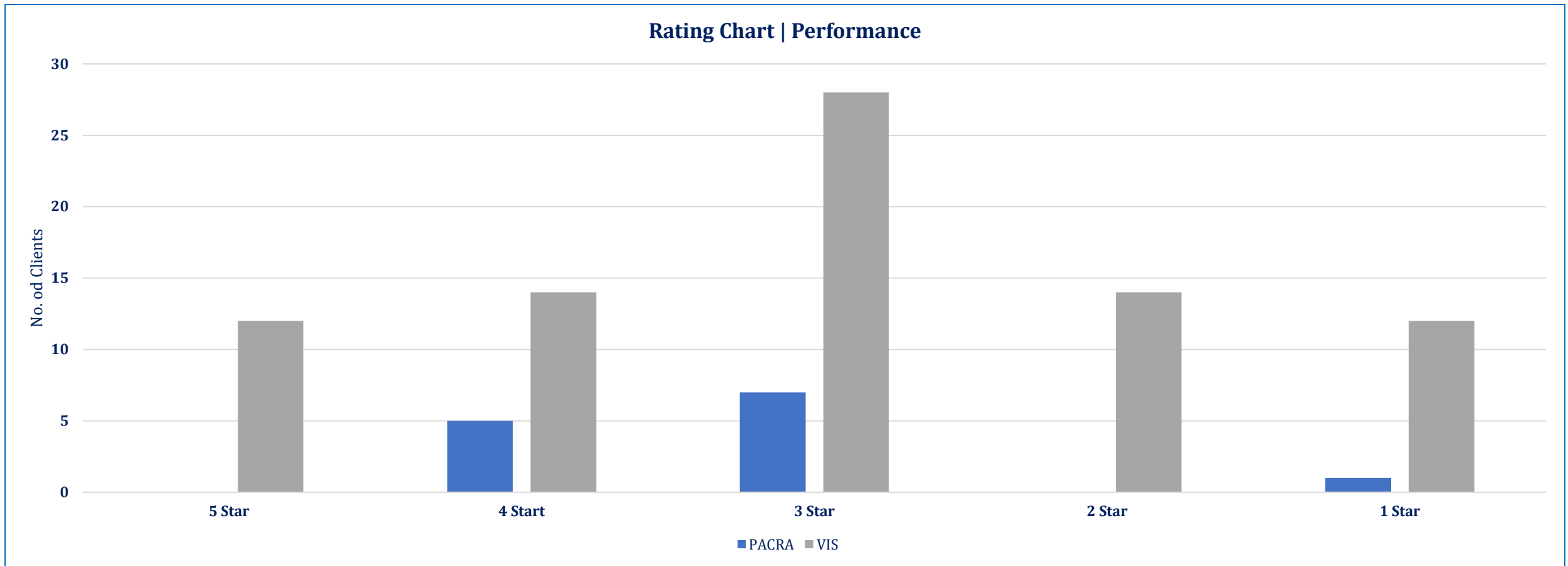
- PACRA rates 16 Asset Managers with rating scale between AM1 to AM4++ bandwidth



Asset Management Companies

Rating Curve | Mutual Funds -Performance

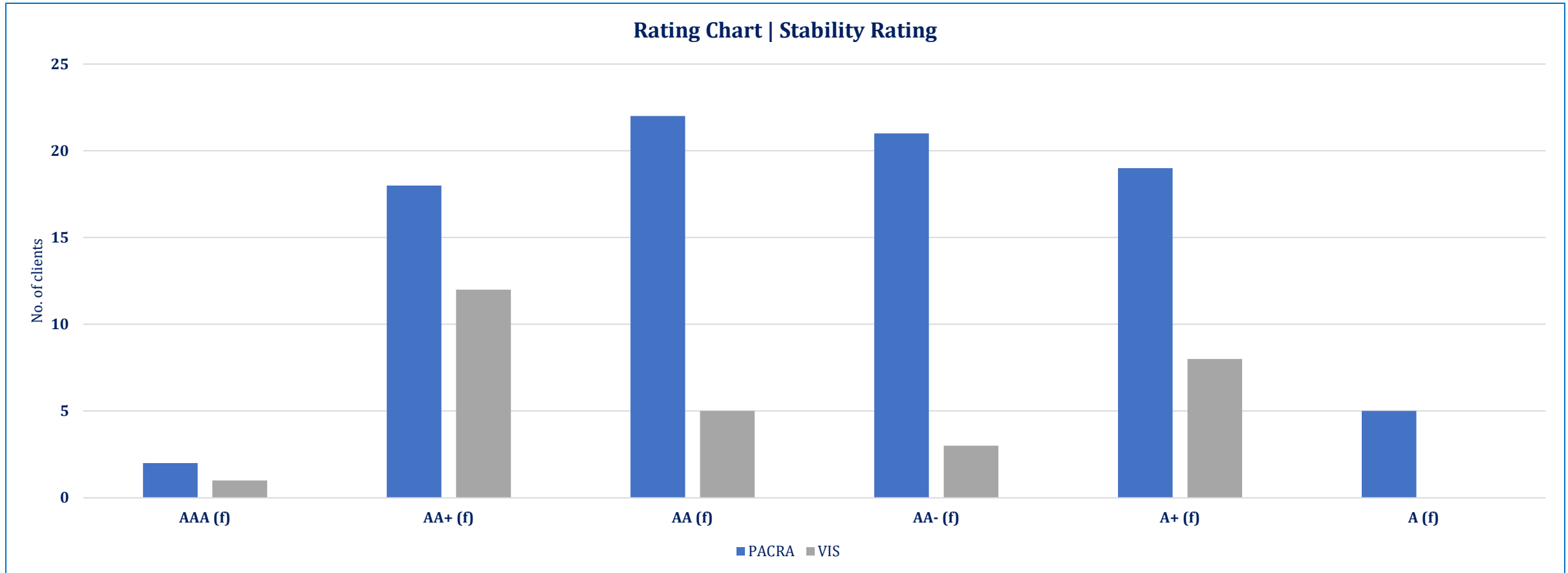
- PACRA rates performance of 13 mutual funds between 5-Star to 1-Star bandwidth



Asset Management Companies

Rating Curve | Mutual Funds | Stability

- PACRA rates stability of 87 mutual funds between AAA(f) to A(f) bandwidth.



Asset Management Companies

SWOT Analysis

- Strong regulatory oversight through SECP and PSX.
- Offers smaller investors access to professionally managed and diversified portfolios.
- There is a large variety of funds and investors can select according to their specific objectives.

Strengths

Weaknesses

- Any kind of uncertainty, be it political, social or economic can have a negative impact on the capital market and in turn on the mutual funds.
- The cost of professional management can be high, which reduces the overall payout for investors.

- Heightened inflationary concerns and political uncertainty and uncertainty will hamper economic growth and impair investor confidence.

Threats

Opportunities

- Introduction of new products, such as Exchange Traded Funds.

Asset Management Companies

Outlook | Stable

- Investment advisory service provided by the Asset Management Companies (AMCs) is a type of financial service that provides professional advice and guidance to individuals and organizations regarding their investment decisions. Currently, there are 22 AMCs in Pakistan.
- In FY23, Pakistan's GDP (nominal) stood at PKR~79.7trn (FY22: PKR~63.3trn), contracting, in real terms, by ~0.17% YoY (FY22: ~6.3% growth). However, country's nominal GDP during FY24 is forecast to clock in at PKR~100.0trn with ~2.4% YoY growth in real GDP, depicting an improved economic activity compared with SPLY. The SBP estimates GDP growth at ~2-3% for FY24, while IMF's forecast for the same period stands at ~2.0%. Financial Services are a major service sector in Pakistan as these are essential for the smooth operation of a modern economy. The country's LSM activity as depicted by the QIM showed a contraction (~10.3%) during FY23 unlike FY22 that showed a robust, performance and increased by ~11.5%.
- In FY23, the financial sector represented ~1.7% of the GDP (FY22: ~1.86%). However, the provisional values for FY24 depict a lower performance by the financial service sector (~1.5% of GDP) compared with SPLY.
- FY23 was also marred with significantly high levels of inflation with average national CPI recording at ~29.4% (SPLY: 21.3%). The increasing trend persisted during 1HFY24, however the national CPI followed a downward trajectory during 2HFY24 and in 11MFY24 was recorded at ~24.9% (SPLY: ~29.0%). During FY23, SBP had to take necessary and urgent action to curb resulting mounting inflationary pressures, thereby MPR increased ~825bps YoY and was recorded at ~22.0% as of End-Jun'23 (SPLY: ~13.8%). However, the policy rate that had been kept steady at ~22.0% till May'24 has now been reduced by 150bps to ~20.5% (w.e.f June 10, 2024) on the back of inflation easing to ~11.8% during May'24 (May'23: ~38.0%).
- KSE-100 index during FY23 plunged by ~0.2% YoY, whereas volumes registered a decrease of ~23.5% YoY. However, the index posted a positive growth of ~83.6% YoY in the 11MFY24 period (SPLY: ~-4.1% YoY), whereas volumes posted ~162.9% increase YoY over the same period.
- In CY23, local mutual funds assets under management grew to PKR~2.2bln, generating a growth of ~37.5% (SPLY growth: ~40.0%).The strong performing funds during this timeframe were income funds and money market funds (which posted ~18.2% and ~18.0% average returns, respectively,) while equity funds performed poorly, posting negative average returns (FY23: ~-2.9%). However, post-Aug'23, returns of equity funds improved, clocking in at ~29.6% as of End-Apr'24 End-Apr'23: ~2.5%).
- The performance of mutual funds as an investment vehicle remains contingent on Pakistan's economic and political stability. A host of factors have positively contributed to the stability of the sector during 11MFY24. These factors include a successful disbursement of USD~3bln in Jan'24, stable political situation, the PKR holding stable against the USD (Jun 10, 2024: USD/PKR~278.4; Jun 09, 2023: USD/PKR~286.9) and reduced inflation levels compared to FY23. The aforementioned reasons are likely to contribute sector's overall better performance.

Asset Management Companies

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