



# Mutual Funds | Stability

Sector Study

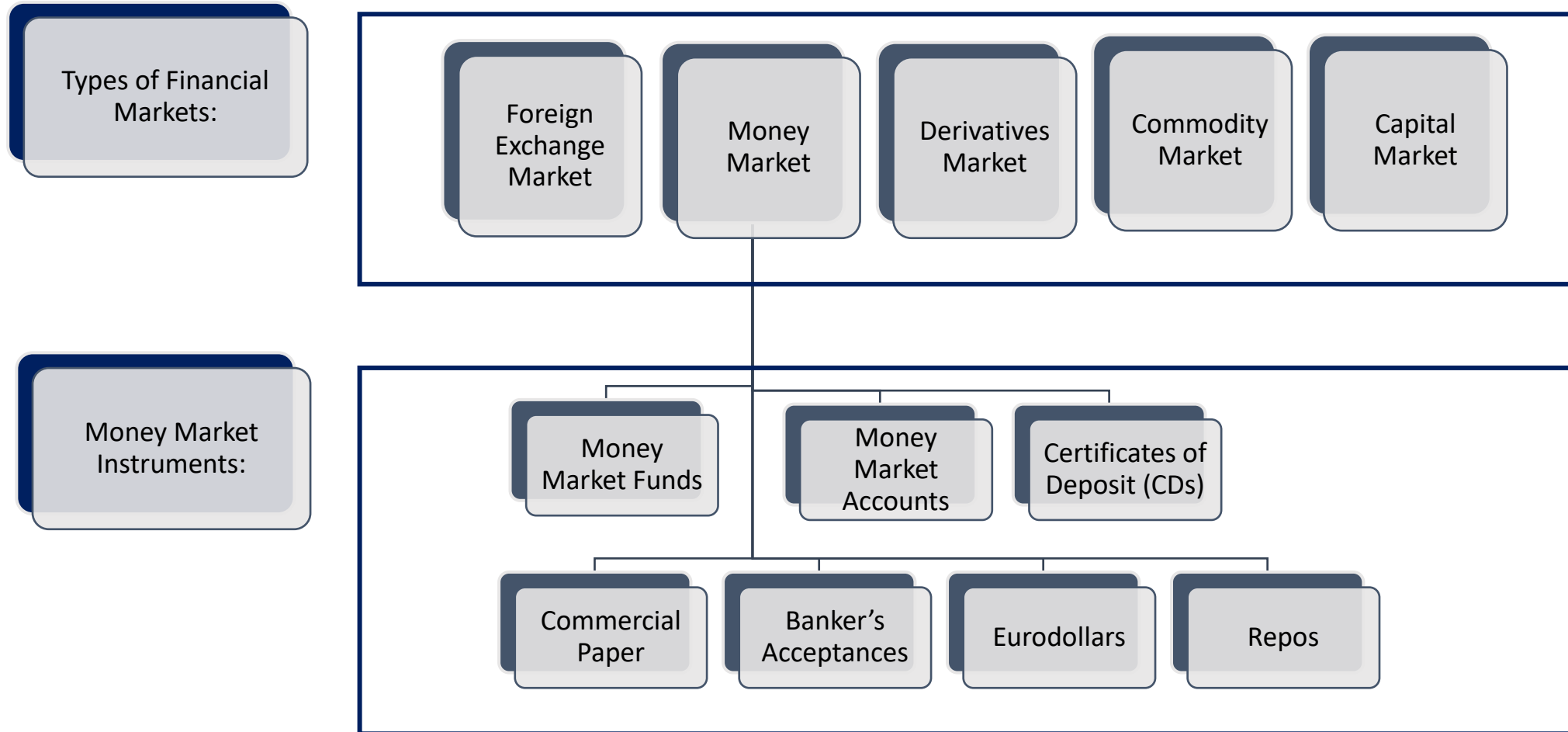


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## Types of Financial Markets



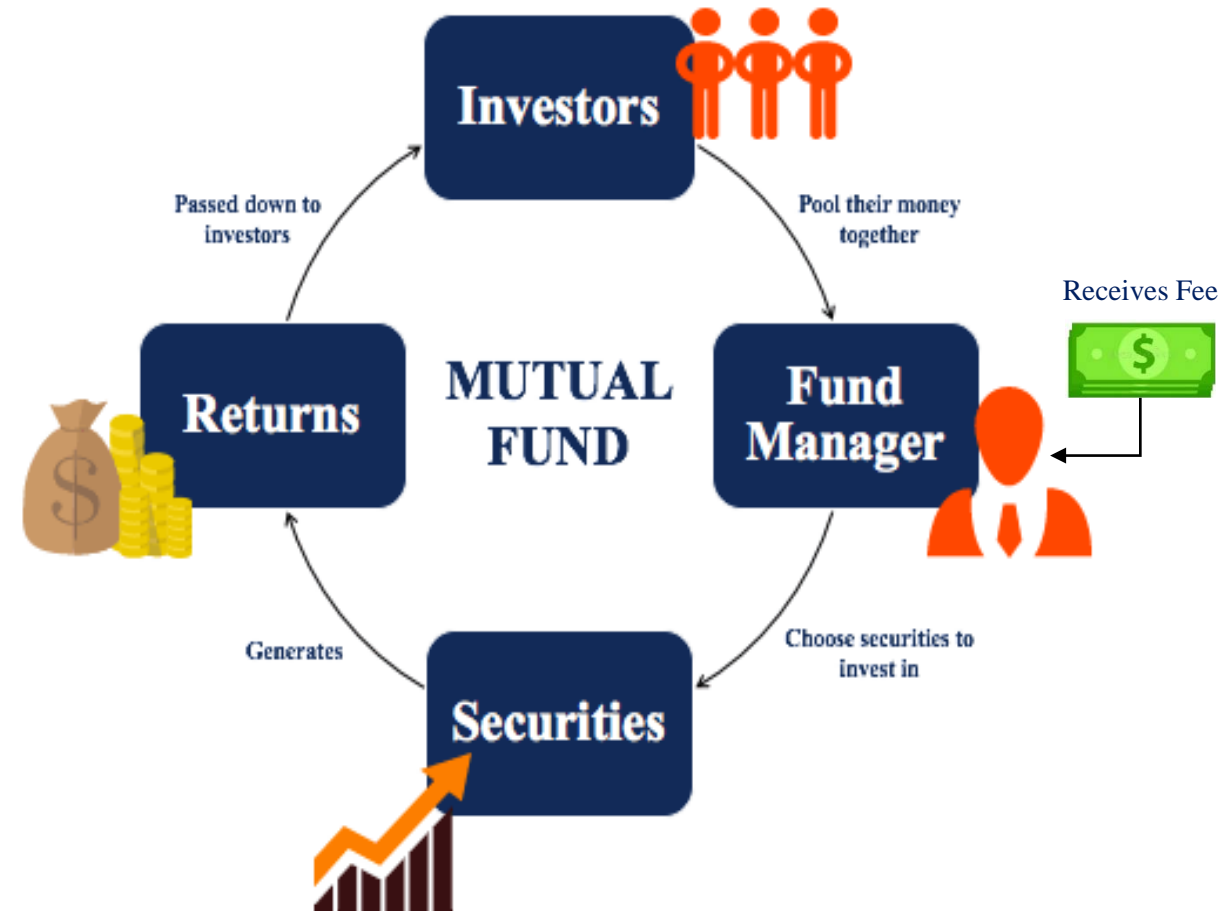
## An Overview of Capital Markets

- 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.
- This Sector Study shall be focused on the Secondary Capital Markets, and KSE-100 shall be used as the benchmark Index for analysis purpose.

# Mutual Funds | Introduction

## Overview | Mutual Funds

- 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 predefined 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-ended funds can be redeemed at any point, while close-ended funds can be sold in the secondary market.

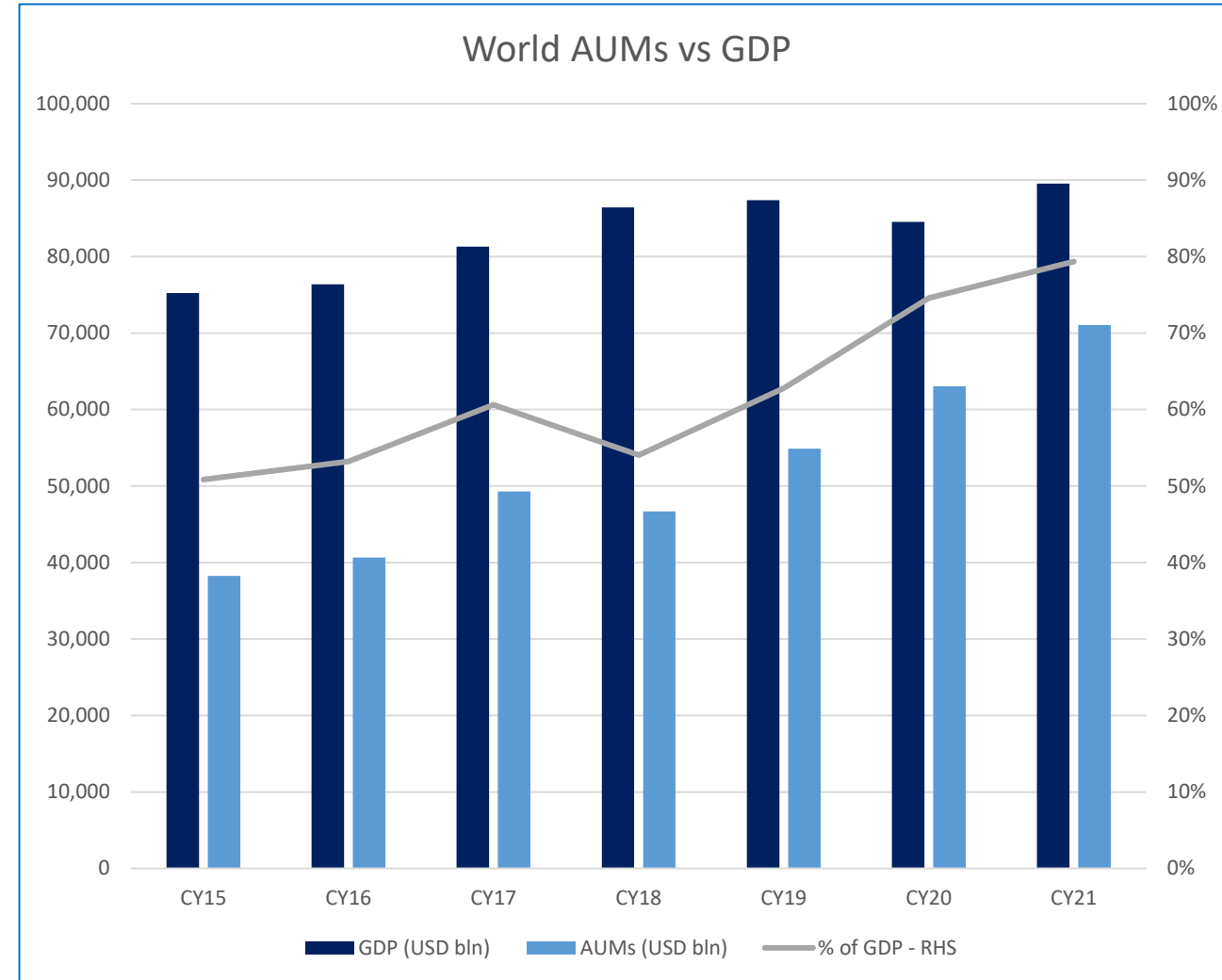


# Mutual Funds | Global Industry

## World AUMs

Year	CY16	CY17	CY18	CY19	CY20	CY21
AUMs (USD bln)	40,644	49,301	46,696	54,877	63,048	71,053
Growth	6.3%	21.3%	-5.3%	17.5%	14.9%	12.7%

- Global Open-End Fund Assets increased by ~13% YoY during CY21 clocking in at USD~71trn (~79% of the global GDP).
- The global AUMs continued to exhibit recovery from the slowdown caused by the COVID-19 pandemic, as AUMs grew ~8.6% in first half of the calendar year. The emergence of new COVID-19 variant caused uncertainty in global capital markets resulting in ~0.5% decline in AUMs during 3QCY21. However, AUMs recovered in 4QCY21 and grew by ~3.9% QoQ.
- The growth rate of the AUMs Market has historically remained volatile. Average CAGR for the Open-End Fund Assets is recorded at ~9.6% from CY17 to CY21.
- Based on the type of fund, the highest concentration of AUMs remains in Equity Funds, and based on regions, the highest portion of global Open-End Fund assets vests in Americas.



# Mutual Funds | Global Industry

## Region Wise Asset Allocation & Number of Funds

Worldwide Open-End Funds: Total Net Assets (USD bln)					
Region	CY17	CY18	CY19	CY20	CY21
Americas	24,899	23,643	28,640	32,325	37,531
Europe	17,722	16,477	18,812	21,756	23,326
Asia & Pacific	6,498	6,421	7,248	8,781	9,999
Africa	182	155	177	186	197
<b>Total</b>	<b>49,301</b>	<b>46,696</b>	<b>54,877</b>	<b>63,048</b>	<b>71,053</b>

Worldwide Open-End Number of Funds					
Region	CY17	CY18	CY19	CY20	CY21
Americas	26,570	27,714	28,733	30,298	33,039
Europe	54,558	56,001	56,955	57,753	58,986
Asia & Pacific	30,196	32,996	35,260	35,974	38,073
Africa	1,626	1,567	1,610	1,686	1,710
<b>Total</b>	<b>112,950</b>	<b>118,278</b>	<b>122,558</b>	<b>125,711</b>	<b>131,808</b>

Worldwide Open-End Funds: Total Net Assets (%)					
Region	CY17	CY18	CY19	CY20	CY21
Americas	51%	51%	52%	51%	53%
Europe	36%	35%	34%	35%	33%
Asia & Pacific	13%	14%	13%	14%	14%
Africa	0.4%	0.3%	0.3%	0.3%	0.3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

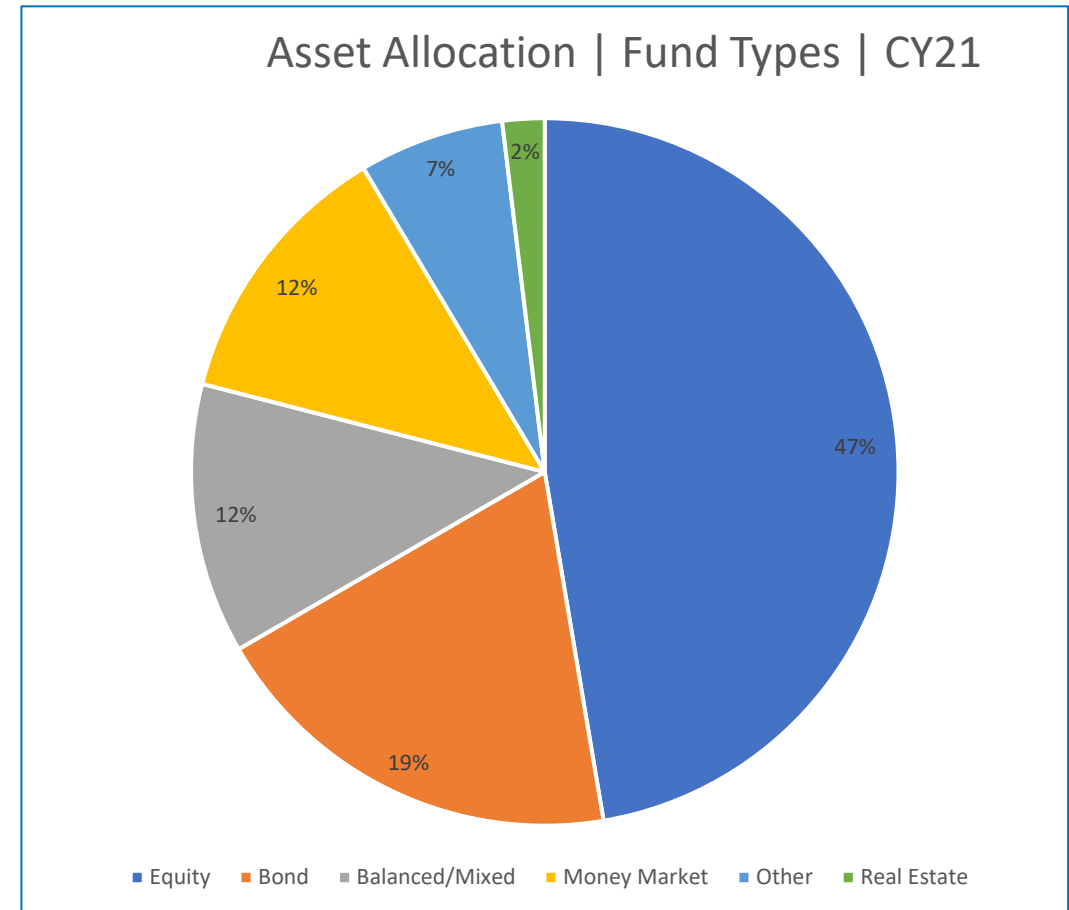
Worldwide Open-End Number of Funds (%)					
Region	CY17	CY18	CY19	CY20	CY21
Americas	24%	23%	23%	24%	25%
Europe	48%	47%	46%	46%	45%
Asia & Pacific	27%	28%	29%	29%	29%
Africa	1.4%	1.3%	1.3%	1.3%	1.3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



# Mutual Funds | Global Industry

## Asset Allocation by Fund Type

- Global Open-End Fund Market is dominated by Long term Investments.
- Equity funds account for ~47% of the Global Open-End Fund Assets followed by Bonds (~19%). Meanwhile, Money Market Funds and Balanced/Mixed Funds both account for ~12% of Global AUMs.
- During CY21, Global Net sales of the Open-End Fund Market was recorded at USD~3.9trn (CY20: USD~2.6trn), an increase of ~50% on YoY basis.
- In terms of Asset Allocation, the highest increase in Global Open-End Funds Assets was witnessed in Equity Funds which grew by ~18% during CY21. These were followed by an increase of ~13% YoY in Balanced/Mixed Funds during the year.





CY21										
USD bln	China	Australia	Japan	Korea	India	Taiwan	New Zealand	Philippines	Pakistan*	TOTAL
AUMs	3,530	2,618	2,415	643	496	172	109	9	6	9,998
GDP	16,863	1,611	5,103	1,824	2,946	786	248	386	229	30,046
<b>% of AUMs</b>	<b>21%</b>	<b>163%</b>	<b>47%</b>	<b>35%</b>	<b>17%</b>	<b>22%</b>	<b>44%</b>	<b>2%</b>	<b>3%</b>	<b>33%</b>

- Asia & Pacific accounts for ~14% of the Global Open-End Fund Assets and ~29% of the Number of Global Open-End Funds (CY21).
- In terms of GDP, Asia & Pacific makes up ~32% of the Global GDP.
- China, Australia and Japan are the largest economies with reference to AUMs Market in the Asia & Pacific. India also has relatively low Open-End Fund Assets as a percentage of economy (USD~496bln, ~17% of its GDP).
- Pakistan has the lowest Open-End Fund Asset base among its regional players in Asia & Pacific, amounting to USD~6bln and ~3% of its GDP.

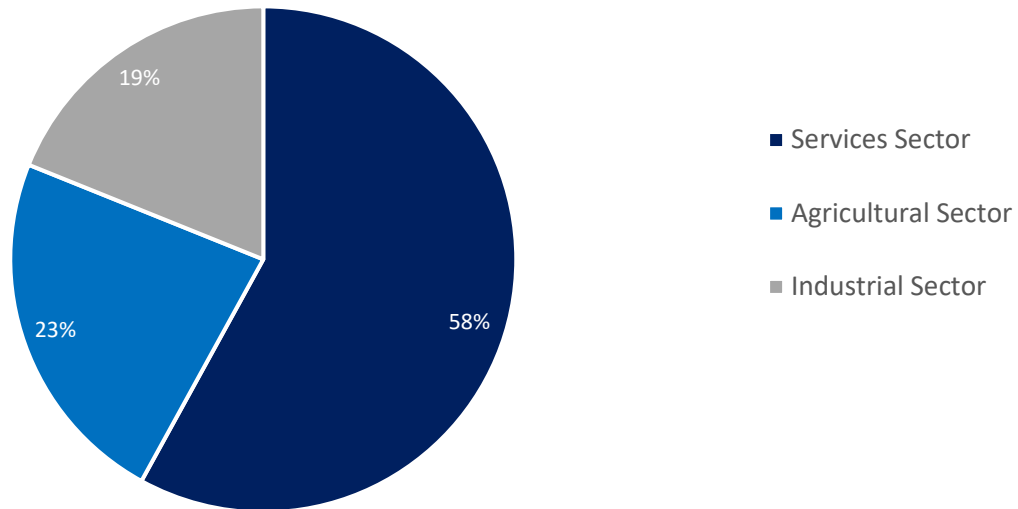
Assets Under Management   Category Wise – Dec 2021 (USD mln)							
Investor Classification	Liquid/Money Market Funds	Growth/Equity Oriented Schemes	Income/Debt Oriented Schemes	Hybrid Schemes	ETFs (other than Gold)	Other	Totals
Corporates	72,070	16,213	61,012	9,729	47,543	5,497	<b>212,064</b>
Individuals	11,565	66,287	35,518	40,512	2,349	7,210	<b>163,442</b>
Retail	1,484	97,644	3,660	12,536	1,165	5,409	<b>121,899</b>
Banks/FIs	3,312	116	4,253	29	494	54	<b>8,257</b>
Foreign Institutional Investors	23	424	142	61	13	0	<b>663</b>
<b>Total</b>	<b>88,455</b>	<b>180,683</b>	<b>104,585</b>	<b>62,867</b>	<b>51,565</b>	<b>18,171</b>	<b>506,325</b>

# Mutual Funds | Local Industry

## GDP Break Up

- Pakistan’s real GDP grew by 5.6% in FY21 and stood at PKR~36,490bln as compared to PKR~34,566bln in FY20.
- The top 5 sectors in terms of contribution to GDP are (i) Wholesale & Retail Trade, (ii) Transport, Storage & Communication, (iii) Other Private Services, (iv) Livestock, and (v) Large Scale Manufacturing.

Sectoral Shares in GDP (FY21)



FY21 Sector Wise GDP Break-Up (%)

Crops	7.8%
Livestock	14.4%
Forestry	0.5%
Fishing	0.3%
<b>Total Agricultural Sector</b>	<b>23.1%</b>
Mining and Quarrying	1.9%
Large Scale Manufacturing	8.9%
Small Scale Manufacturing	1.9%
Slaughtering	1.2%
Electricity Generation + Distribution & Gas Distribution	2.3%
Construction	2.7%
<b>Total Industrial Sector</b>	<b>18.9%</b>
Wholesale & Retail Trade	18.2%
Transport, Storage & Communication	12.9%
Finance & Insurance	1.9%
Housing Services	5.7%
General Government Services	5.0%
Other Private Services	8.4%
<b>Total Services Sector</b>	<b>58.0%</b>

## Macro Economic Indicators

	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	9MFY22
<b>Average Inflation Rate (CPI)</b>	11.90%	11.00%	7.40%	8.60%	4.50%	2.90%	4.20%	3.90%	7.30%	10.70%	8.90%	10.50%
<b>Average KIBOR</b>	13.45%	12.33%	9.84%	9.88%	8.85%	6.49%	6.11%	6.39%	10.43%	11.95%	7.43%	9.28%
<b>Monetary Policy Rate (MPR)</b>	13.70%	12.41%	9.91%	9.75%	8.75%	6.04%	5.75%	5.95%	9.69%	11.75%	7.00%	8.15%
<b>PKRV</b>	13.00%	11.91%	9.63%	9.75%	8.67%	6.34%	5.95%	6.26%	10.20%	11.79%	7.28%	9.15%
<b>Average Exchange Rate (PKR/USD)</b>	86.31	89.24	96.83	102.84	101.47	104.37	104.78	110.11	136.45	158.40	160.46	171.02
<b>(USD mln)</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>8MFY22*</b>
<b>Current Account Balance</b>	214	-4,658	-2,496	-3,130	-2,815	-4,961	-12,270	-19,195	-13,434	-2,970	-1,852	-12,168
<b>Exports</b>	25,369	24,718	24,802	25,078	24,090	21,972	22,003	24,768	24,257	22,536	25,630	20,656
<b>Imports</b>	35,796	40,370	40,157	41,668	41,357	41,118	48,001	55,671	51,869	43,645	53,785	47,957
<b>Trade Balance</b>	-10,427	-15,652	-15,355	-16,590	-17,267	-19,146	-25,998	-30,903	-27,612	-21,109	-28,155	-27,301
<b>Foreign Exchange Reserve</b>	18,244	15,289	11,020	14,141	18,699	23,099	21,403	16,384	14,482	18,886	24,398	22,638

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\*Data only available until Feb-22

# Mutual Funds | Local Industry

## Macro Economic Indicators | Monthly

	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
<b>Average Inflation Rate (CPI)</b>	5.70%	8.70%	9.10%	11.10%	10.90%	9.70%	8.40%	8.40%	9.00%	9.20%	11.50%	12.30%	13.00%	12.20%	12.70%
<b>Average KIBOR</b>	7.36%	7.57%	7.80%	7.78%	7.68%	7.70%	7.63%	7.57%	7.80%	8.45%	9.37%	11.31%	11.32%	10.82%	11.85%
<b>Monetary Policy Rate (MPR)</b>	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.25%	7.25%	7.82%	9.38%	9.75%	9.75%	9.75%
<b>PKRV</b>	7.23%	7.43%	7.65%	7.60%	7.55%	7.54%	7.49%	7.42%	7.68%	8.38%	9.31%	11.11%	11.13%	10.67%	11.78%
<b>Average Exchange Rate (PKR/USD)</b>	160.4	159.3	156.1	153.3	153.6	156.5	159.9	164.5	168.5	172.0	173.6	177.5	176.5	175.7	180.1
<b>(USD mln)</b>	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22*
<b>Current Account Balance</b>	-210	-31	-33	-200	-650	-1,644	-919	-1,473	-1,134	-1,740	-1,894	-1,932	-2,531	-545	-
<b>Exports</b>	2,097	2,176	2,610	2,295	2,129	2,497	2,251	2,348	2,634	2,381	2,736	2,924	2,497	2,885	-
<b>Imports</b>	4,433	4,501	5,205	4,969	4,959	6,322	5,399	5,998	6,053	6,028	6,451	6,548	6,314	5,166	-
<b>Trade Balance</b>	-2,336	-2,325	-2,595	-2,674	-2,830	-3,825	-3,148	-3,650	-3,419	-3,647	-3,715	-3,624	-3,817	-2,281	-
<b>Foreign Exchange Reserve</b>	20,149	20,105	20,604	22,690	23,273	24,398	24,777	27,068	25,983	23,829	22,329	24,019	22,836	22,638	18,545

\*Data only available until Feb-22.

# Mutual Funds | Local Industry

## T-Bills & PIBs

3MCY22 T-Bills Auction	Average Yield		
Total Realized Amount (PKR bln)	3M	6M	12M
3,807	10.83%	11.37%	11.55%

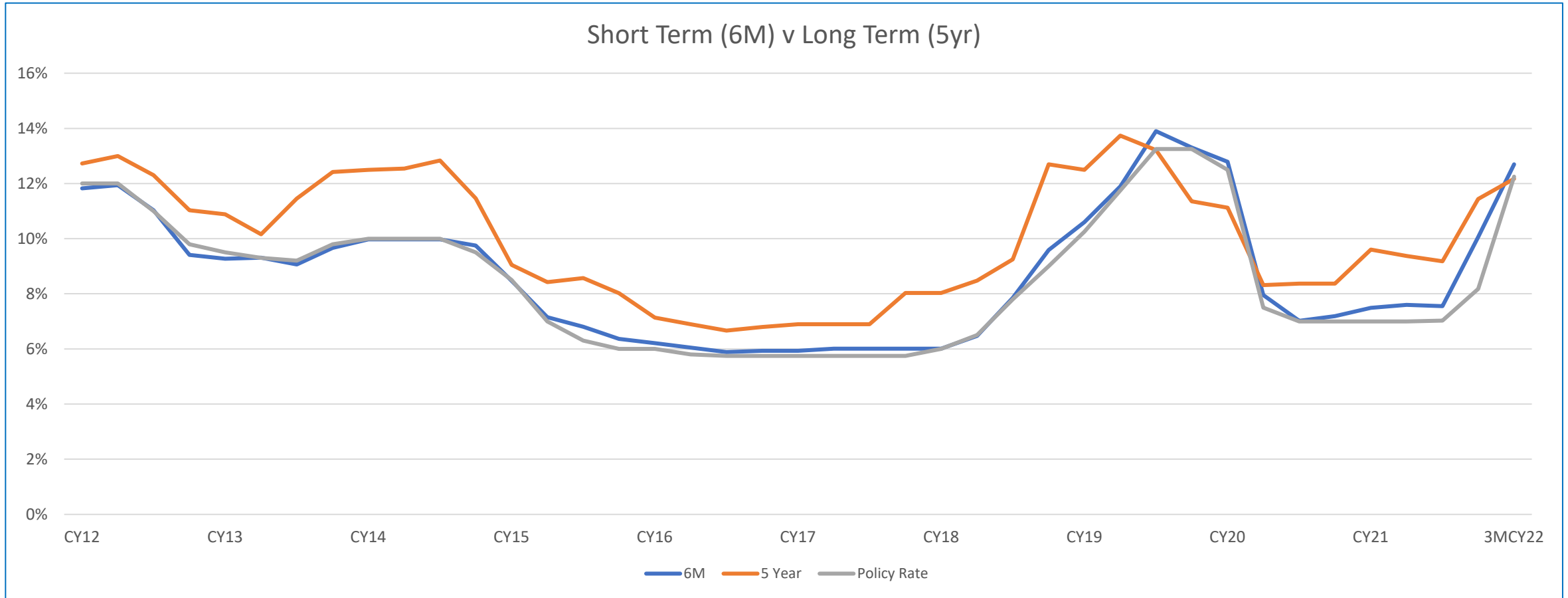
CY21 T-Bills Auction	Average Yield		
Total Realized Amount (PKR bln)	3M	6M	12M
17,814	7.80%	8.07%	8.71%

CY20 T-Bills Auction	Average Yield		
Total Realized Amount (PKR bln)	3M	6M	12M
9,536	8.72%	8.65%	8.63%

3MCY22 PIBs Auction			
Tenure	Amount Accepted (PKR bln)	Coupon Rate	Weighted Average Yield
3 Year	182	7.00%	11.09%
5 Year	175	7.50%	11.09%
10 Year	128	8.00%	11.17%
15 Year	-	10.50%	-
20 Year	-	11.00%	-

CY21 PIBs Auction			
Tenure	Amount Accepted (PKR bln)	Coupon Rate	Weighted Average Yield
3 Year	657	7.00%	9.28%
5 Year	474	7.50%	9.76%
10 Year	215	8.00%	10.31%
15 Year	86	10.50%	10.41%
20 Year	24	11.00%	10.56%

CY20 PIBs Auction			
Tenure	Amount Accepted (PKR bln)	Coupon Rate	Weighted Average Yield
3 Year	428	7.00%	8.95%
5 Year	303	7.50%	9.27%
10 Year	118	8.00%	9.37%
15 Year	93	10.50%	10.04%
20 Year	45	11.00%	10.66%



## Types of Mutual Funds

- Open-Ended 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).
- Close-Ended 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-ended mutual funds in Pakistan.
- Voluntary Pension Funds:** It is a personalized, defined, savings-cum-investment vehicle 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 CY21.

Type of Fund (PKR bln) As at	Dec'16	Dec'17	Dec'18	Dec'19	Dec'20	Dec'21	Mar'22
Open-end	563	537	552	651	920	1,088	1,060
Close-end	2	2	1	-	-	-	-
Voluntary Pension	22	24	26	30	35	39	39
<b>AUMs</b>	<b>587</b>	<b>563</b>	<b>579</b>	<b>681</b>	<b>955</b>	<b>1,127</b>	<b>1,099</b>

Type of Fund (PKR bln) As at	Jun'16	Jun'17	Jun'18	Jun'19	Jun'20	Jun'21
Open-end	443	581	580	513	742	1,016
Close-end	2	2	2	1	-	-
Voluntary Pension	19	25	26	26	31	38
<b>AUMs</b>	<b>464</b>	<b>608</b>	<b>608</b>	<b>540</b>	<b>773</b>	<b>1,054</b>



## 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 ended).
- **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.

# Mutual Funds | Local Industry

## Mutual Funds | Categories

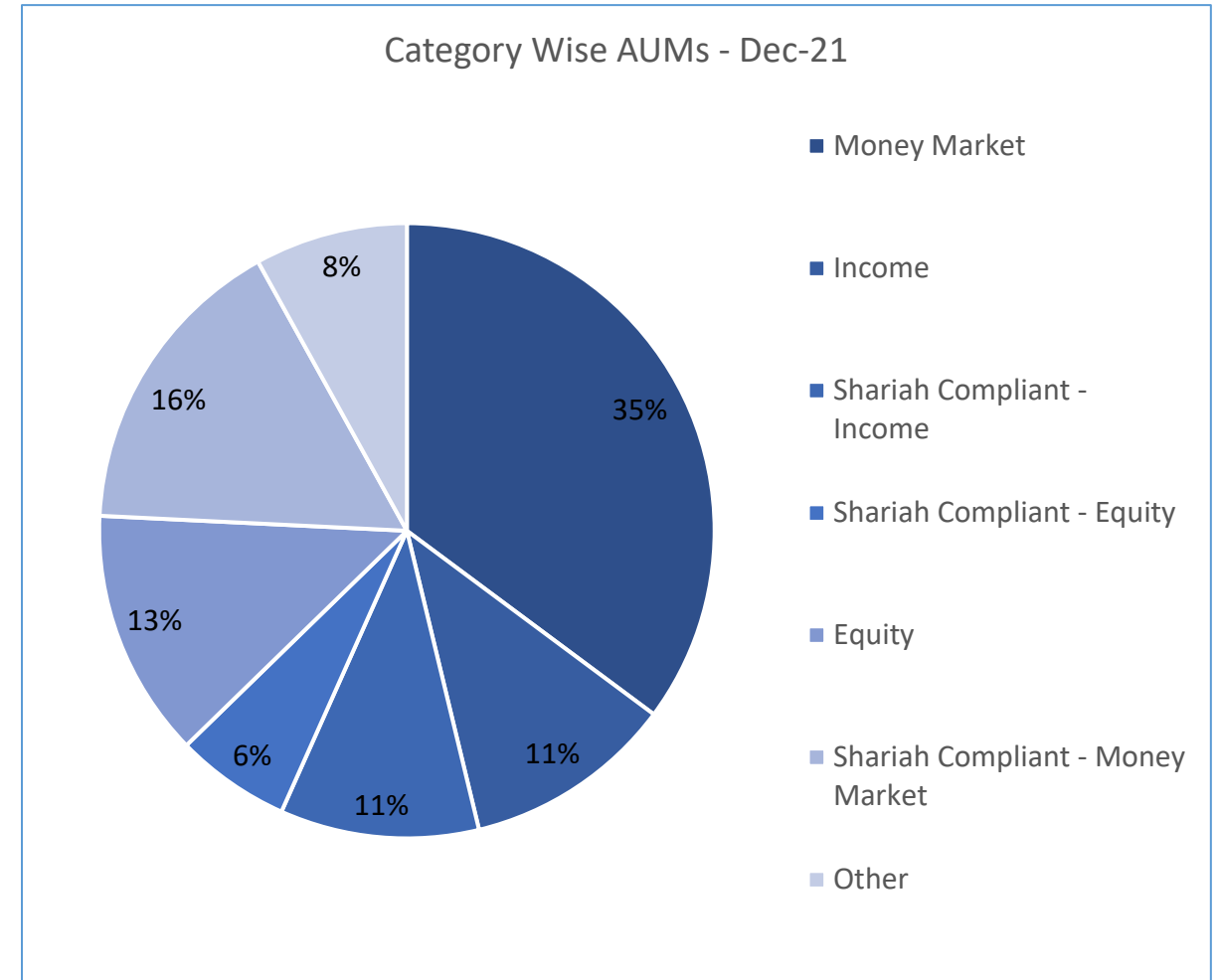
- **Income Scheme:** These funds focus on providing investors with a steady stream of fixed income. They invest in short term and long term debt instruments like TFCs, government securities like T-bills/ PIBs, or preference shares.
- **Aggressive Fixed Income Scheme:** The aim of aggressive income fund 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 tables below show the number of funds in the categories that are rated by PACRA.

Categories	Dec'18		Dec'19		Dec'20		Dec'21	
	Count	%	Count	%	Count	%	Count	%
Equity	27	25%	27	19%	27	16%	27	10%
Islamic Equity	17	11%	18	9%	19	7%	19	7%
Asset Allocation	13	2%	14	1%	15	2%	14	5%
Islamic Asset Allocation	13	5%	11	2%	12	2%	12	4%
Balanced	5	1%	5	1%	5	1%	4	1%
Others	150	56%	193	68%	195	72%	206	73%
<b>Total</b>	<b>225</b>	<b>100%</b>	<b>268</b>	<b>100%</b>	<b>273</b>	<b>100%</b>	<b>282</b>	<b>100%</b>

# Mutual Funds | Local Industry

## Category Wise AUM Break Up

Break Up of Assets Under Management (Dec-21)	
Category	AUMs (PKR bln)
Money Market	394
Shariah Compliant Money Market	181
Equity	147
Income	124
Shariah Compliant Income	117
Shariah Compliant Equity	68
Other	96
<b>Total AUMs</b>	<b>1,127</b>

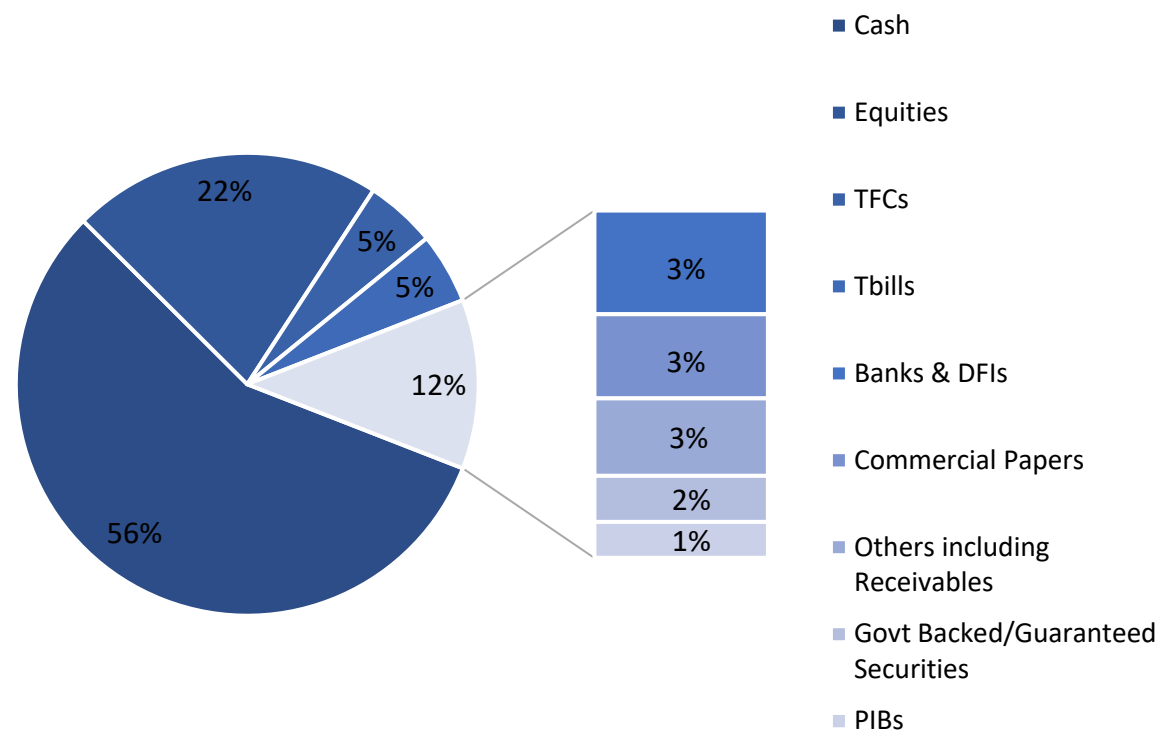


Mutual Funds Industry - Assets Under Management									
(Open End & VPS, excluding Fund of Funds) - PKR bln									
S. No.	Asset Management Company	Mar-22		Dec-21		Jun-21	Dec-20	Jun-20	Dec-19
		Market Share	AUMs	Market Share	AUMs	AUMs	AUMs	AUMs	AUMs
1	Al-Meezan Investment Management Limited	16%	177	15%	173	189	163	152	123
2	NBP Fund Management Limited	15%	170	15%	169	168	163	127	112
3	UBL Fund Managers Limited	11%	117	10%	116	102	91	78	63
4	MCB-Arif Habib Savings and Investments Limited	10%	107	10%	110	98	83	66	58
5	HBL Asset Management Limited	7%	73	8%	94	72	78	58	47
6	ABL Asset Management Limited	8%	91	8%	89	79	67	59	53
7	National Investment Trust Limited	8%	92	8%	88	90	85	69	75
8	Faysal Asset Management Limited	7%	80	7%	76	62	47	30	16
9	Alfalah GHP Investment Management Limited	5%	52	5%	60	55	50	40	42
10	Atlas Asset Management Limited	4%	41	5%	52	50	40	30	31
11	Al Habib Asset Management Limited	4%	44	4%	40	33	26	14	7
12	JS Investment Limited	2%	22	2%	23	17	24	19	21
13	Lakson Investments Limited	2%	18	2%	20	23	22	19	21
14	Pak Oman Asset Management	0%	5	1%	8	6	7	4	4
15	AKD Investment Management Limited	1%	7	1%	7	9	7	5	5
16	AWT Investment Management Limited	0.2%	2	0.1%	2	2	2	3	3
17	786 Investments Limited	0.1%	1	0.1%	1	1	1	1	1
18	First Capital Investments Limited	0.0%	0.1	0.0%	0.1	0.1	0.1	0.1	0.1
19	BMA Asset Management Company Limited	0.0%	0.0	0.0%	0.0	0.4	0.4	0.2	0.3
<b>Total:</b>		<b>100%</b>	<b>1,060</b>	<b>100%</b>	<b>1,127</b>	<b>1,054</b>	<b>955</b>	<b>773</b>	<b>681</b>

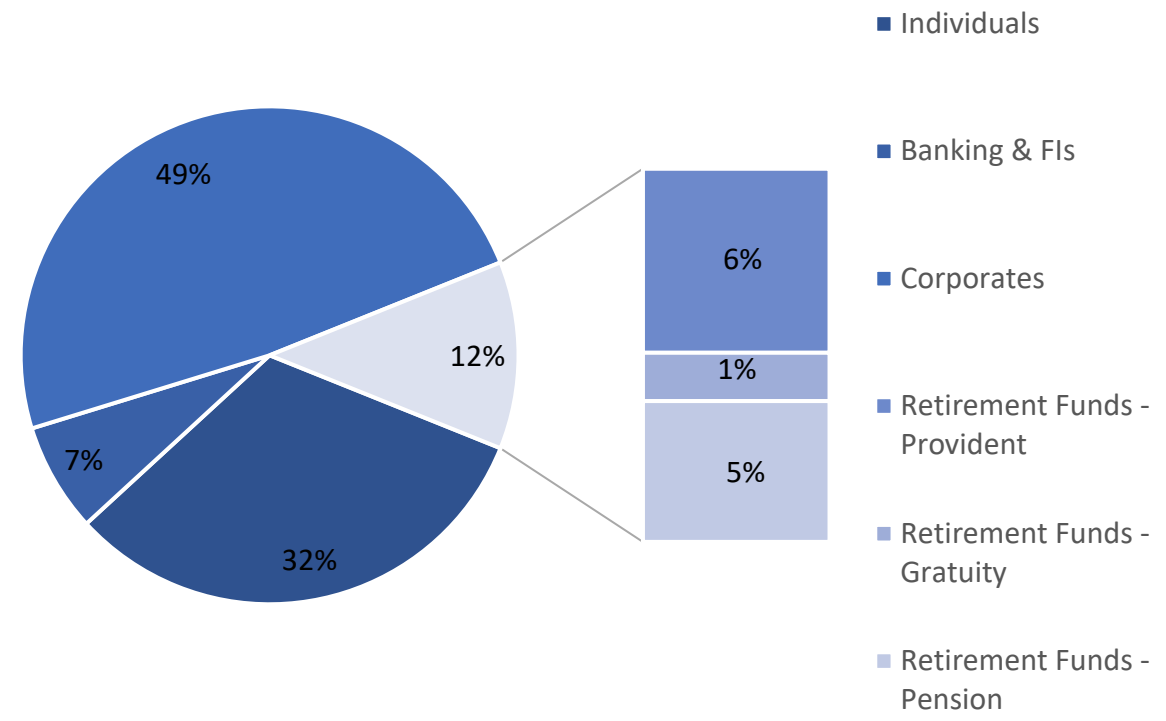
# Mutual Funds | Local Industry

## Asset Allocation

Asset Allocation (Dec-21)



Unit Holder Pattern (Dec-21)



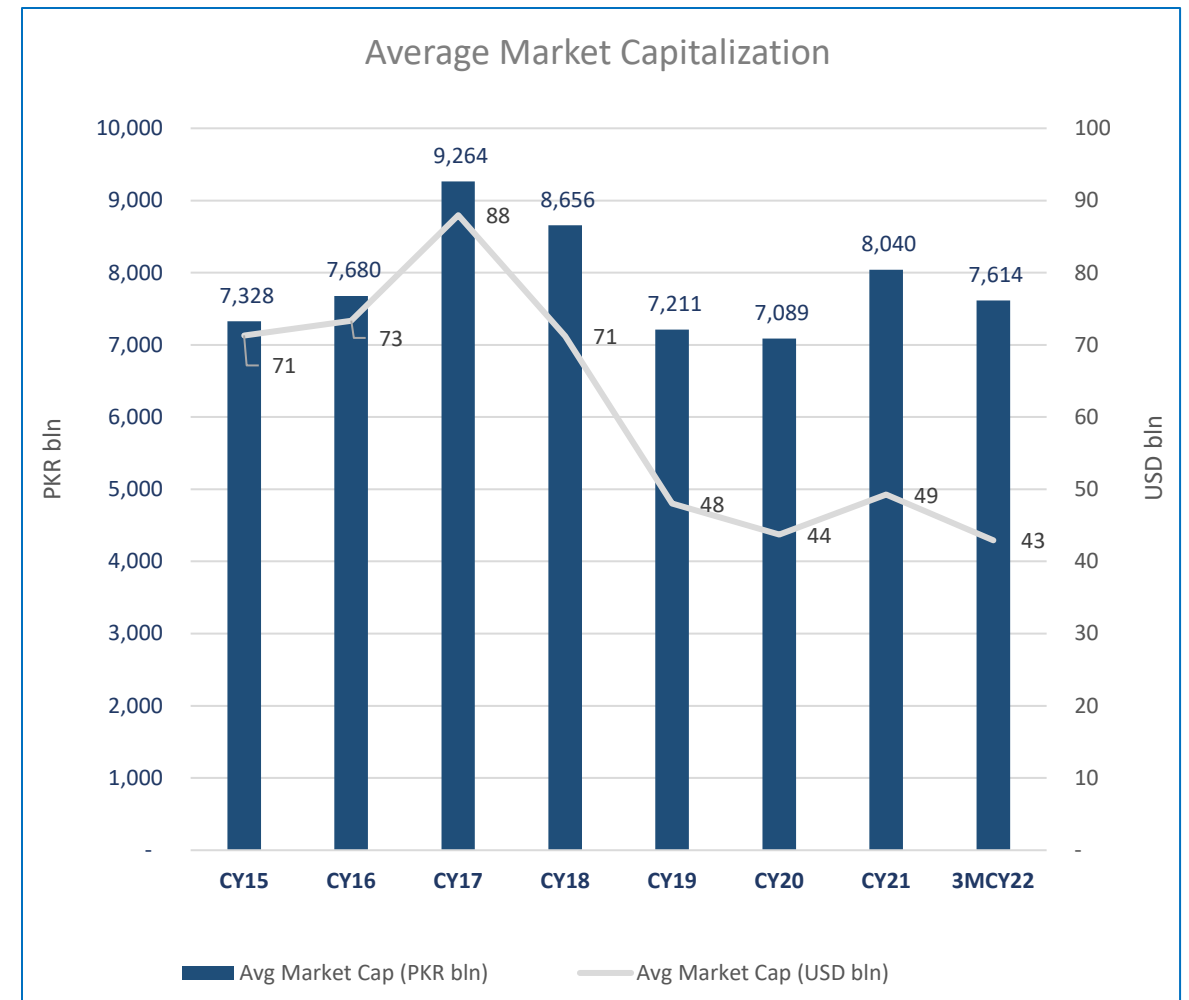
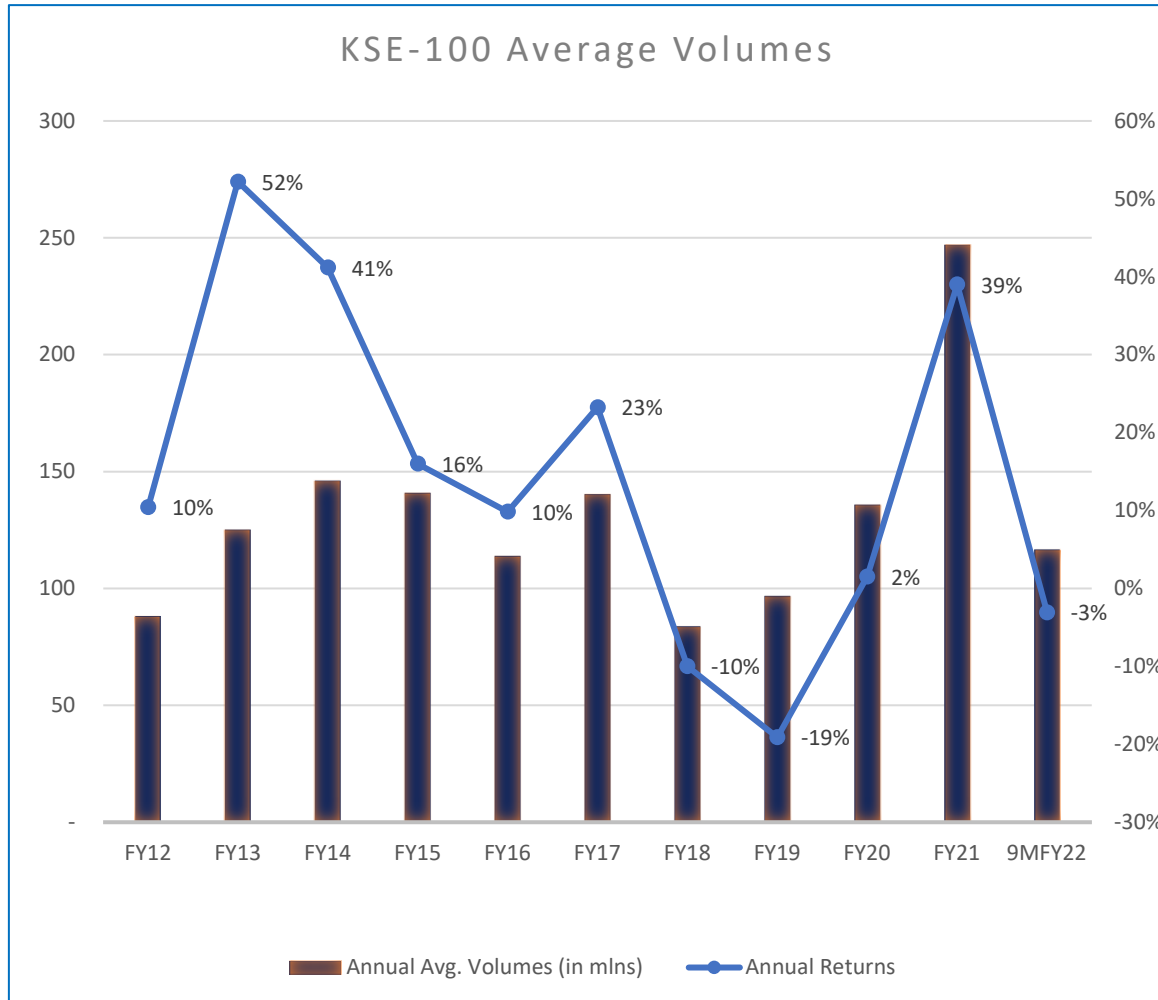
## KSE-100 Returns | Monthly & Annual

KSE 100 Index	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	9MFY22
Index Value	12,496	13,801	21,006	29,653	34,399	37,784	46,565	41,911	33,902	34,422	47,356	44,929
Returns (%)	29.0%	10.4%	52.2%	41.2%	16.0%	9.8%	23.2%	-10.0%	-19.1%	1.5%	37.6%	-5.1%

KSE 100 Index	CY11	CY12	CY13	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	3MCY21
Index Value	11,348	16,905	25,261	32,131	32,816	47,807	40,471	37,067	40,735	43,755	44,596	44,929
Returns (%)	-4.0%	49.0%	49.4%	27.2%	2.1%	45.7%	-15.3%	-8.4%	9.9%	7.4%	1.9%	0.7%

KSE 100 Index	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22 to date
Index Value	45,865	44,588	44,262	47,896	47,356	47,055	47,420	44,900	46,219	45,072	44,596	45,375	44,461	44,929	46,484
Returns (%)	-1.1%	-2.8%	-0.7%	8.2%	-1.1%	-0.6%	0.8%	-5.3%	2.9%	-2.5%	-1.1%	1.7%	-2.0%	1.1%	3.5%

## Market Volumes & Capitalization



## Industry Returns

### Weighted Average Return of Industry

Category	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Money Market	6.42%	5.43%	5.62%	7.15%	6.67%	7.20%	7.22%	9.43%	4.46%	6.23%	7.74%	10.46%
Shariah Compliant   Money Market	5.95%	5.90%	5.39%	6.37%	6.55%	6.97%	6.59%	8.56%	6.45%	6.39%	7.27%	9.44%
Income	6.00%	5.90%	6.41%	7.38%	6.46%	7.17%	7.52%	11.55%	5.97%	7.16%	6.68%	9.19%
Shariah Compliant   Income	5.93%	6.27%	5.82%	6.06%	6.16%	6.26%	5.51%	10.44%	7.62%	5.88%	5.48%	8.70%
Shariah Compliant   Equity	5.97%	3.72%	-2.79%	-1.30%	9.86%	0.08%	0.20%	2.99%	-5.94%	3.43%	-1.88%	-2.64%
Equity	16.62%	12.59%	9.89%	11.07%	19.52%	13.96%	-0.46%	0.81%	-4.62%	0.96%	-3.49%	-3.36%



## 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 mutual funds:
  - Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003
  - Non-Banking Finance Companies & Notified Entities Regulations, 2008
  - Part VIII of The Companies Ordinance, 1984
  - 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.



# MUTUAL FUNDS | LOCAL INDUSTRY

## 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.

- 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.



- Uncertainty in the market and amongst investors due to COVID-19.
- Delay in availability of vaccination could hamper economic recovery.

- Introduction of new products, such as Exchange Traded Funds.
- The economy is in recovery phase which bodes well for mutual funds as investor confidence is returning.

# Mutual Funds | Outlook & Future Prospects

## Outlook: Stable

- Pakistan's post pandemic economic recovery is exhibited by the GDP growth of ~5.6% during FY21. Among the contributors of GDP growth is industrial activity which has picked up in various sectors with the Large Scale Manufacturing Industries output increasing ~15% YoY during FY21. The sectors which have contributed to this growth are textiles, food & beverages, pharmaceuticals and chemicals. Food & Beverage sector holds a sizable portion of the Index market capitalization, therefore is a positive sign for the Sector.
- During FY21, the stock market also moved in a positive direction as the economic recovery picked up due to which investor confidence in the market also increased. KSE-100 Index returns for FY21 stood at ~38%, significantly higher than previous year's return of ~2%.
- However, during 8MFY22 various economic indicators exhibited a negative trend. The current account deficit for the period crossed USD~12bln as the trade deficit increased largely due to rising international commodity price. The inflation levels continue to be on a rising trend with CPI inflation clocking in at a significantly higher ~12.7% during Mar-22 as compared to 9.1% during Mar-21. In addition, the exchange rate has also depreciated ~10% since the start of current fiscal year. All these factors combined, created negative sentiments in the market due to which KSE-100 returns for the 8MFY22 period stood at -6.1%.
- However, during Jan-22 the KSE-100 index exhibited a modest positive return of 1.7% in the aftermath of the introduction of the Mini-Budget as well as completion of various prior actions required to satisfy IMF conditions for the Extended Fund Facility (EFF). The IMF recently approved a tranche of USD~1bln after successful completion of the sixth IMF review.
- Moreover, the policy rate has also been increased in successive reviews and now stands at 12.25%, and while the Monetary Policy Committee (MPC) has indicated no further change in short term, the rate is expected to increase further in the medium to long term. Concurrently, the yields on T-Bills and PIBs have also witnessed significant increases following increase in the policy rate.
- There has been significant growth in the mutual funds market during CY21 as total industry AUMs have risen significantly and reached PKR~1,127bln in Dec-21 as compared to PKR~955bln in Dec-20. This growth of ~18% in AUMs is attributable to both higher level of returns as well as new investments in mutual funds during the period as net sales during the period stood at PKR~132bln.

- The International Investment Funds Association (IIFA)
- Association of Mutual Funds in India
- Pakistan Bureau of Statistics (PBS)
- Pakistan Stock Exchange (PSX)
- State Bank of Pakistan (SBP)
- Federal Board of Revenue (FBR)
- Mutual Funds Association of Pakistan (MUFAP)
- Securities & Exchange Commission of Pakistan (SECP)
- Bloomberg
- KSE Stocks
- Statista
- PACRA Database

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