



MUTUAL FUNDS

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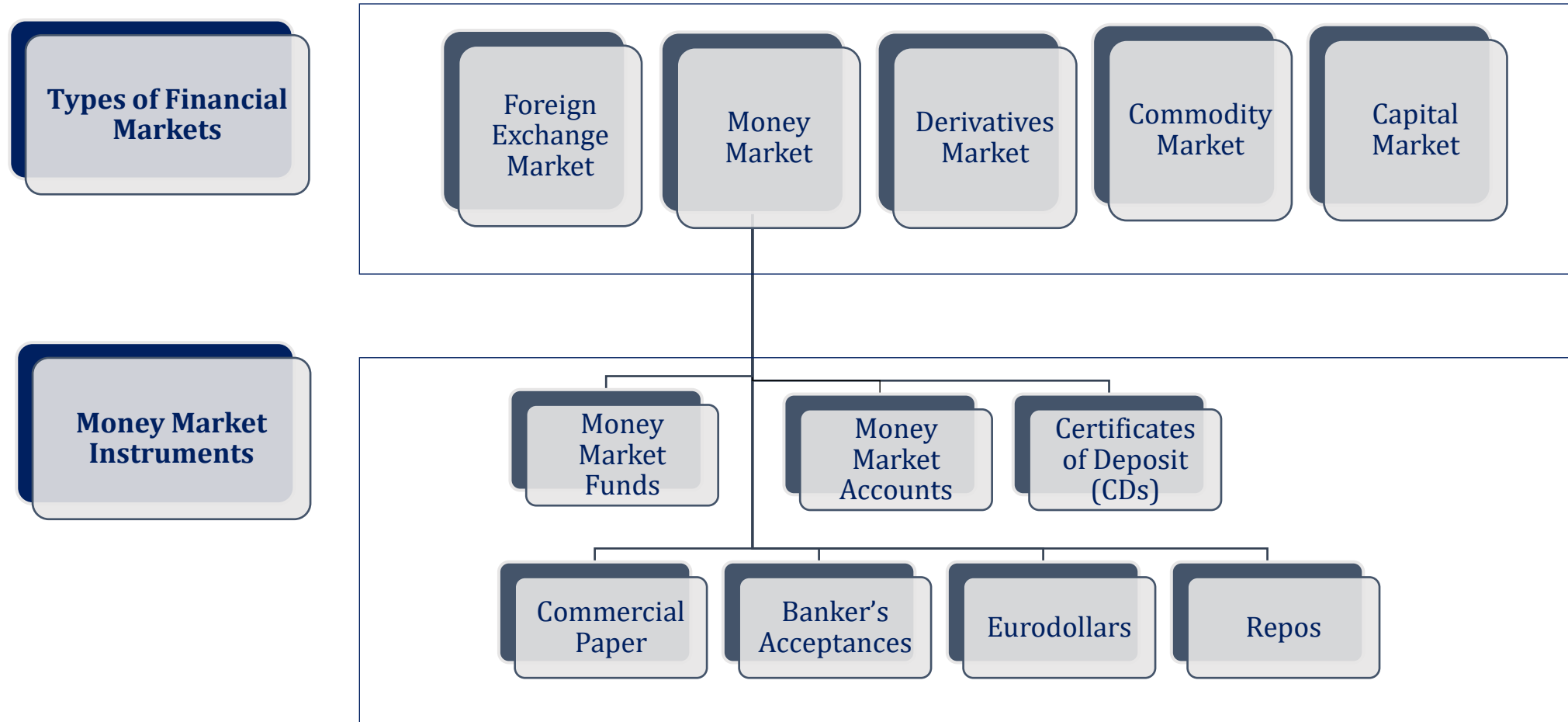


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Mutual Funds

Capital Markets | Overview



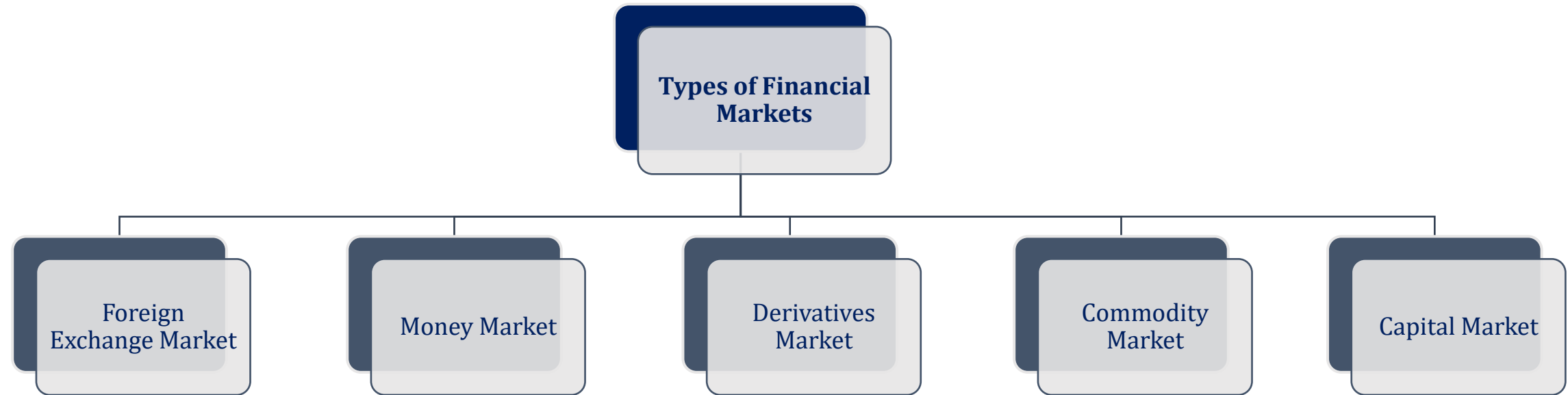
Mutual Funds

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 are equity securities (commonly known as ‘stocks’ or ‘shares’) and debt securities (TFCs, Bonds, Debentures, Sukuks, Commercial Papers etc.). Capital markets are utilized to raise funds for short-term (Commercial Papers), 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 secondary market refers to the marketplace where previously issued stocks and bonds are traded among investors, rather than being purchased directly from the issuing companies. 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 (a stock market emerged as a result of merging three stock exchanges), Mercantile Exchanges (commodities market), a 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. KSE-100 shall be used as the benchmark Index for local analysis purpose. Additionally, this sector study includes mutual funds encompassing both stability and performance rating.

Mutual Funds

Types of Financial Markets | Overview



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.

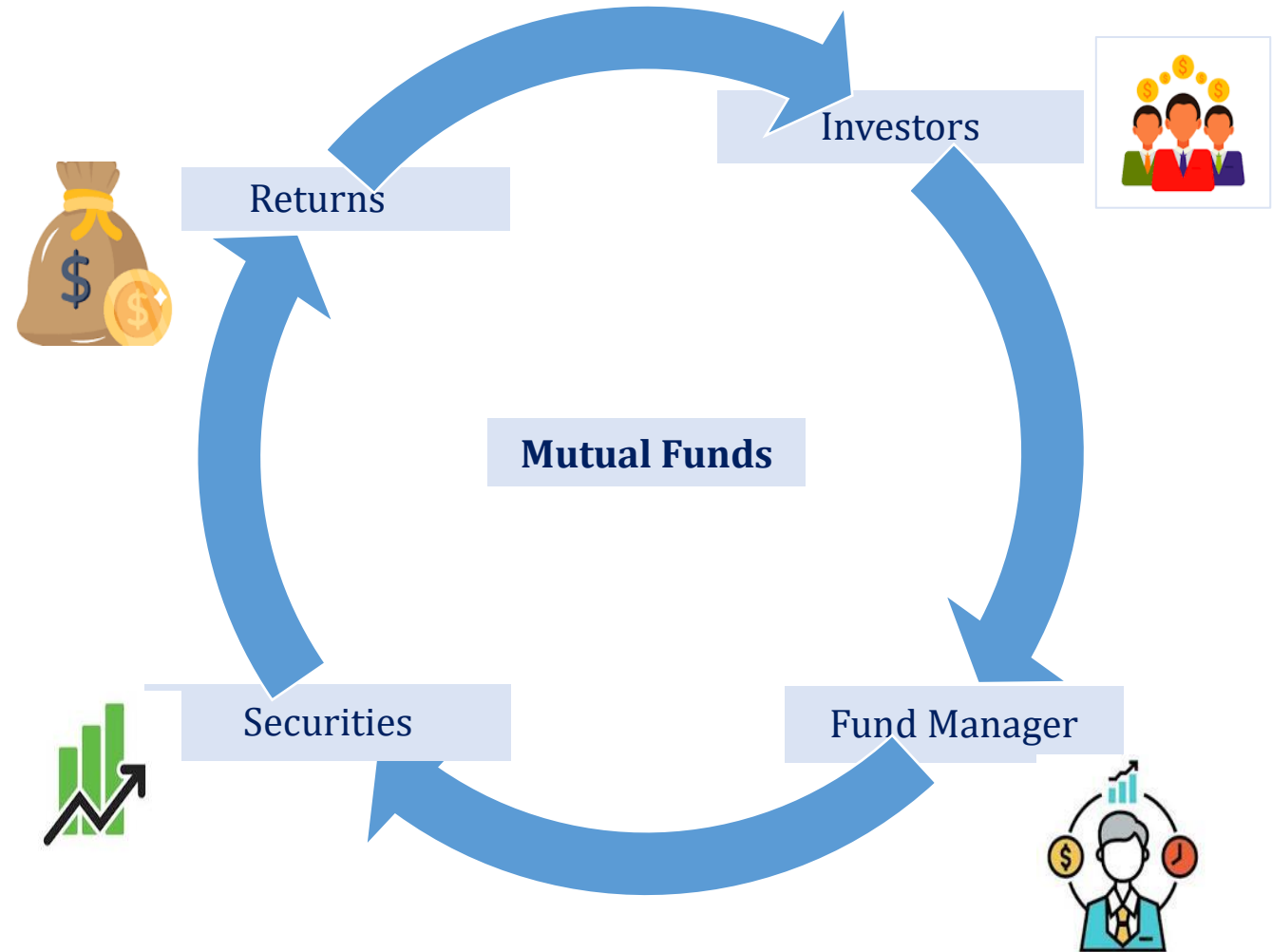
It can be defined as a marketplace for buying, selling, and trading raw materials or primary products. Hard commodities include natural resources such as gold, rubber, and oil, whereas soft commodities are agricultural products or livestock, such as corn, wheat and sugar.

These refer to 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.

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 asset classes 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.

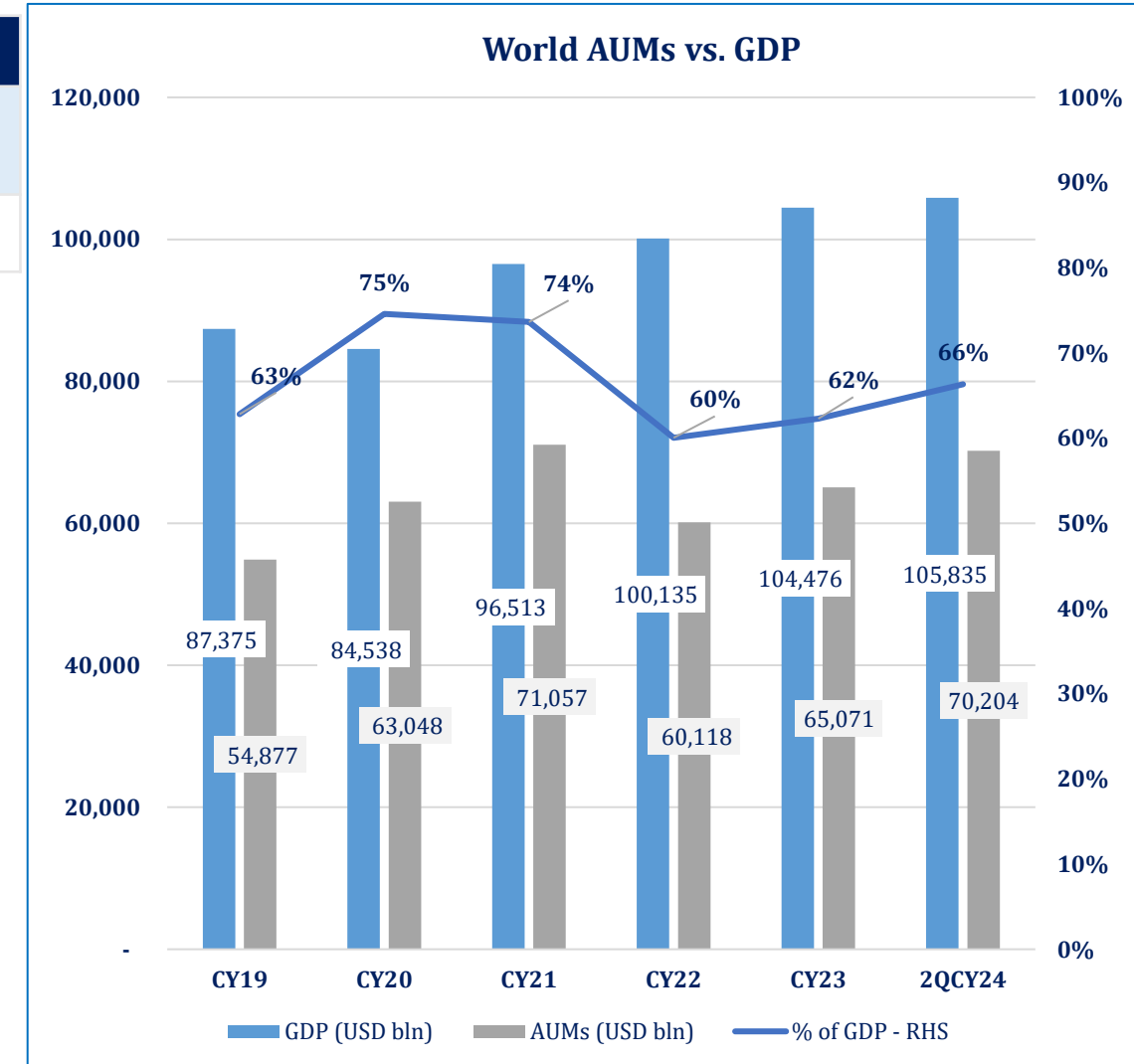


Mutual Funds

Global | Open-End Funds

Year	CY20	CY21	CY22	CY23	2QCY24
Open-End Fund Assets (USD bln)	63,048	71,057	60,118	68,851	70,204
YoY Growth (%)	14.9%	12.7%	-15.4%	14.5%	7.9%*

- Average CAGR for global open-end fund assets over the last four years (CY20-23) was recorded at ~3.0%.
- In 2QCY24, global open-end fund assets remained concentrated in equity funds (~47.8%), while the Americas made up ~57.0% of these assets during the same time.
- During 2QCY24, net sales (or net inflows) of open-end fund assets amounted to USD~1,643bln (a decline of ~72.4% YoY), to which the Americas, Africa & Asia-Pacific, and Europe, contributed ~35.3, ~43.8% and ~21.0%, respectively. Within Asia & Pacific, the most pronounced inflows were reported in China (~73.9%).
- Although the overall inflows were positive, Africa experienced a net outflow, along with several European countries, including the Netherlands and France, which also reported net outflows. The outflow of investments from these European countries indicates 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.*

Mutual Funds

Global | Region-Wise Open-End Funds

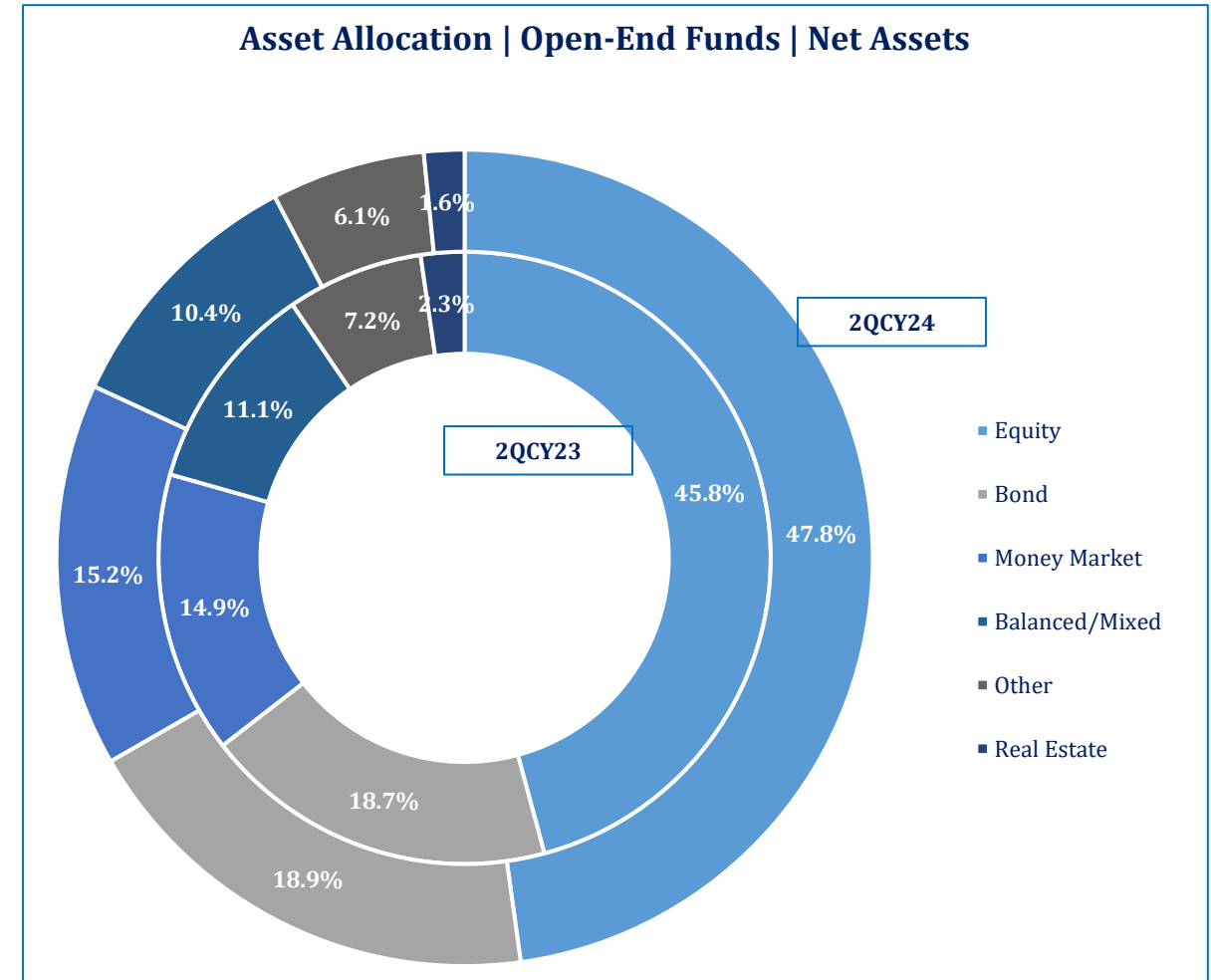
Global Open-End Funds Total Net Assets (USD bln)										
Region	CY20		CY21		CY22		CY23		2QCY24	
	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share
Americas	32,325	51.3%	37,533	52.8%	31,804	52.9%	37,391	54.3%	40,033	57.0%
Europe	21,756	34.5%	23,328	32.8%	19,052	31.7%	21,532	31.3%	22,292	31.8%
Asia & Pacific	8,781	13.9%	9,999	14.1%	9,077	15.1%	9,736	14.1%	7,678	10.9%
Africa	186	0.3%	197	0.3%	185	0.3%	191	0.3%	200	0.3%
Total	63,048	100.0%	71,057	100.0%	60,118	100.0%	68,851	100.0%	70,203	100.0%

Global Open-End Funds Number of Funds										
Region	CY20		CY21		CY22		CY23		2QCY24	
	No.	Share	No.	Share	No.	Share	No.	Share	No.	Share
Americas	30,298	24.1%	33,039	25.1%	35,636	25.9%	37,726	27.0%	38,815	27.2%
Europe	57,753	45.9%	58,986	44.8%	60,079	43.6%	59,518	42.5%	60,033	42.2%
Asia & Pacific	35,974	28.6%	38,073	28.9%	40,330	29.3%	40,906	29.2%	41,651	29.3%
Africa	1,686	1.3%	1,710	1.3%	1,769	1.3%	1,832	1.3%	1,852	1.3%
Total	125,711	100.0%	131,808	100.0%	137,814	100.0%	139,982	100.0%	142,351	100.0%

Mutual Funds

Global | Asset Allocation | Open-End Funds

- During 2QCY24, equity funds accounted for ~47.8% (SPLY: ~45.8%) of the global open-end fund assets followed by bond funds at ~18.9% and money market funds at ~15.2%.
- During the period under review, in terms of asset allocation, all fund types, except Real Estate, registered an increase in terms of net assets under management with equity fund assets witnessing the largest increase of ~12.6% YoY, followed by money market fund assets at ~9.5% YoY, while net assets of real estate fund declined by ~18.7%.



Mutual Funds

AUMs | Asia (2QCY24)

Particulars (USD bln)	China	Japan	South Korea	India	Taiwan	Philippines	Pakistan	Total
Open-End Fund Assets	3,746	2,232	707	727	252	4	10	7,678
GDP (Nominal)	17,176	4,606	1,764	3,216	752	437	373	28,324
Open-End Fund Assets (% of GDP)	21.8%	48.4%	40.1%	22.6%	33.5%	0.9%	2.8%	24.9%
Net Sales	268.5	27.2	15.9	37.2	13.9	-0.1	0.9	363.4
Net Sales (% of Asia-Pacific Net Sales)	73.9%	7.5%	4.4%	10.2%	3.8%	-0.1%	0.3%	100.0%

Note: GDP figures are WB estimates.

Mutual Funds

Regional Comparison | India

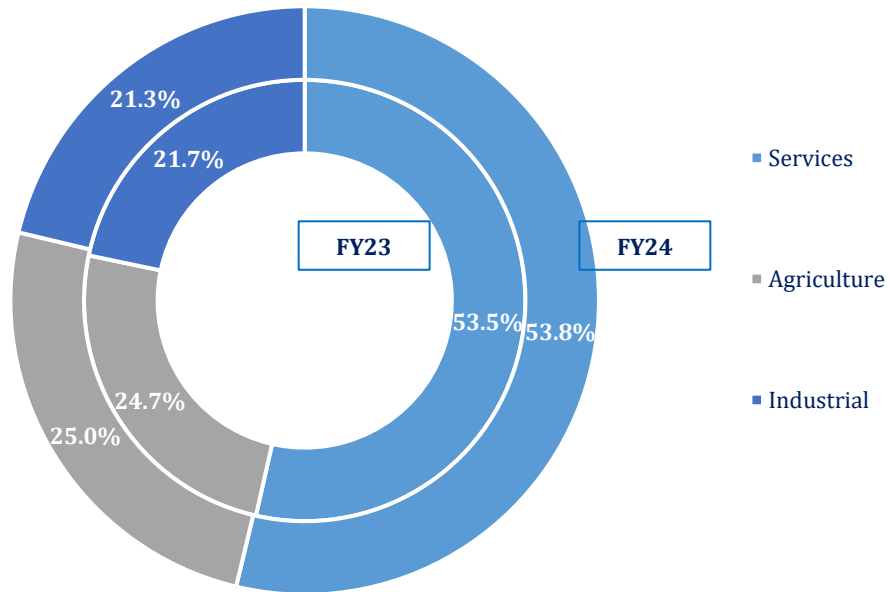
Category-wise Open-End Fund Assets Dec'24 (USD mln)							
Investor Classification	Liquid/ Money Market Funds	Growth/ Equity-Oriented Schemes	Income/ Debt-Oriented Schemes	Hybrid Schemes	ETFs (other than Gold)	Other	Totals
HNW Individuals	9,832	137,790	28,311	66,534	6,340	25,117	273,924
Corporates	61,274	30,557	63,358	17,692	78,336	19,032	270,249
Retail	952	180,582	2,619	15,884	2,311	14,875	217,223
Banks/FIs	7,398	363	5,304	70	519	159	13,813
Foreign Institutional Investors	2	280	160	34	0	0	476
Total	79,458	349,572	99,752	100,214	87,505	59,183	775,684

Mutual Funds

Local | GDP Composition

- Pakistan’s real GDP posted a growth of ~2.5% YoY in FY24 (FY23: ~-0.2%). In nominal terms, during FY24, GDP stood at PKR~105.6trn as compared with PKR~83.9trn in FY23.
- The top 5 sectors in terms of contribution to GDP are (i) Wholesale & Retail Trade; (ii) Transport, Storage & Communication; (iii) Livestock; (iv) Large Scale Manufacturing; and (v) Other Private Services.

Sectoral Share in GDP (%)



Sectoral GDP Composition (%)

Sector	FY23	FY24	1QFY24	1QFY25
Livestock	14.1	13.9	14.6	16.4
Crops	9.8	10.5	9.8	8.7
Forestry	0.5	0.4	0.4	0.4
Fishing	0.3	0.3	0.2	0.2
Agricultural Sector	24.7	25.0	25.0	25.7
Large-Scale Manufacturing	10.7	10.2	10.4	9.8
Electricity Generation + Distribution & Gas Distribution	2.5	2.6	2.4	2.4
Small Scale Manufacturing	2.2	2.3	2.3	2.4
Construction	2.7	2.5	2.7	2.4
Mining & Quarrying	2.2	2.2	2.1	2.3
Slaughtering	1.4	1.5	1.5	1.6
Industrial Sector	21.7	21.3	21.4	20.9
Wholesale & Retail Trade	19.9	19.4	19.2	19
Transport, Storage & Communication	5.4	7.3	6.9	7.3
Other Private Services	8.6	8.8	8.6	9.3
Housing Services	4.2	3.7	3.8	3.9
General Government Services	4.4	4.0	4.1	4.0
Education	2.4	2.3	2.2	2.3
Human Health & Social Work Activities	1.5	1.5	1.5	1.7
Finance & Insurance	4.0	3.7	4.1	2.5
Information & Communication	1.6	1.6	1.5	1.7
Accommodation & Food and Services	1.5	1.5	1.6	1.6
Services Sector	53.6	53.7	53.5	53.4

Note: GDP value is at current basic prices of 2015-16.

Mutual Funds

Local | Yearly Economic Indicators

Monetary Sector	FY15	FY16	FY17	FY18	FY19	5-Year Avg	FY20	FY21	FY22	FY23	FY24	5-Year Avg	6MFY24	6MFY25
Avg. Inflation Rate (%)	4.5%	2.9%	4.2%	3.9%	7.3%	4.6%	10.7%	8.9%	11.4%	29.4%	23.8%	18.8%	29.7%	7.3%
Avg. KIBOR (%)	8.9%	6.5%	6.1%	6.4%	10.4%	7.7%	12.0%	7.4%	10.8%	18.3%	21.9%	14.1%	22.6%	15.9%
Monetary Policy Rate (period-end)	6.5%	5.8%	5.8%	6.5%	12.3%	7.4%	7.0%	7.0%	13.8%	22.0%	20.5%	14.1%	22.0%	13.0%
Avg. PKRV (%)	8.7%	6.3%	6.0%	6.3%	10.2%	7.5%	11.8%	7.3%	10.7%	18.1%	21.7%	13.9%	22.4%	15.6%
Avg. Exchange Rate (USD/PKR)	101.5	104.4	104.8	110.1	136.5	111.4	158.4	160.5	191.9	247.7	283.2	208.3	287.3	278.2
External Sector	FY15	FY16	FY17	FY18	FY19	5 Year Avg	FY20	FY21	FY22	FY23	FY24	5 Year Avg	6MFY24	6MFY25
Current Account Balance (USD mln)	-2,815	-4,961	-12,270	-19,195	-13,434	-10,535	-2,970	-1,852	-17,481	-3,276	-1,695	-5,455	-831	1,210
Exports (USD mln)	24,090	21,972	22,003	24,768	24,257	23,418	22,536	25,630	31,792	27,735	30,677	27,674	14,981	16,639
Imports (USD mln)	41,357	41,118	48,001	55,671	51,869	47,603	43,645	53,785	80,177	55,198	54,798	57,521	26,129	27,842
Trade Balance (USD mln)	-17,267	-19,146	-25,998	-30,903	-27,612	-24,185	-21,109	-28,155	-48,385	-27,463	-24,121	-29,847	-11,148	-11,203
FX Reserves (USD mln)	18,699	23,099	21,403	16,384	14,482	18,813	18,886	24,398	15,537	9,160	13,996	16,395	12,673	15,927

Mutual Funds

Local | Monthly Economic Indicators (CY24)

Monetary Sector	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec'24
Avg. Inflation Rate (%) (CPI)	28.3%	23.1%	20.7%	17.3%	11.8%	12.6%	11.1%	9.6%	6.9%	7.2%	4.9%	4.1%
Avg. KIBOR (%)	21.0%	21.5%	21.5%	21.6%	21.3%	20.4%	19.9%	18.6%	17.0%	14.5%	13.4%	12.3%
Monetary Policy Rate (%) (period-end)	22.0%	22.0%	22.0%	22.0%	22.0%	20.5%	19.5%	19.5%	17.5%	17.5%	15.0%	13.0%
Avg. PKRV (%)	20.9%	21.3%	21.2%	21.3%	21.2%	20.4%	19.6%	18.2%	16.6%	14.1%	13.1%	12.0%
Avg. Exchange Rate (USD/PKR)	280.5	279.3	278.7	278.2	278.3	278.4	278.4	278.6	278.2	277.7	277.9	278.2
External Sector	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec'24
<i>(USD mln)</i>												
Current Account Balance	-303	98	434	491	-248	-313	-246	29	86	349	684	582
Exports	2,791	2,583	2,572	2,351	2,389	2,558	2,307	2,762	2,839	2,982	2,833	2,919
Imports	4,771	4,306	4,873	4,846	4,948	4,964	4,278	4,509	4,671	4,567	4,518	5,393
Trade Balance	-1,980	-1,723	-2,301	-2,495	-2,559	-2,406	-1,971	-1,747	-1,832	-1,585	-1,685	-2,474
FX Reserves	12,594	12,448	12,760	13,750	13,650	13,996	13,967	14,147	15,401	15,467	16,133	15,927

Note: MPR as of month-end.

Mutual Funds

Local | KSE-100 Returns | Monthly & Annual

KSE-100 Index	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	6MFY24	6MFY25
Index Value	34,399	37,784	46,565	41,911	33,902	34,422	47,356	41,541	41,453	78,445	62,451	115,127
Returns (%)	16.0%	9.8%	23.2%	-10.0%	-19.1%	1.5%	37.5%	-12.3%	-0.2%	89.2%	54.5%	84.3%
Avg. Volume ('000')	140,985	113,970	140,349	83,873	96,809	135,873	246,962	114,877	89,779	233,956	247,581	283,512

KSE-100 Index	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23	CY24
Index Value	32,816	47,807	40,471	37,067	40,735	43,755	44,596	40,420	62,451	115,127
Returns (%)	2.1%	45.7%	-15.3%	-8.4%	9.9%	7.4%	1.9%	-9.4%	54.5%	84.3%
Avg. Volume ('000')	142,929	130,599	102,467	96,572	107,225	208,139	190,870	98,396	166,594	252,596

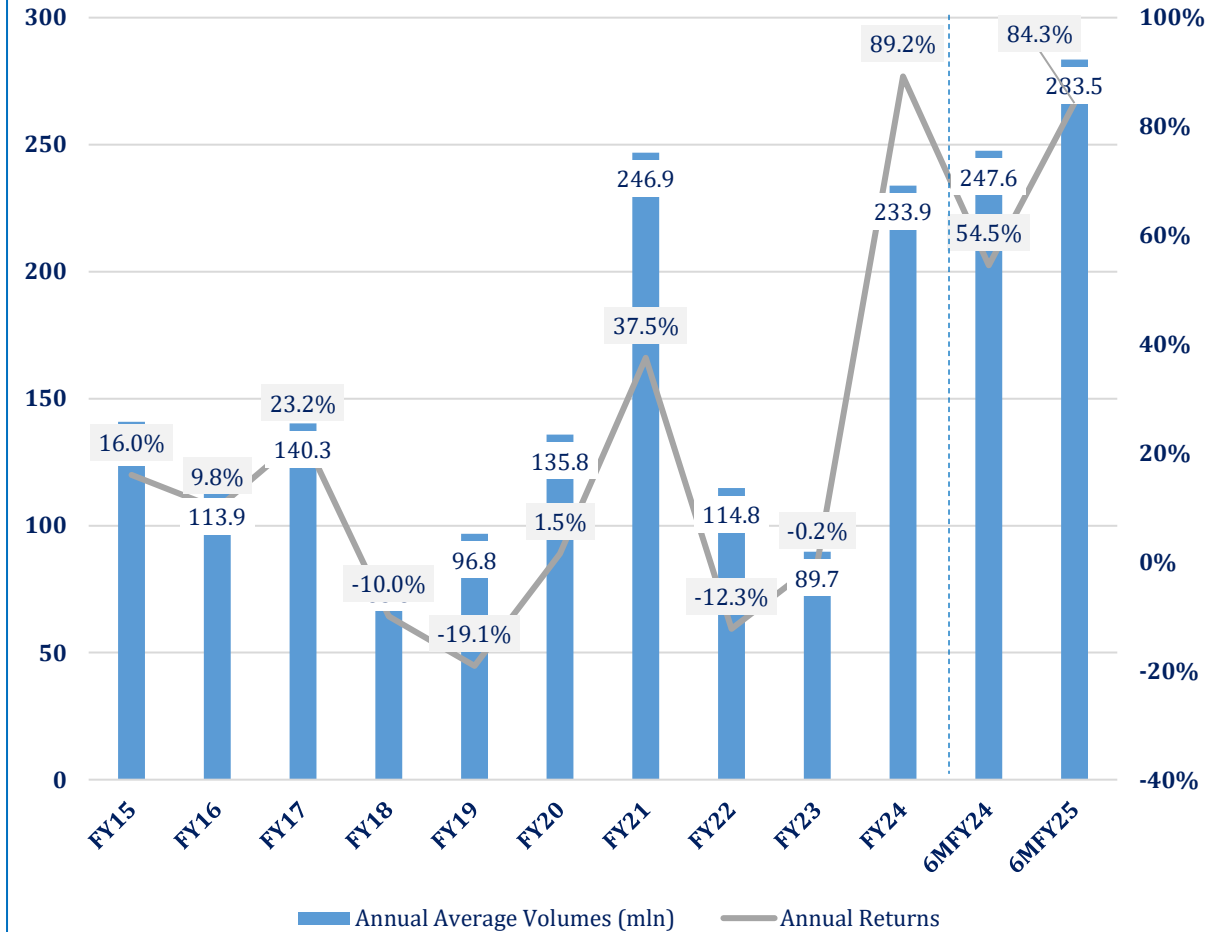
KSE-100 Index	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Index Value	61,979	64,578	67,005	71,102	75,878	78,445	77,887	78,488	81,114	88,967	101,357	115,127
Returns (%)	-0.8%	4.2%	3.8%	6.1%	6.7%	3.4%	-0.7%	0.8%	3.3%	9.7%	13.9%	13.6%
Avg. Volume ('000')	294,969	190,529	163,948	241,316	236,408	175,794	186,225	160,700	153,609	273,320	379,481	542,521

Note: Index values as of period-end.

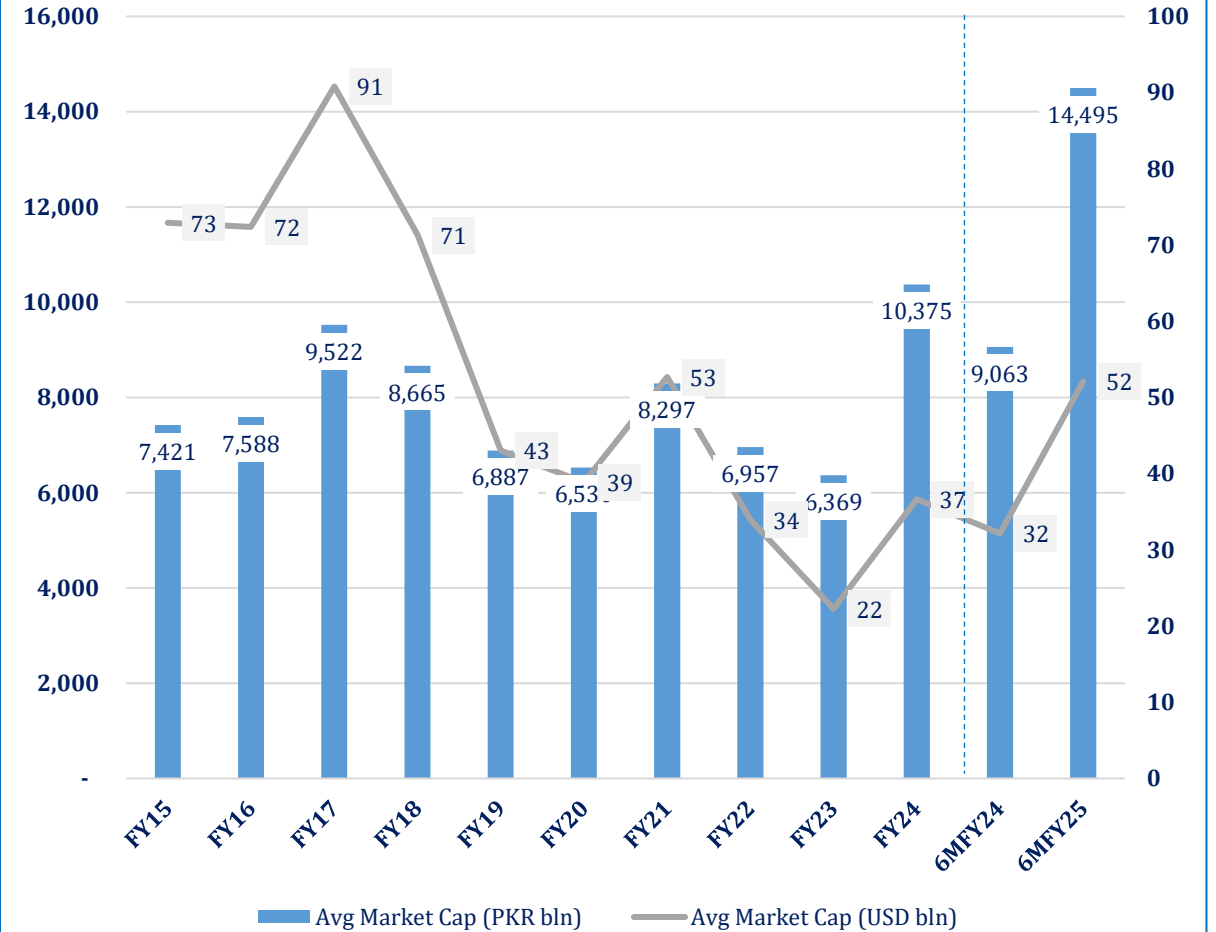
Mutual Funds

Local | Market Volumes & Capitalization

KSE-100 | Growth in Average Volumes



Market Capitalization

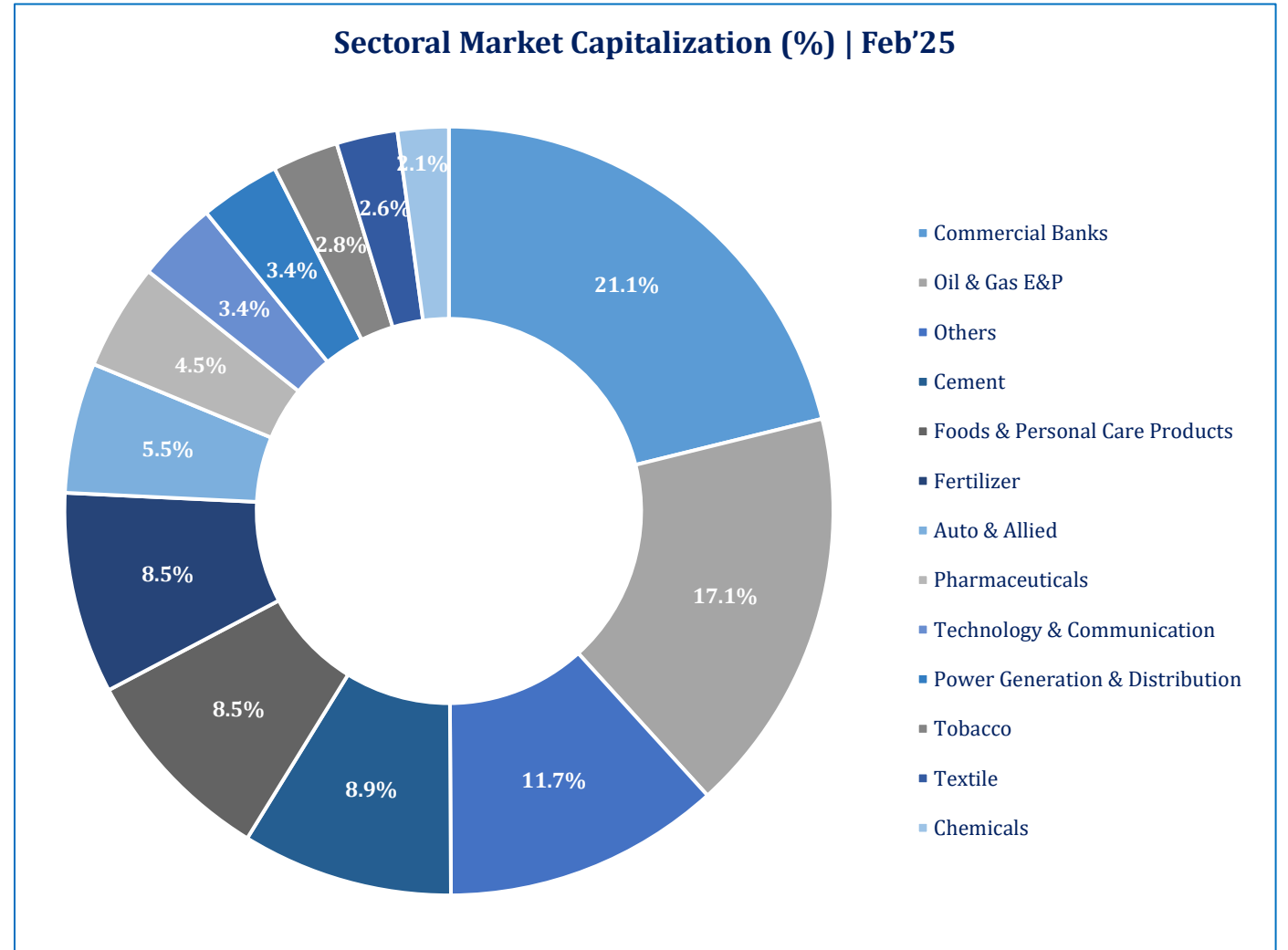


Note: Market capitalization as of year-end.

Mutual Funds

Market Capitalization | Sectoral Composition

- Sector-wise market capitalization of Pakistan Stock Exchange (PSX) stood at PKR~12.9trn as of End-Feb'25 (End-Feb'24: PKR~9.1trn).
- During this time, the market capitalization of Commercial Banks stood at PKR~2.7trn and accounted for ~21.1% (SPLY: ~18.2%) of the total market capitalization.
- Oil & Gas exploration and production sector recorded a capitalization of PKR~2.2trn with a share of ~17.1% (SPLY: ~14.5%).



Mutual Funds

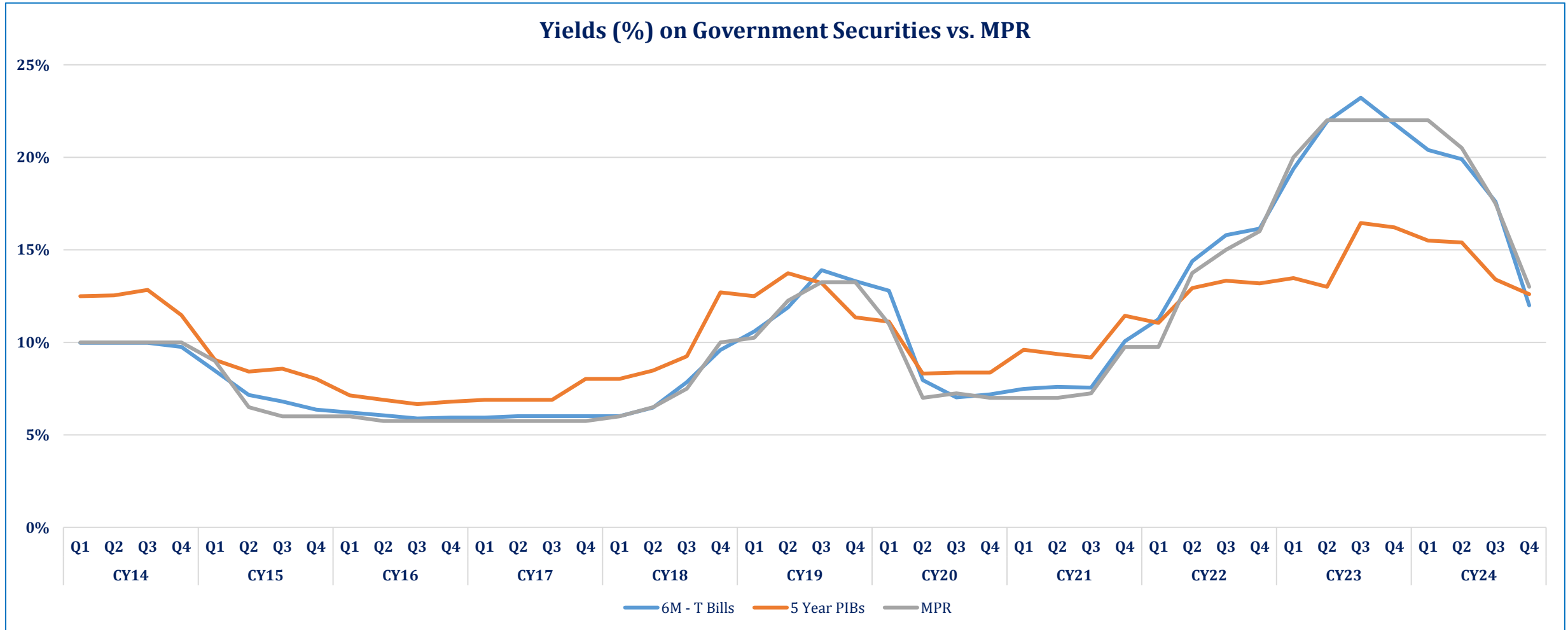
Local | T-Bills & PIBs | Overview

T-Bills Auction CY24		Average Yield			T-Bills Auction CY23		Average Yield		
Total Realized Amount (PKR bln)		3M	6M	12M	Total Realized Amount (PKR bln)		3M	6M	12M
11,231		18.6%	18.1%	17.6%	28,077		21.3%	21.6%	21.9%

PIBs Auction CY24				PIBs Auction CY23			
Tenure	Amount Accepted (PKR bln)	Coupon Rate	Weighted Average Yield	Tenure	Amount Accepted (PKR bln)	Coupon Rate	Weighted Average Yield
3-Year	363	14.0%	14.8%	3-Year	981	11.0%	18.6%
5-Year	581	14.0%	14.3%	5-Year	93	10.5%	15.8%
10-Year	303	14.0%	13.7%	10-Year	175	11.0%	15.1%
15-Year	0	10.5%	0.0%	15-Year	0	10.5%	0.0%
20-Year	0	11.0%	0.0%	20-Year	0	11.0%	0.0%

Mutual Funds

Local | T-Bills & PIBs | Yields



Note: MPR values as of quarter-end.

Mutual Funds

Local | Sector Returns

Weighted Average Return Open-End Funds												
Category	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Shariah-Compliant Equity*	-3.6%	3.3%	2.8%	6.3%	5.3%	1.0%	18.8%	17.8%	1.3%	11.3%	13.6%	18.5%
Income Scheme	19.4%	15.6%	18.6%	20.0%	19.7%	-2.6%	19.3%	19.0%	29.0%	14.9%	13.0%	14.3%
Shariah-Compliant Income	18.2%	18.0%	18.3%	18.7%	18.4%	2.7%	27.4%	18.5%	19.3%	16.9%	15.3%	13.2%
Shariah-Compliant Money Market	18.2%	18.5%	18.9%	19.0%	5.3%	7.5%	18.8%	17.8%	17.4%	16.2%	13.8%	12.8%
Equity*	-3.5%	3.9%	2.8%	10.0%	8.3%	3.2%	-1.1%	2.7%	2.7%	10.7%	14.6%	11.3%
Money Market	18.9%	17.0%	18.7%	19.3%	20.3%	16.6%	19.7%	-18.5%	19.9%	16.4%	15.3%	8.0%

* Absolute Returns, rest are Annualized Returns.

Mutual Funds

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 CY24 of ~100.7% YoY (SPLY: ~37.0%)

Type of Fund (PKR bln) As at	Dec'20	Dec'21	Dec'22	Dec'23	Dec'24
Open-End	920	1,088	1,531	2,098	4,241
Closed-End	-	-	1	-	-
Voluntary Pension	35	39	43	60	91
AUMs	955	1,127	1,575	2,158	4,332

Type of Fund (PKR bln) As at	Jun'20	Jun'21	Jun'22	Jun'23	Jun'24
Open-End	742	1,016	1,211	1,572	2,335
Closed-End	-	-	-	-	-
Voluntary Pension	31	38	41	50	74
AUMs	773	1,054	1,252	1,622	2,409

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 gains 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.
- **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.

Mutual Funds

Categories

- **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.
- **Fixed Rate Scheme:** These schemes provide investors with a predetermined fixed return over a specific period by investing in fixed-income securities like bonds, TFCs, and government securities, minimizing interest rate risk.

Categories	Dec'20		Dec'21		Dec'22		Dec'23		Dec'24	
Fixed Rate	0	0%	0	0%	0	0%	10	4%	47	14%
Income Scheme	30	15%	30	14%	35	15%	40	16%	43	13%
Shariah Compliant Income	13	11%	23	11%	28	12%	34	13%	39	12%
Shariah Compliant Money Market	20	7%	17	8%	21	9%	26	10%	27	8%
Money Market	26	10%	23	11%	23	10%	27	10%	26	8%
Equity	5	13%	25	12%	25	11%	26	10%	24	7%
Shariah Compliant Equity	19	10%	19	9%	20	9%	20	8%	19	6%
Others	70	35	74	35%	78	34%	75	29%	101	31%
Total	199	100%	211	100%	230	100%	258	100%	326	100%

Mutual Funds

Market Share | Asset Management Companies

(Open-End, VPS, EPF & ETFs) PKR bln						
Sr.	Asset Management Company	Jun'23	Dec'23	Jun'24	Dec'24	Market Share
		AUMs				
1	Al-Meezan Investment Management Limited	303	410	453	655	15.4%
2	NBP Fund Management Limited	238	268	302	497	11.7%
3	HBL Asset Management Limited	159	204	190	422	10.0%
4	MCB Investment Management Limited *	153	164	195	458	10.8%
5	UBL Fund Managers Limited	153	194	138	413	9.7%
6	Alfalah Investment Management Limited**d	102	149	202	329	7.9%
7	ABL Asset Management Limited	113	170	183	322	7.6%
8	Al Habib Asset Management Limited	64	122	134	298	7.0%
9	Faysal Asset Management Limited	98	134	146	244	5.8%
10	National Investment Trust Limited	86	113	128	196	4.6%
11	Atlas Asset Management Limited	53	71	82	113	2.7%
12	JS Investment Limited	36	65	65	93	2.2%
13	Lakson Investments Limited	31	45	46	76	1.8%
14	Pak Qatar Asset Management Company Limited	11	21	29	59	1.4%
15	AWT Investment Management Limited	7	14	27	52	1.2%
16	AKD Investment Management Limited	6	8	8	10	0.2%
17	Pak Oman Asset Management	6	5	4	2	0.0%
18	786 Investments Limited	1	1	1	1	0.0%
19	First Capital Investments Limited	0.1	0.1	0.1	0.2	0.0%
20	Pak Qatar Family Takaful Limited***	0	0.1	0	0	0.0%
21	Interloop Asset Management Limited****	-	0.1	-	-	0.0%
Total		1,622	2,158	2,333	4,241	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

Mutual Funds

Local | Net Sales

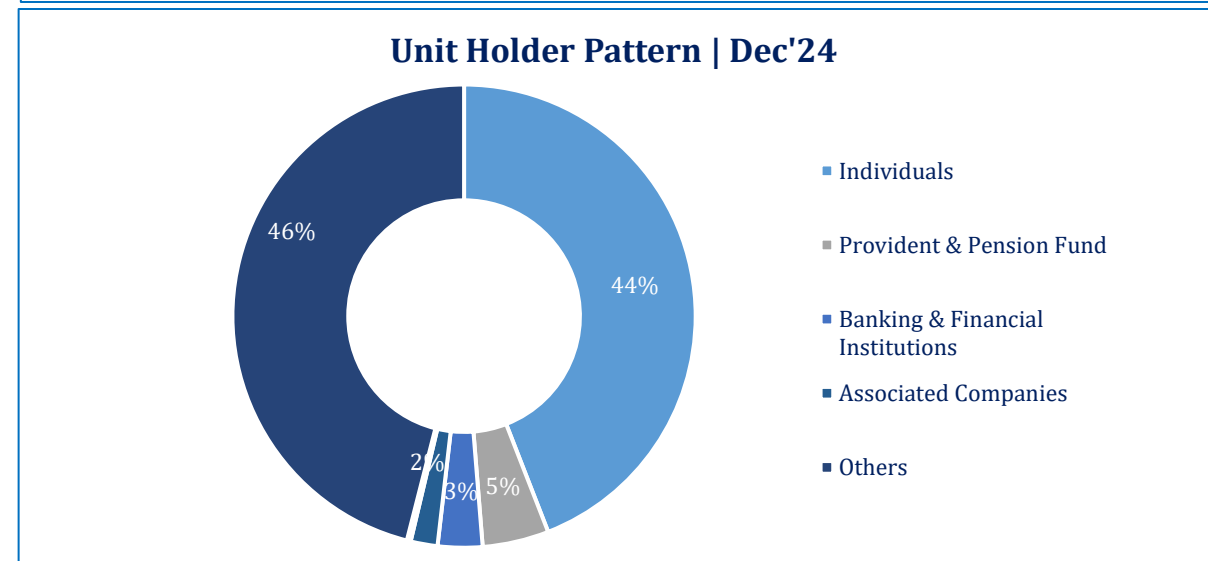
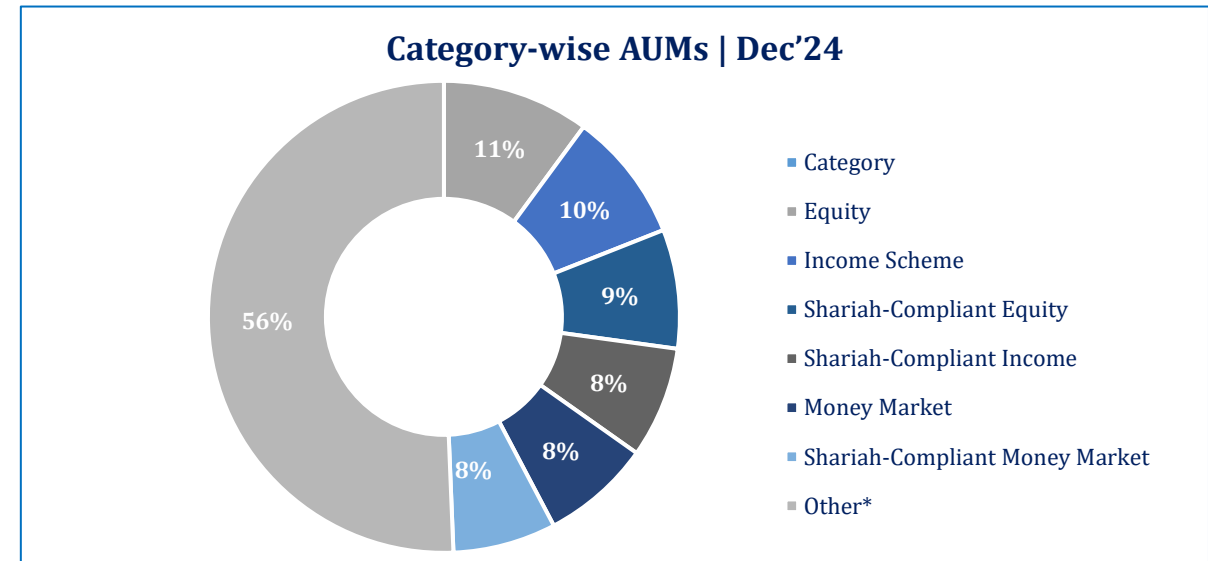
- Sales of mutual funds during CY24 increased by ~15.3% YoY, while redemptions during the year increased only by ~8.6% YoY. As a result, net sales of mutual funds increased by ~105.7% YoY.
- The Shariah-compliant income category experienced the highest level of net sales, followed by the Shariah-compliant money market category, with these accounting for ~27.8% and ~17.9%, respectively, of total net sales.
- In CY24, net sales in the Shariah-compliant money market category was down ~35.2% YoY due to decrease in interest rates causing lower returns.
- In CY24, net sales in the conventional Shariah-compliant income category increased by ~244.3% YoY owing to increased investors confidence in the equity markets.

Net Sales (PKR bln)	CY24			
	Open End	Sales	Redemptions	Net Sales
Money Market		1,798	1,683	115
Income Scheme		744	625	119
Equity		47	48	-1
Shariah-Compliant Money Market		1,507	1,379	128
Shariah-Compliant Income		1,022	823	199
Shariah-Compliant Equity		81	79	2
Other		682	487	135
VPS		42	24	18
Total		5,863	5,148	715

Mutual Funds

Local | Category-wise AUMs

Assets Under Management Breakdown (Dec'24)	
Category	AUMs (PKR bln)
Equity	349
Income Scheme	329
Shariah-Compliant Equity	355
Shariah-Compliant Income	415
Money Market	470
Shariah-Compliant Money Market	380
Others*	2,358
Total AUMs	4,241

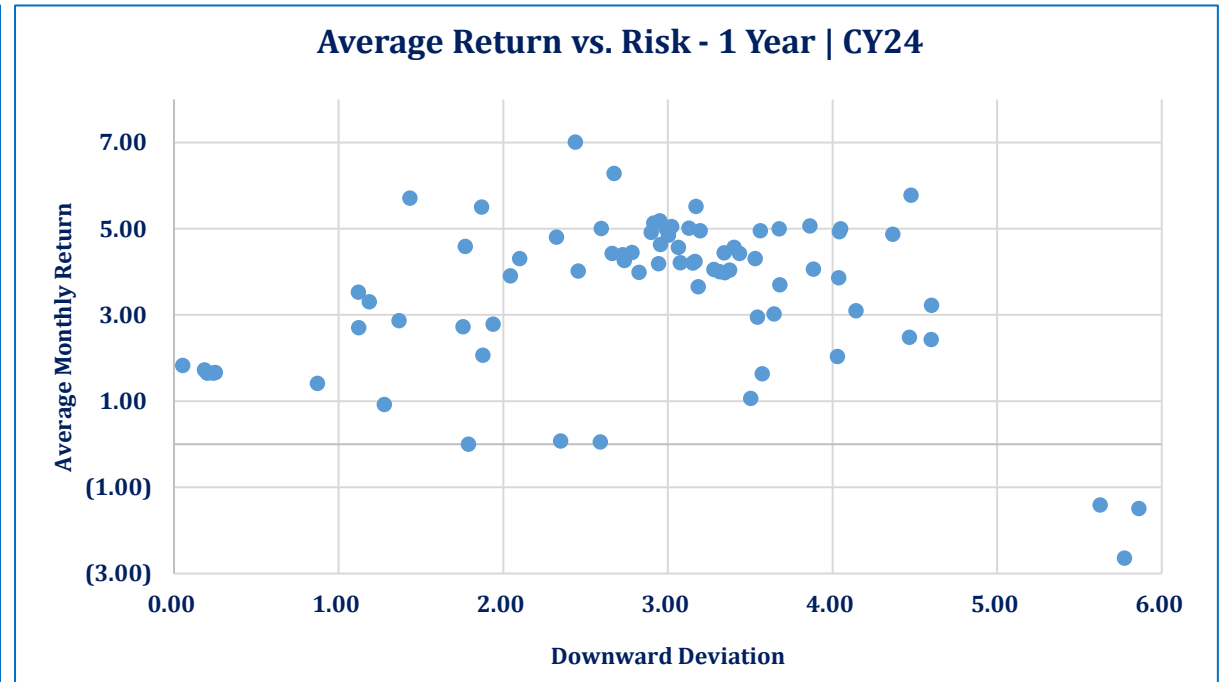
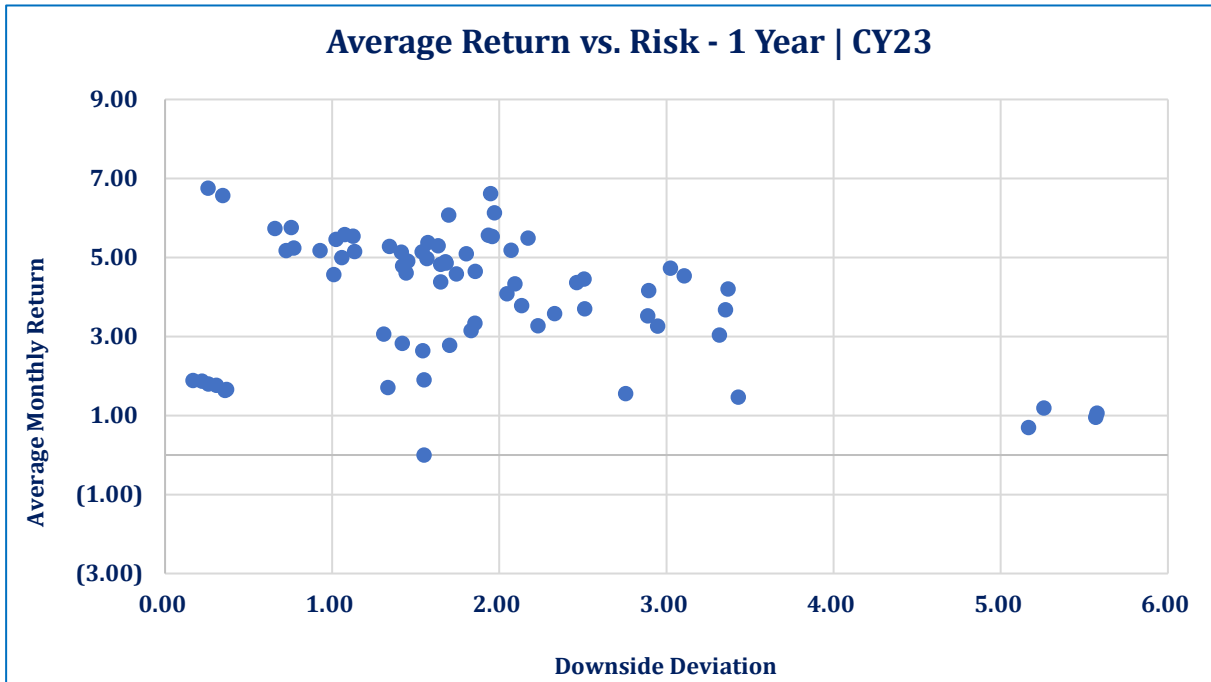


* Includes fixed returns, funds capital protected funds and funds of funds etc.

Mutual Funds

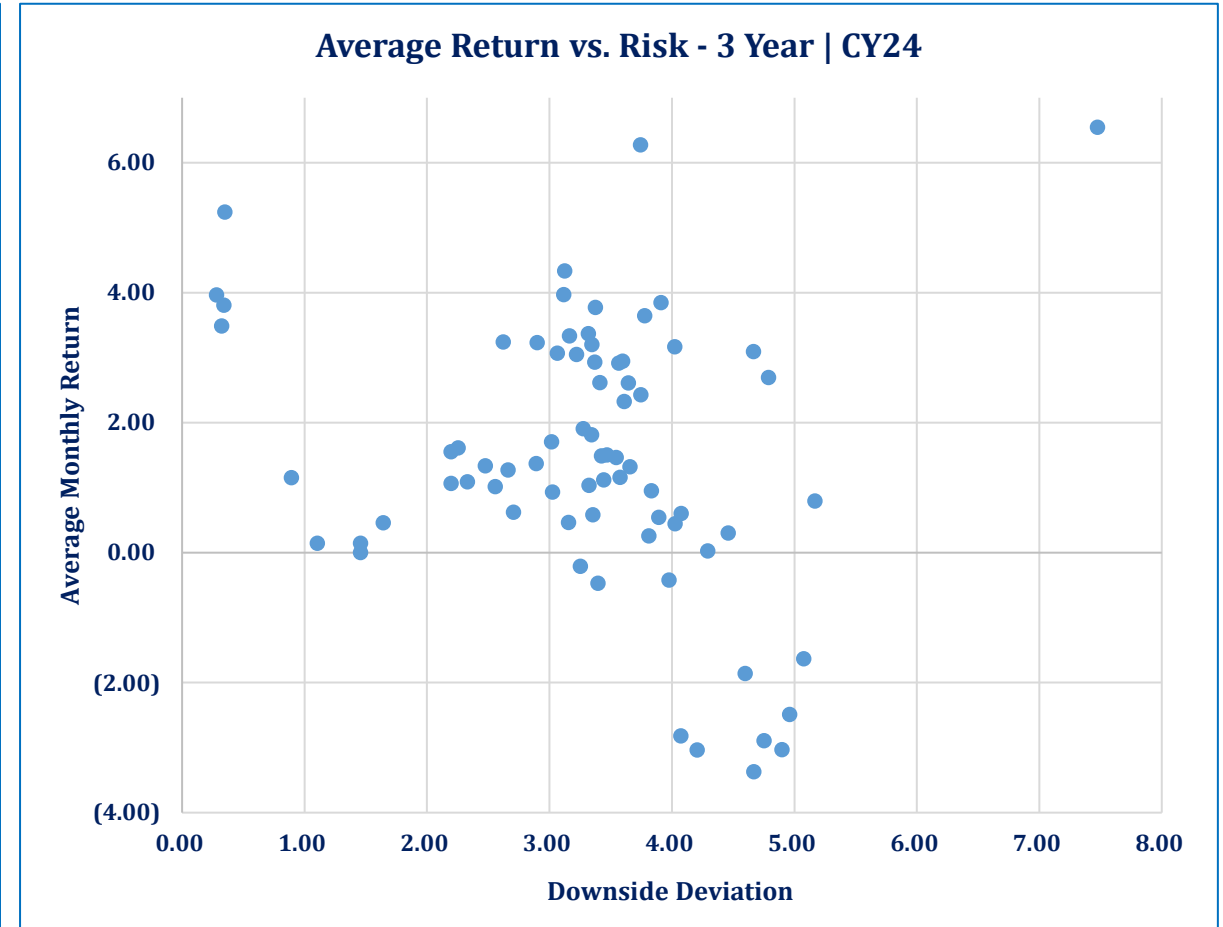
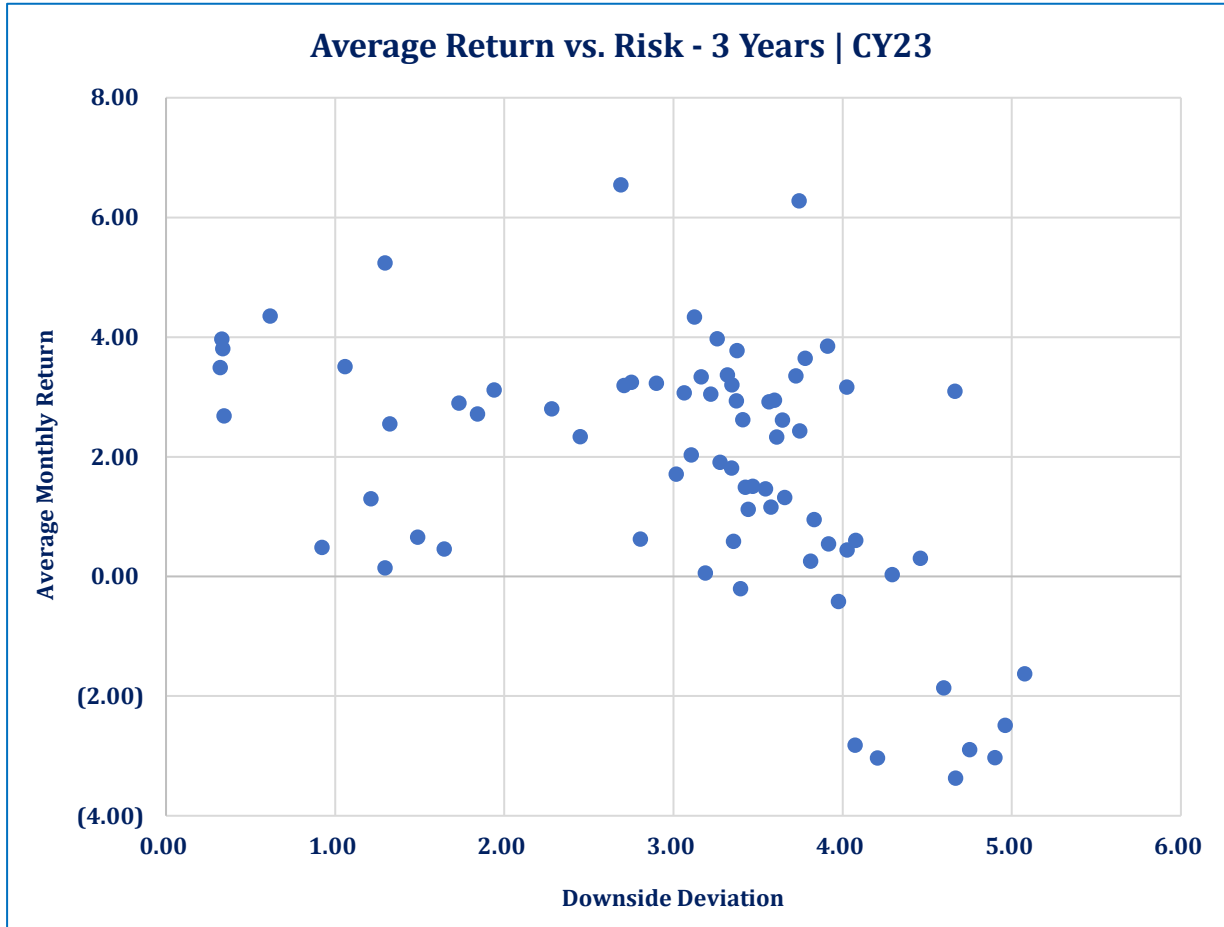
Downside Deviation | 1 Year

- Downside deviation is a measure of downside risk which is calculated using the returns which fall below a minimum benchmark or Minimum Acceptable Return (MAR). The downside deviation can then be used to calculate a Risk Adjusted Return (RAR) for the mutual funds.
- An advantage of downside risk is that it only takes into account negative deviations from the acceptable return threshold while other measures such as standard deviation incorporate both positive and negative deviations from the average. Another benefit is that this measure can be tailored for various risk profiles by adjusting the Minimum Acceptable Return (MAR).
- As can be seen in the graph on the right for 1-year period, a significant number of mutual funds fell within a downside deviation range of ~2.0-4.0% (CY23: ~1.0-3.0%). This shows a higher downward risk for CY24 as compared to CY23, likely due to high volatility of markets such as Pakistan Stock Exchange.



Mutual Funds

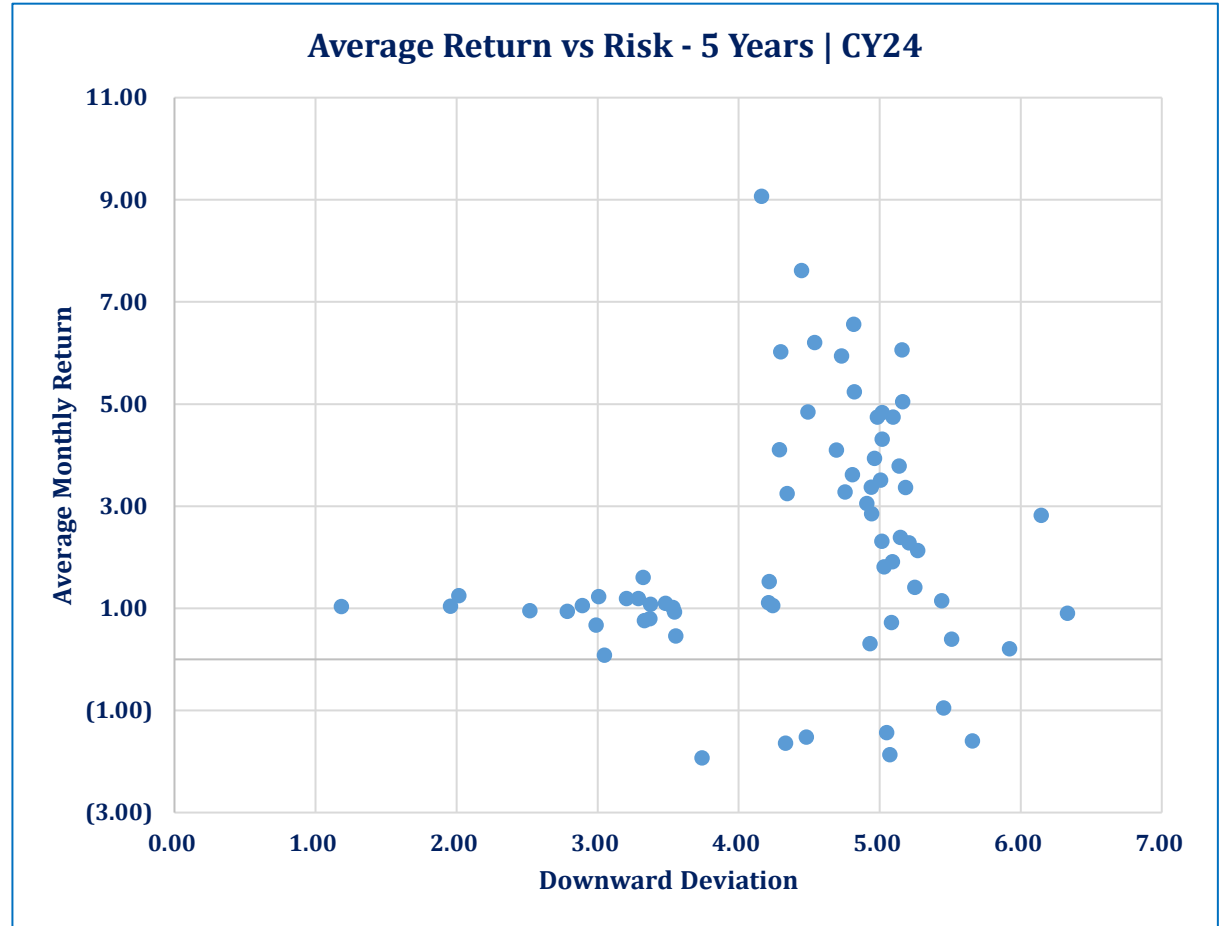
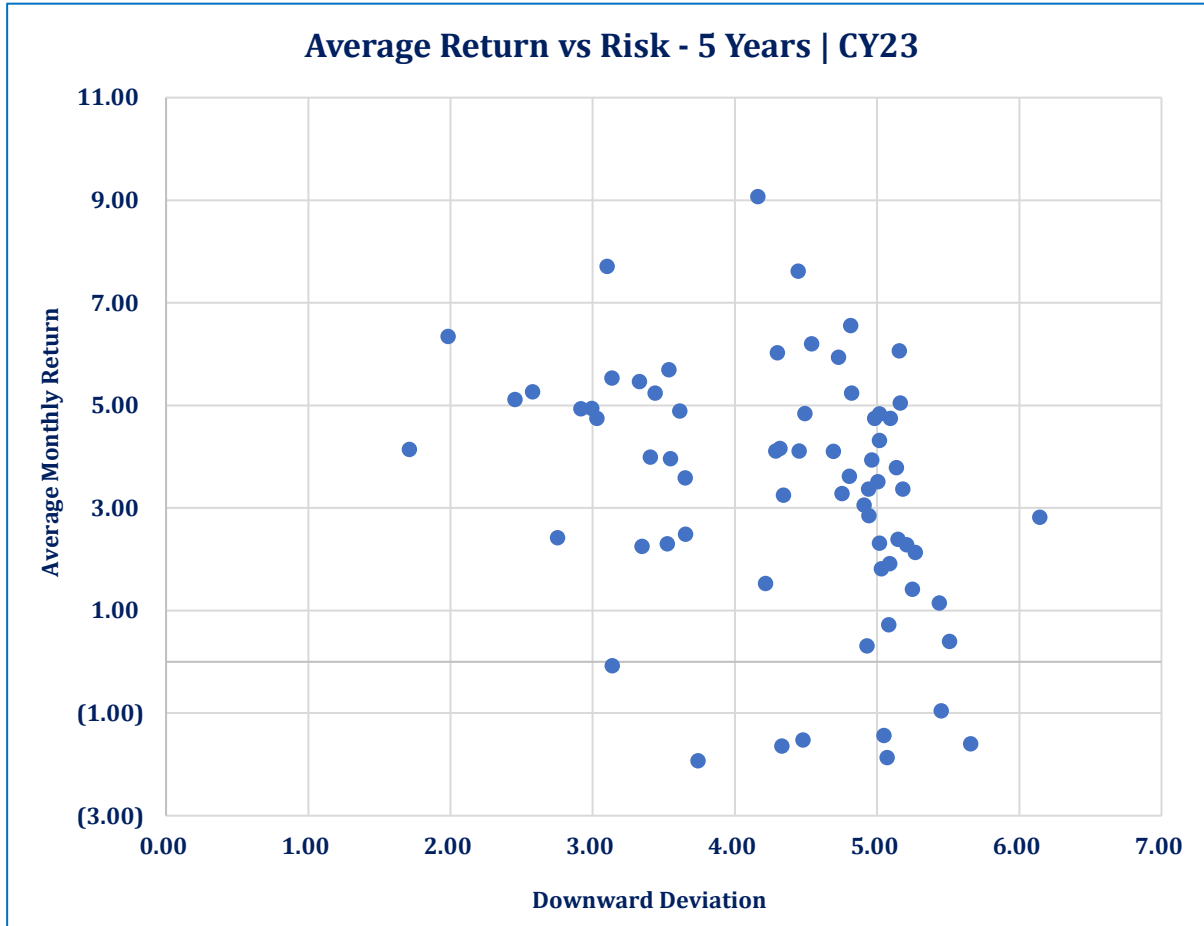
Downside Deviation | 3 Years



- During CY24, majority of 3-year mutual funds fell within a downside deviation range of ~2.5-4.5% (CY23: ~3.0-5.0%).

Mutual Funds

Downside Deviation | 5 Years



- During CY24, majority of 5-year mutual funds fell within a downside deviation range of ~3.2-5.2% (CY23: ~4.0-6.0%).

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.

Mutual Funds

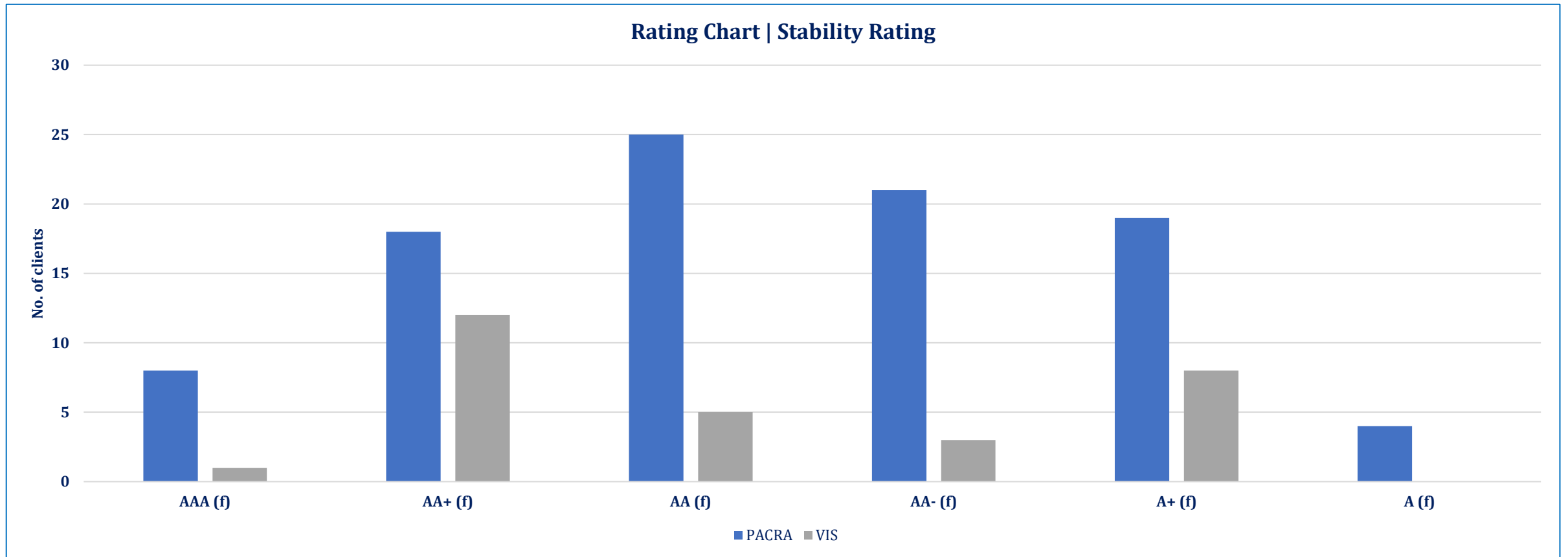
Regulatory Framework | Updates

- **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.
- **Amendments to NBFC Rules:** On January 15, 2024, the SECP released SRO 14(I)/2024, proposing draft amendments to the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. These amendments aim to streamline business procedures by eliminating the requirement for submitting certified copies of documents such as the memorandum, articles of association, and certificate of incorporation.
- **Extension of IFRS-9 Applicability:** On November 8, 2024, the SECP issued SRO 1784(I)/2024, extending the exemption from the Expected Credit Loss (ECL) model under IFRS-9 for certain entities. This extension allows NBFCs and Modarabas additional time to transition from IAS-39 to IFRS-9 for financial instruments accounting.

Mutual Funds

Rating Chart | Stability Fund Ratings

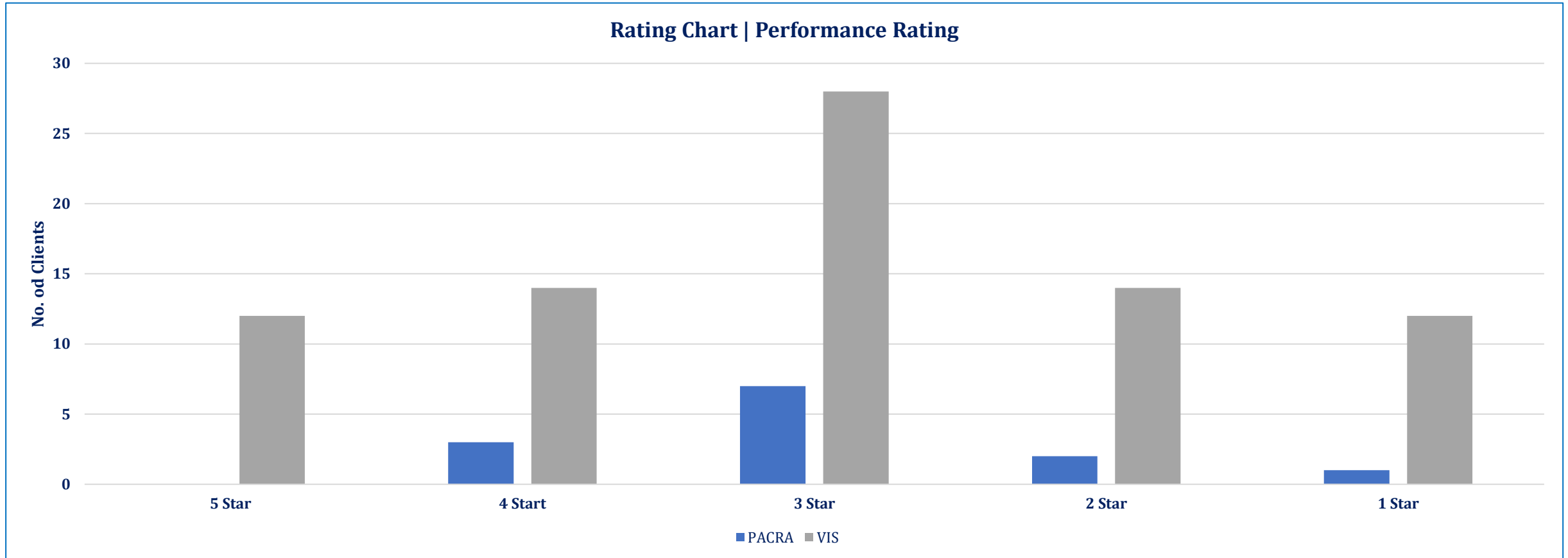
- PACRA rates a total of 110 mutual funds. Of these, PACRA provides stability ratings to 95 mutual funds with a rating in the bandwidth of A (f) to AAA (f).



Mutual Funds

Rating Chart | Performance Fund Ratings

- PACRA provides performance ratings to 13 mutual funds with a long-term rating in the bandwidth of 1- star to 5 - star.



Mutual Funds

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.
- Interest rate volatility remains a key determinant in the sector's performance.

- High concentration in money market funds is likely to shift in the wake of stable interest rate environment.
- Lower market size as % of GDP as compared with banking sector's share, therefore, the sector remains underdeveloped

- 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: Stable

- CY24 proved to be a great year for mutual funds as markets provided strong returns. The growth in the Pakistan Stock Exchange, alongside a high policy rate, meant returns for mutual funds reached significant heights.
- An increase in market capitalization of ~41.8% in Feb'25 YoY led to strong equity fund returns. Dec'24 alone recorded a monthly return of ~11.3%, depicting exceptional performance. Even though the market still has untapped potential, an increase like CY24 may prove to be difficult. However, various stakeholders predict the benchmark KSE-100 to cross ~150,000 points in CY25.
- A high policy rate at the start of CY24 also resulted in a high risk-free return for various funds at ~22.0% average returns. However, after successive policy rate cuts throughout the year, the policy rate now stands at ~12.0% as of Feb'25 and is expected to maintain status quo or decline further in CY25 subject to average inflation (Feb'25: ~1.7%). This would make it difficult for income funds to generate attractive returns.
- In CY23, local mutual funds' assets under management grew to PKR~4.2bln, generating a growth of ~100.7% (SPLY growth: ~37.0%). The best-performing funds during this period were equities and Shariah-compliant equities, which posted ~18.5% and ~11.3% absolute returns in Dec'24 alone, respectively. Meanwhile, money market returns declined the most due to a low policy rate, and this trend is expected to continue throughout CY25.
- The performance of mutual funds as an investment vehicle remains contingent on Pakistan's economic stability, interest rate environment and stock market performance. Several factors have positively contributed to the sector's stability during CY24 and are expected to continue influencing it in CY25. These include the successful disbursement of another USD~1.0bln tranche from the IMF after the recent review in March'25, a stable political environment, PKR holding steady against the USD (End-Feb'25: USD~281.5/PKR) and further reductions in policy rate. These factors are likely to contribute to the sector's overall performance.
- Furthermore, a shift to equities and riskier assets may be observed in CY25, as the policy rate is expected to remain stable or decline further. Pakistan's real interest rate currently stands at ~10.3% following the recent inflation figures for Feb'25 of ~1.7%. As a result, returns from fixed income and money market schemes are likely to be lower.

Mutual Funds

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- International Monetary Fund (IMF)
- PACRA Database

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