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\*Subject to conditions as per section 62, 63, 37A & 23A (2<sup>nd</sup> Schedule) of income tax Ordinance, 2001.

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# Market Review & Outlook

From the CIO's Desk

Fund Managers Report - February 2022



The market started February on a positive note, driven higher by resumption of IMF Program and successful USD 1.0 billion Eurobond issue. However, rising domestic and global political climate, an unprecedented increase in current account deficit and further surge in international commodity prices, which raised external vulnerability concerns, dampened investor sentiment later in the month with the benchmark KSE 100 declining by 2%M/M. Trading activity diminished further with average traded volume and value falling by 14% and 12%M/M, respectively. On an aggregate basis, Foreigners turned sellers (USD 15 million net outflow) again in Feb-22 whereas locally, Companies/Banks/Others bought shares worth USD13.5/9.0/14.1 million respectively.

Inflation arrived at 12.2% Y/Y for Feb-22. After remaining flattish in Jan-22, the index increased 1.2% M/M mainly on account of an uptick in food and transport constituents (+2.5/3.6% M/M). With regards to the upcoming monetary policy committee meeting, the recent T-bill auction suggests money market expectations of a 25bps rate hike. SBP embraced a surprisingly soft tone on interest rates in the previous monetary policy review meeting wherein the central bank relied on a tighter fiscal policy stance and the expected softening of commodity prices for its status quo decision. However, commodity prices have significantly increased since the last monetary policy announcement. Further, the recent relief package announced by the Federal Government could result in fiscal slippages. Nonetheless, the decision to reduce retail fuel prices by PKR 10 and electricity tariff by PKR 5 should allay inflationary pressures over the next few months.

As per SBP data, Pakistan's current account deficit surged by 37% M/M to a record USD 2.6 billion in Jan-22. The key takeaway was weakening support from remittances (-14.9% M/M) and exports (-16.6% M/M) amid flattish imports (-2.8% M/M). This took the deficit during 7MFY22 to a whopping USD 11.6 billion (against a surplus of USD 1.0 billion SPLY). With recent upsurge in global commodity prices and still formidable domestic demand, external account pressures are likely to continue over the rest of the fiscal year. To note, Crude oil (Arab Light)/Palm Oil and Coal (R-Bay) prices rose 9.7/29.3/51.4% M/M in Feb-22.

In its latest review document, the IMF has alluded to serious lapses in implementation of fiscal and structural reforms warranting action in fiscal discipline, creating external buffers, improving viability of the energy sector and reforms to overcome deficiencies in SOE governance. However, the tone remained soft on implementation of the necessary conditions/benchmarks to address the structural issues besetting domestic economy probably due to little time left in the completion of the current program.

In the coming month, the market will take direction from developments in the Russian Ukraine conflict, opposition moves on no confidence motion against the PM and any progress on resolution of gas sector circular debt. From a fundamental perspective, we maintain a positive outlook on equities as the local bourse is currently trading at much discounted forward PE multiple of 5.0x as compared to historical PE of 8.0x. Also, market's current earnings yield differential with 10Y PIB yield is 8.9% (20.0% vs. 11.1%) which is much higher than the average yield gap of 1.1% over the last 15 years. Further, earnings growth is also expected to remain robust during the next 12 months. Large cap stocks in the banking, oil exploration, fertilizer and power sectors are trading at huge discount to their fundamental valuations. For patient investors, potential catalysts should eventually unlock enormous value in the above names.

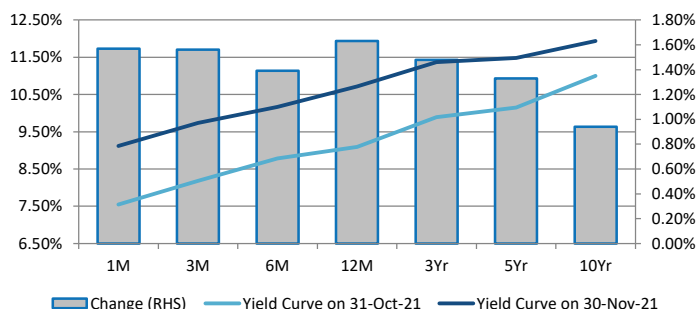
# Market Review & Outlook

Fund Managers Report - February 2022



## Money Market Review & Outlook

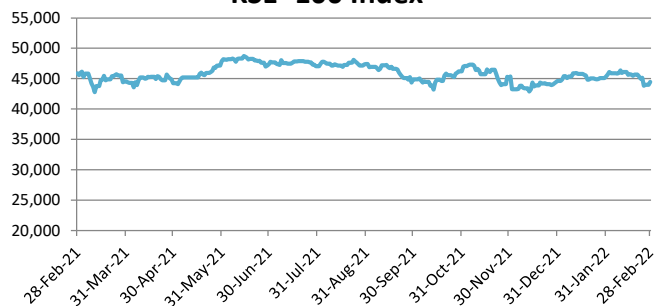
### Yield Curve



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## Equity Market Review & Outlook

### KSE- 100 Index



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# UBL Pakistan Enterprise Exchange Traded Fund

Fund Managers Report - February 2022



## Investment Objective

UBL Pakistan Enterprise Exchange Traded Fund (UBLP-ETF) aims to track the performance of the benchmark index in order to provide long-term capital appreciation and dividend yields to its investors.

## Fund Performance

	UBLP-ETF	Benchmark
FY-YTD	-9.08%	-8.31%
February 2022	-2.88%	-2.86%
Since Inception (CAGR)***	10.03%	12.08%
Standard Deviation*	14.99%	15.70%
Sharpe Ratio**	(1.10)	(0.95)
Expense Ratio <sup>1</sup>	1.06%	

	Jan'22	Feb'22	%
Fund Size (PKR Mn)	45	43	-4.54%
NAV (PKR)	12.7964	12.4279	-2.88%

\* 12m Trailing | \*\* 12m Trailing, 3M PKRV yield is used as a risk-free rate

\*\*\*Returns have been annualized using Morningstar Methodology

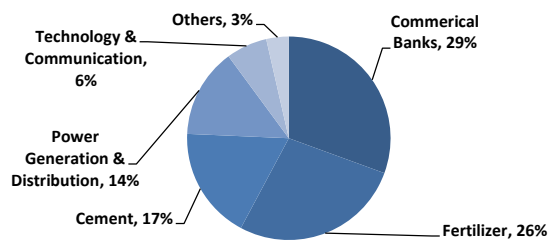
1 This includes 0.08% representing government levy, SECP fee.

Selling & Marketing Expense PKR 0.00 mn.

## Fund Information

Fund Type	Open End Fund
Fund Categorization	Exchange Traded Fund
Risk Profile	High
Launch Date	24-Mar-20
Benchmark	UBL PSX Pakistan Enterprise Index
Listing	Pakistan Stock Exchange (PSX)
Trustee	Central Depository Company Pakistan Limited
Auditor	EY Ford Rhodes
Authorised Participant	JS Global, MRA Securities, ASL
Management Co. Rating	AM1 (VIS) (31-Dec-2021)
Dealing Days	As per PSX
Cut off times	As per Market Hours
Pricing Mechanism	Backward
Management Fee	0.65% p.a.
Fund Manager	Mubashir Anis, CFA (Equity Specialist)

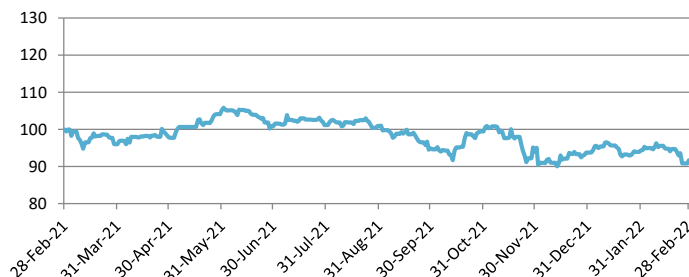
## Equity Sector Allocation (% of Total Assets)



## Top Ten Holdings (% of Total Assets)

Engro Corporation Ltd.	15.80%	Engro Fertilizers Ltd.	10.31%
Habib Bank Ltd.	15.20%	TRG Pakistan Ltd.	6.26%
United Bank Ltd.	14.11%	The Searle Co. Ltd.	3.43%
Lucky Cement Ltd.	13.89%	D.G. Khan Cement Co. Ltd.	3.24%
The Hub Power Co. Ltd.	13.63%		

## Value of 100 Rupees invested 12 months ago



## Monthly Yield

	Mar'21	Apr'21	May'21	Jun'21	Jul'21	Aug'21	Sep'21	Oct'21	Nov'21	Dec'21	Jan'22	Feb'22	CYTD
UBLP-ETF	-4.02%	1.88%	7.49%	-4.07%	0.34%	-0.26%	-5.92%	4.76%	-5.55%	-0.15%	0.63%	-2.88%	-2.26%
Benchmark	-4.00%	2.10%	8.21%	-4.04%	0.47%	-0.15%	-6.04%	5.11%	-5.39%	-0.04%	0.73%	-2.86%	-2.14%

For periodic returns as per SECP's SCD Circular No. 16 of 2014, refer to the end of this FMR

Disclaimer : This publication is for informational purpose only and nothing herein should be construed as a solicitation, recommendation or an offer to buy or sell any fund. All investments in mutual funds are subject to market risks. The NAV based prices of units and any dividends/returns thereon are dependent on forces and factors affecting the capital markets. These may go up or down based on market conditions. Past performance is not necessarily indicative of future results. All returns are calculated assuming reinvested dividends. The calculation of performance does not include cost of sales load.

## Asset Allocation (% of Total Assets)

	Dec'21	Jan'22	Feb'22
Equities	94.2%	93.0%	95.9%
Cash	5.0%	4.8%	1.8%
Others	0.9%	2.2%	2.4%
Leverage	Nil	Nil	Nil

## Return vs Benchmark

	3 Months	6 Months	1 Year	3 Years	5 Years	Since Inception
UBLP-ETF	-2.41%	-9.15%	-8.33%	-	-	20.33%
Benchmark	-2.18%	-8.60%	-6.68%	-	-	24.72%

Returns are on absolute basis

## Disclosures regarding Sindh Workers Welfare Fund

During the month of August 2021, provisioning against Sindh Workers Welfare Fund by UBLP-ETF amounting to Rs. 0.05 million had been reversed on the basis of clarification received from Sindh Revenue Board vide letter No. SRB/TP/70/2013/8772 dated August 12, 2021 addressed to Mutual Funds Association of Pakistan, received on August 13, 2021. This reversal of provision has contributed towards an unusual increase in NAV of the UBLP-ETF 0.11%. This is one-off event and is not likely to be repeated in the future.

## Tracking Error Risk

Tracking Error ( Absolute)	0.04%
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