

IGI | Life

Funds Performance Report

October 2019



IGI Life Insurance Limited

Macro Review and Outlook:

Oct-19, headline inflation prints a +11.04% y/y growth

As per the latest reading, headline CPI inflation edged up by +11.04% y/y making it third consecutive month of FY20 having double-digit growth. On a monthly basis, national CPI is up +1.8% m/m one of the sharpest rise since start of FY20. Moreover, Oct-19 print was higher by a good +54bps against market consensus of 10.5%.

For the month, food inflation rose by +14.1% y/y (+1.9% m/m), key among which are prices of perishable food items up by +13.8% m/m (weight: 5.0% in total basket). Break-up wise, rural food inflation saw a sharper increase of +2.6% m/m compared to +1.4% m/m for urban. The rise in perishable food items during the month is part seasonal and is in the upcycle and partially due to cost push factors. National non-food inflation settled at +9.1% y/y owing to higher urban NF inflation of +9.3%. Key among which are energy prices (gas +55% y/y & electricity +11% y/y) and petroleum prices (up +21% y/y). During the month the quarterly house rental index (HRI) was also revised upward by +0.5% m/m or +4.6% y/y. While urban HRI, contributing -60%, was up by +5.02% y/y.

FY20 Inflation to remain below SBP and IMF target at +10%; hinting to possible monetary rate cycle reversal starting Jan-20 onwards.

We maintain our expectation for CPI inflation, whereby FY 20 average is likely to come close to +10% against SBP target of 11-12% and IMF 13%. Moreover, from 3q FY20 onwards, inflation is expected to drop down back to single digit, which should prompt authorities to cut key policy rate. Henceforth we are of the view that SBP is likely to keep policy rate unchanged at 13.25% in November Monetary policy statement announcement due.

C/a deficit further shrinks in Sep-19 to USD 0.26bn

On external side, monthly current account (C/a) deficit during Sep-19 further shrinks to USD 0.26bn compared to USD 0.61bn (down by 58% m/m) and USD 1.28bn (down by 80% y/y) for the month of Aug-19 and Sep-18 respectively. On a cumulative basis, 1q FY2020 C/a deficit declined by ~64% y/y to USD 1.55bn compared to USD 4.29bn in the same period last year.

Major respite came from lower import bill, down by 23% y/y during 1q2020, bringing down trade deficit to USD 5.0bn (decline of 40%). However, support from income balance remained subdued as well, mainly on account of lower remittances during the month of Aug-19 owing to outgoing 'Eid-ul-Adha' in Jul-19.

Under imports, nearly all commodity groups saw a net decline during the month of Sep 2019. Petroleum group led to the largest impact on imports with imports down to USD 2.89bn in 1qFY20 compared to USD 4.13bn last year same period (down by 30% y/y). Followed by petroleum, agri. and metal group also witnessed a significant decline of 17% and 23% y/y respectively. However, on exports front, textile group (57% of total weights in exports) also declined by 2% y/y to USD 3.42bn. Nevertheless, the net trade balance of the three groups Food, Textile and Petroleum turned positive at USD 146mn during 1qFY20 compared to a deficit of USD 1,541mn during 1qFY19.

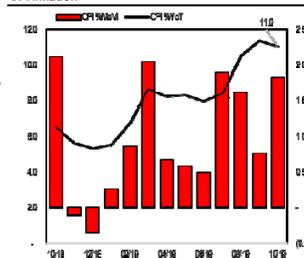
FATF in its latest evaluation report has maintained Pakistan's status under the grey list category, with technical deficiencies still left unaddressed

As part of the country's on-going compliance with Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT), the FATF (Financial Action Task Force) in its latest evaluation report has maintained Pakistan's status under the grey list category, with technical deficiencies still left unaddressed. So far out of the total set of 40 recommendations formulated by FATF, Pakistan is partially (27), largely (9) and fully complied (1) with 36 of the recommendations while 4 remain non-compliant. In case of not meeting the above compliance by stated dates, FATF will take action, which could include the "FATF calling on its members and urging all jurisdictions to advise their FIs to give special attention to business relations and transactions with Pakistan."

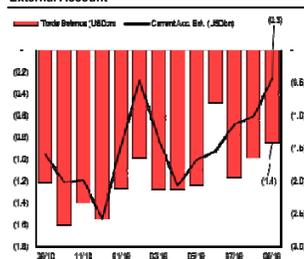
...however, more needs to be done and speedily

Recent decision by FATF has to an extent averted Pakistan from falling into blacklist status, while the decision to remain in grey list was very much in-line with market consensus. To assert, FATF lauded Pakistan's ongoing progress in implementing AML/CFT but has given a relatively, short timeline of 4months to fully complete implementation of AML/CFT, which in our view could be challenging. At similar background, one of the structural benchmark under IMF includes successful implementation of AML/CFT measures; to which Pakistan has somewhat on varying degree shown satisfactory improvement.

CPI Inflation



External Account



Equity Market Review and Outlook:

Backed by Banks & E&Ps, KSE100 up by 2k points or +6.6% m/m to close at 34,204 level

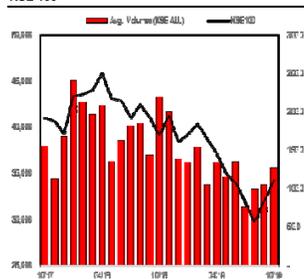
The domestic equity bourse pull-back 2,125 points in Oct-19 to close at 34,203.68 level. This brings 2019 to date return to -7.72% (USD -17.7%). On Volumes front, KSE 100 volumes increased by +54.0%MoM to 126.8mn which further reflects higher activity in market during the month.

Major reasons behind this upswing was signs of improvement in economy with substantial decline in Current Account deficit and stability in PKR, successful review of FATF where Pakistan remained on grey list and expectation of interest rate cut as fixed income yields witnessed continuous drop during the month. PIB yields recorded a 237bps, 251bps and 256bps decline in 3, 5 and 10 years' paper respectively since Jul-19.

Cements, Fertilizer, E&Ps and Banks outperformed the benchmark index with 12%, 7.4%, 7.3% and 5.7% return respectively during the month while cumulatively adding 1,448 points to the index. Cements outperformed owing to deferment of axle load condition and increase in cement prices in North while Fertilizer sector performed on higher payouts. Banks' outperformance was on the back of expanding NIMs while E&Ps performed on attractive valuations.

Foreign investment showed a net sell of USD 12.93mn with net buy in Cement Sector (USD 4.2mn), Fertilizer (USD 2.8mn) whereas net selling was witnessed in Commercial Banks (USD 13.5mn), Oil & Gas Exploration (USD 4.9mn) and Textile Composite (USD 1.8mn). In 2019 to-date, FPII stood at net buy of USD 58.5mn while Mutual Funds and Insurance have offloaded USD 204.1mn and USD 52.6mn respectively while individuals remained net buyer worth of USD 76.1mn.

KSE 100



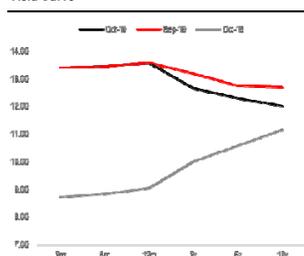
Money Market Review and Outlook:

Secondary market yields continue to descend; with longer end yield curve staying inverted

During the month of Oct-19, SBP conducted two T-bill auctions with a cumulative target of PKR 1.6trn against a maturing amount of PKR 2.9trn. Against the participation SBP accepted amount PKR 1.24trn or ~76% of which PKR 466bn was for 3m tenure bill. Cut-off yields by month end settled at 13.2981% / 13.2999% and 12.79% for 3 / 6 and 12m tenure bill respectively.

On fixed income, SBP conducted auction had a target value of PKR 100bn against the maturity of PKR 20bn. Cumulative participation received stood at PKR 366.8bn, while accepted amount stood at PKR 40.2bn or ~11% with PKR 40.2/ 30.0 and 30.5bn against 3/ 5 and 10 y respectively. Cut-off yields settled at 11.8000%/ 11.6000% and 11.3500% respectively for 3/ 5 and 10 y. In the floating PIB auction the government accepted PKR 54.4bn and set spread at a cut-off of 31bps over the benchmark.

Yield Curve



Source: SBP, PBS, Bloomberg

IGI Takaful Aggressive Fund For the month of October 2019



INVESTMENT OBJECTIVE:

To provide investors with an opportunity to earn long-term capital appreciation optimizing through broad mix of asset classes largely driven by Shariah compliant equity with a proportion of Shariah compliant fixed income & money market instruments.

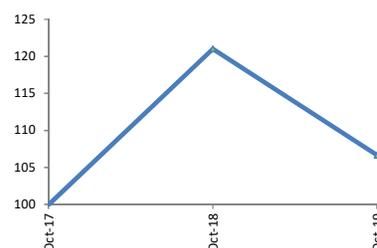
FUND INFORMATION:

Strategy	Fixed Income / Equity
Risk Profile	High
Pricing Mechanism	Daily Forward Pricing
Pricing Days	Monday to Friday
Management Fee	1.5%
Launch Date	21-Sep-15

RETURNS:

During the month the fund generated an absolute return of 6.02% against its last month absolute return of 7.22%.

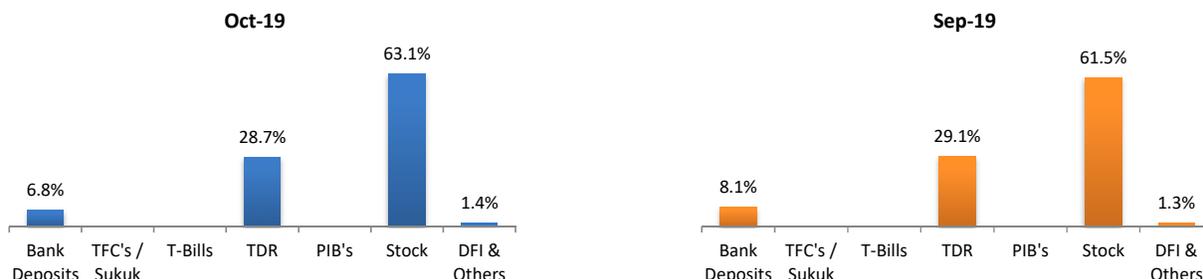
Value of 100 Rupees invested since inception



ASSETS UNDER MANAGEMENT:

	Oct-19	Sep-19	MoM %
NAV per Unit (PKR)	106.6	100.6	6.02%
Net Assets Value (PKR '000)	424,945	395,449	7.46%

ASSET ALLOCATION *:

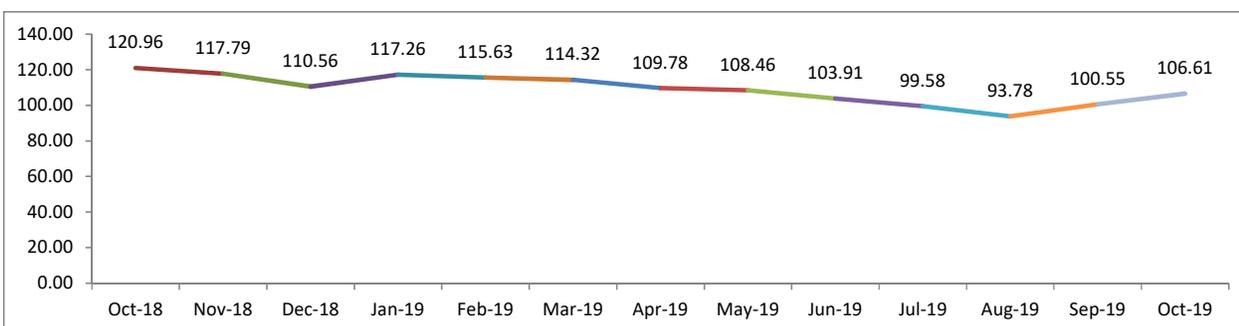


* Asset Allocation have been developed by looking through the underlying assets of mutual funds investments.

FUND PERFORMANCE:

	Absolute Return					Annualized Return	
	30 Days	60 Days	90 Days	180 Days	365 Days	CYTD	Since Inception
IGI Aggressive Fund - IAF	6.02%	13.68%	7.06%	-2.89%	-11.87%	-4.29%	1.57%

IGI Talaful Aggressive Fund - IAF BID PRICE:



Disclaimer: Past performance is not indicative of future performance. Market volatility can significantly affect short-term performance. The value of investment can fall as well as rise.

IGI Takaful Balanced Fund For the month of October 2019



INVESTMENT OBJECTIVE:

The investment objective of the Fund is to earn competitive long term return by investing in mix of Shariah compliant equity, fixed income and money market instruments. This fund is suited for investors with moderate risk tolerance.

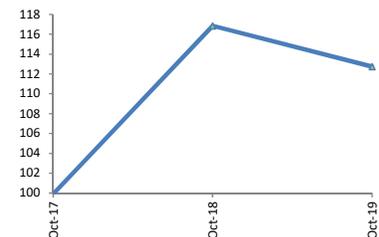
FUND INFORMATION:

Strategy	Fixed Income / Equity
Risk Profile	Moderate
Pricing Mechanism	Daily Forward Pricing
Pricing Days	Monday to Friday
Management Fee	1.5%
Launch Date	21-Sep-15

RETURNS:

During the month the fund generated an absolute return of 3.47% against its last month absolute return of 3.95%.

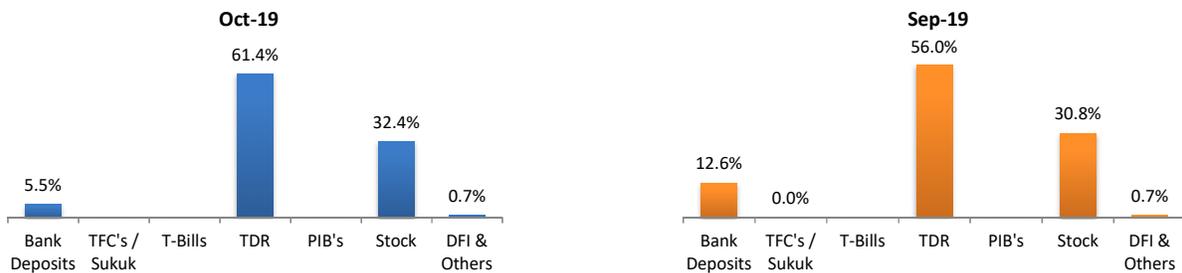
Value of 100 Rupees invested since inception



ASSETS UNDER MANAGEMENT:

	Oct-19	Sep-19	MoM %
NAV per Unit (PKR)	112.6	108.8	3.47%
Net Assets Value (PKR '000)	1,283,901	1,224,336	4.87%

ASSET ALLOCATION *:

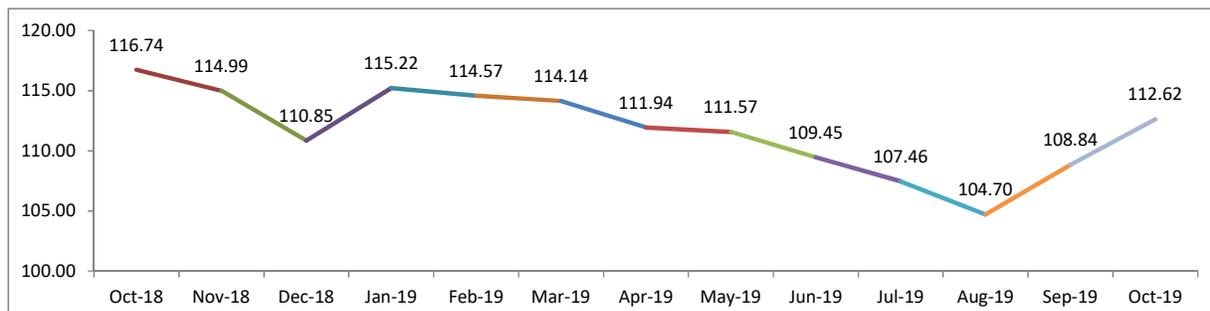


* Asset Allocation have been developed by looking through the underlying assets of mutual funds investments.

FUND PERFORMANCE:

	Absolute Return					Annualized Return	
	30 Days	60 Days	90 Days	180 Days	365 Days	CYTD	Since Inception
IGI Balanced Fund - IBF	3.47%	7.56%	4.80%	0.61%	-3.53%	1.91%	2.93%

IGI Takaful Balanced Fund - IBF BID PRICE:



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IGI Takaful Conservative Fund For the month of October 2019



INVESTMENT OBJECTIVE:

To provide stable and competitive returns in line with the money markets exhibiting low volatility consistent with capital preservation by constructing a liquid portfolio of low risk short term Shariah compliant investments yielding competitive returns.

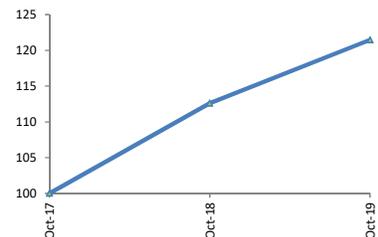
FUND INFORMATION:

Strategy	Fixed Income / Equity
Risk Profile	Low
Pricing Mechanism	Daily Forward Pricing
Pricing Days	Monday to Friday
Management Fee	1.5%
Launch Date	21-Sep-15

RETURNS:

During the month the fund generated an absolute return of 1.01% against its last month absolute return of 1.05%.

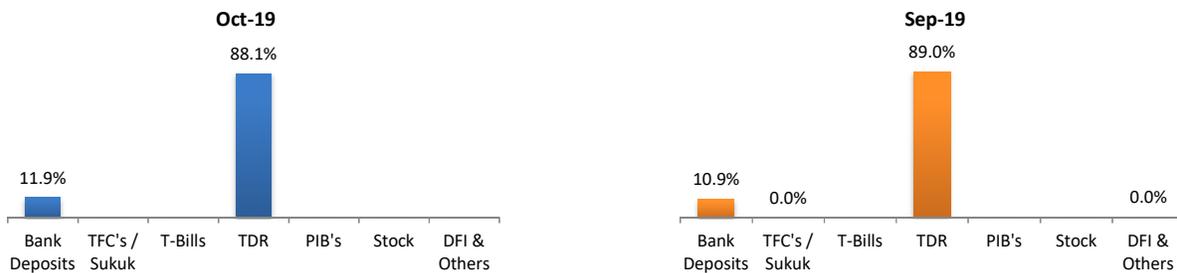
Value of 100 Rupees invested since inception



ASSETS UNDER MANAGEMENT:

	Oct-19	Sep-19	MoM %
NAV per Unit (PKR)	121.5	120.3	1.01%
Net Assets Value (PKR '000)	158,147	142,482	10.99%

ASSET ALLOCATION *:

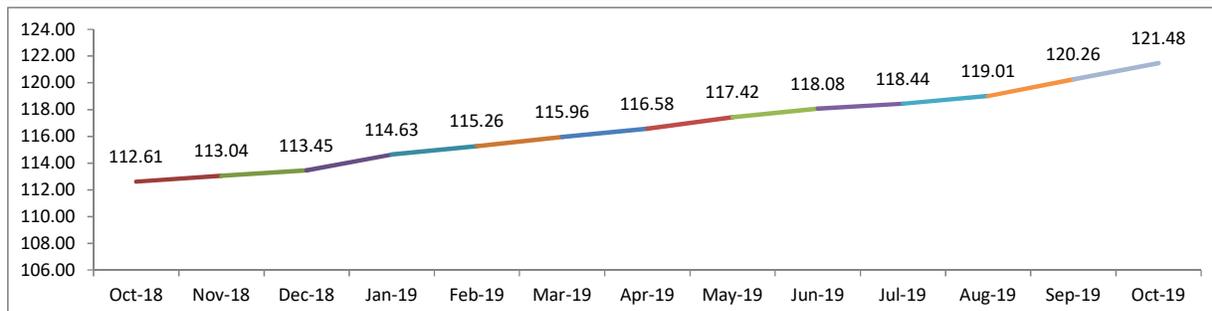


* Asset Allocation have been developed by looking through the underlying assets of mutual funds investments.

FUND PERFORMANCE:

	Absolute Return					Annualized Return	
	30 Days	60 Days	90 Days	180 Days	365 Days	CYTD	Since Inception
IGI Conservative Fund - ICF	1.01%	2.07%	2.57%	4.21%	7.88%	8.49%	4.84%

IGI Takaful Conservative Fund - ICF BID PRICE:



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