

IGI | Life

Funds Performance Report

August 2019



IGI Life Insurance Limited

FUND MANAGER REPORT

For the month of August 2019



Macro Review and Outlook:

Aug-19, prints a +10.5% y/y growth based on new CPI methodology and rebased Index

As per the guidance provided earlier by the incumbent government, Pakistan Bureau of Statistics (PBS) has finally revised the Price indices calculation methodology and rebased the index to 2015-16 year from previous 2008-09. Based on the new methodology the latest Aug-19 CPI has been established at +10.5% y/y. Had the old methodology been continued, the CPI for the said month would have been recorded at +11.63%, marking a 113bps difference.

Some of the highlighted changes in new calculation methodology includes, presentation of additional indices for Urban and Rural indices as well, having a fixed proportion of 60% / 40% respectively. As a result of which, key changes in national CPI are witnessed in weightage of Households' Rent and Utility (House, Water, Electricity, Gas and Fuel-HWEGF) to 23.6% from previous 29.4%. Notably change for HWEGF is the change in housing rental index (HRI) whose weight has now been reduced to 15% on national CPI calculation from previously 21.8%. The leading impact has resulted in nearly 12bps y/y reduction in new HRI index. Similarly, food prices have also been revised to reflect urban & rural consumption pattern. Rural price basket consists of ~41% of total food goods compared to 30.4% for urban.

FY20 Inflation to remain below SBP and IMF target at 10%; hinting to possible monetary rate cycle reversal starting Jan-19 onwards

The newer methodology will also help reduce some volatile movement particularly in the heavy weight segments HRI, Food and Utility prices. With the new CPI inflation, market now expects softening prices from Jan-20 onwards and forward guidance suggests a FY20 inflation to average 9-10% compared to SBP old target of 11-12% and IMF 13%. Based on this there is high probability of SBP reversing monetary rate cycle from current 13.75%. Moreover, recent yield patterns depicted a similar trend, with long-term bond yields dropping below shorter term maturity suggesting inflation softening.

C/a deficit continue to decline, down to ~2.5% of GDP from ~8.3% in Jul-2019

For the month of Jul-19, C/a deficit clocked in at USD 0.58bn (USD 0.995bn Jul-18), down by 37% m/m and 73% y/y (USD 2.13bn in Jul18). The decline in C/a deficit was mainly attributable to a sharp 16% MoM contraction in the trade deficit, led by a +24% MoM refreshing jump in exports. In addition, remittances also increased by +24% m/m to USD 2.04bn on account of 'Eid-ul-Azha' inflows. Improvement was also witnessed under foreign portfolio investment which rose to USD 93mn from a mere USD 38mn last year in July, and compared to average monthly outflow of USD 106mn during FY19.

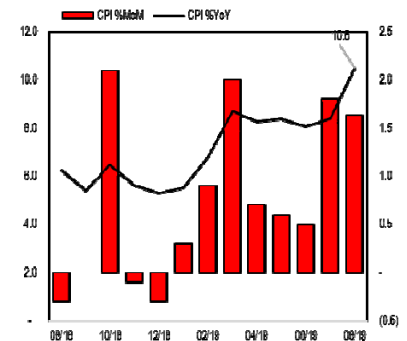
Consolidated fiscal deficit came at 8.9% of the GDP, one of the highest recorded deficit

Moreover, during the month latest release by Ministry of Finance shows that the consolidated fiscal deficit for period 2018-19 touched PKR 3.45trn or in term of GDP fiscal deficit amounted to 8.9% versus initial budget deficit projection of 7.2% or PKR 2.76trn, a growth of 25%. More importantly, country's primary deficit now stands at 3.5% of the GDP against a projected 2.0% and 0.6% under IMF recommendation. Nevertheless, revised number reveal major shortcomings on revenue side, while total expenditure remained relatively in-line with government projection.

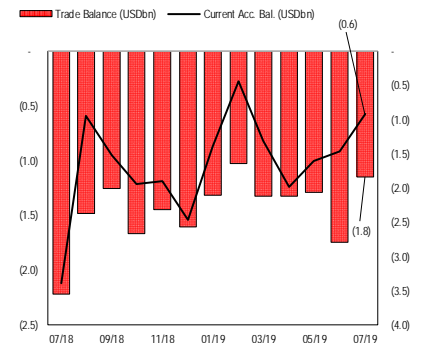
With the new revenue base set lower, government will now require +43% tax revenue growth to reach its PKR 5.8trn target in FY20

More intriguingly with the new revenue base set lower, government will now require +43% tax revenue growth to reach its PKR 5.8trn target in FY20. Similarly, non-tax revenue would need to increase two-fold to reach its target number of PKR 0.9trn from current PKR 0.4trn. Even adjusting for ~11% average inflation in FY20 total gross revenue growth comes at ~46% y/y. Given a weaker domestic GDP growth rate of ~3% in FY20, we think achieving such a revenue growth target will be an uphill task and we may see major slippages in revenue collection mainly on sales, excise and income tax

CPI Inflation



External Account

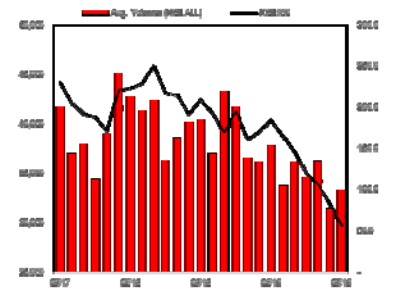


Equity Market Review and Outlook:

KSE100 underwent a significant decline of 2,266points; making it one of the worst performing months of CY19

The domestic equity bourse underwent a decline of 2,266 points in Aug-19 to rest at 29,672.12 level. This brings negative return of 7.1% and 5.5% in USD terms during the month; making its one of the worst performing month CY19 and taking CY19 to date return to -19.9% (USD based -29.1%). Major reasons behind this subdued performance was heightened tension at the eastern border, news flow regarding a meeting of FATF's regional subgroup Asia Pacific Group (APG) in Canberra and potential divestment of state owned companies by the government. On political front, market took a nosedive with event of India revoking the special status of Kashmir which led towards heightened tension at the eastern border. Corporate results also did not support the market, with major corporates results showing significant earning attrition. Sector-wise, Banks, Fertilisers, E&Ps trimmed away nearly ~1,600points. Foreign investment showed a net sell of USD 3.5mn compared to USD 30.4mn net buy in Jul-19.

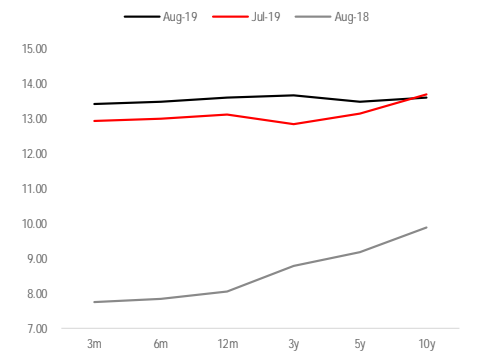
KSE 100



Money Market Review and Outlook:

Secondary market yields for longer tenure declined by an average 55bps; causing inverted yield curve Aug-19, was an exciting month for money market and bond instruments. During the month SBP held two T-bill whereby government swept up nearly PKR 1.887trn in auction against an aggregate target of PKR 2.6trn against a maturity of PKR 3.34trn. 3m paper saw the largest activity, with cut-off yields closing at 13.7499% and 13.9399% and 14.200% for 6m and 12m respectively. For fixed PIB auction government received participation of PKR 877.8bn against a target of PKR 100bn (PKR 9bn maturity). 3y bond attracted nearly ~41% of the total participation or PKR 368bn, followed by PKR 46.2bn and PKR 19.4bn for 5y and 10y respectively. Interestingly, yields for long-term bond dropped below to 13.500% and 13.1495% for 5y and 10y compared to 14.2500% for 3y tenure. For floating PIB government accepted, PKR 42bn with 75bps above benchmark.

Yield Curve



Source: SBP, PBS, Bloomberg

IGI Takaful Aggressive Fund For the month of August 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.

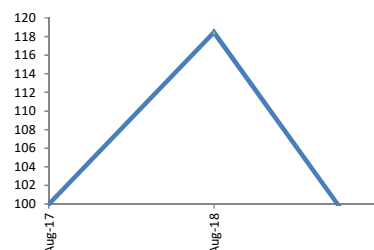
FUND INFORMATION:

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 -5.83% against its last month absolute return of -4.16%.

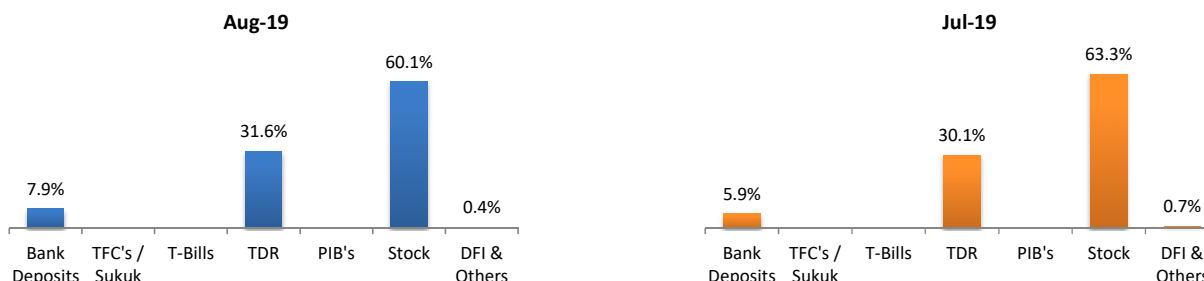
Value of 100 Rupees invested since inception



ASSETS UNDER MANAGEMENT:

	Aug-19	Jul-19	MoM %
NAV per Unit (PKR)	93.8	99.6	-5.83%
Net Assets Value (PKR '000)	368,762	385,687	-4.39%

ASSET ALLOCATION *:

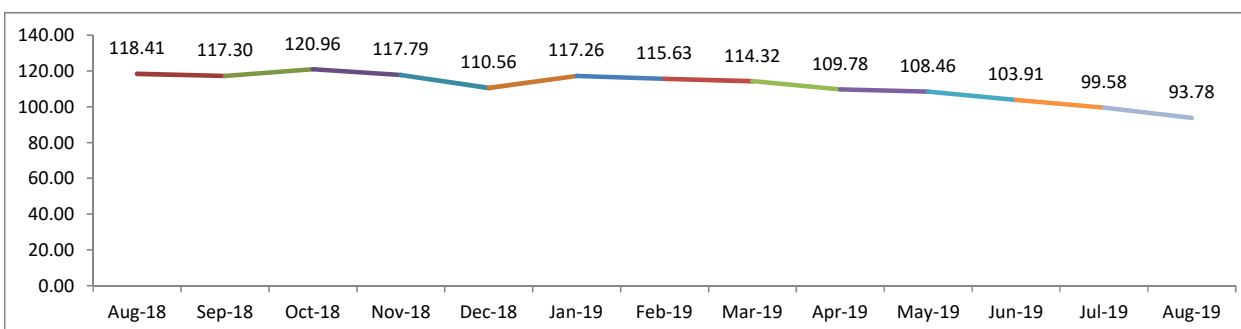


* Asset Allocation have been developed by looking through the underlying assets of mutual funds investments.

FUND PERFORMANCE:

	Absolute Return					Annualized Return	
	30 Days	60 Days	90 Days	180 Days	365 Days	CYTD	Since Inception
IGI Aggressive Fund - IAF	-5.83%	-9.75%	-13.53%	-18.90%	-20.80%	-22.80%	-1.61%

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 August 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.

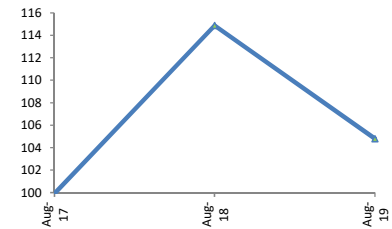
FUND INFORMATION:

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 -2.57% against its last month absolute return of -1.82%.

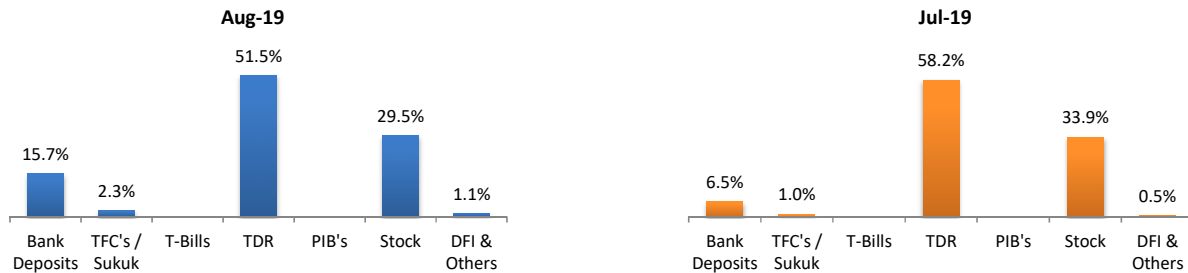
Value of 100 Rupees invested since inception



ASSETS UNDER MANAGEMENT:

	Aug-19	Jul-19	MoM %
NAV per Unit (PKR)	104.7	107.5	-2.57%
Net Assets Value (PKR '000)	1,165,523	1,178,884	-1.13%

ASSET ALLOCATION *:

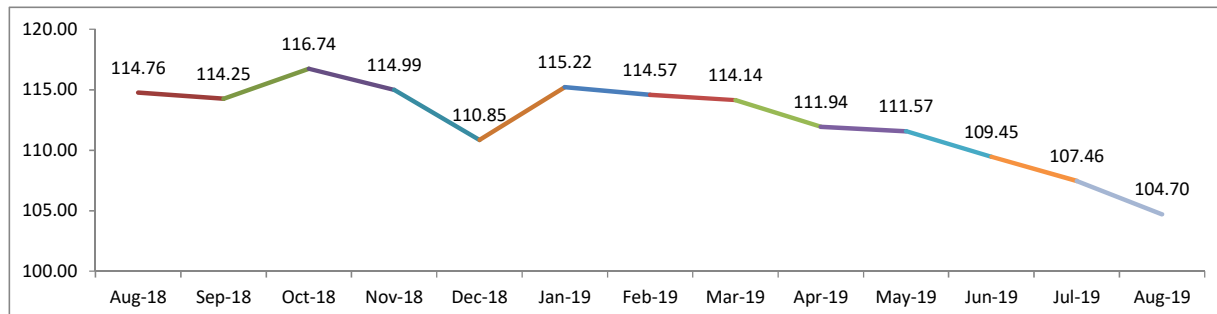


* Asset Allocation have been developed by looking through the underlying assets of mutual funds investments.

FUND PERFORMANCE:

	Absolute Return					Annualized Return	
	30 Days	60 Days	90 Days	180 Days	365 Days	CYTD	Since Inception
IGI Balanced Fund - IBF	-2.57%	-4.34%	-6.16%	-8.61%	-8.77%	-8.33%	1.17%

IGI Takaful Balanced Fund - IBF BID PRICE:



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IGI Takaful Conservative Fund For the month of August 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.

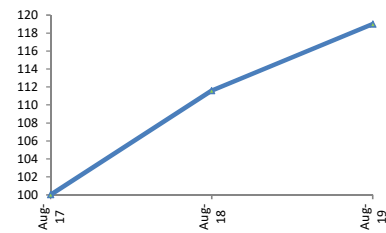
FUND INFORMATION:

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 0.48% against its last month absolute return of 0.31%.

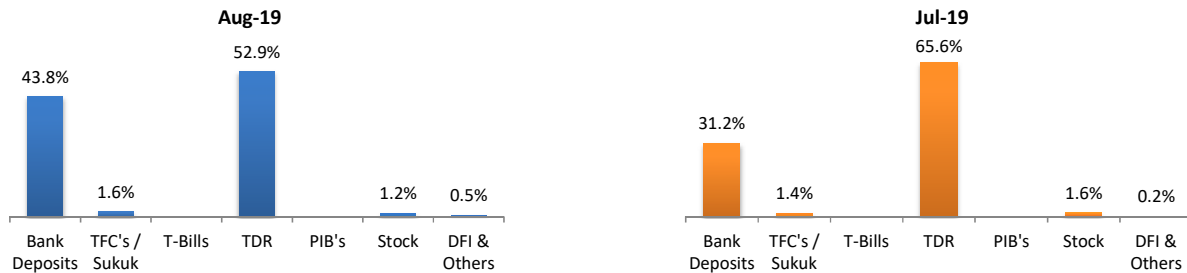
Value of 100 Rupees invested since inception



ASSETS UNDER MANAGEMENT:

	Aug-19	Jul-19	MoM %
NAV per Unit (PKR)	119.0	118.4	0.48%
Net Assets Value (PKR '000)	119,400	111,134	7.44%

ASSET ALLOCATION *:

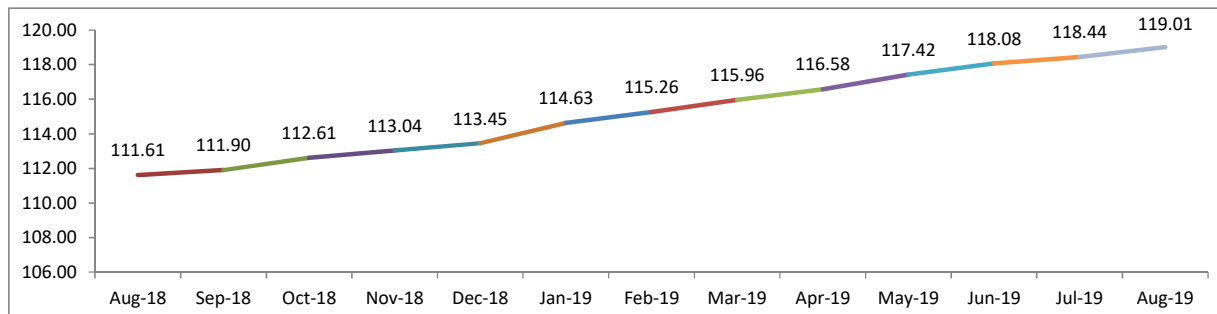


* Asset Allocation have been developed by looking through the underlying assets of mutual funds investments.

FUND PERFORMANCE:

	Absolute Return					Annualized Return	
	30 Days	60 Days	90 Days	180 Days	365 Days	CYTD	Since Inception
IGI Conservative Fund - ICF	0.48%	0.79%	1.36%	3.25%	6.63%	7.36%	4.51%

IGI Takaful Conservative Fund - ICF BID PRICE:



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