

Funds Management Report January - 2021

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Macro Review and Outlook:

Economy

Jan-20, headline inflation drops to 5.7% y/y

Headline inflation declined to 5.7% y/y (down by 0.21% on m/m basis, during the month of Jan-21, compared to 7.8% y/y in previous month. This bring period average for 7m to 8.2% y/y. Jan-21 inflation print was lower than market expectation of 6.1%/y/y.

Rural CPI registered a decline of 0.29% m/m compared to Urban CPI decline of 0.16% m/m. The former had continuously been on a rising trending in the previous months. 7m 2021 Rural CPI now stands at an average of 10% y/y compared to urban at 7%/y/y.

The decline in inflation was largely due to a sequential decline of a 2.7% drop in food inflation, which had until recently been in the spotlight given its impact on the lower-income segments. Key items in the food basket that recorded major decline during the month included chicken, eggs, various vegetables and spices.

Under non-food index, house rent recorded its highest m/m increase in recent years.

Inflation to average 8-9% in Fy21

With food prices finally depicting a downward trend, which makes us to believe that food prices in particularly perishable food items combined with a better crop expectation in 2021 should normalise overall food prices in the remainder of 2021. While ease up in food prices may eventually come as a relief on inflationary front in the near-term but we are not so optimistic on non-food prices. In fact on the non-food prices, given the price gap created government has already started to pass on power tariff adjustments and has gradually increase domestic oil prices. Looking ahead, resumption of IMF talks, negative real rates, recovering global commodity prices and an eventual pressure on exchange rate seems all inevitable, which will keep inflation downward sticky. Hence post near-term we see disinflationary trend should start to fade, with economic recovery still fragile this would start to transit slowly towards a reflation-like scenario.

We expect inflation to average +8.8% (SBP 7-9%) in FY21 with 4q FY21 estimated to print +9.8% y/y growth compared to +8.5% in 9mFY21.

Dec-20 Current account balance finally turned red

After a consecutive 5 months of surplus, in 2021, Pakistan's Current Account Balance posted a deficit of USD 662mn. This brings 6mFy21 cumulative balance to USD 1.13bn compared to a deficit of USD 2.0bn last year same period.

Monthly turnaround was due to higher than expected import bill up by +23% m/m to USD 5.02bn vs. last month of USD 4.1bn. Worker remittances continued to show positive growth with Dec-20 inflows recorded at USD 2.4bn (+4%/m/m). This takes 6m cumulative remittances inflow to USD +14.2bn vs. 11.37bn last year same period a growth of 25%/y/y. There was also some recovery in exports albeit marginal on sequential basis. Export increase by +0.6%/m/m to USD 2.3bn during the month.

Rate hike delayed until economy finds it firm footing

The State Bank of Pakistan (SBP) in its latest Monetary Policy Statement (MPS) announcement for the next two months on Friday 22nd January, 2021 kept rate 'unchanged'. The decision is in-line with market participants, with majority expecting an unchanged status.

The press release on monetary policy; highlighted favourable growth and inflation outlook amid recent key data from Nov-20. Having said that, SBP remained cognizant over uncertainties surrounding Covid19 pandemic mainly as elevated global cases, emergence of new strain of Covid19, and finally the rollout of vaccine globally. Hence SBP felt the need to provide forward guidance on monetary policy.

- Monetary policy to remain unchanged in the near term as SBP wait for economy recovery to become more durable and the economy returns to full capacity.
- Moreover, potential adjustments if necessary will be done on much 'gradual' way to achieve positive real interest rates.

Looking ahead in 2021, we view SBP is likely to carry on this new path of policymaking, overlooking inflation and facilitating the government in much needed fiscal space, by keeping the monetary policy accommodative if not ultra-accommodative

Equity Market Review and Outlook:

Equity Market

Jan-21: A robust start in 2021

The KSE-100 index continued to display strong performance during Jan-21, gaining +6.01% m/m (+2,630 points) as benchmark KSE-100 closed at 46,386 level. As a result local bourse has gained +34.8%YoY (+11,964 points) during FY21TD.

The upbeat performance of the market was largely driven by a) availability of vaccine in 1QCY21, b) SBP kept interest rate unchanged at 7%, c) final agreement reached between the Government and IPPs, d) reduced political noise and; e) favorable macroeconomic data where inflation receded by 68bps m/m during Jan-21.

Market activity continued to rise substantially during Jan-21 as the average daily traded volume and value improved to 335mn and USD 99mn, respectively as against 271mn and USD 85mn recorded during Dec-20. Foreign investors during Jan-21 appeared as net sellers of shares worth PKR USD 1.82mn. Key interest of foreigners remained upon Power, Technology, E&Ps and Banks whereas Other Sectors, Cement and OMCs were the largest offloaded sector from them. On the domestic front, Individuals and Companies led the net buying with USD 44.26mn and USD 15.10mn, while Banks and Insurance Companies were the largest sellers

Money Market Review and Outlook:

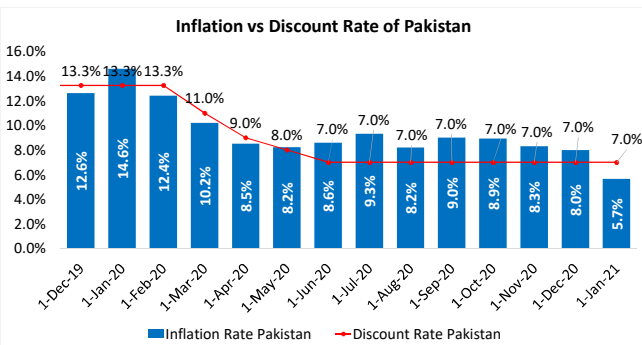
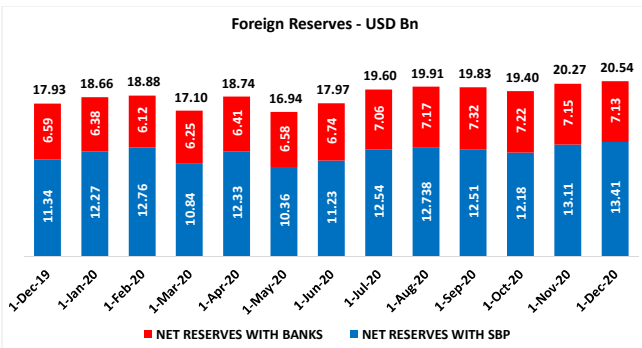
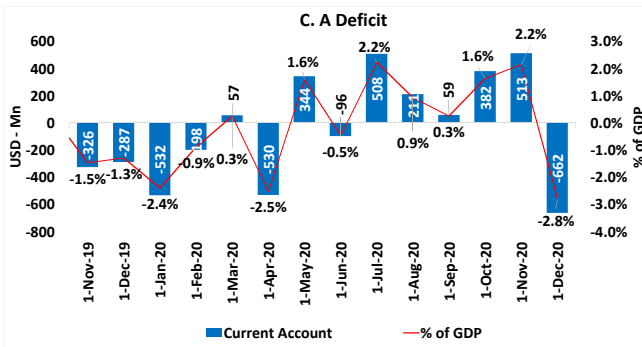
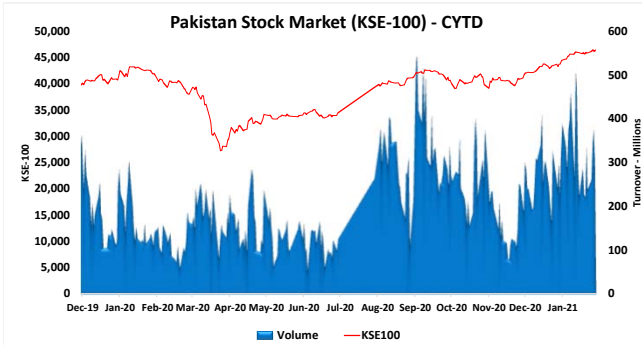
Jan-21 yields increased over all tenors

On fixed PIBs front SBP set the pre-auction target of PKR 100bn. It received total bids of PKR 48.95bn of which it accepted total of PKR 35.3bn at cutoff yields of 8.499%, 9.53% and 9.99% for 3Y, 5Y and 10Y respectively. Bids for 15Y and 20Y paper were rejected. On T-bills front SBP conducted two auctions for total target of PKR 875bn against the maturing amount of PKR 1,003bn. Out of this PKR 918bn stood accepted. Cutoffs yields at the end of the month stood at 7.16%, 7.49% and 7.80% for 3M, 6M and 12M tenors respectively. The government accepted KR 6bn through PIB Floater Auctions during the month. During the month of Jan-21, SBP conducted nine repo operations and remained a net lender of PKR 990.2bn at a weighted average yield of 7.04%. During the month PKRVs increased by ~19 bps on average across shorter tenors and inclined by average of ~15 bps across longer tenors.

Going forward, with inflation expected to record a downward trend, we view monetary easing will continue to a) stimulate country's economic activity and b) inflation expectation have been considerably lowered down. However, this remains highly contingent on international oil which have started to rebound on positive demand outlook and Vaccine availability worldwide. Furthermore, global commodity prices have also started to rise on expectation of demand pickup as a result of roll out of vaccines globally.

Source: SBP, PBS, Bloomberg

FUND MANAGER REPORT - Key Economic Indicators
As at January 31, 2021



| PSX Performance | KSE100 | KSE30 | KMI30 | KSEALL |
|-----------------|--------|--------|--------|--------|
| 31-Dec-20 | 43,755 | 18,180 | 71,168 | 30,780 |
| 31-Dec-20 | 43,755 | 18,180 | 71,168 | 30,780 |
| 31-Jan-21 | 46,386 | 19,319 | 74,223 | 32,062 |
| MTD - % | 6.01% | 6.26% | 4.29% | 4.16% |
| CYTD - % | 6.01% | 6.26% | 4.29% | 4.16% |

| Portfolio (USD - Mn) | MTD | CYTD |
|----------------------------|--------|---------|
| FOREIGN CORPORATES | -14.24 | -558.31 |
| FOREIGN INDIVIDUAL | -0.11 | 0.64 |
| OVERSEAS PAKISTANI | 10.78 | -17.62 |
| FIPI | -3.57 | -575.29 |
| BANKS / DFI | -17.7 | -61.56 |
| BROKER PROPRIETARY TRADING | -14.38 | -29.61 |
| COMPANIES | 15.85 | 111.7 |
| INDIVIDUALS | 50.38 | 297.55 |
| INSURANCE COMPANIES | -27.44 | 207.64 |
| MUTUAL FUNDS | 1.72 | 21.83 |
| NBFC | -0.23 | 1.1 |
| OTHER ORGANIZATION | -4.63 | 16.19 |
| LIPI | 3.57 | 564.84 |

| Global Market Performance | | | MTD - % | CYTD - % |
|---------------------------|-----------|--|---------|----------|
| Index | | | | |
| Karachi 100 | Pakistan | | 6.01% | 6.01% |
| BSE Sensex | India | | -3.07% | -3.07% |
| Dow Jones | USA | | -2.04% | -2.04% |
| S&P 500 | USA | | -1.11% | -1.11% |
| Nasdaq | USA | | 1.42% | 1.42% |
| FTSE 100 | UK | | -0.82% | -0.82% |
| Euro Stoxx 50 | Euro Zone | | -2.00% | -2.00% |
| Shanghai | China | | 0.29% | 0.29% |
| Nikkei 225 | Japan | | 0.80% | 0.80% |
| CAC 40 | France | | -2.74% | -2.74% |
| MOEX | Russia | | -0.36% | -0.36% |

| Forex Rates | Dec-20 | Dec-20 | Jan-21 |
|-------------|--------|--------|--------|
| USD | 159.90 | 159.90 | 159.80 |
| EUR | 195.00 | 195.00 | 194.50 |
| JPY | 1.55 | 1.55 | 1.55 |
| GBP | 195.00 | 195.00 | 194.50 |
| CNY | 24.60 | 24.60 | 24.90 |

| PKRVs | Dec-20 | Dec-20 | Jan-21 |
|-------|--------|--------|--------|
| 3M | 7.08% | 7.08% | 7.16% |
| 6M | 7.17% | 7.17% | 7.41% |
| 1Y | 7.26% | 7.26% | 7.70% |
| 3Y | 8.28% | 8.28% | 8.60% |
| 5Y | 9.25% | 9.25% | 9.50% |
| 7Y | 9.65% | 9.65% | 9.73% |
| 10Y | 10.00% | 10.00% | 10.00% |

| International Commodities | Dec-19 | Dec-20 | Jan-21 |
|---------------------------|---------|---------|---------|
| Arab Light | 60.72 | 51.18 | 51.18 |
| BRENT CRUDE OIL | 59.81 | 51.63 | 55.04 |
| WTI CRUDE OIL | 18.06 | 26.22 | 52.14 |
| Coal (USD/ton) | 59.81 | 51.63 | 69.00 |
| Steel (USD/ton) | 18.06 | 26.22 | 4188.44 |
| HRC (USD/ton) | 3912.50 | 4539.00 | 4482.50 |
| COPPER | 59.81 | 51.63 | 7803.35 |
| GOLD | 59.81 | 51.63 | 1822.27 |
| PLATINUM | 960.00 | 1074.50 | 1072.94 |
| NATURAL GAS | 1577.81 | 1898.66 | 2.56 |
| SILVER | 18.06 | 26.22 | 27.01 |

IGI Takaful Aggressive Fund For the month of January 2021



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.

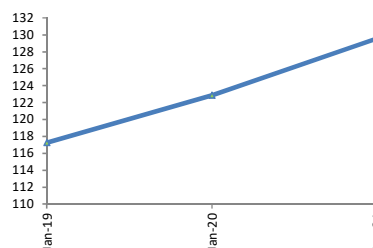
FUND INFORMATION:

| | |
|--------------------------|-----------------------|
| 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 3.48% against its last month absolute return of 4.08%.

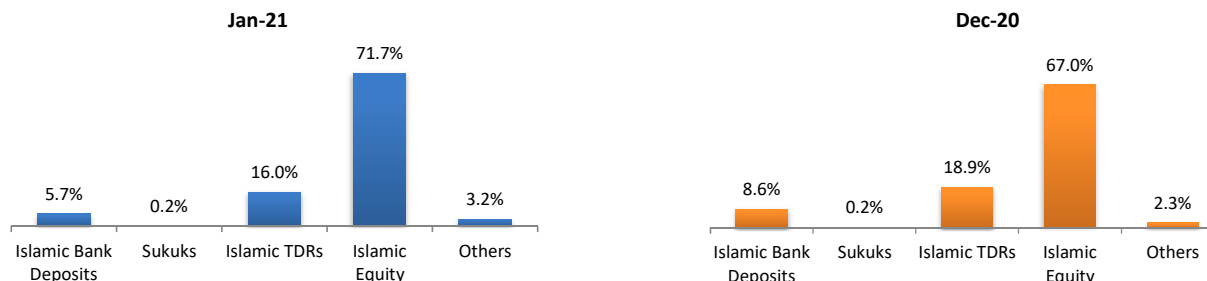
Value of 100 Rupees invested since inception



ASSETS UNDER MANAGEMENT:

| | Jan-21 | Dec-20 | MoM % |
|------------------------------------|---------|---------|-------|
| NAV per Unit (PKR) | 129.6 | 125.2 | 3.48% |
| Net Assets Value (PKR '000) | 650,863 | 626,895 | 3.82% |

ASSET ALLOCATION *:



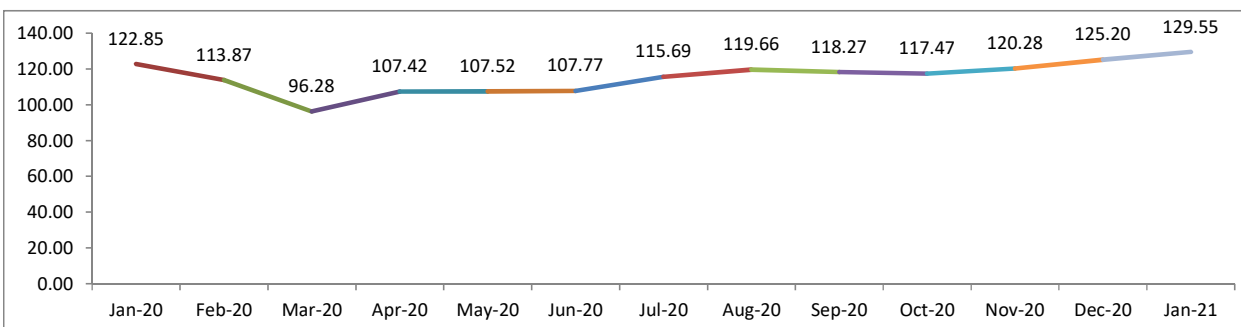
* Asset Allocation have been developed by looking through the underlying assets of mutual funds investments.

FUND PERFORMANCE:

| | Absolute Return | | | | | | Annualized Return |
|---------------------------|-----------------|---------|---------|----------|----------|-------|-------------------|
| | 30 Days | 60 Days | 90 Days | 180 Days | 365 Days | CYTD | Since Inception |
| IGI Aggressive Fund - IAF | 3.48% | 7.71% | 10.28% | 11.98% | 5.45% | 3.48% | 4.94% |

Note: All returns are gross of Fund Management Charges.

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 January 2021



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.

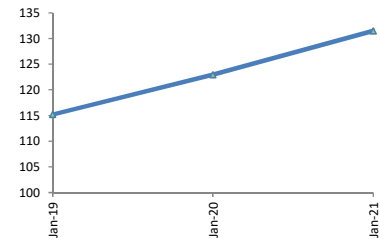
FUND INFORMATION:

| | |
|-------------------|-----------------------|
| 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 2.48% against its last month absolute return of 2.67%.

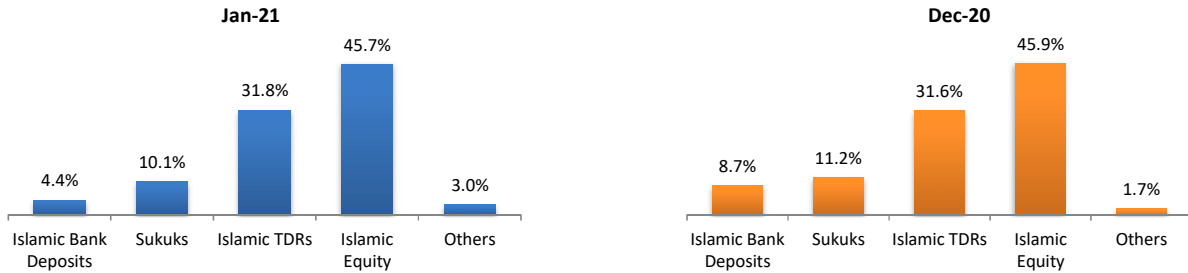
Value of 100 Rupees invested since inception



ASSETS UNDER MANAGEMENT:

| | Jan-21 | Dec-20 | MoM % |
|-----------------------------|-----------|-----------|-------|
| NAV per Unit (PKR) | 131.5 | 128.3 | 2.48% |
| Net Assets Value (PKR '000) | 1,699,754 | 1,649,196 | 3.07% |

ASSET ALLOCATION *:



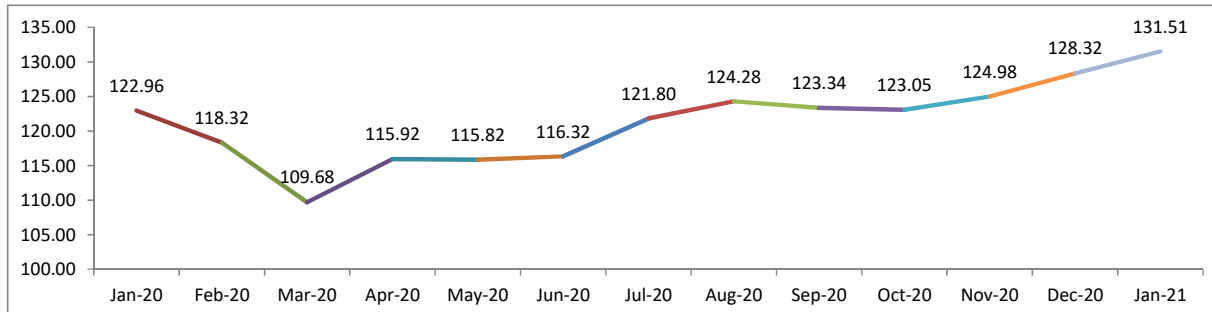
* Asset Allocation have been developed by looking through the underlying assets of mutual funds investments.

FUND PERFORMANCE:

| | Absolute Return | | | | | | Annualized Return |
|-------------------------|-----------------|---------|---------|----------|----------|-------|-------------------|
| | 30 Days | 60 Days | 90 Days | 180 Days | 365 Days | CYTD | Since Inception |
| IGI Balanced Fund - IBF | 2.48% | 5.22% | 6.87% | 7.97% | 6.95% | 2.48% | 5.23% |

Note: All returns are gross of Fund Management Charges.

IGI Takaful Balanced Fund - IBF 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 Conservative Fund For the month of January 2021



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.

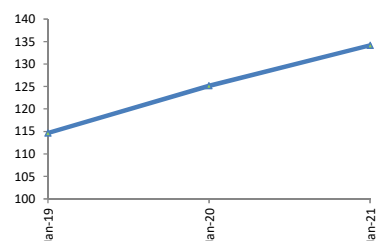
FUND INFORMATION:

| | |
|-------------------|-----------------------|
| 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 0.45% against its last month absolute return of 0.43%.

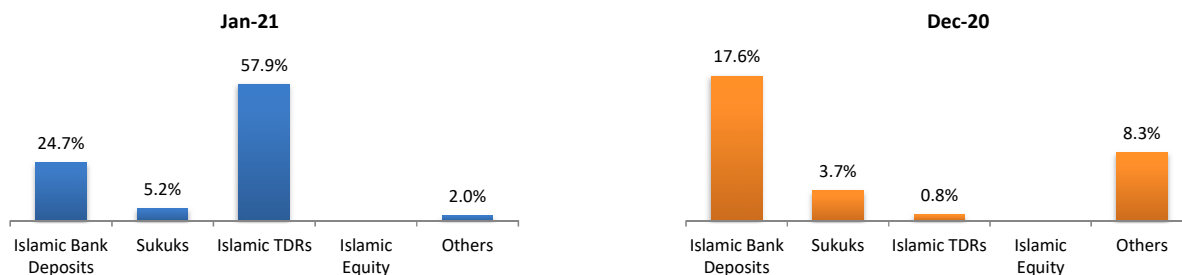
Value of 100 Rupees invested since inception



ASSETS UNDER MANAGEMENT:

| | Jan-21 | Dec-20 | MoM % |
|-----------------------------|---------|---------|--------|
| NAV per Unit (PKR) | 134.2 | 133.6 | 0.45% |
| Net Assets Value (PKR '000) | 598,796 | 514,289 | 16.43% |

ASSET ALLOCATION *:



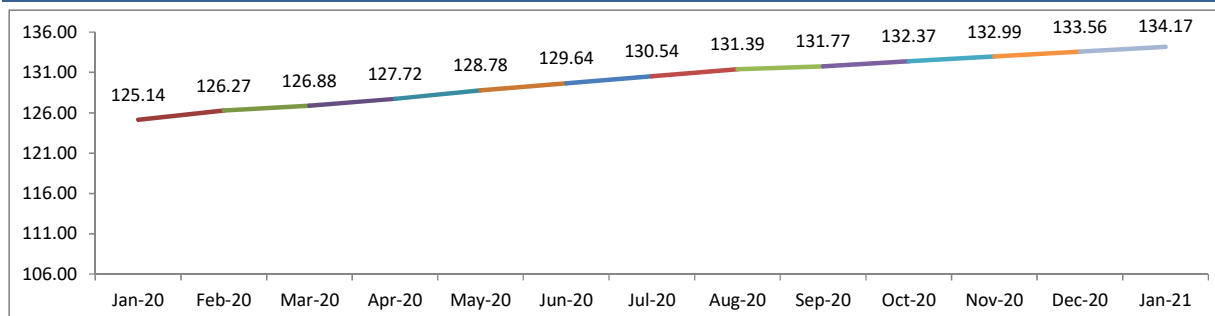
* Asset Allocation have been developed by looking through the underlying assets of mutual funds investments.

FUND PERFORMANCE:

| | Absolute Return | | | | | Annualized Return | |
|-----------------------------|-----------------|---------|---------|----------|----------|-------------------|-----------------|
| | 30 Days | 60 Days | 90 Days | 180 Days | 365 Days | CYTD | Since Inception |
| IGI Conservative Fund - ICF | 0.45% | 0.88% | 1.36% | 2.78% | 7.22% | 5.32% | 5.63% |

Note: All returns are gross of Fund Management Charges.

IGI Takaful Conservative Fund - ICF BID PRICE:



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