

Portfolio Manager Report - SMA (Discretionary)

Feroze and Shernaz Bhandara Charitable Trust

For the month ended 31-Dec-21



Founded in 1995, JS Investments is the oldest and one of the leading private sector Asset Management Companies in Pakistan with assets under management spread across various mutual funds (open-end and closed-end), pension funds and separately managed accounts (i.e., customized investment solutions). JS Investments is now a subsidiary of JS Bank Limited and is listed on the Karachi Stock Exchange and has a Management Quality Rating of "AM2-, with Stable Outlook" assigned by JCR-VIS and Credit Rating of "A+/ A1 (Long/ Short-term)"



Performance data and analytics

Investment policy

All investments shall be made in accordance with the provisions of discretionary portfolio management agreement dated October 27, 2014.

Investment objective

Aim to achieve capital preservation and inflation adjusted growth in principal investment over the long-term (i.e. 1-3 years) through participation in money market, fixed income and high quality equity securities listed on the Karachi Stock Exchange.

Key information

Account type	Discretionary Portfolio Management Services
Account start date	04 January, 2018
Net assets (PKR mn)	240.64
Benchmark (BM)	80% 1 Year PKRV & 20% KSE 100 Index
Management fee	0.40% (Fixed income) & 1.25% (Equity) p.a. on average daily net assets
Custodian	Digital Custodian Company Limited
Risk profile	Low to Medium
AMC Rating	AM2 (By JCR-VIS)

Monthly performance (%)

	Portfolio	Benchmark
31-Mar-21	-0.71	0.00
30-Apr-21	0.24	0.39
31-May-21	3.53	2.13
30-Jun-21	-0.29	0.28
31-Jul-21	-0.37	0.40
31-Aug-21	0.19	0.68
30-Sep-21	-1.97	-0.55
31-Oct-21	1.43	1.20
30-Nov-21	0.17	0.18
31-Dec-21	0.51	0.59
Portfolio return*	35.66	
Benchmark return*	38.17	
Difference	-2.51	

* Since account start date

Asset allocation (%)

	31-Dec-21	Exp. Limit
Cash	40.31	0 - 100
Equity	13.53	0 - 20
T-Bills	-	0 - 100
PIBs	33.71	0 - 100
TFCs	-	0 - 100
Mutual Funds (JSIL)	8.40	0 - 100
Other including receivables	4.05	n/a
Total	100.00	

Equity sector breakdown (%)

	31-Dec-21
Fertilizer	3.16
Cement	4.85
Glass & Ceramics	3.13
Commercial Banks	1.98
Power Generation & Distribution	0.40
Total	13.53

Top 5 equity holdings (%age of Net assets)

Engro Fertilizers Ltd.	3.16
Lucky Cement Ltd.	2.82
Tariq Glass Industries Ltd.	2.25
Bank Al - Habib Ltd.	1.98
Pioneer Cement Ltd.	1.11

TFC/Ijara Sukuks/PIBs/T-Bills holdings (%)

PIB 5YEARS 15/10/2020	33.71
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Details of benefits (%)

Realized loss on Marketable Securities	(600.35)
Dividend Income	316.33
Unrealized gain on Marketable Securities	(1,046.79)
Return On Pls Accounts	366.58
Markup on Debt Securities	226.66
Markup on Govt Debt Security	837.57

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Portfolio Manager Review

Calendar Year 2021 was the year of economic recovery. Marked as the post-COVID era, the vaccination driven reopening of economies brought meaningful growth to global economy. Pakistan saw its V-shaped that is expected to prevail well into FY22.

The month of December 2021 remained dismal as the KSE100 index retraced by 476 index points to settle at 44,596 index points. The 1.1% MoM weakness was a function of delays in implementing IMF's preconditions as well as another 100 bps hike in Policy Rate.

This prompted investors to remain on the sidelines as KSE100 Index volume averaged at 104 million, down by 46% from CY21 average of 192 million. On the other hand, value traded for the month averaged at PKR 12.9 billion. The KSE30 Index closed the month at 17,502 index points.

On the flows front, foreign investors were seen pouring in USD 5.3 million during the month restricting CY21 cumulative outflow to USD 147 million. For the month, investors were seen taking positions in Technology and Fertilizer sectors primarily with inflows recorded at USD 3.4 million and USD 3.3 million, respectively. On the flip side, foreign investors were seen offloading Cements and Oil & Gas Exploration companies.

Sentiments were further marred by rising inflation and deteriorating Current Account Deficit (CAD) under rising imports. Inflation for the month of December 2021 clocked in at 12.28% YoY against 11.53% in November 2021. The heightened NCPI headline reading was a result of higher energy rates. Electricity rates led to an increase in Housing and Utilities Index by 17% YoY while on the other hand higher fuel rates led to a 24% YoY rise in Transport index.

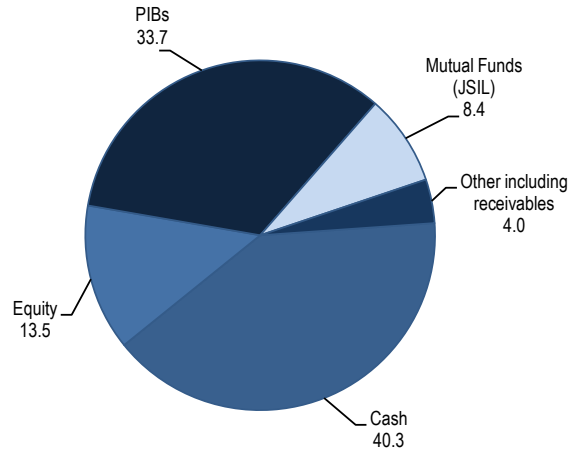
During the month, Technology, Refinery, Tobacco, Sugar & Allied industries, and Oil & Gas exploration sectors performed better than the market. On the contrary, Chemicals, Textile Composite, Engineering, Cable & Electrical Goods, Oil & Gas Marketing, and Commercial Banks were laggards.

Trade deficit for December 2021 came in at USD 4.9 billion as exports increased by 17% YoY. Imports were seen higher by 52% YoY compared to last year at USD 7.6 billion, albeit lower by USD 0.3 billion or 4% MoM. This takes trade deficit to USD 25.48 billion in 1HFY22 compared to USD 12.3 billion in the same period last year, up by 106% YoY.

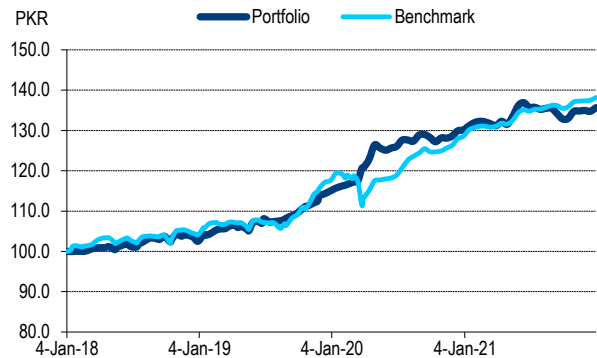
On the fixed income side, introduction of 63 days OMO helped provide stability to the market under stricter tightening regime. Yields for the medium term were seen peaking prior to MPS and OMO announcement that settled down by an average of 45 bps by end of the month. The newfound stability can also be attributed to fresh guidance by the apex bank hinting towards a pause on its hiking spree.

Going forward we believe the equity asset class will outperform the fixed income asset class given that market recognizes comfortable progress on IMF pre-conditions (review scheduled on 12th January 2021), inflationary pressures are well addressed and current account concerns dissipate.

Asset allocation (%)



Relative performance since inception



RETURN SUMMARY

	Portfolio	Benchmark
December-21	0.51%	0.59%
FY 2020 return	16.68%	10.95%
FY 2021 return	7.70%	13.31%
CY 2019 return	12.21%	12.96%
CY 2020 return	13.04%	9.33%
YTD 2022 return	-0.07%	2.53%
CYTD 2021 return	4.24%	7.48%
Since account starts	35.66%	38.17%

Contact us

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