Portfolio Manager Report - SMA (Discretionary)

Feroze and Shernaz Bhandara Charitable Trust

For the month ended 31-Jan-22

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)”

JS investments
Managing Mutual Funds Better!

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)	245.70
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
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
31-Jan-22	2.10	1.12
Portfolio return*	**38.51**	
Benchmark return*	**39.73**	
Difference	**-1.22**	

** Since account start date*

Asset allocation (%)

	31-Jan-22	Exp. Limit
Cash	3.00	0 - 100
Equity	13.94	0 - 20
T-Bills	-	0 - 100
PIBs	69.67	0 - 100
TFCs	-	0 - 100
Mutual Funds (JSIL)	8.29	0 - 100
Other including receivables	5.10	n/a
Total	**100.00**	

Equity sector breakdown (%)

	31-Jan-22
Cement	4.74
Fertilizer	3.35
Glass & Ceramics	3.32
Commercial Banks	2.11
Power Generation & Distribution	0.44
Total	**13.94**

Top 5 equity holdings (%age of Net assets)

Engro Fertilizers Ltd.	3.35
Lucky Cement Ltd.	2.78
Tariq Glass Industries Ltd.	2.44
Bank Al - Habib Ltd.	2.11
Pioneer Cement Ltd.	1.08

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

PIB 5YEARS 15/10/2020	69.67

Details of benefits (%)

Realized loss on Marketable Securites	(62.83)
Dividend Income	36.92
Unrealized gain on Marketable Securites	(42.59)
Realized Capital gain/(loss) on Govt Security	9.15
Return On Pls Accounts	41.36
Markup on Debt Securities	117.99

Portfolio Manager Review

The start of the new calendar year saw the equity market kick off on a positive note after the KSE-100 index closed January 2022 at 45,375 index points, up 1.75% MoM. Similarly, KSE-30 and KMI-30 indices rose 1.9% and 2.7%, respectively. Furthermore, the KSE100 index volume averaged at 265 million, up 12.3% MoM, while value traded averaged at PKR 8.3 billion, flattish MoM. The increased activity in the equity market was largely driven on government successfully meeting IMF preconditions before the Sixth review of the EFF program.

During the month, Textile Weaving, Chemicals, Food and Personal Care, Glass, Textile Composite and Fertilizer Sectors performed better than the market. On the contrary, Tobacco, Refineries, Auto Parts, Technology and Insurance sectors lagged behind. Textile Weaving performed on improved spinning margins on the back of availability of low cost inventory. Chemicals were in limelight because of sturdy primary margins.

Foreigners were net buyers for the month of January 2022 with an inflow of USD 17.6 mn worth of stocks. On the contrary, local participants such as mutual funds and individuals emerged as major net sellers of USD 22.3 mn and USD 2.6 mn worth of equities, respectively. We see attractive valuation of Pakistan's market in comparison to regional peers to attract further foreign participation going ahead.

CPI inflation rose to 12.96% YoY in January 2022 compared to 12.28% in the previous month. The reading was highest in the past two years which is partially driven by low base effect last year. Having said that, food inflation showed no respite registering at 12.82% YoY compared to just 10.33% last month. We attribute the same to higher commodity rates and low base effect compared to previous year.

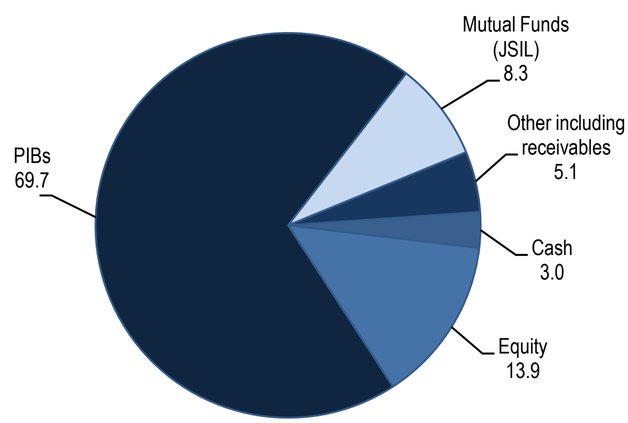
Furthermore, the State Bank of Pakistan (SBP) maintained the policy rate at 9.75% in the January MPC meeting after a round of tightening in the previous months. The MPC sees moderation of external pressures and reduced inflationary headwinds ahead with signs of demand rationalization kicking in. Thereby, The SBP seems comfortable with negative real rates for now as much of demand moderation is now expected to come from Finance Supplementary Bill.

Noting this development, the money market saw yields taper in the latest auction for T-Bill and PIBs. By the end of the month, cut-off yields for T-Bills settled at 10.2999%, 10.6900% and 10.9250% for 3M, 6M and 12M, respectively as yield settled lower by 29bps, 76bps and 59bps, respectively, over the previous month's auction. The latest PIB auction saw bids worth PKR 134 bn accepted against a target of PKR 100 bn with yields settling lower by over 70 bps compared to previous cut-off.

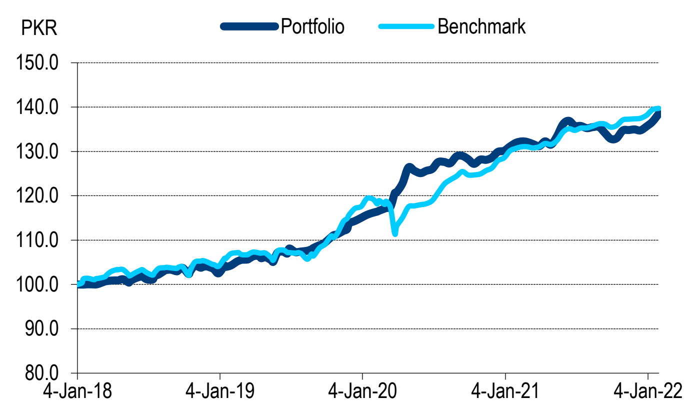
On the external front, Current Account reported a deficit of USD 1,963 mn in December 2021, which is the largest monthly deficit reported in the past three years. Cumulatively, CAD has now reached USD 9,092 mn compared to a surplus of USD 1,247 mn in the same period last year. A burgeoning trade deficit is yet to taper with imports surging to USD 36,412 mn after an increase of 57% from USD 23,201 mn over last year. Exports of the country were noted at USD 15,236 mn, higher by 29% over the previous year. On the other hand, remittances of USD 15,807 mn were higher by 11.3% YoY failed to lend enough support to the rising deficit. As a result, foreign exchange reserves dropped by USD 1.8 bn from December 2021 to stand at USD 22.1 bn at the end of the month.

As the country's economic indicators are expected to improve under better economic governance we see the interest rates to remain stable in the near term. We remain bullish on the equity market for 2022. We see the corporate profitability to dictate much of the stock market for the year where the ongoing result season should set the tone for the year and likely push for equity market outperformance over other asset classes. Therefore, we recommend our investors to build positions in our equity funds given they possess the appropriate risk appetite.

Asset allocation (%)



Relative performance since inception



RETURN SUMMARY

	Portfolio	Benchmark
January-22	2.10%	1.12%
FY 2020 return	16.68%	10.95%
FY 2021 return	7.70%	13.31%
CY 2020 return	13.04%	9.33%
CY 2021 return	4.24%	7.48%
YTD 2022 return	2.02%	3.69%
CYTD 2022 return	2.10%	1.12%
Since account starts	38.51%	39.73%

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