

Portfolio Manager Report - SMA (Discretionary)

Feroze and Shernaz Bhandara Charitable Trust

For the month ended 28-Feb-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)"



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)	246.40
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-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
28-Feb-22	0.29	0.27
Portfolio return*	38.90	
Benchmark return*	40.10	
Difference	-1.19	

* Since account start date

Asset allocation (%)

	28-Feb-22	Exp. Limit
Cash	3.00	0 - 100
Equity	13.83	0 - 20
T-Bills	-	0 - 100
PIBs	69.31	0 - 100
TFCs	-	0 - 100
Mutual Funds (JSIL)	8.32	0 - 100
Other including receivables	5.54	n/a
Total	100.00	

Equity sector breakdown (%)

	28-Feb-22
Cement	4.36
Fertilizer	3.59
Glass & Ceramics	3.38
Commercial Banks	2.13
Power Generation & Distribution	0.35
Total	13.83

Top 5 equity holdings (%age of Net assets)

Engro Fertilizers Ltd.	3.59
Lucky Cement Ltd.	2.63
Tariq Glass Industries Ltd.	2.62
Bank Al - Habib Ltd.	2.13
Pioneer Cement Ltd.	0.90

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

PIB 5YEARS 15/10/2020	69.31
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Details of benefits (%)

Realized loss on Marketable Securities	(50.34)
Dividend Income	38.04
Unrealized gain/loss on Marketable Securities	(56.40)
Return On Pls Accounts	39.30
Markup on Debt Securities	129.40

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Portfolio Manager Review

February 2022 began on a high note for the investors on the successful revival of stalled IMF Extended Fund Facility program. The KSE100 index marked a four-month high crossing the psychological level of 46,000 index points. This was followed by the inclusion of the MSCI Pakistan index in MSCI Frontier Markets 100 and MSCI Frontier Markets 15% Country Capped Indices.

However, the optimism was short-lived as political noise heated up energy commodities made new highs (Brent crossed USD 100/bbl mark, Coal gained USD 93/ton in Feb'22) and the geopolitical situation started to deteriorate rapidly with the mounting risk of military conflict between Ukraine and Russia. Towards the end of the month, equities dipped as Russia launched a full-scale incursion towards Ukraine. Resultantly, the KSE-100 Index closed the month at a level of 44,461 index points dropping by 2.01%.

The most noteworthy development on the economic front was the introduction of another relief package by the government. The government provided relief on fuel rates at PKR10/liter with a freeze on it for the next 4 months. Relief on electricity tariff has been announced at PKR 5/unit. The package has an outlay of PKR 237bn is said to be financed by budgetary reallocations. The Current Account Deficit for January 2022 was noted at USD 2.6bn, up by 34% MoM, taking the 7MFY22 deficit to USD 11.6bn against a surplus of USD 1.0bn in the same period last year. Forex reserves were flat for the month at USD 22.9bn despite SBP being lower by USD 145mn.

After recording 12.96% YoY in January 2022, inflation, as measured by NCPI for February 2022, clocked in at 12.24% YoY. On an MoM basis, the national price basket inched up by 1.15% owing to higher energy rates and rampant increase in perishable food prices. We expect inflation to remain on the upward trajectory and peak near 14% during FY22 as a result of the hike in essential food prices, energy prices, and overall low base effect from last year.

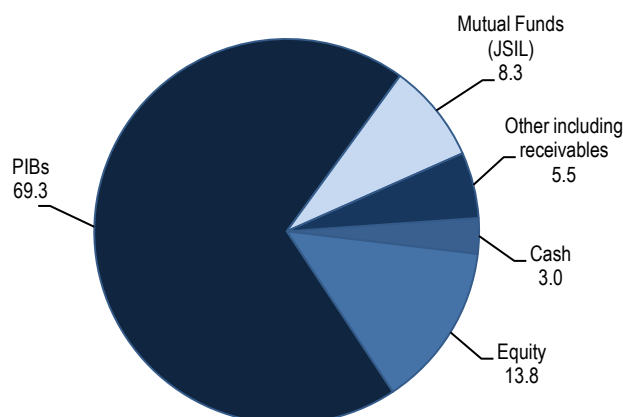
Market activity was lackluster for the month with the average daily traded value falling 13% MoM to PKR 7.3bn. Average daily volumes tumbled 14% MoM lower to 226.8mn shares traded. This level of market participation was the lowest in the past 20 months.

During the month, Automobile Assemblers, Textile Composite, Fertilizers, and Oil and Gas Exploration sectors performed better than the market. On the flip side, the Technology, Refinery, Cable and Electric Goods, Textile Weaving, Automobile Parts, and Cement sectors lagged. During February, Foreign Investors remained net sellers in the market offloading positions to the tune of USD 15mn. Similarly, Companies, Other organizations, and Banks/DFIs emerged as large buyers in the market amongst locals, with net buying of USD 14mn, USD 14mn, and USD 9mn, respectively. On the other hand, Mutual Funds and Insurance Companies sold positions worth USD 20mn and USD 6mn, respectively.

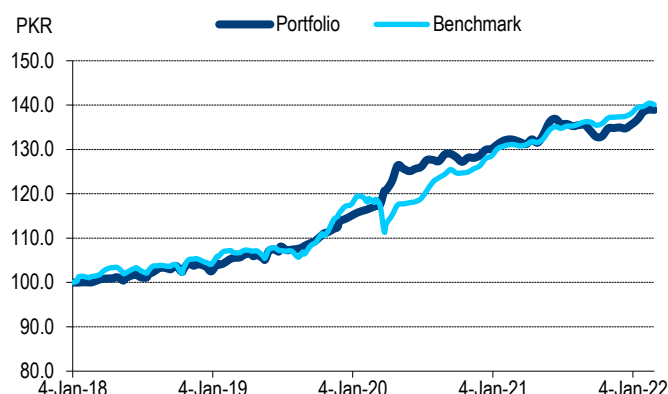
Going forward, the direction of the market is likely to be a product of Ukraine-Russia conflict de-escalation, commodity prices cooling off and successful navigation through the IMF seventh review scheduled in March. From the valuation standpoint, currently, the market is trading at an attractive forward Price-to-Earnings (P/E) multiple of 4.2x. Taken together with the ongoing healthy corporate result season, we expect the market to post positive returns during CY22.

During the outgoing month, SBP held two T-Bill auctions with a combined target of PKR 1.3tn against the maturity of PKR 1.14tn. In the first T-Bill auction, an amount of PKR 509bn was accepted at a cut-off yield of 10.30%, 10.66%, and 10.88% for 3-month, 6-month, and 12-month tenors, respectively. In the second T-Bill auction, an amount of PKR 334bn was realized wherein cut-off yield was moved up at 10.49%, 10.89%, and 11.00% for 3-month, 6-month, and 12-month tenor, respectively. In the PIB auction, bids worth around PKR 99.5bn were realized for 3-year, 5-year, and 10-year at a cut-off yield of 10.70%, 10.75%, and 10.86%, respectively. We have calibrated the portfolio of our money market and income funds based on our interest rate outlook and remain alert to any developments that may influence our investment strategy.

Asset allocation (%)



Relative performance since inception



RETURN SUMMARY

	Portfolio	Benchmark
February-22	0.29%	0.27%
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	2.32%	3.96%
CYTD 2022 return	2.39%	1.39%
Since account starts	38.90%	40.10%

Contact us

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