

## Portfolio Manager Report - SMA (Discretionary)

Mr. Khalid Mansoor

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)"



### Performance data and analytics

#### Investment policy

All investments shall be made in accordance with the provisions of discretionary portfolio management agreement dated December 15, 2020.

#### Investment objective

Earning a competitive return by investing primarily in dividend yielding equity securities, mutual funds, Shariah compliant Sukuks and bank deposits.

#### Key information

Account type	Discretionary Portfolio Management Services
Account start date	17 December, 2020
Net assets (PKR mn)	214.43
Benchmark (BM)	KSE-100 Index
Management fee	0% p.a. on average daily net assets
Custodian	Digital Custodian Company Limited
Risk profile	High
AMC Rating	AM2 (By PACRA)

#### Monthly performance (%)

	Portfolio	Benchmark
31-Mar-21	-0.39	-2.78
30-Apr-21	-0.30	-0.73
31-May-21	7.04	8.21
30-Jun-21	2.00	-1.13
31-Jul-21	0.46	-0.64
31-Aug-21	0.13	0.77
30-Sep-21	-2.70	-5.31
31-Oct-21	5.24	2.86
30-Nov-21	1.71	-2.41
31-Dec-21	-0.78	-1.06
31-Jan-22	6.46	1.75
<b>Portfolio return*</b>	<b>28.94</b>	
<b>Benchmark return*</b>	<b>4.65</b>	
<b>Difference</b>	<b>24.30</b>	

\* Since account start date

#### Asset allocation (%)

	31-Jan-22	Exp. Limit
Cash	0.10	0 - 100
Equity	97.72	0 - 100
Equity Mutual Funds (JSIL)	-	0 - 100
Islamic Income & MM (JSIL)	-	0 - 100
Shariah Comp. Corporate Sukuks	-	0 - 100
Other including receivables	2.18	n/a
<b>Total</b>	<b>100.00</b>	

#### Equity sector breakdown (%)

	31-Jan-22
Power Generation & Distribution	30.64
Commercial Banks	24.22
Fertilizer	21.80
Oil & Gas Exploration Companies	16.55
Automobile Assembler	4.51
<b>Total</b>	<b>97.72</b>

#### Top 5 equity holdings (%age of Net assets)

United Bank Ltd.	24.22
Engro Fertilizers Ltd.	17.99
Pakistan Oilfields Ltd.	16.55
Kot Addu Power Co. Ltd.	12.57
Lalpir Power Ltd.	9.27

#### Details of benefits (%)

Unrealize gain/(loss) on Equity Securities	(4.86)
Bank Profit	0.06
Dividend Income	104.79

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## 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.

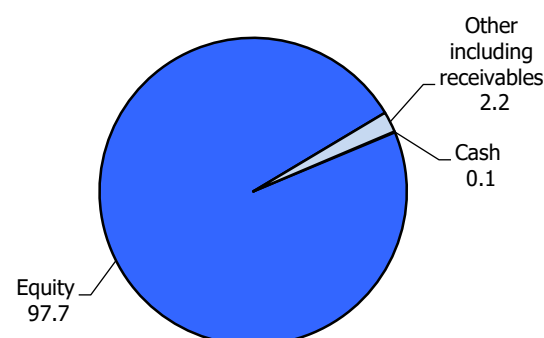
Furthermore, the State Bank of Pakistan (SBP) maintained the policy rate at 9.75% in the January MPC meeting after a round of tightening in the previous months. The MPC sees moderation of external pressures and reduced inflationary headwinds ahead with signs of demand rationalization kicking in. Thereby, 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.

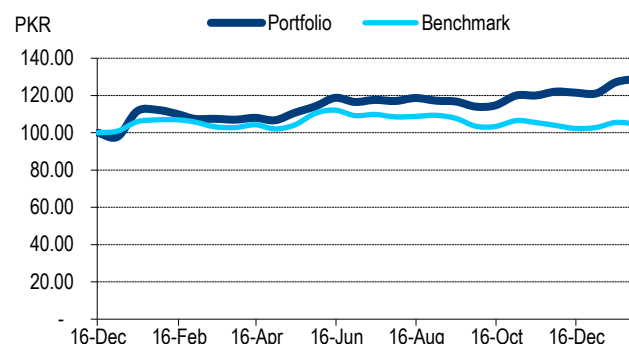
On the external front, Current Account reported a deficit of USD 1,963 mn in December 2021, which is the largest monthly deficit reported in the past three years. Cumulatively, CAD has now reached USD 9,092 mn compared to a surplus of USD 1,247 mn in the same period last year. A burgeoning trade deficit 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	6.5%	1.7%
FY 2021 return	16.5%	9.2%
CY 2020 return	-2.1%	0.9%
CY 2021 return	23.7%	1.9%
YTD 2022 return	10.7%	-4.2%
CYTD 2022 return	6.5%	1.7%
Since account starts	28.9%	4.6%

## Contact us

### Relationship Managers

Abdul Basit Siddiqui

Head - Distribution Channels, Marketing & Customer Experience

E-Mail: basit.siddiqui@jsil.com

Jallal Ovais

Senior Private Banker & Portfolio Manager (SCRA)

E-Mail: jallal.ovais@jsbl.com

### Portfolio Manager

Raheel Shahzad

Portfolio Manager

E-Mail: raheel.shahzad@jsil.com