Portfolio Manager Report - SMA (Discretionary)

Feroze and Shernaz Bhandara Charitable Trust

For the month ended 31-Mar-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)	239.30
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-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
31-Mar-22	-1.26	1.04
Portfolio return*	**37.16**	
Benchmark return*	**41.55**	
Difference	**-4.40**	

** Since account start date*

Asset allocation (%)

	31-Mar-22	Exp. Limit
Cash	1.40	0 - 100
Equity	14.23	0 - 20
T-Bills	-	0 - 100
PIBs	69.12	0 - 100
TFCs	-	0 - 100
Mutual Funds (JSIL)	8.64	0 - 100
Other including receivables	6.61	n/a
Total	**100.00**	

Equity sector breakdown (%)

	31-Mar-22
Cement	4.55
Fertilizer	3.84
Glass & Ceramics	3.49
Commercial Banks	1.96
Power Generation & Distribution	0.39
Total	**14.23**

Top 5 equity holdings (%age of Net assets)

Engro Fertilizers Ltd.	3.84
Lucky Cement Ltd.	2.66
Tariq Glass Industries Ltd.	2.66
Bank Al - Habib Ltd.	1.96
Pioneer Cement Ltd.	1.01

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

PIB 5YEARS 15/10/2020	69.12

Details of benefits (%)

Realized loss on Marketable Securites	(120.18)
Dividend Income	135.13
Unrealized gain/loss on Marketable Securites	(368.66)
Return On Pls Accounts	95.20
Markup on Debt Securities	358.52

Portfolio Manager Review

March has been without a doubt an eventful month for Pakistan equities. The combination of economic pressures along with a heated political arena remained at the center stage for the month. Commodity prices were seen soaring to multi-year highs as well. The market participants remained jittery on account of the commodity price rally amidst the Russia-Ukraine conflict. Oil prices marked a high of USD 134/bbl, levels that were last seen in July 2008. Coal climbed to USD 453/ton for a brief period during the month from USD 135/ton at the start of the year. Some respite was seen towards the end of the month as commodity rates showed signs of cooling off. On the other hand, political noise had picked up with the filing of a no-confidence motion against Prime Minister Imran Khan.

Despite the volatility of events during the month and the correction seen in tandem with the events, the KSE100 index gained 1.1% MoM during March 2022 to settle at 44,929 index points. Similarly, the KSE-30 index was down by 1.1% while the KMI-30 index rose 1.1% MoM. Furthermore, the activity was seen as sluggish for the month with volumes for the month averaging 206 million shares, down by 9% MoM, while the value traded averaged PKR 6.3 billion, a decline of 14% MoM.

On the sectoral front, positive contributions came from Food and Personal Care, Insurance, Technology, Chemicals, Textile Weaving, and Fertilizer sectors, which have performed better than the market. On the contrary, Leasing Companies, Oil and Gas Marketing, and Refinery sectors lagged.

Foreigners were net sellers for the month of March 2022 with an outflow of USD 23.3mn worth of stocks. This was concentrated in Commercial Banks likely associated with exposure reduction in a particular bank. On the contrary, local participants such as Banks and Individuals were major net buyers of USD 14.9 mn and USD 8.7 mn worth of equities, respectively. Mutual Funds were seen selling equities worth USD 9.2 mn.

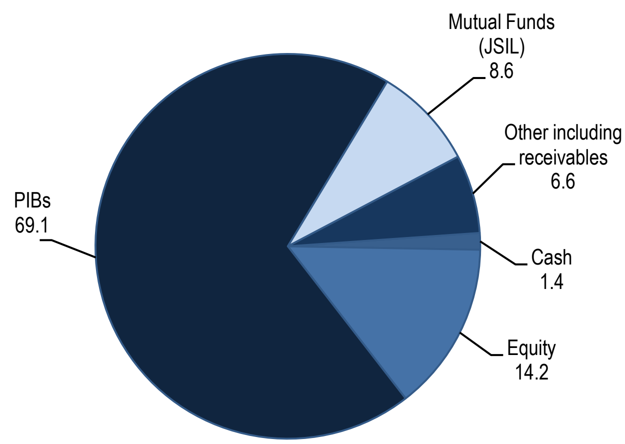
On the economic front, CPI inflation rose to 12.72% YoY in March 2022 compared to 12.28% in the previous month. Most inflationary pressures originated from higher food prices and education cost increments. Some respite was seen from sticky fuel and electricity rates after the announcement of the relief package by Prime Minister Imran Khan. On a MoM basis, NCPI increased by 0.79%, which is lower than the previous month's increase. Food inflation showed no respite registering at 15.30% YoY. We attribute the same to higher commodity rates and low base effect compared to the previous year.

Furthermore, the State Bank of Pakistan (SBP) maintained the policy rate at 9.75% in the March MPC meeting after initiating a pause in hikes. The SBP, however, has guided that an unprecedented rise in commodity rates could spell an upward revision of Policy Rates. Despite this, the SBP sees the inflation outlook to remain manageable going into FY23.

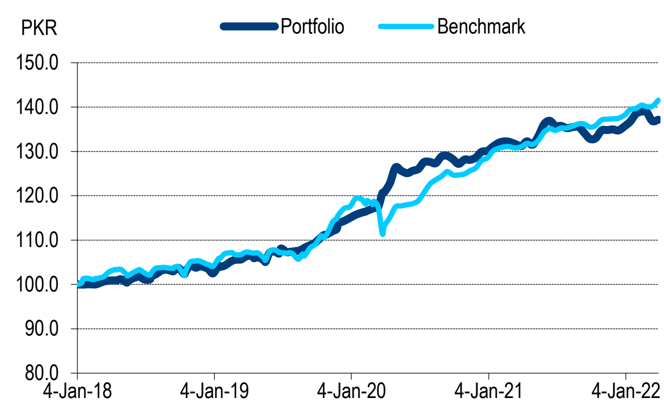
On the external front, the Current Account Deficit (CAD) reported a deficit of USD 545 mn in February 2022, which is the lowest monthly deficit reported in the past ten months. Cumulatively, CAD has now reached USD 12,099 mn for 8MFY22 compared to a surplus of USD 994 mn in the same period last year. The trade deficit continues to climb during 8MFY22 with rising imports that are now at USD 47,902 mn after an increase of 49% from USD 32,123 mn over last year. Exports of the country were registered at USD 20,617 mn, higher by 28% over the previous year. On the other hand, remittances of USD 20,141 mn were higher by 7.6% YoY only managed to lend some support to the rising deficit. As a result, foreign exchange reserves dropped by USD 4.1 bn from February 2022 levels to stand at USD 18.6 bn at the end of the month.

We see pressures to build upon the macroeconomic front as reforms are pushed back amid heightened political noise. Secondary market yields have gone up during the month post MPS accounting for a greater level of economic discomfort and deterioration of headline indicators going ahead. After the bear steepening witnessed, the yield curve is now steeper on the shorter end and humped on the longer end. Secondary market yields for 12M paper are now at 12.45%, which is up from 10.95%, a jump of 150 bps while 5-year yields increased from 10.96% to 12.02%, an increase of 106bps. For the equity market, the volatility is expected to reside with the certainty of direction on the political front and the upcoming corporate profitability season is likely to dictate much of the direction for the stock market for the next month. Therefore, we recommend our investors build positions in our funds given they possess the appropriate risk appetite.

Asset allocation (%)



Relative performance since inception



RETURN SUMMARY

	Portfolio	Benchmark
March-22	-1.26%	1.04%
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	1.03%	5.04%
CYTD 2022 return	1.10%	2.45%
Since account starts	37.16%	41.55%

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