Al Meezan Investment Management Ltd.

Pure. Profit.

PULSE

RAINY DAYS DON'T LAST

INSIDE HIGHLIGHTS

Al Meezan Investment Management

TABLE OF CONTENTS

Al Meezan Investment Management Ltd.

A LOOK BACK AT LAST FEW YEARS

In the last 10 years, the Pakistan Equity market saw the best of times and the worst of times. During this period, the KSE-100 posted nearly 50% annual returns in two consecutive years but also corrected about 50% from its peak level towards the end of the decade.

EQUITY: MAKE HAY WHILE THE SUN SHINES!

Looking ahead, we believe that the market is on its course to revert to its mean. Historically, Pakistan's discount to MSCI EM has been 25% whereas currently the discount stands at 39%. During the process, the market may post healthy returns, as it shows the potential to convincingly take out the all-time highs registered in 2017.

FIXED INCOME: ENTICING YIELDS ON OFFER

Historically, in line with policy rate, returns of fixed income funds showed an upward trend beating their respective benchmarks by a considerable margin.

COMMODITIES: GOLD IS CONTINUOUSLY SHINING

The yellow metal exceeded expectations during 1HFY20 as spot gold hit a 6-year high of $1,551 in September, 2019.

ACING THE FIRST IMF REVIEW

In early July 2019, the International Monetary Fund (IMF) approved a three-year $6 bn loan to support Pakistan's economic plan. The plan aims to reduce and eventually eliminate the boom and bust cycle of the economy which has impacted the road to sustainable development.

IMPORTANCE OF REGULAR SAVINGS & INVESTMENT

We can't be certain about our jobs, our health, and our homes. If we develop the habit of saving, we are more likely to be prepared for the uncertainties of life.

POLITICS: GOVT. FOCUSED ON ECONOMY NOT POLITICS

With the government intensifying its focus on turning around the economy and creating jobs, maintaining political stability and some semblance of harmony with the opposition may become a priority.

ECONOMY: REFORM AGENDA ON TRACK

Looking ahead, GDP growth is expected to slow down due to the adoption of tighter fiscal and monetary policies and austerity measures being adopted by the government to keep the macro economy under control.

A LOOKBACK AT LAST 5 YEARS

The Last Decade saw all Stages of Macro Cycles

In the last 10 years, the Pakistan Equity market saw the best of times and the worst of times. During this period, the KSE-100 posted nearly 50% annual returns in two consecutive years but also corrected about 50% from its peak level towards the end of the decade. The economy – which is a key driver of market returns – transitioned from a slow growth period to multiyear high GDP growth levels and ultimately ended in years of steep decline amid stabilization measures. The volatility during the period was not only influenced by macroeconomic cycles, but also political instability where we had three different governments in the past decade, each with different – mostly inconsistent – ideologies about running the country.

First Phase: Recovery to Multiyear Growth

KSE-100 index recovered rather outstandingly after a turbulent period following the global financial crisis in FY09, surging 331% (annualized growth of 20%) during 2010-2017, peaking in May, 2017 when MSCI upgraded Pakistan to its Emerging Market Index from the Frontier Market. Local investors piled up in anticipation of massive EM inflows in the Pakistan market. This exuberance was supported by strong GDP growth of 5.3% in FY17 – a 10 year high level. The bulls went on a buying spree, filled to the brim with optimism and confidence was at all-time highs, propelling the index to a peak of 53,124 pts (intra-day basis) on 25th May, 2017.

Second Phase: Worst of Times - Volatile Market (2017-2019)

However, it all came tumbling down when economic indicators failed to justify the surge, political instability began to resurface, and PSX failed to attract foreign flows post-MSCI reclassification. Upside emanating from MSCI upgrade was overestimated by the market as the expected quantum of EM flows did not transpire, and the market saw significant outflows from the FM funds. EM space saw major outflows amid US interest rate hikes.

The two years were fraught with macroeconomic turmoil: persistent slowdown in growth, growing fiscal and external imbalances, PKR devaluation of 33%, inflation surging to double-digit levels, while SBP's policy rate rose from 5.75% to 13.25%. Government's anti-corruption drive and severe monetary tightening dried up liquidity in the equity markets which led to significant de-rating of market multiples. Forward P/E of the KSE-100 briefly fell below 5.0x which is much lower than long-term average of 8.5x and similar to the levels seen during the FY09 global financial crisis. To make matters worse, the newly elected government did not immediately approach the IMF after getting elected. This uncertainty on the macro front eroded investor confidence. Resultantly, local institutional investors reacted with panic selling while foreign investors had already been net sellers and the pessimism led the index towards a low 28,765 pts on 16th August, 2019 yielding a loss of 46% from the Index's peak (intra-day peak).

Third Phase: Recovery and Solace

The early signs of economic stabilization, enticing valuations, and an oversold market began to translate into the spectacular rally post August, 2019. The index propelled by more than 40% in a span of four and a half months from its recent low set on 16th August, 2019.

On the economic front, we began to witness significant improvement in the (i) current account balance which reached more manageable levels of average ~ $364 mn per month, and (ii) tax revenues, attributed to the measures enforced by the IMF Extended Fund Facility (EFF) programme, financial assistance from multilateral institutions and friendly countries, as well as successful structural reforms by the PTI-led government.

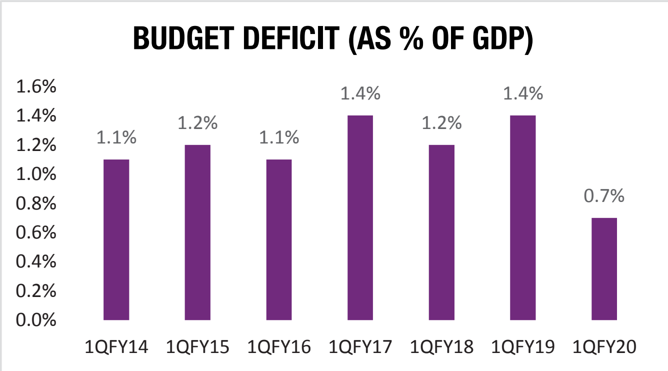
ACING THE FIRST IMF REVIEW

In early July, 2019, the International Monetary Fund (IMF) approved a three-year $6 bn loan to support Pakistan's economic plan. The plan aims to reduce and eventually eliminate the boom and bust cycle of the economy which has impacted the road to sustainable development. IMF released $1 bn to Pakistan immediately and the remaining part of the amount was to be released over a period of 39 months.

In its staff-level report on the First Review of the $6 bn Extended Funds Facility (EFF), the IMF has remarked that Pakistan's economic reforms programme has had a strong start, and is on track to address large imbalances and achieve stability during the course of the programme. The review paved the way for the release of the second tranche of $453 mn, taking the total disbursements under the programme to $1.4 bn. In our view, with the government appearing steadfast on its economic reforms agenda, under close monitoring by the IMF, Pakistan's macroeconomic metrics should gradually improve and translate in robust equity market performance.

PAKISTAN MEETS QUANTITATIVE TARGETS

Pakistan continuously met performance criteria during September, 2019. Five indicative targets were missed, including containing tax refund arrears and power sector arrears, but Pakistan is on track to complete them by end of December. Pakistan's tax revenue in 1QFY20 rose 17% YoY, with 25% YoY growth in the domestic component of tax revenue, balanced by a modest 7% YoY rise in import-based taxes (which has been about 40% of total tax revenue). Importantly, a primary surplus of 0.6% of GDP was recorded in 1QFY20, with the overall budget deficit also appearing better than programmed.



ENERGY SECTOR REFORMS

The IMF has set out a comprehensive plan for the government to contain the circular debt buildup to Rs. 50-75 bn per annum by FY23 (from about Rs. 10 bn per month presently), which will include the timely revision of tariffs, among other measures. Gas tariff increases in July, 2019 and an upcoming increase by end-December 2019 will be a key measure to address circular debt buildup in the gas chain. Authorities have indicated that they will finalize the privatization of two LNG based power plants by end-FY20. The second Sukuk issue for the power sector has been allowed. We can expect about US$2.0 bn from the sale of the power plants. Another gas tariff hike is indicated (OGRA has recently recommended 32% or more increase in consumer tariffs by January, 2020).

Al Meezan Investment Management Ltd.

SAVINGS AND INVESTMENT PAY OFF IN THE LONG RUN

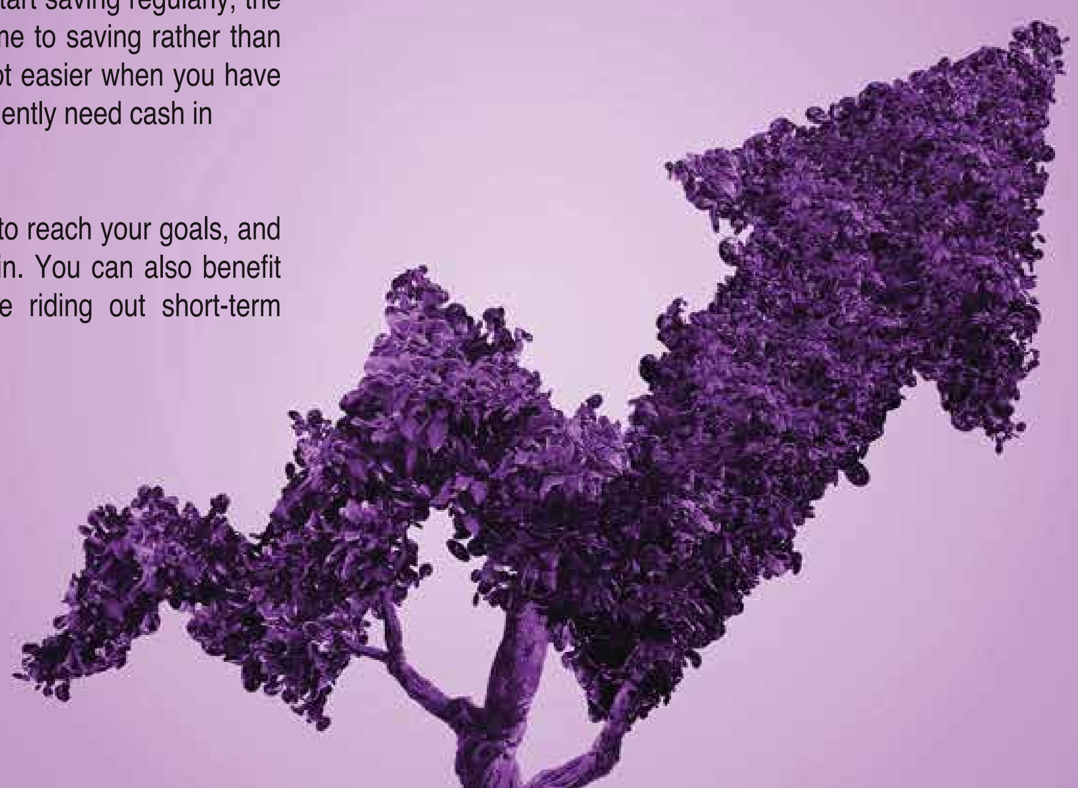
BENEFITS OF REGULAR SAVING/INVESTING

Regular saving is a good habit because it prepares us for the future and helps avoid any obstacles that may come across throughout our lives. We can't be certain about our jobs, our health, and our homes. If we develop the habit of saving, we are more likely to be prepared for the uncertainties of life.

The younger you are when you start saving regularly, the more accustomed you will become to saving rather than spending. This can make life a lot easier when you have big purchases to make or you urgently need cash in an emergency.

You can spend less each month to reach your goals, and not put your finances under strain. You can also benefit from compounded returns, while riding out short-term market volatility.

We therefore recommend our valued investors to follow the famous quote, "Penny and penny laid up will be many."

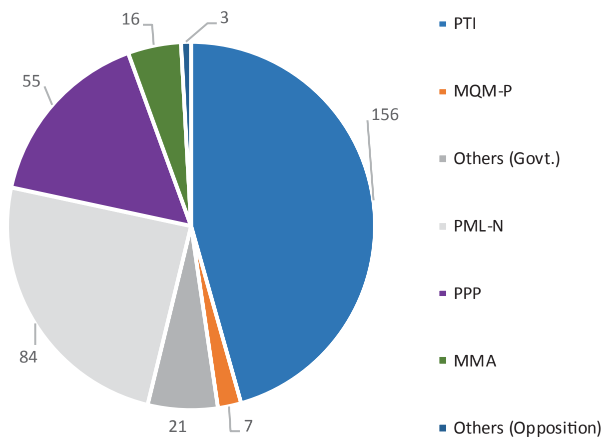


POLITICS: GOVERNMENT FOCUSED ON ECONOMY NOT POLITICS

Al Meezan Investment Management Ltd.

NATIONAL ASSEMBLY STANDING

Government coalition
PTI
MQM-P
PML-Q
BAP
GDA
AML
JWP
Independents (Govt.)
BNP-M*
Opposition
PML-N
PPP
MMA
Independents (Opposition)
ANP



***Supports government but not part of official coalition**

BORDER TENSIONS REMAINED ELEVATED BUT SHOULD SIMMER DOWN IN 2020

In February, a suicide bomber killed almost 40 Indian paramilitary personnel in Pulwama district, Indian Occupied Kashmir (IOK), India. Jaish-e-Mohammed (JeM) accepted the responsibility of this attack and as a result, India conducted airstrikes on an alleged terrorist training camp inside Pakistani territory. In retaliation, Pakistan shot down Indian fighter jets inside Pakistan and captured an Indian pilot. However, to further avoid escalation of the situation and as a gesture of peace, the prisoner was returned to India.

Additionally, in August, 2019, the Indian government revoked the special status of IOK within India sparking large scale protests in IOK. In response, the Indian government imposed curfew and shut down basic services.

However, the market breathed a sigh of relief as the government inaugurated the Kartarpur corridor as a gesture of goodwill and to de-escalate the situation at the border.

PRIME MINISTER'S ACCOUNTABILITY DRIVE

Ahsan Iqbal, a prominent member of the opposition, was arrested by NAB in an alleged case of corruption regarding Narowal Sports City.

Previously, Ex-PM Shahid Khaqan Abbasi, was detained on allegations of corruption in awarding LNG contracts during his tenure as the minister of petroleum and mineral resources.

Earlier, Ex-President Mr. Asif Ali Zardari, was also arrested in June after the court dismissed his appeal for an extension in bail in a money-laundering case. However, he was later released on bail by the Islamabad High Court on medical grounds.

GOVERNMENT ACTIVELY ENGAGING INTERNATIONAL COMMUNITY

Since Imran Khan has taken charge of Prime Minister's office, the foreign ties of Pakistan with various countries have improved.

Crown Prince Muhammad bin Salman visited Pakistan in February on the invitation of the government. The visit was of high-level importance and one of the key agendas of the meeting was investment and trade dealings (deferred oil facility, set-up of oil refinery) throughout the official visit as exhibited by the Saudi announcement of investments of $20 bn. The two sides signed a series of MoUs and agreements in multiple capacities.

Prime Minister Imran Khan also visited Iran in April. During the visit, priority was given to improving the security situation of the shared border between Iran and Pakistan. Both sides discussed ways to fight threats of smuggling of narcotics, terrorism, human trafficking, hostage-taking, abduction and money laundering.

The prime minister also visited China to attend the Second Belt and Road forum. Issues such as the management of the execution of Phase II of CPEC that also includes industrial collaboration and socio-economic growth of the two countries were discussed.

During the year, the PM made another visit to China for the purpose of "reviving" the stalled CPEC projects and the Chinese side pressed the Pakistan side to commit to the completion of various CPEC projects. In response, the government announced the establishment of a CPEC authority for active oversight as well as implementation of projects. It is imperative that Pakistan find the right balance between Washington and Beijing. Both allies are of utmost and critical importance to Pakistan's strategic role in geopolitics as well as economic well-being.

COAS – EXTENSION IN TENURE

On 19th August, 2019, Prime Minister Imran Khan approved an extension in the tenure of COAS, Gen Qamar Javed Bajwa, for another three years. The announcement came nearly three months before General Bajwa was due to retire. However, SC suspended his extension on 26th November, 2019 and shared a final verdict on 17th December, 2019 in which it warned that if no legislation is enacted within six months, incumbent COAS will have to be replaced. However, on 7th January, 2020, the National Assembly unanimously passed bill regarding tenure of services chief, thus paving way for continuation of COAS General Bajwa in his current role.

JUI – F AZAADI MARCH

It was set out on 27th October, 2019, from Karachi's Sohrab Goth area towards Islamabad, with an aim to make Prime Minister Imran Khan resign. The caravan reached Islamabad on 31st October, 2019 when the march turned out into a sit-in. It lasted for 14 days until they decided to opt for Plan B, in which they started blocking key streets. They worked on plan B for five days and ended it on 19th November, 2019. The market didn't respond to this event and the bullish trend continued its momentum.

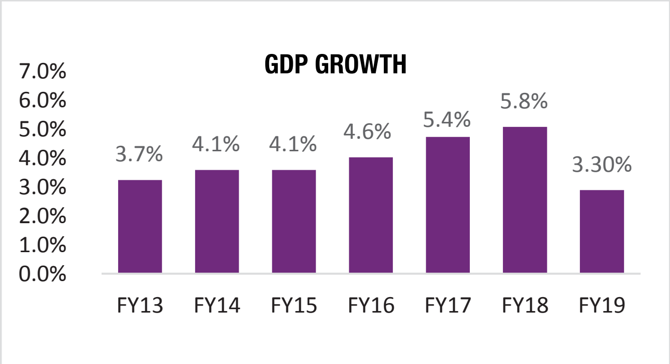
ECONOMY: REFORM AGENDA ON TRACK

Al Meezan Investment Management Ltd.

PUTTING THE BRAKES: GDP GROWTH OUTLOOK

Pakistan's GDP growth rate's upward trajectory came to a halt with the FY19 growth rate clocking in at 3.3%. GDP growth was mainly driven by the services sector that grew by 4.7%, followed by Industrial (1.4%) and agriculture sector that advanced by 0.85% during the period under review. Looking ahead, GDP growth is expected to slow down due to the adoption of tighter fiscal and monetary policies and austerity measures being adopted by the government to keep the macro economy under control.

However, we expect economic growth to revive once the external account becomes manageable and forex reserves begin to build up. GDP growth rate for FY20 is forecasted by IMF to clock in at 2.4%. On the other hand, SBP and ADB expect GDP to grow by 3.5% and 2.8% respectively.



FISCAL DEFICIT IN NEED OF A FIX

The consolidated fiscal deficit after improving to 4.4% (of GDP) in FY16 deteriorated to 5.8% in FY17 and then reached a whopping 8.8% in FY19, the highest level in the past five years. The government faced headwinds on tax collection, whereas ballooning debt servicing and lower/negative provincial surpluses intensified the budget deficit. Under the new IMF programme, the government has agreed to keep the primary deficit at 0.6% of GDP by introducing measures that will increase tax collection by broadening the tax base to those areas which have hitherto been untaxed, eliminating subsidies and exemptions, and curtailing current expenditure. The government also set out to ramp up its non-tax revenues through privatizations and secondary public offerings of energy sector companies. These plans were aided by rebounding State Bank of Pakistan's profits after one-off profit erosion in FY19 because of PKR depreciation, and also proceeds from telecom licence renewals.

BALANCE OF PAYMENTS

The balance of payment problem in Pakistan is structural in nature as the economy is unable to diversify exports beyond basic commodities and low value-added textile, and hence terms of trade have become unfavourable. This has been the case for a very long time whereby an unsustainable current account deficit almost brought Pakistan to the brink of default. In order to avoid the balance of payment crisis, Pakistan needs to improve export competitiveness and reduce dependency on import-led consumption growth. The financing of deficit has led to a substantial reduction in foreign exchange reserves and a large increase in external debt and liabilities. The government therefore took a number of necessary remedial measures throughout 2019 including devaluing the currency, hiking interest rates, and raising import tariffs on luxury goods, all done in an effort to curtail the deficit. Further, it also arranged funding from friendly countries to halt fast depletion of SBP's forex reserves.

Furthermore, the country entered into an agreement with the IMF this year to get short-term emergency funding and resolve its long-standing macroeconomic imbalances. Pakistan is set to receive $6 bn worth of assistance under the IMF Programme over a period of three years of which two tranches have already been received this year (cumulative: $1.4 bn); the most recent one has taken the foreign exchange reserves level up to $18 bn. IMF in its review in November this year also stated that the external and fiscal deficits have narrowed, while inflation is expected to decline to single digits in FY21, and growth is expected to remain subdued but steady and positive.

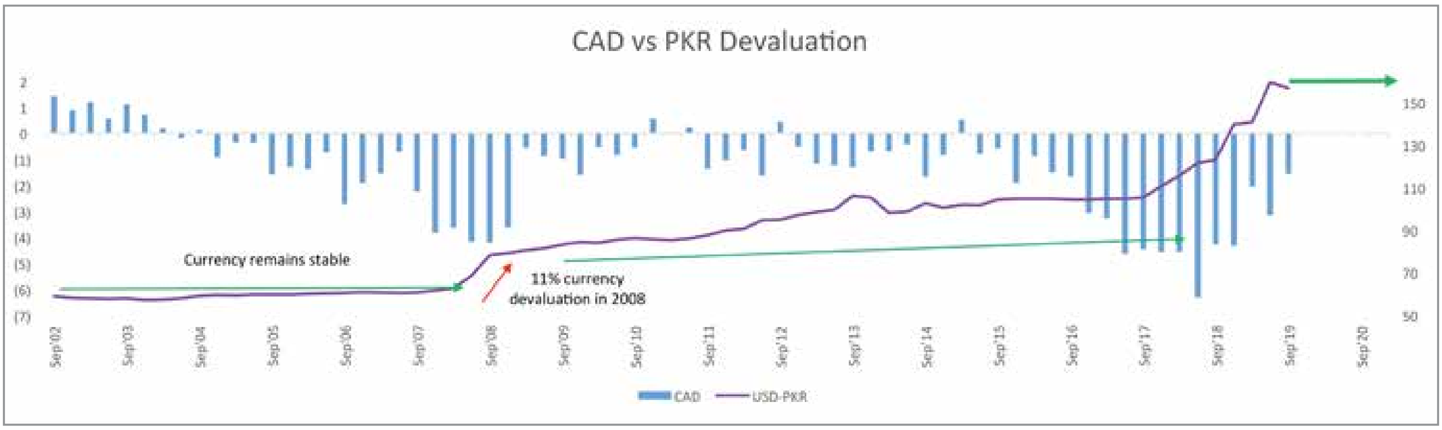
By the end of the year, things began to take a positive turn on the fiscal side and with the exchange rate stabilized and critical, the twin deficits shrunk massively. Current Account Deficit (CAD), having reduced by almost 73% year-on-year, is expected to narrow to 2.4% of GDP in FY20 from 4.9% in FY19.

MONETARY TIGHTENING

Since January, 2018, the State Bank of Pakistan (SBP) has raised the policy rate by a cumulative of 750 bps from its low of 5.75% to 13.25% in order to dampen the inflation, and correct the twin deficits. There was uncertainty surrounding the quantum of tightening to be pursued on central bank's stance and action on the tightening measures, which allowed the bears to drive the Index to its low in 2019.

SURGING INFLATION

Headline inflation was on a rise during early 2019, with CPI for FY19 clocking in at 7.3% on average. The economy was caught in a drift when CPI jumped to 10.3% in July, 2019. The surge was mainly driven by depreciating currency and rising energy prices. The increase in prices contributed to the despondent investor sentiment, particularly in the initial months of FY20.



IMF REFORM PROGRAMME

The IMF published its first post review staff report on 23rd December, 2019. The report acknowledged Pakistan's economic reform programme as being on track; successful completion of the review allowed Pakistan to draw $452 mn from the fund.

According to the report, the market-based exchange rate regime is crucial, so that external imbalances do not re-emerge. It states that the inflation has started to show encouraging trend and seems to have peaked out, however, it also advocated that monetary easing should only be adopted once disinflation is firmly entrenched. The upcoming gas tariff adjustments might keep the CPI elevated; hence there are rising chances that easing might be delayed beyond March, 2020.

Report states that more needs to be done on anti-money laundering and combating the financing of terrorism; side by side highlighting blacklisting by FATF as a risk to capital flows. On energy front, the report highlights that multiple efforts such as, investing in infrastructure to reduce technical losses, anti-theft drive and adjusting tariffs to cost recovery levels are needed. These reforms have already begun paying off as down circular debt pile-up has slowed down.

CIRCULAR DEBT

The menace of circular debt has long-haunted Pakistan's economy. Energy shortages have costed Pakistan's economy an estimated 2% of annual GDP growth. When PTI government came into power they inherited a circular debt of Rs. 1.1tn. As of now, the amount of debt has reached Rs. 1.69tn (3.8% of GDP) of which Rs 800 bn is attributed to Power Holding Company Limited while Rs. 869 bn is described as pending against various defaulters, according to Power Division.

To address this issue, the government with consultation of IMF introduced a circular debt reduction plan where debt will be curbed through limiting T&D losses, improved collection, streamlining timely tariff adjustments and enhanced governance of the power chain. The circular debt reduction plan of PTI government has already started bearing fruit with the monthly accumulation coming down to Rs. 10 bn/month in 1QFY20 from Rs 38 bn/month in FY19. The IMF forecasts Pakistan to reduce circular debt accumulation to Rs. 50-75 bn by FY23. Moreover, in order to meet IMFs target, the power division increased electricity tariff by Rs. 2.33/unit in CY19 (excluding fuel adjustments).

As part of the reform agenda, the power ministry is set to introduce the Advance Metering Infrastructure (AMI) project stated with $500 mn funding from the Asian Development Bank. PTI government has also proposed to privatize DISCOs in order to performance utilities.

Moreover, in the short term, the power division is expected to issue Energy Sukuk-II of Rs. 200 bn after IMF increased limit of sovereign guarantees.

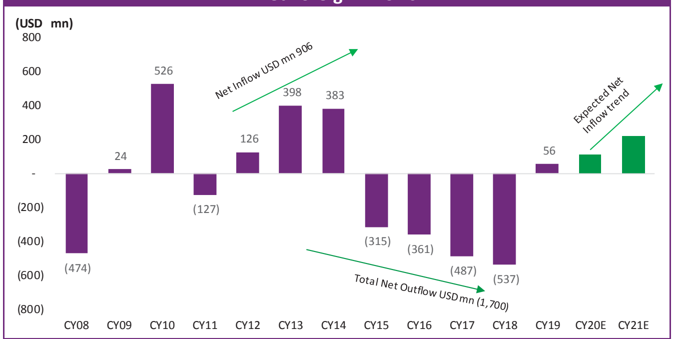
EQUITY: MAKE HAY WHILE THE SUN SHINES

The equity markets responded well to the rapid improvement in economic and political landscape, with the index rising by 50% from its lows over the past four months. The recent rise of the benchmark equity index has made PSX amongst the best performers across the world. Resilience of investor confidence was evident as the market ignored high-impact negative news-flow such as warning by FATF of a potential blacklisting in 2020, protests by opposition parties in Islamabad and friction on eastern and western borders.

INVERSION OF YIELD CURVE SPARKED RALLY

The timing of the market reversing its course coincided with the inversion of the yield curve whereby the 10 year PIB yields dropped below the short-term tenors. Currently, this inversion is unprecedented and by far the most extreme in the last 15 years. The change in shape of the yield curve came on the back of shifting inflation expectations whereby the long end of the curve dropped significantly below the short-end, implying muted inflation data going forward.

Net Foreign Inflows



DOMESTIC BOURSE RALLIED DESPITE FOREIGN SELLING

Foreign participation remained dismal during the rally, with foreign corporates selling $39 mn versus the aggregate reported figure of $21 mn net sell. However, part of the selling was countered by Overseas Pakistanis.

However, the flows turned positive in CY19, ending a streak of negative outflows, with foreign corporates buying $32 mn worth of securities versus an aggregate foreign inflow of $55 mn during the period. This marks a welcome end to the liquidations by foreigners in the last four years.

Foreign Investor's flows since 16-Aug-2019

	Gross Buy	Gross Sell	Net Buy/(Sell)	Net buy/(sell) USDmn
Foreign Individuals*	486	(710)	(224)	(1)
Foreign Corporates*	58,346	(64,548)	(6,202)	(40)
Overseas Pakistanis*	35,215	(32,125)	3,089	20
FIPI Net*	94,047	(97,383)	(3,336)	(21)

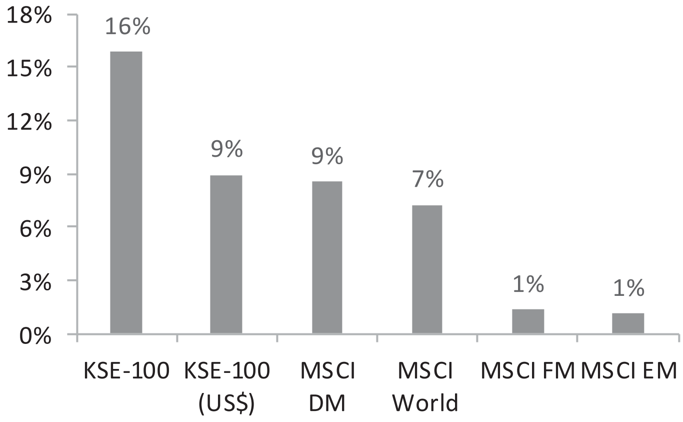
***All flows in PKR mn unless otherwise stated**

PAKISTANI EQUITIES HAVE HISTORICALLY OUTPERFORMED OTHER ASSET CLASSES IN THE REGION

Al Meezan Investment Management Ltd.

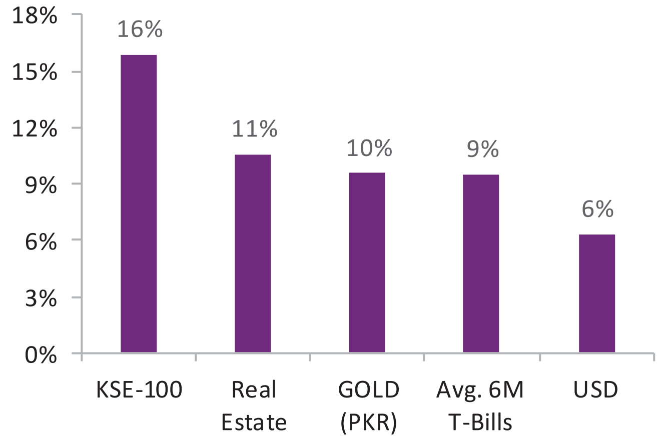
Pakistan has historically performed well in regional markets and competing asset classes over the past decade. The market has outperformed the frontier and emerging markets by a healthy 8% and competing asset classes by over 6%.

KSE100 Vs. MSCI Indices



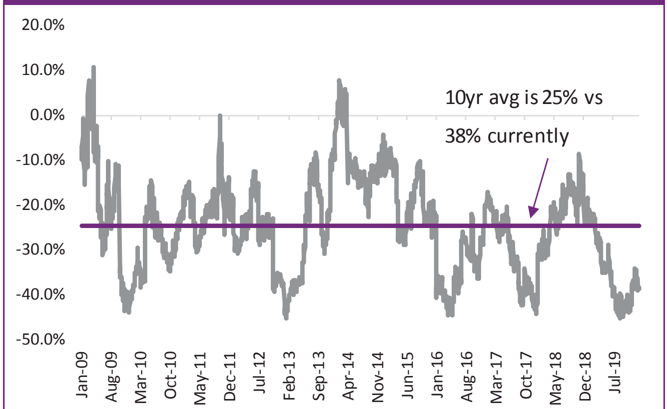
Annual return for the period December 2010-2019

KSE100 vs. other asset classes



PSX's discount to MSCI EM appears to be bottoming out and is presently trading at its lows. The discount widened over the years due to persistent foreign selling that has kept the market in a strong bear grip. However, this appears to be changing due to successful execution of the IMF programme that has warded off external risks. This is also supported by strong inflows from foreign funds in domestic T-bills to the tune of $2.2 bn.

PSX discount to MSCI EM



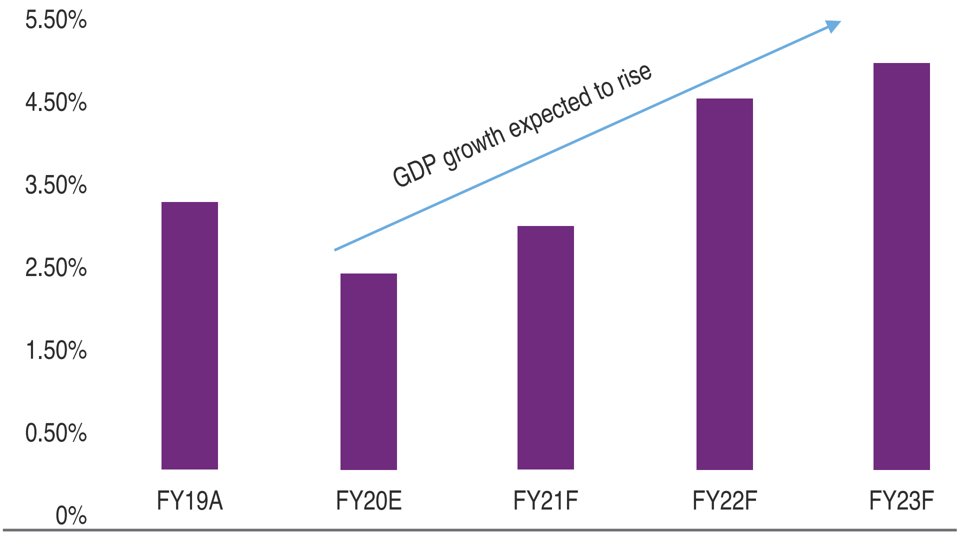
CONCLUSION & RECOMMENDATION

Our fundamental analysis favours an upward trajectory in the local equity market on the back of structural reforms, the entailing macroeconomic recovery, the re-rating of the market, and the mean reversion of the index in the near term. Political stability in the country and geopolitical events will remain catalysts for the performance of the stock market, and in that respect, we expect the political landscape to gradually move towards calmness and harmony. All things considered, Pakistani equities offer a value buy and coupled with the expected upward trajectory, equities are well poised to yield stellar returns in the short to medium-term. Therefore, we recommend our investors to focus on the above-mentioned factors and build equity positions in their portfolio via direct investment or through mutual funds to benefit from the upward trend.

In the light of our favourable stance for investment in equities, Al Meezan offers exposure to equities through a range of mutual funds in its product suite. The flagship Meezan Islamic Fund (MIF), which hosts an AUM of almost Rs. 30 bn, caters to high risk tolerance investors. MIF offers consistent out-performance from its benchmark and the KSE-100 in a bid to provide investors with the highest possible value. Since inception (August, 2003), MIF has delivered returns of 1,044% (CAGR: 16.01%), while the benchmark delivered a relatively meagre 785% (CAGR: 14.21%).

For investors with medium-risk tolerance, Al Meezan offers Meezan Balanced Fund (MBF), investing partially in equites and fixed income. MBF also has a history of consistently outperforming its benchmark in the long run. Since inception (December, 2004), MIF has delivered returns of 500% (CAGR: 12.66%), while the benchmark delivered a relatively meagre 338% (CAGR: 10.32%).

GDP GROWTH RATE TREND

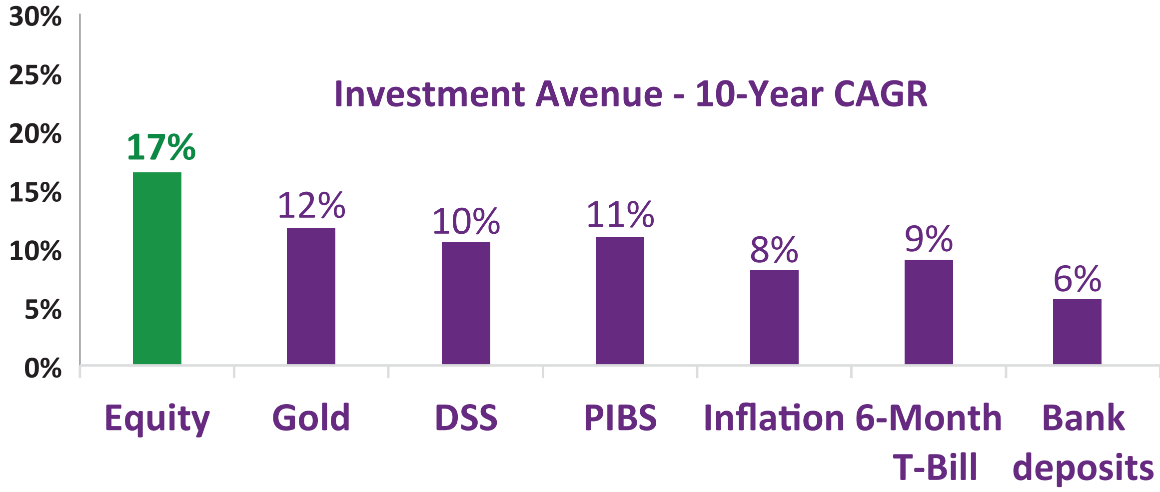


EQUITY HAS HISTORICALLY OUTPERFORMED OTHER ASSET CLASSES

Al Meezan Investment Management Ltd.

Investment Avenues – 10 Years (% Returns)

Period	Equity (KSE-100)	Gold	Defence Saving	10 Year Govt. Bonds	Inflation	6-Month T-Bill	Bank Deposits
FY10	36	41	12	12	13	12	6
FY11	29	22	13	14	14	13	7
FY12	10	17	12	13	11	12	6
FY13	52	-19	12	12	7	10	5
FY14	41	7	12	12	9	10	5
FY15	16	-9	11	11	5	9	5
FY16	10	16	8	9	3	6	4
FY17	23	-6	8	8	4	6	6
FY18	-10	17	8	8	4	6	7
FY19	-19	51	10	12	8	10	10
10 Year CAGR	**17**	**12**	**10**	**11**	**8**	**9**	**6**



ASSET CLASS RETURNS

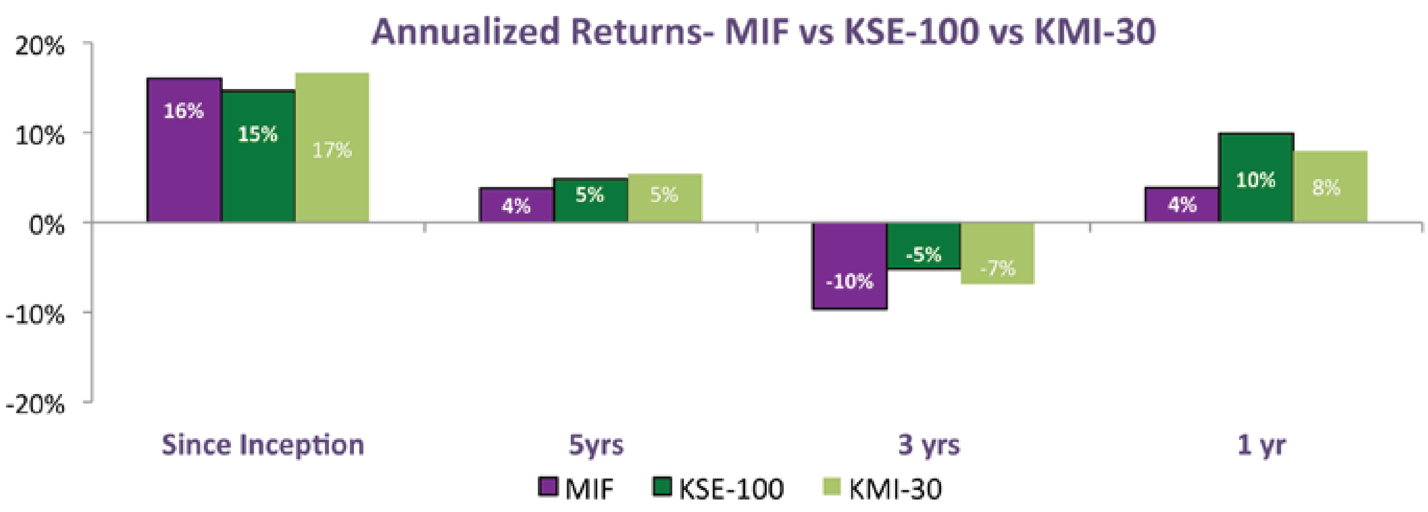
AL MEEZAN INVESTMENTS MOVING THE RUDDER IN THE RIGHT DIRECTION

Al Meezan Investments continuously strives to give highest possible risk-adjusted returns to its valued investors. Financial specialists at Al Meezan Investments apply their proficient skills and knowledge in selecting the most fundamentally strong assets that considerably increase the value of our funds even in times of political instability.

MEEZAN ISLAMIC FUND (MIF) - STOUT IN ROUGH WATERS

Our star open-end mutual fund Meezan Islamic Fund, has amassed a past filled with over 16 years of delivering above benchmark returns for its investors. MIF provides Sharia complaint equity exposure to its investors. Current AUMs are of around Rs. 29.6 bn as of December, 2019. Assuming an investor made an initial investment of Rs. 100,000 in MIF on its inception date in August, 2003 and did not make any withdrawals, his investment would now have grown to Rs. 1,143,735 (till December, 2019), earning an annual 16.01% CAGR. Equity has always remained the best performing asset class for long-term investors willing to withstand short to medium-term volatility.

The graph below shows the annualized calendar year (CY) returns of MIF, KSE-100 and KMI-30 for the past 1, 3, 5 years and since inception.



FIXED INCOME: ENTICING YIELDS ON OFFER!

Monetary tightening cycle, which lasted for nearly two years finally came to a halt during the ongoing fiscal year. After the last hike in policy rate during July, 2019, the central bank kept the policy rate unchanged at 13.25% with long-term expectations of single digit inflation by the end of CY20. However, in anticipation of no further hike in the policy rate and a possible reversal of interest rate cycle, a sharp decline was witnessed in the secondary market yields of government papers which led to an inversion of the yield curve. Longer tenor papers due to higher demand and lower supply, traded at a lower yield when compared with short-term government papers.

Furthermore, improvements in government's economic policies along with higher dollar adjusted returns, fuelled foreign investors' confidence which led to a net inflow of $2.2 bn in T-bills and PIBs during the period July, 2019 to December, 2019 with major inflows in shorter tenure T-bills. Foreign inflows in the government papers played a key role in supporting the already improving FX reserves of the country.

SECONDARY MARKET YIELDS SNAPSHOT

	Jul 2019	Dec 2019	Difference from Jul 2019
SBP Policy Rate	**13.25%**	**13.25%**	**0.00%**
GoP Securities			
6- Months T-Bills	12.85%	13.35%	+0.50%
10-Year Pakistan Investment Bonds (PIBs)	13.72%	11.00%	-2.72%
Ijarah Sukuks	9.45%	7.31%	-2.14%
Corporate Instruments			
TFCs (AA rated and above)	12.85%	14.38%	+1.53%
Corporate Sukuks	11.61%	12.78%	+1.17%

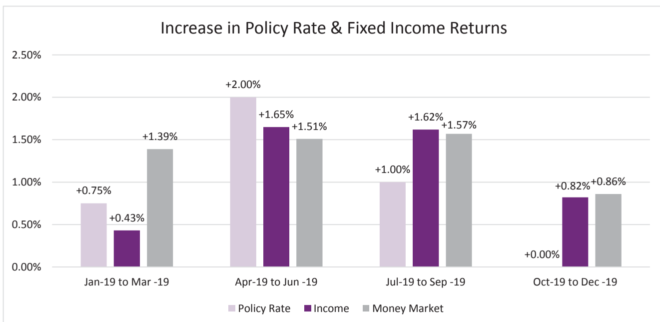
Highest and Lowest Yields for the Period July 2019 to December 2019

T-Bills	High	Low
T-Bill 3 Months	13.75%	12.75%
T-Bill 6 Months	13.94%	12.85%
T-Bill 12 Months	14.17%	12.72%
PIBs	**High**	**Low**
PIB 3 Year	14.16%	11.48%
PIB 5 Year	14.04%	10.91%
PIB 10 Year	13.86%	10.95%

OUTLOOK

Improving fiscal deficit and subdued pressure on exchange rate will keep the policy rate in check and no further rise in policy rate is expected, perhaps on the contrary we expect a possible reversal in CY20. In the FX market, the rupee appreciated over the period with the exchange rate crossing Rs. 160 per dollar during the month of July, 2019 and closing at Rs. 154.95/$ (Rs. 3 stronger).

FIXED INCOME FUNDS FOLLOWING THE POLICY RATE



Historically, in line with policy rate, returns of fixed income funds showed an upward trend beating their respective benchmarks by a considerable margin.

THE SHARIAH COMPLIANT END OF THE MONEY MARKET STILL FACING A LACK OF INVESTMENT AVENUES

On the Shariah compliant end of the money market, three out of the four running Ijarah Sukuks, cumulatively amounting to Rs. 314 bn matured. A positive emanating from these Ijarah Sukuks maturities is that fixed rate Ijarah Sukuks are getting phased out allowing Shariah compliant counters to redeploy their capital, which was stuck in these instruments, in higher rate avenues while also avoiding mark to market losses previously witnessed due to the fixed rate nature of these issues. It is also worrying that no new GOP Ijarah Sukuks have been issued during this period which has severely impacted the ability of Shariah compliant income and money market funds to deploy their liquidity. Despite significantly strong growth in Islamic deposits over the last few years, which have recently clocked in at Rs. 2.2 tn (forming around 16% of the total banking deposits), regular Ijarah Sukuk auctions are still not witnessed like PIBs (auctioned once a month) and T-bills (auctioned twice a month). The last Ijarah Sukuk auction was carried out in June, 2017 after a gap of one year and three months.

Going forward, Sukuk issuances are expected to continue as the government is expected to raise another Rs. 200 bn for settlement of the circular debt.

However, it is encouraging to note that SECP is also taking steps for promoting Islamic sukuks by organizing seminars and educating the issuers and investors on the benefits of raising debt through issuance of Shariah compliant instruments. Some of the blue chip corporates have already started to understand the excess liquidity situation of the Islamic finance sector and started issuing corporate Sukuks to raise debt at relatively lower spreads than they would have to bear in case of TFCs or bank loans; in line with this observation, we have been witnessing increased issuance of corporate Sukuks since CY18. Hopefully, a consistent increase in the issuance of new Sukuks (both government and corporate) will be seen going forward subsequently allowing the Islamic market to tackle its long-standing excess liquidity problem.

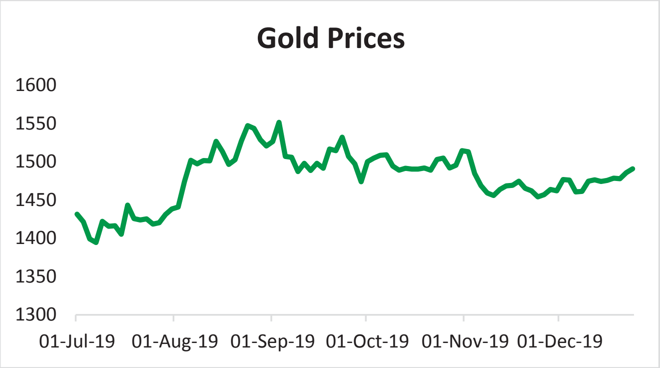
COMMODITIES: GOLD IS CONTINUOUSLY SHINING

The yellow metal exceeded expectations during 1HFY20 as spot gold hit a 6-year high of $1,551 in September, 2019. The movement in gold prices, as seen in the graph below is largely derived from the feeble global economic outlook amid a trade dispute between the world's top two economies (China & US), Brexit uncertainties, and other geopolitical tensions in the second half of 2019.

The high prices of gold reflect that investors sought protection from inflation or an economic crisis by investing in gold. Initially, the tariffs placed by US and China drove the prices upwards and even when there was progress made due to initiation of Phase 1 deal between the two countries, they were met with yet more delays in finalizing the deal, which created more uncertainty. In addition to the trade war, the U.S Federal Reserve cut the interest rate amid concerns over inflation and low job growth, while China also cut its prime lending rate and brought trillions of Yuan into its economy to boost growth.

On the other hand, low gold prices mean the global economy is doing considerably well, where investors can confidently invest in stocks, real estate, and other risky assets as compared to a safe haven asset like gold. The dips seen in the graph were mainly caused by recent advances in the U.S.-China trade deal Phase 1, which was expected to be completed in the beginning of 2020. Additionally, there were setbacks in the deal of Brexit owing to legal interventions which stated that UK may not leave the EU without a deal, which would clarify the crucial issue of the Irish border and whether the UK will leave the customary union entirely after the post-Brexit transition period.

Going forward, investors need to watch out for the progress in the U.S.-China trade deal, Brexit, global growth outlook, and central bank actions which may guide the direction of the metal. US dollar in the coming months shall be a crucial indicator of gold's performance, as a softer greenback makes commodities priced in dollars cheaper for investors trading with other currencies. Additionally, Phase 1 of U.S.-China trade deal is expected to be concluded in the beginning of 2020, which may depress demand for gold and ultimately reduce prices. On the other hand, the deadline for Brexit is 31st January, 2020 and the British Prime Minister Boris Johnson's plan for UK to leave the EU looks set to materialize. Due to high uncertainty surrounding the impact of Brexit and its possible impact on the global economy, investors may flock to the safe haven and drive the prices of gold upwards. Given the uncertainty surrounding these two particular geopolitical events, it is anticipated that prices of the metal may remain volatile.



MEEZAN GOLD FUND, THE ONLY GOLD FUND

Meezan Gold Fund (MGF) which is the only Shariah compliant commodity funds of the country has recorded over 22% return in CY19. The fund provides a convenient means of taking exposure to this asset class. We therefore advise our valued investors to invest in Al Meezan Gold Fund, and include a safer hedge in their portfolio.

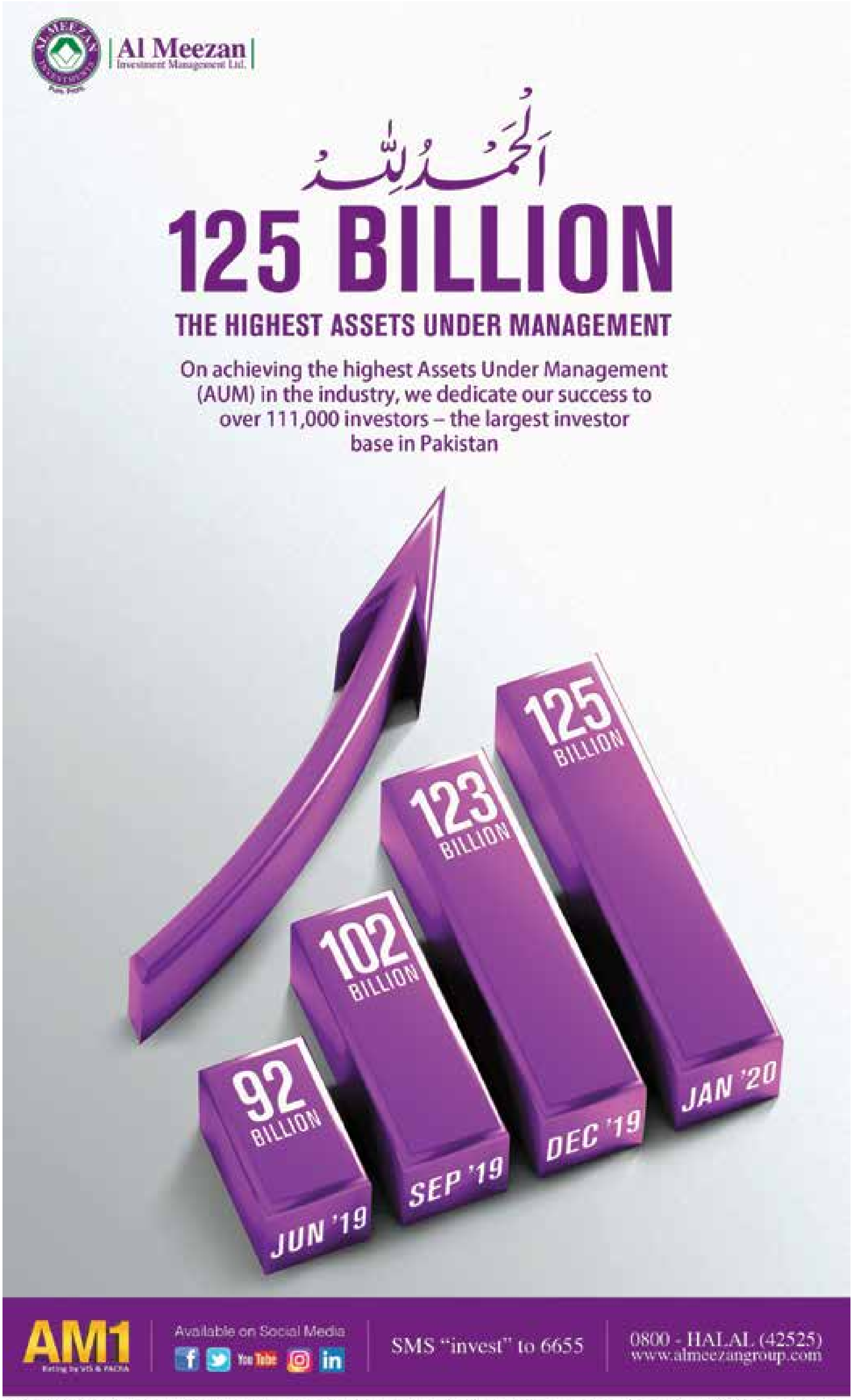
CONCLUSION: REMAIN INVESTED & REAP REWARDS!

The Year 2019 has been a year of turnaround for both Pakistan's economy and its equity market. Although investment returns suffered in the first half of the year, improving macro economic fundamentals coupled with successful entrance into and completion of IMF's first review and peeking of interest rates resulted in the market rebounding sharply in the latter half and ending the year on a positive note.

Going forward, we believe that returns of different asset classes are likely to propel ahead as the country moves out of economic crises and investor confidence is restored. Therefore, we advise our readers to remain invested in order to benefit from the attractive returns on offer in equity in particular and different asset classes as well.

MARKETING HIGHLIGHTS

CONTRIBUTORS
ALI LAWAI, CFA
YOUSUF KAMRAN
SAMAN BANATWALA



Risk Disclaimer: All investments in mutual funds are subject to market risks. Past performance is not necessarily indicative of the future results. Please read the offering document to understand the investment policies and risks involved.

AWARDS AND ACHIEVEMENTS

During the year 2019, Al Meezan received two Global Lipper Fund Awards.

- Best Fund - Meezan Islamic Income Fund (Over 10 Years BOND PKR)
- Best Fund - Al Meezan Mutual Fund (Over 10 Years Equity Pakistan)

Mohammad Shoaib, CEO Al Meezan, received the Volunteer of the Year: Lifetime Achievement award from CFA Institute.

EDUCATING THE MASSES!

Team Al Meezan in collaboration with CDC held an Islamic investment awareness seminar at Hyderabad Gymkhana in order to educate the masses about the advantages of investing in Shariah compliant investment avenues, Pakistani capital markets and CDC's role in protecting the interest of investors. This seminar was concluded with an interactive Q&A session with some very thought provoking and insightful questions by the participants.

Al Meezan had the honour of holding an awareness seminar at the prestigious Annual General Body Meeting of Sindh Chamber of Agriculture. The members and dignitaries present at the meeting were apprised of the benefits of investing in mutual funds.

HALF YEARLY SALES REVIEW

Half Yearly Sales Conference 2019-20 was a two-day event held at Avari Towers, Karachi.

The event kicked off with the launch of the Sales Mobile Application followed by cake cutting ceremony to celebrate the Highest Assets Under Management (AUM) mark in the Industry at 125 billion. Furthermore, the interactive and informative conference was led by different department heads and branch managers from across Pakistan who shared their respective strategies for the remaining half of the fiscal year 2019-20. The event concluded on a high note with a commitment by every member of the sales team to deliver beyond the call of duty for this fiscal year and years to follow.

MARKETING CAMPAIGNS

AL MEEZAN LIVE RADIO SHOWS - MUTUAL FUND AWARENESS

ONLINE A/C OPENING, FIXED INCOME & MONEY MARKET FUND

Al Meezan
Investment Management Ltd.

AM1
Rating by VIS & PACRA

Al Meezan mein Itminan hai.

Contact Us

0800-HALAL (42525)
SMS “invest” to 6655
www.almeezangroup.com

We are available on Social Media

A Subsidiary of
Meezan Bank
The Premier Islamic Bank

FOR INVESTMENT SERVICES AND ADVICE, VISIT ANY AL MEEZAN OR ANY MEEZAN BANK BRANCH ACROSS PAKISTAN

REGISTERED OFFICE
GROUND FLOOR, BLOCK ‘B’ FINANCE & TRADE CENTRE, SHAHRAH-E-FAISAL, KARACHI-74400, PAKISTAN.

NOTE: MEEZAN BANK’S ROLE IS LIMITED TO DISTRIBUTOR ONLY