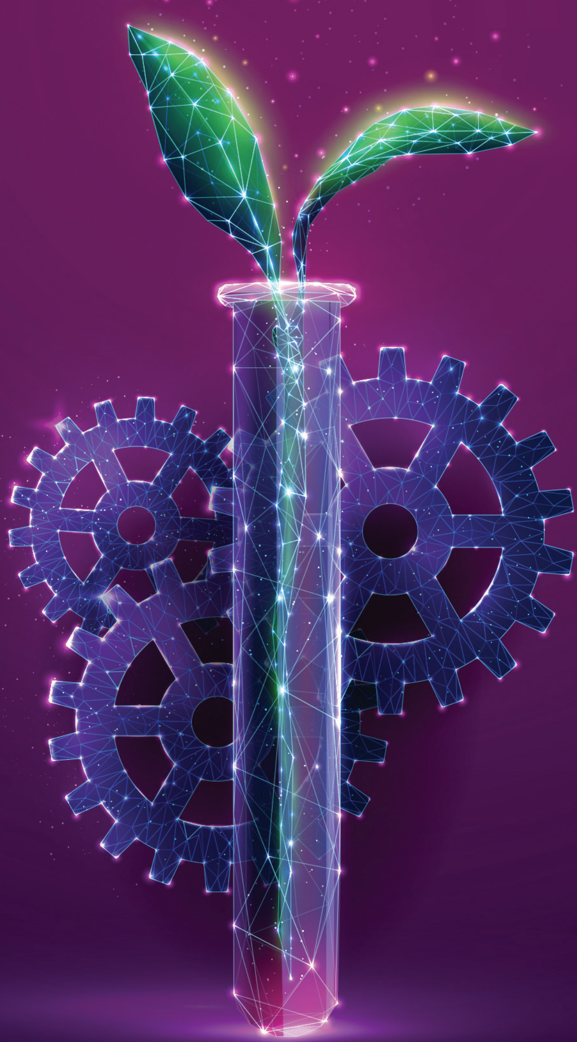
Al Meezan
Investment Management Ltd.

AM1
Rating by VIS & PACRA

GEARING UP FOR SUSTAINABLE GROWTH



INSIDE HIGHLIGHTS

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Politics – Pak-Afghan Situation | Equity – Gearing for growth on strong corporate results!

Fixed Income –Currency devaluation, high inflation and current account deficit further tightening the noose

Gold – 2021 & beyond | ETFs – Pakistan's first Shariah Compliant ETF

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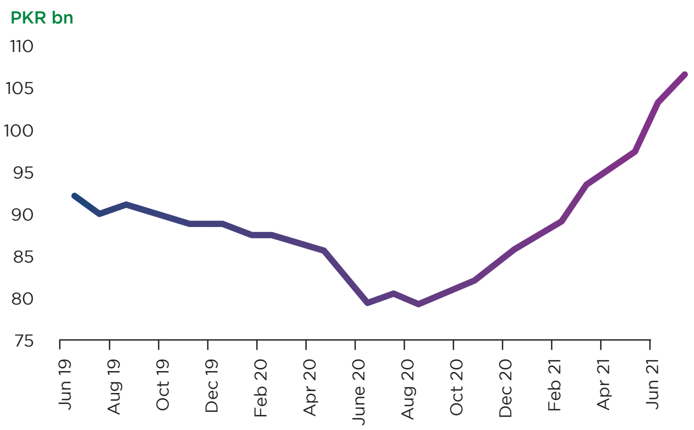
Top Themes for 2022: Construction sector, Export diversification and Import substitution, Startups, Capital market development, Roshan apni car and Roshan apna ghar.

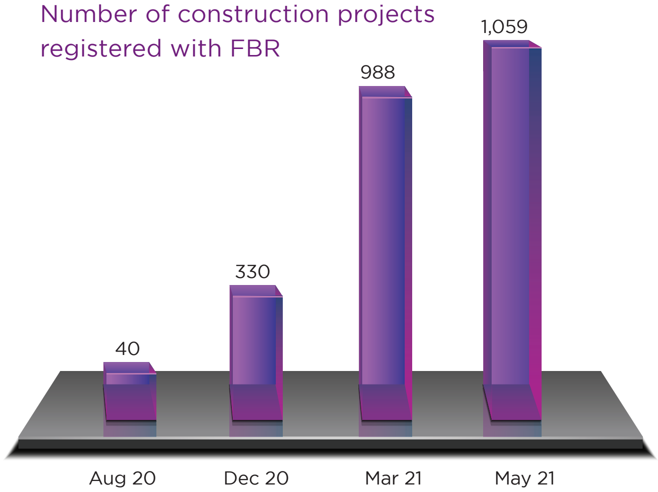
Construction sector activity to remain in limelight:

Given the contribution of the construction sector towards employment generation (sector employs 7.6% of the country's total labor force) and its linkage to 42 other industries (including aluminum, brick, cables, cement, glass, marble, paint, steel, tiles etc.), construction sector has been at the central focus of the present government. Amid PKR2.1Bn PSDP budget allocation for FY22 coupled with the government's supportive policies, demand for the construction industry is expected to remain buoyant.

Home Financing: Reaching new highs



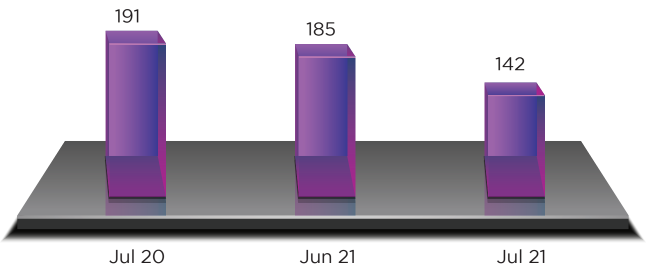
Number of construction projects registered with FBR



Export diversification & Import substitution

In-order to ensure sustainable economic growth the government aims to achieve USD50Bn export target by FY23 (a compound annual growth rate of 26% as against a 1% compound annual growth rate achieved since the government came into power) through export diversification (in the past textile segment has accounted for ~60% of the total goods exports) as well as offering multitude incentives to export related industry. On the export diversification front, the government intends to achieve USD5Bn export target from IT sector by FY23 (a compound annual growth rate of 54% vs 26% compound annual growth rate achieved by the government in its tenor) while exports of mobile phones and automobiles (motorcycles and rickshaws) are also on the cards. Additionally, "Made in Pakistan" policy has played out in country's favor as is visible through the significant decline in the recent mobile phones import numbers.

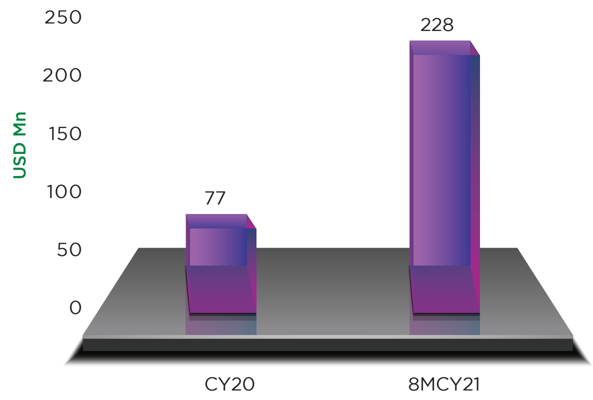
Mobile Phone Imports (USD Mn)



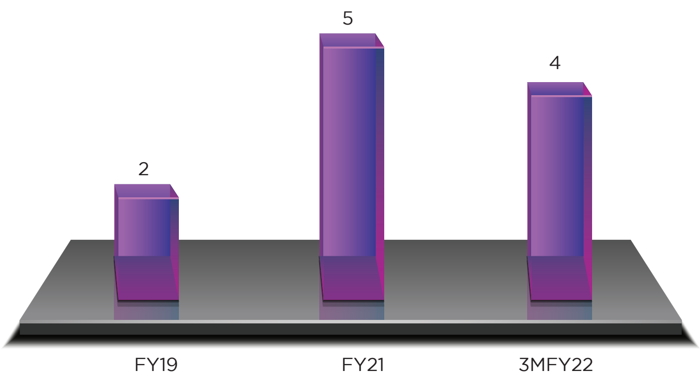
Startups to lift Foreign Direct Inflows (FDIs)

Government's policy to facilitate start-ups (SBP allowing startups to avail convertible loans, previous law did not allow such borrowing) has started to reflect in numbers as Pakistani start-ups were able to raise funding of USD228Mn in calendar year to date as against USD77Mn raised in the entire CY20. In August 2021 alone, two Pakistani startup Airlift and Bazaar raised USD115Mn in Series B investment. If this trend persists, country's FDI and overall economic activity can be positively impacted going forward.

Foreign Investment in Pakistani Startups



Number of recent IPOs



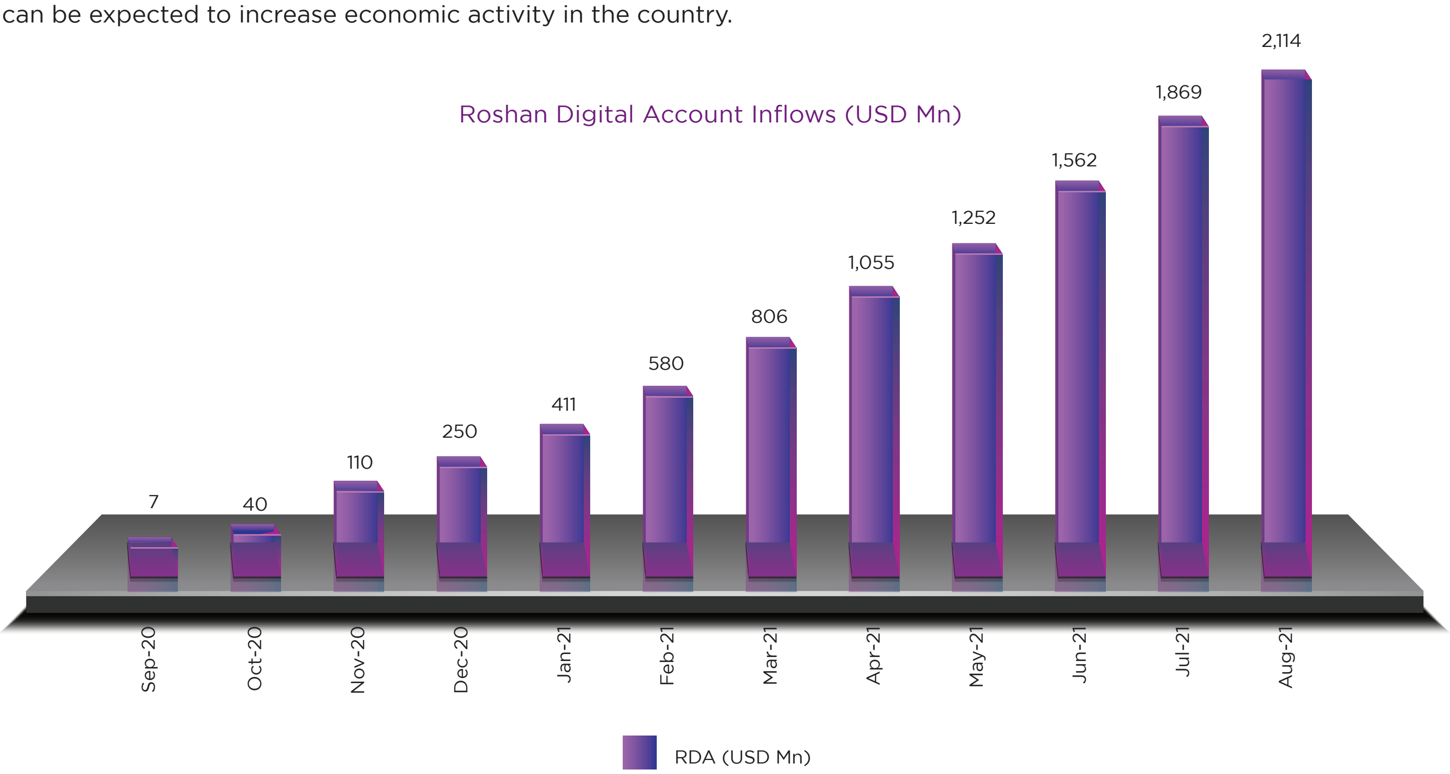
Capital market development to remain a priority

Government's focus on facilitating capital market development and up-tick in economic activity has caused a significant increase in public listings at the local bourse. In this regard, new listings grew by 2.5x in FY21 compared to FY19. Moreover, in first three months of FY22, four companies are expected to be listed on the exchange. Furthermore, with market capitalization/GDP of 15% (as against over 100% for our neighbor India), capital market expansion and its development can be expected to remain one of government's top priority.

Roshan apni car & Roshan apna ghar

After the successful launch of Roshan Digital Account (RDA), SBP has launched Roshan Apni Car and Roshan Apna Ghar for Non-Resident Pakistanis having RDAs. In-addition to having a positive impact on remittance inflows, these initiatives can be expected to increase economic activity in the country.

Roshan Digital Account Inflows (USD Mn)



Commodity Prices Boom: Phasing Out

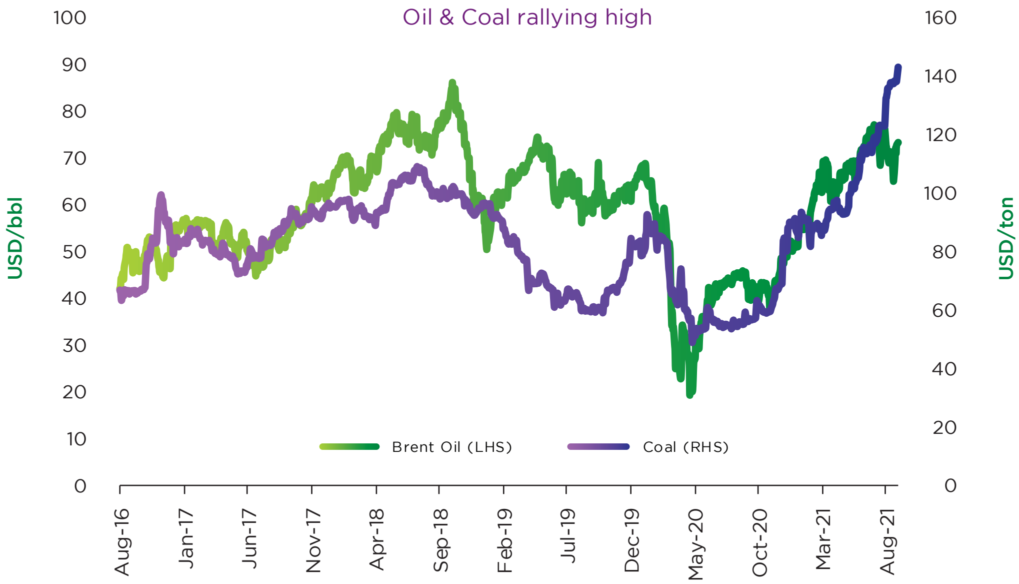
Commodity prices have witnessed an upward trend on account of post-COVID-19 infrastructure rebuilding, supply disruptions and elevated international freight charges.

Oil: (Used in: Power, Chemical and Transport industry)

Oil prices have seen the fastest recovery from a price collapse on record, and reached a high of nearly USD77/bbl in July 2021. The price recovery has occurred despite oil demand being 5% below its 2019 level, and has been driven by higher than expected agreed production cuts among OPEC+ countries. Prices have also been boosted by the improving economic outlook.

Coal: (Used in: Power and Cement industry)

Despite growing environmental restrictions on coal usage in several countries, including China, EU, India, and USA, global coal prices staged a sharp rally towards record-high levels. The surge in prices is a result of demand supply imbalances. Economies opened up rapidly post the wide-scale vaccine deployment boosting the demand for coal-based power generation. During 1HCY21, global power sector emissions increased 12% from lows witnessed in 1HCY20 and up 5% from pre-pandemic levels.

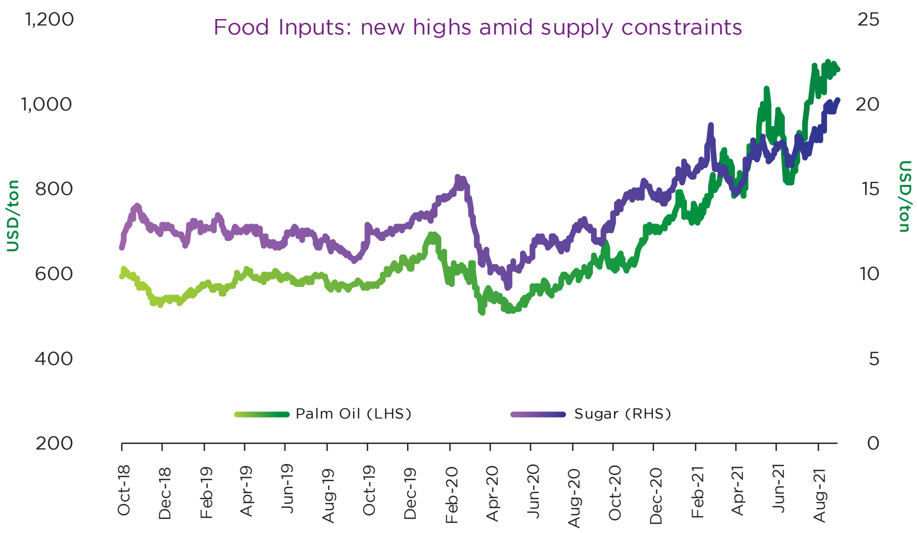


Palm Oil: (Used in: Food industry)

Palm oil prices trended upward during the year due to adverse weather conditions, labor shortage in major producing countries and increasing use of biofuels (amid elevated crude oil prices).

Sugar: (Used in: Food industry)

Due to the combined impact of unfavorable weather conditions in Brazil & Thailand and elevated global consumption, international sugar prices are up ~2x since its recent low.

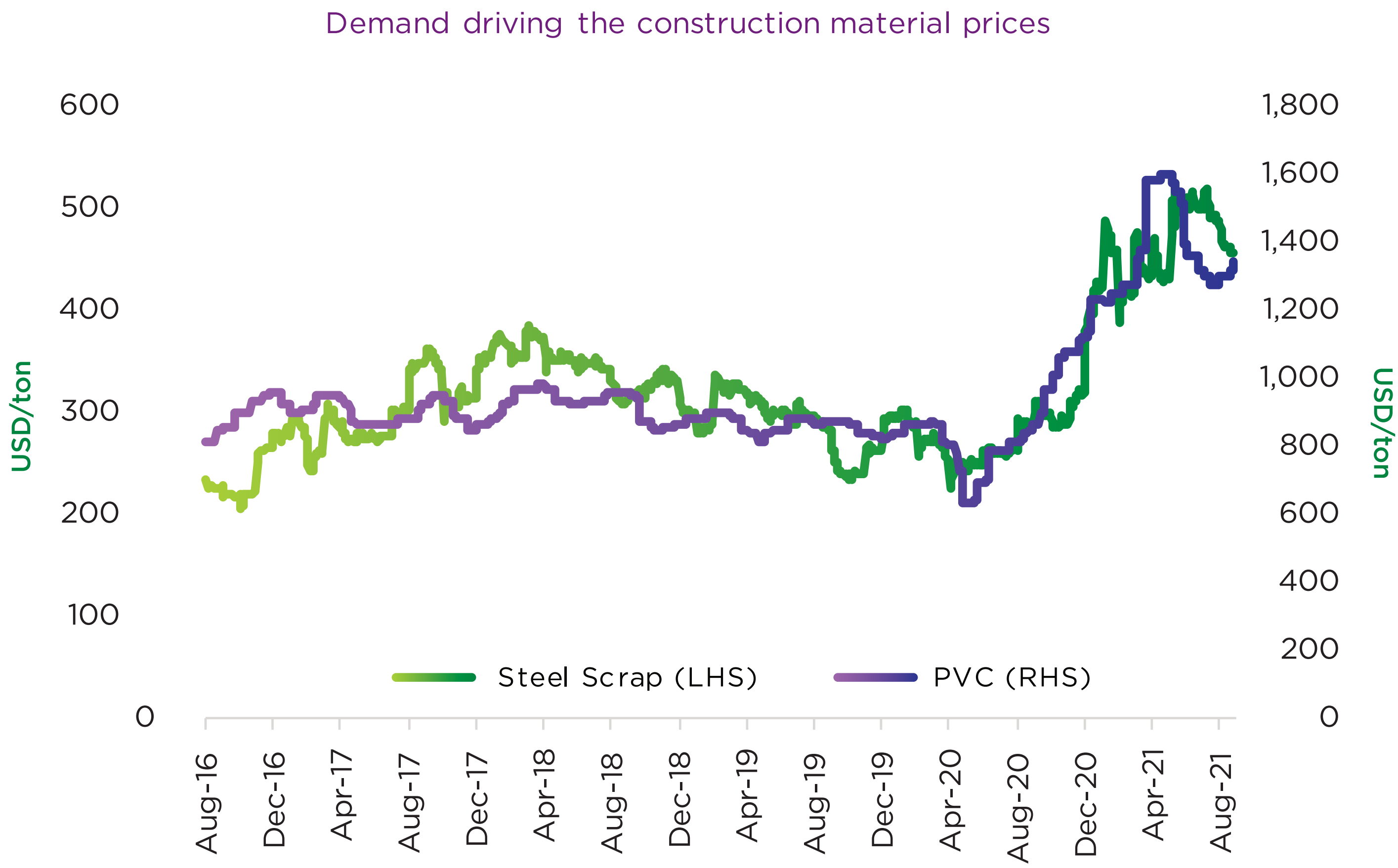


Steel Scrap: (Used in: Construction and Auto industry)

On the back of elevated demand and supply chain disruptions (Port closures and unavailability of containers), steel scrap prices, reached a high of USD525/ton in May 2021. However, since June 2021 production cutbacks in China's steel industry sector, due to the combined impact of mandatory emissions cuts and uncertain economic conditions in China, has resulted in steel scrap prices sliding down from its peak to USD455/ton by August 2021.

PVC: (Used in: Construction industry)

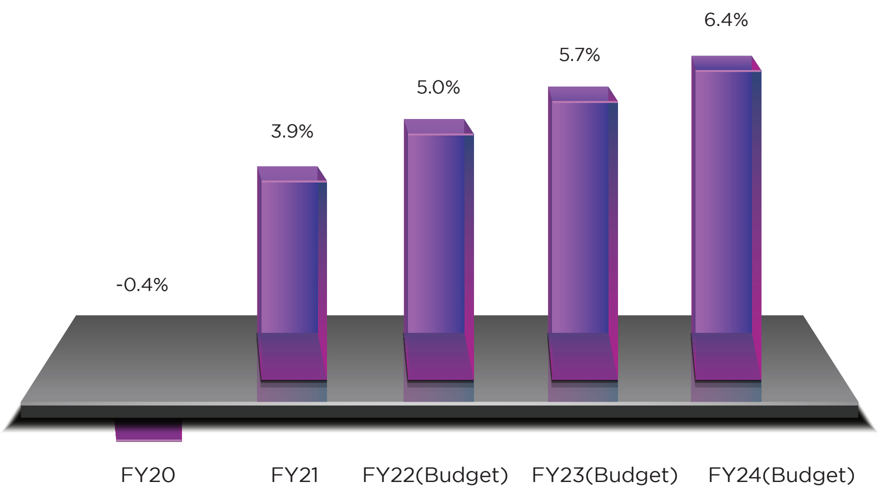
Driven by rebound in global consumer demand, international plant maintenances and production outages in US due to adverse weather conditions, PVC prices peaked to USD1,600/ton in April 2021. However, as plants are coming back online, PVC prices have started to normalize and have reached USD1,300/ton by August 2021.



Economy: V-shaped recovery to gain further momentum

After witnessing negative GDP growth in FY20 for the first time in decades, mainly due to coronavirus pandemic, Pakistan's economy has seen a V-shaped recovery with a GDP growth of 3.9% in FY21. The growth has been primarily led by the growth in industrial and services sectors of 3.6% and 4.4%, respectively. The growth further reflects the monetary and fiscal stimulus provided by the government during COVID-19. On the back of rising business confidence and improving aggregate demand post COVID-19, GDP is expected to carry its upward momentum to 5% in FY22. Moreover, for FY22, both, IMF and JP Morgan, expects GDP to grow by 4%.

GDP: V-Shaped recovery to gain further momentum



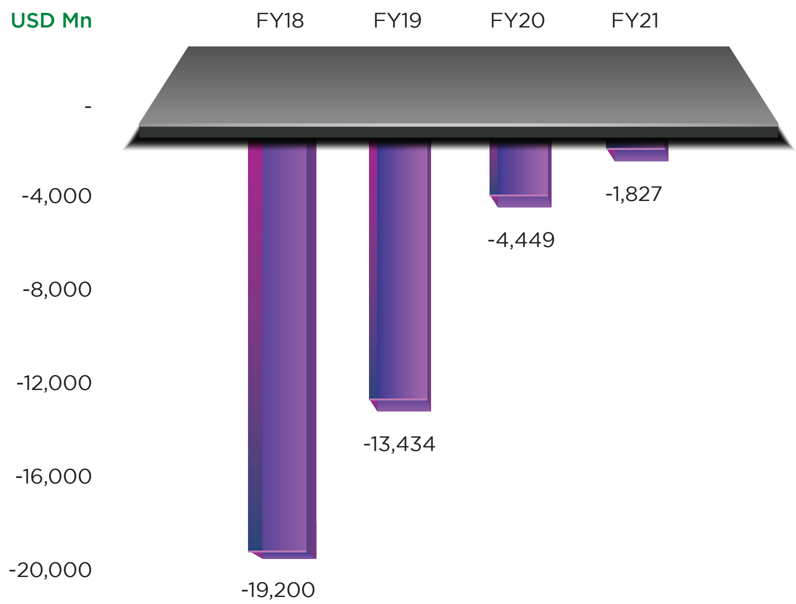
Fiscal deficit: Road to recovery

In FY21, fiscal deficit declined by 1% YoY to 7.1% of GDP as compared to 8.1% in the same period last year, largely on account of significant increase in petroleum levy to PKR423bn in FY21. Overall revenue surged by 10% YoY wherein tax revenue increased by 11% YoY. During FY21, FBR surpassed its revenue target as actual collection clocked in at PKR4,732Bn depicting a YoY growth of 18%. Amid declining interest rates and rising debt burden, debt servicing costs grew by 5% YoY, increasing total expenditure by 7% YoY. The government expects primary deficit of 0.7% in FY22 by introducing measures that will increase tax collection by broadening tax base, eliminating subsidies & exemptions, and curtailing current expenditure

Turnaround in Current Account Deficit (CAD)

Improving current account surplus post COVID-19 has been a pleasant surprise for the bourse.

Curtailing Current Account Deficit

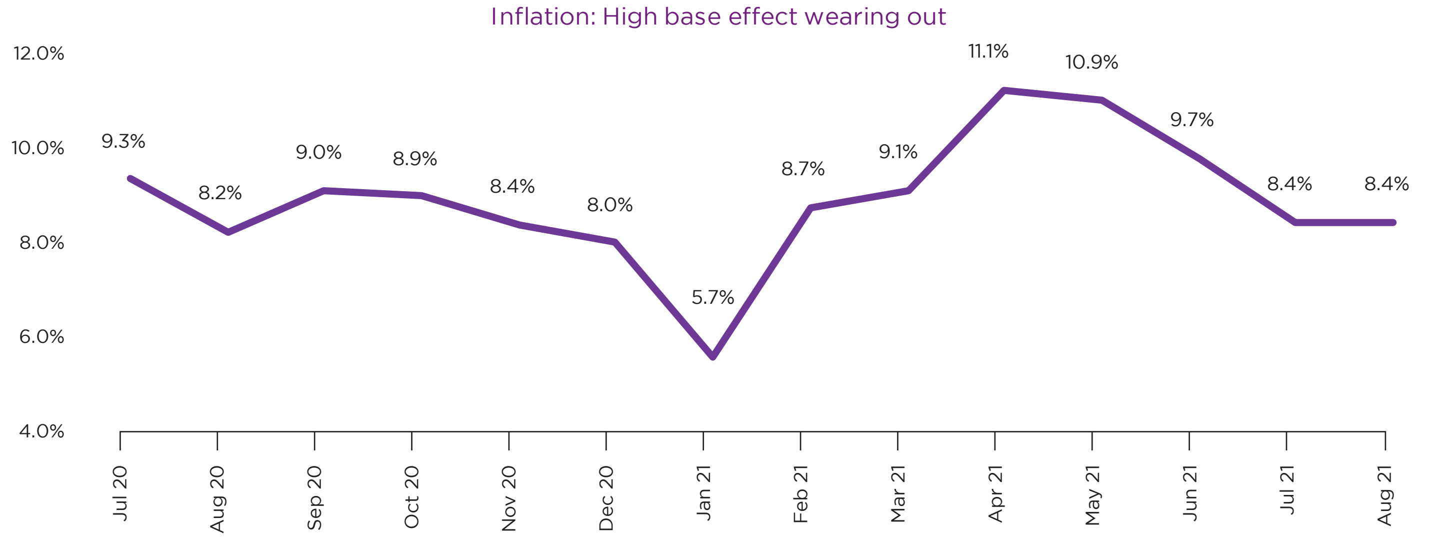


Current account showed resilience through improved support from worker's remittances during COVID-19 in FY21. Due to COVID-19 related travel restrictions, use of unofficial channels such as hawala saw a significant decline. Furthermore, government measures in form of Roshan Digital Account facilitated remittances through official channels (resulting in 27% YoY increase in workers' remittances). Remittance flow from UK, USA & EU, contributing 32% of total remittances, grew by more than 50% in FY21.

In order to facilitate capacity building, machinery imports grew by 34% in turn contributing towards 23% increase in import bill. Improvement in CAD along with rising inflows through IMF, Euro Bond issue and World Bank in-turn helped shore up SBP reserves to USD20Bn up 67% from USD12Bn at the end of FY20.

Further monetary tightening on the cards

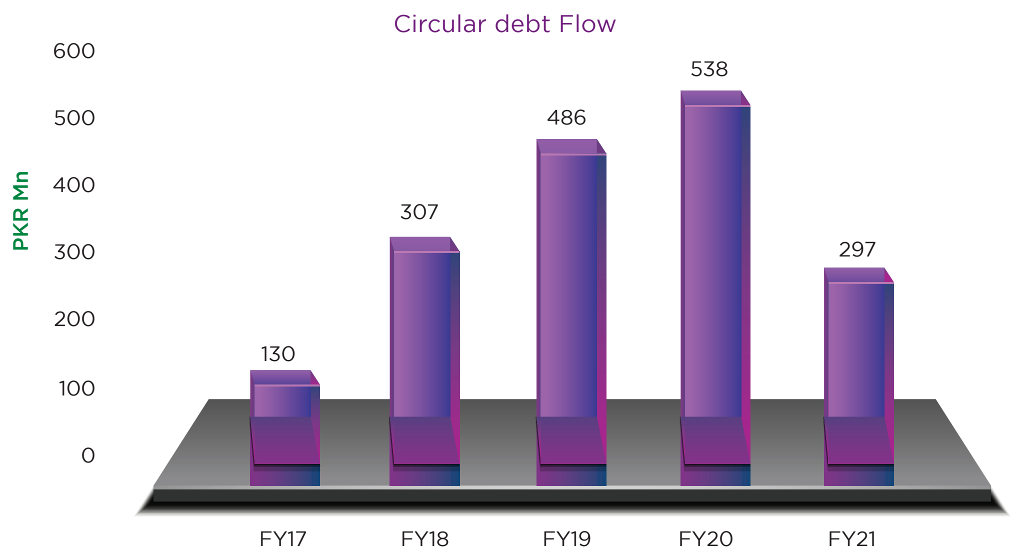
On account of high base effect, inflation in first half of the year followed a declining pattern and touched a low of 5.7% in January 2021. However, increase in electricity tariff and rising food inflation on the back of commodity boom cycle resulted in an upward inflation trend specially during Ramadan. With country's inflation headed towards relative stability, over the medium term SBP expects inflation to range in 5-7%. Moreover, SBP continues to maintain its supportive stance to boost economic recovery amid COVID-19 as it maintained the key policy rate at 7% till August 2021, before increasing the rate by 25 bps to 7.25% in September'21.



Circular Debt Management Plan

After reaching the peak flow of PKR538Bn in FY20, circular debt accumulation has seen a significant decline of 45% on the back of government's measures. To further curb the accumulation, government has proposed a new circular debt management plan aimed at containing the cumulative debt at current levels. The plan focuses on the following initiatives:

- Early retirement of old IPPs/GENCOs in order to deal with over capacity.
- Renegotiating contracts with IPPs to bring down generation cost.
- Improving efficiency of loss-making DISCOs.
- Increase in base tariff.



Politics: The Pak-Afghan Situation

Background

Nearly two decades after invading Afghanistan, the USA decided to conclude its mission in Afghanistan. The final US troops departed Afghanistan on 31st August 2021, ceding the country to Taliban control ahead of US President Joe Biden's August 31 2021 deadline. The withdrawal took place in the context of the Doha Agreement, signed in February 2020 by the Trump administration and the Taliban, without participation by the Afghan government, which provided for the withdrawal of all foreign forces from Afghanistan, in return for a Taliban pledge to prevent terrorist groups from operating from inside Afghanistan, and future talks between the Taliban and the Afghan government for a permanent ceasefire.

Law & Order Implications for Pakistan

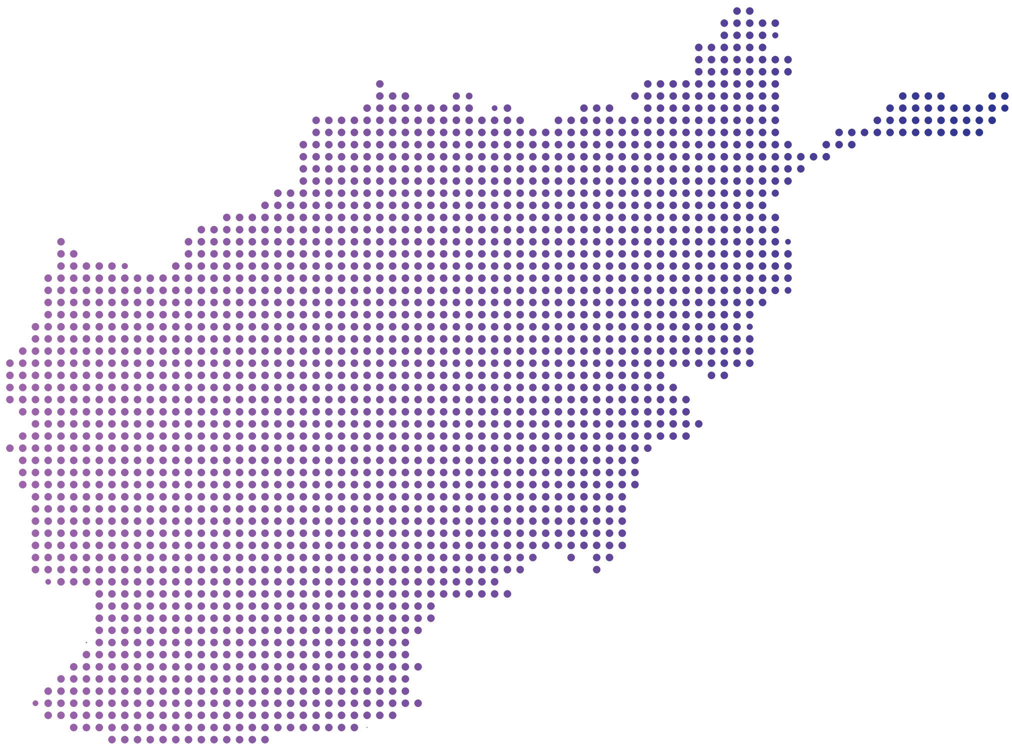
Security concerns for Pakistan emanating from Afghanistan may decrease if the Taliban honor their Doha February 2020 commitment. It will also curb any terrorist groups working in Pakistan, like the Tehreek-e-Taliban Pakistan (TTP) as the border with Afghanistan is now almost fully fenced and guarded by the Pakistan army. That said, some increase in terrorist activities may still be witnessed as the border strength is untested while the risk of sleeper cells looms. Increase in terrorism obviously poses a threat to the economic activities of Pakistan, which have witnessed a revival in recent times, and especially to the CPEC projects which have historically remained the main target of such terrorist activities.

The Refugee Conundrum

With reportedly more than 3 million Afghan refugees already present in Pakistan and the country still battling its own economic problems, it has naturally been averse to taking in any more refugees from Afghanistan, evaluating a cost of around USD2.2Bn to provide refuge to 700,000 Afghan refugees in three years. With fledgling GDP growth rate, a high fiscal deficit and threat of COVID-19 still prevalent, the authorities would press the international community for aid should there be an absolute necessity to provide home to displaced Afghans.

Outlook

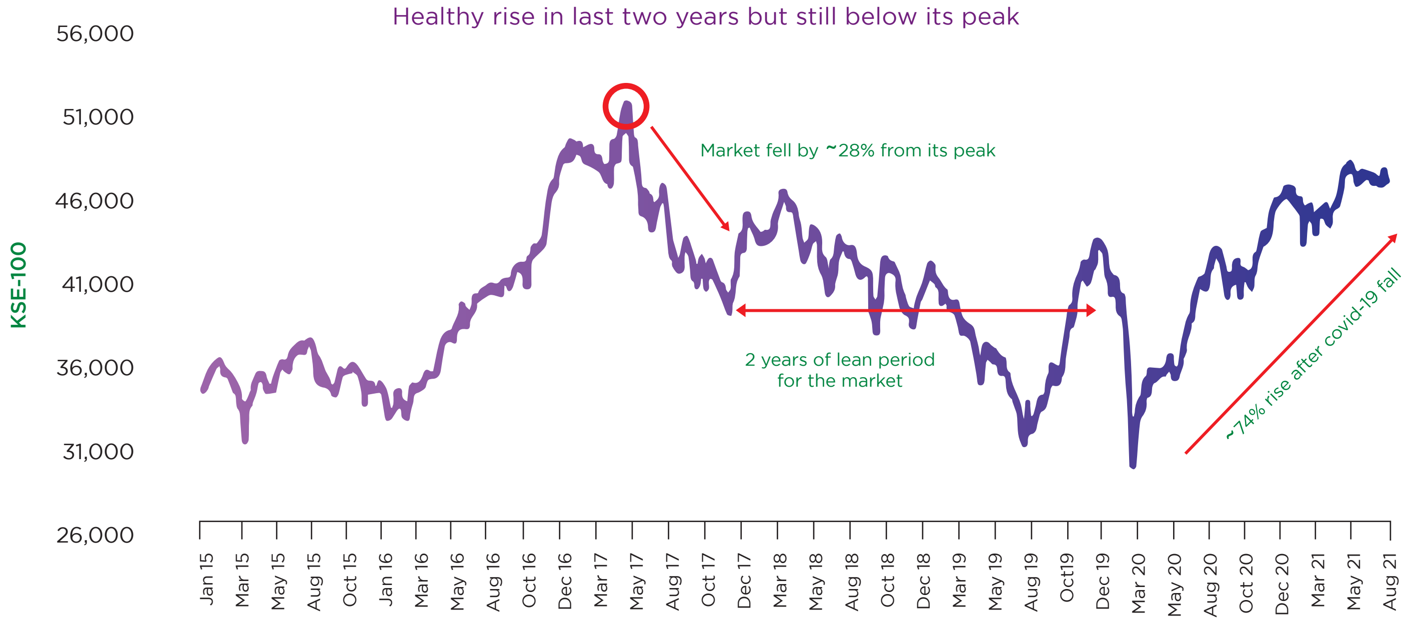
Given the evolving humanitarian crisis like situation in Afghanistan and Pakistan's role in providing shelter and relief increases its geo strategic importance even more. This may prove to be critical in the upcoming meetings with the IMF for the revival of the USD6Bn IMF program which is currently in recess, where Pakistan finds itself in a tight corner of increasing fiscal and external sector risks and agreeing to tough economic conditions from the IMF.

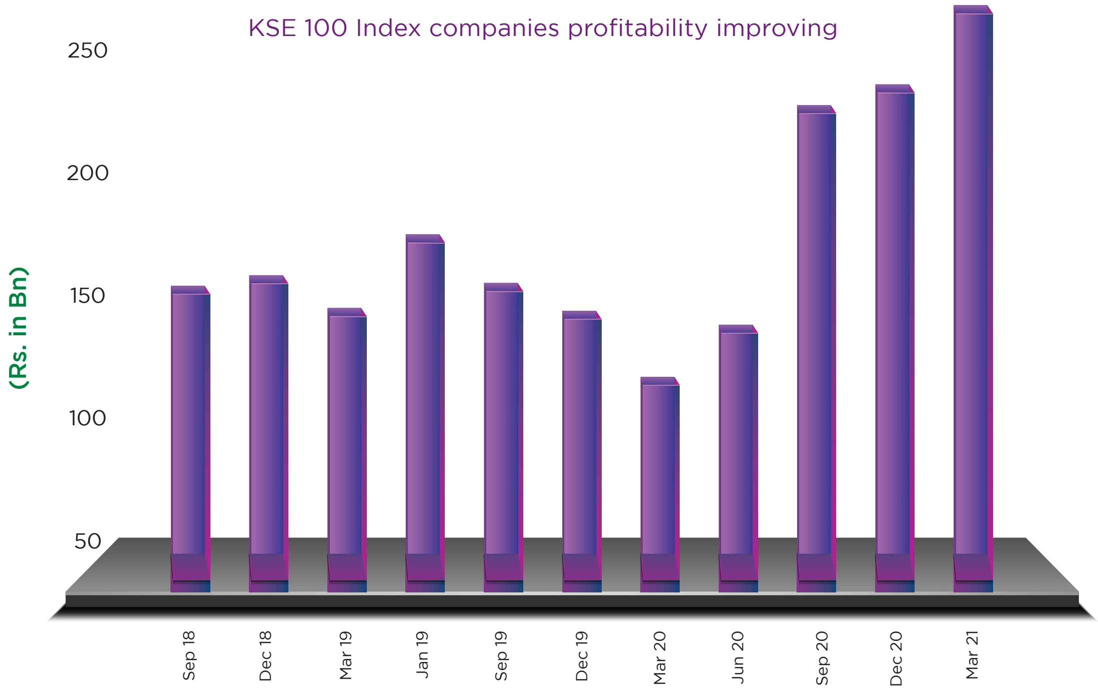


Equity: Gearing for growth on strong corporate results!

Despite remaining in a narrow range in recent months, the market has overall witnessed a sharp rise of 74% since hitting its low during March 2020 on account of the COVID-19. Even during the last one year ended August 2021, the KSE-100 index is up a decent 15% YoY. Apart from gradual opening of the domestic economy and accommodative stance adopted by the SBP, rollout of COVID-19 vaccines has cheered global markets and lifted commodity prices to multiyear high level. The Pakistan market touched its recent peak level of the period in mid-June at 48,726 points. The impressive rally during recent quarters is attributed in part to continuous macroeconomic improvement, rising liquidity amid low interest rates, subsiding political noise and no major fallout from COVID-19 on any major corporate sector. Meanwhile, valuations of the overall market remained attractive, around 5.6x forward P/E, below the historical mean level of about 8.4x.

The macroeconomic outlook has improved manifold largely due to the resumption of business activity post lockdown. Consumption of petroleum, cement and automobiles posted double-digit growth rates during the period. After aggressively cutting interest rates from March 2020 to June 2020, SBP adopted status quo in monetary policy, keeping the policy rate unchanged at 7.0% throughout FY21. The priority of monetary policy has appropriately shifted towards supporting growth and employment. After witnessing slowdown in corporate profitability during peak COVID-19 quarters of March and June 2020, the corporate profitability has witnessed a healthy surge since then. We have witnessed strong corporate results during the ongoing season for June 2021 quarter, with decent cash payouts as well.





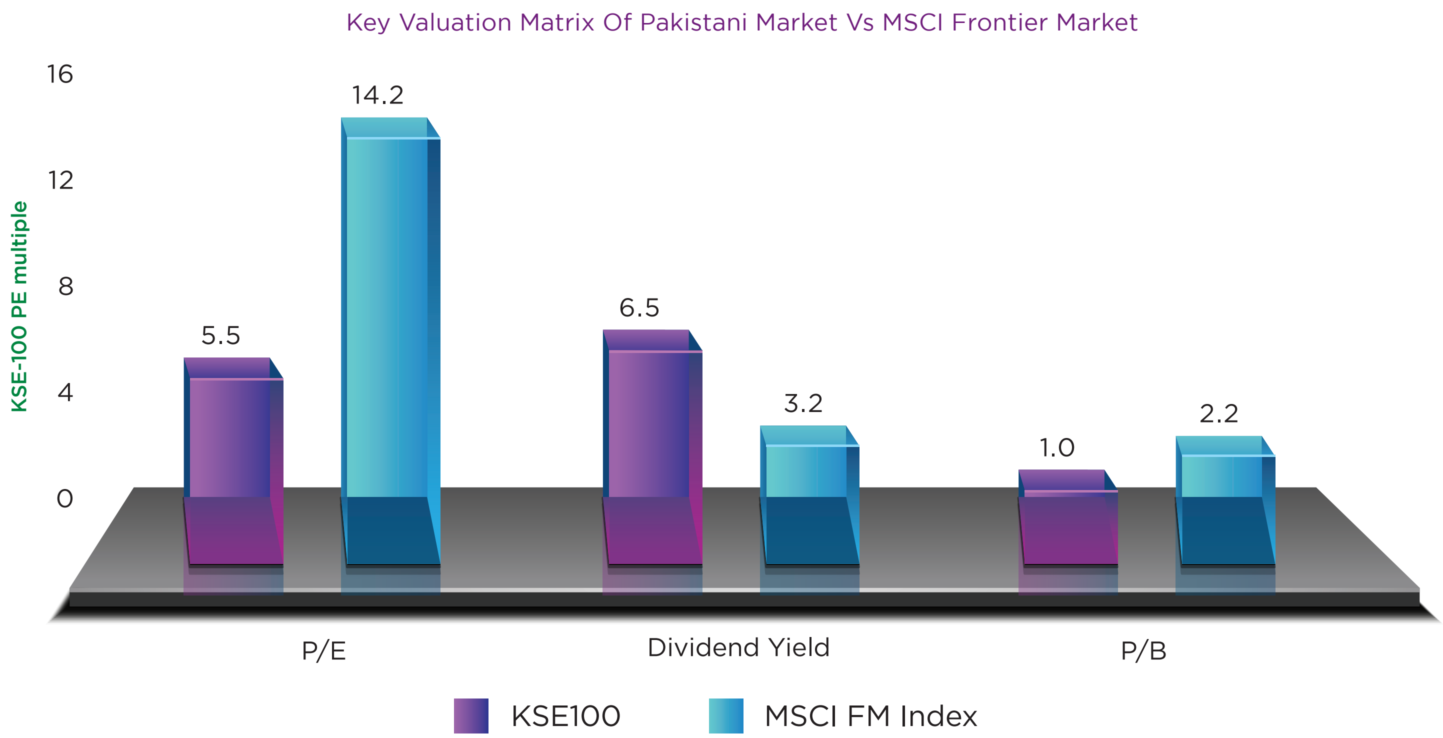
Healthy participation in new listing shows that there is ample liquidity waiting on the sidelines. We believe that Pakistan's equity market is well set for a secular bull run going forward due to improving growth outlook. Our fundamental analysis favors an upward trajectory in the local equity market 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.

Big fish in a small pond!

In a widely expected outcome given the negligible size of around 0.02% in Emerging Market (EM) Index, the MSCI on 7th September 2021 announced its decision to downgrade Pakistan to Frontier Market (FM) status with effect from 1st December 2021. The MSCI also started the consultation on MSCI FM 100 index and MSCI FM 15 country capped index which will be announced in the February 2022 quarterly review while it will be applicable in May 2022. The reason for reclassification is the steady decline in market capitalization of Pakistan constituents since 2017 leading towards ineligibility on meeting the criteria in the market classification framework for EM. Although the index continuity rule had been applied for MSCI Pakistan since November-18 to artificially maintain the MSCI Pak index in EM, none of the three companies in MSCI EM met the EM classification framework since November-19.

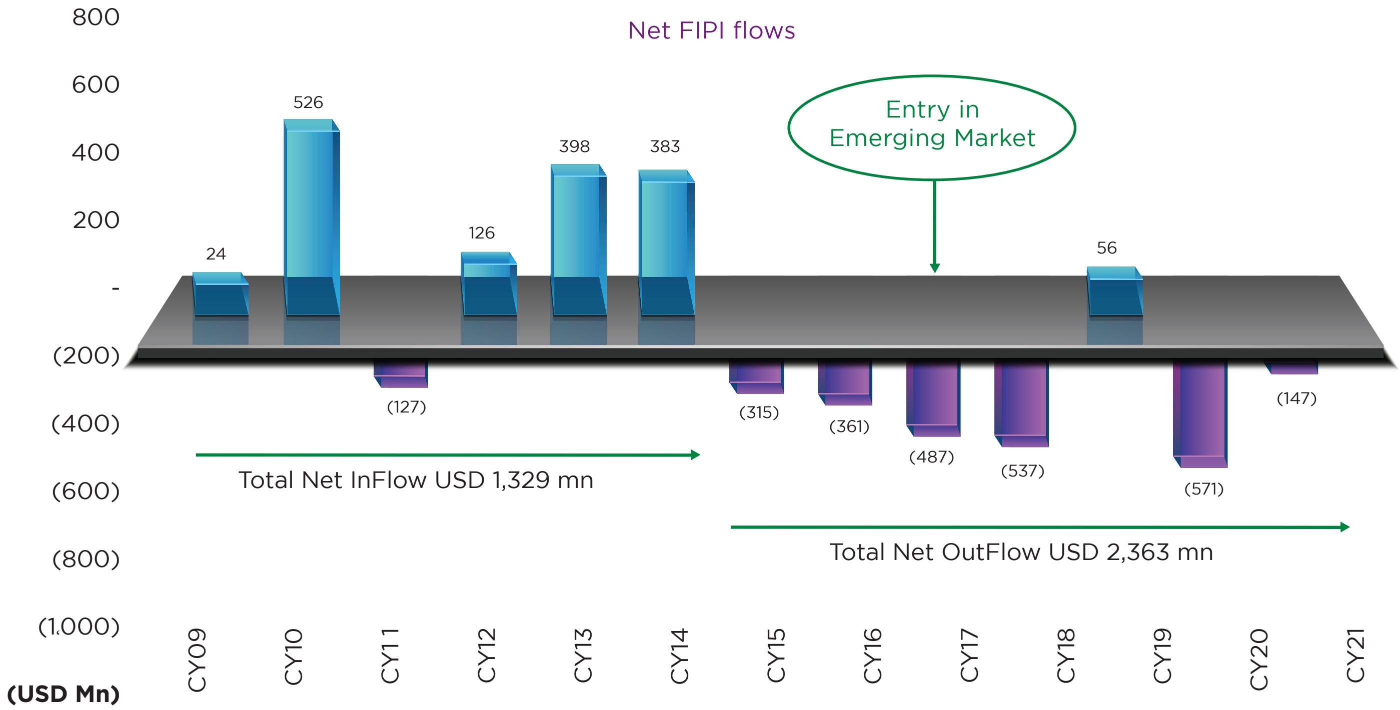
As per MSCI's simulation data for August 2021:

- The index for MSCI Pak FM would have a total 23 companies including 4 standard and 19 small cap companies.
- The MSCI Pak FM would have weight of 1.9% in MSCI Frontier Market Index and 4.98% in the MSCI Frontier Market 100 Index.
- The MSCI Pak FM Standard cap will include LUCK, HBL, MCB and OGDC.
- The Small cap of simulated MSCI Pak FM will include PPL, MARI, ENGRO, UBL, FFC, POL, PSO, HUBC, INDU, EFERT, TRG, BAHL, ABOT, NBP, SYS, MTL, SEARL, BAFL, PKGS.



PSX at 61% discount to MSCI Frontier Market vs 10 Year average discount of 33%(on P/E basis)

Looking at key valuation matrix of Pakistani market versus MSCI FM shows that it fares well on all counts with P/E trading at a substantial discount of 5.6x versus 14.2x for FM. Dividend yield for Pakistani market is also considerably higher at 6.5% versus 3.2% for FM, while on a P/B also Pakistan is trading at discount of 1.0x versus 2.2x for FM. This leads us to believe, that eventually active funds of frontier market will likely keep an overweight stance on Pakistan. Given that most of the Frontier Market funds are Active funds, outflows from EM tracker funds are likely to exceed the inflows from entry in FM, initially. Since foreigners have already remained huge net sellers since entry in EM in 2017, the likely outflow from EM tracker funds is set to be absorbed by locals especially HNWI's. Given the higher weights in FM, at least the visibility of Pakistan will improve substantially.

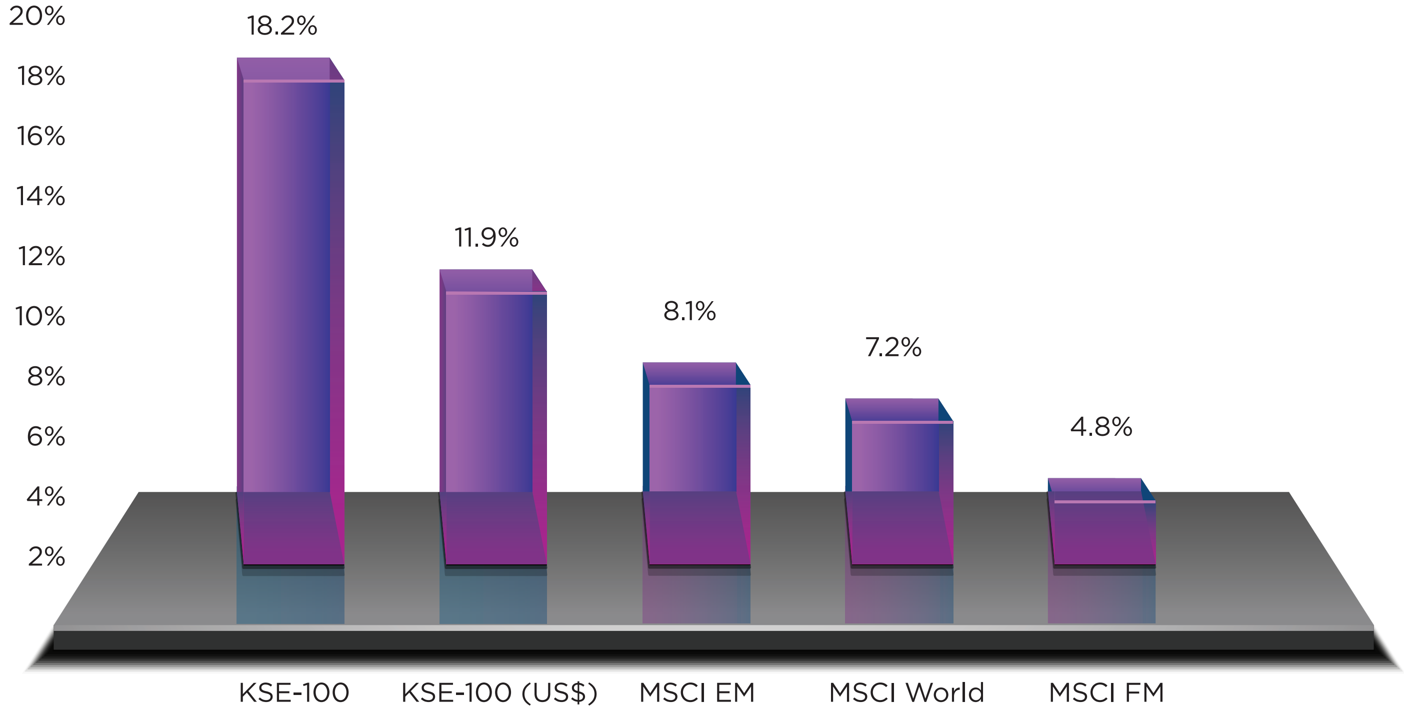


Foreigners have offloaded roughly USD2.4Bn worth of securities since CY15, after being net buyer between CY09-CY14 of USD1.3Bn. Selling has remained unabated despite entering EM index in CY17 and has largely restricted the upward movement of the index to maintain pace with peer emerging markets. Specific sectors with heavy concentration of foreign holdings such as Commercial Banking, Oil Exploration & Production and Cement sectors witnessed heavy sell-off despite numerous positive news flow. We also expect foreign selling to taper off post EM exit, amid limited holding of foreigners and attractive Price to Earnings multiple compared to regional countries.

Pakistan equities have historically outperformed the MSCI indices.

Pakistan has historically outperformed the Frontier and Emerging market by a healthy 4-7% over the long run, despite the recent few years of underperformance as developed markets have been at the center of attention of global investors for last few years. PSX's discount to MSCI FM is at its highest level in a over a decade as a result of divergence from FM performance amid high PKR devaluation since CY18. The discount has widened over the years due to persistent foreign selling that had kept the market in a strong bear grip. However, this appears to be changing due to continued support of multilateral agencies, improvement in forex reserves position and gradual progress on much needed structural reforms by the government.

KSE100 vs MSCI Index (Aug 2002-Aug 2021)



Conclusion & Recommendation

While there are some concerns emerging on the external side due to high trade deficit in recent months and transition phase in Afghanistan. Nonetheless, the external situation is much more comfortable compared to what we saw in FY18-19 as SBP's forex reserves are at an all-time high of USD20.1Bn as of August 2021 compared to just USD7.3Bn in June 2019. The government does not have any intention to come out of the IMF program and is working on a road map in coordination with IMF to improve tax collection and curb circular debt. For the equity market, we expect the sanguine outlook to continue on the back of robust corporate earnings growth and still attractive valuation. Even though we are amidst another wave of COVID-19, the sentiments this time around are much better compared to earlier. Additionally, the ensuing positive sentiments are due to rising GDP growth, accommodative policy rate, manageable current account deficit during FY22 and subsiding political noise. Our fundamental analysis favors 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. Nonetheless, further waves of COVID-19 can have negative repercussions for the market and economy in general as smart lockdowns continue to be implemented. With the vaccine inoculation drive picking up pace in the recent months, threat from pandemic can be expected to gradually come under control.

Given the attractive valuation as it is currently trading at a low forward P/E multiple of around 5.6x compared to long term average P/E multiple of around 8.4x, along with attractive dividend yield of 6.5%, we expect the market to continue to give decent return in coming time period in line with its historical track record. All things considered, Pakistani equities offer a value buy and coupled with the expected upward trajectory. 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 favorable stance for investment in equities, Al Meezan offers exposure to equities through a range of mutual funds in its product suite depending on one's risk tolerance level. For long term investor with high risk tolerance we recommend our flagship Meezan Islamic Fund (MIF), which hosts an AUM of PKR35Bn, while AL Meezan Mutual Fund (AMMF) has a track record of more than twenty-six years. We have last year launched Pakistan's first Shariah-compliant ETF called Meezan Pakistan ETF (MP-ETF) which provides exposure to the top liquid Shariah-compliant stocks in the market.

For investors with medium-risk tolerance, Al Meezan offers Meezan Balanced Fund (MBF), investing partially in equity and fixed income, while Meezan Asset Allocation (MAAF) is also a hybrid fund with exposure in both equity and fixed income.

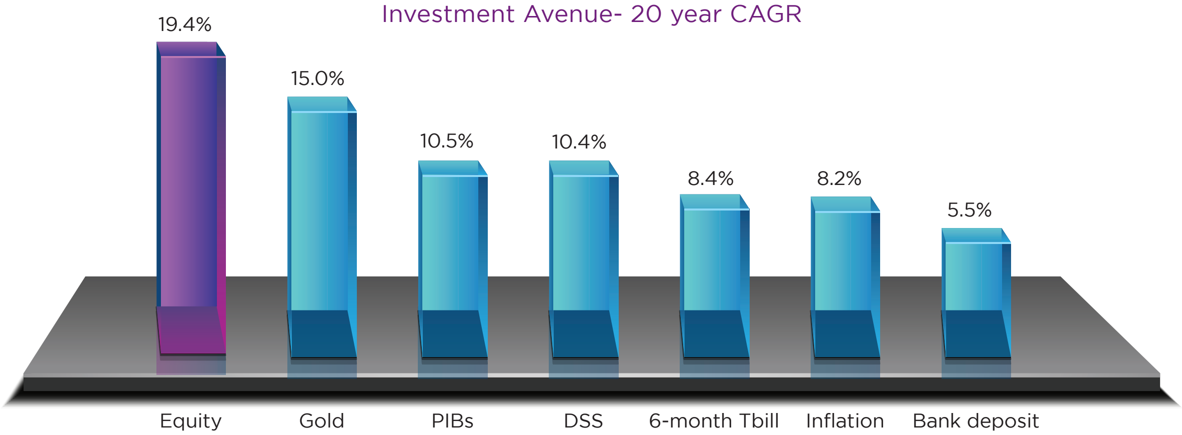
Asset class returns

Equity has historically outperformed other asset classes over in the long run

Investment Avenues (% Returns)

Period	Equity (KSE-100)	Gold	Defense Saving	10 Year Govt. Bonds	Inflation	6-month Tbill	Bank Deposits
FY02	30	9	15	12	4	9	5
FY03	92	10	11	7	3	4	3
FY04	55	14	8	6	5	2	2
FY05	41	10	8	8	9	5	2
FY06	34	41	9	9	8	9	4
FY07	38	5	10	10	8	9	5
FY08	(11)	42	10	11	12	10	5
FY09	(42)	0	12	14	21	13	7
FY10	36	34	12	12	13	12	6
FY11	29	21	13	14	14	13	7
FY12	10	6	12	13	11	12	6
FY13	52	(23)	12	12	7	10	5
FY14	41	8	12	12	9	10	5
FY15	16	(12)	11	11	5	9	5
FY16	10	13	8	9	3	6	4
FY17	23	(6)	8	9	4	6	3
FY18	(10)	1	8	8	4	6	3
FY19	(19)	51	10	12	8	10	10
FY20	2	30	10	11	11	12	10
FY21	38	(4)	9	10	9	7	6
CAGR	19.4	15.0	10.4	10.5	8.2	8.4	5.5

Investment Avenue- 20 year CAGR

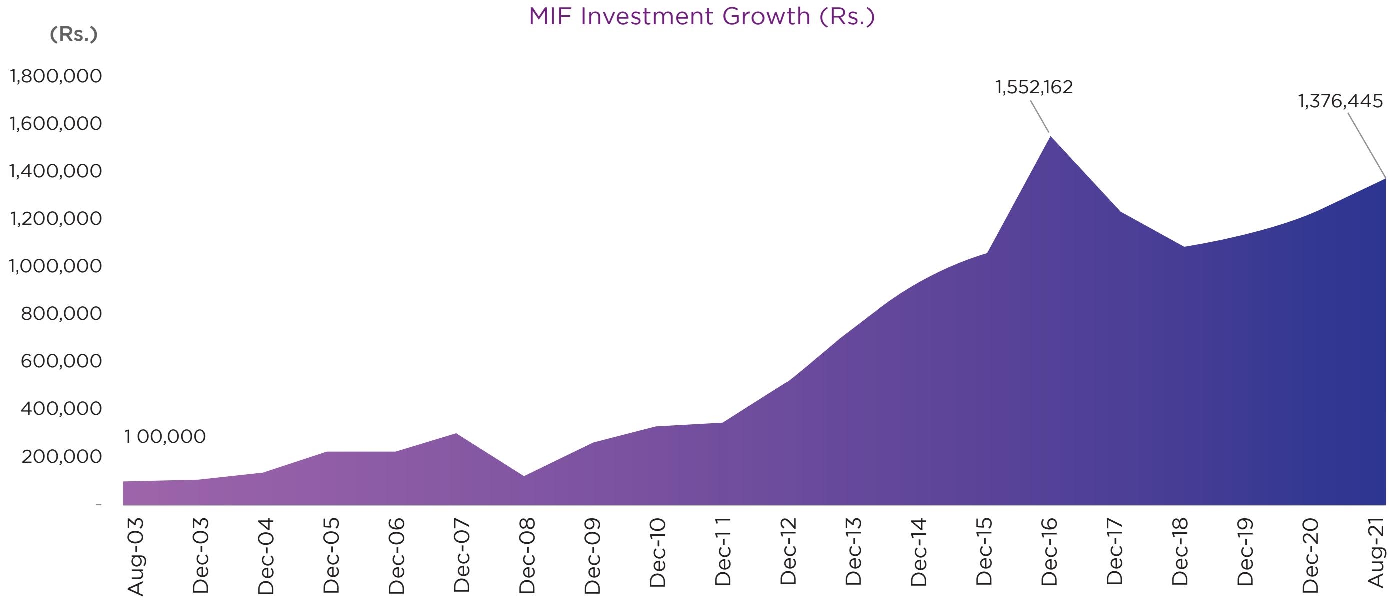


The right direction

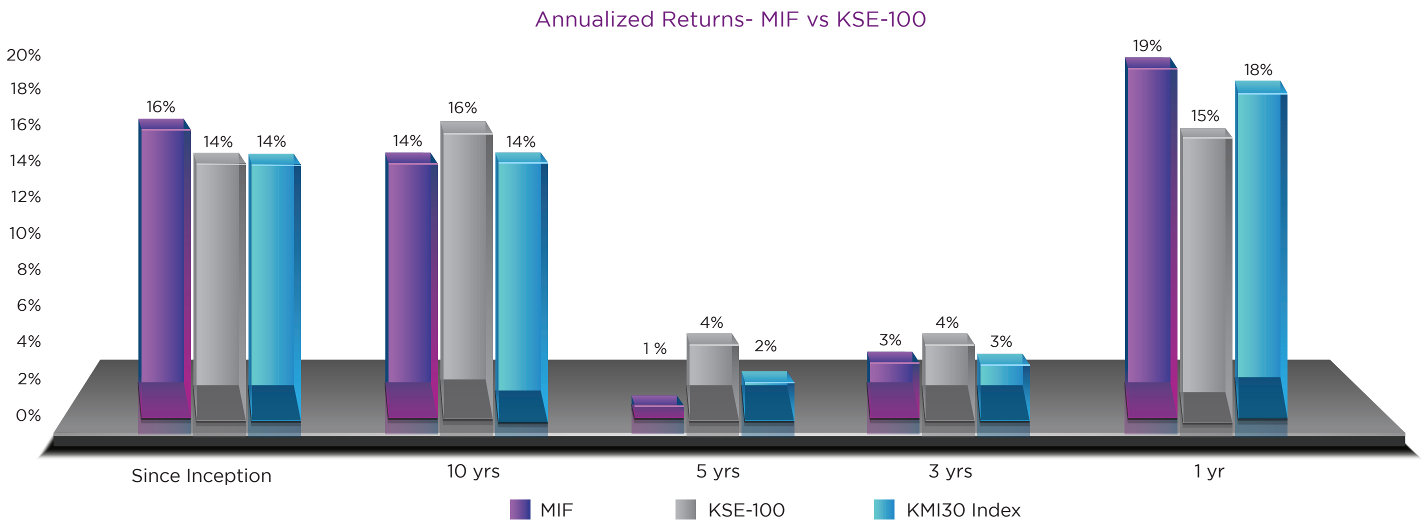
Al Meezan Investments continuously strives to give highest possible risk-adjusted returns to its valued investors. Financial specialists at Al Meezan Investments apply their proficient skills and knowledge in selecting the most fundamentally strong assets that considerably increase the value of our funds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

Meezan Islamic Fund (MIF) – Rock solid for long term

Our star open-end mutual fund Meezan Islamic Fund, has amassed a past filled with over 18 years of providing Shariah complaint equity exposure to its investors. Current AUMs are of around PKR35Bn as of 31 August 2021. Assuming an investor made an initial investment of PKR100,000 in MIF on its inception date in August 2003 and did not make any withdrawals, his investment would now have grown to PKR1,376,445 (till 31 August 2021), earning 15.6% compound annual growth rate. 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 returns (till 31 August 2021) of MIF, KSE-100 and KMI-30 for the past 1, 10 years and since inception.



Fixed Income: Currency devaluation, High inflation and Current account deficit further tightening the noose

Calendar year 2021 began with a shift in market expectations on the central bank's monetary policy stance. The market participants expected a tightening in monetary policy, as evident from the rise in T-bills and PIB yields during the first quarter of CY21. This expectation stemmed from higher inflationary pressures, expected pressure on external account along with better management of COVID-19 crises throughout the world. During the first quarter of CY21, T-bill yields rose in the range of 30bps to 65bps whereas longer tenor PIB yields showed an upward trend in the range of 40bps to 110bps. However, after two status quo decisions on monetary policy by the central bank, the market participants fear of tight monetary policy wore-off as yields came back down in the range of 10bps to 50bps across all tenors.

In the recent MPS meeting held in September 2021, the central bank decided to raise the policy rate by 25 bps and keep it at 7.25% till the next policy meeting due in November. SBP sighted increasing inflationary pressures, pressure on current account and currency devaluation as main drivers for this change in the policy stance.

	December 2020	August 2021	Difference from December 2020
SBP Policy Rate	**7.00%**	**7.00%**	**0.00%**
GoP Securities			
6- Months T -Bills	7.18%	7.40%	+0.23%
10 -Year Pakistan Investment Bonds (PIBs)	10.00%	9.90%	-0.10%
Ijarah Sukuk	7.36%	7.26%	-0.10%
Corporate Instruments			
TFCs (AA rated and above)	10.05%	8.79%	-1.26%
Corporate Sukuk	7.78%	7.60%	-0.18%

Highest and Lowest Yields for the Period December 2020 to August 2021		
T-bills	**High**	**Low**
T-Bill 3 Months	7.44%	7.08%
T-Bill 6 Months	7.78%	7.17%
T-Bill 12 Months	7.90%	7.26%
PIBs	**High**	**Low**
PIB 3 Year	9.54%	8.27%
PIB 5 Year	10.02%	9.12%
PIB 10 Year	10.50%	9.77%

Outlook

Going ahead, high inflation might warrant further tightening in policy rate during FY22 to maintain a balance between growth and inflation, in line with the SBP's forward guidance. Inflation readings may witness some pressure in the coming months due to rapid exchange rate depreciation, persistently high international commodity prices, and any further adjustments in the electricity & gas tariffs.

In the FX market, the rupee depreciated 4.1% (PKR6.55 weaker) over the period with the exchange rate closing at PKR166.39/USD compared to PKR 159.83/USD in December 2020.

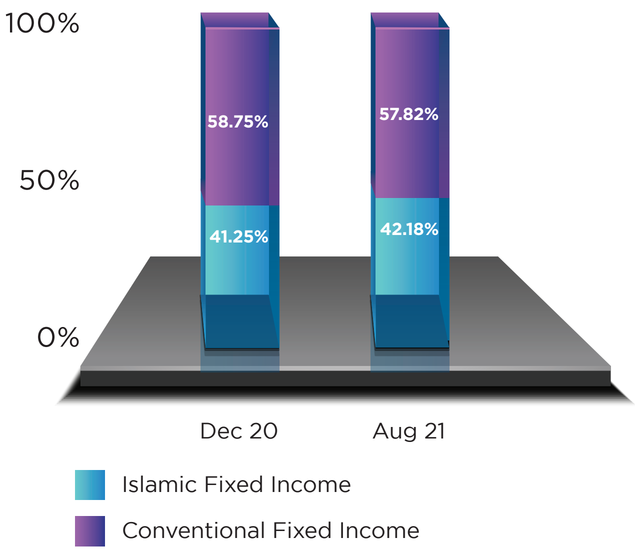
Fixed Income funds continued on a smooth ride

With a stable monetary stance of the central bank, returns of fixed income funds maintained their steady course and continued offering market competitive returns, however beating their respective benchmarks by a considerable margin.

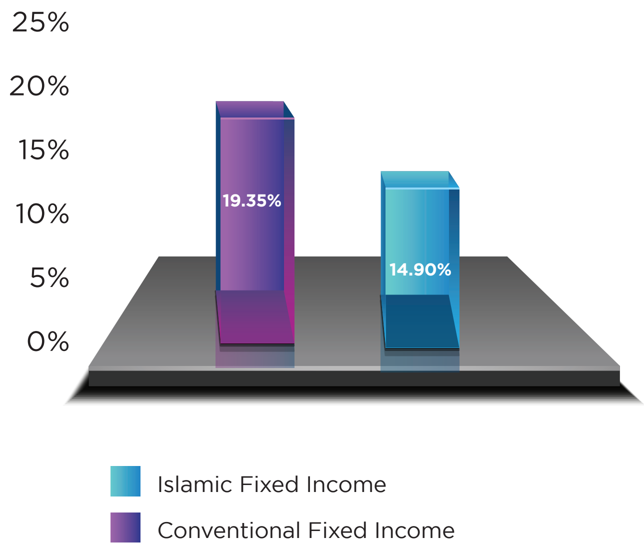
Going forward, we expect a similar trend and in case of further rise in the policy rate, fixed income funds will continue to provide an attractive risk adjusted rate of return to meet their investors' requirements.

Comparison of Growth in Fixed Income Funds

Market Share Of Fixed Income Funds



Year on Year Growth



Shariah Compliant end of the Money Market

On the Shariah compliant end of the money market, the central bank borrowed just PKR75Bn by issuing a floating rate Ijarah and a fixed rate Ijarah. The main reason behind such a drastic decline in government borrowing through Islamic Money Market was issues related to availability of assets to be used for issuing Ijarah/Sukuk. In order to ease mounting pressure on the circular debt, the Ministry of Finance paid PKR29Bn through issuance of 5-year floating Ijarah to the IPPs. After settlement of this issue, the IPPs successfully executed the sale transaction in the secondary market to realize the much needed cash to ease of pressure on their respective liquidity position. However, main market players in the Islamic side of the money market are working very closely with the Ministry of Finance and the central bank to resolve all the issues and hopefully the Ministry of Finance will once again borrow through Islamic avenues more regularly in the near future.

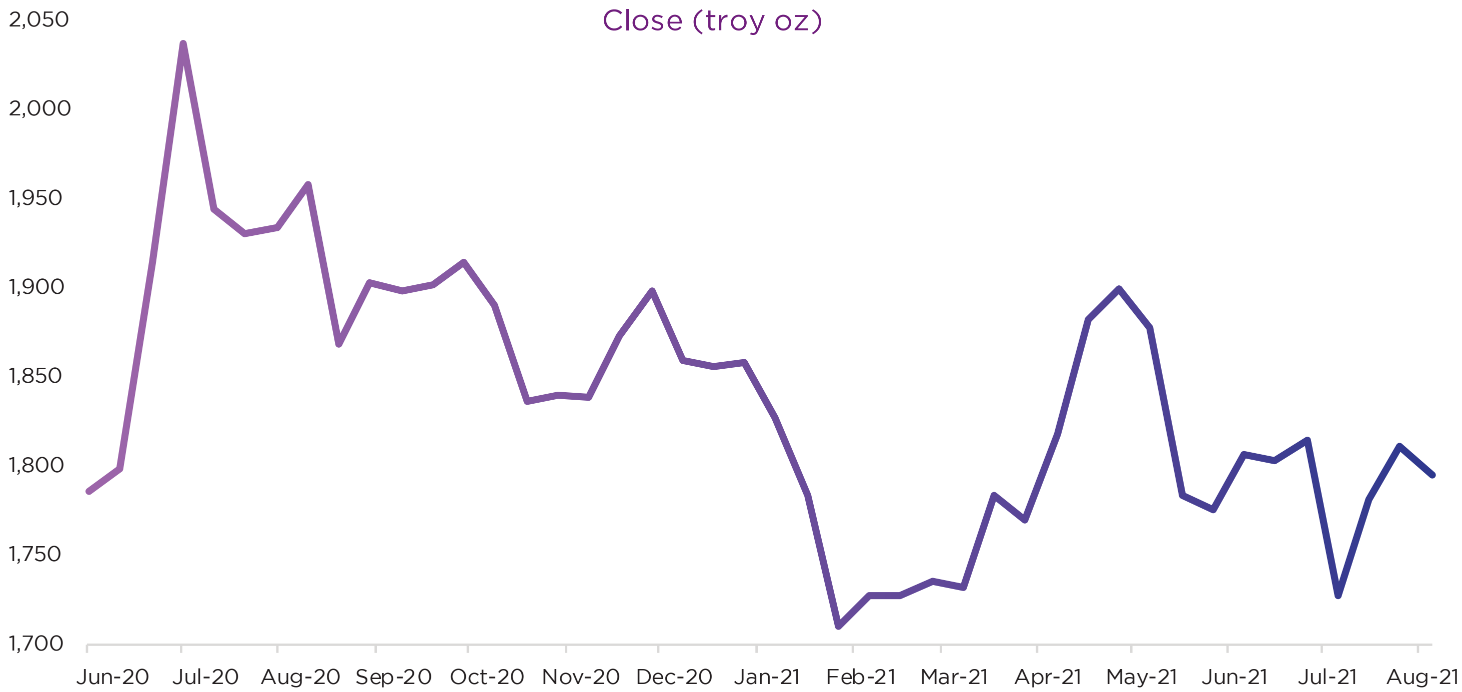
It is also encouraging to note that SECP is also taking steps for promoting Islamic sukuks by organizing seminars and educating the issuers and investors on the benefits of raising debt through issuance of Shariah compliant instruments. Some of the blue chip corporates have already started to understand the excess liquidity situation of the Islamic Financial sector and have started issuing corporate sukuks to raise debt at relatively lower spreads than they would have had to bear in case of TFCs or bank loans; in line with this observation, we have been witnessing increased issuance of corporate sukuks since CY19. Hopefully, a consistent increase in the issuance of new Sukuk (both government and corporate) will be seen going forward which will aid the Islamic market in tackling its long outstanding excess liquidity problem.

Going forward, Sukuk issuances are expected to continue as the government is adamant to increase the share of Islamic debt in the overall domestic debt. The government is targeting to increase the share of Islamic borrowing to 10% from the current level of around 3% to 4%, which indicates more regular issuances of Islamic government securities in the future.

Risk Disclaimer: MIF 3 Year Return 9.84% and Benchmark Return 9.64%, 5 Year Return 5.01% and Benchmark Return 11.87%, PSD Return 1276.45% and PSD Benchmark Return 940.43% as on August 31, 2021.

Gold – 2021 & beyond

Spot Gold ($/Oz) in FY2021



FY21 turned out to be an eventful year for the yellow metal, although it was perhaps not reflected in the return of approximately -0.6% for the entire outgoing fiscal year. International Gold prices started the year at around USD1,782 per oz and touched an all-time high of approximately USD2,069 per oz on 6 August 2020. This came on the back of increasing geo-political risks as we were coming to an end of the Trump presidency and escalating political uncertainty in the US. Gold prices saw a period of decline since August, before briefly recovering to a high of USD1,950 per oz on 6 January 2021, the day the US Capitol was attacked by rioters. However, since then the prices have seen a downward spiral, as the new administration (Biden's Administration) took control in the US and the markets in general tended to view this transfer of power as a paradigm shift from chaotic governance to a more stable form

Gold prices have retreated since January 2021, on the back of massive stimulus rollout and successful vaccination campaigns, particularly in the US. We also saw the devastating effects of the COVID-19 pandemic subsided by the end of last year due to such measures. There was a general sense of belief that the worst is over. Hence it began to reflect positively in growing numbers and monthly PMI statistics from across the globe, including the US.

Gold prices saw a brief spike in early June 2021, when they rose back above the mark of USD1,900 per oz, albeit briefly before retreating again to the USD1,780 per oz mark. This was the period when the 4th wave (of COVID-19) had taken grip and the infamous delta variant was reaping havoc across the globe, leading to continuous debate whether most countries in the world, including the US Federal Reserve, would consider raising rate sooner rather than later.

Going forward, we believe that it is prudent to keep a watchful eye on potential portfolio risks, emanating from global factors such as inflating budget deficits, inflationary pressures and expected market corrections in wake of already high equity valuations in the global stock markets. The Biden administration continues to roll-out unprecedented level of stimulus packages; with the most recent one being a USD1.9Tn COVID-19 relief stimulus program signed on March 2021 and a further USD1Tn infrastructure package which passed the senate on August 2021.

The threat of evolving variants will likely keep governments around the world on the edge, at least for a while. The lingering debate seems to revolve around; "how much (stimulus) is enough (before roll back)? Under such a scenario, we are optimistic that the yellow metal will remain afloat and yield positive returns and benefits from inclusion in a well-diversified portfolio for investors.

Pakistan’s First Shariah Compliant ETF

For prospective investors, Pakistani Stock market is a very attractive proposition, as the market has managed to provide a return of almost around 23% in compound annual growth rate terms over the past 20 years. However, it is also true that the stock market is not for the faint heart, as it provides ample twists and turns with respect to performance of individual stocks traded on the exchange. Especially, during the recent pandemic situation when volatility increases, the market may well turn negative and as a result the investors may incur losses. However, despite these fears, the stock market remains as a significant avenue for investors to invest in and gain profit from potential upside.

Particularly for first time investors who have a small amount to invest. Exchange Traded Funds (ETFs) are a suitable investment, which can allow investors to take exposure to a diversified basket of Pakistani Stocks by simply approaching their broker and making a trade at prices that are readily available to them during Market hours.

Types of ETFs:

ETFs have been quite popular around the globe amassing over USD9Tn assets under management, By the end of 2020 (as per The Wallstreet Journal). ETFs essentially provide an easy way to diversify across different sectors of industries and securities, it can possibly constitute of stocks, commodities, bonds, or other securities.

Globally, there are several types of ETFs on offer, such as:

I. **Index Tracking ETFs** which track a major index, such as KMI-30;

II. **Sector & Industry ETFs** which imitate a particular sector or industry;

III. **Commodity ETFs** which target a certain specific commodity(ies), such as gold or oil, etc.;

IV. **Bond ETFs** which take may exposure to international, government or corporate bonds;

V. **Style ETFs** which track an investment style, such as large-cap or contrarian;

VI. **Foreign Currency ETFs** which aim to emulate different foreign currencies.

Benefits of an ETF:

An ETF is similar to a mutual fund; however, it has certain important differences which make it unique when directly compared to an Open-End Mutual Fund;

- It enjoys the diversification benefit usually available to Mutual Funds, as it consists of a basket of securities. However, it is unique in the sense that it tends to trade just like a share of stock. The investor can simply approach their broker to buy or sell an ETF any time during the day, when the stock market is open for business.

- Unlike an Open End Mutual Fund, an ETF provides continuous prices throughout the trading day. This feature is also similar to a share of stock, where price of any stock is available throughout the day. In contrast with an Open End Mutual Fund where NAVs are generally available only at end of business day.

- Well diversified ETFs will generally allow the investor to purchase a basket of stocks in one-go, without having to buy individual stocks and perhaps incur higher transaction costs. Hence exposure through ETFs may in fact lead to reduction in cost for an investor.

- Passive Equity ETFs normally have a passive strategy and may have low management fees, perhaps without any sales-load as well. This may make passive ETFs cost-effective means to take exposure to stocks in a particular index strategy that the ETF aims to mimic.

- Normally the portfolio of the ETF and its constituents are available to investors each day, thereby enhancing transparency. When one compares this feature with an Open End Funds, we realize that such funds generally disclose a certain percentage of their holdings in their Fund Manager Reports which are normally available at end of the month. Thus, investors have the added advantage of seeing an ETF portfolio whenever they like.

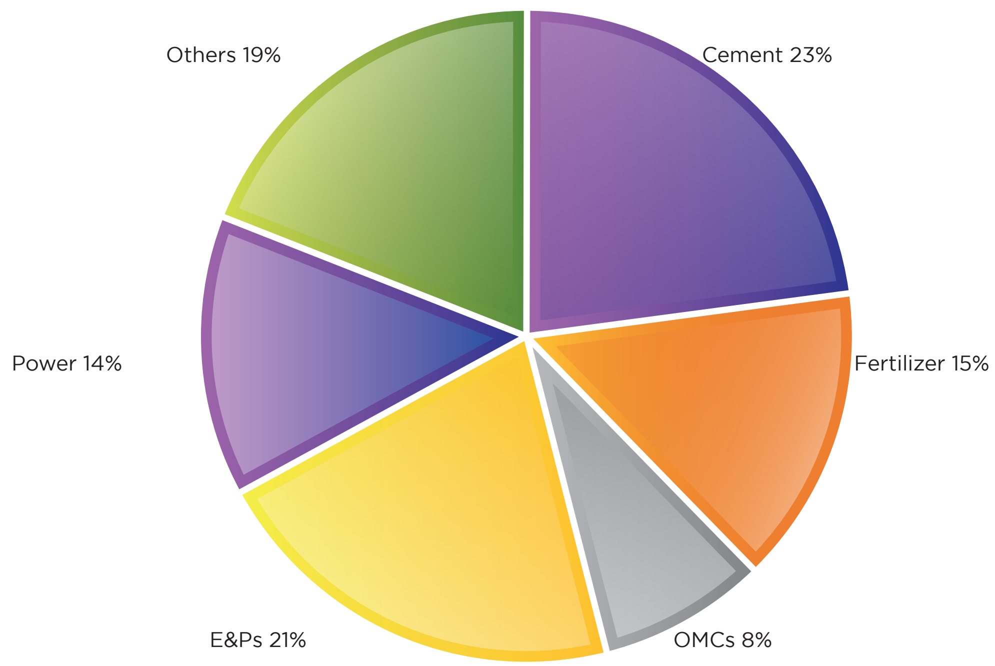
Meezan Pakistan Exchange Traded Fund (MP ETF):

Al Meezan Investment Management Limited is the first AMC to launch several new shariah compliant funds in the market, such as; commodity fund, Index Tracker Fund, Fund of Funds, Sovereign Fund and several other innovative products that were considered as the first of their kind to the industry.

Following the company's innovative trend, Al Meezan became the first firm that managed to launch a shariah-compliant equity ETF on 06 October 2020, called Meezan Pakistan ETF (MP-ETF). This ETF provides the investor with a diversified exposure to important sectors of the Pakistan Stock Exchange (PSX); such as Cement, Oil & Gas Exploration (E&Ps), Fertilizer, Oil & Gas Marketing (OMCs) and Pharmaceuticals. The MP ETF has an underlying basket of 12 stocks, derived from the sectors mentioned.

MP ETF offers exposure to high quality, liquid shariah-compliant stocks in the market. Investors can assuredly take exposure in ETF having knowledge that the fund's operations have been fully approved by its Shariah Advisor (Dr. Muhammad Imran Ashraf Usmani Sb).

Exposure to various sector (MP-ETF)



Investors investing in stock market with a broker account can simply request their broker to purchase shares of MP ETF from the stock market. Which can be monitored by the investor through viewing the price display on the PSX website on their respective brokerage trading panel.

Moving forward, we can surely assume that more AMCs will be launching their ETFs that will lead to a healthy competition along with developing this segment of the market further and ultimately benefitting the investors who wish to take exposure to Pakistani stocks in a cost effective, efficient and prudent manner.

MARKETING
HIGHLIGHTS 2020-21

Contributors:
Ali Lawai, CFA I Yousuf Kamran I Saman Banatwala

الحمد لله

OVER Rs.20,000* CRORES

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Thanks to the continued trust and support of over **145,000 investors**, we have **doubled our growth** in under 2 years to achieve the highest industry AUMs of over **Rs. 20,000 Crores**!

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, risks and tax implications involved.
*AUMs as of June 30 2021, excluding FoF but including SMA.

AWARDS AND ACHIEVEMENTS

During the year 2021, Al Meezan received the award for "Meezan Islamic Income Fund (Type B) Best Fund over 10 Years" by Lipper Fund Award 2021.

Alhumdulilah, Al Meezan officially crossed the 100 million mark in investments from overseas Pakistani through our Roshan Digital Account.

EDUCATING THE MASSES

Al Meezan Investments held a series of numerous webinars throughout the year for product and category awareness.

Monthly Outlook by Mr. Mohammad Shoaib, CFA, CEO Al Meezan Investments

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MARKETING CAMPAIGNS

Staying connected to the investors was Al Meezan's top priority amidst the challenges brought about by the pandemic. In order to ensure that customers continued to receive unimpeded services, Al Meezan further beefed up its digital assets.

Welcome To The Future

Upgradation of the Mobile Application

Launch of Digital Account Opening

DVCs

Al Meezan Mobile Application

Tax Savings

Al Meezan Savings Plans

Tax Campaign

Hajj Campaign

Risk Disclaimer: *As per section 62 of Income Tax Ordinance, 2001, an individual investor of open end mutual fund(unit trust schemes) can claim tax credit on investment up to Rs. 2,000,000/- or 20% of individual's taxable income or actual cost of acquisition of units (whichever is less) on an investment made in Mutual Funds between July 1st and June 30th. As per section 63 of the income tax ordinance 2001, an eligible person joining Meezan Tahaffuz pension fund can avail tax credit up to 20% of the (eligible) person's taxable income for the relevant tax year. In view of Individual nature of tax consequences each investor is advised to consult with his/her tax advisor with respect to specific tax consequences of investing in the Fund. To avail tax rebate on mutual funds, minimum investment holding period of two years from the date of investment is required, failing which taxes shall be applicable as per the tax laws. Tax credit can be only once during these two years and not every year.

LAUNCH OF MEEZAN ROSHAN DIGITAL ACCOUNT

Al Meezan Investments offers Non-resident Pakistanis the opportunity to invest in mutual funds and earn attractive halal returns on their investment. Non-resident Pakistanis can now invest in the growth potential of Pakistan from anywhere in the world with Al Meezan Investments - Pakistan's Largest Shariah Compliant Fund Manager!

LAUNCH OF MEEZAN DAILY INCOME PLAN – I

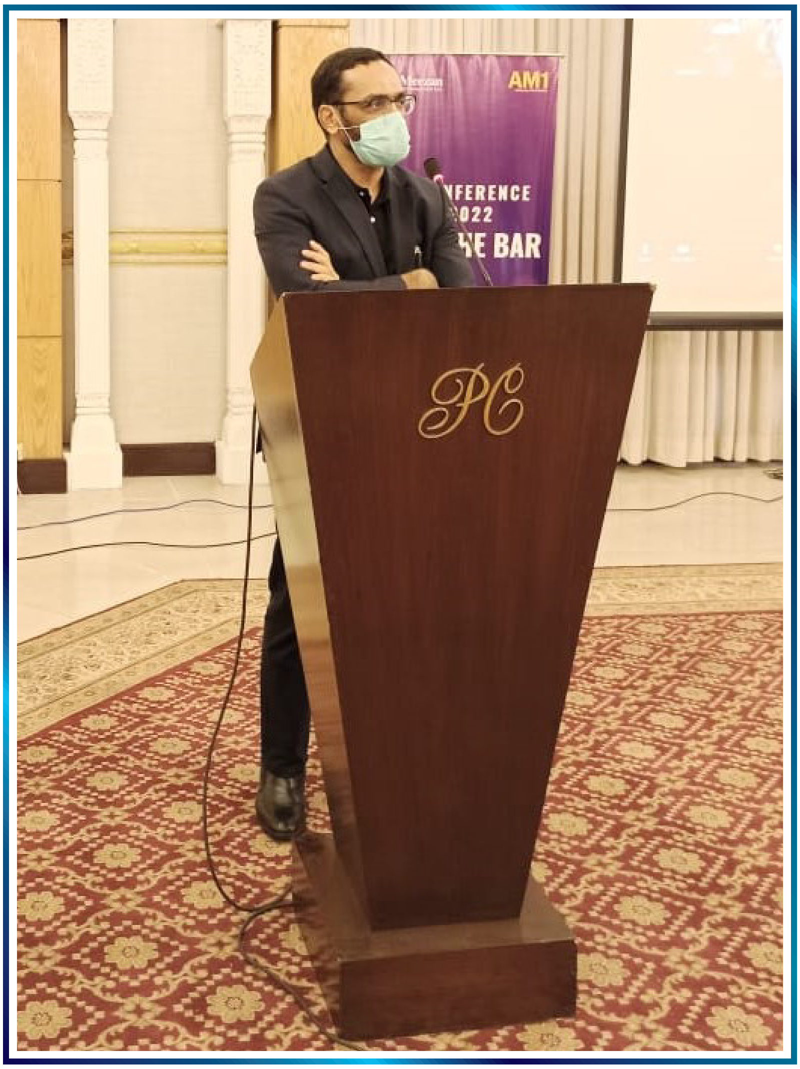
Al Meezan was pleased to launch Meezan Daily Income Plan-I (MDIP-I), an Open Ended Shariah Compliant Income Scheme under "Meezan Daily Income Fund" (MDIF) which aims to provide investors with a competitive rate of return, together with DAILY PAYOUT through investment in Shariah Compliant Fixed Income Instruments.

Risk Disclaimer: All Investments in mutual Fund are subject to market risks. The NAV of Units may go down or up based on the market conditions. The investors are advised in their own interest to carefully read the contents of the Offering Document, in particular the Investment Policies mentioned in clause 2, Risk Factors mentioned in clause 2.6, Taxation Policies mentioned in Clause 7 and Warnings in Clause 9 before making any investment decision.

SALES CONFERENCE 2021

RAISING THE BAR

Sales Conference 2021 was a one day hybrid event held on the 21st September 2021 at hotels in Karachi, Lahore and Islamabad. It was an interactive and informative conference which was led by different departmental heads who shared their respective strategy for the fiscal year 2020-21. The conference concluded on a certificate distribution ceremony for the sales team in recognition of their performance and hard work through the year.



RISK PROFILE OF COLLECTIVE INVESTMENT SCHEME/PLANS

Fund Name	Symbol	Fund Category	Risk Profile	Risk of Principal Erosion
Meezan Islamic Fund	MIF	Islamic Equity	High	High
Al Meezan Mutual Fund	AMMF	Islamic Equity	High	High
KSE Meezan Index Fund	KMIF	Islamic Index Tracker	High	High
Meezan Energy Fund	MEF	Islamic Equity	High	High
Meezan Dedicated Equity Fund	MDEF	Islamic Equity	High	High
Meezan Pakistan Exchange Traded Fund	MP-ETF	Exchange Traded Fund	High	High
Meezan Gold Fund	MGF	Islamic Commodity	High	High
Meezan Asset Allocation Fund	MAAF	Islamic Asset Allocation	High	High
Meezan Balanced Fund	MBF	Islamic Balanced	Medium	Medium
Meezan Islamic Income Fund	MIIF	Islamic Income	Medium	Medium
Meezan Sovereign Fund	MSF	Islamic Income	Moderate	Moderate
Meezan Cash Fund	MCF	Islamic Money Market	Low	Low
Meezan Rozana Amdani Fund	MRAF	Islamic Money Market	Low	Low
Meezan Financial Planning Fund of Fund	MFPF	Islamic Fund of Funds	Plan Specific (Medium to High)	Plan Specific (Medium to High)
Meezan Strategic Allocation Fund	MSAF	Islamic Fund of Funds	Plan Specific (Medium to High)	Plan Specific (Medium to High)
Meezan Strategic Allocation Fund - II	MSAF-II	Islamic Fund of Funds	Medium	Medium
Meezan Strategic Allocation Fund – III	MSAF-III	Islamic Fund of Funds	Medium	Medium

Al Meezan
Investment Management Ltd.

AM1
Rating by VIS & PACRA

Al Meezan mein Itminan hai.

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www.almeezangroup.com

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