Sector Update, Dec 2024

VIS

VIS Credit Rating Company Limited

PAKISTAN ASSET MANAGEMENT SECTOR

Research Team

Dr. Jahanzaib Alvi - Manager Analytics

Madiha Ilyas - Rating Analyts

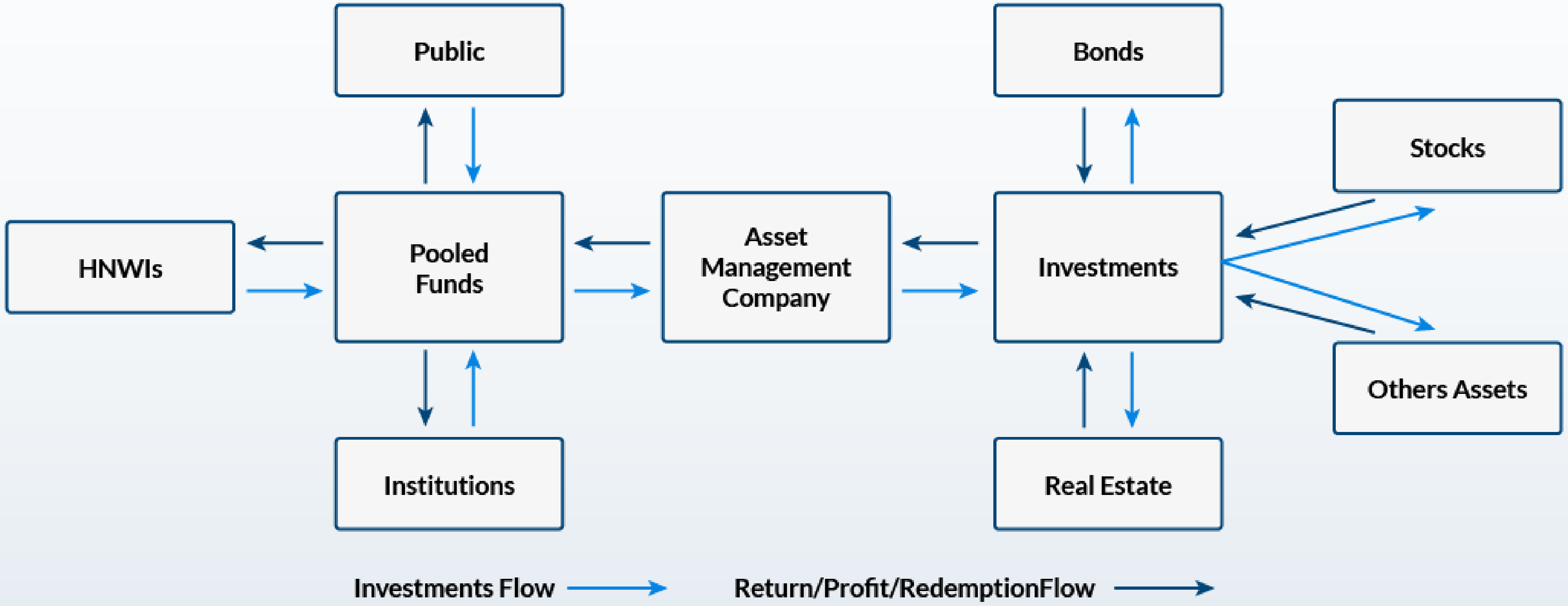
VIS
Credit Rating Company Limited

Asset Management Sector

TABLE OF CONTENTS

INTRODUCTION

An Asset Management Company (AMC) is a firm, which pools funds from individual and institutional investors and invests the same in the available assets in the market. The aim is to ensure higher returns to investors in exchange for a commission, fee, or charge. An Asset Management Company determines the best way of asset utilization to reap maximum profits for clients.



- Almost all Asset Management Companies (AMCs) operate on a mutual fund model and are led by a fund manager and their team.
- AMCs manage portfolios for high-net-worth individuals (HNWI), hedge funds, pension plans, and pooled structures such as mutual funds, index funds, or exchange-traded funds (ETFs), all within a centralized portfolio.
- AMCs provide investors with access to a larger pool of resources, offering greater diversification and more investment options than individual investors could achieve on their own.
- By managing investments for multiple clients, AMCs can leverage economies of scale, often securing price discounts on purchases.
- AMCs differ from brokerage firms, which provide services on a "best-effort" basis without accountability for investment outcomes, whereas AMCs are fiduciary firms held to higher legal standards and must act in the best interest of their clients, avoiding conflicts of interest.
- AMCs vary in size and operations, ranging from small personal money managers handling high-net-worth individual accounts with hundreds of millions in assets under management (AUM) to large investment companies managing ETFs and mutual funds with trillions in AUM.
- In addition to investment management, AMCs typically maintain strong research and analysis functions to support informed investment decisions.

VIS
Credit Rating Company Limited

PAKISTAN'S ECONOMIC REVIEW – 2024

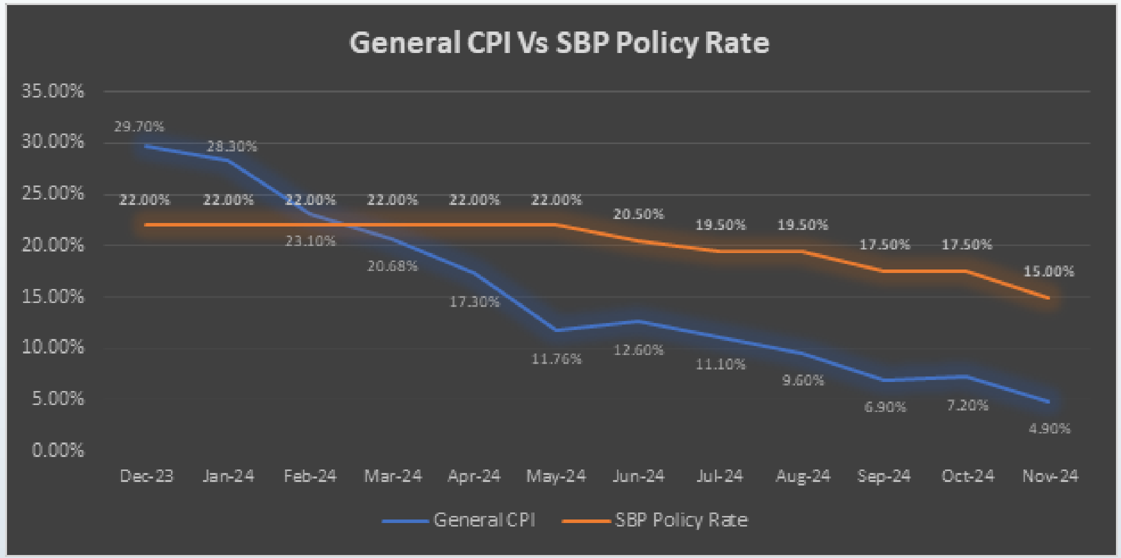
Overview

The year 2024 has been a pivotal one for Pakistan's economy, marked by both challenges and opportunities. Economic stabilization measures, supported by the International Monetary Fund (IMF) program and prudent fiscal and monetary policies, have aimed to curb inflation (Core consumer prices in Pakistan increased 4.90 percent in November of 2024 – PBS), improve foreign reserves (around 12.05 billion USD - Reserves with SBP - SBP), and narrow the trade deficit (Pakistan recorded a trade deficit of 1.44 billion USD – Trading Economics). The gradual recovery of key economic indicators has been encouraging, though vulnerabilities remain.

Inflation and Monetary Policy

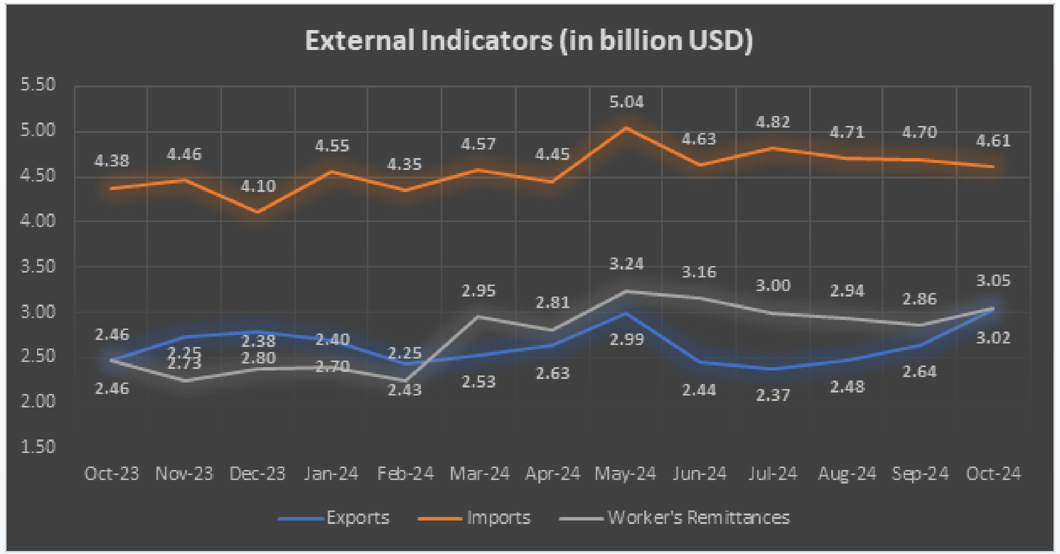
Pakistan has faced persistent inflationary pressures in 2024, although a notable deceleration has been observed in recent months. Average Consumer Price Index (CPI) inflation from January to November 2024 stood at approximately 13.95%, reflecting the impact of high base effects, global commodity price fluctuations, and local economic adjustments.

In response, the State Bank of Pakistan (SBP) maintained a tight monetary policy for most of the year, with the policy rate peaking at 22%. However, by late 2024, easing inflationary trends and an appreciating rupee prompted a reduction in the policy rate to 13% as of December 16, 2024 - SBP).



External Sector Performance

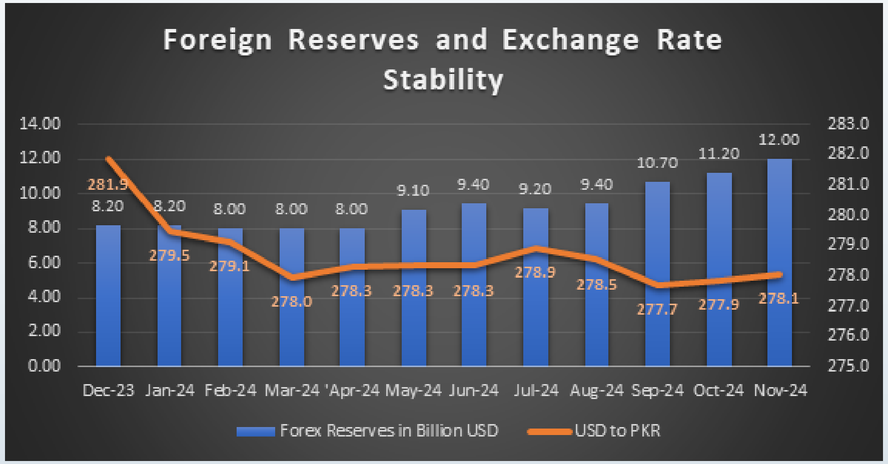
The external account refers to the portion of a country's economic transactions with the rest of the world. The external account has seen gradual improvement throughout 2024, largely due to increased remittance inflows and controlled import expenditures. The current account deficit, which had been a major concern, narrowed significantly in the first ten months of 2024. Total exports, driven by textile and IT services, increased by 6.8% YoY up to October, while imports fell by 4.2% due to restrictive measures and moderated domestic demand.



Remittances have been a critical driver of stability, registering a consistent increase. From January to October 2024, remittances totaled 28.66 billion USD, a YoY growth of nearly 35.64%.

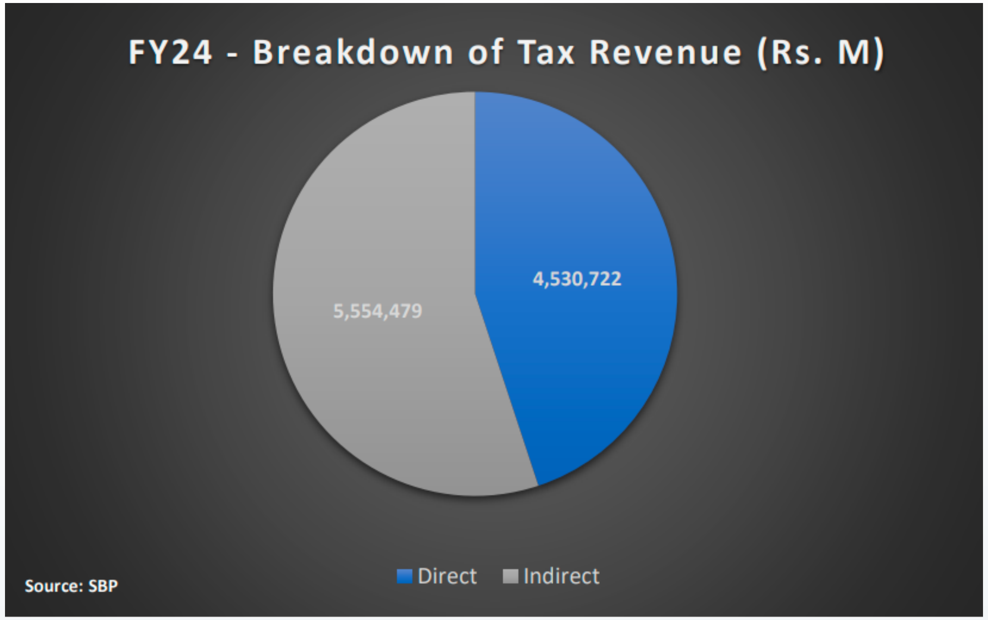
Foreign Reserves and Exchange Rate Stability

Foreign reserves began to recover steadily in 2024, rising to 10.70 billion USD by September and 12.05 billion USD in December 2024, supported by multilateral disbursements and improvements in the trade balance. The Pakistani rupee showed relative stability in the second half of the year, appreciating from its low of PKR 305/USD in September to PKR 278/USD by November, as market confidence returned.



Fiscal Performance

Fiscal consolidation remained a challenge throughout 2024. While tax revenues improved by 38% YoY, reaching PKR 4,530 billion during FY24, shortfalls against targets persisted due to administrative inefficiencies and economic constraints. Development spending was curtailed to meet fiscal discipline goals under the IMF framework.



Challenges and Future Outlook

While 2024 brought signs of recovery, Pakistan's economy remains vulnerable. Key challenges include:

1. Fiscal slippages due to revenue shortfalls.
2. External risks, such as volatile global commodity prices and geopolitical tensions.

Looking ahead, the continuation of structural reforms, robust fiscal management, and policies to stimulate investment are vital for achieving sustainable economic growth in 2025 and beyond.

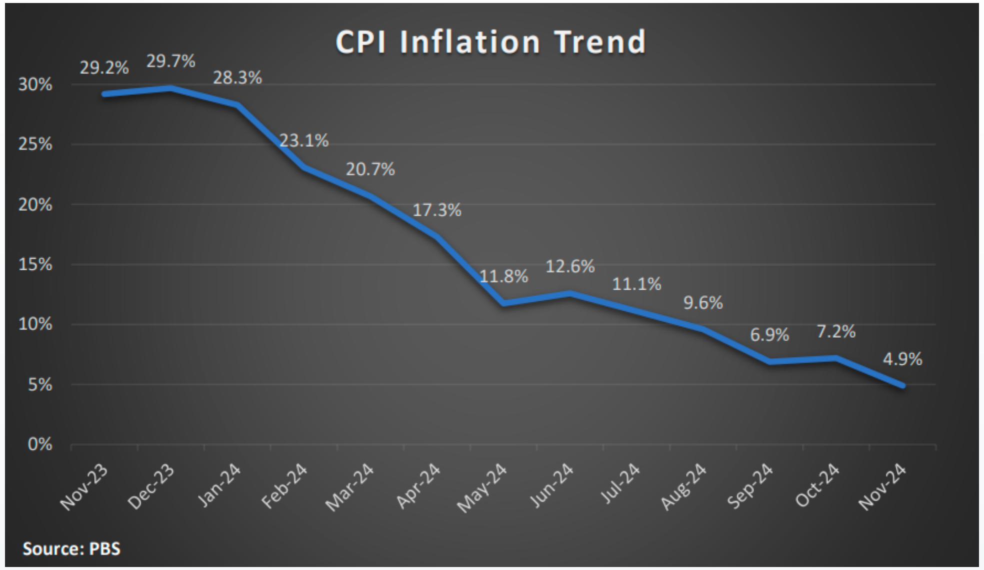
Pakistan's economic journey in 2024 underscores the resilience and potential of its economy, despite facing significant challenges. The stabilization measures implemented throughout the year provide a foundation for recovery, but policymakers must remain vigilant to navigate the complex global and domestic economic environment.

Asset Management Sector

MONEY MARKET REVIEW – 2024

Inflation Trends and Monetary Policy Adjustments

In November 2024, Pakistan's headline inflation recorded a significant decline, dropping to 4.9% year-on-year (YoY), compared to 7.2% in October 2024 and a staggering 29.2% in November 2023. This marked the lowest inflation rate in 79 months, signaling a substantial easing of inflationary pressures. The average inflation for the first five months of FY25 (Jul-Nov 2024) stood at 7.9%, a stark contrast to 28.6% during the same period in FY24. The decline was driven by currency stability, base effect adjustments, and moderating food and fuel prices.



The State Bank of Pakistan (SBP) responded with continued monetary easing. In the December 2024 meeting, the Monetary Policy Committee (MPC) slashed the policy rate by 200 basis points, bringing it down to 13%. This decision reflected optimism over a sharp reduction in both headline and core inflation.

Secondary Market Yield Trends

Secondary market yields demonstrated a pronounced downward trajectory in November 2024:

Short-term Yields:

yields on 3M, 6M, and 12M papers fell by 122 bps, 91 bps, and 97 bps, to stand at 12.19%, 12.12%, and 11.68%, respectively.

Long-term Yields:

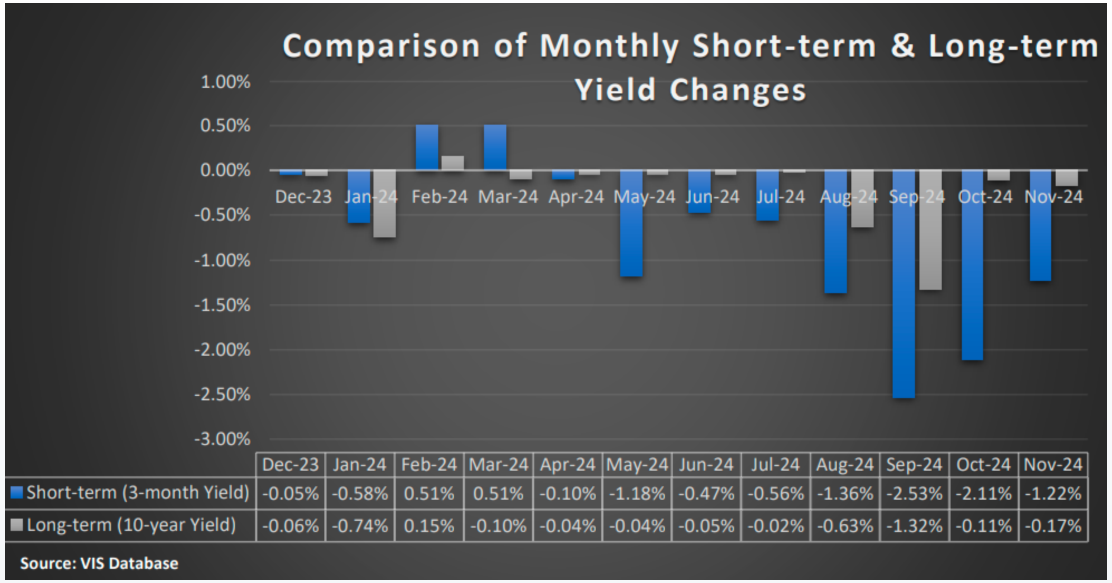
Y: Yields on 3-year and 5-year bonds decreased by 2bps and 20bps to 11.79% and 11.81%, respectively.

The reduction in yields was influenced by expectations of further monetary easing, a favorable inflation outlook, and SBP's buybacks of Market Treasury Bills in prior months.

Auction Performance

Treasury Bills:

In December 2024, the State Bank of Pakistan conducted T-Bill auctions, raising a total realized value of PKR 1,007.768 billion against a face value of PKR 1,093.295 billion, reflecting a slight discount. The 12-month T-Bills dominated the issuance, contributing PKR 594.66 billion (59% of the total), with a cut-off yield of 12.29% and a weighted average yield of 11.98%. The 3-month TBills raised PKR 313.42 billion (31% of the total), while the 6-month T-Bills accounted for PKR 99.687 billion (10% of the total), both at a cut-off yield of 11.99%. Weighted average yields for the 3-month and 6-month tenors were 11.82% and 11.93%, respectively.

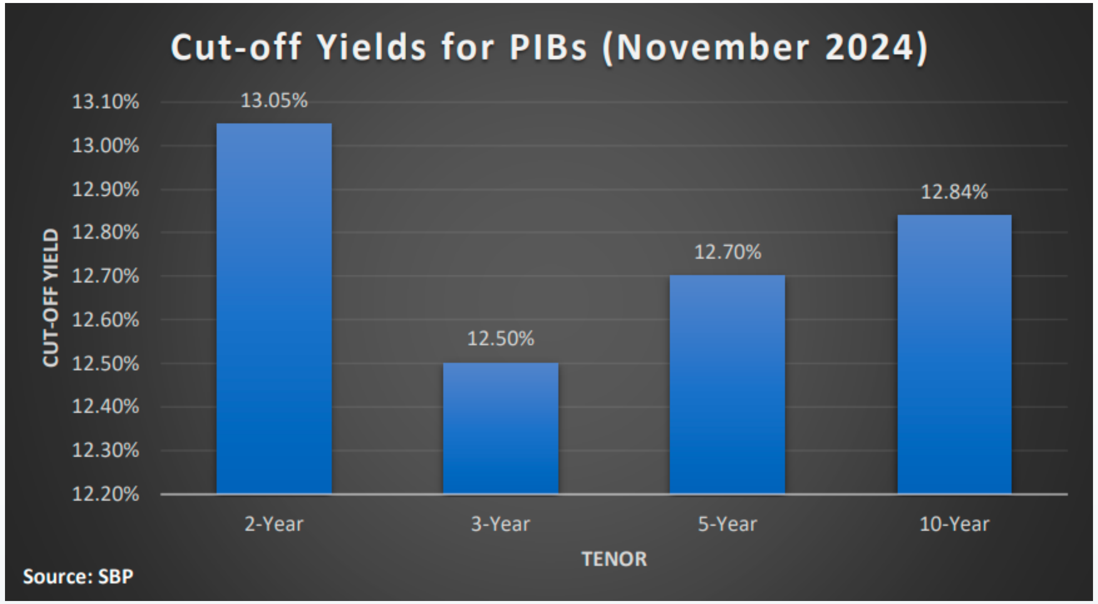


Summary of T-Bills Auction in December 2024

Tenor	Realized Value	Face Value	Cut-off Yield	10,033
3-month	313,420	321,947	11.99%	11.82%
6-month	99,687	105,672	11.99%	11.93%
12-month	594,660	665,677	12.29%	11.98%
Total	1,007,768	1,093,295		

Pakistan Investment Bonds (PIBs)

The SBP raised PKR 367.9 billion in its fixed-coupon PIB auction against a target of PKR 300 billion. Accepted cut-off rates stood at 13.05% for 2-year, 12.50% for 3-year, 12.70% for 5-year, and 12.84% for 10-year bonds.



PIB Auctions and Yield Trends

The SBP also conducted one Pakistan Investment Bond (PIB) auction in November, raising approximately PKR 306 billion. The weighted average yields for various tenors were as follows:

Ijarah Sukuks:

In December 2024, the Ijarah Sukuk auctions raised a total realized amount of PKR 102.947 billion against a face value of PKR 102.807 billion, indicating high demand. The 5-year GIS VRR Sukuk dominated the issuance, contributing PKR 71.138 billion (69% of the total realized amount) with a cut-off margin of 98.76. The 3-year GIS VRR Sukuk raised PKR 31.809 billion (31% of the total), with a cut-off margin of 99.08. The near-par realization and competitive margins reflect strong investor confidence in Islamic financial instruments over varying maturities.

Weighted Average Yields for T-Bills & PIBs - November 2024

Tenor	T-Bills	Tenor	PIBs
3m	11.82%	2Y	12.41%
6m	11.93%	3Y	12.54%
12m	11.98%	5Y	12.61%
		10Y	

Foreign Exchange and Reserves

The Pakistani rupee exhibited relative stability, closing at PKR 278.05/USD in the interbank market and PKR 279.74/USD in the open market. SBP's foreign exchange reserves rose to USD 16.6 billion by November 29, 2024, supported by inflows from the IMF program and improved trade and remittance flows.

Summary of Ijarah Sukuk Auction Results - December 2024

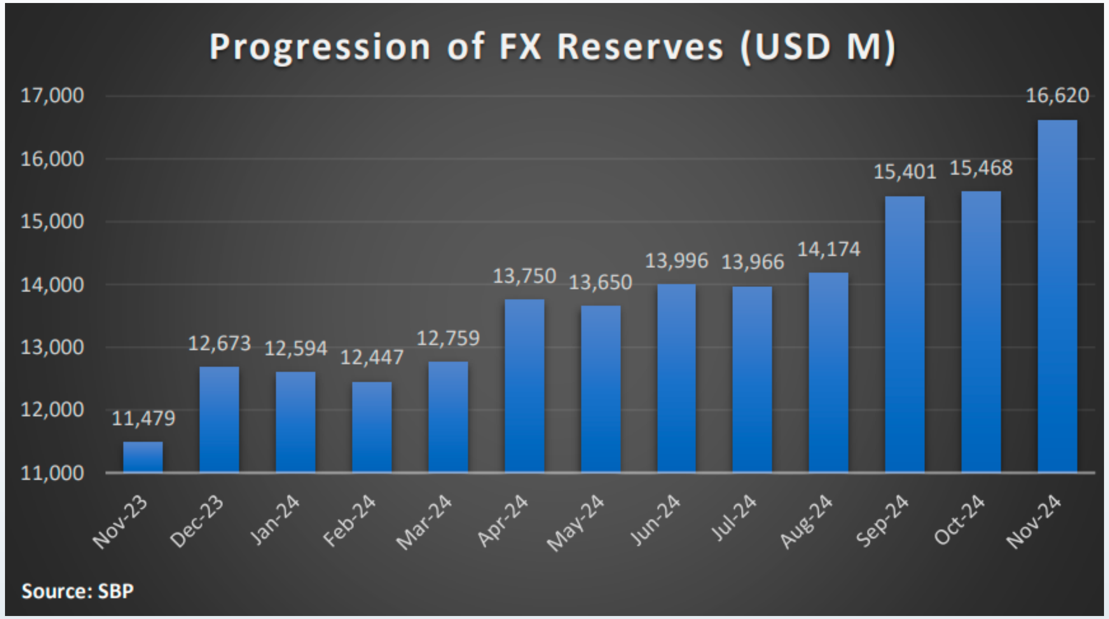
Tenor	Face Value	Realized Amount	Total Realized Amount	Cut-off Margin
GIS 3-Year VRR	31,697.700	31,406.081	31,809.518	99.08
GIS 5-Year VRR	71,110.000	70,228.236	71,138.013	98.76
Total	102,807.700	101,634.317	102,947.531	

Challenges and Future Outlook

The inflation outlook remains favorable, with projections indicating continued moderation due to currency stability, a positive base effect, and easing global commodity prices. These trends provide ample room for further monetary easing.

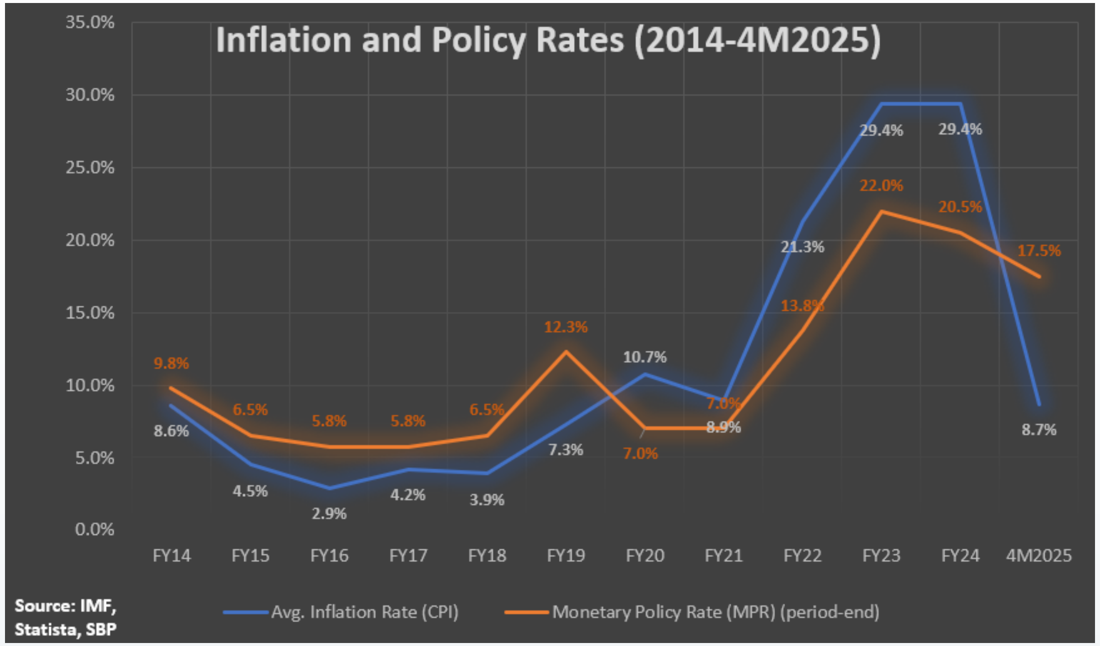
Future monetary easing, however, will depend on key factors such as:

1. Sustaining foreign exchange reserves
2. Managing the current account deficit.
3. Monitoring global oil and commodity price trends.



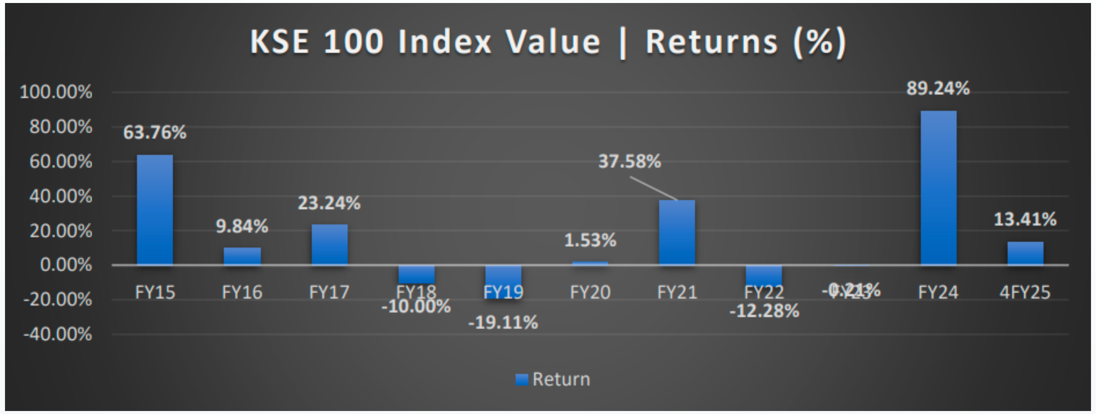
VIS
Credit Rating Company Limited

- Inflation declined steadily from 8.6% in FY14 to 2.9% in FY16, accompanied by a reduction in the Monetary Policy Rate (MPR) from 9.8% to 6.5%.
- From FY17 to FY18, both inflation (4.2%–3.9%) and MPR (5.8%–6.5%) remained stable.
- In FY19, inflation rose to 6.8%, prompting a sharp increase in MPR to 12.3%.
- FY20 and FY21 saw inflation stabilizing at 10.7% and 8.9%, respectively, while MPR decreased to 7.0%.
- Inflation surged significantly in FY22 and FY23, reaching 21.3% and 29.4%, with MPR increasing to 13.8% and 22.0%, respectively.
- A marginal decline in inflation (20.5%) and MPR (17.5%) occurred by 4M2025, with inflation falling sharply to 8.7%.



STOCK MARKET REVIEW – NOVEMBER 2024

The KSE-100 Index continued its upward trajectory in November 2024, reaching an all-time high of 116,169.41 points on 16th of December 2024 yet, posting a robust month-on-month (MoM) gain of 13.41% in November 2024. This performance marked a significant milestone for Pakistan's equity market, as the index surpassed the psychological 100,000-point threshold. The rally was largely driven by macroeconomic improvements, including a historic interest rate cut by the State Bank of Pakistan (SBP), growing investor confidence, and favorable corporate earnings.



Macroeconomic Developments

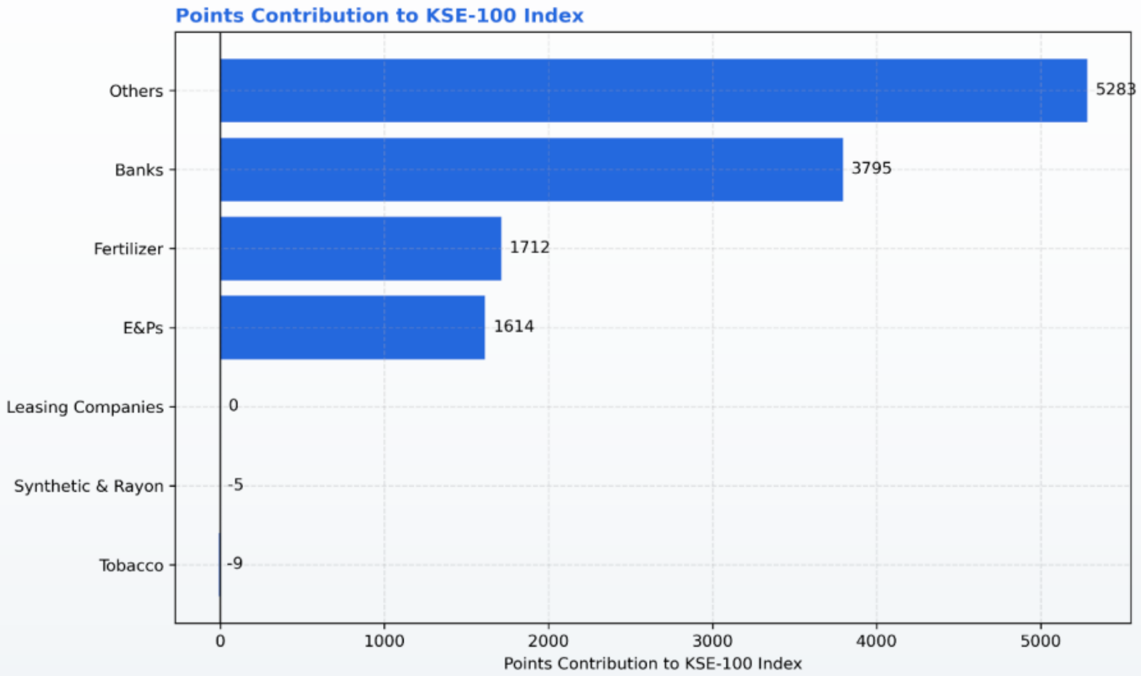
The SBP slashed the policy rate by 200 basis points in December, bringing it down to 13%, exceeding market expectations. This move is part of the central bank's broader strategy to combat inflation, which has shown signs of decline. The consumer price index (CPI) for November stood at 4.9%, its lowest since April 2018, signaling an easing inflationary pressure. With inflation projected to remain between 7% and 8% for FY25, further rate cuts are expected, supporting the bullish sentiment in the market.

The improved macroeconomic indicators include a current account surplus of USD 349 million in October 2024, a sharp recovery from a deficit of USD 193 million a year earlier. Remittances grew by 24% YoY, contributing to a stable foreign exchange reserve of USD 16.6 billion. Additionally, the country's GDP growth forecast was revised upwards, further enhancing the outlook for domestic markets.

Asset Management Sector

Sectoral Performance and Key Contributors

KSE100 Index crossed the 100k milestone, and gained 13.9% (12,391 points) closing the month of Nov'24 at 101,357 level. This growth was largely driven by foreign investor interest and improving corporate earnings in pivotal sectors such as banking, fertilizer, and exploration and production (E&P). The banking sector emerged as a key driver, contributing 3,795 points to the index. Its strong performance was fueled by the State Bank of Pakistan's decision to remove the Minimum Deposit Rate (MDR) for corporates and financial institutions, which enhanced profitability and liquidity. Similarly, the fertilizer sector added 1,712 points, benefiting from strong dividend payouts and attractive yields that captured investor interest. The E&P sector also played a vital role, contributing 1,614 points, supported by improving cash flows and enhanced liquidity, even amid fluctuating global energy prices.



Despite these positive developments, challenges persisted in certain sectors. The cement sector, which had been a strong performer in earlier months, faced limited gains due to subdued demand and high input costs, reflecting broader difficulties in the construction industry. The agriculture sector also encountered significant hurdles as extreme weather events disrupted production cycles and strained supply chains. However, the manufacturing sector displayed signs of recovery, driven by easing energy costs and increasing export demand, indicating a positive trajectory for industrial activity.

Investor Activity

Local investors dominated the buying side, with mutual funds and insurance companies making net purchases of USD 39 million and USD 24 million, respectively. On the other hand, foreign investors remained net sellers, with outflows totaling USD 58 million. Domestic institutional flows, particularly from mutual funds, played a crucial role in absorbing foreign selling pressure.

Despite the volatility witnessed during the month, particularly due to political uncertainty, the market quickly recovered, driven by strong local liquidity and optimism surrounding the macroeconomic outlook.

Challenges and Future Outlook

Looking ahead, the market's momentum is likely to be sustained, supported by expectations of further interest rate cuts and positive macroeconomic indicators. as the market anticipates additional rate cuts to maintain economic stability and foster continued growth.

Valuations remain attractive, with the KSE-100 trading at a forward P/E ratio of 5.7x, well below the 10-year average of 8x. Investors seeking long-term growth opportunities should consider increasing their exposure to undervalued sectors such as banking, fertilizers, and E&P, which stand to benefit from improving fundamentals and macroeconomic conditions.

The KSE-100 Index's performance in November 2024 was exceptional, driven by favorable monetary policy, improving macroeconomic conditions, and strong sectoral contributions. The outlook remains positive, with the market trading at a discount relative to historical averages, offering a compelling opportunity for investors with a medium to long-term horizon.

International Market Expectations

Developed Markets:

The market outlook for developed markets remains generally positive, particularly for U.S. equities. The re-election of Donald Trump and his pro-business economic policies are expected to continue driving investor sentiment in the near term. However, the political uncertainty in Europe, particularly in Germany, may pose risks to the region's economic stability, and Japan's yen strength could limit export-driven growth.

Emerging Markets:

Emerging markets are likely to face continued headwinds, especially in Asia, as a stronger U.S. dollar, geopolitical risks, and concerns over valuations remain significant challenges. However, China's economic policies aimed at boosting growth may provide some upside potential for Chinese equities in the short-to-medium term.

Commodities:

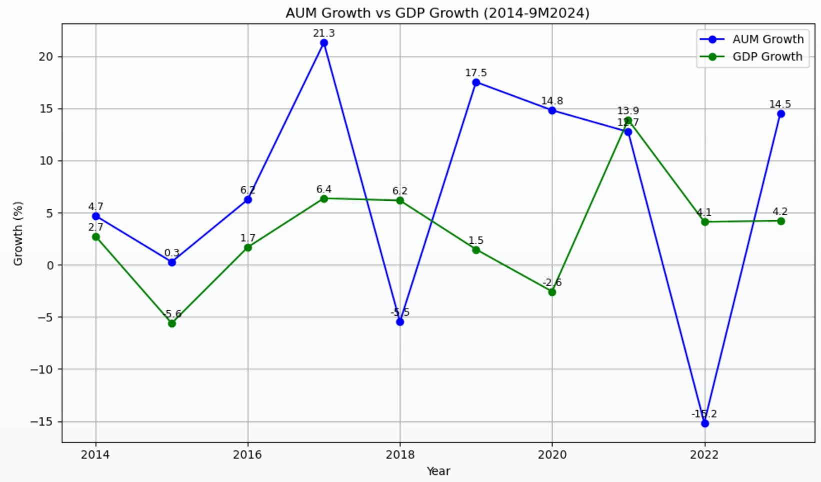
The outlook for energy prices is optimistic, driven by seasonal demand and geopolitical concerns surrounding Russian gas supplies. Precious metals, on the other hand, may face headwinds if interest rate cuts slow down and if the dollar remains strong. The potential for rate cuts in developed markets could continue to impact the commodities market, particularly gold and silver.

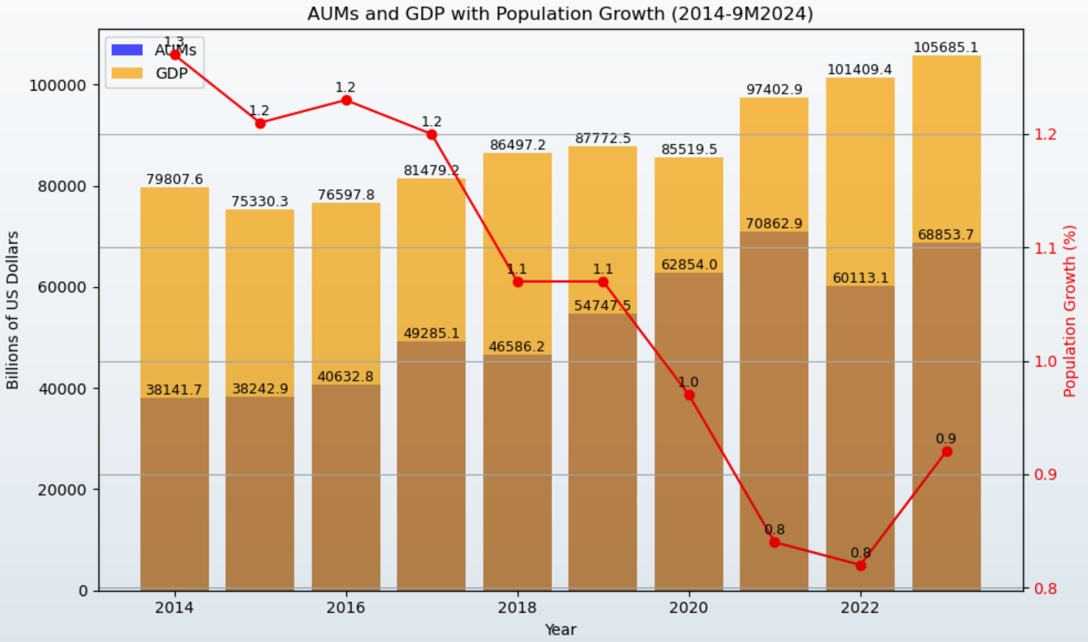
Global Mutual Funds Overview

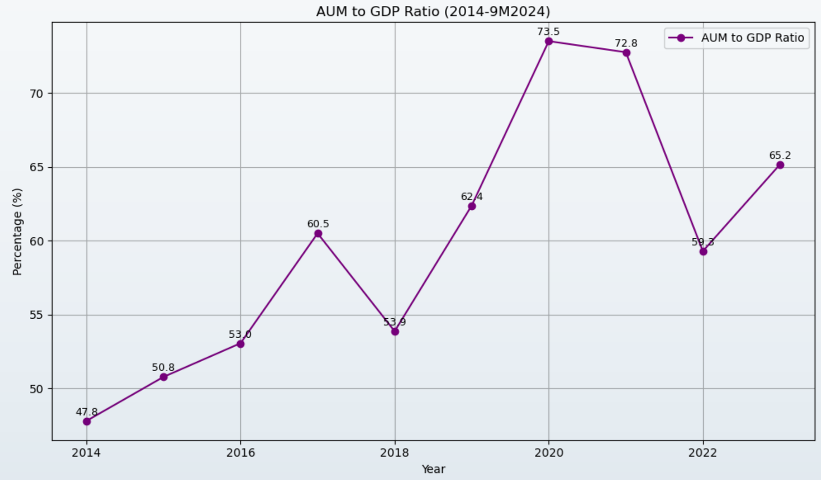
Asset Management Sector

GLOBAL | OPEN-END FUNDS | AUMS

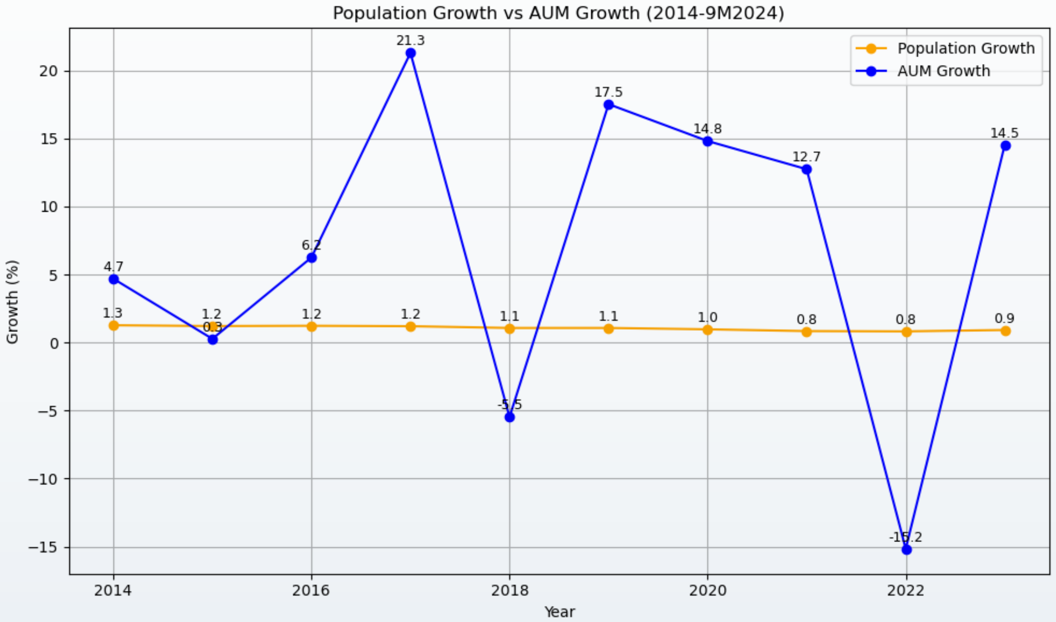
Mutual Fund Analysis - Worldwide	2020	2021	2022	2023	9M2024
World - AUMs (Billions of US dollars)	62853.98	70862.9	60113.1	68853.7	74953.5
World - GDP (Billions of US dollars)	85519.46	97402.9	101409.4	105685.1	110064.9
AUMs to GDP Worldwide	73.49	72.75%	59.28%	65.15%	68.10%
AUMs Growth	14.80	12.74%	-15.17%	14.54%	8.86%
GDP Growth	-2.56	13.90%	4.11%	4.22%	4.14%
World Population (Millions of people)	7.68	7.8	7.8	7.9	7.9
World Population Growth	0.97	0.84%	0.82%	0.92%	0.41%

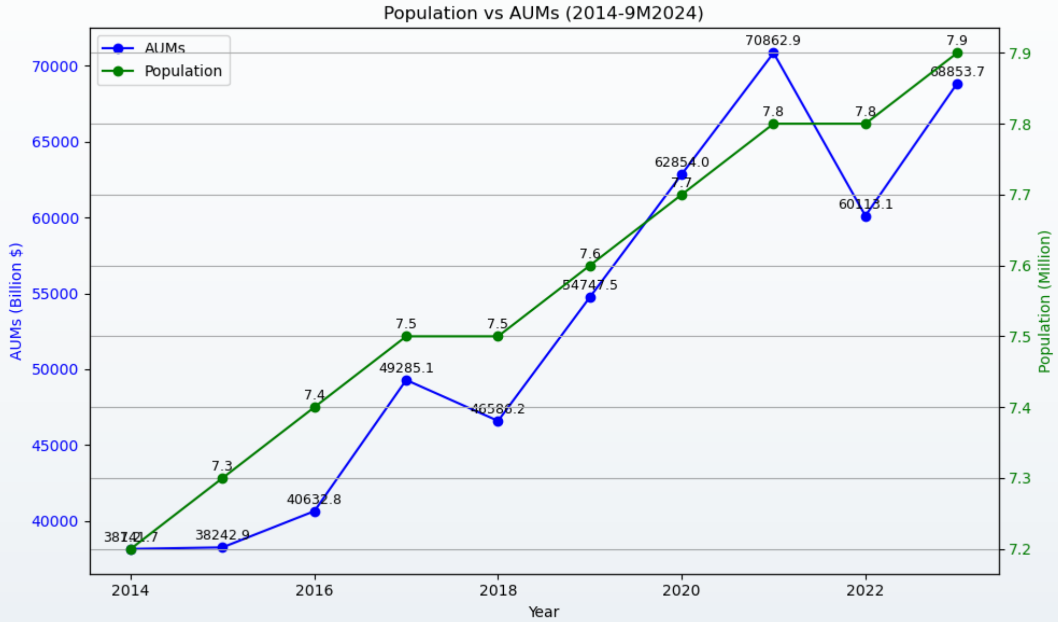






GLOBAL | OPEN-END FUNDS | AUMS

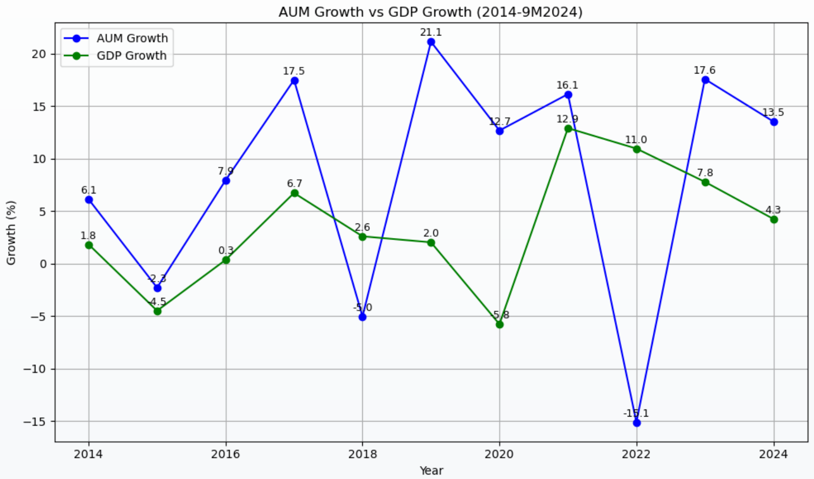


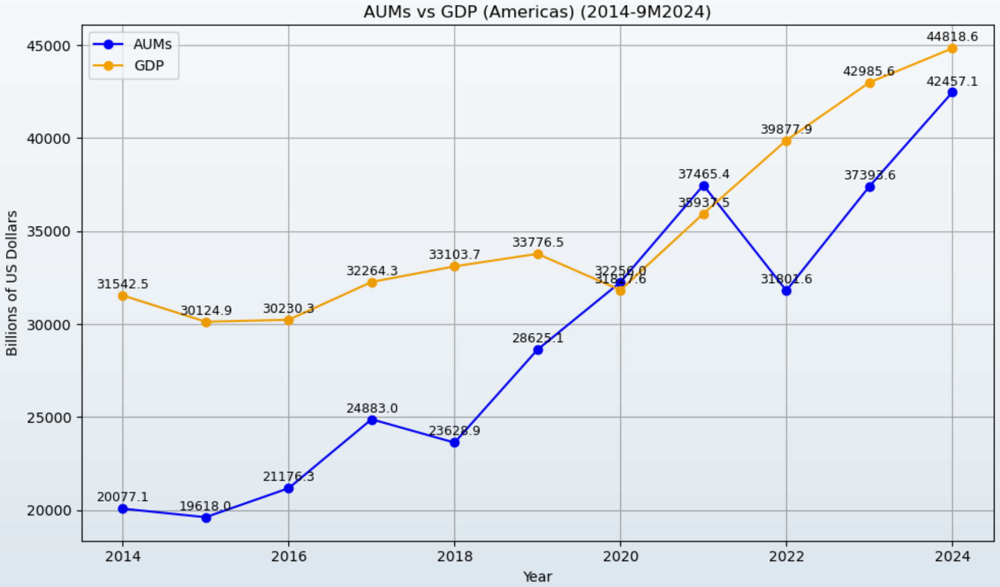


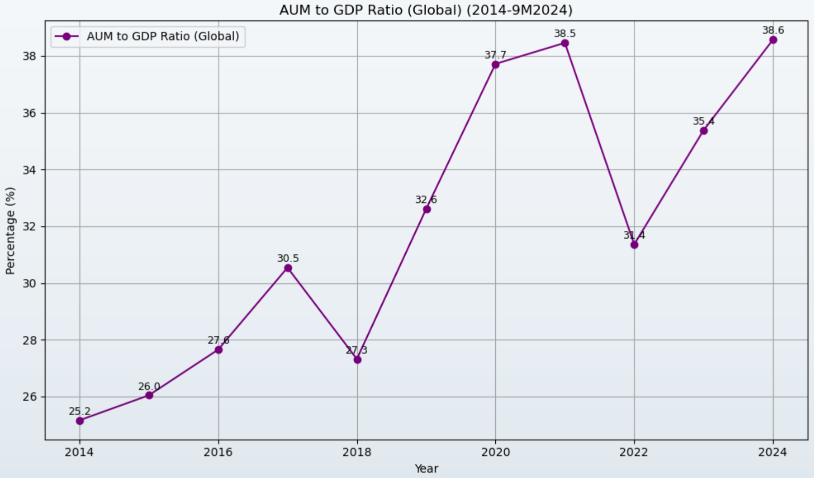
Regional Mutual Funds Overview

MUTUAL FUND ANALYSIS - USA (OVERALL)

Mutual Fund Analysis - USA (Overall)	2020	2021	2022	2023	9M2024
Americas - AUMs	32256.0	37465.4	31801.6	37393.6	42457.1
Americas (GDP in Billions of US dollars)	31827.6	35937.5	39877.9	42985.6	44818.6
Global Market Share - AUMs	51.32%	52.87%	52.90%	54.31%	56.64%
AUMs to GDP- Global	37.72%	38.46%	31.36%	35.38%	38.57%
Americas GDP to Global GDP	37.22%	36.90%	39.32%	40.67%	40.72%
Mutual Funds to GDP - America	101.35%	104.25%	79.75%	86.99%	94.73%
GDP Growth	-5.77%	12.91%	10.96%	7.79%	4.26%
AUMs Growth	12.68%	16.15%	-15.12%	17.58%	13.54%



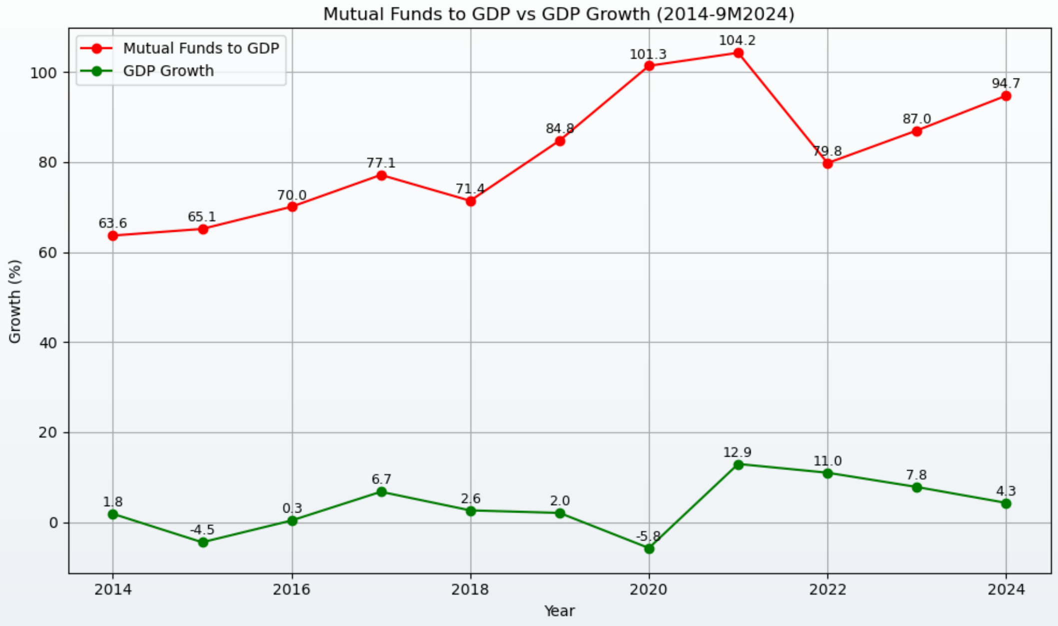


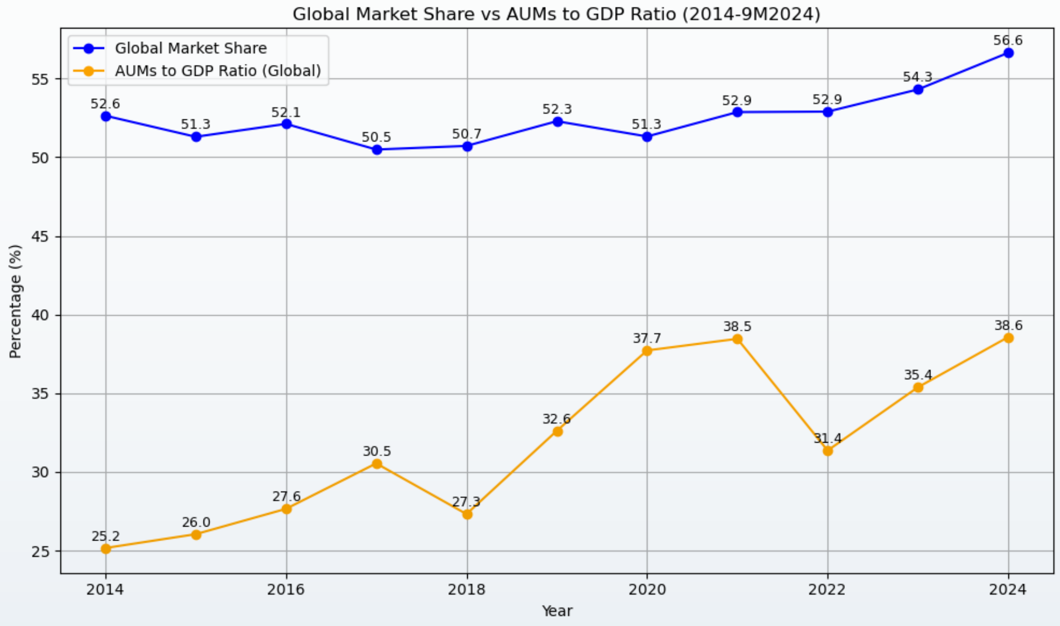


VIS
Credit Rating Company Limited

Asset Management Sector

MUTUAL FUND ANALYSIS - USA (OVERALL)

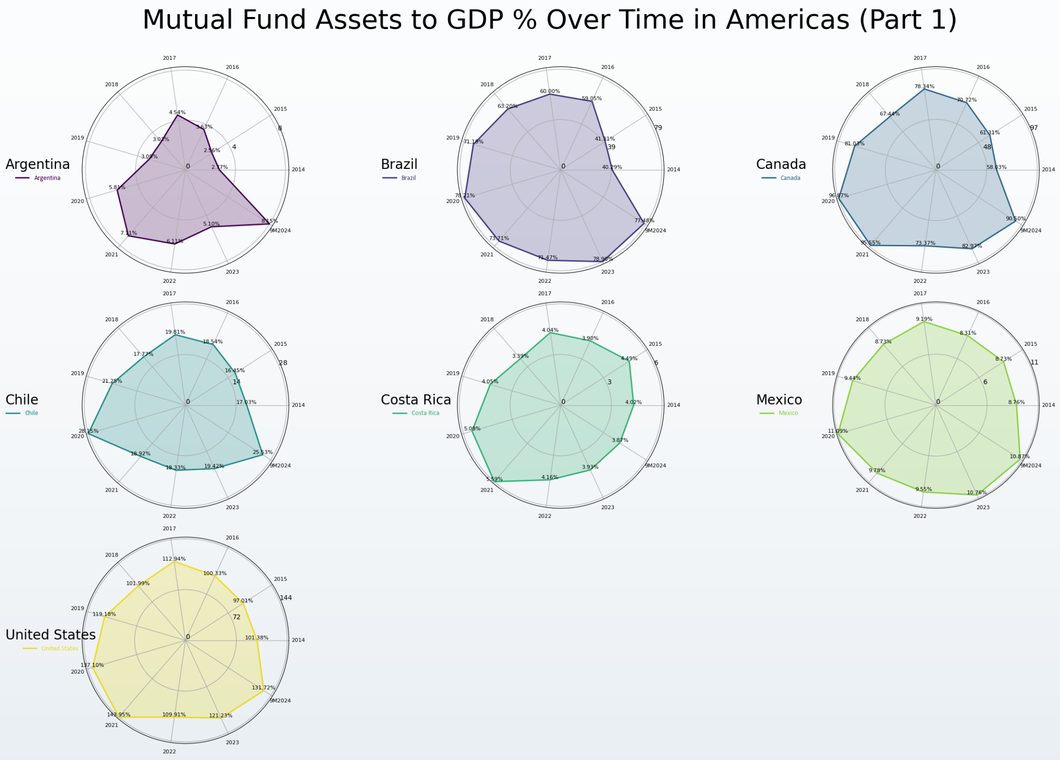


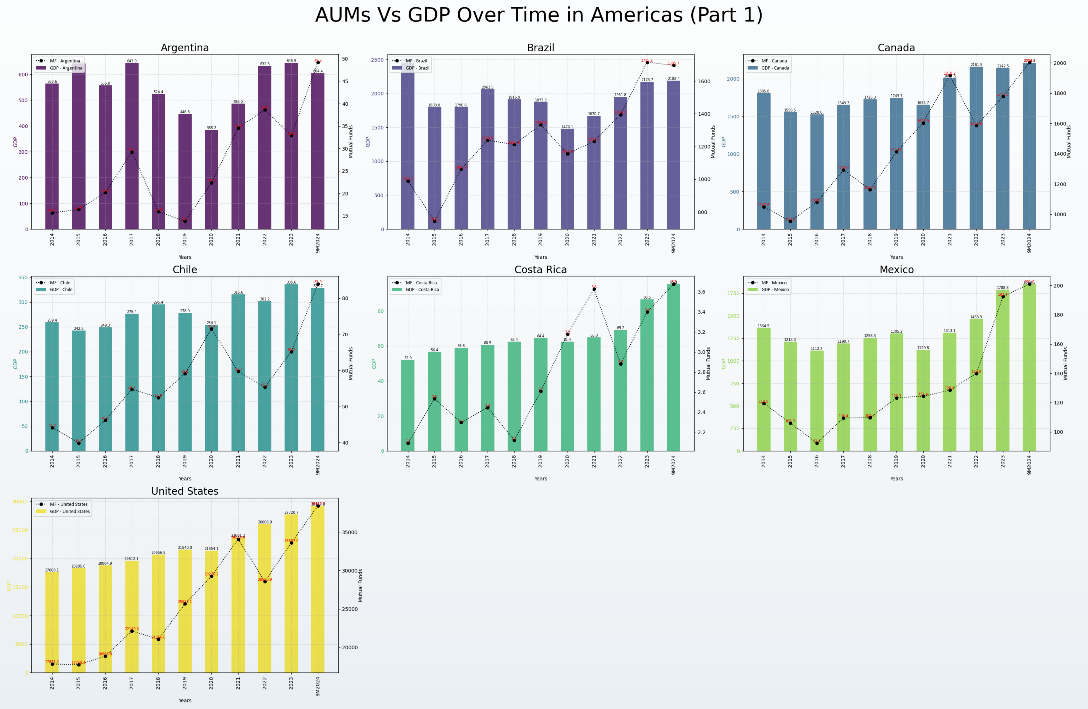


VIS
Credit Rating Company Limited

Asset Management Sector

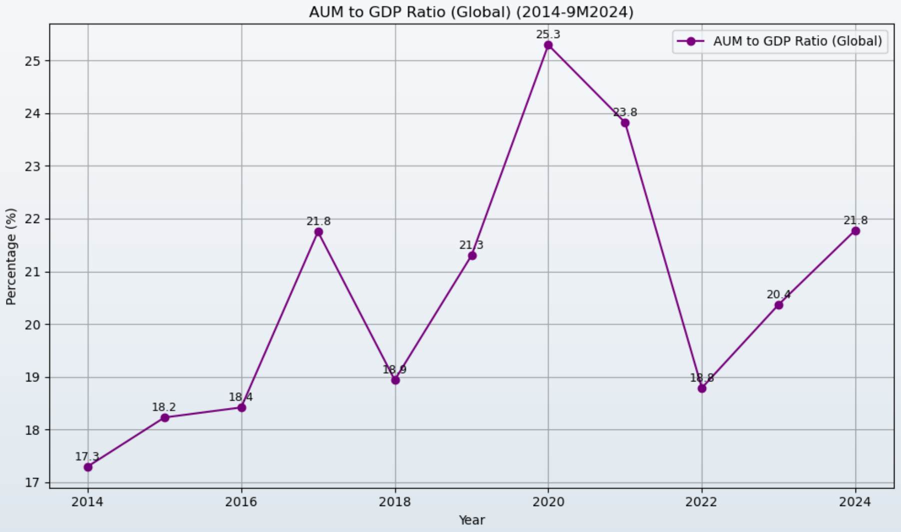
Region-Wise Analysis - USA

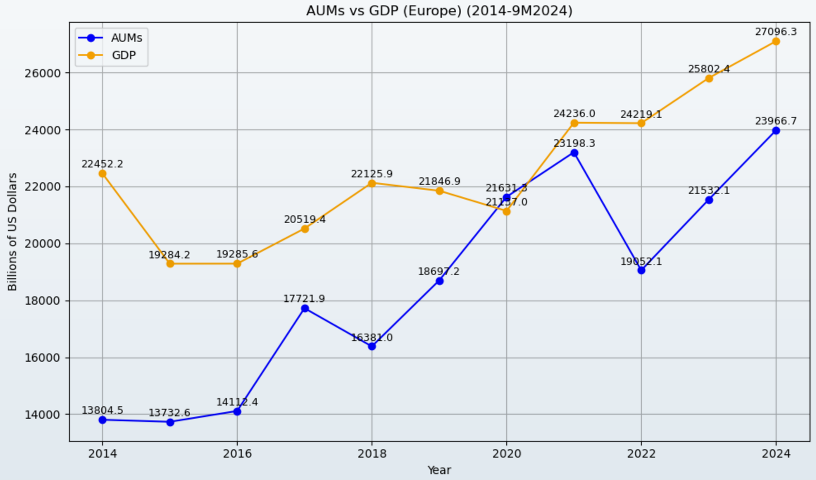




MUTUAL FUND ANALYSIS - EUROPE (OVERALL)

Mutual Fund Analysis - Europe (Overall)	2020	2021	2022	2023	9M2024
Europe - AUMs	21631.3	23198.3	19052.1	21532.1	23966.7
Europe (GDP in Billions of US dollars)	21137.0	24236.0	24219.1	25802.4	27096.3
Global Market Share - AUMs	34.42%	32.74%	31.69%	31.27%	31.98%
AUMs to GDP- Global	25.29%	23.82%	18.79%	20.37%	21.78%
Europe GDP to Global GDP	24.72%	24.88%	23.88%	24.41%	24.62%
Mutual Funds to GDP - Europe	102.34%	95.72%	78.67%	83.45%	88.45%
GDP Growth	-3.25%	14.66%	-0.07%	6.54%	5.01%
AUMs Growth	15.69%	7.24%	-17.87%	13.02%	11.31%

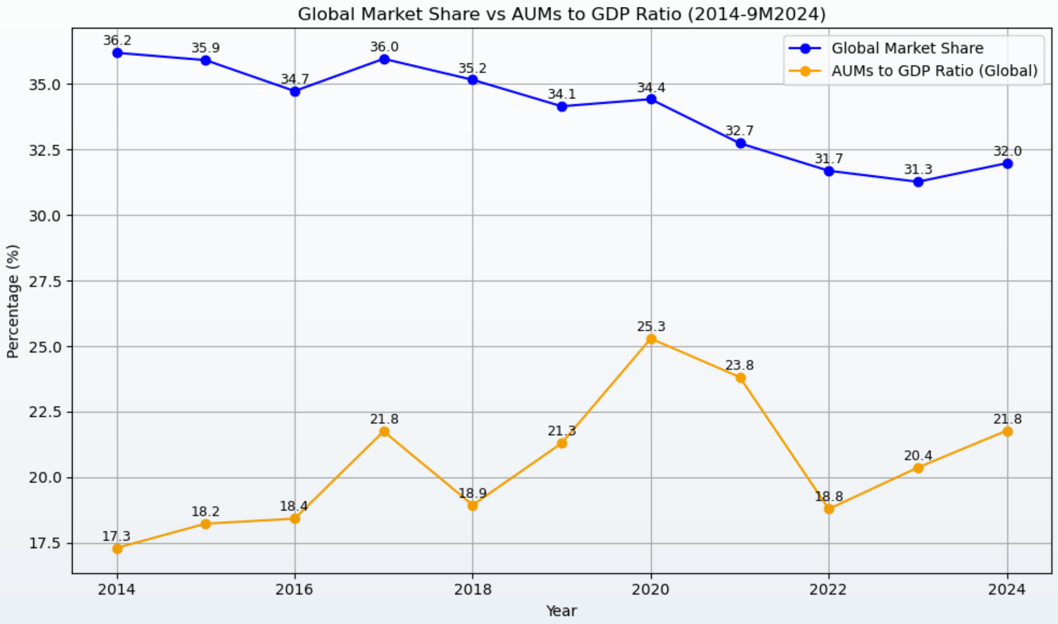


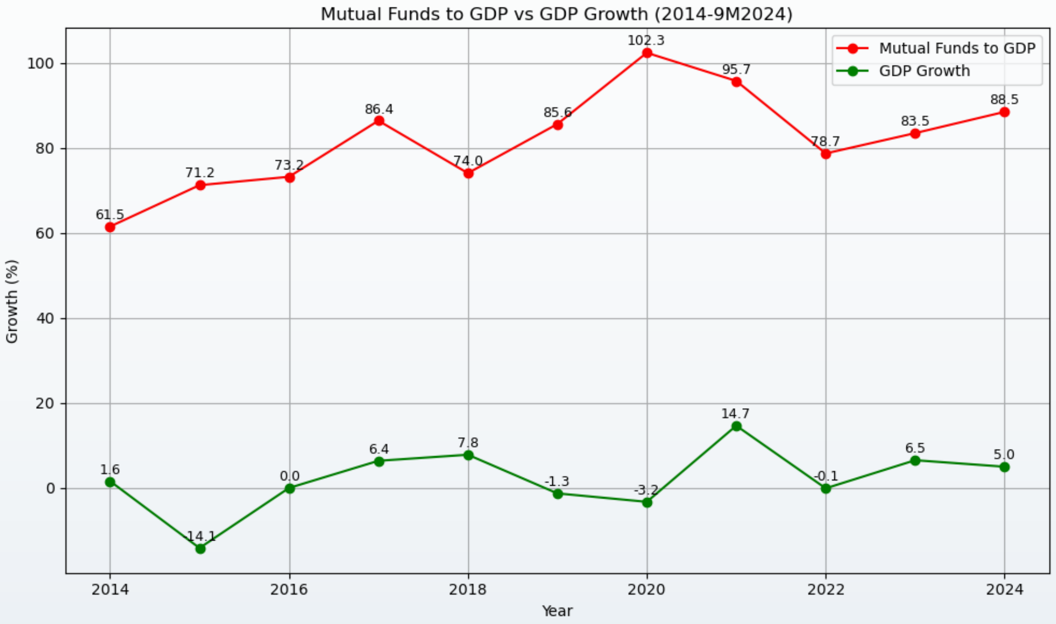


VIS
Credit Rating Company Limited

Asset Management Sector

MUTUAL FUND ANALYSIS - EUROPE (OVERALL)





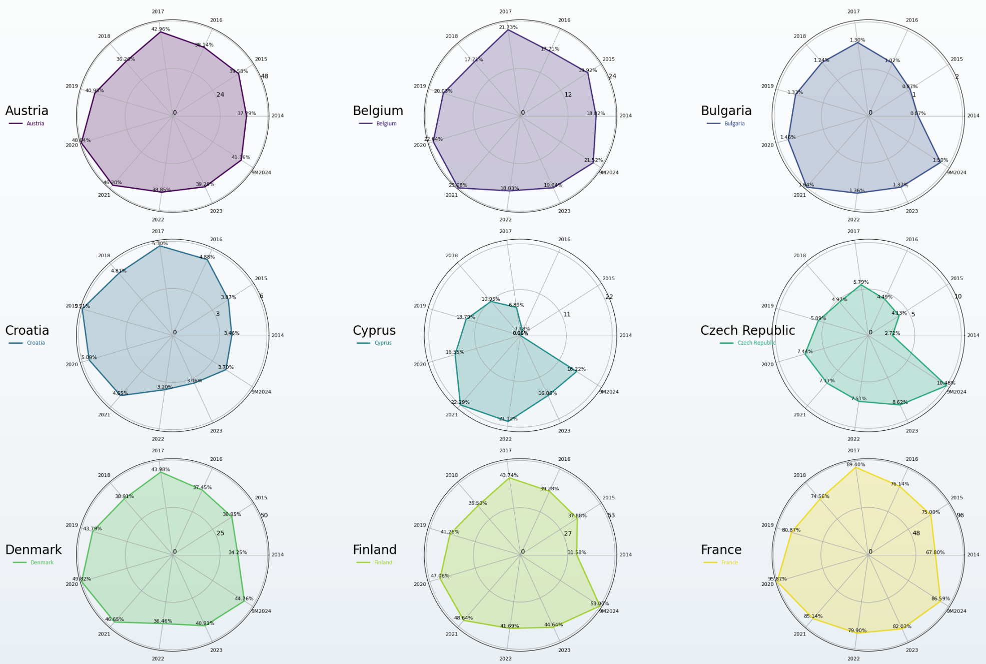
VIS

Credit Rating Company Limited

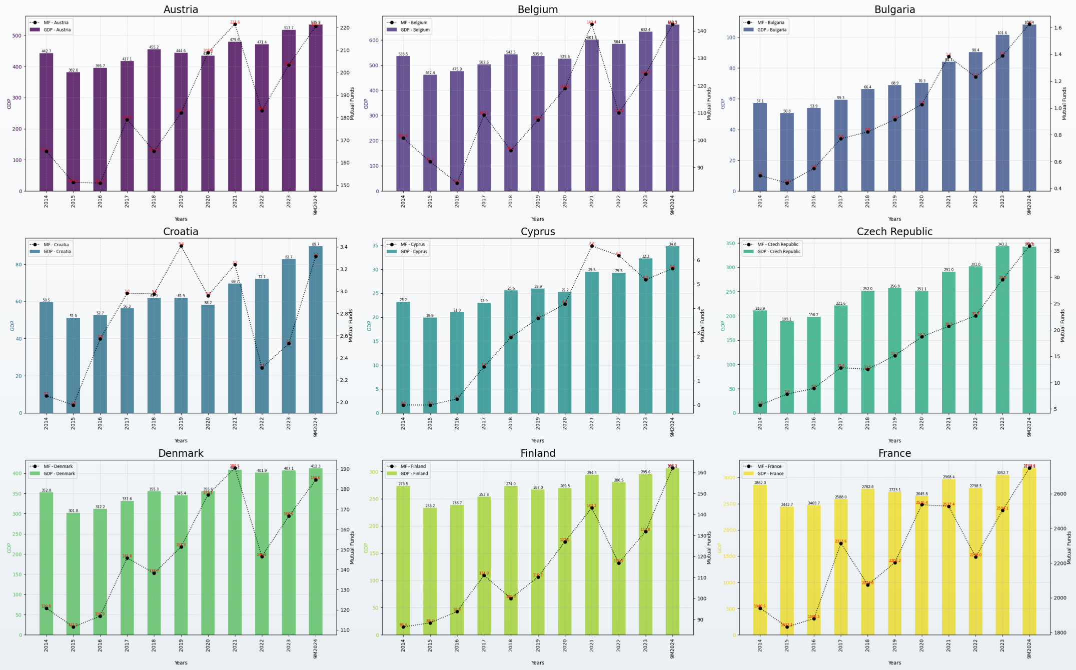
Asset Management Sector

Region-Wise Analysis - Europe

Mutual Fund Assets to GDP % Over Time in Europe



AUMs Vs GDP Over Time in Europe

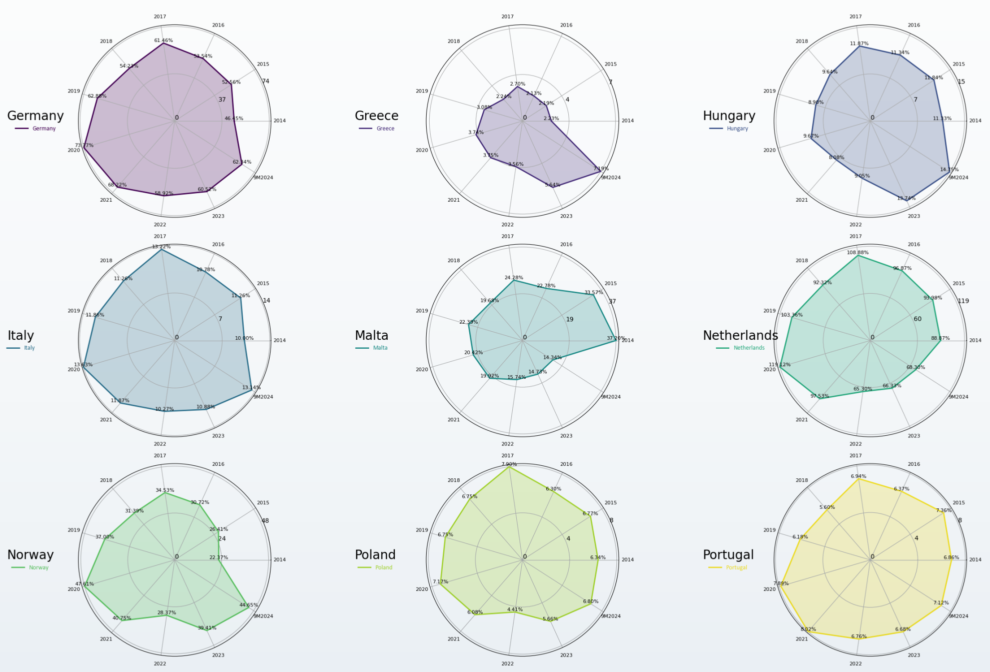


VIS
Credit Rating Company Limited

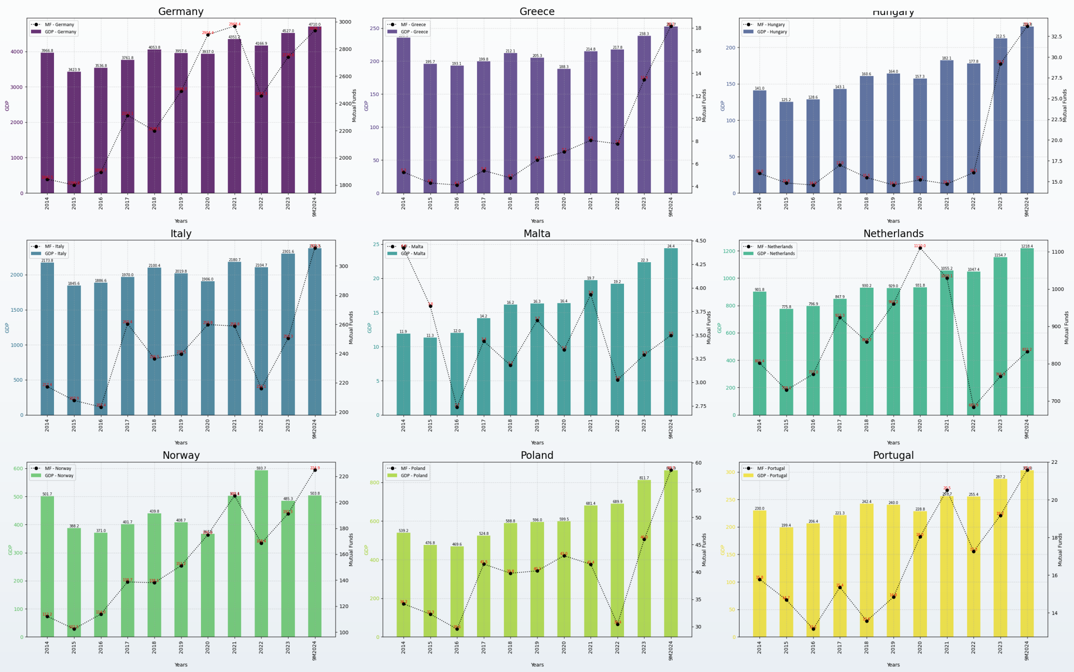
Asset Management Sector

Region-Wise Analysis - Europe

Mutual Fund Assets to GDP % Over Time in Europe

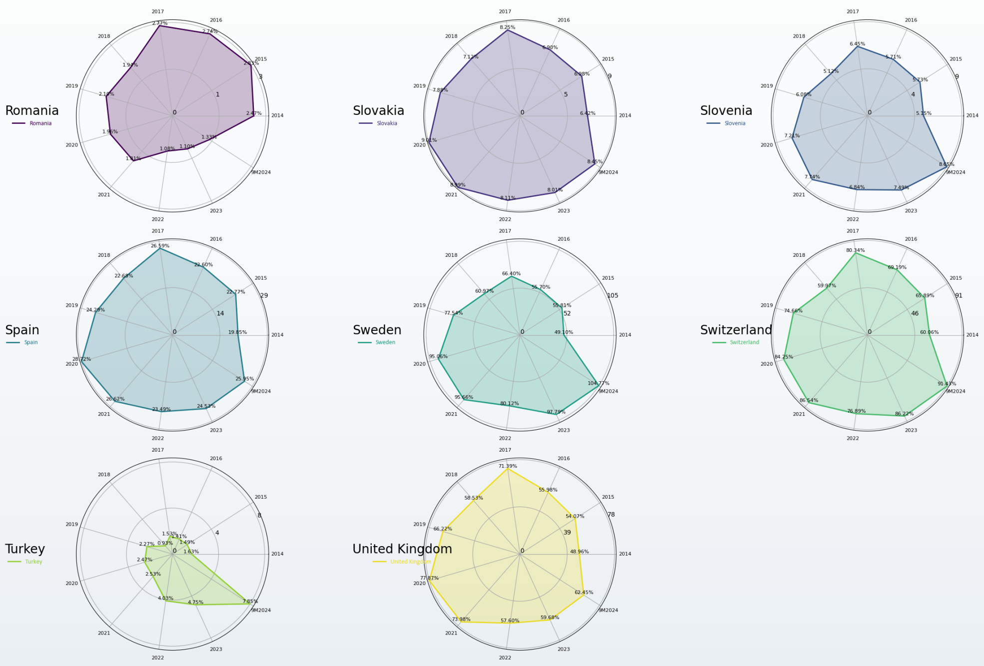


AUMs Vs GDP Over Time in Europe

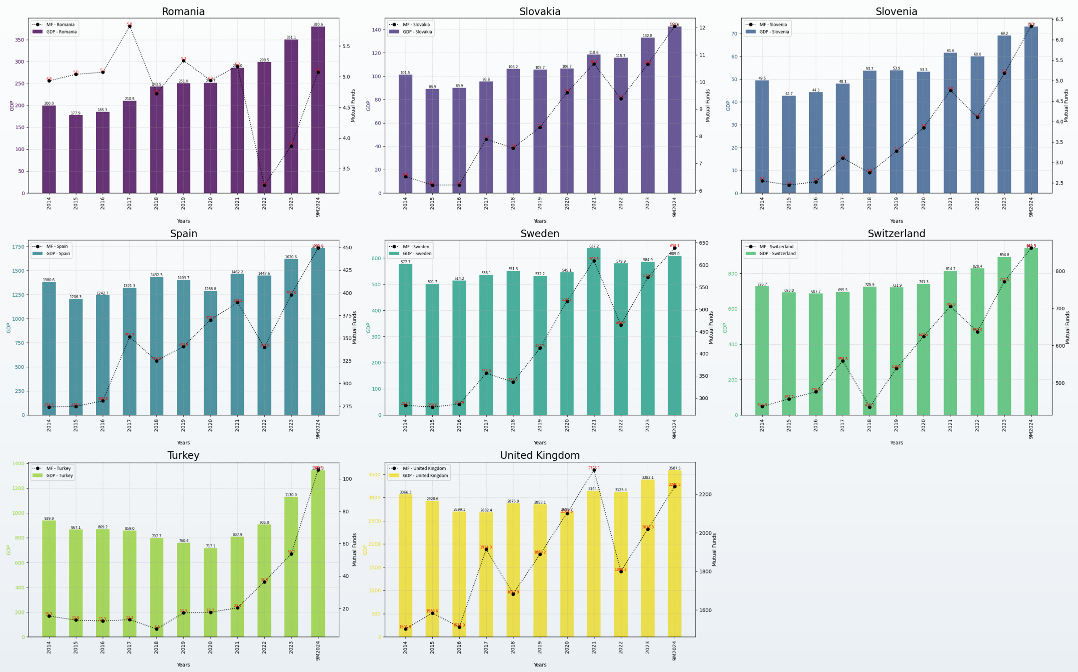


Region-Wise Analysis - Europe

Mutual Fund Assets to GDP % Over Time in Europe



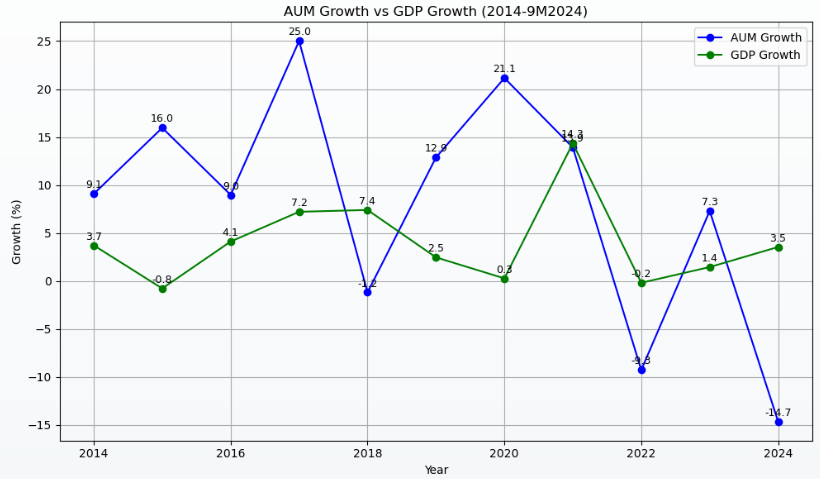
AUMs Vs GDP Over Time in Europe

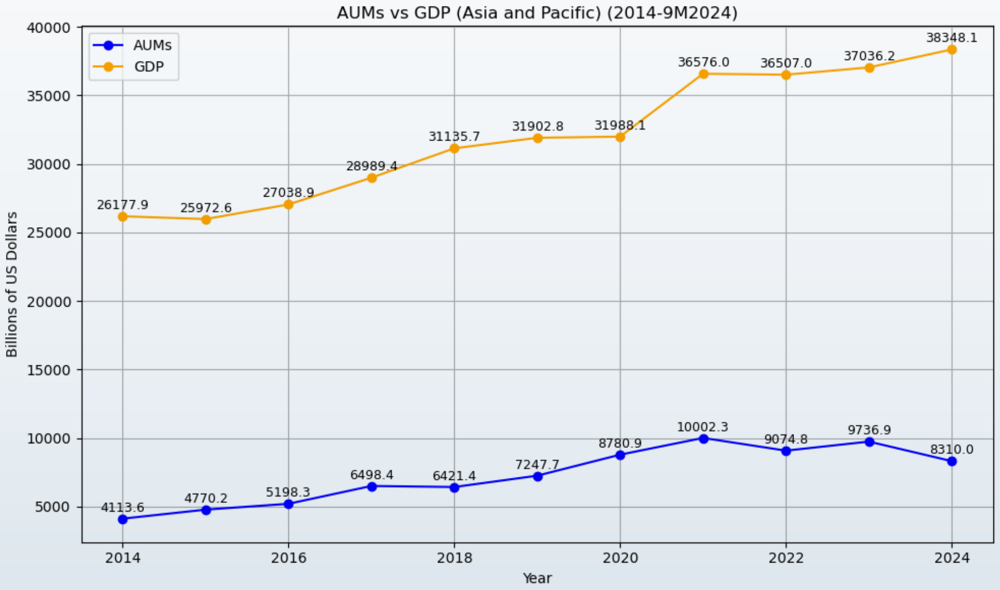


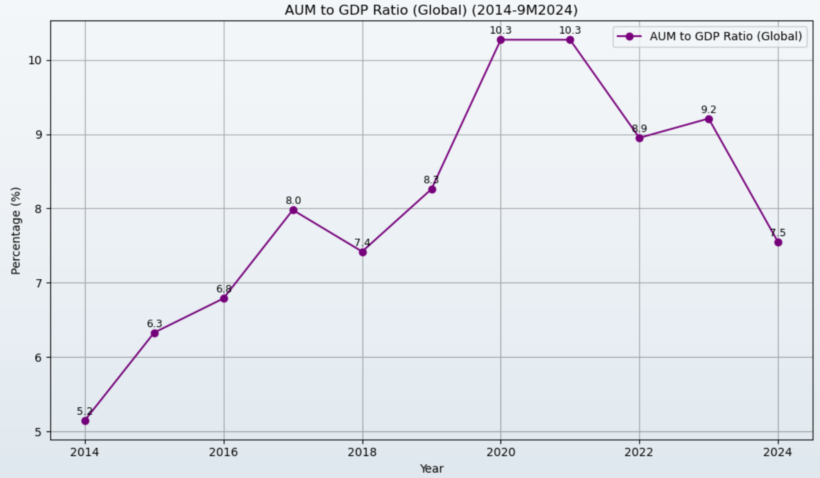
VIS
Credit Rating Company Limited

MUTUAL FUND ANALYSIS - ASIA & PACIFIC (OVERALL)

Mutual Fund Analysis - Asia & Pacific (Overall)	2020	2021	2022	2023	9M2024
Asia & Pacific - AUMst	8,780.9	10,002.3	9,074.8	9,736.9	8,310.0
Asia and Pacific (GDP in Billions of US dollars)	31,988.1	36,576.0	36,507.0	37,036.2	38,348.1
Global Market Share - AUMs	13.97%	14.11%	15.10%	14.14%	11.09%
AUMs to GDP- Global	10.27%	10.27%	8.95%	9.21%	7.55%
Asia GDP to Global GDP	37.40%	37.55%	36.00%	35.04%	34.84%
Mutual Funds to GDP - Asia & Pacific	27.45%	27.35%	24.86%	26.29%	21.67%
GDP Growth	0.27%	14.34%	-0.19%	1.45%	3.54%
AUMs Growth	21.15%	13.91%	-9.27%	7.30%	-14.65%

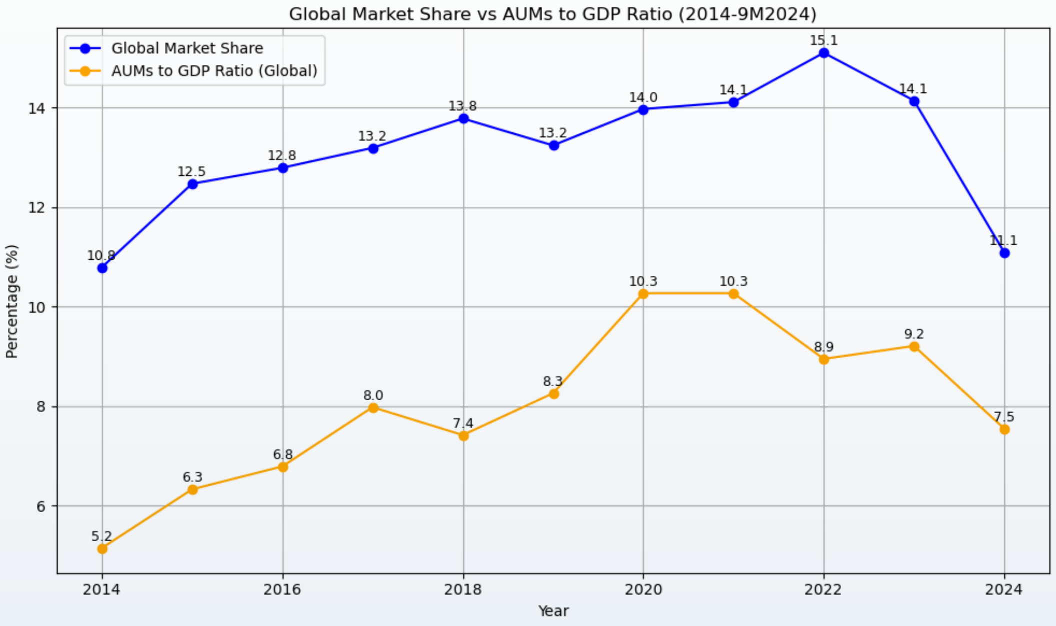


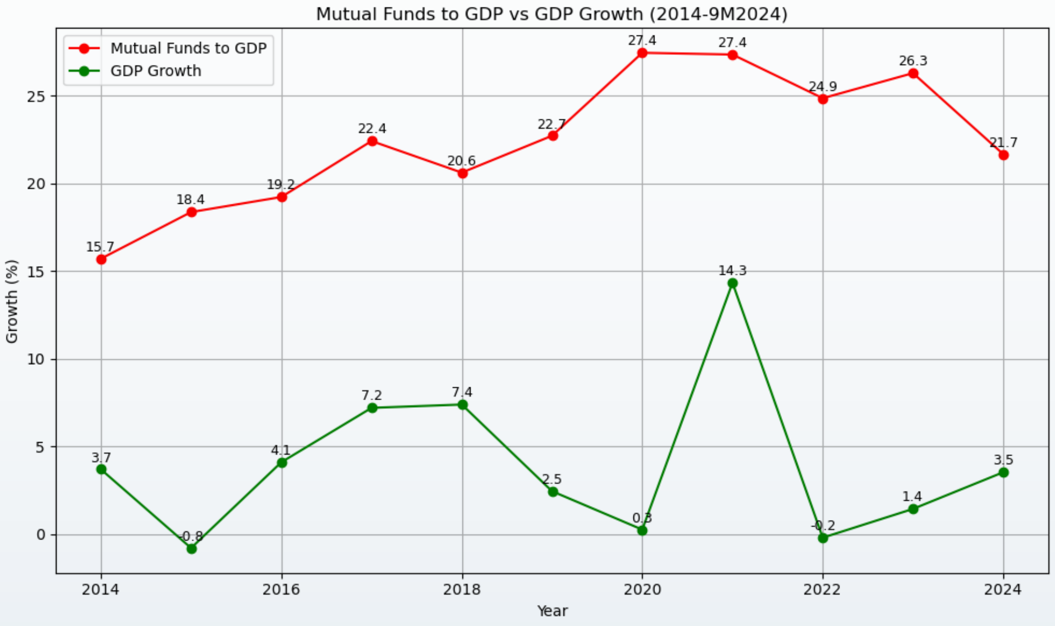




Asset Management Sector

MUTUAL FUND ANALYSIS - ASIA & PACIFIC (OVERALL)

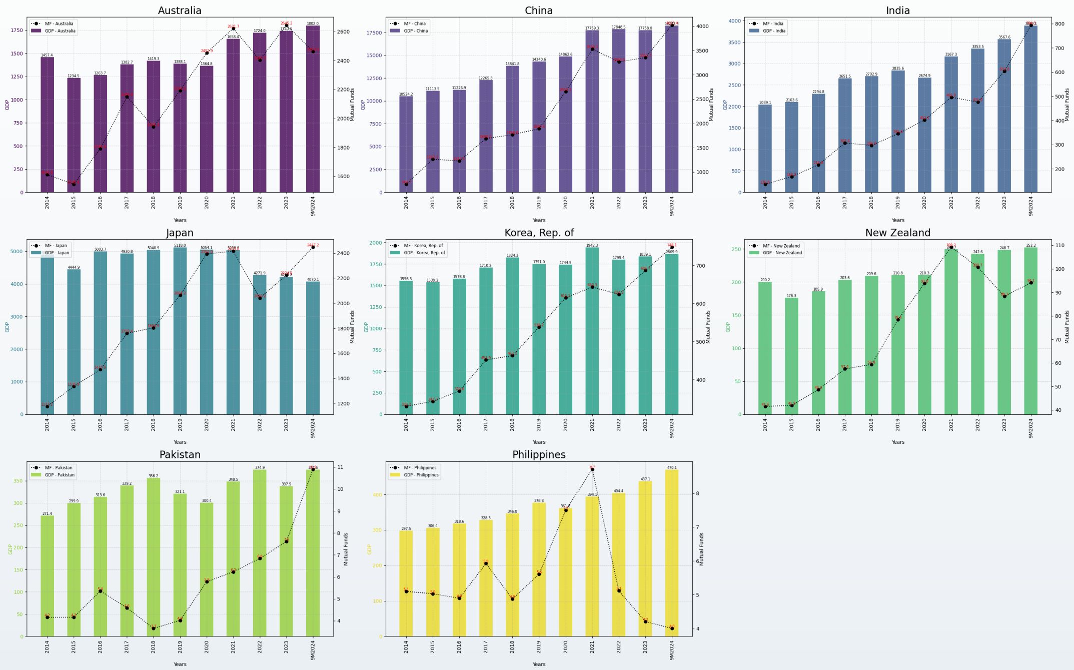




Region-Wise Analysis - Asia & Pacific

Mutual Fund Assets to GDP % Over Time in Asia and Pacific (Part 1)

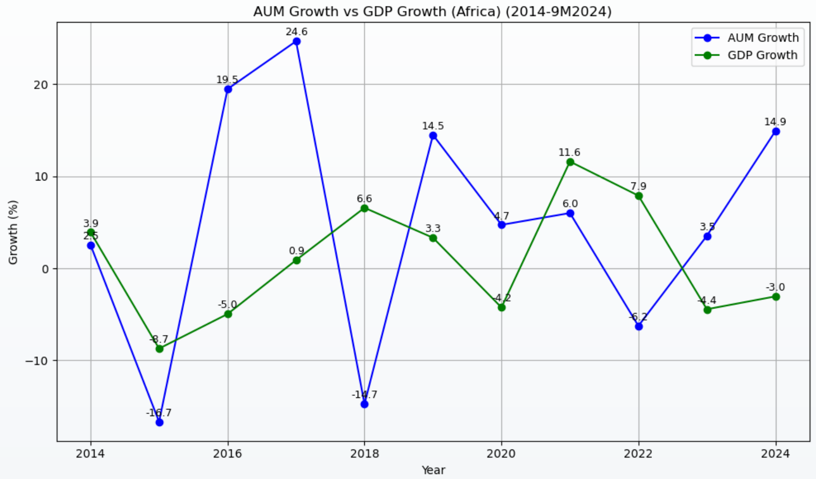
AUMs Vs GDP Over Time in Asia and Pacific (Part 1)

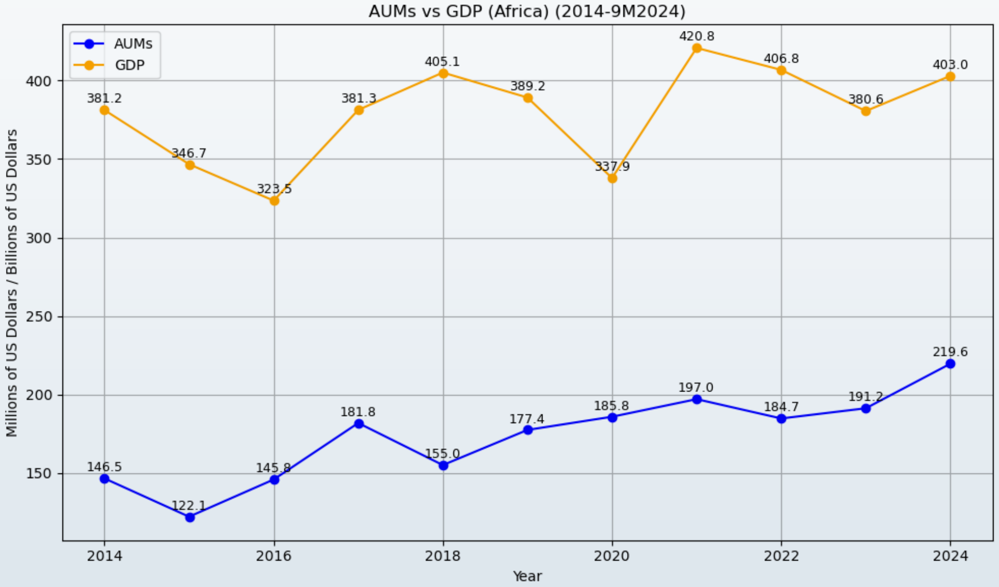


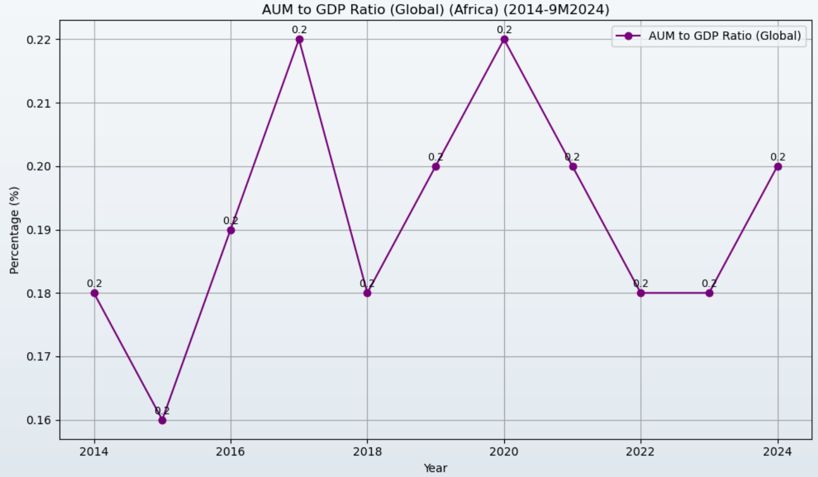
Asset Management Sector

MUTUAL FUND ANALYSIS - AFRICA (OVERALL)

Mutual Fund Analysis - Africa (Overall)	2020	2021	2022	2023	9M2024
Africa - AUMs	185.8	197.0	184.7	191.2	219.6
Africa (GDP in Billions of US dollars)	337.9	420.8	406.8	380.6	403.0
Global Market Share - AUMs	0.30%	0.28%	0.31%	0.28%	0.29%
AUMs to GDP- Global	0.22%	0.20%	0.18%	0.18%	0.20%
Africa GDP to Global GDP	0.40%	0.43%	0.40%	0.36%	0.37%
Mutual Funds to GDP - Africa	54.99%	46.81%	45.40%	50.23%	54.49%
GDP Growth	-4.25%	11.59%	7.89%	-4.44%	-3.05%
AUMs Growth	4.72%	6.00%	-6.25%	3.53%	14.89%



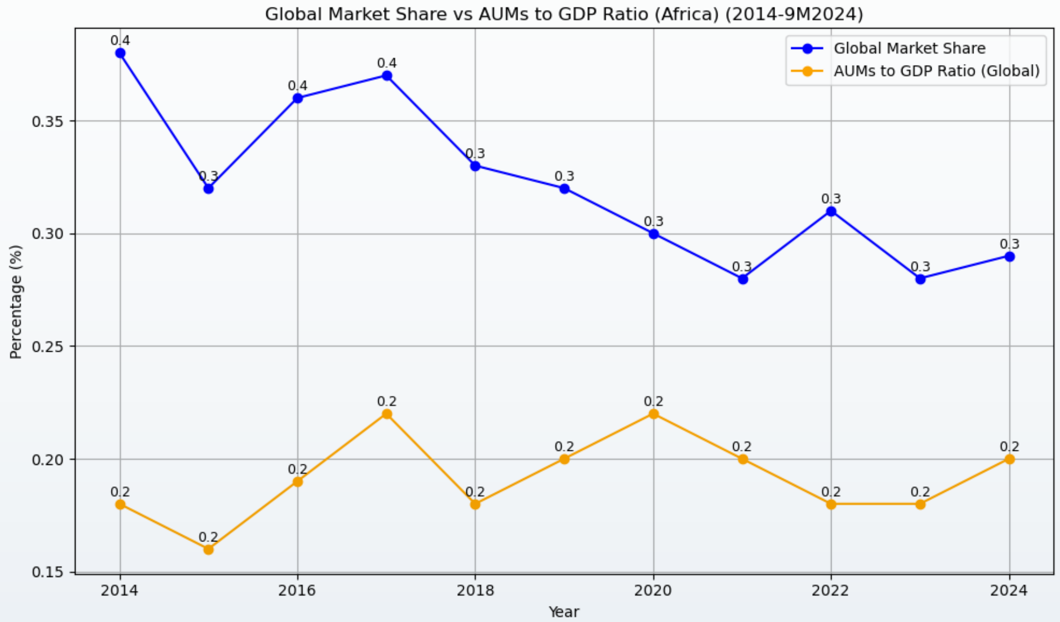


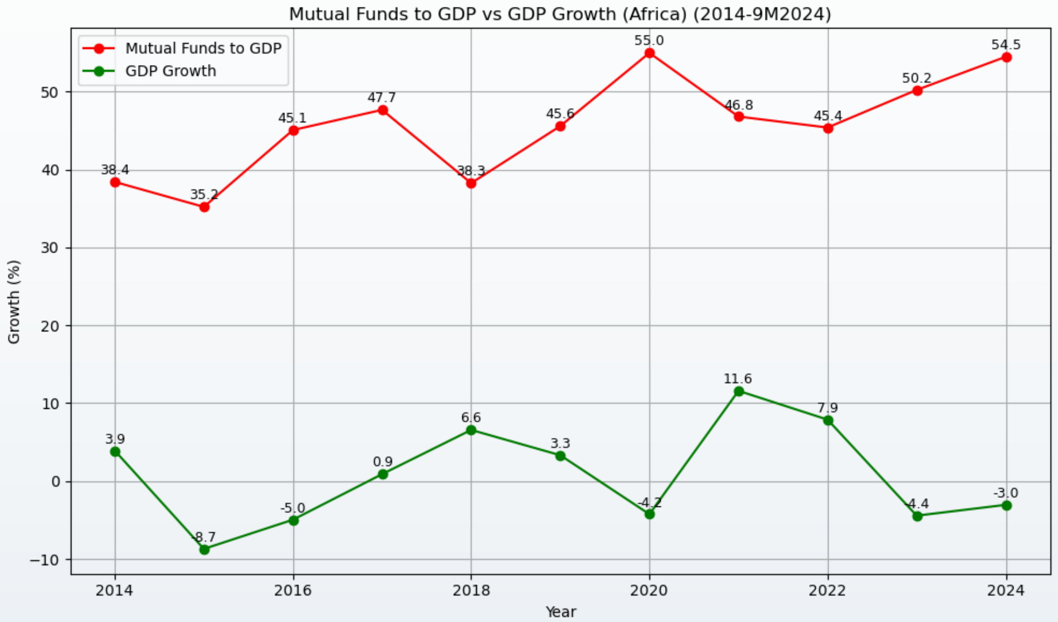


VIS
Credit Rating Company Limited

Asset Management Sector

MUTUAL FUND ANALYSIS - AFRICA (OVERALL)



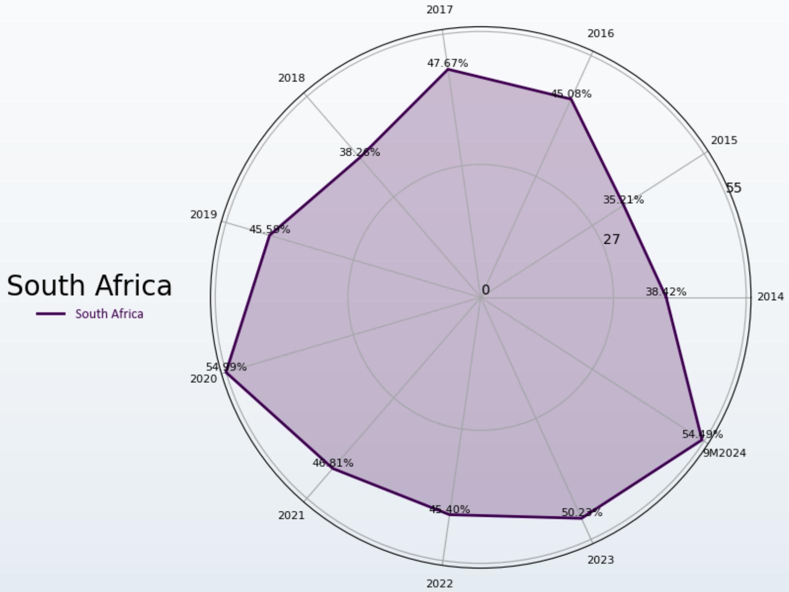


VIS
Credit Rating Company Limited

Region-Wise Analysis - Africa

AUMs Vs GDP Over Time in Africa Region (Part 1)

Mutual Fund Assets to GDP % Over Time in Africa Region (Part 1)

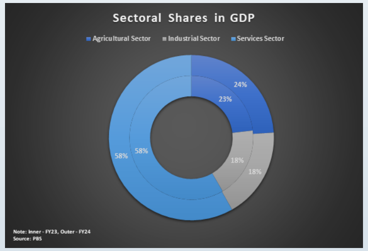


Mutual Fund Industry of Pakistan

SECTOR-WISE GDP BREAK-UP (%)

- The agricultural sector shows consistent growth, increasing its share of GDP from 22.6% in FY22 to 24.02% in FY24, primarily driven by Crops and Livestock.
- Livestock consistently makes the largest contribution within the agricultural sector.
- The industrial sector experiences a noticeable decline, decreasing from 19.11% in FY22 to 17.78% in FY24.
- Large Scale Manufacturing within the industrial sector is seeing a decline in its share of GDP, highlighting potential challenges in that segment.
- The services sector maintains a relatively stable share, fluctuating slightly around 58%.
- The transport, storage, and communication sector showed a significant rise in FY23, but dropped back down in FY24.
- General Government Services sees a consistent decrease in its GDP share over the three years.
- Finance and insurance sector shows a decline in its share.

SECTOR	FY22	FY23	FY24
Livestock	13.87	14.42	14.69
Crops	7.94	7.86	8.46
Forestry	0.48	0.56	0.56
Fishing	0.32	0.32	0.31
Agricultural Sector	**22.6**	**23.15**	**24.02**
Large Scale Manufacturing	9.34	8.44	8.32
Construction	2.52	2.29	2.2
Electricity Generation + Distribution & Gas Distribution	2.39	2.63	1.97
Small Scale Manufacturing	1.98	2.16	2.3
Mining & Quarrying	1.68	1.63	1.64
Slaughtering	1.21	1.29	1.34
Industrial Sector	**19.11**	**18.44**	**17.78**
Wholesale & Retail Trade	18.86	18.15	18.3
Transport, Storage & Communication	10.25	13.54	10.6
Other Private Services	8.39	8.76	8.85
Housing Services	5.55	5.77	5.84
General Government Services	4.77	4.45	4.02
Education	2.76	2.91	3.08
Human Health & Social Work Activities	1.55	1.69	1.74
Finance & Insurance	1.88	1.7	1.48
Accommodation & Food & Services	1.39	1.45	1.48
Services Sector	**58.29**	**58.41**	**58.2**



VIS
Credit Rating Company Limited

LOCAL | YEARLY ECONOMIC INDICATORS

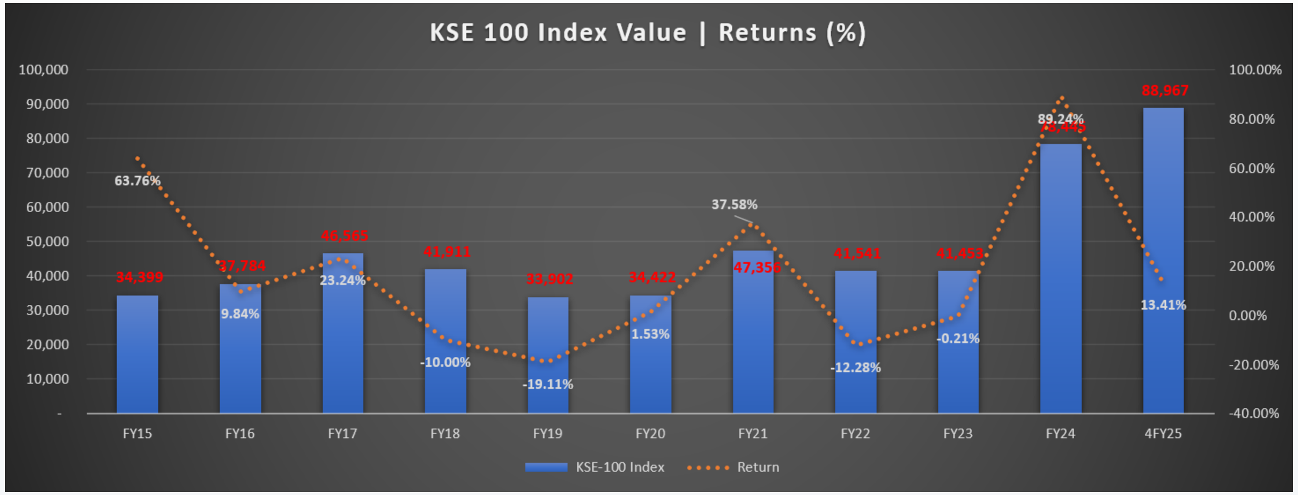
Monetary Sector	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	4M2025
Avg. Inflation Rate (CPI)	8.60%	4.50%	2.90%	4.20%	3.90%	7.30%	10.70%	8.90%	21.30%	29.40%	29.42%	8.68%
Avg. KIBOR (%)	9.88%	8.85%	6.49%	6.11%	6.39%	10.43%	11.95%	7.43%	10.83%	18.26%	21.66%	22.99%
Monetary Policy Rate (MPR) (period-end)	9.75%	6.50%	5.75%	5.75%	6.50%	12.25%	7.00%	7.00%	13.75%	22.00%	20.50%	17.50%
Avg. PKRV (%)	9.75%	8.67%	6.34%	5.95%	6.26%	10.20%	11.79%	7.28%	10.68%	18.08%	18.68%	14.55%
Avg. Exchange Rate (USD/PKR)	102.8	101.5	104.4	104.8	110.1	136.5	158.4	160.5	191.9	247.7	283	291.6
External Sector												
Current Account Balance (USD)	-3,130	-2,815	-4,961	-12,270	-19,195	-13,434	-2,970	-1,852	-17,481	-3,275	-1,695	-1,241
Exports (USD M)	25,078	24,090	21,972	22,003	24,768	24,257	22,536	25,630	31,792	27,735	30,675	0
Imports (USD M)	41,668	41,357	41,118	48,001	55,671	51,869	43,645	53,785	80,177	55,330	54,779	0
Trade Balance (USD M)	-16,590	-17,267	-19,146	-25,998	-30,903	-27,612	-21,109	-28,155	-48,385	-27,595	-24,104	0
FX Reserves (USD M)	14,141	18,699	23,099	21,403	16,384	14,482	18,886	24,398	15,537	9,160	13,996	37,847

LOCAL | MONTHLY ECONOMIC INDICATORS

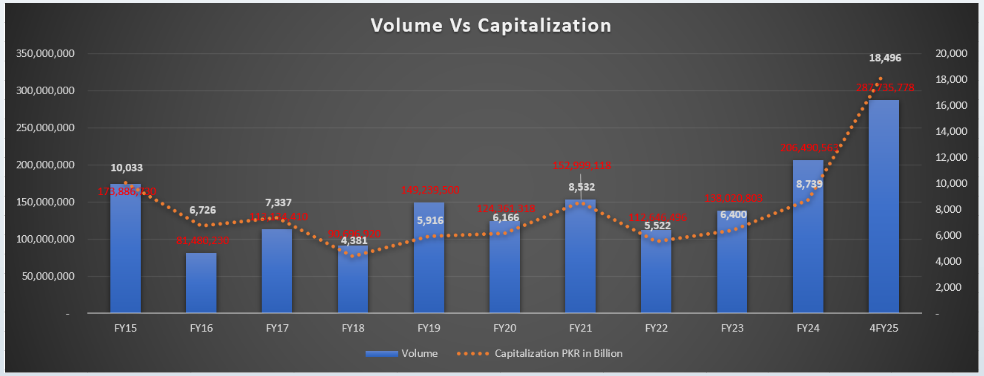
Monetary Sector	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
Avg. Inflation Rate (CPI)	26.80%	29.20%	29.70%	28.30%	23.10%	20.70%	17.30%	11.80%	12.60%	11.10%	9.60%	6.90%	7.20%
Avg. KIBOR (%)	22.50%	21.60%	21.60%	21.00%	21.50%	21.50%	21.30%	21.15%	20.09%	19.59%	18.34%	16.70%	14.25%
Monetary Policy Rate (MPR) (period-end)	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	20.50%	19.50%	19.50%	17.50%	17.50%
Avg. PKRV (%)	22.20%	21.30%	21.40%	20.90%	21.20%	21.30%	21.20%	21.60%	20.46%	19.59%	19.19%	17.21%	15.42%
Avg. Exchange Rate (USD/PKR)	280.7	285.8	283.3	280.5	278.7	278.2	278.3	278.3	278.4	278.4	278.6	278.2	277.7
External Sector													
Current Account Balance (USD)	-193	-65	365	-303	98	434	491	-347	-426	-246	29	86	349
Exports (USD M)	2,690	2,573	2,812	2,790	2,582	2,572	2,351	3,706	3,090	3,007	3094	3297	3711
Imports (USD M)	4,846	4,539	4,514	4,737	4,306	4,873	4,846	5,947	5,727	5,643	5,608	5,616	5,558
Trade Balance (USD M)	-2,174	-1,966	-1,702	-1,947	-1,724	-2,301	-2,495	-2,241	-2,637	-2,636	-2,514	-2,319	-1,847
FX Reserves (USD M)	12,033	11,479	12,673	12,594	12,447	12,759	13,750	13,650	13,996	13,966	14,174	15,401	15,468

STOCK MARKET PERFORMANCE

Period	KSE-100 Index	Return	Volume	Capitalization PKR in Billion
FY15	34,399	63.76%	173,886,730	10,033
FY16	37,784	9.84%	81,480,230	6,726
FY17	46,565	23.24%	113,134,410	7,337
FY18	41,911	-10.00%	90,696,920	4,381
FY19	33,902	-19.11%	149,239,500	5,916
FY20	34,422	1.53%	124,361,318	6,166
FY21	47,356	37.58%	152,999,118	8,532
FY22	41,541	-12.28%	112,646,496	5,522
FY23	41,453	-0.21%	138,020,803	6,400
FY24	78,445	89.24%	206,490,563	8,739
4FY25	88,967	13.41%	287,735,778	18,496



Period	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	4FY25
KSE-100 Index	34,399	37,784	46,565	41,911	33,902	34,422	47,356	41,541	41,453	78,445	88,967
Return	63.76%	9.84%	23.24%	-10.00%	-19.11%	1.53%	37.58%	-12.28%	-0.21%	89.24%	13.41%
Volume	173,886,730	81,480,230	113,134,410	90,696,920	149,239,500	124,361,318	152,999,118	112,646,496	138,020,803	206,490,563	287,735,778
Capitalization PKR in Billion	10,032.68	6,726.48	7,336.83	4,380.51	5,916.04	6,165.77	8,532.25	5,521.84	6,399.62	8,738.59	18,495.66

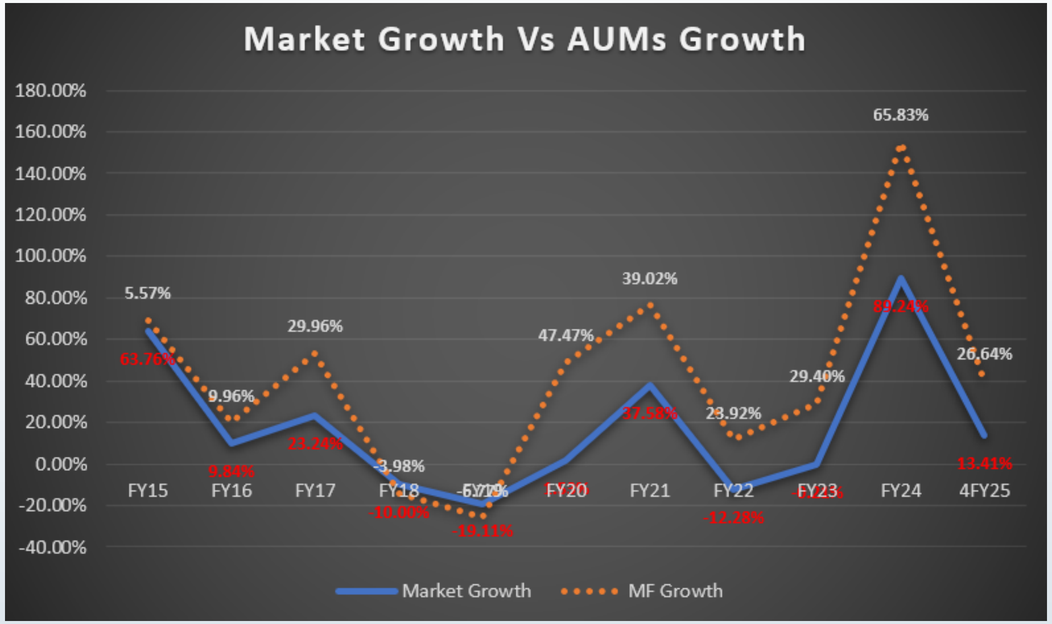


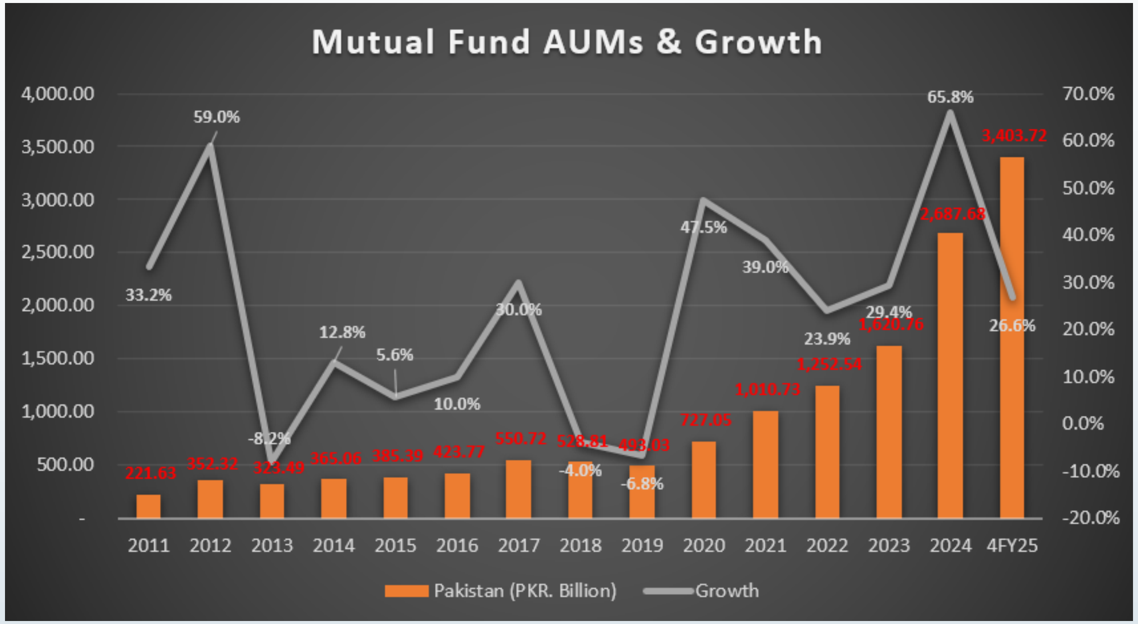
Asset Management Sector

STOCK MARKET VS MUTUAL FUND INDUSTRY GROWTH

Period	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	4FY25
Market Growth	63.76%	9.84%	23.24%	-10.00%	-19.11%	1.53%	37.58%	-12.28%	-0.21%	89.24%	13.41%
MF Growth	5.57%	9.96%	29.96%	-3.98%	-6.77%	47.47%	39.02%	23.92%	29.40%	65.83%	26.64%

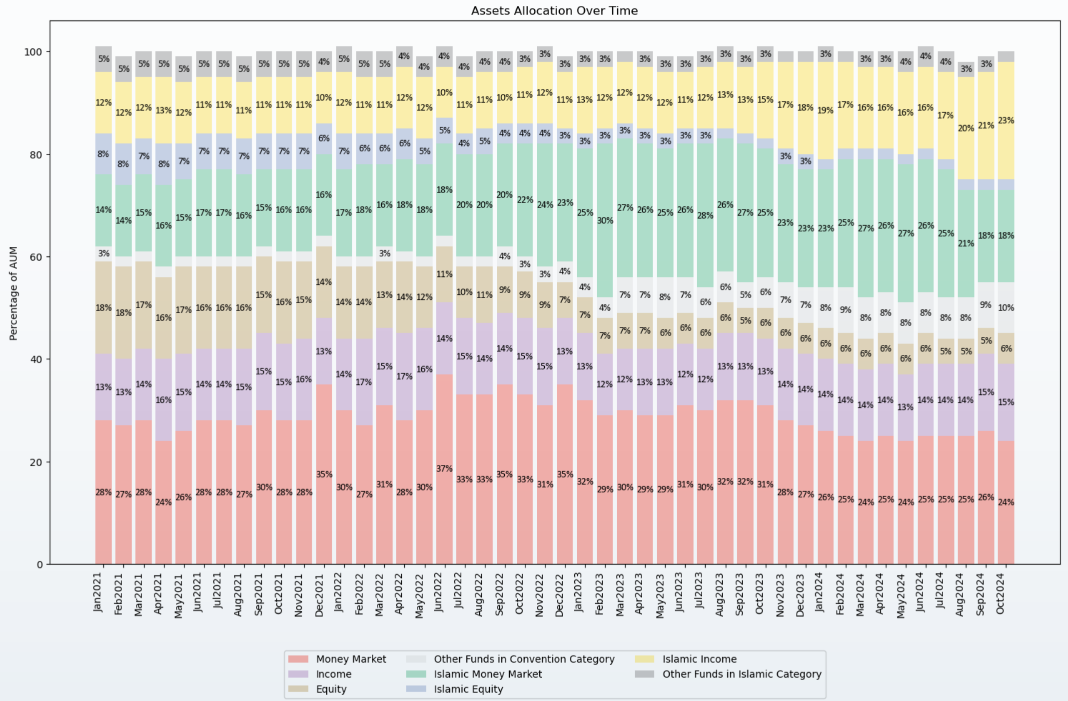
Mutual Fund's AUMs	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	4FY25
AUMs (PKR. Billion)	385.39	423.77	550.72	528.81	493.03	727.05	1010.73	1252.54	1620.76	2687.68	3403.72
Growth	5.57%	9.96%	29.96%	-3.98%	-6.77%	47.47%	39.02%	23.92%	29.40%	65.83%	26.64%





ASSETS ALLOCATION OVER TIME

- Money Market funds consistently represent the largest asset allocation by a considerable margin throughout the entire period shown.
- Income funds show a significant increase in their share of assets over the period, reflecting a trend towards steady returns.
- The share of assets in Equity funds has generally declined over the period.
- Islamic income and Islamic Money Market funds show continuous growth throughout the time period.
- "Other funds in Conventional Category" appear to fluctuate, with some growth seen in early 2023 but later declines again. As of October 2024, the total number of funds stands at approximately **483**.
- “Other Funds in Islamic Category” has remained relatively stable but less volatile.
- The dominant allocation towards Money Market and Income funds shows a preference for safer, low-risk investments, potentially reflecting investor caution and risk aversion, especially during volatile periods.
- There is a shift from equity to fixed income/money market instruments during the observed time frame.



TOP 10 AMC MARKET SHARE OVER TIME

- The top 10 AMCs consistently hold a significant portion of the market share, highlighting a concentrated industry.
- MEEZAN and NBP consistently maintain the largest individual market shares throughout the period.
- While MEEZAN and NBP have large shares, there is some degree of flux among the other top players throughout the time period shown.
- There are fluctuations among the lower-ranking AMCs, indicating that some are gaining share while others lose ground.
- Some AMCs like UBL, ABL, and HBL show relative consistency in their market share, implying they're established players.
- Some shifts in market share seem to occur in late 2023 and early 2024, with increased competition and some AMCs strengthening their positions.
- The "Other" category share has been relatively constant, showing that smaller players (not in the top 10) have a stable, but limited, share of the market.
- MEEZAN has consistently increased and held onto the largest market share among all AMCs, with more prominent growth in late 2023 to mid-2024 and securing the top spot.
- NBP has shown significant fluctuations, moving from the top spot to lower positions during the period, indicating periods of growth and then contraction.
- ABL shows consistent performance with a steadier, stable trend in market share compared to other players, but has recently gained in the most recent months.
- These AMCs have maintained a notable market share throughout the period and compete head-to-head.
- There is consistent competition between the AMCs, with changes in market share positions over time.

- In the most recent few months, many AMCs have almost similar market shares with very little variance, showing increased competition for market share among top AMCs.

- While there's some volatility for individual firms, the top 10 generally maintain their positions in the market, reflecting the sector's concentration.

Summary

The AMC market in Pakistan is concentrated among a few major players, particularly MEEZAN, NBP, MCB, UBL, and HBL.

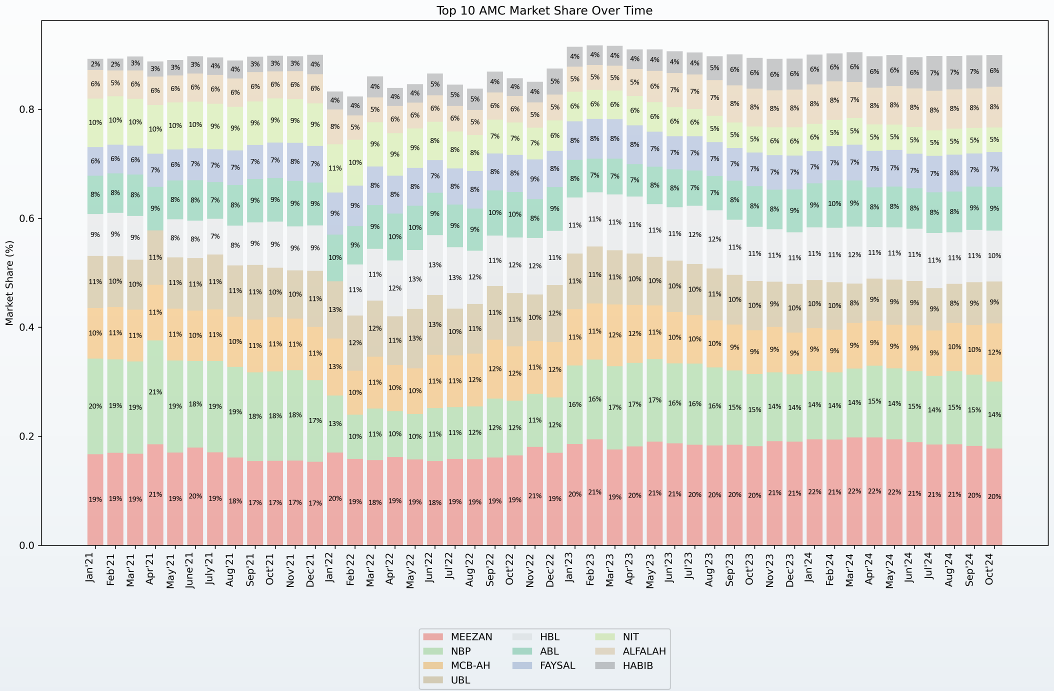
- Investors show a clear preference for low-risk options like Money Market and Income funds, reflected in asset allocations.

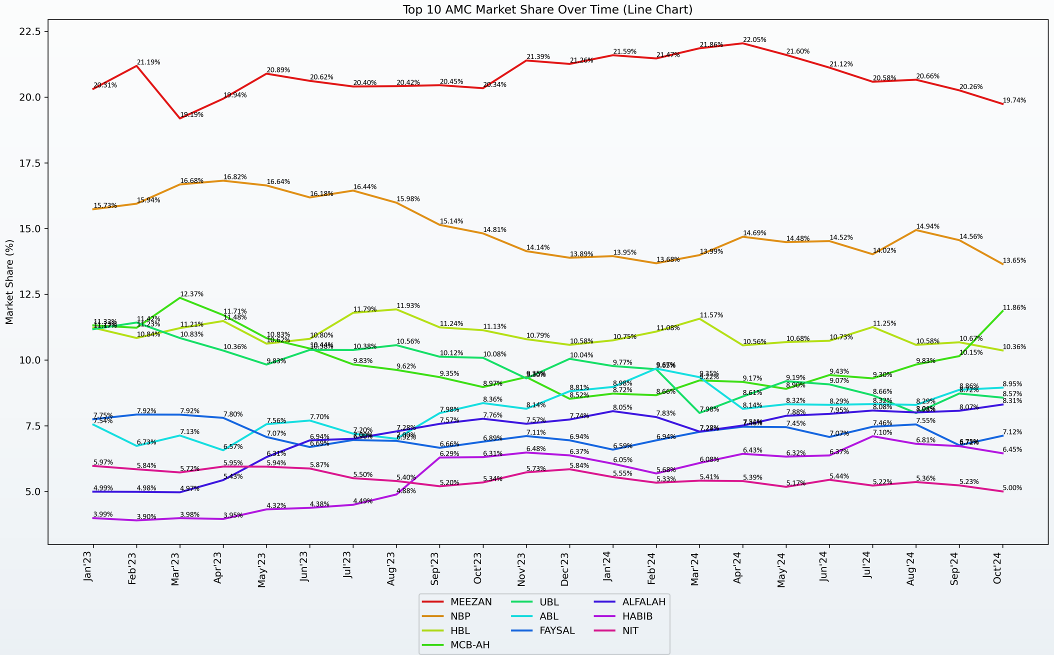
- The market is dynamic, with shifts in market share among key players and changes in allocations, reflecting market conditions and investor sentiment.

- There is strong growth in allocations for Islamic Income and Money Market products.

VIS
Credit Rating Company Limited

Asset Management Sector

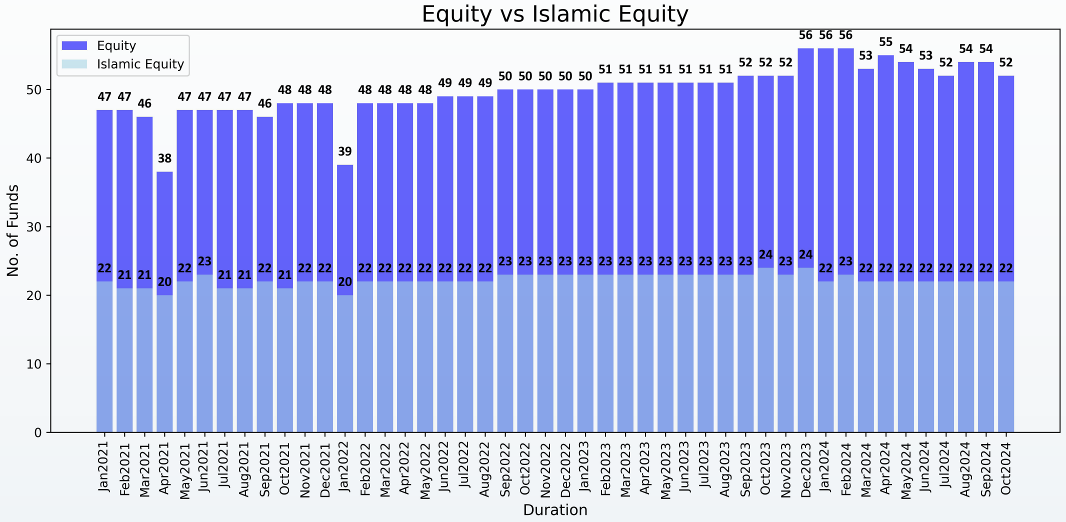




EQUITY VS. ISLAMIC EQUITY

Number of Funds

- The total number of funds (Islamic + conventional equity) increased steadily from January 2021 to October 2024.
- Conventional equity funds consistently outnumber Islamic equity funds throughout the period.
- The number of Islamic equity funds remained relatively stable at 22 or 23, with minor fluctuations.
- A dip in Islamic equity funds occurred in April 2021 (20 funds) and rose to 23 in months like June 2021 and September 2022.
- Conventional equity funds started at 47 in January 2021 and peaked at 56 in several months of 2023.
- Toward the end of the period, conventional equity funds slightly decreased, stabilizing at around 54 in late 2024.

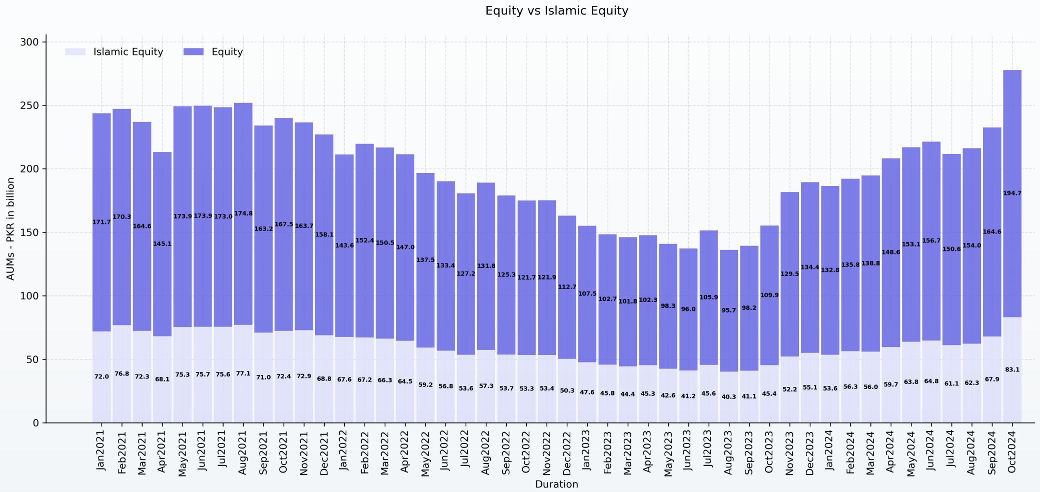


- Toward the end of the period, conventional equity funds slightly decreased, stabilizing at around 54 in late 2024.
- Islamic equity funds consistently represented a smaller but stable fraction of the total funds.
- A slight dip in conventional equity funds occurred in April 2021 (from 47 to 46 funds).

EQUITY VS. ISLAMIC EQUITY

Assets Under Management (AUM)

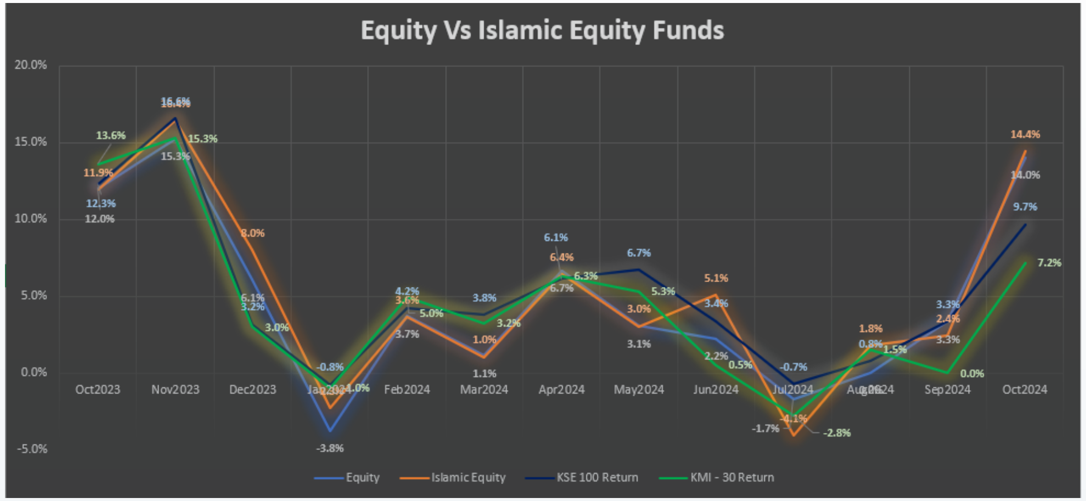
- Equity funds consistently hold a significantly larger share of Assets Under Management (AUM) compared to Islamic equity funds across the time period shown.
- Equity AUM peaked around mid-2021, reaching approximately **PKR 250 billion**, and then started declining, again seeing a rising trend in the later half of 2023.
- The AUM for Islamic Equity funds remained relatively stable and much lower than equity funds, with a decline till mid-2022 and then a steady growth till October 2024.
- As of October 2024, equity funds have an AUM of around **PKR 195 billion**, and Islamic equity funds have an AUM of approximately **PKR 83 billion.**
- Similar to the number of funds, there's a noticeable increase in AUM for both equity and Islamic equity funds in the latter part of 2023 and most of 2024.



EQUITY VS. ISLAMIC EQUITY FUNDS

Performance Comparison

- The graph compares the monthly performance of Equity Funds, Islamic Equity Funds, KSE-100 return, and KMI-30 return from October 2023 to October 2024.
- Both Equity and Islamic Equity funds have shown volatility over the months, with periods of significant gains and losses.
- The performance of Equity and Islamic Equity funds seems to be relatively correlated with the broader market as represented by the KSE-100 and KMI-30 returns.
- Equity, Islamic Equity, KSE-100, and KMI-30 all had a strong performance in November 2023, with **KMI-30 being the highest at ~16.5%.**



*The graph shows the average monthly return for each mutual fund category, calculated by averaging the returns of all funds in the aforementioned category, using data from the MUFAP Daily Performance Summary, and compared with relevant market indicators.

- There were mixed performances across the different indices, with Equity showing a better performance than Islamic Equity in some months and vice-versa.
- As of October 2024, both equity funds and Islamic equity funds have shown a significant increase, with performance of **14.4%** and **9.7%**, respectively. This is also followed by **KSE-100 return at 7.2%.**

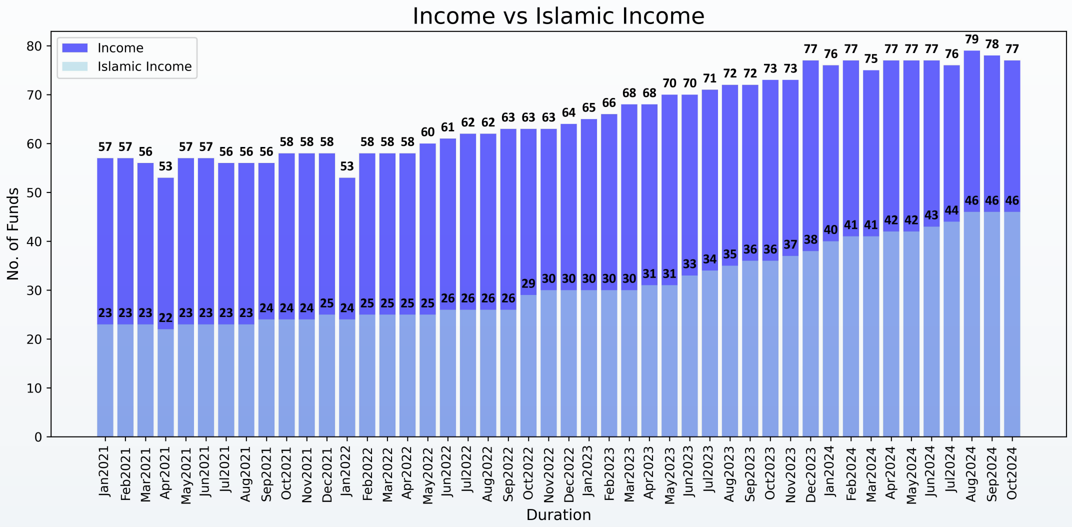
Summary

- **Equity funds** have consistently dominated in terms of both the number of funds and AUM.
- Both types of funds and the broader market have experienced volatility over the period.
- The market has shown **strong performance**, especially in **November 2023** and **October 2024**.

INCOME VS. ISLAMIC INCOME

Number of Funds

- Conventional income funds consistently outnumber Islamic income funds throughout the period.
- The number of Islamic income funds steadily increased from 23 in January 2021 to 46 by October 2024.
- Conventional income funds started at 57 in January 2021 and gradually rose to a peak of 79 in June 2024, followed by a slight decrease to 77 in October 2024.
- The gap between conventional and Islamic income funds narrowed over time, indicating faster growth in Islamic income funds.
- Both categories show a consistent upward trend in the total number of funds, reflecting market expansion.

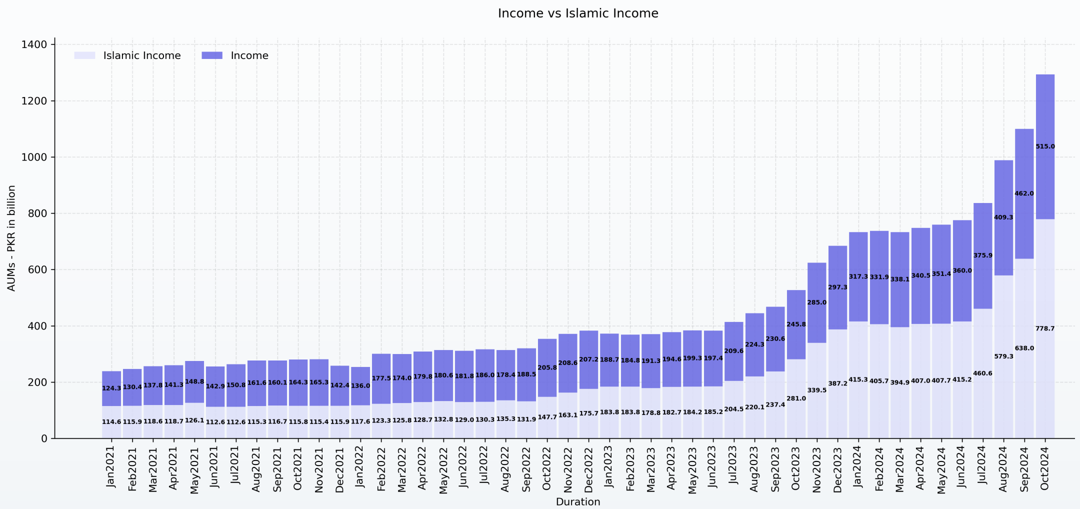


- Islamic income funds experienced a stable period from January 2021 to mid-2022, with the number fluctuating slightly between 22 and 26.
- Significant growth in Islamic income funds occurred after mid-2022, with steady increases in fund count each year.
- Conventional income funds grew consistently, with notable increases during 2023 and early 2024.
- The dominance of conventional income funds persisted, but Islamic income funds showed a stronger growth trajectory over the period.

INCOME VS. ISLAMIC INCOME

Assets Under Management (AUM)

- The graph shows the AUM for income and Islamic income funds from January 2021 to October 2024. Both categories show a general upward trend in AUM over the time period.
- Similar to the number of funds, income funds consistently manage a higher AUM compared to Islamic income funds throughout the period.
- Both income and Islamic income funds have seen a marked increase in their AUMs in 2023 and 2024.
- There's a very steep increase in AUM for income funds, starting from the second half of 2023 till October 2024.

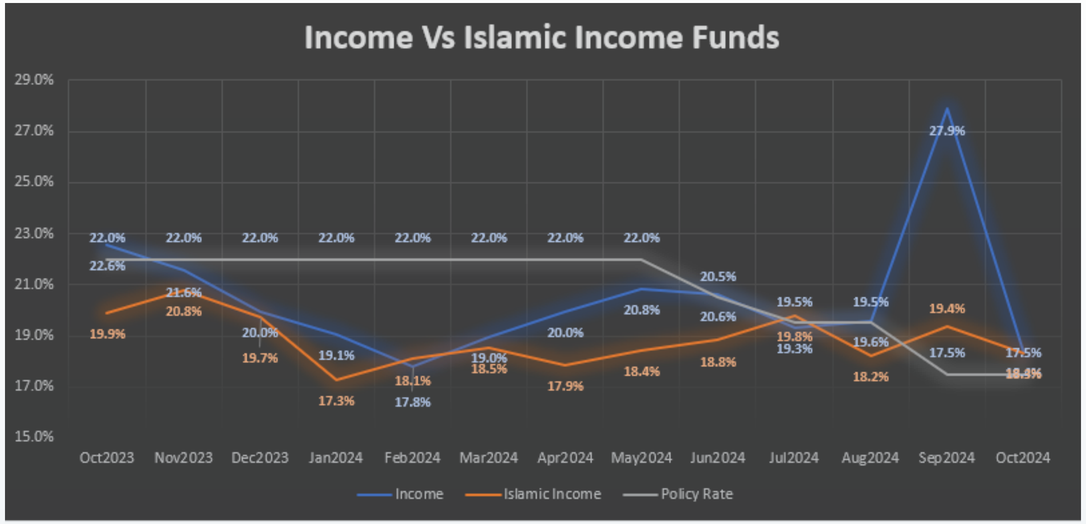


- While growth has occurred in the Islamic income funds AUM, it has been a steadier growth in comparison to the very steep rise for income funds.
- As of October 2024, income funds have an AUM of approximately **PKR 779 billion**, and Islamic income funds have an AUM of approximately **PKR 515 billion.**

INCOME VS. ISLAMIC INCOME FUNDS

Performance Comparison

- The graph compares the monthly performance of Income Funds, Islamic Income Funds, and the Policy Rate from October 2023 to October 2024.
- The policy rate has been relatively stable, with a consistent rate of **22%** until April 2024, and then a gradual decrease.
- The policy rate declined from **22%** to approximately **17.5%** during October 2023 to October 2024, suggesting a movement toward monetary easing.
- Both income and Islamic income funds have shown fluctuating returns over the months.



*The graph shows the average monthly return for each mutual fund category, calculated by averaging the returns of all funds in the aforementioned category, using data from the MUFAP Daily Performance Summary, and compared with relevant market indicators.

- Income funds have outperformed Islamic income funds for most of the time period, but the difference in performance has reduced in the latter part of 2024.
- Income funds saw a very large return in September 2024, with a slight reduction in October 2024.
- As of October 2024, both income funds and Islamic income funds are performing almost at par, with income funds at approximately **17.5%** and Islamic income funds at **16.3%**.
- Fund returns have decreased in tandem with the policy rate cuts.

Summary

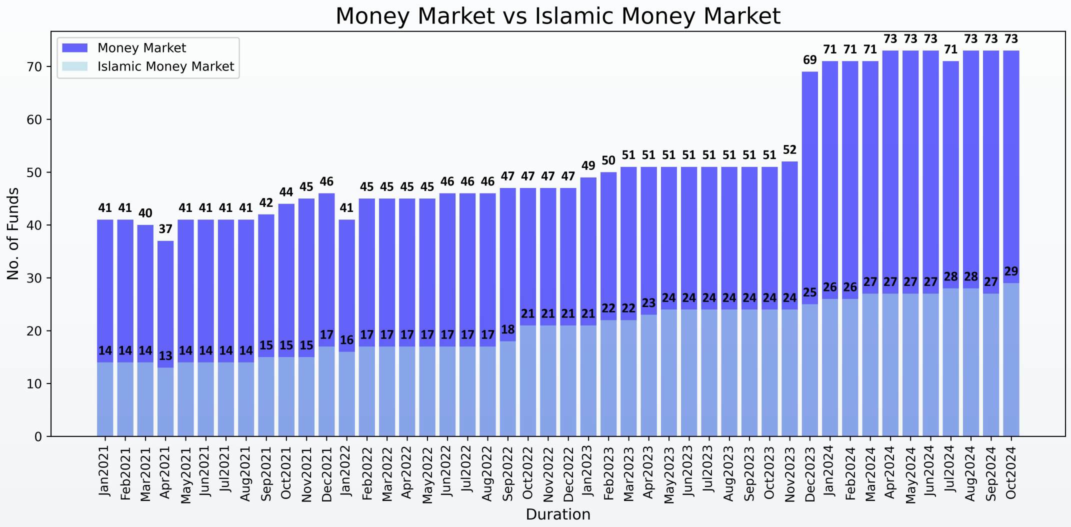
- Both income and Islamic income funds have shown consistent growth in number of funds and AUM, with a significant acceleration in growth for income funds, especially.
- Income funds dominate in both number of funds and AUM.
- Income funds have shown stronger performance than Islamic income funds over most of the period, although this difference has reduced significantly in the latter part of 2024.
- The policy rate has been on a downward trajectory, influencing the fund returns.

VIS
Credit Rating Company Limited

MONEY MARKET VS. ISLAMIC MONEY MARKET

Number of Funds

- Conventional money market funds experienced a slight decline to 37 in April 2021, then began a gradual rise, reaching 73 by October 2024.
- Islamic money market funds showed consistent growth, starting at 14 in January 2021 and reaching 29 by October 2024.
- The gap between the two categories persisted, but the growth rate of Islamic money market funds was relatively higher.
- Conventional funds had periods of stability, such as from November 2021 to August 2022 (46 funds).



- Islamic funds maintained steady growth, with notable increases after 2022, reaching 27 in 2023 and 29 in 2024.
- Both fund types displayed a clear upward trajectory, reflecting the expanding money market segment.

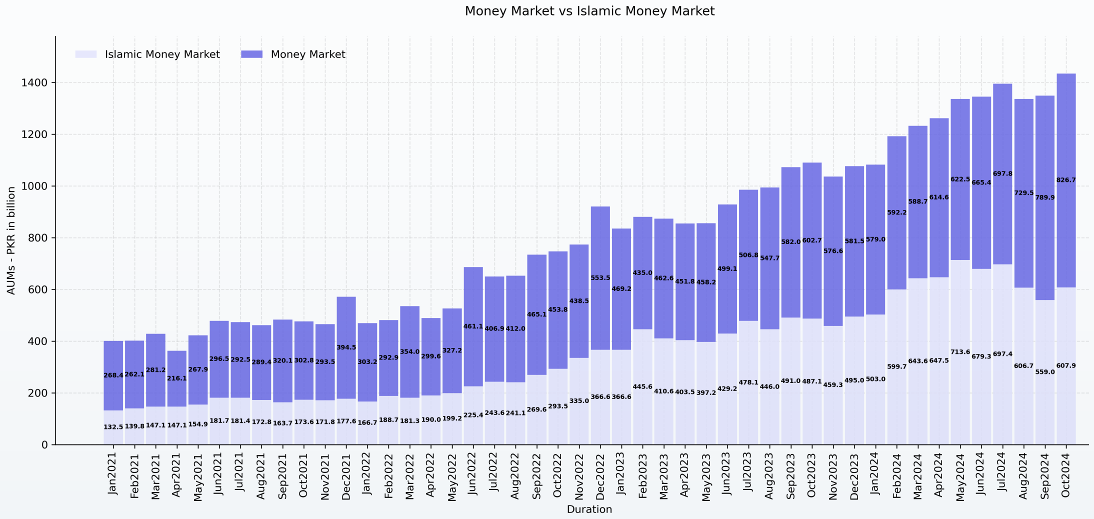
Asset Management Sector

Asset Management Sector

MONEY MARKET VS. ISLAMIC MONEY MARKET

Assets Under Management (AUM)

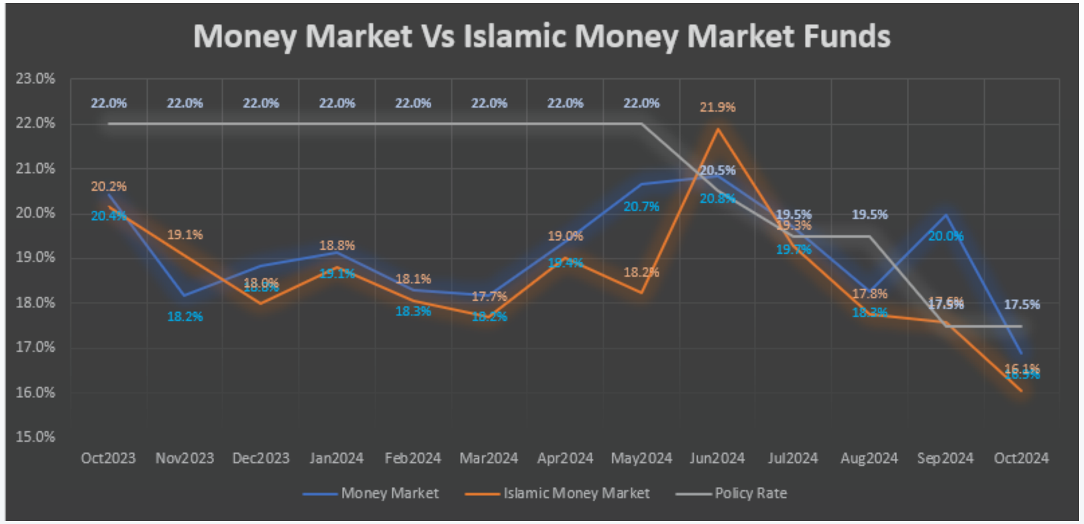
- The graph shows the AUM for Money Market and Islamic Money Market funds from January 2021 to October 2024. Both categories show a general upward trend in AUM over the time period.
- Money Market Funds' AUM is significantly higher than Islamic Money Market Funds' AUM.
- There is a visible increase in AUM for both Money Market and Islamic Money Market funds in 2023, which continues into 2024.
- The increase in AUM is much steeper for Money Market Funds, especially in the latter half of 2023 and most of 2024.
- While Islamic Money Market AUM growth is also visible, it is not as steep as Money Market funds.
- As of October 2024, Money Market funds have an AUM of approximately **PKR 826 billion**, and Islamic Money Market funds have an AUM of approximately **PKR 618 billion.**



MONEY MARKET VS. ISLAMIC MONEY MARKET FUNDS

Performance Comparison

- The graph compares the monthly performance of Money Market Funds, Islamic Money Market Funds, and the Policy Rate from October 2023 to October 2024.
- The policy rate was stable at **22%** until April 2024, followed by a gradual decline, reaching **17.5%** in October 2024.
- Both Money Market and Islamic Money Market funds show fluctuating returns over the months.
- The returns for both types of funds appear to be correlated with policy rates, as fund returns have decreased along with the policy rate.



*The graph shows the average monthly return for each mutual fund category, calculated by averaging the returns of all funds in the aforementioned category, using data from the MUFAP Daily Performance Summary, and compared with relevant market indicators.

- Islamic Money Market funds have outperformed Money Market funds for most of the period, with the exception of a few months.
- Returns for both types of funds have declined in the latter half of 2024, with Islamic Money Market Funds showing a more prominent drop starting from June 2024.
- As of October 2024, both Money Market Funds and Islamic Money Market Funds have returns of approximately **17.5%** and **16.4%**, respectively, showing similar returns.

Summary

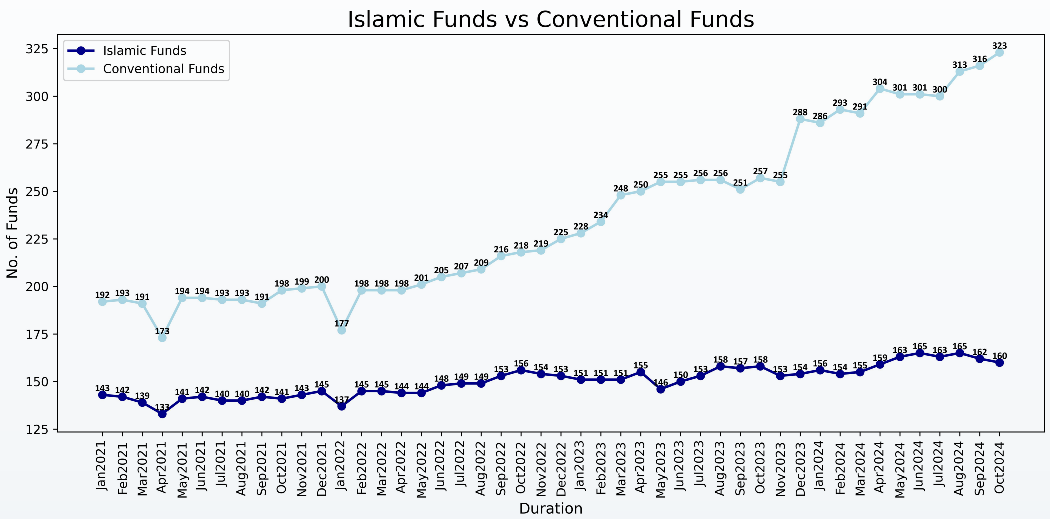
- Both Money Market and Islamic Money Market funds have shown consistent growth in the number of funds and AUM, with a notable acceleration in the growth of Money Market funds.
- Money Market funds have dominated the space, with a higher number of funds and a higher AUM compared to Islamic Money Market funds.
- The policy rate has seen a significant decrease, which has corresponded with a decrease in returns for both Money Market and Islamic Money Market funds.rate has been on a downward trajectory, influencing the fund returns.
- Islamic Money Market funds have generally outperformed Money Market funds, with the exception of a few months. However, in October 2024, both funds show similar returns.

VIS
Credit Rating Company Limited

ISLAMIC FUNDS VS. CONVENTIONAL FUNDS

Number of Funds

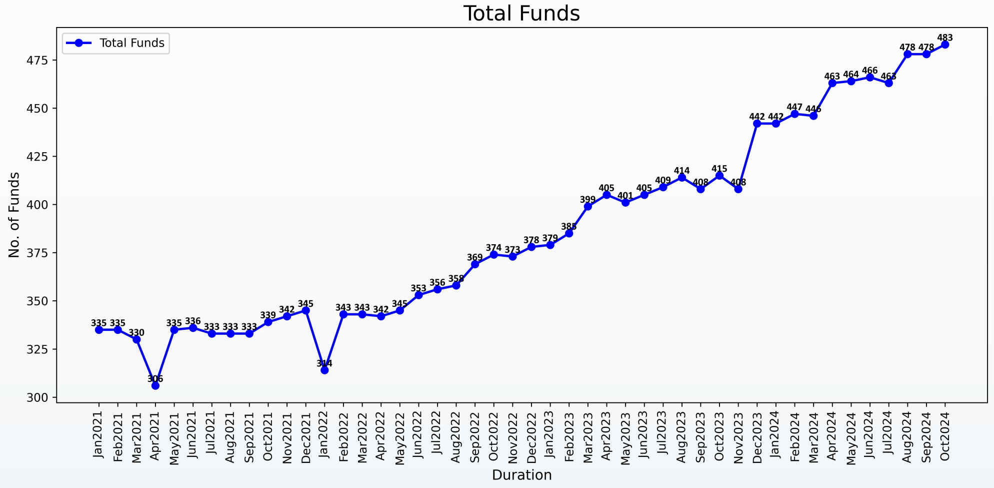
- The graph displays the number of Islamic Funds and Conventional Funds from January 2021 to October 2024.
- Conventional funds consistently outnumber Islamic funds throughout the entire period.
- Conventional funds experienced a gradual increase in numbers from January 2021 until mid-2022, followed by a more pronounced increase thereafter.
- Islamic funds also show a general growth trend over the period, though at a slower pace compared to conventional funds.
- Both fund categories have seen a significant increase in numbers throughout 2024.
- As of October 2024, there are approximately **323 Conventional Funds** and **162 Islamic Funds.**



TOTAL FUNDS

Number of Funds

- The graph shows the total number of funds from January 2021 to October 2024.
- The total number of funds remained relatively stable in the first half of 2021.
- Total funds exhibit a general upward trend over the entire period.
- A gradual increase in the number of funds is observed from 2021 until mid-2022.
- There is a noticeable acceleration in the total number of funds from mid-2022 onwards, with a marked increase in 2023 and 2024.
- As of October 2024, the total number of funds stands at approximately **483**.



Summary

- Conventional funds have consistently outnumbered Islamic funds throughout the period.
- Both Islamic and Conventional funds have shown consistent upward trends in the number of funds, especially during the latter half of 2022 and throughout 2023 and 2024.
- The total number of funds has increased significantly, growing from approximately **335 in January 2021** to **483 in October 2024.**

OUTLOOK | MUTUAL FUND INDUSTRYS

Stable Outlook

- The overall outlook for Pakistan's AMC sector is considered stable, indicating a balance of opportunities and challenges.

Growth Potential

- The sector has shown resilience, and there is potential for growth, particularly in light of improving economic conditions.

Economic Recovery

- The forecast of improved GDP growth in FY24 suggests an environment where asset management can thrive.
- The increase in nominal GDP shows positive momentum, even though real GDP growth has been slower in comparison.
- While the Financial Services sector's contribution to the GDP decreased slightly, it remains an important part of the economy.

Inflation Control

- The easing of inflation in 2HFY24 is a positive sign, particularly for the stability of investment and financial instruments.
- The central bank's actions to control inflation by reducing the policy rate could stimulate investment.

Improved Equity Market Performance

- The significant YoY increase in the KSE-100 index during 11MFY24 (although with decreased volumes during FY23) is a sign of increased investor confidence and can encourage investors to return to equities.

Strong Performance in Certain Fund Categories

- Income and money market funds have shown robust performance, as these categories are considered relatively safer.
- The positive turnaround in equity fund performance post-Aug'23 also implies a better outlook for diversified portfolios.

Positive Factors Contributing to Sector Stability

- Factors such as the disbursement of USD~3bln, a stable political environment, and stable exchange rate will be positive for the market.
- Reduced inflation levels compared to FY23 are also positive for the overall sector.
- The PKR holding stable against the USD is also crucial for investor confidence and can encourage the flow of capital.

Continued Reliance on Economic and Political Stability

- The performance of mutual funds is contingent on Pakistan's economic and political stability, implying a degree of vulnerability to any instability.

Likely to See Better Performance

- The aforementioned factors are likely to contribute to the sector's overall better performance.

ASSET MANAGEMENT COMPANIES

Sources

- World Bank DataBank
- IMF Data
- Bloomberg
- FRED (Federal Reserve Economic Data)
- Statista
- UN Data
- OECD Data
- Trading Economics
- Eurostat
- Asian Development Bank (ADB) Data Library
- CEIC Data
- Securities & Exchange Commission of Pakistan (SECP)
- State Bank of Pakistan (SBP)
- Pakistan Bureau of Statistics (PBS)
- Pakistan Stock Exchange (PSX)
- National Clearing Company of Pakistan Limited (NCCPL)
- Mutual Funds Association of Pakistan (MUFAP)
- Federal Board of Revenue (FBR)
- International Investment Funds Association (IIFA)
- Investment Company Institute (ICI)
- Association of Mutual Funds in India
- Pakistan Stock Exchange (PSX)

RESEARCH TEAM

Dr. Jahanzaib Alvi - Manager Analytics
jahanzaib.alvi@vis.com.pk

Madiha Ilyas - Rating Analyts
madiha.ilyas@vis.com.pk