

Al Meezan Investment Management Limited

A note on Pakistan Stock Exchange: Outshining with New Highs

Dear Investor,

During the recent month of May, the stock market maintained its rally, whereby the KMI-30 closed 4.51% up while the KSE-100 appreciated by 3.87%. It is heartening to see that for the first time in the current fiscal year, foreigners reported a Net Buy of USD 3.6mn for the month. Along with foreigners' buying, the impending MSCI decision to reclassify Pakistan into emerging markets served as a catalyst for the market along with stable oil prices keeping interest in Oil stocks healthy.

The Global equity markets eyed major events such as the US Federal Reserve's interest rate decision due in June, the upcoming vote in Britain for a possible exit from the European Union and OPEC's meeting to decide on a possible freeze in oil output. Central banks across the globe continue to add stimulus to economies, with the exception of USA. Going forward such factors are likely to determine the direction of global equities in the near term. However, as we explained earlier our market on the backdrop of positive sentiments remained buoyant and provided the investors with colorful returns.

The SBP, in its recent Monetary Policy Statement slashed the policy rate by 25bps to bring it down to 5.75%, despite the recent recovery in oil prices and increasing inflation. Monthly CPI clocked in at 3.17% for the month of May, taking the 11MFYTD'16 average inflation to 2.80%. Going forward, with real interest rate still providing room for further monetary easing, possibility of another interest rate cut cannot be ruled out in the coming months, which will again bode well for the Equity market.

The recent budget announced during the first week of June'16 has been perceived very positively by the market with Textiles and Fertilizers expected to be the major beneficiaries. Overall, the budget for FY'17 will serve as a catalyst driving the market's performance during the new fiscal year. Alongside, with improving economic fundamentals, ongoing development under the China Pakistan Economic Corridor (CPEC), expected classification of Pakistan Stock Market in MSCI Emerging markets category and SECP's measures for improving the stock market's depth, equities are expected to continue performing in the near term.

We would therefore encourage you to remain invested in Meezan Capital Preservation Fund II (MCPRF II) for its subsequent tenure, for the chance to participate in further upside from equities.

We thank you again for your continued support and maintaining your faith in us for managing your investments.