



Al Meezan
Investment Management Ltd.

FROM RESILIENCE TO RECOVERY

FROM CRISIS TO STABILITY

INSIDE HIGHLIGHTS

Top Themes for 2021-Digitalization, Access to Capital & Medical Awareness

Financial Action Task Force - Status Quo

Covid-19 - Unfolding of events

Economy - Growth to be in limelight

Politics - Towards stabilization

Equity - Priming for a bull run!

Fixed Income - Stage set for gradual interest rate rise

Gold - 2020 and Beyond

Launch of Pakistan's First Shariah Compliant ETF



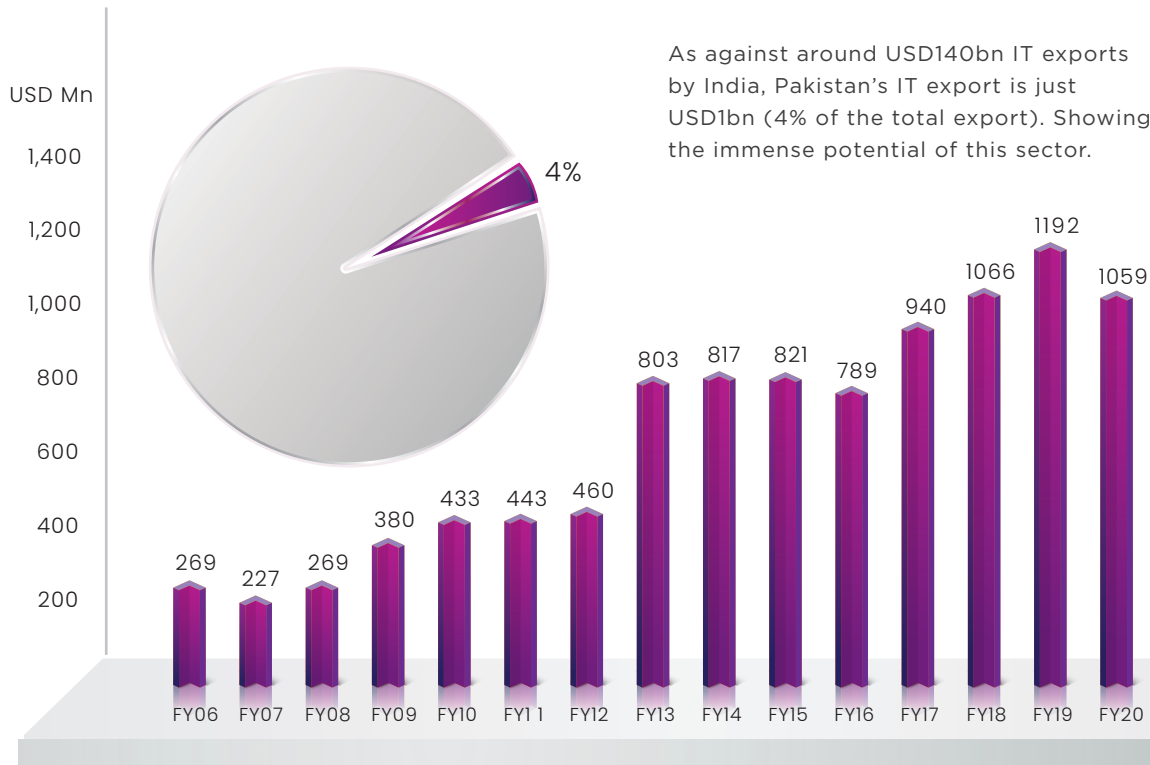
TABLE OF CONTENTS

Top Themes for 2021-Digitalization, Access to Capital & Medical Awareness	Page #2
Unlocking potential through different avenues has been the focus of the government whether it be through providing easy loans or capital for investment or bringing in foreign savings.	
Financial Action Task Force - Status Quo	Page #3
Pakistan still kept in the Grey list, next review in February'2021.	
Covid-19 - Unfolding of events	Page #4
The Global pandemic not only affected Pakistan but the world at large, halting the economies, hampering growth and raising red flags on healthcare. Pakistan's government measures helped in averting the first wave of COVID-19.	
Economy - Growth to be in limelight	Page #6
Amid restrictive fiscal and monetary measures Pakistan's GDP contracted by 0.4% in FY20. SBP expects FY21 GDP to expand by 2.5%.	
Politics - Towards stabilization	Page #10
The government is cautiously optimistic on economic recovery amid rising pressure from the opposition and uncertainty of COVID-19.	
Equity - Priming for a bull run!	Page #11
The equity market witnessed a volatile period owing to a combination of internal and external factors leading the index to close at roughly around the same levels as that in Dec 2019.	
Fixed Income - Stage set for gradual interest rate rise	Page #18
Market witnessed reversal of the monetary policy stance as rates were slashed by 625 bps, amid concerns on sudden outbreak of the Covid-19 pandemic and its implications on the economies worldwide.	
Gold - 2020 and Beyond	Page #20
The yellow metal hit a new record high of \$2,075 in August 2020 before entering a corrective phase as investors sought protection from economic uncertainty.	
Launch of Pakistan's First Shariah Compliant ETF	Page #22
Al Meezan Investment Management Limited was the first company to launch Pakistan's First Shariah-compliant ETF on October 06, 2020, called Meezan Pakistan ETF (MP-ETF). ETFs provide an easy way to diversify across different sectors, industries or securities, and can constitute of stocks, commodities, bonds, or other securities.	

Top Themes for 2021

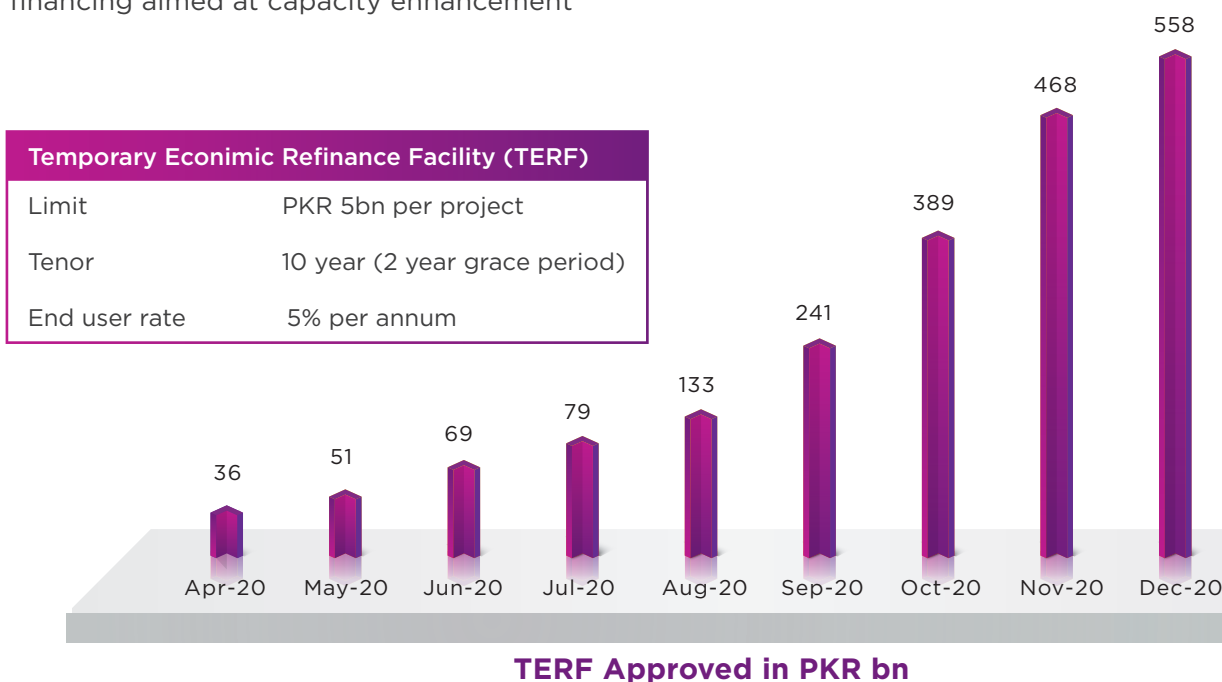
Digitalization, Access to Capital & Medical Awareness

Leveraging IT sector



Temporary Economic Refinance Facility (TERF) & Industrialization

Amid increased focus on long-term sustainable growth and employment generation, TERF has been introduced by SBP to provide concessional financing aimed at capacity enhancement



Transition towards Digital Framework for Account Opening

Roshan Digital Account (RDA) is a major initiative of SBP in collaboration with commercial banks. These accounts provide innovative banking solutions for millions of Non-Resident Pakistanis (NRPs) seeking to undertake banking, payment and investment activities in Pakistan.

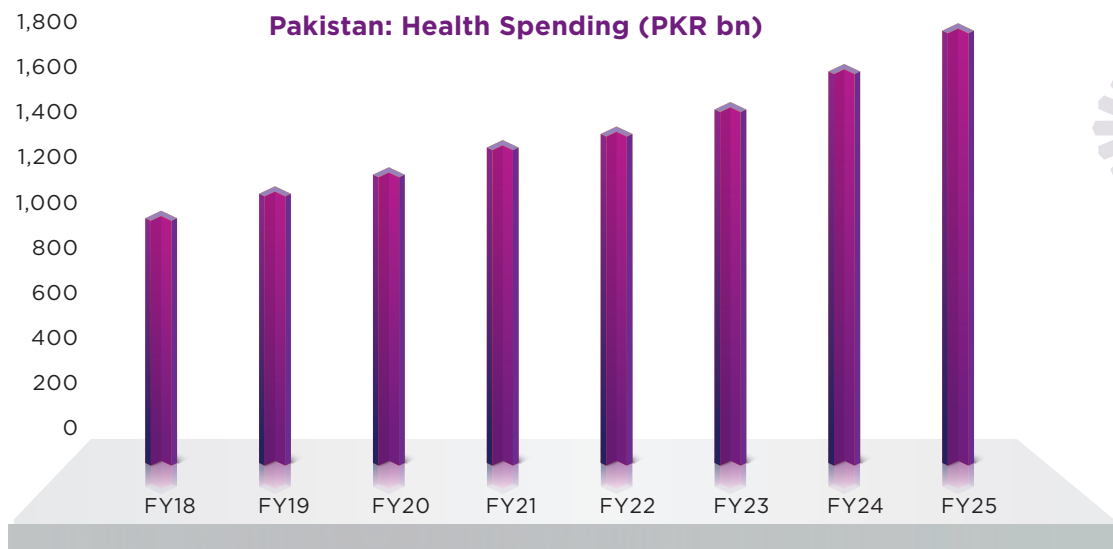
Roshan Digital Account (Sep-20 to 11th Dec-20)	USD mn
Total remittances into RDA	155
• Naya Pak Certificates	89
• Others	66
Highest daily inflow	11

SME's to have easier access to capital

Growth Enterprise Market (GEM) board, launched by PSX on 7th November 2020, will facilitate the Small and Medium enterprises, Greenfield projects and Tech startups. These companies will be able to raise long-term low-cost capital enabling them to grow, expand and innovate. The eligibility to get listed are less stringent and convenient for these companies.

Medical Awareness

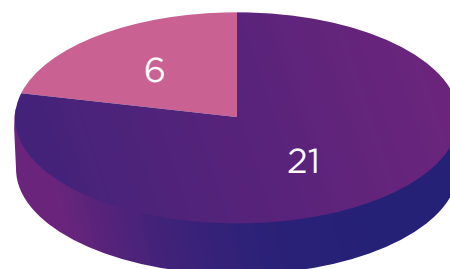
The onset of the COVID-19 pandemic has seen a notable change in lifestyle where demand for healthcare services & products is expected to grow. According to a report by Fitch solutions, Pakistan's healthcare expenditure is expected to grow from and estimated PKR1,200bn in FY21 to PKR1,700bn in FY25 to cater to the rising demand.



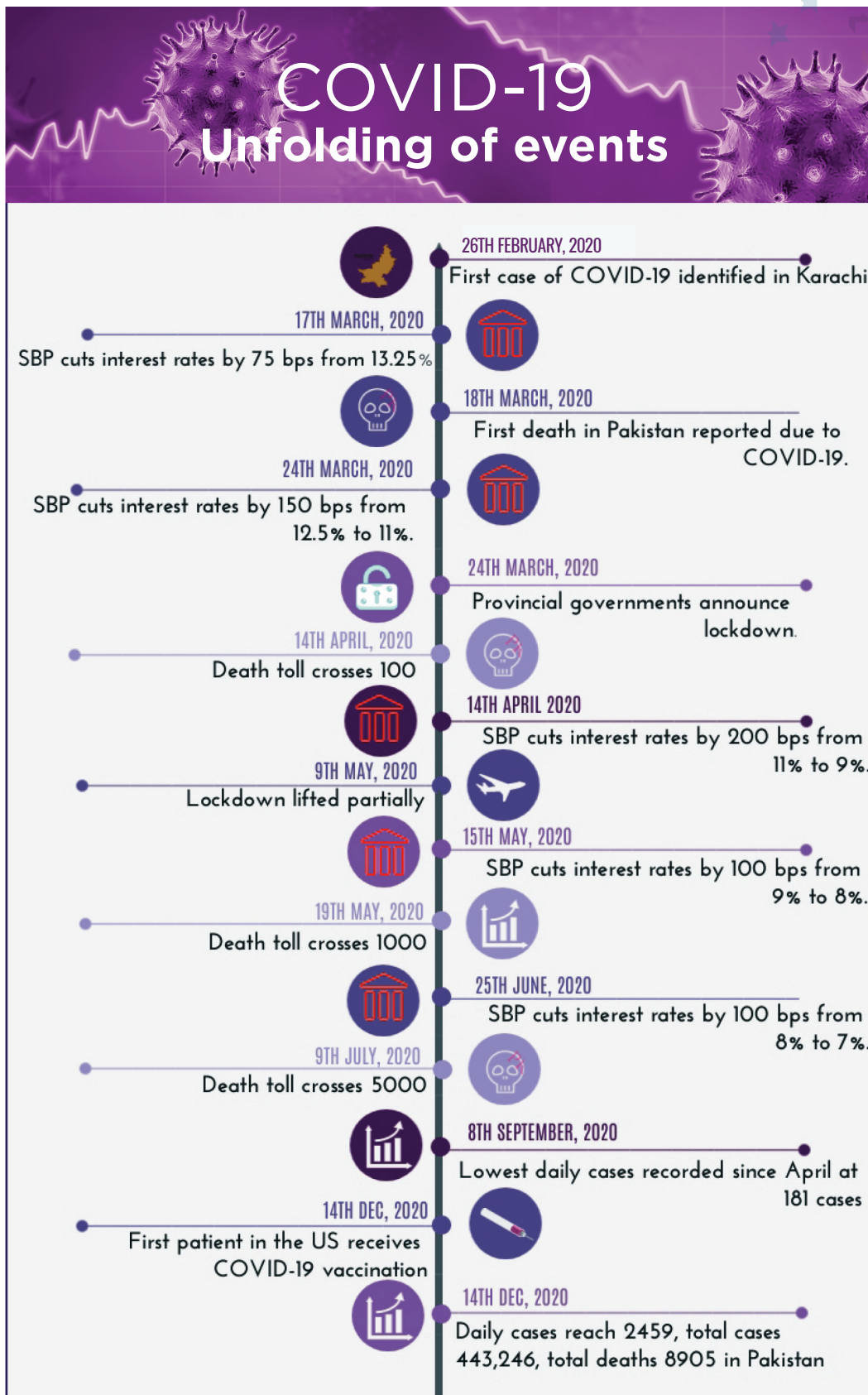
Financial Action Task Force (FATF) - Status Quo

Pakistan was placed in the Grey List in 2018, for it had weak anti money laundering and terror financing controls. Since then Pakistan has amended laws and taken measures to address these issues, the performance for which is judged against the 27 action items.

Status of Action Items

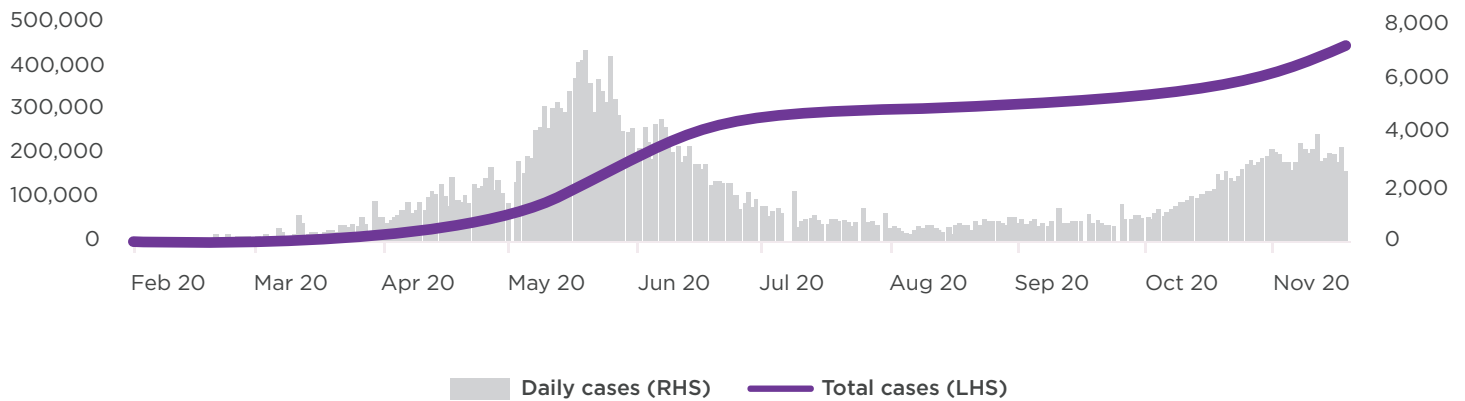


- Largely addressed
- Partially Addressed

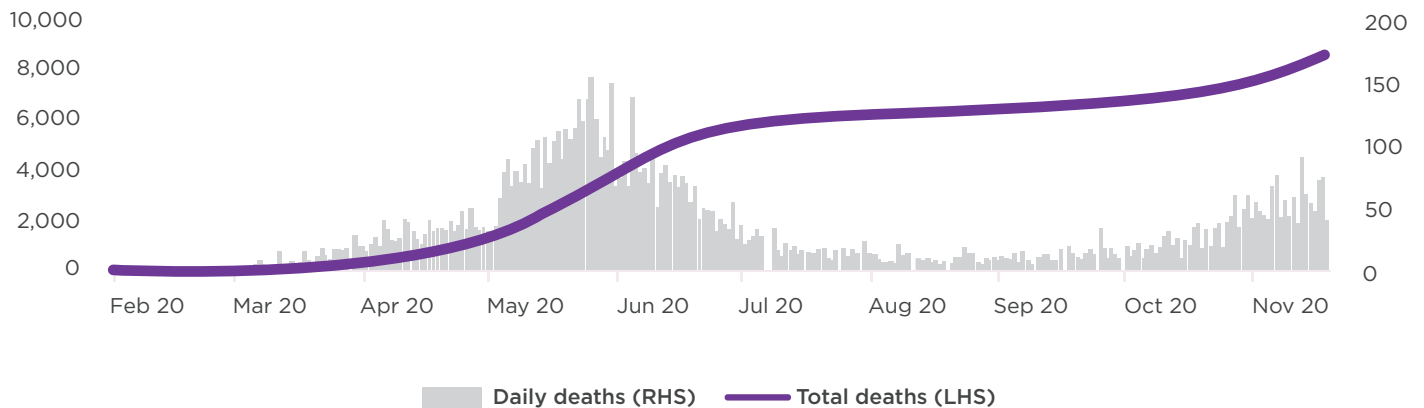


In an attempt to mitigate the devastating impact of COVID-19, the SBP and the government took a series of measures which played a crucial role in averting the first wave of COVID-19 with minimum damage to the economy. Pakistan's first case was recorded on 26th Feb followed by a series of interest rate cuts announced by the SBP from 17th March and lockdown announcement on 24th March. During the COVID-19 period, the KSE-100 hit rock bottom on 26th March closing at 27,267 points and recovered to its highest since COVID-19 on 14th December closing at 43,250 points.

COVID-19-Cases in Pakistan



COVID-19-Deaths in Pakistan



How some of the Covid-19 vaccines compare

Company	Type	Doses	How effective*	Storage
Oxford Uni-AstraZeneca	Viral vector (genetically modified virus)	x2	62-90%	Regular fridge temperature
Moderna	RNA (part of virus genetic code)	x2	95%	-20C up to 6 months
Pfizer-BioNTech	RNA	x2	95%	-70C
Gamaleya (Sputnik V)	Viral vector	x2	92%	Regular fridge temperature (in dry form)

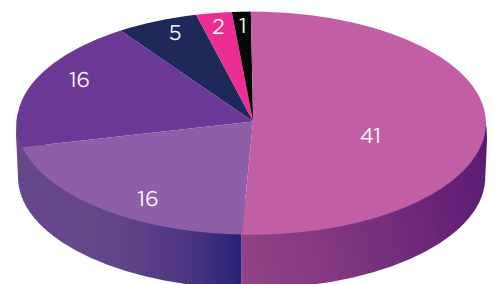
*preliminary phase three results, not yet peer-reviewed

Source: Respective companies, WHO

BBC

Number of Vaccine

Pakistan is hosting clinical trials for a Chinese vaccine, 9000 participants have been inoculated. Federal cabinet has assigned \$250 for vaccine procurement.

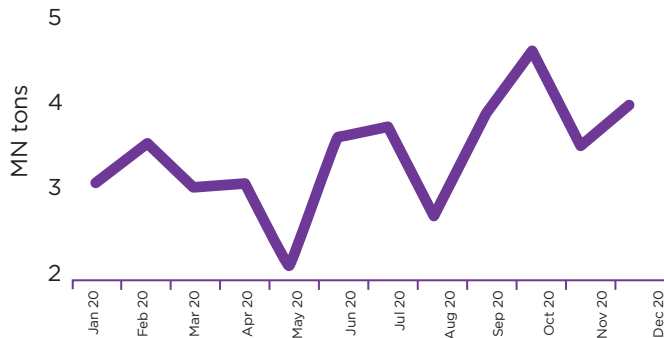


■ Phase 1
■ Phase 2
■ Phase 3
■ Limited
■ Approved
■ Abandoned

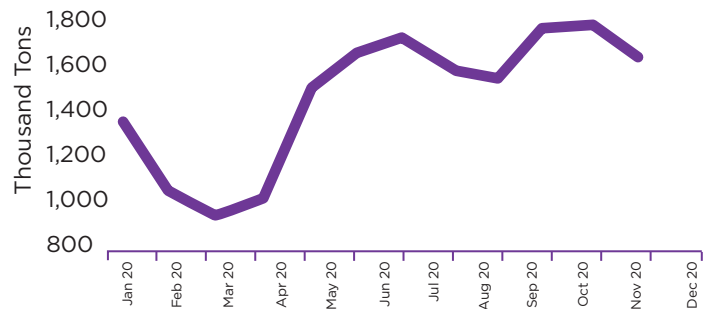
V Shaped Recovery

Due to the economic downturn caused by the COVID- 19, economies all over the world resorted to monetary easing through reduction of interest in an effort to revive economic activity. State Bank of Pakistan announced multiple interest rate cuts from March 2020 to June 2020 leading to a cumulative decline in interest rates by 625 bps from 13.25% to the current 7%. This along with other initiatives by the government and SBP has propelled growth in the economy in sectors such as the automobile and cement after hitting rock bottom in April 2020 due to lockdown imposed to contain the spread of COVID- 19.

Cement monthly sales (local)



OMC sales (local)



Automobile monthly sales



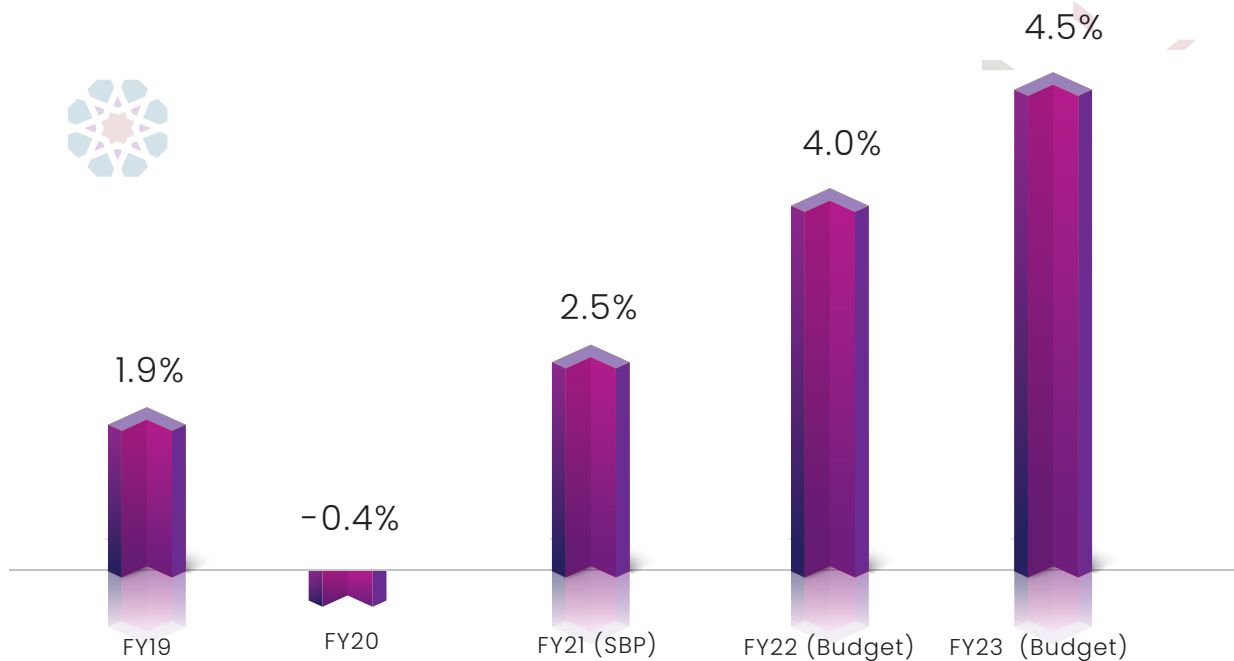
LSM monthly index



Economy -Growth to be in limelight

GDP Growth Outlook

After 67 years of positive GDP growth, country's GDP declined by 0.4% during FY20 after a growth of 1.9% in FY19. This was mainly driven by decline in demand amid restrictive fiscal and monetary measures (as part of the IMF program to control the country's fiscal and external balances). Industrial sector posted the highest decline of 2.64%, followed by services sector that deteriorated by 0.59%. Agriculture sector, however, advanced by 2.67%. GDP growth in FY21 is expected to remain subdued owing to slowdown in business activities because of COVID-19. For FY21, IMF expects GDP to expand by 1%. On the other hand, SBP and World Bank expect GDP to grow by 2.5% and 0.5%, respectively.



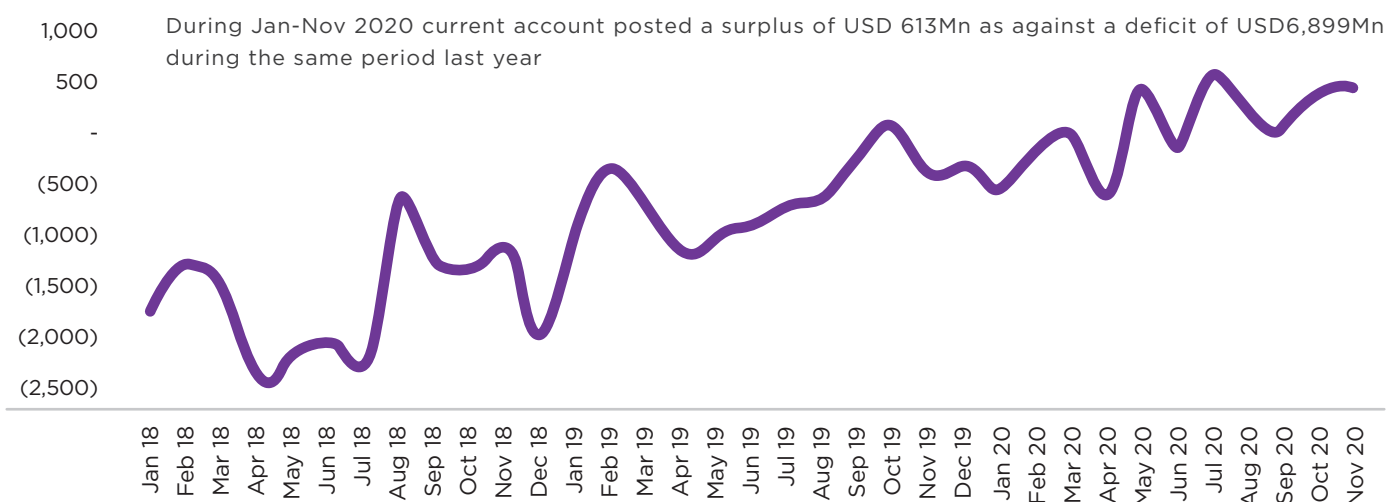
Fiscal deficit showing signs Of Improvement

In FY20, consolidated fiscal deficit declined by 2% YoY to 8.1% of GDP as compared to 9.1% in the same period last year, largely on account of significant increase in SBP profit (from PKR13bn to PKR936bn in FY20). Overall revenue surged by 28% YoY wherein tax revenue increased by 6% YoY. Amid elevated interest rates debt servicing costs grew by 25% YoY, increasing fiscal expenditure by 16% YoY.

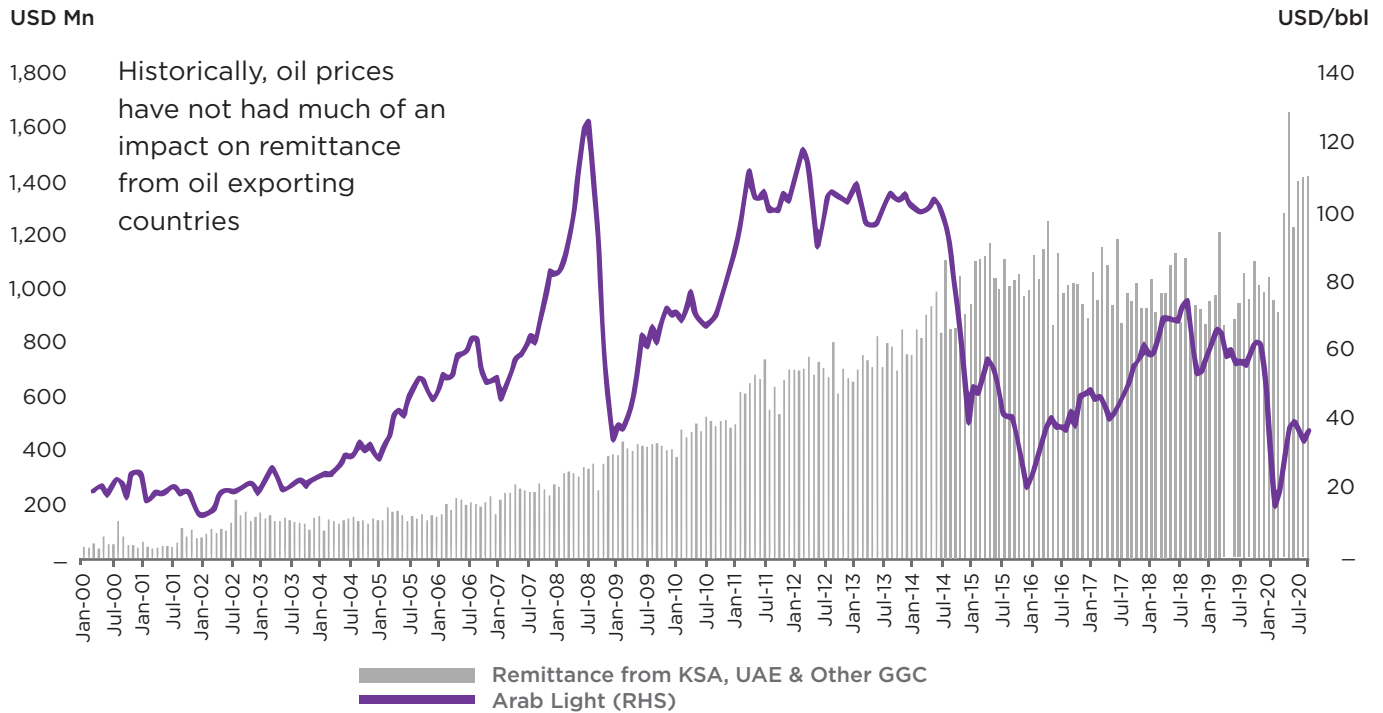
Under the IMF programme, the government had agreed to keep the primary deficit at 0.6% of GDP (as against 1.8% in FY20) by introducing measures that will increase tax collection by broadening tax base, eliminating subsidies & exemptions, and curtailing current expenditure. The government also set out to ramp up its non-tax revenues through privatizations and secondary public offerings of energy sector companies.

Turnaround in Current Account (CAD)

Pakistan's BoP situation especially post COVID-19 has been a pleasant surprise for the bourse.



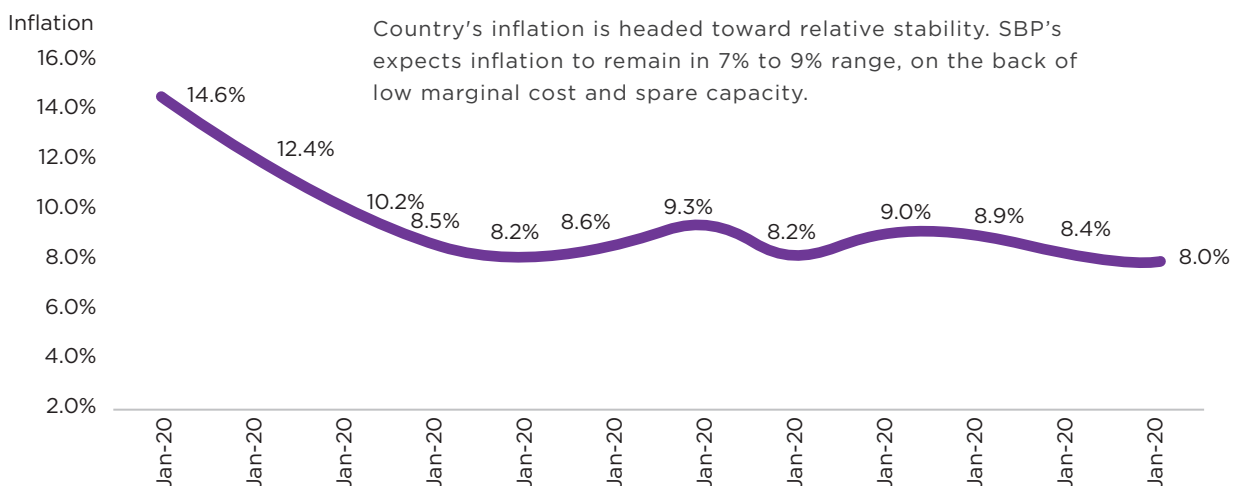
The single unifying factor that contributed towards improvement in current account balance was COVID-19. Due to COVID-19 petroleum prices collapsed (resulting in 30% YoY decline in petroleum imports), there was a significant reduction in global travel & transport (leading to 34% YoY decline in Travel & Transport import services) and reliance on informal channels of hawala declined (resulting in 17% YoY increase in remittance through official channels). Remittance flow from KSA, UAE & other GCC countries grew by 24% YoY, contributing 76% towards the total growth in remittance despite 36% YoY average decline in Arab light prices.



Improvement in CAD along with USD9bn disbursements received between Jan-Nov 2020 (USD13bn during FY20) in-turn helped shore up SBP reserves to ~USD13bn up 83% from USD7bn at the end of FY19.

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Inflation & Monetary Easing



Consequent to the steep decline in inflation, on the back of decline in commodity prices, SBP reduced its key policy rate by 625bps to 7% in-order to support economic recovery amid COVID-19. Decline in interest rates served as a key sentiment booster for the equity market, other than having positive bottom-line impact on the leverage players.

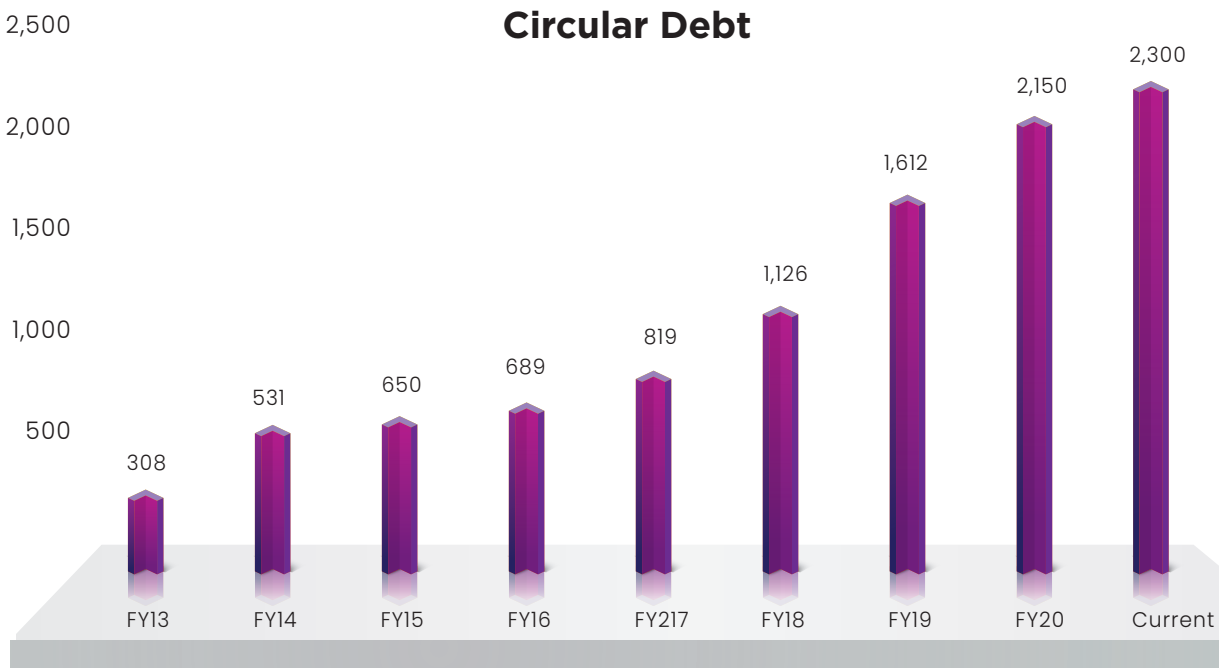
Energy Sector Reforms

Growing by 647% since FY13, the menace of circular debt has long-haunted Pakistan's economy. However, following initiative by the government have created hope that this problem might finally be resolved (or the momentum reduced).

- ◆ **MOUs signed with IPPs** to reduce return on equity (ROE) & late payment surcharge (LPS) of IPPs along with sharing of savings on account of plant efficiencies can be expected to curb the momentum of circular debt. Possible extension in debt tenure of 2015 policy coal plants will further reduce the circular debt accumulation.
- ◆ **Timely Quarterly & Fuel Cost Adjustments** in early FY20 had helped arrest the growth in circular debt. However, postponement of these tariff adjustments since January,2020 due to COVID-19 diminished the initial gains. Since improvement in COVID-19 situation, resumption of these adjustments has re-commenced.
- ◆ **Early retirement/Expiry of old plant & abolishment peak hours** can be expected to reduce the accumulation of circular debt due to capacity payments. While possible early retirement (HUBC 1,292MW base plant) and expiry of PPA (KAPCO 1,638MW) can be expected to reduce the supply in an over-supplied market, elimination of peak hours tariff can lead to much needed growth in demand for electricity
- ◆ **Investment in infrastructure to reduce transmission and distribution losses** along with measures taken by the GoP to improve recovery should help arrest the growth in circular debt going forward.

PKR Mn

Circular Debt



Politics -Towards stabilization

International

US policy shift

US president Joe Biden prevailed over Donald Trump in the US 2020 elections with small pluralities in several swing states delivering a comfortable electoral college victory while the republicans made surprising gains in the house of representative and state legislatures. Biden plans to raise tax rates on different sources for higher income individuals.

Afghan policy

The Trump administration signed a deal with the Taliban in February 2020 and praised Pakistan's role in getting the Taliban to the table. Going forward, if there is no significant development in the dialogue with the Taliban and violence by Al Qaeda and ISIS continues, Biden's stance on the matter would be pivotal in determining US- Pakistan relations.

Kashmir issue

Pakistan could favor from Biden's commitment to human rights by expressing its reservations over Indian actions in Kashmir. The issue has been detrimental to Pakistan- India diplomatic relations.

US- China trade war: pursuit for economic dominance

Biden has referred to China as the biggest competitor and has been critical of their growing economic influence. His stance regarding scrapping tariffs is not clear yet despite having criticized Trump for being reckless. From Pakistan's perspective, further deterioration between the two countries could lead to negative implications on the economy due to shrinking global trade, however, at the same time there lies the potential of a boost in exports as manufacturers in China move to Pakistan for low cost labor and avoid tariffs on Chinese goods.

Local politics

PDM: A destabilizing force?

The PDM on 14th December 2020 demanded that the PTI led government to should resign by 31st January 2021 or face the prospect of a long march by the opposition parties to the Capital, Islamabad. PDM president Maulana Fazlur Rehman has also reiterated that the party lawmakers from the PDM parties are set to hand in resignations to their party leaders from national and provincial assemblies. Although the PDM is a strong political force with the ability to cause significant problems for the current PTI led government, the onset of the second wave of COVID-19 can significantly hamper the movement's effectiveness.

Senate elections

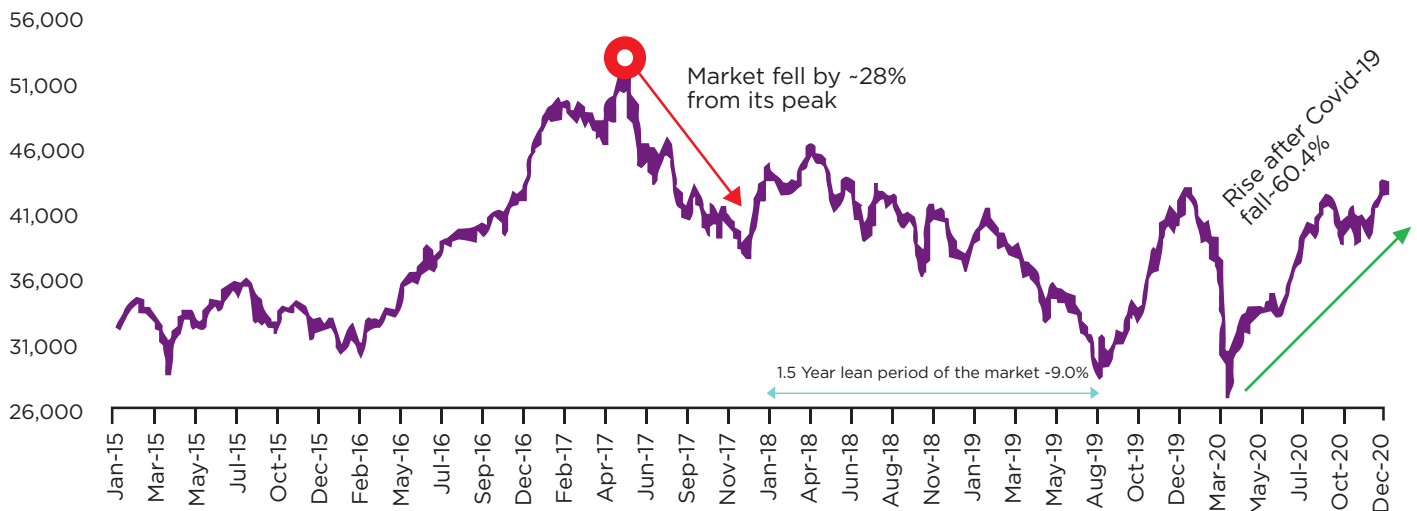
The senate elections are set to be held in March 2020, however, there is uncertainty as to which of the parties from PDM will be contesting the elections. PPP has announced that they will be contesting the elections, while the remaining parties are yet take a stance on the matter. As per latest reports, there is disagreement among PML-N leaders where some of the members of party agree with PPP's stance on the matter stating that the ruling party should not be allowed to contest without opposition while some are vouching for a boycott of the elections.

Recognition of Israel

Recently UAE has formally recognized Israel as part of the Abraham Accord signed on 13th August 2020. The deal received severe criticism from Palestine and Iran, and with rumors circulating regarding pressure on Pakistan from the US and Saudi Arabia, the foreign ministry released a statement clarifying its position on the matter stating recognition of Israel is not possible unless there is a just settlement for the people of Palestine. Despite clarity on Pakistan's stance on the matter, arguments have surfaced on the issue highlighting the potential benefits of such a move on the economy of Pakistan.

Equity: Priming for a bull run!*

The equity market has witnessed a lean period after hitting its peak in May 2017 due to economic and political volatility. To control the massive current account deficit, we have witnessed very high devaluation along with rise in interest rates which has resulted in slowdown in GDP growth. After entry in IMF program in 2019, we saw the market making a comeback in second half of 2019. However, Covid-19 dominated the headlines in the first quarter of 2020 as repercussions of the lockdowns were felt by financial markets across the world. Since April 2020, we have witnessed a rapid improvement of equity market backed by accommodative policies of Government and the SBP. Similar accommodative trend has been seen globally as well to fight the adverse impact of Covid-19.



We believe that Pakistan's equity market is well set for a secular bull run going forward due to stable currency outlook, low interest rates and improving growth outlook. The domestic equity market has responded well to the rapid improvement in economic and political landscape, with the KSE-100 index rising by around 60% from its lows posted in March 2020. The recent rise of the benchmark equity index has made PSX amongst the best performers across the world. Resilience of investor confidence was evident as the market ignored high impact negative news-flow such as protests by opposition parties and friction on eastern border.

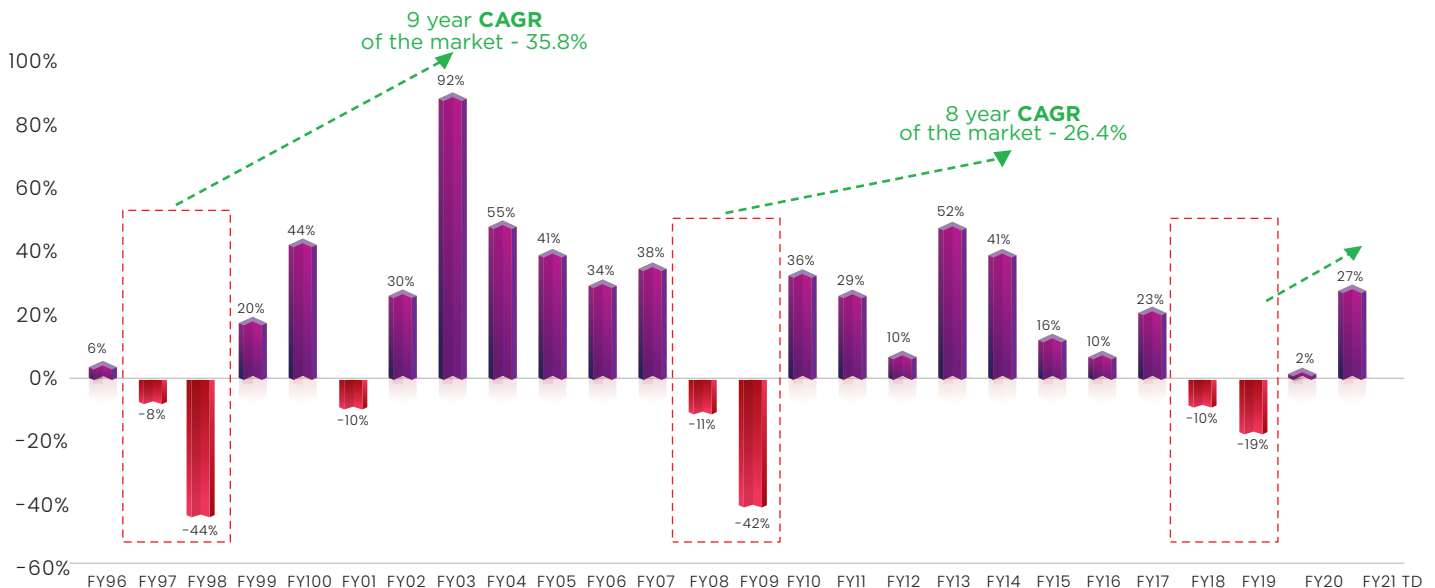
History shows that with external account under control, market shows above average return

Long term data shows that the performance of PSX is closely intertwined with the external account prospects of the country. Whenever the external account crises have occurred, the market has witnessed a period of negativity for around two years whereas whenever the external account prospects have improved, the market has given an exceptional return in the subsequent years post external crises subsiding. If we look back at history, market gave a negative return during FY1997 & FY1998 time period which coincided with Nuclear blast time period, whereas another period when PSX witnessed negativity was in FY2008 & 2009 when crude oil prices hit all time high leading to hefty rise in import bill and later on due to global financial crises. The latest spell of negative return period was in FY2018 and FY2019 when the current account deficit hit an all-time high of USD 19.2 billion during FY18 with SBP reserves at abysmal level. Whenever there is an external crisis, PKR is devalued and interest rates are raised to slowdown imports and GDP, in order to bring Current Account Deficit (CAD) under control.

*For fund category and risk category please see the details in the appendix.

Once the slowdown in CAD is achieved and external account is funded, the economy starts to improve and inflation and interest rates are also reduced. The key point to understand is that average return of KSE-100 index during the **last 25 years period of FY1996-2020 is 17% per annum**, however post external crises of FY1998, the **CAGR return between FY1999-2007 period was a hefty 36% per annum**. Even after FY2009 external crises, the average CAGR return between FY2010-2017 period was a sizable **26% per annum**. After suffering a lean patch during FY18 & FY19 when the market declined by a cumulative 27% in these two years, we have seen in FY20 that the market was up 23% till Jan-20, but subsequently fell in the remaining months of FY20 due to negative impact of corona to close the year at 1.5% return. During FY21TD, the market has again shown strong growth rising by 27%. We expect the bull-run to continue given improving external account prospects as current account has witnessed a surplus of USD 1.6 billion during 5MFY21, exceeding expectations.

PSX has witnessed substantial rise in subsequent years after external economic crises



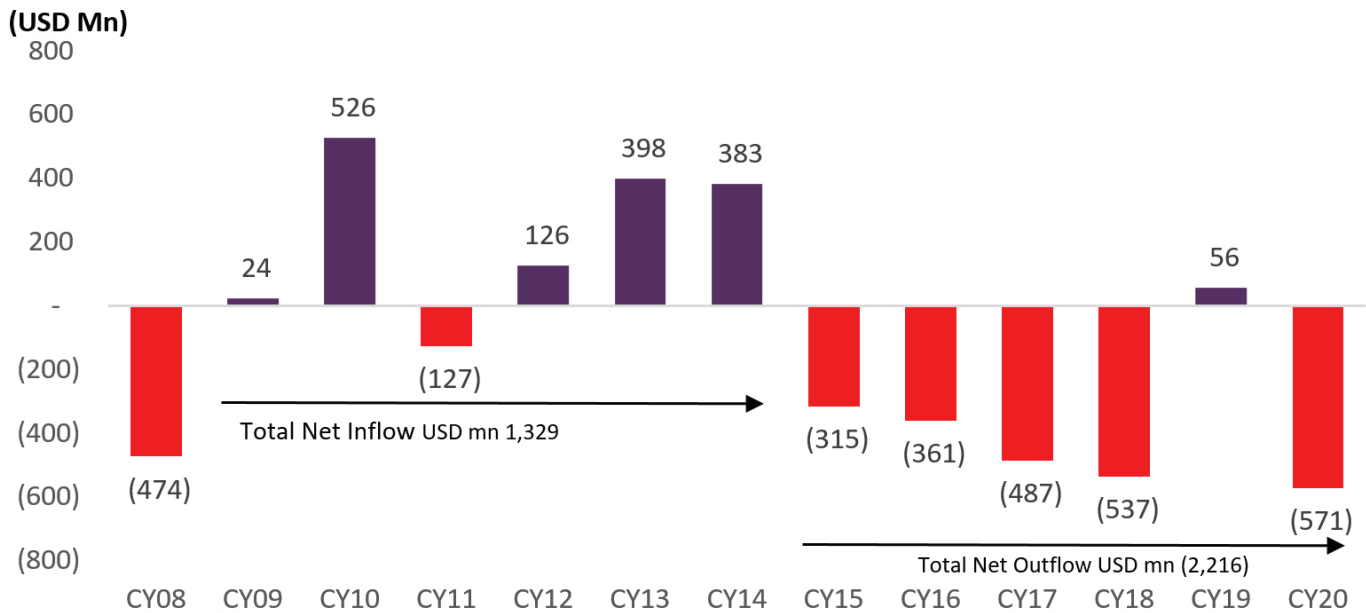
With significant devaluation done in last three years, we have seen substantial contraction in imports of goods and services while exports have also started showing decent growth. The latest Real Effective Exchange Rate (REER) explain reading of 97.1 for Oct-20 shows that PKR is near its equilibrium level meaning no abrupt devaluation of double digit is needed now especially with CAD now at manageable level, thus we expect the market to continue to give decent return in coming time period in line with its historical track record. Despite the recent rise, the market is still at attractive P/E level of 7.0x along with rising growth prospects while offering a dividend yield of 4.4%. When compared with MSCI EM P/E of 20.0x, the discount is much higher than average historical discount.

Foreign outflows continued in CY20, likely to taper off going ahead

Foreigners have offloaded roughly USD 2.2 bn worth of securities since CY15, after being net buyer between CY09-CY14 of USD 1.3 bn. Selling has remained unabated irrespective of market trend 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 & Cement sectors witnessed heavy sell-off despite numerous positive news flow.

Presently, the selling appears to have exhausted in key names in Oil Exploration and Production and Banking Sectors, hence, we anticipate lesser resistance to index movement going forward. This along with shift in global preference for emerging markets next year owing to a weaker dollar, will keep interest alive in the region in general and Pakistani equity market in specific.

Net FIPI Flows



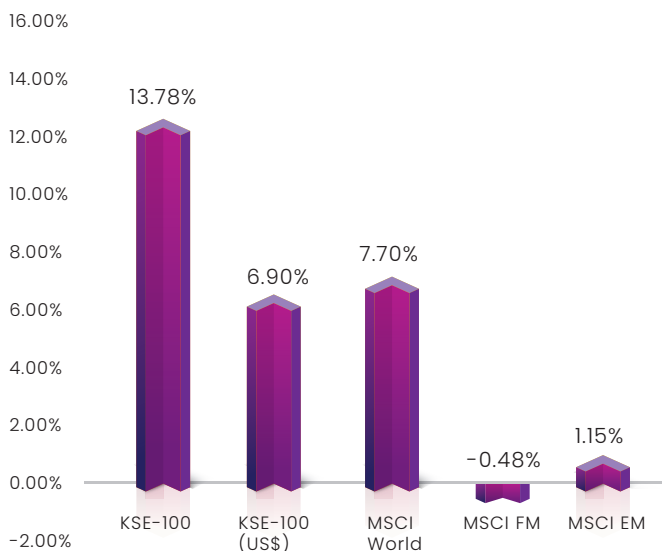
Source: NCCPL

We also expect foreign selling to taper off compared to prior years on account of limited devaluation going forward (major concern for foreigners in last few years) and attractive Price to Earnings multiple compared to regional countries. The Roshan Digital Account inaugurated by the Government is a major initiative of SBP, in collaboration with commercial banks. These accounts will provide all banking facilities for millions of Non-Resident Pakistanis seeking to undertake banking, payment and investment activities in Pakistan. The Roshan Digital Account will fully integrate the Pakistani diaspora with Pakistan's banking and payment system and enabling investment in Pakistan's stock market.

Pakistan Equities have historically outperformed the region and other asset classes.

Pakistan has historically performed regional markets and competing asset classes over the past decade. The market has outperformed the Frontier and Emerging market by a healthy 6-7% and competing asset classes by over 5%. Although, developed markets have been at the center of attention of global investors for last few years, however, this is set to change as the dollar loses its allure.

KSE100 vs. MSCI Index

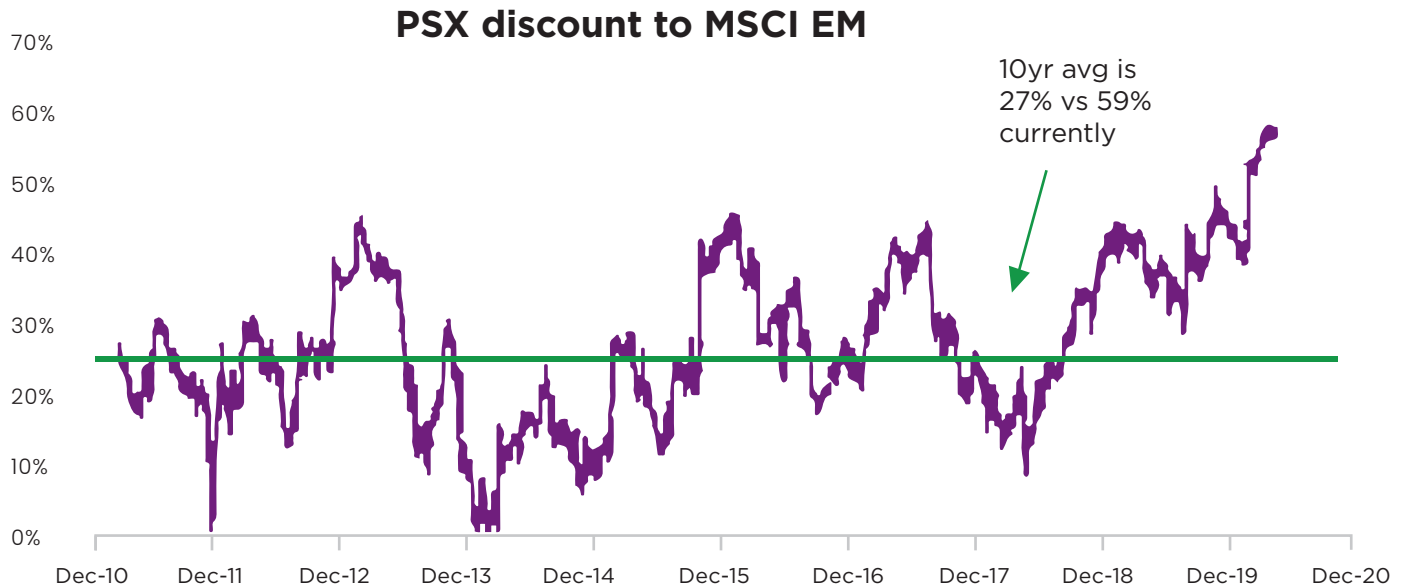


KSE100 vs. other asset classes



Annual return for the period December 2010-2020

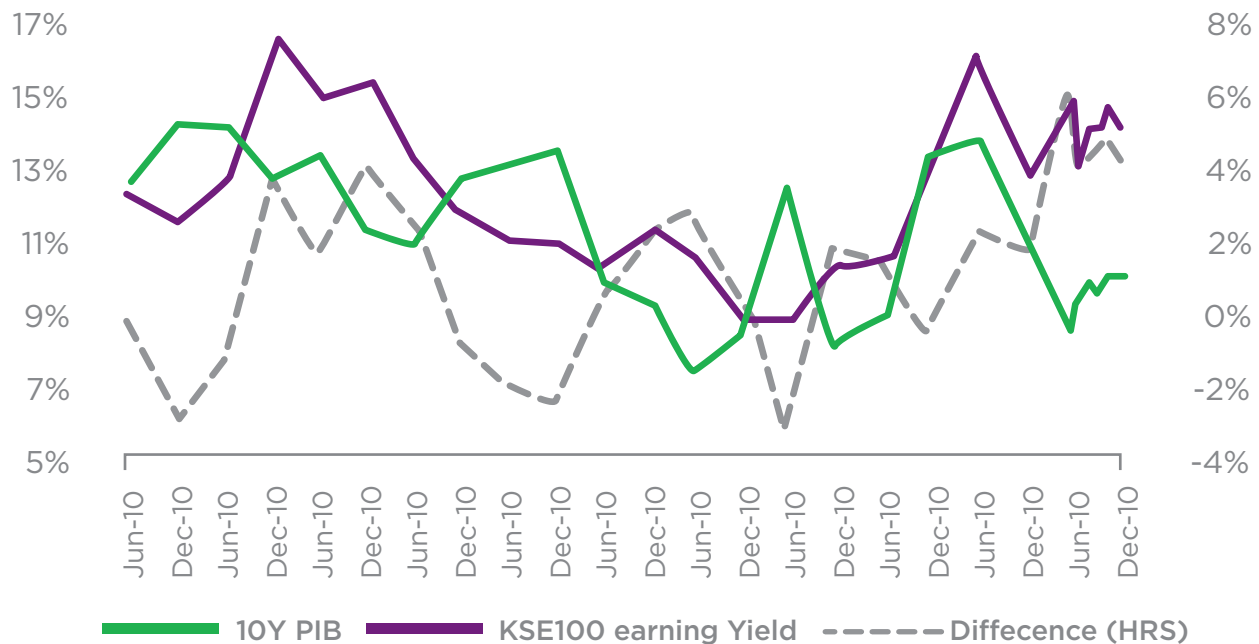
PSX's discount to MSCI EM is the highest since Dec-2010 as a result of divergence from EM performance. The discount has widened over the years due to persistent foreign selling that had kept the market in a strong bear grip. However, this appears to be changing due to continued support for multilateral agencies, improvement in current account numbers and initiation of much needed structural reforms by the government.



Significant difference between earnings yield and fixed income return

The sizable decline in interest rate has greatly increased the attraction of equities due to substantial drop in fixed income alternatives making it a preferred asset class among investors, especially life insurance, retirement funds and government pension funds, which have a long-term horizon. This can be explained by the significant gap between Earnings Yield (E/P) and yields on the 10-year PIB. Historical difference between the two has been around 1.2%, however the current spread has increased to 4.3% which implies that market is trading at substantial discount to its historical level and should re-rate fundamentally. The decision by Government to restrict institutional investor from participation in National Savings Scheme should also bode well for equities in the long run. Shift in allocation from fixed income to equities is highly likely from domestic institutions and HNWI's. Thus, given the improvement in growth prospect in the coming years, anticipated liquidity in equities from fixed income alternatives and likely tapering of foreign selling, the market is projected to give a double digit return in CY2021.

Trend of Earnings Yield and 10Y PIB



CONCLUSION & RECOMMENDATION

Pakistan is likely to kick start the IMF program in early 2021, which was stalled due to Covid-19. Recent talks by Finance Minister and SBP all point towards this. We expect the much-needed structural reforms process of utility tariff rationalization, circular debt resolution and tax reforms agenda to gather pace going forward in 2021. For the equity market we expect positive sentiment on this development. Historically, the equity market has risen 26% on average over a 6-month period after the finalization of an IMF program and this trend is more likely to continue this time around, especially as we expect foreign investors to turn positive on the market after entry in IMF program. Other Multilateral institutions such as World Bank and ADB have continued their funding for the country while international Investors' participation in Pakistan's International Bond offerings is expected to be healthier under IMF program. 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.

All things considered, Pakistani equities offer a value buy and coupled with the expected upward trajectory, equities are well poised to yield stellar returns in the short to medium-term. Therefore, we recommend our investors to focus on the above-mentioned factors and build equity positions in their portfolio via direct investment or through mutual funds to benefit from the upward trend.

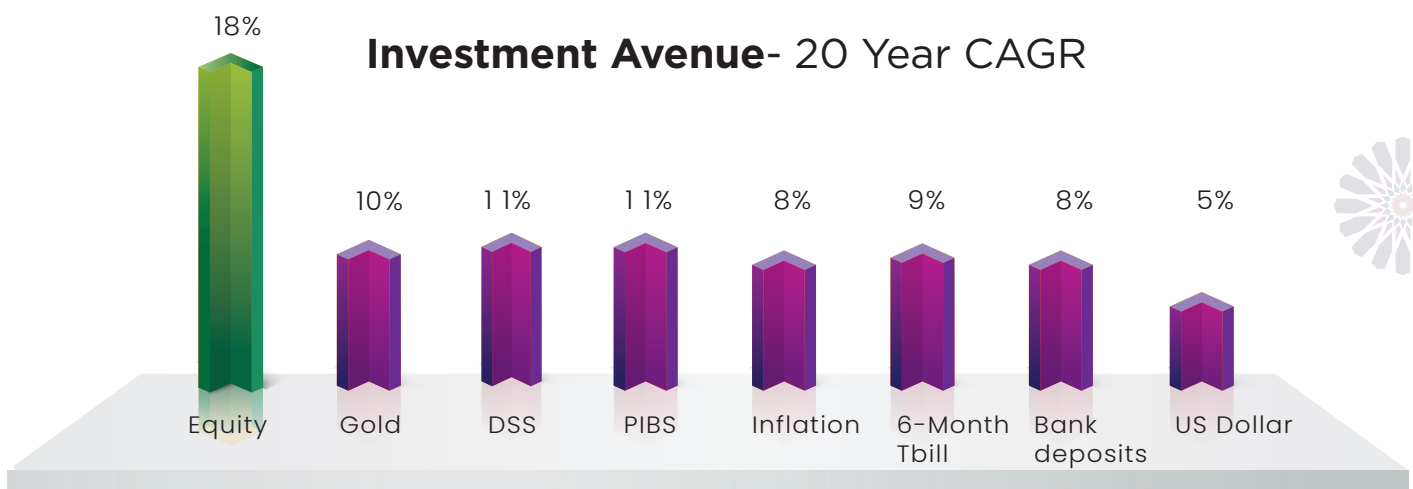
In the light of our favorable stance for investment in equities, Al Meezan offers exposure to equities through a range of mutual funds in its product suite depending on one's risk tolerance level. For long term investor with high risk tolerance we recommend our flagship Meezan Islamic Fund (MIF), which hosts an AUM of Rs. 31 bn, while AL Meezan Mutual Fund (AMMF) has a track record of more than twenty-five years. We have recently 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.

EQUITY HAS HISTORICALLY OUTPERFORMED OTHER ASSET CLASSES OVER IN THE LONG RUN

Investment Avenues – 20 Years (% Returns)

Period	Equity (KSE-100)	Period	Defense Saving	10 Year Govt. Bonds	Inflation	6-month T-bill	Bank Deposits	Dollar (USD)
CY01	-16	2	2	13	4	11	6	4
CY02	112	25	25	9	4	7	4	-2
CY03	66	19	19	5	3	2	2	-1
CY04	39	6	6	7	7	3	3	4
CY05	54	18	18	9	9	8	7	1
CY06	5	23	23	10	8	9	9	2
CY07	40	31	31	10	8	9	9	2
CY08	-58	6	6	14	20	12	11	22
CY09	60	24	24	13	14	13	12	6
CY10	28	30	30	13	15	13	12	2
CY11	-6	10	10	14	12	13	13	5
CY12	49	7	7	13	10	11	11	8
CY13	49	-28	-28	12	8	7	7	8
CY14	27	-2	-2	13	7	10	10	-5
CY15	2	-10	-10	9	3	7	7	4
CY16	46	9	9	8	4	6	6	0
CY17	-15	13	13	8	4	6	6	5
CY18	-8	-2	-2	10	5	8	7	21
CY19	10	18	18	13	10	12	8	11
CY20	7	25	25	10	10	9	6	3
CAGR	18	10	10	11	8	9	8	5



ASSET CLASS RETURNS

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.

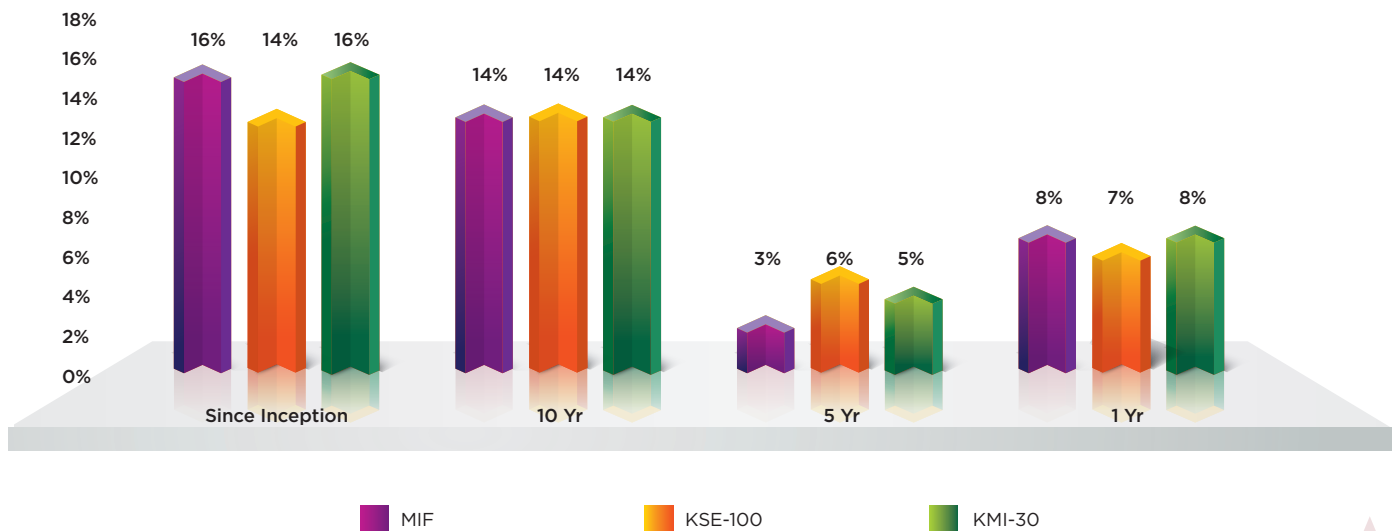
MEEZAN ISLAMIC FUND (MIF)

ROCK SOLID FOR LONG TERM

Our star open-end mutual fund Meezan Islamic Fund, has amassed a past filled with over 17 years of providing Sharia compliant equity exposure to its investors. Current AUMs are of around Rs. 31.0 bn as of December 31, 2020. Assuming an investor made an initial investment of Rs. 100,000 in MIF on its inception date in August, 2003 and did not make any withdrawals, his investment would now have grown to Rs. 1,236,831 (till December 31, 2020), earning an annual 15.54% CAGR. Equity has always remained the best performing asset class for long-term investors willing to withstand short to medium-term volatility.

The graph below shows the annualized calendar year (CY) returns of MIF, KSE-100 and KMI-30 for the past 1, 5, 10 years and since inception.

Annualized Returns- MIF vs KSE-100



Fixed Income - Stage set for gradual interest rate rise*

Market witnessed reversal of the Monetary Policy, amid concerns on sudden outbreak of the Corona Virus pandemic and its implications on the economies worldwide. After the last rise in policy rate during July 2019, the central bank kept the policy rate unchanged at 13.25% with long term expectations of single digit inflation by the end of CY20. However, due to outbreak of Covid 19 pandemic the central bank adopted the monetary easing stance and slashed the policy rate by 625bps cumulatively to 7.0%.

Secondary Market Yields Snapshot:

	Dec 2019	Dec 2020	Difference from Jul 2019
SBP Policy Rate	13.25%	7.00%	-6.25%
GoP Securities			
6- Months T-Bills	12.85%	7.18%	-5.67%
10-Year Pakistan Investment Bonds (PIBs)	13.72%	10.00%	-3.72%
Ijarah Sukuks	9.45%	7.36%	-2.09%
Corporate Instruments			
TFCs (AA rated and above)	12.85%	10.05%	-2.80%
Corporate Sukuks	11.61%	7.78%	-3.83%

Highest and Lowest Yields for the Period December 2019 to December 2020		
T-bills	High	Low
T-Bill 3 Months	13.44%	6.34%
T-Bill 6 Months	13.46%	6.35%
T-Bill 12 Months	13.39%	6.40%
PIBs	High	Low
PIB 3 Year	12.24%	7.21%
PIB 5 Year	11.65%	7.60%
PIB 10 Year	11.32%	7.64%

Outlook

Going forward inflation and external outlook will be the main driver for any change in the policy rate during CY21. In the FX market, the rupee depreciated over the period (Jan 2020 to Dec 2020) with the exchange rate closing at Rs. 159.83/\$ (Rs. 4.88 weaker).

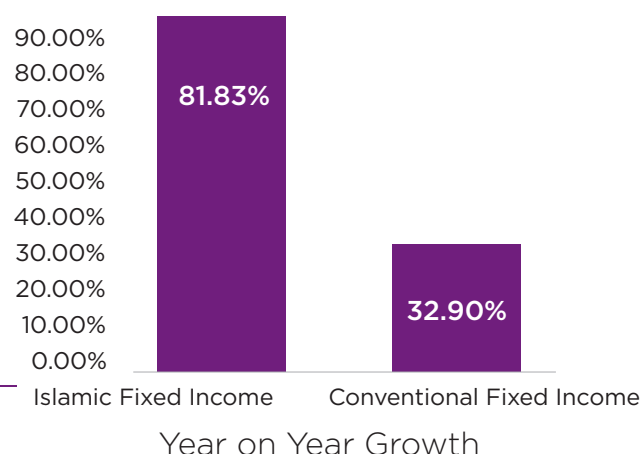
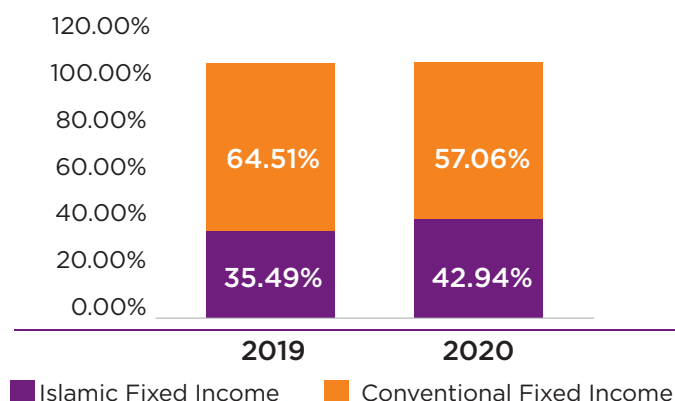
Fixed Income funds following the Policy Rate

In line with policy rate, returns of fixed income funds showed a downward trend, however beating their respective benchmarks by a considerable margin. Going forward, we expect a similar trend and in case of a rise in the policy rate, fixed-income funds will continue to provide an attractive risk-adjusted rate of return to meet their investors' requirements. The most important benefit of investing in the mutual fund is that the investors can redeem the units at any point in time without any penalty, unlike fixed bank deposits.

*For fund category and risk category please see the details in the appendix.

Comparison of Growth in Fixed Income Funds

Market share of Fixed Income Funds



Fixed Income Round-Up for CY20 & future expectations

On the Shariah compliant end, the central bank borrowed around Rs. 561.44bn by issuing 5 floating rate Ijarahs and 1 Fixed rate Ijarah. Moreover, during the month of May 2020, much awaited Pakistan Energy Sukuk II was also issued (PKR 199.97 bn) to ease out the circular debt issue of the country. A positive emanating from these issuances is that the excess liquidity situation, due to limited availability of eligible investment avenues, has been resolved to some extent and now the participants in the Islamic side of the money market have multiple options to deploy their liquidity and earn attractive return on their investments.

GOP Ijarah Sukuk	Type	Current Coupon	Issue Size (bn)	Maturity Date
XX	Floater	5.95%	76.39	30-Apr-25
XXI	Floater	7.10%	74.62	29-May-25
XXII	Floater	7.07%	47.24	24-Jun-25
XXIII	Floater	6.27%	186.91	29-Jul-25
XXIII	Fixed	8.37%	44.60	29-Jul-25
XXIV	Floater	7.08%	131.69	9-Dec-25
Total Ijarah Acceptance			561.44	
Pakistan Energy Sukuk II	Floater	7.25%	199.97	21-May-30
Total Government Borrowing in CY20			761.41	

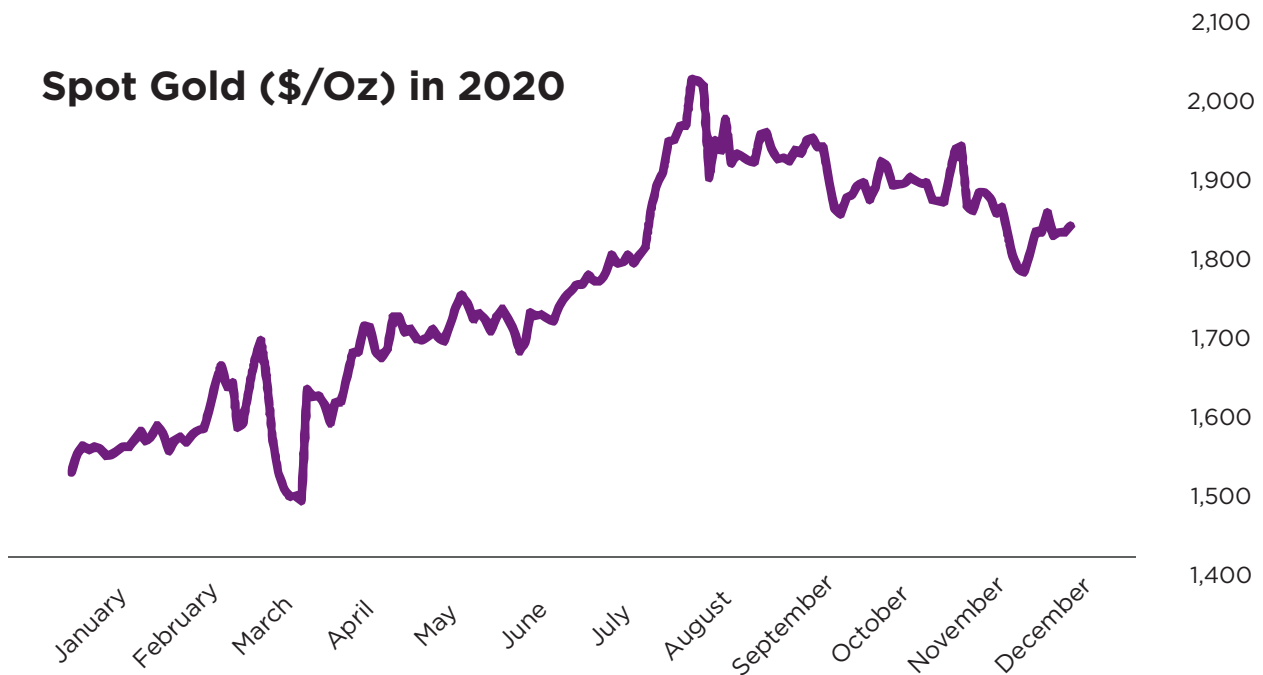
It is also encouraging to note that SECP is also taking steps for promoting Islamic sukus by organizing seminars and educating the issuers and investors on the benefits of raising debt through issuance of Shariah compliant instruments. Some of the blue chip corporates have already started to understand the excess liquidity situation of the Islamic Financial sector and have started issuing corporate sukus 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 sukus since CY19. Hopefully, a consistent increase in the issuance of new Sukus (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.

Gold - 2020 & beyond..*

The yellow metal exceeded expectations during 1HFY21 as spot gold hit a new record high of \$2,075 in August 2020 before entering a corrective phase. This meant the price of Gold had increased by over 35% since the start of the Calendar year. The main cause of this was high inflows in gold exchange traded funds (ETFs) in July of around 166 tonnes, and almost 39 tonnes in August. The movement in gold prices, as seen in the graph, is largely derived from falling government bond yields, weakness of the US dollar, Ultra generous COVID stimulus packages and high levels of geopolitical uncertainty.

Spot Gold (\$/Oz) in 2020



The high prices of gold were a testament to the fact that investors sought protection from inflation and an impending economic crisis by investing in gold, and 2020 was a year filled with global crisis largely due to the COVID pandemic. Initially, gold price took a hit in March 2020 as global liquidity evaporated and real interest rates spiked. However, the inevitable policy response of rate cuts, massive quantitative easing, and huge fiscal deficits quickly unwound that deflationary crunch and sent risk-assets soaring. Thereby, gold was well-positioned to ride that wave to its new all time highs which it did so in August 2020 as mentioned above.

Since touching its highs in August, gold prices have tended to retreat to a range bound level of between \$ 1,850 and \$ 1,900 an ounce. This dip is largely a result of optimism fueled by news of successful roll-outs of Vaccines. However, the ever concerning prospects of runaway inflation remains on the cards as governments around the world have rolled out vast sums of money in anticipation of controlling this on-going pandemic. Even prior, to successful roll out of the vaccine, the world's largest economy the United States isn't expected to return to normalcy prior to at least the second half of 2021 as was indicated by Mr. Jerome Powell in a speech after conducting the FOMC meeting of December 2020. These factors, will therefore keep risk averse investors, interested in the yellow metal which is considered a safe haven vehicle in times of global stress.

At the time of writing of this article, another \$ 900 billion dollar in Relief stimulus has been finalized by both the Congress and Senate and more importantly so acceded to by President Trump, who has just days to go till his tenure ends. With the new democrat president to be sworn in this January the 23rd, we expect a further wave of stimulus and relief measures to be rolled out in the coming months of the new year 2021 This, together with the questions surrounding the availability and distribution of the vaccine mean that investors will remain attracted to gold for the foreseeable future and prices of the metal may remain volatile in the upcoming year as well.

*For fund category and risk category please see the details in the appendix.

Launch of Pakistan's First Shariah Compliant ETF*

The Pakistan stocks market is indeed a very attractive place for prospective investors as it has provided a return of almost 13% (As of June 30, 2020) in CAGR terms over the last 10 years. However, to most investors and savers in general, it is also a very intimidating financial arena as well. This is because during times of volatility the market may in-fact turn negative and investors may incur losses, which tends to keep the general public skeptical and away. Never the less, it remains the most important avenue of investment available to investors.

Especially for those new to investment or who have little funds to invest; the Exchange Traded Funds or ETFs can be a very convenient and lucrative form of investment that allows them to take exposure to the Pakistani stock market.

Types of ETFs:

ETFs have been quite popular around the globe amassing over \$7 trillion in assets under management, as of September 2020. ETFs essentially provide an easy way to diversify across different sectors, industries or securities, and can constitute of stocks, commodities, bonds, or other securities. Globally, there are several types of ETFs on offer like:

- 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 area of the market, such as gold or oil;
- 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 emulate different foreign exchanges.



Understanding what an ETF is:

To understand what an ETF is, a simple comparison could be made to mutual funds. While it may be quite similar to a mutual fund, it also has some additional distinguishing features which define it. An ETF is essentially a pooled investment vehicle, similar to an open-end mutual fund, which is traded on the stock market (as a share of stock). An investor may buy or sell ETF units (a diversified portfolio or basket of stocks) just as they would buy or sell the shares of any publicly traded company.

Since an ETF unit may give you exposure to a lot of stocks perhaps from different sectors of the market; thus buying taking such exposure through an ETF would lead to reduction in costs as an investor. Since the investor will incur more transaction cost if they were to buy the different individual stocks themselves instead of taking the exposure in one-go through an ETF.

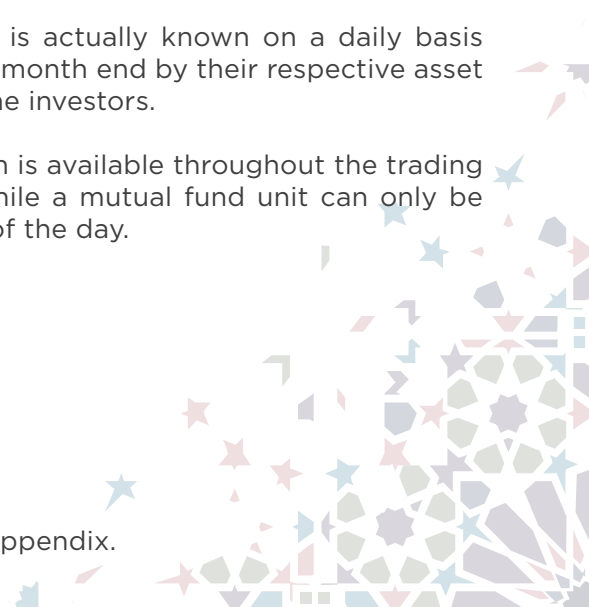
Similarly, most of the equity oriented mutual funds tend to have an active strategy thereby incurring high management fees. On the other hand, ETFs generally have a passive strategy (unless these are active ETFs) and may actually incur quite low management fees without any sales-load, thereby generally being considered as cost effective investment vehicles.

The entire underlying portfolio of securities constituting the ETF is actually known on a daily basis whereas in mutual funds, only the top ten holdings are disclosed at month end by their respective asset management companies (AMCs). These adds to transparency for the investors.

ETF units are also easily tradeable on the exchange at a price which is available throughout the trading day. Thus investors can buy or sell as ETF throughout the day while a mutual fund unit can only be purchased or redeemed at the price which is available only at end of the day.



*For fund category and risk category please see the details in the appendix.



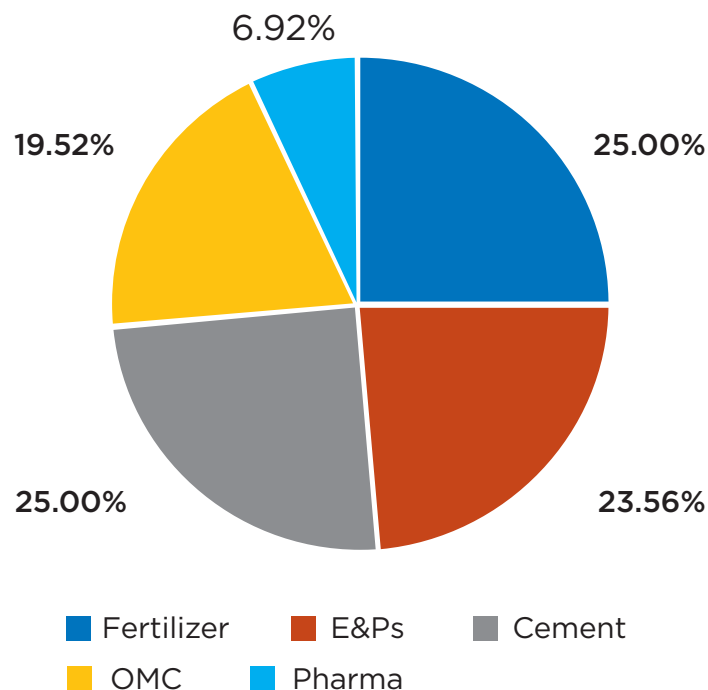
The first shariah-compliant ETF of Pakistan:

Al Meezan Investment Management Limited is the pioneer in launching several new shariah compliant funds in the market. To name a few, this extensive list amongst others include Pakistan's first shariah compliant commodity fund, Index Tracker Fund, Fund of Funds, Sovereign Fund and many more innovative products that were recognized as the first of their kind to the market.

Following its glorious tradition, Al Meezan became the first company to launch Pakistan's first shariah-compliant ETF on October 06, 2020, called Meezan Pakistan ETF (MP-ETF). This ETF gives an investor a diversified exposure to a couple of well performing sectors including Cement, Oil & Gas Exploration (E&Ps), Fertilizer, Oil & Gas Marketing (OMCs) and Pharmaceuticals, as shown on the right.

Meezan Pakistan ETF (MP-ETF) being the first shariah-compliant ETF of Pakistan provides exposure to the top liquid shariah-compliant stocks in the market. Investors can confidently take exposure in MP-ETF knowing that the fund's operations have been fully vetted by its Shariah Advisor (Dr. Muhammad Imran Ashraf Usmani Sb).

Exposure to various sector (MP-ETF)



Similar to purchasing any other stock on PSX, investors with a brokerage account can simply ask their brokers to purchase shares of MP-ETF from the stock market. They can monitor the performance of MP-ETF by viewing the prices displayed on the website of PSX or their respective brokerage trading panels (Ticker: MZNP-ETF).

Going forward, we can certainly expect that more and more AMCs will be launching their ETFs which will lead to healthy competition and development of this sector. There is also a chance that we see different types of ETFs being launched, as are available internationally as well.

Separately Managed Accounts

We offer tailor made investment solutions that align with your parameters for risk, return, security and cash flow needs.

Key Characteristics of our Separately Managed Accounts (SMAs)



Personalized Solution



Risk Management



Reporting & Communication



Complete Transparency

Sales Representative:

Responsible for onboarding and assisting clients with all account matters.

Product Manager:

Facilitates connectivity between the client and the back office team post induction. Also, manages reporting & communications.



Portfolio Manager:

Responsible for day to day portfolio management. Employs extensive research tools to manage and invest in securities.

Back Office Team:

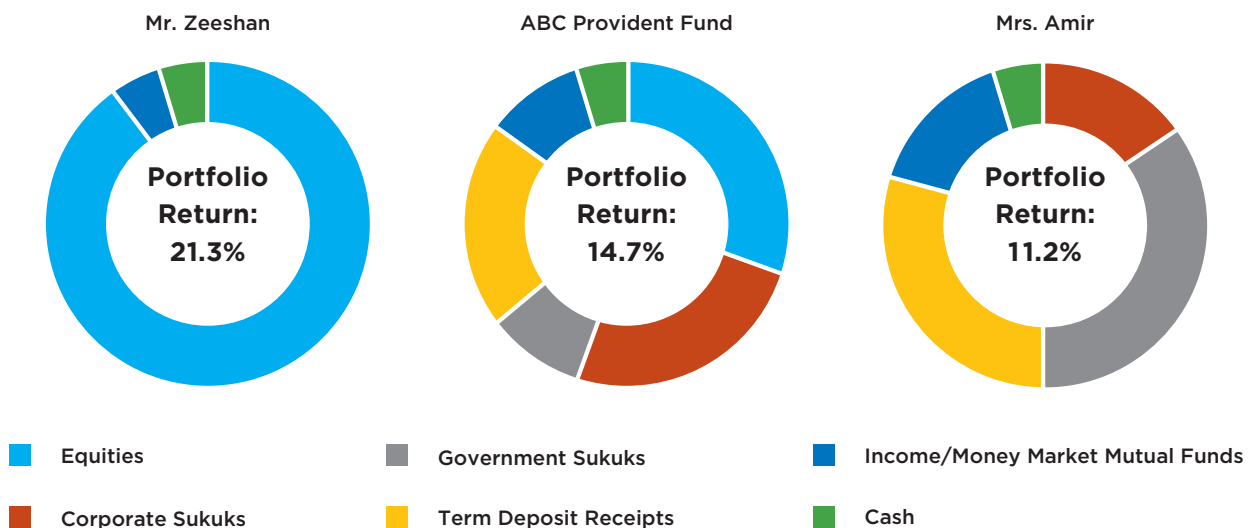
Manages the trade settlement, bank account management, return calculations & fee matters for the client.

Sample Portfolios

The sample portfolios below illustrate how investment avenues for each client can differ based on their specific risk & return profile, liquidity requirements and time horizon. In a rising equity market scenario, the higher the risk appetite of the client, the higher the returns as visible in the portfolios below.

Hypothetical Client	Mr. Zeeshan (Individual)	ABC Provident Fund (Corporate)	Mrs. Amir (Individual)
Profile	Age: 27 Marital Status: Single Fresh graduate with first job Risk tolerance: High	Retirement Portfolio Adheres to the latest SECP Employee Funds' Rules for Portfolio Management Risk tolerance: Moderate	Age: 62 Marital Status: Widowed with 2 kids Retired Risk tolerance: Low
Benchmark	100% KMI -30	30% KMI -30 70% 6 month deposit rate	100% 6 month deposit rate

Portfolio Performance for the Period: 30th June 2019 till 30th November 2020



Marketing Highlights

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

A large, 3D golden '177' is the central focus, surrounded by falling golden confetti and a flowing golden ribbon. The word 'Billion' is written in a golden, sans-serif font to the right of the numbers.

177
Billion

Thank you

130,000 Investors

for helping us achieve another milestone

With over **Rs. 17,700 crores***

Assets Under Management

AWARDS AND ACHIEVEMENTS

During the year 2020, Al Meezan received the award for
"Islamic Asset Manager of the Year"
 by The Asset Triple A' Islamic Finance Awards.



SMS "INVEST" to 6655
 0800 - HALAL (42525)

AM1
 Awarding the Best

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During the year 2020, Al Meezan received the award for
"Best Islamic Asset Management Company Pakistan 2020" and
"Most Innovative New Islamic ETF Fund - MP-ETF Pakistan"
 by Global Business Outlook (GBO)



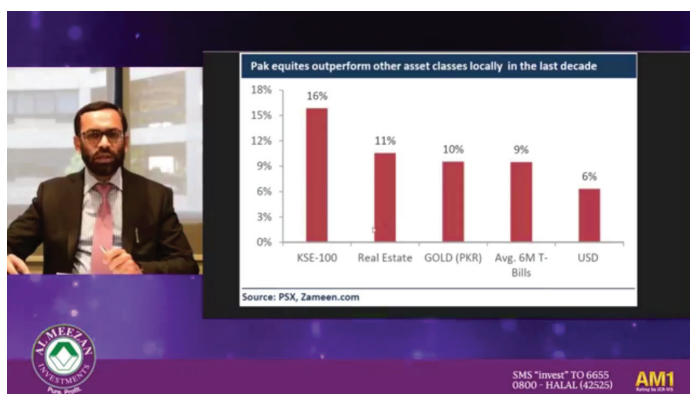
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 Awarding the Best

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EDUCATING THE MASSES

Al Meezan Investments in collaboration with Central Depository Company of Pakistan continued their endeavor to educate the masses even during the pandemic through Investment Awareness webinars and monthly market round ups by the CEO on social media platforms.



Investment Awareness Webinar
 Powered by Al Meezan Investments &
 Central Depository Company

Tune in today at 3:00pm

Mr. Talha Anwar
 EVP - Country Head Sales
 Al Meezan Investment Management Ltd.

Topic:
 Mutual Funds and Pension Funds Awareness

Mr. Shariq Naseem
 Head of Marketing & Product Development
 Central Depository Company of Pakistan Limited

Topic:
 Investor Protection

Setup: zoom Live <http://www.facebook.com/almeezangroup>

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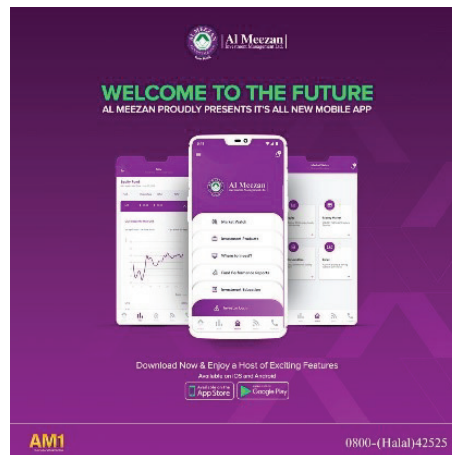
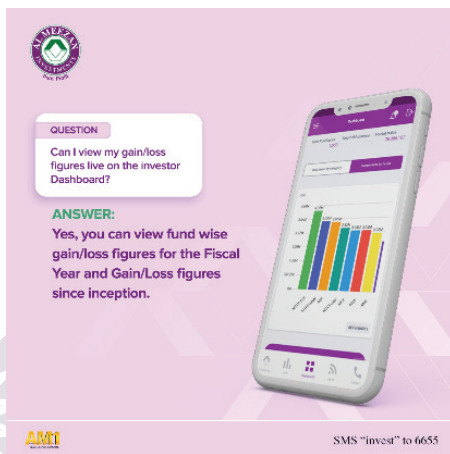
AM1
 Awarding the Best

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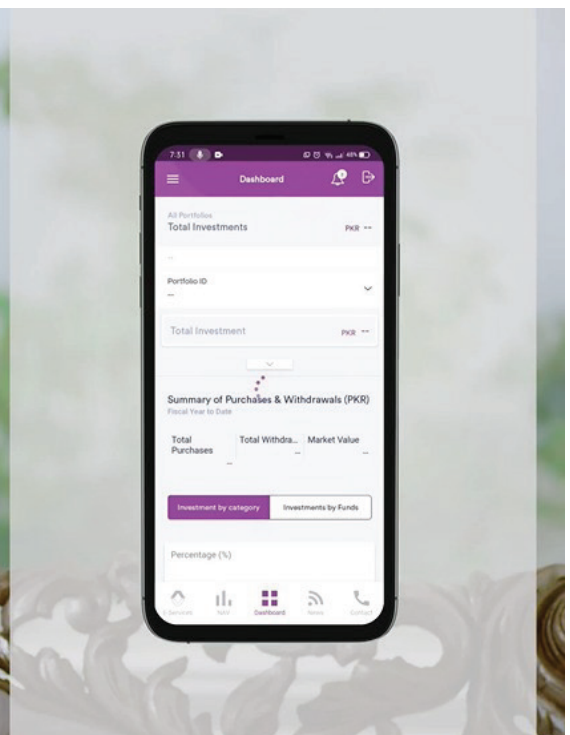
MARKETING CAMPAIGNS

Staying connected to the investors was Al Meezan's top priority during the pandemic. In order to ensure that customers continued to receive unimpeded service, Al Meezan further beefed up its digital assets.

WELCOME TO THE FUTURE Launch of Al Meezans All New Mobile Application



DVC - Al Meezan Mobile Application



AL MEEZAN'S FUNDS ONLINE & ONLINE ACCOUNT OPENING



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Al Meezan Investments

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Al Meezan Investments launched its
Tele Transaction Service
where investors can call us on our
Toll Free number 0800-Halal (42525)
and carry out their
Conversion and Redemption Transactions.



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Al Meezan Investments

HAJJ CAMPAIGN

Invest Your Hajj Savings Wisely and be prepared for next year Insha Allah

Invest in Al Meezan's Income & Money Market Funds Today!

AM1 SMS "invest" to 6655

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Don't Let Your Hajj Savings Get Eroded by Inflation

Invest today in Al Meezan's Income or Money Market Funds for a blissful journey next year with ease in Sha Allah

Start saving today with PKR 5,000/- only

AM1 SMS "invest" to 6655

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TAX CAMPAIGN

30 جون سے قبل سرمایہ کاری کیجئے۔۔۔
اور میوچل فنڈ میں اپنی سرمایہ کاری پر ٹیکس میں 40% تک کی چھوٹ حاصل کیجئے۔

SAVE UP TO 40% ON YOUR TAXES

• میزان یہ پائلڈز سرمایہ کاری سے ٹیکس میں 20% تک پگھلتے ہیں •
• MTPF سرمایہ کاری سے ٹیکس میں 20% تک پگھلتے ہیں •

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SAVE UP TO 40% ON YOUR TAXES

• Up to 20%* Tax Savings through investment in **Meezan Mutual Funds**

• Up to 20%* Tax Savings through investment in **Meezan Tahafuz Pension Fund**

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SAVINGS PLAN CAMPAIGN

Save for the Dream home of your life

Start saving in **Meezan Home Builder Plan**

Group Takaful coverage

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Education is important. So is Investment.

Start saving in **Meezan Education Saving Plan**

Group Takaful coverage

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Saving can make your wedding day more special

Start saving in **Meezan Wedding Saving Plan**

Group Takaful coverage

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LAUNCH OF MEEZAN PAKISTAN EXCHANGE TRADED FUND

Al Meezan launched the first Shariah complaint exchange trade fund; Meezan Pakistan Exchange Traded Fund (MP-ETF).



CELEBRATING 25 YEARS OF INOVATIVE INVESTMEENT SOLUTIONS



Mohammad Shoib, CFA - CEO Al Meezan Investments cuts the cake to commemorate 25 year milestone for Al Meezan.

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 Islamic Fund	MDIF	Islamic Equity	High	High
Meezan Pakistan Exchange Trade Fund	MP-ETF	Exchange Trade 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 Aamdani 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 Startegic Allocation Fund	MSAF	Islamic Fund of Funds	Plan Specific Medium to High	Plan Specific Medium to High
Meezan Startegic Allocation Fund-II	MSAF-II	Islamic Fund of Funds	Medium	Medium
Meezan Startegic Allocation Fund-III	MSAF-III	Islamic Fund of Funds	Medium	Medium



Al Meezan
Investment Management Ltd.

AM1
Rating by VIS and PACRA

Al Meezan mein Itminan hai.

CONTACT US

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

We are available on Social Media



A Subsidiary of

Meezan Bank
The Premier Islamic Bank

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

REGISTERED OFFICE

GROUND FLOOR, BLOCK 'B' FINANCE & TRADE CENTRE, SHAHRAH-E-FAISAL, KARACHI-74400, PAKISTAN.

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

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, tax implications and risks involved. The performance data has been computed NAV to NAV with dividend reinvested and does not include cost incurred by investor in the form of sales-load etc.