



ANNUAL REPORT - 2020

Section 13 (g) Punjab Pension Fund Act, 2007 requires that the Management Committee shall prepare an Annual Report for submission to the Government detailing the performance of the Fund. The Management Committee of Punjab Pension Fund (PPF) is pleased to present to the Government of Punjab the Annual Report for the year ended 30 June 2020.

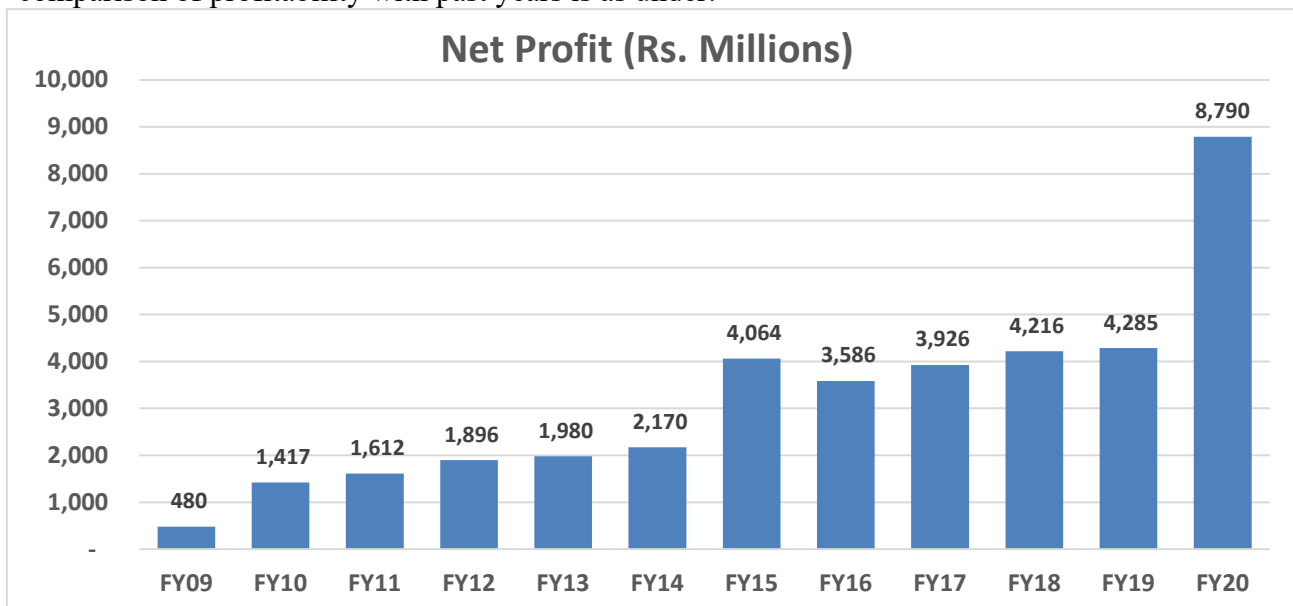
FUND SIZE:

- A summary of changes in fund size during FY2019-20 is given in the following table:

Rs. millions	Jul 2019 - Jun 2020
Beginning fund size (1 st July 2019)	59,273
Add: Contribution during the year	5,000
Add: Income during the year	8,858
Less: Expenses during the year	(68)
Add: Unrealized gain during the year	1,926
Ending fund size (30 th June 2020)	74,989

PROFITABILITY:

The Fund made a net profit of Rs. 8,790 million during FY2019-20 which is 105.2% higher than last year's net profit of Rs. 4,285 million. The yields of PIBs reversed during the year. The Punjab Pension Fund Invested funds in high yields PIBs and timely divested them to earn hefty capital gains. A comparison of profitability with past years is as under:





FUND'S PORTFOLIO:

- The Fund's exposure to different investment types is as under:

Amounts: Rs. millions

#: as a percentage of Total Fund Size

	30-Jun-20		30-Jun-19	
	Amount	%	Amount	%
National Savings Schemes – DSC, RIC & SSC	50,121	66.8	-	-
Short term Bank Deposits	15,897	21.2	19,654	33.2
Mutual Funds - Equity	4,664	6.2	4,559	7.7
Accrued Markup	1,400	1.9	1,776	3.0
Corporate Debt Instruments TFC & Sukuks	1,372	1.8	797	1.3
Pakistan Investment Bonds (PIBs)	1,050	1.4	32,386	54.6
T-Bills	379	0.5	-	-
Other net assets*	106	0.1	101	0.2
Total Fund Size	74,989	100	59,273	100

*Other net assets (net of liabilities) include prepaid operating expenses etc.

- The Fund has built a portfolio of variable-rate corporate bonds. The Fund has also capitalized on the arbitrage opportunity to invest the proceeds in high-yielding National Saving Products. As a result, PPF's exposure in fixed-rate PIBs decreased from 54.6% at the end of FY19 to 1.4% by the end of FY20. At the same time, the exposure in the National Saving Products was 67% at the end of FY20.
- During the last couple of years, the OIC of PPF followed a yield curve strategy wherein it invested in long-term instruments when yields were high and earned huge capital gains by selling these investments at lower interest rates.
- During the FY20, the Fund's equity portfolio has remained slightly positive while posting a 2.3% return vs. its applicable benchmark return of 1.6%. The outperformance was due to a better mutual fund portfolio.



FUND'S PERFORMANCE:

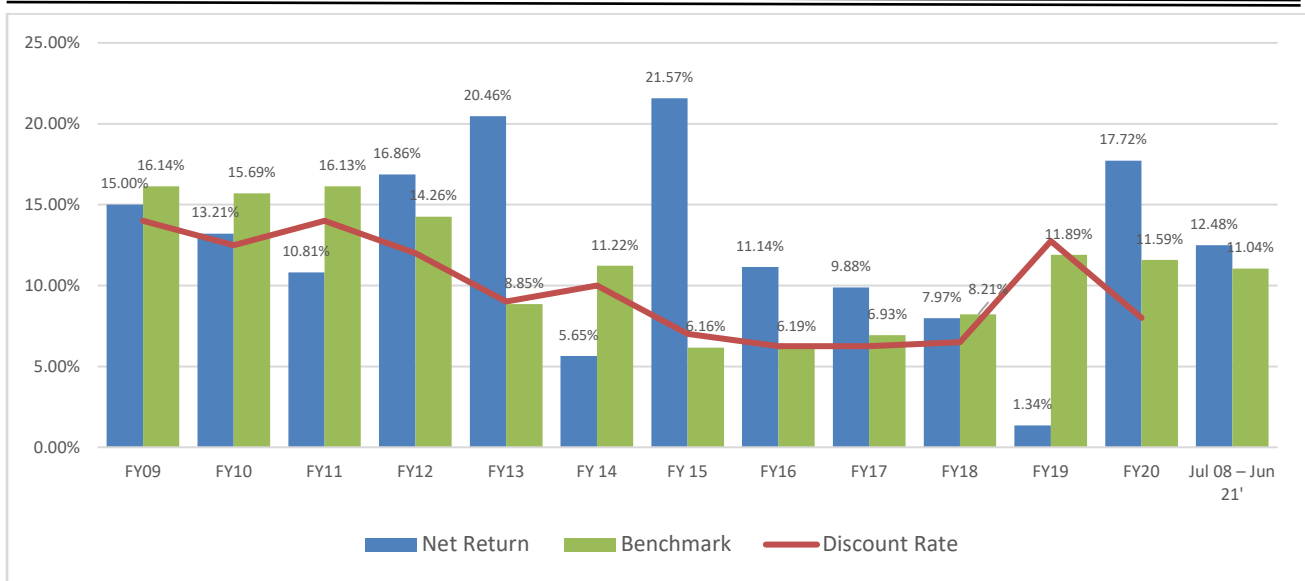
- Time Weighted Return (TWR) earned by PPF is summarized as under:

Period	Annualized Return for the period		YoY CPI Inflation	Long-term Benchmark
	Gross Return	Net Return*		CPI Inflation + 3%
FY 2008-09	15.21%	15.00%	13.14%	16.14%
FY 2009-10	13.39%	13.21%	12.69%	15.69%
FY 2010-11	10.96%	10.81%	13.13%	16.13%
FY 2011-12	17.03%	16.86%	11.26%	14.26%
FY 2012-13	20.62%	20.46%	5.85%	8.85%
FY 2013-14	5.80%	5.65%	8.22%	11.22%
FY 2014-15	21.74%	21.57%	3.16%	6.16%
FY 2015-16	11.28%	11.14%	3.19%	6.19%
FY 2016-17	10.01%	9.88%	3.93%	6.93%
FY 2017-18	8.08%	7.97%	5.21%	8.21%
FY 2018-19	1.43%	1.34%	8.89%	11.89%
FY 2019-20	17.81%	17.72%	8.59%	11.59%
Jul 2008 – Jun 2020 (CAGR)**	12.63%	12.48%	8.04%	11.04%

*Net Return means return after deducting management expenses of Punjab Pension Fund.

**CAGR means Compound Annualized Growth Rate.

- The Fund posted a net return of 17.72% during FY2019-20 against a net return of 1.34% during the preceding year. The timely execution of the yield strategy helped the fund to post a staggering return.
- The SBP raised its Discount Rate initially by 100 basis points and then sharply cut it by 625 basis points due to the onset of COVID-19 during the year. The performance history of the Fund is as under:



- In the last twelve years, the Fund has managed to earn a net cumulative average return of 12.48% against cumulative average CPI inflation of 8.04%. Hence the Fund managed to post a real return of 4.44% p.a. in the last twelve years; beating its benchmark return of 11.04% by 1.44% even though the Fund remained invested in debt securities only for the first 10 years.

OUTLOOK FOR FY2019-20:

Inflation

- Inflation in FY2019-20 remained within the range and settled at 8.59% on a YoY basis compared to 8.00% during FY19.
- As far as the inflation outlook for FY2019-20 is concerned, CPI will also find a similar path. Although, lower demand due to COVID-19 shall give some relief, however, food prices shall play a major role in the next the Financial Year.

Interest rates

- During FY2019-20, Covid incentivised the State Bank to give relief through monetary policy which resulted in a cumulative decrease of 625 basis points during the year. The management believes that this incentivization by the SBP will continue next year as well.

INVESTMENT STRATEGY:

The OIC of the PPF locked a major portion of its portfolio in the National Saving Scheme at attractive yields which shall support its return. Going forward, PPF’s portfolio will increase its equity



exposure which will perform comparatively better than in previous years due to higher liquidity, low interest rates and stability in the economy.

AUDITORS:

The Government of Punjab appointed M/s Grant Thornton Anjum Rahman, Chartered Accountants, as Auditors of the Fund for the year ended 30 June 2020. Auditors have submitted their Audit Report for the year ended 30 June 2020.

TRUSTEE:

The Management Committee has appointed M/s Central Depository Company of Pakistan Limited as Trustee of the Fund under Rule 18 of the Punjab Pension Fund Rules 2007. After signing the Trust Deed custody of all the assets of the Fund rests with the Trustee. The Trustee has submitted its report for the year ended 30 June 2020 to the Management Committee under Rule 22(h) of the Punjab Pension Fund Rules 2007.

ACKNOWLEDGEMENT

The Management Committee takes this opportunity to thank its members for their valuable contributions to the Fund.

The Management Committee also wishes to place on record its appreciation for the hard work and dedication shown by the employees of the Fund.

Place: Lahore

On behalf of the Punjab Pension Fund

Dated:

Punjab Pension Fund