



## ANNUAL REPORT - 2021

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. This report presents the Annual Report for the year ended 30 June 2021.

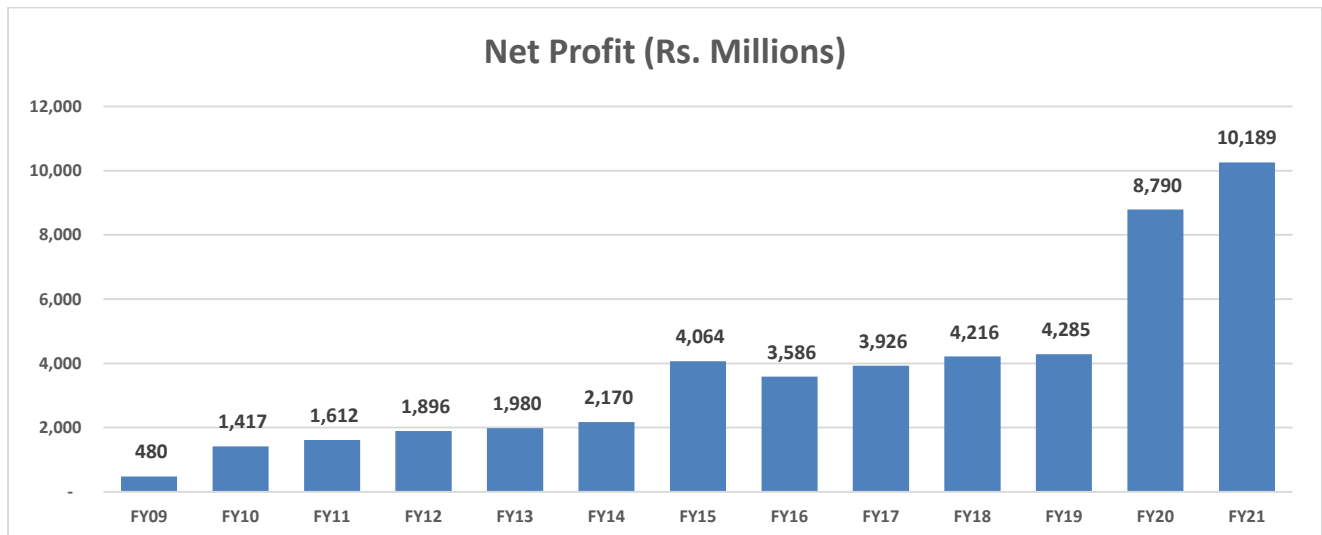
### **FUND SIZE:**

- A summary of changes in fund size during FY2020-21 is given in the following table:

Rs. millions	Jul 2020 - Jun 2021
Beginning fund size (1 <sup>st</sup> July 2020)	74,989
Add: Contribution during the year	-
Add: Income during the year	10,260
Less: Expenses during the year	(71)
Add: Unrealized Capital Gain	2
<b>Ending fund size (30<sup>th</sup> June 2021)</b>	<b>85,180</b>

### **PROFITABILITY:**

The Fund made a net profit of Rs. 10,189 million during FY2020-21 which is 16% higher than last year's net profit of Rs. 8,790 million. During the last two years, the profits of the Fund increased significantly due to the Fund's strategy of timely divestment of its fixed rate PIB portfolio and realization of capital gains. Furthermore, the Fund also invested its different products of National Saving Schemes and hedged against the declining interest rates. A summary of the Fund's profitability over 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-21		30-Jun-20	
	Amount	%	Amount	%
National Savings Schemes – DSC, RIC & SSC	54,743	64.3	50,121	66.8
Pakistan Investment Bonds (PIBs)	10,947	12.9	1,050	1.4
Mutual Funds – Equity	8,505	10.0	4,664	6.2
Mutual Funds – Fixed Income	922	1.1	-	-
Shares	4,913	5.8	-	-
Corporate Debt Instruments TFC & Sukuks	3,283	3.9	1,372	1.8
Short term Bank Deposits	1,307	1.5	15,897	21.2
Accrued Markup	448	0.5	1,400	1.9
Other net assets*	112	0.1	106	0.1
T-Bills	-	-	379	0.5
<b>Total Fund Size</b>	<b>85,180</b>	<b>100.0</b>	<b>74,989</b>	<b>100.0</b>

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

- The Fund has built a portfolio of long-term Pakistan Investment Bonds. Further, the fund started investing in shares of the companies listed on the Pakistan Stock Exchange while increasing exposure through Mutual Funds as well. During FY-21, the fund has built some variable rate instruments to benefit in a rising rate environment while reducing placement in the commercial banks' bare minimum.
- 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 FY21, the Fund's equity portfolio performed exceptionally and posted a return of around 30% which helped the fund to post good returns. The fund has also started direct investment in equities.



**FUND'S PERFORMANCE:**

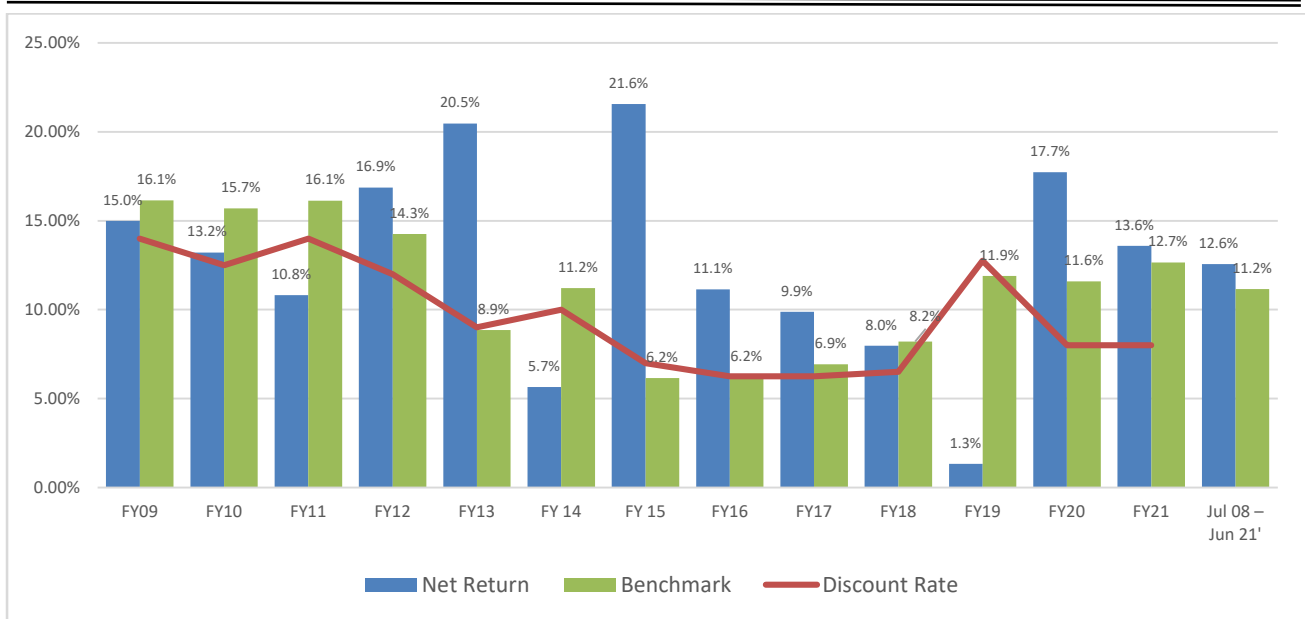
- Time Weighted Return (TWR) earned by PPF is summarized as under:

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%
FY 2020-21	13.69%	13.59%	9.65%	12.65%
Jul 2008 – Jun 2021 (CAGR)**	12.71%	12.57%	8.17%	11.17%

\*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 13.59% during FY2020-21 against a net return of 17.72% during the preceding year. The equity portfolio contributed the most to the performance of the fund which posted a return of around 30%.
- The SBP kept its Discount Rate at 8%. A performance history of the Fund is as under:



- In the last thirteen years, the Fund has managed to earn a net cumulative average return of 12.57% against cumulative average CPI inflation of 8.17%. Hence the Fund managed to post a real return of 4.4% p.a. in the last thirteen years; beating its benchmark return of 11.17% by 1.4% even though the Fund remained invested in debt securities only for the first 10 years.

### OUTLOOK FOR FY2020-21:

#### **Inflation**

- Inflation in FY2020-21 slightly edged higher and settled at 9.65% on a YoY basis compared to 8.59% during FY20.
- As far as the inflation outlook for FY2020-21 is concerned, it will depend on international commodity prices amid the reopening of international markets after the COVID lockdown. The local economy has also picked up pace which is reflected in recent growth and demand numbers.

#### **Interest rates**

- During FY2020-21, the SBP kept its policy rate the same to support growth in the economy. The management believes that inflation numbers and commodity prices will set the path of monetary policy during the next year.



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**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 2021. Auditors have submitted their Audit Report for the year ended 30 June 2021.

**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 2021 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: