



Punjab General Provident Investment Fund

ANNUAL REPORT

Section 7 (d) of the Punjab General Provident Investment Fund Act, 2009 requires that the Management Committee prepare an Annual Report for submission to the Government detailing the performance of the Fund. The Management Committee of Punjab General Provident Investment Fund (PGPIF) is pleased to present the Annual Report for the year that ended 30 June 2023.

FUND SIZE:

- A summary of changes in the fund during FY-23 is given in the following table:

| Rs. millions | Jul 2022 - Jun 2023 |
|--|---------------------|
| Beginning fund size | 13,519 |
| Add: Contribution during the period | 2,000 |
| Gross Income during the period | 2,153 |
| Less: Expenses during the period | (11) |
| Less: Unrealized gain during the period. | (151) |
| Add: Net Income during the period | 1,991 |
| Ending fund size | 17,510 |

THE PERFORMANCE REVIEW OF THE FUND:

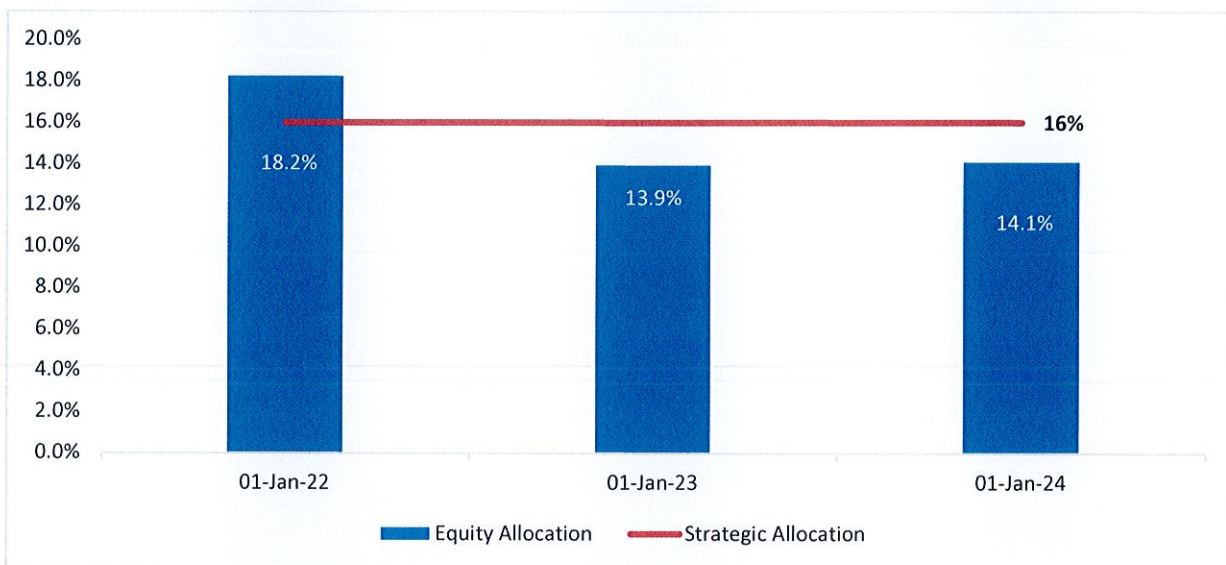
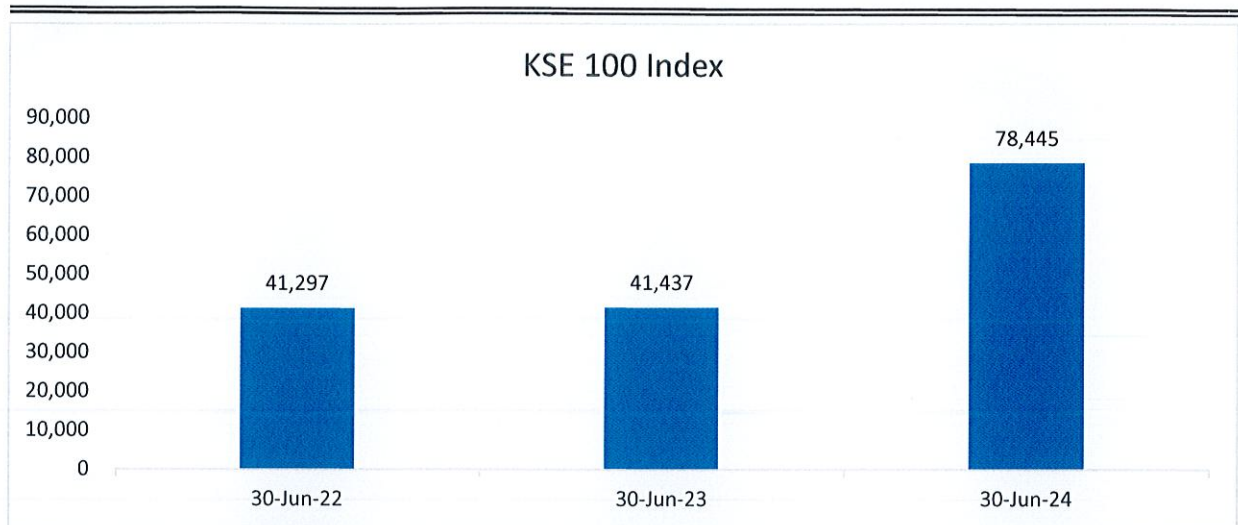
The Fund made a net gain of Rs. 1,991 million during FY2022-23, which is higher than last year's net gain of Rs. 837 million. This reflects a 137% growth in profitability. This includes an unrealized loss of Rs 151 million on fixed-rate PIBs due to rising interest rates, which inversely affected the value of bonds.

However, these losses were unrealized and subsequently transformed into profits. The Fund realized a capital gain of Rs. 70 million in FY 2022-23 and Rs. 408 million in FY 2023-24, a total realized gain of more than 478 million rupees. In addition to this gain realized on the sale of securities, there was also an unrealized gain of Rs. 1.3 billion on the Fund's equity portfolio & unrealized gain of Rs 277 million on the fixed income portfolio as of 30th June 2024.

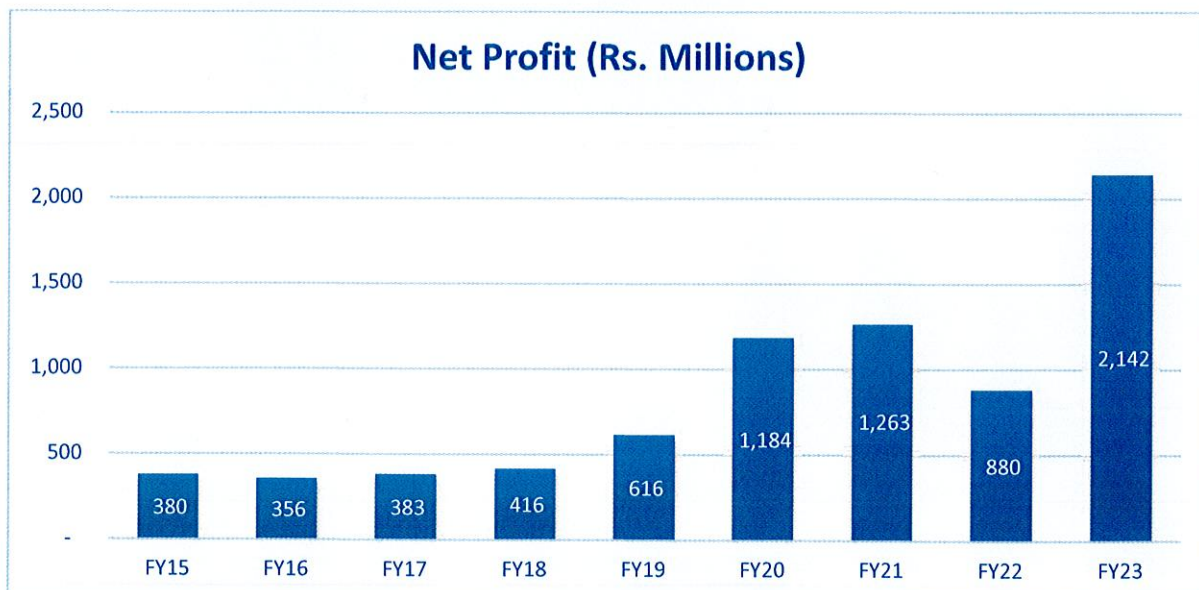
Stock Markets, by nature, are volatile in the short run. The Punjab General Provident Investment Fund invests in equity investments with a long-term perspective. The Strategic Allocation of the Fund in Equities is 16% of the fund size as decided by the Investment Sub-Committee of the Fund. The Fund overweights the allocation when the Equity Market declines and becomes attractive in valuations, as the Fund did in FY22, and underweights when it increases and becomes expensive, as it did in FY24. The following graph explains the Fund's strategy and performance of its Equity Portfolio:



Punjab General Provident Investment Fund



A summary of the Fund's profitability (without unrealized gain/loss) over the past years is as follows:



ASUS



Punjab General Provident Investment Fund

In alignment with the Fund's long-term strategic approach, the Fund's profitability has experienced significant growth in the subsequent years. This growth reflects the Fund's disciplined focus on capitalizing on favorable market valuations. This strategic focus has positioned the Fund for sustained growth, underscoring its ability to deliver strong long-term results. The following graph explains the results:



FUND'S PORTFOLIO:

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

Figures: Rs. Millions

| | 30-Jun-23 | | 30-Jun-22 | |
|-------------------------------------|---------------|----------------|---------------|----------------|
| | Amount | % | Amount | Amount |
| Mutual Funds - Equity | 1,430 | 8.17% | 1,796 | 13.29% |
| Shares of Listed Companies | 1005 | 5.74% | 664 | 4.91% |
| National Saving Schemes | 3,010 | 17.19% | 4,485 | 33.18% |
| PIBs – Floating Rate | 7,931 | 45.29% | 0 | 0.00% |
| Corporate Bonds & Preference Shares | 1,919 | 10.96% | 1,264 | 9.35% |
| Cash / Daily Deposits | 1307 | 7.46% | 3,069 | 22.70% |
| Mutual Funds - Fixed Income | 516 | 2.95% | 1,313 | 9.71% |
| Accrued Markup | 363 | 2.07% | 902 | 6.67% |
| Other Assets & Dividend Receivable | 29 | 0.17% | 26 | 0.19% |
| Total Fund Size | 17,510 | 100.00% | 13,519 | 100.00% |

*Other assets include prepaid operating expenses, etc.

Handwritten signature/initials

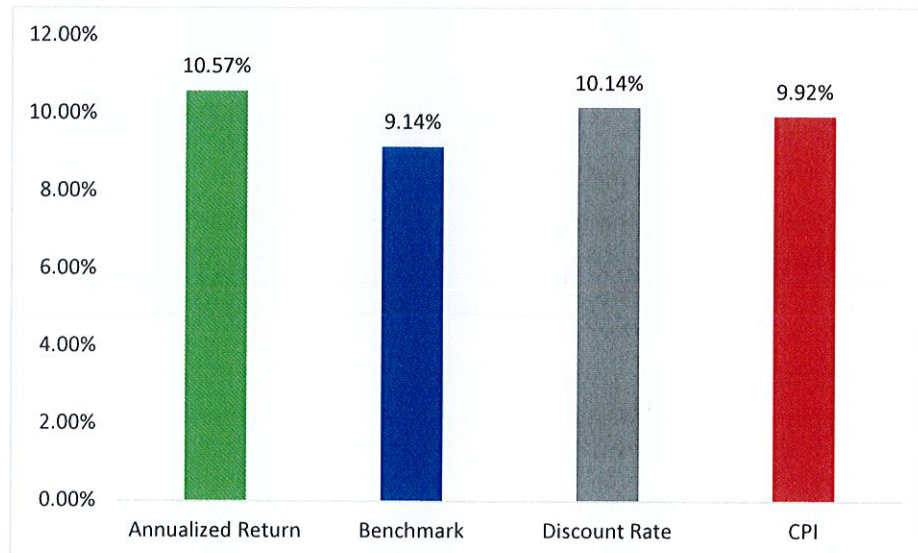


Punjab General Provident Investment Fund

- During FY 2022-23, the Punjab General Provident Investment Fund's portfolio grew from Rs. 13,519 million to Rs. 17,510 million. This increase was driven by Rs. 2,000 million in fresh contributions from the Government of Punjab and Rs. 1,991 million in net income generated by the Fund over the year.
- A significant portfolio adjustment was made during the year as the Fund strategically reduced its exposure to fixed-duration instruments, opting to increase allocations to short-duration investments. This decision anticipated a volatile economic environment and a rising interest rate scenario, which could have negatively impacted longer-duration assets through mark-to-market losses. The Fund mitigated potential interest rate risk by focusing on short-term money market instruments.
- Additionally, the Fund decreased its equity exposure from direct investments in shares and allocations to equity mutual funds. The overall exposure to equities declined from 18.2% of the portfolio to under 14% by FY 2022-23. This helped the Fund book capital gains and reduced market exposure close to its strategic allocation. In subsequent years, this strategy proved highly effective, as the Fund earned good accruals from floating bonds in a high-interest rate environment.
- These strategic adjustments in fixed-income and equity investments underscore the Fund's proactive management approach, aligning asset allocations with market conditions to optimize returns and safeguard against risks.

FUND'S PERFORMANCE:

- The graph below provides an annual average performance comparison of the Punjab General Provident Investment Fund against its average annual benchmark and the average CPI inflation rate and Policy rate since the inception of the Fund.



- Over the past nine years, from June 2014 to June 2023, the Fund has delivered a net cumulative average return of 10.57%, significantly outperforming its benchmark. The Fund also outperformed the average CPI Inflation, which indicates that it has consistently provided



Punjab General Provident Investment Fund

a positive real return, averaging 0.65% annually. This achievement is particularly notable, considering that for the first seven years of its operation, the Fund's investments were exclusively in debt securities, which are typically more conservative and yield much lower real returns than equities. Despite these conservative investment choices, the Fund managed to keep pace with inflation and generate real returns.

- The benchmark return during these nine years stood at 9.14%, highlighting the Fund's outperformance by approximately 1.43%. This consistent outperformance over such a long duration underscores the Fund's effective management strategy and focus on risk-adjusted returns while navigating through varying economic conditions.

OUTLOOK FOR FY2023-24:

During the upcoming year, the Fund's strategy will be shaped by the challenging macroeconomic environment, particularly inflation and interest rate dynamics.

Inflation

- Inflation in FY2022-23 jumped to 29.9% YoY, up from 21.3% in FY 2021-22. We anticipate monthly CPI inflation to soften and gradually decline over the next 12 months. This is due to base effect along with tight monetary and fiscal policy. In the medium term, the SBP targets inflation to fall to the 5-7 percent range, driven by budgetary consolidation, moderating growth, normalization of global commodity prices, and higher base effects.

Interest rates

- During FY2022-23, the SBP raised its Policy Rate from 13.75% to 22.00% to accommodate the unabated inflation trajectory. Management believes inflation numbers and commodity prices will set the monetary policy path.
- The SBP expects monthly inflation to have peaked and is likely to decelerate from here onwards due to a high base effect, a drop in international commodity prices, reduced demand pressure, and a second round of reflection already reflected in core inflation. Thus, the forward real interest rates have turned positive, considering the current inflation estimates.
- The market expects rates to drop from the last quarter of the current financial year. However, the successful completion of the current SBA program of IMF and smooth transition to a new, longer programmer, the smooth transition of power after elections due within the current financial year, and not more than expected rise in commodity prices will be key drivers in the future.

AUDITORS:

The Government of Punjab appointed M/s BDO Ebrahim & Co. Chartered Accountants as Auditors of the Fund for the year ended 30 June 2023. Auditors have submitted their Audit Report for the year ended 30 June 2023.

5



Punjab General Provident Investment Fund

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 General Provident Investment Rules 2010. 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 2022 to the Management Committee under Rule 21 (h) of the Punjab General Provident Investment Rules 2010.

ACKNOWLEDGEMENT

The Management Committee takes this opportunity to thank its members and employees for their valuable contributions to the Fund and to express appreciation for their hard work.

Place: Lahore

Dated:

On behalf of the Punjab General Provident Investment Fund