



Punjab General Provident Investment Fund

ANNUAL REPORT - 2019

Section 7 (d) of the Punjab General Provident Investment Fund Act, 2009 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 General Provident Investment Fund (PGPIF) is pleased to the Annual Report for the year ended 30 June 2019.

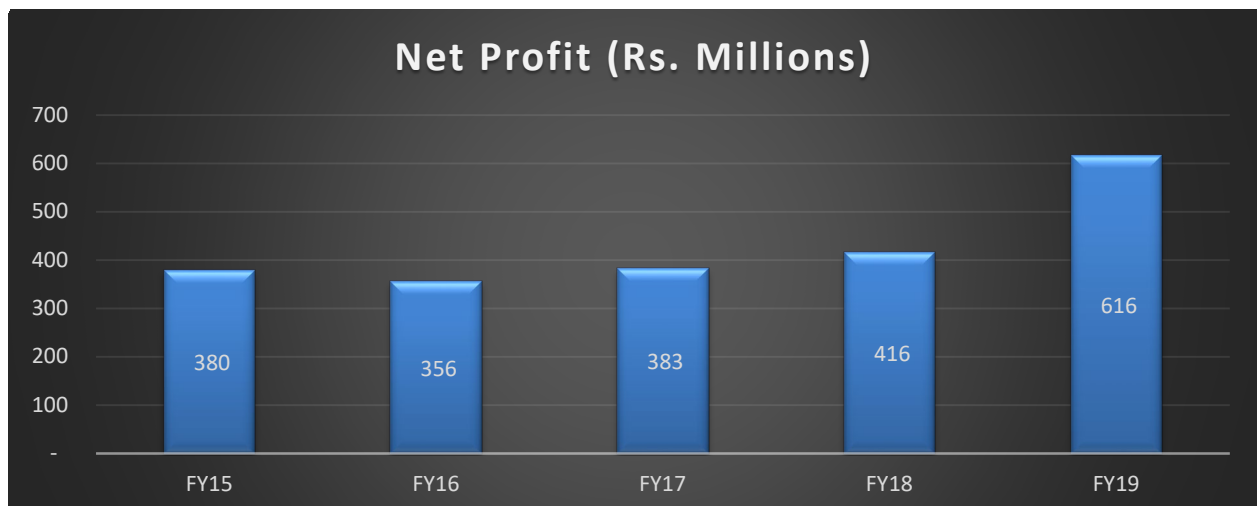
FUND SIZE:

- A summary of changes in the fund during FY-19 is given in the following table:

Rs. millions	Jul 2018 - Jun 2019
Beginning fund size	5,887
Add: Contribution during the period	1,000
Add: Income during the period	624
Less: Expenses during the period	(8)
Less: Unrealized loss during the period	(176)
Ending fund size*	7,327

PROFITABILITY:

- The Fund made a net profit of Rs. 616 million during FY2018-19 which is 48% higher than last year's net profit of Rs. 416 million. The yields of PIBs were on a rising trend during the year, Punjab General Provident Investment Fund was on a strategy of accumulating high-duration PIBs at attractive rates; however, at the same time, the Fund was facing mark-to-market loss on its existing PIB portfolio. A comparison of profitability with past years is as under:





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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-19		30-Jun-18	
	Amount	%	Amount	%
Pakistan Investment Bonds (PIBs)	4,436	60.5	-	-
Short term Bank Deposits	2,656	36.2	4,833	82.1
Accrued Markup	233	3.2	7	0.1
Other assets*	2	0.1	-	-
T-Bills	-	-	1,047	17.8
Total Fund Size	7,327	100.0	5,887	100.0

*Other assets include prepaid operating expenses etc.

- During the last couple of years, the OIC of PGPIF followed a strategy of investing in short-term investments to avoid losses due to reversal in interest rates. During FY19, the yields started increasing and PPF accumulated long-term fixed-rate PIBs at attractive yields; as a result, PPF's exposure in fixed-rate PIBs increased from nil to over 60% by the end of FY19.

FUND'S PERFORMANCE:

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

Period	Annualized Return		Benchmark
	Gross Return	Net Return*	CPI Inflation + 3%
FY 2013-14	8.64%	8.64%	11.22%
FY 2014-15	11.33%	11.33%	6.16%
FY 2015-16	9.51%	9.51%	6.19%
FY 2016-17	9.30%	9.30%	6.93%
FY 2017-18	7.62%	7.61%	8.21%
FY 2018-19	7.72%	7.61%	11.89%
Jun 2014 – Jun 2019 (CAGR)**	9.08%	9.06%	8.41%

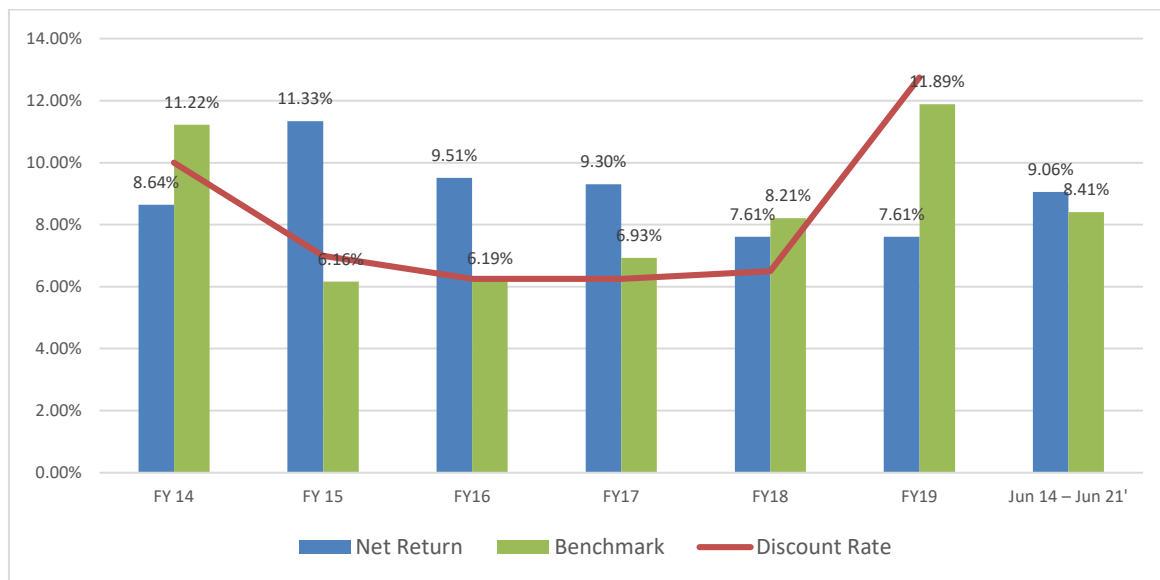
*Net Return means return after deducting management expenses.

**CAGR means Compound Annualized Growth Rate.



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- The Fund posted a net return of 7.61% during FY2018-19 which is the same as last year.
- The SBP raised its Discount Rate by a cumulatively 625 basis point during the year from 6.5% to 12.75%. The performance history of the Fund is as under:



- In the last six years, the Fund has managed to earn a net cumulative average return of 9.06% against cumulative average CPI inflation of 5.41%. Hence the Fund managed to post a real return of 3.65% p.a. in the last six years; beating its benchmark return of 8.41% by 0.65% even though the Fund remained invested in debt securities.

OUTLOOK FOR FY2019-20:

Inflation

- FY2018-19 started with an increasing inflation rate. By the end of FY19, the CPI continued its upward trajectory and settled at 8.89% on a YoY basis compared to 5.21% during FY18.
- As far as the inflation outlook for FY2019-20 is concerned, CPI has already shown trends of reversal. The core inflation is showing persistent demand-side pressure, although supply-side conditions are still subsiding inflation pressure with higher oil prices and the effect of the recent rupee depreciation will push inflation upward in FY20 as well.

Interest rates

- During FY2018-19, Pakistan's entry into the IMF program resulted in a sharp increase in SBP's policy rate and consequently, in secondary market yields. The SBP increased the Discount Rate by a cumulatively 625 basis point during the year.



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INVESTMENT STRATEGY:

At the start of FY-19, the Fund was 100% invested in short-term investments because interest rates were lower than long-term averages. However, the Fund has started accumulating long-term PIBs at attractive yields in the third quarter of FY19. The allocation of the Fund in long-term PIBs has increased to 60.5% by the end of FY-19.

The OIC of PGPIF locked a major portion of its portfolio in long-term PIBs which will help Fund to outperform its benchmark during FY20. Going forward, PGPIF's portfolio is well-positioned to post a decent return over its benchmark.

AUDITORS:

The Government of Punjab appointed M/s. EY Ford Rhodes, Chartered Accountants, as Auditors of the Fund for the year ended 30 June 2019. Auditors have submitted their Audit Report for the year ended 30 June 2019.

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

Dated:

On behalf of the Punjab General Provident Investment Fund