



Punjab General Provident Investment Fund

ANNUAL REPORT - 2020

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 2020.

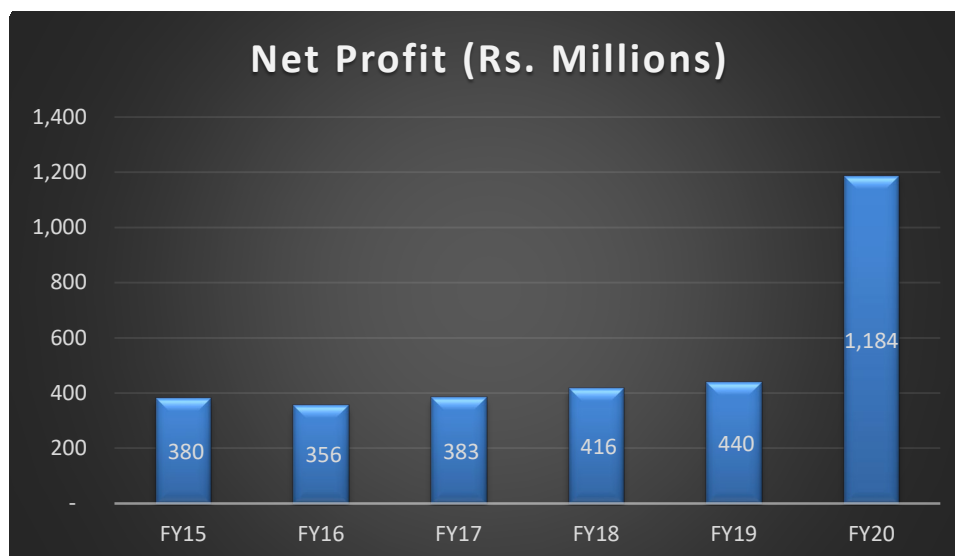
FUND SIZE:

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

Rs. millions	Jul 2019 - Jun 2020
Beginning fund size	7,327
Add: Contribution during the period	1,720
Add: Income during the period	1,187
Less: Expenses during the period	(3)
Add: Unrealized gain during the period	176
Ending fund size	10,407

PROFITABILITY:

- The Fund made a net profit of Rs. 1,184 million during FY2019-20 which is 170% higher than last year's net profit of Rs. 440 million. The yields of PIBs were on a rising trend during the year, Punjab Pension Fund was on a strategy of accumulating high-duration PIBs at attractive rates. 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:

Figures: Rs. millions

	30-Jun-20		30-Jun-19	
	Amount	%	Amount	%
Pakistan Investment Bonds (PIBs)	-	-	4,436	60.5
National Savings	6,613	63.5	-	-
Short term Bank Deposits	3,333	32.0	2,656	36.2
Corporate Bonds/TFC	100	1.0	-	-
Accrued Markup	269	2.6	233	3.2
Other assets*	7	0.1	2	0.1
T-Bills	85	0.8	-	-
Total Fund Size	10,407	100.0	7,327	100.0

*Other assets include prepaid operating expenses etc.

- During the last couple of years, the OIC of PGPIF 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.
- The Fund has also capitalized on the arbitrage opportunity to invest the proceeds in high-yielding National Saving Products. As a result, PGPIF liquidated all its fixed-rate PIBs which were 60.56% at the end of FY19 and increased its exposure in the National Saving Products to 63.5% at the end of FY20.

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%

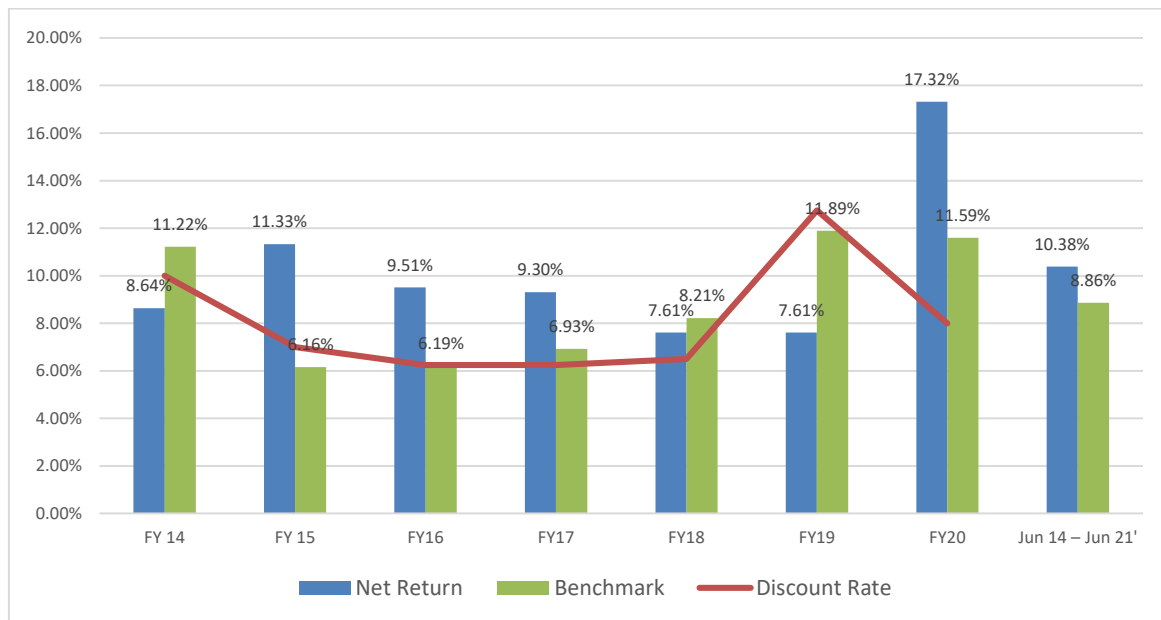


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FY 2018-19	7.72%	7.61%	11.89%
FY 2019-20	17.35%	17.32%	11.59%
Jun 2014 – Jun 2020 (CAGR)*	10.41%	10.38%	8.86%

*CAGR means Compound Annualized Growth Rate.

- The Fund posted a net return of 17.32% during FY2019-20 against a net return of 7.61% during the preceding year. The timely execution of the yield strategy helped the fund post staggering returns.
- 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. A performance history of the Fund is as under:



- In the last seven years, the Fund has managed to earn a net cumulative average return of 10.38% against cumulative average CPI inflation of 5.86%. Hence the Fund managed to post a real return of 4.52% p.a. in the last seven years; beating its benchmark return of 8.86% by 1.52% even though the Fund remained invested in debt securities.



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OUTLOOK FOR FY2019-20:

Inflation

- Inflation in FY2019-20 remained within the range of last year. The CPI settled at 8.59% on a YoY basis compared to 8.89% 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 PGPIF locked a major portion of its portfolio in the National Saving Scheme at attractive yields which shall support its return. Going forward, PGPIF'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. EY Ford Rhodes, 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.

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