



Punjab General Provident Investment Fund

ANNUAL REPORT - 2021

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 2021.

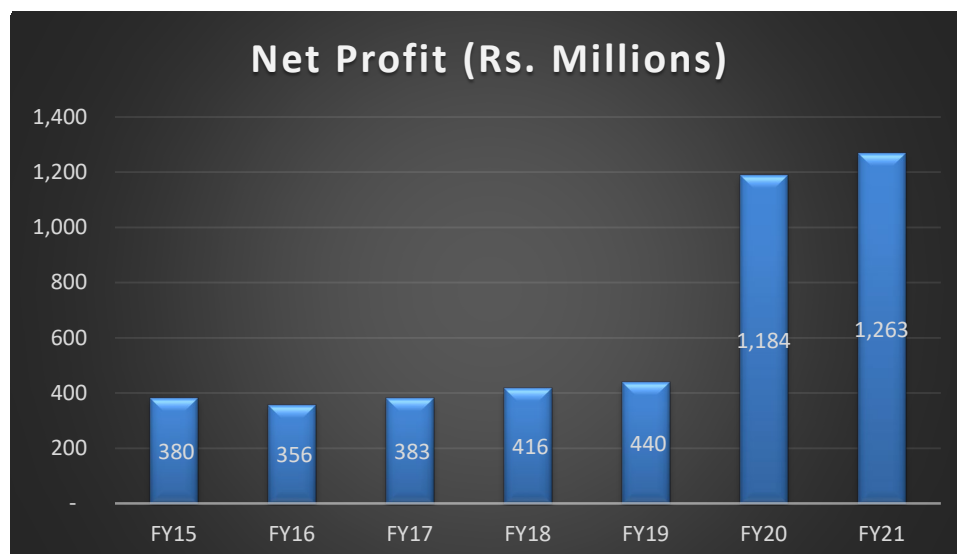
FUND SIZE:

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

Rs. millions	Jul 2020 - Jun 2021
Beginning fund size	10,407
Add: Contribution during the period	-
Add: Income during the period	1,267
Less: Expenses during the period	(4)
Add: Unrealized gain during the period	12
Ending fund size	11,682

PROFITABILITY:

- The Fund made a net profit of Rs. 1,263 million during FY2020-21 which is 7% higher than last year's net profit of Rs. 1,184 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-21		30-Jun-20	
	Amount	%	Amount	%
Pakistan Investment Bonds (PIBs)	1,890	16.2	-	-
National Savings	7,213	61.8	6,613	63.5
Short term Bank Deposits	1,551	13.3	3,333	32.0
Corporate Bonds/TFC	917	7.8	100	1.0
Accrued Markup	106	0.9	269	2.6
Other assets*	5	0.1	7	0.1
T-Bills	-	-	85	0.8
Total Fund Size	11682	100.0	10,407	100.0

*Other assets include prepaid operating expenses etc.

- A major shift in the portfolio during the year is that the Fund built a portfolio of long-term Pakistan Investment Bonds at attractive yields. Further, the Fund has also built a portfolio of variable-rate corporate bonds.
- 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. During the year, the Fund has invested in variable rate instruments to capitalize rising interest rate cycle.

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%



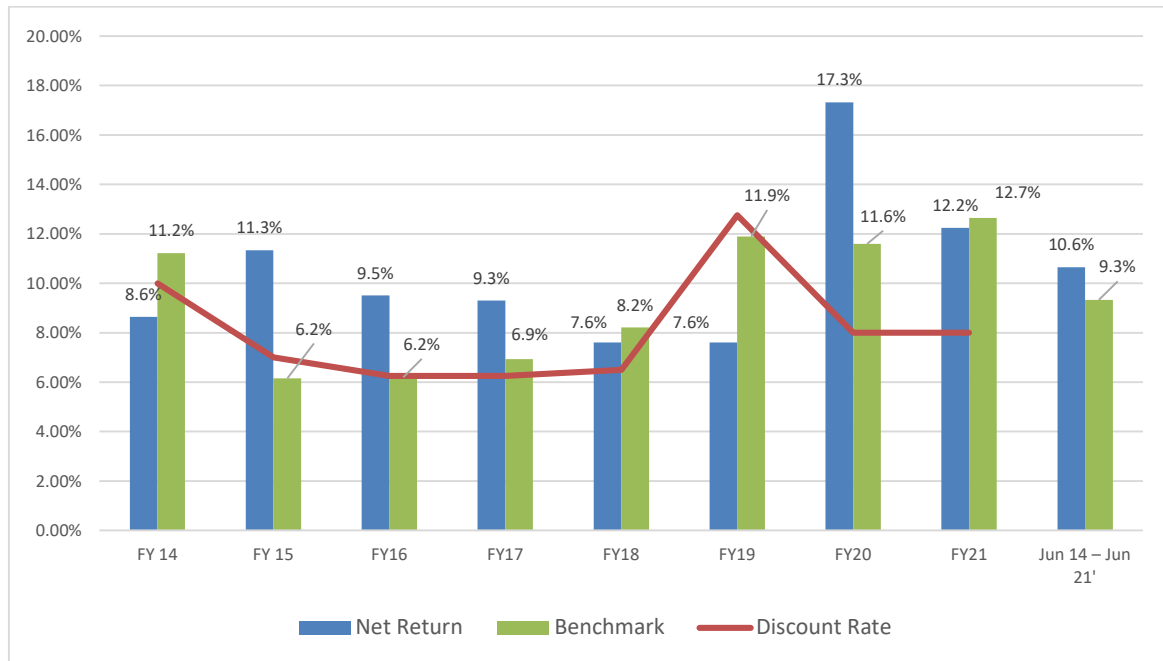
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FY 2018-19	7.72%	7.61%	11.89%
FY 2019-20	17.35%	17.32%	11.59%
FY 2020-21	12.28%	12.25%	12.65%
Jun 2014 – Jun 2021 (CAGR)*	10.67%	10.65%	9.32%

*CAGR means Compound Annualized Growth Rate.

- The Fund posted a net return of 12.25% during FY2020-21 against a net return of 17.32% during the preceding year. 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.
- The SBP kept its policy rate at 8%. A performance history of the Fund is as under:

Performance History



- In the last eight years, the Fund has managed to earn a net cumulative average return of 10.65% against cumulative average CPI inflation of 6.22%. Hence the Fund managed to post a real return of 4.43% p.a. in the last eight years; beating its benchmark return of 9.22% by 1.43% even though the Fund remained invested in debt securities.



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OUTLOOK FOR FY2020-21:

Inflation

- Inflation in FY2020-21 slightly edged higher during the current year. The CPI 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.

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

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