



# Punjab Pension Fund

Government of The Punjab



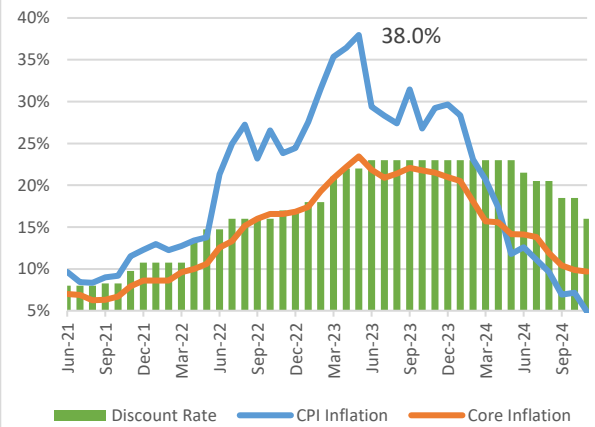
## MONTHLY PERFORMANCE REPORT NOVEMBER 2024

## ECONOMIC OVERVIEW & OUTLOOK

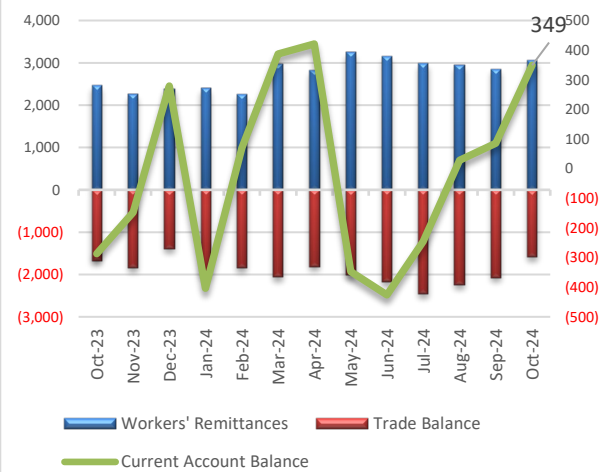
Overall, macroeconomic indicators are in a positive trend, and the country is well on track due to stabilization. Significant developments in November are as follows:

- I. Y/Y inflation for November reached 4.9%, the lowest in 6.5 years. This decline is primarily due to the relatively steady price levels after last year's very high inflation.
- II. The SBP is expected to cut the policy rate by 2%-3% in the upcoming MPC meeting as
  - a) inflation has declined faster than anticipated.
  - b) real interest rates are still very high, considering the projected inflation trend.
- III. The current account maintained a positive trend in October 2024, posting a surplus of \$349 million compared to a deficit of \$287 million in the same period last month. This was due to 24% lower trade deficit m/m (5% lower y/y) and 7% higher remittances m/m (24% higher y/y). Pakistan's current account to a surplus of \$218 million in the first four months of the current fiscal year (4MFY25), in contrast to a massive deficit of \$1.528 billion in the same period of the previous fiscal year.
- IV. SBP's FX reserves rose to \$11.2 billion, its highest level since April 2022, while total reserves rose to \$15.5 billion. These external account positive developments took the country's import cover from a low of 0.5 months in January 2023 to 2 months (long-term average of 3 months).
- V. On the fiscal front, FBR tax collection reached Rs 4.28 trillion during 5M FY24-25, though falling short of the target by PKR356 billion. Notably, the country recorded its first budget surplus in 21 years, amounting to 1.4% of GDP for 1QFY25. This surplus was supported by the State Bank of Pakistan's profit of Rs 2.5 trillion and tax revenue of Rs 2.7 trillion.

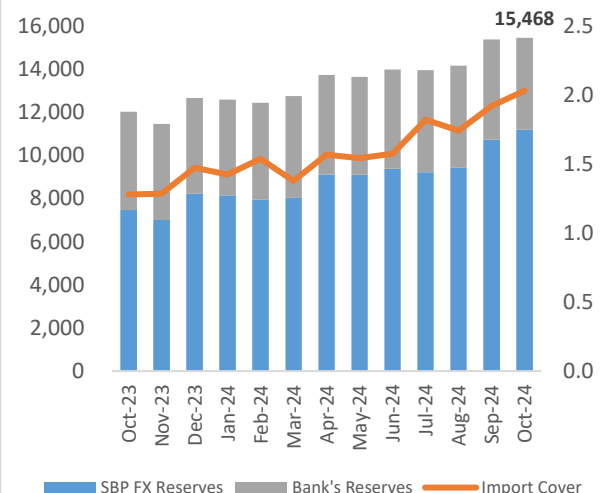
Interest Rate Cycle & Inflation Trend



Current Account Trend - USD M



FX Reserves / Import Cover



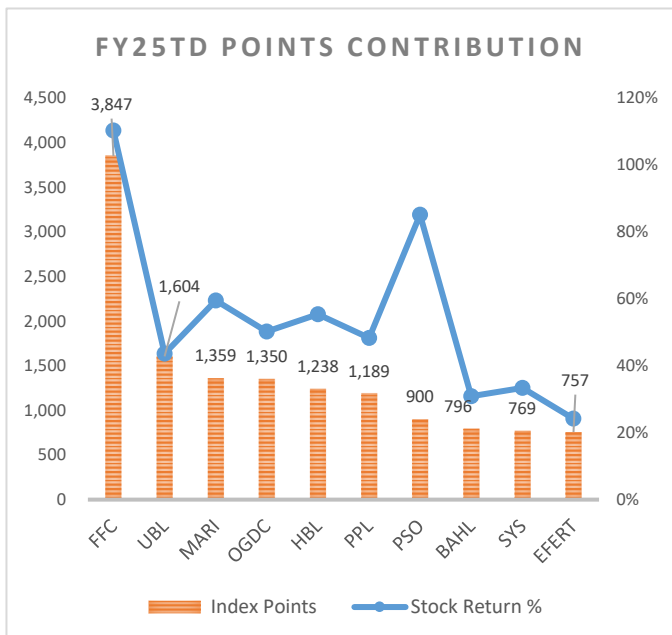
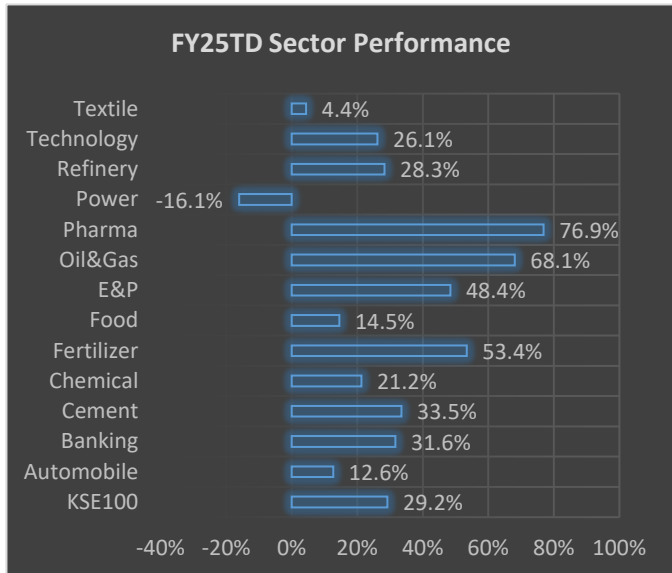
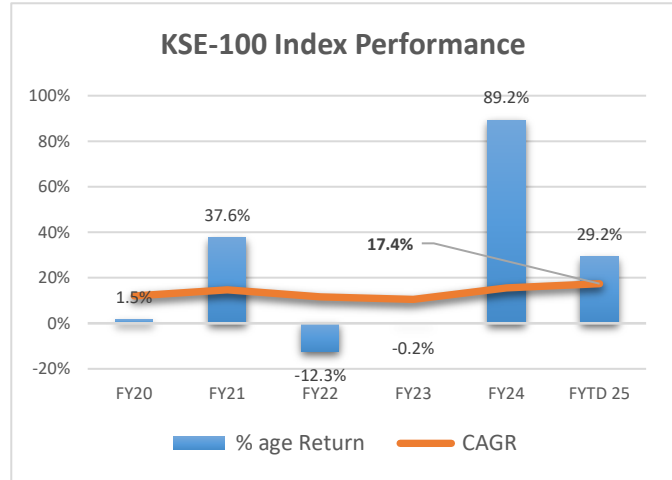
## STOCK MARKET OVERVIEW

The KSE-100 index reached a new milestone of 101,357 during the month, crossing the 100K level for the first time. The index gained 13.9% MoM in November 2024, bringing FY24-25TD gains to 29.2%. The KSE 100 index has provided an average annual return of 17.4% since July 2019. However, since the start of FY 23-24, it has provided an exceptional return of 145%.

Key factors driving this outstanding performance include:

- i. Economic and political stability.
- ii. Fast decline in secondary market yields amid falling inflation;
- iii. Improving liquidity due to the unattractiveness of alternative investment avenues;
- iv. Improved external account position as reflected by the current account surplus of \$218 million during 4MFY24-25.
- v. Stable currency i.e. 1.3% rupee appreciation since January 2024;
- vi. Strong fundamentals, i.e., the market is still trading at a cheaper Price to Earning than the historical average of 8 times;
- vii. Continued support from the ongoing IMF program and friendly countries.

FY25TD performance has been driven mainly by high dividend-yielding blue-chip Fertilizer, pharma, and energy stocks, which benefited from decreasing interest rates, improved cash flows, and deregulation of pharma prices. KSE 100 index gained 22,912 points during FY25TD. Top contributors remained stocks of Fertilizer, Oil & Gas exploration companies, and commercial banks. The highest return providers were SHFA (173%), Glaxo (154%), FFBL (115%), FFC (110%) & KOSM (96%).



## MONEY MARKET OVERVIEW

The Y/Y inflation during FY24-25 dropped from 12.6% to 4.9% in November 2024. In response, yields in the secondary market for less than 12 months fell sharply by around 550-700 basis points, while yields on longer-term maturities saw a more modest decline of approximately 220-470 basis points during 4M FY 24-25. The latest yield curve shows a flattish curve for long-term maturities.

The SBP had closely monitored the inflation data and started reversing the policy rate in June 2024, when it was reduced from 22% to 20.5%. In the latest monetary policy announced on November 4th, 2024, the SBP reduced the policy rate by 2.5%, taking the cumulative reduction to 7%. The Monetary Policy Committee (MPC) cited a sharp decline in headline and core inflation, improved external account position, stable currency, and favorable commodity prices provided ample room for the rate cut required for supporting economic activity. We expect the monetary easing cycle to continue, and FY24-25 may end with a policy rate of around 10% -12%.

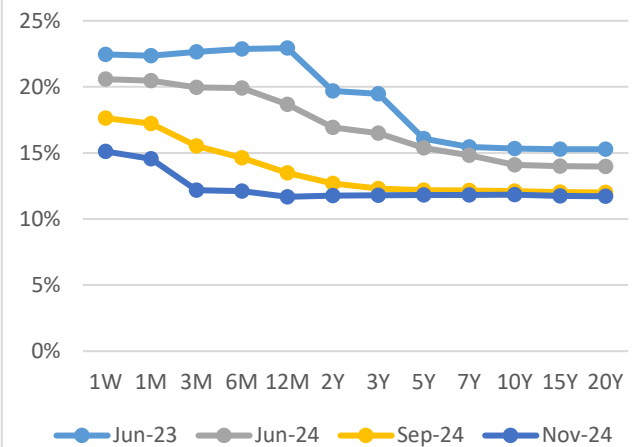
In November 2024, the central bank conducted T-bill and PIB auctions. In the latest auction, the market witnessed strong participation of PKR 2.5 trillion, especially in longer tenor. The SBP accepted Rs 616 billion against a target of Rs 800 billion.

In the latest PIB floater auction, the SBP accepted Rs 644 billion of bids against the auction target of Rs 300 billion. The market participated with a hefty amount of Rs 1.1 trillion in a 10-year tenor. The SBP rejected 2-year bids while the spread for 5-year and 10-year have slightly increased to 95bps and 145 bps, respectively.

In the latest fixed rate PIB auction, the SBP accepted Rs 368 billion of bids against the auction target of Rs 300 billion. The market participated with a hefty amount in 2 & 5 year tenor. The cut-off yield in all tenors has seen a slight reduction.

With the inflation outlook, we expect that yields in the shorter tenor will come down further, while yields in the longer tenor may see a slight drop before stabilizing.

### Yield Curve Shift



Security	Latest Auction	Cut-Off Yields/Price
<b>T-Bill 3M</b>	27-Nov-24	13.00%
<b>T-Bill 6M</b>	27-Nov-24	12.89%
<b>T-Bill 12M</b>	27-Nov-24	12.35%
<b>PIB 3Y</b>	20-Nov-24	12.50%
<b>PIB 5Y</b>	20-Nov-24	12.70%
<b>PIB 10Y</b>	20-Nov-24	12.84%
<b>PFLH 5Y</b>	27-Nov-24	96.69
<b>PFLH 10Y</b>	27-Nov-24	92.55
<b>GISFRD1Y</b>	3-Dec-24	11.00%
<b>GISF3Y</b>	3-Dec-24	11.50%
<b>GISF5Y</b>	3-Dec-24	12.09%
<b>GISF10Y</b>	3-Dec-24	11.70%
<b>GISV3Y</b>	3-Dec-24	100.75
<b>GISV5Y</b>	3-Dec-24	101.22
<b>GISV10Y</b>	3-Dec-24	102.08

Policy Rate	13%
Latest MPC Meeting	16-Dec-24

### Upcoming Auctions (Rs in Million)

Instrument	Auction Date	Maturity	Target in
PIB	18-Dec-24	-	350,000
T-Bill	24-Dec-24	1,565,000	1,200,000
PFLH	24-Dec-24	-	650,000
GISV3Y	06-Jan-25	-	50,000
GISFRD1Y	06-Jan-25	-	50,000
GISF3Y	06-Jan-25	-	50,000



The Punjab Pension Fund (PPF) 's investment objective is to generate revenue to discharge the Government of Punjab's pension liabilities.

**Performance Review:** The Fund grew by 13.45% during 5M FY 2024-25 exclusively due to the investment returns.

**Fixed Income Portfolio:** During the period under review, the Fund's Fixed-Income portfolio, which constitutes around 83.5% of the Fund, posted an annualized return of 27%. The Fund has a good mix of floating-rate and fixed-rate instruments. The floating-rate instruments provide a reasonable spread over the benchmark rates, and the fixed-rate instruments will not only provide a hedge against declining interest rates but also generate capital gains, thereby enhancing the overall portfolio performance.

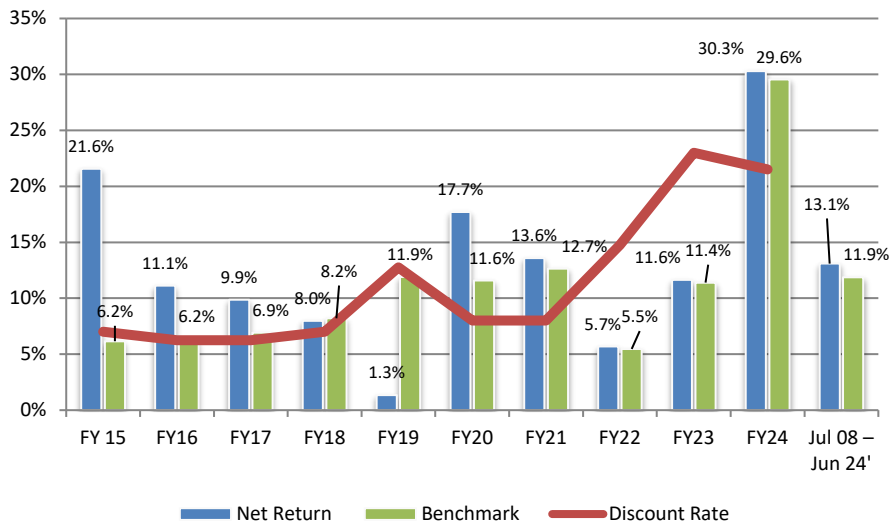
**Equity Portfolio:** The equity portfolio, which constitutes around 16.5% of the Fund, posted a holding period return of 33.8% compared to a market (KSE 100 index) return of 29.2%.

The Fund is well positioned to outperform its benchmark in FY 2024-25 as it has built a good mix of fixed-rate and floating-rate portfolios. Going forward, the OIC shall maintain its fixed-income portfolio mix and equity exposure while proactively keeping an eye on the changing macroeconomic conditions.

	Fund Performance*	Liability Estimate	Fund Size (a)	Estimated** 30-yr Pension Liabilities (b)	(a)/(b)
FY09	15.00%	22.38%	3.5	636.3	0.55%
FY10	13.21%	12.86%	12.1	718.1	1.69%
FY11	10.81%	40.03%	13.4	1,005.6	1.33%
FY12	16.86%	40.03%	15.6	1,408.1	1.11%
FY13	20.46%	40.03%	18.8	1,971.8	0.95%
FY14	5.65%	40.03%	24.8	2,761.1	0.90%
FY15	21.57%	40.03%	35.3	3,866.5	0.91%
FY16	11.14%	14.12%	40.2	4,412.5	0.91%
FY17	9.88%	14.12%	49.3	5,035.7	0.98%
FY18	7.97%	14.12%	53.2	5,746.9	0.93%
FY19	1.34%	14.12%	59.2	6,558.5	0.90%
FY20	17.72%	12.62%	76.3	6,558.5	1.16%
FY21	13.59%	12.62%	85.2	6,558.5	1.30%
FY22	5.68%	12.62%	94.0	6,558.5	1.43%
FY23	11.63%	12.62%	108.6	6,558.5	1.66%
FY24	30.28%	12.62%	140.3	11,883.2	1.18%
5M FY 25	13.45%	0.00%	159.2	11,883.2	1.34%
Jul '08 to Nov '24	13.61%	21.00%			

\*Including mark-to-market gain/losses

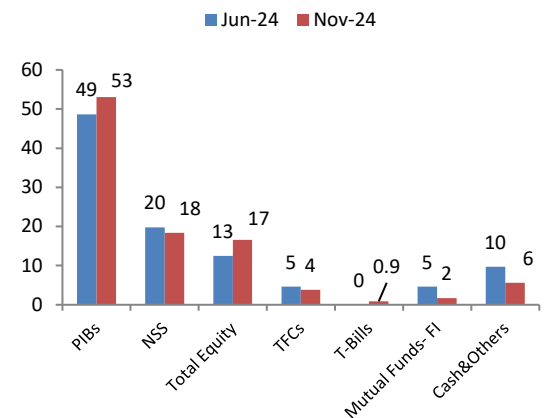
\*\*Based on actuarial reports of 30.6.2009, 30.6.2010, 30.6.2015 & 30.6.2019



Fund Facts	
Fund Type	Pension Fund
Inception Date	16-Jun-08
Net Assets (Rs. million)	159,198
Long Term Benchmark	YoY CPI + 3%
Management Expenses (annualized)	0.14% p.a. of Net Assets
Trustee	CDC Pakistan Limited
Risk Profile of the Fund	Low to Moderate

Fund Size FY24-25	Rs. million
Beginning Fund Size (1 <sup>st</sup> Jul 2024)	140,329
Add: Contribution during the period	-
Add: Gain during period	18,956
Less: Expenses during the period	(87)
Less: Profit Withdrawal	-
Ending Fund Size (30 <sup>th</sup> November 2024)	159,198

#### Asset Allocation (% of Fund Size)



#### Operational Investment Committee

Ashab Naem Iqbal	General Manager
Muhammad Sajid, CFA	Chief Investment Officer
Haroon Zafar, CFA	Head of Research

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**The Investment Objective** of the Punjab General Provident Fund (PGPF) is to generate revenue to discharge the General Provident Fund liabilities of the Government of Punjab.

### Performance Review

The Fund grew by 13.7% p.a. during 5M FY 2024-25 exclusively due to the investment returns.

**Fixed Income:** During the period under review, the Fund's Fixed-Income portfolio, which constitutes around 82% of the Fund, posted an annualized return of 27%. The Fund has a good mix of floating-rate and fixed-rate instruments. The floating-rate instruments provide a reasonable spread over the benchmark rates, and the fixed-rate instruments will not only provide a hedge against declining interest rate scenarios but also generate capital gains, thereby enhancing the overall portfolio performance.

**Equity:** The equity portfolio, which constitutes around 18% of the Fund, posted a holding period return of 33.4% compared to a market (KSE 100 index) return of 29.2%.

The Fund is well positioned to outperform its FY 2024-25 benchmark as it has built an excellent mix of fixed-rate and floating-rate portfolios. Going forward, the OIC shall increase the exposure in the fixed-rate portfolio and diversify the equity portfolio.

### Fund Facts

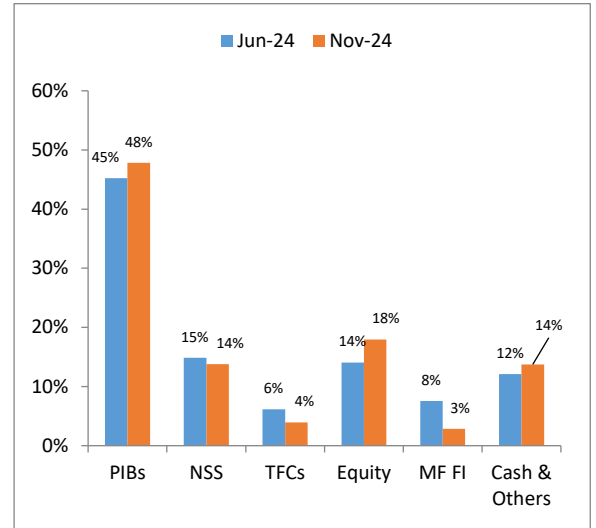
Fund Type	Provident Fund
Inception Date	25-Jun-14
Net Assets (Rs. million)	26,016
Management Expenses (annualized)	0.06% p.a.
Risk Profile of the Fund	Low to Moderate

### Fund Size FY24-25

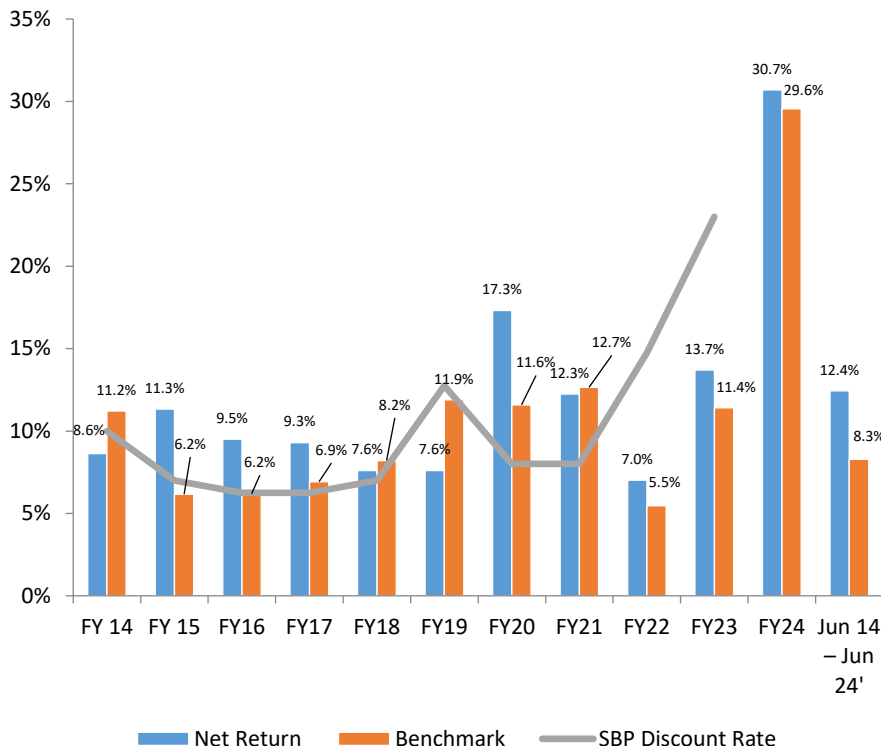
Rs. million

Beginning Fund Size (1 <sup>st</sup> July 2024)	22,877
Add: Contribution during the year	-
Add: Gains during the period	3,146
Less: Expenses during the period	(7)
<b>Ending Fund Size (30<sup>th</sup> November 2024)</b>	<b>26,016</b>

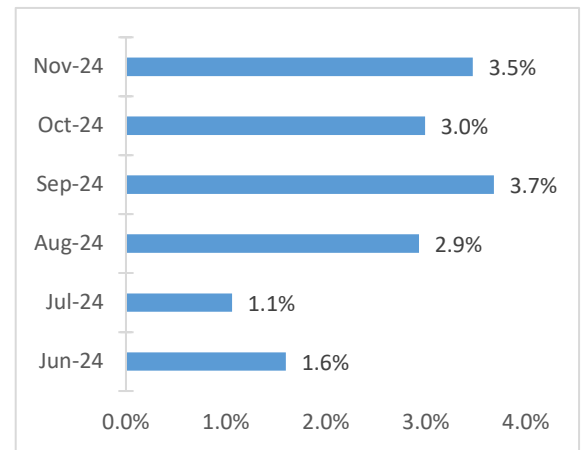
### Asset Allocation



### Performance History



### Growth in Assets



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