



Government of the Punjab

Punjab Pension Fund



Dated: 15 July 2013

MONTHLY REVIEW OF INVESTMENTS

June 2013

FUND SIZE

- A summary of changes in fund size during FY13 is given in the following table:

Rs. millions (rounded to the nearest million)

	July-June FY13
Beginning fund size (30 th June 2012)	15,605
Add: Contribution during the period	-
Less: Transfer to Reserve Pension Fund	-
Add: Gains during the period	2,004
Less: Expenses during the period	(24)
Ending fund size	17,585

The above numbers exclude unrealized capital gains. Market value of Fund's assets at 30th June 2013 is Rs. 18,822 million. Hence the Fund is carrying unrealized capital gain of Rs. 1,237 million at 30th June 2013.

FUND'S PORTFOLIO

- The Fund's exposures to different investment types are summarized as under:

Amounts: Rs. millions (rounded to the nearest million)

%: as percentage of Total Fund Size

	30 Jun 2011		30 Jun 2012		30 Jun 2013	
	Amount	%	Amount	%	Amount	%
PIBs	8,942	65.2	9,480	60.7	9,560	54.3
T-Bills	1,254	9.1	139	1.0	-	-
Short term bank deposits	3,002	21.9	5,349	34.3	5,928	33.7
National Saving Schemes	-	-	-	-	1,831	10.4
Corporate bonds/TFCs	501	3.7	501	3.2	246	1.4
Cash at bank	8	0.1	130	0.8	11	0.1
Other assets*	1	0.0	6	0.0	9	0.1
Total Fund Size	13,708	100.0	15,605	100.0	17,585	100.0

*Other assets include prepaid expenses for management of PPF and book value of fixed assets (motor cycles, computers etc.) of PPF.

- Long-term investments consist of PIBs and TFCs whereas short-term investments consist of T-bills, National Saving Schemes and bank deposits.
- PPF keeps switching exposure between T-bills, National Saving Schemes & short-term bank placements in pursuit of higher rates of return.



FUND'S PERFORMANCE

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

Period	Annualized Return for the period		Year End Discount Rate	CPI Inflation	Long-term Benchmark CPI Inflation + 3%
	Gross Return	Net Return*			
FY 2008-09	15.21%	15.00%	14.00%	13.14%	16.14%
FY 2009-10	13.79%	13.61%	12.50%	12.69%	15.69%
FY 2010-11	13.48%	13.32%	14.00%	13.13%	16.13%
FY 2011-12	13.96%	13.79%	12.00%	11.26%	14.26%
FY 2012-13	12.85%	12.69%	9.00%	5.85%	8.85%
Jul 2008 - Jun 2013 (CAGR)**	13.85%	13.67%	12.14%	11.17%	14.17%

*Net Return means the return after deducting expenses incurred on management of PPF

**CAGR means Compound Annualized Growth Rate

- Inflation rates over the last few years (FY 09 to FY 12) have been much higher than our long-term inflation expectations of 9%-10% p.a. Interest rates have also been higher than our long-term expectations.
- In order to lock-in high yields for a long period of time, the Fund invested a large proportion of its assets in long-term fixed-rate instruments consisting mainly of PIBs.
- In FY 13, CPI Inflation rate has declined sharply and SBP has reduced the policy rate by 3.0% cumulatively (from 12% to 9%) so far.
- The investment strategy followed over the past few years i.e. investment in long-term fixed-rate instruments at attractive yields, is now paying off. Despite lower interest rates, PPF continues to earn an attractive rate of return because of its high yielding portfolio of PIBs.

