



Punjab Pension Fund
Government of The Punjab



MONTHLY PERFORMANCE REPORT JANUARY 2025

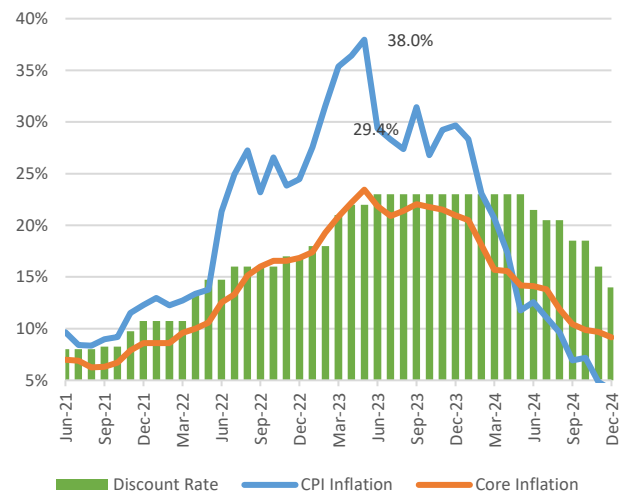


ECONOMIC OVERVIEW & OUTLOOK

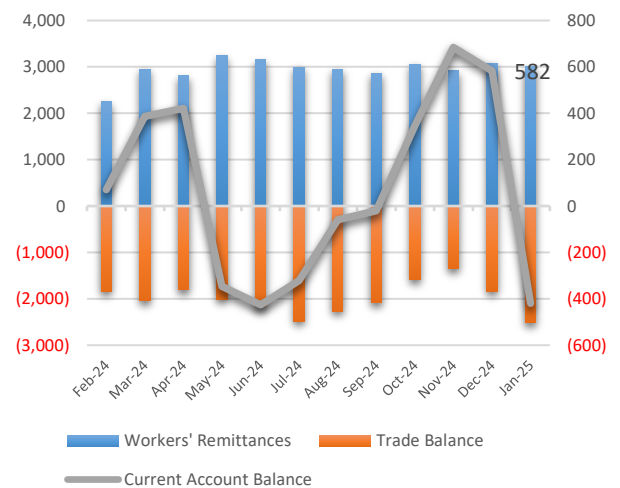
Overall, CY25 started cautiously, with normalization of the yield curve (long-term rates remained sticky while short-term rates dropped, making a yield curve upward slopping) and a slight correction in the equity market. Significant developments in January are as follows:

- I. Y/Y inflation for January dropped further to 2.1%, down from 4.1% last month. This decline is primarily due to the relatively steady price levels after last year's very high inflation.
- II. The SBP slashed the policy rate by 1% in the MPC meeting, taking a total easing to 10% since June 2024.
- III. After posting three consecutive surpluses, the Current Account turned negative in January 2025, posting a deficit of \$420 million compared to a deficit of \$404 million in the same month last year. Although the trade balance has widened, it was supported by healthy remittance numbers. Pakistan's current account reached a surplus of \$790 million in the first seven months of the current fiscal year (7MFY25), in contrast to a massive deficit of \$1,801 million in the last fiscal year.
- IV. SBP's FX reserves slightly dropped to \$11.4 billion, while total reserves dropped slightly to \$15.6 billion. These resulted in the country's import cover of 1.8 months (long-term average of 3 months).
- V. On the fiscal front, FBR tax collection reached Rs 872 billion in January 2025 against the assigned target of Rs 956 billion, translating into a shortfall of Rs 84 billion. The FBR has collected Rs 6,496 billion in the first seven months (July to January) 2024-25 against the assigned target of Rs 6,964 billion. This led to a massive shortfall of Rs 468 billion during the first seven months of FY 2024-25.

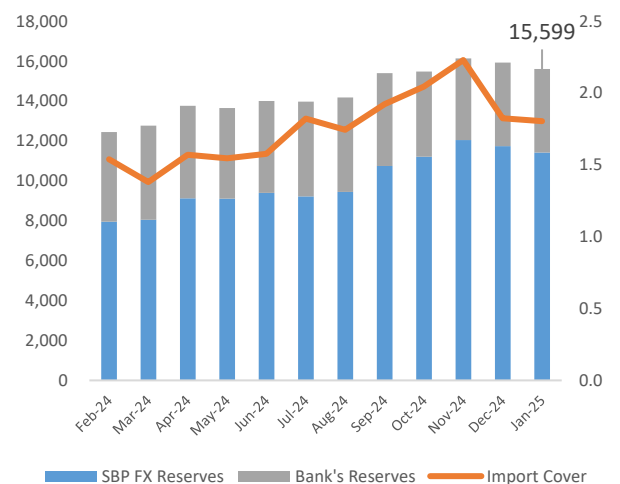
Interest Rate Cycle & Inflation Trend



Current Account Trend - USD M



FX Reserves / Import Cover





STOCK MARKET OVERVIEW

The KSE-100 index bull run has ended during the first month of the new year. The index shed 871 points during January 2025. The index lost 0.8% MoM in January 2025, bringing FY24-25TD gains to 45.7%. The KSE 100 index has provided an average annual return of 18.3% since July 2019.

Key factors driving this correction include:

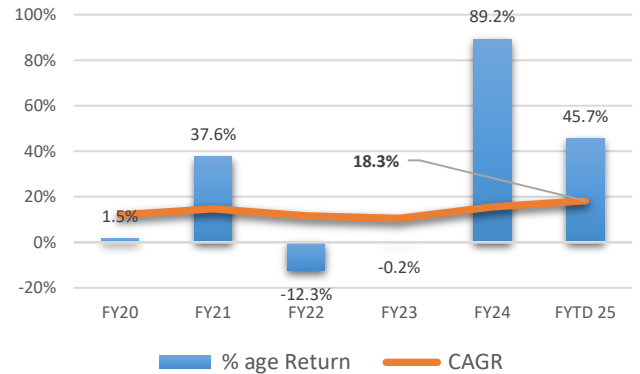
- Profit taking by investors after the historic bull run.
- Expectations of higher political risk amid the new US administration.
- Upcoming IMF review in March.
- Potential mini budget amid revenue shortfalls.
- Foreign participant selling

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 prices. KSE 100 index gained 35,811 points during FY25TD. Top contributors remained Fertilizer, Oil & Gas exploration companies and Pharma stocks. The highest return providers were AIRLINK (131%), ATILH (95%), AKBL (91%), AGP (87%) & ATRL (80%).

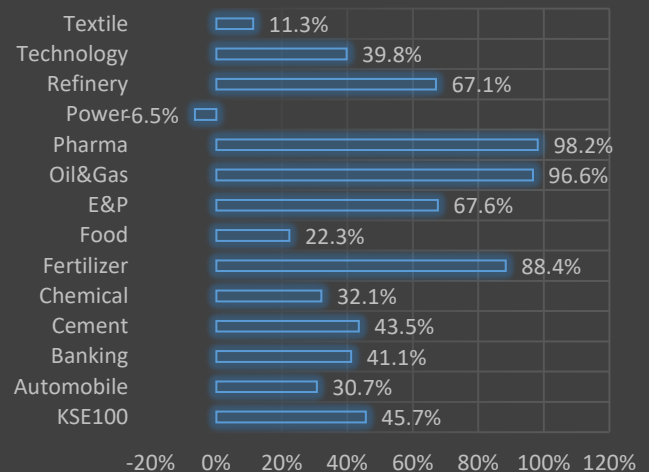
The most active sectors during January were Autos, Oil & Gas Exploration, Cement, Oil & Gas Marketing Companies, and Pharma. The market is expected to rebound in the coming month as good corporate results are expected to be announced. Further, the market is expecting an increased weightage in the upcoming MSCI review and the addition of some new stocks.

The inflation trend is expected to continue, supported by a high base effect and stable global commodity prices. The market is expecting a 25% - 30% return in CY 25.

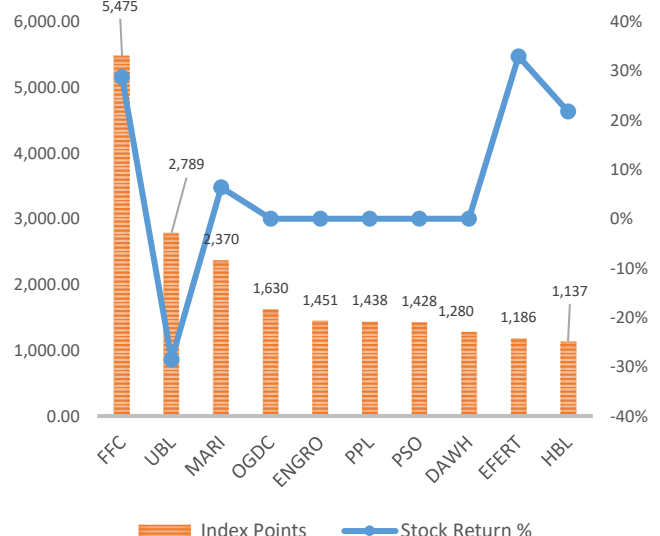
KSE-100 Index Performance



FY25TD Sector Performance



FY25TD POINTS CONTRIBUTION





MONEY MARKET OVERVIEW

The Y/Y inflation during FY24-25 dropped further from 4.1% to 2.4% in January 2025. In response, yields in the secondary market for less than 12 months fell to around 11%-12%, while yields on longer-term maturities also normalized around 12%. The latest yield curve has started to normalize, indicating the easing cycle is near its end.

The SBP had closely monitored the inflation data and started reversing the policy rate in June 2024. During January 2025, the SBP cut the policy rate further by 100 basis points, taking the cumulative drop to 10% since June 2024. The SBP mentioned 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 11%.

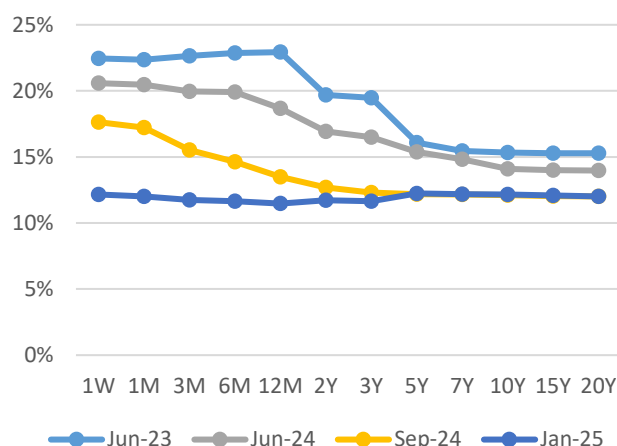
In the latest Treasury Bill auction held by the SBP on 4th February 2025, the market witnessed a healthy participation of Rs 918 billion spread across all tenors. The SBP accepted Rs 452 billion against a target of Rs 450 billion.

In the latest PIB floater auction conducted on 8th January 2025, the SBP accepted only Rs 8 billion of bids against the auction target of Rs 150 billion. The market participated with a hefty amount of Rs 560 billion in a 10-year tenor. However, the SBP rejected the bids.

In the latest fixed rate PIB auction held on 12th February 2025, the SBP accepted Rs 476 billion of bids against the auction target of Rs 350 billion. The market participated with a hefty amount of Rs 911 billion, especially in 2- & 3-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 drop slightly before stabilizing.

Yield Curve Shift



Security	Latest Auction	Cut-Off Yields/Price
T-Bill 3M	4-Feb-25	11.80%
T-Bill 6M	4-Feb-25	11.50%
T-Bill 12M	4-Feb-25	11.59%
PIB 3Y	12-Feb-25	11.89%
PIB 5Y	12-Feb-25	12.39%
PIB 10Y	12-Feb-25	12.79%
PFLH 5Y	4-Feb-25	96.73
PFLH 10Y	4-Feb-25	92.89
GISFRD1Y	4-Feb-25	10.25%
GISF3Y	4-Feb-25	11.50%
GISF5Y	4-Feb-25	11.99%
GISF10Y	4-Feb-25	-
GISV3Y	4-Feb-25	100.20
GISV5Y	4-Feb-25	99.98
GISV10Y	4-Feb-25	100.39

Policy Rate	12%
Upcoming MPC Meeting	10-Mar-25

Upcoming Auctions (Rs in Million)			
Instrument	Auction Date	Maturity	Target in
PIB	12-Mar-25	146,000	350,000
T-Bill	19-Feb-25	348,000	350,000
PFLH	19-Feb-25	-	350,000



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 17.6% during 7M 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 86% of the Fund, posted an annualized return of 22.2%. 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 14% of the Fund, posted a holding period return of 49% compared to a market (KSE 100 index) return of 46%.

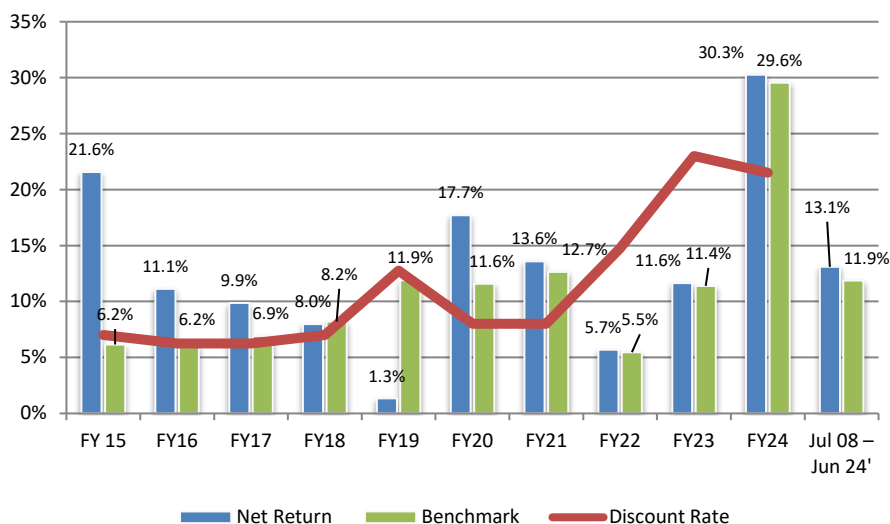
The Fund is well positioned to outperform its FY 2024-25 benchmark as it has built a good mix of fixed-rate and floating-rate portfolios. Going forward, the OIC shall maintain its fixed-income portfolio mix and equity exposure while proactively keeping an eye on the changing macroeconomic conditions.

	Fund Performance*	Fund Size (a)	Estimated** 30-yr Pension Liabilities (b)	(a)/(b)
FY09	15.00%	3.5	636.3	0.55%
FY10	13.21%	12.1	718.1	1.69%
FY11	10.81%	13.4	1,005.6	1.33%
FY12	16.86%	15.6	1,408.1	1.11%
FY13	20.46%	18.8	1,971.8	0.95%
FY14	5.65%	24.8	2,761.1	0.90%
FY15	21.57%	35.3	3,866.5	0.91%
FY16	11.14%	40.2	4,412.5	0.91%
FY17	9.88%	49.3	5,035.7	0.98%
FY18	7.97%	53.2	5,746.9	0.93%
FY19	1.34%	59.2	6,558.5	0.90%
FY20	17.72%	76.3	6,558.5	1.16%
FY21	13.59%	85.2	6,558.5	1.30%
FY22	5.68%	94.0	6,558.5	1.43%
FY23	11.63%	108.6	6,558.5	1.66%
FY24	30.28%	140.3	11,883.2	1.18%
7M FY 25	17.60%	165.0	11,883.2	1.39%
Jul '08 to Jan '25	13.71%			

*Including mark-to-market gain/losses

**Based on actuarial reports

Performance History



Fund Facts

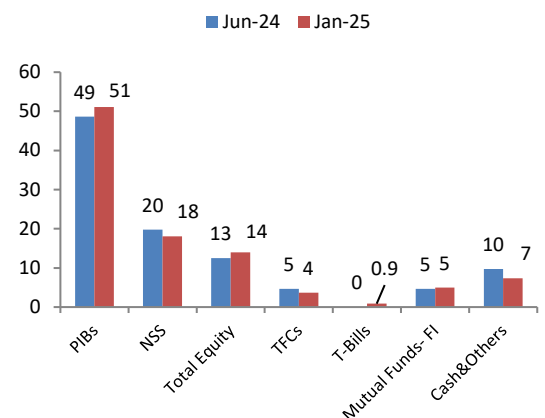
Fund Type	Pension Fund
Inception Date	16-Jun-08
Net Assets (Rs. million)	165,032
Management Expenses (annualized)	0.15% p.a. of Net Assets
Trustee	CDC Pakistan Limited
Risk Profile of the Fund	Low to Moderate

Fund Size FY24-25

Rs. million

Beginning Fund Size (1st Jul 2024)	140,329
Add: Contribution during the period	-
Add: Gain during period	24,832
Less: Expenses during the period	(129)
Less: Profit Withdrawal	-
Ending Fund Size (31st January 2025)	165,032

Asset Allocation (% of Fund Size)



Operational Investment Committee

Ashab Naeem Iqbal	General Manager
Muhammad Sajid, CFA	Chief Investment Officer
Haroon Zafar, CFA	Head of Portfolio

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