

Director's Report

I am pleased to present financial performance of equity, fixed income, money market and pension funds being managed by National Investment Trust Limited (NITL) for the quarter ended September 30, 2019.

Macroeconomic Overview

Pakistan macroeconomic scenario experienced significant volatility over the past one year as policy makers adopted measures aimed at stabilization of economy. These measures have started to show early results in the form of reduced current account deficit, better FX reserves position and stability in currency valuation. These results are achieved at the cost of slowdown in GDP growth and higher inflation as well as high interest rates.

CPI inflation was recorded at 11.4% on year-on-year basis in September 2019 as compared to 10.5% in the previous month and 5.4% during corresponding month of last year. Rising inflation has attributed to increase in prices for both input goods as well as consumer goods.

The Current Account Deficit (CAD) for the month of July and August 2019 further trimmed to USD0.7 bn & USD 0.6bn respectively, which aggregates CAD to USD1.3bn (2.8% of GDP) depicting a steep decline of 54%YoY compared to USD2.85bn (5.5% of GDP) during same period last year. Moreover, this steep decline in CAD is primarily attributed to significant import compression (down 24% in 2MFY20 as per SBP) due to slow down in the economy.

During the 1QFY20, KSE-100 index showed two way volatility. After, a significant decline of 12.5% during the months of July and August, the market witnessed a sharp rebound of 2,407 points, an increase of 8.11% in the month of September 2019. However, for the quarter ended Sep 30, 2019, KSE-100 Index was down by 5.38% decrease of 1,823 points and closed at 32,079 in comparison to a closing of 32,902 points on Jun 30, 2019.

National Investment Unit Trust (NIUT) Fund

NI(U)T posted a negative return of 7.68% against benchmark return of negative 5.38% during 1QFY20, underperforming the benchmark by 2.30 %. Unit price of NI(U)T declined to Rs. 48.79 as on Sep 30, 2019, as against Rs. 52.85 (Ex-Div.) as on Jun 30, 2019. AUMs for the Fund as on Sep 30, 2019 were Rs. 44.39bn. The reduction in net assets was mainly due to net outflow of cash dividend of Rs. 1.4 bn coupled with net redemption of Rs. 2.8 bn during the period under review.

NIT – Islamic Equity Fund (NIT-IEF)

NIT-IEF posted negative return of 7.08% during 1QFY20 relative to benchmark return of negative 5.48% during the same period, underperforming by 1.60%. Unit price of the Fund declined to Rs. 6.69 as on Sep 30, 2019 as against Rs. 7.20 (Ex-Div.) as on Jun 30, 2019. AUMs for the Fund as on Sep 30, 2019 were Rs. 2.75bn.

NIT – Income Fund (NIT-IF)

NIT-IF posted an annualized return of 11.71% during 1QFY20, underperforming benchmark return of 13.86% by 215 basis points. Unit price of for the Fund was at Rs. 10.4022 as on Sep 30, 2019 as compared to Rs. 10.104 (Ex-Div.) as on Jun 30, 2019. WAM was 562 days as on Sep 30, 2019, with majority of TFCs having a floating rate to minimize the interest rate risk. AUMs for the Fund as of Sep 30, 2019 were Rs. 4.10bn.

NIT – Government Bond Fund (NIT-GBF)

During 1QFY20, annualized return for NIT-GBF was 13.41%, against benchmark return of 13.70%, with the fund underperforming by 29 basis points. Unit price of the Fund as on Sep 30, 2019 was Rs. 10.1759 as against Rs. 9.8432 (Ex-Div.) on Jun 30, 2019. Fund increases its exposure in government securities aiming towards the long term maturities in order to get the advantage of higher interest rates.

This resultantly increases the WAM of the Fund to 376 days on Sep 30, 2019 as compared to 25 days as on June 30, 2019. AUMs for the Fund as on Sep 30, 2019 were Rs. 3.58bn.

NIT – Money Market Fund (NIT-MMF)

Unit price of NIT-MMF was at Rs. 9.7784 (Ex-Div) as on Sep 30, 2019, compared to Rs. 9.7784 (Ex-Div.) as on Jun 30, 2019 mainly because of 100% payment on monthly basis. Annualized return of the Fund during 1QFY20 was 12.45%, against benchmark return of 12.62%. The Fund maintained a WAM of 19 days as on Sep 30, 2019 against maximum limit of 90 days. AUMs for the Fund as on Sep 30, 2019 were Rs. 3.98bn.

NIT – Islamic Income Fund (NIT-IIF)

The fund posted an annualized return of 11.70% during 1QFY20, against the benchmark return of 5.74% during the same period. Resultantly, the fund outperformed the benchmark by the significant margin of 596 basis points. Unit Price of NIT-IIF was at Rs. 10.0711 as on Sep 30, 2019, compared to Rs. 9.7825 (Ex-Div.) as on Jun 30, 2019. AUMs for the Fund as on Sep 30, 2019 were Rs. 840mn.

NIT – Pension Fund (NIT-PF)

Equity Sub-Fund posted return of negative 5.36% during 1QFY20, following the trend of overall equity market. Money Market Sub-Fund and Debt Sub-Fund posted annualized returns of 12.29%, and 15.13% respectively. Commodities sub-fund, which primarily invests in Gold futures, posted a positive return of 5.76% in absolute terms for 1QFY20. AUMs for the Fund as on Sep 30, 2019 were Rs. 392.25mn.

NIT – Islamic Pension Fund (NIT-IPF)

Equity Sub-Fund posted return of negative 6.04% during 1QFY20, following the trend of overall equity market. Money Market and Debt Sub-Funds posted annualized return of 9.44%, and 9.27% respectively during 1QFY20. AUMs for the Fund as on Sep 30, 2019 were Rs. 331.43mn.

Future Outlook

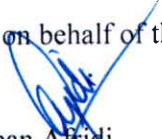
The economy is showing signs of stabilization, with the narrowing of CAD and the return of some market confidence has also allowed the SBP to slowly and gradually re-build its foreign reserve position. However, there is still a long road ahead in fixing chronic economic imbalances and reaching a more sustainable fiscal and monetary position. Going forward, we foresee sluggish business activities and inflationary pressures. Focus would remain on meeting FATF requirements, fiscal management and government compliance with the IMF quarterly targets.

Acknowledgment & Appreciation

I am thankful to the Unit Holders for their unfailing confidence and trust. I would like to acknowledge and appreciate the efforts of Government of Pakistan, and our regulator, Securities & Exchange Commission of Pakistan for the role they have played in developing and strengthening the financial services industry in the country. I am also grateful to our trustee, the Central Depository Company of Pakistan for their proactive role as trustee.

I would also like to thank the Board and Management, as well as investors for the trust that they have demonstrated. We assure continuous commitment for maintenance of high service standards and a strong culture of corporate governance and compliance in all our endeavors. Finally, I would also thank our employees for their commitment and efforts which have enabled us to attain sustainable growth over the years.

For and on behalf of the board.


Mr. Adnan Afridi
Managing Director
October 30, 2019.