

## Director's Report

I am pleased to present financial performance of collective investment schemes' and pension funds being managed by National Investment Trust Limited (NITL) for the year ended 30<sup>th</sup> June 2020.

### Macroeconomic Overview

Pakistan's economy was slowly reverting to the path of stability till February 2020, evident by improving macro-economic indicators such as trade deficit, fiscal deficit, foreign exchange reserve and credit rating etc. However, macroeconomic stability was blemished by the outbreak of the Coronavirus in late February. This was seen with a sharp decline in GDP growth rate to -0.38% in FY20 from 1.91% in FY19. The global pandemic caused major shutdown due to which economic development was nearly halted.

The current account deficit narrowed by 77.9% to \$2.97 billion in FY20 as compared to \$13.43 billion in the previous fiscal year mainly on account of significant reduction in imports due to economic shutdown and lower oil prices.

Overall the trade deficit stood at \$22.75 billion in FY20 against \$32.58 billion in the FY19. There was a reduction of 30.2% in the trade deficit on the back of a steep reduction in imports coupled with economic meltdown in the aftermath of the deadly respiratory disease. Imports stood at \$ 50.7 billion in FY20 compared to \$ 62.81 billion, registering a decline of 19.28%. The import bill got compressed owing economic shutdown and lower oil prices. However, the real challenge remained the exports, which registered a negative growth of 7.54% and stood at only \$27.95 billion in FY20. In absolute terms, the exports shrank \$2.28 billion, mainly because of the lockdown imposed by the global trade partners.

During FY20, inflation clocked-in at 8.6% (YoY) as compared to 8.0% (YoY) in the last year. This took average inflation during the year FY20 to 10.7% against 6.8% during last year. Urban CPI increased by 7.6% YoY vs 8.1% in the last year. While, Rural inflation increased by 9.9% YoY as compared to 7.2% in FY19. During FY20, Worker's Remittances increased to a historic high level of \$ 23.1 billion witnessing a growth of 6.4% over US\$ 21.7 billion during FY19.

FY20, was a volatile year for Pakistan Stock Exchange. Benchmark index took a bearish start to the year declining 15.15% till August 16<sup>th</sup>, 2019. Later market started to incorporate improving economic indicators and we witnessed 50% increase in KSE 100 index to 43,207 level as on January 10, 2020. However, strong recovery was halted by emergence of coronavirus pandemic taking toll on benchmark index which declined 37% to 27,229 as on March 25<sup>th</sup>, 2020. Finally, number of factors including incentives from Government coupled with hope related to opening of business led to recovery in KSE 100 index which closed at 34,422 points up 1.5% as compared to previous year's close of 33,902 points.

Overall activity at the stock market improved during the year as average traded volumes increased by 27% YoY to 196 million shares per day in FY20. However, it still remained 10% lower compared to its preceding five-year average of 219 million shares per day. The average traded value down by 2% in FY20 to USD 46 million per day, which remained 51% lower

compared to its preceding five-year average of USD 94 million per day. Foreigners remained net sellers, with a net outflow of USD 285 million in FY20. Among the categories individuals and insurance were net buyers during the year as falling interest rates generated greater interest in stock market. However, banks and mutual funds were net sellers during the year.

When the sectors performance is measured, pharmaceuticals and cements were outperformers during FY20. However, Oil and Gas Exploration, Banks and Power Generation were laggards. Cement sector outperformed as the government's focus was towards boosting construction activities in the country to ease off economic conditions of the daily earners, for which the government has already announced a construction package. However, power because of IPPs Commission Report, Oil and Gas Exploration owing to fall in international oil prices and banks because of monetary easing by the Central Bank, underperformed the bourse.

#### **National Investment Unit Trust (NIUT) Fund**

NI(U)T posted a return of 6.38 percent, against benchmark return of 1.53 percent during FY2020. Hence, NI(U)T outperformed benchmark of KSE-100 by significant margin of 4.85 percent. Unit price of NI(U)T was recorded at Rs. 56.22 on 30<sup>th</sup> June 2020 as against NAV of Rs. 52.85 (Ex-Dividend) on 30<sup>th</sup> June 2019. Net Assets of NI(U)T Fund stood at Rs. 50.30 billion as on 30<sup>th</sup> June 2020.

#### **NIT – Islamic Equity Fund (NIT-IEF)**

Unit price of NIT-IEF was at Rs. 7.40 as on 30<sup>th</sup> June 2020, as against Rs. 7.20 (Ex-Dividend) on 30<sup>th</sup> June 2019. YTD Return for the Fund was 2.78 percent, against KMI-30 return of 1.62 percent. The Fund outperformed the benchmark by 1.16 percent. Assets Under Management for NIT-IEF as of 30<sup>th</sup> June 2020 were Rs. 2.96 billion.

#### **NIT – Income Fund (NIT-IF)**

NIT-IF posted an annualized return of 12.58 percent during FY2020, outperforming benchmark return of 12.22 percent, by 36 basis points. Unit price of NIT-IF was at Rs. 11.3788 as on 30<sup>th</sup> June 2020, as compared to Rs. 10.1040 (Ex-Dividend) as on 30<sup>th</sup> June 2019. Weighted Average Maturity of 673 days as on 30<sup>th</sup> June 2020. Assets Under Management for NIT-IF as of 30<sup>th</sup> June 2020 was Rs. 3.76 billion.

#### **NIT – Government Bond Fund (NIT-GBF)**

During FY2020, annualized return for NIT-GBF was 16.04 percent, against benchmark return of 12.07 percent, with the fund outperforming by 397 basis points. Unit price of NIT-GBF as on 30<sup>th</sup> June 2020 was Rs. 11.4259 as against Rs. 9.8432 (Ex-Dividend) on 30<sup>th</sup> June 2019. Weighted Average Maturity of NIT-GBF was maintained at 577 days as on 30<sup>th</sup> June 2020. Asset Under Management for NIT-GBF as on 30<sup>th</sup> June 2020 was Rs. 4.35 billion.

#### **NIT – Money Market Fund (NIT-MMF)**

Unit price of NIT-MMF was at Rs. 9.6920 (Ex- interim Dividends of Rs. 1.2474) as on 30<sup>th</sup> June 2020, compared to Rs. 9.7784 (Ex-Dividend) as on 30<sup>th</sup> June 2019. Annualized return of NIT-MMF during FY2020 was 12.51 percent, against benchmark return of 11.64 percent. The Fund maintained a Weighted Average Maturity of 35 days as on 30<sup>th</sup> June 2020, against maximum

limit of 90 days. Assets Under Management for NIT-MMF as on 30<sup>th</sup> June 2020 was Rs. 4.82 billion.

#### **NIT – Islamic Income Fund (NIT-IIF)**

Annualized return for NIT-IIF is at 10.44 percent, against benchmark return of 6.33 percent, outperforming by 411 basis points. Unit Price of NIT-IIF was at Rs. 10.8069 as on 30<sup>th</sup> June 2020, compared to Rs. 9.7825 (Ex-Dividend) as on 30<sup>th</sup> June 2019. The fund maintained Weighted Average Maturity of 874 days as of 30<sup>th</sup> June 2020. Assets Under Management for NIT-IIF as on 30<sup>th</sup> June 2020 was Rs.990 million.

#### **NIT – Pension Fund (NIT-PF)**

Equity Sub-Fund posted a negative return of 0.36 percent during FY2020. Money Market Sub-Fund and Debt Sub-Fund posted annualized returns of 12.30 percent, and 23.26 percent respectively. Commodities sub-fund, which primarily invests in Gold futures, posted a positive return of 26.19 percent in absolute terms, for FY2020. Assets Under Management for NIT-PF as on 30<sup>th</sup> June 2020 was Rs. 440.81 million.

#### **NIT – Islamic Pension Fund (NIT-IPF)**

Equity Sub-Fund posted a positive return of 5.20 percent during FY2020, outperforming the overall equity market. Money Market and Debt Sub-Funds posted annualized return of 9.09 percent, and 7.66 percent respectively during FY2020. Assets Under Management for NIT-IPF as on 30<sup>th</sup> June 2020 was Rs. 361.05 million.

#### **NIT Pakistan Gateway Exchange Traded Fund (NIT-PGETF)**

NIT-PGETF was launched on 24<sup>th</sup> March 2020 (IPO was held between 18<sup>th</sup> March to 20<sup>th</sup> March 2020). During the period fund posted a return of 7.21 percent, against benchmark return of 8.76 percent. Unit price of NIT-PGETF was recorded at Rs. 10.3339 on 30<sup>th</sup> June 2020 as against NAV of Rs. 9.6391 on 20<sup>th</sup> March 2020. Net Assets of NIT-PGETF Fund stood at Rs. 50.43million as on 30<sup>th</sup> June 2020.

#### **NIT Asset Allocation Fund (NIT-AAF)**

NIT-AAF was launched on 9<sup>th</sup> April 2020 (IPO was held between 6<sup>th</sup> April to 8<sup>th</sup> April 2020). During the period fund posted a return of 2.12 percent, against benchmark return of 3.09 percent. Unit price of NIT-AAF was recorded at Rs.10.2119 on 30<sup>th</sup> June 2020 as against NAV of Rs.10.00 (Face Value) at the time of launching. Net Assets of NIT-AAF Fund stood at Rs. 524.11 million as on 30<sup>th</sup> June 2020.

#### **Future Outlook**

Corona virus cases are declining globally which is leading to resumption of business activities. Opening of businesses is expected to bode well for the economy in FY21. International Monetary Fund (IMF) has also predicted a growth of 2% in current financial year. Moreover, Government of Pakistan has also given incentives to the local industries especially textile and construction due to which we expect pick-up in demand and economy going forward.

**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  
11<sup>th</sup> August 2020