

## Director's Report

I am pleased to present financial performance of equity, income, money market and pension funds being managed by National Investment Trust Limited (NITL) for the nine months period ended March 31, 2020.

### Macroeconomic Overview

The end of the quarter has been dominated by the economic and social dislocation caused by the Covid-19 Global Pandemic. The full impact of the lock-downs and social distancing guide-lines will continue to un-fold in the remainder of the year.

On a cumulative basis, the Current Account Deficit (CAD) contracted 71.0%YoY to US\$2.84bn (1.5% of GDP) in 8MFY20 vs. US\$9.82bn (5.0% of GDP) in 8MFY19 primarily led by a decline in imports. Going forward, we expect CAD to be on the lower side on the back of lower oil prices and petroleum imports. However, benefits of lower oil prices will be partially offset by decline in exports due to global lockdown.

Exports have witnessed 2.23% growth in 9MFY20 to US\$ 17.45 billion and Import decreased by 14.41% to US\$ 34.81 billion in 9MFY20 as a result trade balance decreased by 26.44% to US\$ 17.363 billion as compared to US\$ 23.608 billion in the corresponding period last year.

During 9MFY20, Worker's Remittances have grown by a 6% to US\$ 16.99 billion against US\$ 16.03 billion in the corresponding period last year. However, due to both the risk of global recession and low oil prices could lead to double impact on Pakistan's Remittances as major portion of worker's remittances come from GCC Countries.

After raising the key policy rate by 750bps (since Dec'17) to 13.25% in Jul'19, the State Bank of Pakistan reduced the policy rate by 225bps to 11% in March-20, signaling an end to the 20 months long monetary tightening cycle. The key considerations behind the cut were a 1) reduction in inflation, 2) significant decline in international oil prices and 3) to support the economy in outbreak of COVID – 19 which is expected to have adverse impact on domestic demand that will lead to economic slowdown

Pakistan Rupee remained strong against USD during FY20 till February as it appreciated around 5.5% during the period. However, COVID – 19 outbreak triggered outflow of over USD 2 billion in March 2020 taking toll on Pakistani Rupee which depreciated around 8% against USD during the month.

### KSE-100 Index Performance:

KSE – 100 Index has witnessed a roller – costar ride during 9MFY20. Benchmark index took a bearish start to the year declining 15.15% to 28,764 level as of August 16<sup>th</sup>, 2019. Later market started to incorporate improving economic indicators such as 1) declining current account deficit, 2) lower fiscal deficit, 3) strengthening of PKR against USD, and 4) anticipation of interest rate cut reflected by inverted bond yields. As a result, KSE – 100 registered a robust recovery increasing 50% to 43,207 level as on January 10, 2020. Strong recovery in the benchmark was halted by the

emergence of COVID – 19 outbreak, in line with global meltdown, KSE – 100 nosedived to 29,231 level as on March 31<sup>st</sup>, 2020 recording a decline of 32% from the peak of 2020.

As far as the sector specific performance is concerned, almost all the sectors took the hit of COVID – 19 pandemic. Among sectors which performed well were Pharmaceutical and Cement sectors which posted returns of 16.3% and 3.7% respectively. The worst hit sectors were Oil and Gas Exploration and Oil Marketing Companies which posted a decline of -36.3% and -27.2% respectively. As far as the investors' participation, foreigners were the major sellers followed by mutual funds and individuals were the major buyers followed by insurance companies. Average daily volumes were higher by 19.7% to 194.07 million in 9MFY20 compared to 162.19 million in 9MFY19.

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

NI(U)T posted a negative return of 10.99 percent, against benchmark return of negative 13.78 percent during 9MFY2020. Hence, despite adverse market conditions, NI(U)T outperformed benchmark of KSE-100 by 2.79 percent. Unit price of NI(U)T was recorded at Rs.47.04 on 31st March 2020 as against NAV of Rs.52.85 (Ex-Dividend) on 30th June 2019. Net Assets of NI(U)T Fund stood at Rs.41.68 billion as on 31st March 2020.

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

Unit price of NIT-IEF was at Rs.5.96 as on 31st March 2020, as against Rs.7.20 (Ex-Dividend) on 30th June 2019. YTD Return for the Fund was negative 17.22 percent, against KMI-30 return of negative 16.75 percent. The Fund underperformed the benchmark marginally by 0.47 percent. Assets Under Management for NIT-IEF as of 31st March 2020 were Rs.2.32 billion.

#### **NIT – Income Fund (NIT-IF)**

NIT-IF posted an annualized return of 12.10 percent during 9MFY2020, underperforming benchmark return of 13.50 percent, by 140 basis points. Unit price of NIT-IF was at Rs.11.0248 as on 31st March 2020, as compared to Rs.10.1040 (Ex-Dividend) as on 30th June 2019. Weighted Average Maturity of 615 days as on 31st March 2020. Assets Under Management for NIT-IF as of 31st March 2020 was Rs.3.90 billion.

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

During 9MFY2020, annualized return for NIT-GBF was 15.47 percent, against benchmark return of 13.35 percent, with the fund outperforming by 212 basis points. Unit price of NIT-GBF as on 31st March 2020 was Rs.10.9908 as against Rs.9.8432 (Ex-Dividend) on 30th June 2019. Weighted Average Maturity of NIT-GBF was maintained at 368 days as on 31st March 2020. Asset Under Management for NIT-GBF as on 31st March 2020 was Rs.4.18 billion.

**NIT – Money Market Fund (NIT-MMF) (formerly NIT Government Treasury Fund)**

Unit price of NIT-MMF was at Rs.9.7784 (Ex- interim Dividends of Rs.0.9187) as on 31st March 2020, compared to Rs.9.7784 (Ex-Dividend) as on 30<sup>th</sup> June 2019. Annualized return of NIT-MMF during 9MFY2020 was 13 percent, against benchmark return of 12.61 percent. The Fund maintained a Weighted Average Maturity of 11 days as on 31st March 2020, against maximum limit of 90 days. Assets Under Management for NIT-MMF as on 31st March 2020 was Rs.4.56 billion.

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

Annualized return for NIT-IIF is at 11.78 percent, against benchmark return of 6.32 percent, outperforming by 546basis points. Unit Price of NIT-IIF was at Rs.10.6509 as on 31st March 2020, compared to Rs.9.7825 (Ex-Dividend) as on 30<sup>th</sup> June 2019. Assets Under Management for NIT-IIF as on 31st March 2020 was Rs.1.085 billion.

**NIT – Pension Fund (NIT-PF)**

Equity Sub-Fund posted a negative return of 15.01percent during 9MFY2020, following the trend of overall equity market. Money Market Sub-Fund and Debt Sub-Fund posted annualized returns of 12.92 percent, and 23.54 percent respectively. Commodities sub-fund, which primarily invests in Gold futures, posted a positive return of 15.68 percent in absolute terms, for 9MFY2020. Assets Under Management for NIT-PF as on 31st March 2020 was Rs.411.71 million.

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

Equity Sub-Fund posted a negative return of 12.77 percent during 9MFY2020, following the trend of overall equity market. Money Market and Debt Sub-Funds posted annualized return of 10.79 percent, and 10.59 percent respectively during 9MFY2020. Assets Under Management for NIT-IPF as on 31st March 2020 was Rs.335.71 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 negative return of 5.75 percent, against benchmark return of negative 5.23 percent. Unit price of NIT-PGETF was recorded at Rs.9.0844 as on 31<sup>st</sup> March 2020. Net Assets of NIT-PGETF Fund stood at Rs.6.63 million as on 31st March 2020.

### **Future Outlook**

Pakistan economy was on track of stabilization with initial GDP growth target of 3% (by SBP) and 4.0% (by GoP). However, ongoing COVID – 19 pandemic and consequent lockdown will likely take toll on economic activity going forward. In order to minimize the impact of COVID – 19 outbreak, number of efforts are been taken by Government and State Bank of Pakistan.

### **Acknowledgment & Appreciation**

I am thankful to the Unit Holders for their continual 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, for their support and guidance. 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  
April 29, 2020