NEXT CAPITAL

CY21 – A Snapshot

Pakistan Equity Market Performance

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CY21 – A Snapshot

Pakistan equity market round-up

- KSE100 index during CY21 posted a meagre return of 1.9% and closed off at an index level of 44,596 points, an improvement of a mere 841 points from previous year.
- Because of local currency depreciating 11% during the year, KSE100 return in USD terms suffered a hit declining by 7.4%.
- Total market capitalization of PSX closed the year at USD43.5bn.
- During the year index hit an intraday high of 48,982, whilst highest index closing was 48,726. Both of these were achieved on 14th Jun'21, which was the first trading session after Federal budget FY22 was presented.
- On the contrary, lowest intraday and closing index stood at 42,688 and 42,780 and both were achieved on 11th Mar'21.
- The average daily volume traded on the market stood at 474mn, while the average daily value traded stood at PKR16,926mn compared to 329mn shares average daily volumes and PKR12,262mn average daily value traded during 2020.
- In terms of index contribution, the top 3 sectors throughout the year were, Technology & Communication, Banks and Fertilizers. These sectors collectively added 1,836 points.
- On the flipside Cements, Refineries and OMCs took away 1,088 points from the KSE100 Index.
- SYS, MUGHAL and PSEL were the best performing stocks during the year, whereas ANL, JSCL and PAEL took home the unwanted title of worst-performing scrips.
- Pakistan's equity market witnessed 8 IPOs during the year that raised a total of PKR20bn (USD112mn), which included 2 listings in the Growth Enterprise Market (GEM) Board.
- During the entire year the unfortunate trend of foreign selling was rampant, with USD359mn worth of equities sold by foreigners. Pakistan's downgrade into FM Index played a big part (Nov'21 witnessed net selling of USD141mn) and the major sectors which endured the heaviest foreign selling included E&Ps and Banks. Majority of this selling was absorbed by Individuals and Companies.
- Since Pakistan's reclassification was effective from 1st Dec'21, foreign investors invested USD1mn in Pakistan.

PSX Indices	Level	y/y
KSE100	44,596	1.9%
KSE30	17,502	-3.7%
KSEALL	30,727	-0.2%
KMI30	71,687	0.7%
KMIALL	22,027	1.4%
OGTi	12,899	-1.4%
BKTi	11,470	-13.3%

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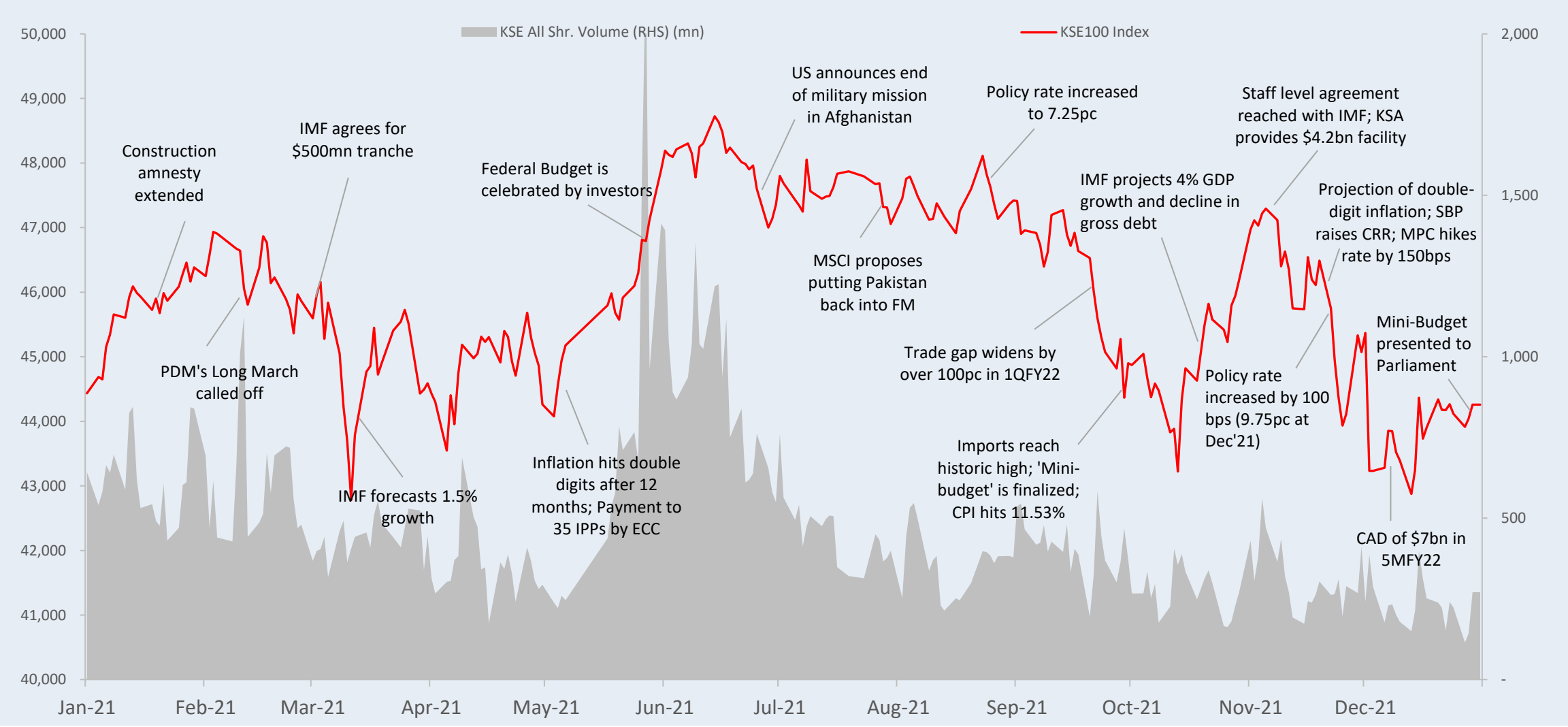
Pakistan equity market round-up

- On the macroeconomic front, the year was a turbulent one as the world was recovering from the pandemic and the recovery in demand out-paced the recovery in supply resulting in international commodities prices reaching sky-high levels.
- Pakistan's 11MCY21 average inflation was 9.2% compared to 9.7% during the same period last year.
- With inflationary outlook and a healthy growth momentum, SBP shifted its focus from stimulating growth to controlling inflation and raised the policy rate by 275bps between Sep. 20 and Dec. 14, 2021.
- External account also started deteriorating with a significant upsurge in international commodities prices and growing domestic demand.
- Pakistan's current account started running deficits again from Dec'20 after posting surpluses for several months during the pandemic.
- These deficits further widened and crossed USD1bn mark from Jun'21.
- Pakistan posted a CAD of USD9.8bn during 11MCY22 compared to a surplus of USD165mn during the same period last year.
- With deteriorating macroeconomic situation of the country including external account pressures, weak local currency and fast depleting reserves despite inflows from IMF and KSA, rising inflationary pressures, and fiscal constraints with rising debt and interest rates, investor confidence significantly reduced on the overall direction of the market.
- Going forward, we believe that with the expected passage of the mini budget, SBP Amendment act and resumption of IMF program would be a crucial confidence booster for the market.
- Trends in international commodities prices particularly oil is of critical significance in determining the overall performance of the macroeconomic indicators of the country going forward including interest rates, inflation and currency.
- Politics will also capture investor attention as we near the 2023 elections.
- With undemanding valuations (PER of ~5x and dividend yield of ~9%) we see investor sentiments improving going forward.

CY21 – A Snapshot

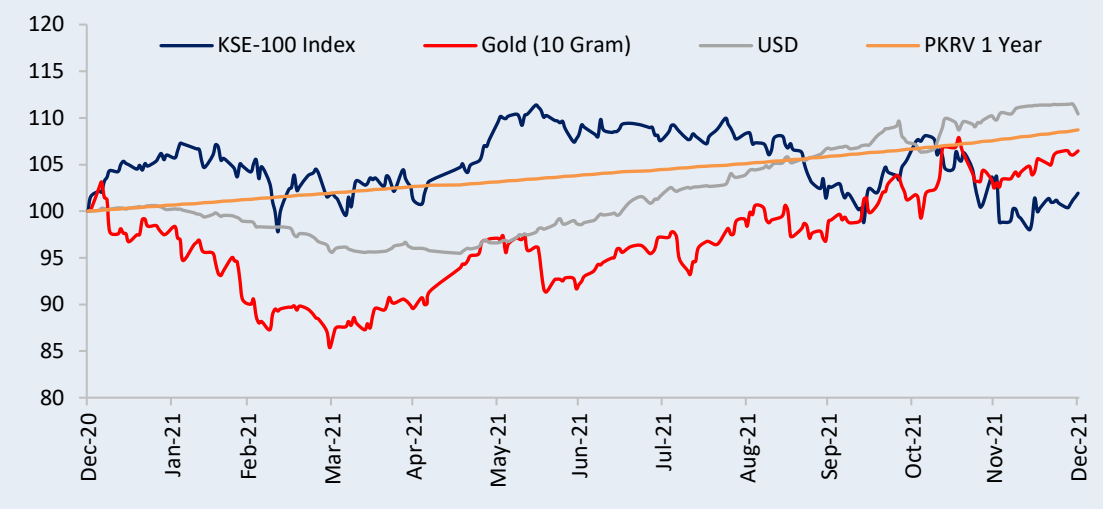
KSE100 Index Events Chart



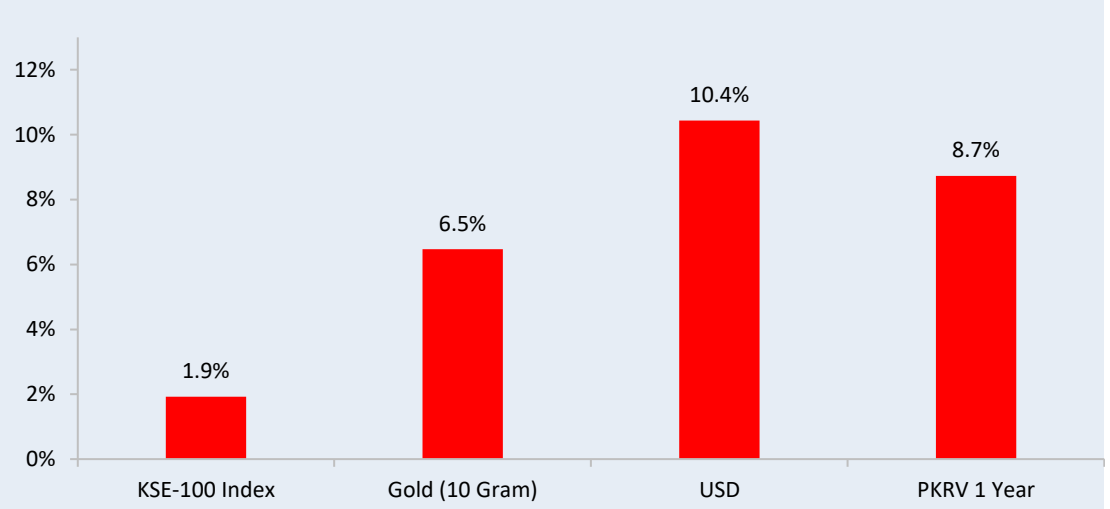
Source: PSX, Media & Next Research

CY21 – A Snapshot

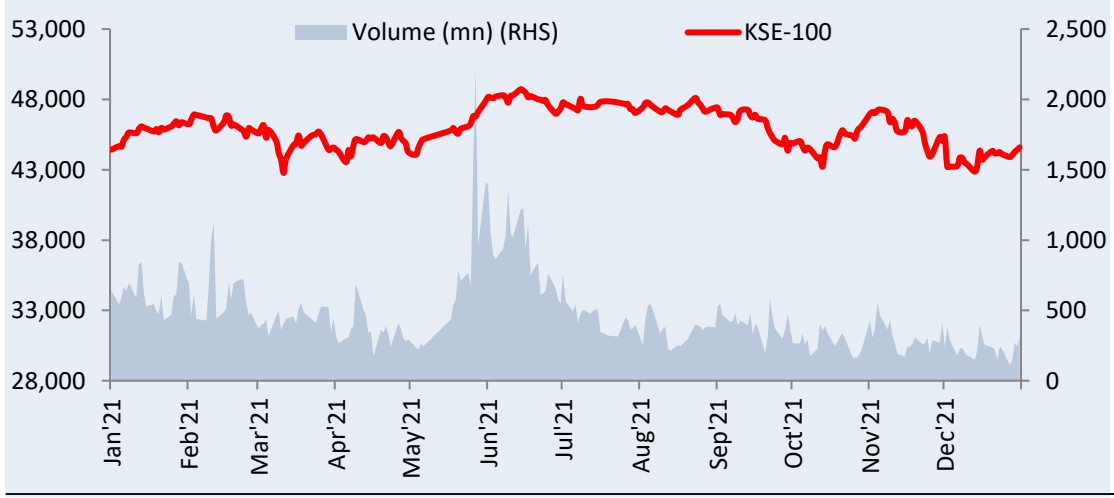
Performance of various Asset Classes during CY21



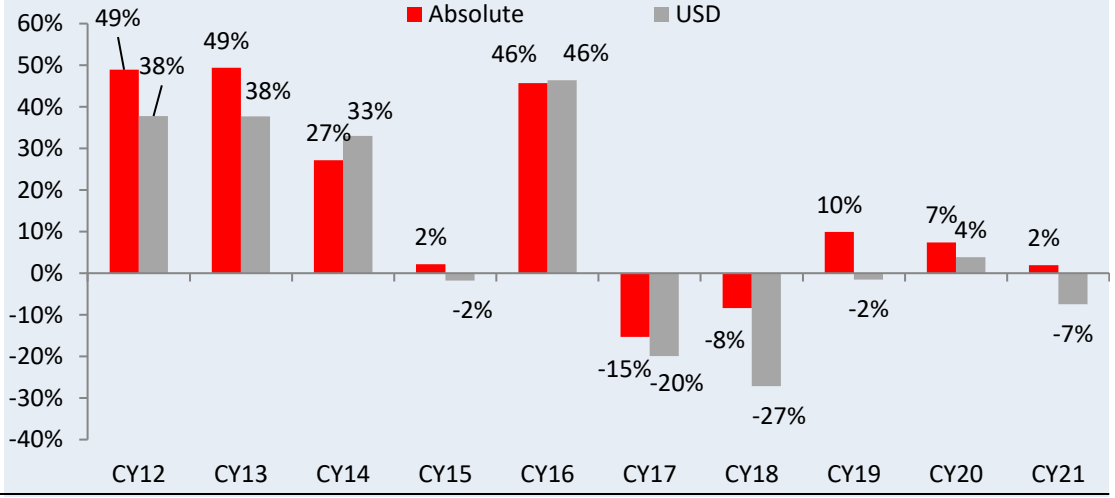
Asset Class returns during CY21



KSE-100 Index & Market Volume CY21



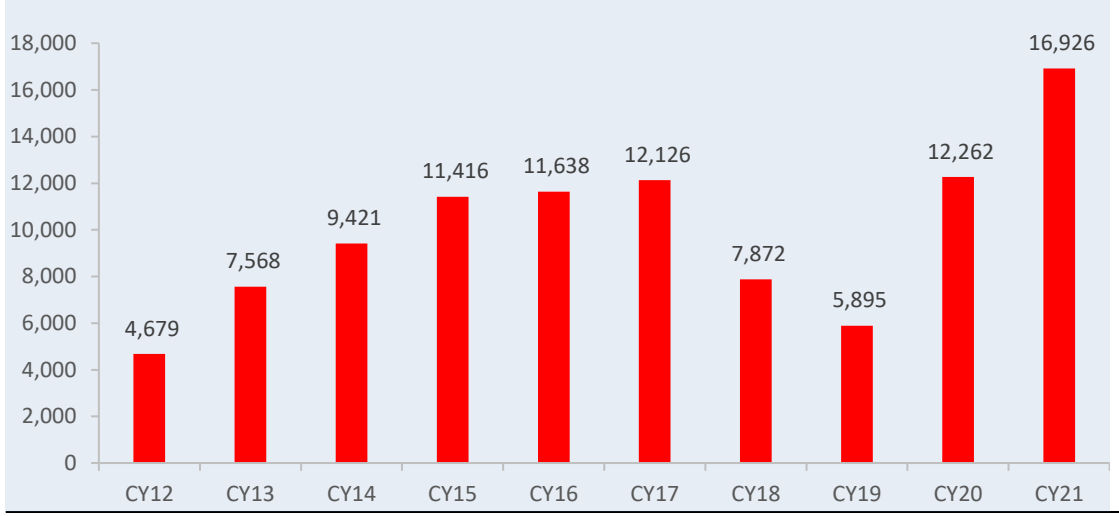
KSE-100 Index Performance – Absolute vs USD (% return)



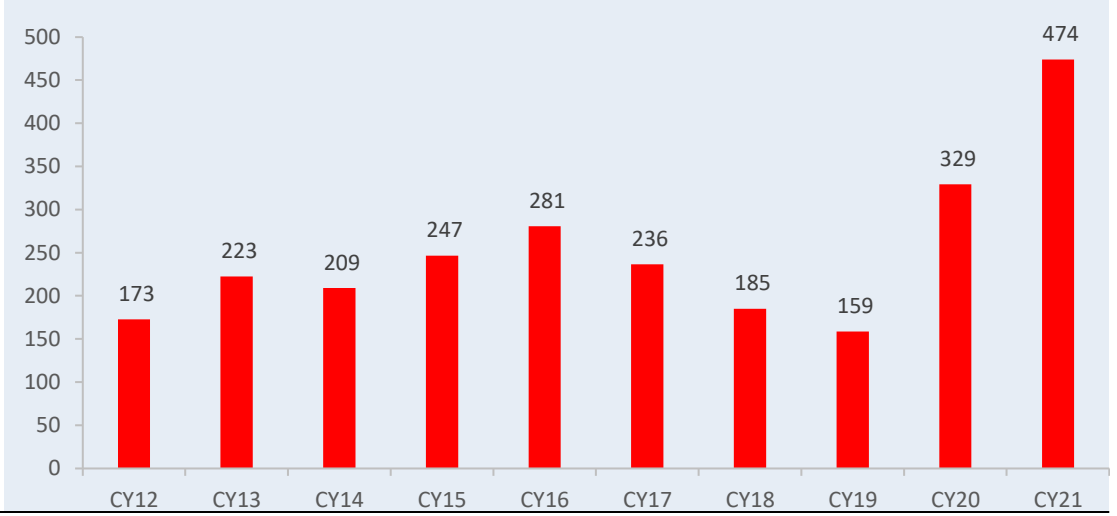
Source: PSX, Bloomberg, Mettis Global, & Next Research

CY21 – A Snapshot

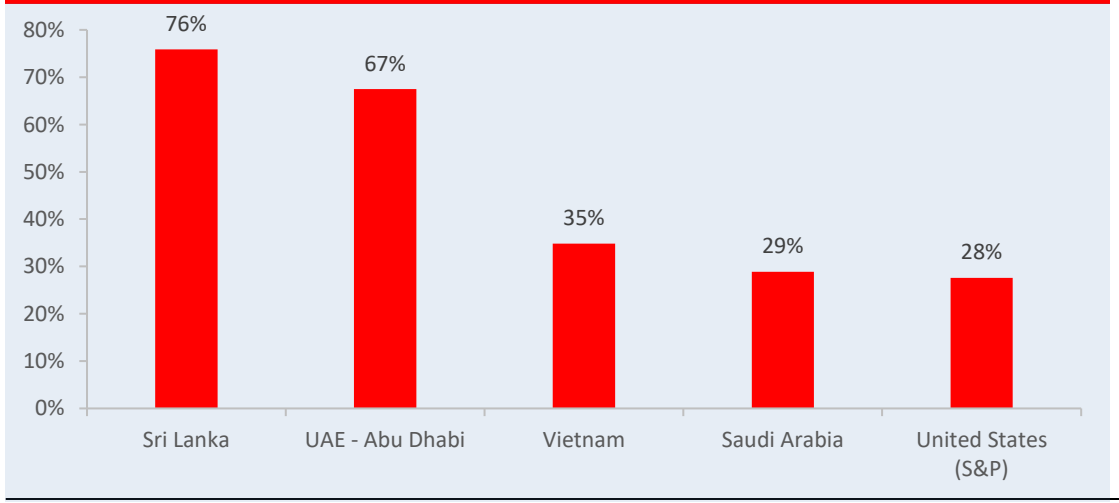
Average Value Traded KSE All (PKRmn)



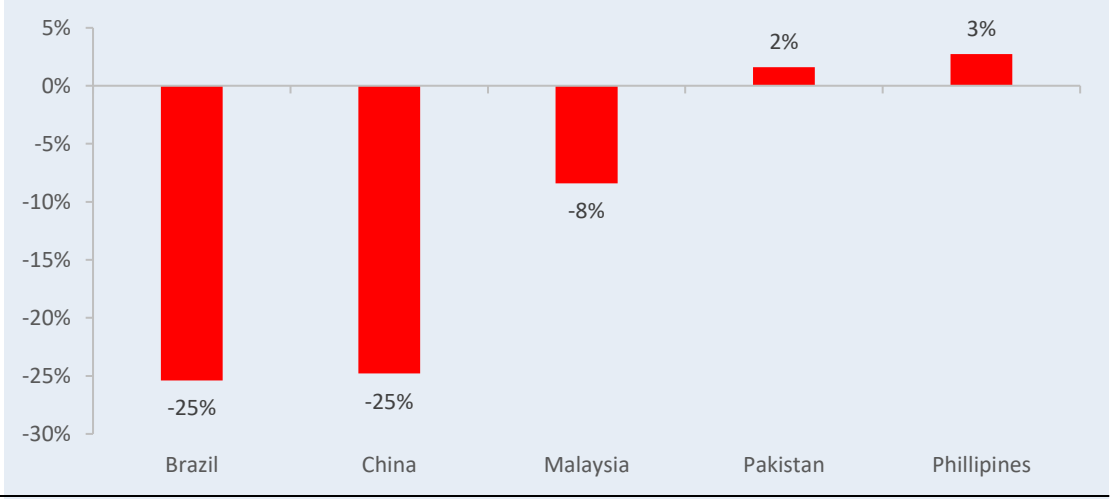
Average Volume KSE All (mn shares)



Major World Markets (Positive) CY21*



Major World Markets (Negative) CY21*

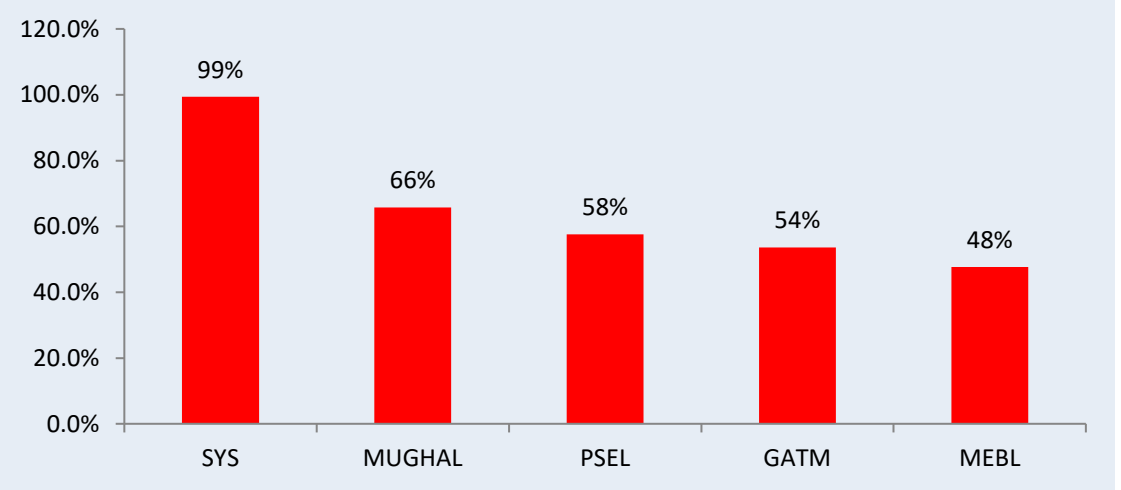


* Data collected at 07:30PM PST Dec 31, 2021

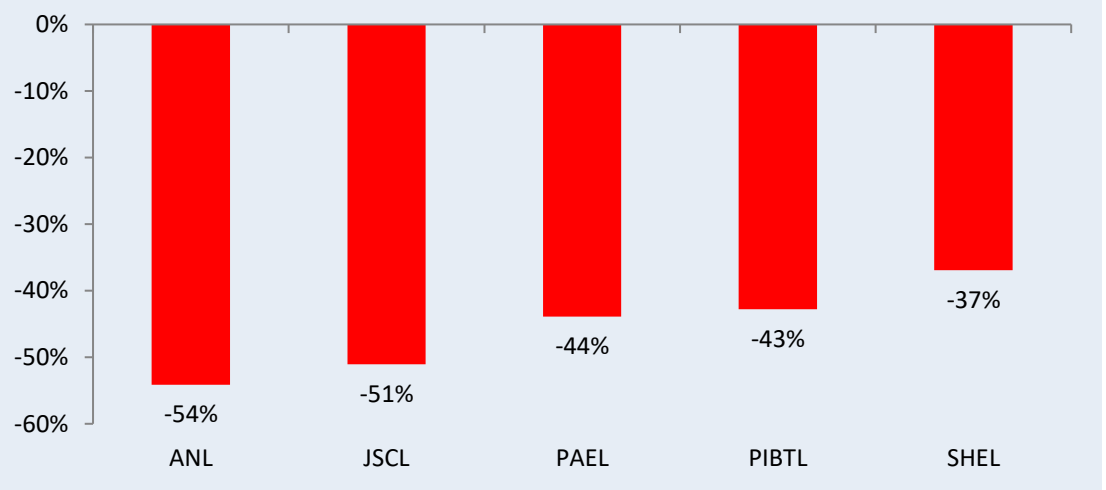
Source: PSX, Bloomberg & Next Research

Major Companies (KSE100 Index)

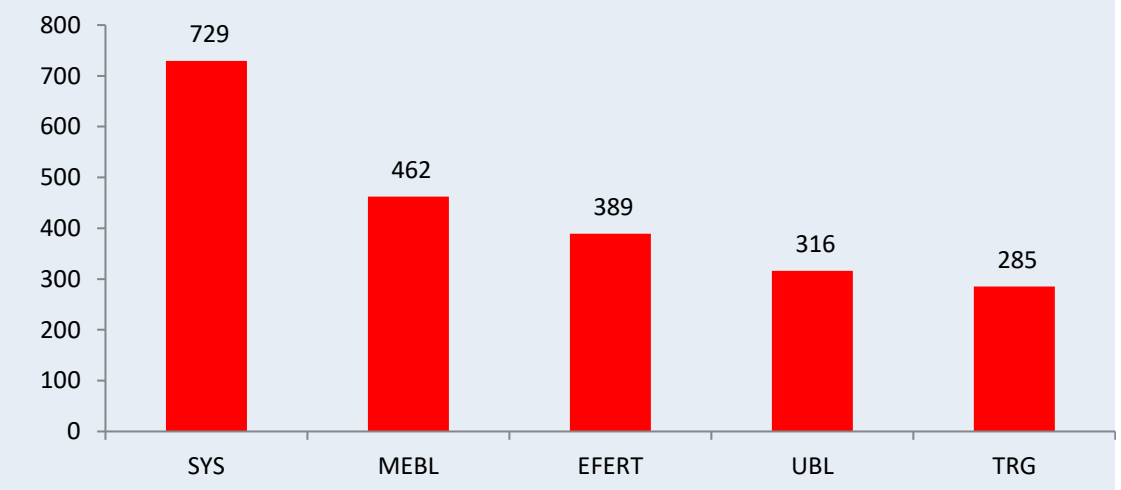
Top 5 Gainers



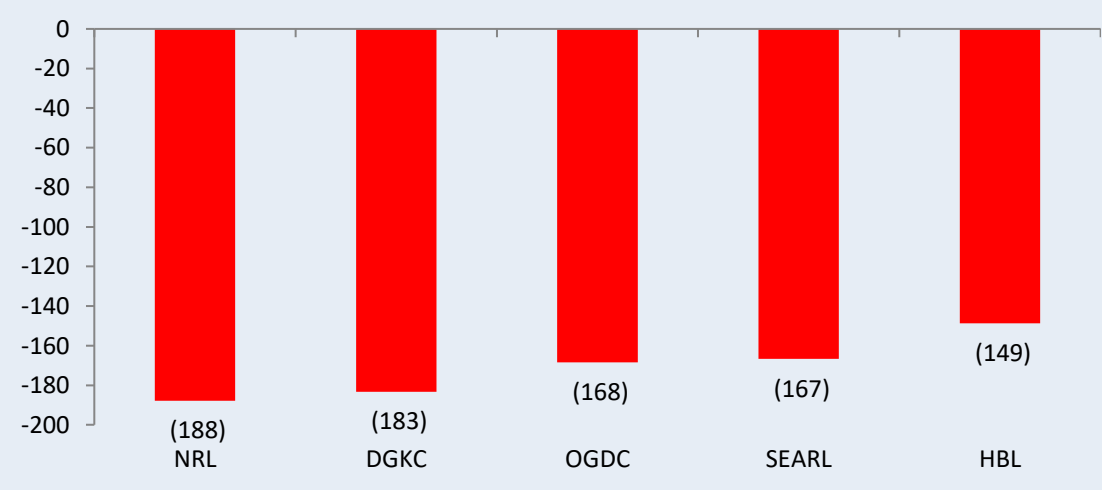
Top 5 Losers



Top 5 Index Contributors (Positive)



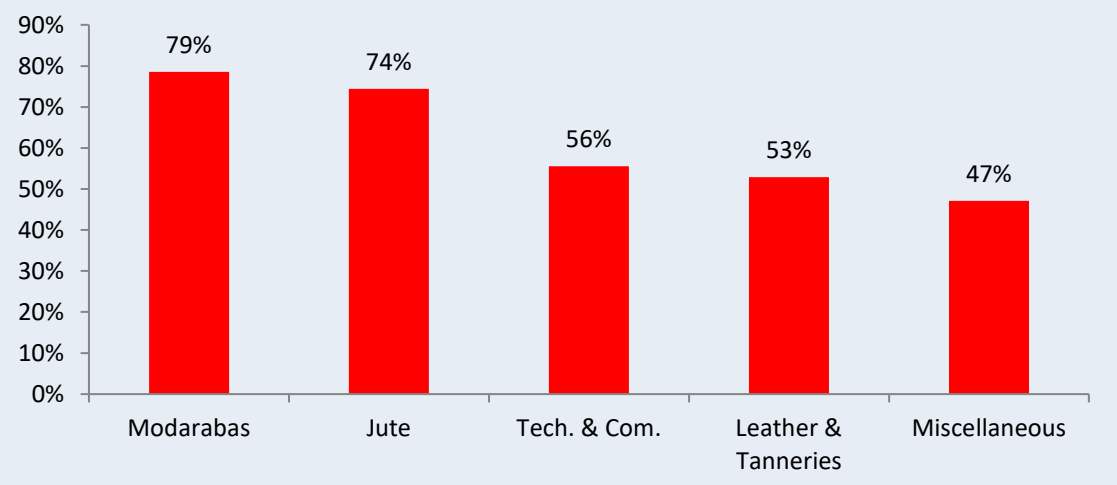
Top 5 Index Contributors (Negative)



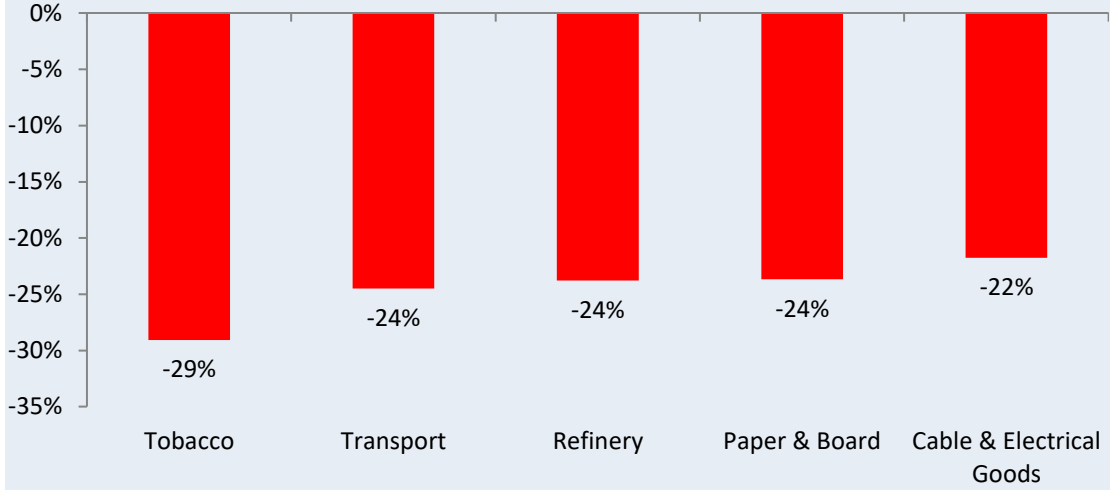
Source: PSX, Mettis Global, & Next Research

Major Sectors

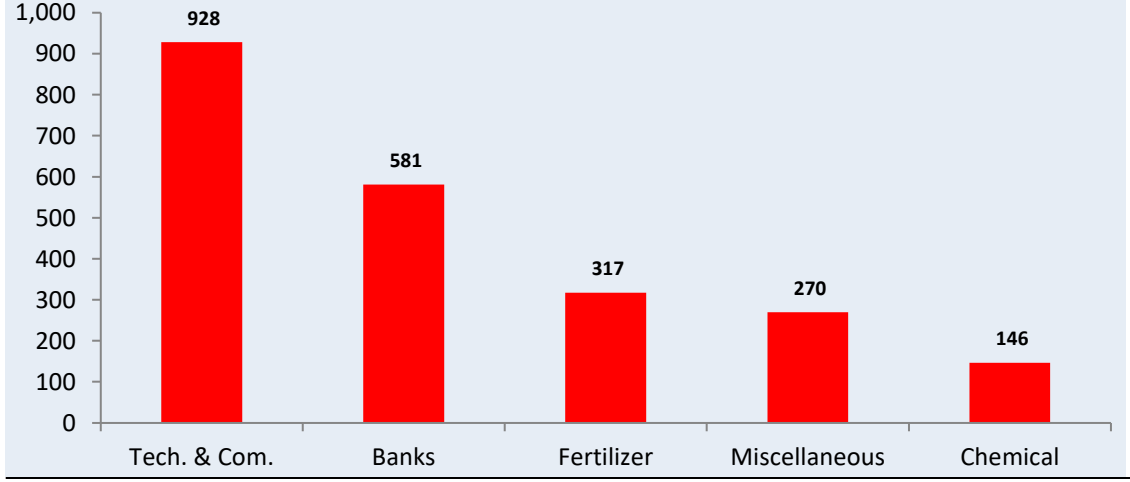
Top 5 Gainers (KSE All Share)



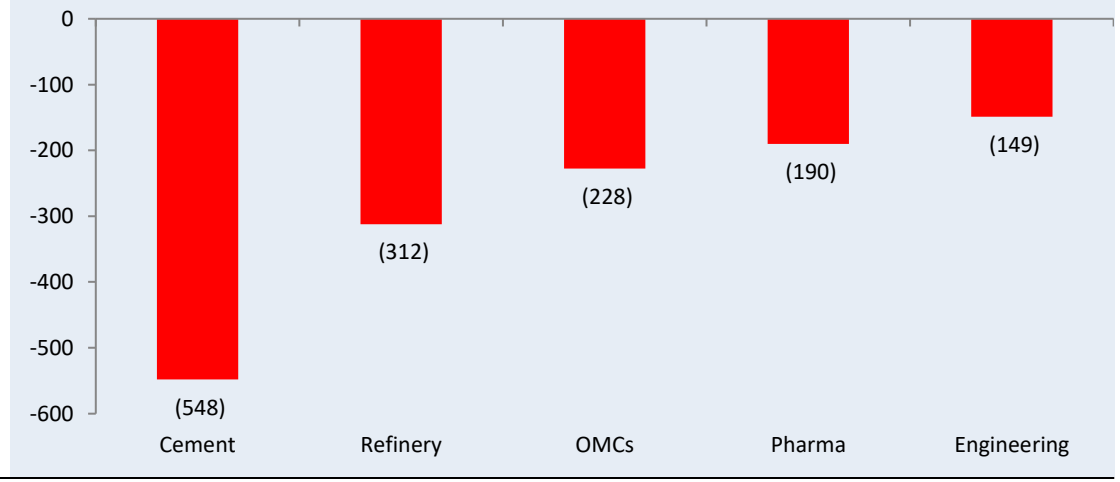
Top 5 Losers (KSE All Share)



Top 5 KSE100 Index Contributors (Positive)



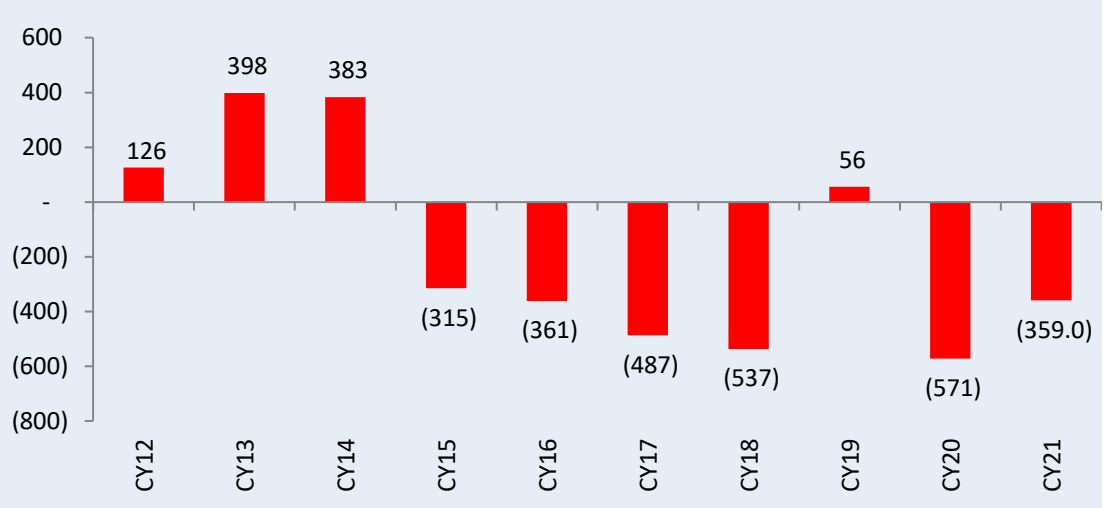
Top 5 KSE100 Index Contributors (Negative)



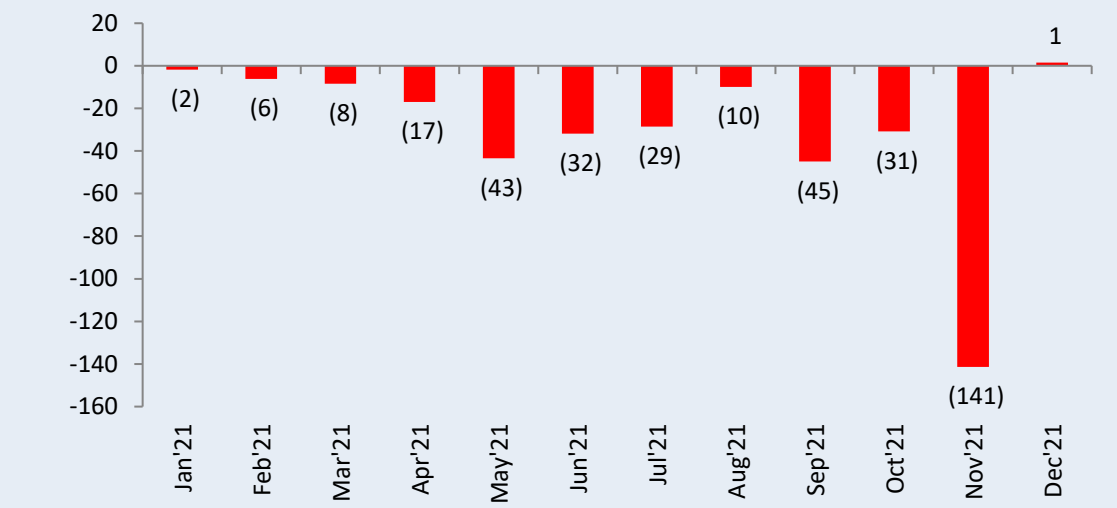
Source: PSX, Mettis Global, & Next Research

Market Participation

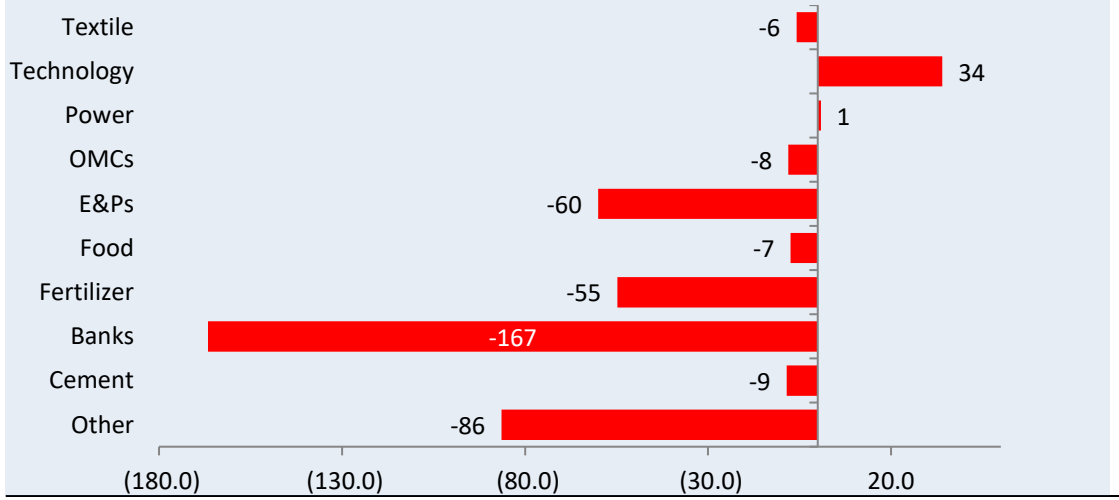
FIPI Yearly Flows (USDmn)



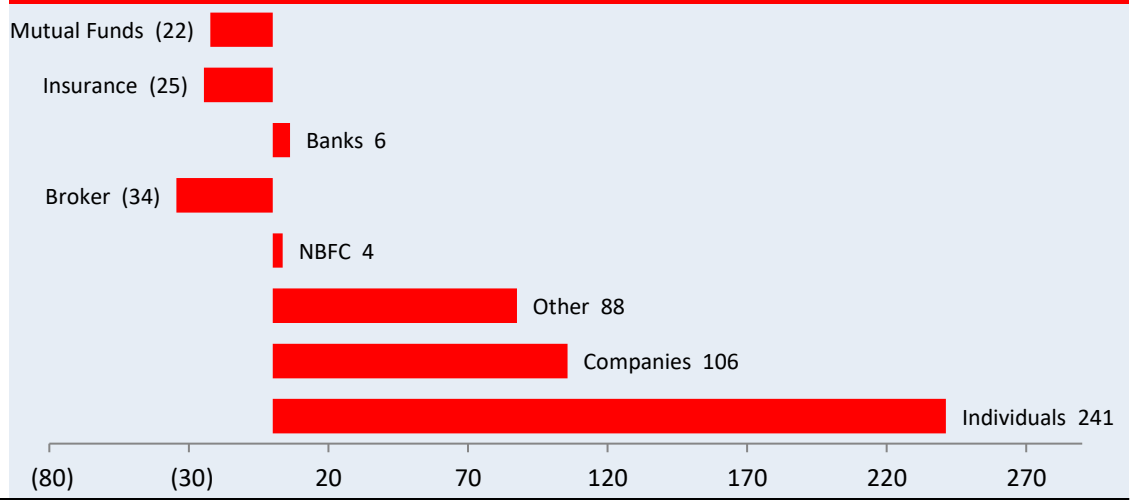
FIPI Monthly Flows CY21 (USDmn)



FIPI Sector Wise (USDmn)



LIPI Investor wise (USDmn)



Source: NCCPL & Next Research

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Annexure

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Rating Definition	
BUY	Total stock return > 15%
NEUTRAL	Total stock return between 0% - 15%
SELL	Total Stock return < 0%

* Total stock return = capital gains + dividend yield

Valuation Methodology:

- To arrive at our period end target prices, Next Capital Limited uses different valuation methodologies including but not limited to:
- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)