Editor's Note

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We are pleased to present the Seventh publication of MUFAP Yearbook for the financial year 2016.

The outgoing year FY 2016 turned to be quite eventful with respect to multiple developments for the capital markets. Pakistan has entered into a new era of equity trading after merger of all the three stock exchanges i.e. Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange into a single Pakistan Stock Exchange (PSX) during current fiscal year. Also Morgan Stanley Capital International announced the reclassification of Pakistan into MSCI Emerging Markets Index (effective from May 2017) which was taken positively by the capital markets. During the year PSX 100 - Index reached 38,777 on June 17, 2016, the highest level in Pakistan stock market history (at that point in time). While continuing its upward momentum from the past three months, the benchmark KSE-100 Index gained 4.8% during June 2016 translating into a gain of 9.8% for the year.

On the economic front, Pakistan's economy grew by 4.71% in FY16 the highest rate in the past eight years. The growth was mainly driven by industrial sector, including automobile, fertilizers, chemicals, pharmaceuticals, rubber and cement. On the other hand positive factors such as greater energy availability, CPEC projects and other development projects are expected to boost the economy. Inflation averaged 2.85% during FY16 as opposed to 4.56% the previous year due to impact of low fuel cost on food and beverages and other product prices. The economic growth remained broad based. According to provisional estimates the GDP growth during 2015-16 remained at 4.24% as compared to last year's revised estimates of 4.03%. The total investment to GDP during FY 2015-16 declined to 5.8% (Provisional Estimate) as compared to last year revised 15.12% during current fiscal year. Savings slightly improved to 14.6% of the GDP as compared to revised rate of savings to GDP of 14.5%.

The State Bank of Pakistan (SBP) borrowing requirements also remained relatively subdued compared to the last couple of years so the focus of investment managers and banks remained on booking higher yields in order to support their fixed income portfolio. Given the outlook of subdued inflation in the short term and slightly high CPI growth towards the end of 2016 and start of 2017 it is expected that monetary policy rate will remain stable with a medium to low probability of rising by the mid of FY17.

The financial year 2015-2016 remained challenging for the Mutual Funds Industry. The assets under management slightly increased from PKR 443 billion on June 30, 2015 to PKR 490 billion as on June 30, 2016. During the year, 34 new open-end funds were launched up to June 30, 2016. Equity funds (both Conventional and Shariah Compliant) dominated the AUMs of the industry with the largest share i.e. 39.35%. Income funds (both Conventional and Shariah Compliant) held the second largest market share i.e. 28.21%, followed by Money Market funds (both Conventional and Shariah Compliant) with market share of 12.28%.

The Securities and Exchange Commission of Pakistan (SECP) notified the amendments in the Non Banking Finance Companies & Notified Entities Regulations on November 21, 2015. In light of strong determination of the SECP to promote "ease of doing business" in all the areas under its ambit, SECP also amended the Nonbanking Finance Companies (Establishment & Regulation) Rules, 2003 allowing asset management companies to obtain licenses to manage Real Estate Investment Trusts (REITS) and Private Equity Funds.

MUFAP has been proactively involved in bringing transparency and good governance in the industry and we hope to continue this process with great vigour.

We would like to thank Mr. Shahid Ghaffar, Chairman, Ms. Mashmooma Zehra Majeed, CEO, Board of Directors and our colleagues at MUFAP, for their ongoing support and commitment and our colleagues in our member AMCs without which a quality publication wouldn't have been possible. We would like to especially thank Ms. Umber T. Ansari for her hard work and dedication in designing the cover for our year's yearbook and her continued support and hours of her personal time into the designing and aesthetics of our publications over the years.

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Editorial Team