

Foundation Alert

MSCI included Pakistan Frontier Index to MSCI Frontier Markets 100 and MSCI Frontier Markets 15% Country Capped Index

Event

- MSCI, the leading global provider of research-based indexes and analytics, announced the conclusion from its consultation on the eligibility of inclusion of MSCI Pakistan Index in the MSCI Frontier Markets 100 and MSCI Frontier Markets 15% Country Capped Indexes.

Impact

- MSCI announced today the conclusion from its consultation on the eligibility of the MSCI Pakistan Index for the MSCI Frontier Markets 100 and MSCI Frontier Markets 15% Country Capped Indexes.
- Following feedback received from market participants, Pakistan will become eligible for inclusion in the MSCI Frontier Markets 100 and the MSCI Frontier Markets 15% Country Capped Indexes as part of the May 2022 Semi-Annual Index Review (SAIR).
- As a reminder, MSCI included the MSCI Pakistan Index in the MSCI Frontier Markets Index in one step coinciding with the November 2021 SAIR. In November, MSCI Pakistan Index had a weight of 1.25% in Frontier Markets index that included LUCK, MCB and HBL.
- According to the simulation run by MSCI for inclusion of Pakistan MSCI Pakistan Index in MSCI Frontier Markets 100, thirteen Pakistan stocks were added to the 100 index include LUCK PA, ENGRO PA, HUBC PA, HBL PA, MCB PA, TRG PA, UBL PA, FFC PA, PSO PA, PPL PA, MARI PA, EFERT PA and MTL PA with cumulative weight of 5.78%.
- Simulated results are based on pro forma data as of the close of May 14, 2021, reflecting the results of the May 2021 Semi-Annual Index Review.
- Simulated MSCI frontier Markets 15% Country Capped Index include four Pakistan based securities namely LUCK PA, HBL PA, MCB PA and OGDC PA with cumulative weight of 2.79%.
- As per our calculation based on recent prices MSCI Pakistan Index has weight of ~4.2% in MSCI Frontier Markets 100 index and ~1.7% weight in MSCI Frontier Markets 15% Country Capped Indexes.

Outlook

- We believe inclusion of Pakistan Frontier Market Index into MSCI Frontier Markets 100 and MSCI Frontier Markets 15% Country Capped Indexes by MSCI is a positive event amid trading of KSE-100 at attractive P/E of 5.3x with dividend yield of 7.8% in comparison to peers P/E of ~15x and dividend yield of ~2.5%.

Analyst

Muhamamd Awais Ashraf, CFA
+92 21 3561 2290-94

m.awais@fs.com.pk
Ext 338

Important disclosures:

Disclaimer: This report has been prepared by FSL. The information and opinions contained herein have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith. Such information has not been independently verified and no guaranty, representation or warranty, express or implied is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments. FSL may, to the extent permissible by applicable law or regulation, use the above material, conclusions, research or analysis before such material is disseminated to its customers. Not all customers will receive the material at the same time. FSL, their respective directors, officers, representatives, employees, related persons may have a long or short position in any of the securities or other financial instruments mentioned or issuers described herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale of any such securities or other financial instruments from time to time in the open market or otherwise, either as principal or agent. FSL may make markets in securities or other financial instruments described in this publication, in securities of issuers described herein or in securities underlying or related to such securities. FSL may have recently underwritten the securities of an issuer mentioned herein. This document may not be reproduced, distributed or published for any purposes.

Research Dissemination Policy: Foundation Securities (Pvt.) Ltd. endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax and/or email. Nevertheless, not all clients may receive the material at the same time.

Target price risk disclosures: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

Analyst certification: The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst principally responsible for the preparation of this research receives compensation based on overall revenues of Foundation Securities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Recommendations definitions

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.