

## Foundation Alert

### MSCI May'22 Semi-Annual Index Review: OGDC included in the MSCI FM Index

#### Event

- MSCI, the leading global provider of research-based indexes and analytics, announced the results of the May 2022 Semi Annual Review for the MSCI Equity Indexes. All changes will be implemented as of the close of May 31, 2022.

#### Impact

- In MSCI Frontier Market Index there will be eleven additions and three deletions.
- The three largest additions to the MSCI Frontier Markets Index measured by full company market capitalization will be Oil & Gas Development (Pakistan), Duc Giang Chemical Group (Vietnam) and VNDirect Securities Corp (Vietnam).
- The MSCI Pakistan index has total 20 companies (3 large cap and 17 small cap) compared to the current 17 companies (3 large cap and 14 small cap).
- In the MSCI Frontier Markets Index, HBL from Pakistan has been deleted.
- The MSCI Pakistan index weight is expected to be 1.3% in the MSCI FM index that includes LUCK, MCB and OGDC.
- Moreover, MSCI included three Pakistan stocks namely HBL, INDU and EPCL to MSCI Pakistan (Small Cap) Index.
- The MSCI Pakistan (Small Cap) Index includes BAFL, ENGRO, EFERT, EPCL, FFC, HBL, HUBC, INDU, MARI, MTL, PPL, POL, PSO, SEARLE, SYS, TRG and UBL.

#### Outlook

- We believe reclassification by MSCI is a neutral event for KSE-100 given monetary tightening by FED and ECB. However, some flows could be witnessed in OGDC, INDU and EPCL that have recently been added to the index.

**Table 1: MSCI FM Index - Expected weight of Pakistan**

Company	Free Float Market Cap (USD mn)	MSCI Weight
LUCK	427	0.5%
MCB	521	0.6%
OGDC	296	0.3%
<b>Total</b>	<b>1,244</b>	<b>1.3%</b>

Source: MSCI, PSX, Foundation Research, May 2022

Table 2: MSCI FM (Small Cap) Pakistan Constituents

Company	Free Float Market Cap (USD mn)	MSCI Weight
ENGRO	467	1.0%
HUBC	414	0.9%
UBL	392	0.9%
HBL	372	0.8%
FFC	357	0.8%
SYS	312	0.7%
EFERT	296	0.7%
MARI	266	0.6%
MTL	261	0.6%
PPL	234	0.5%
POL	219	0.5%
PSO	209	0.5%
TRG	187	0.4%
BAFL	146	0.3%
INDU	124	0.3%
EPCL	90	0.2%
SEARL	82	0.2%
<b>Total</b>	<b>4,427</b>	<b>9.9%</b>

Source: MSCI, PSX, Foundation Research, May 2022

\* Weight might be different from actual MSCI weightages due to differences in prices and Free float

### 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.