

REP-300

Market Strategy MSCI Aug'24 Preview: Pakistan's weight likely to increase by 51bps

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AHL Research

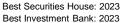
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Best Brokerage House: 2023

se: 2023 Best Investment Bank: 2022



FinanceAsia

Corporate Finance House: 2023

Best Economic Research House: 2023

Best Equity Sales Person (Runner up): 2023

Companies (2019, 2018 & 2017)



Best Equity House: 2022









Excellence Award Leading Brokerage House for RDA 2021

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MSCI Index Preview Pakistan's weight likely to increase by 51bps



In the upcoming MSCI review scheduled for Aug 12th, 2024, some key changes are anticipated for Pakistan's representation in the MSCI Frontier Markets (FM) Index. These changes are expected to take effect from Sept 2, 2024.

Expected additions:

We anticipate that seven stocks will be added to the MSCI FM Index, which are:

- Sazgar Engineering Works Limited (SAZEW)
- Service Industries Limited (SRVI)
- Pioneer Cement Limited (PIOC)
- D.G. Khan Cement Company Limited (DGKC)
- Fauji Fertilizer Bin Qasim Limited (FFBL)
- Fauji Cement Company Limited (FCCL)
- Faysal Bank Limited (FABL)

Expected deletions: On the other hand, we expect that TRG Pakistan Limited (TRG) will be deleted from the MSCI FM Index amid stock not meeting the total market capitalization criteria of USD 126mn.

Post these adjustments, the total number of Pakistani constituents in the MSCI FM Index is expected to increase to 27 from 21 in the last MSCI review. Consequently, we anticipate that Pakistan's weight in the MSCI FM Index will rise from the current 3.7% to approximately 4.2%.

The table provided on the right contains the detailed weights of the MSCI FM Pakistan Index constituents, reflecting the expected changes post-review.

Exhibit: MSCI FM Standard Index*			
Symbol	Ord. M.Cap (USD mn)	FIF M.Cap (USD mn)	FIF adjusted FF weight in MSCI Index
HUBC	714.26	571.40	0.42%
UBL	1,141.44	456.58	0.33%
LUCK	955.22	382.09	0.28%
MCB	965.73	338.01	0.25%
EFERT	814.30	325.72	0.24%
ENGRO	640.37	320.18	0.23%
FFC	747.37	298.95	0.22%
HBL	744.52	297.81	0.22%
BAHL	445.76	289.74	0.21%
OGDC	2,037.17	285.20	0.21%
MTL	429.96	257.97	0.19%
MARI	1,288.97	257.79	0.19%
SYS	472.05	236.02	0.17%
PPL	1,129.99	226.00	0.16%
POL	558.08	195.33	0.14%
BAFL	368.28	165.73	0.12%
PSO	273.95	123.28	0.09%
NBP	365.43	87.44	0.06%
ILP	387.02	77.40	0.06%
SNGP	163.95	73.78	0.05%
SAZEW	242.66	84.93	0.06%
SRVI	162.87	81.44	0.06%
PIOC	143.28	71.64	0.05%
DGKC	138.48	69.24	0.05%
FFBL	195.72	68.50	0.05%
FCCL	193.91	67.87	0.05%
FABL	256.81	64.20	0.05%
TRG	106.78	80.09	0.06%
Total	15,977.57	5,774.26	4.21%
Source: MS	SCI, PSX, Bloomberg, AHL	Research, *expected	



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Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Jun 2025 for Target Price. In addition, return excludes all type of taxes. For more details, kindly refer the following table;

Rating	Description	
BUY	Upside* of subject security(ies) is more than +15% from last closing of market price(s)	
HOLD	Upside* of subject security(ies) is between -15% and +15% from last closing of market price(s)	
SELL	Upside* of subject security(ies) is less than -15% from last closing of market price(s)	

Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

Risks: The following risks may potentially impact our valuations of subject security (ies);

- Market risk
- Interest Rate Risk
- Exchange Rate (Currency) Risk

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