

Market Strategy: MSCI Feb'25 Index review

Pakistan's MSCI FM Index weight ~6%

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MSCI Index Review

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In its latest index review, the MSCI announced changes in its global indices constituents, effective after the market close on 28th Feb'25.

- *Pakistan's market has outperformed the MSCI FM index by 39.2% in FY25TD.*
- *Pakistan's weight in the FM standard index is expected to be around 5.89%.*

Changes in MSCI FM Standard Index:

- Abbott Laboratories (Pakistan) Ltd (ABOT) and The Searle Company Ltd (SEARL) has been added in MSCI FM Standard Pakistan Index.
- Meanwhile no deletion have been observed in MSCI FM index.
- After this review, there would be total 23 constituents in MSCI standard index including FFC, UBL, LUCK, MARI, HUBC, ENGROH, OGDC, EFERT, MCB, BAHF, PPL, HBL, SYS, PSO, MTL, POL, BAFL, NBP, SNGP, ABOT, SAZEW, SEARL and ILP.

Changes in MSCI small cap index:

- BF Biosciences Ltd (BFBIO), Biao Industries Ltd (BIFO) and Power Cement Ltd (POWER) have been added in the MSCI small cap index.
- Meanwhile, Air Link Communication Ltd (AIRLINK), Askari Bank Ltd (AKBL) and Attock Refinery Ltd (ATRL) has been deleted from the MSCI small cap index.
- Moreover The Searle Company Ltd (SEARL) has been upgraded from the MSCI small cap index to MSCI FM.
- The MSCI Small Cap Index includes a total of 393 constituents, out of which 66 (~17% of the total) constituents are from Pakistan with a weight of 11.2% in the small cap index.
- **Please refer to the table on the right for the weight details of the MSCI FM Pakistan Index and the MSCI Pakistan Small Cap Index on the following page.**

Exhibit: MSCI FM Standard Index

Symbol	Full M.Cap (USD mn)	FIF M.Cap (USD mn)	FIF adjusted FF weight in MSCI Index
FFC	1,985	794	0.61%
UBL	1,812	725	0.56%
LUCK	1,280	512	0.40%
MARI	2,529	506	0.39%
HUBC	613	491	0.38%
ENGROH	907	454	0.35%
OGDC	3,210	449	0.35%
EFERT	1,039	416	0.32%
MCB	1,180	413	0.32%
BAHL	567	369	0.28%
PPL	1,760	352	0.27%
HBL	870	348	0.27%
SYS	585	292	0.23%
PSO	615	277	0.21%
MTL	451	270	0.21%
POL	597	209	0.16%
BAFL	446	201	0.15%
NBP	578	138	0.11%
SNGP	208	94	0.07%
ABOT	430	93	0.07%
SAZEW	246	86	0.07%
SEARL	193	77	0.06%
ILP	309	62	0.05%
Total	22,409	7,626	5.89%

Source: MSCI, PSX, Bloomberg, AHL Research

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Exhibit: MSCI FM Small Cap Index

Company	FIF M.Cap (USD mn)	FIF	FIF adjusted FF weight in MSCI Index	Company	FIF M.Cap (USD mn)	FIF	FIF adjusted FF weight in MSCI Index
CHCC	110.52	0.60	0.62%	NRL	23.73	0.33	0.13%
TRG	96.94	0.75	0.54%	MUGHAL	22.68	0.25	0.13%
DGKC	85.56	0.50	0.48%	PIBTL	23.83	0.45	0.13%
PIOC	76.37	0.50	0.43%	NCPL	21.67	0.60	0.12%
PAEL	62.17	0.50	0.35%	BFBIO	20.67	0.30	0.12%
KAPCO	59.57	0.52	0.33%	FEROZ	21.83	0.40	0.12%
BOP	53.64	0.42	0.30%	SNBL	21.59	0.30	0.12%
AGP	50.51	0.30	0.28%	NPL	20.77	0.45	0.12%
NML	46.89	0.40	0.26%	POWER	12.98	0.35	0.07%
NATF	46.48	0.30	0.26%	BIFO	6.80	0.20	0.04%
UNITY	45.26	0.35	0.25%	PAKOXY	18.27	0.45	0.10%
PSX	45.24	0.60	0.25%	WTL	18.11	0.65	0.10%
ISL	44.22	0.35	0.25%	LOTCHER	16.98	0.15	0.09%
CENERGY	44.01	0.30	0.25%	JSCL	16.54	0.25	0.09%
SHFA	43.64	0.45	0.24%	GATM	16.49	0.25	0.09%
AGL	43.32	0.55	0.24%	IGIHL	16.36	0.20	0.09%
AICL	42.00	0.65	0.23%	CEPB	15.11	0.35	0.08%
INIL	38.54	0.50	0.21%	LPL	15.01	0.40	0.08%
THCCL	35.35	0.50	0.20%	NETSOL	14.88	0.30	0.08%
PABC	35.35	0.25	0.20%	JSBL	14.78	0.20	0.08%
TGL	32.80	0.40	0.18%	SGF	14.04	0.20	0.08%
MUREB	31.62	0.40	0.18%	CSAP	13.92	0.45	0.08%
GHGL	31.09	0.30	0.17%	TREET	12.66	0.45	0.07%
HUMNL	27.34	0.50	0.15%	ASL	12.05	0.35	0.07%
SSGC	43.69	0.38	0.24%	HABSM	11.62	0.35	0.06%
GAL	32.62	0.35	0.18%	NCL	11.04	0.40	0.06%
HCAR	31.89	0.20	0.18%	PCAL	10.99	0.30	0.06%
CPHL	30.55	0.35	0.17%	OCTOPUS	10.35	0.30	0.06%
GHNI	28.82	0.30	0.16%	EPQL	9.95	0.30	0.06%
PRL	27.63	0.36	0.15%	TPLP	9.94	0.40	0.06%
ACPL	24.44	0.20	0.14%	ATBA	9.30	0.20	0.05%
AVN	25.18	0.30	0.14%	FCL	8.76	0.15	0.05%
FLYNG	25.12	0.40	0.14%	AGHA	8.73	0.40	0.05%
Total							11.2%

Source (s): MSCI, AHL Research

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Exhibit: Historical Performance of KSE100 and MSCI FM

Year	KSE100 Index	MSCI FM
FY03	99.5%	24.4%
FY04	54.4%	26.2%
FY05	37.6%	86.8%
FY06	32.8%	-12.8%
FY07	37.5%	37.5%
FY08	-21.2%	10.4%
FY09	-51.1%	-51.2%
FY10	29.3%	-3.6%
FY11	27.9%	11.5%
FY12	0.4%	-18.3%
FY13	44.4%	18.5%
FY14	42.4%	31.4%
FY15	12.6%	-16.7%
FY16	6.6%	-15.3%
FY17	23.2%	15.2%
FY18	-22.3%	-1.7%
FY19	-38.6%	1.0%
FY20	-3.3%	-14.2%
FY21	46.8%	34.6%
FY22	-32.5%	-20.0%
FY23	-28.5%	-6.1%
FY24	94.4%	7.8%
FY25TD	43.6%	4.5%
Average	19.0%	6.5%

Source (s): Bloomberg, AHL Research

Exhibit: Performance of MSCI Countries

Country	\$ based return Last review to date (%)
Sri Lanka	29.0
Pakistan	20.8
Nigeria	20.6
Kenya	15.3
Croatia	10.3
Lithuania	9.3
Jordon	8.2
Estonia	6.4
Mauritius	6.3
Iceland	6.3
Vietnam	3.2
Oman	(0.2)
Romania	(0.4)
Kazakhstan	(0.8)
Bangladesh	(2.4)
Bahrain	(7.0)

Source (s): Bloomberg, AHL Research

Exhibit: Liquidity Profile of MSCI FM Space

Country	Average Traded Value* USD 000
Vietnam	414,845
Pakistan	111,704
Morocco	39,938
Iceland	35,233
Bangladesh	31,472
Sri Lanka	20,943
Nigeria	7,910
Jordon	7,001
Romania	6,414
Oman	4,850
Kenya	3,411
Croatia	1,680
Kazakhstan	1,414
Estonia	1,100
Lithuania	922
Bahrain	772
Mauritius	631

Source (s): Bloomberg, AHL Research, *CY25TD

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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)

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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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 Arif Habib Limited (AHL) has a shareholding in HBL, NBP, BOP, FABL and MLCF.