

# MSCI Quarterly Index Review Feb'21

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# MSCI Review

## MSCI Quarterly Index Review Feb'21

- Pakistan's equity market has recorded an increase of 13.5% or 5,569pts (USD based return of 12.9%) since the last MSCI semi annual review back in Nov'20.
- At present, Pakistan has a weight of 0.021% in MSCI EM. Within the MSCI Pak index, MCB is the largest constituent (42.8%) followed by HBL (31.3%) and OGDC (25.9%).

### Feb'21 Quarterly Review

- As per MSCI Global Index Methodology Dec'20, the criteria for Emerging Markets includes full market capitalization at USD 1,830mn while free float market capitalization of USD 915mn along with ATVR of 15% is required.
- Assuming cut-off date of Jan 29, 2021 for the quarterly review, only OGDC fulfills the total market capitalization criteria, while HBL and MCB are short by USD 527mn and USD 404mn, respectively. Whereas on the basis of free float market cap, none of the constituents meet the required criteria of USD 766mn.
- However, given applicability of buffer rule (2/3 of benchmark criteria), all three stocks remain eligible on total market capitalization. Moreover, for free float market cap, OGDC and MCB appear eligible while HBL remains short by USD 89mn.
- After applying buffer rule along with index continuity rule, we expect no additions and deletions of Pakistani stocks from the MSCI Main Index.
- Moreover, TRG is expected to be included in MSCI small cap index in the upcoming review.

### Exhibit: MSCI EM (Main Index) Pakistan Weight

Company	Market Cap* (USD mn)	MSCI Weight	Weight in Index
MCB	713	0.009%	42.8%
HBL	521	0.006%	31.3%
OGDC	431	0.005%	25.9%
<b>Total</b>	<b>1,665</b>	<b>0.021%</b>	<b>100.00%</b>

Source (s): MSCI, AHL Research, \*Free Float

### Exhibit: MSCI EM (Small Cap Index) Pakistan Weight

Company	Market Cap* (USD mn)	MSCI Weight	Company	Market Cap* (USD mn)	MSCI Weight
LUCK	808	0.087%	EFERT	243	0.026%
ENGRO	553	0.059%	MARI	235	0.025%
FFC	481	0.052%	SEARL	201	0.022%
HUBC	461	0.049%	BAFL	182	0.020%
UBL	418	0.045%	MTL	167	0.018%
PPL	381	0.041%	NBP	133	0.014%
PSO	333	0.036%	PKGS	102	0.011%
POL	331	0.035%	INDU	100	0.011%

Source (s): MSCI, AHL Research, \*Free Float

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Arif Habib Limited (AHL) uses three rating categories, depending upon return from current market price, with Target period as Dec'21 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 +10% from last closing of market price(s)
HOLD	Upside* of subject security(ies) is between -10% and +10% from last closing of market price(s)
SELL	Upside* of subject security(ies) is less than -10% 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 Discounted 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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