Faysal Asset Management

RESEARCH NOTE - GUIDE TO INVESTING (ANALYST'S VIEW)

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Faysal Asset Management

Dear Investor

On account of a low interest rate environment and ongoing reforms in the regulatory regime of the financial markets in the country, we invite and encourage you to continue investing with Faysal Funds to derive the benefit of an upside in the capital markets.

We thank you again for maintaining your faith in us for managing your investments and sincerely hope to remain as your top choice for smart investing.

We diligently adjust the portfolios of our equity, money market and income funds based on the capital market expectations and closely monitor the developments in the capital markets and will rebalance the portfolio accordingly.

Investors with relevant risk profiles and investment horizons are advised to go through our Fund Manager Report for a detailed performance review of our mutual funds and select a scheme for investment according to their risk preferences.

About Us

An AM3++ Management Company, Faysal Asset Management Limited (FAML), subsidiary of Faysal Bank Limited, is a leading Investment Management Company that offers structured product suite comprising 9 diversified funds (6 Fixed Income and 3 Balanced), and investment advisory services to Corporations, Trusts, Institutions, High Net Worth Individuals and Retail Investors.

Faysal Asset Management is the financial investment arm of the Faysal Group – sponsored by Islamic Investment Company of the Gulf, Ithmaar Bank of Bahrain, Dar Al-Maal Al-Islami Trust in Switzerland and Faysal Bank in Pakistan. The strength and stability of Faysal Bank Limited is evident through the Credit Rating assigned by JCR-VIS Credit Rating Company Limited of “AA” (Double A) for long to medium term and “A-1+” (A One Plus) for short term.

Our organization was setup in 2003 and has matured in a short span of time to command Assets under Management worth above PKR 10 billion.

Before You Invest

- Understand before you invest
- Think Long term
- Have a plan and make strategic moves
- Remember! Trading and investing are two different things.
- Open a stock brokerage account with a discount broker.
- Avoid stock tips.
- Avoid timing the market.
- Adopt Patience & Due Diligence strategy.
- Don't let emotions overrule economics.
- Believe in realistic returns

If you talk to some investors they would say they are making good returns in stock market investments. Some would say that they burnt their fingers and stopped investing in stock markets. The following set of rules and steps tell the investors what they need to understand and follow to avoid common investing blunders in an overheated market. Whether one is a new investor or have been investing in the stock market for a while, these rules should help one to succeed in the market.

1. Understand before you invest:

Many of the investors are in a hurry to invest and latter blame the stock markets that they incurred losses. They first need to study the various sectors which are growing or declining and the risk appetite involved in such funds. A new investor should spend time in just understanding how to evaluate stocks as stock market investments involve risk at a higher degree.

The circle of competence consists of all the businesses with which the investor is familiar with and thoroughly understands an investor who has spent the last ten years as a checker at a supermarket would have an advantage when analyzing the financial statements of a grocery store chain. He or she would be able to pinpoint the strengths and weaknesses of the business, evaluate the competitive climate of the industry and compare the performance of a prospective investment against those of an excellent grocer like investing in Faysal Equity Funds. Straying from the circle of competence leads a would-be-investor into the land of speculation. Therefore, never buy a stock you don't understand.

2. Think Long term

If the investor is looking for amazing returns in the short term then the risk definitely will be very high. People definitely take risky bets in the short term and make huge amounts of money. As a risk averse and a cautious investor one needs to see the big picture. You do not want your money to be gone but you need to have earned decent amount of returns on it. In a long term scenario you will ride out any slumps in the market and it has been proven historically that stock markets earn better than any other instrument if you take a time period of 10 years or more. Don't panic at short term troubles when your goals are long term. If you need cash in short-term, don’t invest in stocks. Volatility is the basic characteristic of a stock in short term. Hence, capital erosion should be considered normal. The good news is, although past performance does not guarantee future results, historically, the market has always rebounded from its losses. If there is one thing that current market has taught the investors is that diversification is important. Individuals who ignore the time-tested strategies of asset allocation and diversification do so with potentially more risk. As long as your investments are fundamentally sound and fit your financial goals, a temporary downturn in the market should not sway you. Investors that begin early and stay in the market have a much better chance of riding out the bad times and capitalizing on the periods when the market is rising.

3. Have a plan and make strategic moves

A well thought out plan and discipline in implementing it can safeguard your portfolio from impulsive mistakes. Good financial investment advice from our competent Personal Financial Advisors/ Relationship Managers for you is to have an investment plan for investment in stock. This is an important means of controlling the potential emotional roller coaster that can be associated with stock investments. Your success with value investing will largely depend on your temperament and to what extent you can exhibit patience and discipline to make the best investments. Sticking to a plan is part of this process. While plans may vary from investor to investor depending on age, capital available and investment time-line, most plans for investment in stock should have some common elements. These elements include having a buying strategy, a selling strategy, a portfolio management strategy and a strategy for performance management and review.

4. Remember! Trading and investing are two different things.

Trading is short term and investing is long term. Getting confused between the two can be a sure way to lose money. You must decide on what your ultimate goal is by participating in the stock market. Not many would argue the fact that a certain amount of skill and research is necessary to make good long-term investment decisions. It is no different with trading. Take the time to learn what works and what does not. Learn from past mistakes and allow yourself to succeed. Use a trading base of capital that you are comfortable with and allow profits from your trading activity to be rolled into long positions, thus satisfying both strategies.

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5. Open an account with a Faysal Funds.

The most important step is to:

- Read Carefully the Offering Document of your selected Fund
- Fill out the Account Opening & Investment Form and submit to FAML representative and Voila You're on Board!

6. Avoid stock tips.

A retail investor is typically the last one to know of tips. Hence, he is most likely to invest when the stock has already run up and hence, at a risk to lose money. Try and get research reports from our well versed research team and our reputed brokers. Learn to read balance sheets and understand the industry the company operates in. Ignore hype and most importantly, don't depend on the market tips your friends always give. ***Remember! Rumors are good to hear but bad to invest.***

7. Avoid timing the market.

Market timing is an investment strategy where the investor makes investment decisions, to buy or sell investment securities, based upon predictions of the future. Buying at the bottom and selling at the top is next to impossible. Take 'buy' and 'sell' calls based on your views on valuations. Most would agree that market timing may be possible over short periods of time but it is more difficult to consistently and accurately predict stock market movements over long periods of time. For the average investor, a diversified portfolio, held for the long term, is the best strategy.

8. Adopt Patience & Due Diligence strategy.

You need to have patience and determination in the stock markets. Patience to last for that long term benefit that you had envisaged when your entered the market. Most investors fall prey to the fact that they look short term and the minute they encounter losses they sell stocks and get out of the market. In fact at that time they should be investing amore in the market to accumulate more stocks at cheaper prices.

9. Don't let emotions overrule economics.

To create wealth and avoid pitfalls of emotional decision-making, a simple mantra can be:

- Thoroughly crosscheck fundamentals and sentiments before fund selection
- Gauge how the possible loss on the investment will affect you, and
- Have realistic return expectations.

10. Believe in realistic returns.

A big part of succeeding as an investor is having the right expectations about what you can achieve by putting your money into stocks. People invest because they expect to make money. Indeed, many succeed. But others are disappointed either because they overestimate the return they are likely to get or because they are unwilling to risk any of their principal to earn a higher return. As you invest to meet your financial goals, it's critical to understand what buying securities you would do for your net worth and what it may not be able to do. It’s true that historical trends show that over time, securities, stocks in particular, tend to go up in value. But the shorter the time horizon, the more difficult it is to predict even for investment professionals, what direction the market may be headed. Only one thing is certain: The values of securities will go up in some years and just as surely as they will go down in others.

Invest regularly and systematically.

Invest in good options where you pay less.

Invest with

FAYSAL FUNDS...!

Investment Instruments

What to buy

Let's start by examining the first component of any successful investing strategy - deciding what to buy. The vast number of instruments trading on our markets provides Pakistani investors with fantastic opportunities but also with its own unique challenges. Equities, and debt funds are just some of the asset classes we offer. Understanding your own attitude to risk is vital when deciding which of these asset classes are appropriate for you to invest in.

Alerts

There may be a number of reasons why you might initially consider a potential investment - press reports, news stories, share recommendations, sudden price movements and chart breakouts to name but a few. But as all long-term successful investors know, you must rely and let us do necessary research.

Fundamental data

Analyzing the fundamental data is vital. And you'll need to be confident that that data is accurate, comprehensive and up to date. The fundamental data is collected direct from the companies themselves from their interim and final results and is updated within minutes of being released. This data is subject to various checks to ensure it is extremely high quality and very comprehensive.

Broker forecasts

Fundamental data research, though vital will only identify past performance - so how can you analyze future prospects? You can start by looking at the Our Research. Faysal Funds offers Research as a consolidated view of what all the leading analysts believe are the future prospects of a particular business. This will include key metrics such as EPS growth and consensus buy, hold and sell recommendations. Our research data gives you an instant view of analysts overall position on that stock. This research data is furnished on request.

Directors' information

The next step might be to gauge what level of optimism the directors of a company may have in the business that they manage. That optimism (or pessimism) is usually reflected in the number of shares that the directors are buying (or selling) in their own company. Directors' buying and selling activity is therefore another way of analyzing future prospects, but this also needs to be interpreted carefully. Limited selling activity for example is not necessarily a negative sign as directors may have very genuine reasons for looking to reduce their holdings or to generate cash for personal reasons.

Buying activity is perhaps a more useful indicator. If there has been a significant level of buying activity (one, or preferably more, directors buying a substantial amount of shares over a number of transactions) might indicate that the managers of the business have expressed a high degree of confidence in their company. So we service you by doing things that would entail tedious workload on your part. Our expert Fund Management Team in support from our Research identifies a suitable investment opportunity. The fundamentals look great, Our Research indicates that the analysts have a positive view of the company's future prospects and this is shared by the directors themselves who have been actively buying stock. What next? Well getting the timing right can be equally as important as deciding what to buy.

When to buy

Sometimes in our investing experience we will find shares that seem to represent an excellent buying opportunity. But having bought them they fail to fulfill their promise. To a large degree, share price movements are directly influenced by two key factors - supply and demand. If enough investors share your view that the stock is worth buying and act accordingly, then the price will start to rise. So how can you assess whether other investors are buying? You can look at the extended trading data on Exchange's website.

Trade data

As well as listing every trade in real-time, a Bid and Offer price is shown alongside each scrip. As a lot of the trading is between market intermediaries such as market makers, it is important to realize that this is not an exact science and should be viewed with a degree of caution. None the less it can be a useful indicator of the buying and selling activity at any given time.

Technical analysis

Technical Analysis can be one of the most effective ways of finessing the timing of a purchase. Technical analysis is a huge subject in its own right, but even a number of very simple studies can help. For example, a short term moving average rising above a long term moving average - known as a golden cross- can be a very positive signal.

News analysis

An understanding of forthcoming corporate events will also influence the timing of a purchase. Is the company about to go ex-divided for example? Or are the interim or annual results expected shortly? Would it be sensible to delay the purchase until after these events?

Understanding how a share reacts to news stories may also influence the timing of a buy. Our Insight into news analysis enables to look at all the announcements for a particular company and then see how the share price has subsequently reacted to that news. If you are looking for long term steady growth and find a high degree of volatility resulting from announcements, then we may decide to pass up the opportunity.

Monitoring and selling

Before entering into any trade it is important to have a clear understanding of the expected future performance of that stock, and an exit strategy, either in the form of a stop loss if the share fails to perform as expected, or a target price to sell at. You can instruct your Personal Advisor to set a stop loss at the time of purchase, as well as, to let you know when the target price has been reached. To monitor the details to your relevant portfolio and you can use our various facilities to review the change in price and monitor the scrips that you have a stake in.

Portfolio analysis

The advanced portfolio analysis facilities will enable you to see which sectors your portfolio is invested in and to manage risk by ensuring that your investments are diversified and you are not overexposed in any sectors.

Heat map

Heat maps can serve a dual purpose. Firstly they give a valuable instant visual representation of how a particular index or sector is performing. Color coded to show price movement they can be a useful early-warning indicator that might highlight short term opportunities. They are also a good way of monitoring an existing portfolio. A portfolio heat map will highlight which of your shares are rising and falling at any given time could help you exit losing positions before incurring significant losses.

How can we measure the long term success of our investment strategy?

Comparing the performance of our portfolios against individual indices or sectors is one way. This type of benchmarking is the way in which the performance of our most professional fund managers is measured. Comparisons can also be made between the overall portfolio and the individual shares within it. This will help identify over and underperforming shares.

INVESTING IN OUR ARRAY OF DIVERSE MUTUAL FUNDS

Our ambition is to be the investment provider of choice by earning the trust and confidence of our clients. Our investment Strategy revolves around two key aspects: aiming for capital protection and generation of positive returns.

Our investment Strategy is grounded in the time-tested principles of identifying growth opportunities, buying them at reasonable prices and being proactive in dealing with macroeconomic changes.

Our Strategic inclination is for compounding opportunities that investors can take advantage of, for a superior compounding of their capital.

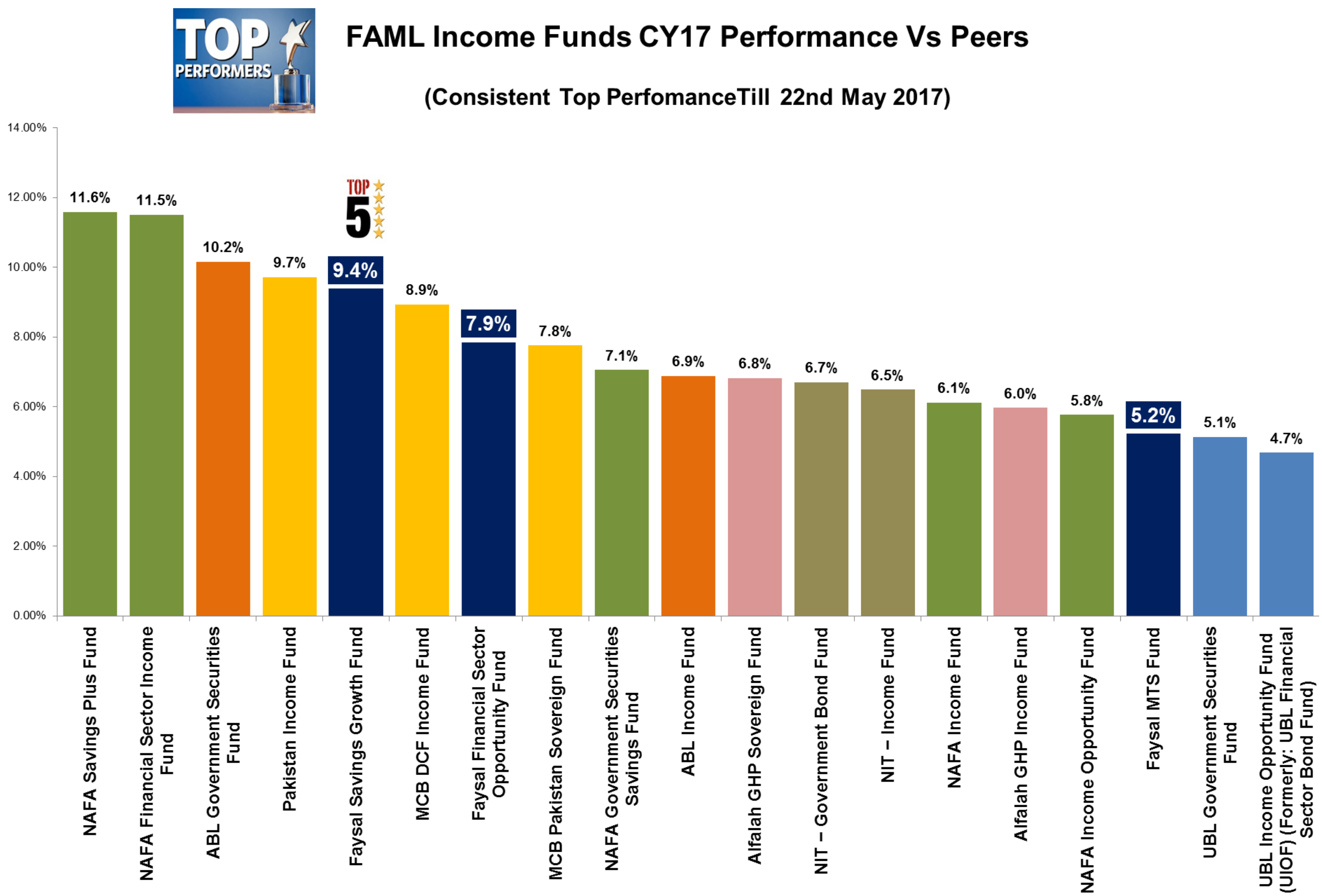
This purpose is intricately linked to:

- A stringent buying discipline based on intrinsic value derived,
- Vigilant tracking of a predefined universe through investment processes and
- Adopting a proactive approach to recognize trends, themes and triggers in a rapidly evolving macroeconomic scenario.

Faysal AssetManagement

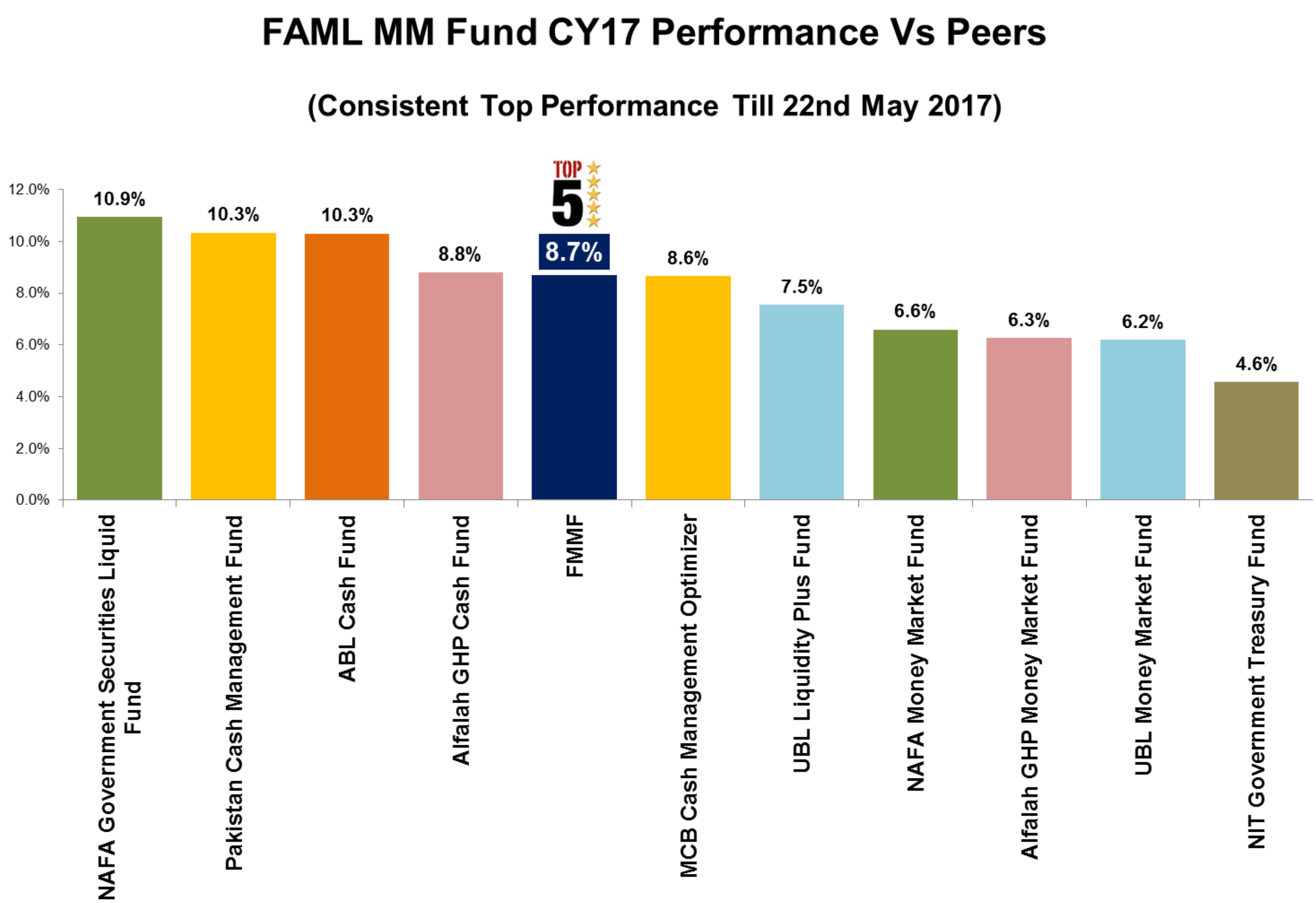
Fixed Income Schemes

Fixed-Income schemes are premised on a capital-preservation strategy with permissible investments consisting of money market instruments, high-rated fixed income instruments, FI placements and local and international bonds of high credit quality.



Money Market Funds

Money market funds are considered fairly safe and appropriate for investors who want to limit risk or who are investing for a short period of time and want ready access to their money. Money market funds have very low risk of losses in principal invested along with higher certainty of target return achievement.



Flavors of Equity schemes

- Asset Allocation Fund
    a. Conventional
    b. Shariah Compliant
- Balanced

❖ Conventional/Islamic Asset Allocation Funds

It is designed to help investors build wealth by long-term capital appreciation, diversification across asset classes and the flexibility to change investment portfolio exposure as per the outlook.

This Product Is Suitable For Investors Who Are Seeking:

- Allocation of funds in both risky and non-risky assets, with an assurance that the Fund manager shall actively allocate assets between the two classes as per outlook.
- Capital appreciation over the long term.
- Diversification by combining various asset classes in their overall investment portfolio.

❖ Conventional Balanced Fund

It is a tool that provides exposure to both Equity and Debt markets through a single fund. The earnings are generated by potential capital appreciation and regular income.

This Product Is Suitable For Investors Who Are Seeking:

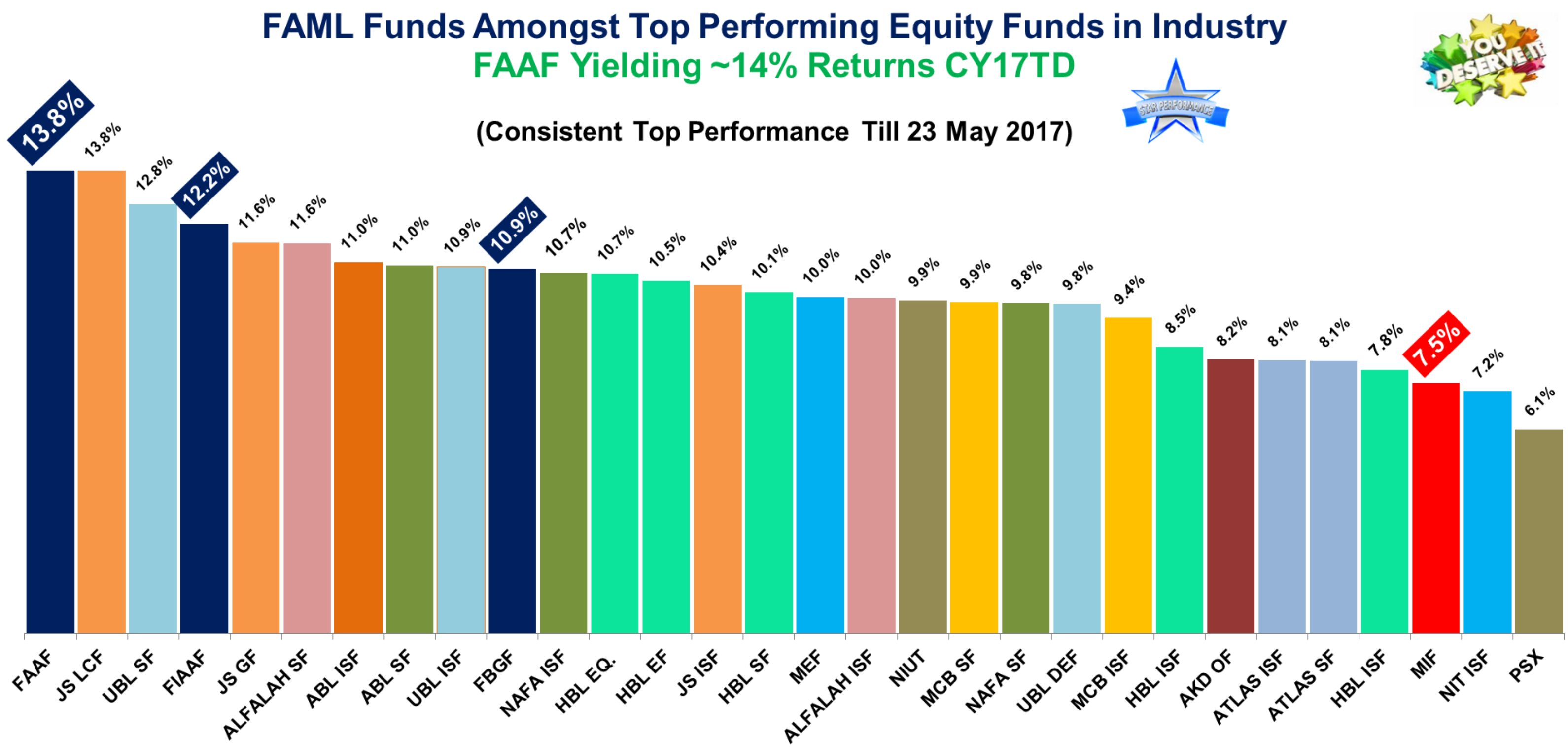
- Balanced investment strategy, both in equities and debt markets while avoiding the volatility of pure equity investments.
- Portfolio diversification through just one fund without having to invest in multiple funds.
- A balanced strategy to meet their financial goals within short- medium term with moderate risk.
- Moderate risk and return potential

Faysal AssetManagement

FAML Funds Amongst Top Performing Equity Funds in Industry

FAAF Yielding ~14% Returns CY17TD

(Consistent Top Performance Till 23 May 2017)



INVESTMENT APPROACH

Given the dynamic nature of the Pakistani market and diversity of sectors and companies, Faysal Asset believes that successful investing depends on:

- An accurate understanding of the global/local dynamics impacting the country,
- A thorough understanding of company fundamentals, and
- An actively managed portfolio approach which leverages on global and domestic macro events, as well as thematic, event-based and bottom-up value-based investing inputs

CUSTOMIZED INVESTMENT SOLUTIONS

We offer an actively managed portfolio to retirement funds, governmental and semi-governmental organizations, NGOs, high net worth individuals (i.e. eligible investors) MNCs and local and Overseas corporate institutions which comprised of securities selected by investment professionals under the parameters of Investment Guidelines and Investment Policy Statement.

An end to end Investment Advisory solution where an investment advisor works closely with a client in formulating and implementing investment strategies. To provide exclusive concentration in managing Portfolios Faysal Asset has a separate desk for managing equity portfolios and Fixed Income Portfolios for Discretionary and Non-Discretionary accounts. Moreover, we also have dedicated client relationship staff that is there to answer your queries and requirements.

Our quarterly and monthly reporting system always keeps you in track of your investment in regards to its performance. This is evidence to our deep level of commitment for working in the best interest of our clients.

WEALTH MANAGEMENT

Faysal Asset Management Ltd. aims to be a trusted Investment adviser and money manager for its clients' personal and business needs on a platform of transparency, product innovation and performance.

It has the best-in-class Wealth Management solution which is edge over competition. Faysal Asset seeks to deliver to its clients not only wisdom in the arena of investment advisory but also address holistically their needs by leveraging Faysal Asset's strengths in managing funds, The Wealth Management platform provides client several advantages:

- An experienced team that has closely witnessed market cycles and possesses relevant industry experience
- End to end Investment Advisory solutions delivered by leveraging the Faysal Asset's platform, relationships and domain expertise to create value for clients.
- Best of the breed investment solutions from product providers in equity, fixed income, and alternate investment classes.
    - Customized equity portfolios
    - Structured fixed income products
    - Broking solutions for both personal and institutional needs
    - Extensive coverage of the markets through in-house and secondary research

Tips for Investing Wisely With Faysal Funds

1. Know What Investment Products are Available

Although the following types of securities are available in the market for investment, we choose very wisely while continue to building exposure in lucrative investment avenues and enhance yields with a proactive investment strategy:

- Ordinary shares of listed companies
- Unit trust schemes
- Mutual funds certificates
- Corporate bonds i.e. Term Finance Certificates (TFCs)
- Government securities i.e., Federal Investment Bonds (FIBs), Pakistan Investment Bond (PIBs) and Special US Dollar Bonds.

2. Know Your Investment Profile:

A wise investor chooses an investment product not only according to his goals and the amount of capital available but also according to his tolerance for risk. All investments carry a certain degree of risk. You have to determine whether you are a "risk-taker" or a "risk-averse" person. Depending on the extent of risk you intend to take, you should pursue an investment strategy (aggressive, moderate or conservative) that fits your risk profile.

3. Do Your Homework Before You Invest:

We never and don't advise putting in your money until you have understood all relevant information regarding the investment. Prepare yourself for the vigorous homework of analyzing company's annual reports, accounts and other statements while keeping abreast of what's happening in the industry, country and elsewhere that may affect your investment. Consult your investment adviser/broker to get latest market information about shares you intend to buy or sell. Be skeptical of anything picked up from rumors, particularly if you cannot rationally explain their choice.

4. Think Long-term:

Bear in mind that even in the best of securities/shares, there can be short-term aberrations. It is important to have the power to hold your investments for longer periods. Studies have shown that investments properly timed and based on strong fundamentals have been very profitable for investors in the longer term.

5. Avoid Putting All Your Eggs In One Basket:

The best way to minimize risk is to diversify your investments across various investment products. If equities are your sole investments, it makes sense to diversify between different companies and sectors. In this way, loss made on some investments can be absorbed by gains made in others, keeping the overall return on investments positive. For this, you can diversify your investment by investing in our open-end funds managed under various schemes. While investing in mutual funds check the rating of the instruments. Similarly while investing in any security please check the rating if any available.

6. Beware of Scams:

You should always ensure that the stockbroker you choose is licensed by the Securities and Exchange Commission of Pakistan (SECP) to trade. Prefer stock brokerage firms with good track record. As a shrewd investor, you should know your rights and responsibilities and should beware of the rules that govern your investments as well as the legal recourse available, in case things go wrong. You can report abuse to the SECP, whose mission is to ensure the development of a fair, efficient, and transparent securities and futures market. Although its main function is regulatory in nature, the SECP has the ultimate responsibility to protect the investor through market supervision and ensuring that its laws and regulations are complied with. Stock exchanges are the frontline regulators; they must play a proactive role. Send all your complaints in writing to the respective stock exchange(s) with full details, including the complainant's name, address and telephone number etc. In case you do not get a response to your complaint, please contact the "Complaint Cell" in the SECP.

Important Things to Know About Equities

- If you can afford to take some risk and have the ability to endure the market's ups and downs, equity investments may grant you good returns.

- Do not invest any money with the stockbroker as a deposit at fixed rate of return. Such a deposit has no legal standing and the investor is exposed to risk of losing his money.

- You must know the rates of fees and commissions charged by the broker/stock exchange as these affect your costs, and hence your returns.

- The aim of investing in stocks and shares is to buy at low and sell at high. Knowing when is however, the problem. Many investors attempt to time the market: they try to figure out when the market is going up and buy before it does and then anticipate when it is going to crash and sell before that. Usually you try to buy when the upswing has begun and sell as the downswing starts. However, such accuracy is extremely difficult to achieve.

- The stock market is driven by two emotions: greed and fear. People are caught up in the boom fever and pay beyond the worth of shares this is the greed that drives bull markets. In bear markets, people get carried away with the ruling pessimism and are eager to sell their investments believing in the worst rumors this is the fear that dominates bear markets.

Important Considerations for Investors

Before you invest in shares, you must consider a number of factors.

1. How Much Money Can You Afford to Invest?

Investment in shares does not result in instant yields. Do not invest any money which you may need immediately, since the price of shares can go up and down, It is advisable to keep some money in a deposit account to meet your financial obligations in the near future. In this way, you will not be forced to sell shares even at low price, if cash is needed urgently.

2. How Do You Want to Invest?

You can invest directly in our diverse funds offering Conventional and Islamic exposures. We spread your risk by investing in a number of different companies to give you a portfolio or collection of shares. This would reduce your risk further.

3. Do You Need Advice or Do You Want to Make Your Own Decisions?

Investors can choose to make their own share dealing decisions or take advice from a professional. Buying and selling shares and tracking their performance can be time consuming but it is rewarding for those who have the time to manage their own investments. Some investors deal with stockbrokers directly while others prefer to use the services of professional managers who have discretionary powers to manage the investment portfolio.

You deserve the

BEST!

One fine reason that drives us to perform, improve and excel.