5th Pillar
Family Takaful Limited
آئیے، ساتھ چلیں

FUND MANAGER REPORT

January | 2026

5th Pillar Family Takaful Limited
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MARKET REVIEW

Stock Market Review

During the month of January 2026, the KSE-100 index increased by 10,120 points (up 5.8%), closing at 184,174 points. The average daily volume of the market stood at 1,087 million shares, up by 23% on a MoM basis. Banks and Oil & Gas Exploration Companies were the major positive contributing sectors to the index performance during the month.

The equity market maintained its upward momentum in January 2026, supported by a significant boost in domestic liquidity as capital continued to rotate from fixed income funds into equity. While the SBP kept the policy rate unchanged at 10.5%, it eased liquidity conditions by lowering the average Cash Reserve Requirement (CRR) to inject the liquidity in the financial system. Despite a moderate rise in inflation, sentiment remained strong as foreign exchange reserves climbed to USD 16.16 billion alongside proactive fiscal reforms.

Foreigners were net sellers with net selling aggregating USD 65.8 million during the month. However, Mutual Funds & Companies were major buyers with net buying aggregating USD 95.2 million & USD 44.1 million (excluding debt market) respectively. The oil prices decreased by 16% during the month with Brent closing at USD 70.66 per barrel.

While near-term volatility cannot be ruled out, we maintain a long-term positive outlook on the equity market. We encourage investors to enhance their long-term exposures to equities at these levels.

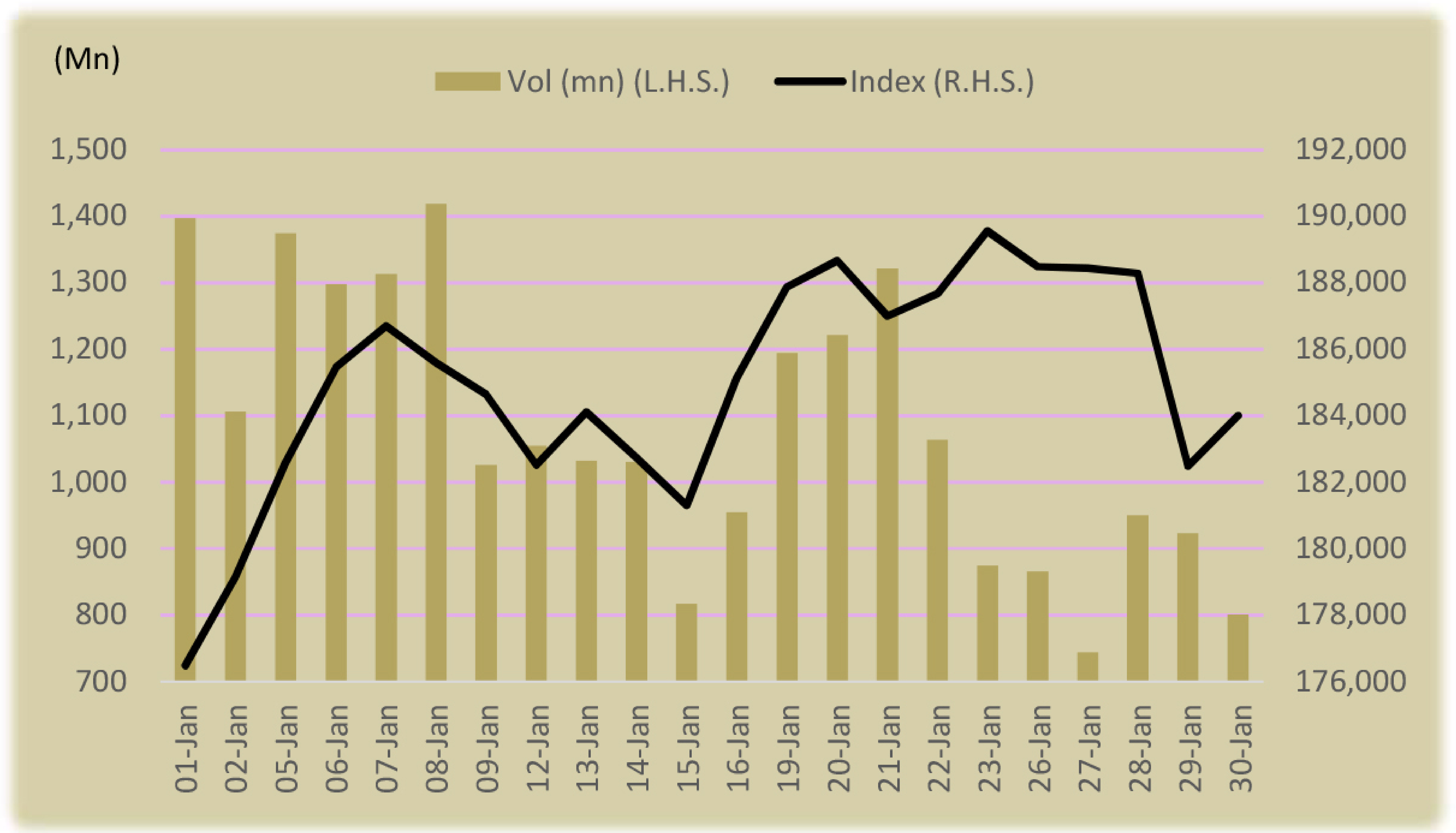
Money Market Review

In January 2026, core inflation proved sticky, rising to 7.75% from 7.50%. Moreover, even as the State Bank of Pakistan (SBP) maintained a status quo in its latest Monetary Policy Statement the yield curve eased across the board. Marking a volatile month, secondary market yields saw a downward trend as T-bill yields fell by 4–18 bps and Pakistan Investment Bond (PIB) yields dropped by 22–37 bps. KIBOR rates also declined by 15–16 bps. This easing reflects market's view on improving monetary conditions, continued fiscal consolidation and strengthening foreign exchange reserves.

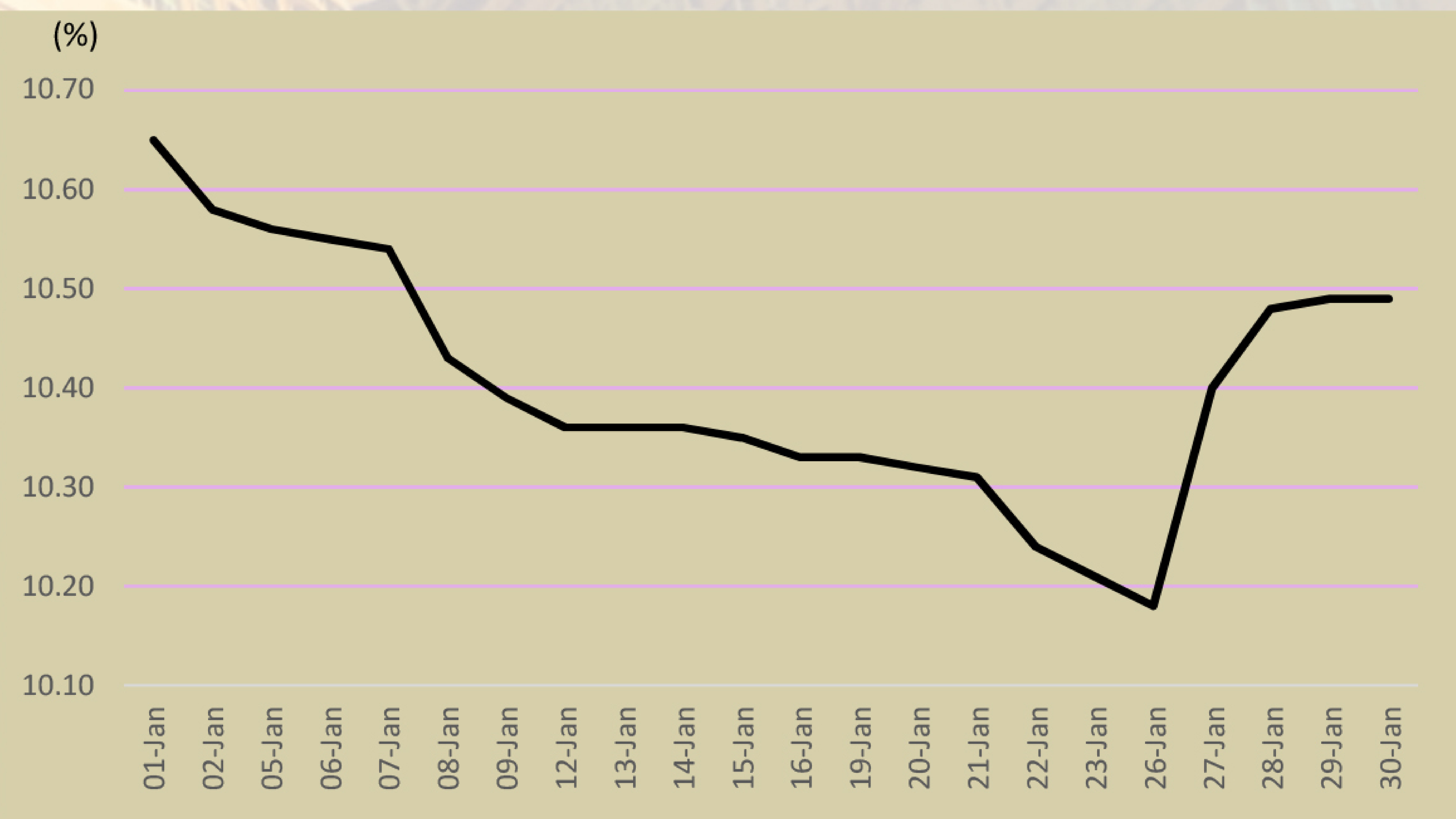
During the month, the government raised PKR 2.53 trillion through auctions, including PKR 0.29 trillion via Islamic instruments, slightly below the targeted PKR 0.30 trillion. Investor participation remained strong, particularly in the 10-year fixed-rate Sukuk and 10-year Variable Rate Return (VRR) instruments, which recorded bid-to-cover ratios of 5.76x and 4.92x, respectively, underscoring robust demand amid relatively limited supply.

Looking ahead, base effects are expected to intensify in the final quarter of FY26, potentially pushing headline inflation back into the north single-digit range. Average inflation for FY26 is projected to approach the upper end of the SBP's medium-term target range of 5–7%, with core inflation following a similar trajectory. Against this backdrop, real interest rates are expected to remain positive, averaging around 2–3% in CY26.

KSE - 100 Index Performance



6 Month Kibor



5th Pillar Family Takaful Limited - Conservative Fund
For the month of Jan 2026

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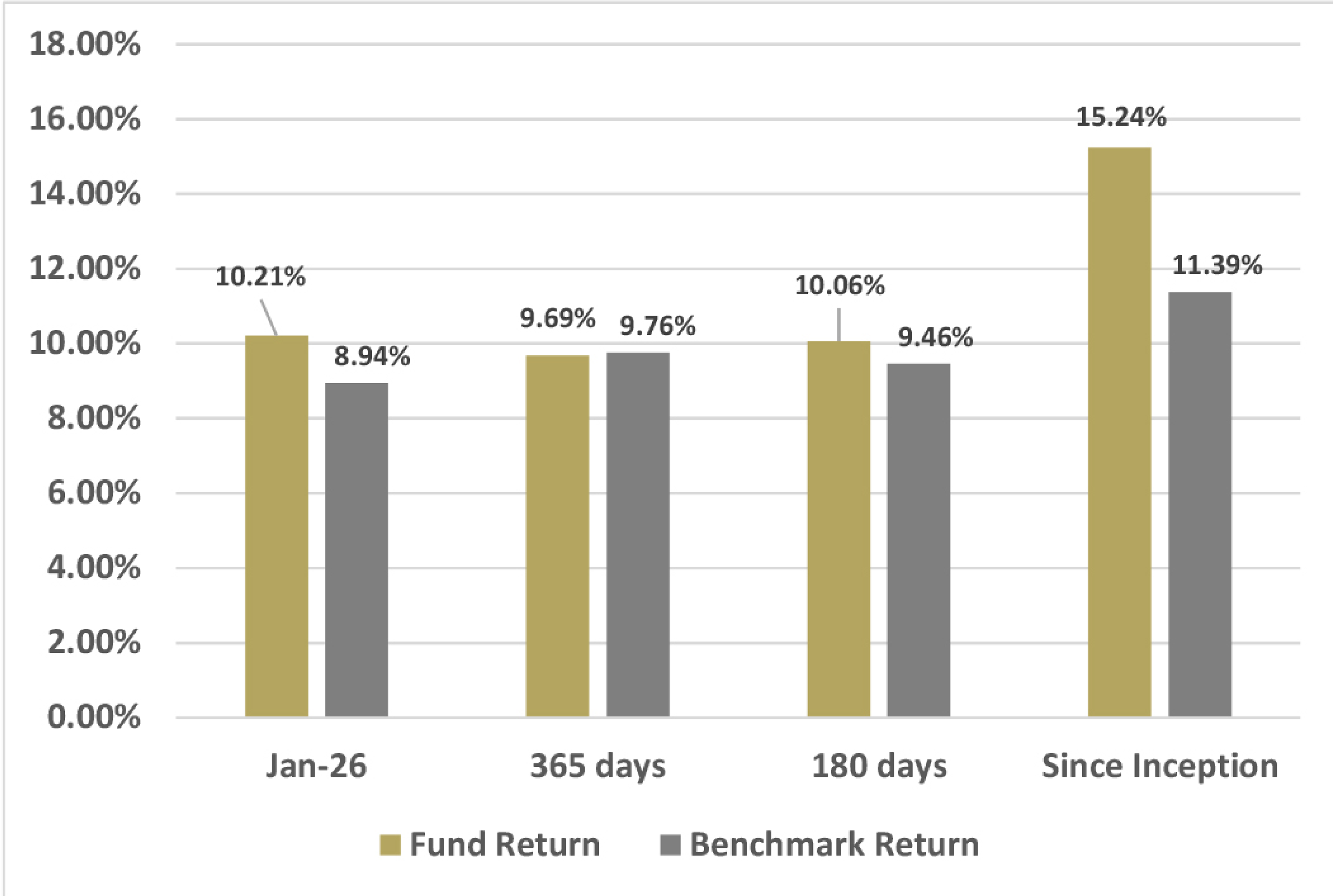
Investment Objective:

The main objective of fund is to provide the stability in returns by investing in low risk shariah compliant fixed income instruments with strong credit rating.

Fund Information

Fund Category	Money Market
Risk Profile	Low
Launch Date	18-Jul-23
Nav per unit at launch Date	100.0000
Nav per unit at month End (Jan 2026)	143.4325
Pricing Mechanism	Daily Forward pricing
Pricing Frequency	Monday to Friday
Total Net Assets (Rs.)	1,404 M
Weighted Avg.time to Maturity	0.6 Year
Expense Ratio	0.29%
Management Fee	1.75% p.a.
Benchmark	60% weightage of Meezan Cash Fund & 40% average of 6M deposit rate of 3 AA-rated of Islamic banks or Islamic windows of Conventional banks

Fund's Performance

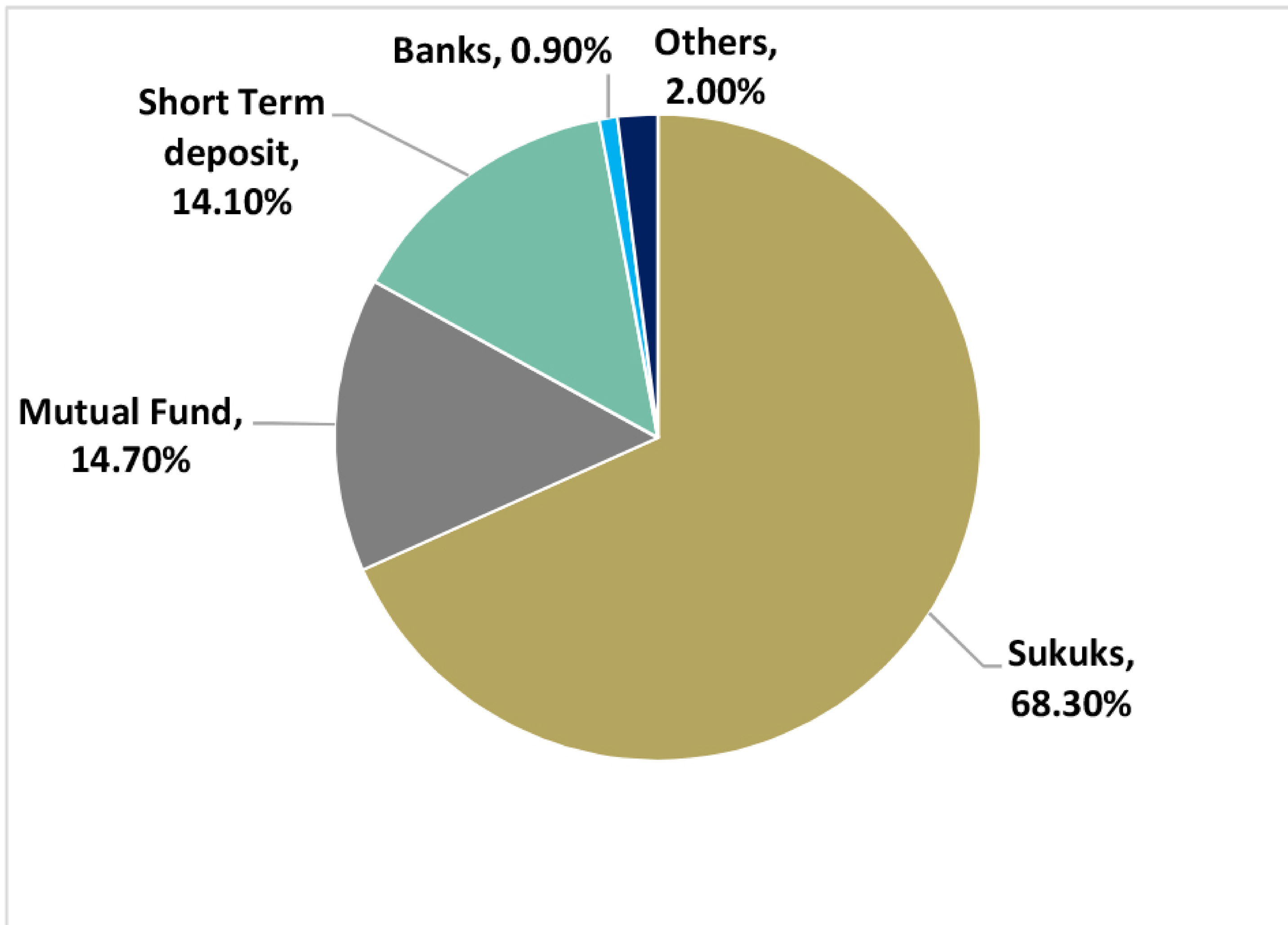


Asset Allocation	Jan-26	Dec-25
GOP Ijarah Sukuks	68.30%	80.56%
Mutual Funds	14.70%	14.70%
Short-term deposits	14.10%	0.00%
Bank Balances	0.90%	4.75%
Other Assets / Liabilities	2.00%	-0.01%

Asset Quality	Jan-26	Dec-25
Government guaranteed	68.40%	80.58%
AA+	14.70%	14.70%
AAA	15.00%	4.75%
Unrated	1.90%	-0.03%

Fund Returns	Jan-26	Dec-25
Return on (MoM) basis	10.21%	12.64%
180 days return	10.06%	9.90%
Last 365 days return	9.69%	9.50%
Return since inception (annualized)	15.24%	15.42%
Last 05 years (annualized)	N/A	N/A
Last 10 years (annualized)	N/A	N/A

Asset Allocation



Fund Manager's comments

Sustained fresh inflows continued to drive a re-rating of the KSE-100, which surged to a new peak of 189k during January 2026. However, rising geopolitical tensions between the US and Iran and status quo monetary policy triggered a modest pullback toward month-end, with the index closing at 184k—still delivering a healthy monthly gain of 5.8%. Net inflows from mutual funds, corporates, and retail investors totaled US$194mn, more than offsetting net outflows from foreign investors, banks, and insurance companies.

During the month, secondary market T-bill yields briefly declined into single-digit territory for the first time in four years on expectations of a policy rate cut, before reversing course after the central bank maintained the policy rate at 10.5%. In its MPC meeting, the SBP cited persistent core inflation, a widening trade deficit, and stronger-than-anticipated domestic growth as key factors behind the decision to hold rates steady. To bolster the export sector, the Prime Minister announced a 300bps reduction in the Export Financing Scheme (EFS) rate to 4.5%, along with a cut of Rs4.04 per unit in industrial power tariffs. These measures were introduced amid India's FTA announcement with the EU, granting it zero-duty access on textiles and other products.

Headline inflation for January 2026 came in at 5.8% YoY, slightly higher than the 5.6% YoY recorded in the previous month and broadly in line with market expectations. Average CPI inflation for 7MFY26 stands at 5.2% YoY, indicating relatively contained inflationary pressures. The marginal rise in headline inflation was mainly attributable to higher housing and food prices, while on a month-on-month basis, CPI rose by 0.4%.

Pakistan's current account recorded a deficit of US$244mn in December 2025, primarily due to a surge in imports despite softer global commodity prices. Export growth remained inadequate to counterbalance the increase in imports. During 1HFY26, imports expanded by 12% YoY, reflecting economic normalization and stronger demand for intermediate goods. Remittance inflows continued to provide critical support, consistently exceeding the trade deficit, while the services deficit remained relatively contained.

Outlook:

Following the disbursement of the IMF tranche and the stabilization of foreign exchange conditions, we continue to see upside potential supported by improving economic growth and activity, particularly across the construction and consumer sectors. In addition, progress on circular debt resolution, ongoing RLNG diversion discussions, and a potential revision in gas prices are expected to enhance cash flows for companies with gas-sector receivables, notably PSO, OGDC, and PPL.

The market is currently trading at a forward P/E of 8.4x, broadly in line with its 18-year historical average. However, sustained macroeconomic stability alongside continued energy sector reforms could pave the way for a re-rating toward the 2006–2017 average P/E range of approximately 9x–10x.