5th Pillar
Family Takaful Limited
آئیے، ساتھ چلیں

FUND
MANAGER REPORT

March | 2026

5th Pillar
Family Takaful Limited
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MARKET REVIEW

Stock Market Review

During the month of March 2026, the KSE-100 index decreased by 19,319 points (down 11.5%), closing at 148,943 points. The average daily volume of the market stood at 487 million shares, down by 37% on a MoM basis. Banks, Cements and Fertilizer were the major negative contributing sectors to the index performance during the month.

The sharp drop in the KSE-100 was largely driven by rising geopolitical tensions linked to the US–Israel and Iran conflict, which outweighed the positive impact of the USD 1.2 billion IMF Staff-Level Agreement (SLA). Additionally, disruptions in the Strait of Hormuz and regional energy supply routes pushed global oil prices higher. This increase in energy costs reignited concerns about inflation, the trajectory of interest rates, and mounting pressure on external and fiscal balances.

Foreigners were net sellers with net selling aggregating USD 71.7 million during the month. While Individuals & Banks were major buyers with net buying aggregating USD 48.1 million & USD 46.3 million (excluding debt market) respectively. The oil prices increased by 52% during the month with Brent closing at USD 118.35 per barrel due to Iran and US-Israel conflict.

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.

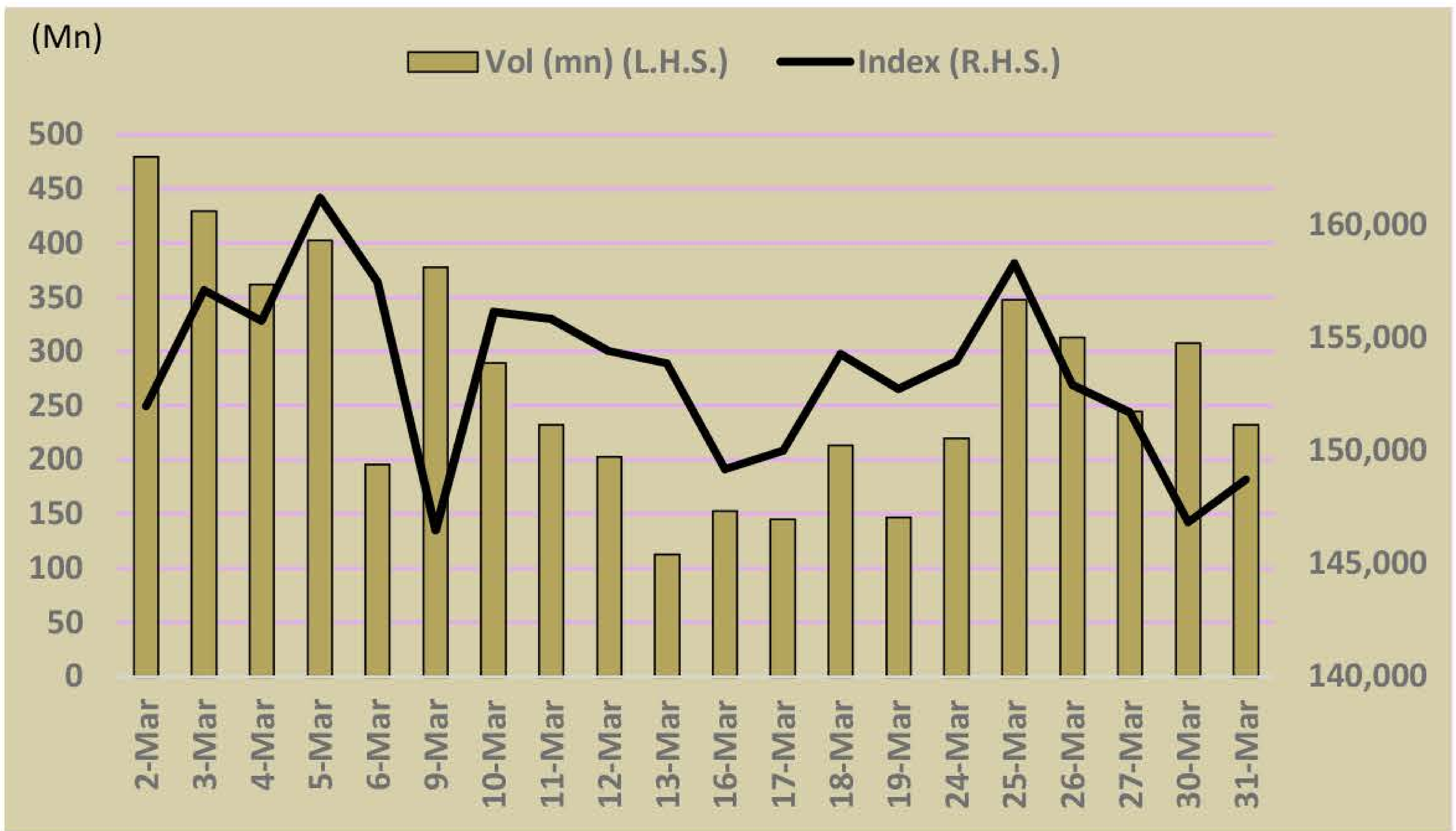
Money Market Review

Amidst the ongoing elevated concerns on higher inflation readings as a result of 50%+ increase in global oil prices, short-term financing rates during March 2026 have notably elevated. Tenor-wise, rates have increased by 86–112 bps in 3-month, 6-month, and 12-month KIBOR. Similarly, in the secondary market, T-Bill yields have increased by 90–151 basis points, while Pakistan Investment Bond yields also increased by 131–195 basis points, indicating an overall upward shift in the yield curve in response to the change in inflation expectations.

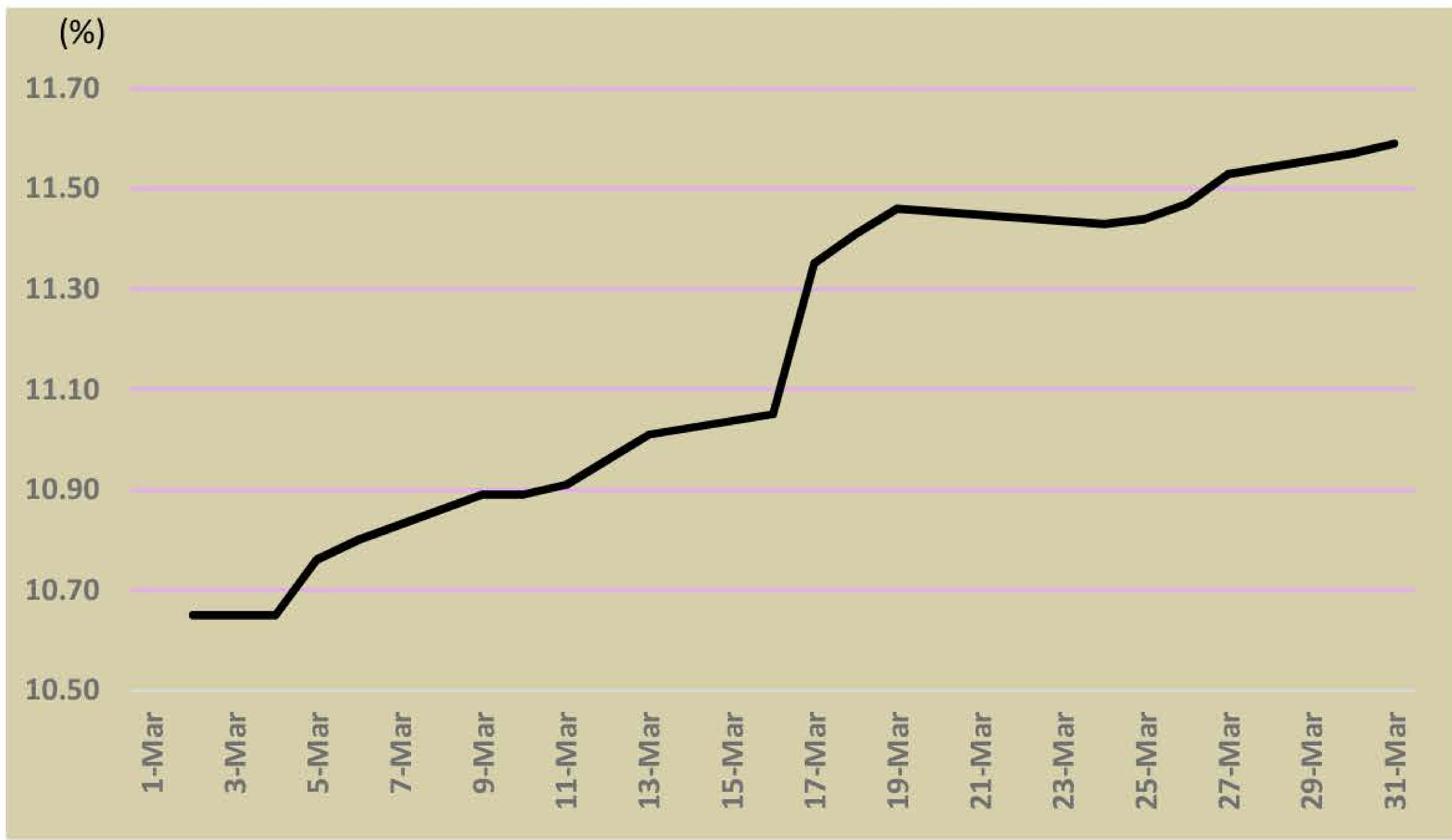
During the month, the government raised PKR 188 billion through Islamic auctions, falling below the targeted PKR 250 billion. Investor participation remained strong, particularly in the 10 Year VRR, which recorded bid-to-cover ratios of 6.61x, underscoring robust demand despite relatively limited supply in variable Ijarah.

From here, with respect to inflation readings, base effects are expected to deepen, while heightened volatility in commodity prices may further expand inflation readings, especially in the Food, Housing, Water, Electricity, Gas & Fuels, and Transport sectors. If oil prices remain at current levels, inflation may enter the double-digit territory in 4QFY26, taking the average inflation for FY26 above SBP's limit of 5–7%. At the current Policy Rate, the aforementioned inflation trajectory may turn real interest rates negative in the near future.

KSE - 100 Index Performance



6 Month Kibor



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

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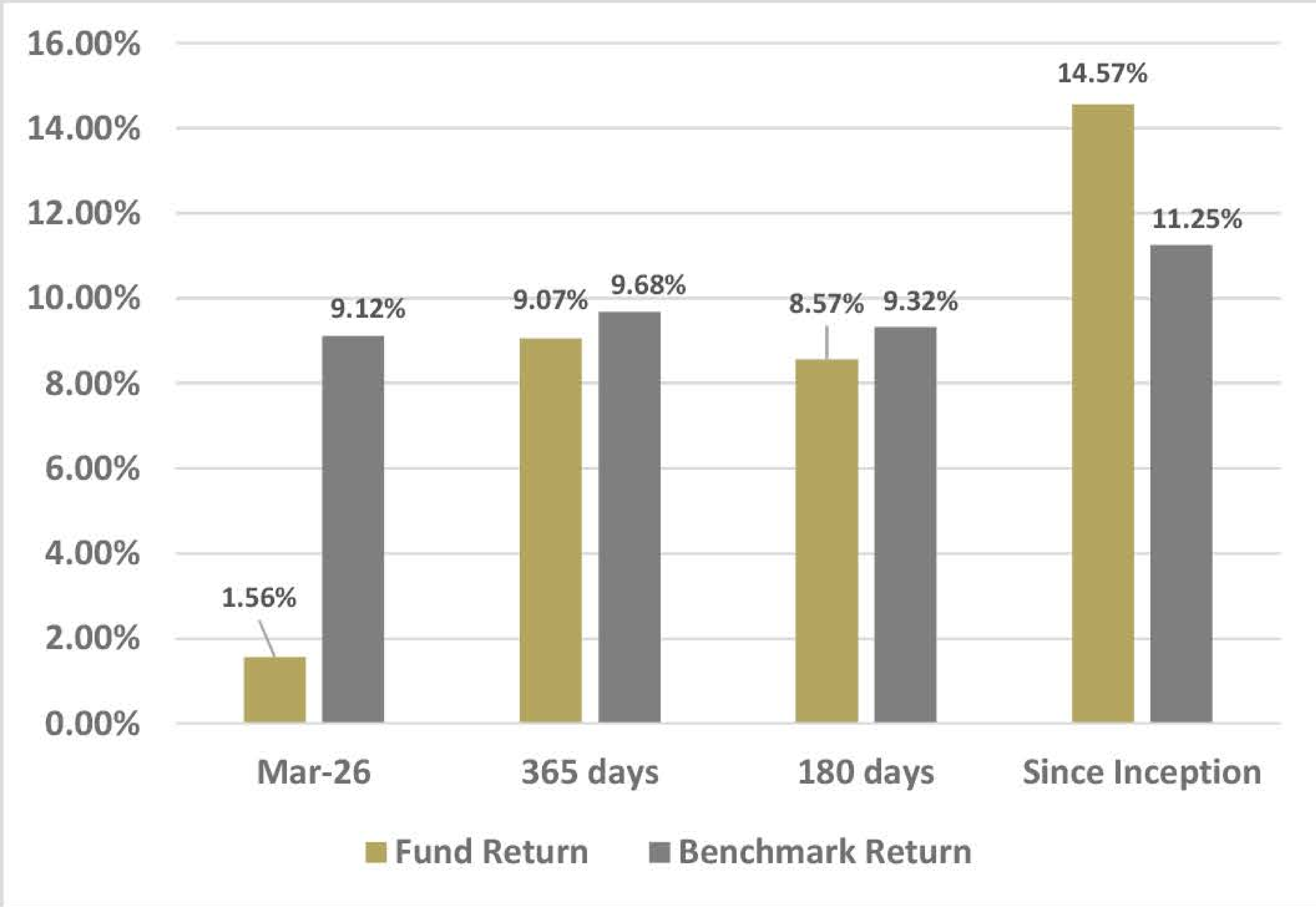
Investment Objective:

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 (March 2026)	144.4582
Pricing Mechanism	Daily Forward pricing
Pricing Frequency	Monday to Friday
Total Net Assets (Rs.)	1,489 M
Weighted Avg.time to Maturity	0.6 Year
Expense Ratio	0.28%
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

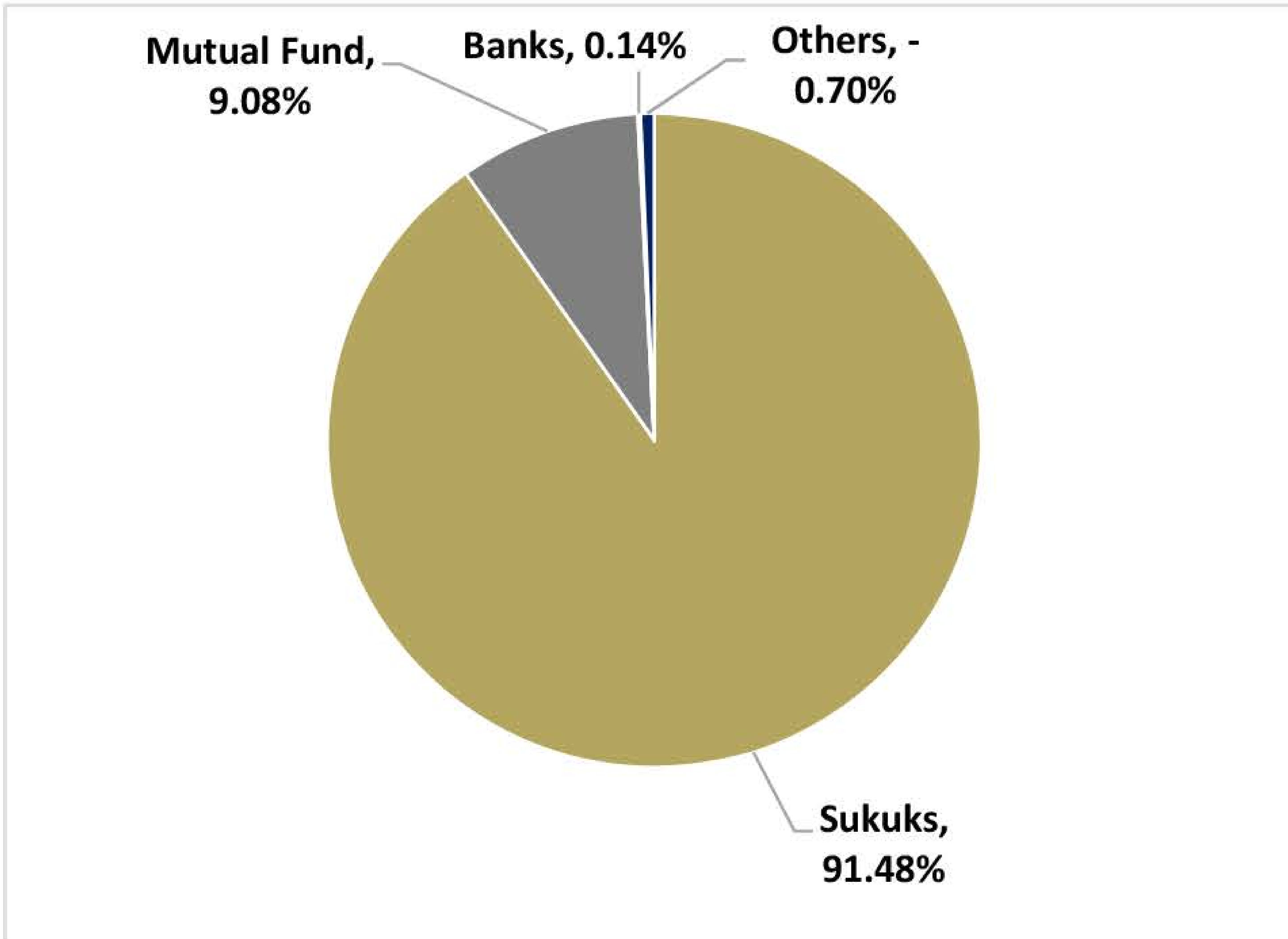


Asset Allocation	Mar-26	Feb-26
GOP Ijarah Sukuks	91.48%	86.65%
Mutual Funds	9.08%	12.24%
Bank Balances	0.14%	0.59%
Other Assets / Liabilities	-0.70%	0.52%

Asset Quality	Mar-26	Feb-26
Government guaranteed	91.80%	86.87%
AA+	9.10%	12.24%
AAA	0.10%	0.59%
Unrated	-1.00%	0.30%

Fund Returns	Mar-26	Feb-26
Return on (MoM) basis	1.56%	7.87%
180 days return	8.57%	9.94%
Last 365 days return	9.07%	9.59%
Return since inception (annualized)	14.57%	15.02%
Last 05 years (annualized)	N/A	N/A
Last 10 years (annualized)	N/A	N/A

Asset Allocation



Fund Manager's comments

March 2026 proved to be a turbulent period for global commodity and equity markets, driven by the escalation of the US–Iran conflict and continued uncertainty around potential ceasefire. Brent crude oil prices surged 63% month-on-month, reaching US$118 per barrel by the end of the month. At the same time, Asian economies dependent on oil and related imports from Gulf nations experienced notable market declines, with Korea falling 19%, Indonesia 14%, and India 12%.

Amid this backdrop, Pakistan's macroeconomic landscape—highly sensitive to fluctuations in international oil prices due to its reliance on imports—came under pressure. The KSE-100 Index dropped 11.5% month-on-month, marking its steepest monthly decline in six years. Market activity also weakened significantly, as trading volumes shrank by 38% compared to the average daily turnover recorded in CY25.

Oil prices remained highly volatile throughout March following one of the most significant global supply disruptions in recent history. WTI, Brent, and Arab Light crude recorded sharp month-on-month increases of 51%, 63%, and 56%, respectively. Persistent negative developments—such as escalating war threats, the closure of the Strait of Hormuz, and attacks on oil and LNG facilities in the Gulf—largely outweighed stabilizing measures announced by the IEA.

In its latest MPC meeting, the SBP maintained the policy rate at 10.5%, expressing confidence in the FY26 inflation outlook, projected GDP growth of above 4%, and a forex reserves target of US$18 billion. However, a sharp rise of over 200bps in cut-off yields—now around 12.5%—in PIB auctions and the secondary market indicates expectations of a 50–100bps rate hike in the upcoming MPC scheduled for 27 April.

That said, we believe a rate increase may be avoided if the ongoing conflict subsides. On a positive note, Pakistan has reached a staff-level agreement for the third review under the EFF, unlocking a potential US$1.2 billion disbursement under the EFF and RSF.

Pakistan's current account posted a surplus of US$427 million in February 2026, although export growth remained insufficient to fully offset the surge in imports. During 8MFY26, imports increased by 9% year-on-year, reflecting economic normalization and stronger demand for intermediate goods. Looking ahead, a key risk remains the elevated outlook for oil prices if the conflict persists. Meanwhile, CPI for March 2026 came in at 7.3%.

Outlook:

We remain optimistic about the Pakistan equity market. However, amid ongoing geopolitical tensions in the Middle East and neighboring regions, volatility is likely to persist in the near term. On the domestic front, we expect that IMF tranche approval would fall in line, hence, we continue to see upside potential supported by improving economic growth and activity, particularly in the construction and consumer sectors, subject to geopolitical normalization.

The market is currently trading at a forward P/E of 7.1x following recent correction, below 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.