Alfalah Investments

RATED AM1 by VIS & PACRA

Pakistan Equities Update:

Beyond the Noise: Structural Strengths and Valuation Comfort

The KSE-100 index has retracted by **11.16%** to **168,062** following a historic high of **189,167** achieved on 23 January 2026. This recent correction has opened buying opportunity in fundamentally strong blue-chip names, mainly on the back of foreign selling that started in early February 2026.

The downward trajectory was initially sparked by a combination of a lackluster corporate earnings season and the SBP's decision to maintain a status quo in its recent monetary policy announcement. However, these domestic factors were significantly exacerbated by escalating international geopolitical risks. Specifically, rising U.S.–Iran tensions heightened regional uncertainty, triggering broader "risk-off" flows across emerging markets.

The domestic landscape also further complicated by a sharp deterioration in relations with the hostile neighbor, Afghanistan. On the night of February 26, 2026, following intense border clashes, the Pakistan Army launched a major retaliatory offensive titled "Operation Ghazab lil-Haq" (Righteous Fury) against Afghan Taliban targets. The closure of critical border crossings since October 2025, has already been disrupting regional trade and logistics. These disruptions are expected to continue to weigh on export-linked industries and the transport sector in the near term.

Due to Pakistan's geographic proximity and economic interdependencies, local heavyweights in the Banking, Exploration & Production (E&P), and cyclical sectors faced intensified selling pressure as investors factored in higher risk premiums. Consequently, the Pakistan market experienced a surge in Foreign Portfolio Investment (FIPI) outflows (**USD 49mn since 1st Feb'26**), with significant liquidations recorded in the Technology, Energy, Banks & Cement sectors.

Category & Sector wise Net Foreign Buy / (Sell)

USD (mn)	F. Corp	F. Ind	Ovs. Pak	Net Buy/(Sell)
Technology	(14.04)	0.03	0.44	(13.56)
E&Ps	(7.80)	(0.02)	0.36	(7.46)
Others	(4.09)	(0.04)	(3.17)	(7.30)
Banks	(9.36)	(0.01)	3.24	(6.12)
OGMCs	(5.63)	(0.01)	(0.31)	(5.95)
Power	(1.19)	(0.01)	(2.25)	(3.45)
Cement	(5.13)	(0.02)	2.72	(2.44)
Fertilizer	(2.84)	(0.05)	1.39	(1.51)
FMCG	(0.76)	(0.00)	(0.53)	(1.28)
Debt	-	-	-	-
Textile	0.10	(0.06)	0.11	0.15
Total	**(50.75)**	**(0.18)**	**2.01**	**(48.92)**

*Source (s): NCCPL, AAML Research, *PIOC Adjustment - (01-Feb to 26-Feb)*

Date: Feb 27, 2026

Benchmark Index:	KSE-100 Index
Last Closing:	**168,062**
Highest Closing:	189,167
Down from Peak:	-11.16%
CY26 Index Target:	227,000
Upside:	**35.07%**

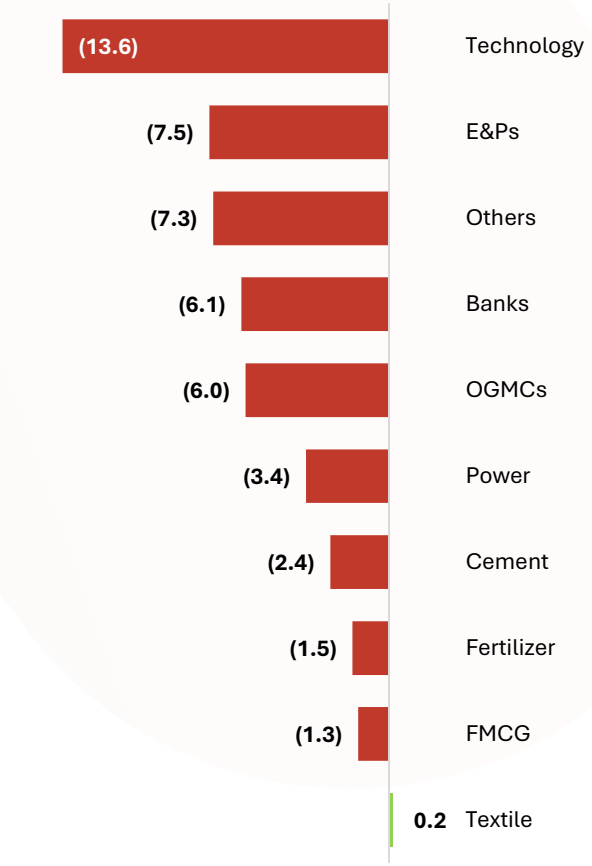
Source (s): PSX, AAML Research

Key Ratios

	FY26 (f)	FY27 (e)
PE	7.24	6.54
PB	1.65	1.48
DY	6.57%	7.60%

Source (s): Bloomberg, AAML Research

Sector wise Net Foreign Selling: (USD mn)



The recent market correction appears to be driven by a combination of geopolitical tensions, heightened domestic security and political uncertainty, trade-related disruptions, and a temporary lull in near-term catalysts, rather than any weakening in the underlying structural fundamentals of the economy or corporate sector. Although short-term volatility may continue until there is clearer visibility on these evolving factors, we view the current phase of consolidation as an opportunity for disciplined investors to selectively accumulate fundamentally strong and high-quality names within the PSX.

A review of historical trends in the KSE-100 Index suggests that while drawdowns of 10% or more can be abrupt and sentiment-driven, the market has frequently demonstrated a pronounced "**V-shaped**" recovery trajectory, with a substantial portion of losses often recouped within a relatively short timeframe once valuation comfort restores investor confidence and triggers renewed value-based buying.

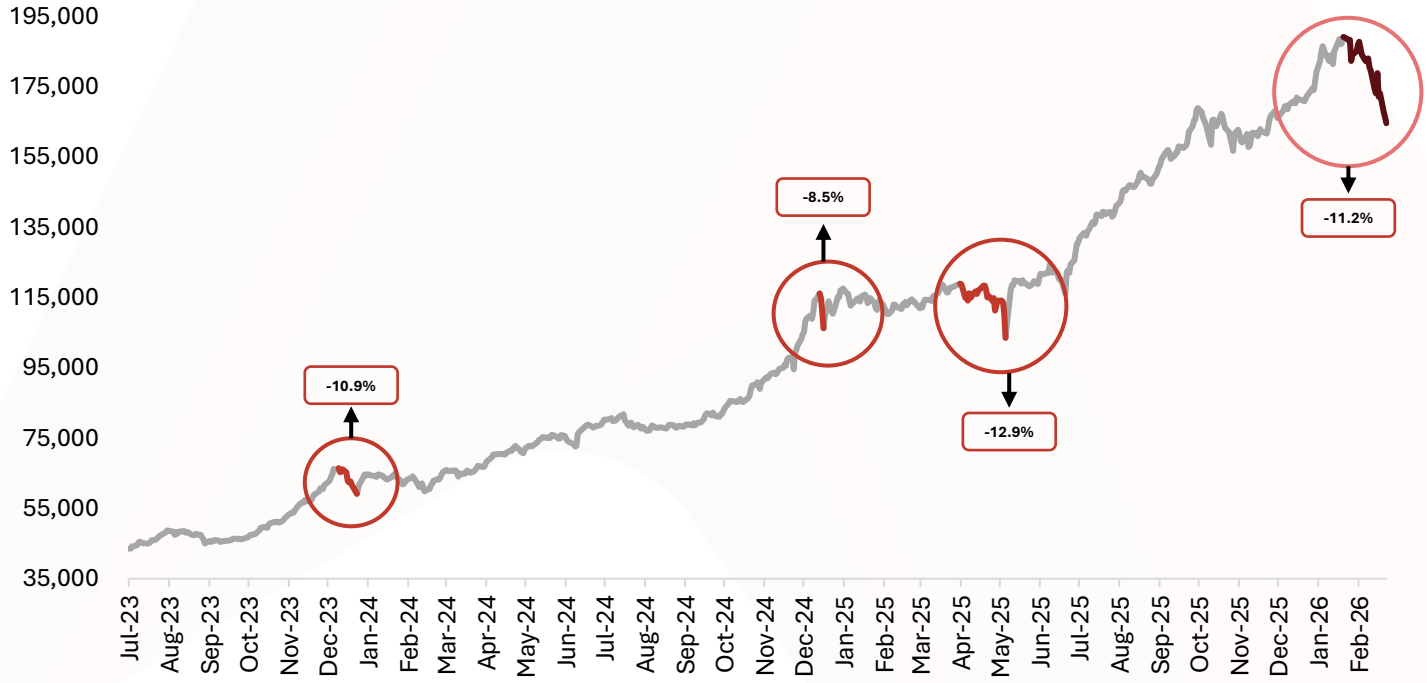
A table below shows the last four sharp corrections, and the swift recovery KSE-100 witnessed:

Recent Historic KSE-100 Index Corrections

Dates	% Decline	Reason for decline	Points Decline	Recovery Timeline
12-Dec-23 to 26-Dec-23	-10.92%	Correction	(7,256)	3 - 4 days
16-Dec-24 to 19-Dec-24	-8.52%	Profit taking	(9,894)	2 - 3 days
03-Apr-25 to 08-May-25	-12.96%	India-Pak War	(15,411)	2 - 3 days

Source (s): PSX, AAML Research

KSE-100 Historic Corrections:



Following the recent pullback, valuations have compressed to a forward P/E multiple of **7.2x**, positioning the market meaningfully below its historical trading range as well as at a discount to regional comparables. At these levels, we see a strong case for multiple expansion, translating into an estimated upside potential of roughly **35.1%** relative to our **CY2026 KSE-100 Index target of 227,000**. In light of this favorable risk-reward dynamic, we advise investors to capitalize on the prevailing valuation dislocation and align their portfolios for the anticipated next leg of the cycle through professionally managed equity strategies offered by Alfalah Asset Management Limited — notably the **Alfalah GHP Stock Fund**, **Alfalah GHP Alpha Fund**, and **Alfalah GHP Islamic Stock Fund**, each of which remains well positioned to generate alpha under the current market backdrop.

Alfalah Investments

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Alfalah GHP Stock Fund

387.47%*

*Three years performance till 31st Jan, 2026.

Benchmark: 352.82%

Risk Profile: High
(High Risk of Principal Erosion)

PERIOD	RETURN	BENCHMARK
FY21	38.89%	37.58%
FY22	-19.86%	-12.28%
FY23	-0.85%	-0.21%
FY24	95.65%	89.24%
FY25	63.30%	60.15%
ITD	22.34%	17.43%
YTD	48.54%	46.60%
1 year Trailing Return*	51.39%	61.19%

These returns are on absolute basis

Fund Category: Equity Scheme, Fund Stability Rating: Not yet rated

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- All investments in mutual fund are subject to market risks.
- Past performance is not necessarily indicative of the future results.
- Please read the Offering Document / FMR to understand the investment policies and the risks involved.
- Performance data does not include the cost incurred directly by an investor in the form of sales load etc.
- All returns are calculated assuming reinvented dividends

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Alfalah Investments

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Alfalah GHP Alpha Fund

393.28%*

*Three year performance till 31st Jan, 2026.

Benchmark: 352.82%

Risk Profile: High
(High Risk of Principal Erosion)

PERIOD	RETURN	BENCHMARK
FY21	32.27%	37.58%
FY22	-17.98%	-12.28%
FY23	-0.31%	-0.21%
FY24	90.33%	89.24%
FY25	67.28%	60.15%
ITD	20.69%	18.73%
YTD	50.18%	46.60%
1 year Trailing Return*	65.93%	61.19%

These returns are on absolute basis

Fund Category: Equity Scheme, Fund Stability Rating: Not yet rated

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RATED **AM1** by **VIS & PACRA**

Alfalah GHP Islamic Stock Fund

293.12%*

*Three Year performance till 31st Jan, 2026.

Benchmark: 275.94%

Risk Profile: High

(High Risk of Principal Erosion)

PERIOD	RETURN	BENCHMARK
FY21	36.75%	39.32%
FY22	-18.67%	-10.25%
FY23	1.26%	2.88%
FY24	93.40%	78.70%
FY25	50.09%	46.24%
ITD	16.08%	19.95%
YTD	32.63%	41.19%
1 year Trailing Return*	40.78%	51.79%

These returns are on absolute basis

Shariah Adviser: Mufti Javed Ahmad
Registration No: SECP/IFD/SA/010

Shariah Adviser: Al Hilal Shariah Advisors
Registration No: SECP/IFD/SA/015

Fund Category: Shariah Compliant Equity Scheme, Fund Stability Rating: Not yet rated

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