



INTRODUCING SMART BETA ETF: JS MOMENTUM FACTOR ETF

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ABOUT JS INVESTMENTS

Overview of the legacy of JS Investments and its scope of business



SMART BETA INVESTMENTS

SMART BETA STRATEGY

THE PERFECT BLEND OF ACTIVE AND PASSIVE INVESTING

ACTIVE INVESTING

Active investing is an investment technique which involves the investor engaging in ongoing buying and selling. Active investors buy investments and constantly monitor their activity to capitalize on profitable conditions.

- Active Risk Management
- Potential for outperformance
- Higher Cost
- Difficult to identify sustainable alpha
- Includes Human Biases



SMART BETA

Smart beta strategies seek to outperform by investing in ETFs based on one or more predetermined "FACTORS"

PASSIVE INVESTING

Passive investing is a investment strategy in which investors buy & hold a diversified mix of assets in an effort to match, not beat, the market. It seeks long-term value rather than profits from the short term fluctuations of price or market timing.

FACTOR INVESTING

What is a factor? A Factor is a broad characteristic that often explains a stock's return or its inclusion in a particular basket.

Factor investing is an investment approach that involves targeting specific drivers of return across asset classes.

There are two main types of factors: **macroeconomic and style**. Investing in factors can help improve portfolio outcomes, reduce volatility and enhance diversification.

Macroeconomic Factor	Style Factor
Economic Growth	Value
Real Rates	Volatility
Inflation	Momentum
Credit	Quality
Emerging Markets	Size
Liquidity	Carry

BENEFITS OF SMART BETA / FACTOR INVESTING



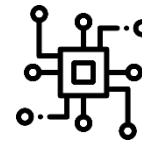
Broad choice

Investors have a wide variety of investments to choose from allowing them to leverage exposure throughout the investment process, from portfolio design to construction



Cost

When packaged in an ETF, a smart beta strategy is a low-cost alternative to purchasing an actively managed mutual fund, while still providing access to more targeted strategies than would be possible through a pure-passive approach.



Diversification

Smart beta approaches can help provide diversification in your portfolio. If your portfolio includes all active or all passive investments, smart beta may offer a complementary approach to the markets, which can further diversify the types of strategies in your portfolio.



Discipline

While there's no guarantee that any investment strategy will meet its objectives, the consistency behind smart beta investment processes may produce more predictable, explainable results over time while
ELIMINATING HUMAN BIASES.

ELIMINATING HUMAN BIAS

Smart Beta Strategy is a **rules based investment strategy** that highly relies on Data Mining that helps pick stocks on a set of pre set factors.

This eliminates errors due to human bias which are common in active investment. It helps reduce the risk of loss aversion bias, which is an important concept encapsulated in the expression “**losses loom larger than gain**”. This means the pain of losing is much larger than the reward of gaining, and people are more likely to take greater risks.

Using a smart beta strategy allows the investor to avoid biases and emotionally driven decision making and instead make **data driven investment decisions**.





MOMENTUM INVESTMENTS

WHAT IS MOMENTUM



The term “momentum” is borrowed from Newton’s first law of motion that says a body will remain in uniform motion in a straight line unless acted upon by an external force.



The same concept when applied to Momentum investing states that you can maximize long-term profits by **riding stocks while they are on a good run and selling them once they’ve had a bad stretch.**



Investors who practice momentum investing are not discouraged by a high price or by the fact that the price of a stock is rising. On the contrary, these investors are actually attracted to a company whose price is on an upward trajectory.



Momentum investors pin their hopes that this upward price momentum will continue for some more time and they will be able to sell at a higher price. Nevertheless, momentum need not always be positive and upwards.



There is also the downward momentum whose premise is that the stocks that have underperformed recently have a tendency to go down even further in the short term. It’s this high-higher and low-lower effect that the entire momentum strategy hinges on.

BENEFITS OF INVESTING IN MOMENTUM



CAPTURING CONSISTENT OUTPERFORMERS

By judging momentum over a range of time periods, the strategy tries to avoid stocks that periodically perform due to over-optimism, high liquidity or other inconsistent factors.



PARING MOMENTUM WITH OTHER STRATEGIES

Delivers excess returns by carrying the risk of short term volatility during market downturns. This can be pared with more conservative value or dividend yield orientated strategies to construct balanced portfolios.



OUTPERFORMS DURING ECONOMIC EXPANSION

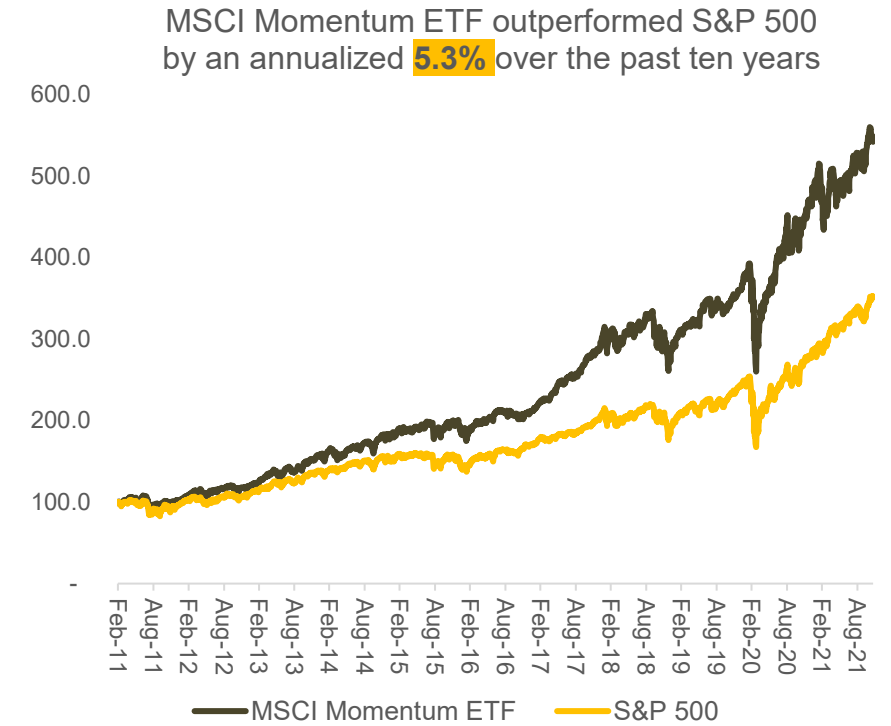
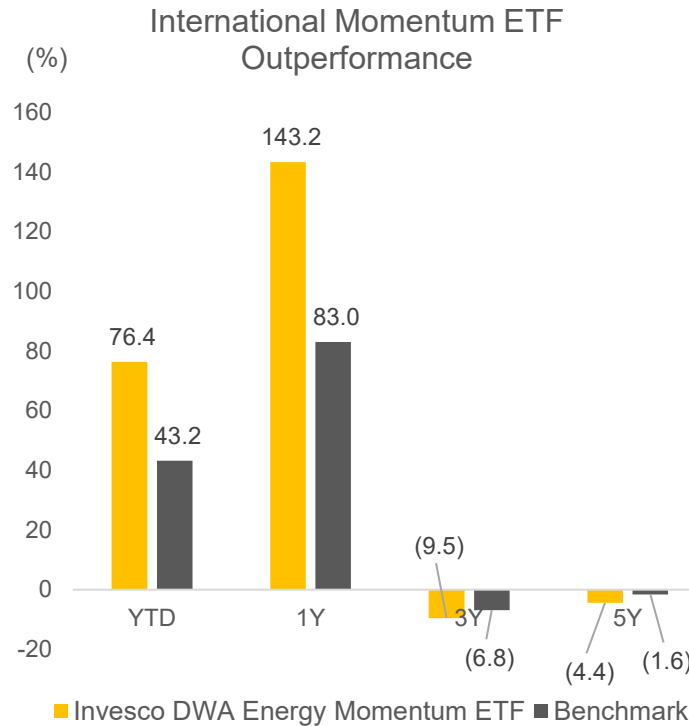
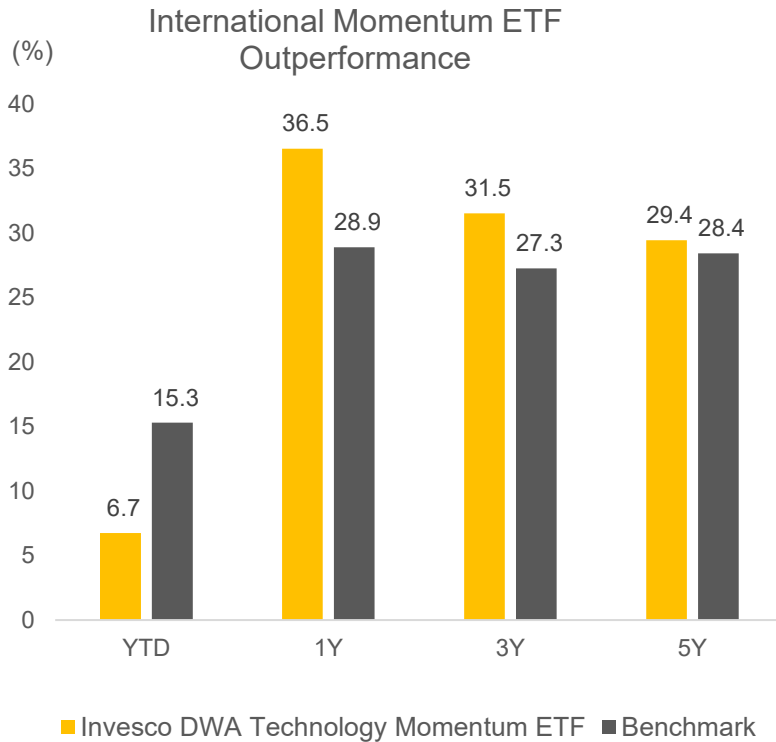
Expansionary economic periods generally have a steady corporate earnings growth. Companies with robust business models tend to consistently outperform & the momentum factor captures this.



RULES BASED DECISION MAKING

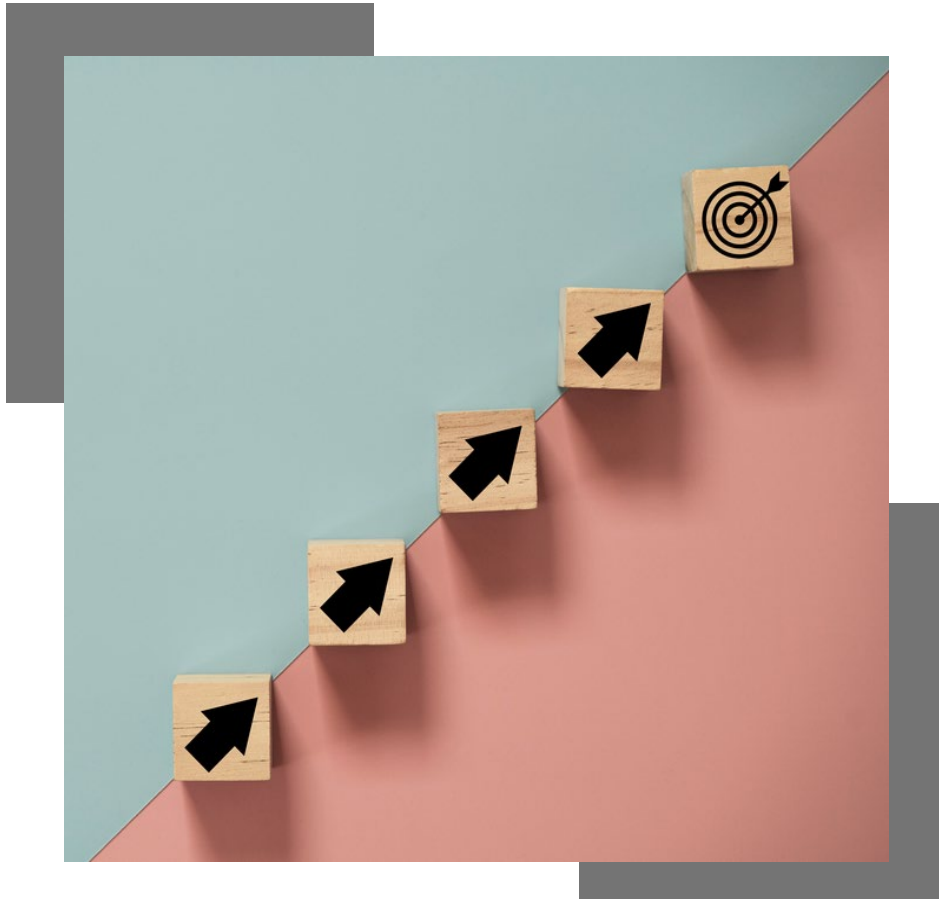
The strategy follows a disciplined rules based approach and therefore controls for human emotion (affected by market volatility and sentiment).

PERFORMANCE IN INTERNATIONAL MARKETS





JS MOMENTUM FACTOR ETF



JS MOMENTUM FACTOR ETF OBJECTIVE

JS MOMENTUM FACTOR ETF (JSMFETF) seeks to track the investment results of JS Momentum Factor Index (JSMFI), composed of PSX large- and mid-capitalization stocks exhibiting relatively higher price momentum. This is based on the premise that stocks with positive momentum i.e. winners tend to continue to outperform the KSE-All Share while losers tend to underperform.

Positive momentum over several time periods depicts underlying good fundamentals. Therefore a portfolio comprising solely of 'winners' should outperform the general index.

JS MOMENTUM FACTOR ETF | FACT SHEET

JS Momentum Factor ETF seeks to track the investment results of an index composed of PSX's large and mid-cap stocks exhibiting relatively higher price momentum.

Methodology

1. Screens KSE-All Share Index on a market cap and a traded value filter to eliminate small cap companies.
2. Assign a Momentum Score for each stock in the filtered index based upon previous 30 days price performance and average traded value parameter.
3. Picks consistent winners on the Momentum Score and weights them in the ETF based on traded value.
4. The index re-balancing and re-constitution is carried out every 30 days on the 5th working day of each month.

Key Facts	
Fund Launch Date	January 7, 2022*
Management Fee	0.5%***
Expense Ratio	2.5%
Benchmark	JS Momentum Factor Index
Re-Balancing	30 Days
Net Assets	PKR 50 mn*
Ticker	JSMFETF
Implementation of new index	5 th working day of the month
Weight Assignment	Traded value based
Momentum Score	Proprietary strategy

WHY INVEST IN JSMF ETF?

1.

Our back tests reveal that momentum outperforms the KSE All Share index by 6% annualized over 2001 - 2021. Over this period the KSE All Share has returned 19% p.a.

2.

The strategy has a Sharpe ratio of 1.59 vs. 1.25 for the KSE All Share index. The strategy adequately compensates for the additional risk taken by delivering additional return.

3.

Out of 240 months of back testing, the strategy outperforms 51% of the time.

4.

On average the strategy returns 5.1% in positive months and declines by 3.4% in negative months with more positive months than negative.

TESTING PERFORMANCE

We have tested the Momentum Factor over a 20 year lookback period spanning numerous economic & market cycles and the performance is presented below. The results show strong evidence of the existence of the momentum premium on the Pakistan Stock Exchange.

The chart in the next slide shows the performance of the Momentum Strategy and the KSE All Share Index, rebased to 100 since 2001 with a monthly re-balancing/re-constitution frequency. The KSE-All Share rose by 19% p.a. and Momentum outperformed this with a 25% p.a. gross return.

We have tested the strategy on varying time periods ranging between 30-180 days with similar outperformance for the Momentum Factor.

On a 30 day re-constitution basis, the strategy outperforms the KSE All share in 122 out of 240 instances i.e. 51% of the time. The strategy outperforms by 5.1% on average in these 113 periods while it only underperforms by 3.4% on average in the remaining 118 periods.

The Momentum strategy results in a portfolio with higher volatility than the index (11.4% vs. 7.4%), however this is compensated by a higher return on a risk-adjusted basis. The Sharpe ratio for the portfolio is 1.59 vs. 1.25 for the index.

HOW TO INVEST IN JSMF ETF?



JSMF ETF will be listed on the Pakistan Stock Exchange and can be traded like a regular stock.

The ETF will start with a par value of PKR 10 & minimum lot size of 500 shares.

Therefore the minimum value that can be traded is PKR 5,000.

In order to trade in JSMF ETF you can open a brokerage account with any brokerage firm of your choice.



ABOUT JS INVESTMENTS

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JS Investments Limited (JSIL) (estd. 1995) is the oldest private sector Asset Management Company in Pakistan. Management Quality Rating by PACRA – AM2

JSIL offers a wide range of investment products including Mutual Funds, Voluntary Pension Schemes, and Separately Managed Accounts (SMAs) to cater to the needs of individual and institutional investors.

The company has played a key role in defining the standards of Asset Management industry in Pakistan.

The company is licensed by SECP to provide “Asset Management”, “Investment Advisory”, “REIT Management”, “Private Equity and Venture Capital Fund Management” services. In addition, the Company also acts as Pension Fund Manager under the VPS Rule.

JSIL is a member of Mutual Fund Association of Pakistan (MUFAP) and is listed on the Pakistan Stock Exchange Limited.



THANK YOU !

Disclaimer: All investments in Exchange Traded Fund are subject to market risks. The investors are advised in their own interest to carefully read the contents of Offering Document in particular the Investment Policies mentioned in clause 2.2. Risk Factors mentioned in clause 2.7 and Warnings in clause 10 before making any investment decision.