



WEEKLY REPORT

FUEL FLARES FALLOUT

DATE:

Friday, April 03, 2026

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Major Events

During the week, the stock market was impacted by a combination of news and events that had a considerable effect on its direction. Key events that shaped the market's trend included:

Stability at a Cost: IMF Support Comes with Tough Policy Demands:

The International Monetary Fund's latest engagement with Pakistan marks a pivotal moment in the country's macroeconomic stabilization journey, offering near-term liquidity support while emphasizing stringent forward-looking policy commitments. The staff-level agreement on the third review of the Extended Fund Facility (EFF) and second review of the Resilience and Sustainability Facility (RSF) paves the way for approximately USD 1.2bn in potential disbursements, subject to Executive Board approval, bringing cumulative support under the two arrangements to around USD 4.5bn. Beyond the financial aspect, Pakistani authorities have formally committed to maintaining a tight monetary stance, including readiness to adjust policy rates in response to inflationary pressures, particularly those stemming from heightened geopolitical tensions in the Middle East. The adoption of an exchange rate anchor further signals a disciplined macroeconomic approach aimed at stabilizing currency markets and restoring investor confidence. On the fiscal side, negotiations remain complex. The IMF has proposed an ambitious revenue target of PKR 15.6tn and a tax-to-GDP ratio of 11.3% for FY27, including the rationalization of exemptions on fuel, real estate, and potentially solar-related segments. These recommendations reflect the Fund's focus on broadening the tax base and enhancing fiscal sustainability. While Pakistani authorities have not fully endorsed all measures, this does not affect the staff-level agreement, which remains a key step toward Board consideration of the next tranche. Nevertheless, structural constraints in revenue mobilization persist, particularly given the likelihood of a shortfall in the current year's FBR target, highlighting the challenges of translating policy commitments into tangible fiscal outcomes. Compounding these domestic challenges is a turbulent global backdrop: conflict-driven disruptions, especially around Iran and the Strait of Hormuz, continue to elevate oil prices, inflationary pressures, and external account risks. The IMF's warning regarding asymmetric global shocks underscores the vulnerability of import-dependent economies like Pakistan to prolonged supply-side disruptions. Overall, while the agreement provides immediate policy direction and potential financial relief, its ultimate success will hinge on Pakistan's ability to implement politically sensitive reforms, manage external shocks, and navigate fiscal slippages without undermining the fragile macroeconomic recovery.

As War Fears Linger, Oil Markets React Faster Than Diplomacy:

The evolving geopolitical tensions surrounding Iran and United States have created sustained volatility in global energy markets, with tentative signs of de-escalation offering only limited relief. Recent statements by Donald Trump regarding a

Major Events

potential wind-down of military engagement, alongside diplomatic initiatives including Pakistan's proposed mediation, have eased immediate concerns, yet structural supply risks remain intact. A critical flashpoint continues to be the Strait of Hormuz, where controlled oil passage and intermittent disruptions highlight the fragility of global supply chains. These pressures have kept international oil prices elevated, directly impacting Pakistan. In response, the government implemented historic domestic fuel price adjustments: petrol rose by 43% (PKR 137.23 per litre) to PKR 458.40, and high-speed diesel by 55% (PKR 184.49 per litre) to PKR 520.35. This follows fiscal interventions including subsidies exceeding PKR 125 billion and absorption of global price shocks since March, which had temporarily shielded consumers. The inflationary impact is compounded by increases in alternative fuels, with LPG prices climbing PKR 78.28/kg to PKR 304.12/kg, and an 11.8kg domestic cylinder rising PKR 923.71 to PKR 3,588.59, broadening cost-push pressures across households and industry. Fuel, being a central component of the CPI basket, amplifies the risk of sustained inflationary pressures, affecting transport costs, production, and overall economic activity. In essence, while diplomatic signals suggest potential easing in geopolitical tensions, the persistent supply disruptions continue to exert significant pressure on Pakistan's energy prices, reinforcing inflationary risks and complicating efforts toward macroeconomic stabilization.

Pakistan's Economy Shows Signs of Stability—But Pressures Are Quietly Building:

Pakistan's macroeconomic landscape in March reflects a delicate balance between stabilization gains and emerging structural pressures. CPI inflation accelerated to 7.3% y/y in March (up from 7.0% in February), in line with revised projections of 7.5–8.5%, reflecting pass-through from global commodity price volatility. External sector indicators remain under strain: during 8MFY26 (July–February), foreign direct investment fell sharply by 33.4%, while portfolio flows remained negative at USD 490.8mn, signaling persistent investor caution. The 9MFY26 (July–March) trade deficit widened 22.65% to USD 27.8bn, driven by an 8.04% decline in exports alongside sustained import demand. Fiscal pressures are mounting, as the government missed its 9MFY26 tax target by PKR 610bn, collecting PKR 9.3tn against expectations, with no further leniency from the IMF. Rising energy costs are translating into direct consumer burden, with a PKR 14.37bn fuel cost adjustment from February to be passed on in April electricity bills, reinforcing cost-push inflation. On the debt front, Pakistan's total public debt stands at PKR 81.4tn, with domestic debt rising 16% y/y to PKR 54.5tn. External debt in early FY26 was recorded at USD 91.45bn, reflecting modest repayment and stabilization efforts. The resulting per capita debt of approximately PKR 325,000 underscores mounting fiscal constraints. Despite a 3.89% GDP growth in 2QFY26, driven largely by industrial recovery, the sustainability of expansion remains contingent on external stability and disciplined policy implementation. Overall, while pockets of resilience exist, persistent inflationary pressures, weak external inflows, fiscal slippages, and high debt levels leave Pakistan's macroeconomic trajectory vulnerable, requiring sustained policy tightening and structural reforms to maintain stability.

Other News

UK to host 35-state moot on reopening of Hormuz Strait: Britain will this week hold a meeting of about 35 countries to discuss how to reopen the strategic Strait of Hormuz which has been crippled by the Middle East war, Prime Minister announced. The meeting will “assess all viable diplomatic and political measures that we can take to restore freedom of navigation, guarantee the safety of trapped ships and seafarers and resume the movement of vital commodities”, Starmer said.

Circular debt set to touch Rs1.9trn mark: Pakistan’s power sector circular debt is set to approach Rs1.9 trillion up from Rs1.689 trillion recorded during the first six months (July– December), 2025-26. The circular debt stock stood at Rs1.889 trillion as of February 28, 2026. Of this, liabilities related to power projects established under the CPEC reached an all-time high of Rs543 billion. The data shows an increase of nearly Rs200 billion in just two months, primarily due to lower recoveries and higher system losses compared to targets set by the Nepra. The Power Division had earlier committed to the IMF that circular debt would be reduced to Rs1.614 trillion by the end of the current fiscal year (2025-26).

Govt cuts power bills by Rs46.56bn in eight months, industry rates drop 29pc: The government has reduced power bills by Rs46.56 billion over the past eight months, with industrial electricity rates dropping by 29 percent. The reduction is aimed at supporting industrial activity and lowering the cost of production.

ECC issues directives to ministries, divisions: On March 26, 2026, the Finance Division briefed the ECC that in a meeting chaired by Prime Minister Shehbaz Sharif on March 19, 2026, the impact of the Gulf region conflict on petroleum prices was discussed. The Prime Minister directed Rs 100 billion from PSDP funds be utilised to settle price differential claims on petrol and diesel.

Pakistan signs first-ever carbon market deal with Norway: Pakistan and Norway on Wednesday signed the former’s first-ever carbon market deal under the Paris Agreement, according to an official press release. To tackle climate change and its negative impacts, world leaders at the UN Climate Change Conference (COP21) signed the Paris Agreement on December 12, 2015, according to the United Nations.

March refinery throughput up 13pc YoY: Pakistan’s oil refining sector played a pivotal role in averting a potential fuel supply crisis during peak diesel demand months, as local refineries ramped up production and ensured uninterrupted availability across the country. Refinery throughput increased 13 percent year-on-year to 972,000 tons in March 2026, compared to 860,000 tons in the same period last year, driven by higher output of key transport fuels. High-speed diesel (HSD) and motor spirit (MS) led the increase, with volumes rising 26.8 percent YoY to 491,000 tons and 25.1 percent YoY to 239,000 tons, respectively.

Cement despatches edge up in March 2026: Cement despatches in Pakistan recorded a marginal increase in March 2026, rising to 3.745 million tons (mt) from 3.712mt in the same month last year, an increase of 0.91%, according to the APCMA. The data showed that local cement despatches slightly declined by 0.20%, falling to 3.097mt from 3.103mt in March 2025. In contrast, exports rose by 6.56%, reaching 648,564 tons.

Engro Holdings plans buyback of 45m shares: ENGROH is set to initiate a share buyback of up to 45 million ordinary shares, reflecting a strategic move to enhance shareholder returns and streamline its capital structure. The company stated that its Board of Directors, in a meeting held on March 27, 2026, approved a proposal to recommend the buyback

Other News

to shareholders for final approval through a special resolution. The proposed buyback constitutes around 3.73% of the company's total outstanding shares and will be carried out through the stock exchange at prevailing market prices. The buyback window is scheduled from May 7, 2026, to October 25, 2026, or until completion, whichever comes earlier.

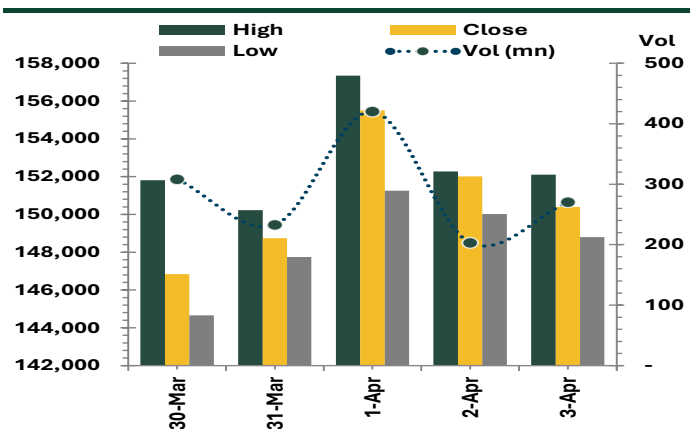
Fauji Cement, KAPCO kick off Attock Cement takeover: In a key development for Pakistan's cement sector, FCCL and KAPCO have officially dispatched offer letters and acceptance forms to all shareholders of ACPL, signaling the commencement of the public offer process. The acceptance period for the takeover bid is set to begin, with the official public announcement scheduled for April 4, 2026, according to the company's statement issued today. This marks a significant milestone in the process, signaling the next stage of the acquisition. The offer is being managed by Integrated Equities Limited on behalf of the joint acquirers. Earlier, Fauji Cement and KAPCO made a public offer to acquire 10.95 million ordinary shares, representing

Equity Market Review

Summary

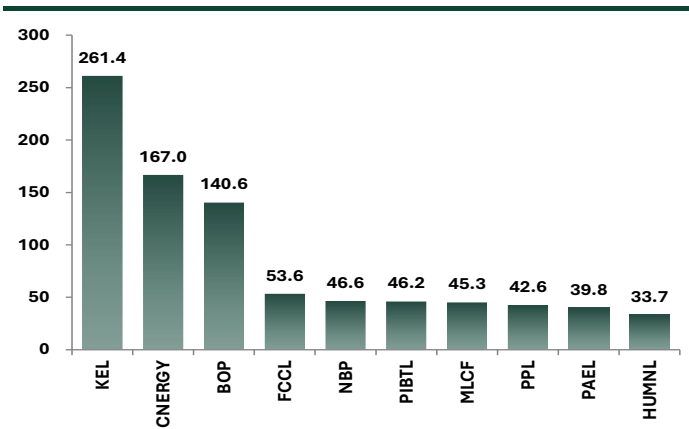
The third week of the US-Iran conflict continued to weigh heavily on the PSX, with the benchmark KSE-100 index showing significant volatility. Initially, the market moved in the red as investor sentiment was pressured by ongoing war developments. Optimism returned midweek following announcements of a potential ceasefire, lifting confidence and driving the index into the green, even prompting a temporary market halt. This period coincided with a decline in international crude oil prices. However, the market reversed after President Trump commented that the conflict was not over yet, triggering panic selling and pushing crude oil prices above USD 105/bbl. Amid these fluctuations, the successful IMF review for the USD 1.2bn tranche provided relief, helping the index close at 150,398.71—down 1,308.80 points w/w. Average daily volumes stood at 286.83 million shares on the KSE-100 and 487.18 million shares across the broader market.

Daily Market Performance



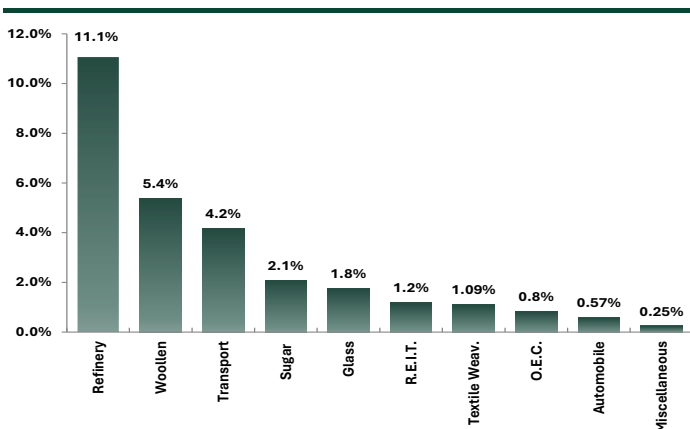
Source: PSX & HMFS Research

Top 10 Volume leaders (volumes in mn)



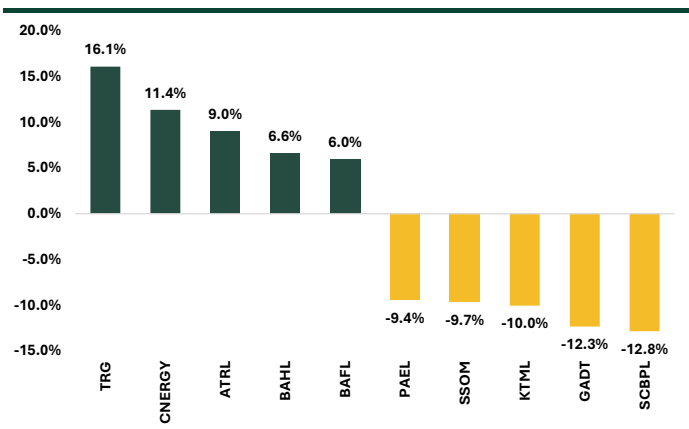
Source: PSX & HMFS Research

Sector Performance



Source: PSX & HMFS Research

Gainers & Losers (KSE-100 Index)



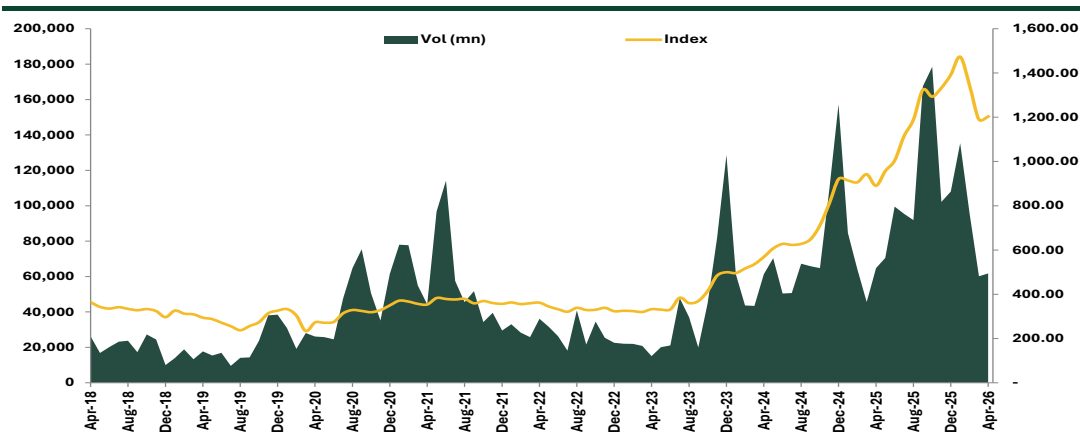
Source: PSX & HMFS Research

Equity Market Review

Outlook

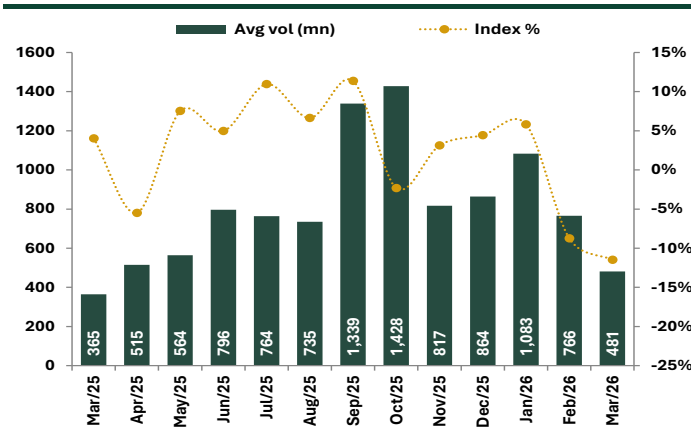
In the upcoming week, the market is expected to remain sensitive to global developments, particularly the trajectory of the US-Iran conflict and movements in international markets. The recent petrol price hike is likely to feed into inflation, which could influence monetary policy decisions in the April MPC meeting. Rising T-bill cutoff yields also point to a cautious environment for equities. On the positive side, Pakistan’s role as a mediator in the conflict provides a stabilizing factor on the international stage, and any progress toward a ceasefire could boost market sentiment. Current valuations offer attractive buying opportunities, especially for dip buyers, while the upcoming quarterly results could act as a catalyst for renewed investment activity. Blue-chip stocks remain central to investor strategy. Overall, investors are advised to stay vigilant, monitor developments closely, and focus on fundamentally strong companies with long-term growth potential.

Index Performance



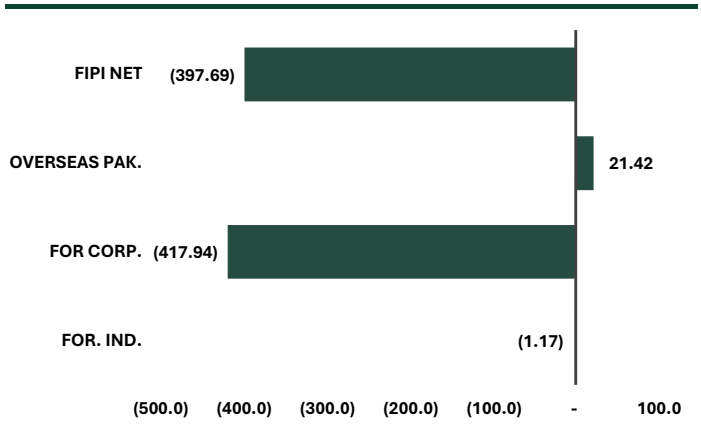
Source: PSX & HMFS Research

MoM Index gain vs Average Volume



Source: PSX & HMFS Research

FIPI (CYTD in USD mn)



Source: NCCPL & HMFS Research

Money Market Review

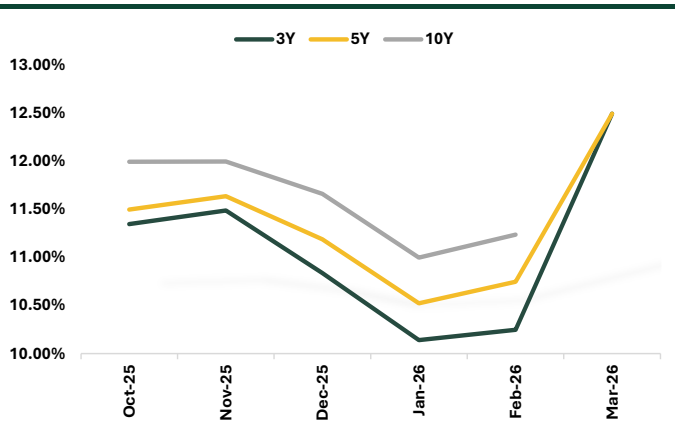
Summary

During the week ended April 3, 2026, the State Bank of Pakistan (SBP) conducted a Market Treasury Bill (MTB) auction, raising PKR 659bn. Cut-off yields were set at 11.19% for the 1-month tenor, 11.79% for 3-month, 11.48% for 6-month, and 11.75% for 12-month, reflecting a mixed trend across the curve, with yields changing in the range of -29bps to +29bps compared to the previous auction. No auction for Pakistan Investment Bonds (PIBs) was conducted during the week. On the liquidity front, the SBP continued its active management through Open Market Operations (OMOs), conducting two reverse repo operations with a cumulative injection of PKR 14.9tn into the banking system. This substantial liquidity support helped maintain stability in short-term rates amid prevailing funding requirements.

Outlook

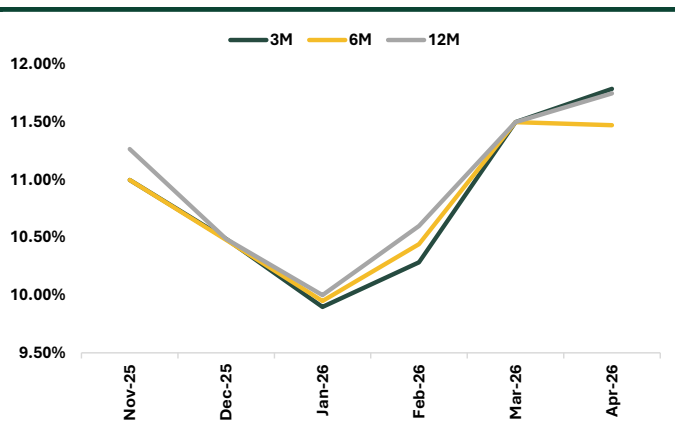
Going forward, money market rates are expected to remain firm, with recent MTB cut-offs already reflecting an upward adjustment relative to the prevailing policy rate of 10.5%. The sharp increase in domestic fuel prices, driven by rising global oil prices amid ongoing geopolitical tensions, is likely to intensify inflationary pressures, strengthening the case for further monetary tightening. In this backdrop, Pakistan's commitments to the International Monetary Fund (IMF) to maintain a tight policy stance—through potential rate adjustments and exchange rate anchoring—further reinforce expectations of higher interest rate environment. Consequently, market participation in upcoming auctions is likely to remain cautious, with yields expected to stay elevated in the near term.

PIB Yields



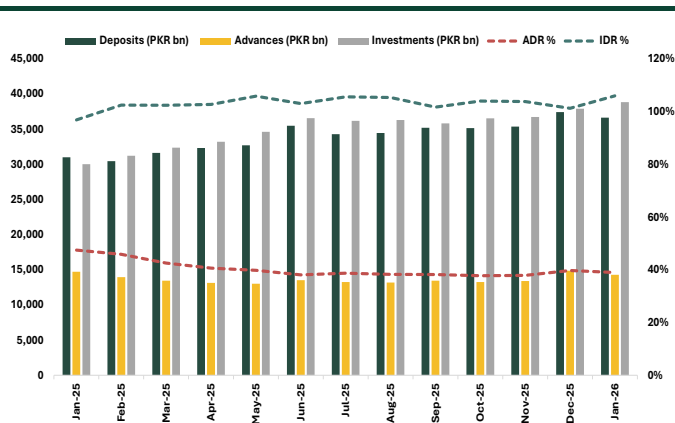
Source: SBP & HMFS Research

T-Bill Yields



Source: SBP & HMFS Research

Bank's ADR & IDR



Source: SBP & HMFS Research

Forex Market Review

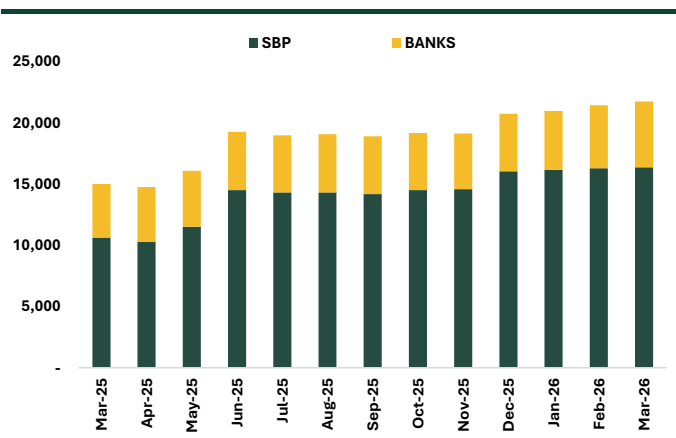
Summary

During the week ended March 27, 2026, Pakistan’s foreign exchange reserves posted a modest increase, indicating continued but limited external inflows. Reserves held by the State Bank of Pakistan (SBP) edged up by USD 5.9mn w/w to USD 16.38bn. Meanwhile, reserves held by commercial banks registered a comparatively stronger rise of USD 47.7mn w/w to USD 5.41bn. As a result, the country’s total liquid foreign exchange reserves increased by USD 53.6mn w/w to USD 21.79bn. On the currency front, the PKR remained largely stable in the interbank market, closing at PKR 279.10 per USD as of April 3, 2026, supported by relatively contained demand pressures.

Outlook

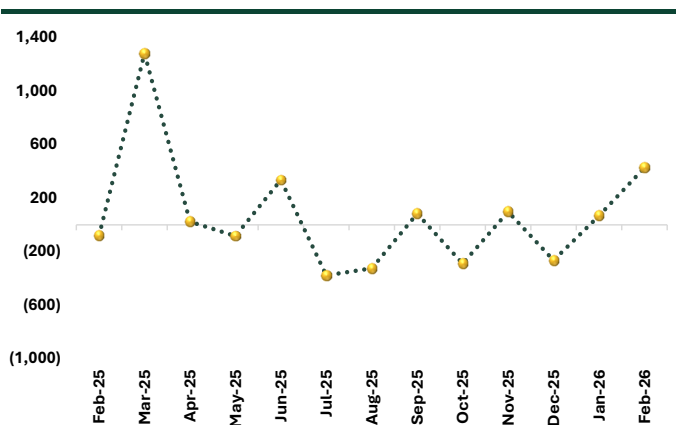
The outlook for the Pakistan forex market in the coming week remains cautiously stable, with the PKR/USD expected to trade within a narrow band around PKR 278–280, reflecting limited room for significant volatility. However, downside risks persist, driven primarily by elevated global crude oil prices amid ongoing Middle East tensions, which continue to inflate the country’s import bill and weigh on foreign exchange reserves. The widening trade deficit, which surged 22.65% y/y to USD 27.8bn in the first nine months of FY26, alongside mounting public debt exceeding PKR 81.4tn—including over PKR 21tn in external obligations—adds further pressure on the PKR. On the supportive side, Pakistan's IMF-backed commitment to exchange rate anchoring and tight monetary policy is expected to provide a degree of stability. Overall, while near-term stability is likely, sustained external and fiscal pressures are likely to keep the PKR under gradual downward pressure in the coming weeks.

Foreign Exchange Reserves (USD bn)



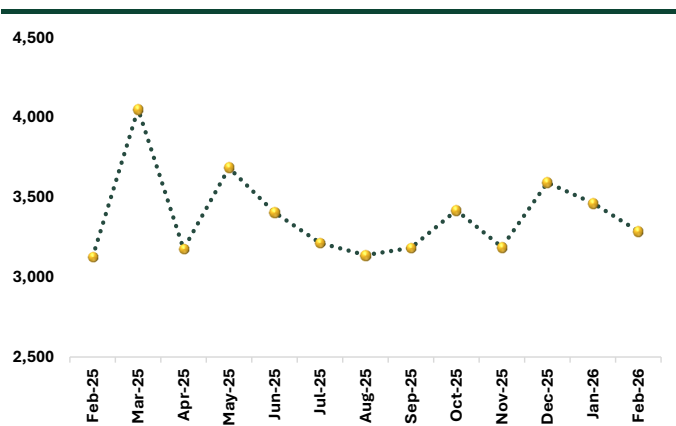
Source: SBP & HMFS Research

Current Account Balance (USD mn)



Source: SBP & HMFS Research

Remittances (USD mn)



Source: SBP & HMFS Research

Key Economic Indicators

Item	Units	Feb-26	Jan-26	Dec-25	Nov-25	Oct-25	Sep-25	%M/M	CY25	CY24	%Y/Y
Banking Indicators											
Return on Outstanding Loans	%	10.59%	10.63%	10.91%	11.15%	11.25%	11.24%	-0.04%	11.74%	17.03%	-5.30%
Return on Deposits	%	4.97%	5.01%	5.35%	5.23%	5.23%	5.20%	-0.04%	5.54%	10.77%	-5.23%
Interest rate Spread	%	5.62%	5.62%	5.56%	5.92%	6.02%	6.04%	0.00%	6.20%	6.26%	-0.06%
Deposits	(PKR bn)	-	36,642	37,431	35,380	35,149	35,211	-2.11%	37,431	30,283	23.60%
Advances	(PKR bn)	-	14,291	14,880	13,421	13,279	13,456	-3.96%	14,880	16,009	-7.05%
Investments	(PKR bn)	-	38,839	37,910	36,732	36,547	35,816	2.45%	37,910	29,129	30.14%
ADR	%	-	39.00%	39.75%	37.93%	37.78%	38.22%	-0.75%	39.75%	52.87%	-13.11%
IDR	%	-	105.99%	101.28%	103.82%	103.98%	101.72%	4.71%	101.28%	96.19%	5.09%
Kibor (Ask Side)											
3-Month	%	10.53%	10.39%	10.85%	11.16%	11.16%	11.05%	0.14%	11.40%	18.81%	-7.41%
6-Month	%	10.55%	10.39%	10.89%	11.19%	11.18%	11.05%	0.15%	11.39%	18.58%	-7.19%
9-Month	%	10.79%	10.62%	11.15%	11.44%	11.39%	11.27%	0.17%	11.61%	18.50%	-6.89%
1-Year	%	10.80%	10.61%	11.16%	11.47%	11.40%	11.28%	0.19%	11.61%	18.21%	-6.60%
Avg. Exchange Rates											
USD		279.62	279.95	280.29	280.71	281.11	281.53	-0.12%	281.15	278.53	0.94%
Euro		330.91	328.56	328.43	324.52	327.24	330.31	0.71%	317.82	301.36	5.46%
JPY		1.80	1.79	1.80	1.81	1.86	1.90	1.08%	1.8811	1.8410	2.18%
GBP		380.06	378.54	375.40	368.67	375.43	380.11	0.40%	370.72	355.94	4.15%
CNY		40.49	40.17	39.81	39.49	39.48	39.51	0.78%	39.11	38.70	1.07%
Inflation											
Avg. CPI	%	5.46%	5.24%	5.10%	5.01%	4.73%	4.22%	0.22%	4.49%	23.41%	-18.92%
Avg. NFNE	%	7.10%	7.20%	6.90%	6.60%	7.50%	7.00%	-0.10%	6.90%	12.20%	-5.30%
Commodities											
Arab Light (Avg.)	USD/bbl	67.67	62.88	62.82	65.62	66.82	71.31	7.63%	74.89	86.22	-13.14%
External Sector (FY USD mn)											
Total Imports	(USD Mn)	5,253	5,805	6,081	5,306	6,087	5,848	-9.51%	58,387	54,937	6.28%
Total Exports	(USD Mn)	2,272	3,055	2,268	2,420	2,848	2,499	-25.63%	32,039	30,684	4.42%
Trade Balance	(USD Mn)	(2,981)	(2,750)	(3,813)	(2,886)	(3,239)	(3,349)	-8.40%	(26,348)	(24,253)	-8.64%
Current Account Balance	(USD Mn)	427	68	(265)	98	(291)	83	527.94%	328	(313)	204.79%
Remittances	(USD Mn)	3,288	3,464	3,592	3,188	3,420	3,184	-5.10%	38,300	30,251	26.61%
Oil Import Bill	(USD Mn)	1,199.40	1,186.10	1,183.09	1,007.78	1,293.23	1,092.95	1.12%	15,003.59	15,161.83	-1.04%

Source: SBP, PBS, Oilprice.com, HMFS Research

Note: % change is of last available month

*N/M: Not Meaningful

Valuation Guide

	Symbol	Period End	Stance	Current Price	Fair Value	FV Return	M. Cap	EPS			DPS			DY		P/E		P/B		ROE		Total Yield		
							PKR	2024 A	2025 A	2026 E	2024 A	2025 A	2026 E	2025 A	2026 E	2025 A	2026 E	2025 A	2026 E	2025 A	2026 E	2025 A	2026 E	CY-26/ FY-26
							Trn	PKR	PKR	PKR	PKR	PKR	PKR	%	%	x	x	x	x	%	%	%		
1	FFC	Dec	BUY	486.1	735.0	51%	699.5	45.5	51.7	50.3	36.5	37.0	43.0	8%	9%	9.4	9.7	4.5	4.2	48%	44%	60%		
2	EFERT	Dec	BUY	194.6	255.0	31%	259.8	21.2	17.0	28.5	21.5	15.0	26.7	8%	14%	11.5	6.8	5.2	5.0	60%	45%	45%		
3	INDU	Jun	BUY	1797.4	3267.0	82%	141.3	191.8	292.7	400.1	114.7	176.0	242.0	10%	13%	6.1	4.5	1.9	1.5	14%	31%	95%		
4	HCAR*	Mar	BUY	158.8	298.0	88%	22.7	16.3	19.0	27.3	6.5	8.0	11.5	5%	7%	8.4	5.8	1.0	0.9	8%	6%	95%		
5	HBL	Dec	BUY	265.2	372.0	40%	389.0	39.9	45.5	43.2	16.3	20.0	18.0	8%	7%	5.8	6.1	0.8	0.7	16%	14%	47%		
6	MCB	Dec	BUY	367.4	476.0	30%	435.4	48.6	49.3	44.5	36.0	36.0	36.0	10%	10%	7.5	8.3	1.7	1.7	37%	23%	39%		
7	UBL	Dec	BUY	326.8	514.0	57%	818.3	61.1	64.0	60.5	44.0	45.0	44.0	14%	13%	5.1	5.4	1.1	1.0	29%	21%	71%		
8	BAHL	Dec	BUY	162.9	228.0	40%	181.0	37.7	29.2	35.5	17.0	15.0	15.0	9%	9%	5.6	4.6	1.1	1.0	35%	20%	49%		
9	ABL	Dec	BUY	171.1	254.0	48%	195.9	38.8	31.7	45.4	16.0	16.0	17.5	9%	10%	5.4	3.8	0.9	0.8	30%	18%	59%		
10	MEBL	Dec	BUY	477.8	565.0	18%	860.3	57.3	50.2	52.5	28.0	28.0	27.0	6%	6%	9.5	9.1	3.0	2.6	41%	31%	24%		
11	MUGHAL	Jun	BUY	61.0	106.0	74%	20.5	6.0	2.8	2.8	0.0	0.0	0.0	0%	0%	21.5	21.8	0.8	0.7	15%	4%	74%		
12	ISL	Jun	BUY	68.0	148.0	118%	29.6	8.4	3.6	7.2	5.5	2.5	4.0	4%	6%	19.0	9.5	1.5	1.4	6%	8%	124%		
13	OGDC	Jun	BUY	270.6	427.0	58%	1,163.8	48.6	39.5	48.0	10.1	15.1	18.0	6%	7%	6.9	5.6	0.8	0.8	18%	15%	64%		
14	PPL	Jun	BUY	201.1	350.0	74%	547.1	42.0	33.8	43.5	6.0	7.5	8.0	4%	4%	5.9	4.6	0.8	0.7	20%	13%	78%		
15	POL	Jun	BUY	641.2	897.0	40%	182.0	137.9	85.2	105.0	95.0	75.0	90.0	12%	14%	7.5	6.1	2.1	2.0	47%	28%	54%		
16	LUCK	Jun	BUY	371.2	568.0	53%	543.8	44.1	52.5	62.8	3.0	4.0	6.5	1%	2%	7.1	5.9	0.7	0.6	19%	10%	55%		
17	FCCL	Jun	BUY	41.1	72.0	75%	100.8	3.4	5.4	6.5	1.0	1.3	1.5	3%	4%	7.6	6.3	1.3	1.1	12%	17%	79%		
18	MLCF	Jun	BUY	73.2	147.0	101%	76.7	5.0	16.3	13.0	0.0	0.0	0.0	0%	0%	4.5	5.6	1.5	1.2	11%	12%	101%		
19	NML	Jun	BUY	129.4	175.0	35%	45.5	18.1	17.1	35.0	3.0	2.0	4.5	2%	3%	7.6	3.7	0.3	0.3	6%	6%	39%		
20	ILP	Jun	BUY	75.3	128.0	70%	105.5	11.3	3.8	9.2	5.5	1.0	4.0	1%	5%	19.6	8.1	1.3	1.2	40%	11%	75%		
21	GATM	Jun	BUY	18.3	49.0	168%	13.6	6.4	5.4	7.0	0.0	0.0	0.0	0%	0%	3.4	2.6	0.3	0.3	11%	8%	168%		
HMFS Universe							64%	6,831.9						6%	7%	8.8	6.7	1.4	1.3	25%	18%	70%		

(*) Under Review (A) Actual (E) Estimated (F) Forecasted

Valuations may be revised following changes in monetary policy, fluctuations in relevant commodity prices, and the announcement of financial results, as well as other material macroeconomic or company-specific developments.

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HMFS RATING GUIDE

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HOLD	Between 15% Upside & 15% Downside
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Total Return is based on both the Capital Gains return & the Dividend Yield & is exclusive of all applicable taxes