

High D/Y plays: An income cushion in volatile markets

- Elevated market volatility has increased the importance of recurring cash returns, with investors increasingly looking beyond capital gains when assessing equity opportunities. Blue chips returned 45% since Jul-25 but are down 4% in FY27 TD, making D/Y even more attractive compare to 2 years ago.
- Our sample identifies 18 dividend paying companies, with 14 yielding c.8% or more, averaging 11%, while four yielding above the 12M PKRV, providing a potentially meaningful income stream relative to their prevailing share prices.
- While high dividend yields do not eliminate equity risk, they can provide an income cushion against price volatility, making dividend-paying stocks particularly relevant for income-oriented investors. We understand that part of the rise in yields comes from falling prices. This is an opportunity rather than a flaw, as long as the dividend itself is intact.
- Investors can put these yields to work through diversified income baskets, quality-yield screens, dividend reinvestment and staggering holdings by dividend payment dates, while avoiding yield traps and dividend-capture pitfalls.

Market correction unlocks double-digit dividend yields

After a 6% FY27 TD correction in market capitalization of our selected sample of yield plays, several established PSX names now pay out substantial cash relative to their share prices. Of the 18 regular dividend payers in our sample here, 14 yield c.8% or more, averaging 11%. POL and NBP lead at 13%/ 14%, followed by HMB and BAFL at 12% and INDU and EFERT at 11%. The list is anchored in proven cash generators across Banking, Fertilizer and E&P, alongside APL (OMC) and INDU (autos).

Company	Ticker	Sector	CY26/FY27E D/Y
National Bank of Pakistan	NBP	Banks	14%
Pakistan Oilfields Ltd.	POL	E&P	13%
Bank Al-Falah Ltd.	BAFL	Banks	12%
Habib Metropolitan Bank	HMB	Banks	12%
Indus Motor Co.	INDU	Autos	11%
Engro Fertilizers Ltd.	EFERT	Fertilizer	11%
Attock Petroleum Ltd.	APL	OMC	10%
Bank Al-Habib	BAHL	Banks	10%
Faysal Bank Ltd.	FABL	Banks	10%
Fauji Fertilizer Co	FFC	Fertilizer	9%
MCB Bank Ltd.	MCB	Banks	9%
Habib Bank Ltd.	HBL	Banks	9%
Askari Bank Ltd.	AKBL	Banks	8%
United Bank Ltd.	UBL	Banks	8%
Pakistan Petroleum	PPL	E&P	7%
Fatima Fertilizer	FATIMA	Fertilizer	6%
Oil & Gas Dev. Co	OGDC	E&P	6%
National Foods	NATF	Food	6%

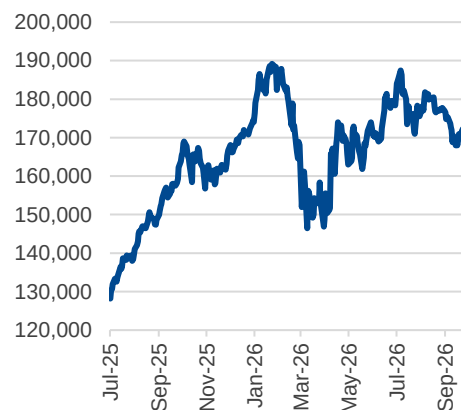
Source: JS Research

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Jul-25 TD KSE100 performance



Source: Company accounts, JS Research

Part of the rise in dividend yields reflects the recent decline in share prices. However, this does not, in itself, undermine the investment case, provided the underlying dividend remains intact. A yield only becomes a trap when the price is falling because the dividend is about to be cut. When 91 of 100 stocks at KSE100 fall, the selling is market-wide, driven by macro news.

Banks lead, but drivers of yield differ

Banks make up nine of the 14 names yielding 8% or more, a legacy of the high-rate cycle that lifted earnings while strong capital buffers kept payouts generous and dividends for almost all banks intact in absolute terms. With the policy rate now at 11.5%, down from a 22% peak in 2023-24, margin compression becomes the key test; banks with a low-cost deposit base and surplus capital are best placed to sustain dividends. Elsewhere, fertilizer payouts (EFERT, FFC) rest on pricing power and gas-feed arrangements, E&P dividends on oil prices and cash collections (circular debt explains why PPL and OGDC yield c.6% against POL's 13%), while APL and INDU are cyclical plays on fuel demand and auto volumes.

Nine in ten stocks down, but dividends keep paying

The sell-off has been broad-based at the bourse. KSE-100 has fallen 10% so far in CY26, and the losses go well beyond the headline. Stocks making up 86% of the index by weight are down YTD as 91 of its 100 constituents have underperformed the broader KSE100 index, down an average of 24%. When losses are this widespread, picking the few names still rising is difficult, and gains from price alone have been rare. Income fills that gap, 10% dividend yield on its own would roughly offset the index's decline this year. Correction has also pushed yields higher on many companies that can afford to keep paying. For investors, a broad decline combined with elevated yields argues for rotating toward cash-generative, high-dividend stocks. These pay investors to wait for the market to recover rather than relying on that recovery for all their return.

Equity yields now rival fixed income

Four names (POL, NBP, BAFL and HMB) yield more than the 11.5% policy rate maintained by the SBP in September, and INDU and EFERT sit within c.0.7ppt of it. After an assumed 15% withholding tax, a 13% gross yield still nets c.11%. Unlike a fixed coupon, a dividend is discretionary and carries price risk, but it can also grow with earnings. That asymmetry matters as rates fall, investors buying today lock in a high yield on cost, and as fixed-income money rotates into equities, rerating would add capital gains on top of income.

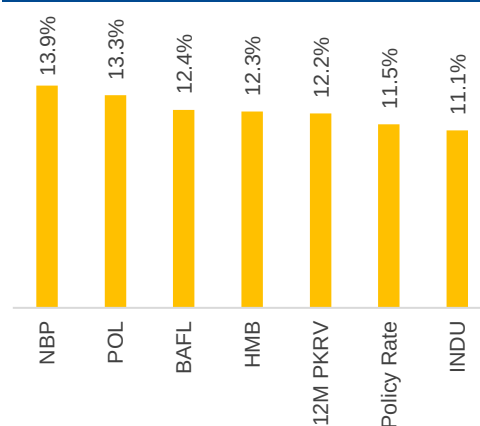
Putting high yields to work

Equal-weighting the 14 stocks yielding more than 8% delivers ~11%; capping banks at 40-50% limits exposure to a single rate-sensitive sector. Similarly, reinvesting is also an option which increases shareholding and therefore income. One may also stagger the payout calendar; Banks typically pay quarterly while others follow different interim and final cycles; mixing book-closure dates creates a smoother monthly or quarterly income stream.

Bottom line - Total return is what counts

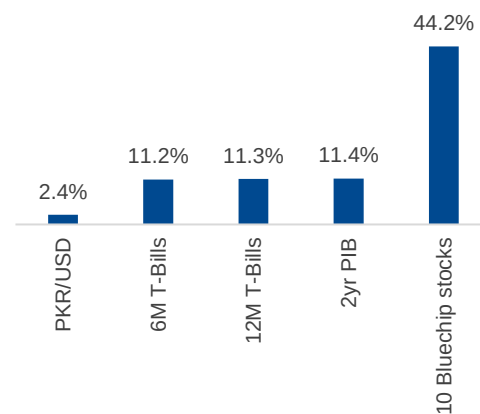
The headline yield is only the starting point. The case for high-dividend equities rests on income that is sustainable, backed by visible earnings and cash flow, with the prospect of capital appreciation as the rate cycle turns. Chosen with discipline

Top 5 D/Y stocks vs. Policy rate & 12MPKRV



Source: SBP, PSX, MUFAP, JS Research

Jul-25 TD returns by different asset classes



Source: PSX, MUFAP, JS Research | avg returns

and diversified across sectors, these stocks offer investors a steady income stream in volatile markets. We believe greater clarity on the geopolitical situation and oil prices is likely to drive an upside in equity markets.

OGDC, PPL, MLCF, UBL, AKBL, AGP and GAL are some of our overall top picks in JS Universe, while we highlight HMB, BAFL and POL for their double-digit D/Y.

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