



Monthly Fund Report - 30 April 2010

NAV 10.4696

Fund Objective

The BMA Empress Cash Fund is a professionally managed cash fund, which aims to minimize risk, maximize liquidity and generate a competitive rate of return. Portfolio allocation will be concentrated in AA rated banks and short duration sovereign rated securities, which will enable the fund to earn consistent risk adjusted returns.

Fund Details

Structure	Open End
Inception Date	12-Nov-09
Fund Stability Rating	AA+ (JCR)
Management Quality Rating	AM2- (JCR)
Base Currency	PKR
Listing	KSE
Minimum Subscription in PKR	5,000
Benchmark	3M Bank Rate
Assets in PKR MLN [30.04.10]	914.4
NAV/unit in PKR [30.04.10]	10.4696

Fee & Redemption Structure

Management Fee	1.50%
Front end Load	Up to 1.00%
Valuation Frequency	Daily

Manager Details & Service Provider

Fund Manager	Mustafa Pasha BMA Funds
Trustee	MCFSL
Auditors	Ford Rhodes
Transfer Agent	Technology Trade
Legal Advisors	KMS Law Associates

Subscription/Client Service Contact

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Fund Review Note

During Apr10 BECF generated an annualized return of 10.30%, while calendar year to date and inception to date returns were 10.58% and 10.36% respectively. AUMs stood at PKR914.4mn; an increase of 24.9%.

Market & Economic Review

The economy continued to consolidate with the external account deficits narrowing on account of higher exports, worker remittances and portfolio flows. The current account deficit and balance of payments surplus for 9MFY10 were USD-2,702mn and USD915mn, which is a significant improvement over 9MFY09.

The government continued to borrow through T bill auctions and during Apr10 accepted PKR156.9bn in bids against maturities of PKR134.8bn. Cut off yields after coming off from their peaks in the first auction of Apr10 went up again in the second one. However the inflow of corporate funds has in the last week put downward pressure on secondary market rates and the SBP has been mopping up liquidity in the last two OMOs.

The US has recently stated that USD600mn of outstanding dues under the Coalition Support Fund will be released to Pakistan. This amount is likely to be used to retire part of the PKR89.0bn borrowed from the SBP and come closer to the IMF quantitative targets. According to our projections; Apr10 CPI should be around 12.0% and given the persistent weakness

on the fiscal side, it is unlikely that the SBP will cut the discount rate in its upcoming Monetary Policy Review.

Asset Allocation

Asset allocation to T bills increased from 49.5% to 66.4%, while due to the increase in fund size, allocations to TDR and COI dropped by 2.0pps and 2.8pps respectively. Cash holdings also dropped from 24.6% to 13.3%. As a result the portfolio duration of 59 days in Mar10 increased to 88 days in Apr10. Credit quality remained strong with 100% of net assets rated AA and above.

Investment Strategy

In line with the stated investment strategy; the fund increased portfolio allocation to Treasury bills by actively participating in the auctions conducted by the SBP. With the belief that interest rates may be near their peaks, participation was tilted towards the 6M tenors. As a result, portfolio duration increased to 88 days, while the effect on volatility is expected to be marginal. Due to the high credit quality and liquid nature of its investments, the fund's liquidity profile remains just as strong with over 67.0% of net assets having a sovereign (risk free) rating. With the fund size increasing to nearly PKR1.0bn, the strategy will be to maintain high allocation to T bills, while diversifying the portfolio with adequate cash holdings and money market placements. The fund is expected to yield 10.0%+ in the coming month.

Return Risk Statistics

Annualized Return [April]	10.30%
Annualized Return [CY10]	10.58%
Portfolio Duration	88 Days
Portfolio Standard Deviation	0.02%
Average 3M Deposit Rate	7.70%

Asset Allocation

Asset	Apr	Mar	Δ
Term Deposits	8.2%	10.2%	(2.0)
COI	10.9%	13.7%	(2.8)
Reverse Repo	0.0%	0.0%	0.0
T bills	66.4%	49.5%	16.9
Accruals	1.2%	2.0%	(0.8)
Cash & Equivalents	13.3%	24.6%	(11.3)

Portfolio Credit Quality

AAA	AA+	AA	AA-	A+	A	A-	BBB+	Other
67.22%	11.07%	21.71%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%