



## Monthly Fund Report - 31 December 2009

NAV 10.1292

### 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       |
| Base Currency                | PKR             |
| Listing                      | KSE             |
| Minimum Subscription in PKR  | 5,000           |
| Benchmark                    | 3M Deposit Rate |
| Assets in PKR MLN [31.12.09] | 643.3           |
| NAV/unit in PKR [31.12.09]   | 10.1292         |

### 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<br>BMA Funds |
| Trustee        | MCFSL                      |
| Auditors       | Ford Rhodes                |
| Transfer Agent | Technology Trade           |
| Legal Advisors | KMS Law Associates         |

### Subscription/Client Service Contact

|           |                                |
|-----------|--------------------------------|
| Email     | clientservice@bmafunds.com     |
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### Fund Review Note

During Dec09 the BECF generated an annualized return of 8.93%, while inception to date return is 9.82%. The slight dip in returns is due to the expansion witnessed in AUMs which have increased by 247.2% to PKR643.3mn. However now that these additional funds have been deployed the fund has been earning a net return of approximately 11% in the first two weeks of Jan10, which puts it amongst the top two cash funds in the industry. The gross portfolio return is 12.3%.

### Market & Economic Review

After rising to 10.51% in Nov09, inflation stabilized at 10.52% in Dec09. However it is expected that once the effects of the increase in electricity and gas tariffs are incorporated into the consumer price index, inflation may climb over 12.25% in Jan10.

Monetary data released by the SBP shows that banks were successful in raising deposits for the end of the calendar year. Deposit growth for 1HFY10 was 4.63% or PKR184.4bn. Similarly NFA flows increased to PKR117.2bn as the third IMF tranche of USD1.2bn was received in Dec09. Importantly the government was able to retire PKR42.8bn from its stock of SBP borrowing to bring the outstanding total within the limits prescribed by the IMF. Government borrowing from scheduled banks however increased by almost 40% to PKR205.1bn. Similarly borrowing pressure from the private sector has started to emerge as

credit to them grew by 3.76% or PKR109.2bn. As a result of this improved liquidity profile there has been downward pressure on PKRV yields, with shorter tenor T-bills dropping to under 12.0% and longer tenor PIBs falling below 12.5% again. However the recent flurry of activity in the debt securities market should not be taken as a sign that the SBP will cut the discount rate in its upcoming Monetary Policy Review. Given the language used by the IMF in its third review and the expected increase in inflation during 1QCY10, we do not project any change in the policy rate during Jan10.

### Asset Allocation

Asset allocation towards Term Deposits has nearly doubled to 54.4%, while the rest is being held as cash. Short term T bill holdings from Nov09 matured in Dec09. Portfolio duration increased to 43 days as some longer term TDRs were booked. 100% of assets are rated AA.

### Investment Strategy

As stated in last month's report BECF took advantage of the year end to invest in TDRs with banks looking to window dress their balance sheets for the annual report. This should enable the fund to generate competitive returns over 1QCY10. Moreover some exposure to government paper has been taken in Jan10 given that we expect yields to come off. The expected inflow of dollars may potentially generate some PKR liquidity in the inter bank market and BECF will be looking to capitalize by extending portfolio duration.

### Return Risk Statistics

|                                     |         |
|-------------------------------------|---------|
| Annualized Return [December]        | 8.93%   |
| Annualized Return [Since Inception] | 9.82%   |
| Portfolio Duration                  | 43 Days |
| Portfolio Standard Deviation        | 0.03%   |
| Average 3M Deposit Rate             | 10.20%  |

### Asset Allocation

| Asset              | Dec   | Nov   | Δ      |
|--------------------|-------|-------|--------|
| Term Deposits      | 54.4% | 27.0% | 27.4   |
| COI                | 0.0%  | 0.0%  | 0.0    |
| Reverse Repo       | 0.0%  | 0.0%  | 0.0    |
| T bills            | 0.0%  | 26.7% | (26.7) |
| Accruals           | 0.3%  | 1.0%  | 0.0    |
| Cash & Equivalents | 45.3% | 45.4% | (0.1)  |

### Portfolio Credit Quality

| AAA   | AA+   | AA      | AA-   | A+    | A     | A-    | BBB+  | Other |
|-------|-------|---------|-------|-------|-------|-------|-------|-------|
| 0.00% | 0.00% | 100.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |