



## Monthly Fund Report - 31 January 2010

NAV 10.2228

### 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 [31.1.10]	501.0
NAV/unit in PKR [31.1.10]	10.2228

### 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 Jan10 BECF generated an annualized return of 11.44%, which puts it amongst the top tier of cash funds. Inception to date return is 10.44%. AUMs stand at PKR501mn while gross portfolio return is 12.20%.

### Market & Economic Review

As we had anticipated the SBP in its Monetary Policy Review for Jan 2010 opted to leave the Discount Rate unchanged at 12.5%. This rate decision is in line with the central bank's cautious easing of the monetary policy given inflation concerns stemming from rationalization in utility prices and the lack of visibility with regard to external inflows from FoDP pledges. The inflation fears were partially realized in the headline inflation numbers for Jan 2010, where headline CPI rose to 13.68% from 10.52% YoY in Dec 2009. This spike in inflation is likely to spill over into Feb 2010 numbers on account of the 5-9% hike in domestic end-user oil product prices, lower base effect of Food inflation and the second round impact from the 16.5% hike in power tariffs over this fiscal year.

Headline inflation over the next few months is likely to remain a concern, and restrict any policy easing from the SBP in Mar 2010. That said, we continue to feel that weak aggregate demand should limit upside to inflation, and as the utility price rationalization impact fades, CPI should stabilize at around 11.0%. On a positive note, FX Reserves jumped substantially in Jan 2010 to USD15.1bn

### Return Risk Statistics

Annualized Return [January]	11.44%
Annualized Return [Since Inception]	10.44%
Portfolio Duration	49 Days
Portfolio Standard Deviation	0.02%
Average 3M Deposit Rate	9.20%

### Portfolio Credit Quality

AAA	AA+	AA	AA-	A+	A	A-	BBB+	Other
19.95%	0.00%	80.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

versus USD13.5bn in Dec 2009. The jump in FX Reserves is the result of the disbursement of the due installment under the IMF facility.

In the banking sector, deposit growth continued to maintain a relatively strong trend with 13.2% growth YoY in Jan 2010, versus 13.8% in Dec 2009. Average YoY deposit growth in 1HFY2010 stood at 10.8% YoY versus 7.2% YoY 2HFY09.

### Asset Allocation

The fund has deployed significant cash into T-Bills, where its weight in the portfolio has increased to 19.38%. Cash & equivalents have been further reduced to maintain a relatively high gross portfolio yield. Cash & equivalents now stand at 7.9% of the portfolio, where the remaining portion of the portfolio comprises of TDR placements (over the year-crossing window). Thus, overall credit quality has improved with 19.95% of the portfolio deployed in AAA, whilst the remainder is deployed at AA.

### Investment Strategy

In line with the investment strategy that we presented in last month's FMR, we have raised the duration of the portfolio. Duration of the portfolio stood at 43 days in Dec 2009 and has been raised to 49 days in Jan 2010. Whilst we remain of the view that policy rate will be cut further in 2HFY10, we remain cognizant of risks of an unfavorable outcome. In that context, we continue to monitor key leading indicators closely.

### Asset Allocation

Asset	Jan	Dec	Δ
Term Deposits	69.85%	54.4%	15.45
COI	0.0%	0.0%	0.0
Reverse Repo	0.0%	0.0%	0.0
T bills	19.45%	0.0%	19.45
Accruals	2.77%	0.3%	2.47
Cash & Equivalents	7.93%	45.3%	(37.37)