



Monthly Fund Report - 30 June 2010

NAV 10.6467

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 [30.06.10]	840.9
NAV/unit in PKR [30.06.10]	10.6467

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 Jun10 BECF generated an annualized return of 12.15%, while calendar year to date and inception to date returns were 10.57% and 10.41% respectively. AUMs stood at PKR840.9mn. Portfolio standard deviation was 0.132%, while 6M Value at Risk was 0.02, which is the lowest amongst money market funds. The Fund paid out a dividend of Rs.0.6 per unit (6% of par value) for the year ending Jun10.

Market & Economic Review

With the fiscal year ending in June, money market yields both in the secondary and primary market were subject to upward pressure. Liquidity constraints caused by high levels of government borrowing and the desire to show cash on the balance sheet, pushed up the 6M T bill cut off yield to 12.30% in the last auction of FY10.

The inflow of USD710mn from the ADB, WB and USAID allowed the government to retire borrowing from the SBP and meet the year end quantitative target set by the IMF. With development on Value Added Tax expected by Oct-Nov and the government's decision to raise power tariffs by 7.6%, the next IMF tranche is projected to be received in Aug10.

On the inflationary front we expect Jun10 CPI to clock in at 13.0%+, and given the seasonal effect of Ramadan, projections are for it to remain range bound over the

Return Risk Statistics

Annualized Return [June]	12.15%
Annualized Return [CY10]	10.57%
Portfolio Duration	80 Days
Portfolio Standard Deviation	0.13%
Average 3M Deposit Rate	7.50%

Portfolio Credit Quality

AAA	AA+	AA	AA-	A+	A	A-	BBB+	Other
60.57%	12.01%	27.43%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

next quarter. Combined with the weak fiscal position where the FY10 deficit is expected to cross 5.0% of GDP, the SBP will in all likelihood maintain the discount rate at 12.5% in its Jul10 Monetary Policy Review.

Encouragingly FX reserves remained robust at USD15.8bn, while the external account continues to exhibit stability as the balance of payments is in surplus of USD781mn for 11MFY10.

Asset Allocation

During Jun10 the Fund's maintained exposure to T bills (60.0%), Cash (15.9%), COIs (11.9%), and TDRs (11.3%). Portfolio duration dropped slightly to 80 days while credit quality remained strong with 100% of net assets rated AA and above.

Investment Strategy

The fiscal year end caused volatility in both long and short tenor bills/bonds. The Fund capitalized on this opportunity by switching out of some of its T bill holdings for a capital gain and making placements at attractive rates to AA rated banks. These rates were being offered in lieu of the year end as banks looked to aggressively raise short term deposits. Going forward, secondary markets will remain sticky as the government's 1QFY11 borrowing target of PKR535bn and PKR85bn for T bills and PIBs respectively is expected to keep liquidity tight. The Fund will continue to build exposure into short to medium term T bills, and maintain duration on the higher side.

Asset Allocation

Asset	June	May	Δ
Term Deposits	11.3%	7.0%	4.3
COI	11.9%	9.3%	2.6
Reverse Repo	0.0%	0.0%	0.0
T bills	60.0%	67.3%	(7.3)
Accruals	0.9%	0.7%	0.2
Cash & Equivalents	15.9%	15.7%	0.2