



Monthly Fund Report - 31 March 2010

NAV 10.3856

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)
Base Currency	PKR
Listing	KSE
Minimum Subscription in PKR	5,000
Benchmark	3M Deposit Rate
Assets in PKR MLN [31.03.10]	732.2
NAV/unit in PKR [31.03.10]	10.3856

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 Mar10 BECF generated an annualized return of 10.15%, while calendar year to date and inception to date returns were 10.67% and 10.37% respectively. AUMs stood at PKR732.2mn; an increase of 47.2%.

Market & Economic Review

Liquidity remained constrained during Mar10 as the overnight rate remained at or near the ceiling of 12.5% for much of the month. The government successfully borrowed PKR160bn from the banking sector in two T bill auctions. However it was forced to make this borrowing at higher rates with the 3M, 6M and 12M cut off yields settling at 12.20%, 12.35% and 12.41% respectively. Deposit growth was negligible as limited deployment avenues decreased the banking sector's appetite for liabilities. While net borrowing from scheduled banks remained around PKR170bn, borrowing from the SBP more than doubled to PKR129bn.

The release of USD1.2bn was deferred by the IMF as the government was unable to table the VAT bill in Parliament by the agreed date. However it is expected that the tranche due at end March would be received in Apr10. Fortunately, stability on the external account where the current account deficit shrunk to USD50mn in Mar10, allowed the PKR to maintain its position against the USD while FX reserves rose to USD14.9bn.

However concerns over a weak fiscal position due to the unavailability of

external financing and persistent inflationary pressures forced the SBP to maintain its cautious stance. As we projected the discount rate was kept unchanged at 12.5%

Asset Allocation

Asset allocation has changed significantly during Mar10 as the fund size has grown by almost 50%. TDR exposure has dropped to 10.2%, while allocation to COIs is now 13.7%. T bills now form almost 50% of the portfolio, while cash levels have remained almost constant at 24.6%. Portfolio duration dropped slightly from 65 days in Feb10 to 59 days. Asset quality remains high with 50.5% of net assets having a sovereign rating.

Investment Strategy

As stated in last months report the fund actively participated in the T bill auctions, which accounts for the significant increase in exposure to sovereign rated securities. Moreover the fund will now be looking to lock in rates and increase portfolio duration as we believe that market yields are at or near their peaks. Liquidity conditions are expected to improve as inflows from the IMF and Coalition Support Fund are received. Term deposit rates offered by banks still do not present an attractive investment avenue which is why exposure towards T bills will continue to be increased. While providing the best risk adjusted returns, T bills allow for the prospect of capital gains and enable the fund to maintain its liquidity profile.

Return Risk Statistics

Annualized Return [March]	10.15%
Annualized Return [CY10]	10.67%
Portfolio Duration	59 Days
Portfolio Standard Deviation	0.01%
Average 3M Deposit Rate	7.50%

Asset Allocation

Asset	Mar	Feb	Δ
Term Deposits	10.2%	25.1%	(14.9)
COI	13.7%	20.1%	(6.4)
Reverse Repo	0.0%	0.0%	0.0
T bills	49.5%	29.7%	19.8
Accruals	2.0%	2.2%	(0.2)
Cash & Equivalents	24.6%	22.8%	1.8

Portfolio Credit Quality

AAA	AA+	AA	AA-	A+	A	A-	BBB+	Other
50.5%	13.9%	35.6%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%