



Monthly Fund Report - 31 May 2010

NAV 10.5468

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 [31.05.10]	1074.7
NAV/unit in PKR [31.05.10]	10.5468

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 May10 BECF generated an annualized return of 9.03%, while calendar year to date and inception to date returns were 10.26% and 10.16% respectively. AUMs stood at PKR1074.7mn; an increase of 17.5% over last month. The return during May was affected by BECF's contribution to the Workers Welfare Fund as per regulatory requirements. For details please refer to our website at www.bmafunds.com

Market & Economic Review

During May10 the SBP announced its Monetary Policy Review and as per our expectations kept the discount rate unchanged at 12.5%. This cautious stance was maintained in light of the government's weak fiscal position which has been exacerbated in the absence of external budgetary financing.

The current account continued to show improvement with a 65.9% Y/Y drop to USD3.06 during 10MFY10. Renewed strength in worker remittances allied with the contraction in the trade, service and income deficits has improved external account stability. As a result the country's foreign reserves have ballooned to over USD16bn.

Secondary market yields on average faced downward pressure during May10, although the first week of June has seen them bounce back between 5-10bps on the 3M-6M tenors. With fluctuating liquidity and frequent OMOs, the longer term interest rate outlook will remain

Return Risk Statistics

Annualized Return [May]	9.04%
Annualized Return [CY10]	10.26%
Portfolio Duration	82 Days
Portfolio Standard Deviation	0.11%
Average 3M Deposit Rate	xxxx%

Portfolio Credit Quality

AAA	AA+	AA	AA-	A+
67.81%	9.37%	22.82%	0.00%	0.00%

crucially dependent on commodity prices and dollar inflows. Weakness in the former and strength in the latter will bode well for liquidity and increase chances of a rate cut in 2HCY10.

Asset Allocation

During May10 the Fund's asset allocation remained fairly constant with exposure concentrated in T bills (67.3%), Cash (15.7%), COIS (9.3%), and TDRs (7.0%). Portfolio duration dropped slightly to 82 days while credit quality remained strong with 100% of net assets rated AA and above.

Investment Strategy

Adequate liquidity has been retained with a 15.7% allocation to cash and almost 70% exposure to liquid money market instruments. The fund has built a T bill portfolio at attractive yields and expects that rates over the short term are likely to remain sticky. While downside potential to primary and secondary market yields is limited due to the lack of inter bank liquidity and inflationary concerns, it appears that rates are at or near their peaks. Thus the strategy remains to maintain portfolio duration on the higher side, with the timing of purchases and sales of sovereign debt securities to provide the extra kicker to returns. With the fiscal year coming to an end; the banking sector may be looking to build up its deposit base. If the opportunity presents itself then the Fund will make placements at competitive yields with depository institutions rated AA and above.

Asset Allocation

Asset	May	Apr	Δ
Term Deposits	7.0%	8.2%	(1.2)
COI	9.3%	10.9%	(1.6)
Reverse Repo	0.0%	0.0%	0.0
T bills	67.3%	66.4%	0.9
Accruals	0.7%	1.2%	(0.5)
Cash & Equivalents	15.7%	13.3%	2.4