

Market Outlook

The outgoing month proved to be a harbinger of some key developments to guide the overall investment climate going forward. Key highlights of Feb-21 include: (i) resumption of the much awaited IMF EFF program (suspended since April 2020), (ii) commencement of COVID-19 vaccination drive, (iii) relaxation in pandemic related restrictions resulted in further opening up of economy, and (iv) FATF decided to keep Pakistan in 'Grey list' until Jun-21 in its latest review.

The key event that served to cement confidence about future macroeconomic management during the month was the Staff Level Agreement between International Monetary Fund (IMF) and Government of Pakistan that will pave the way for disbursement of third IMF tranche of USD 500 million under the Extended Facility Fund (EFF) program subject to the approval of IMF Board (USD 1.5 billion of total USD 6 billion already received).

In its latest plenary review, held on 22nd to 25th Feb'21, the Financial Action Task Force (FATF) decided to retain Pakistan on its 'Grey list', with the country's status slated to be reviewed at an extraordinary plenary session in Jun-21. Pakistan has so far made significant progress on 24 of the 27 action items and is expected to largely comply with the rest of the three items by Jun-21.

On the macro front, Current Account Deficit (CAD) recorded at USD 229 million during Jan-21 as against a deficit of USD 652 million during Dec-20 and USD 512 million deficit during the same period last year (SPLY). Higher remittances (up 19.2 % YoY) played a key role in diluting the impact of 10.2% YoY increase in imports of goods and services during Jan-21. Overall, during 7MFY21, country's Current Account surplus stood at USD 912 million compared to a deficit of USD 2.54 billion during SPLY. On the other hand, trade deficit of goods and services stood at USD 14.86 billion, up 10.1% YoY, during 7MFY21.

Healthy flow of workers' remittances (up 24.1% YoY to USD 16.48 billion during 7MFY21) along with higher than expected inflows in the Roshan digital accounts (RDA) to the North of USD 550 million in just five months, allowed the Pak-Rupee to appreciate by 1.3% to its 3-month high of PKR 158 against the USD.

Country's total liquid foreign exchange reserves stood at USD 20.13 billion as on 26th February, 2021. Of the total FX reserves, around USD 12.98 billion are held by SBP that implies an import cover of ~3 months.

The CPI reading for Feb-21 stood at 8.7% YoY compared to 5.7% YoY during Jan-21 (up 1.8% MoM). The substantial jump is

broadly a result of surging global commodity prices (depicted by many indices like 2.36% MoM increase in Clothing & Footwear, 1.92% MoM increase in Transport etc) and the c.15% power tariff hike (an IMF pre-condition for program resumption). Nevertheless, the overall impact of surging prices on inflation was diluted due to high-base effect (CPI in Feb-20: 12.4%). Cumulatively, average inflation for 8MFY21 stands at 8.25%, which is significantly lower than 11.71 % in the same period last year.

The SBP increased the cut-off rates of PIBs and sold bonds worth PKR 62 billion in its regular monthly auction. The cut-off rate of PIB 3-years was increased to 8.99% from 8.49%, PIB 5-years to 9.59% from 9.53% last month and PIB 10-years to 10.05% from 9.92% last month. Furthermore, the SBP sold T-bills worth PKR 1,400.14 billion in its two auctions during the month. The cut-off rates of 3, 6 & 12months' papers stood at 7.25%, 7.55% and 7.80% respectively. The uptick in the cut-off rates of government instruments is seen as the harbinger of increase in SBP's policy rate before the end of financial year among market participants. During the month, SBP was also able to auction its floating rate PIBs worth PKR 25 billion.

Looking ahead, we expect CPI to average at 8.5-9% during FY21. The aforesaid expectation is after considering the up-trend in commodity prices globally and seasonal demand pull inflation phenomenon, which occurs in Ramadan usually. Further, petrol price changes have recently been held back by the government and a potentially big change in future will push CPI higher. That said, we continue to expect gradual increase in policy rate from May 2021.

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. This will be achieved by concentrating portfolio allocation in AA rated banks and short duration sovereign rated securities.

Fund Commentary

BECF earned an annualized return of 5.76% in Feb-21 against the benchmark of 6.67%, underperforming by 91bps. The fund was mainly invested in T-Bill equivalent to 89% of total assets, while 10.8% was deployed in bank deposits. The standard deviation of the portfolio was 0.07%. The total portfolio maturity was 35 days at the end of the month.

FUND MANAGER'S REPORT

BMA EMPRESS CASH FUND

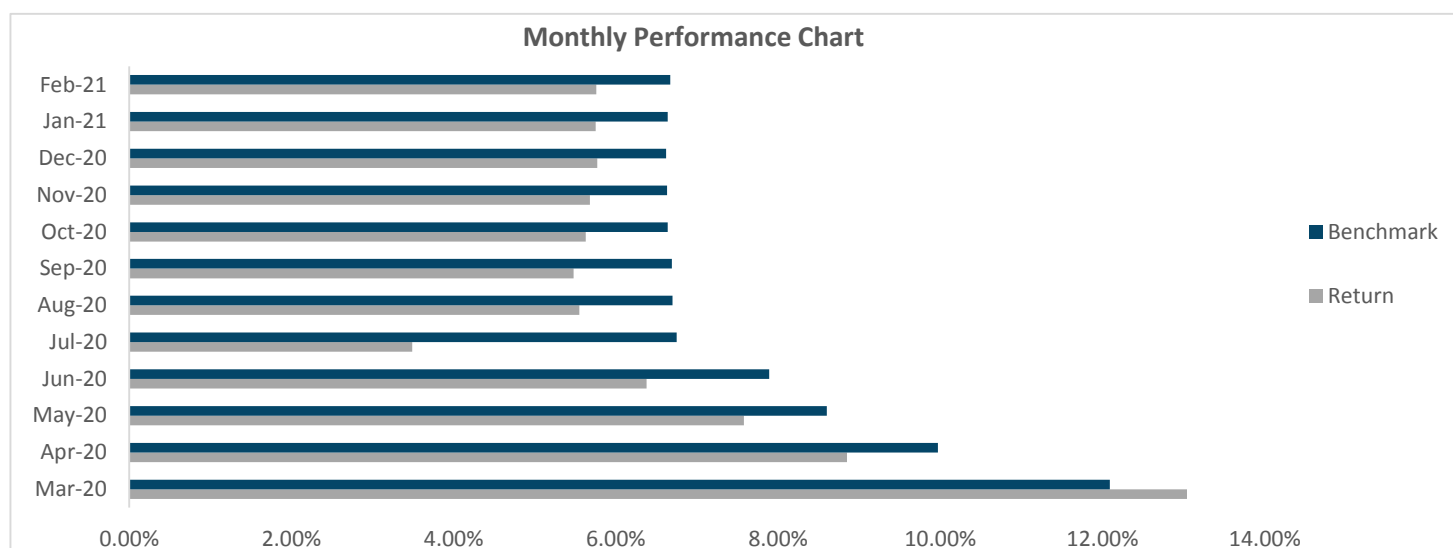
February 2021



Fund Returns	BECF	BM
Annualized Return (Feb-21)	5.76%	6.67%
Annual. Return (FY21TD)	5.46%	6.67%
Annualized Return (365 days)	6.78%	7.66%
Annualized Return (Last 3 years)	9.20%	8.92%
Annualized Return (Last 5 years)	7.84%	7.45%
Annualized Return (Inception to Date)	8.15%	8.55%
FY 2020	11.47%	11.70%
FY 2019	8.84%	8.71%
FY 2018	4.45%	5.35%
FY 2017	4.58%	5.30%
FY 2016	4.61%	5.82%

Monthly Performance	BECF	BM
February-21	5.76%	6.67%
January-21	5.75%	6.64%
December-20	5.77%	6.62%
November-20	5.68%	6.63%
October-20	5.63%	6.64%
September-20	5.48%	6.69%
August-20	5.55%	6.70%
July-20	3.49%	6.75%
June-20	6.38%	7.89%
May-20	7.58%	8.60%
April-20	8.85%	9.97%
March-20	13.04%	12.09%

Fund Details	
Fund Type	Open End
Category	Money Market Fund
Inception Date	12-Nov-09
Benchmark	70% 3M PKRV + 30% 3M Bank Rate
Dealing Days	Monday – Friday
Cut-off time	4:00 PM
Pricing Mechanism	Forward
Management Fee	0.35%
Front end Load	Upto 1%
Back End Load	Nil
Fund Stability Rating	AA+ (F) (JCR)
Risk Profile	Low Risk
Listing	PSX
Trustee	MCBFSL
Auditor	EY Ford Rhodes, Chartered Accountants
Legal Advisors	KMS Law Associates
Management Quality Rating	AM4++
Expense Ratio*	1.16%
*This includes 0.25% of SECP Fee & Govt. Levy	



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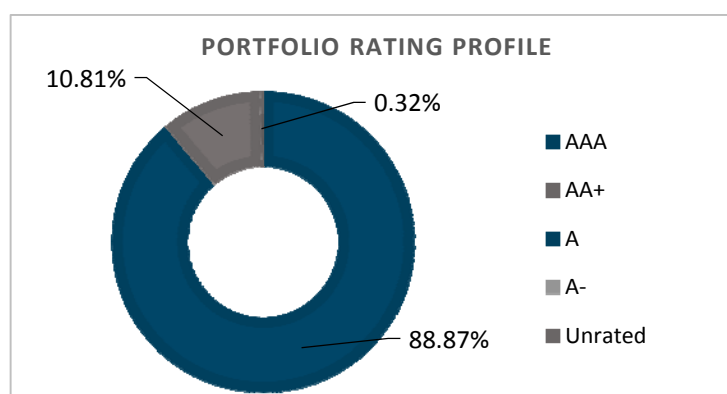
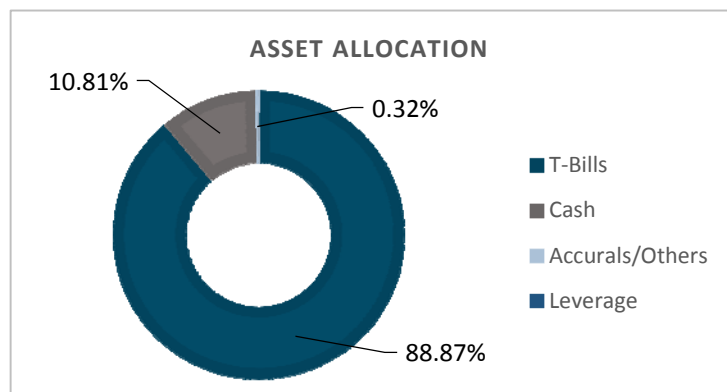
February 2021



Asset Allocation	January-21	February-21
Cash	14.65%	10.81%
T-Bills	85.02%	88.87%
LOP	0.00%	0.00%
Accruals/Others	0.32%	0.32%
Leverage	0.00%	0.00%

Portfolio Ratings	
AAA	88.87%
AA+	10.81%
A	0.00%
A-	0.00%
Unrated	0.32%
Total	100%

Portfolio Characteristics	
Net Assets in PKR MLN (28-Feb-21)	247
NAV/unit in PKR (28-Feb-21)	10.5438
Portfolio Weighted Average Maturity (in days)	35
Portfolio Standard Deviation	0.07%



Investment Committee	
Syeda Humaira Akhtar, CFA, FRM	Chief Investment Officer
Ali Najeeb	Deputy Chief Investment Officer
Muhammad Zafar Rehman	Fixed Income Fund Manager
Muhammad Salman	Chief Financial Officer
Noel Paulus	Junior Investment Analyst

Note:

*Annualized return is based as per MUFAP stated methodology.

*Performance data does not include the cost incurred directly by an investor in the form of sales load etc.

*Funds returns computed on NAV to NAV with the dividend reinvestment.

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Disclosure: The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the amount of Rs. 2,167,643. If the same were not made the NAV per unit of the fund would have been higher by Rs.0.09/0.88%.

MUFAP Recommended Format

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