

# FUND MANAGER'S REPORT

## BMA EMPRESS CASH FUND

March 2021



### Market Outlook

The month of March 2021 witnessed key developments that brought more clarity to the country's expected economic and political direction. The main events were: (i) Senate elections followed by Prime Minister's vote of confidence from the Parliament, (ii) SBP's monetary policy announcement whereby it kept the interest rates unchanged, (iii) IMF's release of funds following Board's approval, (iv) successful floatation of Eurobonds, (v) increase in SBPs' FX reserves putting off pressure on PKR significantly while reducing CAD, and (vi) on-set of third wave of Covid-19 pandemic.

The outgoing month witnessed Ides of March in its true sense on the political front, where uncertainty prevailed in the Senate elections. All in all, the ruling PTI won a total of 18 seats, highest in the Senate.

Positive news had surrounded macroeconomics where Current Account Deficit (CAD) for the month of Feb'21 was down by 75% YoY to USD 50 Million or 0.2% of the GDP as compared to the deficit of USD 197 Million during Feb'20. On YoY basis, the primary reason behind the decline in deficit was 8% YoY (USD 186 Million) and 24% YoY (USD 441 Million) rise in total exports and remittances, respectively. Overall, during 8MFY21, country's Current Account posted a surplus of USD 881 Million, compared with a deficit of USD 2,741 Million during SPLY.

During Feb-21, country's trade deficit of goods and services increased to USD 2,535 Million as against USD 1,975 Million for the same period last year, mainly due to increase in imports, which were up by 27% YoY.

Pakistan's foreign reserves in Mar-21 stood at USD 20.43 Billion due to decreasing trade gap and higher remittances. The reserves are expected to cross USD 23 Billion by next month after inclusion of around USD 500 Million from IMF and USD 2.5 Billion from Euro Bonds sale. In the wake of higher supply of foreign currencies, the PKR witnessed a handsome appreciation of around 4.09% against USD at month's end.

The FBR collected net revenue of PKR 3,394 Billion against the target of PKR 3,287 Billion from July-March 2021. This amounts to a 10% increase in revenue collection from last year's PKR 3,076 Billion during the same period.

The headline CPI inflation increased to 9.2% YoY in Mar'21 compared to 8.7% YoY increase in the previous month. The major contributor to this increase was food inflation (up 1.7% MoM). Core inflation (NFNE), urban and rural, stood at 0.2% MoM and 0.3% MoM respectively taking 12 months' Urban/Rural NFNE inflation to 6.3%/7.4%.

In the Monetary Policy Committee's (MPC) meeting, the Central Bank kept the benchmark policy rate unchanged at 7%. Furthermore, the SBP raised its GDP forecast approximately to 3% for FY21 against earlier forecast of 2% due to the improvement in the manufacturing sector, which was a result of monetary and fiscal stimulus during Covid-19. The SBP observed that jump in consumer prices on a MoM basis was primarily owed to hike in electricity tariff, as well as sugar and wheat prices, which accounted for nearly 1.5% of the 3ppt increase. The SBP committee is of the view that the electricity tariff will continue translating into higher inflation numbers, with the headline CPI expected in the range of 7% to 9% for FY21.

SBP sold PIBs worth PKR 84.30 Billion in its monthly auction against the total bids of PKR 130.65 Billion. The cut-off rates of 3 years PIB was increased to 9.41% against 8.99% in the previous month's auction. Similarly cut-off rates of 5 and 10 years bonds stood at 9.90% and 10.28% respectively from 9.59% and 10.05% respectively in the previous month's auction. During the month, the SBP conducted two T-bills auctions and sold short-term instruments worth PKR 2,131.98 Billion. The cut-off rate of the last year was 7.5398% for 3 months and 7.80% for 6 months. All bids for 1 year T-bill were rejected.

We expect the debt market instruments to continue to trade at the same levels for the remaining period of FY21. However, expected price increases in Ramadan month coupled with energy tariff increase may compel SBP to take pre-emptive measures in the remaining period of FY21 to curtail inflation.

### 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 6.10% in Mar-21 against the benchmark of 6.77%, underperformed by 67bps. The fund was mainly invested in T-Bills equivalent to 92.6% of total assets, while 7.2% was deployed in bank deposits. The standard deviation of the portfolio was 0.07%. The total portfolio maturity was 7 days at the end of the month.

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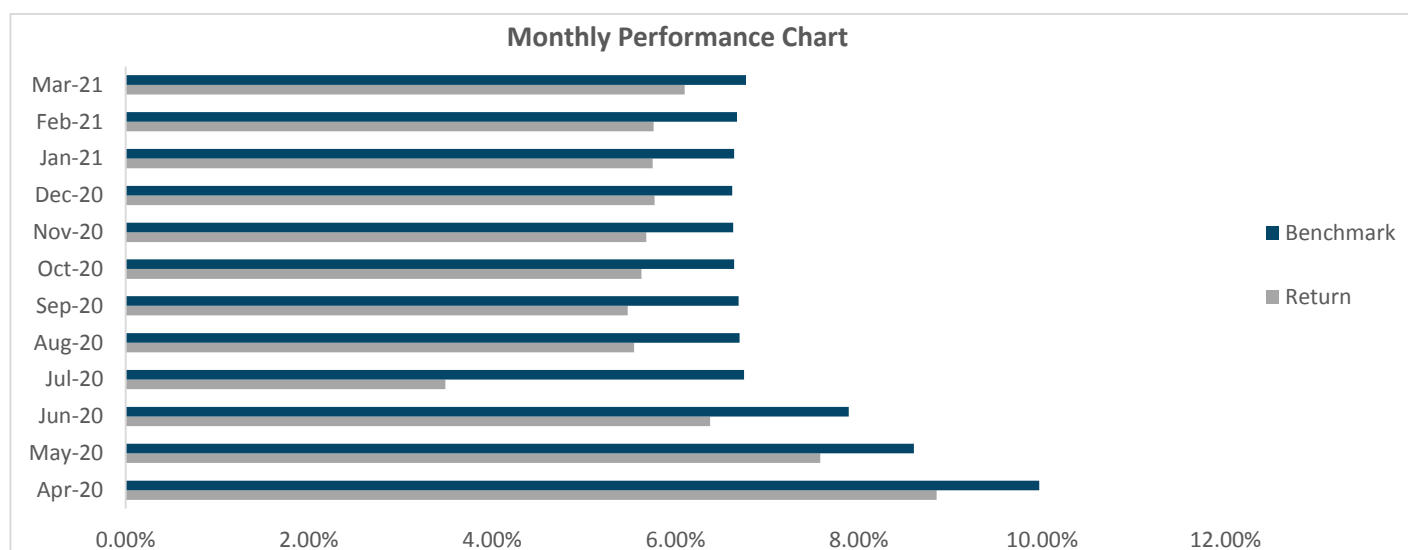
March 2021



Fund Returns	BECF	BM
Annualized Return (March-21)	6.10%	6.77%
Annual Return (FY21TD)	5.56%	6.68%
Annualized Return (365 days)	6.16%	7.21%
Annualized Return (Last 3 years)	9.26%	8.95%
Annualized Return (Last 5 years)	7.90%	7.47%
Annualized Return (Inception to Date)	8.16%	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
March-21	6.10%	6.67%
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%

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*	1.12%
*This includes 0.18% of SECP Fee & Govt. Levy	



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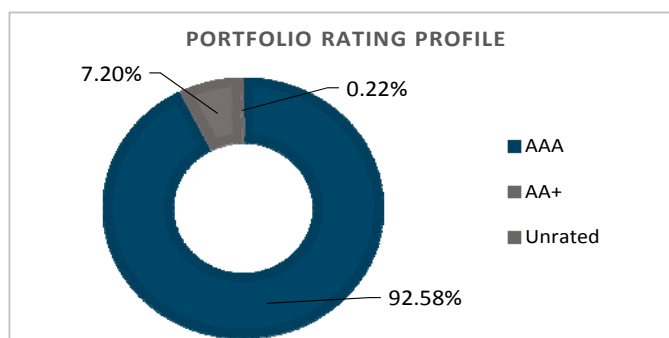
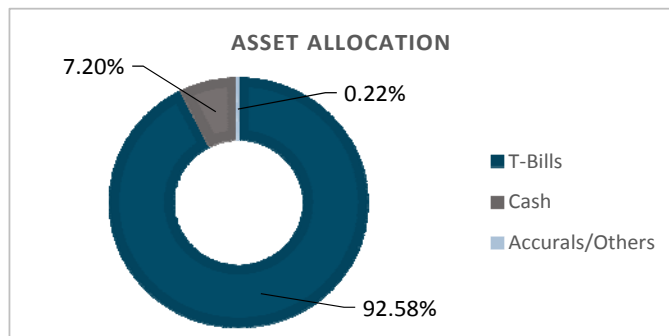
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Asset Allocation	February-21	March-21
Cash	10.81%	7.20%
T-Bills	88.87%	92.58%
Accruals/Others	0.32%	0.22%

Portfolio Ratings	
AAA	92.58%
AA+	7.20%
Unrated	0.22%
<b>Total</b>	<b>100%</b>

Portfolio Characteristics	
Net Assets in PKR MLN (31-March-21)	328
NAV/unit in PKR (31-March-21)	10.5984
Portfolio Weighted Average Maturity (in days)	7
Portfolio Standard Deviation	0.07%



Investment Committee	
Syeda Humaira Akhtar, CFA, FRM	Chief Investment Officer
Muhammad Zafar Rehman	Fixed Income Fund Manager
Muhammad Salman	Chief Financial Officer
Taleya Fatima	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. 2,201,156. If the same were not made the NAV per unit of the fund would have been higher by Rs.0.07/0.67%.

**MUFAP Recommended Format**

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