

# FUND MANAGER'S REPORT

## BMA EMPRESS CASH FUND

May 2021



### Market Outlook

The main highlights of the outgoing month were; (i) Pakistan beats GDP estimates which has grown by 3.94% during FY21, against 1.5% expected forecast by international agencies. (ii) Foreign reserves showed encouraging increase and reached 4 years high of \$23.01 Billion. (iii) SBP kept the Policy Rate unchanged at 7.00% in MPS. (iv) CPI eased a bit to 10.87% YoY against 11.10% YoY increase in Apr'21. (v) FBR makes an all-time high revenue collection of PKR 3,780 Billion during 10MFY21.

The National Accounts Committee announced that GDP growth will increase by 3.94% in FY21. The main contributors to this increase were; lower base effect of FY20, increase in services sector by 4.33%, agriculture sector by 2.77%, industrial sector by 3.57% of which LSM increased by 9.29% and wholesale & retail trade sector by 8.37%, primarily because of an increase in marketable surplus. In the light of this development, many economists are now forecasting that the annual GDP growth may stand at around 4.5%.

Pakistan's foreign reserves stood at \$23.015 Billion as per SBP. The Central Bank's reserves stood at \$15.86 Billion while banks held \$7.15 Billion. The deposits in Roshan Digital Accounts held by Overseas Pakistani community working/residing abroad reached \$1.1 Billion. Remittances stayed above \$2 Billion for the 10th consecutive month in April 2021, reaching \$2.8 Billion, up by 56% YoY. Cumulatively, remittances increased to an all-time high of \$24.2 Billion during July-April 2021 period, up by 29% over the corresponding period last year.

SBP kept the policy rate unchanged at 7.00% in its Monetary Policy in May'21 in order to support economic recovery, maintain financial stability, and keep inflation expectations in check. SBP defined that the fiscal measures have been instrumental in supporting the overall economic recovery that eventually led to better than expected GDP growth. The persistent inflation in the economy as stated by SBP is mainly due to few food items & electricity tariff hike. The SBP expects inflation to remain in the range of 5-7% in the medium term.

FBR collected PKR 4,167 Billion during 11 months for FY21, surpassing its collection target by 7.82% amounting to PKR 386 Billion in May'21. It exceeded the estimated goal of PKR 3.994 Trillion by more than 4.33% witnessing the growth of about 17% over the collection of PKR 3.549 Trillion during the same period last year.

The PBS data for Apr'21 showed that the trade deficit decreased by 6.9% MoM & stood at \$3.04 Billion against \$3.27 Billion in Mar'21. This deficit was 35.4% higher than same month last

year. However, 10MFY21 trade deficit is at \$23.82 Billion from \$19.59 Billion in 10MFY20, depicting 21.69% increase.

The CPI for the month of May'21 increased to 10.9% YoY compared to 11.1% YoY increase in Apr'21. The 11 months cumulative CPI has increased to 8.83% compared to 10.94% for the same period last year. Core inflation, urban and rural, stood at 0.2% MoM and 0.3% MoM respectively, taking 12 months' Urban /Rural NFNE inflation to 6.8%/7.6%.

The SBP picked up PKR 205.884 Billion against the sale of PIBs of different maturities in its monthly auction last month. In the wake of aggressive bidding emanating from interest rates' statuesque indications, the cut-off rate of 3 years bonds was decreased by 57bps to 8.70%, 5 years by 65bps to 9.2% and 10 years by 41bps to 9.839%. Additionally, SBP was also able to sell 15 and 20 years maturity bonds at the cut-off rates of 10.40% & 10.56% respectively. During the month, the SBP conducted two T-bill auctions which collectively raised PKR 1,157.46 Billion. The cut-off rates in the last auction were 7.3492% for 3 months, 7.60% for 6 months and 7.6898% for 1 year instrument.

Going forward, the better than expected economic numbers in the wake of accommodative fiscal measures coupled with more incentives to the business community in the Budget 2021 are likely to bring in more confidence among investors. However, the increase in M2 growth, which has increased by 7.9% YoY, is likely to result in aggressive demand for sovereign papers that may lead to lower yields in both short and long term bonds.

### 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 5.99% in May-21 against the benchmark of 6.77%, underperformed by 78bps. The fund was mainly invested in T-Bills equivalent to 91.48% of total assets, while 8.27% was deployed in bank deposits. The standard deviation of the portfolio was 0.14%. The total portfolio maturity was 68 days at the end of the month.

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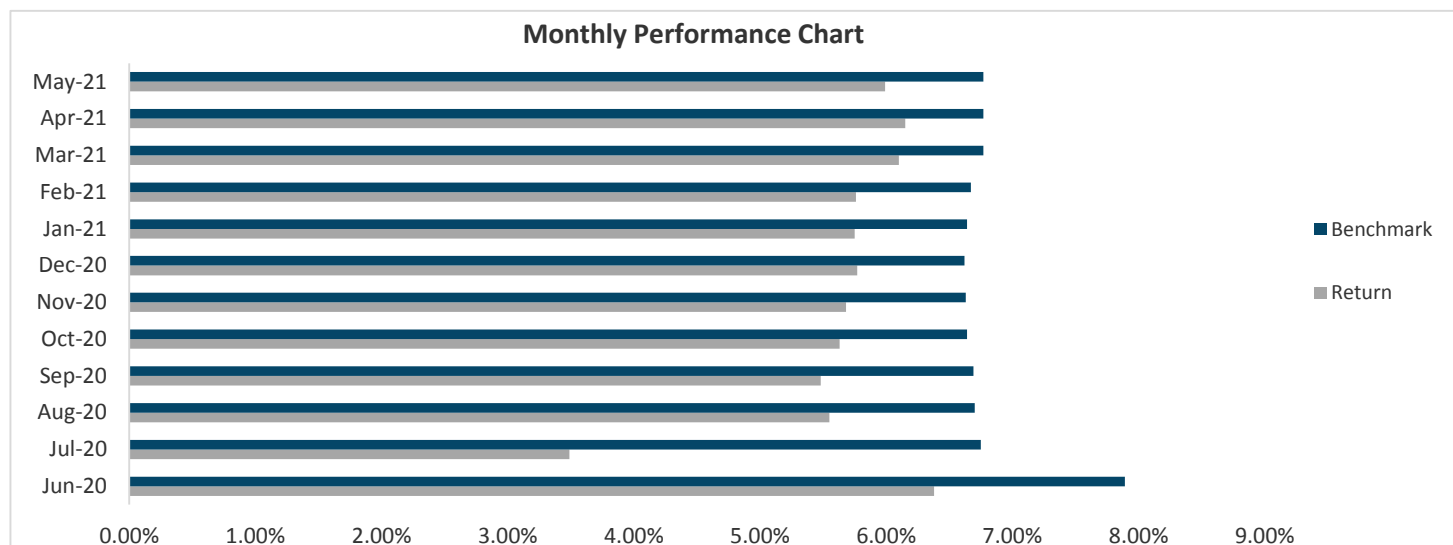


Fund Returns	BECF	BM
Annualized Return (May-21)	5.99%	6.77%
Annual Return (FY21TD)	5.70%	6.69%
Annualized Return (365 days)	5.79%	6.80%
Annualized Return (Last 3 years)	9.42%	9.03%
Annualized Return (Last 5 years)	7.99%	7.52%
Annualized Return (Inception to Date)	8.17%	8.55%
FY 2020	11.47%	11.70%
FY 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
May-21	5.99%	6.77%
April-21	6.15%	6.77%
March-21	6.10%	6.77%
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%

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*	1.02%
*This includes 0.24% of SECP Fee & Govt. Levy	

Monthly Performance Chart



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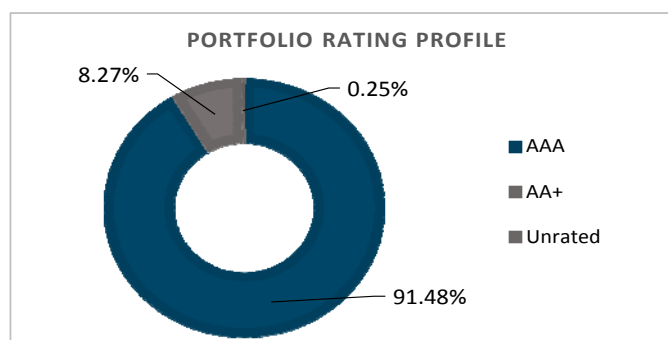
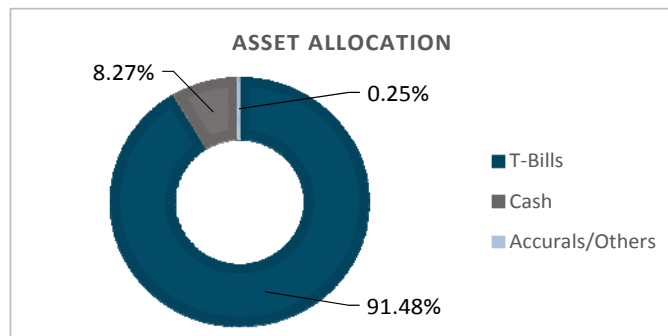
April 2021



Asset Allocation	April-21	May-21
Cash	17.05%	8.27%
T-Bills	82.68%	91.48%
Accruals/Others	0.27%	0.25%

Portfolio Ratings	
AAA	91.48%
AA+	8.27%
Unrated	0.25%
<b>Total</b>	<b>100%</b>

Portfolio Characteristics	
Net Assets in PKR MLN (31-May-21)	319
NAV/unit in PKR (31-May-21)	10.7062
Portfolio Weighted Average Maturity (in days)	68
Portfolio Standard Deviation	0.14%



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. 2,270,630.11. If the same were not made the NAV per unit of the fund would have been higher by Rs.0.08/0.71%.

**MUFAP Recommended Format**

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