

# FUND MANAGER'S REPORT

## BMA EMPRESS CASH FUND

October 2021



### Market Outlook

The main highlights of the outgoing month were i) CPI for Oct-21 stood at 9.20% YoY ii) Foreign Exchange reserves declined to USD 23.93 Billion iii) Trade deficit increased to USD 11.75 Billion in 3 months FY22 iv) FBR collected Rs.1,840 Billion in July-Oct' 21 v) LSM increased by 12.75% YoY in Aug' 21 and vi) Benchmark KIBOR witnessed 71bps MoM increase in the wake of expected increase in SBP Policy rate.

Against market expectations, the National CPI increased to 9.20% YoY on the back of house rent index adjustment and higher food prices in Oct-21 compared to 9.00% YoY in Sep-21. The CPI increased by 1.9% MoM compared to a 2.1% MoM increase in Sep-21. Urban Core-Inflation (non-food, non-energy) clocked in at 1.7%/9.6% on MoM/YoY basis whereas Rural Core Inflation clocked in at 2.2%/8.7% on MoM/YoY basis.

As per latest SBP data, the foreign reserves were down by USD 2.05 Billion at the end of Oct-21 to USD 23.93 Billion compared to USD 25.98 Billion at the end of Sep-21. The reserves with SBP were USD 19.25 Billion whereas banks held USD 6.73 Billion. Roshan Digit Accounts have attracted more than USD 2.4 Billion by the end of Sep-21.

The trade deficit for the quarter ending Sep-21 recorded an increase of 102% YoY to USD 11.75 Billion as compared to the deficit of USD 5.81 Billion for the same period last year. The deficit in Sep-21 was USD 4.19 Billion compared to USD 4.45 Billion in Aug-21.

According to Provisional data, the FBR collected tax of Rs. 1,840 Billion in the first quarter of FY22 against its target of Rs.1,608 Billion. The revenue collection in Oct-21 rose by 33% to Rs. 439 Billion from last year's Rs.331 Billion. The collection for 4 months is 37% higher than the same period last year.

The large scale manufacturing (LSM) witnessed an increase of 12.7%YoY in Aug-21. The LSM, however witnessed an increase of 2.9% YoY compared to that in July-20. Two months of FY22 LSMI index posted an increase of 7.3% YoY, supported by 2.3% YoY, 6.7% YoY and 9.4% YoY increase in OCAC, MoI and Provincial BOS, respectively. The recent encouraging numbers of LSMI on MoM basis show that the robust momentum of economic activity continues across the country. Auto, pharmaceutical & leather industries were among the lead contributors to this increase.

The benchmark 6-months KIBOR increased by 71bps to 8.86% from 8.15% at the end of last month in anticipation of 75bps to 100bps increase in SBP Policy rate in upcoming MPS in Nov-21. In addition, secondary market yields of medium to long-term

bonds also experienced significant increases in the wake of expected increase in interest rates.

The SBP conducted two Treasury bill auctions in Sep-21 and sold a total of Rs. 757.49 Billion worth of short term papers. The cut-off rate of 3 months paper was 8.2498% while bids for 6-months and 1-year instruments were rejected. In its monthly PIB auction, The SBP rejected all the bids received for all the tenors.

Citing much higher increase in SBP's Policy rate, the market is trading carefully by avoiding investments in long-term govt. papers. The market expects the SBP policy rate to increase by 75 to 100bps in the MPS.

### 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 5.45% in October 2021 against the benchmark of 7.17%, underperformed by 172bps. 96.4% of the fund was deployed in bank deposits. The standard deviation of the portfolio was 0.09%. The total portfolio maturity was 1 day at the end of the month.

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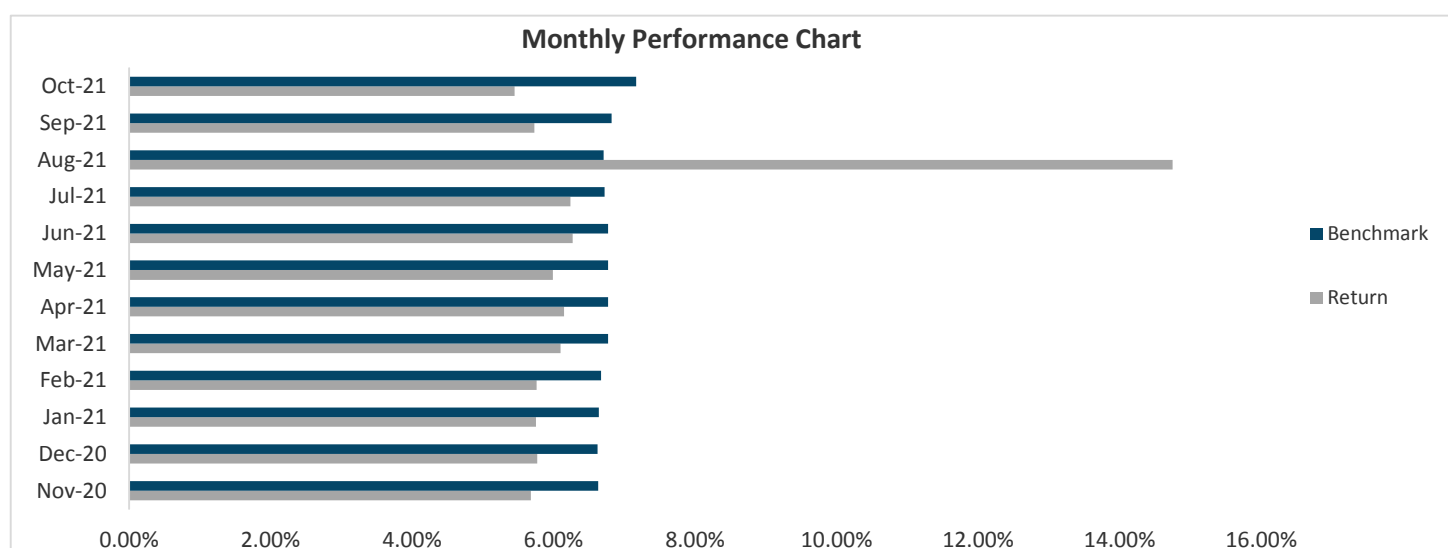
October 2021



Fund Returns	BECF	BM
Annualized Return (Oct-21)	5.45%	7.17%
Annual Return (FY22TD)	8.25%	6.86%
Annualized Return (365 days)	7.40%	6.76%
Annualized Return (Last 3 years)	9.67%	9.02%
Annualized Return (Last 5 years)	8.48%	7.63%
Annualized Return (Inception to Date)	8.18%	8.42%
FY 2021	5.78%	6.70%
FY 2020	11.47%	11.70%
FY 2019	8.84%	8.71%
FY 2018	4.45%	5.35%
FY 2017	4.58%	5.30%

Monthly Performance	BECF	BM
October-21	5.45%	7.17%
September-21	5.73%	6.82%
August-21	14.75%	6.71%
July-21	6.24%	6.72%
June-21	6.27%	6.77%
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%

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	Reanda Haroon Zakaria & Company, Chartered Accountants
Legal Advisors	KMS Law Associates
Management Quality Rating	AM4++
Expense Ratio*	0.99%
*This includes 0.11% of SECP Fee & Govt. Levy	



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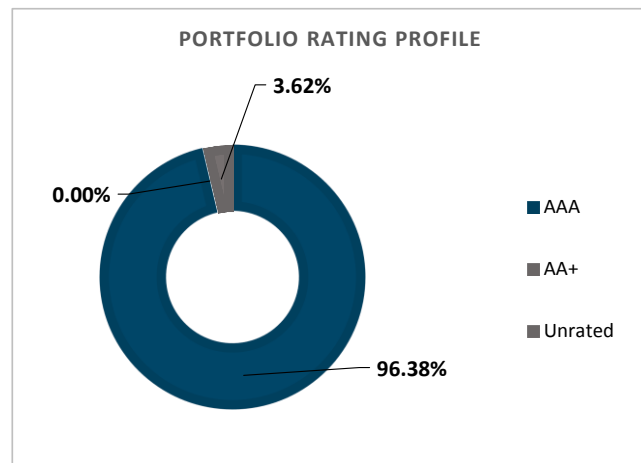
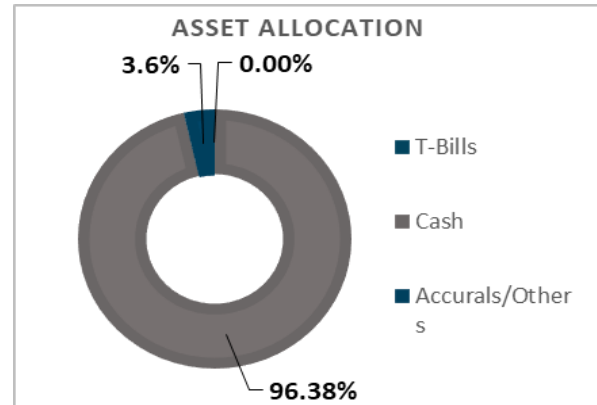
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Asset Allocation	September-2021	October-2021
Cash	9.62%	96.4%
T-Bills	90.19%	0.00%
Accruals/Others	0.19%	3.6%

Portfolio Ratings	
AAA	96.4%
AA+	0.00%
Unrated	3.62%
<b>Total</b>	<b>100%</b>

Portfolio Characteristics	
Net Assets in PKR MLN (31-October-21)	18.22
NAV/unit in PKR (31-October-21)	10.4126
Portfolio Weighted Average Maturity (in days)	1
Portfolio Standard Deviation	0.09%



Investment Committee	
Muhammad Zafar Rehman	Fixed Income Fund Manager
Faizan Elahi, CFA	Fund Manager-Equities
Muhammad Salman	Chief Financial Officer
Taleya Fatima	Junior Investment Analyst
Mah e Rukh 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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## MUFAP Recommended Format

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