

# FUND MANAGER'S REPORT

## BMA EMPRESS CASH FUND

September 2021



### Market Outlook

The main highlights of the outgoing month were i) CPI for Sep-21 jumped to 9.00% YoY ii) Foreign Exchange reserves declined to USD 26.15 Billion iii) Trade deficit increased to USD 7.6 Billion in 2 months FY22 iv) FBR's tax collection was Rs.1,395 Billion from July-Sep' 21 v) LSM decreased 4.9%MoM July-21 and 6) SBP increased its Policy Rate by 25bps to 7.25% in Sep-21.

The National CPI increased to 9.00% YoY in Sep-21 compared to 8.35% YoY in Aug-21. The CPI increased by a whopping 2.1%MoM compared to a 0.6% MoM increase in Aug-21, due to incessant increase in prices of both food & energy segments. Urban Core-Inflation (non-food, non-energy) clocked in at 2.0/9.1% on MoM/YoY basis whereas Rural Core Inflation clocked in at 0.7/8.8% on MoM/YoY basis.

The foreign reserves were down by USD 917 Million at the end of Sep-21 to USD 26.15 Billion compared to USD 27.23 Billion at the end of Aug-21, according to latest SBP data. The reserves with SBP were USD 19.29 Billion whereas banks held USD 6.86 Billion. Roshan Digital Accounts have attracted more than USD 2.11 Billion by the end of Aug-21,

The trade deficit for Aug-21 was USD 4.45 Billion compared to USD 3.24 Billion in July-21, according to the data published by the FBS. During 2 months FY21, the trade deficit has increased at an alarming rate of 123% to USD 7.58 Billion. This has led the govt. to take major steps to curb the trade gap by imposing regulatory duties on imports & luxury items.

According to Provisional data, the FBR collected tax of Rs. 1,395 Billion in the first quarter of FY22 against its target of Rs.1,211 Billion. The revenue collection in Sep-21 rose by 31.2% from last year's Rs.408 Billion. This performance shows that the FBR is well on its way to achieving the target of Rs.5,829 Billion for FY22 despite challenges of coronavirus pandemic, and massive tax cuts announced by the government as relief and price stabilization measures.

The large scale manufacturing (LSM) declined by 4.9% MoM in July-21, due to overall decline in Industrial activities in the country where OCAC, MOI and BOS all have recorded decline in performance respectively by 5.7% MoM, 6.0% MoM and 2.4% MoM compared to June-21 performance. The LSM, however witnessed an increase of 2.9% YoY compared to July-20. The slowdown in industrial activities has also caused on the reduction in working days in July-21 amid Eid Ul Azha holidays.

The Monetary Policy Committee (MPC) of SBP raised the Policy Rate by 25 bps to 7.25% in its Monetary Policy Statement in Sep-21, thus ending the expansionary monetary cycle which it enacted since April-20 to mitigate the economic shocks of

COVID-19 pandemic. According to SBP, gradual increase in interest rate is imminent in view of high pace of the economic recovery that has exceeded expectations. The robust recovery in domestic demand, coupled with higher international commodity prices, is leading to a strong pick-up in imports and a rise in the current account deficit.

The SBP conducted two T-bill auctions in Sep-21 and sold a total of Rs. 1,172.57 Billion worth of short term papers. The cut-off rates in the last auction of the month for 3 and 6 months papers by 41bps & 54bps respectively to 7.64%p.a. and 7.98%p.a. respectively while bids for 1-year paper were rejected. In its monthly PIB auction, The SBP sold PIBs of different maturities worth Rs. 98.29 Billion. The cut-off yields of 3 years PIB was 8.88%, 5 years was 9.18%, 10 years was 9.83% and 15 years was 10.40%.

Contrary to market expectations, the SBP has raised the Policy rate in Sep-21 citing global inflation pressures due to commodities & energy price increases, clearly indicating the end to COVID inspired monetary easing tenure. The bond rates spiked by 50bps to 70bps during the month and 6 months benchmark KIBOR increased by 61bps from 7.54% to 8.15% at the end of Sep21. We expect significant increases in PIB & T-bill cut-off rates in the wake of these developments and expect the market to prefer investments in short term papers to avoid price valuation knocks in their fixed income portfolios.

### 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 5.73% in September, 2021 against the benchmark of 6.82%, underperformed by 109bps. The fund was mainly invested in T-Bills equivalent to 90.19% of total assets, while 9.62% was deployed in bank deposits. The standard deviation of the portfolio was 0.06%. The total portfolio maturity was 41 days at the end of the month.

# FUND MANAGER'S REPORT

## BMA EMPRESS CASH FUND

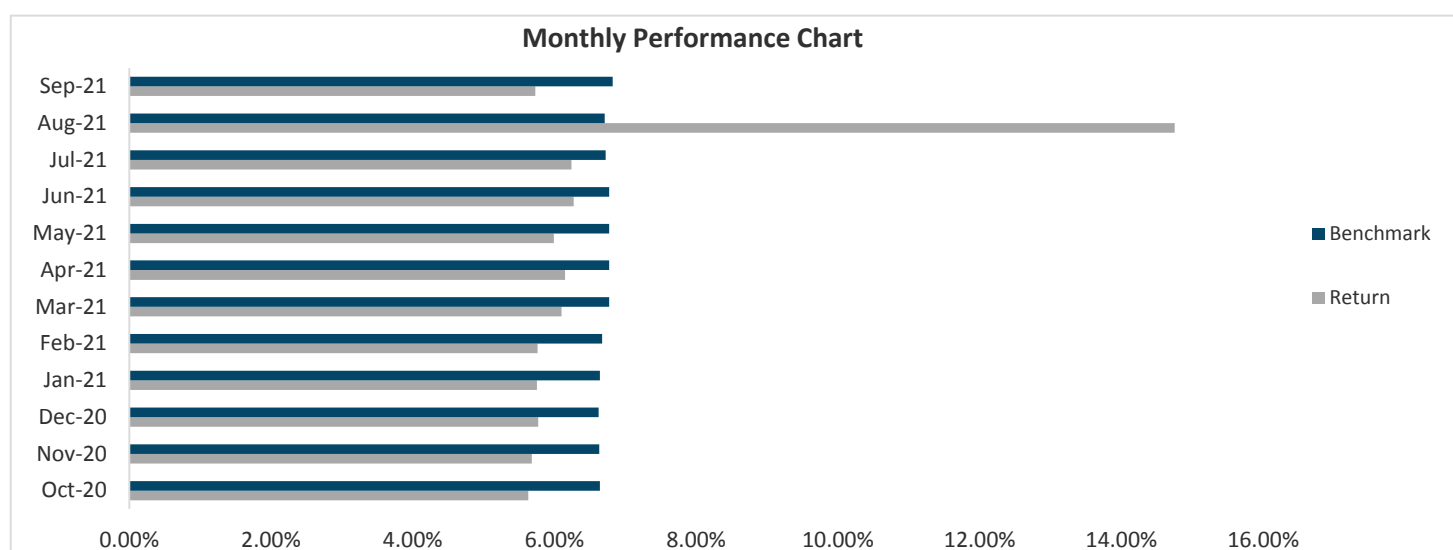
September 2021



Fund Returns	BECF	BM
Annualized Return (Sep-21)	5.73%	6.82%
Annual Return (FY22TD)	9.09%	6.75%
Annualized Return (365 days)	6.89%	6.71%
Annualized Return (Last 3 years)	9.69%	9.05%
Annualized Return (Last 5 years)	8.41%	7.61%
Annualized Return (Inception to Date)	8.25%	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
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%
October-20	5.63%	6.64%

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*	0.81%
*This includes 0.11% of SECP Fee & Govt. Levy	



# FUND MANAGER'S REPORT

## BMA EMPRESS CASH FUND

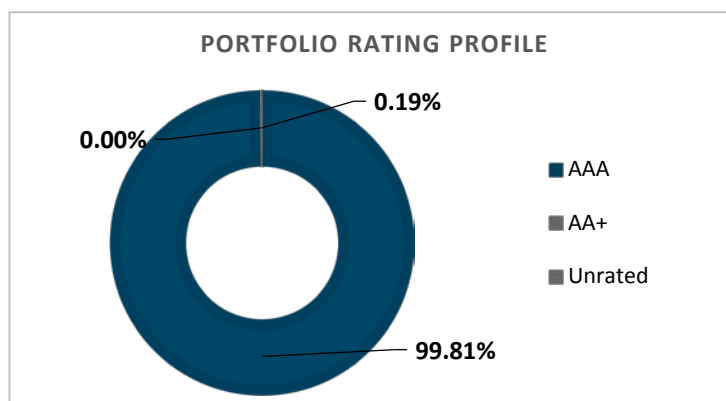
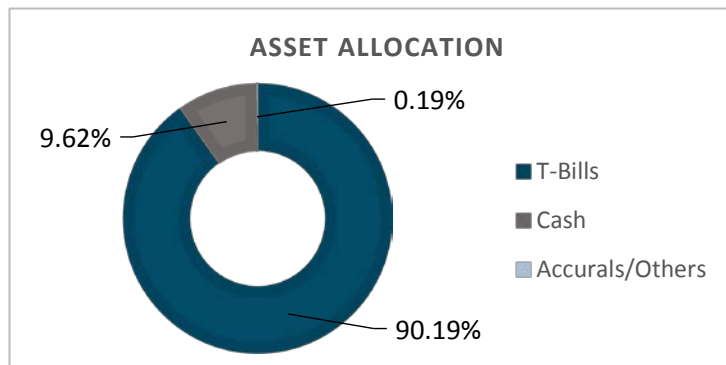
September 2021



Asset Allocation	August-2021	September-2021
Cash	14.53%	9.62%
T-Bills	85.25%	90.19%
Accruals/Others	0.22%	0.19%

Portfolio Ratings	
AAA	99.81%
AA+	0.00%
Unrated	0.19%
<b>Total</b>	<b>100%</b>

Portfolio Characteristics	
Net Assets in PKR MLN (31-September-21)	310.68
NAV/unit in PKR (31-September-21)	10.3675
Portfolio Weighted Average Maturity (in days)	41
Portfolio Standard Deviation	0.06%



Investment Committee	
Syeda Humaira Akhtar, CFA, FRM	Chief Investment Officer
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.  
 Tel: +92 21 111262111 | Email: info@bmafunds.com | www.bmafunds.com

### MUFAP Recommended Format

Disclaimer: This publication is for informational purposes only and nothing herein should be construed as a solicitation, recommendation or an offer to buy or sell any fund. All investments in mutual funds are subject to market risks. Past performance is not necessarily indicative of future results. Please read the Offering Document to understand investment policies and the risks involved.