

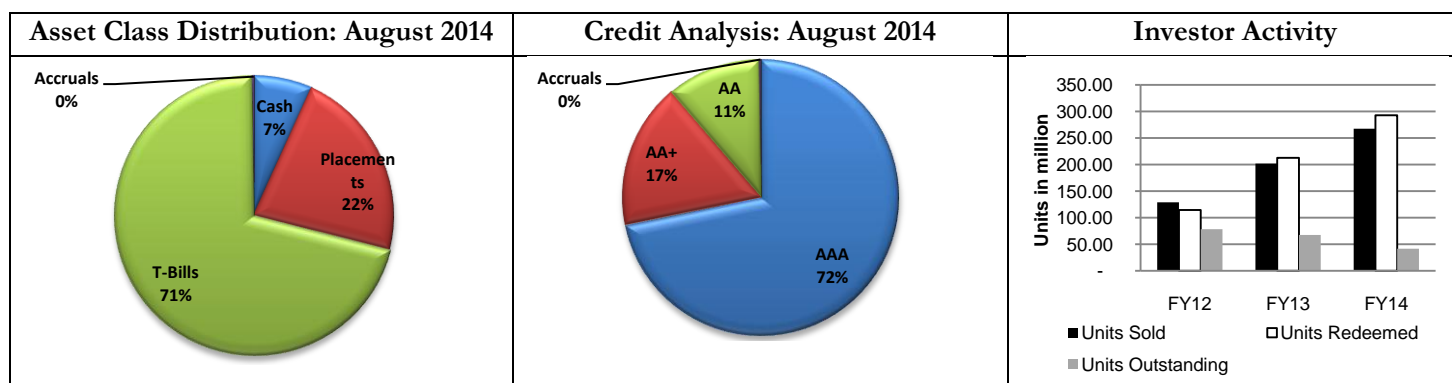
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Investment Objective

To minimize risk, maximize liquidity and generate a competitive rate of return by portfolio allocation to be concentrated in ‘AA’ rated banks and short duration sovereign securities.

BMA Empress Cash Fund (BECF)		
Rating Category	Latest	Previous
Fund Stability Rating	AA+(f)	AA+(f)
	Oct 23, '14	Jun 20, '13
Management Company	BMA Asset Management Company Limited	
Chief Executive	Adeel Ahmad Khan	
Fund Manager	Syed Qamar Abbas	
External Auditors – Fund	A.F. Ferguson & Co.	
Trustee	MCB Financial Services Limited	
Front-end Load	Up to 1% of NAV	
Back-end Load	-	
Management Fee	0.75% per annum	
Benchmark	Average of 3M deposit rate offered by AA rated banks	



BMA Empress Cash Fund (BECF) was launched in November 2009 as an open-end money market fund for investors who demand competitive returns with minimal credit risk. Size of the fund has undergone significant volatility in the past year, touching a peak of Rs. 1,024m and a low of Rs. 390m. As at end-FY14, the fund’s net assets stood at Rs. 424m (FY13: Rs. 678m) showcasing a decline in size on a year-on-year basis. Size of the fund has declined further subsequently and stood at Rs. 401m at end-August 2014.

As per management, the volatility in fund size is mainly a result of redemptions from another fund of the management company that invests in BECF for liquidity management purposes. In addition, the increase in tax rates applicable on dividend income as prescribed in the Federal Finance Act 2014-15, resulted in large redemptions just before end FY14.

As a money market fund, restrictions on investment avenues are stringent. As per the fund’s Offering Document (OD) there are no minimum holding requirements. However, as per the internally developed Investment Policy Statement (IPS), the fund aims to maintain at least half of the assets in sovereign debt instruments. Asset allocation limits are presented in the table below:

Table 1: Investment Avenues and Restrictions

	Minimum Asset Rating	Limit (As per Offering Document)	Limit (As per IPS)
T-Bills	-	0-90%	50-90% ¹
Placements with Banks/DFIs	AA	0-70%	0-30% ¹
Bank Deposits	AA	0-100%	0-50% ¹
Money Market Placements	NBFCs: AAA	0-20%	0-20% ¹
	Banks/DFIs: AA		
Reverse Repo	AA	0-50%	0-50% ¹

¹ Exposure to single entity can’t exceed 10%

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In line with the investment objective, credit risk profile of the fund is expected to remain strong, with a minimum rating of 'AA' in place for all counterparty exposures. During FY14, there were instances where month-end exposure to T-Bills fell below the defined threshold on two occasions (December 2013: 6%, January 2014: 0%). As per management, the deviation from thresholds set in the IPS was a one-off event and the management has reiterated its commitment to remain compliant going forward. Actual asset allocation of the fund is presented in the table below:

Table 2: Actual Asset Allocation

	Aug-14	Average FY14
Cash	6.76%	24.91%
Placements	22.18%	8.42%
T-Bills	70.82%	67.75%
Accruals	0.24%	1.03%

As can be seen in the table above, on an average (based on month-end data) about two-thirds of the fund remained invested in T-Bills.

Market risk associated with BECF is considered low. In line with the fund's short-term investment horizon, Weighted Average Maturity of the fund is capped at 60 days whilst single asset maturity of any instrument shall

not exceed 6 months. During FY14, there were certain instances where the fund's WAM exceeded the threshold level, though largely it has remained within the stipulated limit.

Unit holder concentration in the fund has remained high with total number of investors in the fund being 79 (FY13: 68) and largest 10 investors holding more than 70% of outstanding units. Large investors in the fund include a few corporate entities, individuals and the management company itself. Inclusive of management company's investment, related parties held 5% (FY13: 44%) of the fund's assets. Retail investors (68 in number, up from 52 in preceding year) held 29% of the units. Given the credit and liquidity profile of assets, ability to meet redemptions is considered strong.

In comparison to other money market funds, BECF's gross return of 9.34%, in FY14, was marginally above the peer group average of 9.30%. Given the fund's exposure to various sources of risks, returns are likely to remain consistent unless there are changes in policy rate

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Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: Fund Stability</u>				
10/23/2014	AA+(f)			Reaffirmed
6/20/2013	AA+(f)			Reaffirmed
4/2/2012	AA+(f)			Harmonized
7/11/2011	AA+(f)			Final