

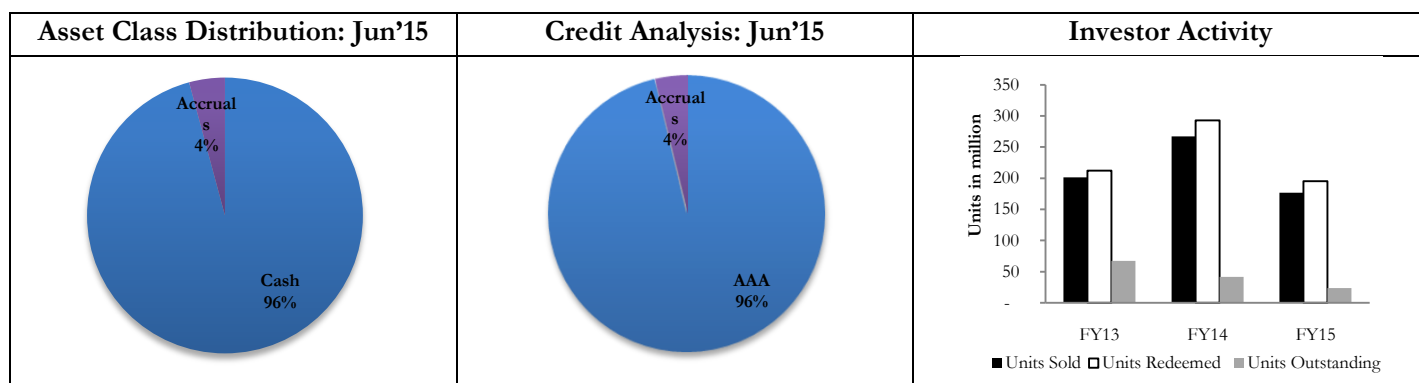
September 30, 2015

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Investment Objective

To minimize risk, maximize liquidity and generate a competitive rate of return by investing 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)
	Sep 30, '15	Oct 23, '14
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 as an open-end money market scheme on November 12, 2009. The fund invests in low risk short term money market instruments while maintaining a high level of liquidity. Investment Committee (IC) comprises key personnel from top management along with representation from investment and risk management department. Net assets of the fund declined to Rs. 242.4m (FY14: Rs. 424.3m) by end-FY15. The decrease was mainly on account of redemptions during the last quarter of FY15.

The offering document lays down the broad investment policy, in line with the regulations applicable to money market funds, that is designed to ensure minimum exposure to various sources of risks. Accordingly, all issue/issuer exposures are subjected to minimum rating of ‘AA’. As per the investment policy, the management aims to hold a minimum of 50% of its assets in government securities. Moreover, placements and

deposits in banks and DFIs are capped at 50%. The fund may also park up to 20% of its assets in certificates of investment, certificates of musharaka and commercial papers issued by NBFCs and DFIs. Minimum rating criteria for investment in any asset class, except placements with NBFCs, is ‘AA’; investments in NBFCs/modarabas require a minimum entity rating of ‘AAA’.

Designed to maintain a very low-level of risk, BECF is invested primarily in short-term government paper and bank deposits. The fund’s investment in T-bills averaged 51% of total assets in FY15. Remaining exposure mainly comprised cash & bank balances with institutions rated in the ‘AA’ band and higher.

Table 1: Asset Allocation (excluding redemptions)

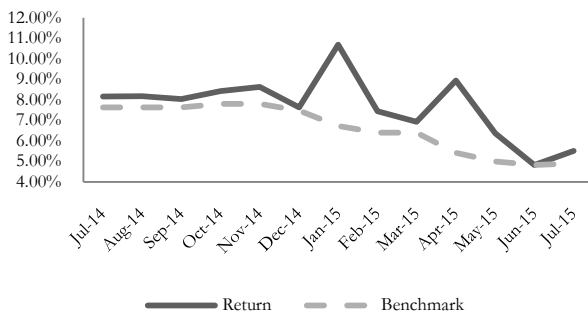
	FY15 (Avg.)	Jul'15	Jul'14
Cash	32.3%	66.0%	1.4%
Placements	16.6%	-	18.9%
T-Bills	51.2%	34.0%	79.7%

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Asset allocation showcased variation during FY15. At the beginning of the year, assets were largely deployed in T-bills. From November 2014 onwards, shifting of assets from T-bills to government guaranteed deposits was evident resulting in T-bill exposure falling below the minimum threshold stipulated in the available operational investment policy. Exposure in financial institutions also reduced to nil (end-FY14: 21.0%) at end-FY15. During 2Q15, the fund’s assets were largely parked in cash and cash equivalents which were above the 50% cap, as defined in the investment policy. According to management, this exposure was taken on account of anticipated redemptions and higher returns on the portfolio, at end-FY15. Given the nature of investments, credit and market risk on the portfolio is considered minimal.

Weighted average maturity (WAM) and duration of the fund has been capped at 60 days to protect the fund against losses arising due to movements in the benchmark rate. From October 2014 onwards, sizeable redemptions resulted in a significant decline in net assets. Consequently, more than 65% of assets were represented by exposure in T-bills. This led to WAM and duration exceeding its 60 day ceiling at multiple instances. During FY15, highest WAM and duration at any month-end were reported as 76.5 days at end-March 2015.

Figure 1: Fund Performance



Benchmark of the fund is set as an average return of 3M deposit rates of ‘AA’ and above rated scheduled commercial banks. The fund’s return witnessed a declining trend in FY15 in line with the cuts in discount rate; although outperforming the benchmark on a timeline basis. Relative ranking of the fund weakened considerably in relation to other funds, dropping to the fourth quartile vis-à-vis peers in FY15.

Table 2: Fund Performance

Performance	FY15	FY14
Total Return	8.2%	8.5%
Peer Group Return Ranking	21 out of 22	8 out of 21
Benchmark Return	6.7%	7.3%
Maximum Return in Peer Group	10.5%	8.9%
Peer Group Average	8.7%	8.3%

Unit-holding pattern features concentration. There were a total number of 74 (FY14: 97) investors in the fund at end-FY15. Given the small investor base, top 10 holding remained on the higher side at 83.5% (end-FY14: 70.5%), at end-FY15. Proportion of investment by retail investors declined to 21.5% (FY14: 28.7%) by end-FY15. The fund may benefit from a more granular investor profile [\[JCR-VIS\]](#)

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	09/30/2015	AA+(f)	Reaffirmed
Fund Stability	10/23/2014	AA+(f)	Reaffirmed
Fund Stability	6/20/2013	AA+(f)	Reaffirmed
Fund Stability	4/2/2012	AA+(f)	Harmonised
Fund Stability	7/11/2011	AA+(f)	Final