

ILCL-ILSL MONTHLY

Economy and Market Review

May : 2015 Issue : 21

Mutual Funds of Bangladesh



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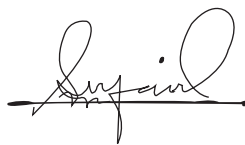
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Editorial

Welcome to our May 2015 issue. Our vision is to establish ourselves as one of the leading Investment Banking solution providers in Bangladesh with high ethical standards and best practices. We started our first monthly publication "ILCL Monthly Economy and Market Review" with September, 2013 edition and seek every opportunity to make it more informative and beneficial for our readers that cover honorable business community, corporate clients and high net worth retail clients.

This edition includes messages from the honorable **Chairmen of IL Capital Limited & International Leasing Securities Limited** and also covers **Mutual Funds of Bangladesh** with a snapshot over a stocks defined under the sector in prime bourse.

We are looking forward to any advice or suggestions from our readers or any other concern to make it distinguished and complete. Please do not hesitate to contact us to convey your opinion. We are also committed to the readers for any assistance or explanation over any doubt or confusion arising from our publications.



Saad Faisal
Chief Operating Officer, IL Capital



Md. Humayan Kabir, FCA
Chief Operating Officer, ILSL

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May, 2015

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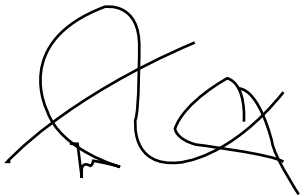
Message from the Chairman of IL Capital Limited

I am pleased to take the position of the Chairman of IL Capital Limited since May 27, 2015.

Founded in November 24, 2010 and awarded a merchant bank license on April 04, 2012, the IL Capital Limited has a vision is to establish itself as one of the leading investment banking solution providers in Bangladesh. The company is dedicated to flourish with excellence through its contribution in developing of Capital Market by offering innovative and prudent investment management and investment banking solutions upholding high ethical standard and best practices.

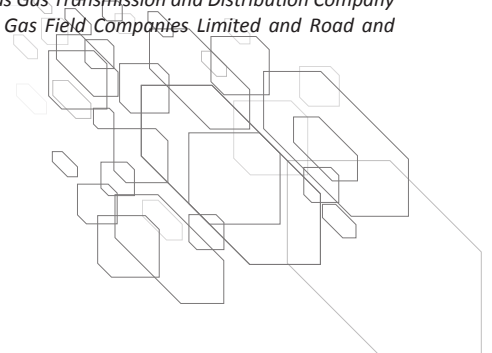
Exceptional performance begins with exceptional decision making. IL Capital Limited has the capability to encourage better fund management and share expertise and insights around the industry. I believe that the company has every potential to attain the level of stability and sustainability which is the demand of the capital market at present. Our vision is to position the company as a trusted brand with high standard of service and product not only to the investors' community but also to the regulators, market participants and overall corporate world.

Yours Sincerely



Md. Zahirul Alam, FCA
Chairman
IL Capital Limited

Md. Zahirul Alam has joined as the Chairman of IL Capital Limited on May 27, 2015. He is a Fellow Member of The Institute of Chartered Accountants of Bangladesh (ICAB) and The Institute of Incorporated Financial Accountants of U.K. He has experience of more than twenty-five years and in-depth exposure in public and private sector in the area of designing and implementation of auditing system, preparing feasibility studies, corporate strategy and planning, investment strategy and planning and international procurement. He has worked for World Bank, ADB, DFID, KFW, DANIDA, OCEP, and other donors along with different public entity like Janata Bank, Titas Gas Transmission and Distribution Company Limited, Bangladesh Power Development Board, Bangladesh Shipping Corporation, Bangladesh Gas Field Companies Limited and Road and



Message from the Chairman of International Leasing Securities Limited

International Leasing Securities Limited (ILSL), a leading stock brokerage company in Bangladesh and a fully owned subsidiary of International Leasing and Financial Services Ltd., is delighted to bring out the “ILCL-ILSL Economy and Market Review” for the month of May 2015.

As an endeavor to uplift the foothold of the country’s capital market by providing real time information and update on economy and capital market issues and to present topline analyses and major highlights on the macro-economic, industry and company specific issues ILSL, in collaboration with the IL Capital, has been publishing its 21st issues in this month. I expect that this monthly review will be more successful in the days forward with more insightful coverage as the previous publications have been widely accepted and acclaimed by all the stakeholders. This is the new issue of monthly after I assumed the responsibility of Chairman at ILSL. I hope, this issue will be appreciated by all the stakeholders as well as beneficiaries.

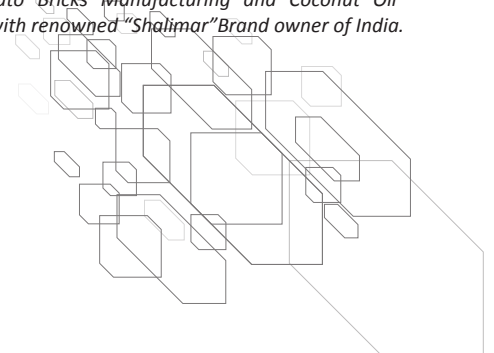
I extend my heartfelt thanks and sincere gratitude to our entire valuable stakeholders. I also express my gratitude and thanks to members of the editorial panel of the monthly publication, members of the ILSL research team and members of IL Capital research team for their whole hearted contribution in publishing the monthly magazine.

Expecting more progress in near future.



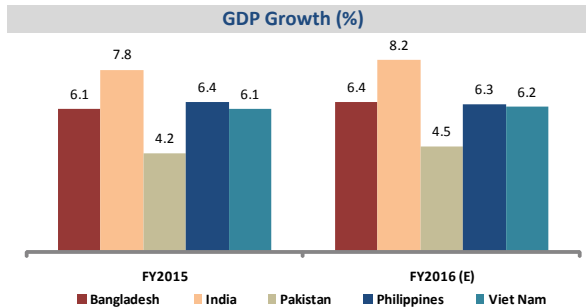
Md. Nowsherul Islam
Chairman
International Leasing Securities Limited

Md. Nowsherul Islam has joined as the Chairman of International Leasing Securities Limited on 31st May, 2015. He completed his MA from Dhaka University. Then he started his career as Class-1 officer of Bangladesh Bank. After 13 years of service, he finally left Bangladesh Bank in 1995 as a Joint Director in Foreign Exchange Policy Division. He is one of the main initiator and key promoter of MST Group which is engaged in cargo transportation business in riverine routes throughout Bangladesh since 1989 and presently market leader in this sector having ownership of 21 number of cargo vessels, Pharmaceutical Product Manufacturing, environmental friendly Auto Bricks Manufacturing and Coconut Oil manufacturing, bottling and marketing in Bangladesh under a Joint Venture Company co-shared with renowned “Shalimar” Brand owner of India.



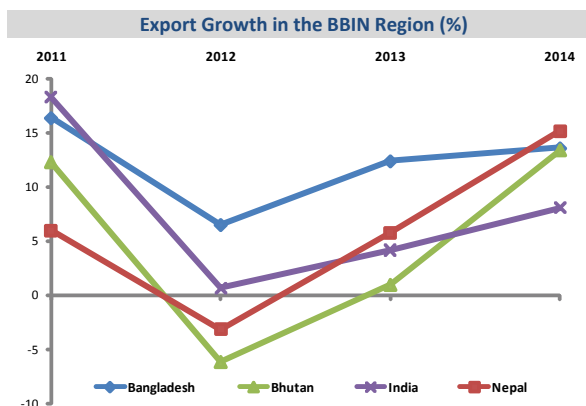
Economy Update

The World Bank projected that the Southeast Asian regional Gross Domestic Products (GDP) is likely to remain around 7% in FY2015, and may rise up to 7.5% in FY2017. The strong regional growth, influenced by the Indian economy, is expected to continue at a stronger rate. In their view, the WB stated that Bangladesh indicates a bright spot in the region, and may strengthen their growth in the area of export and investments. With the country’s growing remittance inflow and steady private sector credit growth, Bangladesh is coming up with an image of a sustainable healthy economy.

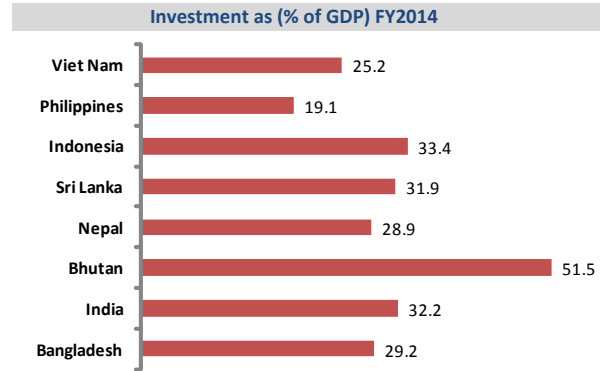


Source: ADB: Asian Development Outlook 2015, and IL Capital Research

Moreover, Bangladesh is positioned in a geographically important location which can allow effective economic decisions to attract investments from the growing South Asian region. Recently, Bangladesh and India held trade talks and reviewed their current status of bilateral trade. Furthermore, Bangladesh, Bhutan, India and Nepal (BBIN) have signed a motor vehicle agreement where people and goods can move among the region. These positive trade moves along with the country’s march towards stable economic performance, only indicates a very optimistic investing environment for the local and foreign investors.



Source: WB: South Asian Economic Focus Fall 2014, and IL Capital Research



Source: Economy Watch and IL Capital Research

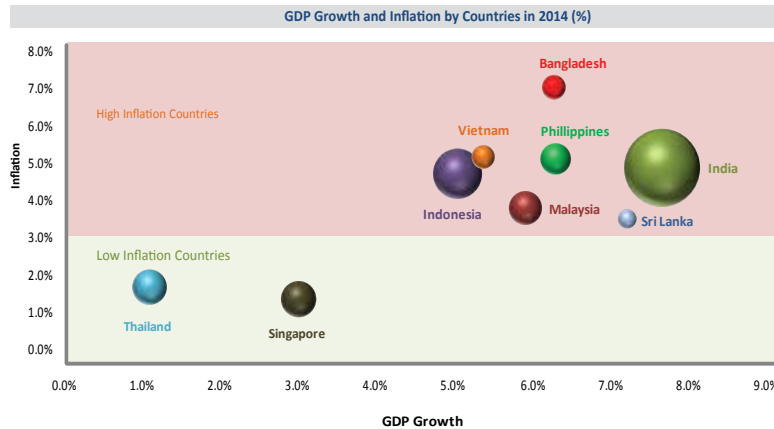
Driven by a strong growth in India, coupled with favorable oil prices, economic expansion in South Asia is expected to accelerate. The region is among the greatest global beneficiaries from cheap oil. Although the impact of the fall in global oil price did not significantly affect the economy of Bangladesh, like it did for many other countries of the region, Bangladesh still maintained a competitive market with a strong GDP growth.

From the Bangladesh Government’s future projects (projects in progress) perspective, it is known that many mega projects have been accepted which will influence further development in the economy and contribute in the growth of healthy investment environment. Some of the projects are mentioned as follows:

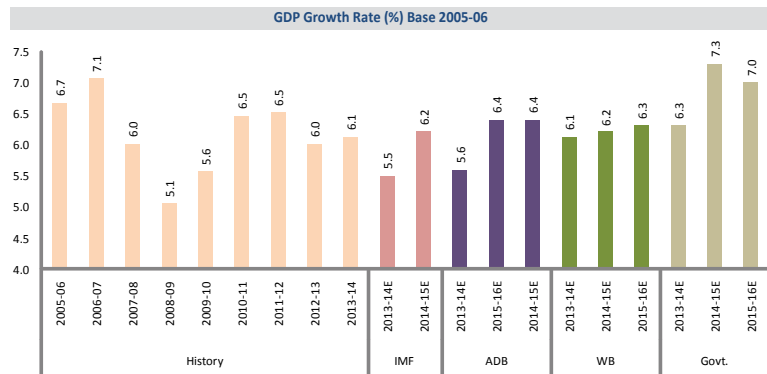
- Padma Multipurpose Bridge: 6.15 km long
- Deep-Sea Port at Sonadia
- Dhaka-Chittagong Access Control Highway
- Bibiyana-Dhanua Gas Transmission Pipeline
- Four 450 MW Power Stations
- Rampal Thermal Power Plant
- Two Nuclear Power Plants in Rooppur

These projects’ completion will allow Bangladesh to attain a place closer to their development targets and will facilitate a positive investment friendly environment in the short run. The development organizations around the world have already stated their positive statistics for the long run growth of the country. Since both the long run and the short run growth aims towards a sustainable positive trend, we expect that the country is yet to face accelerating growth and further economic achievements in the future.

GDP:

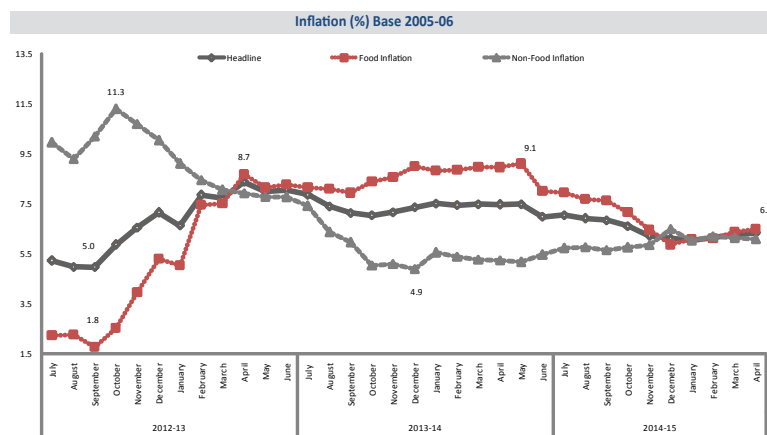


Bangladesh is now the world's 44th largest economy according to the IMF and the WB. In FY2016, the country's GDP is expected to grow by 6.4% by the ADB, 6.3% by the WB and 7% by the Bangladesh Government. On the other hand, according to the UN, India's economic growth is anticipated to exceed that of China's, with the GDP growth of 7.7% in FY2016 while the growth rate of China will be 6.8%. For the South Asian region, the GDP is projected to grow by 6.7% in FY2015 and 6.9% in FY2016. Across the region, the expansion is expected to be driven by optimistic household consumption and a gradual recovery in investment.



Bangladesh had a GDP of USD 205bn (BDT 15.9tn) for FY2015, which was USD 185bn in FY2014. The total GDP at the current market price is expected to be about BDT 17.6tn for FY2016.

Inflation:

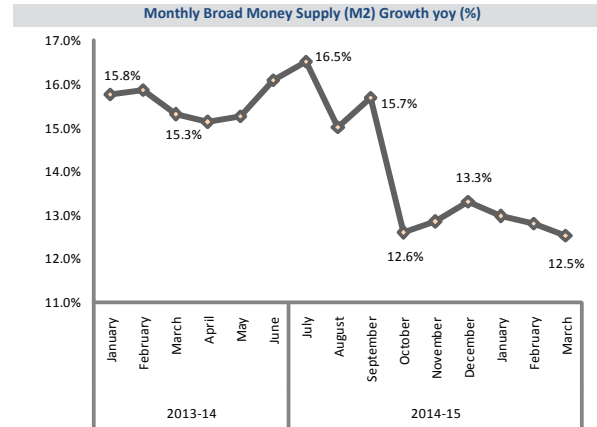
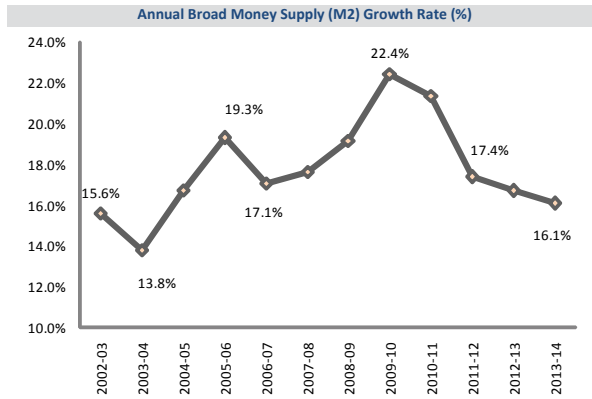


The country's Point-to-Point inflation witnessed an increase and stood at 6.32% in the month of April from 6.27% in the previous month of March. With the drop in the global food price and the recent decline in oil prices, the average inflation in the region is projected to fall. The Bangladesh Government also anticipates that the inflation rate will be 6.20% for the FY2016. The Government believes that with the international oil prices fall, positive agricultural production, improvement in domestic distribution system and impact of controlled monetary policy, will help the inflation to slope down.

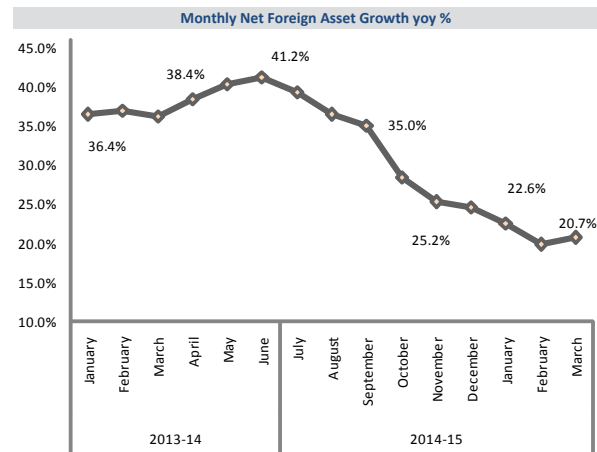
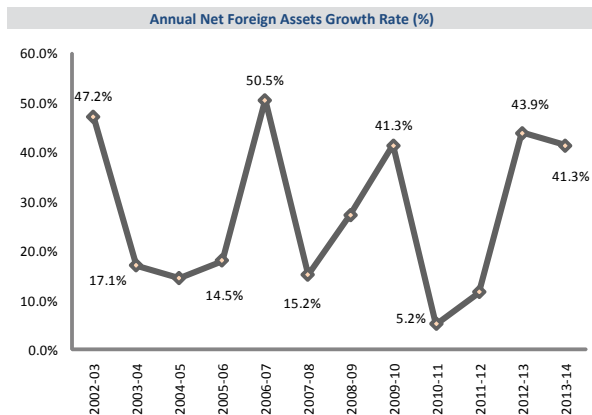
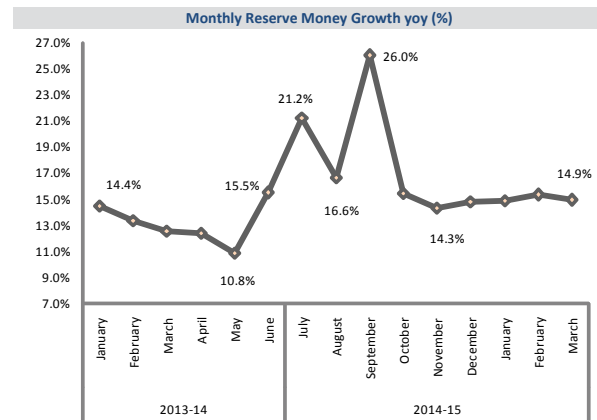
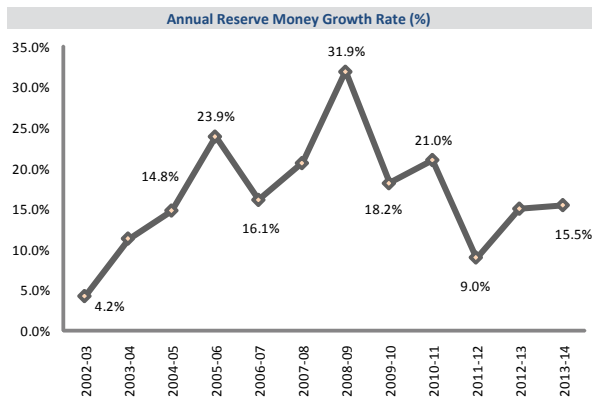
The Point-to-Point Food inflation for the month of April FY2015 stood at 6.48%, which is a 1.73% rise from the previous month. Furthermore, the Point-to-Point Non-Food inflation was 6.08%, which is a 0.65% drop from the previous month of March.

Source: United Nation: World Economic Situation and Prospects 2015, Bangladesh Bank and IL Capital Research

Money Supply:



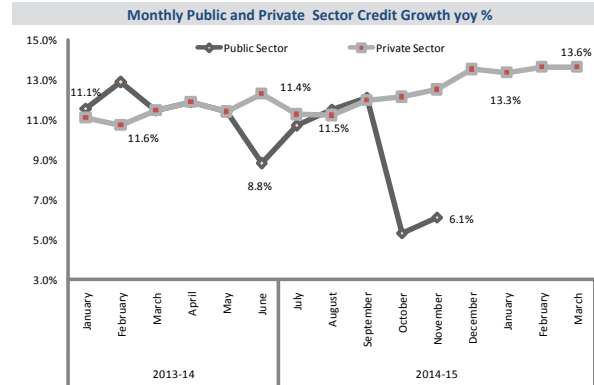
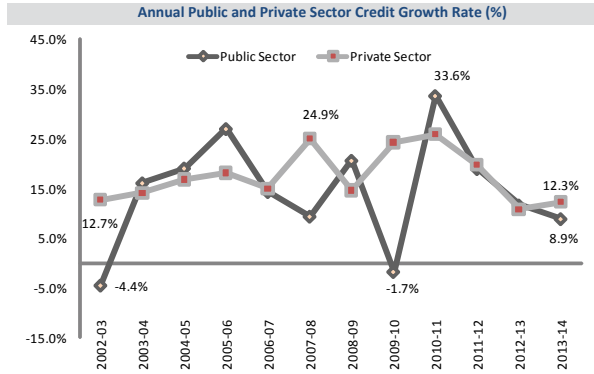
The broad money growth rate faced further decline from 15.7% since September till 12.5% in March FY2015, which is almost an 18.3% fall on a Year-on-Year basis. On the other hand, the reserve money growth rate has maintained stability at a stretch for the past five months, ranging from 14.3% in November to 14.9% in March FY2015 on a Year-on-Year basis.



The USD BDT exchange rates remain relatively stable over the period of November, a 25.2% growth rate on a Year-on-Year basis, to 20.7% on March FY2015, which may indicate the country's macroeconomic stability.

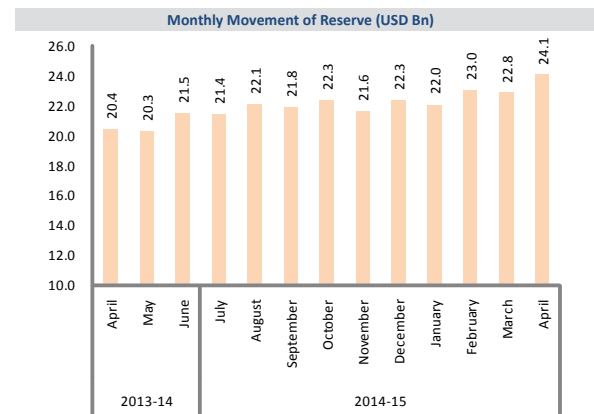
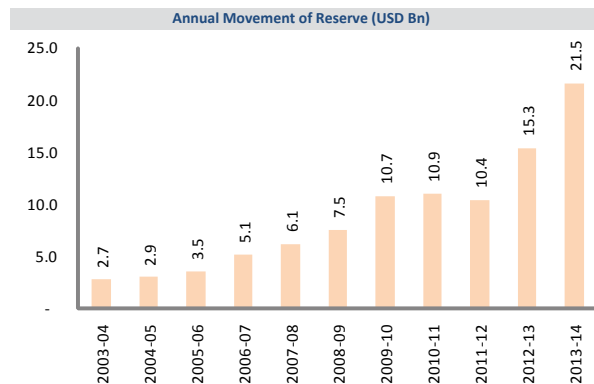
Source: Bangladesh Bank and IL Capital

Money Supply (Continued):



March FY2015 has noticed almost no change in the private sector credit growth, which remained at 13.6% from the previous month of February. This may indicate that the investors are still optimistic about investment, yet trying to further evaluate the market conditions and attempt to gather confidence before involving with investment activities.

Reserve:

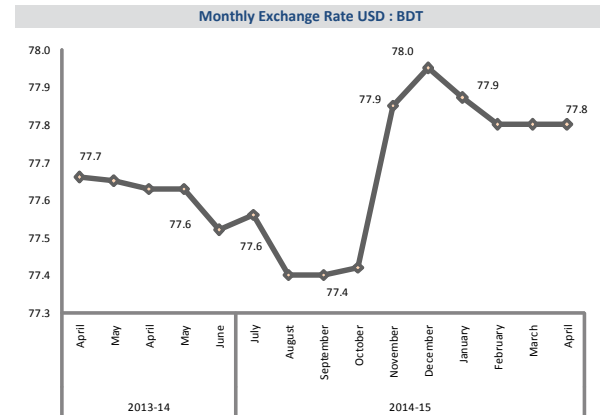
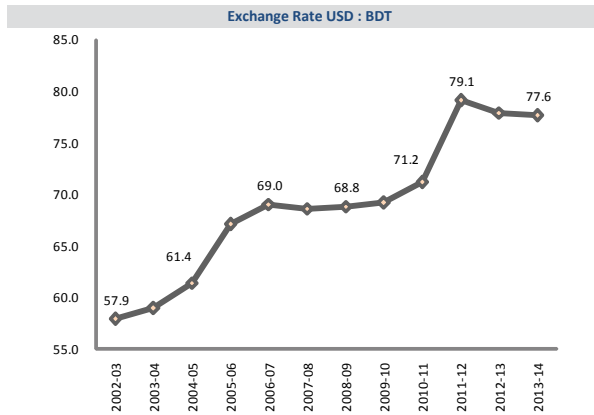


Bangladesh's foreign exchange reserves reached a record high of USD 24bn in April FY2015, from USD 22.8bn in March. Nevertheless, the central bank is skeptical saying the rise may not continue in the next month and might fall to USD 23.7bn at the end of May, due to expected marginal rise in imports. The stable readymade garment exports and remittances are considered to be the reasons behind the country's achievement to build such a healthy reserve.

Economists believe that Bangladesh, with a population of more than 166 million, needs a reserve of around USD 10bn to be sufficient to meet its import bills for approximately three months under the international standard practice.

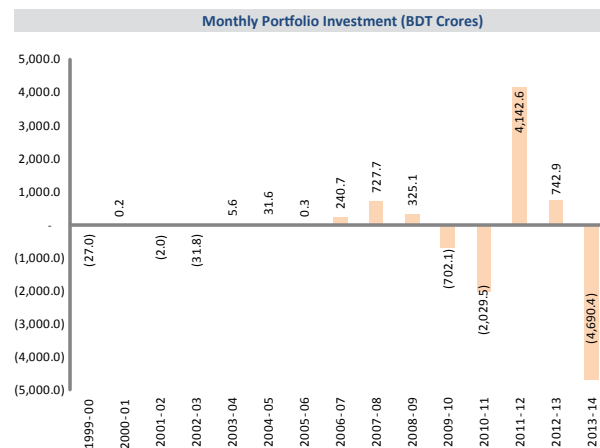
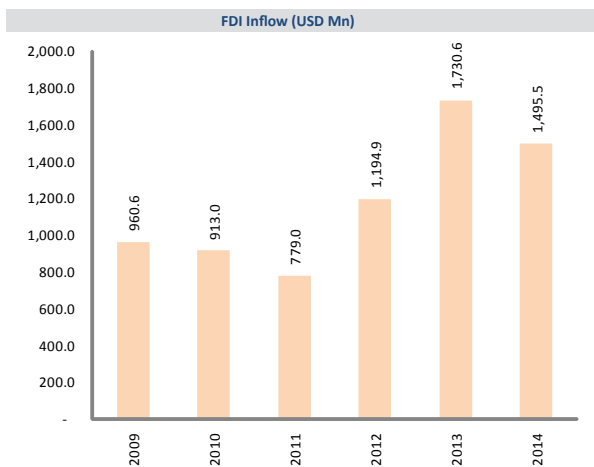
Source: Bangladesh Bank and IL Capital Research

Exchange Rate:



The USD has been trading on an average of BDT 77.8, for the past three months. The central bank has kept a continuous effort in purchasing USD from banks to maintain the stability of the inter-bank foreign exchange market.

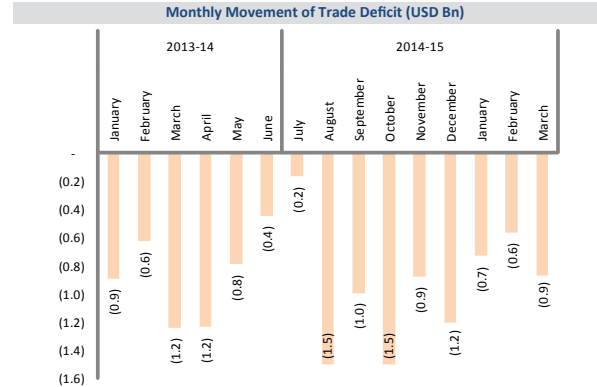
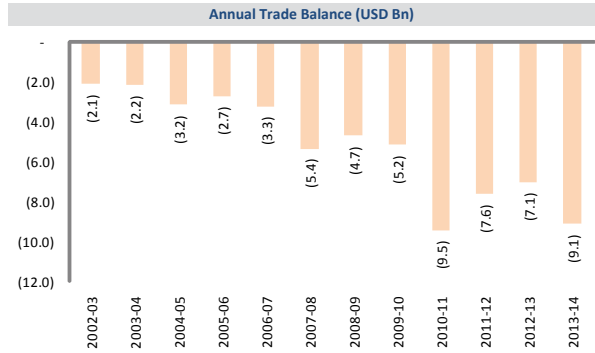
FDI Inflow and Portfolio Investment:



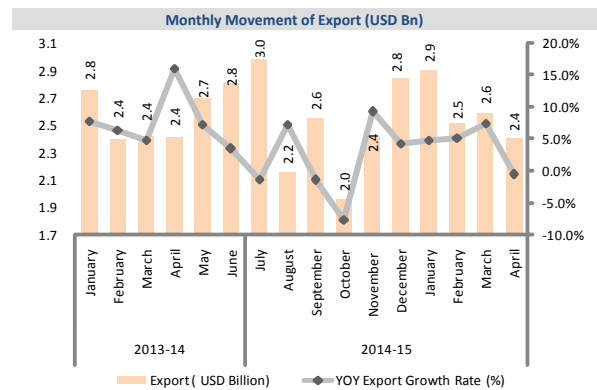
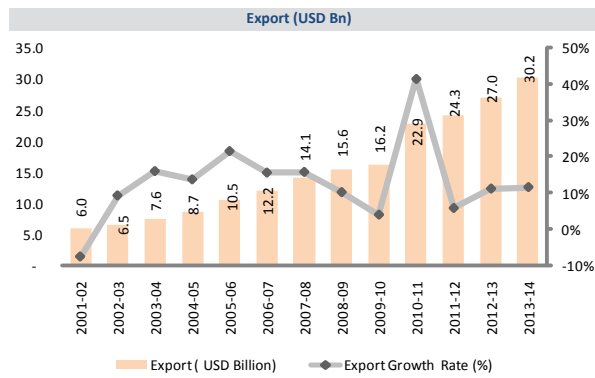
According to the government, a boost in private sector investment condition was one of the drivers of the economic growth for the FY2015. The government also believes that the investment needs to be raised to 32% of the GDP from the existing 22%, which will strive to achieve a GDP growth rate of 8%. According to ADB, to achieve more than 7% GDP growth rate, Bangladesh requires a total investment of 34.3% of the GDP. The challenges like, addressing infrastructure constraints, efficient governance, delivery and implementation, are still remaining. But the continuous efforts of the government to further develop the power, energy and transport sector, may result in a better investment environment in the near future.

Source: Bangladesh Bank and IL Capital Research.

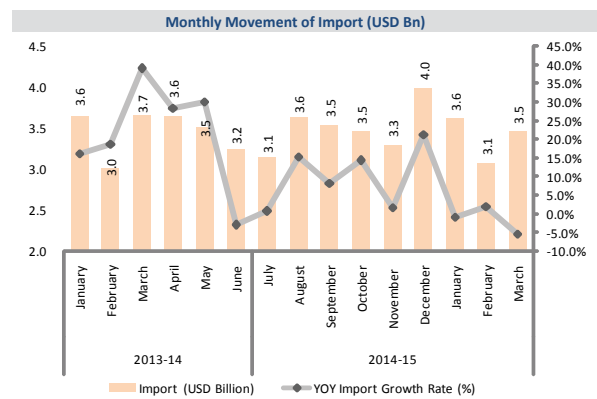
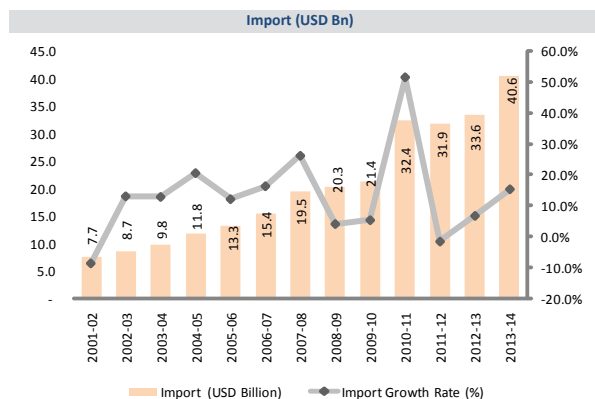
International Trade:



The export for the FY2015 was USD 33.2bn, which is anticipated to be around USD 33.6bn for FY2016. For the month of April FY2015, the export growth did not reach up to the expected optimistic level due to some factors like - devaluation of Euro against Dollars and regulatory compliance issues in the garments industry. For the month of April, export was almost USD 2.4bn, which was USD 2.6bn in the previous month of March FY2015.

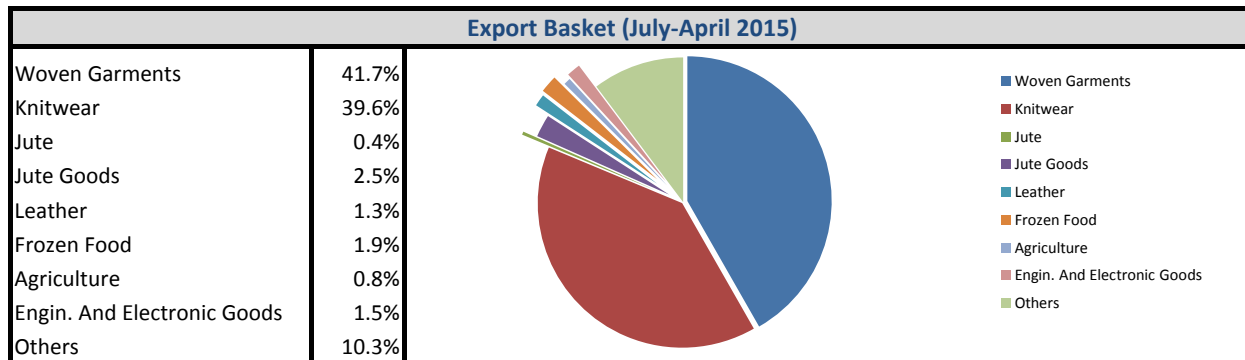


The monthly movement of import shows a rise of 12.7% to USD 3.46bn in March FY2015 from the previous month of February. The capital machinery importers opened LC worth USD 2.93bn from July to March in FY2015. The amount was 5.66% more than that of the same period in the previous fiscal year. Moreover, the settlement of LC also rose by 23%. The government has withdrawn duty on import of capital machinery, which will allow the businesses to import more machinery and contribute to the country's overall manufacturing sector expansion.

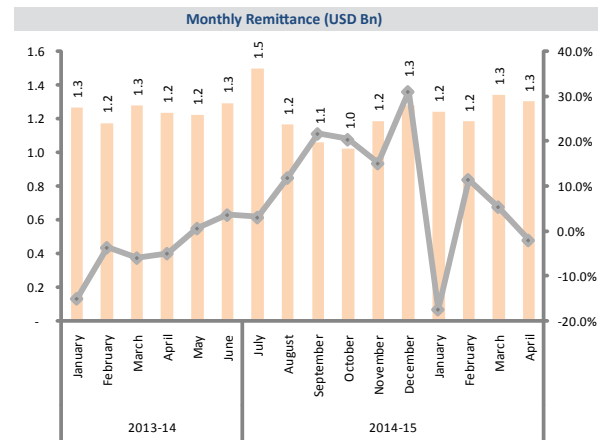
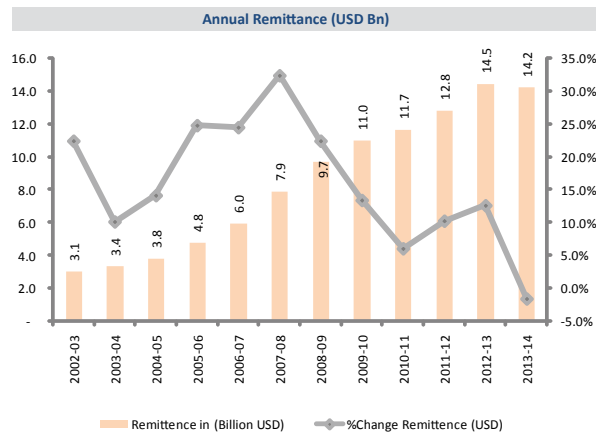


Source: Bangladesh Bank and IL Capital Research

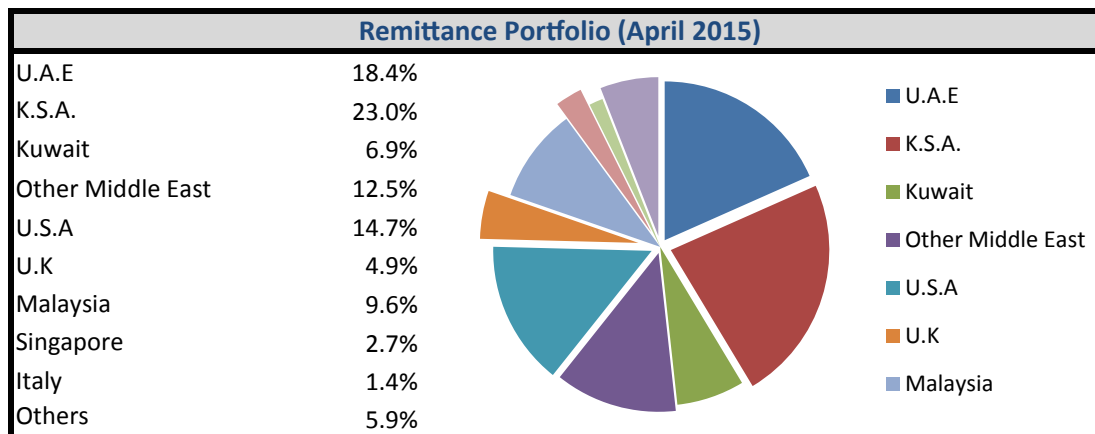
International Trade (Continued):



Remittance:

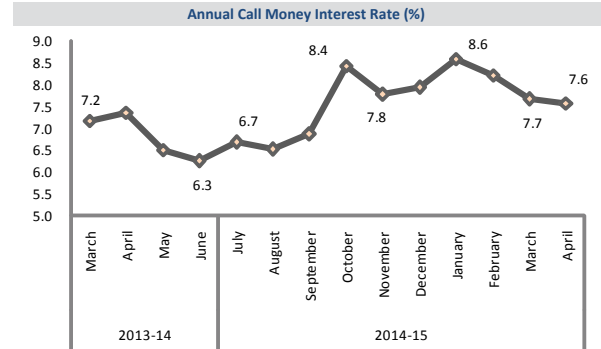
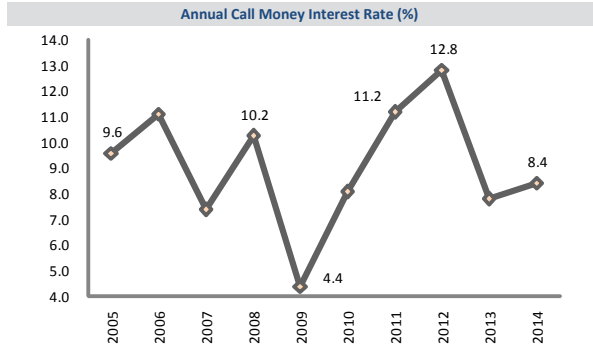


Remittances for the country were estimated at USD 1.32bn in May FY2015, a rise by USD 21.40mn from the previous month. During April FY2015, the remittances balance stood at USD 1.30bn and USD 1.21bn in May FY2014. With the month of Eid-ul Fitr coming ahead, the upward trend in the collection of remittance is expected to continue. The central bank have already taken series of measures to support the expatriates to send money home from abroad through the formal banking channels. The private commercial banks are focused in attaining further aptitude on easing the channels to smoothly draw more flow of inward remittances from abroad.

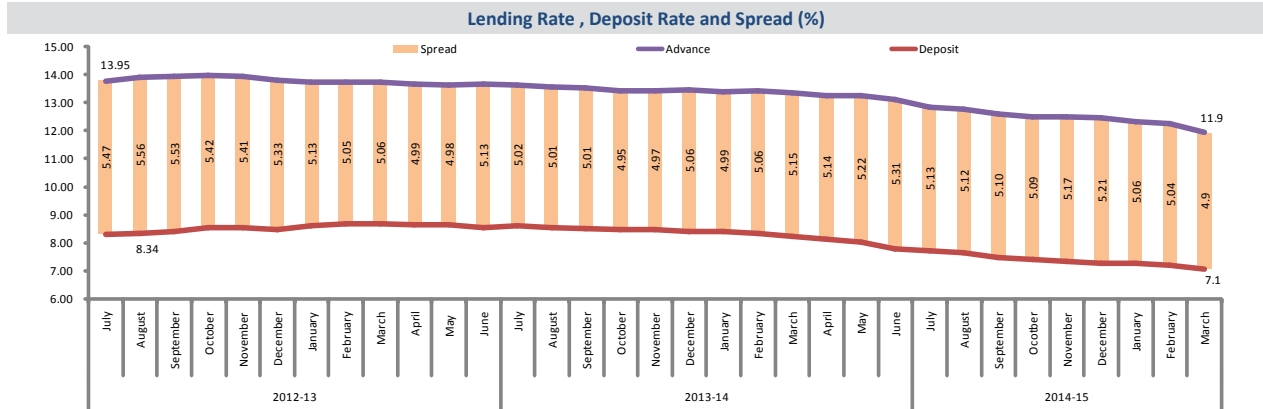


Source: Bangladesh Bank and IL Capital Research

Interest Rate (Continued):



The monthly call money rate for April FY2015 stood at 7.57%, which was 7.66% in the previous month, and 7.35% in April FY2014. The fall in the call money rate is assumed to be related with lower demand for short-term borrowing in the market. The Treasury bill investment of BDT 7,650 crore matured in May FY2015, against which bills of BDT 1,650 crore have been issued. The banks are reluctant to borrow money from Bangladesh Bank as the repo rate is higher than the call money rate that ranged between 5% and 6% in the last two months against the repo rate of 7.25%.



Source: Bangladesh Bank and IL Capital Research



- We offer:**
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 - Underwriting
 - Private Equity
 - Capital Raising
 - Loan Syndication
 - Merger and Acquisition
 - Bonds and Convertibles
 - Margin Lending
 - Non-Discretionary Investment Management
 - Discretionary Investment Management

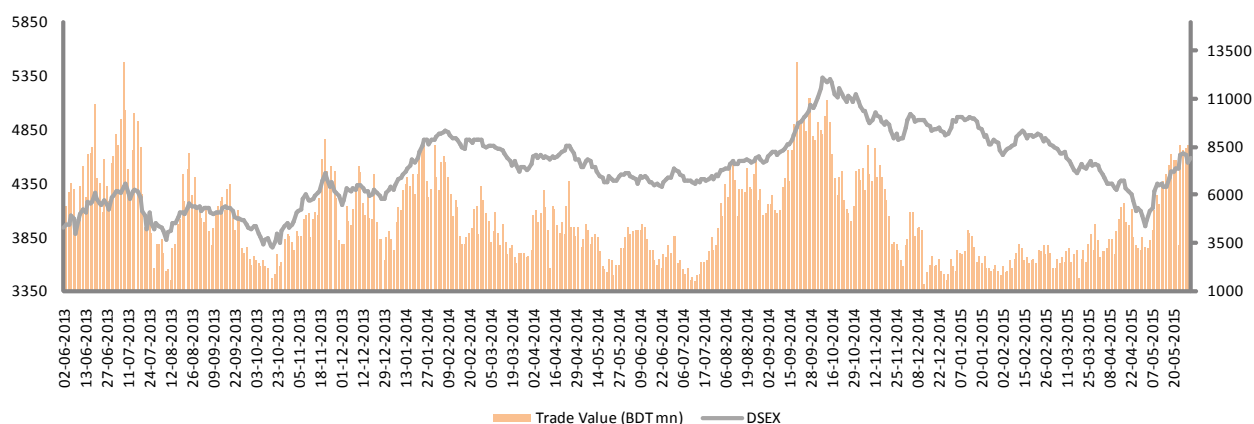
For further information

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MARKET UPDATE:

- The benchmark index of Dhaka Stock Exchange (DSEX) was up by 13.3% in May 2015 and 5.7% down Year-to-Date.
- During the month of May 2015, Market (DSEX) witnessed bullish trend mainly driven by the up-trend in share prices of Travel & Leisure, Ceramics, Real Estate & Services, ITs and Engineering.
- The major sectors that gained during the month of May 2015 were Travel & Leisure (44.3%), Ceramics (38.6%) and Real Estates (32.4%).
- On the other hand, the only sector that set backed was Foods (-5.0%) in May 2015.
- Among the companies traded in the Dhaka Stock Exchange (DSE), Rahima Food (102.6%), Far Chemical Industries (84.3%) and AFC Agro Biotech (67.7%) were the top gainers in May 2015.
- On the contrary, the major loser companies in May 2015 were International Leasing & Financial Services (-14.4%), Monno Jute Staffers (-11.6%) and Modern Dyeing & Screen Printing (-10.1%).
- During the month of May 2015 the average daily turnover in the public market of Dhaka Stock Exchange was up by 55.2% to BDT 6.19 bn from BDT 3.99 bn in April 2015.
- Average daily turnover of Ceramic sector increased by 585.3% followed by General Insurance (197.9%), Miscellaneous (145.7%), Mutual Fund (120.9%) and Telecommunication (107.9%) in May 2015 than that of April 2015.
- However, in Dhaka Stock Exchange the average daily turnover of Jute sector declined by 6.2% in May 2015.
- There are sectors that have outperformed DSEX Year-To-Date namely Pharma by 12.4%, Foods by 10.5% and Information & Technology by 9.6% as of May 31st 2015.
- On the other hand, NBFIs, Insurance and Textiles have underperformed DSEX Year-To-Date as of May 31st 2015 by 14.2%, 13.4% and 9.7% respectively.
- Market capitalization of DSE increased by 10.1% to BDT 2.66 trillion (USD 34.19 billion) as of May 31st 2015 from BDT 2.41 trillion (USD 31.04 billion) in April 30th 2015.
- Two securities were listed in DSE in April 2015, which are: Bangladesh Steel Re-Rolling Mills and United Power Generation & Distribution Company and their returns for the month of May 2015 were 38.1% and 14.2% respectively.

DSEX and Turnover movement in DSE



Sources: DSE and IL Capital Research

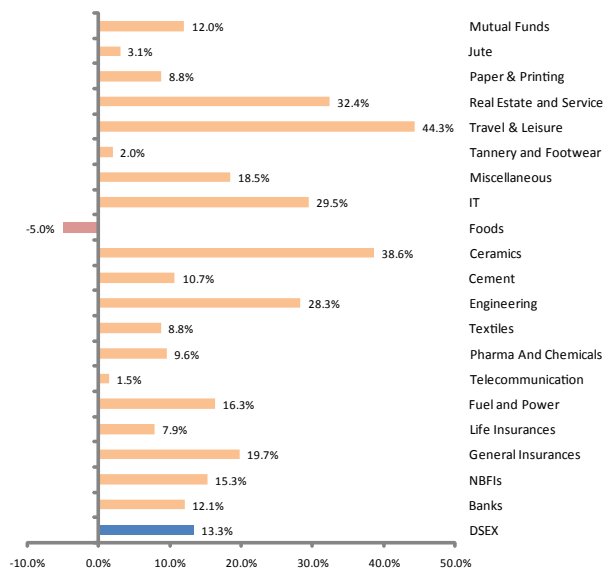
Market Capitalization of DSE

Instruments	31-May-15			30-Apr-15			Change (%)
	BDT mn	USD mn	Weight (%)	BDT mn	USD mn	Weight (%)	
Equity	2,630,234.2	33,829.4	99.0%	2,388,978.4	30,726.4	99.0%	10.1%
Mutual Fund	27,683.9	356.1	1.0%	24,712.0	317.8	1.0%	12.0%
Total	2,657,918.0	34,185.4	100.0%	2,413,690.5	31,044.3	100.0%	10.1%

Note: Exchange Rate USD 1 : BDT 77.75

Source: DSE and IL Capital Research

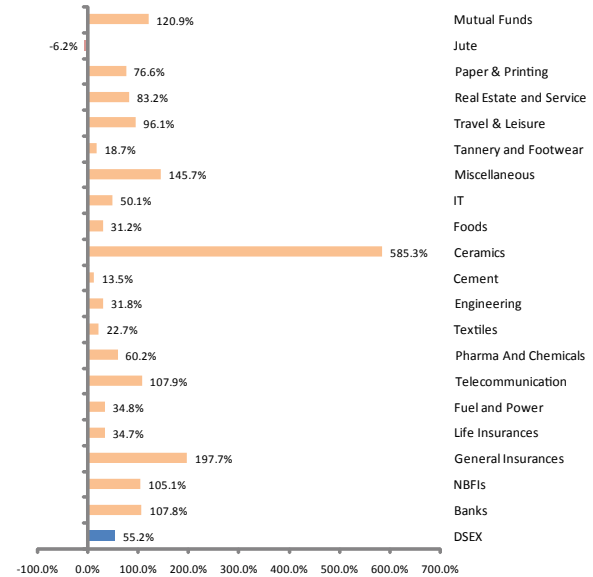
DSEX and Sectors Movement in DSE (Monthly)



Note: Sector movement considers changes in Market Capitalization of the sectors

Source: DSE and IL Capital Research

Average Turnover Movement in DSE (Monthly)



Note: Average Turnover excludes Block and Oddlot Market transaction

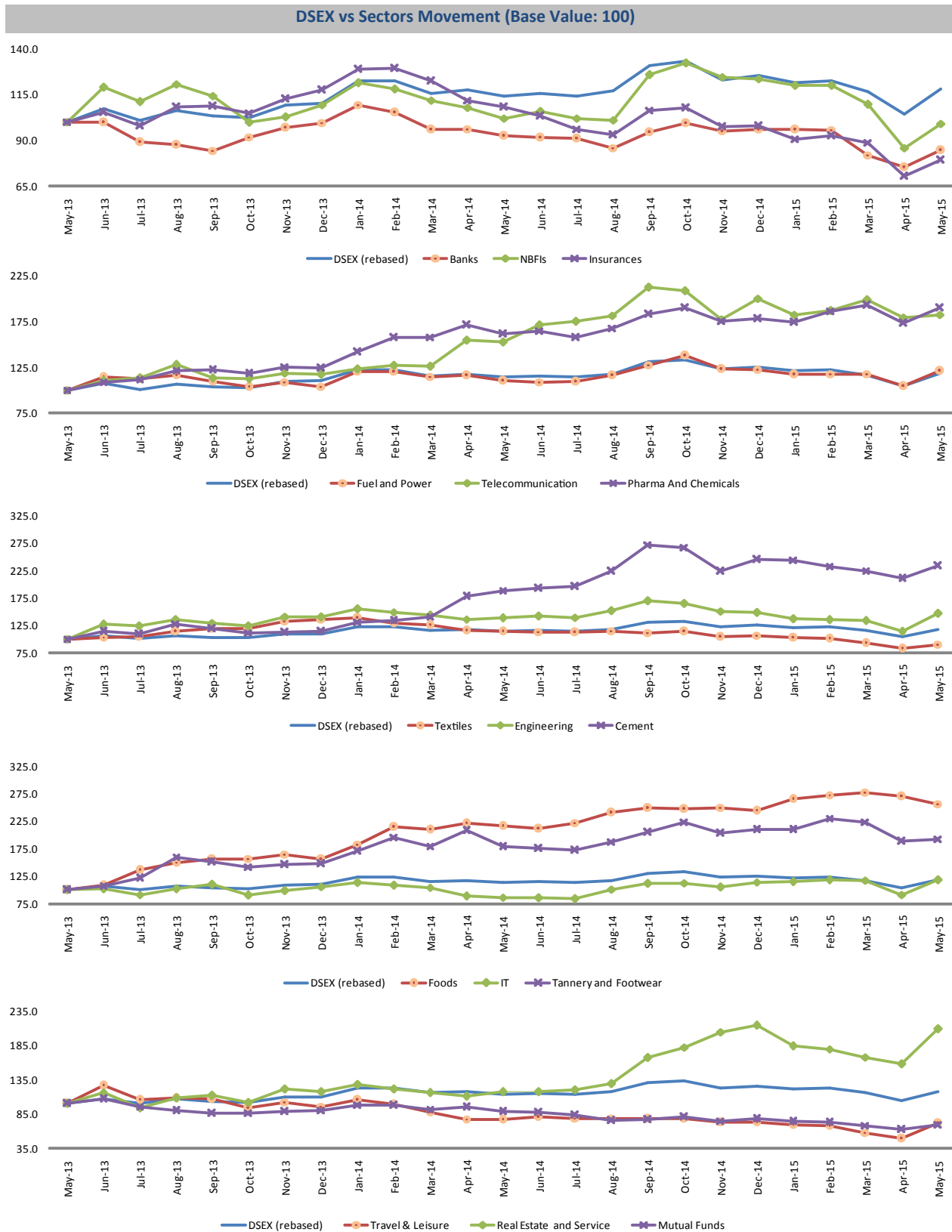
Top Gainers This Month

1 RAHIMAFOD	102.6%
2 FARCHEM	84.3%
3 AFCAGRO	67.7%
4 BEXIMCO	58.1%
5 SPPCL	56.6%
6 APOLOISPAT	56.3%
7 NORTHNRINS	54.1%
8 INTECH	53.5%
9 ACIFORMULA	51.2%
10 UNIQUEHRL	49.5%

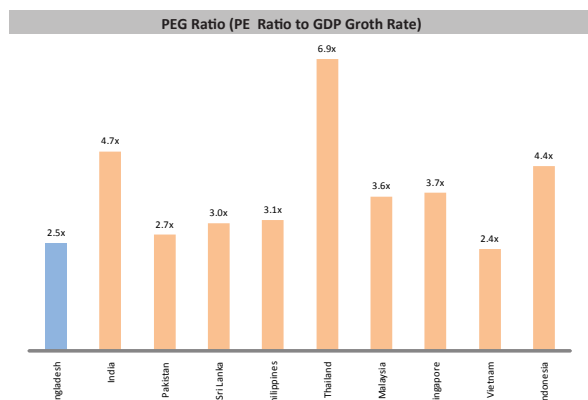
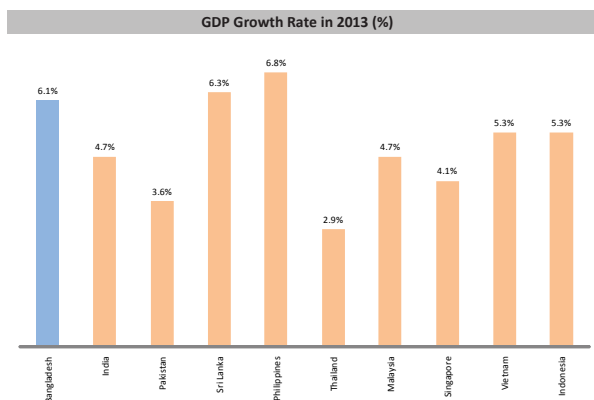
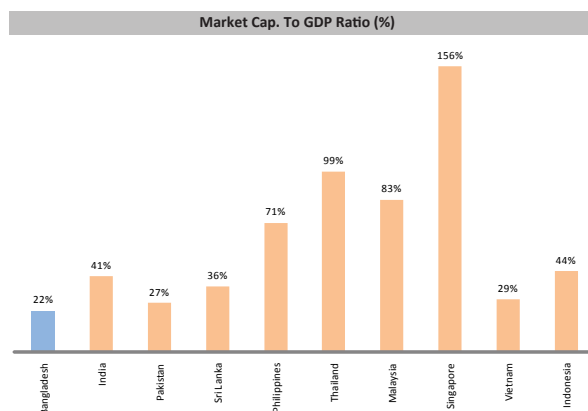
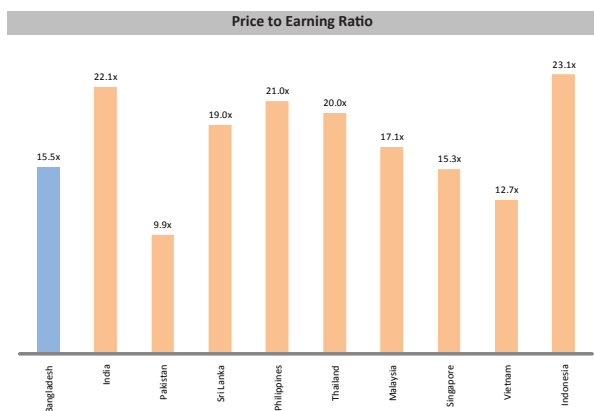
Top Losers This Month

1 ILFSL	-14.4%
2 MONNOSTAF	-11.6%
3 MODERNNDYE	-10.2%
4 EXIM1STMF	-10.0%
5 TUNGHAI	-9.4%
6 APEXFOOT	-8.2%
7 BATBC	-8.1%
8 MERCANBANK	-7.1%
9 NTC	-7.0%
10 PUBALIBANK	-7.0%

Source: DSE and IL Capital Research



Note: The sector Indices are market capitalization weighted indices. Should you require any further clarification over index calculation methodology, please don't hesitate to contact IL Capital Research Team.



PEG ratio = PE ratio of the major stock exchange of the country /GDP Growth of the country in 2013. We assume that listed companies' aggregate earnings growth is reflected in GDP growth rate of the country.

Sources: www.bloomberg.com, www.imf.org, wikipedia.com, DSE and IL Capital Research

- As on May 31st 2015, Bangladesh (Dhaka Stock Exchange) is trading at 15.5x PE, which is lower than that of Philippine (21.0x), India (22.1x) and Indonesia (23.1x). However, Bangladesh (DSE) is trading higher than that of Pakistan (9.9x) and Vietnam (12.7x).
- The PEG (Price Earning Growth) Ratio of Bangladesh as on May 2015 is 2.5x which is lower than that of Singapore (3.7x), Malaysia (3.6x), Indonesia (4.4x) and India (4.7x). However, it is higher than that of Srilanka (3.0x) and Vietnam (2.4x).

Regional Market Comparables							
Country	Index Symbol	Index Point	52-Week Low	52-Week High	PE Ratio	PEG Ratio	M. Cap (USD bn)
Bangladesh	DSEX	4,587	3.96K	5.37K	15.5x	2.5x	34.2
India	SENSEX	27,828	24.16K	30.02K	22.1x	4.7x	724.7
Pakistan	KSE100	33,056	27.35K	35.08K	9.9x	2.7x	63.0
Sri Lanka	CSEALL	7,220	6.26K	7.67K	19.0x	3.0x	23.3
Philippines	PCOMP	7,580	6.64K	8.14K	21.0x	3.1x	192.5
Thailand	SET	1,495	1.38K	1.62K	20.0x	6.9x	420.3
Malaysia	FBMKLIC	1,747	1.67K	1.90K	17.1x	3.6x	282.8
Singapore	FSSTI	3,392	3.15K	3.55K	15.3x	3.7x	422.6
Vietnam	VNINDEX	569	0.51K	0.64K	12.7x	2.4x	48.5
Indonesia	JCI	5,216	4.84K	5.52K	23.1x	4.4x	381.3

Sources: www.bloomberg.com, www.imf.org, wikipedia.com, DSE and IL Capital Research

We Dig Through The Bottom...



ILSL Research

Dedicated and Qualified Research Team

Uphold Professional and Ethical Manner

Ensure Loyalty and Fair Dealing to Clients

Conduct Investors' Awareness Program on Regular Basis

Exercise Diligence, Independence and Thoroughness in Analysis

MUTUAL FUND: AN OVERLOOKED INSTRUMENT

In the Country's capital market there are several instruments like, shares, debentures, corporate bond, Mutual Funds etc. are traded. Different instruments portray unique features and satisfy distinctive need of the investors. Among these instruments, common stock seized the primary attention of the investors. Nevertheless, mutual fund also plays dynamic role in our capital market. Therefore, in this issue we are conducting in depth coverage regarding this instrument.

What is a Mutual Fund?

Mutual Fund is an instrument, formed under respective security law of the land, by which many investors can pool their funds to invest in securities like stocks, bonds, money market instruments and similar assets. Basically it is designed to manage assets for a group of investors collectively.

Bangladesh Securities and Exchange Commission (Mutual Fund) Rules 2001, described Mutual fund as a trust with an objective to invest collected fund in money market instruments by selling unit to the public under one and more than one schemes.

U.S. Securities and Exchange Commission, describes mutual fund as a company that pools money from many investors and invests that money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these instruments. The combined holdings the mutual fund owns are known as its portfolio. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate.

Types of Mutual Fund

Mutual funds can be formed in countless ways. However, depending on the structure mutual fund can be two types.

Open End Fund: In this type of mutual fund there is no restriction on the amount of unit that the fund can issue. Most open-end funds also sell shares to the public every day. At the same time, it must be willing to buy back its shares from the investors at the end of every business day at the Net Asset Value (NAV).

Close End Fund: Quite the opposite of open end fund this instrument does not continuously offer its shares for sale but instead sells a fixed number of shares at one time through an initial public offering (IPO). Typically it is listed and traded like a stock on stock exchange.

Another way to classify mutual fund is by its investment objective. According to this criterion, mutual fund can usually be classified as –

Money Market Fund: A money market fund's portfolio is comprised of short-term (less than one year) securities representing high-quality, liquid debt and monetary instruments. Investors can purchase shares of money market funds through mutual funds, brokerage firms and banks.

Investors often use money market funds as a substitute for bank savings accounts. Generally money market funds pay dividends that reflect short-term interest rates and historically the returns for money market funds have been lower than for either fixed income fund or stock funds.

Bond Fund: Bond funds invest in fixed income or debt securities. It can diverge on the specific types on bonds like, high yield bond, corporate bond and municipal bond etc. Bond fund can also be formed on the basis of maturity i.e., short term, intermediate term and long term. Since the return on the bond fund higher than that of money market fund so is the associate risk.

There are some risks involved in Bond Fund. These risks are –

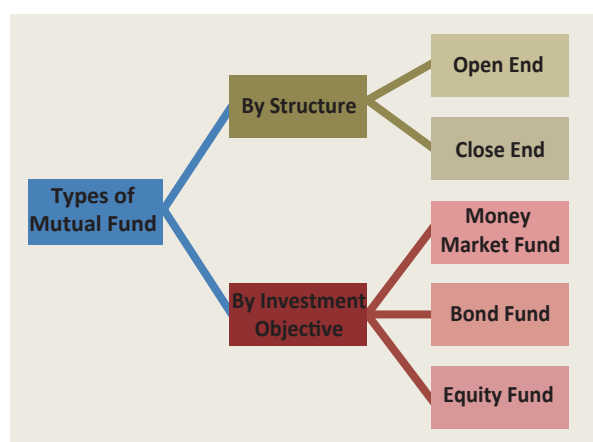
- **Credit Risk:** the possibility that issuer of the bond may fail to pay its debt obligation.
- **Interest Rate Risk:** the risk that the interest rates go up and market value of the bonds will go down.
- **Prepayment Risk:** it is the risk that the bond will pay off early and initiate reinvestment risk.

Equity Fund: This type of mutual fund invests in common stocks. The investment objective of this class of fund is long-term capital growth along with dividend income.

Numerous types of equity fund can be formed. Some of these are mentioned below –

- **Growth Fund:** Primarily focused on large capital gain
- **Income Fund:** Concentrate on regular dividend paying stock
- **Index Fund:** Aim to achieve the same return as a particular market index
- **Sector Fund:** Specially dedicated on some particular industry segment

At a glance we can illustrate broad classification of mutual fund as follows –



Source: ILSL Research

Besides these general classifications, several other specific form of mutual fund can be designed.

Related Parties

Various concerns are involved in the formation of a mutual fund. These parities are briefly described below –

Sponsors: A fund sponsor generally is a financial intermediary which underwrites or organizes a mutual fund as a corporation.

Trustee: It is a person or a firm that holds or administers property or assets for the benefit of a third party. Trustee acts as a protector of unit-holders’ interests.

Custodian: A trust company, bank or similar financial institution responsible for holding and safeguarding the securities owned within a mutual fund. Custodian holds the fund’s assets and maintains securely the asset to protect unit-holder’s interest.

Asset Management Company: An Asset Management Company (AMC) is a firm that invests the pooled funds

of retail investors in securities in line with the stated investment objectives.

Benefits of Mutual Fund

Mutual fund offer several benefits in comparison with common stock. That is why mutual fund is more suitable form of investment for inexperienced investors. Some of the benefits of mutual fund are pointed out below –

- Mutual Fund offers diversified investment opportunity; hence the investors will achieve diversification benefit with less effort by one self.
- Investing in Mutual Fund is more convenient for inexperienced investors since having in-depth knowledge about all the investment opportunity in the capital market is quiet difficult and very time consuming.
- The investors can proportionately participate in the various common stocks, without directly taking position on those individual stocks, at significantly lower cost.
- In general, Mutual Fund provides more liquidity. Open end funds can be liquidated on every business day at Net Asset Value. On the other hand, Closed end funds are traded at secondary market.
- The Mutual Funds are managed by professional folks. Therefore, the investors can utilize their skill at nominal price.
- Net Asset Value is the basic parameter for valuing a mutual fund. So the investors can easily find out undervalued or overvalued fund while valuation of common stock needs detailed analysis.
- Cash dividend is another consideration for investing in mutual fund.

Presence of Mutual Fund in Bangladesh

The mutual funds were first introduced by the state-owned investment agency Investment Corporation of Bangladesh (ICB) in 1980. It launched some 8 close-end and one unit fund till 2002. ICB formed ICB Asset Management Company, which was assigned with the responsibility to launch mutual funds under the BSEC (Bangladesh Securities and Exchange Commission) rules. This company has launched 3 close-end and 2 open-end mutual funds since 2003. Meanwhile, another state-owned lending agency, Bangladesh Shilpa Rin Sangstha (BSRS) launched its private mutual fund in 1997.

The first fund, AIMS First Guaranteed Mutual Fund, with a size of BDT 70 million carries a feature of capital guarantee. After the initial tenure of 5 years, the Fund for the first time in the country's capital market history, has its size doubled to BDT 140 million and tenor enhanced by another 10 years with a reduced capital guarantee through an agreed resolution by its unit holders.

An overview on the Open End Fund and Closed end Fund operating in Bangladesh is given below –

Open End Mutual Fund

An open end mutual fund is one that is available for subscription and repurchase on a continuous basis. These funds do not have a fixed maturity period. Investors can conveniently buy and sell units at Net Asset Value (NAV) related prices. As it is an open end fund, units will be traded at close to NAV rather than the supply and demand-based pricing of close-end funds. Diversified portfolio will help the investor in lowering their investment risk. Currently, there are 9 open-end mutual funds in the Country.

Generally, the objectives of the open end mutual funds are to achieve long term capital appreciation and to provide regular dividend to the unit holders by investing in the capital market. Some of the funds are also investing in the money market e.g., ICB AMCL Converted First Unit Fund, Sandhani Life Insurance Mutual Funds, Rupali life insurance mutual fund and Prime Financial First Unit Fund. However, the objectives of ICB AMCL Pension Holders' Unit Fund are to provide regular income and capital appreciation in the long run to the retired people. On the other hand, the main objective of the Bangladesh Fund is to help stabilize the capital market, provide liquidity in the market and declare attractive dividend to the unit holders.

There are 9 open-end mutual funds managed by the 5 Asset Management Companies namely Alliance Capital Asset Management Company Limited (ACAML), ICB Asset Management Company Limited (ICB AMCL), Prime Finance Asset Management Company (PAMC) Limited, Alif Asset Management Company Limited (ALIF AMCL) and Capital & Asset Portfolio Management (CAPM) Company Limited.

Close End Mutual Fund

As the Bangladesh Capital Market continues to develop and reach new heights, the mutual funds industry offers significant growth potential. At present, there are 41 Close End Mutual Funds listed with the exchanges under 7 Asset Management Companies, represent a very small percentage of the total domestic market capitalization. Hence, there exists the greater scope for market growth in the mutual fund sector.

In the next segment of this monthly issue some fundamental information is provided on the open end and the closed end funds for the month of May 2015.

Salient Features of Securities and Exchange Commission (Mutual Fund) Rules, 2001 and its following Amendments

Constitution of the Fund: The Mutual Funds have to be registered with the BSEC under the Securities and Exchange Commission (Mutual Fund) Rules, 2001.

Tenure: Generally, the life of the Fund for a close-end mutual fund of 10 (Ten) years tenure in case of listed with the stock exchanges.

Minimum fund size: The minimum collected fund for a close-end fund would be BDT 500 million and for the open-end fund it would be BDT 100 million.

Private Placement: The sponsors of the fund, if they want, might collect fund from the general public and/or institutional investors through private placement before Initial Public Offering (IPO).

Public Offerings: At least 25% of the Fund should be collected through the IPO.

IPO Quota: 10% of the total public offerings shall be reserved for mutual funds.

Lock-in Period: Institutional investors of pre-IPO placement holders for close-end fund will be in six months lock-in period from the date of listing of the Fund with the exchanges. In case of open-ended fund, the lock-in period of the Fund would be in six months period from the date of formation of the Fund.

Investment Policies of the Fund:

- The Fund shall invest subject to the Rules and only in the securities listed with the exchanges, deposits and investments approve by the Bangladesh Securities and Exchanges Commission. The Fund may invest in IPO of Debt or equity or Pre-IPO private placements with recommendation of the commission.
- Not less than 60% of the total assets of the Fund shall be invested in capital market instruments out of which at least 50% shall be invested in listed securities.

Investment Restrictions of the Fund: The Fund shall not involve itself in option trading or short selling or carry forward transaction.

Dividend for General Fund: The Fund shall after the closing of the accounts may declare dividends an amount in accordance with the prospectus or offer document in the form of cash dividend or re-investment units or both which will not be less than the 70% of its annual net profit.

Dividend for Growth Fund: The nature and prospect of those growth investment schemes which was fully informed to the investors initially, in those Funds the dividends would not be less than 50% of its total profit.

Dividend Disbursement: The dividend warrants will be distributed to the unit holders within the forty five days from the date of dividend declaration and a report shall be submitted to BSEC, Trustee and Custodian within 7 days regarding dividend distribution.

Financial Disclosures: A mutual fund shall before the expiry of forty five days from the close of each accounting year publish the scheme wise yearly report or its summary by way of advertisement.

Portfolio Disclosure: The Fund has to submit a report on the composition of portfolio to the Commission for investing in other than capital market on three month basis.

Winding Up Policies of the Fund:

Open-end Fund: If the total number of outstanding unit certificates held by the unit holders after repurchase at any point of time falls below 25% of the actual certificate issued, the Fund will be subject to wound up. The Scheme may also be wound up if the Commission so directs in the interest of the unitholders.

Close-end Fund: Close-end mutual fund might be wound up by two ways: Winding up after expiry of the tenure of the fund and conversion to open-end fund.

Winding up after expiry of the tenure

- The Fund shall wind up on expiry of the tenure of the Fund from the date of first listing. However, unit holders at a special meeting may decide to extend the life of the Fund for a maximum period of ten years (initial tenure of the Fund) with 3/4th (three-fourth) majority votes of the unit holders.
- The Fund will wind up if 75% of the unit holders vote in favor of winding up the Fund.
- The Commission has the right to wind up the Fund in the interests of the unit holders.

Conversion of Close-end Mutual Fund

If the 3/4th (three-fourth) majority votes of the unit holders in its special meeting propose for the conversion of the close-end mutual fund to open-end fund, subject to the approval of the Commission, the close-end fund might convert into the open-end mutual fund.

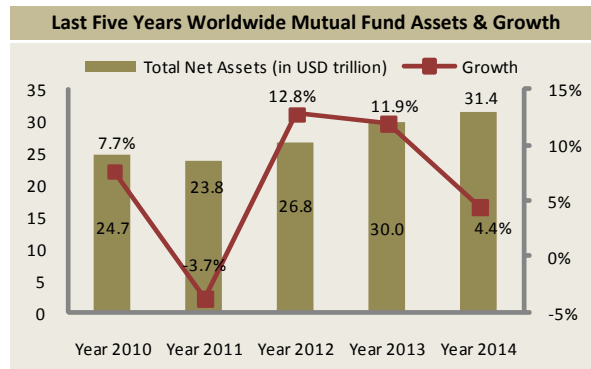
The Asset Management Company of the Fund will determine the selling and repurchase price of the unit. In determining the selling and repurchase price, the Fund will ensure that the difference between the two prices would not be more than 5% of the selling price.

The Asset Manager shall determine the per unit surrender value on the basis of NAV per unit that would be within the range of $\pm 15\%$ of NAV per unit.

Worldwide Presence of Mutual Fund

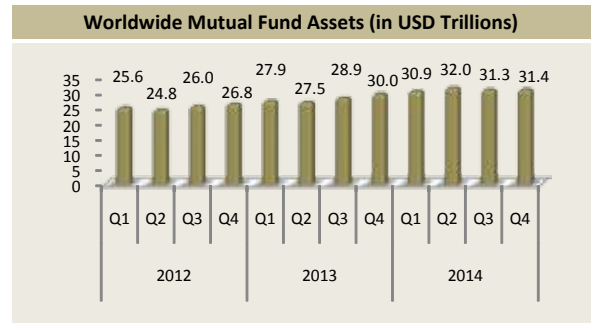
Mutual fund is a major investment instrument around the world. The International Investment Fund Association, a renowned organization in the investment industry, compiles statistics on mutual fund from different countries. In general countries from major economic regions are included here. In its 2014 fourth quarter report the contained number of country was 46. However, reporting countries' assets represent around 95% of assets of all the countries at the end of 2014. They regularly publish quarterly reports illustrating an overall view on the worldwide Mutual Fund industry.

Total Net Assets of Mutual Fund industry has enjoyed growth over the period. Last 5 Year CAGR (Compound Annual Growth Rate) of total net assets of Mutual Fund industry was 6.5%. The net assets size and their respective growth during this period is presented here–



Source: International Investment Fund Association

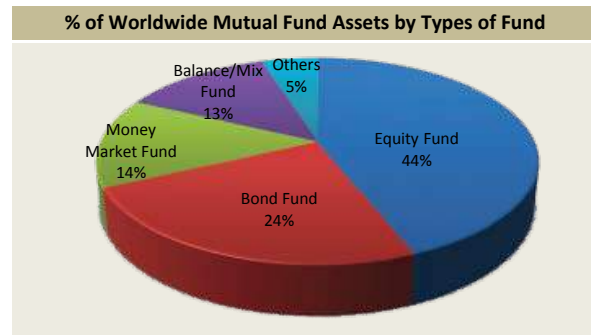
According to 4th Quarter Report of 2014 of the International Investment Fund Association, at the end of December 2014, the total asset size of worldwide mutual fund was USD 31.38 trillion which is 4.43% higher than that of December 2013. Quarterly comparison of the assets size for the last three years is depicted here –



Source: International Investment Fund Association

In 2014, net asset of mutual fund increased by 3.76%, while growth in Q2 to Q3 and Q3 to Q4 was -2.22% and 0.22% respectively.

These large amounts of money are invested in several types of mutual fund namely Equity Fund, Bond Fund, Money Market Fund, Balanced/Mixed Fund and Other Fund. As on December 2014 proportionate investment into these type of funds are illustrated here –



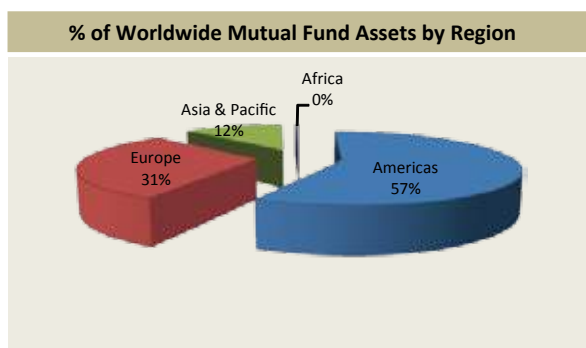
Source: International Investment Fund Association

On December 2014, worldwide net cash flow to the mutual fund industry was USD 364 billion. These fund flow were allocated as follows –

Particulars	Amount
Equity Fund	55.0
Bond Fund	79.0
Money Market Fund	144.0
Balanced/Mixed Fund	65.0
Others	21.0
Total	364.0

Source: International Investment Fund Association

Sorting the world’s mutual fund asset by region, it is revealed that more than 50% of the assets are in the Americas. Asset allocation of mutual fund by region is displayed below –



Source: International Investment Fund Association

Naturally, developed markets in the Americas and Europe have larger share on the mutual fund assets. Individual country wise, the United States alone has 50.5% of total net assets followed by Luxemburg (10.2%) and Australia (5.10%). Meanwhile, China, India and have Pakistan have 2.26%, 0.43% and 0.01% of total net assets respectively.

Number of funds also showed increasing trend over the time. In 2009 total number of funds, in the reporting country to the International Investment Fund Association, was 67,533 nos. while in 2014 it increased to 79,669 nos. – a 17.97% growth. As on December 2014 number of fund status was as follows–

No. of Mutual Funds around the World*	
Particulars	No. of Funds
The Americas	22,962
Europe	35,163
Asia and Pacific	20,373
Africa	1,171
Total	79,669

* 46 Countries
Source: International Investment Fund Association

Present Scenario of Mutual Fund in Bangladesh

Mutual Fund is not a popular investment instrument in Bangladesh. Actually, the concept of mutual fund is not very clear to the general investors. Usually, they mixed up this investment instrument with common shares. That is why the mutual fund industry of the Country suffers such setback despite having a growing capital market.

In Bangladesh, Mutual funds are significantly underpriced compared to their Net Asset Value (NAV). As on 28 May 2015, out of 41 mutual funds 39 were traded below their respective NAV.

The Close Price/NAV per unit ratio was as low as 38.2% (MBL1STMF). The Close Price/NAV per unit ratio of 15 Mutual Funds was below 50%.

Although the situation seems attractive for investment opportunity; however, there are some setbacks which push this sector backward. The applicable law is not properly enforced in various conditions.

Uncertainty regarding winding up or Conversion

Decision regarding extending the time period of close end mutual fund is still pending. The redemption date of 1STICB mutual fund was 31 March 2015. However, the fund continues its operation till date. The redemption date of AIMS1STMF (AIMS), GRAMEEN1 (AIMS) and 2NDICB (ICB) are 30 June 2015. The regulatory body – Bangladesh Securities and Exchange Commission (BSEC), did not provide any decision yet regarding this matter.

Lack of Liquidity

In the last one year average daily turnover of mutual fund was BDT 54 million while the same of DSE was BDT 4,603 million. The investors’ lack of interest squeezes the sector’s liquidity.

Lack of Subscriber Interest

The Investors’ showed their disinclination to newly issued mutual fund. Recently announced (March ’15) ATCSLGF mutual fund is traded below its Par from first day of trading. As on 28 May 2015, the close price of the said fund was BDT 7.1 while is NAV per unit (Market price) was BDT 11.89.

Performance of Asset Managers

Though mutual funds are managed by professional portfolio managers, yet their performance was not up to the mark. When the market was bullish, mutual fund failed to seize the opportunity as reflected respective Net Asset Value.

Disclosure of Portfolio

In Bangladesh it is not mandatory for mutual funds to disclose its portfolio to investors. However, investors can get the information from BSEC by paying specific amount of fees.

Proper addressing of these issues might help to build the confidence level of the investors on mutual fund. For this purpose, initiatives should be taken by the concerned parties.

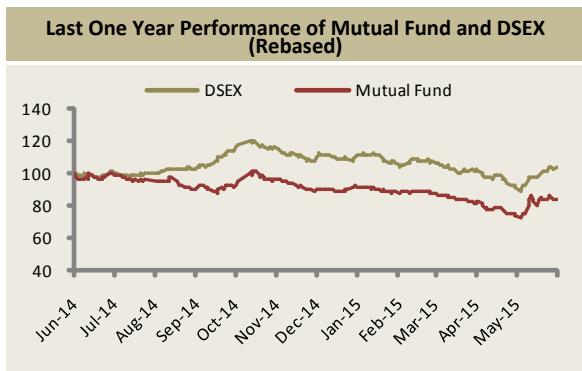
Capital Market Performance

Currently there are 41 (forty one) close end mutual funds are traded the Country's prime bourse – DSE managed by 7 Asset Management Companies. Some basic facts regarding this sector of DSE is presented below –

Basic Information (as on 31-05-2015):	
No. of Close End Mutual Fund	41
No. of Asset Managers	7
Market Capitalization	BDT 27.62bn
As % of DSE's Total Market Cap.	1.0%
3 Months Average Turnover	BDT 30 mn
3 Months Return	-2.9%

Source: DSE Website & ILSL Research

In Bangladesh, investors are not that much interested in investing in mutual fund. That is why Mutual Fund is underperforming in the capital market. Last one year performance of the board index DSEX and Mutual Fund sector is illustrated below –



Source: DSE Website & ILSL Research

As it can be observed in the last one year mutual underperformed the broad index – DSEX, continuously. Market price of mutual fund did not imitate its NAV as the investors are not that much interested in investing in mutual fund.

Some issues to keep in mind before taking any investment decision

- Mutual Funds do not provide any guarantee for positive return. It is also not guaranteed or insured by any Government agency – even if anyone buys it through a bank and the fund carries the bank's name. Anyone can lose money investing in mutual fund.
- It is not necessary that recent year's high growth performance of the fund may repeat in the upcoming years. However, past performance can be considered as a measure of the fund's volatility over the period.
- Not all mutual funds are suitable for every investor. Mutual fund can differ by investment objective, sector concentration, maturity period etc. Investors should select appropriate fund according to their financial need.
- Fee structure is different for different mutual funds. Therefore, do compare fees before making investment to any particular mutual fund.

Mutual Fund is an overlooked instrument in Bangladesh. Despite having abundant scope to flourish, this instrument fails to attract the investors due to its weak regulatory framework as well as investors' absence of understanding about the instrument. All the concerned parties should pay more effort to stimulate the demand of mutual fund for the sake of general investors. With proper the guidelines and endorsement by the regulator and other stakeholders, mutual fund can play significant role in the Country's capital market.

Reference:

- 1) Bangladesh Security and Exchange Commission
- 2) Amendments and Directives of BSEC regarding Mutual Funds
- 3) U.S. Securities and Exchange Commission
- 4) Fourth Quarter report, International Investment Fund Association

Open End Mutual Fund: Fundamental Information

Open-end mutual funds are traded on the basis of NAV per unit determined by the Asset Managers. Over last 1 year, the broad based index of Dhaka Stock Exchange, DSEX, gained 3.53%. While, as stated in the following table, no mutual funds were able to earn positive return on its NAV over the last year. NAV per unit of MTB unit fund and ICB AMCL Converted First Unit Fund are currently at the below of their Face Value. The present scenario of the open-end mutual funds of the country is presented in the following table –

Latest information on the Open-end Mutual Funds, May 2015							
Name of Mutual Fund	Initial Fund Size (BDT mn)	Latest NAVPS (BDT)	Face Value (BDT)	Latest Selling Price (BDT/unit)	Latest Repurchase Price (BDT/unit)	Last 1 Year Performance of NAV	Fund Manager
CAPM Unit Fund*	100	104.8	100	104.5	101.5	n/a	CAPM
ICB AMCL Unit Fund	100	243.2	100	248	243	-7.8%	ICB AMCL
MTB Unit Fund	1,000	9.8	10	9.83	9.80	-14.0%	ACAML
Bangladesh Fund	50,000	101.0	100	104	101	-6.2%	ICB AMCL
ICB AMCL Converted First Unit Fund	500	9.8	10	10.1	9.8	-5.8%	ICB AMCL
ICB AMCL Pension Holders' Unit Fund	100	172.2	100	177	172	-20.9%	ICB AMCL
Prime Financial First Unit Fund	200	102.8	100	101	98	-2.2%	PAMC
Rupali Life Insurance First Mutual Fund*	500	10.5	10	10.3	10	n/a	PAMC
Sandhani Life Unit Fund	500	10.7	10	10.5	10.2	-3.3%	ALIF AMCL

Source: Website of respective Asset Managers

*CAPM Unit Fund & Rupali Life Insurance First Mutual Fund was formed in 2015

Close End Mutual Fund : Monthly Update

Performance of Mutual Funds

Mutual Fund Sector of DSE posted 12.58% gain over the month (30 April - 28 May, 2015), while the prime index of the bourse, DSEX, increased by 12.3%. Price of 39 Mutual Funds increased and 2 Mutual Funds decreased over the period. On the other hand, NAV @ Market Price of 40 Mutual Funds increased and 1 Mutual Fund decreased. Out of 41 Mutual Funds, 39 were traded below their respective NAV. MBL Mutual Fund had the lowest Price/NAV ratio (38.2%) whereas 1STPRIMFMF was traded at highest Price/NAV ratio (122.1%). Price of RELIANCE1 Mutual Fund increased by 35.8% against increase in NAV by 0.1%.

Name of Fund	NAV Per Unit @		Price 26 Feb, 2015	Close Price/ NAV per Unit	% Change in NAV	% Change in Price	52-Week Price Range	Avg Monthly Turnover (BDT mn)	Year of Redemption	Asset Manager
	Market Price	Cost Price								
AIMS1STMF	38.89	14.35	27.1	69.7%	↑ 7.5%	↑ 32.2%	20 - 45.5	5.31	30/Jun/15	AIMS
GRAMEEN1	31.13	12.36	23.0	73.9%	↑ 6.1%	↑ 32.9%	16.9 - 48.5	4.28	4/Sep/15	AIMS
GRAMEENS2	19.32	11.33	10.7	55.4%	↑ 5.3%	↑ 18.9%	8.7 - 17.9	5.08	2/Sep/23	AIMS
RELIANCE1	12.69	11.79	7.2	56.7%	↑ 7.1%	↑ 35.8%	5.6 - 9.6	0.91	7/Jul/21	AIMS
ATCSLGF	11.89	11.91	7.1	59.7%	↑ 1.9%	↑ 22.4%	5.7 - 9.6	1.13	30/Mar/25	AT CAPITAL
1STICB	1449.9	277.83	1063.8	73.4%	↓ -6.0%	↑ 5.8%	842.1 - 1184	0.01	31/Mar/15	ICB
2NDICB	296.59	117.66	279.9	94.4%	↑ 13.9%	↑ 7.5%	235.7 - 329	0.03	30/Jun/15	ICB
3RDICB	358.17	79.5	234.8	65.6%	↑ 9.6%	↑ 11.8%	188 - 254.9	0.05	30/Sep/15	ICB
4THICB	280.77	88.11	205.5	73.2%	↑ 11.7%	↑ 13.9%	185.9 - 235	0.06	31/Dec/15	ICB
5THICB	239.67	69.17	190.0	79.3%	↑ 9.9%	↑ 10.0%	140 - 205	0.09	31/Mar/16	ICB
6THICB	57.91	27.84	57.9	100.0%	↑ 12.4%	↑ 4.3%	49.8 - 72.4	0.23	30/Jun/16	ICB
7THICB	105.76	39.75	93.0	87.9%	↑ 13.5%	↑ 20.8%	75 - 105	0.10	30/Sep/16	ICB
8THICB	70.09	34.53	64.9	92.6%	↑ 14.2%	↑ 6.2%	53.2 - 75	0.05	31/Dec/16	ICB
1STPRIMFMF	9.91	15.93	12.1	122.1%	↑ 36.9%	↑ 22.2%	9.1 - 20.7	4.66	17/Mar/16	ICB AMCL
ICB1STNRB	23.91	34.29	19.7	82.4%	↑ 17.8%	↑ 16.6%	15.7 - 31.9	0.26	28/Mar/17	ICB AMCL
ICB2NDNRB	10.66	14.98	6.7	62.9%	↑ 16.8%	↑ 19.6%	5.7 - 11	0.73	27/Jul/18	ICB AMCL
ICB3RDNRB	7.42	11.4	4.1	55.3%	↑ 16.3%	↑ 5.1%	3.7 - 5.5	0.79	24/May/20	ICB AMCL
ICBAMCL2ND	8.37	13.19	4.6	55.0%	↑ 17.2%	↑ 17.9%	3.8 - 6.8	0.33	28/Oct/19	ICB AMCL
ICBEPMF1S1	8	11.86	4.5	56.3%	↑ 16.8%	↑ 15.4%	3.6 - 6.1	0.61	18/Jan/20	ICB AMCL
ICBSONALI1	9.66	11.2	6.1	63.1%	↑ 10.0%	↑ 24.5%	4.7 - 9.5	0.35	12/Jun/23	ICB AMCL
IFILISLMF1	9.38	11.5	5.9	62.9%	↑ 8.4%	↑ 15.7%	4.8 - 8	1.58	22/Nov/20	ICB AMCL
PF1STMF	7.7	11.58	4.4	57.1%	↑ 15.6%	↑ 10.0%	4 - 6.3	0.32	9/May/20	ICB AMCL
PRIME1ICBA	8.19	11.76	4.2	51.3%	↑ 15.2%	↑ 10.5%	3.7 - 6.1	0.38	2/Feb/20	ICB AMCL
AIBL1STIMF	10.03	10.94	4.0	39.9%	↑ 6.6%	↓ -4.8%	3.7 - 9	0.77	10/Jan/21	LR Global
DBH1STMF	9.72	10.92	4.1	42.2%	↑ 7.0%	↑ 10.8%	3.7 - 6.7	0.67	7/Feb/20	LR Global
GREENDELMF	9.97	10.67	3.9	39.1%	↑ 6.6%	↑ 5.4%	3.8 - 6.3	1.14	28/Sep/20	LR Global
LRGLOBMF1	10.09	11.01	4.0	39.6%	↑ 10.2%	↑ 33.3%	3.3 - 7	1.28	19/Sep/21	LR Global
MBL1STMF	9.94	10.97	3.8	38.2%	↑ 8.2%	↑ 11.8%	3.4 - 8.9	0.88	8/Feb/21	LR Global
NCCBLMF1	9.8	10.89	3.9	39.8%	↑ 10.2%	↑ 14.7%	3.3 - 7.5	2.65	24/May/22	LR Global
1JANATAMF	10.9	11.32	4.7	43.1%	↑ 6.7%	↑ 11.9%	4.1 - 7.2	0.94	20/Sep/20	RACE
ABB1STMF	12.06	11.03	5.6	46.4%	↑ 6.3%	↑ 12.0%	4.5 - 7.5	0.70	29/Jan/22	RACE
EBL1STMF	10.61	11.61	4.9	46.2%	↑ 16.2%	↑ 16.7%	4 - 7	0.95	19/Aug/19	RACE
EBLNRBMF	10.67	10.93	4.5	42.2%	↑ 11.1%	↑ 12.5%	4 - 7.5	0.09	23/May/21	RACE
EXIM1STMF	10.83	10.74	5.4	49.9%	↑ 5.5%	↓ -10.0%	5.1 - 9.3	0.01	16/Jul/23	RACE
FBFIF	11.06	10.74	6.2	56.1%	↑ 6.7%	↑ 5.1%	5.4 - 10	0.09	19/Mar/22	RACE
IFIC1STMF	11	11.23	4.8	43.6%	↑ 11.4%	↑ 20.0%	3.9 - 7.1	0.77	1/Apr/20	RACE
PHPMF1	10.43	11.56	4.4	42.2%	↑ 8.4%	↑ 10.0%	3.9 - 6.7	1.19	29/Nov/20	RACE
POPULAR1MF	11.13	11.62	4.5	40.4%	↑ 7.3%	↑ 9.8%	3.9 - 6.9	1.54	19/Oct/20	RACE
TRUSTB1MF	10.98	10.91	4.8	43.7%	↑ 11.0%	↑ 17.1%	4 - 7.9	3.35	27/Jan/20	RACE
NLI1STMF	12.7	12.69	8.4	66.1%	↑ 4.3%	↑ 3.7%	6.7 - 9.7	0.65	27/Feb/22	VIPB
SEBL1STMF	12.24	12.26	8.1	66.2%	↑ 5.5%	↑ 1.3%	6.6 - 9.4	0.87	23/May/21	VIPB

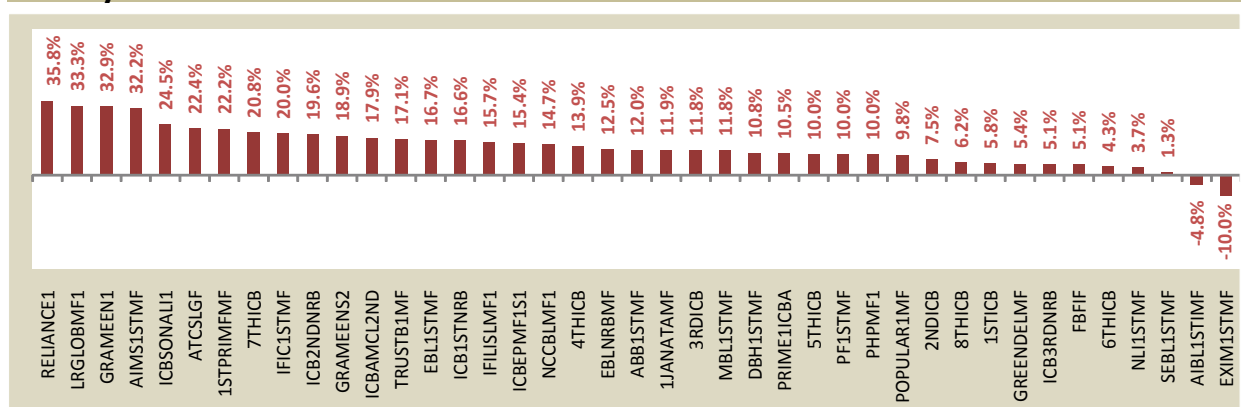
Source: DSE, ILSL Research

Close End Mutual Fund : Monthly Update

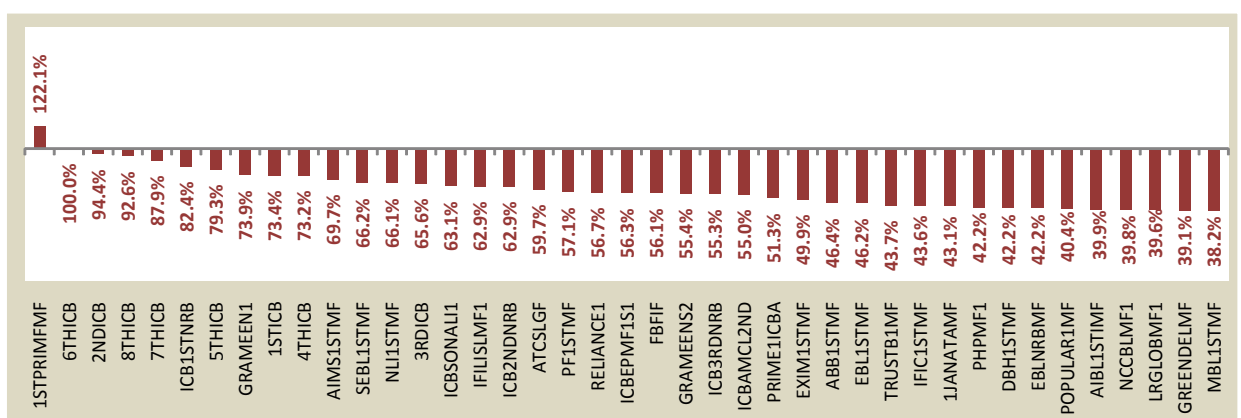
Monthly Top 10 Analysis

Highest Return	% Change in NAV	Lowest Return	% Change in NAV	Turover Leader	Avg Turnover (BDT mn)
1STPRIMFMF	36.9%	1STICB	-6.0%	AIMS1STMF	5.3
ICB1STNRB	17.8%	ATCSLGF	1.9%	GRAMEENS2	5.1
ICBAMCL2ND	17.2%	NLI1STMF	4.3%	1STPRIMFMF	4.7
ICBEPMF1S1	16.8%	GRAMEENS2	5.3%	GRAMEEN1	4.3
ICB2NDNRB	16.8%	EXIM1STMF	5.5%	TRUSTB1MF	3.4
ICB3RDNRB	16.3%	SEBL1STMF	5.5%	NCCBLMF1	2.7
EBL1STMF	16.2%	GRAMEEN1	6.1%	IFILISLMF1	1.6
PF1STMF	15.6%	ABB1STMF	6.3%	POPULAR1MF	1.5
PRIME1ICBA	15.2%	AIBL1STMF	6.6%	LRGLOBMF1	1.3
8THICB	14.2%	GREENDELMF	6.6%	PHPMF1	1.2

Monthly Price Return



Mutual Funds Trading at Premium/Discount



Performance of Asset Managers

Asset Manager	Assets Under Management (AUM) (BDT mn)	% of Total AUM	Monthly Return on Portfolio	NAV @ Market Price/ Cost Price	Paid-Up Capital (BDT in mn)
AIMS	7,273	13.8%	6.3%	1.91	3,140
AT CAPITAL	720	1.4%	1.9%	1.00	606
ICB	3,191	6.1%	5.1%	3.29	178
ICB AMCL	6,449	12.2%	14.3%	0.72	7,150
LR Global	8,861	16.8%	8.1%	0.91	8,896
RACE	24,378	46.2%	8.3%	0.99	22,181
VIPB	1,861	3.5%	5.1%	1.00	1,501

Source: DSE, ILSL Research



Addressing Your Financial Concerns

In today's competitive world, each of you is looking for growth opportunities. While some of you are considering expansion of your existing business, others are looking for expansion in a new field. Some may feel that working capital management is the priority while others need to focus on financial efficiency. Many have suffered from high interest burden in the past while others are looking for scope to minimize tax burden to safeguard a substantial profit. Few need hands-on assistance to explore business opportunities with major industry players while others require a strategic plan to make an acquisition successful.

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Please visit our website www.il-capital.com for further information.

Business Newsflash

Economy

Import payment growth dips in Jul-Mar amid dull business

New Age, May 04, 2015

The country's import payment growth slackened to 5.17% in the first nine months of the current financial year 2014-15 in contrast to a 14.12-% growth in the same period of the FY14 amid dull business caused by frequent political turbulences during the period. The settlement of letters of credit in the July-March period of the FY15 stood at USD28.78bn against USD27.37bn during the same period of the FY14. The country had maintained a robust growth in the import financing in the last two financial years but it nosedived this financial year due to political unrest and uncertainty. LC opening in the nine months of the FY15 posted a growth of 8.97% compared with that of a 11.29-% growth in the same period of the FY14.

Savings tools money influx forces govt to suspend T-bond auctions

New Age, May 05, 2015

The finance ministry on Monday asked Bangladesh Bank not to arrange any auction of treasury bond in May as the government account is now facing an excess fund of BDT 11,000 crore. The government's decision will put an adverse impact on the scheduled banks as they are now also facing excess liquidity amid slow credit demand from the businesspeople against the backdrop of dull business due to political unrest. The government is scheduled to take loans of BDT 2,100 crore from the banking sector in May by arranging five separate auctions. Banks have recently enjoyed one of their main income sources by investing their idle fund in T-bond and T-bills due to the lower loan disbursement to the private sector. The cut of yield (interest rate) on the T-bonds is now between 8.40 per cent and 11.97 per cent. Banks will be compelled to lower the rate of interest on deposit products further as their scope for investment will be narrowed due to the finance ministry's decision not to hold any auction for T-bonds this month.

Remittance inflow rises to USD12.55b in Jul-Apr

New Age, May 06, 2015

The country's inward remittance increased by 7.04% to USD12.55bn in the first 10 months of the current

financial year 2014-15 from USD11.75bn in the corresponding period of the FY14. The inward remittance has increased steadily in the first 10 months of the FY15 as the banks have recently dealt a number of drawing arrangements with foreign exchange houses due to some central bank initiatives. The BB also continued to purchase the dollar from the local banks to halt depreciating the exchange rate of the greenback against the local currency BDT which also encouraged the expatriate Bangladeshis to send remittance more. The inward remittance increased to USD1.29bn in April this year from USD1.23bn in the same month of 2014.

Interest rate spread comes below 5% after 13 months

Dhaka Tribune, May 06, 2015

The interest rate spread came down to 4.87% in March, below the desired level of 5%, thanks to the lending rate cut amidst excessive liquidity in the banking sector. The gap between the lending and deposit rates was 4.99% in January last year and since then it continued to hover above the desired level. The spread came down at the expected level in the last three months after it went up five month's high level to 5.21% in December last year. The lending rate came down to 11.93% at the end of March compared to 12.23% in February this year while deposit rate also came down to 7.06% from 7.19% respectively. The country's banking sector has witnessed a rebound in private sector credit growth in February, thanks to lower lending rate.

Inflation continues to rise

Dhaka Tribune, May 07, 2015

Inflation moved up for the third straight month in April, rising to 6.32% from 6.27% in March, due to the ongoing negative impact of the supply chain disruption occurred in the wake of the recent countrywide political violence, observe analysts. Inflation increased as prices of some food items spiked. Analysts blamed the continued effect of disruption in products' supply chain due to three-month long countrywide transport blockade from January 5. Overall month to month food inflation rose to 6.48% in April from 6.37% in March. In contrast, non-food inflation moved down 6.08% from 6.12% in the previous month.

Bangladesh close to mid-income status

The Daily Star, May 17, 2015

Bangladesh is on the cusp of becoming a middle-income country as its per capita income rose to USD1,314 this fiscal year, meeting the World Bank's criteria. Bangladesh will be recognized as a middle-income nation if it achieves at least an average per capita income of USD1,045 for three consecutive years. Per capita income was USD1,190 last fiscal year and USD1,154 in 2012-13. According to the World Bank's 2012 classification, the income thresholds are: low income USD1,035 or less; lower middle-income USD1,036 to USD4,085; upper middle-income USD4,086 to USD12,615; and high income USD12,616 or more. Bangladesh now aspires to be a middle-income nation by 2021, when the country will celebrate its 50th year of independence. The rise in per capita income makes Bangladesh the 58th largest economy in the world in terms of nominal value.

BDT-linked bonds to attract foreign investors: IFC

The Daily Star, May 20, 2015

The International Finance Corporation has now formally proposed to Bangladesh to launch USD 1bn BDT-linked bonds, saying they would attract new foreign investors. Positive investor and media responses to an inaugural IFC issuance could potentially catalyze further investments and dollar inflows into Bangladesh, IFC said in the proposal it recently sent to the finance ministry and the central bank. A successful implementation of the bond issuance will signal the confidence offshore investors have in the stability of the Bangladesh economy and the BDT. Not only that, an IFC bond will allow foreign investors to gain easier access to investments in the BDT. While initial feedback from investors has signaled appetite for shorter tenors (2-5 years), IFC's intent is to build a longer yield curve over time. Proceeds from longer tenor bonds could be utilized in infrastructure projects within Bangladesh. To manage the timing mismatch, the IFC will either invest the bond proceeds in liquid instruments such as treasury bills, government bonds and so on, or swap the local currency bond proceeds into dollars and use it as part of its dollar lending programme.

Stock Market

Brokers empowered to handle dividend incomes

New Age, May 13, 2015

The Bangladesh Securities and Exchange Commission on Tuesday empowered brokerage houses to establish control over the dividend incomes of investors who have received margin loans. As per the BSEC decision, companies and mutual funds will send investors' dividends to respective brokerage houses instead of existing process of sending to investors' respective bank accounts or issuing checks in favor of investors individually. The brokerage houses after getting dividend warrants will transfer funds to respective beneficiary owners bank accounts.

Regulator gives back authority to bourses to evaluate IPOs

The Daily Star, May 28, 2015

Bangladesh Securities and Exchange Commission has revised the Dhaka and Chittagong stock exchanges' listing regulations, allowing the twin bourses to make recommendations on any initial public offering prior to approval. The bourses have won back the authority after three years, as the practice was suspended by the regulator following a conflict between the BSEC and Dhaka Stock Exchange in 2012 over the listing of a new company. The bourses can also inspect the office or factory of a company, audit the financial statements and seek additional information, explanation or documents from a firm. The regulator would take its decision on an IPO approval after receiving and evaluating the observations and recommendations from the exchanges.

Bank

Banks make good cash recovery against bad loans

The Daily Star, May 4, 2015

Local banks last year made BDT 10,363 crore of cash recovery from the classified loans, which provided them a spot of respite from their runaway default loans. Of the amount, the private commercial banks made the highest recovery of BDT 6,381 crore, followed by state-owned commercial banks at BDT 2,126 crore, according to Bangladesh Bank statistics. The specialized banks recovered BDT 1,705 crore and the foreign commercial banks BDT 151 crore. The total default loans at the end of 2014 came down to BDT 50,155 crore, which was 9.69% of the total outstanding loans.

Listed banks, NBFIs likely to enjoy corporate tax cut

New Age, May 31, 2015

The government is likely to reduce corporate income tax for publicly traded commercial banks, non-banking financial institutions and insurance companies by 2.5% while increase corporate tax for listed cigarette companies by 5% in the upcoming national budget. Currently banks and NBFIs have to pay 42.5% corporate income tax and the rate is likely to be cut down to 40% for banks and NBFIs listed with the country's stock market. Corporate tax rate for other companies which are listed with the capital market will also be cut down to 25% from the existing 27.5%. The government has made the decision to provide incentive for the publicly traded companies from the sectors, encourage others to be listed in the country's stock market and to rationalize the corporate tax structure.

NBFI**BB relaxes provisioning requirement for NBFIs**

New Age, May 12, 2015

Bangladesh Bank on Monday relaxed provisioning requirement for non-bank financial institutions against their investment in mutual funds because of the losses that the NBFIs incurred due to their price slide. The NBFIs would not require maintaining provision against their investment in a mutual fund if the cost price of a unit equals or goes below 85% of market price or net asset value of the unit. The NBFIs would have to maintain the provision, which will be calculated based on two formulas, if the unit's cost price goes over 85% of the market price or net asset value of the unit. For open-ended mutual funds, the BB said, the NBFIs will have to maintain provision if the unit of the fund equals or goes over 85% of the net asset value of the unit.

Fuel and Power**Summit, GE open 240MW power plant this month**

The Daily Star, May 5, 2015

A joint venture between Summit Group and General Electric of the US has started a test run to supply 240 megawatts of electricity to the national grid to help the country meet its growing demand for power.

Located in the northwestern district of Sylhet, commercial production at the plant is expected to start by May 15, according to Muhammad Aziz Khan, chairman of Summit Group. The joint venture has signed a deal with the government to produce 222MW of electricity but the simple cycle plant is in fact producing 240MW. The plant will go for combined cycle production by September 2015 this year, when it will produce 350MW instead of 344MW as contracted earlier.

Government to generate 16,000MW electricity by next year

The Financial Express, May 10, 2015

The government has undertaken a number of projects to generate 16,000 megawatt (MW) electricity by 2016. Around 71% of the population having access to electricity. According to the ministry sources, the government has fixed a target to generate 24,000 MW electricity by 2021. The government is expecting to generate 13,301MW power by the end of this year and the government increased the number of power plants, transmission lines and distribution lines aimed at fostering the economic growth to become a middle income country by 2021.

New LPG supplier enters the market

The Daily Star, May 28, 2015

A new company, BM Energy, will begin its journey on Saturday to supply liquefied petroleum gas to households and industries. The Netherlands-Bangladesh joint venture has already set up a 3,000 tonne-LPG bottling plant in Chittagong's Barabkunda area with an investment of USD 26mn. The company will sell three types of gas-filled cylinders - 12kg, 33kg and 45kg - under the brand name of BM LP gas across the country. BM Energy's entry comes on the heels of Omera Petroleum's, which started selling its LPG on April 12. Bangladesh has much potential in terms of gas consumption as only 6% of the entire population has access to natural gas, and that too mostly in urban areas. The country consumes more than one lakh tonnes of LPG a year, 80% of which is imported from Saudi Aramco, the state-owned oil company of Saudi Arabia. The rest is produced by state-run Bangladesh Petroleum Corporation (BPC). The current plant-gate price of each 12kg LPG cylinder is hovering around BDT 1,130 to BDT 1,250.

Cement

Confidence Cem to set up another unit

The Financial Express, May 25, 2015

Confidence Cement Ltd is going to set up another factory of cement production by the beginning of 2016. The company started its journey with production of only 600 metric tons of cement per day but now the daily production of the company has reached to 2500 MT. By the beginning of 2016 it is planning to raise the production at 5000 MT of cement per day.

Ceramics

Star Industrial Holding to build bilateral ties with Prime Bank

The Financial Express, May 11, 2015

Lebanon-based Star Industrial Holding Ltd (SIH) is going to invest around USD 100mn in Bangladesh for its upcoming projects in ceramic & porcelain tiles, faucet, sanitary ware and table ware. Star Ceramics Ltd Bangladesh plant started the commercial operation of tiles from January 1, 2013 with production of 12,000 meter square per day at Riaznagar, Madhabpur, Habigonj. In May 2014, Star Ceramics started the second line of tiles with production of 10,000 meter square per day.

Textile

Denim opens big export opportunity The Daily Star, May 10, 2015

Bangladesh is turning into a major source of denim products as international retailers attracted by cheaper prices place higher volumes of denim-based work orders. Bangladesh's popularity as a denim destination comes on the back of rising denim costs in China, the largest garment supplier worldwide, which is deflecting its buyers towards cheaper options. Denim Expert supplies its BlueXonly brand products to boutiques in different European countries, including the Netherlands, Belgium, Hungary and Italy.

On the growing strength of the sector by 2020 every four out of five denim products in Europe would be sourced from Bangladesh. Currently, 25 denim factories are operating in Bangladesh, who produce around 20mn yards of the fabric every month to meet half of the local demand.

Telecommunication

Submarine Cable plans to sell bandwidth to Italian firm at low price

The Daily Star, May 4, 2015

Questions have been raised over a move by Bangladesh Submarine Cable Company Ltd (BSCCL) to sell off half of its capacity to an Italian company at a very low price. BSCCL has sent a proposal to the post and telecommunication division for approval to sell half the capacity of the SEA-ME-WE-4 cable to Telecom Italia Sparkels. In February, the BSCCL board decided to sell fourmn MIU*km (minimum investment unit), which is equivalent to around 90 Gbps, at a price of BDT 16 crore for the rest of the lifetime of the cable. A submarine cable usually lasts 20-25 years, and this cable has been in operation since 2006; so, the Italian company may be looking to use the cable for 11 to 16 more years. At present, BSCCL has a total capacity of 8.9mn MIU*km, which is equivalent to 200 Gbps.

IT

Tax benefits for IT sector likely to be extended

The Daily Star, May 26, 2015

The government may extend the tax exemption benefits for software development and information technology-enabled services by another five years. The tax waiver on income from software and ITES may be extended to 2024 from June 30, 2019 now -- in line with the government's Digital Bangladesh vision. The proposal is likely to be made when Finance Minister AMA Muhith places the budget for fiscal 2015-16 in parliament. The incentive will attract investment from foreign investors, according to the joint proposal from the three organisations to the National Board of Revenue. The IT services industry, which employs more than 20,000 people, holds great potential. The sector serves both domestic and international clients from Europe, North America and East Asia.

Note: Business Newsflash is a collection of news published in the top daily newspapers like The Daily Star, The Financial Express, The NewAge and Dhaka Tribune. IL Capital is not responsible for any discrepancy in the information provided in the news.

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