

INTERNSHIP REPORT

ON

Performance Evaluation of Investment Corporation Bangladesh



Submitted To:

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LETTER OF TRANSMITTAL

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Subject: submission of internship report on “Performance evaluation of ICB”.

Dear Sir,

I am pleased to submit my Project Paper on “**Performance evaluation of ICB**”. That I was assigned by you. It was a great opportunity for me to acquire practical knowledge of investment banking. I have concentrated my best effort to achieve the objectives of the report and hope that my endeavor will serve the purpose.

I believe that the knowledge and experience I have gathered during the internship period and preparation of report as well will immensely help me in my professional life. I will be obliged if you kindly approve this effort.

Thanking you.

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ACKNOWLEDGEMENT

I can't deserve all the praise. In every step of this study many individuals and institutional experts supported me by providing valuable information, guidance and their valuable time. It gives an immense pleasure to acknowledge them with gratitude.

It is time to show my gratitude to the almighty Allah for providing me the strengths and encouragement as well as opportunity to complete the difficult tasks of making this report within the scheduled time.

The report would like to acknowledge the assistance of internship supervisor Tanjina Shahjahan, Lecturer, BRAC Business School for providing all guidance and support that was needed. His sincere guidance, untiring co-operation, valuable suggestion and inspirations of creating a unique report enabled me to overcome all the problems during the course of while preparing this report.

In preparing the paper, it has also been received active co-operation from Ruksana Yasmin, AGM of Human Resource Management Department of ICB, SPO, PO, senior officers and staffs of ICB, the report sincerely expresses heart-felt thanks for their co-operation, which helped me to conduct and complete this report.

Finally, sincere gratitude goes to family and friends for supporting, sharing their thought and giving the moral support needed during the preparation of this report.

ACRONYMS

ICB	= Investment Corporation of Bangladesh
ADB	= Asian Development Bank
IMF	= International Monetary Fund
CML	= Capital Management Limited
AMCL	= Asset Management Company Limited
STCL	= Security Trading Company Limited
SEC	= Security Exchange Commission
DSE	= Dhaka Stock Exchange
CSE	= Chattagong Stock Exchange
BSB	= Bureau of Statistic of Bangladesh
MF	= Mutual Fund
UF	= Unit Fund
GM	= General Manager
DGM	= Deputy General Manager
MIS	= Management Information System
GDP	= Gross Domestic Product
DSEGN	= Dhaka Stock Exchange General Index

EXECUTIVE SUMMARY

There are many different categories of institutions, which play a vital role for changing the social structure and for the economic development of our country. ICB is one of the most important institutions of them. Investment Corporation of Bangladesh (ICB) is playing an important role to build, nurture & to enhance of a Capital Market for the economic growth of Bangladesh. Investment Corporation of Bangladesh acts as an Investment Banker, Market maker & Portfolio Manager. As banking financial institution it receives term deposits and provides margin loan. As a development financial institution it provides term loan to finance equity gap, provides working capital. As a market maker it issues unit certificate, underwriting securities. It also issues and manages Mutual Funds. That is why it is very much important for us to know about practical functions of ICB which are playing significant roles for the economic development of Bangladesh.

This report titled as” **“Performance evaluation of ICB”**. Is clearly discussed the role of Investment Corporation Bangladesh in the capital market. I was assigned at Investment Corporation Bangladesh and I have tried to present my report on the basis of knowledge and experience which I gained during the internship period. The basis of my report is financial analysis of ICB’s performance through ratios and plotting in the chart. I try to focus on ICB’s financial performance by evaluating its liquidity, solvency and profitability position. I also try to evaluate its portfolio performance of different funds. A the last phase of my report I present my major findings and give recommendation which I though important.

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Chapter 01

Introductory Part

BACKGROUND OF THE REPORT

As a student of Bachelor of Business Administration (BBA) everyone has to conduct a practical orientation in any organization for fulfilling the requirements of Internship Program. The main purpose of the program is to expose the students to the real world situation. This report is done as a partial requirement of the internship program for the BBA students. This report is prepared for the internship program consisting of a major in depth study of the total merchant banking business of Investment Corporation Bangladesh. Practical knowledge is fundamental for the application of theoretical intelligence. The Report is the evidence of effort and harmony between practical and theoretical knowledge.

ORIGIN OF THE REPORT

This report is done as partial requirement of the 3 months internship program for the BBA students of BRAC University, Bangladesh. During my internship period I joined ICB at Motijheel Head Office. The supervisor of the Internship and Placement Committee advised to prepare reports on our assigned jobs after the completion of the Internship in the respective organizations. The title of the report is "Performance Evaluation of ICB".

Objectives of the Report

The main objectives of education are to acquire the knowledge. To acquire the knowledge ultimately we must do some practical applications in addition to theoretical knowledge. Thus the following are the important objectives:

- (i) To know the activities of the Investment Corporation of Bangladesh.
- (ii) To know how ICB play an important role in the capital market
- (iii) To know the performance of ICB by calculating different ratios portfolio analysis.
- (iv) To gain in-depth knowledge on merchant banking & capital market of Bangladesh.

SCOPE OF THE REPORT

This report covers ICBs Products and Services, Organizational Overview, Management and Organizational Structural functions performed by ICB. It also covers overview of the Investment banking division, processes and other functions.

LIMITATION OF THE REPORT

The main limitations of the report were to conduct a small scale survey on its functions. Time period was the other limitation for collecting information, which was only three month long. The other limitations are:

- Insufficient supply of relevant books and journals.
- The departments are too much busy branch as for this to operate the survey on the basis of questionnaire
- Field practice varies with the standard practice that also created problem.
- Time provided for conducting the study is another important constraint.
- The employees in ICB are so much busy in their responsible fields; they could hardly provide little time to discuss with them.

METHODOLOGY

To prepare the report we have I have followed the following method.

Data Collection

To make the report standard and presentable, I have observed every departmental activity of ICB and its employees work. I also note all the information during interview. The sources of my data collection are as follows.

Primary Source

Face to face Interview with different department employees.

Secondary Source

- DSE Library
- Annual Report of ICB
- Documents of ICB
- ICB Library
- DSE website
- ICB website

Data Management

For the analysis purpose time series data has been used. All performance based on ICB previous five year data. The DSE General Index has been taken as benchmark for performance evaluation. And T-Bill rate has taken for Risk-Free rate.

Data Analysis

The research is based on quantitative study. The main focus of the study is risk and return analysis. The liquidity indicator, the profitability indicator, the solvency indicator, equity indicator has taken to evaluate its performance and prospect.

Chapter 02

Overview of Investment Corporation of Bangladesh

Introduction:

ICB is investment bank. It generally invests in the public sectors. It mobilizes funds from surplus economic unit to the deficit one. As banking financial institution it receives term deposit and provide margin loan. As a development financial institution it provides term loan to finance equity gap, provides working capital. As a market maker it issues unit certificate, underwrites securities, manages issuance of securities. It also issues and manages mutual funds.

The Investment Corporation of Bangladesh was established on October 1, 1976 under Investment Corporation of Bangladesh Ordinance (No. XI of 1976) to encourage and broaden the base of investment, develop the capital market , stock trading, portfolio management, operating mutual fund both open ended and close ended. The establishment of ICB is a major step in a series of measures undertaken by the government in the past years to accelerate the pace of industrialization. The re-creation of ICB has met the long felt need to provide institutional support to meet the equity gap of the industrial enterprises in the absence of which the process of industrialization in the private sector was slowed down. Through the enactment of ICB (Amendment) Act, 2000 (XXIV of 2000), space of ICB's activities through the formation and operation of subsidiary companies has been expended. To meet the needs of investors of all types, wide range and adequate number of securities should be made available in the capital market. Institution and institutional supports are absolutely necessary for such capital market activity. ICB, the national investment house, is the lone organization to perform the activity by creating demand for securities and on the other hand to ensure the supplies of securities in the Bangladesh capital markets. At present the corporation is being operated under the " Investment Corporation of Bangladesh Act, 2014.

Objectives of the ICB:

Every organization has some objectives to reach its organizational goal. Investment Corporation of Bangladesh is not exception of that. The main objectives of ICB are as follows:

- To encourage and broaden the base of investment.
- To mobilize savings.
- To develop the capital market.
- To promote an establish subsidiaries for business development.
- To provide for matters ancillary thereto.

Business policy of the ICB:

The Corporation has adopted a realistic business policy framework within which its operation is conducted. The Corporation, in its operation, acts on commercial consideration with regard to the interest of industry and commerce, investment climate, capital market, depositors, investors, and to the public interest generally.

The operational policies of the Corporation are as follows:

- Underwriting/ bridge finance, debenture finance and other assistance is provided only for industrial projects/ organizations/ institutions which are economically feasible, financially sound and socially desirable and broaden the base of investment.
- Assistance is provided to that enterprises/ institution which is in line with the development plans of government. In case of the industrial projects preference is given to project oriented, import substitution and to projects mainly based on local raw Materials and those be located in the less developed areas of the country.

- Maintains the policy of diversification, as far as possible, both with regards to the location and types of industries.

- In accordance with the normal; business practices adequate security is obtained to cover bridging debentures loan.

- The Corporation does not generally seek any controlling interest in any of the enterprises financed by it except when that becomes necessary and expedient in the interest of the corporation and other shareholders.

- ICB will liquidate its underwriting holdings when they mature to declare dividends and show capital appreciation. The corporation will not be guided exclusively by consideration of profit. It will keep the larger interest of the market uppermost and will unload its holdings under conditions that do not disturb the stability of the capital market.

Functions of the ICB:

In order to achieve its objectives ICB Carry out the following functions. The main functions of the ICB are as follows;

- Underwriting of initial public offering of shares and debentures.
- Underwriting of right issue of shares.
- Direct purchases of shares and debentures
- Including placement and equity participation
- Providing lease finance singly or by syndicate
- Managing investor's accounts.
- Managing Mutual Fund and Unit Fund.
- Operating of the Stock Exchange.
- Providing investment counsel to investors and issuers.
- Participating in government divestment program.
- Participating in financing of joint venture projects.
- Introducing new business products according to market demand.

Dealing with other matters, this is related to capital market operation.

Vision and Mission of ICB

VISION

Continue to be the leading, responsible and environment friendly financial institution operating in such a way that fellow competitors and the society watch, acknowledge, admire and emulate ICB as a successful and model organization in the industry.

Mission

- Transforming Corporation into a responsible institution, a financial architect and an innovative solution provider and performance leader.
- Being a responsible institution created by law and act in accordance with the mandates ICB's ordinance for fostering rapid growth of Bangladesh economy.
- Being a financial architect and strive to establish a benchmark of values, attitudes, behavior and commitments with earnest endeavors in generating optimum profits and growth for our shareholders by efficient use of resources.
- Being an innovative solution provider and put emphasis on formulating total solutions to foster mobilization of all domestic and NRB savings into potential investments.
- Being a performance leader and lead by example

Position in the Industry

Table : Company position in the Industry

<i>SL</i>	<i>Particulars</i>	<i>Position</i>
1.	<i>Issue management</i>	<i>Top</i>
2.	<i>Underwriting</i>	<i>Top</i>
3.	<i>Asset Management</i>	<i>Top</i>
4.	<i>Mutual Fund Management</i>	<i>Top</i>
5.	<i>Stock Market operation</i>	<i>1st /2nd since inception</i>
6.	<i>Trustee & Custodian service</i>	<i>Top</i>
7.	<i>Earning performance</i>	<i>Best</i>
8.	<i>Dividend performance</i>	<i>Best (50% to 105% in last 5 years)</i>
9.	<i>Customer base</i>	<i>Largest</i>
10.	<i>Infrastructure Investment</i>	<i>Largest</i>
11.	<i>Customer Service</i>	<i>Modern & non-discriminating</i>
12.	<i>Contribution to National Exchequer</i>	<i>Largest among public sector institutions</i>
13.	<i>Employee effectiveness & efficiency</i>	<i>Highly satisfactory</i>
14.	<i>Capital Adequacy</i>	<i>Top</i>

Source: (ICB, Partners in dynamic investment, 2013-14) *partners in dynamic investment (Annual Report 2013-14)*

Products and Services

1. Capital Market Segment

- Advance against Equity, Private Equity, Placement of Shares
- Advance against Share Repurchase arrangement
- Advance against ICB Unit & Bangladesh fund certificates
- Managing Margin Loan Accounts, Unit and Mutual Funds
- Stock Market Operation
- Portfolio Management
- Investing in Preference Shares
- Investing in Secondary Market
- Agent for Divestment of Govt. Shares
- Mergers & Acquisition

2. Infrastructure Segment

- Equity and Entrepreneurship Fund/Venture Capital Financing
- Debenture Financing
- Lease Financing

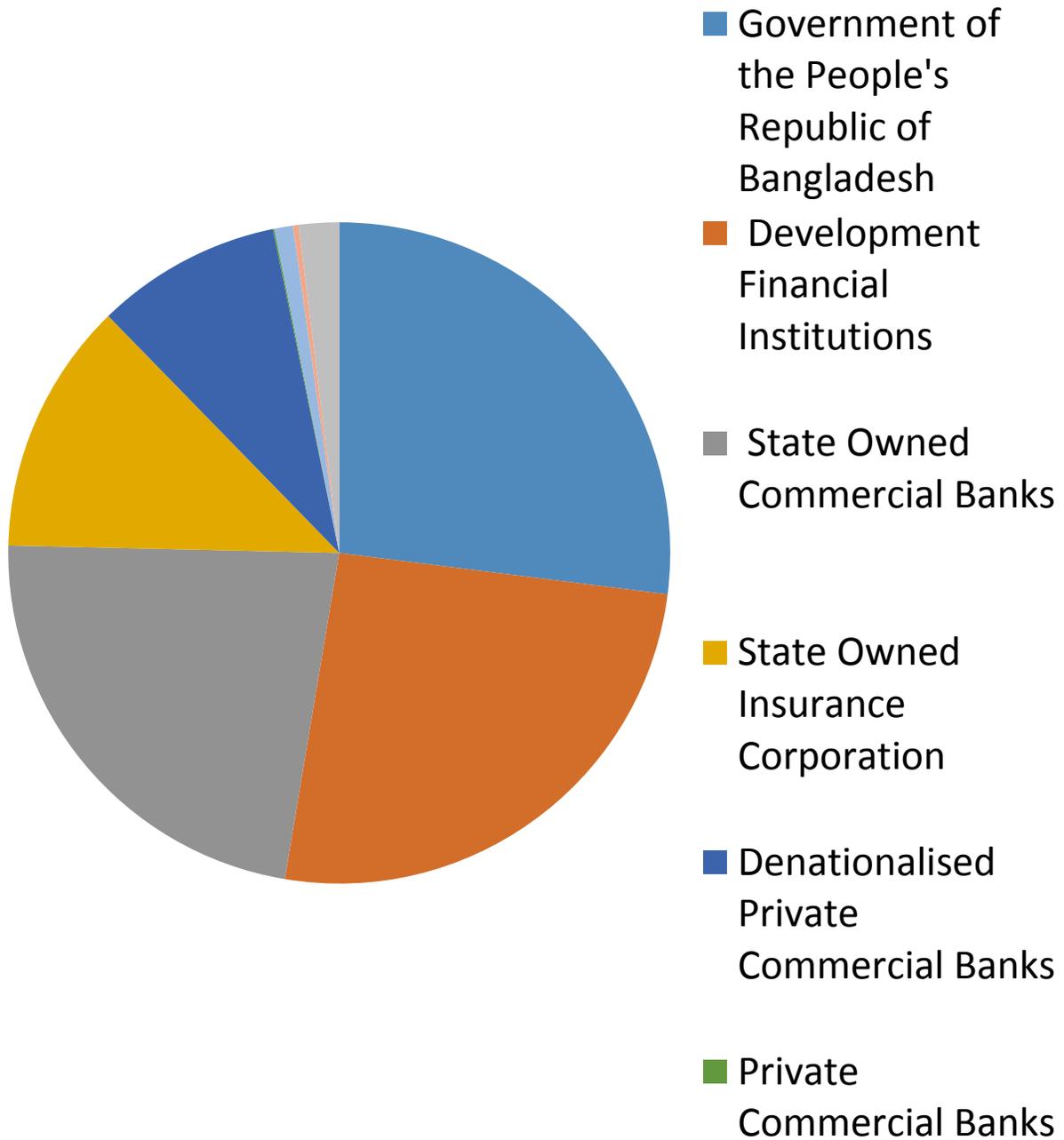
3. Money Market Segment

- Dealing in Money market instruments: Subordinated, Zero Coupon Bond, Term Deposit Receipt
- Fixed Deposit Receipt
- Issuing Bank Guarantee
- Consumer Credit Scheme and Corporate Finance Advice

Business Performance of ICB for the Year 2013-14

ICB is proud to have demonstrated the underlying strength of its business strategy by consistently delivering profits over the past decade, despite turmoil in global and regional markets. Its top priority is to add value and achieve attractive returns for our shareholders. Prudent portfolio management is one of the strategies for income generation. ICB always try to diversify its investment portfolio. ICB's investment in sustainable income generating securities results in yielding profits even in such an unstable market situation. The Corporation will continue to strengthen its presence in the field through its strategic investment decision in promising directions. ICB (holding company) alone has shown its proficiency and achieved sound financial results with booking a net profit before Tax of Tk. 310.51 crore during the FY 2013-14 with an impressive return on equity of 12.97%. The graph below presents the trend of the corporation's capital gain during this year as compared to its achievements in other heads of income. The growth in other heads including dividend income, fees, commission & charges remained smooth over the year. Net profit available for appropriation surged at the rate of 25.26% which ensures the corporation's revenue generating efficiency. Products and services that play pivotal role for bolstering the operating income include investors' scheme, private placements, venture capital, debenture financing and fees/commissions for operating as banker to the issue, trustee and custodian to the issue of securities and providing bank guarantee, lien against unit certificates, corporate financial advice, etc. The assets of ICB stood at Tk. 8618.42 crore, while the corporation maintained an impressive capital adequacy of 29.68% (33.30% on consolidated basis), well above the required rate under BASEL-II of 10.00 percent. The ratio of non-performing assets to total assets was at a commendable 3.54% which is lower than the industry average

Percentage Of Shareholding



Subsidiaries of ICB

ICB Capital Management Limited (ICML)

ICB Capital Management Ltd. is a fully owned subsidiary of Investment Corporation of Bangladesh. The company obtained license from the Securities and Exchange Commission to act as Issue Manager, Underwriter and Portfolio Manager and to carry out other merchant banking operations under the Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Regulations, 1996. The company was incorporated under the Companies Act, 1994 on 5 December 2000 and obtained registration from the Securities & Exchange Commission on 16 October 2001. The company started its' operation from 01 July, 2002 upon issuance of gazette notification by the government. The Company has a separate Board of Directors comprising 3 members from the private sector having good academic qualification, expertise and experience in the field of business, finance and investment. The Managing Director of ICB is the Chairman of the Board. The company has excellent working environment being equipped with logistics and computer facilities.

Activities:

Underwriting

In order to raise long term debt and equity from the primary market, the Government bodies, enterprises corporation or companies may seek intermediary assistance from ICML in the form of underwriting.

Issue Management

To act as the manager to the issue of shares and debentures, ICML provides professional services in respect of syndicate underwriters and bankers to the issue. Besides, it also helps in preparing prospectus, getting their approval from SEC and arranges publication of the same.

Placement of Shares

ICMLA act as non-Placement Agent.

Investment Counseling

ICML provides investment counsel to the issuers and investors' including financial engineering and corporate advisory services.

Managing Investment Accounts

ICML, at its discretion, may grant loan at a ratio of 1: 1 against the assets of an account

subject to a maximum limit of Tk.25.0 lac. An accountholder may use the combined balance of his / her equities and loan to buy shares / securities. To help the investors to develop diversified and balanced portfolio to minimize risk and earn a reasonable return. ICML provides professional advice and other support services.

ICB Asset Management Company Ltd. (IAMCL):

ICB Asset Management Company Ltd. a subsidiary of Investment Corporation of Bangladesh (ICB), commenced its journey on 5th December, 2000 with the objective of professionally managing investment funds. The Company offers different types of investment schemes where savings are pooled for investment in the capital market. These schemes are designed to hand out best possible benefits to the investors at the lowest possible risk. Investment in the securities market, for that matter any investment, carries risk. But there are many techniques to reduce such risk. The Company is managed by a group of experts who have the necessary skills, knowledge and aptitude not only to handle risk but also to ensure optimum return taking into consideration the environment prevailing in the market. We, at ICB Asset Management Company Ltd., are in a unique position to handle risk-return profile of an investment efficiently and prudently. You can let us manage your investments. We advise you to read and understand the contents of each and every scheme offered by us before investing in those schemes. The prospectuses are available and you can view or download the prospectus from our website. You may also consult your banker, broker, investment manager and financial advisor for better understanding. You can also keep yourself update on the performance of the funds just by clicking the various options. We are now managing fifteen funds - ten close-ends Mutual Fund and five open-end Mutual Funds known as Unit Fund. Some more new funds are in the offing.

The company is engaged in investment management; more specifically floating and managing both open-end and closed end mutual funds. The company is dedicated towards development of mutual fund industry as well as the capital market of Bangladesh.

ICB Securities Trading Company Ltd. (ISTCL):

ICB Securities Trading Company Limited (ISTCL) was formed as a subsidiary company of Investment Corporation of Bangladesh (ICB) in the year 2000 to perform stock brokerage functions, as part of the restructuring program of ICB under the Capital Market Development Program (CMDP) initiated by the Government of Bangladesh (GOB) and the Asian Development Bank (ADB). The Company is being operated pursuant to its own Memorandum and Articles of Association, BSEC's rules and regulations and other applicable laws. It has independent Board of Directors and separate management.

The Company emerged as a public sector stock broking company just after the introduction of Automated Trading System in the country. The then Transaction Department of ICB turned into ISTCL adopting electronic trading system and upgraded technologies in delivering services. At the opportune moment, ISTCL was established amidst high hopes and aspirations of the country's investors in trading securities. The Company started brokerage activities in Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited (CSE) after having licenses from Bangladesh Securities and Exchange Commission (BSEC) on 13 August 2002 and 07 February 2004 respectively. The Company started its Stock Dealer function from 15 February 2010.

The Company offers stock brokerage services for its diverse clients through the extended network of head office and 07 (seven) branch offices in major important cities of the country. These services are made available by a highly dedicated workforce of 118 employees through 58 trading terminals, one of the largest networks in Bangladesh. ISTCL has passed 13 years of its voyage in providing full-fledged standard brokerage services and thus it has become the country's leading stock brokerage service provider and gained trust and reliability of both the individual and institutional investors.

Corporate Service

- Provides online trading facilities for buying and selling securities listed with the bourses;
- Works as a full service Depository participant in the Central Depository System;
- Performs other brokerage services;
- Trades Securities for its own portfolio as Authorized Dealer of DSE;
- Acts as selling agent under "Direct Listing Regulations 2006".

Development Activities:

Equity support through consortium arrangement

ICB invests in different companies through equity participation singly/under consortium arrangements by different Banks and financial institutions.

Counseling to the Government

In case of Govt. divestment program ICB provides professional & financial advice through analyzing the companies to be privatized and the attitude the prospective buyers. Government enterprises intending to go public often seek professional financial advice on corporate restructuring and reengineering, ICB through its expertise provides such advice.

Term deposit

ICB receives deposit as term deposit from individuals/institutions offering attractive and negotiable interest rate which helps to mobilize savings for profitable investment in securities.

Disinvestment Program

ICB is actively associated with disinvestment process. With a view to off-loading of Govt. shareholding through the Stock Market ICB has been entrusted with the responsibility of selling Govt. owned shares of different listed Companies.

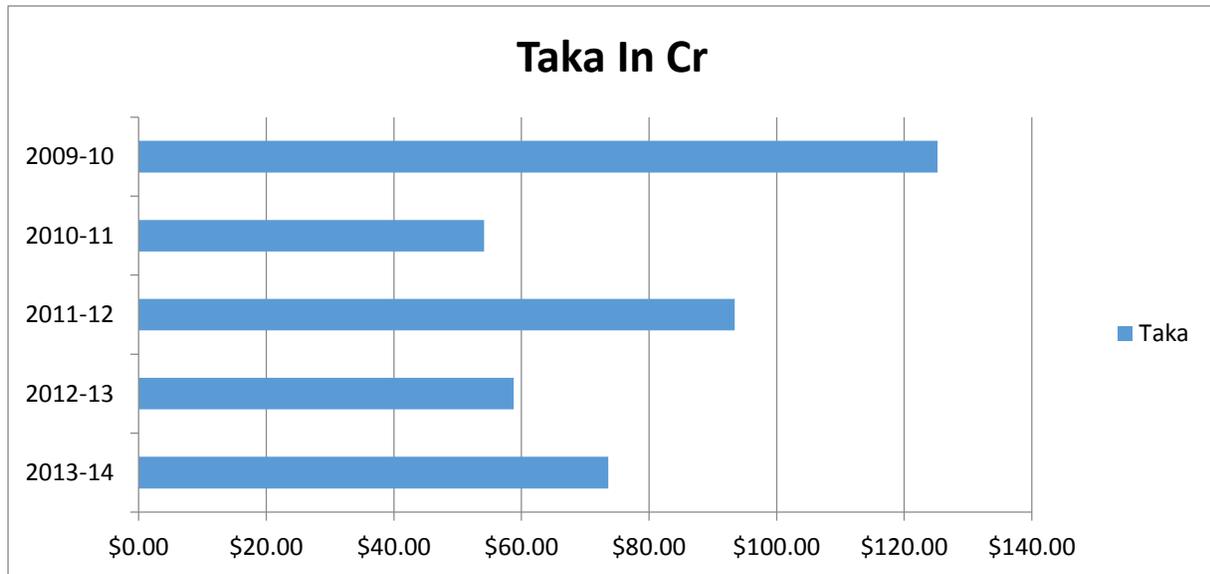
EEF

ICB Capital Management Ltd. acts as project appraising institute for equity participation of EEF unit of Bangladesh Bank.

CPT 03

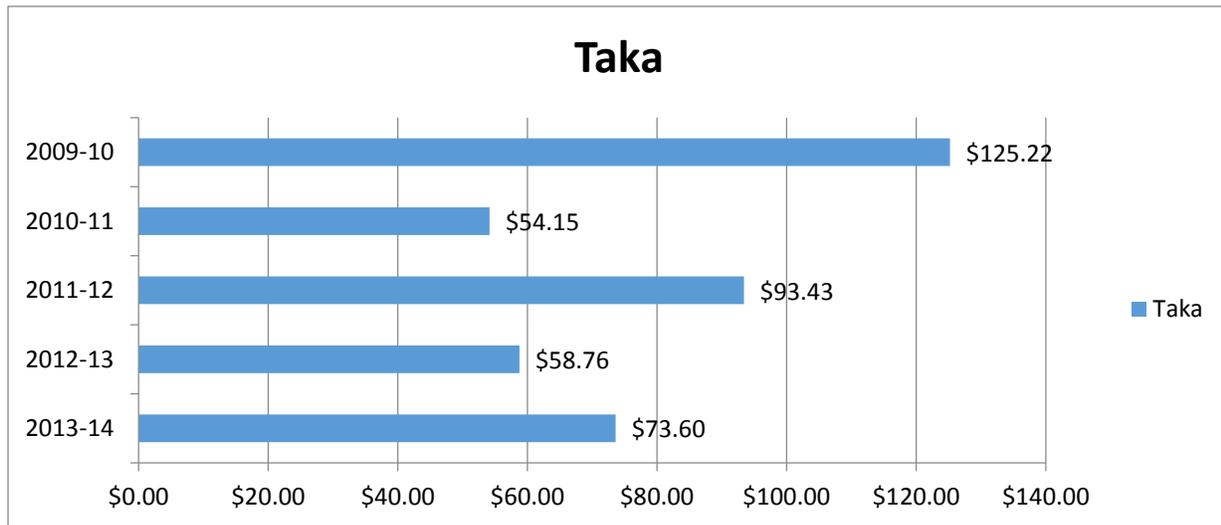
Ratio Analysis & Graphical Representation

Net Profit after Tax:



This Graph shows the income of ICB last five year. They earn net profit more than three hundred crore for three consecutive year. The highest earnings is year 2011-12is taka 394.14 crore. However the net profit reduced in 2012-13. The reason of this downfall is higher operating expenses and lower capital gain. Also the fall of capital market shows its gradual impact.

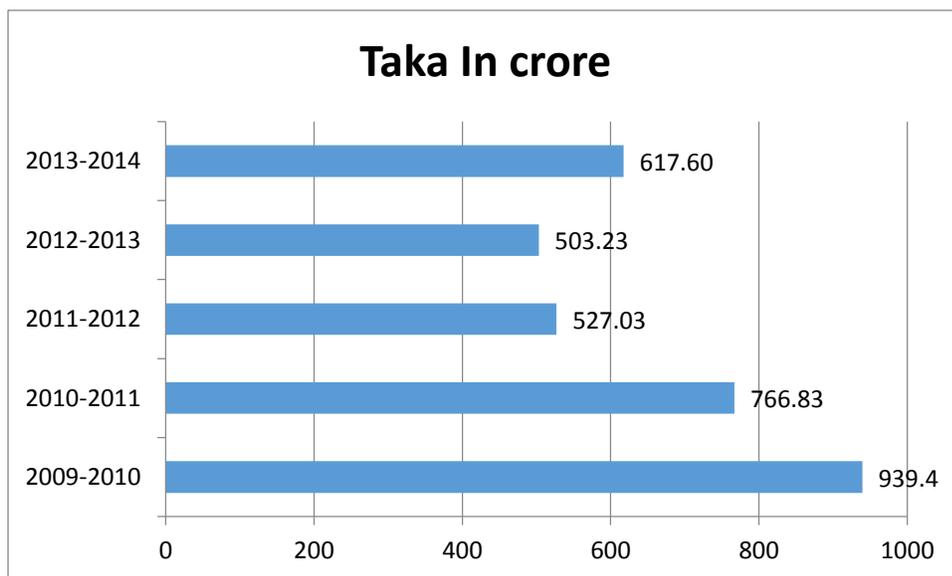
Earnings per Share:



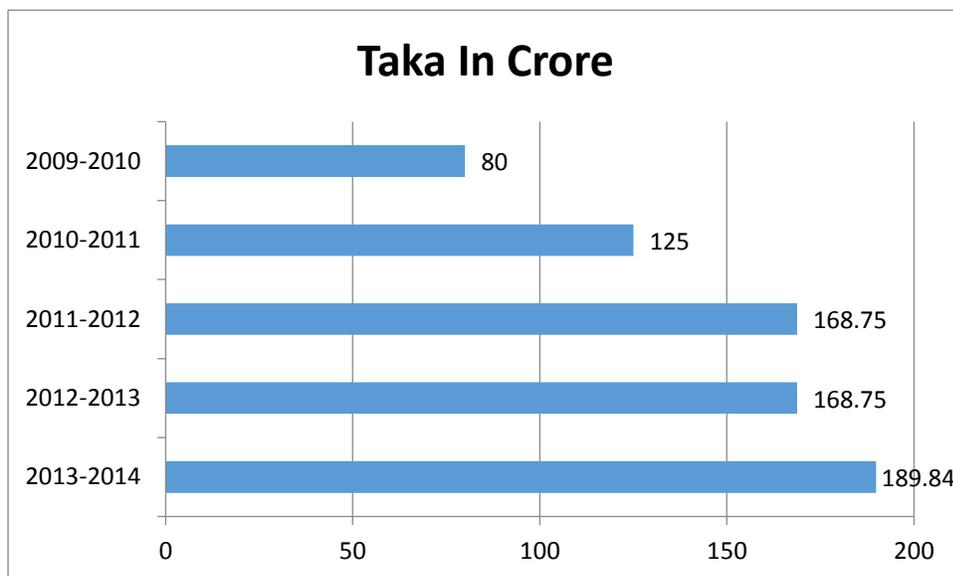
The earnings per share is fall down from year 2009 to 2014. The EPS is fall down gradually and substantially in recent five years. The ICB claim the fall of capital market and lack of investment in recent year is the reason for this fall. Yet the EPS is still quite handsome and considerable.



The declared ICB EPS is percentage of 8%, which is higher among non-banking financial institution.

Book Value Per share:

The book value per share was highest in the previous years. Due to the increase in total number of securities and types of securities purchase the book value decrease over time from 939.4 to 617.60/ Taka.

Dividend payout:

The dividend payment amount in last five year shows rapid growth from year 2009 to 2011 and

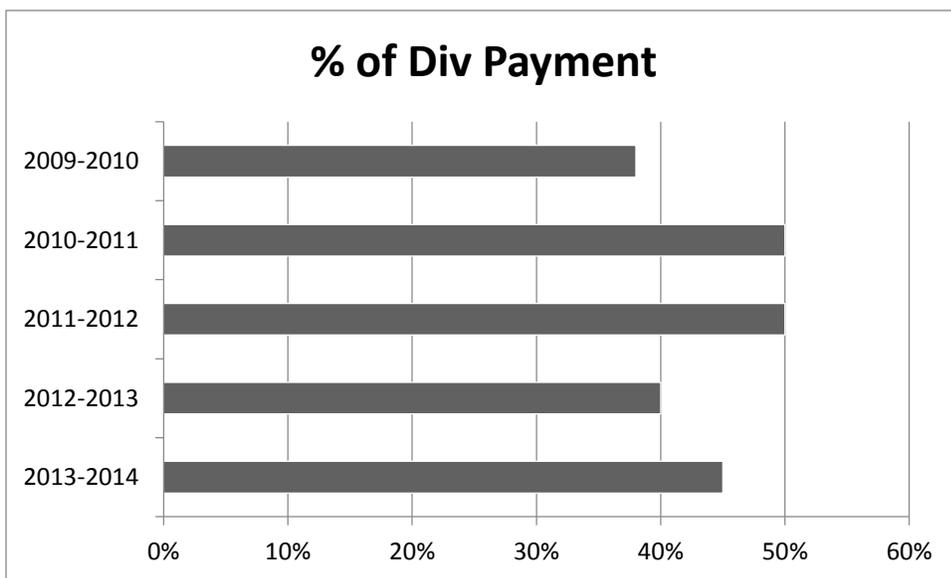
steady their after. ICB is always a profit making corporation, even in economic recession time. The management has decided to give higher dividend in recent year and make distinguish difference among other merchant bank and ICB.

Dividend performance of Listed Banks and Non-Banking Financial Institute of Bangladesh (Year 2013 & 2013-2014).



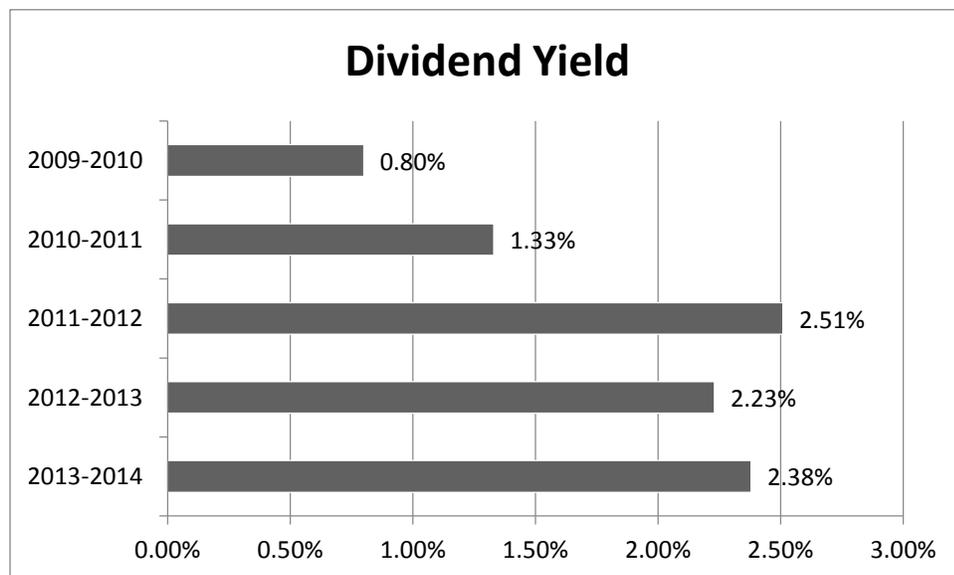
The graph shows the Banking and Non-banking financial institute where ICB’s dividend performance is the highest among non-banking institute.

Dividend per share:

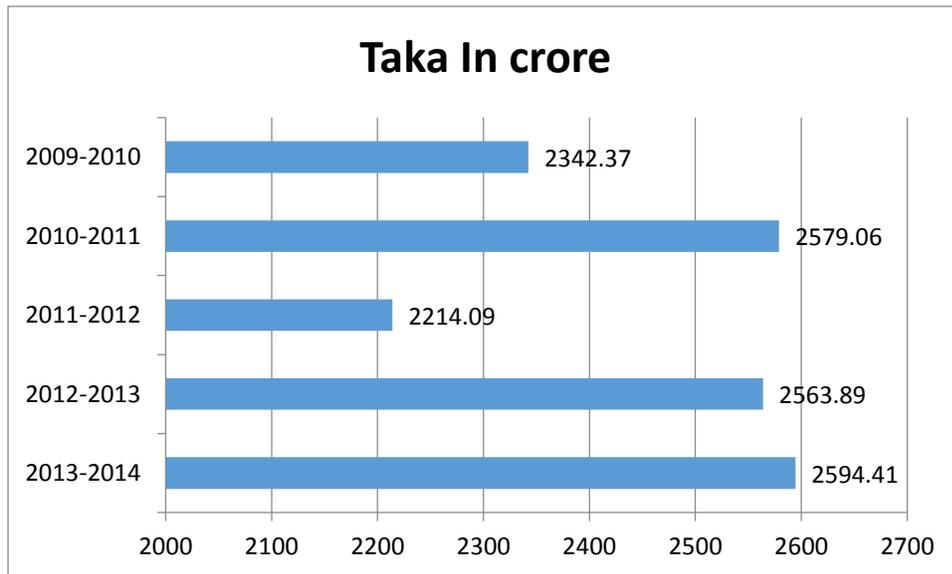
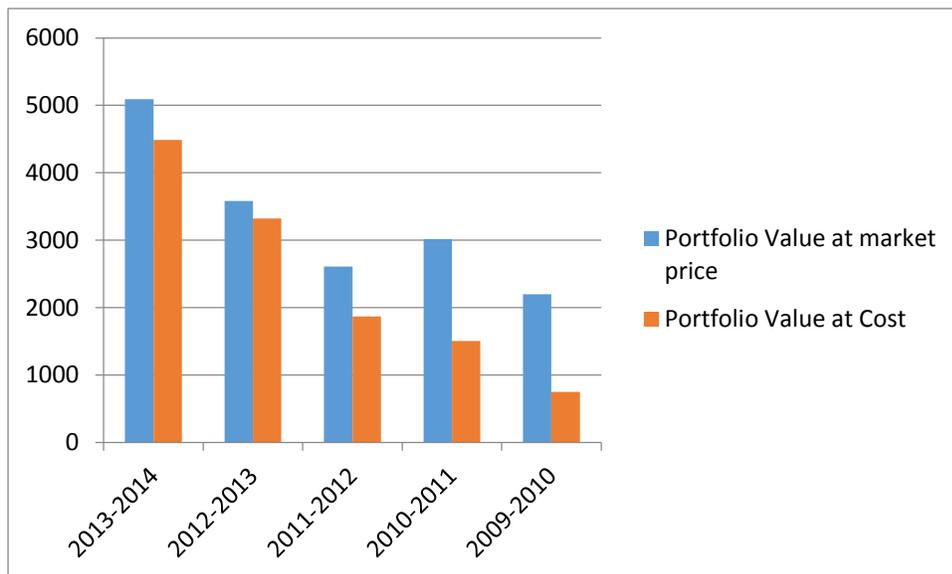


The dividend payment percentage shows ICB pay 40% of dividend per share and sometime above. And according to the 2001 Mutual Fund Rules Bangladesh security and exchange commission) ICB declared 70% of its annual profit as dividend. Also as per the rule of mutual fund ICB re-fix the NAV (net asset value), so the unit holder can withdraw their investment at a rational price.

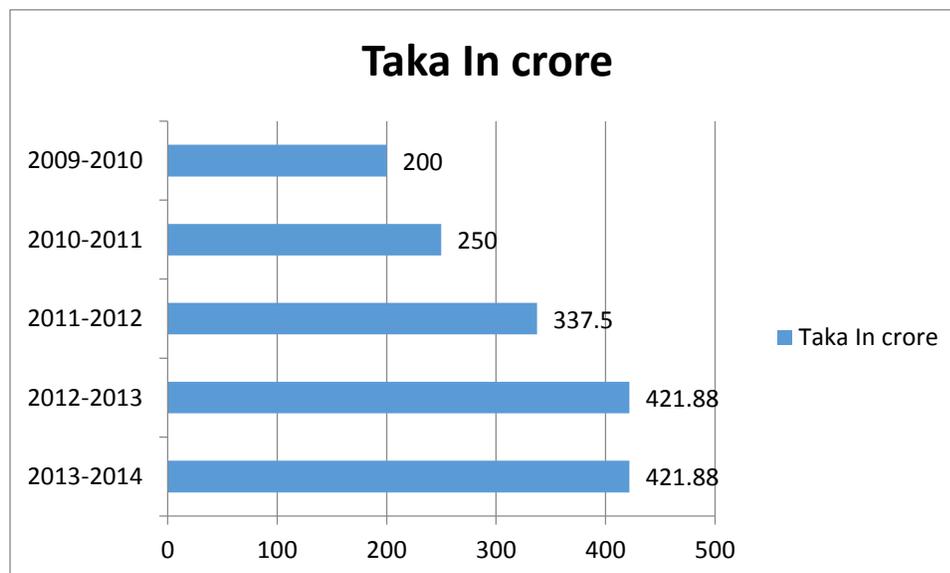
Dividend Yield:



The dividend yield is growing from year 2009 to 2012 & become steady till now one. Probably to stable the market and rapid capital gain during capital market instability time discourage the management to set higher dividend yield in past time.

Net Asset:**Capital Market Participation:**

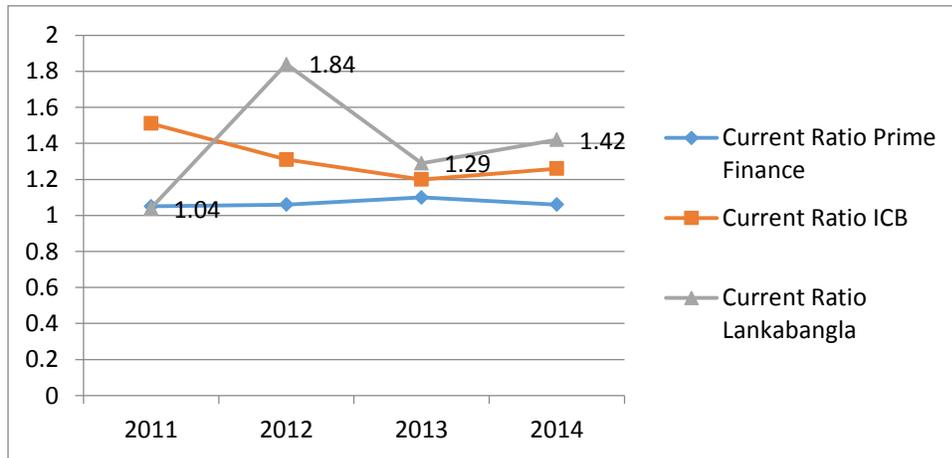
The capital market investment rate is increasing and consistent over time. Recent year ICB invest more than any other time before. The market value of portfolio is always higher than the cost value. In recent years portfolio performance shows stability on both portfolio management and capital market.

Paid Up-Capital:

The paid Up-capital is increased consistently from accounting period 2009-2010 to 2012-2013 and remains same in 2013-2014. ICB is a profitmaking government corporation and its reputation on capital market is positive to raise capital. The ICB policy is to steady expansion and sustainable growth which can create positive impact on the capital market.

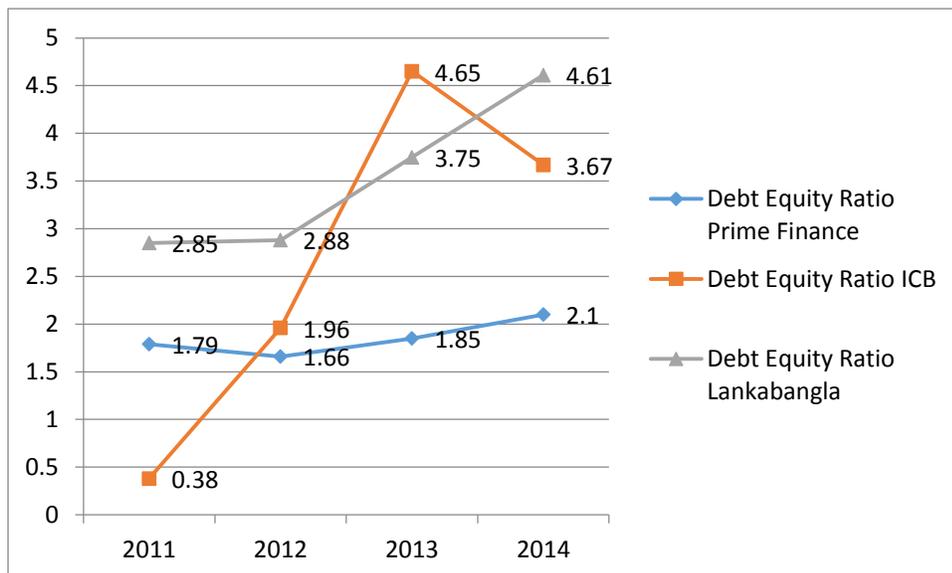
Note: As to measure the ICB performance other two well performed and top Financial institute's (Prime Finance & Lankabangla) performance has graphically plotted along with ICB.

Current Ratio:



The current Ratio of three financial institute are as follows. The current ratio of ICB compare moderate and stable in last four year. Whereas Lankabangla's graph shows much volatility and Prime Finance position is lower among three.

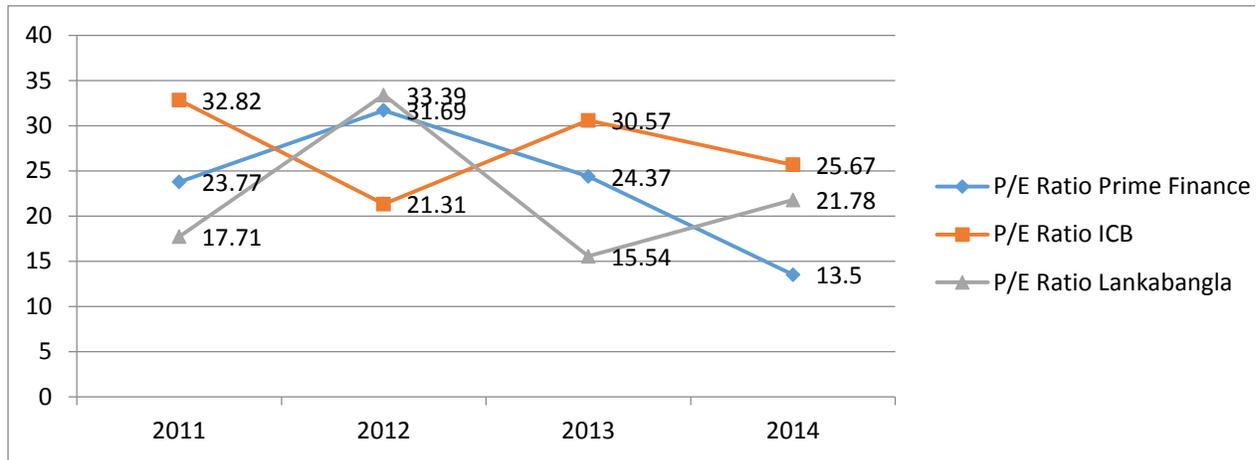
Debt Equity Ratio:



ICB's debt to equity ratio fluctuate over last four year indicate ICB using more financial leverage than other financial institute. In 2014 ICB took 143.26 crore government loan and both 2013 & 14 ICB increase its borrowing from different banks makes its debt equity ratio higher than

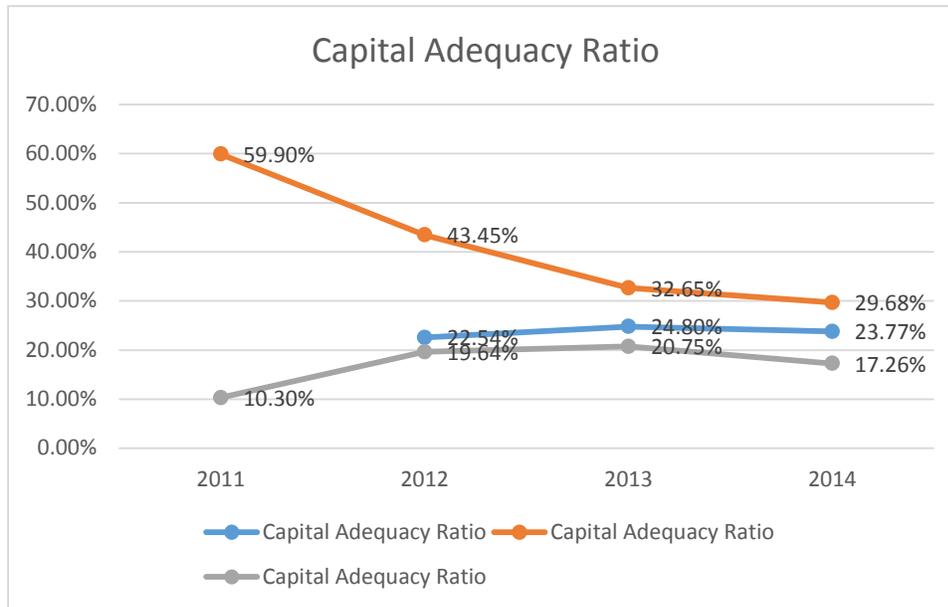
previous year.

Price Earnings Ratio:



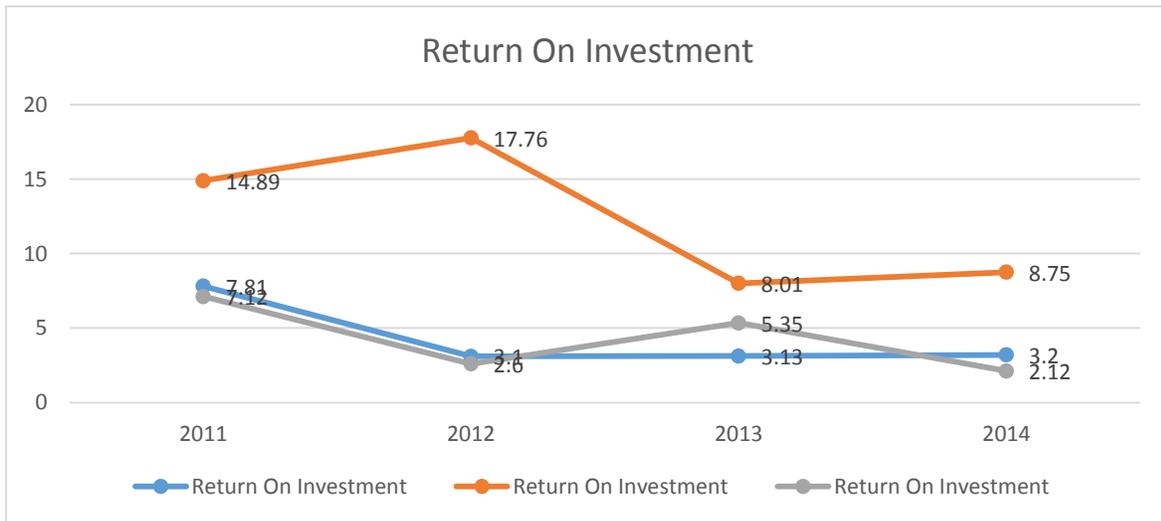
The Price earnings ratio of ICB is close to satisfactory level only at the year 2012. Compare to their financial institute ICB P/E is far below. As a government institute the main focus of ICB is to stable capital market and encourage investment. To meet its goal ICB sometime bought securities of low return industries and sometime act as aggressive risk taker. For its obligation the portfolio structure of ICB is quite different than other capital market operator and its P/E ratio also.

Capital Adequacy Ratio:



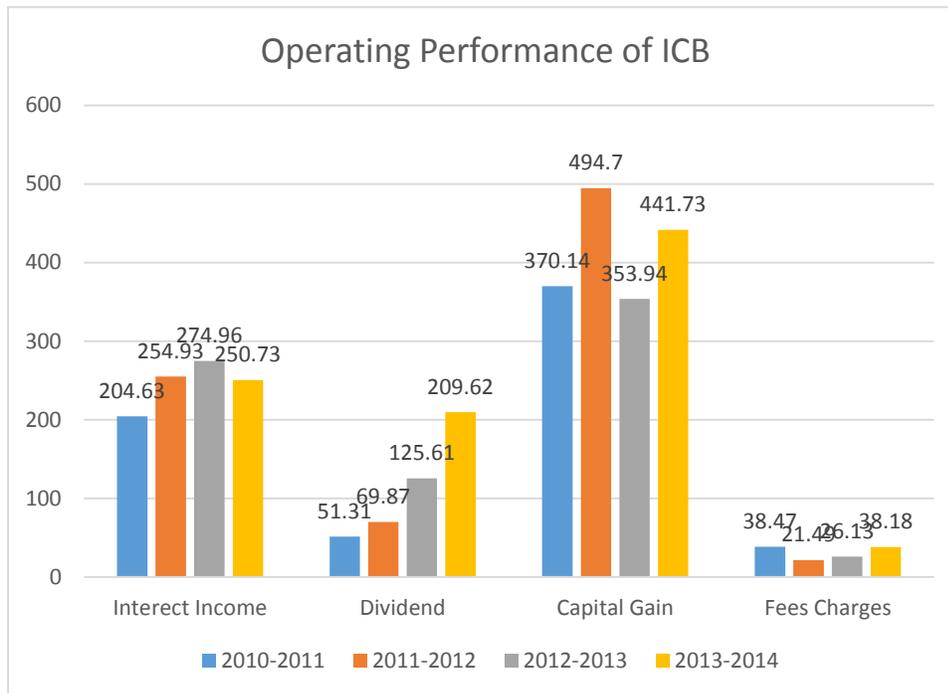
The private investment has decreases over last few year due to harsh economic condition. To balance the situation Bangladesh Government increase government investment and now the government investment is 28.69% (2014) which was 28.39% (2013) of total GDP. As a government institute ICB also increase capital investment in other institute. In year 2010 it was 2.7 crore where in 2014 it is 35.8 crore. Moreover some investment will have low return with longer period and others has the risk of getting bad debt.

Yet all of those consideration ICB has the highest capital adequacy in Merchant Banking sector.

Return on Investment:

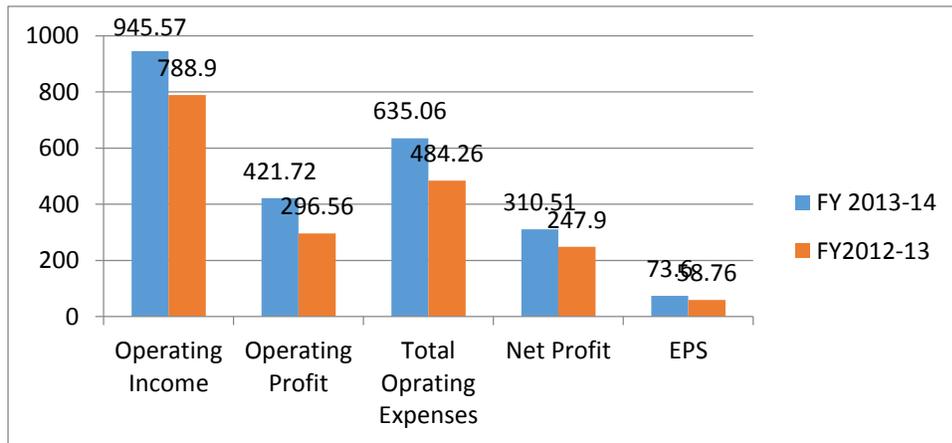
In terms of ROI ICB always perform best along all investment banks.

Operation of ICB:



The interest income and ROI has negative and weak relationship (-0.47); dividend and ROI has negative and strong relationship (-0.78) only capital gain has positive relationship with ROI (0.522). The reason of the fluctuation of ROI from year 2012 to 13 huge capital gain gap. Although dividend income is insignificant except year 2013-14, interest income has its income has its impact on ROI. Moreover long term debts are almost 11 times comparing to year 2012 to 2014.

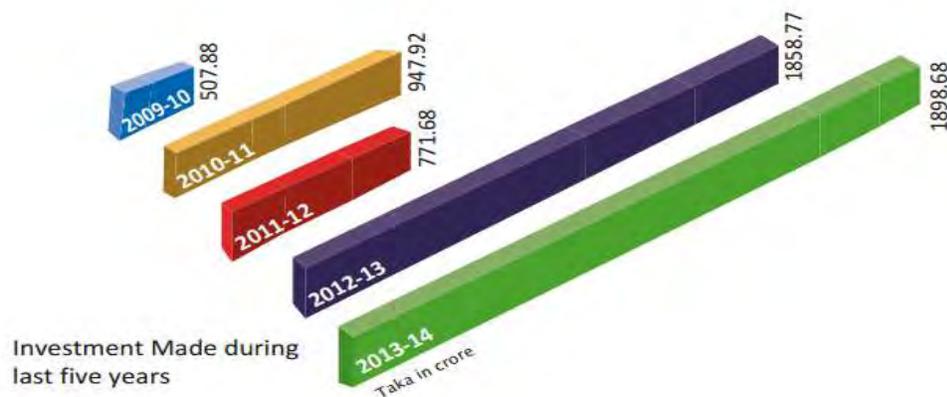
Operating Efficiency:



Growth 19.86% 42.20% 31.14% 25.26% 25.26%

In year 2013-14 ICB gain highest operating profit 421.72 which is 42.20% higher than the previous year. The consolidated net profit has also increased by 25.26% than previous year. Compare to revenue and profit the operating expenses has not increased that much due to cost control and reduction measures during the reporting year.

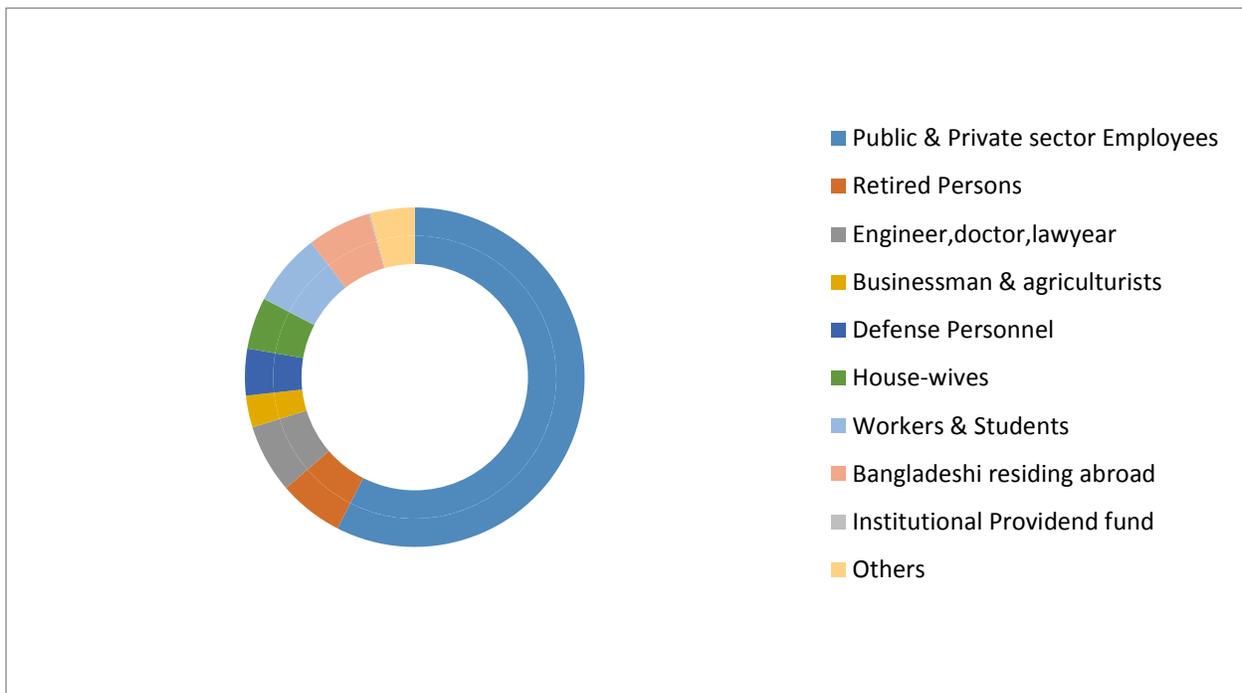
Investment Made during last 5 years in secondary Market:

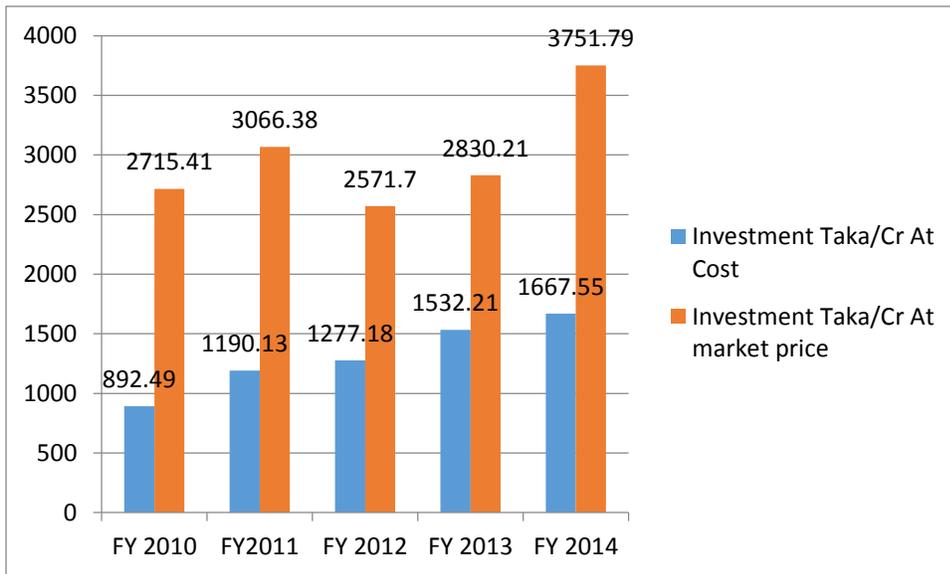


The investment made during last five Year in the secondary market, portfolio Cost and portfolio market price (given above) shows ROI percentage in FY2009-10 and consecutive year is high but FY2012-13 & 2013-14 its low. The sloth of capital market is responsible for this situation. Even after ICB is increasing its investment in the capital market with positive return on the portfolio.

Performance of ICB Unit Fund:

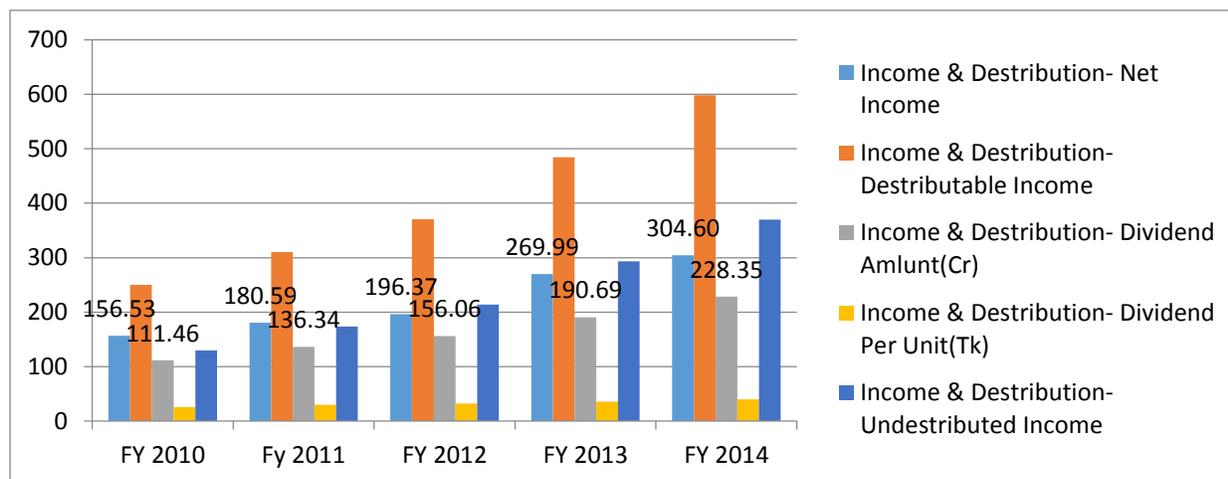
The business of the fund is to mobilize savings from the investor by the way of selling certificate and investing the fund in securities so as to insure maximum return for certificate holder. This is an open end fund invested in securities as a single account. The income is distributed to certificate holder in yearly basis.



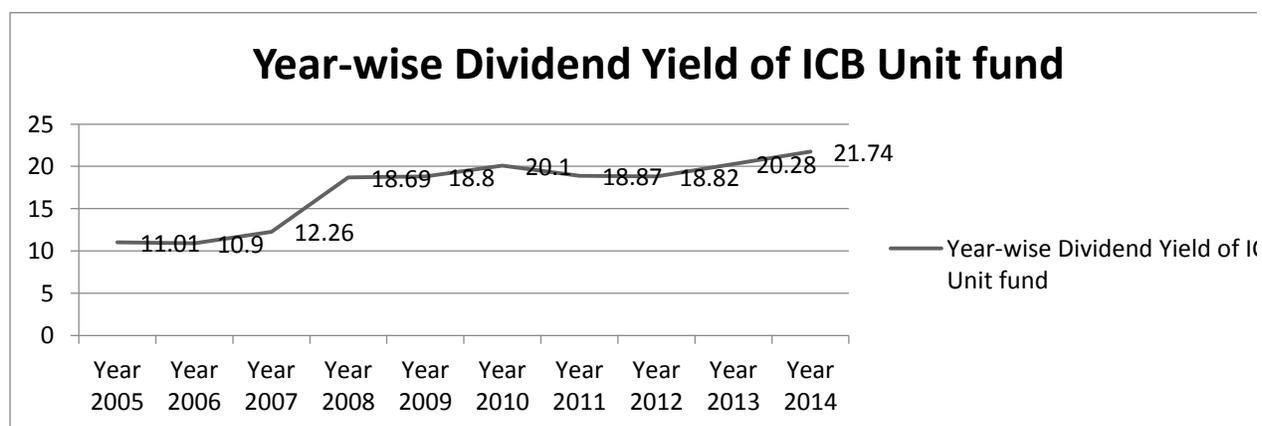
Investment:

The investment scenario of ICB Unit fund is projected above. The chart shows cost and market price of portfolio of last five year. Only the year 2012 market return to portfolio is lower than the previous year. Other than that the growth of Investments cost and Investments market price is harmonic. And the spread is quite satisfactory. During 2013-14 the fund has earned an amount of taka 272.98 crore as capital gain by selling the securities of 54 companies which is 20.43% higher than the previous year.

Income and distribution of Unit fund:



According to the rule of Securities And Exchange Commission at least 70% of the income is distributed as dividend. Dividend warrants are dispatch after the declaration of dividend. The repurchase price of the unit is fixed in the regular meeting of unit price fixation committee. The repurchase of ICB unit changes with the movement of asset value of unit fund. This facilitate the Unit holder to withdraw their investment at a rational price at any time. The Unit holder can avail temporary loan against lien of unit certificates from ICB and other bank/financial institutions. Also all income of ICB Unit fund is tax-free.



The dividend yield graphs of last ten years of ICB Unit fund best provide the optimistic future of the fund.

Performance of ICB Mutual Fund:

Mutual funds are formed under trust act 1882 as trust and managed by Securities and Exchange Commission rules, 2001. Mutual funds are formed by the money given by the sponsor and sell proceed of unit sold to public. The portfolio of Mutual Fund is managed professionally and investor gets a chance to invest in a diversified portfolio with relatively low risk.

ICB Mutual Funds are the market leader in mutual fund market. The history of capital market of Bangladesh shows those ICB mutual funds performed highest and hold the trust and confidence of investor continuously.

The ICB Mutual Funds and their launching date:

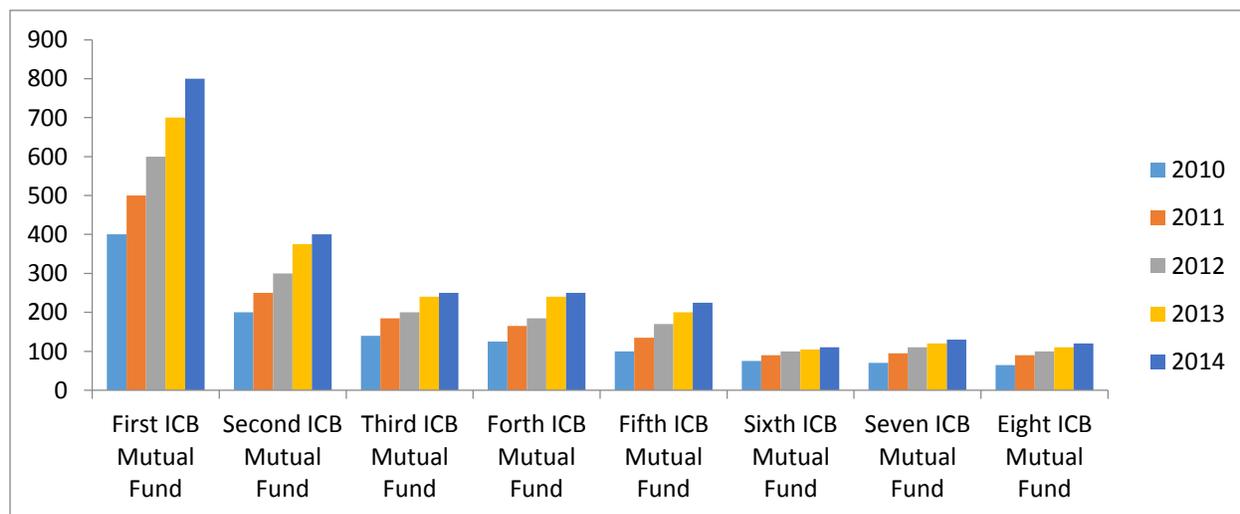
Name of Fund	Date of Launching	Paid-up Capital (Lac)
First ICB Mutual Fund	25-Apr-80	75.00
Second ICB Mutual Fund	17-Jun-84	50.00
Third ICB Mutual Fund	19-May-85	100.00
Forth ICB Mutual Fund	6-Jun-86	100.00
Fifth ICB Mutual Fund	8-Jun-87	150.00
Sixth ICB Mutual Fund	16-May-88	500.00
Seven ICB Mutual Fund	30-Jun-95	300.00
Eight ICB Mutual Fund	23-Jul-96	500.00

The dividend Performance of Listed Mutual Fund in Bangladesh:



The graph shows that ICB’s mutual funds dividend performance of year 2013-14. ICB and its subsidiary’s dividend performance shows that ICB mutual fund performs best and almost all ICB mutual funds are top position in terms of dividend.

The dividend distribution of eight mutual fund of ICB is given in the chart of last five year:



The portfolio position & Market price per certificate:

Number of the fund	Cost price of portfolio	Market Value of the portfolio	Market price per certificate
First ICB Mutual Fund	1743.97	11827.88	913.00
Second ICB Mutual Fund	1154.97	2124.87	265.00
Third ICB Mutual Fund	1346.46	3852.80	226.00
Forth ICB Mutual Fund	1485.60	3614.62	211.00
Fifth ICB Mutual Fund	1926.39	4768.59	184.00
Sixth ICB Mutual Fund	2310.33	4108.84	65.00
Seven ICB Mutual Fund	2609.05	4768.40	100.00
Eight ICB Mutual Fund	3004.72	5088.16	67.00

The return of ICB Mutual Fund:

Return of ICB Mutual Funds		
	Monthly	Yearly
DGEN		21.25%
1st ICB MF	2.63%	31.29%
2nd ICB MF	3.10%	36.91%
3rd ICB MF	2.45%	29.19%
4th ICB MF	2.65%	31.50%
5th ICB MF	3.19%	37.91%
6th ICB MF	2.95%	35.12%
7th ICB MF	3.44%	40.91%
8th ICB MF	3.01%	35.88%

The monthly arithmetic means of the ICB mutual funds are calculate based on the 120 monthly return (January 2004 to December 2013). The Annualized return shows that all the mutual funds outperformed the in terms of market return, the return of the 7th ICB MF is the highest among all.

Risk Analysis:

The risk free rate of Dhaka Stock Exchange is (DSEGN) 7.80%, market return 21.25% and the beta is 1.00

Standard Deviation:

Standard deviation measures the dispersion of data from its mean. In portfolio it measures the volatility. A volatile stock would have high standard deviation.

Standard Deviation of ICB Mutual Funds	
	SD
DGEN	8.70%
1st ICB MF	10.98%
2nd ICB MF	14.78%
3rd ICB MF	10.98%
4th ICB MF	10.64%
5th ICB MF	13.62%
6th ICB MF	13.84%
7th ICB MF	18.32%
8th ICB MF	14.10%

The monthly standard deviations of the return from ICB mutual fund are calculated based on the 120 monthly return (January 2004 to December 2013). The risk of every mutual fund is higher than that of market. But the seventh mutual fund experienced the highest risk 18.32%.

However, Fund 1, 3, 4 risk is close to market risk.

Beta Coefficient:

Beta coefficient or Beta is a measure of volatility. It is the indicator of systematic risk. The beta is calculated through regression analysis.

The Beta coefficient of ICB MF	
	β Coefficients
DSEGN	1.00
1st ICB MF	0.30
2nd ICB MF	0.28
3rd ICB MF	0.31
4th ICB MF	0.33
5th ICB MF	0.37
6th ICB MF	0.45
7th ICB MF	0.26
8th ICB MF	0.46

The beta coefficients of all the ICB mutual funds are lower than the market beta. Also they are to away from market beta. Only 6 & 8 mutual funds betas are more reactive than other. ICB mutual funds are the most stable fun in Bangladesh Capital Market. Even in previous two radical market falls, ICB mutual funds hold their reputation as a profit gaining investment entity.

Coefficient of Variance:

Coefficient of Variance (CV) is the measure of relative dispersion. Relative dispersion measure the amount of dispersion relative to the reference value or Benchmark. In hear the CV of DSE General Index has taken as Benchmark. The coefficient of variance is a scale free measure.

Hear, the observations are monthly mean return of ICB mutual funds. So CV will measure the amount of risk (standard deviation) per unit of annualized mean return.

Formula:

$$CV = \frac{\sigma}{R}$$

σ = Standard deviation of fund's return

R= Return on fund

Coefficients of Variance	
	COV
DSEGN	40.93%
1st ICB MF	35.09%
2nd ICB MF	40.04%
3rd ICB MF	37.62%
4th ICB MF	33.78%
5th ICB MF	35.93%
6th ICB MF	39.41%
7th ICB MF	44.78%
8th ICB MF	39.30%

CV of most ICB funds is lower than the market benchmark DSE General Index except 7th mutual funds. Others things remain constant, this calculation indicates that the return of the most ICB mutual fund are less risky than that of market.

Trey nor Measure:

Trey nor consider systematic risk only. This ratio measures the average excess return for each unit of Beta.

Formula:

$$T = \frac{R - R_f}{\beta}$$

R= the average rate of return for portfolio during specific period of time

R_f= the average rate of return on the risk free investment during same time period

β= systematic risk

Evaluating a portfolio whether its T value is plot above market portfolio is taken under consideration. If it plots above the SML indicate its ability to adjust risk.

Trey nor Measures of DSE General Index and ICB MF			
	Return	Beta	Trey nor Ratio
DSEGN	21.25%	1	0.1345
1st ICB MF	31.29%	0.30	0.783
2nd ICB MF	36.91%	0.28	1.040
3rd ICB MF	29.19%	0.31	0.690
4th ICB MF	31.50%	0.33	0.718
5th ICB MF	37.91%	0.37	0.814
6th ICB MF	35.12%	0.45	0.607
7th ICB MF	40.91%	0.26	1.273
8th ICB MF	35.88%	0.46	0.610

The result in the above table indicates that all of the mutual fund of ICB beat the market portfolio. The seventh ICB mutual fund (1.229) and second ICB mutual fund (1.013) performance are ahead than others.

Sharp Measure:

Sharp ratio shows the excess return over the risk free rate in relation to the risk. Standard deviation is the measures of risk and Sharp ratio is the measures of risk adjusted return. It deals specifically with the capital market line (CML).

Formula:

$$S = \frac{R_i - R_f}{\sigma_i}$$

R_i= Average rate of return for portfolio for specific time period

R_f= Average rate of return for risk free asset during the same time period

σ_i= Standard deviation of rate of return during same time period

Sharp Measures of DSE General Index and ICB MF			
	Return	Risk	Sharpe Ratio
DSEGN	21.25%	8.70%	1.54
1st ICB MF	31.29%	10.98%	2.13
2nd ICB MF	36.91%	14.78%	1.96
3rd ICB MF	29.19%	10.98%	1.94
4th ICB MF	31.50%	10.64%	2.22
5th ICB MF	37.91%	13.62%	2.21
6th ICB MF	35.12%	13.84%	1.97
7th ICB MF	40.91%	18.36%	1.80
8th ICB MF	35.88%	14.10%	1.99

This composite measures of portfolio performance clearly is similar to the Treynor (previously discussed) measures; however, it seeks to measure the total risk of the portfolio by including the standard deviation of returns rather than considering only the systematic risk summarized by beta. Sharp measures portfolio performance using total risk comparing with CML, whereas the Treynor measures portfolio performance in relation to SML.

The results in the above indicate that all the mutual fund of ICB had high risk premium per unit of total risk. The 4th ICB MF has the highest Sharp of 2.23 indicate for one unit of risk return is 2.23 times.

Jensen's Alpha Measures:

Jensen's Alpha measures the performance that how much portfolio outperforms its expected return. It's doing it by comparing expected return with required return.

$$\text{Jensen's Alpha} = R_p - (R_f + \beta_p(R_m - R_f))$$

R_p = Return on portfolio

R_f = Risk free rate

β_p = Portfolio beta

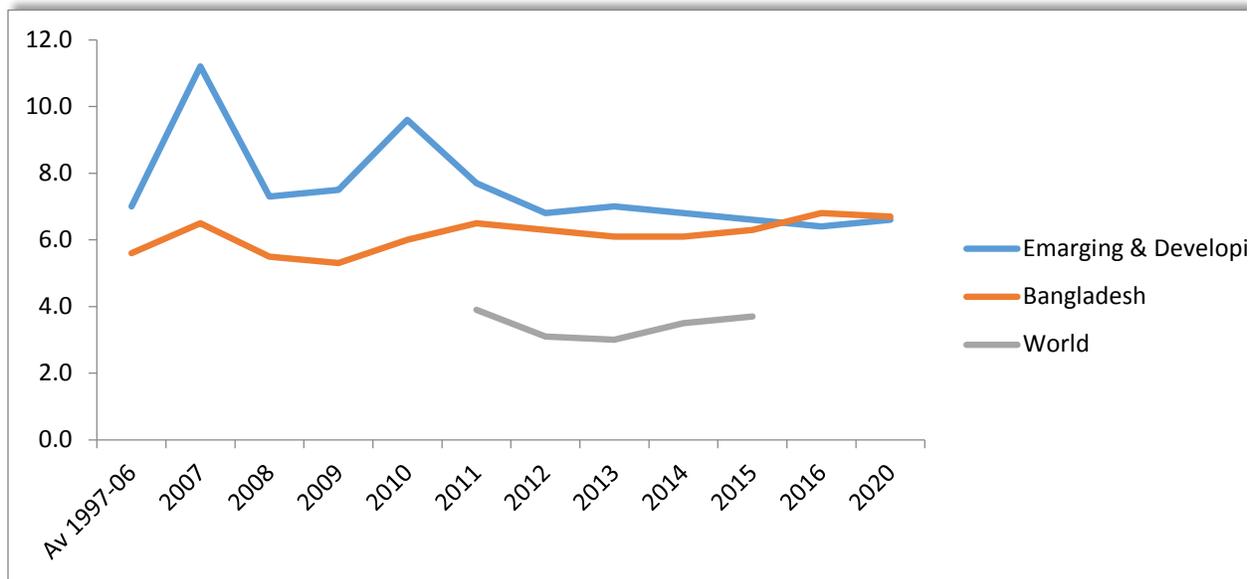
R_m = Return on market

The alpha value of all mutual funds shows positive results and all mutual funds are earned more than required return. Among them 2nd, 5th and 7th perform better other mutual fund.

CPT 04

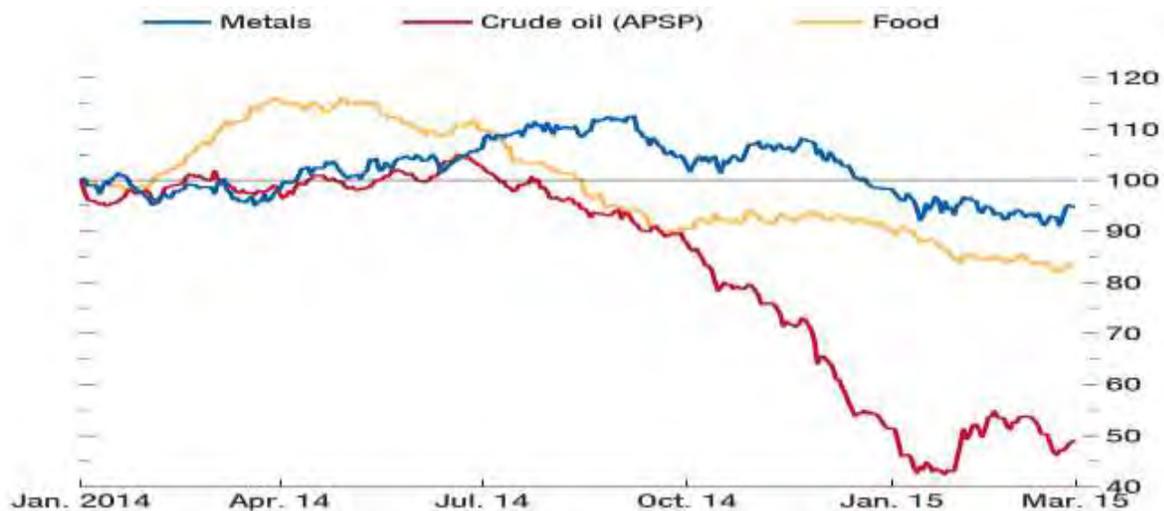
Macroeconomic Scenario & prospect of ICB:

Growth of World and Regional economy and its impact on investment:



Source: IMF world economic outlook Ap15

IMF world economic outlook present the global growth prospect of previous year and projection of the future. According to IMF world GDP growth in 2020 will be 3-4% estimated. Moreover the report says regional GDP of south Asia will be stable in the future. After the economic reassertion experts belief the economy will find its velocity again. The projected GDP of Bangladesh by IMF is 6.7 approximate.



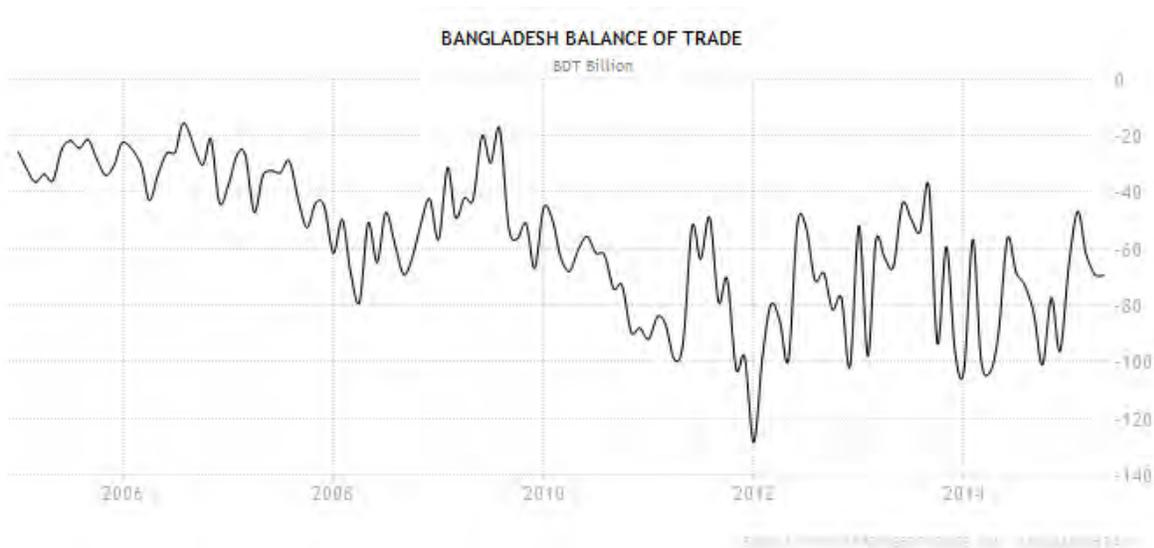
Source: IMF world economic outlook Ap15

Sources: Bloomberg, L.P.; and IMF, Primary Commodity Price System. Note: Metals index is a weighted index of aluminum, copper, lead, nickel, tin, and zinc. Food index is a weighted index of barley, corn, wheat, rice, soybean meal, soybeans, soybean oil, swine, palm oil, poultry, and sugar. Data are through March 25, 2015. APSP = average petroleum spot price-average of UK Brent, Dubai, and West Texas Intermediate, equally weighted.

Commodity prices have declined 28 percent since September 2014, mainly owing to a 38 percent drop in energy prices. Much of that decline is the result of a 43 percent decrease in crude oil prices; natural gas and coal prices declined by less, partly because contracts are indexed to oil prices with a lag. Nonfuel commodity prices also fell: those for metals by 15 percent and those for agricultural commodities by 6 percent.

Growth and Prospect of Domestic economy and its relation with Bangladesh Capital Market:

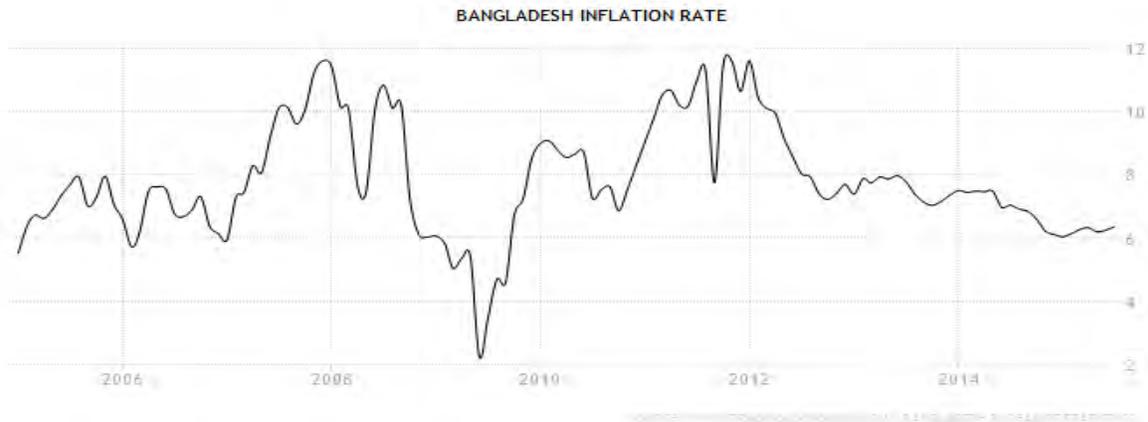
Balance of Payment:



Source: <http://www.tradingeconomics.com>; BANGLADESH BANK

Bangladesh balance of payment is stable in recent year. Bangladesh recorded a trade deficit of 69.50 BDT Billion in May of 2015. As an import oriented county who spent 11% for petroleum of its total import, this consider as stable situation.

Inflation rate:



Source: <http://www.tradingeconomics.com>; BANGLADESH BANK

The inflation rate in Bangladesh was recorded at 6.36 percent in July from 6.25 percent in May, led by higher non-food prices. Non-food inflation rose to 6.80 percent from 6.15 percent in the previous month, while food inflation eased to 6.07 percent from 6.32 percent. Inflation Rate in Bangladesh averaged 6.63 percent from 1994 until 2015.

Interest Rate (BD):

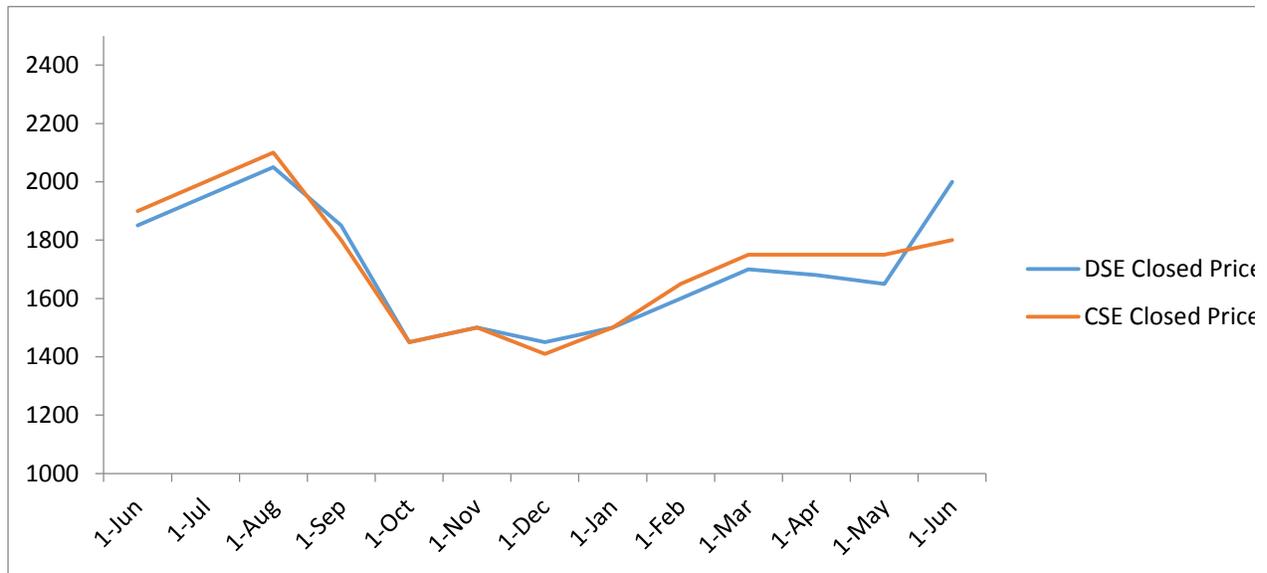


Source: <http://www.tradingeconomics.com>; BANGLADESH BANK

The benchmark interest rate in Bangladesh was last recorded at 7.25 percent. Interest Rate in Bangladesh averaged 7.25 percent from 2008 until 2015, reaching an all-time high of 8.75

percent in September of 2008 and a record low of 4.50 percent in October of 2009.

Price Movement of ICB Share in DSE and CSE during 2014-15:



Market price of ICB's share of Tk. 100.00 each varied from lowest Tk. 1362.25 to highest Tk.2334.25 on DSE and Tk.1384.30 to Tk. 2321.00 on CSE during 2013-14 fiscal years. As on 30 June 2014, the market price of each ICB share was Tk.1889.25 in DSE and Tk. 1822.50 on CSE.

CPT 05

Findings and Recommendations

Findings:

ICB operate in the capital market with skilled and experience financial experts. The credit of its good performance and reputation solely goes to its professionals. All of its security trading and investment decision is taken by professional management team. Especially ICB mutual funds always have investor confidence. The capital adequacy ratio, EPS, ROI of ICB is quite satisfactory.

Studying the portfolio of mutual funds I have some finding that might have impact on investor confidence.

All the mutual funds follow the same patter in their respective income statement. Their secured income and dividend income are very low compared to capital gain. The dividend declaration as a percentage of face value of all mutual funds except 1st ICB MF is quite low compare to earnings. Most of mutual funds dividend performance varies from 200% to 350%.

The dividends of mutual funds are different though all mutual funds maintain same type of portfolio. Only first and sixth mutual fund has provided higher dividend in compare to their capital gain.

The Sharp ratio of ICB mutual funds are varies from 1.8 to 2.25.

The Tray nor ratio of most mutual funds are below 1.

Jensen's Alpha of all funds is below 0.25 which should be at least 0.50 to justify high risk.

The general reserve and retained earnings of all mutual funds are substantial compare to other financial institute in the market.

At the time of my intern I find that like other government organization ICB also has suffer file keeping and information management problem. Moreover, network system is almost unprotected. As a financial institute the IT system is unsatisfactory.

Recommendations:

Although ICB is the top performing company in merchant banking, I have some suggestion for ICB to improve its performance be more efficient.

ICB has skilled and experiences fund manager but they perform only on security trading. The trade monitors and stock fraud monitoring team of ICB is lac of human resource. ICB should enroll more human capital on those fields.

The portfolio categories of almost all the ICB mutual funds are almost same. They should have different portfolio category so both high risk and low risk investor will be interested to invest.

The first ICB mutual fund provides high return comparing capital gain but other doesn't do that. To attract more investor ICB have to change its policy.

ICB should have a strong IT setup and the network (internet & intranet) field should have to be developed.

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