

Report On
Portfolio Management Services of IDLC Investments Limited

By
Tahsin Sajid Kabir
15104115

**An internship report submitted to the BRAC Business School in partial fulfillment of the
requirements for the degree of
Bachelor OF Business Administration**

BRAC Business School
Brac University
August 2019

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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

Tahsin Sajid Kabir
15104115

Supervisor's Full Name & Signature:

Nabeel Muhammad Mosharraf
SEO, Operations
IDLC Investments Limited

Letter of Transmittal

Syed Mahfujul Alam
Lecturer
Brac Business School
BRAC University
66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report on “**Portfolio Management Services of IDLC Investments Limited**”.

Dear Sir,

It gives me great privilege and honor to submit my internship report on portfolio management services of IDLC Investment Limited. During preparing this report my main focus was to learn about the products & services and examine the strategies of IDLC Investments Limited.

I gave my best effort to prepare this report with the necessary information and instructions provided by my supervisor in a significant compact and comprehensive manner as possible.

I believe this report will cover concerning matters and help to meet the internship objectives.

Sincerely yours,

Tahsin Sajid Kabir
15104115
BRAC Business School
BRAC University
25th August 2019

Non-Disclosure Agreement

This Non- Disclosure Agreement is entered into by and between IDLC Investments Limited and Tahsin Sajid Kabir student of Brac University for the purpose of preventing the unauthorized disclosure of confidential information. The parties agree to enter into a confidential relationship with respect to the non-disclosure of certain proprietary and confidential information that might come across through the course of work.

Acknowledgement

First of all I would like to thank the Almighty ALLAH for giving me the strength and keeping me alive & healthy so that I can be able to prepare and complete this report. Secondly, I would like to thank my parents for giving me the moral support and constantly helping me in my difficult period so that I can stay focus on my path and meet the target of completing this report within the schedule time.

Moreover I would also like to thank and show my appreciation to my internship supervisor Sir Syed Mahfujul Alam, Lecturer of Brac Business School, Brac University for providing me valuable advice, proper guidelines & support in the preparation of my report.

I would also like to show my sincere gratitude to my on-site supervisor Nabeel Muhammad Mosharraf, Senior Executive Officer, IDLC Investments Limited for guiding me during my entire internship period.

‘Special thanks’ to Abhishek Basak (Operations Department), Ismail Bhaia (Operations Department), Mahmudur Rahman (DPM), without their constant support and assistance I would not be able to prepare this report.

Executive Summary

This internship report is written on “The Portfolio Management Services of IDLC Investments Limited”. In portfolio management IDLC Investments provides different types of products such as Cap Invest, MaxCap, Easy Invest, Capital Projected scheme, etc. In order to manage portfolio of the clients, IDLC Investments uses active portfolio management strategy and also provides a customized investment structure based on risk taking ability of the clients to satisfy their needs. Moreover, less promotional activities and charging higher fees for the products compare to their rivals could hinder the growth of the company. As a result, they need to engage in more promotional activities and offer competitive fee structure if they want to remain competitive in the market.

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List of Acronyms

IDLC	Industrial Development Leasing Company
IDLCIL	Industrial Development Leasing Company Investments Limited
DSE	Dhaka Stock Exchange
CSE	Chittagong Stock Exchange
DPM	Discretionary Portfolio Management
IPO	Initial Public Offering
BSEC	Bangladesh Securities & Exchange Commission.
KYC	Know Your Client
DDM	Dividend Discount Model
MPT	Modern Portfolio Theory
MTM	Mark to Market
IFC	International Finance Corporations

Chapter 1

Introduction:

1.1 Overview of IDLC Finance Limited:

IDLC (Industrial Development Leasing Company) was built in 1985 as the first ever leasing company in Bangladesh. The company was built via multiple alliances with International Finance Corporation (IFC), The City Bank Limited, Aga Khan Fund for Economic Development, Sadharan Bima Corporation, German Investment and Development Company, and Kookmin Bank of South Korea. Since then IDLC Finance Limited is operating as an entirely owned financial institution in Bangladesh.

IDLC Finance Limited is also known as a multi-product Non- Banking financial Organization with head office located in Dhaka, Bangladesh. The company offers variety of financial products and services to different institutions and individual clients in order to fulfill diverse customer needs and requirements. The company has different categories of product and services line such as corporate division, Consumer division, SME, and the Capital Market. In Corporate division their products are Lease Financing, Term Loan Financing, working Capital Financing, Project Financing and the Advisory Services. In Consumer Division they provide home loan, car loan, personal loan, and deposit scheme. And lastly in Capital Market division they provide Brokerage services, portfolio management services and Merchant Banking.

As IDLC finance is one of the largest financial institution in Bangladesh they have very strong core values and strategic objectives. Their core values is to maintain integrity, Trust and Respect, become more customer oriented and eco-friendly, and provide equal opportunity. On the other hand their strategic objectives is to grow and develop their talent

pool, increasing their sales and improve their service qualities, follow international accepted standards and develop sustainable business practices.

IDLC Vision:

“The aim of IDLC Finance is to become the best financial organization in Bangladesh”

IDLC Mission:

“IDLC Finance mission is to provide high quality customer service and experience and maintain sustainable practices in business”

IDLC Corporate Philosophy:

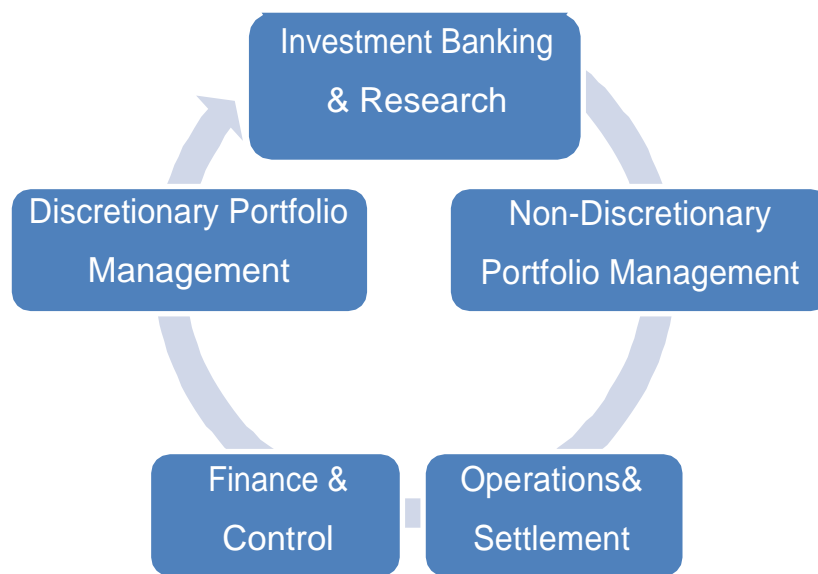
“Taking responsibility of their actions and outcomes and maintaining high standards and ethical practices is the most important philosophy of IDLC Finance Limited”

1.2 Overview of IDLC Investments Limited:

IDLC Investments Limited is a subsidiary of IDLC Finance Limited. Bangladesh Securities and Exchange Commission (BSEC) made a law that all financial institutions needs to separate its merchant banking activities so by fulfilling that requirements and rules and regulations IDLC Finance Limited created a separate entity in the name of IDLC Investments Limited in 2010 to carry out their merchant banking activities. Since then IDLC Investments Limited is providing merchant banking services to both individual and corporate clients. The primary activities of merchant banking is basically underwriting of shares, Initial Public Offering (IPO), Right issues, Merger & acquisition, Portfolio management and providing Margin loan.

IDLC Investments Limited have several departments which have different functions and activities. All these departments work as a team and provide full assistance to each other when required. The departments are Investment Banking, Discretionary Portfolio Management (DPM), Margin Loan, Operations, and Finance & Control. The work and activities under each departments is separate from each other for example Discretionary Portfolio Management (DPM) major activities is maintaining the portfolio of their clients and achieve capital gain through buying and selling shares. On the other hand Margin loan Department main activity is to provide loans to clients who is looking to invest in capital market by buying shares and Finance & Control Department is mainly responsible to look after the accounts and transactions of the clients and the company.

The whole Department Structure is given below:



1.3 Brief Idea about Capital Market of Bangladesh:

Capital Market basically means the stock and share market in Bangladesh. When companies cannot meet their funds requirements, capital market helps companies to raise funds from the market. If companies or government wants to raise funds for making long term investments they can use capital markets. The capital market in Bangladesh also refers to the bond market as well. Moreover, trading of securities in the capital market are regularly monitored and observed by the government, new shares are approved by authorities and also monitored and supervised. Bangladesh capital market mainly has two stock exchanges, Dhaka Stock Exchange (DSE), and Chittagong Stock Exchange (CSE). It also has a strong dedicated Securities and Exchange Commission (SEC) who is basically responsible for implementing rules and regulations and monitoring the capital market in Bangladesh. Moreover, it also has Central Depository Bangladesh Limited (CDBL) who is responsible for covering settlement

of trades on DSE and CSE. Therefore, an efficient capital market can provide healthy investment opportunities in the country.

1.4 Origin of the Report:

In order to earn my bachelor degree I was required to do a 3 months Internship program which is a partial requirement of B.B.A program in BRAC University. As a result to fulfill this requirements I was appointed as an intern in IDLC Investments Limited. I have prepared this report by following the advice and direction of my internship supervisor. In this report I discussed about the overview the company, their departmental activities, products and services, strategies of IDLC Investments limited, my overall observation and experience in the company.

1.5 Overview of the report:

This report was prepared in order to provide an overall idea about the portfolio management services of IDLC Investments Limited, what type of techniques portfolio manager uses in order to manage the portfolio of their clients, how they take crucial decisions, and how they handle inquiries and provide assistance to their clients. As an intern it was not possible for me to learn every single processes, strategies and techniques of IDLC Investments Limited during this three months period but I tried my level best to know how portfolio managers manage and handle their client's fund.

1.6 Objective of the report:

- To analyze portfolio management strategies of IDLC Investments Limited.
- To understand the components of portfolio statement.
- To know different types of portfolio management services.
- Understanding the components of tax certificate.

Chapter 2

Literature Review

Santos Danolkar (2013) in his article discussed about how a portfolio manager should handle critical circumstances and also provide some valuable suggestions about how portfolio manager should protect the portfolio of their clients during volatile situations. Moreover, he advised portfolio managers to build a solid well -constructed foundation which will help them to deal with the downside of the market without any serious negative effect.

Robert J. Martorana (2012) conducted a study discussed in the CFA institute book that a mature and stable financial market in USA can offer attractive returns to the investor. He also suggested that in order to reduce the risk managers need to diversify the portfolio. Portfolio diversification can help investors to stay away from terrible investments outcomes. Moreover, he also suggested the techniques that a portfolio manager can use to reduce the volatility of returns which can be effectively reduced by decreasing the standard deviation in returns. However, the author also gave a caution that portfolio diversification can help reduce risk but it may not provide strong protection if the market is in serious bad or negative condition.

Portfolio Theories (1959) also called Modern Portfolio Theory (MPT) or Portfolio Management Theory (PMT) was created by Professor Harry Markowitz in the University of Chicago in 1952. Professor Markowitz was the first person to find out how and why a well diversified portfolio can help investors to decrease the risk and increase returns. Moreover, he suggested that a good diversified portfolio with uncorrelated assets categories can give investors high returns with less amount of volatility. Furthermore, he also discussed in his study that investors think they can diversify their portfolio if they invest in different stocks, mutual funds or even buy international stocks. But all this type of investments fall under same category assets type which moves in connections with each other. So when stock market falls investors suffers significantly. As a result according to Markowitz (MPT) theory investors should diversify their portfolio by investing in different asset categories that moves independent or different directions from one another.

Prasanna Chandra (2008) in his book name “Investment Analysis and Portfolio Management” discussed about how a person can become a knowledgeable investor. In this book the author talks about the new era of investments and how the investments world has become so complex. Moreover, this book discusses about the features and different types of alternative investments that is available to investors. Similarly, it also talks about how the stock market in this modern era is performing and what are the strategies and techniques investment professionals can use to examine various investment opportunities.

The work of Edwin J. Elton reveals that a portfolio is not just a list of stocks and bonds it is far more than that. It shows the risk taking ability of an individual investor and it also shows the threats that are involved with it. Moreover, According to Jensen (1969) the most important thing a portfolio manager needs to consider is to build a portfolio that will perfectly serve an individual investor needs and requirements.

Chapter 3

Research Methodology:

In order to make this report I have used both primary and secondary information. To gather primary information I have interviewed my field supervisor and also had face to face conversation and discussion with other senior executives and junior officers. Moreover, my observation and work experience in IDLCIL also played a very strong role in order to collect primary information. On the other hand, to collect information about the company and its products offerings I had to rely on secondary information such as organization website, different categories of brochures, annual reports, publications and newsletter. Therefore, all the materials and resources presented in this report are both primary and secondary.

Chapter 4

Portfolio management Services of IDLC Investments Limited:

Portfolio Management basically means investment in different categories of assets. This assets may be physical such as gold or it can be also financial such as stocks, bonds, mutual funds, etc. Portfolio management services are designed for those investors who require expert guidance and opinions (e g Portfolio Managers) to manage their funds and invest on behalf of the clients. The portfolio manager creates a complete personalized and secure investment plan for their clients according to their income, age, financial requirements, and risk taking ability or tolerance of the clients. They understand the financial needs of their clients and provide the best possible suggestion that will fulfill the client's requirements. The main objective of a portfolio manager is to maximize portfolio returns and achieve capital gains and at the same time reducing the risk by diversification.

4.1 Types of Portfolio Management Services of IDLCIL:

IDLC Investments Limited is a Merchant Bank and one of the important function of a Merchant Bank is portfolio management. Merchant Bank help clients to buy and sell securities so that an investor can achieve its investment objectives. IDLCIL receive funds from their clients as deposit and they invest that fund only in the capital market securities (both debt and equity).

There are two types of department that IDLC Investments have under portfolio management. A diagram of this two department is shown below:

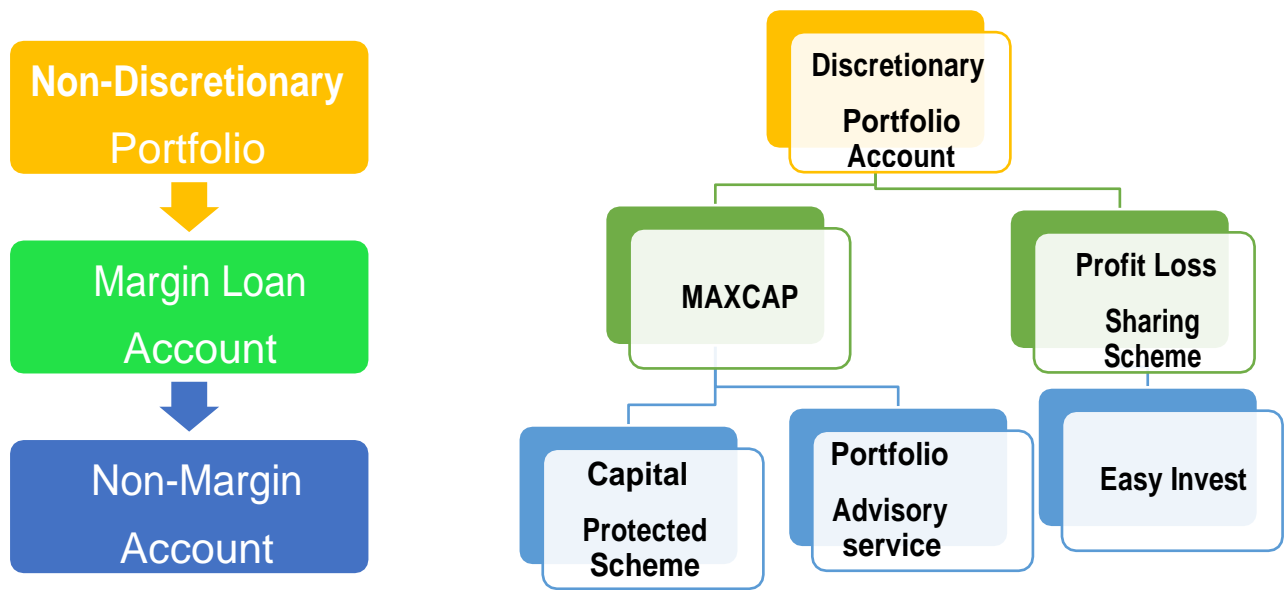


Diagram 1- Types of products in portfolio management.

4.2 Non-Discretionary Portfolio Management:

Non-Discretionary Portfolio Management (NDPM) is one of the portfolio management department of IDLC Investments Department. In Non-Discretionary Portfolio Management, IDLCIL offers only one type of products called CAP Invest. CAP Invest is a non-discretionary investment account that offers margin loan facilities to the clients who wants to invest in the capital market. In CAP invest, clients have the freedom and scope to manage their own portfolio. It means clients have the ability, full control and authority to buy and sell their own shares whenever he/she wants to. In the margin loan account, client has to maintain at least 50% of Equity to Debt ratio. In case if E/D ratio falls below 50% then IDLCIL sends margin call letter to their clients to improve their E/D ratio. On the other hand, if E/D ratio falls below 30% than a client can only do trading by taking permission from IDLC Investments limited.

Major Services of Non-Discretionary Portfolio Account:

- Extending Margin Loan facilities so that it will allow investors to earn high returns.
- Securities registering, and collecting bonus shares and dividends.
- Subscribing to the right issues.
- Keeping securities under safe custody.
- IPO Applications.
- Provide SMS and E-mail alerts to the clients.
- Provide I-Trade which works as a platform for clients to do online trading.

Major Characteristics of CAP Invest:

- Clients in CAP Invest will have full authority and power to make their own decisions about investment. The portfolio manager in IDLCIL will provide full support for proper execution of the trades.
- Clients will only be able to invest in the securities carefully selected and approved (ALOS- Approved List of Securities) by portfolio manager.
- The portfolio manager in IDLCIL will provide extended Margin Loan facilities to the clients so that it will allow clients to earn an increase returns on their investment through leveraging.
- All the securities bought for the clients will remain in possession of the portfolio manager until the client settle back the debt.

- Clients will have access to different research information, industries and companies that is prepared by the research team of the portfolio management in IDLCIL.
- IDLC Investments has a team containing fully passionate, hard-working, and highly knowledgeable individuals to provide superior service and monitor client's margin loan account.
- Clients who want to invest in CAP Invest will be able to obtain tax rebate. Moreover, any capital gains from investments are completely tax free for clients.

Key Features& Policies of CAP Invest:

- .In order to invest in CAP Invest client will have to spend at-least BDT 1 lacs which is the minimum amount required for investment. Moreover, the maximum amount client can take margin loan facility is 50% and the rest clients have to provide it by its own.
- **Margin Call:** In case if client's equity falls below 50% of the total debt liability, the portfolio manager will call the client to provide additional margin deposit in order to maintain stable equity to loan ratio (E/D ratio) of the given loan ratio.
- **Mark to Market (MTM):** It is a process to protect a client's equity level. For any reason if a client's equity level drops, then further deposit from the clients or share sell will be required by the next working day to raise it. If there is any account with E/D ratio lower than 30% then it will be automatically adjusted through daily Mark-to-Market (MTM).

Fees & Charges:

Margin Loan Account

If a client wants to invest in the stock market and buy shares by taking margin loans then they have to open an account. The costs of opening the account is BDT 500. Moreover, clients have to pay management fee of 1.50% per annum which will be charged on the value of the asset present in the portfolio. Similarly, as per the regulatory commission clients will have to charges for BO Account maintenance and interests and transaction fee will be 14.75% and 0.35% respectively.

Non Margin Account

In Non Margin Account the costs of opening the account will be same as margin loan account which is BDT 500 but here the transaction fee will be 0.40% and all the other charges will be remain same as margin loan account.

Netting: Netting is a special type of service that IDLCIL provides to their clients. In netting clients can sell the shares and can use the same money to buy another security. Netting is only allowed for the margin account.

Settlements: IDLCIL will send daily trade data to the panel broker which are approved and permitted by IDLCIL research team. Panel broker will send execute trade data through email on every regular trading date. On the client's account, it takes T+2 day for Share Mature and funds will mature on T+3 days.

4.3 Discretionary Portfolio Management:

Discretionary Portfolio management is another department of IDLC Investments Limited. In discretionary portfolio management, an investor do not have the ability to purchase and sell shares of his/her own choice. Although to some extend they can ask the portfolio managers to buy or sell shares of his/her likings but most of the time it is up to the portfolio manager to decide which shares they are going to buy and sell but investor can check their portfolio when needed. Moreover, in DPM they have a sales team who is responsible to collect funds from investors who wants portfolio manager's expertise and knowledge to manage their fund and invest efficiently on behalf of the clients/investors. In discretionary portfolio management, IDLCIL offers five types of products such as Max Cap, Easy Invest, Profit-Loss Sharing Scheme, Capital Projected Scheme, and Portfolio Advisory Service. All the detail description about this products are given below.

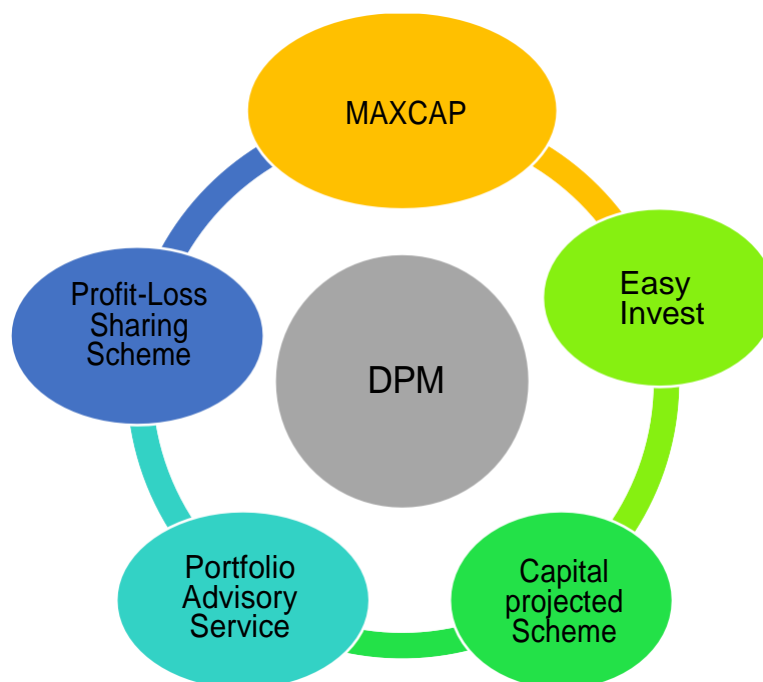


Diagram 2- Overview of products in DPM Department.

MAXCAP:

MAXCAP is a product under discretionary portfolio management designed for wealthy individuals and corporate or institutional investors. The portfolio manager in IDLC Investment Limited will follow well planned investment process and well organized approach which will allow to make a portfolio that will satisfy client's specific needs or requirements and limitations. Moreover, in MAXCAP portfolio managers takes decisions about where to invest and if there is any gains or losses than clients will have to bear it.

MAXCAP is appropriate for those investors who have little knowledge or idea about the Capital market in Bangladesh and wants professional fund managers opinion and knowledge. On the other hand for institutional investors, they can invest 25% of the organization provident fund. Moreover, in MAXCAP the clients will be provided with portfolio and transaction statement quarterly to see the performance of their portfolio.

Key Features:

In MaxCap minimum investment amount is divided based on the type and categories of clients. For both non-corporate and corporate clients they have to spend at-least 5 lacs which is the minimum amount required and need to invest it for 5 years (minimum investment period) if they want to invest in such scheme. Furthermore, clients will also have the options of taking margin loan facilities.

Benefits of MAXCAP:

- Lower transaction fee.
- Allow rebate on income tax
- Stress free investment.
- Risk management based on client's risk appetite.
- Professional fund managers and dedicated research team.

Investment Process:

The portfolio managers in IDLC Investments Limited will embrace an effective and efficient investment process in terms of portfolio composition, stock selection, efficient execution of trade, strong monitoring of client's portfolio, and portfolio rebalancing. Moreover, the investment process has been carefully designed in a way so that it helps to eliminate all sorts of conflicts of interests, fair dealing of transaction and compliance of law and other fiduciary duties.

Fees & Charges:

If a client wants to invest in the MaxCap then they have to open an account which costs BDT 500. Moreover, clients will also have to pay the management fee of 2.50% which will be charged quarterly based on the securities market value. Similarly, settlement fee will be charged 0.35% based on the value of transaction and there will be no early exit fee because it is not applicable.

Easy Invest:

Easy Invest is a product of Discretionary portfolio management (DPM). Easy Invest is a product that is specially designed to help clients to build their portfolio over a longer period of time. The clients can gradually build their portfolio by investing a minimum amount of money every month and IDLC's specialist managers will help the clients to grow a long term portfolio. The fund manager in IDLC Investments Limited will follow a well-planned and well organized investment process so that it can help to decrease the risk involved in market volatility. Moreover, the portfolio manager will use the fund collected from the clients in order to invest in companies who have strong previous track record, having good governance and strong ethics and have well future prospect for business growth. In Easy Invest a portfolio manager's aim is to make a long term wealth for the clients.

Key Features:

- Easy invest is very affordable and convenience because it can be started by investing small amount of money.
- Easy invest can provide opportunity for the clients to get tax rebate on the income tax and also tax reduction on capital gain for individual.
- It also provides a long term financial solution for medical fees, children's marriage and education because it will help the clients to grow their money gradually over time.
- Accidental Death and Disability Insurance Coverage up to BDT 1 Lac per year (optional with BDT 74 premium yearly)
- Have Auto debit system as a result clients do not have to submit cheques physically.

Key Information:

Clients who are looking to invest in this services offered by IDLC have to provide at-least BDT 3000 on a monthly basis. It is the minimum investment amount required and is applicable for both individual and corporate clients in order to invest in such scheme. Moreover, the minimum and maximum investment period is 5 & 10 years respectively.

Fees & Charges:

In order to invest in Easy Invest, clients will have to open an account which costs BDT 500. Moreover, management fee will be 3% which will be charged on a quarterly basis on the securities market value. Brokerage fee will be 0.50% and there will be no charges for early exit.

Profit-Loss Sharing Scheme:

Another important discretionary portfolio management service of IDLC Investment limited is profit-loss sharing scheme (PLS). In profit loss sharing IDLC portfolio managers manage clients fund and take decisions regarding where to invest those funds, in which sector of industry, which companies, etc. In PLS, IDLC will be a partner of the client's investment and IDLC will invest with limited sharing as much as 30% meaning there will be maximum 70% fund participation from the client and 30% fund participation from IDLC Investments. So, the ratio of the total investment will be 70:30 and all the profits and losses that will occur from this investments will be divided according to these ratio.

Key features:

- Target is to achieve capital growth by investing in both money market and capital market.
- Any profit or loss will be shared proportionally by both the parties, and if there is any net gain from investment then a portion of it will be given to both parties at the end of the year.
- IDLC Investment Limited is offering a unique partnership opportunity to the clients by entering their own money into the scheme. This partnership exhibits IDLC confidence in the return that can be generated from capital market and also it showcases their expertise on the field as well.

Key Information:

In Profit-loss sharing scheme minimum investment amount is divided based on the type and categories of clients. For both non-corporate and corporate clients they have to spend at least 10 lacs which is the minimum amount required and need to invest it for 5 years (minimum investment period) if they want to invest in such scheme. Furthermore, investment and profit & loss will be shared based on 70:30 ratio.

Net Gain Distribution Policy:

Net Gain Distribution Policy (NGDP) in profit loss sharing scheme means that if there is any realized gain then at least 50% will be allocated to the account holders according to 70:30 ratio at the end of every year and the remaining amount will be reinvested.

Fees & Charges:

If a client wants to invest in the profit-loss sharing scheme then they have to open an account which costs BDT 500. Moreover, clients will also have to pay the management fee of 2.50% which will be charged quarterly based on the securities market value. Similarly, settlement fee will be charged 0.35% based on the value of transaction and there will be no early exit fee because it is not applicable.

Capital Projected Scheme:

Discretionary portfolio management in IDLCIL offer another kind of product called capital projected scheme (CPS). Capital project scheme is a product that ensures 100% protection of the client initial investment meaning if a client invest in this product they will not lose their initial investment so their principle amount will be secured if market falls dramatically. Moreover, it can potentially provide higher return than fixed deposit and clients can enjoy the advantages of bullish market trend. Similarly, investing in capital project scheme will enable clients to take advantage of different market environments and opportunities while protecting their principle at the same time.

Key Features:

- Opportunity for tax rebate.
- 100% capital protection.
- Expertise service at a lower cost.
- No downside risk but full upside potential.

Key Information:

In order to invest in capital project scheme the minimum required investment amount for both individual & corporate clients is 10 lacs. They have to invest it for at-least 4 years which is the minimum investment tenure and there is no margin loan facilities available.

Who can invest in this scheme?

This scheme is suitable for those investors:

- Who can invest the minimum amount as stated in the scheme and can provide all the necessary required documents and papers for opening the account.
- Investors who do not want to withdraw the money for the period of the scheme and also wants to secure their principle amount.
- Want to invest for a longer time period.

This scheme is not suitable for those:

- Investors who are not looking for securing their principle amount.
- Want income on a regular basis.
- Do not have any kind of savings for emergency purpose.
- Want immediate access to their money which they have invested.
- Want a fixed return and also unable to meet the investment criteria and provide required documents.

Fees & Charges:

If a client wants to invest in the capital projected scheme then they have to open an account which costs BDT 500. Moreover, clients will also have to pay the management fee of 1.50% which will be charged quarterly based on the securities market value. Similarly, settlement fee will be charged 0.35% based on the value of transaction and early exit fee within tenure is 2% which will be charged on closing or withdrawal money amount.

Portfolio Advisory Service:

Portfolio Advisory Service is a unique designed service offer by discretionary portfolio management department of IDLC Investments Limited. Portfolio Advisory Service provided to clients by specialized experts of IDLC Investments. This is a value added service which IDLC provides to their clients who are looking to get quality advice on the portfolio management and research support. IDLC Investments have more than ten years of prowess and competency in successfully analyzing the trends and performance of the stock market. As a result, IDLC offers this service to the clients who needs expert opinions and advice on equity investment.

4.4 Construction & Components of a Portfolio Statement:

Portfolio managers in IDLC Investments Limited has certain duties towards their clients. These duties are:

- Provide portfolio statement and Tax certificate.
- Answer queries.
- Change Investment when necessary.
- Provide transaction statement and buying & selling shares.

IDLC Investments Limited maintains a format for the portfolio statement. The portfolio statement is provided without any name of the client because of confidentiality issue. A sample of a portfolio statement is shown below:

Portfolio Statement

Date : 04-Mar-2019

Account Typ : IDA Branch Dhanmondi
Account No. : Name :

SI	Company Name	Quantity		Average. Cost	Total Cost	Market Rate	Market Value	Unrea. Gain	% Gain	%MktVal
		Total	Saleable							
1	City Bank	43,000.00	43,000	34.82	1,497,322	29.10	1,251,300	-246,022	-16.43	3.64
2	ConfidenceCement	18,276.00	18,276	194.10	3,547,356	168.50	3,079,506	-467,850	-13.19	8.96
3	Eastern Bank	35,000.00	35,000	41.14	1,440,023	38.10	1,333,500	-106,523	-7.40	3.88
4	IFAD Autos Limited	11,000.00	11,000	125.62	1,381,819	100.20	1,102,200	-279,619	-20.24	3.21
5	IFIC Bank	100,000.00	100,000	14.10	1,409,918	12.90	1,290,000	-119,918	-8.51	3.75
6	Prime Bank	100,000.00	100,000	19.73	1,973,383	17.90	1,790,000	-183,383	-9.29	5.21
7	Singer BD	41,030.00	41,030	237.47	9,743,526	248.40	10,191,852	448,326	4.60	29.65
8	United Power	36,428.00	36,428	349.37	12,726,957	393.50	14,334,418	1,607,461	12.63	41.70
Total :					33,720,304		34,372,776	652,472	3.77	100.00

Current Balance	:	-36,999,656.08	Mkt. Val. of Lock Free Securities	:	34,372,776.00
Receivables Sales	:	0.00	IPO & Placement	:	0.00
Accrued Fees & Charge	:	946,177.77			
Deposit	:	40,686,000.00	Right Share Application	:	0.00
Fund Transfer In	:	0.00	Right Share Order	:	0.00
Share Transfer In	:	12,467,500.00	Fund Withdrawal Order	:	0.00
Withdrawal	:	-91,881,000.00	Dividend Income	:	8,275,323.05
Fund Transfer Out	:	0.00	Realised Gain / (Loss)	:	111,178,719.74
Share Transfer Out	:	(44,909.70)	Unrealised Gain / (Loss)	:	652,472.27
Net Inflow	:	-38,772,409.70	Liq. Income of MF	:	0.00
Net Worth	:	(3,553,639.60)	Net Gain / (Loss)	:	120,106,515.06

Time Weighted Rate of Return

Year 2019	:	115.28%
Year 2018	:	N/A
Year 2017	:	115.28%
Year 2016	:	N/A
Year 2015	:	N/A

Information for Loan A/C

Equity	:	(4,206,111.87)
Purchase Power	:	-40,029,471.54
Netting	:	No Netting
Loan Ratio	:	0.50
Current Assets/(Liabilities)	:	-37,926,415.60
Equity to Debt Ratio	:	(11.09)%
Required ED Ratio	:	30.00 %

Dividend Receivable

SI	Company Name	Amount
1	ConfidenceCement	19,418.25

Discrepancy in statement must be notified in written within 7 days from statement date.
Otherwise this statement is considered correct

Constructing the portfolio contains few components. All the detail information about the components of a portfolio statements is provided below. Moreover, this portfolio statement construction can also enable us to understand how it can help to prepare a Tax certificate.

The portfolio statement provided here is for an imaginary person but the share name and the numbers contains in this statement are real.

Details about the components of portfolio statement:

Deposit:

It is the total amount of fund that a client has deposited since opening the account, total fund transfer in, realized gain (loss) & dividend income. Here Deposit is **40,686,000.00**.

Total fund transfer in = Entering of fund from another account of the respective investor (individual / joint account).

Total fund transfer out = Outgoing of fund to another account of the respective investor (individual / joint account).

Withdrawal:

Withdrawal is the total amount of fund client has taken out since the opening the account and total fund transfer out. Here, withdrawal is **-91,881,000.00**.

Current Deposit:

It is the amount left after deducting total withdrawal and total fund transfer out from total deposit.

Current Deposit= **0.00**

Equity:

Indicates clients own fund on that specified date.

Equity/Net Worth = Market value of lock free securities + (Current assets) /- (Current Liability)

$$=34,372,776.00 +(-37,926,415.60)$$

$$=(3,553,639.60)$$

Equity to Debt ratio:

It's simply the ratio between equity & current liability amount. It becomes zero when there is no liability.

Equity to Debt ratio= Equity/ Current liability

$$= \{(4,206,111.87) / (37,926,415.60)\}$$

$$= (11.09\%)$$

Current Balance:

Positive CB shows the left amount of client's equity to be used and negative shows the loan amount being used against which the interest is being charged.

Here, Current Balance = **(36,999,656.08)**

Receivables Sales:

The amount that is sold but not adjusted in the portfolio yet, the amount will be adjusted after T+4days from sale occurs.

Receivable Sales= **0.00**

Receivable Dividend:

Any cash dividend receivable by the investor which is already added to the equity as well as Current Assets / Current Liability.

Receivable Dividend from **Confidence Cement** = **19,418.25**

Current Assets / Current Liability

Positive value is clients Current Asset that shows the left amount of client's equity to be used and negative value is clients Current Liability that shows the receivable amount from client. Whether any investor has Current Assets or Liability depends on current balance, receivable sales, receivable dividend & accrued fees & charges.

$$CB+RS+RD-AFC = CA / CL$$

$$(36,999,656.08) + 0 + 19,418.25 - 946177.77 = (37,926,415.60)$$

CA= Current Assets

CL = Current Liability

CB = Current Balance

RD = Receivable Dividend

AFC = accrued fees & charges

RS = Receivables Sales

AV of the portfolio:

Average cost of securities or market value of securities, whichever is lower + current asset (if any).

$$1,637,998+380,177= 2,018,175$$

Loan ratio:

The rate at which client get the loan against each 1 taka (equity)

Loan ratio = **0.50**

IPO and Placement:

Applied by the investor to get the allotment of any imminent company's shares especially in case of private placement.

IPO and Placement = **0.00**

Right share application:

Amount that is kept secure for right purchase or buy preference share issued by the company.

Right share application = **0.00**

Right share order:

Any order given by the investor for right purchase or preference shares.

Right share order = **0.00**

Fund Withdrawal order:

It is an order given by the investor to withdraw cash amount from his/ her account or by any parties authorized by the account holder. It is calculated using the following formula:

Withdrawal = Purchase power / 1+loan ratio

Purchase Power

Ability to withdraw specific amount from respective account.

Purchase Power = Equity *loan ratio+/- current asset/ liability.

$$= (4,206,111.87) * 0.50 + (37,926,415.60)$$

$$= (40,029,471.54)$$

Dividend Income: Received dividend amount.

$$\text{Dividend Income} = 8,275,323.05$$

Realized Gain / (Loss): Gain / (loss) received after selling shares.

$$\text{Realized Gain / (Loss): } 111,178,719.74$$

Unrealized Gain / (Loss): Gain / (loss) not received in reality.

$$\text{Unrealized Gain / (Loss): } 652,472.27$$

Net Gain / (loss): Summation of dividend income, realized gain/ (loss) & unrealized gain/ (loss).

$$\text{Net Gain / (loss): } 120,106,515.06$$

Bonus share/ preference share Receivable

Any share (Bonus / preference) against which IDLC has received the amount needed to purchase without executing the transaction.

Fees & Charges

Two types of fees & charges are applicable in margin portfolios.

Interest

Interest is charged quarterly and calculated on daily basis on daily current balance.

$$\{CB * (\text{interest rate} / 360)\}$$

$$= \{36,999,656.08 * (.1475/360)\}$$

$$=15,159.58$$

Management fee:

Management fees are charged quarterly but also calculated on daily basis over daily market value of securities.

$$\text{Market value of the securities} * (\text{management fee } 1.5 / 360)$$

$$=34,372,776.00 * (1.5/360)$$

$$=143,219.9$$

4.5 Investment strategies and Analysis of Portfolio Management by IDLCIL:

IDLC uses different kind of strategies in portfolio management. Depending on the market condition and circumstances portfolio manager uses different strategies to address the issues and achieve their objectives. Making the right strategies and implementing it successfully is a very crucial part for IDLC portfolio managers. This is because a wrong strategy or a decision may not only be costly for the clients but it can also lead to loss of reputation of the portfolio managers in IDLCIL and the company as well. Therefore, making the right strategy is very important.

Generally, the main objective of a portfolio manager in IDLC Investments limited is to obtain long term returns for their clients by taking fair and sensible risk. To achieve this portfolio manager uses active portfolio management strategy. Active portfolio management is a

strategy where fund manager tries to perform better and achieve better outcomes than the market. As portfolio managers in IDLC uses active management to manage portfolio, they rely heavily on research, market trends & forecasting, changes in the economy and the political situation. Therefore, the main focus is to beat the market and generate higher returns for the investors. (Answer received for question 1 from Nayem Uddin, Fund Manager, DPM).

Investment Approach:

Normally there are two approaches that portfolio manager in IDLC uses for selecting potential stocks those are bottom up approach and top down approach. IDLC Investments sometimes uses a combination of these two approaches but in most cases they uses top-down approach for selecting potential stocks and determine suitable asset allocation in order to build portfolio for the clients. In top-down approach portfolio managers at first analyze the economy, then they examine the industry and after examining the industry they study about the company's performance and its shares. On the other hand in bottom-up approach at first portfolio manager examine the company, and then study and forecast about the industry and economy. Moreover, for IDLC portfolio managers they believe top-down approach is more powerful and accurate this is because portfolio managers need to analyze about the economic environment first to make correct forecast and assumptions about a company.

Asset Allocation & Diversification Strategy:

The portfolio manager in IDLC Investments Limited will use the fund provided by the clients only to make investment in capital market securities both debt & equity which has been permitted, authorized and approved by either Bangladesh Bank or Bangladesh Securities and Exchange Commission (BSEC). Moreover, in order to increase profit or generate good returns and securing the capital portfolio manager as a defense strategy uses the fund provided by the clients to invest in debt securities, fixed deposit accounts (FDR), and deposit

instruments. Furthermore, investments of total assets will not exceed 20% in a single security and 40% in a single industry. Similarly, not more than 30% of total asset will be invested in IPO/Pre IPO. And portfolio managers in IDLC Investments will not make any investments in private venture capital and in securities that has been locked for more than a year. (Answer received for question 4 from Mahmudur Rahman, Business Development officer, DPM).

Investment Strategies by IDLCIL:

Deciding which investment strategies to follow and implementing it is very important factor for the portfolio managers in IDLC Investments Limited. This is because a successful strategy would allow the portfolio managers to generate higher returns for their clients and increase the portfolio value and performance. There are several investment strategies portfolio manager of IDLCIL uses based on their client's risk taking ability, needs and requirements. They are:

- **Value Investing:** It means buying those shares which is being traded in the market at a discount below their intrinsic value. So portfolio managers in IDLC always try to find undervalued stocks in the market. They do not buy any stocks that is overvalued because investing in such stocks would increase the risk of losing money and may provide lower returns in the future.
- **Income Stocks:** Another investing strategy that portfolio managers in IDLC uses is that when making investment and screening out potential stocks they look for companies that have good track record or history about paying dividends to its shareholders. Moreover, portfolio managers look for companies whose dividend payout ratio are very high and provided a large portion of income as dividends to its shareholders. This dividend payments will help to provide a stable income or earnings for their clients.

- **Growth Investment:** In Growth Investment IDLC portfolio managers tries to identify stocks of those companies whose future prospects and earnings looks very positive. This is because companies who have good future prospects means that the market value of the company and its share price will increase in the future and as a result it can help to achieve a capital gain. (Answer for question 3 received from Abir Hussain Talukdar, Senior Business Development Officer, DPM).

Analysis of Portfolio Management:

The portfolio managers in IDLC uses both fundamental and technical analysis in order to manage the investments and find potential stocks for the clients. (Answer received for question 2 & 6 from Mohammed Nayem Uddin, Portfolio Manager, DPM).

Fundamental Analysis:

In Fundamental analysis portfolio managers in IDLC Investments Limited conduct a 360 degree analysis of a company such as management quality of the company, company's ethics and corporate governance, future prospects or outlook of the company, the industry in which the company is operating and the overall economic condition that may affect the company's performance. There are two kinds of fundamental analysis:

- Quantitative- It is expressed in numerical terms.
- Qualitative- Consider factors such as company's board members and its key executives quality, patents and its brand name.

There are different methods IDLC Investments uses in fundamental analysis.

- Discounted Cash Flow Method.
- Dividend Growth Model.
- Ratio Analysis.

Discounted Cash Flow Method:

It is method that portfolio manager in IDLC uses to identify if there is an investment opportunity than how attractive it is for them. In this method a company's future cash flows is discounted to find the present value and if it is higher than the cost of investments than portfolio managers purchase the share if high than they do not buy the share.

Dividend Growth Model:

In dividend growth model the portfolio managers discount all the expected future dividends of a company to the present a method called dividend discount model (DDM). This method IDLC Investments uses for stock valuation in order to make long term investments. In discretionary portfolio management (DPM) IDLC Investments offers two products called Easy Invest and MaxCap where clients invest their money in this products and its IDLC Investments fund manager duty and responsibility to manage this funds more efficiently and effectively so that they can be able to generate higher returns for their clients. As a result portfolio managers in IDLC uses valuation process which can help them to find the suitable stocks that will generate higher returns for their clients. Moreover, the value obtained from the DDM if it is higher than the current trading price of the share than the stock is undervalued and has potential that price will increase in the long run. However, if the value obtained from DDM is lower than it indicates the stock is overvalued and the price is more likely to decrease in future so investing in such stock is not a good choice.

Ratio Analysis:

In fundamental analysis IDLC portfolio managers also conduct ratio analysis in order to find out about the financial strength & weakness, performance, and the overall condition of the company. Some important ratios are price earnings ratio, Debt to equity ratio, ROE, ROA, etc.

Technical Analysis:

Apart from stock valuation process, technical analysis play a very important role in determining stock price movements. Technical analysis helps IDLC portfolio managers to examine previous market conditions and allow them to predict or forecast the stock price movements in the future. Moreover, technical analysis not only help IDLC's portfolio manager to decide when is the perfect time to invest and enter in the stock market but it also helps them to decide when is the right time to exit the market in order to avoid significant loss. Technical analysis consists of few concepts.

- **Trend:** Analyzing the trend correctly is one of the most important part in technical analysis. Trend basically helps portfolio managers to find out how the stock market condition was in the past and how its condition is going to be in the future. Trend helps portfolio managers to predict and forecast what will happen in future based on previous data and it can also be used for analyzing stocks of a particular company. Moreover, in IDLC Investments Limited trend analysis is also very useful for portfolio managers in order to achieve short term capital gains. Normally share prices do not move on a straight line rather it moves on ups and down basis. Therefore, in trend analysis studying the patterns and ups and down movement of a share and the stock market is one of the important task for the portfolio managers in IDLC Investments Limited.



Figure 1 Trend Analysis

- Support Level:** Support level is basically a price level or range which act as a floor below which a stock price cannot fall. It is basically set in order to stop or intercept the price of a stock from falling too much to avoid significant losses. The portfolio managers in IDLC Investments Limited uses support level to protect their client's wealth so that they do not suffer heavy losses on their investment. They set support level by examining and observing previous trends.
- Resistance Level:** Resistance Level basically act as a ceiling on stock prices. It blocks the prices of stocks and act as a barrier from getting it too high. This is because if the price of a stock continue to rise very high than sellers would be more willing to sell their stocks/shares but buyers will not be encouraged to purchase the shares because of its high price.



Figure 2 Support level and Resistance level

4.6 Components of Tax Certificate:

In every year IDLC Investments Limited Clients ask for Tax Certificate. The components contains in the tax certificate is very important.

- Dividend Income
- Income Tax on Dividend income
- Advance Income Tax
- Realized Gain.
- Loan Amount.
- Unrealized Gain
- Locked Equity
- Deposit during this period

An Example of a Tax certificate is given below:

To Whom It May Concern

This is to certify that Mr./Mrs. of Mr. / Mrs., Flat # B5, House # 35A, Road # 27(Old), 16 (New) Dhanmondi RIA, Dhaka, has been maintaining an Investor Discretionary Investment Account In IDLC Investments Ltd.

His/Her detail information is given below:

A/C No. : IDA

Opening Equity		Closing Equity	
Deposit during this period		Withdrawal	
Share In during this period		Share Out during this period	
Fees & Charges		Credit I (Loan) Balance	
Cost value of Securities		Market value of Securities	
Dividend Receivable		Unrealized Gain/Loss	
Locked Equity		Marginable Equity	
		*Net Manual Adjustment	

Investment Period: July 01, 2017 - June 30, 2018

Return Information:

Dividend Income		Income Tax on Dividend at source	
Realized Gain		Advance Income Tax	
Loan		Investment	

(All figures are in Bangladeshi Taka)

Authorized Signatory

* Please refer to transaction statement for detail

Chapter 5

Findings, Conclusion & Recommendations:

5.1 Findings & Observations:

IDLC Investments Limited build an excellent reputation and recognition in the financial market of Bangladesh over the years. They are one of the market leaders in the industry. Moreover, because of their high standard working environment, good corporate governance, strong sense of ethical responsibilities, duties and honesty towards their clients has made it possible for IDLC Investments Limited to be where they are right now. During my three months internship program in IDLC investments Limited I have found out some issues by observing the environment and situation and my overall experience that I had by working in this organization. I believe there are certain areas where IDLC still require some improvements which can be beneficial for both the company and the clients.

- Easy Invest is one of the product of IDLCIL discretionary portfolio management department product. The Brochure of Easy Invest does not show any calculations of return assumptions which could have been easy for the customers to know how much return they could expect to get.
- The management fees, early exit fees, and settlement fees are very high in IDLC Investments Limited compare to their rivals. For example in Easy Invest & MaxCap IDLC Investments is charging management fee 3% & 0.5% respectively whereas Lanka Bangla Investment are offering the similar products such as Lanka Bangla Nichinto & AlphaPlus and they are charging management fee 1% & 0.4% respectively.

- The fees and charges in margin loan department is also very high compare to other rival companies. For example IDLC Investments charges management fee 1.5% on margin account whereas Lanka Bangla Investments charges only 0.5%.
- IDLC Investments Limited maintains a buy & order sell form called order book signed by the clients as per requirement of Bangladesh Securities and Exchange Commission (BSEC) if this order books are not available than IDLCIL blocks the trade permission of the clients and it generally takes lots of time to unblock the trade. As a result it is not good for the clients because they can suffer financial damage because of it.
- IDLC Investments Limited initial deposit is very high in comparison with their competitor companies. For example in Easy Invest minimum investment amount is BDT 3000 whereas in Lanka Bangla Nichinto minimum investment amount is only BDT 2000.
- All the braches of IDLC operating in Bangladesh mostly rely on head office for advice and decision making.
- IDLC Investments Limited have lack of promotional and advertising activities through digital medium such as TV Ads, promoting on social sites, etc.
- IDLC Investments have fewer discussion rooms for the clients.
- There are very fewer training facilities or skill development programs for the employees.
- A manual system is used for maintaining Know you Clients (KYC) report. They keep all the KYC reports in the form of a hardcopy. So if any major incident happen like fire, then they have to make all this KYC again.

- The In-charge officer in operations department sometimes behaves rudely with his junior officer working under him. As a result sometimes it creates hesitation in the junior officer's mind to share the problems they are facing.
- There is no job or task rotation opportunity for the interns. Moreover, the desk computer assigned to the interns is very old and outdated and it stops working in the middle of a work.

5.2 Conclusions:

This three months internship program proved to be a very vital part in my learnings and gathering important knowledge. This is because this internship program helped me to obtain practical knowledge and also allowed me to combine my academic knowledge with the real life experience. Moreover, by working in IDLC Investments Limited I was able to learn about how the non-banking financial institutions actually operates in our country and what type of work they do. This helped me to expand my knowledge and idea about this sector of the industry. My three months internship experience has been very educative and at the same time it was very enjoyable because I had the opportunity to work with friendly people and some of the best chartered financial analysts in our country.

During my internship period I had also face some low points such as it was very difficult for me at the beginning to understand how to do works in excels. Though I had some basic knowledge on Microsoft excel but it still looked very complex for me maybe because of the advance excel function that did not learn in my academic life. But the employees in IDLC were very cooperative they helped me to learn many new advanced excel functions. Furthermore, I was also able to learn about the regulatory purpose, and regulations which I

was completely unaware of and this made it possible from doing my internship in IDLC Investments Limited. Corporate world is very competitive and I believe getting this internship experience and knowledge can help me in both my personal and corporate life.

5.3 Recommendations:

IDLC Investments Limited has established themselves as one of the most successful company in our country. But there is no boundary for improvements as many big well renowned established companies still trying to improve further and become more competitive than their rivals. Based on my experiences in IDLC Investments Limited there are some recommendations that I would like to give which might help the company to grow and improve further.

- IDLC Investments Limited is an organization that values their employee freedom and privacy. They want their employee to be self- dependable and self-driven. However, there can be some employee who can take this as a weakness of the organization and can exploit this freedom. So the management should monitor about this thing on a regular basis.
- IDLC Investments needs to provide training facilities or skill development programs to their employees on a regular basis. They can prepare different seminars and workshop programs for their employees and make it mandatory to attain the program as a result it can help employees to obtain different skills and become more efficient and effective. Lack of training or irregular training program will not make their workers skillful rather it might deteriorate them.

- In Tax certificate, IDLC Investments Limited does not show how much tax rebate a client will get so if they show this in the tax certificate than it will be very beneficial for the clients.
- IDLC needs to make decentralized decision making system which can give the other branches operating in our country to have some power and as a result they do not have to largely dependent on head office.
- IDLCIL need to promote their protects in different digital medium and social networking sites such as Facebook, YouTube, etc as a result it can help people to know more about the company and their products and thus increasing awareness.
- The In-charge officer in operation department should not behave rudely with his junior officers as it can create communication gap between the senior and junior executives and can lead to lots of mistakes and errors.
- On site intern supervisor should allow interns to work in different departments of the company and make more task rotation so that it allow interns not to feel bored and learn more about the company and its work.

5.4 Limitations:

During my 3 months internship period I have tried to learn as much as I can while working in IDLC Investments Limited and tried to prepare this report in depth and comprehensive manner as possible. However, this 3 months internship program was not sufficient for me because I did not have enough time to learn more in-depth about all the activities in the company. Moreover, every organizations have its own system, policy and strategies about how it operates and compete with their competitors and all this things are kept in secret so that they do not get revealed outside of the organization. As a result due to confidentiality issue my supervisor and other executives & officers in the company did not discuss sensitive strategies and materials with me so it was hard for me to make this report more meaningful and realistic.

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Appendix:

Interview questions:

- ✓ As a portfolio manager what is your investment philosophy?
- ✓ How do you analyze a stock?
- ✓ What are the criteria you look for in a stock when deciding about buying?
- ✓ How do you minimize portfolio risk?
- ✓ What types of investors is suitable to get margin loans?
- ✓ If portfolio managers actively manage portfolio by changing asset allocation, how do you determine which asset classes are good or bad?
- ✓ Does IDLC Investments Limited engage in any CSR activities?
- ✓ If a client's portfolio incur significant loss than how do you handle it?
- ✓ What are the steps you take to cover those loss money?