

Report On
An evaluation of the performance of IDLC Asset Management
Limited mutual funds

By

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An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Bachelor of Business Administration (BBA).

BRAC Business School
BRAC University
September 2022

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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing a 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 that 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:

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Supervisor's Full Name & Signature:

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Letter of Transmittal

Riyashad Ahmed

Assistant Professor,

BRAC Business School

BRAC University

66 Mohakhali, Dhaka-1212

Subject: Submission for Internship report on “An evaluation of the performance of IDLC Asset Management Limited mutual funds”

Dear Sir,

It is a great pleasure that you have allowed me to prepare a report on “ An evaluation of the performance of IDLC mutual funds’ based on my internship at IDLC Asset Management. I am pleased to submit the internship report as a requirement for the BBA program.

I have attempted my best to finish the report with the essential data and recommended proposition in a significant compact and comprehensive manner as possible. I trust that the report will meet the desires and I will be glad to clarify any further queries regarding this report.

Sincerely yours,

Dipu Sarker

18104057

BRAC Business School

BRAC University

September 15, 2022

Non-Disclosure Agreement

This agreement is made and entered into by and between IDLC Asset Management Limited and Dipu Sarker, the undersigned student at BRAC University; in order to assure avoidance of unapproved disclosure of any confidential data of the organization.

IDLC Asset Management Limited

Dipu Sarker

Acknowledgment

First and foremost, I am thankful to Almighty GOD for granting me the opportunity to do an internship at such a renowned firm, where I gained so much knowledge. Then, I would like to express my gratitude to my university supervisor, Mr. Riyashad Ahmed, Assistant Professor at BRAC Business School, for all of his continuous assistance and cooperation in ensuring the effective completion of my internship report.

I would like to express my sincere appreciation to everyone who made the preparation of this report possible by guiding me and facilitating my efforts. I am very grateful to Subhra Banik, Manager of the Finance Department of IDLC Asset Management Limited, for enabling me to complete my internship under his supervision. Special thanks to Mr. Toukir Ahmed, Executive, and Ahmed Taufatun Noor, Executive for their kind assistance and, above all, for giving me the learning opportunity and varied financial insights throughout my internship duration. With their assistance, I was able to obtain the essential knowledge and realize a partial understanding of real-life financial institution concerns.

Finally, I want to express my heartfelt gratitude to my parents for their unwavering support in helping me finish my internship and BBA degree at BRAC University.

Executive Summary

IDLC Asset Management Limited is one of Bangladesh's prominent asset management companies, and it was established in November 2015. IDLC Asset Management Company is a wholly-owned subsidiary of IDLC Finance Ltd., one of Bangladesh's most renowned and largest non-bank financial institutions. The IDLC Group launched IDLC Asset Management Limited to provide investors with more varied investment options than they could have on their own. It offers individuals and institutions investment-related information, mutual funds, and alternative investment solutions. The product and service offering comprises four open-ended mutual funds: the Balanced Fund, the Growth Fund, the Shariah Fund, and the Income Fund. Furthermore, IDLC AML offers institutional investors private equity and venture capital investment solutions.

I worked as an intern in the Finance and Operations division at IDLC AML, where I was obliged to work three days a week in the operations team and two days a week in the finance team. My regular responsibilities included: archiving the existing investor files, verifying investor forms, data and correspondence management, and document preparation for vendors. The goal of data archiving was to enable all departments of IDLC AML to access investor files by clicking on their specific registration numbers. Working with one of the two most important teams at IDLC AML enabled me to get a wide range of skills and participate in a productive job rotation.

This study intends to examine the performance of the four open-end mutual funds managed by IDLC AML based on their financial statements and weekly NAV to measure the financial performance and risk-adjusted returns of respective mutual funds. In addition, the risk-adjusted returns of the AML mutual funds have been compared to the market benchmark to see whether they provide greater returns than the market. This study will aid the average investor in making an optimally informed decision about which IDLC AML fund to invest in based on risk-return expectations. To achieve the study's objective, quantitative and qualitative assessments such as financial ratios, standard deviation, beta, Sharpe ratio, and Treynor ratio were utilized as analytical tools. The study concluded with several suggestions based on the IDLC AML issue's findings.

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List of Acronyms

IDLC	Industrial Development Leasing Company of Bangladesh
AML	Asset Management Limited
IBF	IDLC Balanced Fund
ISF	IDLC Shariah Fund
IGF	IDLC Growth Fund
IIF	IDLC Income Fund
NAV	Net Asset Value
DSEX	Dhaka Stock Exchange Board Index
DSES	Dhaka Stock Exchange Shariah Index
SIP	Systematic Investment Plan
SWOT	Strengths, Weaknesses, Opportunities, and Threats
NBFI	Non-Banking Financial Institution
EPU	Earning Per Unit

Glossary

Asset Manager	Financial experts who are in charge of managing securities and making informed decisions on behalf of customers in to maximize asset value.
Systematic investment Plan	It allows investors to invest a certain amount in a managed fund at regular intervals (monthly, quarterly, annually, etc.) to achieve a financial goal.
Open-end mutual fund	A diverse portfolio of investor funds that may issue an unlimited number of units and is always available for investments and redemptions.
Shariah Fund	Investment funds regulated by the tenets, rules, and restrictions of the Islamic faith
Growth Fund	A growth fund is a mutual fund that invests in stocks anticipated to grow their revenue and profits faster than the broader market with the goal of attaining capital appreciation
Risk-adjusted performance	it is a risk-based profitability assessment approach for analyzing risk-adjusted financial performance and delivering a consistent perspective of profitability across organizations

Chapter 1: Overview of Internship

1.1 Student Information

Name: Dipu Sarker

ID: 18104057

Program: Bachelor of Business Administration (BBA)

Dual Major: Finance & Computer Information Management

1.2 Internship Information

1.2.1 I started working with IDLC Asset Management Limited (AML) as an intern in their finance and operations department on June 17, 2022. Moreover, I completed my internship on August 17, 2022. The following is the company's address: Symphony Tower [4th floor], Plot 9, Road-142, Gulshan South Avenue, Bir Uttam Mir Shawkat Sarak, Dhaka 1212, Bangladesh.

1.2.2 Mr. Subhra Banik was my on-site supervisor. He is the head of the Finances department and the administrator of IDLC AML. His contact details are as follows: Email: sbanik@idlc.com

1.2.3 My duties were assisting the finance and operation departments of IDLC AML, where I was required to work three days in the operation team and two days in the finance team every week, which allowed me to get a variety of experience and a good job rotation. Office hours were from 9.30 a.m. to 5.30 p.m. My Job duties are described below.

Job Responsibilities			
Data Archiving	Verification of the Investor Form	Management of Data Correspondence	Prepare Documents for Vendors

Figure 1: Regular duties as an Intern

a) **Data Archiving**

IDLC AML recently launched an online platform during Covid era, where anyone can start investing online. Before, IDL AML customers had to fill out paper forms to open an account. The firm keeps a file for each investor in which surrenders and new purchases are recorded. As a result, they wanted to digitalize all the existing investors' physical files. Therefore, in the operation team, I had to prepare each of the existing investor files to a certain format, then scan them separately and transfer them to IDLC's central drive, where any party from IDLC AML could access the investor files simply by clicking on respective investors registration numbers. During the course of my internship, I scanned more than 2,800 investor files and built an extensive digital data repository for them, which was one of my primary responsibilities.

b) **Verification and Filling of the Investor Form**

Another of my primary responsibilities on the operations team was to review the investor account opening form to see if any signatures or information were missing. If I identified any errors, I would inform the operation team, who would then forward the information to the relationship managers, who are in charge of assisting and collecting account registration documents. In addition, I was sometimes required to fill out SIP and BO account forms for investors, which IDLC AML would retain separately from the main investor file. This form was necessary for surrendering and charging any fees associated with any investor.

c) **Management of Data Correspondence**

In the Finance team, they would often receive letters from various stakeholders, including the custodian, BSEC, and others. I had to print those letters and maintain them synchronized separately for each fund. In addition, IDLC AML publishes the NAV report each Thursday; thus, I was required to gather the NAV report printouts and store them in their respective files with the published newspapers.

d) **Prepare Documents for Vendors**

Another of my responsibilities on the finance team was to go through all past challan for the reporting year and create separate datasets for each vendor in Excel, where I recorded the monthly financial transactions. So, when the vendor asked for a chalan and VAT report for the whole fiscal year, I was able to quickly make a chalan and VAT report on letterhead and send it to the right vendor.

e) **Data Input and other tasks**

I was given other tasks by both the finance and operations team to input data sometimes. In the financial team, I was tasked with entering information on the monthly salary report, which included bank accounts and personal information for all top employees. In addition, I was required to prepare letters based on a certain format for the general meetings. Responsibilities

1.3 Internship Outcome

- 1.2.4 As an intern, I completed the task of building a large and complicated data archive of investor information from scratch, as well as aiding in other tasks that an officer is entitled to perform regularly. In doing so, the finance and operations teams were able to concentrate on important daily tasks, and it helped them be more efficient.
- 1.2.5 This internship enabled me to get practical knowledge of non-banking financial institutions, particularly asset management firms. I knew little about mutual funds and how they functioned, but since I had the opportunity to work with two of the most significant teams of the IDLC AML, I was able to learn in-depth to get meaningful experience, improve skills, and explore career options to move into a job.
- 1.2.6 Initially, I learned about corporate culture and the significance of values, ethics, mission, and vision as important components of any company's driving force. In addition, I had the chance to learn about teamwork and how to complete tasks quickly by assisting one another. Through working in the business world, I was also able to improve my communication skills.
- 1.2.7 I had some challenges due to the tremendous workload of data archiving and finishing the task before the deadline. But, over time, I learned to overcome the problems by becoming a fast learner and more effective at work. Therefore, the internship has helped me learn about punctuality and how to accomplish a job within a certain time frame, and it has also improved my time management skills. As a result, the overall internship experience was delightful.
- 1.2.8 Lastly, I would recommend job rotation of interns inside the organization for a short period of time, which would allow interns to increase their knowledge and skills in the most diverse manner possible, and, when necessary, will allow one intern to assist another in completing a particular task.

Chapter 2: Company Overview

2.1 History of IDLC AML

IDLC Asset Management Limited is one of Bangladesh's prominent asset management companies. IDLC Asset Management Company is a wholly-owned subsidiary of IDLC Finance Ltd., one of Bangladesh's most renowned and largest non-bank financial institutions. IDLC Asset Management Limited was made by the IDLC Group so that investors could have more ways to invest than they could on their own.

IDLC AML was established as a Private Limited Company on November 19, 2015, with an authorized capital of BDT 250 million. The company was granted an asset management license with BDT 100 million in paid-up capital by the Bangladesh Securities and Exchange Commission on June 7, 2016. IDLC AML has developed a variety of debt and equity mutual funds to fulfill the broad spectrum of financial demands of people to create long-term wealth via competent fund management and creative solutions. They presently run four mutual funds, each intended for a distinct group of investors.

To better serve institutional investors, they got an alternative investment license on July 16, 2018, from the BSEC, which allows them to invest in various new companies while ensuring a reasonable return for the investors. For example, IDLC AML holds private equity in Trucklagbe. Furthermore, IDLC AML has undertaken several significant efforts to promote the mutual fund industry. They were the first company to bundle insurance with mutual funds and use a Systematic Investment Plan and zero-load funds in mutual funds to attract retail customers on a large scale.

Therefore, IDLC AML has been serving the varied needs of individual and institutional investors in Bangladesh by providing portfolio management services in the form of mutual funds and alternative investment vehicles such as venture capital.

2.2 Core Values of IDLC AML

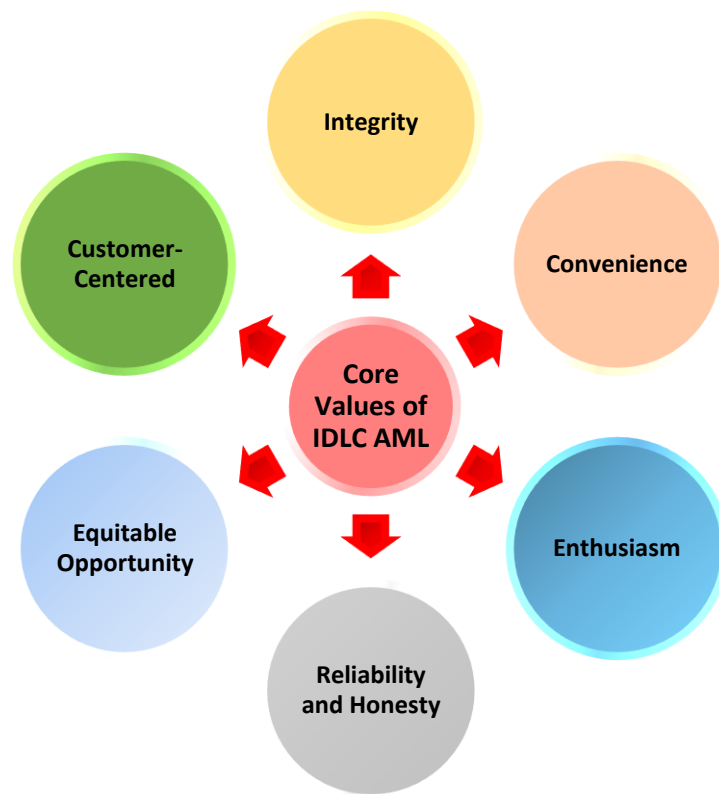


Figure 2: Core Values of IDLC AML

2.3 Key Strength of IDLC AML

- Strong management knows how to manage the operation.
- Specialized fund management expertise with demonstrated experience
- Strong brand recognition with a track record of outstanding performance.
- Robust risk management framework to ensure the safety of the funds.
- Diverse perspectives, shared values, and a collaborative approach generate superior results.
- Customer's trust and confidence in the company's integrity, reliability, and transparency.
- Commitment toward innovation and fast adapting to fast-changing markets

2.4 Philosophy

IDLC Asset Management Limited adheres to the belief of utilizing appropriate financial expertise and essential investment instruments to optimize the development of an individual's financial wealth while promoting the expansion of the national economy. To be able to achieve that, their objective is to:

- Spread awareness among the people about the need for financial education and planning.
- Help people to implement their financial goals with suitable investment instruments.
- Assist individuals in experiencing a sense of financial stability and optimism for a bright future.

2.4.1 Vision

IDLC AML aims to be the most trusted and number one asset management company in Bangladesh concerning investors' confidence and assets under management.

2.4.2 Mission

IDLC AML intends to be the most popular destination of choice for individuals and institutions in Bangladesh for investment-related information, investment products, and investment returns.

2.5 Products and Services

2.5.1 Mutual Funds

IDLC Asset Management Limited offers mutual fund products to individuals and institutional investors. Its products are available for purchase in the form of a lump sum of money or a systematic investment plan, which allows a vast range of customers to acquire its products. There are now four open-ended mutual funds in the market in which IDLC operates, such as:

- IDLC Balanced Fund
- IDLC Growth Fund
- IDLC Shariah Fund
- IDLC Income Fund

2.5.2 Alternative Investment

In addition to mutual funds, IDLC AML provides alternative investment solutions to institutional clients, who are often in early-stage, emerging, and rapidly expanding in the hope of generating returns for their investors.

- Venture Capital
- Private Equity

2.6 Sister concerns

IDLC AML has three following sisters of concern, Such as:

2.6.1 IDLC Finance Ltd.

IDLC, known as an industrial development leasing company, commenced its operations in 1985 as Bangladesh's first leasing firm. In 1995, IDLC received a license as a financial institution from Bangladesh Bank, and throughout the next two decades, the company has expanded with the nation's expanding economy. IDLC offers a multi-variety of non-banking financial products in the corporate, retail, and capital markets. In addition, they offer personal finance products like deposits and loans, corporate and structured financing solutions for local and global corporations, and financing facilities for small and medium-sized businesses. This makes them the largest non-banking organization in Bangladesh.

2.6.2 IDLC Securities Ltd.

IDLC Securities Limited, a wholly owned subsidiary of IDLC, began operations in 2006. It is one of the leading brokerage firms in Bangladesh, serving local and foreign investors with a full-fledged international standard brokerage service. They have a presence on Bangladesh's stock exchanges and function as stockbrokers and stock traders. Within a short time, it became the third biggest stock broker in Bangladesh because of excellent client service, research competence, stringent regulatory compliance, and the highest level of business ethics.

2.6.3 IDLC Investments Ltd.

IDLC Investments Limited began operations on August 16, 2011, to provide merchant banking services to individual and institutional customers. To transfer merchant banking activities, the company incorporated a separate subsidiary on May 19, 2010, with the name "IDLC Investments Limited," as required by the Bangladesh Securities & Exchange Commission (BSEC). IDLC Investment Limited offers discretionary and non-discretionary fund management services, investment banking, issue management, securities underwriting, and sales consulting.

2.7 Structure of IDLC AML Mutual Funds

All IDLC mutual funds are formed, managed, and administered by four distinct entities, including Asset Management Company, the Sponsor, the Trustees, and the Custodian. Firstly, the sponsor launches a mutual fund by subscribing to at least 10 percent of the entire fund and then appoints other stakeholders. Secondly, the Board of Trustee upholds the interests of investors and oversees the IDLC AML's overall performance, which is an independent entity. Thirdly, a custodian is an entity registered with the BSEC that is in charge of safeguarding securities. Lastly, the asset management company acts as fund managers for the trust, and they are responsible for all fund-related activities for a small fee. The following table lists each IDLC AML mutual fund's entities:

Entity	IDLC Balanced Fund	IDLC Growth Fund	IDLC Shariah Fund	IDLC Income Fund
Sponsor	IDLC Finance Limited	IDLC Finance Limited	IDLC Asset Management Limited	IDLC Asset Management Limited
Asset Manager	IDLC Asset Management Limited	IDLC Asset Management Limited	IDLC Asset Management Limited	IDLC Asset Management Limited
Trustee	Investment Corporation of Bangladesh	Bangladesh General Insurance Company Ltd.	Investment Corporation of Bangladesh	Sandhani Life Insurance Co. Ltd.
Custodian	Investment Corporation of Bangladesh	BRAC Bank Limited	BRAC Bank Limited	BRAC Bank Limited

Table 1: Structure of IDLC AML Mutual funds

2.8 Departments of IDLC AML

All the departments of IDLC Asset Management Limited and their main functions are mentioned below:

The Research & Portfolio management team

- Collects information on listed equities of the stock market
- Analyze different asset classes and economic factors for identifying an investment opportunity
- Prepare performance appraisal and asset managers portfolio reports
- Determine the appropriate level of risk based on return expectation, risk preference, and market condition
- Forecast the financial performance and values of the company
- Invest the fund between income generating and Growth assets.

Operations team

- Open an account and keep track of investors' information
- Verify the validity of the investors' information
- Provide a variety of services to investment account holders
- Withdraw and surrender the units of the investors
- Maintains the investors' financial transaction records

Marketing team

- Create and organize materials to showcase the business.
- Identify target audiences and market trends.
- Conducts a variety of campaigns to attract prospective customers
- Manages and keeps track of IDLC AML's social media accounts.
- Coordinate efforts by communicating with sales team.
- Communicate with consumers, investors, and the community

Accounts and Finance Team

- Prepare weekly Nav and Publish them in the Newspaper
- Prepare financial statements for each quarter.
- Distribute dividends among Investors
- Prepare the investors' income tax returns
- Prepare Salary and other accounts statements
- Ensure efficient financial management and Controls of IDLC AML

Sales team

- Meets IDLC AML's desired sales target
- Handles customer's call and assist in solving their queries
- Assist investors in understanding SIP and the Benefits of IDLC AML mutual funds
- Meets with clients and personally conducts accounting openings.
- Upholds and strengthens the relationship with investors.

Administrative logistics and compliance team

- Oversees the daily operations and ensures compliance with the laws and regulations.
- Ensure the availability of the essential equipment and address the fault
- Guide to ensure that the sales team has access to transportation

2.9 Organizational Hierarchy of IDLC AML

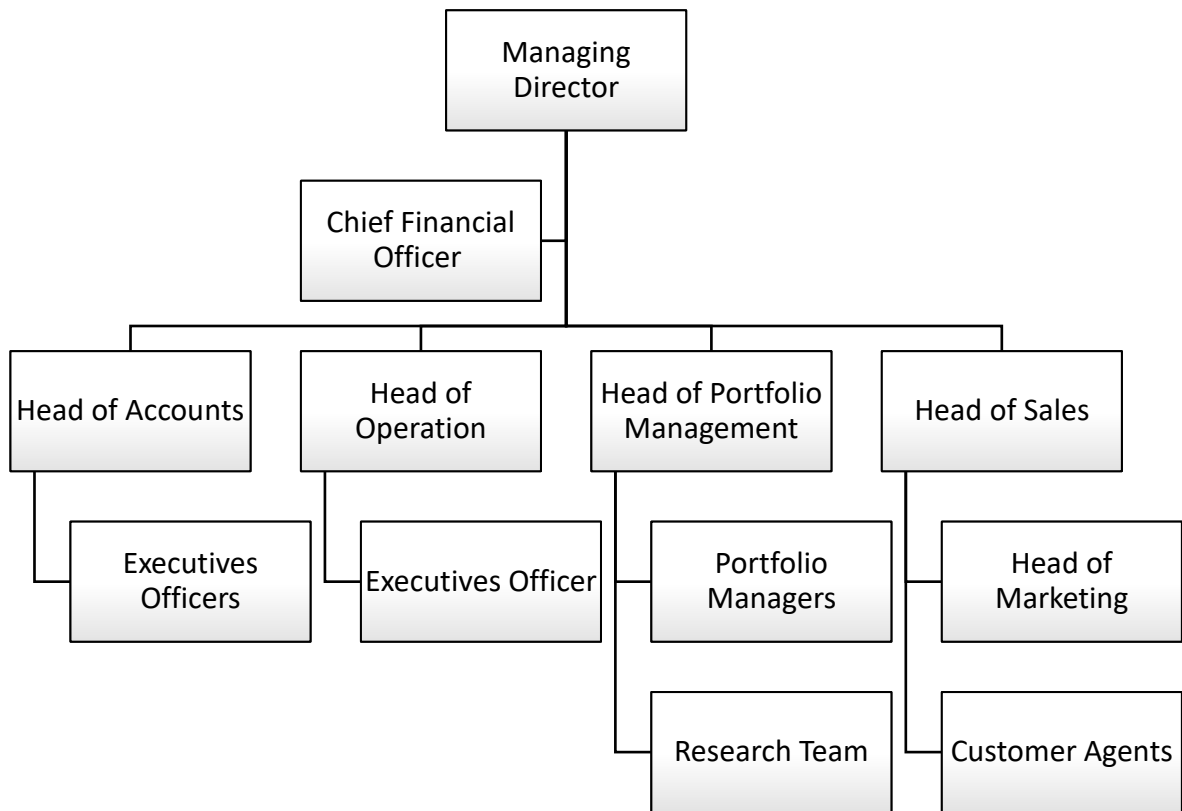


Figure 3: Organizational Hierarchy of IDLC AML

2.10 Key Milestone of IDLC AML

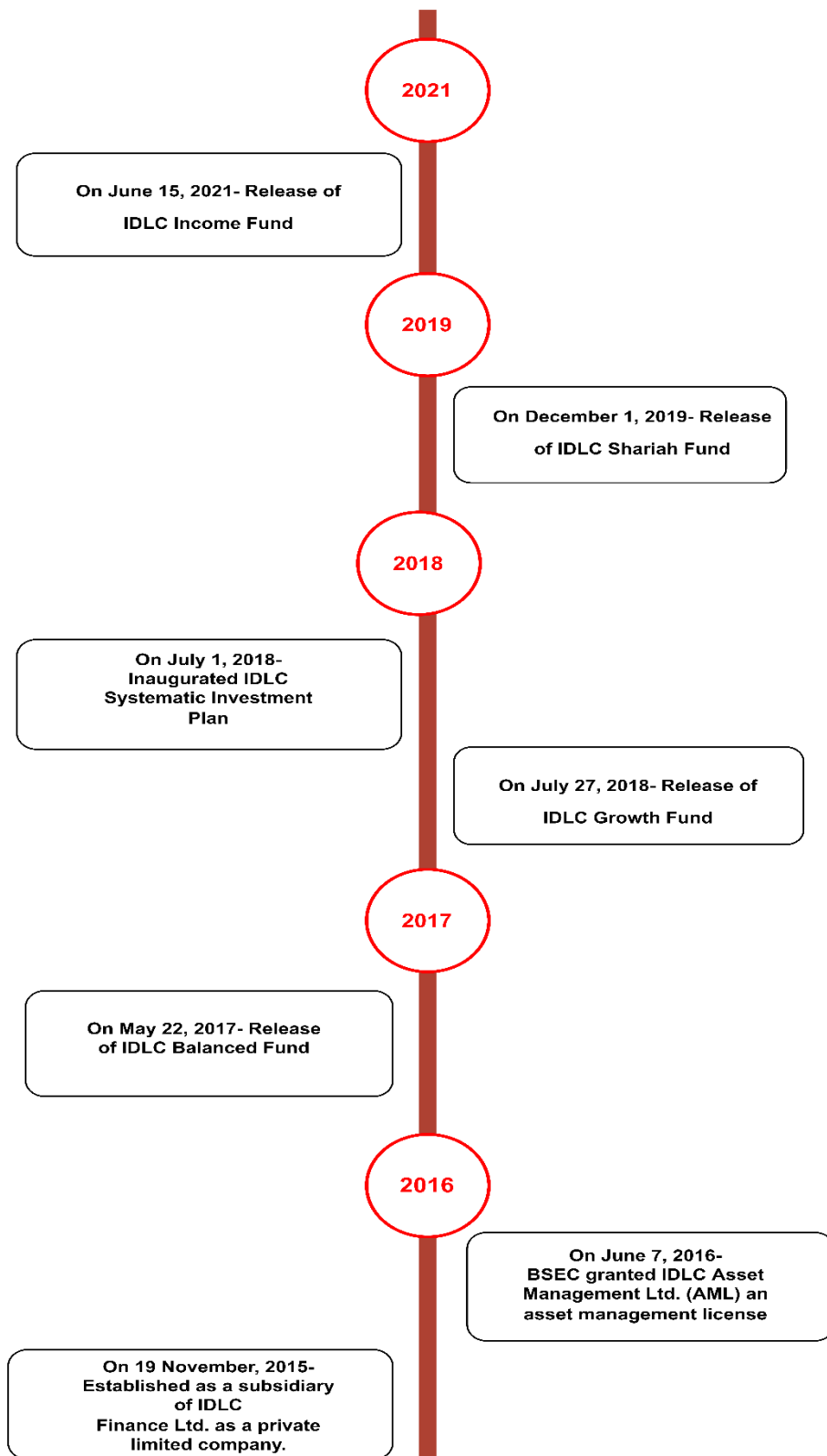


Figure 4: Key Milestone of IDLC AML

2.11 Swot Analysis of IDLC Asset Management Limited

Internal Factors	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Strong brand image • First mover advantage of SIP • Specialized research department • Robust risk measurement policy • Easy access through an online platform • Strong capital base 	<ul style="list-style-type: none"> • Poor Marketing Strategy • More concentrated on upper Income Class • No Close-End funds • Weak IT department
External factors	
Opportunities	Threats
<ul style="list-style-type: none"> • Educating the lower income class about SIP • Extending Branches to all major cities • Introducing Close-End funds 	<ul style="list-style-type: none"> • Inflationary Market • New Technologies developed by Competitors • Competitors having better coverage

Table 2: Swot Analysis of IDLC AML

Chapter 3: An evaluation of the Performance of IDLC AML

3.1 Origin of the report

The completion of an internship is a requirement of the BBA program and acts as a means of gaining practical experience in the relevant sector. As a BBA student specializing in finance and CIM, I was assigned to IDLC Asset Management Limited for an internship. Due to the fact that it is the biggest non-banking financial institution, I became acquainted with the activities of a financial institution in a realistic setting.

This paper, titled "An assessment of the performance of IDLC Asset Management Limited mutual funds," is the result of a three-month assignment at IDLC AML that was given to me by my immediate supervisor, Subra Banik. I have primarily included an overview of the company, the major operations of IDLC AML, a review of financial performance using key ratios, and a comparison of risk-adjusted returns to the market return, which enabled me to identify a few issues and provide recommendations. In addition, I believe a report demonstrates effort and harmony between practical and theoretical understanding. Thus, I attempted to make the report more informative and logical in order to accurately portray the performance of all IDLC AML mutual funds throughout the years.

3.2 Objectives of the report

The broad objective of the study is to "evaluate the performance of all IDLC AML mutual funds over the last several years, which comprises the following specific objectives, which are

- 1) To present an overview of IDLC AML Mutual funds
- 3) To assess the financial performance of all IDLC AML mutual funds
- 4) Compare the risk-adjusted return performance with the DSEX Index
- 5) To identify issues associated with IDLC AML mutual funds.
- 6) To make a recommendation based on the findings.

3.3 Methodology

3.3.1 Data Collections

The important data for the report was acquired from both primary and secondary sources. However, the majority of the information was obtained from secondary sources.

3.3.2 Primary Data

The primary data was gathered with the assistance of my line supervisor via direct questioning and discussions. Furthermore, since I worked in the finance and operations teams, I learned about the tasks of other departments through informal interviews with employees from the operations team.

3.3.3 Secondary Data

The quantitative research was supported by secondary data. The Historical Nav, Annual Financial Statements, Dividend Distribution Statements, and Prospectuses of all four individual mutual funds were collected from the IDLC AML website. Additionally, I gathered risk-free rates of return from the Bangladesh Bank website and historical Dhaka stock index data from the website of investing.com. Moreover, I have used various other websites to gain relevant information.

3.3.4 Tools and Techniques

In order to achieve the objective of the study, I have calculated a number of key financial measures that may best describe the performance of open-ended mutual funds. Due to the different launch dates and availability of data, I have calculated the key ratios of four years for the balanced and growth fund, three years for the sharia fund, and two years for the income fund.

For the purpose of calculating the risk-adjusted performance, I have collected the weekly adjusted NAVs of four distinct mutual funds from the launch date to June 30, 2022. First, I computed the weekly returns of each fund based on their respective adjusted NAVs and then converted them into annual mean returns separately. Furthermore, the DSEX index has been utilized as a proxy for the market portfolio and benchmark comparison. Based on the NAVs' publishing date, the weekly closing price of the DSEX index has been collected. Additionally, the risk-free rate of return is calculated using the 364-day monthly T-bill rate for the period of July 2017 to July

2022. The following techniques were used in the analysis: (1) Sharpe Measure, (2) Treynor Measure, and (3) Jensen's Alpha 4) Information ratio

- 1) Sharpe Ratio: It evaluates the risk-return performance of the portfolio

$$\text{Sharpe Index} = \frac{R_p - R_f}{\sigma_p}$$

R_p = Average fund return;

R_f = Average risk-free return;

σ_p = Standard deviation of fund returns

- 2) Treynor Measure: It measures the excess return that a portfolio generated for each unit of risk that was taken.

$$\text{Treynor Index} = \frac{R_p - R_f}{\beta_p}$$

R_p = Average fund return;

R_f = Average risk-free return;

β_p = Coefficient as a measure of systematic risk

- 3) Jensen's Alpha: It assesses the risk-adjusted performance of a portfolio in relation to the expected market return.

$$\text{Alpha } (\alpha) = (R_x - R_f) - \beta(R_m - R_f)$$

α = Parameter of the model

R_p = Average fund return

R_f = Average risk free return

R_m = the return on the market index

- 4) Information ratio: The information ratio determines how much a fund has outperformed a benchmark.

$$\text{Information ratio} = \frac{(R_p - R_b)}{\text{Tracking Error}}$$

R_p = rate of return of the investment portfolio

R_b = Benchmark rate of return

Tracking error = Standard deviation of the excess return with respect to the benchmark rate of return

- 5) Turnover Ratio: It is a measurement of how rapidly a fund's management buys or sells its holdings.

$$\text{Turnover Ratio} = \frac{\text{Securities Purchased or Sold (Whichever is lower)}}{\text{Average Fund Size}}$$

- 6) Expense Ratio: It is the yearly maintenance fee charged by mutual funds to cover their operating costs.

$$\text{Expense Ratio} = \frac{\text{Toatal Expenses}}{\text{Average Fund Size}}$$

- 7) Earning Per Unit: It is the percentage of a company's earnings that is allotted to each outstanding unit of mutual funds

$$\text{Earning Per Unit} = \frac{\text{Net Income}}{\text{Total Number of Outstanding Units}}$$

3.4 Limitations of the report

I encountered several constraints when preparing the report; for example, some information that was required to offer a more concise image of the firm was highly confidential, and IDLC AML did not allow the disclosure of that data. In addition, the bank deposit rate could have been used as a benchmark instead of the DSEX index to determine the risk-adjusted performance of the income fund to provide comprehensive results because the income fund adheres to a conservative investment strategy. Some calculations, such as annualized returns, may not fully correspond to the textbook definition, but the formula that IDLC AML uses has been applied. Moreover, there are available resources for IDLC finance; however, there is insufficient information available for IDLC asset management Limited's operating procedures.

3.5 Introduction Mutual Fund

A mutual fund is a form of investment vehicle that pools the money of multiple investors who have the same objective of investing in different securities, such as bonds, equities, and money market instruments. Investors can be individuals or institutions, and the mutual fund's total holdings are referred to as its portfolio. In addition, mutual funds are managed by experienced portfolio managers who strive to generate returns for the fund's investors by investing the fund's assets in different sectors. Each investor holds units, or shares, which represent the ownership percentage of the fund's assets. Moreover, after subtracting certain fees, the income/gains generated by the collective investment are allocated proportionally based on the investors' units, which is known as a dividend. It is worth emphasizing that investors in mutual funds only hold units or shares in the fund; they do not actually own the assets in which the fund invests.

In simple terms, a mutual fund is one of the most feasible investing choices for the average individual since it enables them to participate in a diverse, professionally managed basket of assets at a reasonable cost.

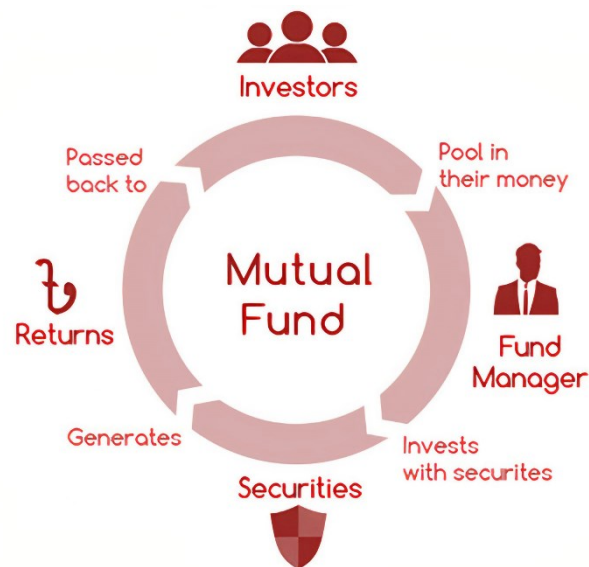


Figure 5: Introduction to Mutual fund

3.6 Types of Mutual Funds

3.6.1 An open-ended mutual fund

Open-ended mutual funds are managed by experienced portfolio managers who purchase and sell securities on a continuous basis, allowing investors to join or quit the scheme at any time. There is no defined maturity period for this type of fund. As there are no constraints on the maximum number of shares that may be issued, liquidity is the primary characteristic of the open-ended mutual fund. But the management of the fund may cease accepting new subscriptions if it thinks it cannot manage the large fund size. In addition, the trading of an open-end fund is not conducted on an open market, so it cannot be monitored like a stock. Moreover, open-ended mutual fund units are purchased and redeemed at their net asset value, which is calculated often at the closing of the day by dividing the market value of the fund's assets (minus expenditures) by the number of shares owned by investors. It is one of the most popular types of mutual funds, and all of the IDLC AML funds fall under this category.

3.6.2 Closed-End Mutual Funds

A closed-ended mutual fund is an investment vehicle that raises money by issuing a certain number of shares on the open market for a fixed period of time via an initial public offering (IPO). In contrast to mutual funds, investors cannot purchase new units after the NFO period is over and the fund cannot issue additional shares either. This type of fund is registered with the securities commission and actively managed by portfolio managers of an asset management company. Furthermore, investors may buy or sell shares on the secondary market since they are publicly traded on a stock exchange. Although its value is dependent on the NAV of the fund, it may be purchased and sold on the secondary market at a premium or discount to the NAV per share, depending on supply and demand. In addition, it is the kind of mutual fund that is best for investors who are willing to wait until maturity for the payouts and who seek larger returns as it ensures stability in terms of asset valuation.

3.7 Overview of IDLC Mutual Funds

3.7.1 IDLC Balanced Fund

IDLC Balanced Fund is a perpetual open-ended mutual fund formed to expand the pool of available investments and advance the development of the capital market. The fund was registered in accordance with BSEC regulations and launched on May 22, 2017. The aim is to provide capital growth as well as current income to investors in the form of dividends by investing their funds in a diversified sector, which ensures the proper mix of debt and equity instruments. In addition, this fund distributes at least 70% of its realized gains. Furthermore, this fund's primary target market is individuals and institutions, and the fund adheres to a moderate risk scale philosophy while managing its portfolio.

Investment Activities

Asset Allocation	
Type	Total % of Assets
Growth	56.92%
Income Generating	31.52%
Other Assets	2.33%
STD	5.04%
IPO	4.20%

Table 3: Investment activities of Balanced Fund

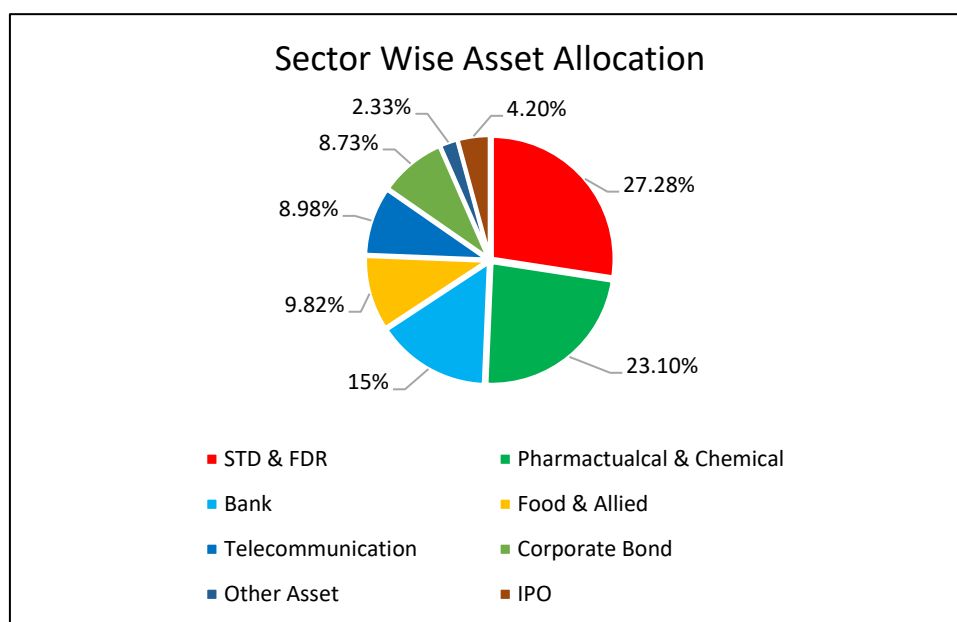


Figure 6: Asset allocation of Balanced Fund

3.7.2 IDLC Growth Fund

IDLC Growth Fund is a perpetual open-ended mutual fund that was launched to widen the range of possible investments and promote the development of the capital market. The fund was registered in accordance with BSEC regulations and started operation on February 27, 2018. The goal of this fund is to produce long-term capital appreciation via a portfolio that consists primarily of stock and equity-related derivatives. In addition, this fund offers at least 50% of its realized gains. Moreover, this fund adheres to an aggressive risk scale policy while investing its funds to generate higher returns and long-term capital gain.

Investment Activities

Asset Allocation	
Type	Total % of Assets
Growth	62.38%
Income Generating	4.30%
Other Assets	2.57%
STD	25.01%
IPO	5.75%
Total	100%

Table 4 Investment activities of Growth Fund

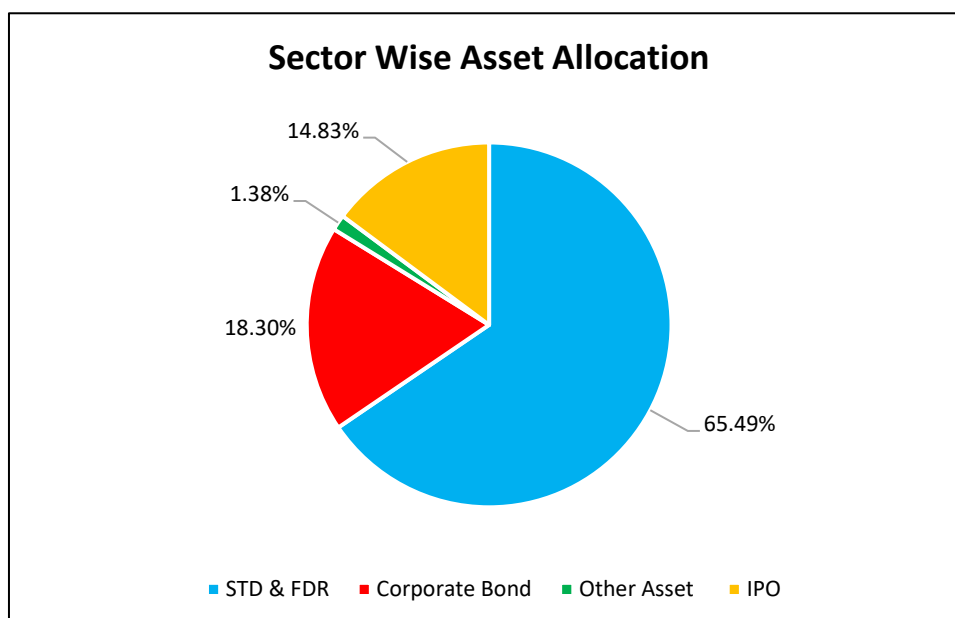


Figure 7: Asset Allocation of Growth Fund

3.7.3 IDLC Shariah Fund

IDLC Shariah Fund is an open-ended mutual fund with a perpetual time that was established to increase the variety of potential investments and encourage the expansion of the capital market. The fund was registered in accordance with BSEC regulations and started activities on December 01, 2019. The objective of this fund is to offer returns to investors in the form of dividends and capital growth while strictly abiding by Shariah standards. This fund only invests in a portfolio of Shariah-compliant securities and assets which is verified by the Shariah Advisory Board. this fund offers 70 % of realized profits to investors in form of a dividend. Moreover, This fund is intended for investors who are conservative risk takers.

Investment Activities

Asset Allocation	
Type	Total % of Assets
Growth	52.87%
Cash	18.20%
Other Assets	2.95%
Income Generating	17.39%
IPO	8.59%
Total	100%

Table 5: Investment activities of Shariah Fund

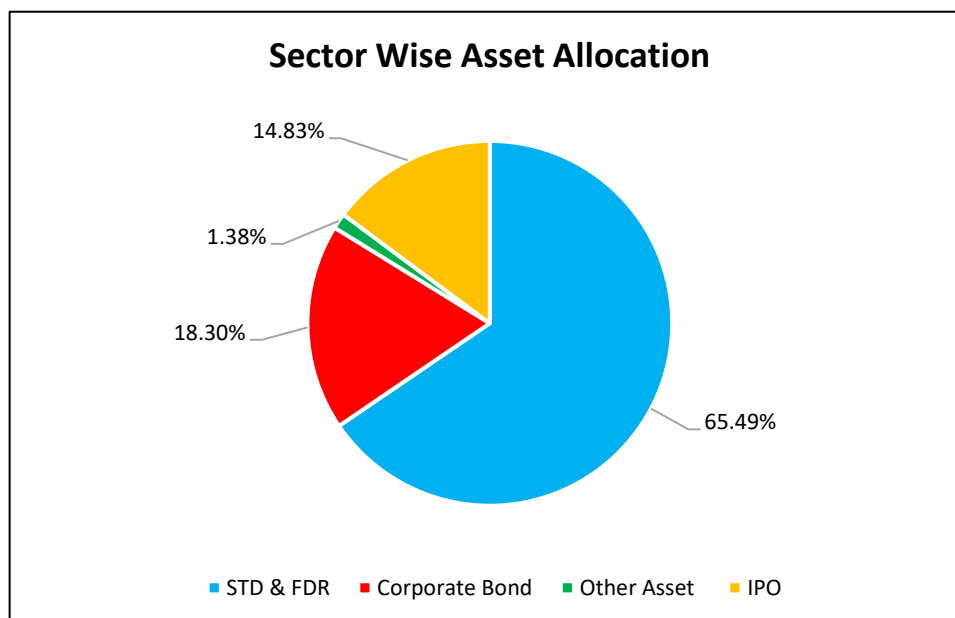


Figure 8: Asset allocation of Shariah fund

3.7.4 IDLC Income Fund

IDLC Income Fund is an open-ended mutual fund with perpetual time which was released to expand the diversity of possible investments and support capital market growth. The fund was launched on June 15, 2021, after being registered in compliance with BSEC regulations. The goal of this fund is to obtain annualized returns by investing in a variety of fixed income assets, primarily government securities, but also investment grade bonds and monetary instruments while maintaining the optimal mix of yield, security, and liquidity. Furthermore, this fund offers at least 70% of its realized gains in form of dividends. In addition, this fund maintains a very conservative size approach while managing its portfolio to produce a stable return with the lowest degree of market exposure.

Investment Activities

Asset Allocation	
Type	Total % of Assets
Bank Deposit	65.49%
Bonds	18.30%
IPO	14.83%
Other Asset	1.38%
Total	100%

Table 6: Investment activities of Income fund

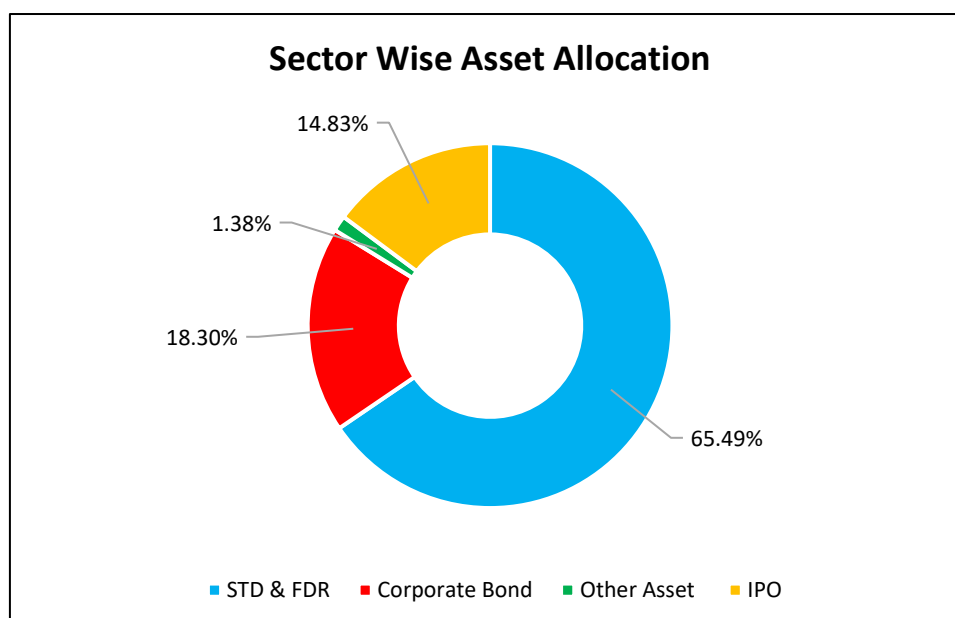


Figure 9: Asset allocation of Income fund

3.7.5 Advantages of IDLC mutual funds

Since IDLC offers open-ended mutual funds, investors may enter and quit the fund scheme at any time, and it enables investors to decrease risk by diversifying their investments across a variety of securities and assets. In addition, IDLC mutual funds offer the following benefits for the investors

- IDLC has a highly experienced portfolio management team that assists in identifying and securing viable investment opportunities.
- The IDLC Mutual Fund adheres to a rigorous risk assessment policy and invests in a combination of equity and debt instruments to diversify the portfolio and provide both current income and long-term capital gain.
- In accordance with IDLC policy, the fund pays a cash dividend of at least 70% of its annual realized profit
- Since IDLC mutual funds are open-ended, sales and repurchase prices are based on NAV, making the price of the fund more stable than that of secondary market assets.
- IDLC provides freedom to invest in smaller amounts as well as easy online access from any part of the country.
- Investors are allowed to redeem funds at any time and there are no high transaction fees like brokerage costs, making it a cost-effective investment option.
- According to the Income Tax Ordinance of 1984, any of IDLC mutual fund income up to BDT 25,000 is tax-free.

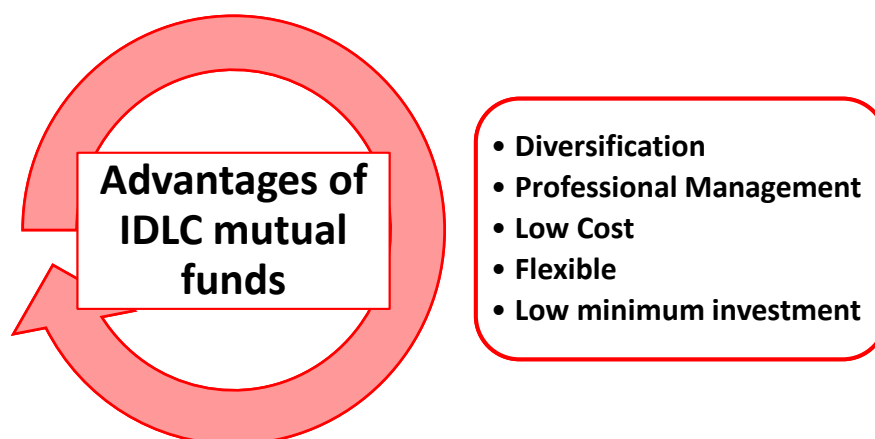


Figure 10: Advantage of IDLC AML mutual funds

Performance Evaluation of IDLC Mutual Funds

3.8 Key Financial Ratio Analysis

3.8.1 Balanced Fund

Financial Performance	30-Jun-2022	30-Jun-2021	30-Jun-2020	30-Jun-2019
Fund Size	407,221,780	585,768,250	674,059,330	734,204,550
Capital Gain	104,460,547	123,405,103	-47,915,077	18,900,123
Net Income	105,087,936	185,555,004	-79,350,905	41,485,270
Annualized Ratio				
Portfolio Turnover Ratio	156%	216%	48.79%	226%
Total Expense Ratio	4.14%	3.74%	2.58%	3.39%
Profitability Ratio				
Earning Per Unit (EPU)	2.58	3.17	-1.18	0.57
Dividend	1.85	1.50	0	0.70

Table 7: Financial ratio of Balanced fund

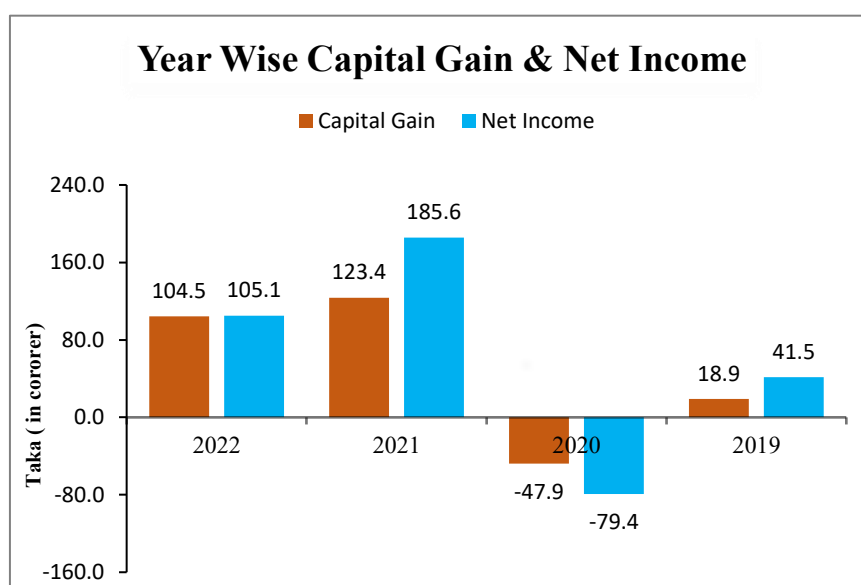


Figure 11: Capital gain & net income of Balanced fund

Interpretation: The figure 11 shows that the balanced fund earned a capital gain and net income of 18.9 and 41.5 crores in 2019, respectively. However, the balanced fund did not generate a capital gain or net income in 2020, indicating that the portfolio managers had suffered a loss. Furthermore, portfolio fund managers achieved significant capital gains and

net income in 2021 despite a loss the previous year. Moreover, in 2022, the balanced fund had a positive capital gain and a net income of 104.5 and 105.1 crores, respectively, indicating that fund managers were able to benefit from the sale of assets and proper management of expenditures, demonstrating that they are efficient and able to transfer profits to investors.

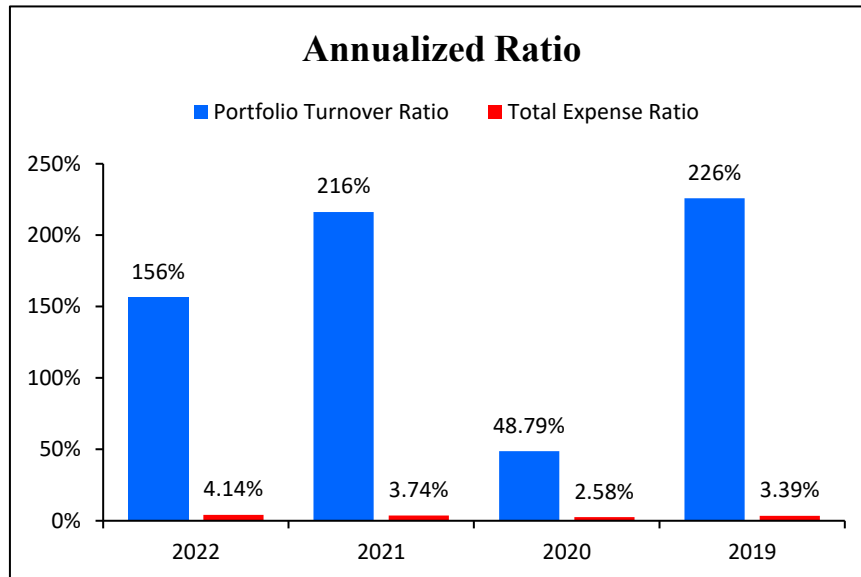


Figure 12: Annualized ratio of Balanced fund

Interpretation: It can be observed from the figure above that the portfolio turnover ratio was 226% in 2019, 48.79% in 2020, 216% in 2021, and 152% in 2022. The fund had the highest portfolio turnover in 2019, indicating that the asset managers reshuffled the portfolio quickly and incurred higher transaction costs. However, the turnover ratio was significantly lower in 2020, suggesting that the fund adopted a buy-and-hold strategy. Furthermore, the turnover ratio was high in both 2021 and 2022, indicating that fund managers actively engaged in purchasing and selling stocks to capitalize on market rallies and maintain optimal returns. Comparatively, the expense ratio was 3.39% in 2019, 2.58% in 2020, 3.74% in 2021, and 4.14% in 2022. Notably, the fund had the highest expense ratio in 2022, indicating that the greater amount of costs incurred by the fund and so these costs, when significant, might erode an investor's profits. Moreover, the expense ratio was almost identical in 2019 and 2021, respectively. However, the fund had the lowest expense ratio in 2020, indicating that its assets grew faster than its expenses, resulting in more profitability.

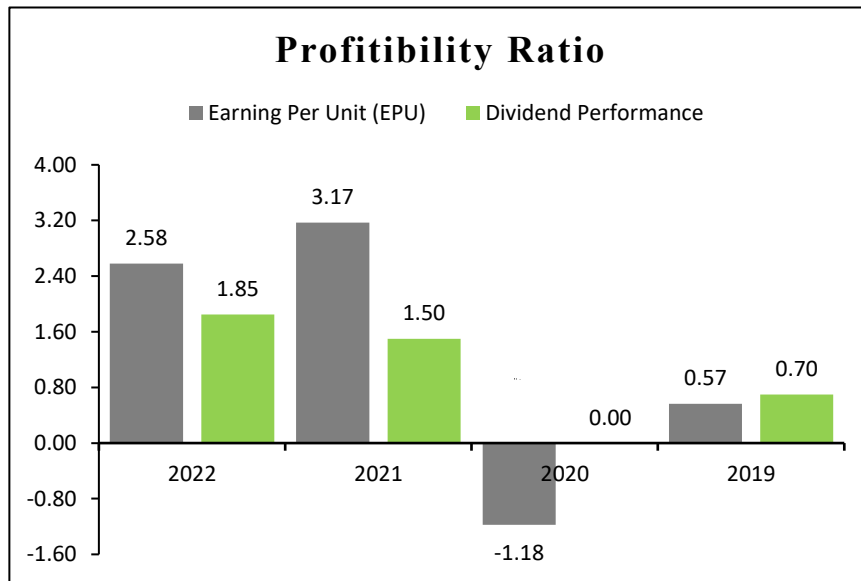


Figure 13: Portability ratio of Balanced fund

Interpretation: According to the above graph, earnings per unit were TK 0.57 in 2019, -1.18 in 2020, 3.17 in 2021, and 2.62 in 2022. In comparison, in 2019, the firm paid a dividend of 0.70 Taka in 2019, 1.50 Taka in 2021, and 1.85 Taka in 2022. Notably, the firm distributed more dividends from retained earnings than its overall profitability, indicating that fund managers believe the market is frothy and does not provide viable investment opportunities. Furthermore, the firm lost money in 2020 and did not pay dividends. In addition, the firm earned 3.17 taka per outstanding unit in 2021, of which they distributed 1.50 taka, held the remaining as retained earnings, and reinvested it in the fund, enhancing the fund's growth. Lastly, the fund was at probability and earned 2.58 taka per unit in 2022. However, they disbursed 1.85 Taka per unit, indicating that the fund paid out more of its earnings than it reinvested, which could help in wealth generation and appreciation.

3.8.2 Growth Fund

Financial Performance	30-Jun-22	30-Jun-21	30-Jun-20	30-Jun-19
Fund Size	337,527,790	259,590,390	335,037,170	303,163,660
Capital Gain	53,001,715	68,103,659	-17,825,152	18,559,462
Net Income	48,179,632	93,495,207	-35,800,757	22,995,743
Annualized Ratio				
Portfolio Turnover Ratio	189%	252%	46%	247%
Total Expense Ratio	3.89%	4.62%	2.87%	4.94%
Profitability Ratio				
Earning Per Unit (EPU)	1.43	3.60	-1.07	0.76
Dividend	1.3	1.50	0	0.70

Table 8: Financial ratio of Growth fund

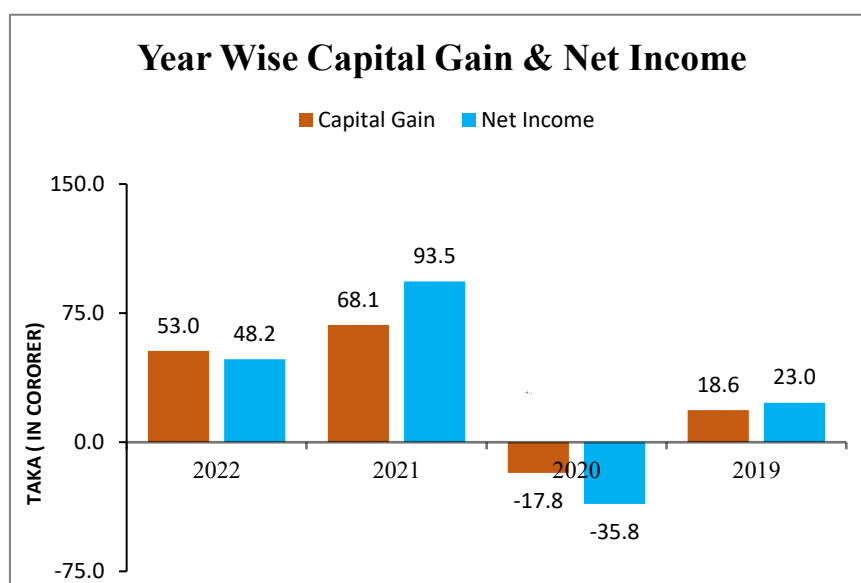


Figure 14: Capital gain & net income of Growth fund

Interpretation: According to the figure 14, the growth fund achieved a capital gain of 18.6 crores and a net income of 23 crores in 2019, respectively. However, the growth fund did not generate any capital gain or net income in 2020. It had negative capital gains in of 17.8 and net income of 35.8 crores, respectively, suggesting that fund managers could not achieve capital gains from the sale of capital assets such as stocks and bonds. Moreover, portfolio fund managers were able to generate a substantial amount of capital gains and net income in 2021 while incurring a loss in 2020. Furthermore, in 2022, the growth fund had a capital gain of 53

crores and a net income of 48.2 crores, indicating that a company can successfully control its expenses to generate net income, hence demonstrating efficient management.

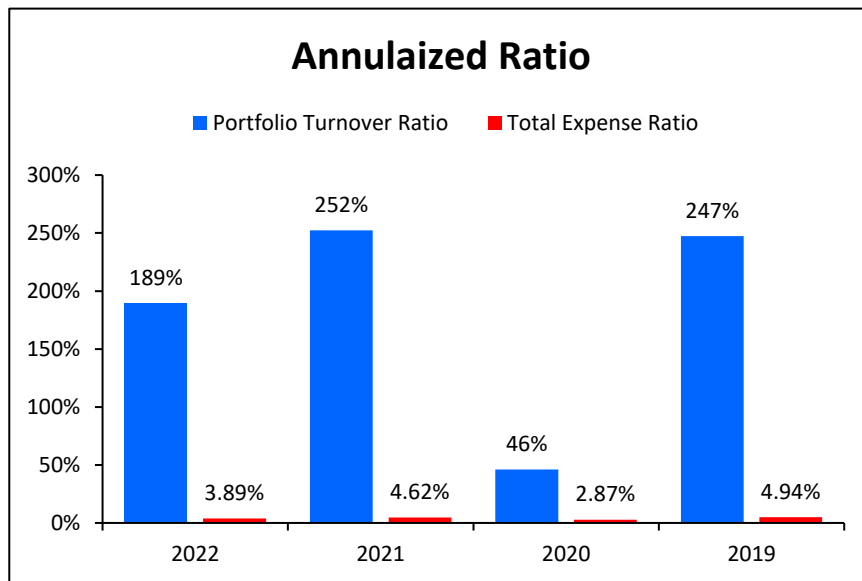


Figure 15: Annualized ratio of Growth fund

Interpretation: As can be seen from the figure 15, the turnover ratio was 247% in 2019, 46% in 2020, 252% in 2021, and 189% in 2022. The portfolio ratio remained almost constant in 2019 and 2021, showing that asset managers engaged in aggressive trading and reshuffled all securities, which are more likely to incur higher capital gains taxes. However, the fund's turnover ratio was notably low in 2020, indicating a buy-and-hold investment strategy. In addition, the turnover ratio was high in 2022, showing that fund managers regularly purchased and sold securities to benefit from the market situation and maintain optimum returns. A higher turnover percentage is justifiable if it generates greater profits. For instance, the expense ratio in 2019 was 4.94%, 2.78% in 2020, 4.62% in 2021, and 3.89% in 2022. It is noteworthy that the fund had a similar cost ratio in 2019 and 2021, showing that funds charged a higher amount of fees, which reduced the investor's returns. However, in 2020, the fund had the lowest expense ratio, showing that the fund's assets are rising faster than its expenditures, resulting in increased profitability.

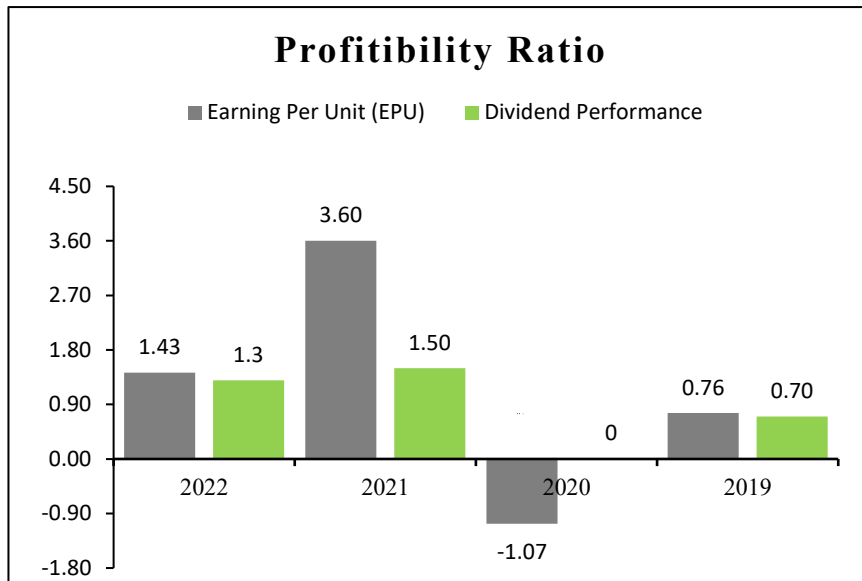


Figure 16: Profitability Ratio of Growth fund

Interpretation: According to the above figure 16, earnings per unit were 0.76 Taka in 2019, -1.07 Taka in 2020, 3.60 Taka in 2021, and 1.43 Taka in 2022. In comparison, in 2019, the firm paid a dividend of 0.70 Taka in 2019, 1.50 Taka in 2021, and 1.3 Taka in 2022. The fund issued a dividend of 0.70 Taka and retained just 0.06 Taka in retained earnings and reinvestment, which does not contribute to long-term wealth creation since the NAV is apparently not growing. In addition, the company posted a loss in 2020 and chose not to distribute dividends. Moreover, the company generated 3.60 Taka per outstanding unit in 2021, of which they distributed 1.50 taka and maintained the rest as retained earnings and reinvested in its fund, so enhancing the growth of the fund. In 2022, the fund was profitable and earned 1.43 taka per unit but disbursed 1.3 Taka per unit, showing that it handed out more of its profits than reinvested.

3.8.3 Shariah Fund

Financial Performance	30-Jun-22	30-Jun-21	30-Jun-20
Fund Size	267,190,960	174,242,460	201,782,710
Capital Gain	26,539,276	32,210,650	1,457,525
Net Income	21,656,434	32,664,028	-4,183,593
Annualized Ratio			
Portfolio Turnover Ratio	117%	200%	18%
Total Expense Ratio	3.55%	4.91%	2.08%
Profitability Ratio			
Earning Per Unit (EPU)	0.81	1.87	-0.21
Dividend	0.9	1.40	0

Table 9: Financial ratio of Shariah fund

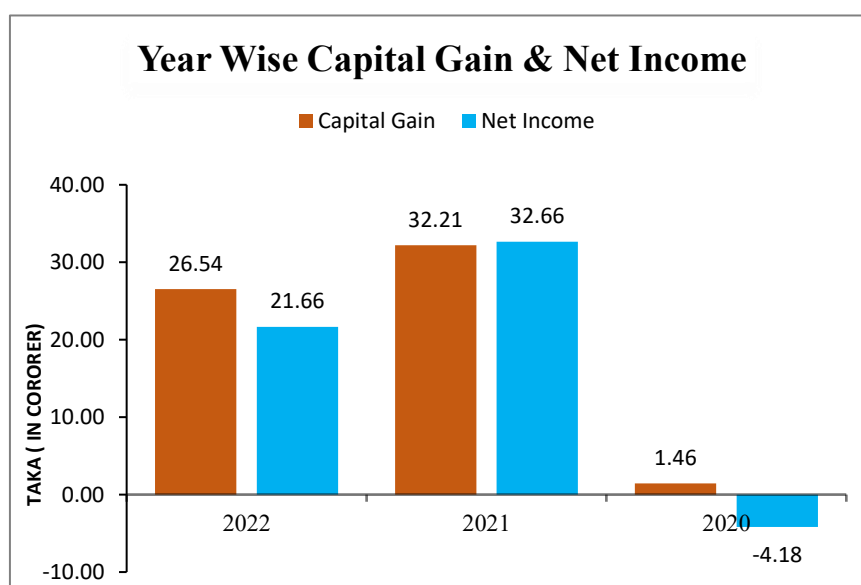


Figure 17: Capital gain & net income of Shariah fund

Interpretation: The figure 17 shows that the Shariah fund had a positive capital gain of 1.46 crores and a negative net income of 4.18 crores in 2020. This indicates that although the firm earned a small profit from the sale of capital assets, it could not generate a favorable net income due to more significant expenditures. However, the Shariah fund had a positive capital gain and a net income of 32.21 and 32.66 crores in the following years. Moreover, in 2022, the fund managers generated a capital gain of 26.54 crores and a net income of 21.66 crores, allowing the company to distribute capital gain through dividends and preserve retained balance.

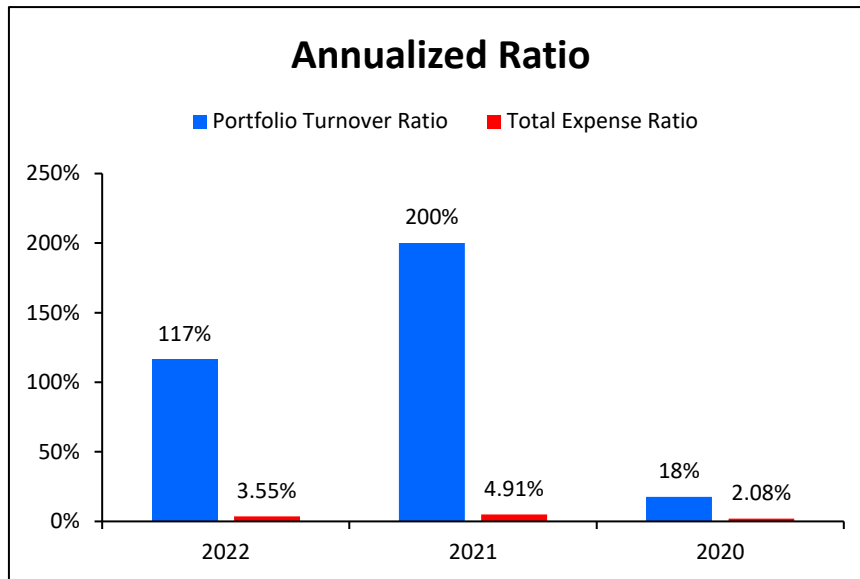


Figure 18: Annualized ratio of Shariah fund

Interpretation: The above figure 18 shows that the portfolio turnover ratio was 18% in 2020, 200% in 2021, and 117% in 2022. The fund had the lowest portfolio turnover in 2019, suggesting that the fund used a buy-and-hold strategy. However, the turnover ratio was high in both 2021 and 2022, which is typical for open-ended mutual funds since fund managers regularly buy and sell equities to capitalize on market rallies and maintain optimum returns. In contrast, the expense ratio in 2020 was 2.08%, 4.91% in 2021, and 3.55% in 2022. A low-cost ratio is usually desirable, but the fund had a high expense ratio in 2021 and 2022 because assets were not growing faster than expenses. In 2020, the fund had a low expense ratio, indicating that the fund incurred fewer expenses and increased the possibility of profitability.

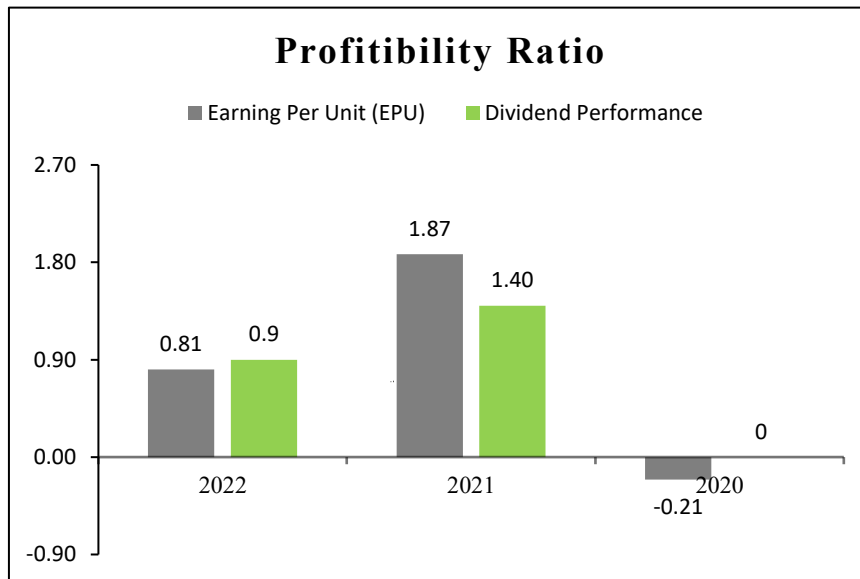


Figure 19: Profitability ratio of Shariah fund

Interpretation: According to the above figure 19, earnings per unit were TK -0.21 in 2020, 1.87 in 2021, and 0.81 in 2022. The firm paid a dividend of 1.40 Taka in 2021 and 0.81 Taka in 2022. The fund was at a loss in 2020, which was the first year of the fund’s inception, and it paid no dividend that year. However, the company made 1.87 Taka per unit in 2020, indicating that the fund was profitable, and they disbursed 1.40 Taka per unit, so the fund retained 0.47 Taka per unit for reinvestment. Reinvestment builds the corpus, which in turn helps the fund generate higher returns in the future. Furthermore, the fund paid higher dividends than its total profits for the year 2022, indicating that it is a good source of earnings for investors and promotes a positive perception of the fund among investors.

3.8.4 Income Fund

Financial Performance	30-Jun-22	30-Jun-21
Fund Size	363,554,380	142,524,670
Capital Gain	5,666,622	2,471,625
Net Income	11,004,951	4,433,783
Annualized Ratio		
Portfolio Turnover Ratio	12.28%	6.74%
Total Expense Ratio	0.77%	0.84%
Profitability Ratio		
Earning Per Unit (EPU)	0.30	0.31
Dividend	0.185	0.30

Figure 20: Financial ratio of Income fund

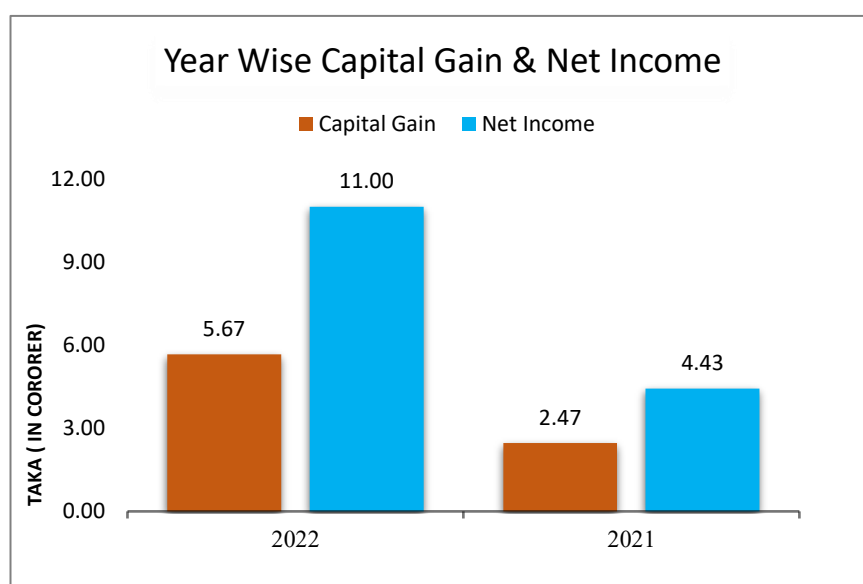


Figure 21: Capital gain & net income of Income fund

Interpretation: It can be observed from the figure 21 that the income fund has earned a capital gain of 2.47 crores Taka in 2021, indicating that the fund manager was able to increase the value of capital assets, such as stocks or bonds, via the sale of the asset. It has also generated a

net income of 4.43 crores, Taka, through wise expenses management. Moreover, capital gain and net income increased substantially in 2022, reaching 5.67 and 11 crores, respectively, demonstrating that fund managers were able to achieve capital gain. Moreover, this fund is attractive to new investors because of its improving performance.

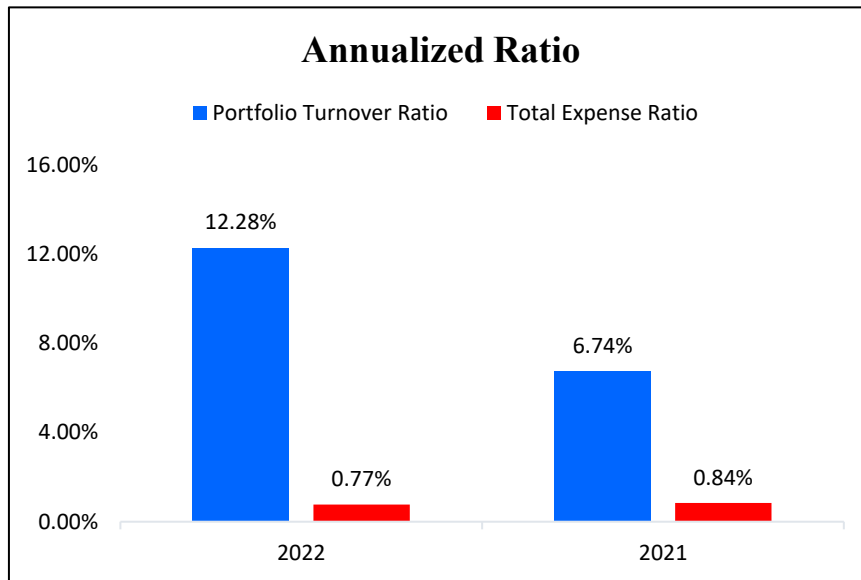


Figure 22: Annualized ratio of income fund

Interpretation: According to the figure above, the portfolio turnover ratio was 6.74% in 2021 and 12.28% in 2022. The turnover ratio is much lower in 2021 and 2022 compared to other IDLC AML funds. The low ratio is preferred, indicating that fund managers used a buy and hold approach. In contrast, the expense ratio was 0.84 % in 2020 and 0.74 % in 2021. Compared with other IDLC funds, the expense ratio is relatively low in both years. The lower ratio indicates that the fund incurred fewer expenses, increasing its investors' chances of higher profitability.

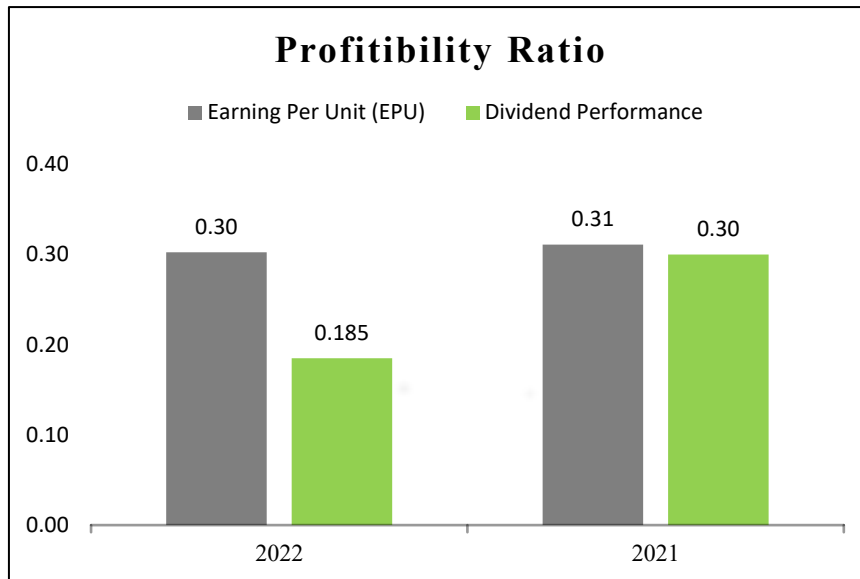


Figure 23: Profitability ratio of Income fund

Interpretation: It can be seen from the figure that earnings per unit were 0.31 Taka in 2021 and 0.30 Taka in 2022. The firm paid a dividend of 0.30 Taka in 2021 and 0.185 Taka in 2022. Earnings per unit were almost constant in both years, indicating that fund managers were able to produce consistent returns from the assets that were incorporated into the funds' investing strategy. In 2021, the fund basically did not hold any retained earnings and disbursed all of its earnings for the fiscal year. On the other hand, the fund disbursed 62% of its total profits and held the remaining for retained earnings and reinvestment, which contributed to further asset creation and appreciation.

3.9 Risk-Return Analysis of IDLC AML Mutual Funds

	Annualized Return	Standard Deviation	Beta	R-Squared	CAMP
Balance Fund	5.20%	13.53%	0.647	0.453	3.67%
Growth Fund	6.52%	14.47%	0.672	0.462	5.15%
Shariah Fund	6.96%	12.94%	0.423	0.27	9.20%
Income Fund	4.75%	2.93%	-0.069	0.082	4.55%

Table 10: Table 10: Risk returns analysis of IDLC AML mutual funds:

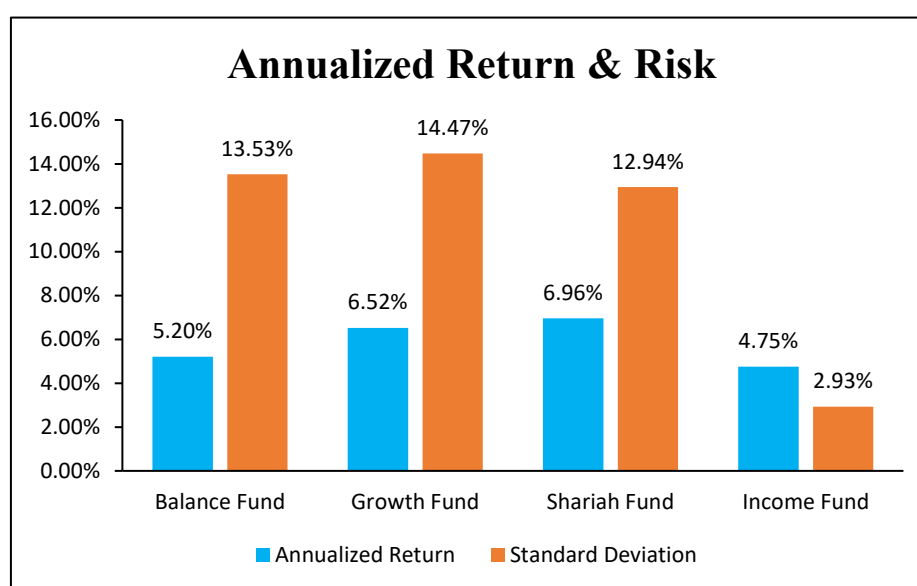


Figure 24: Risk return analysis of IDLC AML mutual funds

Interpretation: The figure 24 depicts the annualized returns and risk of IDLC mutual funds, where the Shairah Fund has the highest return of all funds and has generated 6.96% and 12.94% risk since its inception. It is followed by the Growth fund, which generated an annual return of 6.52% and a risk of 14.47%, making it the fund with the highest risk among all others. On the other hand, the income fund has the lowest return of all funds and generated 4.75%. Based on standard deviation, it has the lowest risk of all funds, which justifies its low return and essentially fulfills the fund's conservative investing policy. All IDLC funds have delivered positive returns. However, if an investor wants a higher return at the expense of more risk, they should invest in the Shariah or Growth fund. Alternatively, investors should invest in the income fund if they want competitive returns with the least risk.

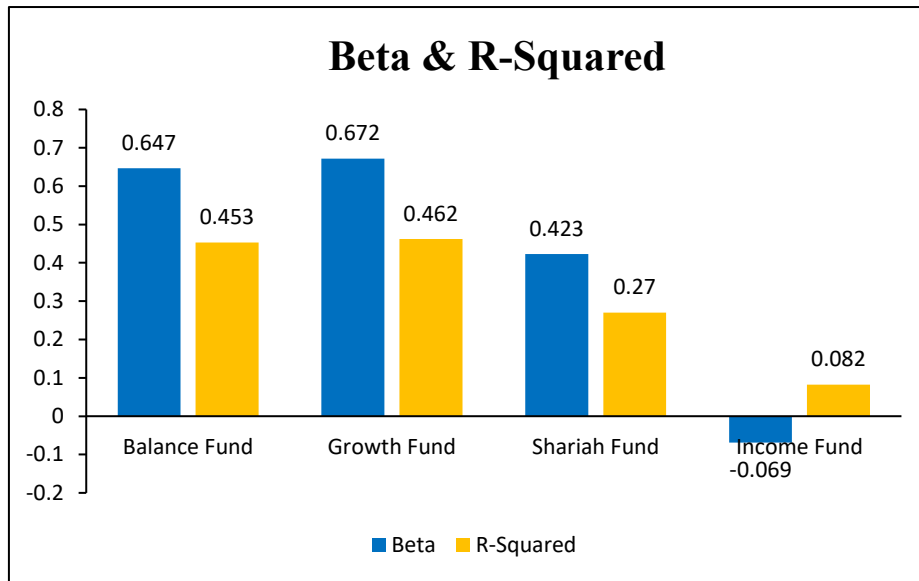


Figure 25: Beta and R2 of IDLC AML Mutual funds

Interpretation: The figure 25 represents Beta and R-Squared, where beta reflects fund volatility in relation to the overall market and R-squared shows fund correlation with the market benchmark index. The Balanced fund has a beta of 0.647 and an R-Squared of 0.453, indicating that the fund is less volatile or risky than the overall market and has an average correlation with the market benchmark. Second, the Growth fund has a beta of 0.672 and an R-squared of 0.462, suggesting that it is less volatile than the market and has an average correlation. Thirdly, the Growth fund has a beta of 0.423 and an R-Squared of 0.27, implying that it is less risky and volatile than the market and has a very low correlation. Lastly, the Income fund has a beta of -0.069 and an r-square of 0.082, meaning that the fund moves in the opposite direction of the market and that its r-square has a very low correlation with the market. In conclusion, balanced and Growth funds have an average correlation with the market and a medium beta; thus, if the market is bullish, the fund may deliver medium risk-adjusted returns; if the market is bearish, the fund would be moderately impacted by the scenario.

3.10 Risk-Adjusted Performance Measure

	Sharpe Ratio	Treynor Ratio	Jensen's alpha Ratio	Information Ratio
Balance Fund	0.043	0.009	1.52%	0.183
Growth Fund	0.132	0.028	1.37%	0.096
Shariah Fund	0.182	0.056	-2.24%	-0.594
Income Fund	0.046	-0.020	0.19%	-0.053

Table 11: Risk-adjusted performance measure

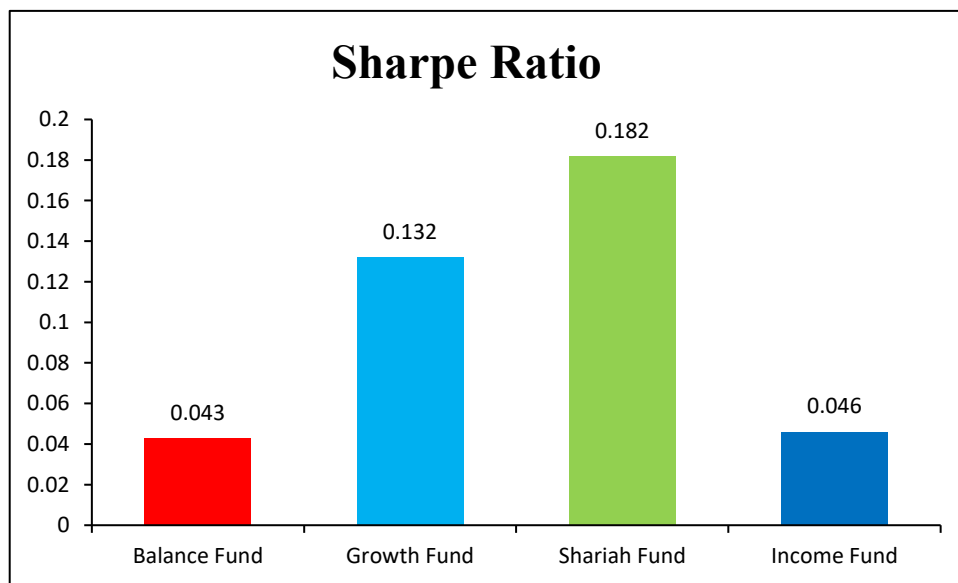


Figure 26: Sharpe ratio

Interpretation: Figure 26 shows the risk-adjusted performance of all IDLC mutual funds based on their respective Sharpe ratios. The Sharpe ratio evaluates a portfolio's excess return over the risk-free rate compared to its standard deviation. It can be noticed that the IDLC balanced fund has a Sharpe ratio of 0.043, the growth fund has a Sharpe ratio of 0.132, the Shariah Fund has a Sharpe ratio of 0.182, and the Income fund has a Sharpe ratio of 0.046. All of the funds had a positive Sharpe ratio, indicating that most fund managers were efficient enough to provide greater returns on funds than the market, but none had a Sharpe ratio greater than 1. In addition, Balanced and Income funds have very low Sharpe ratios, indicating unfavorable performance, but the Shairah and Growth funds have delivered sub-optimal results. Moreover, the Shariah fund had the highest Sharpe ratio, indicating that it provided the most risk-adjusted returns among all other funds. Consequently, The Growth Fund has the

second-highest Sharpe ratio. Therefore, the Shairah Fund is the most effective and balanced fund that is also the least effective fund.

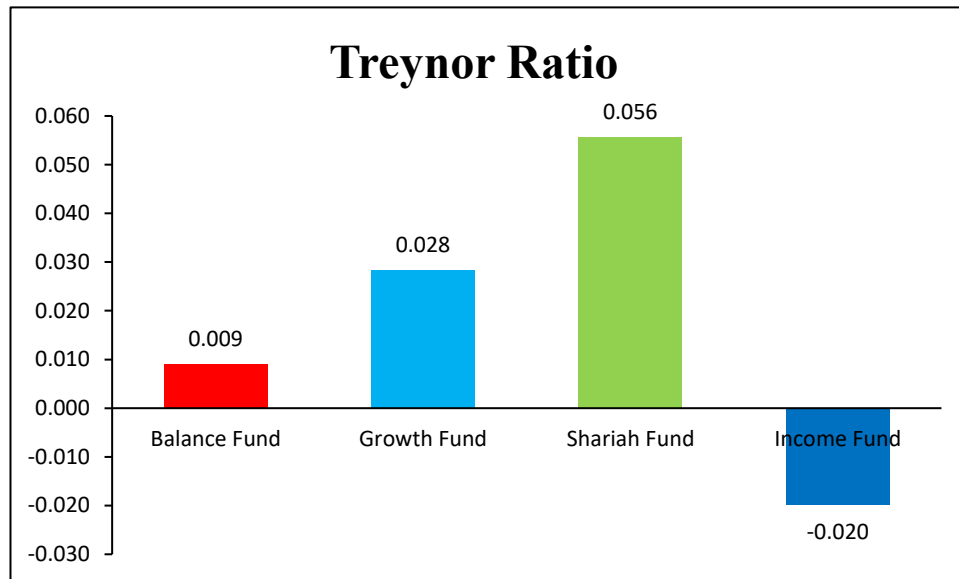


Figure 27: Treynor ratio

Interpretation: Figure 27 displays the risk-adjusted performance of all IDLC mutual funds based on their individual Treynor ratios, which measure the portfolio's excess return above the risk-free rate relative to its beta. The Treynor ratio for the balanced fund is 0.009, for the growth fund it is 0.028, for the Shariah fund it is 0.056, and for the Income fund, it is -0.020. With the exception of the income fund, all of the funds have produced positive numbers, indicating a strong performance in the portfolio. The Shariah fund has the highest value based on the obtained value, whereas this fund's investment has a substantially lower beta value. In this instance, the shariah fund has the best return and is the most suitable investment option among all other funds. Similarly, the Growth fund ranks second and the Balanced fund ranks third in terms of generating superior risk-adjusted returns while taking into account systemic risk. Furthermore, the Income fund has generated a negative return, indicating poor performance. As a result, if an investor seeks greater returns while taking into account systemic risk, a Shariah fund is the best option.

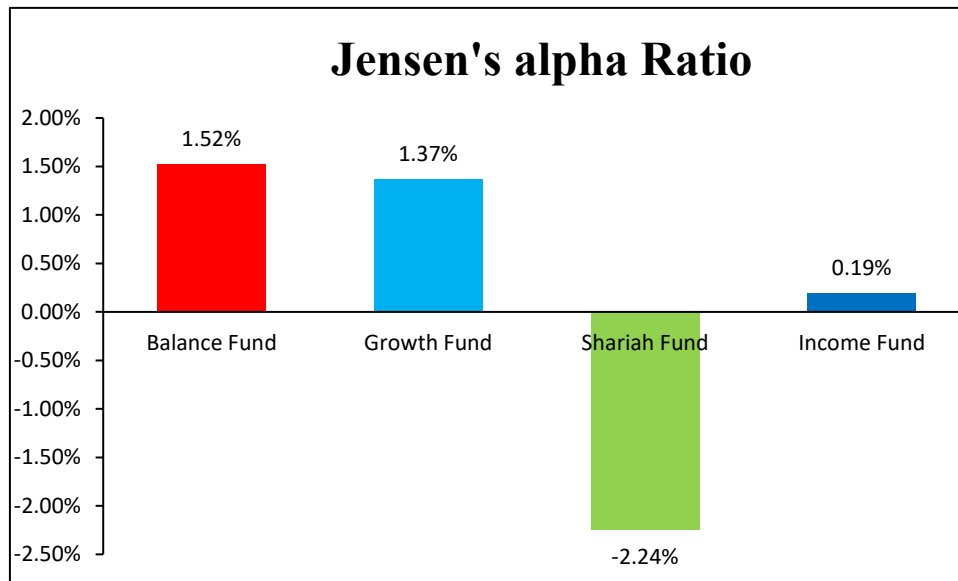


Figure 28: Jensen's alpha ratio

Interpretation: Figure 28 shows the performance of all mutual funds according to their respective Jensen's alpha ratios, which measure the excess returns generated by a portfolio above the returns implied by the capital asset pricing model (CAPM). As can be observed, Jensen's alpha ratio for balanced fund is 1.52%, for the growth fund, it is 1.37%, for shariah funds it is -2.24%, and for income, it is 0.19%. Except for the Shariah fund, all funds have achieved positive returns, indicating that the fund's portfolio is outperforming the benchmark. The balanced fund has the highest alpha ratio and is the most effective investment option among all funds, as its portfolio manager has achieved a good return for the greater risk assumed throughout the investment period. The growth fund is the second-most efficient fund, while the income fund is the third-most efficient fund since it has earned a marginally better return than the benchmark. Shariah fund, on the other hand, has a negative alpha ratio, which indicates that the fund is underperforming the benchmark and that investors are not earning enough to compensate for the risk they have taken. To summarize, an investor should invest in a balanced fund since it provides the highest return with the lowest risk among all other funds.

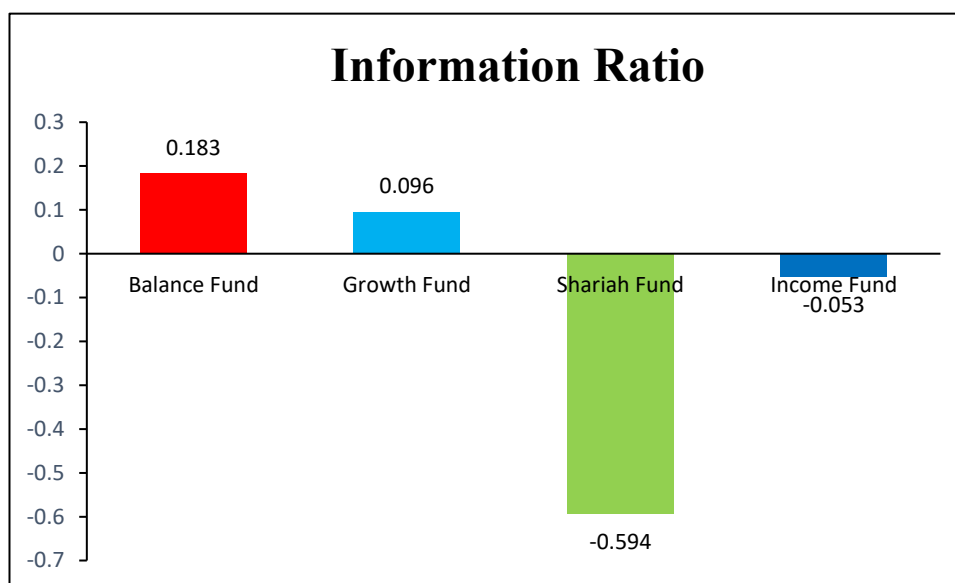


Figure 29: Information ratio

Interpretation: Figure 29 shows the performance of all IDLC mutual funds based on their information ratio, which quantifies the portfolio return over the benchmark return and aims to find performance consistency by including tracking error. The information ratio for the balanced fund is 0.183, for the growth fund it is 0.096, for the shariah fund it is -0.594, and for the income fund it is -0.053. It is evident that the balanced fund has the highest information ratio, implying that the balanced fund has earned excess returns compared to the benchmark and is consistent in generating excess returns. Growth funds have the second highest information ratio, indicating that fund managers are consistent in generating higher returns than the market benchmark. Comparatively, Shariah fund and income fund had a negative information ratio, indicating that the funds underperformed the market benchmark as well as that the fund manager lacked the skills and consistency to generate risk-adjusted performance. In addition, the consistent generation of excess returns by balanced and growth funds demonstrates that fund managers were effective in applying their portfolio's strategy. Consequently, an investor seeking returns that exceed the market benchmark may consider investing in balanced and growth funds.

3.11 Comparative Analysis with Market Benchmark (DSEX)

3.11.1 Balanced Fund

	Balance Fund	DSEX
Weekly Average Return	0.10%	0.06%
Annualized return	5.20%	3.16%
Annualized Risk	13.53%	14.07%
Sharpe Ratio	0.043	-0.103
Treynor Ratio	0.009	-0.014

Table 12: Balanced fund vs DSEX

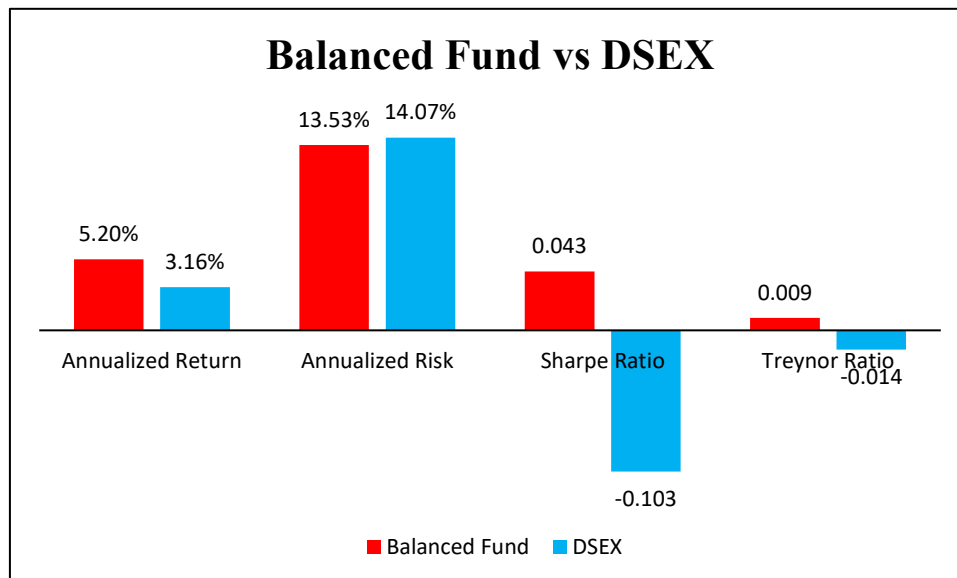


Figure 30: Balanced Fund vs DSEX

Interpretation: The table 12 shows that the IDLC balanced fund has generated an annual return of 5.20% compared to the market's annual return of 3.16% since the fund's inception date, indicating that the Balanced fund has outperformed the market. Furthermore, the IDLC balanced fund has a standard deviation of 13.53% compared to the market standard deviation of 14.075, indicating that a balanced fund has diversified investments and is less risky than the market. In addition, the balanced fund has a Sharpe ratio of 0.043, whereas the market benchmark Sharpe ratio is -0.103. Therefore, the Balanced fund has a greater Sharpe ratio than the DSEX benchmark, indicating that this fund has stronger market performance than the benchmark. Furthermore, the Treynor ratio for the Balanced Fund is 0.009, while the Treynor ratio for the market benchmark is -0.014. Therefore, the balanced fund has outperformed the

market benchmark, indicating that the Balanced fund portfolio offers greater risk-adjusted returns than the market benchmark. To sum up, Considering the risk and return Sharpe ratio, and Treynor ratio of a balanced fund and the market, an investor should invest in the IDLC balanced fund since it provides a higher return with lower risk than the whole market.

3.11.2 Growth Fund

	Growth Fund	DSEX
Weekly Average Return	0.12%	0.10%
Annualized return	6.52%	5.41%
Annualized Risk	14.47%	14.63%
Sharpe Ratio	0.132	0.054
Treynor Ratio	0.028	0.008

Table 13: Growth fund vs DSEX

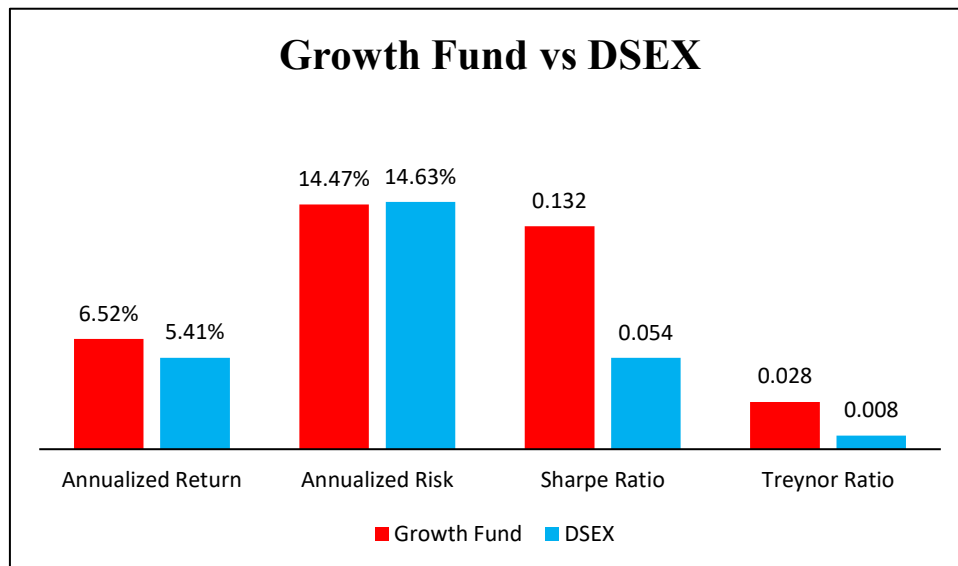


Figure 31: Growth fund vs DSEX

Interpretation: The figure 31 shows that the IDLC Growth fund has achieved an annual return of 6.52% compared to the market return of 5.41% since the fund's inception date, indicating that the growth fund has outperformed the market. Furthermore, a Growth fund has an annual risk of 14.47% compared to the market's annual risk of 14.63, indicating that a Growth fund has diversified investments and is less risky than the market. In addition, the growth fund has

a Sharpe ratio of 0.132, whereas the market benchmark Sharpe ratio is 0.054. The Growth fund has produced a higher Sharpe ratio than the DSEX benchmark, indicating that it has outperformed the benchmark relative to the market. Moreover, the Growth fund has a Treynor ratio of 0.028, while the market benchmark has a Treynor ratio of 0.008. As a result, the Growth fund outperformed the market benchmark, indicating that the portfolio has greater risk-adjusted returns while the market benchmark has lower returns. To sum up, When comparing the risk and return, Sharpe Ratio and Treynor Ratio of the growth fund to the market, an investor should invest in the growth fund since it provides a higher return with lower risk than the entire market.

3.11.3 Shariah Fund

	Shariah Fund	DSES
Weekly Average Return	0.13%	0.28%
Annualized return	6.96%	15.46%
Annualized Risk	12.94%	15.91%
Sharpe Ratio	0.182	0.682
Treynor Ratio	0.056	0.11

Table 14: Shariah fund vs DSES

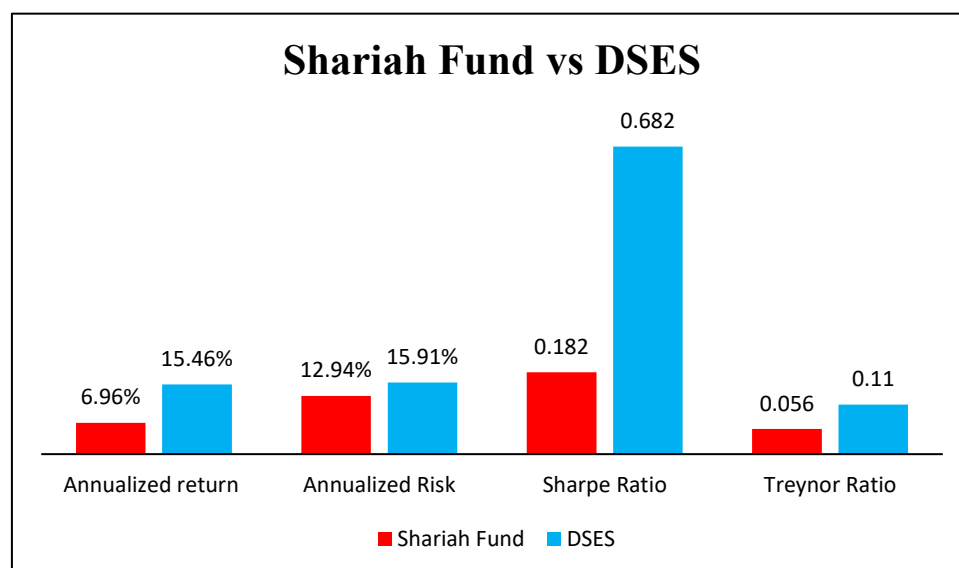


Figure 32: Shariah fund vs DSES

Interpretation: The figure demonstrates that since the fund's inception, the Shariah fund has created an annual return of 6.96% while the market has generated an annual return of 15.46%, indicating that the fund has underperformed in the market. In addition, the Shariah Fund has an annual risk of 12.91 % while the market has an annual risk of 15.91 %, showing that the market has a higher risk, but that the market's higher annual return justifies its higher risk. Furthermore, the shariah fund has a Sharpe ratio of 0.182, whereas the market benchmark Sharpe ratio is 0.682. Therefore, the market benchmark has a higher Sharpe ratio than the shariah fund, indicating that the market benchmark outperforms the shariah fund relative to the market. Moreover, the Shariah fund has a Treynor ratio of 0.056, while the market benchmark has a Treynor ratio of 0.11. As a result, the market benchmark has outperformed the Shariah fund, indicating that the portfolio has poor risk-adjusted returns while the benchmark has higher returns. To sum up, If an investor wants a higher return while taking on higher risk, they should invest in the Shariah Compliance Stock in the market, as it generates superior returns as well as higher risk than the IDLC Shariah Fund.

3.11.4 Income Fund

	Income Fund	DSEX
Weekly Average Return	0.09%	0.10%
Annualized Return	4.75%	5.45%
Annualized Risk	2.931%	12.259%
Sharpe Ratio	0.046	0.069
Treynor Ratio	-0.020	0.008

Table 15: Income fund vs DSEX

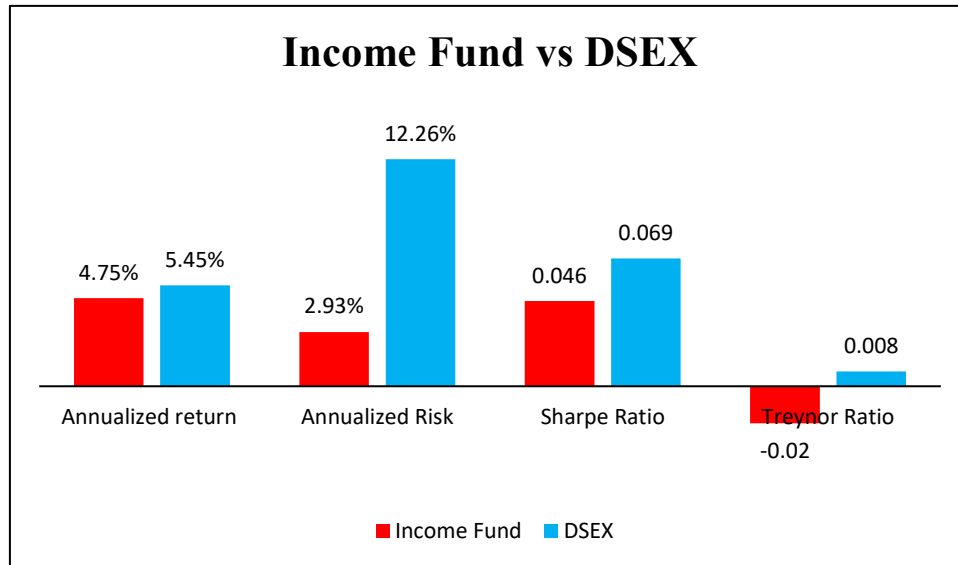


Figure 33: Income fund vs DSEX

Interpretation: According to the figure 33, the Income fund has generated a 4.75% annual return, while the market has generated a 5.45 % annual return. Furthermore, the income fund has an annual risk of 2.9% versus the market's annual risk of 12.259%. It is evident that income funds have underperformed the market, but the market carries a greater risk than income funds. Income fund low risk suggests that the fund manager has diversified the portfolio in a precise manner, which fulfills the goal of the income fund investment strategy of being exposed to lower risk than the market. As a result, if an investor is looking for a moderate return with low risk, they should invest in an income fund, and vice versa. Furthermore, the income fund has a Sharpe ratio of 0.046, whereas the market benchmark Sharpe ratio is 0.069. The market benchmark has thus produced a higher Sharpe ratio than the income fund, indicating that the market benchmark has outperformed the income fund relative to the market. Moreover, the income fund has a Treynor ratio of -0.020, whereas the market benchmark Treynor ratio is 0.008. As a result, the market benchmark outperformed the income fund portfolio, indicating that the income fund has poor risk-adjusted returns when compared to the market benchmark. In light of the aforementioned ratios, an investor seeking high returns at high risk should invest in the stock market, while an investor seeking moderate returns at low risk should invest in the IDLC income fund.

3.12 Summary and Conclusion

The study examined the performance of all IDLC AML mutual funds for the purposes of analysis. There are four mutual funds offered by IDLC AML, however, it is difficult for investors to choose the optimal one based on their risk-return expectations. This paper provides insights on IDLC AML Performance and enables the investors to make informed decisions. This research utilizes data from the relevant financial statements of several funds to assess important ratios, and Weekly Nav is utilized to compute returns. The research employed the DSEX and DESS indices as portfolio market benchmarks. First, the key ratio was calculated to assess the financial performance of each fund.

All funds have earned positive capital gains and net income since their inception, indicating that fund managers have been able to profit from the sale of assets and the prudent control of expenses in order to distribute profits to investors. However, with the exception of the income fund, all of the funds lost money in 2020 and were unable to create any capital gains or income for the funds. Moreover, The portfolio turnover and expense ratio remained constant throughout the period, however, the balanced and growth funds traded aggressively, whilst the income fund's fund manager traded relatively conservatively, resulting in a low turnover and expense ratio. Earnings per unit and dividend distribution followed a similar pattern in which the funds earned profit and were able to distribute it to investors, but owing to a loss in 2020, none of the funds were able to distribute any profits in 2020. It should be highlighted that instead of following the aggressive investing approach of the Growth fund, it performed similarly to the balanced fund.

Furthermore, the performance of all IDLC mutual funds has been examined in terms of return and risk analysis, as well as risk-adjusted performance indicators such as the Sharpe ratio and Treynor ratio. In terms of average returns, balanced and growth funds have outperformed the market benchmark, while Shariah funds and income funds have underperformed. In addition, the standard deviation shows that all funds have been less hazardous than the market since their inception. Every fund, with the exception of the income fund, has a positive beta value of less than one, indicating that it is less volatile than the market. However, the income fund's beta value shows that it moves in the opposite direction of the market's movement. In addition, according to R2, all funds have except income fund average diversification and correlation with the market. Moreover, in terms of Sharpe, the Treynor ratio balanced and growth fund has achieved higher returns than the market benchmark, but fund managers were ineffective in

generating higher returns for Shariah and Income fund, resulting in unfavorable performance. In a nutshell, It should be noticed that the IDLC balanced fund and Growth fund earned higher returns, however the Income and Shariah funds performed poorly, though the Income fund is supposed to invest in conservative funds, which may justify the current performances. As a result, investors seeking long-term better returns may choose the IDLC Balanced and Growth fund. Conversely, investors wanting a less risky fund with modest returns may invest in an Income fund.

3.13 Recommendations

There is some scope for improvements for IDLC AML based on my findings noted as follows:

- 1) All funds experienced a decline in fund size compared to previous years; thus, they should apply a variety of marketing techniques to attract new investors since a bigger fund size would decrease the expense ratio, which may result in a higher profit.
- 2) IDLC growth fund was traded and performed similarly to other funds such as balanced funds while having a more aggressive trading approach than other funds; thus, the fund manager should trade the funds in an aggressive manner while maintaining the proper asset allocation to generate higher risk-adjusted returns than other funds.
- 3) As the majority of Bangladesh's population is Muslim, there is a probability that demand for Sharia-compliant funds may increase in the near future. Given that the Shariah fund performed significantly below the Dhaka Stock Exchange's Shariah index, Therefore IDLC should work to increase the risk-adjusted returns as well as greater alpha for the Shariah fund.
- 4) Due to the fact that the market and economy are always changing, fund managers must be highly adaptable and able to anticipate changes in economic circumstances and market conditions in order to safeguard their market portfolio and benefit from a bullish market.
- 5) Since convenience and speed are necessities in this day and age, IDLC AML should build networking and IT-based systems to improve the efficiency of everyday tasks as they have poor networking and IT systems. In addition, IDLC AML has just a single branch; if they expand to further cities, they will be able to attract more potential investors.

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