

Report On
The Role of Mutual Funds in the Development of the
Capital Market

By

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An internship report submitted to the Brac Business School in partial fulfillment of the
requirements for the degree of
Master of Business Administration

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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.

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Letter of Transmittal

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Subject: Submission of case study report on **The Role of Mutual Funds in the Development of the Capital Market**

Dear Sir,

I am pleased to submit my case study report on “The Role of Mutual Funds in the Development of the Capital Market” as a part of my academic requirements. It’s an honor and a massive pleasure on my part to conclusively submit the report under your percipient guidance. The report is constructed in accordance to your incisive and detailed specifications as well as official guideline of Brac Business School which makes me anticipate the report to be comprehensive and gratifying with regard to envisioned outcome.

This study looks into the way how mutual funds affect both the development and stability of the capital market as well as how they support economic growth, diversification and financial inclusion. The purpose of this study was to highlight the benefits and challenges of mutual funds in the context of Bangladesh's capital market. I have tried to clarify how mutual funds impact investor behavior, market liquidity, and total capital development. I am appreciative that I was able to complete my report to my satisfaction because you assisted me along the way and provided me with all the guidance I needed. I tried to use important, reliable, and authentic information along with concluded academic knowledge to create the report in an understandable and comprehensive manner.

I firmly believe, you would find the report insightful and the report’s outcome would fulfil the expectation.

Sincerely yours,

Prosenjit Roy
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Date: November 17, 2024

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A few individuals of people who have contributed significantly to the development of the comprehensive report provided adequate and insightful guidance in the construction of the case study report. With their assistance, many of the report's initially confusing elements were made clear. Their information allowed for the creation of an educational report.

First and foremost, I would like to express my gratitude to God for giving me the boundless strength, determination, and persistence I needed to complete the case study report. His kindness made it possible to finish the report in a way that was appropriate and as planned.

I would graciously shower my gratitude to the internship advisor, Mr. Riyashad Ahmed. His moral guidelines, endless effort, encouragement, and advice throughout the period enabled me to create this report and articulate each part comprehensively. The advisor's insightful and relevant suggestions made the report both useful and informative.

Furthermore, I thank my parents and family members for their help, support, and sacrifices during the study period. The knowledge gained from writing the case study would be appreciated and used in daily life to achieve positive and successful outcomes.

Executive Summary

Mutual funds are regarded as one of the best and greatest investment options. Because they offer flexibility, diversification, variety, manageability and tax benefits. Mutual funds allow investors to access opportunities to other investment options that they are not normally able to find or cannot afford. Mutual funds can meet and accommodate the needs of most investors. Though the selection and managing can be challenging. The mutual fund industry is expanding in Bangladesh and more new funds are being added there every year. Mutual funds are highly diversified and as a result, the overall risk of portfolio is quite low. Besides, all mutual funds are not equally diversified, which can ultimately affect their performance. Mutual funds are good at mobilizing savings and encouraging individuals to invest. In that case, mutual funds should launch more of them in order to increase the depth of the capital market. Even though the size of mutual fund sector is small but it has contributed to the capital market base and helped the investors to get high and secure returns which is somewhat beneficial to the overall economy. According to data from Bangladesh Securities and Exchange Commission (BSEC) and Association of Asset Management Companies and Mutual Funds (AAMCMF), the development of mutual fund industry of Bangladesh has grown significantly. There are 58 registered Asset Management Companies in the country. There is a total of 38 AMCs that manage and oversee the 36 closed end and approximately 88 open ended mutual funds that are available for investors to purchase. The Bangladesh Securities and Exchange Commission (BSEC) regulates the operation of mutual funds in Bangladesh. BSEC works to protect investor's interests and contribute to maintaining discipline in the market. The mutual fund industry in Bangladesh remains much behind the rest of the world. The main reason is, the size of overall market is small. Another major reason is, there is a lack of professionalism among asset management companies and low investor knowledge. These areas must be improved. Mutual fund industry is facing trouble because of the poor performance by the fund managers. Sometimes they are also unable to make investors understand. As a result, investors are frequently losing their faith.

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List of Acronyms

BSEC	Bangladesh Securities and Exchange Commission
ICB	Investment Corporation of Bangladesh
AIMS	Asset & Investment Management Services of Bangladesh Limited
AMC	Asset Management Company
DSE	Dhaka Stock Exchange
MFI	Microfinance Institutions
MRA	Microcredit Regulatory Authority
AFGMF	AIMS First Guaranteed Mutual Fund Bangladesh
SIP	Systematic Investment Plans
CSE	Chittagong Stock Exchange
ICL	Impress Capital Limited
CAPM	Capital & Asset Portfolio Management
BB	Bangladesh Bank
CDBL	Central Depository Bangladesh Limited

1. Introduction

A mutual fund is a professionally managed scheme that is run by an AMC. It pools the capital of multiple investors and invests it in a variety of securities, such as stocks, debt instruments, money market instruments, and more. Both individual and institutional investors can purchase shares of mutual funds that are managed by certified fund managers. It comes in three varieties: closed-ended funds, open-ended funds, and unit investment trusts.

The mutual fund sector in Bangladesh is still a well-known source of professionally managed, varied products, even though the country has made only small economic progress worldwide. Investors might consider mutual funds as less risky than direct stock investments because mutual funds are professionally managed and diversify their portfolio.

The Dhaka Stock Exchange (DSE) is the only market in the country where mutual funds can be listed and distributed. Mutual funds can be divided into two categories: closed-end and open-end. Closed-end funds represent the majority of mutual funds. Even though the mutual fund industry still only makes up a small percentage of the capital market, corporate governance helps to guarantee that the sector operates legally. The Bangladesh Securities and Exchange Commission (BSEC) is in charge of managing and supervising mutual funds and it is also known as “unit funds” or “collective investment schemes,” despite the fact that Bangladesh’s regulations do not specifically define this widely used investment vehicle.

1.1 Origin of the Report

This report is part of the requirements for completing the Master of Business Administration project program. It focusses on evaluating Bangladesh’s mutual fund sector.

1.2 Objectives of the Study

The purpose of the report is to provide a thorough understanding of the mutual fund sector in Bangladesh, with a focus on its performance, operational structure, problems, and possible solutions. The following are specific goals:

- Recognizing the various mutual fund categories in Bangladesh
- Evaluating the performance of mutual funds in Bangladesh
- Evaluating challenges and solutions for mutual funds in Bangladesh.
- Reviewing investment policies for mutual fund operations

1.3 Methodology of the Study

Secondary data for this study was gathered from government websites, journals, online newspapers, articles, the Dhaka Stock Exchange (DSE), the Bangladesh Securities and Exchange Commission (BSEC), and asset management companies’ annual reports. These resources provide details about the performance and operation of mutual funds in Bangladesh.

1.4 Scope of the Study

The findings of this study should be very beneficial to potential investors who are interested in learning more about the mutual fund industry in Bangladesh. This report discusses the types of mutual funds, how they generally work, and performance measurements. Its main focus is on mutual fund analysis in relation to Bangladesh's capital market.

1.5 Limitations of the Study

This study has a number of limitations, such as:

- Limited primary and secondary data availability as this is one of the few studies on mutual funds in Bangladesh.
- Having trouble finding thorough information about asset management firms.
- The difficulties of obtaining accurate and comprehensive data only from online sources.

2. Financial System of Bangladesh

Bangladesh's financial system is divided into three main areas, each of which is characterized by differing levels of regulation:

- **Formal Sector:** Capital markets, insurance companies, banks, non-bank financial institutions, and the central bank all are considered to be part of the formal sector. The BSEC and the Bangladesh Bank need to play the central role in the regulation of this industry.
- **Semi-Formal Sector:** Business organizations that are partially regulated, such as credit unions, cooperative societies, and Microfinance Institutions (MFI), are considered semi-formal businesses. The Registrar of Cooperative Societies oversees cooperatives, while the Microcredit Regulatory Authority oversees MFIs.
- **Informal Sector:** The informal sector includes unregistered and unacknowledged financial institutions as well as private business organizations. A significant portion of related activities are uncontrolled, which is the reason they are not considered as being under official regulatory management.

3. History of the Mutual Fund in Bangladesh

The Investment Corporation of Bangladesh launched the First ICB Fund, the first ever closed-end mutual fund on April 25, 1980. That was the beginning of mutual fund industry. ICB issued the first open-end mutual fund named “ICB Unit Fund” in 1981 to make the investment far less risky and to provide an opportunity to small and medium investors to get dividends. With a total capital of BDT 177 million, ICB was established as the only asset manager for the stock market in 1980. It launched eight more closed-end funds between 1980 and 1996 in order to meet various investment requirements.

However, in 1999, a significant shift took place when the first private asset management company, “AIMS First Guaranteed Mutual Fund Bangladesh Limited” entered the mutual fund market. Due to this development, investors now have more options for making investments in Bangladesh, and competition has also increased.

For the first 30 years, ICB and its subsidiary companies only offered three open-ended mutual funds. The majority of Bangladeshi mutual funds were closed-ended. To satisfy investor demand, fund managers started to offer a variety of products in the mutual fund market. Over the past fifteen years, they have subsequently developed several kinds of mutual fund items. Later, the company launched the “Prime Financial First Unit Fund,” the first open-end mutual fund for the private sector in the nation. In the same year, a new facility was launched, the IFIL Islamic Mutual Fund-1 which was the first Shariah-based fund in Bangladesh.

RACE Asset Management Company introduced the “First Bangladesh Fixed Income Fund” in 2011 with the goal of satisfying retail investors’ needs for fixed income assets and increasing fund diversification. Lanka Bangla Asset Management Co. Ltd. announced the launch of the first balanced fund, known as the “Lanka Bangla 1st Balanced Unit Fund,” marking another milestone as the first fund house to invest in both bonds and stocks. In 2020, RACE Asset Management introduced the “Race Special Opportunities Unit Fund,” the first sector-specific fund in the Bangladeshi market.

The average investor can now invest more easily with Systematic Investment Plans (SIP), which are permitted by SEBI, by using asset management firms. With these programs, clients can invest a particular amount in their mutual fund stocks as frequently as they want. These changes have expanded and diversified Bangladesh’s investment landscape, giving both big and small investors greater options to diversify their capital.

4. Structure of Mutual Fund in Bangladesh

For a long time, Bangladesh's mutual fund structure has adapted gradually to investor demands and shifts in the financial environment. A combination of private sector contributions and funds run by public managers, such as the Investment Corporation of Bangladesh (ICB), promote competition and allow for both privately held and publicly traded investment vehicles. An overview of mutual fund structures in Bangladesh:

4.1 Closed-End Mutual Funds

- **Nature and Characteristics:** Closed-end mutual funds have a permanent capital structure since they only issue a certain number of units on the launch date. Investors will be listed on stock markets and will not be able to redeem units they purchased at the time of issuance directly with the fund. The secondary market enables investors to trade fund units instead of dealing directly with a fund management, which offers liquidity.
- **Historical Importance:** In 1980, the government-owned organization ICB launched the "First ICB Fund," establishing the beginning of closed-end funds in Bangladesh. ICB launched a variety of fund types designed to give individual investors a chance to invest in the market, and for the next two decades. It was basically the only provider of closed-end mutual funds for expanding Bangladeshi market.
- **Entry of Private Sector:** When the first private asset management firm, AIMS of Bangladesh, introduced its "AIMS First Guaranteed Mutual Fund" in 1999, the closed-end mutual fund industry started to shift. During this period, private businesses entered the industry, bringing competition and the required diversity to a closed-end market. Closed-end funds are still a popular option in Bangladesh today and attracting primarily investors who are focused on long-term capital gains.

4.2 Open-End Mutual Funds

- **Flexible Structure:** Open-end mutual funds provide flexibility because investors can buy or sell units directly through the fund management firm. In that case, the fund's net asset value will be considered to assist this process. Besides, open-end funds are extremely liquid because investors can purchase or sell their assets fast depending on certain market conditions.
- **ICB's Role and Early Growth:** ICB introduced the ICB Unit Fund which is the first open end fund specifically designed for small and medium-sized investors. But it took several years for ICB to launch a small number of open-end funds and gradually gain the support of the public.
- **Private Sector Expansion:** Prime Finance & Investment introduced the Prime Financial First Unit Fund in 2010. It was the first private sector investment in the open-end fund industry. More asset managers entered the market in order to meet investors' demands for more liquid securities and to increase the number of open-end funds. Nowadays, open-end funds are widely available and it also offers flexibility.

4.3 Specialized Mutual Funds

- **Shariah-Compliant Funds:** Keeping in mind the principles of Islam and understanding the need for ethical investment options that follow the principles of Islamic finance, this sector developed Shariah-compliant funds. Those ethical investors who want to avoid interest-based securities and other activities that are strictly prohibited by Islamic law, will find these funds quite attractive. In 2010, the company introduced the IFIL Islamic Mutual Fund-1 for those investors who are worried about their beliefs on religion and try to avoid securities that are interest-based.
- **Fixed Income Funds:** RACE Asset Management introduced the “First Bangladesh Fixed Income Fund” in 2010. The main purpose was to help those investors who always look for a risk-free income and in need of a constant secure source of income. This fund primarily concentrates on investing in bonds, government securities, and other fixed income instruments so that they can provide an annual return. It basically satisfies those investors who are seeking a consistent source of income that has little dependence on fluctuations in the stock market and not heavily impacted by securities market.
- **Balanced Funds:** Balanced funds provide a moderate degree of risk. It combines fixed income and equity funds into one pool and allow a moderately risky investment strategy. “Lanka Bangla 1st Balanced Unit Fund,” was known as the first balanced fund in Bangladesh. It was introduced by Lanka Bangla Asset Management in 2016.

4.4 Systematic Investment Plans (SIP)

Systematic Investment Plans (SIP) help investors to invest small amounts regularly in mutual funds. It also promotes disciplined investment behavior by making it easier to stay consistent with investing. Investors can invest a particular amount at certain times. In this way it reduces the impact of market fluctuations and helps to average the cost of fund over time.

Systematic Investment Plans have become popular because they allow everyone to invest in mutual funds. Even if those who have limited financial resources or capital, they also can invest with little money. This allows people to gradually increase their contribution by making it more accessible and cost-effective for everyone.

5. Functions of a Mutual Fund

A mutual fund is managed by a qualified and experienced fund manager or a team of professionals who make knowledgeable and well-informed decisions regarding investments on behalf of investors. The professional management team ensures that investments are constantly evaluated and adjusted in accordance with fund objectives along with the current condition of the stock market.

Mutual funds collect money from many investors and it creates a large investment pool through the help of collecting money from investors. However, it is difficult for individual investors to build a diversified portfolio that is produced with pooled funds. Since mutual funds collect money from the investors and as a result, they can enjoy reduced transaction costs and reduced negotiation fees. It also helps to take cost advantages which might not be possible when investing as an individual.

One of the major advantages of mutual funds is diversification. Usually, funds diversify their investments over a variety of sectors, industries, stocks, bonds and money market instruments to reduce risk.

Open-end mutual funds are cash-efficient because they allow investors to buy or sell units from the fund at the current net asset value. Close-end funds that are listed and traded on stock exchanges offer liquidity through the secondary market.

5.1 Key Players in Mutual Fund Operations

A mutual fund is managed by numerous organizations. Organizations that are involved in running of a mutual fund ensure its smooth and seamless operation. Every participant has a particular role to play in terms of overall management, compliance to rules and an effective operation of the funds.

▪ **Asset Management Company (AMC) or Fund Manager:**

Asset Management Companies are responsible for managing the mutual fund portfolio. Fund managers can also play the same role. They can make strategic investment decisions, evaluate the current market. Most importantly they can take part for balancing the investments to satisfy the fund's established objectives. Experienced people belong to AMC who are typically highly skilled individuals and conduct market research. They help to choose the assets that are appropriate for the fund.

- LR GLOBAL Asset Management Limited
- VANGUARD Asset Management Limited
- VIPB Asset Management Limited
- UFS Asset Management Limited
- ATC Management Limited
- Impress Capital Limited
- Shanta Asset Management Limited
- CAPM Limited
- EDGE Bangladesh Asset Management Limited
- Shahjalal Asset Management Limited
- IDLC Asset Management Limited

- CWT Asset Management Limited
- UCB Asset Management Limited
- Sandhani Asset Management Limited
- LankaBangla Asset Management Company Limited
- Capitec Asset Management Limited
- Strategic Equity Management Limited
- EKUSH Wealth Management Limited
- EBL Asset Management Limited
- MBL Asset Management Limited
- GREEN DELTA Dragon Asset Management Limited
- InvestASIA Capital and AML
- AIMS of Bangladesh
- HF Asset Management Limited
- Investit Asset Management Limited

5.2 Trustee

The trustee usually protects the investors by making sure that the AMC is following the fund's mission and any other standards that are required. Trustees have the authority over the fund's operations. The trustee is responsible for protecting the investors' rights and they also make sure that the regulations are being followed. In order to maintain the standards, accountability, and transparency, these organizations are legally needed to operate independently of the AMC.

5.3 Sponsor

A sponsor is a company or organization that establishes a mutual fund. The sponsor is the true holder of the initial money that is invested. Sponsors can be any company, bank, or financial institution. They have some responsibilities. They have the authority of establishing the funds, hiring the AMC, and other regulatory processes that are required. In addition, sponsors monitor the development or the progress of the funds. It also ensures that whether it aligns with an established goal or not.

5.4 Custodian

The custodian basically is responsible for protecting the securities that the mutual fund has purchased. It also maintains the securities. The main tasks of the custodian are selecting transactions, monitoring the fund's investment, and managing all documentation that is related to the financing assets. Usually, custodians are different from other fund partners. They are independent organizations. They have the duty of securing the funds' assets.

- ❖ ICB Capital Management Ltd.
- ❖ Agrani Bank PLC
- ❖ BRAC Bank PLC
- ❖ Citi Bank N.A.

- ❖ Investment Corporation of Bangladesh (ICB)
- ❖ Standard Chartered Bank Limited
- ❖ The Hongkong and Shanghai Banking Corporation (HSBC) Limited
- ❖ Commercial Bank of Ceylon PLC

5.5 Registrar and Transfer Agent (RTA): The RTA is responsible for the administrative and operational responsibilities. It includes entering requests for purchases, and redemption requests. It also records the unit holder's information and distribution of dividends. RTA handles the investor's account and the fund transaction is flawless. As a result, RTA can update the investors on time. It has also a technology-driven facilitator. They also play an essential role by offering investors much-needed information about the performance outcomes of their funds.

5.6 Distributors and Advisors: Distributors and advisors are liable for promoting market mutual funds. Distributors and advisors advertise market mutual funds to the general public. They also provide necessary investment advice to new and aspiring investors. They could be independent financial consultants, banks, or any other financial organizations that purchase the mutual funds and resell their units to the public to get a commission. They play an important role by educating investors and also helping investors to get familiar with the product better. It also serves by allocating investors to a certain fund at the same time.

5.7 The Regulator (Bangladesh Securities and Exchange Commission): The Bangladesh Securities and Exchange Commission (BSEC) regulates the operation of mutual funds in Bangladesh. BSEC works to protect investor's interests and contribute to maintaining discipline in the market. BSEC has its own regulations in terms of fund performance, fees, and other matters. BSEC was created to supervise mutual funds and AMC and allow the mutual fund sector to be compliant and transparent.

6. Mutual Fund Industry in Bangladesh:

According to data from Bangladesh Securities and Exchange Commission (BSEC) and Association of Asset Management Companies and Mutual Funds (AAMCMF), the development of mutual fund industry of Bangladesh has grown significantly. There are 58 registered Asset Management Companies in the country. There is a total of 38 AMCs that manage and oversee the 36 closed end and approximately 88 open ended mutual funds that are available for investors to purchase.

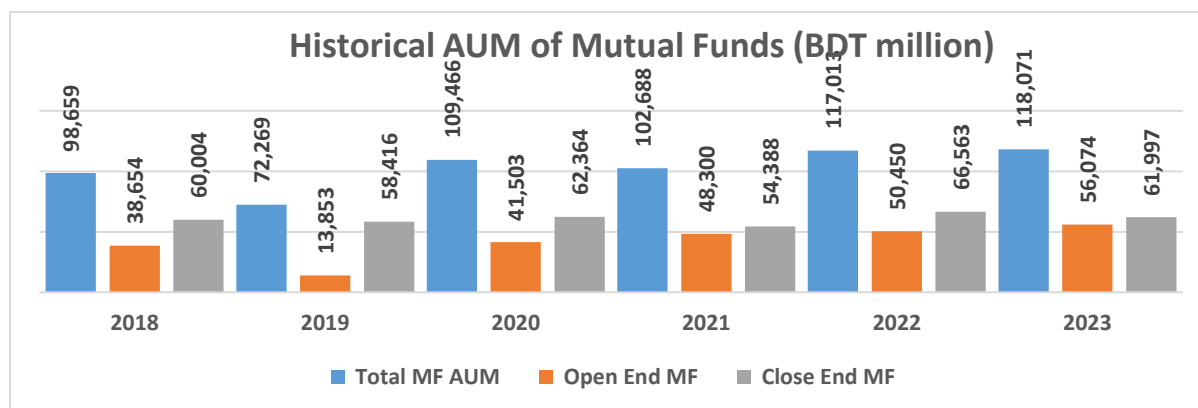


Figure 1: Historical AUM of Mutual Funds

The mutual fund industry in Bangladesh has shown steady growth, with total AUM rising from BDT 98,659 million in 2018 to BDT 118,071 million in 2023. Open-end funds expanded significantly, increasing their share from 39.2% in 2018 to 47.5% in 2023, driven by their liquidity and flexibility. Closed-end funds, while steady, peaked at BDT 66,563 million in 2022 before slightly declining to BDT 61,997 million in 2023. A sharp drop in total AUM in 2019, mainly due to a decline in open-end funds, suggests market disruptions that year. Overall, the industry reflects growing investor confidence and a shift toward open-end funds.

6.1 Closed-End Mutual Funds in Bangladesh

Closed-end mutual funds are also known as fixed mutual funds. Closed-end mutual funds are the traditional type of mutual funds in Bangladesh. The funds can be kept for a specific period of time before being invested on the stock market with an aim of making money.

These are the closed-end funds listed in the country:

- 28 General Funds
- 4 Shariah-Compliant Funds
- 2 Growth Funds
- 1 Fixed Income Fund and 1 Balanced Fund

AMC Wise Market Share of Close end Mutual Funds (as of Fiscal Year 2023)

Several asset management companies are responsible for overseeing numerous closed-end funds with varying AUM sizes. There are 36 closed-end funds with having a total asset under management (AUM) BDT 61,996 million.

Table: 1 AMC Wise Market Share of Close end Mutual Funds (as of Fiscal Year 2023)

Fund Managers	No. of Funds	AUM (mn)	Percentage
AIMS of Bangladesh Ltd.	2	4,655.00	7.51%
Asian Tiger Capital Partners (BD) Ltd.	1	696.00	1.12%
Capital & Asset Portfolio Management	2	1,477.00	2.38%
ICB Asset Management Company Ltd.	10	7,528.00	12.14%
LR Global Bangladesh Asset Management Ltd.	6	10,054.00	16.22%
RACE Management PCL	10	32,288.00	52.08%
Strategic Equity Management Ltd.	3	2,476.00	3.99%
Vanguard Asset Management Ltd.	2	2,822.00	4.55%
Total Fund	36	61,996.00	100.00%

RACE Management PCL dominates the sector. It has 10 funds and an estimated BDT 32,288 million with 52.08% of the total AUM of closed-end funds. LR Global Bangladesh Asset Management Co. Ltd. comes in second position with 6 funds and an AUM of BDT 10,054 million. It represents the 16.22% of the market share.

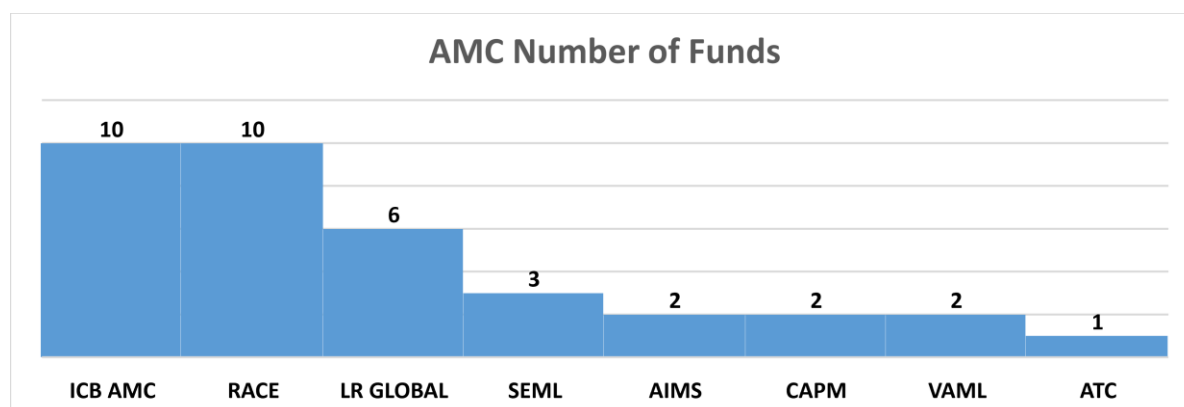


Figure 2: AMC wise number of Close-end Mutual Fund

ICB Asset Management Company Ltd. manages 10 funds with having a total AUM of BDT 7,528 million. It holds 12.14% of the total closed-end fund AUM. Strategic Equity Management Ltd. oversees 3 funds with AUM of BDT 2,476 million (3.99%) and Vanguard Asset Management Ltd. manages 2 funds with AUM of BDT 2,822 million (4.55%).

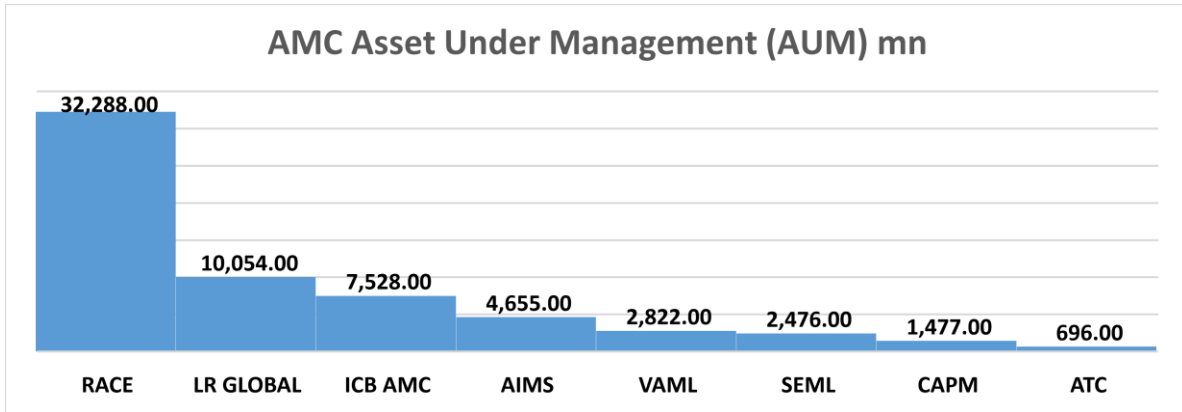


Figure 3: AMC wise AUM of Close end Mutual Fund

AIMS of Bangladesh Ltd. manages 2 funds with an AUM of BDT 4,655 million, which represent the 7.51% of the market share. Asian Tiger Capital Partners (BD) Ltd. holds 1 fund with an AUM of BDT 696 million (1.12%). They both contribute to the closed-end mutual fund market's competition.

6.2 Open-end Mutual Funds in Bangladesh

One of the major advantages of open-end mutual funds is that they allow the investors to purchase and sell units at a price that is determined by both buyers and sellers directly from the AMCs based on NAV.

As per latest data, the open-end mutual funds in Bangladesh are:

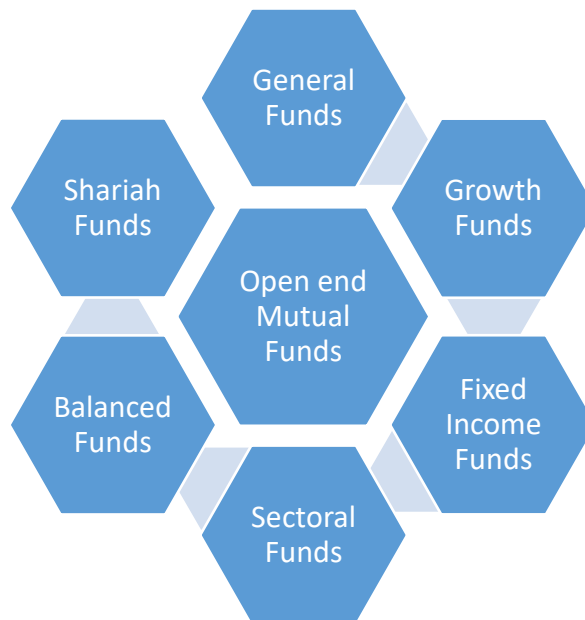


Figure 4: Open end Mutual Fund's Functions

Table 2: AMC Wise Market Share – Open-end Mutual Funds (as of Fiscal Year 2023)

Fund Manager	AUM (In BDT Mn)	Market Share
ACACIA SRIM Ltd.	271.00	0.48%
Alliance Capital Asset Management Ltd.	1,206.00	2.15%
Asian Tiger Capital Partners	165.00	0.29%
Assurance Asset Management Ltd	180.00	0.32%
Bangladesh RACE Management PCL	667.00	1.19%
CandleStone Investments Partner Limited	416.00	0.74%
Capital & Asset Portfolio Management	116.00	0.21%
Capitec Asset Management Limited	1,084.00	1.93%
Constellation AMC Ltd.	46.00	0.08%
Credence Asset Management Ltd.	328.00	0.58%
CWT Asset Management Company Ltd.	491.00	0.88%
EBL Asset Management Ltd.	190.00	0.34%
EDGE Asset Management Ltd.	982.00	1.75%
Ekush Wealth Management Limited	401.00	0.72%
HF Asset Management Ltd.	795.00	1.42%
ICB Asset Management Company Ltd.	34,838.00	62.13%
IDLC Asset Management Ltd.	1,598.00	2.85%
Impress Capital Limited	885.00	1.58%
LankaBangla Asset Management Company Ltd.	974.00	1.74%
National Asset Management Ltd.	214.00	0.38%
Peninsula Asset Management Company Ltd.	798.00	1.42%
Prime Finance Asset Management Company Ltd.	783.00	1.40%
Royal Bengal Investment Management Company	103.00	0.18%
Sandhani Asset Management Limited	829.00	1.48%
Shahjalal Asset Management Ltd.	176.00	0.31%
Shanta Asset Management Company Ltd.	1,754.00	3.13%
UCB Asset Management Limited	609.00	1.09%
Universal Financial Solutions Limited	2,494.00	4.45%
Vanguard Asset Management Ltd.	109.00	0.19%
VIPB Asset Management	2,463.00	4.39%
Zenith Investments Limited	107.00	0.19%
Grand Total	56,074.00	100.00%

The asset management industry in Bangladesh is primarily led by ICB Asset Management Company Ltd., which commands an impressive 62.13% market share with an AUM of BDT 34,838 million, highlighting its significant presence in the market. Other key players include Shanta Asset Management (3.13%), Universal Financial Solutions (4.45%), and IDLC Asset Management (2.85%), all of which play important roles in the sector. Mid-sized firms like EDGE Asset Management (1.75%), LankaBangla Asset Management (1.74%), and Impress Capital (1.58%) contribute to the diversity and competitiveness of the market.

On the smaller end, companies such as Constellation AMC Ltd. (0.08%), Royal Bengal Investment Management (0.18%), and Zenith Investments (0.19%) have minimal market shares but present opportunities for growth in niche segments. The total AUM for the industry is BDT 56,074 million, indicating steady progress. The sector remains quite concentrated, with ICB's stronghold highlighting

the necessity for other firms to innovate and expand their market presence to foster a more balanced industry environment.

7. Contribution of Mutual Funds

The economy of Bangladesh has expanded at a rate of more than 6.0% annually over the last ten years. As macroeconomics stability has stabilized and there is a rise in RMG exports as well as the remittances increased, this momentum reached a record high growth rate of 7.9% in FY 2019.

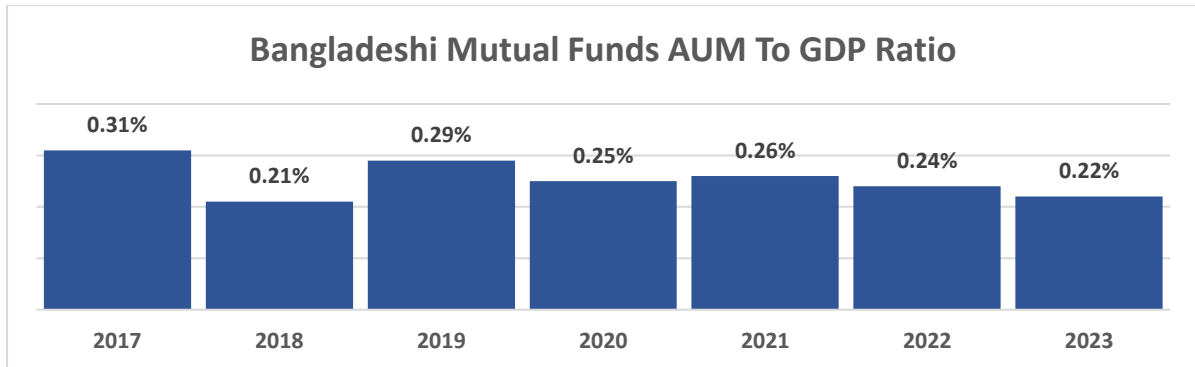


Figure 5: Mutual Fund AUM to GDP Ratio

The mutual fund industry has drastically underperformed. Though Bangladesh has a strong economic growth. The country's AUM to GDP ratio was the lowest in the region, which was 0.24%. India has the highest AUM to GDP ratio with a 16.2%, followed by Vietnam 6.3% and Pakistan 1.7%. In the developed markets, this ratio is considerably better, 195.7% in USA and 180.8% in Canada.

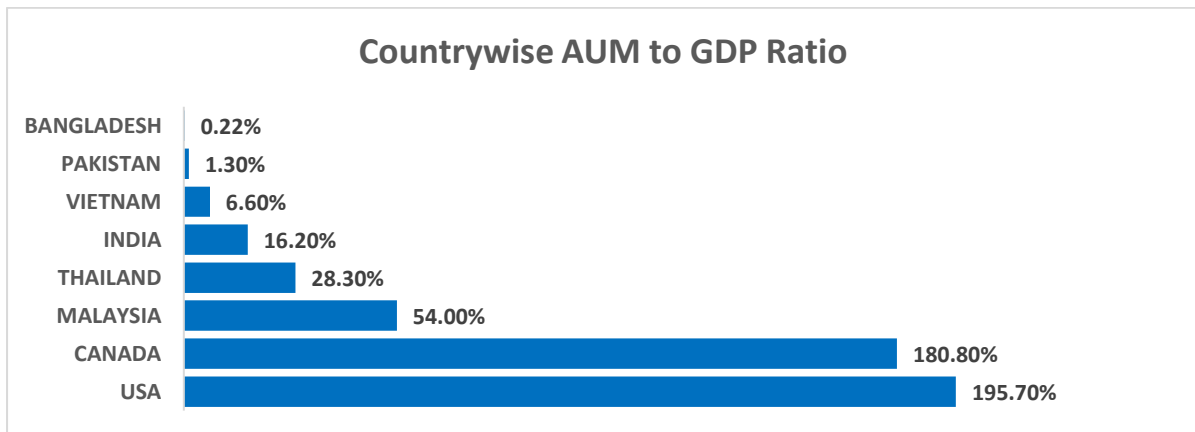


Figure 6: Countrywise AUM to GDP Ratio

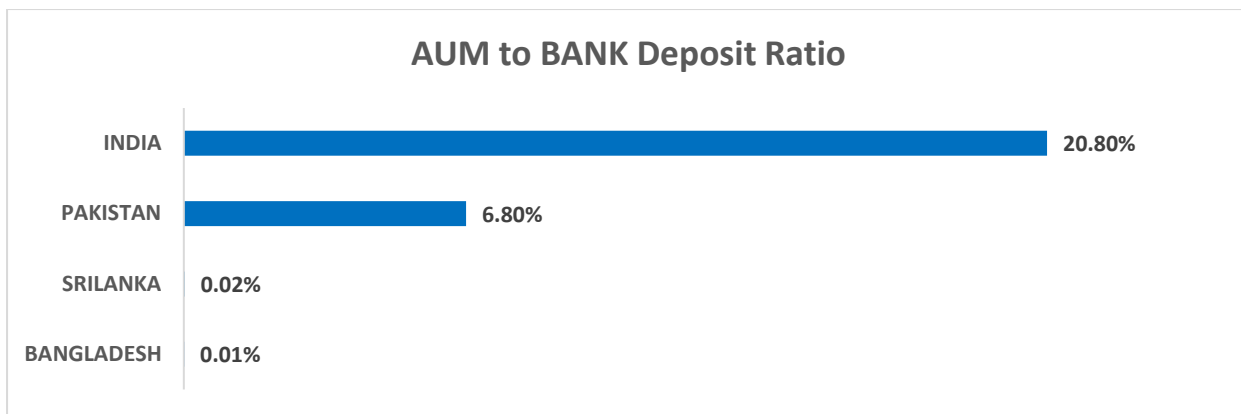


Figure 7: AUM to Bank deposit ratio

The AUM to Total Banking Deposit ratio is another metric that shows the proportion of total banking deposits invested in mutual funds. Bangladesh has the lowest AUM to Total Deposit now. India has the biggest mutual fund business in the region with an AUM to Deposit Ratio of 20.80%. The ratio of Pakistan and Sri Lanka is 6.8% and 1.52% respectively.

7.1 Key benefits for General Investors

Professional money managers are comparatively new to managing portfolios in Bangladesh. According to Green Delta Dragon Asset Management Ltd., the investors in Bangladesh make up 1.1% of the population in the capital markets. This is the lowest participation of investors in the region. Malaysia has 9.0%, Thailand has 8.0%, Vietnam has 6.6% and India’s 2.1%. The present perception of the mutual fund among the general public is unfavorable. The market is still negative despite of providing enormous returns.



Figure 8: Benefits of General Investors

According to Bangladesh Securities and Exchange Commission Mutual Funds Rules 2001, rule 66 as amended, mutual funds should have to distribute at least 70% of their annual profits to investors as divided. Circular issued by BSEC, declares that the reinvestment units as dividends is discouraged. Even if it advises that dividends must be paid in cash.

Additionally, the providers of mutual funds or mutual fund companies in Bangladesh have the right to a preferred offer during IPO. As per the BSEC (Public Issue) Rules 2015, mutual funds will receive 5% of IPO allocations based on the Fixed Price mechanism. When IPOs are issued by using Book Building method, additional 25% quota will be given for the mutual funds that are eligible investors in corporations and collective investment scheme. This policy allowed mutual fund investors to invest in potentially high-grossing IPO by giving their favorable comparative record in Bangladesh’s capital market.

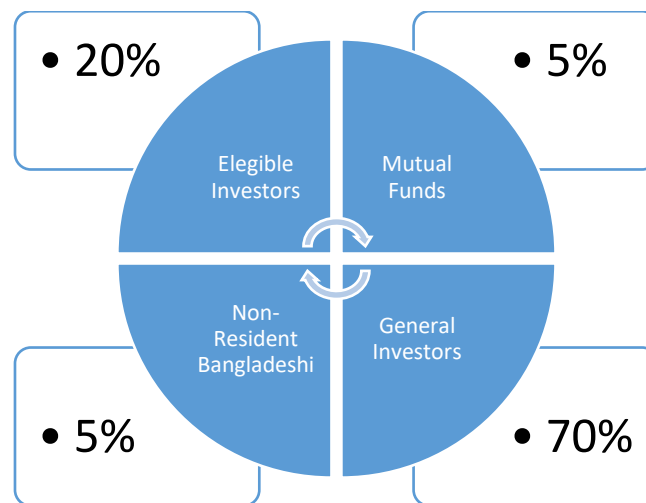


Figure 9: Percentage of Mutual Fund Allocation through IPO

Mutual funds in Bangladesh have the advantage of tax savings as compared to other competing securities products. According to the Income Tax Act 2023, if an investment in closed-end funds exceeds 20% of taxable income up to BDT 6.67 million, a 15% tax refund is available up to a maximum of BDT 1 million. Open-end mutual funds with an investment cap of BDT 500,000 are also eligible for the 15% refund.

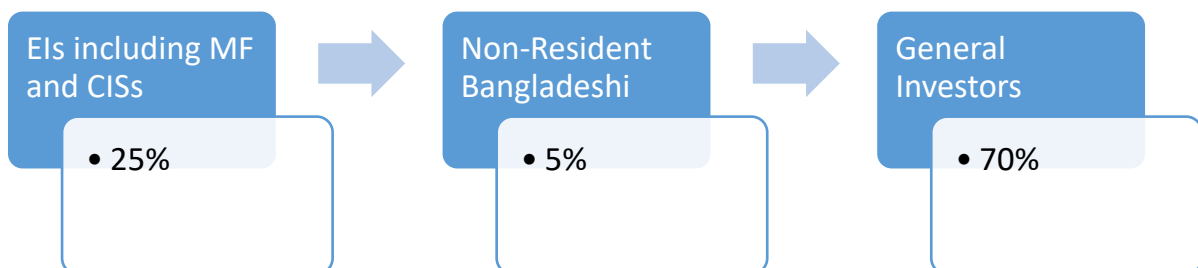


Figure 10: IPO quota Allocation for Book Building Method

The industry has reached to a significant milestone when the resolution of the double taxation issue that occurred during the previous fiscal year. Previously, many mutual fund dividends were taxed at the fund level and investors were liable to double taxation when they received dividends. The Income

Tax Act 2023 excludes the income derived from mutual fund from company level taxation. As a result, mutual funds are now more attractive and it has become an investing choice through the modification and owing to the promise of larger post-tax returns for investors.

8. Performance Analysis of Bangladesh's Mutual Funds

Between Fiscal Year 2018 and 2023 there were notable growth and stability in many mutual fund categories. This includes open-end and close-end mutual funds both. During this period of time, there were economic fluctuations and fund managers faced challenges related to long-term growth and money conservation, market fluctuations occurred.

8.1 Performance Analysis of Open-end Mutual Funds

According to some findings, open-end mutual funds performed moderately. Though some of them were able to show high and excellent growth over the years. AAML Unit Fund showed an impressive 50.14% average return over a six-year period and were in top position. CWT Emerging Bangladesh First Growth Fund and CAPITEC Popular Life Unit Fund came in second and third respectively with the returns of 45.36% and 30.86%.

IDLC Asset Management Shariah Fund performed with 18.55% and ICB AMCL Second NRB Unit Fund at 17.23% on the category of strong shariah-compliant investments. Credence funds such as the CREDENCE First Shariah Unit Fund and CREDENCE First Growth Fund delivered with average returns of 16.79% and 8.89% respectively. Alliance Shandhani Life Unit Fund and Prime Financial First Unit Fund provided negative returns.

Table: 3

Name	NAV						Average Return %
	2018	2019	2020	2021	2022	2023	
MTB Unit Fund	11.64	11.28	8.51	8.57	9.55	10.69	3.31%
Alliance Shandhani Life Unit Fund	11.7	9.33	10.13	7.79	8.55	9.34	-0.87%
ATC Shariah Unit Fund	10.32	10.86	11.9	8.45	10.69	11.54	7.70%
AAML Unit Fund	-	-	-	9.66	16.63	17.13	50.14%
Capm Unit Fund	104.43	116.37	115.93	92.52	140.84	130.36	14.95%
Capitec Padma P.F. Shariah Unit Fund	-	-	10.38	8.82	10.85	11.96	12.70%
Capitec Popular Life Unit Fund	-	-	-	9.34	12.42	12.77	30.86%
Constellation Unit Funds	-	-	9.82	11.18	12.03	9.76	7.34%
Credence First Growth Fund	10.14	10.2	10.16	7.51	12.24	11.66	8.89%
Credence First Shariah Unit Fund	-	9.84	10.24	8.48	13.87	13.52	16.79%
Cwt Emerging Bangladesh First Growth Fund	-	-	-	9.73	15.42	16.05	45.36%
CWT Sadharan Bima Growth Fund	-	-	-	10.85	13.77	12.77	17.00%

Edge Bangladesh Mutual Fund	-	10.3	10.14	11.47	14.29	11.4	8.71%
Edge Amc Growth Fund	-	-	9.83	11.53	14.3	11.87	12.47%
Ekush First Unit Fund	-	-	-	11.92	14.79	12.18	9.61%
HFAML Acme Employees Unit Fund	-	10.24	6.63	10.49	13.77	11.54	14.88%
HFMAL Unit Fund	-	9.9	8.14	8.84	11.59	10.31	7.80%
ICB AMCL Unit Fund	252.8	218.94	208.54	159.27	234.08	241.49	5.19%
ICB Pension Holders' Unit Fund	216.29	188.9	193.58	146.84	234.32	254.85	9.45%
Bangladesh Fund	101.64	91.51	88.62	68.11	97.63	103.75	4.02%
ICB AML Converted First Unit Fund	10.62	9.4	9.52	6.88	10.68	11.49	7.50%
ICB AMCL Islamic Unit Fund	10.75	9.64	9.04	6.98	9.85	10.09	3.75%
First ICB Unit Fund	11.47	9.93	8.14	8.78	11.46	10.65	4.55%
Second ICB Unit Fund	12.24	10.84	8.69	10.25	14.78	13.9	10.02%
Third ICB Unit Fund	13.29	11.35	9.42	11.07	14.07	12.62	5.98%
Fourth ICB Unit Fund	12.39	10.71	8.72	9.69	13.43	11.73	5.75%
Fifth ICB Unit Fund	12.8	11.15	9.19	9.57	12.93	12.09	5.37%
Sixth ICB Unit Fund	13.84	11.83	9.74	10.74	13.76	12.89	5.90%
Seventh ICB Unit Fund	13.89	11.63	9.62	10.88	14.33	13.73	6.86%
Eighth ICB Unit Fund	12.3	10.86	9.01	9.9	13.16	11.97	6.64%
ICB AMCL Second NRB Unit Fund	-	-	9.09	11.44	12.96	11.72	17.23%
IDLC Balanced Fund	-	10.32	10.62	8.88	12.69	12.07	12.60%
IDLC Growth Fund	-	9.96	10.61	8.87	13.17	12.3	12.84%
IDLC Asset Management Shariah Fund	-	-	-	9.8	12.34	11.47	18.55%
Icl Balanced Fund	11.45	11.74	10.62	7.73	12.47	11.77	5.60%
Bcb Icl Growth Fund	-	9.86	10	7.28	11.77	11.36	6.80%
Esquire Icl Apparel Fund	-	-	-	8.48	13.49	13.18	33.31%
Lanka Bangla 1st Balanced Unit Fund	12.72	10.89	9.68	12.13	13.62	11.52	4.41%
Lanka Bangla Al-Arafah Shariah Unit Fund	-	9.98	7.77	9.3	10.18	10.2	4.16%
NAM IBBL Islamic Unit Fund	-	10.06	10.15	6.9	10.93	9.01	6.88%
Peninsula Amcl Bdbl Unit Fund One	12.73	11.55	10.49	8.46	13.63	12.97	9.96%

PRIME Finance Second Mutual Fund	12.15	10.01	8.91	10.7	13.07	11.2	3.23%
PRIME Financial First Unit Fund	118.83	107.94	90.43	98.52	119.89	101.69	2.33%
Rupali Life Insurance First Mutual Fund	11.62	10.71	10.21	8.26	11.45	10.35	3.47%
SHANTA Amanah Shariah Fund	-	-	10.13	11.59	14.99	12.07	13.76%
SHANTA First Income Unit Fund	-	10.85	11.33	9.31	15.3	14.14	14.09%
VANGUARD AML Growth Fund	-	10.1	9.57	11.03	14.36	12.76	9.01%
VIPB Accelerated Income Unit Fund	14.27	12.44	11.26	11.84	13.63	11.33	2.29%
VIPB Growth Fund	-	9.49	9.23	10.16	12.12	10.78	7.56%
VIPB Balanced Fund	-	-	-	10.2	12.21	11.05	10.68%
ZENITH ANNUAL INCOME FUND	-	11.67	9.72	13.48	20.12	13.91	20.32%

8.2 Performance Analysis of Close-end mutual funds (FY' 2018-23)

Close-end mutual fund performance was steadier and less shifts than open-end funds. SEML FBSLGF achieved average return of 18.69%, which was higher than other peers. CAPMIBBLMF and 1st Prime Finance Mutual Fund performed well with returns of 11.79% and 9.55% respectively.

ICB funds provide good return ratio. ICBAGRANI1 and ICB3RDNRB maintained solid returns of 10.23% and 8.71% respectively. Several close-end funds such as VAMLRBBF had below average return of -2.55%.

Table: 4

Listed Fund Name	NAV						Average Return %
	2017	2018	2019	2020	2021	2022	
GRAMEENS2	19.56	19.45	19.55	15.39	20.53	20.28	6.57%
RELIANCE1	13.98	13.78	13.47	10.69	14.47	14.12	6.12%
ATCSLGF	13.89	13.41	12.71	10.02	12.35	10.95	1.30%
CAPMBDBLMF	10.14	10.37	10.17	8.36	11.78	12.27	9.90%
CAPMIBBLMF	-	10	10.77	8.97	12.02	12.27	11.79%
1STPRIMFMF	12.97	11.2	8.71	10.45	13.97	14.16	9.55%
GLDNJMF	-	-	-	-	-	9.9	-
ICB3RDNRB	8.84	7.81	7.43	5.52	9.21	9.7	8.71%
ICBAGRANI1	-	9.98	9.35	7.59	10.9	11.43	10.23%
ICBAMCL2ND	10.29	9.07	8.83	6.19	10.36	10.82	8.03%
ICBEPMF1S1	9.16	7.84	7.52	5.52	9.4	9.88	8.32%
ICBSONALI1	10.08	9.17	9.13	6.89	10.4	10.44	7.34%
IFILISLMF1	10.04	9.11	8.51	6.36	9.34	9.61	5.39%
PF1STMF	9.2	8.23	7.95	5.84	9.67	9.91	8.02%
PRIME1ICBA	9.44	8.44	8.39	6.07	10.06	10.31	9.10%
AIBL1STIMF	11.38	11.9	11.38	9.11	11.64	11.27	6.36%
DBH1STMF	11.44	11.93	11.14	8.73	11.95	10.99	5.32%
GREENDELMF	11.18	11.97	11.08	8.76	11.7	10.78	5.47%
LRGLOBMF1	12	11.07	10.63	10.24	13.5	11.11	3.40%
MBL1STMF	11.63	12.33	11.71	8.91	11.98	11.88	6.67%
NCCBLMF1	12.69	10.91	9.32	11.63	11.86	11.35	3.05%

1JANATAMF	11.98	11.06	11.02	9.31	11.89	10.57	1.76%
ABB1STMF	12.7	11.79	11.56	9.07	12.07	11.16	0.77%
EBL1STMF	11.81	11.4	11.09	9.16	11.73	10.49	1.74%
EBLNRBMF	11.77	11.16	10.91	9.15	12.31	11.95	3.99%
EXIM1STMF	12.3	11.83	11.46	9.17	12.15	11.22	1.52%
FBFIF	12.1	11.28	11.12	9.14	11.75	11.29	1.21%
IFIC1STMF	12.03	11.11	11	8.87	11.59	10.83	1.31%
PHPMF1	11.8	11.08	10.82	9.19	11.97	10.89	2.12%
POPULAR1MF	12.9	11.12	11.05	9.3	12	10.86	0.07%
TRUSTB1MF	12.27	11.54	11.33	9.31	12.03	11.32	2.00%
SEMLFBSLGF	-	-	10.63	10.36	12.32	11.51	18.69%
SEMLIBLSF	10.3	10.38	10.44	8.91	11.3	10.78	5.53%
SEMLLECMF	10.96	10.67	10.45	8.94	11.81	10.79	5.33%
VAMLBDMF1	12.46	10.86	10.22	10.53	14.63	11.62	2.90%
VAMLRBBF	13.39	10.78	8.49	10.16	11.96	10.22	-2.55%

According to data from FY 2018-2023, growth-oriented and shariah-compliant funds had greater average returns due to their flexibility in asset allocation. Close-end funds offered more stable returns. As a result, they would be the best option for risk-averse investors. Open-end fund managers expand the market while close-end funds maintain consistent income.

8.3 Best Performing Mutual Funds:

The overall growth of Bangladesh's open-end and closed-end mutual funds was outstanding in FY 2023.

Table 5: Best Performing Open End Mutual Funds in FY'23 (Top 10)

Fund Name	Asset Management Company	Return in FY'23
LB Gratuity Opportunities Fund	LankaBangla Asset Management Company Ltd.	26.7%
CAPITEC Padma P.F. Shariah Unit Fund	Capitec Asset Management Limited	21.8%
1st ACACIA SRIM SME Growth Unit Fund	ACACIA SRIM Ltd.	19.1%
CWT Emerging Bangladesh First Fund	CWT Asset Management Company Ltd.	18.4%
ICB AMCL Pension Holders Unit Fund	ICB Asset Management Company Ltd.	16.4%
ICB AMCL Converted First Unit Fund	ICB Asset Management Company Ltd.	15.1%
CAPITEC Popular Life Unit Fund	Capitec Asset Management Limited	14.9%
AAML Unit Fund	Assurance Asset Management Ltd	13.8%
ATC Shariah Unit Fund	Asian Tiger Capital Partners	13.6%
MTB Unit Fund	Alliance Capital Asset Management Ltd.	11.9%

LB Gratuity Opportunities Fund from Lanka Bangla Asset Management Company Ltd. remarked an impressive return of 26.7% in FY 2023. CAPITEC Padma P.F. Shariah Unit Fund came in second with a return of 21.8% and ACACIA SRIM SME Growth Unit Fund came in first with 19.1%. These top-performed funds show a growth-oriented strategy. ICB AMCL Pension Holders Unit Fund and the ICB AMCL Converted First Unit Fund also performed well.

Table 6: Best Performing Close End Mutual Funds in FY'22 (Top 10)

Fund Name	Asset Management Company Names	Return in FY'23
ICBAGRANI1	ICB Asset Management Company Ltd.	13.1%
CAPMBDBLMF	Capital & Asset Portfolio Management Limited	11.0%
ICB3RDNRB	ICB Asset Management Company Ltd.	10.7%
ICBEPMF1S1	ICB Asset Management Company Ltd.	10.4%
ICBAMCL2ND	ICB Asset Management Company Ltd.	10.2%
1STPRIMFMF	ICB Asset Management Company Ltd.	9.2%
CAPMIBBLMF	Capital & Asset Portfolio Management	8.7%
PF1STMF	ICB Asset Management Company Ltd.	7.7%
MBL1STMF	LR Global Bangladesh Asset Management Co. Ltd.	7.5%
PRIME1ICBA	ICB Asset Management Company Ltd.	7.5%

ICB Asset Management Company Ltd. dominated the close-end mutual fund market. ICBAGRANI1 delivered 13.1% return by showing ICB's supremacy in close-end fund. ICB3RDNRB and ICBEPMF1S1 also generated returns above 10%. The top-ranked funds from FY 2022 showed better performance

in FY 2023. Open-end funds reported more growth along with large returns and close-end funds aim stability and higher income. Investors can get an idea through these results that asset managers in Bangladesh’s mutual fund business have strong skills.

8.4 Sector wise Investment Allocation of Mutual Funds:

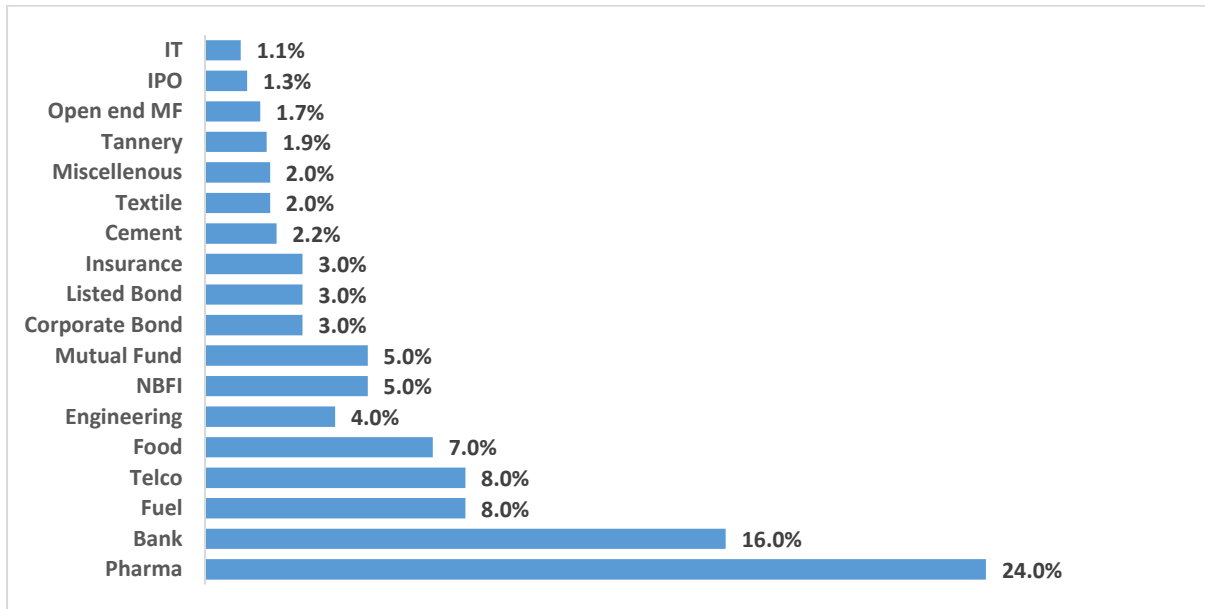


Figure 11: Sectorwise Investment Allocation of Mutual Funds

Measurable distribution of mutual fund investments is quite conservative. Pharmaceuticals industry hold a strong position with 24% of the market due to its greater demand. Banks are essential to the economy. Banks come in second position with 16%. Banks provide investors with more dependable dividends. Fuel and telecommunications have 8% allocation. They provide steady income. Non-Bank Financial Institutions receive 5% for expansion, engineering receives 4% and defensive food 7%. 5% allocation is other mutual funds indicates a diversification strategy to increase portfolio’s stability. Among 9% of the total, overall risk profile is reduced by 3% corporate bonds, listed bonds and insurance. Sectors like cement (2.2%), textiles (2%), and tannery (1.9%) indicate high risk businesses. The low percentage of exposure such as IT (1.1%) and IPOs (1.3%) suggests a cautious approach.

Open-end Mutual Fund:

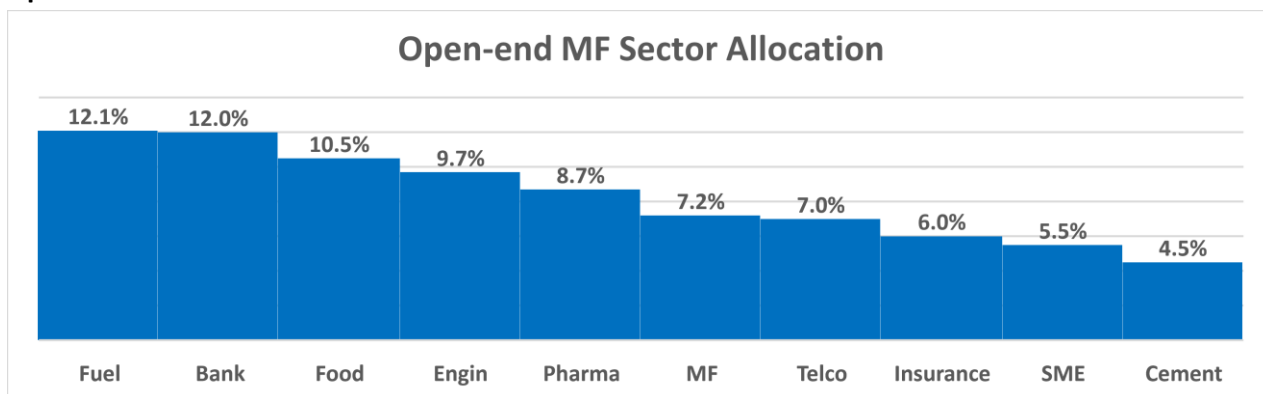


Figure 12: Open-end Mutual Fund Sector Allocation

The open-end mutual fund data indicates a well-diversified portfolio. Fuel holds 12.1% of the total which is the largest percentage of these. Banks are far behind with 12% share. It indicates that financial sector is offering fair returns and liquidity. Food sector holds 10.5% which serves consumer demand. The fund mainly concentrates on industries that generate income with low risk and high returns. Engineering (9.7%) and pharmaceuticals (8.7%) are two major growth sectors, driven by industrial developments and healthcare. Additionally, it makes 7% investments in telecommunications to promote digital infrastructure and 7.2% in other mutual funds for the purpose of greater diversity. Cement (4.5%), insurance (6%), and SME (5.5%) receive smaller shares.

Close-end Mutual Fund:

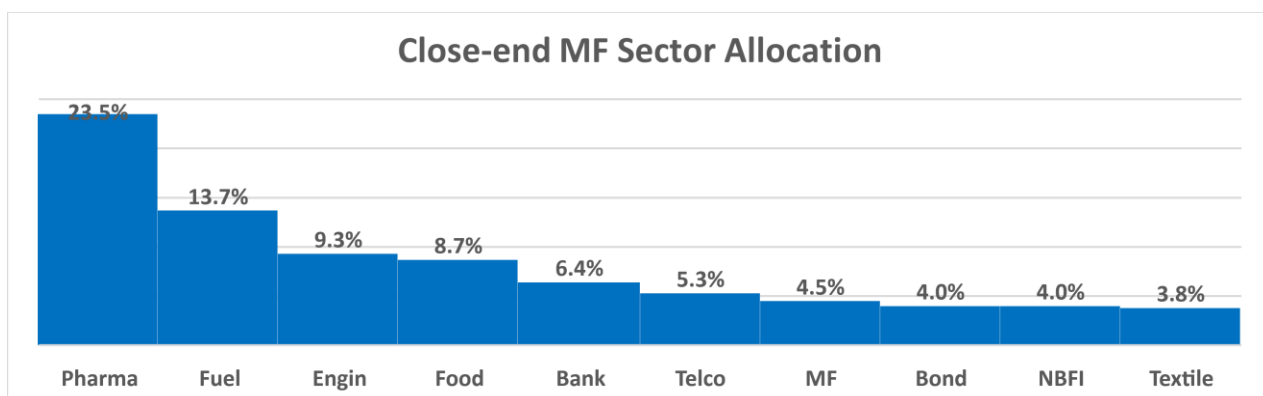


Figure 13: Close-end Mutual Fund Sector Allocation

The allocation of mutual funds to closed-end funds shows the image of steady and strong returns with pharmaceuticals at 23.5%. Pharmaceutical industry has a strong and consistent demand and essential to achieving long-term stability. Fuel comes in second with 13.7% allocation. Food holds 8.7% and engineering for 9.3%. Both of them are important industries. Engineering has experienced growth while the food industry has been a defensive one. Telecommunication holds 5.3% of the fund and Banks hold 6.4%. 4.5% allocation for mutual funds so that they can improve diversity. Bonds, non-bank financial institutions (NBFI), and textiles receive smaller shares 4.0%, 4.0%, and 3.8% respectively. The main purpose of diversified strategy is to offer a stable return through the help of combining sectors that are stable.

Table 7: Top Securities in Asset Management Companies' Portfolios (as of December, 2023)

Ticker	Sector	Total Holdings (in BDT mn)
RENATA	Pharmaceuticals & Chemicals	6,335
SQURPHARMA	Pharmaceuticals & Chemicals	4,469
GP	Telecommunication	4,277
BATBC	Food & Allied	3,932
BXPHARMA	Pharmaceuticals & Chemicals	2,095
MARICO	Pharmaceuticals & Chemicals	1,530
BANKASIA	Bank	1,364
BATASHOE	Tannery	1,307
BRACBANK	Bank	1,238
DUTCHBANGL	Bank	1,214
BSCCL	Telecommunication	1,116
PREMIERBAN	Bank	1,047
OLYMPIC	Food & Allied	1,041
ACI	Pharmaceuticals & Chemicals	1,030
SUMITPOWER	Fuel & Power	1,030

- Pharmaceuticals & Chemicals:** The pharmaceuticals industry has the largest percentage of investment. There are some significant stocks like RENATA, which has a BDT 6,335 million capital, SQURPHARMA has a BDT 4,469 million capital, and BXPHARMA has a BDT 2,095 million capital. This indicates that the pharmaceutical industry has a strong and expanding position. The reason behind its strong preference is its growth potential. A substantial portion of the fund comes solely from pharmaceuticals. It reflects that the economic strategy focused on ensuring operational stability and necessities.
- Telecommunication:** Grameenphone and BSCCL both hold the top position in the telecommunications industry. GP and BSCCL both represent the telecommunications sector which is essential to connectivity and digital growth. GP holds BDT 4,277 million and BSCCL holds BDT 1,116 million. Nowadays, communication is essential and it reflects how the usage of data is increasing along with mobile services.
- Food & Allied:** BATBC and OLYMPIC are both included in the food sector. BATBC holds BDT 3,932 million and OLYMPIC holds BDT 1,041 million. These stocks are consumer items. As a result, they

are defensive and hold their value during economic downturns. The allocation indicates the funds' conservative approach and it focuses on steady demand.

- **Banking:** Investments of some banks show confidence in the financial sector. BANKASIA (BDT 1,364 million), BRACBANK (BDT 1,238 million), DUTCHBANGL (BDT 1,214 million), and PREMIERBAN (BDT 1,047 million) reflect that the banks play a crucial role in the financial sector. Banks are known for their steady income through dividends. Banks have the contribution to maintain economic stability.
- **Fuel & Power:** SUMITPOWER is the largest player in this Fuel & Power sector. It holds BDT 1,030 million. Fuel & Power are the source of energy infrastructure. Besides, it provides investment possibilities and safe cash flows.
- **Tannery:** BATASHOE holds BDT 1,307 million in the Tannery sector. Though it has a smaller portion of the portfolio this allocation provides an understanding level of optional consumer spending. It has the potential for encouraging growth.

Overall, the portfolio demonstrates a thoughtful balance between defensive sectors and growth-oriented opportunities. This diversified approach not only ensures resilience during economic uncertainties but also aligns with long-term investment objectives, leveraging sector-specific strengths to drive sustainable returns.

9. Challenges:

- Most of the companies do not declare dividend properly.
- Complicated procedures of withdrawal and delayed services often decrease investors satisfaction.
- The quality of a portfolio might be weakened because of a limited supply or shortage of fundamentally strong securities.
- Political instability can reduce investors' confidence.
- The mutual fund industry in Bangladesh remains much behind the rest of the world. The main reason is, the size of overall market is small. Another major reason is, there is a lack of professionalism among asset management companies and low investor knowledge. These areas must be improved.
- There are fewer funds in the market.
- Mutual fund industry is facing trouble because of the poor performance by the fund managers. Sometimes they are also unable to make investors understand. As a result, investors are frequently losing their faith.

10. Recommendations:

- A minimum amount of reserve should be maintained. However, it may differ from fund to fund. Dividends are a major concern for fund holders. In order to satisfy investors, dividend policies should have to be fair for all funds.
- The dividend policy should be earned-based rather than year-based.
- The manager should maintain asset values with market prices to ensure the confidence of investors.
- ICB needs to concentrate mainly on its second, third, fourth, fifth, sixth, seventh, and eighth mutual funds. Because they are comparatively lower than the first mutual fund.
- Fund managers should focus on the appropriate distribution and efficient utilization of cash. They should quickly adjust to changes in the market and economy in order to protect investments. Managers might protect the asset by forecasting of market and economy correctly.
- There is a significant shortage of qualified and skilled investment professionals in the mutual fund industry. In that case, reforming the industry by forming teams with experienced professionals is much needed.
- It is also essential to attract more investors and expand the market by earnings investors' trust through transparency.
- Educating investors and making them knowledgeable is also needed. Because it will ultimately positively influence fund managers' performance.

11. Conclusion:

Mutual funds play an important role in strengthening the capital market of Bangladesh by making it more liquid, stable and deeper. It is an investment mechanism which gives the small investors to access to diversify portfolio which are professionally managed. Mutual funds encourage people to save more money and invest to the capital market. The mutual fund business has the potential to impact the capital market in the future though despite of having some barriers. Such challenges like limited number of products that are offered and low public awareness create a negative impact. Mutual funds can contribute to the growth of country's capital market and financial development with better regulations and financial knowledge among the general public. Through a wider variety of products, it can also help the overall growth of financial development in Bangladesh.

Mutual funds are regarded as one of the best and greatest investment options. Because they offer flexibility, diversification, variety, manageability and tax benefits. Mutual funds allow investors to access opportunities to other investment options that they are not normally able to find or cannot afford. Mutual funds can meet and accommodate the needs of most investors. Though the selection and managing can be challenging. The mutual fund industry is expanding in Bangladesh and more new funds are being added there every year. Mutual funds are highly diversified and as a result, the overall risk of portfolio is quite low. Besides, all mutual funds are not equally diversified, which can ultimately affect their performance. Mutual funds are good at mobilizing savings and encouraging individuals to invest. In that case, mutual funds should launch more of them in order to increase the depth of the capital market. Even though the size of mutual fund sector is small but it has contributed to the capital market base and helped the investors to get high and secure returns which is somewhat beneficial to the overall economy.

More mutual funds must be introduced in order to strengthen the capital market. Mutual funds have the capability to encourage small investors to participate in the capital market. It can convert savings into investments. Though the mutual fund sector in Bangladesh is comparatively small but it has made a significant contribution the capital market by providing investors high and secure return. One of the major drawbacks is, mutual funds have the lack of quality shares in the capital market and capital market in Bangladesh is still in its early stages.

Mutual funds have become a vital component of the growth of the capital market in Bangladesh without any doubt. They help to support stronger financial system with the help of their ability by mobilizing savings for investments. Mutual funds play an important role to the country's ongoing and sustained economic growth and financial reform processes by providing the proper assistance and improving the performance.

Individual investors and those who get capital from various financial institutions can invest in stocks, bonds, or other securities through the mutual funds. It also ensures expert management securities and portfolio diversification. In that case, the size of the investment does not matter.

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