Report On

"Effect of Economic Factors on Mutual Fund Performance"

By

Arshee Ahamed
20104119

An internship report submitted to the BBS in partial fulfillment of the requirements for the degree of
Bachelor in Business Administration

Brac Business School
Brac University
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Contents

Declaration

It is hereby declared that

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

Student's Full Name & Signature:

____

Arshee Ahamed
Student ID: 20104119

Supervisor's Full Name & Signature:

____

Mohammad Mujibul Haque
Professor and Dean
BBS

Letter of Transmittal

Mohammad Mujibul Haque

BBS

BRAC University

Kha 224, Bir Uttam Rafiqul Ave, Dhaka 1212

Subject: Submission of internship report on "Effect of economic factors in mutual fund performance"

Dear Sir,

It is my pleasure to provide details regarding' Effect of Economic Factors on Mutual Fund Performance', which I was appointed by your direction. 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.

Sincerely yours,

Arshee Ahamed

20104119

BRAC Business School

BRAC University

23/02/2025

Non-Disclosure Agreement

This agreement is made and entered into by and between IDLC Asset Management and Arshee Ahamed.

Arshee Ahamed

Student ID: 20104119

Brac Business School

Brac University

Chapter 1

Overview of Internship

1.1 Students Information

Name: Arshee Ahamed

ID: 20104119

Focus (major and minor): Finance and Accounting

From: Brac Business School, Brac University

1.2 Internship Information

Company Name: IDLC Asset Management

Department/ Division: Research Team

Period: 16/07/2024 to 16/10/2024

Address: Gulshan 1, Symphony Tower

1.2.1 Details of Employment

To complete my graduation at Brac University, completing a three month internship is a mandatory requirement. I was greatly honored to be a part of the research team at IDLC Asset Management. Of many likely candidates, I was fortunate enough to be selected as an intern for this company. I started my internship journey at the head office of IDLC Asset Management. I was then introduced to asset the management team. This team is comprised of the research division and fund management division. I was a part of the research division. Here, I helped the research team with their day to day tasks. The main job of the research division is to analyze investment opportunities to maximize returns of their mutual funds.

1.2.2 Supervisors Information

Name: **:** Mohammad Asrarul Haque

Desgination: Head of Research

Email: asrarul@idlc.com

1.2.3 Job Description

I basically worked as a full time employee with the office hours being from 9:30 am to 5:30 pm, Sunday to Thursday. My duties as an intern are outlined as follows:

- Help with quarterly mutual fund reports by inputting various data from all mutual funds existing in Bangladesh

- Help the research team by inputting various financial data from financial statements. The research team used the inputted data for more in-depth analysis

- Help with making various databases used by the research team and other teams, for example, I had a routine task of collecting different eps and dividend values from the DSE news archive.

- Various other varying tasks as instructed by members of the research team.

1.3 Internship Outcomes

1.3.1 Contribution to the Company

The Work of the research team is very poised and well-structured. The work they do is sensitive and a key competency of IDLC asset management. Therefore, being in a temporary position for 4 months, I was not in a position to handle critical or sensitive work. Therefore, I could not directly help the research team on a major scale. However, I did help with routine tasks that saved the time of my senior team members. I could just slightly boost the efficiency of my team and save their time. Therefore, they would be able to better utilize their time for more important tasks and actions. I did my best to follow orders and instructions. I also tried to deliver the best work possible. I did make mistakes. However, the senior members were very humble and constantly gave me constructive criticism that helped me improve in doing better work. Overall, I would say I had some contribution in making the lives of my senior members a bit better. That’s all I can ask for as an intern.

1.3.2 Benefits to the Intern

I gained valuable corporate experience during my four-month internship at IDLC asset management, where I also witnessed firsthand the employee's professionalism. I came from an undergraduate program where I had a lot of lectures that mainly taught theory, so this internship was the ideal way for me to bridge the gap between theory and practice. I thus gained the ability to apply the theoretical concepts I had studied in school to actual situations in a business setting. I gained a deeper grasp of company operations and management ideas from this brief yet hands-on learning experience which enhanced my undergraduate studies. All things considered, my internship at IDLC asset management broadened my viewpoints and equipped me for potential career options in the corporate world.

1.3.3 Problems Faced During the Internship and Recommendations

My experience as an intern was truly wonderful. Therefore, it is difficult to mention any problems that I faced. I got to meet all the different teams at IDLC Asset management such as the finance and accounts team, the operations team, the marketing team, etc. All the people were very friendly and helpful. I have a special place in my heart for members of the research team. They imparted so much beneficial knowledge. Also, they looked after me like a family member. If there was any issue to address, I would say that I lacked a proper routine. I mainly worked under instructions and orders given by my senior members. However, sometimes, I did not have any work to do. Therefore, I hope they develop a fixed routine that interns can follow in the future.

Chapter 2

Organization Part

2.1 Introduction

IDLC Asset Management has a significant presence in Bangladesh with IDLC Finance being the parent company of IDLC Asset Management Limited (also known as IDLC AML). IDLC AML was founded with the aim of making investments as accessible as possible, and specializes in providing various asset management products such as balanced funds or specialized income funds. IDLC has created mutual funds, including the Balanced Fund and Growth Fund that are designed to provide investors with both capital appreciation and current income. The introduction of products such as the Shariah-compliant mutual fund by IDLC AML was based on an investment perspective that aligned with Islamic finance regulations. In Bangladesh, it is one of the few companies that caters to both individual and institutional investors. By allocating resources across various sectors, including telecommuting, pharmaceutics, and finance services, IDLC AML seeks long-term growth while effectively managing market risks.

2.1.1 Objective

IDLC Asset Management is a leading investment management firm in Bangladesh. Understanding its operational structure, services and market position is quite important. Here, we to aim to highlight the company's involvement in managing mutual funds, venture capital funds and other investment vehicles, as well its contributions to the financial sector in Bangladesh.

2.1.2 Scope

This section offers a thorough summary of IDLC Asset Management's history, main business activities, financial performance, and flagship products. Here, we will see how IDLC functions in the financial market and how it performs in relation to its competitors. We will look at IDLC AML's operational strategies and the financial metrics that have an impact on its performance.

2.1.3 Methodology

To develop this part, a combination of primary and secondary research was utilized. Interviews with executives at IDLC AML was the source of primary data. Secondary data was obtained from the company's financial reports and published articles.

2.1.4 Limitations

There are a few limitations to this analysis. First, the data isn't publicly accessible. Therefore, it is not possible to fully capture the company's internal strategies and different performance metrics. Also, the findings are only specific to the Bangladeshi financial market. We have not considered the global implications and how they impact market conditions.

2.1.5 Significance

IDLC AML is a well-reputed NBFI. Therefore, we can learn a lot by understanding how this company functions and operates in the financial market. Everyone from policymakers, investors, and academics can take note of IDLC AML's operational activities.

2.2 Overview of IDLC Asset Management

IDLC Finance lays the foundations for what became a well-known name in Asset Management by establishing IDLC Asset Management Limited (IDLC AML), its subsidiary firm, in 2015. This marked the commencement of an era where clients, whether individual or corporate, were provided with bespoke investment strategies to help realize their financial objectives. Since its inception, IDLC AML has focused on providing investors with effective and cutting-edge investment products. IDLC AML launched the IDLC Balanced Fund in 2017. It quickly became one of the most favored funds amongst the investors due to its comprehensive investment strategies aimed at both capital appreciation and income generation. Clients were not interested in just an investment vehicle, rather a hybrid portfolio solution and the IDLC balanced fund was precisely what the clients' portfolios needed. With a better appreciation of the diverse requirements of their clients, IDLC AML introduced the Shariah Fund, targeting a smaller but important segment of investors that IDLC AML sought to serve with this clearly defined socially responsible investment. This enabled IDLC AML to further express its commitment to ethical investing. Their forward looking vision is geared towards sustainable investment approaches and novel investment concepts. Thanks to its strong commitment to excellent services, IDLC AML is strongly poised to expand further and help many more clients attain their financial goals with surety.

2.2.1 Vision

IDLC Asset Management wishes to become one of the best asset management companies in Bangladesh by creating trust with investors and effectively managing financial assets. They hope to create a strong and successful reputation.

2.2.2 Mission

IDLC Asset Management pushes itself to be the one and only source for individuals and institutions seeking investment knowledge and expertise, financial products, or information on returns. They wish to offer improved investor education and also provide secure, high-level investment opportunities that cater to varying customer needs.

2.2.3 Objectives

IDLC's main objectives are to facilitate financial planning, increase client confidence, and simplify investment choices. Their investment expertise is focused on ensuring that clients have the best long-term financial choices

2.2.4 Corporate Focus

The centerpiece of IDLC AML's investment strategy is the unflinching compliance to regulations and market norms which are considered a mark of competence and trustworthiness. They abide by the regulations of the BSEC which makes the investors skeptical. They further appreciate the continued efforts of IDLC AML to issue a balanced portfolio that offers both success and stability over time. Given IDLC AML's market focus, it is done through strategically allocating a mix of equity portfolio with Shariah compliant options. As an example, the IDLC Balanced fund, which includes income producing equities, achieves the high return in equity investments while their Shariah Fund positions appeal to the socially responsible clients by providing investments that are compliant with Shariah finance. This focus on more flexible than sustainable and innovative investments is what sets IDLC AML apart. They are not just following the market trends, but creating them by thorough research and market intelligence. Take for example their Systematic Investment Plans or SIP which allows clients to make regular contributions on any listed fund and invests on their behalf. This helps foster responsible savings as well as build wealth for the clients over time. IDLC AML is not just another asset management company, but a trusty companion in the financial journey of their clients, focused on providing stability, growth, and ethical investments while also being receptive to changes in the future.

2.2.5 Regulatory Compliance

IDLC AML aims to create confidence with other stakeholders by ensuring regulatory compliance. All necessary documents including the registrations have been provided by the Bangladesh Securities and Exchange Commission (BSEC). As an example, IDLC made changes to its reporting requirements in advance of BSEC new rules issued in 2019, which were intended to increase reporting accuracy. Audited financial statements and portfolio reports are generated on a regular basis which allows investors to get and review these materials more easily. By enhancing disclosures, they generate greater confidence among investors and facilitate their rational investment decisions. Moreover, when it comes to fighting money laundering practices, IDLC AML adopts a proactive stance. They have extensive systems of customer identification and due diligence, such as KYC, to ensure that all the client's transactions are authentic and justifiable. A case in point is when position is offered to a new investor and IDLC AML needs to conduct an investigation of the sources of funds to ensure compliance with Anti-Money Laundering stipulations.

2.2.6 Technological Prowess

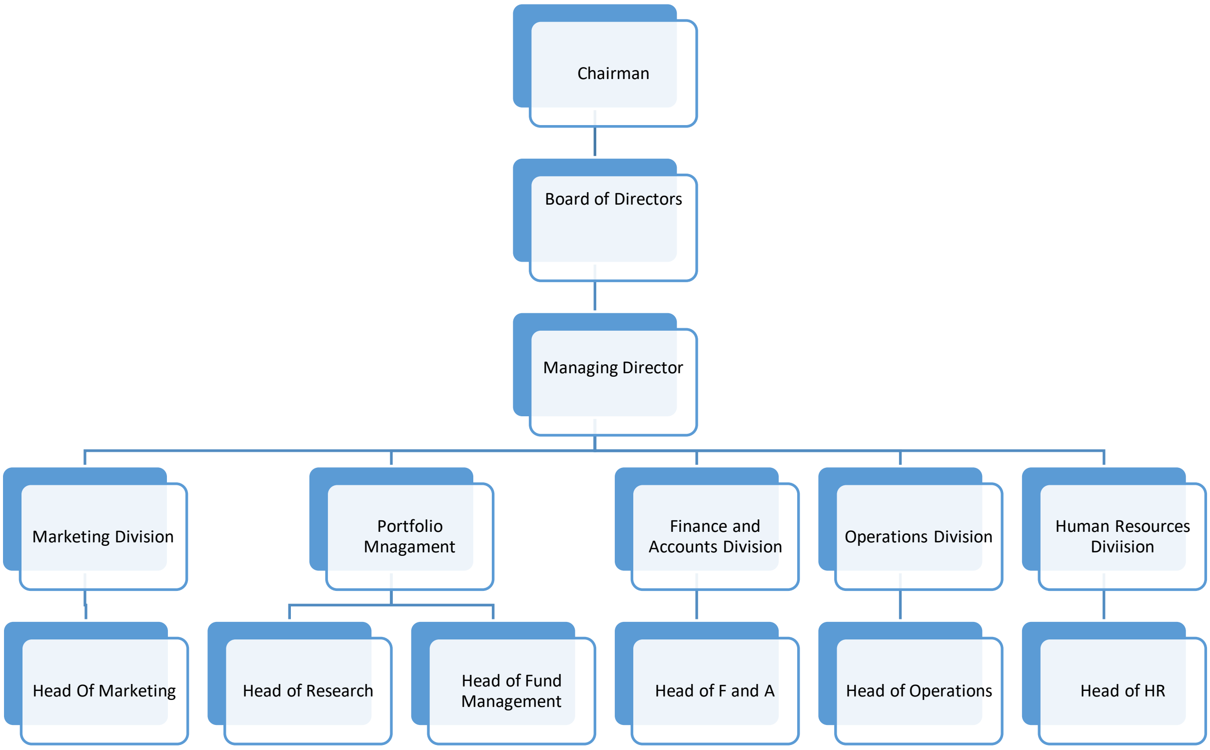
Having cutting-edge technology puts an individual at an advantage IDLC AML is aware of this, which is why IDLC AML exchanged contracts with a number of non-banking and banking companies to widen their technological reach. For example, they use integrated banking networks to make obstacle-free fund deposits for their clients so that they can do it in no time at all. IDLC AML took a step further in 2021 when they launched a mobile app that allows investors to monitor their portfolios on their smartphone. The technology allows for economical investments as the client is now receiving reports within the app itself. IDLC AML's integration of advanced technologies makes them a significant player in the asset management industry and guarantees their competitive advantage.

2.2.7 Investor Relations

Putting in hard work to enhance the relationships with clients helps the business in IDLC AML because their investors are treated as the top most customers. They value the protection and proper care of investor's assets. For example, in the year 2020 when the market was bearish, IDLC AML reached out to investors wanting to provide them with information on how to deal with the market. The proactive disregard in which they presented information enabled investors to be more at ease with IDLC AML. Apart from this, IDLC AML caters to all inquiries or complaints that may arise from the investors. There is a special unit within the customer service who attend to the specific needs of the customers, whether asking for information regarding a new fund, or helping them with technical problems in the mobile application. In this way, IDLC AML achieves the retention of investors and builds trust as well as loyalty for their exceptional support.

2.3 Management Practices

Management practices are the strategies employed by managers to optimize their work system performance. Management involves the use of staffing, training, quality improvement plans, new technology adoption, and strategic decision-making. The organogram for IDLC AML can be seen down below.


Chairman
Board of Directors
Managing Director
Marketing Division
Portfolio Mnagament
Finance and Accounts Division
Operations Division
Human Resources Diviision
Head Of Marketing
Head of Research
Head of Fund Management
Head of F and A
Head of Operations
Head of HR

2.3.1 Leadership Style

IDLC Asset Management adopts collaborative leadership where decisions are made collectively among the team. Every leader interacts with their team members in an active manner, which promotes cooperation and openness. For example, in the process of developing the IDLC Growth Fund, top management hosted multidisciplinary workshops which included marketing, finance, and operations staff for discussion. This inclusionary policy allowed the organization to utilize collective intelligence, promote creativity, and guarantee harmony between personal and organizational objectives. IDLC AML builds commitment and improves morale by allowing employees to participate in the strategy formulation. A member of the team mentioned, “When I take part in the decision-making process, I feel valued, and that motivates me to perform to the best of my ability.”

2.3.2 Recruitment Process

IDLC AML utilizes a thorough recruitment strategy to attract high-quality candidates. They reach out to potential applicants through advertisements, career fairs, internal job announcements, and referrals. For example, during a recent career fair at Bangladesh University of Professionals, IDLC AML's hiring team interacted with students and recent alumni, providing insights into available career paths and the company’s work environment. The recruitment procedure involves detailed screening, interviews, and practical evaluations to ensure that only the most qualified individuals are chosen. This stringent method facilitates the acquisition of top talent while ensuring fairness and offering everyone an opportunity to join IDLC AML. A recent hire commented, "The interview process was tough yet equitable, which made me feel confident that IDLC AML prioritizes skill and potential."

2.3.3 Compensation System

IDLC AML aligns its employee payment with performance output. The company tries to avoid creating employee stress, and therefore, does not demand excessive hours. Employees, instead, willingly strive to do their best. For instance, IDLC AML notices exceptional accomplishments gives bonuses and incentives. To ensure equitable and sufficient payment, the company also has many other improvements to the quality of life like flexible work hours, wellness programs, and remote working. It is a strategy that improves the atmosphere in which employees feel valued and go all out to meet the organizational objectives. “The flexible work hours enables me to achieve a healthy work-life balance and the wellness initiatives is proof that the company cares about us,” an employee pointed out.

2.3.4 Training and Development Initiatives

In this day and age of drastic shifts, practical knowledge outweighs theoretical knowledge. IDLC AML understands the gap and provides practical training to their employees to ensure they are market-ready. They regularly conduct workshops, team-building events, and mentorship programs to train both new hires and experienced employees. For instance, recently, IDLC AML hosted a workshop on sophisticated financial modeling that garnered attendees from different departments. They also work together with established financial institutions to offer focused training programs. These training programs assist employees in cultivating skills, as well as in encouraging a culture of lifelong learning. As one of the attendees stated, "The financial modeling workshop was extremely informative and has equipped me with essential skills that I can utilize in my everyday tasks."

2.3.5 Performance Appraisal System

IDLC AML has an open approach to the performance appraisal system. Employees are assessed based on self appraisals, management evaluations, and KPIs across qualitative and goal based metrics. Constructive feedback is aimed towards guiding employees. For example, employees in an annual performance appraisal are encouraged to reflect on what they have achieved and what they need to improve on. Managers provide expansive feedback and set targets for the subsequent year. The system uses feedback as a way to not only acknowledge and reward exemplary efforts, but also helps an employee know the skills they need to learn or enhance to professionally grow along with the organizational needs. Said one employee, “The performance appraisal system is straightforward and it enables me to understand what I can do well, and what I poorly execute.”

2.4 Marketing Practices

Marketing refers to how companies promote products or services. Sound marketing strategies are necessary to attract a diverse demographic of customers. Therefore, companies like IDLC put a lot of capital and effort in maximizing their marketing potential.

2.4.1 Marketing Strategy

IDLC Asset Management captivates potential and current clients by using different methods of marketing. After all, they have a strong brand image and profound experience in the financial sector which they leverage to develop trust and credibility. A major component of their approach involves educating potential investors about mutual funds and financial planning resources, which are heavily accessible on their web page. IDLC Asset Management emphasizes community engagement and corporate social responsibility, which improves brand perception and builds customer loyalty. Marked on the website are investment offerings like the IDLC Balanced Fund and IDLC Income Fund designed to align with users’ varied levels of risk and investment goals. Furthermore, their business is supported through an extensive digital presence with social media marketing and other forms of online advertising, in order to reach a larger audience and remain relevant in the highly competitive business environment. All these efforts are integrated, making the asset manager appear as an attentive and reliable provider of financial services.

2.4.2 Target customers, targeting, and positioning strategy

IDLC Asset Management employs methods focused on asset management which helps them identify their desired customers. They focus on segmentation, targeting, and positioning so as to engage and serve their market. They seek to invest for retired elderly people, affluent individuals, as well as young working professionals. They analyze market segments on the basis of demographic, geographic, psychographic, and behavioral aspects. IDLC understands that each of these segments has different requirements patterns and therefore adapts their marketing strategies accordingly. As an example, the company has provided the IDLC income fund for those whose objective is tax efficient investments. Furthermore, conservative investors who seek regular income are offered the IDLC balanced fund. Regarding targeting, IDLC focuses on market segments where the firm's strengths and the capital market opportunities are available. They emphasize and market long-term relationships with their clients to provide customized financial planning and investment management services. In their marketing, they highlight trust, dependability, and expertise as key aspects of customer-centric financial services. These factors help them to retain customers. IDLC Asset Management has positioned itself as a leader in the market by relying on their strong self-reputation and broad industry experience, which helps them gain a great deal of loyal clients at the same time reducing competition.

2.4.3 Marketing Channels

IDLC Asset Management utilizes multiple marketing strategies to reach and engage their audience. Their website is user friendly, and contains relevant information regarding their mutual funds and financial planning services. Moreover, they share educational content and marketing information on Facebook, YouTube, and LinkedIn. Recently, IDLC Asset Management promoted the IDLC Balanced Fund on Facebook, resulting in large amounts of engagement and new investors. They also use email campaigns to inform clients about new products, investment tips and relevant market news. Additionally, they participate in financial seminars, webinars, and conferences to meet clients and showcase their knowledge. For instance, they host popular webinars on investment and financial planning. With these integrated online and offline marketing strategies, IDLC Asset Management achieves high market coverage and brand awareness.

2.4.4 Product, New product development, and competitive practices

IDLC Asset Management has a number of products that aim to satisfy its clients' requirements. Among their primary products are the IDLC Balanced Fund, IDLC Income Fund, and IDLC Shariah Fund, which have been established to meet specific investment and risk-taking attitudes. For instance, the IDLC Balanced Fund targets those investors whose preference is a mixture of equities and fixed-income securities, while the IDLC Shariah Fund targets those investors who prefer Shariah-compliant investment options. As regards to new product development, IDLC Asset Management is always active in new product development in order to respond to market changes and use new opportunities. As of late, they have been promoting the IDLC Growth Fund, which seeks capital appreciation through investment in high growth companies. This fund has also received positive remarks from investors who are focused on growing their wealth in the long term. In order to remain competitive in the market, IDLC Asset Management adopts different strategies. To achieve this, they understand the importance of the customer and provide personalized service and investment products. At the same time, they use their brand and many years of experience in the financial market in order to gain the trust of clients. This also stems from their commitment to social accountability and active community participation.

2.4.5 Branding Practices

IDLC Asset Management's branding efforts allow them to maintain an image of a credible, trustworthy financial service provider. Considering this challenge, IDLC applies a unified visual identity throughout their promotional materials by designing their logos, choosing color palettes, and setting design features for all platforms. This strategy improves brand recognition and trust. Moreover, IDLC employs the delivery of transparency and ethical communications to build trust while fostering long term relationships with clients. Their Young Leadership Program along with other community outreach and branding initiatives portray IDLC's progressive attitude and further position the brand as socially responsible. In addition, they reach out to the general public through social media, where they share helpful tips and success stories and further improve brand perception. Such integration of branding techniques allows IDLC Asset Management to stand out from their competitors and establish a positive brand image in the eyes of their clients.

2.4.6 Advertising and promotion strategies

IDLC Asset Management implements various advertising and promotional tactics to boost its brand recognition and draw in potential investors. They make use of traditional media outlets, including newspapers and television, to connect with a wide audience. For example, they have aired compelling television commercials during prime-time hours, displaying their expertise and investment offerings. In addition, IDLC relies heavily on digital advertising, running targeted campaigns on social media platforms such as Facebook, LinkedIn, and YouTube. They produce engaging video content and informative posts aimed at educating and involving prospective clients. A recent YouTube initiative showcased the advantages of the IDLC Balanced Fund and included testimonials from pleased clients. To further enhance their services' visibility, IDLC engages in industry events and financial expos, where they establish informative booths and conduct seminars on investment tactics. They also partner with financial influencers and thought leaders to broaden their outreach and enhance their credibility. One notable collaboration is with esteemed financial blogger Saifur Rahman, who discusses insights and reviews of IDLC's offerings on his blog and social media platforms.

By integrating these advertising and promotion methods, IDLC Asset Management successfully connects with a diverse audience, increases brand awareness, and attracts new clients.

2.4.7 Critical marketing issues and gaps

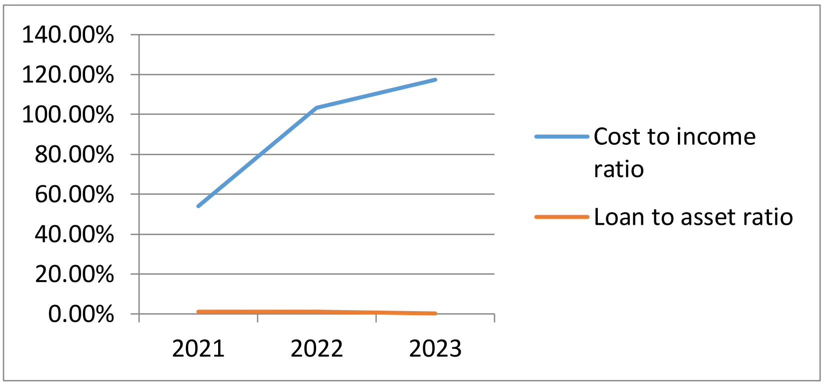
IDLC Asset Management has many keen marketing issues and challenges that if left unbridged, will impede on their competitive edge. One notable issue is the inability to engage with younger audiences who prefer a more digitally mobile-first approach. IDLC has a decent digital presence; however, there is room for improvement geared towards captivating and interactive content creation targeted towards millennials and Gen Z. Another gap is the insufficient physical coverage of their marketing activities especially in rural areas where potential investors have little access to financial literacy and investment opportunities. IDLC stands to benefit by improving the gap through the use of local marketing influencers. Also, the gap in the ever evolving financial sector calls for new and progressive ways of doing business. IDLC has to meet the pace of the industry with new developments to stay competitive in providing advanced investing services. This means using modern technology such as artificial intelligence and data mining to create tailored investment plans and provide better customer service. By addressing these key marketing challenges and deficiencies, IDLC Asset Management can improve their brand visibility, draw in new clients, and retain their current customer base.

2.5 Financial Performance and Accounting Practices

IDLC Asset Management Limited implements strict and transparent accounting measures to maintain financial transparency and accountability. The company employs cutting-edge financial technologies, such as core banking software, to manage and monitor transactions efficiently. This enables real-time monitoring of fund performance and investment activities.

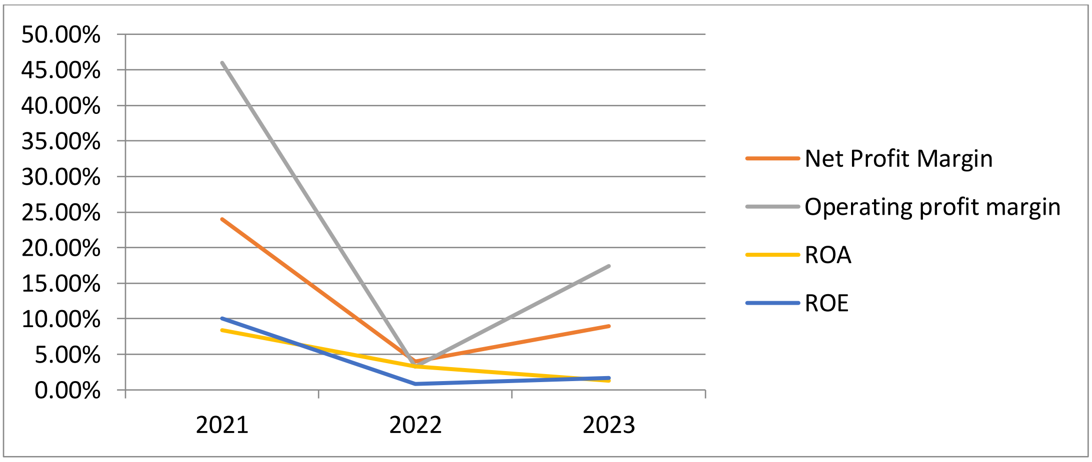
2.5.1 Financial Performance

Efficiency Ratios



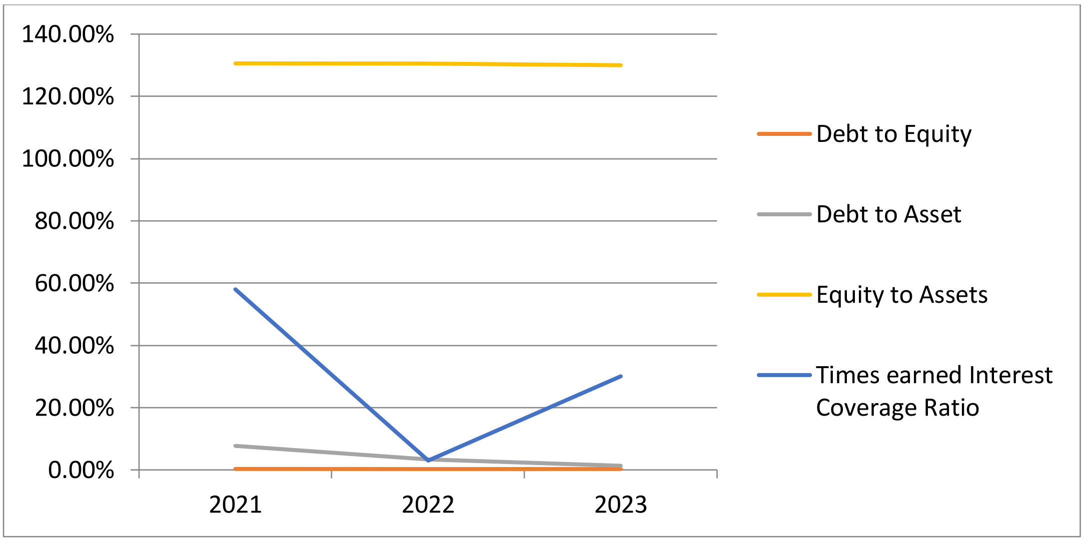
In the figure above, the cost to income ratio tells us how a company covers its operational costs using the income it generates. We can see that this ratio climbs from 54% in 2021 to 117% in 2023. This increase can mainly be seen due to a rise in operational costs like marketing expenses and employee expenses. Also, a decline in revenue generation increases this ratio quite a bit. Moving on, we can see fluctuating, but low loan to asset value ratios. This is mainly contributed by the fact that IDLC AML relied little on debt financing.

Profitability Ratios



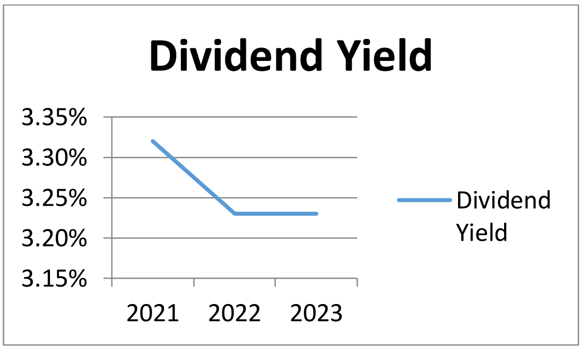
All ratios show a somewhat similar downtrend starting from 2021 and ending at 2023. This is a bit odd considering the Covid-19 pandemic situation petered out after 2021. However, the economic condition of Bangladesh was in a recovery phase for a long time. Therefore, these downward trends are an aftershock created by the pandemic.

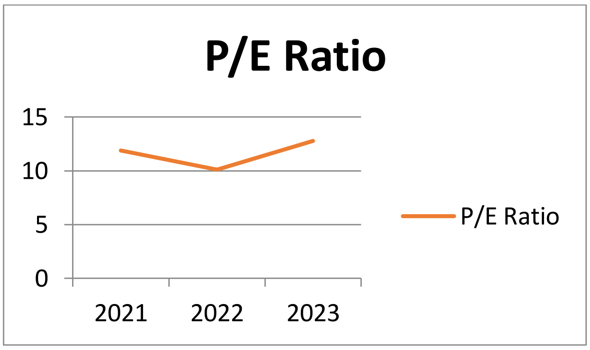
Financial Leverage



The key highlight here are the Times earned interest coverage values. The decline in this ratio in 2022 happened due to a decline in operating profits. Interest rates were at an all time high during and after the Covid-19 pandemic. These brought up interest expenses quite a lot.

Market Value Metrics/Ratios

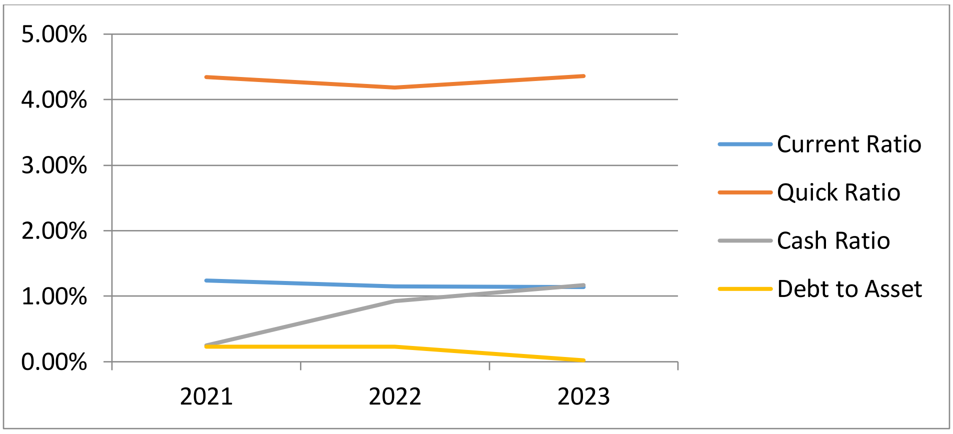




The falling dividend yield values can be explained by reinvestments by IDLC AML into generating profits. Therefore, falling dividend yields are not a sign of falling performance. Price to earnings ratios tell us how how investors perceive IDLC AML as an investment. The

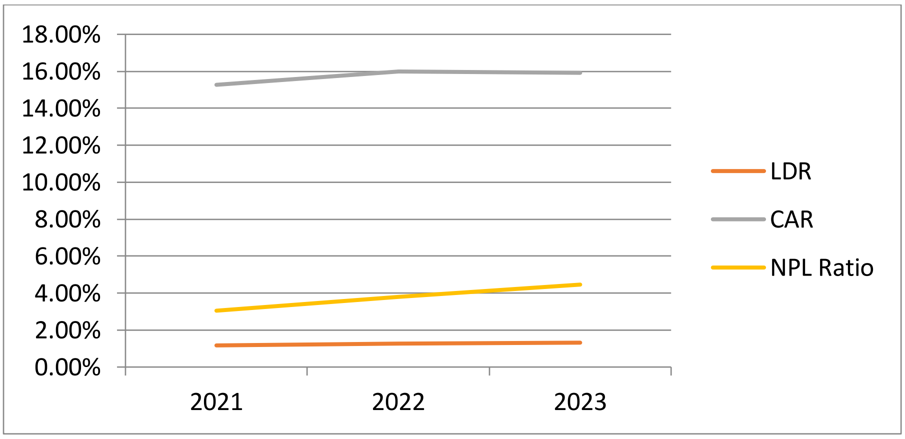
P/E ratios are quite consistently close throughout the years. This entails that the company has reached a certain maturity stage where people consider IDLC AML to be a safe investment.

Liquidity and Solvency Ratios



The liquidity ratios of IDLC AML are all positive values. This implies that IDLC AML can pay off both short term and long term obligations without falling into a liquidity crisis.

NBFI-Specific Ratios



The above figure shows some ratios specific to NBFIs. First of all, the high CAR or capital adequacy ratio shows the IDLC is well equipped handle financial shocks with its high liquidity. The low NPL ratio means lower bad loans. Loans being issues are being handled properly. The high loan to deposit ratio indicates high liquidity at the cost of less profitability.

Dupont Analysis

Year	NPM (%)	Asset Turnover	Equity Multiplier	ROE (%)
2021	24%	32.03%	130.69%	10.05%
2022	4%	16.03%	130.50%	0.84%
2023	9%	14.33%	129.01%	1.66%

Summary of the ratios

IDLC Asset Management experienced some challenges with their financial performance over the past three years. From 2021 to 2023, the company faced a decline in key financial indicators, including Net Profit Margin, ROE, and ROA. These indicators hint at worsening profitability and returns. The Net Profit Margin decreased from 24% in 2021 to 9% in 2023. Similarly, ROE dropped from 10.1% to -1.63%, and ROA fell from 8.40% to -1.30%. Furthermore, the Interest Coverage Ratio and Operating Profit Margin showed substantial declines, reflecting increasing difficulty in covering interest expenses and operating profitability. Even in spite of these challenges, the company maintained a stable Dividend Yield and relatively consistent Debt to Equity and Financial Leverage ratios. Overall, the data suggests that IDLC Asset Management needs to address its declining profitability and returns to improve its financial health.

2.5.2 Accounting Practices

In compliance with Bangladesh accounting standards, International financial reporting standards, and other fundamental principles, IDLC Asset Management exercises strict scrutiny on the principles of accounting. The company also implements the accrual concept of accounting whereby revenue and expenditure are accounted for in the period to which they relate. Their accounting cycle is comprehensive, spanning from identifying accounting transactions to preparing financial statements and closing the books of accounts for the period. Expenses on assets are recorded as income in the periods they are incurred in relation to the usage of the asset. Their reports provide clear comprehensive notes, segment reporting, and policies regarding asset valuation and contingent liabilities and clear statements of denial. Accuracy is greatly enhanced by the financial data management through SAP and CBPS systems, which also simplifies the external and internal audit processes. IDLC also sets aside strong financial internal controls along with bad debts and employee benefit provisions which ensures financial management is within prudent levels and reporting is accurate and complies with regulations.

2.6 Operations Management

To ensure effective investment services and customer happiness, a mutual fund company's operations management team coordinates a number of tasks. Data control, risk assessment, portfolio oversight, and regulatory compliance are all crucial topics. To guarantee that client expectations and regulatory requirements are fulfilled, the operations team oversees transaction processing, fund performance monitoring, and reporting. They also use technology to guarantee accurate data and effective fund management. Aligning the company with strategic goals, improving performance, and gaining the trust of investors all depend on operations management's ability to optimize processes and resource use.

2.7 Industry and Competitive analysis

2.7.1 Background information of mutual funds in Bangladesh

With its establishment at the start of the early 1990s, Bangladesh marked the commencement of the mutual fund industry's development. The sector has grown despite its sluggish beginnings as a result of legislative changes and heightened financial consciousness. This is a remarkable accomplishment. Because BSEC regulates the industry, investor safety and transparency are guaranteed. A wide variety of funds, ranging in size from tiny to major risk-taking plans, are currently available on the market. But problems like poor accounting and unstable markets still exist.

2.7.2 Current condition of mutual funds in Bangladesh

Due to increasing BSEC regulatory backing, which has fueled investment development, investor knowledge of the mutual fund sector in Bangladesh has risen. The market also offers a variety of products, including bond, equity, and balanced funds. Despite the growth, obstacles such as inadequate financial management, market instability, and a small number of investors persist. The focus is on improving education and expanding investment opportunities, which will lead to greater market involvement and long-term stability.

2.7.3 Top local mutual fund companies in Bangladesh

- ICB Asset Management Company Ltd.
- IDLC Asset Management Limited
- Bangladesh Industrial Finance Company Limited (BIFC)
- LR Global
- Green Delta Mutual Fund
- AIBL Capital Market Services Limited
- First Bangladesh Fixed Income Fund (FBFIF)
- EBL Asset Management Limited
- NCC Bank Limited - Mutual Fund
- Prime Bank Investment Limited

2.7.4 Top multinational mutual fund companies

- Vanguard Asset Management Limited
- Rock Asset Management Limited
- NDB Capital Limited
- Alliance Capital Asset Management Limited

2.7.5 Market share of mutual funds

Both investors and the government of Bangladesh are increasingly interested in the rapidly expanding mutual fund industry. The market capitalization of mutual funds in Bangladesh, as per recent estimates, is around Tk 15,000 crore and it is expected to increase significantly. Experts suggest that it has the potential to increase by a factor of 10. A number of mutual funds have performed exceptionally well, yielding handsome dividends of approximately Tk 600 crore in the most recent financial year. The industry still encounters obstacles, primarily because of insufficient publicity and recognition. While the industry is experiencing significant growth, it's currently not as well-known as other financial products like bank deposits and stock investments.

2.7.6 Porters five forces and the mutual fund industry

Threat of New Entrants (Moderate to High): New investment opportunities are abundant in Bangladesh's rapidly expanding mutual fund industry. The presence of high capital requirements, regulatory approvals, and a strong brand identity create barriers to entry. Despite the difficulty for newcomers to penetrate an established market, the increasing demand for financial investment options makes it a desirable sector for entry-level professionals, particularly due to government incentives for asset management firms. Additionally, IDLC Asset Management and other firms have profited from this growth.

Bargaining Power of Suppliers (Low): Technology firms, financial research companies, custodians, and other service providers would be included as suppliers of mutual funds. The competitive nature of mutual funds means that suppliers have little bargaining power. This allows for the transfer of technology and service between mutual funds, without causing significant disruption to their operations. Companies such as IDLC use their existing networks and technology stacks to operate data management and trading systems.

Bargaining Power of Buyers (Moderate): Investors hold moderate bargaining power. Mutual funds provide customers with a wide range of investment opportunities, providing them with the opportunity to compare fund performance, fees, and returns. A lack of comprehensive knowledge about mutual funds among the general public, coupled with a limited investment knowledge pool, reduces this power. Rather than actively negotiating terms, it is common to concentrate on the past performance of funds.

Threat of Substitutes (High): The mutual fund industry is highly susceptible to competition from other sources, such as bank deposits, real estate, stocks, and bonds. If someone is a risk-taker, investing in bank deposits can provide greater security and trading in stocks can generate higher profits. The emergence of more digital trading platforms has made it possible for retail investors to access stock markets, which poses a significant threat to mutual funds. Moreover, competition with other investment instruments like insurance-linked products or pension funds is also present.

Industry Rivalry (High): Competition in the mutual fund industry is fierce. IDLC Asset Management, ICB Asset management, and LR Global are both competing for investor capital and assets under management (AUM), which affects their profitability. In order to differentiate themselves, companies often look to the variety of funds they offer, how well these funds perform, whether their brand is reputable or not, and whether there is good customer service. The competition in Bangladesh, where there are few institutional investors, is expected to become more intense as companies compete for market share.

2.7.7 SWOT analysis

Strengths

IDLC AML has built a reputation of being dependable and top asset manager in Bangladesh, with investors placing greater trust in its employees.

IDLC AML include diversified portfolios, including equity funds and shariah funds that are compliant with Islamic law to meet the needs of diverse client groups.

High-quality service is guaranteed through IDLC AML's employee empowerment program and career development opportunities, which emphasize knowledge retention.

The company's technology integration involves the use of cutting-edge financial technologies and core banking software to optimize performance monitoring, improve operational efficiency, and satisfy customers.

Compliance and Risk Management at IDLC AML are based on regulatory guidelines and market trends, with the aim of achieving stable returns through risk mitigation.

Weaknesses

IDLC AML is a market leader in Bangladesh but may not be as recognized internationally.

The asset management industry is highly sensitive to fluctuations in the market and any adverse event could negatively impact returns, as well as investor confidence.

The reliance on the local market and regional economic conditions may limit IDLC AML's potential to grow beyond Bangladesh.

The management of multiple financial products and portfolios could result in intricate internal processes and decision-making.

Opportunities

IDLC's AML clients are expanding due to the rising middle class in Bangladesh, which is creating a market for investment products.

There is an increased demand for IDLC AML's products and services. By emphasizing investor education and awareness, IDLC could increase their ability to understand and utilize financial planning.

The company's assets under management and revenue could be significantly increased by expanding into neighboring markets or other international markets.

IDLC AML can develop new products to meet changing market needs, for example green/sustainable investments.

Threats

The economy's fluctuations and shifts can have a detrimental impact on asset values and investor confidence, leading to economic instability.

Asset management in Bangladesh is becoming fiercely contested, with both domestic and international companies competing for market share.

2.8 Summary and Conclusion

IDLC Asset Management Limited, a subsidiary of IDLC Finance in Bangladesh, specializes in offering investment products such as balanced, equity, and Shariah-compliant mutual funds. The firm is dedicated to meeting the evolving needs of investors through its commitment to transparency, sustainability, and strong financial growth, while also addressing market competition challenges. Its focus on strategic marketing and providing customer-centric solutions positions it as a major player in Bangladesh's asset management industry.

2.9 Implication

Understanding the overall overall organizational structure and practices at IDLC AML can help potential and future investors gain a deeper understanding. By knowing about management practices, external people outside IDLC AML can know if this company is being managed properly in comparison to other competitors in the mutual fund industry. Also, knowing the marketing practices of IDLC AML can educate investors on how IDLC AML presents itself in the mutual fund industry. Finally, most importantly, understanding the financial health of IDLC AML is crucial. Only by analyzing the financial performance can investors make informed decisions on whether or not to invest in IDLC AML.

Chapter 3

Project Part

3.1 Introduction

The financial industry plays a crucial part in contemporary society, with mutual fund investments gaining increased visibility in financial markets over the last decade. This growth is reflected in the rise of global mutual fund assets, which ballooned from $14 trillion in 2003 to $26 trillion in 2007 (ICI, 2008). Acting as significant financial intermediaries, mutual funds manage large sums of capital, with assets under management reaching approximately $7 trillion in the United States and surpassing 3 trillion euros in Europe (Investment Company Institute, 2002). Today, investors have access to a wide variety of mutual fund choices, ranging from conservative short-term fixed-income options to higher-risk stocks and derivatives. These investment vehicles are essential in individual financial planning, especially for retirement, as they are extensively utilized in both personal investment portfolios and employer-sponsored retirement plans. Furthermore, mutual funds play a vital role in stock market dynamics and economic development, as institutional investors managing mutual fund assets hold considerable financial power. Mutual funds function by consolidating capital from various investors to invest in a range of financial instruments such as stocks, bonds, and other securities. Evaluating the consistency of mutual fund performance is important for both investors and fund managers, as it aids in determining whether fund managers provide value and if historical performance should impact investment choices. Comprehensive research on performance persistence assesses the dependability of past returns across different investment sectors, offering valuable information for both investors and fund management firms (Hendricks, Patel, and Zechhauser, 2008). A mutual fund acts as a collective investment vehicle, allowing investors to buy shares in a diversified portfolio that is managed by a professional fund manager (Reilly et al., 2003). Three primary entities oversee mutual fund operations: the board of directors, the fund management company (FMC), and the investors (shareholders). The board functions independently from the FMC and holds the responsibility of ensuring adherence to contractual obligations while safeguarding investor interests. The FMC carries out investment research, manages the portfolio, and allocates earnings, earning fees based on a percentage of the fund's overall value. Shareholders aim for financial returns through dividend income and capital gains, profiting when they sell fund shares at a higher price and incurring losses when they sell at a reduced price (Kon, 2006). To achieve the fund's objectives, the board of directors appoints a fund manager tasked with delivering returns for shareholders. Most FMCs manage multiple funds with unique investment characteristics, allowing them to reap economies of scale and provide investment solutions that cater to diverse risk-return preferences. This adaptability enables investors to transition between funds depending on their financial circumstances and market conditions (Reilly et al., 2003). However, Unit Funds are under competitive pressure from alternative investment products.

3.1.1 Literature Review

Mutual funds, as integral parts of the financial markets, are significantly influenced by various macroeconomic factors. Numerous studies have explored these relationships across different contexts and economies. Giri et al. (2017) highlighted the strong correlation between macroeconomic indicators and the financial market's movements. They found that GDP fluctuations directly affect the financial market, with investors aligning their investments with GDP trends. Bali et al. (2014) further emphasized the connection between mutual fund assets under management (AUM) and macroeconomic variables, indicating that changes in macroeconomic conditions significantly impact the stock's beta and, consequently, the financial products (Bali et al., 2014; Giri et al., 2017). Multiple studies have also identified inflation as a critical factor affecting mutual fund investments. Krishnamurthy (2014) and Ferreira (2007) found that high inflation reduces the investment corpus due to diminished risk aversion among investors, leading them to shift from high-risk to low-risk securities. Moreover, Emily Chelanget Kariuki (2014) noted that inflation, along with money supply, interest rate, GDP, and exchange rate, impacted Kenya's mutual funds' net asset value (NAV), with these variables explaining over 70.9% of the returns (Kariuki, 2014). The role of foreign dynamics, including foreign direct investments (FDI), foreign institutional investments (FII), and foreign exchange volatility, has also been highlighted. Makan (2012) underscored a positive correlation between SENSEX and FII, emphasizing the intertwined performance of the stock market and economic development. Hamdan (2014) and Zahid Mehmood Akhtar (2017) explored the relationship between macroeconomic variables and stock prices in Pakistan, finding long-term associations where industrial production and GDP had favorable impacts while discount rates and inflation negatively affected stock prices (Akhtar, 2017; Hamdan, 2014). The influence of economic variables on mutual fund returns has been explored in various studies. Mohammadreza, Monjazeb, and Esmaeel Ramazanpour (2013) confirmed that exchange rates and inflation rates positively affected mutual fund returns, while Narayan and Narayan (2012) analyzed the influence of inflation and industrial production on stock market returns and pricing. In the context of India, Gupta and Agarwal (2009) focused on constructing optimal portfolios using cluster models for equity diversified mutual funds (Gupta & Agarwal, 2009; Narayan & Narayan, 2012).

Finally, performance evaluation models have evolved over time. Early approaches, such as the CAPM-based single-factor model, have given way to more sophisticated models like the Arbitrage Pricing Theory and multi-factor models (Sharpe, 1964; Lintner, 1965; Mossin, 1966; Jensen, 1968; Ross, 1976; Connor & Korajczyk, 1986; Lehmann & Modest, 1987). These models have incorporated economic risk factors, providing a more accurate measure of mutual fund performance. Conditional versions of CAPM, as proposed by Maddala (1977) and extended by Shanken (1990), have taken changing economic conditions into account, offering a better explanation of cross-sectional returns (Maddala, 1977; Shanken, 1990; Cochrane & Saa-Requejo, 1996).

3.1.2 Objective

The main objective of this paper is to find out if economic factors have an impact on mutual fund performance.

3.1.3 Significance

In both developed and developing leading nations, the capital market is viewed as the primary means of financing and utilizing savings. Conversely, this market has established a logical connection between the average income groups and the overall economy, allowing individuals to engage with and connect to the economic landscape. Therefore, examining the impact of economic factors on returns can be beneficial for investment decisions. Investors and mutual fund managers can draw significant insights from prior research and the outcomes of this study to inform their choices. By grasping the reasons behind changes in returns and understanding the risk tolerance of investors, fund managers can create optimal portfolios that yield the highest returns. Simultaneously, investors need guidance on when to purchase or sell specific stocks. This specialized knowledge in stock portfolio management is often beyond the expertise of ordinary individuals, making it advisable to entrust our investments to professional mutual fund managers. These managers are responsible for making investment choices on behalf of investors and strive to increase their market share. Consequently, fund performance is influenced by the decisions made by these managers. Thus, this study will support them in fulfilling their responsibilities effectively. Details regarding mutual funds will assist authorities in developing appropriate policies and regulatory frameworks to enhance operations and promote the growth of this emerging industry. This will expand the government's tax base by attracting both domestic and international participants into mutual funds. The research also intends to highlight the various macroeconomic factors affecting mutual funds, providing practitioners with actionable insights for formulating policies that guide the industry and uphold strong corporate governance. The findings from this study will be valuable to the government and research institutions seeking to enhance understanding and knowledge on macroeconomic variables. Additionally, it will contribute to the existing literature on the topic, serve as a reference for future research, and stimulate further investigation in this field.

3.2 Methodology

This chapter outlines the approaches and methods utilized in carrying out the research aimed at determining how macroeconomic factors influence the financial performance of mutual funds in Bangladesh. In particular, the chapter addresses: research design, population, data gathering, data analysis, and model specification.

3.2.1 Research Design

This research employed a causal research design methodology. Causal research investigates how one factor influences another, particularly focusing on the relationship between different variables and their cause-and-effect dynamics. Given that the study aimed to determine how macroeconomic factors affect the performance of mutual funds, the use of a causal research design was considered suitable.

3.2.2 Sample Size

For this research, 25 open ended mutual funds operating in Bangladesh were taken into account. These funds include various growth, balanced funds, and Shariah funds of the some of the top asset management companies in Bangladesh.

3.2.3 Data Collection

As we did regression analysis to study the effect of economics factors on mutual fund performance, the key data was the economic data which we obtained from the website of the Bangladesh Bank on a quarterly basis. We also needed to measure fund performance for each mutual fund and for this we obtained the NAV values. Then, we calculated returns for each fund on a quarterly basis. We collected the NAV values from the website of each fund. Our research period was from 2019 to 2023 on a quarterly basis.

3.2.4 Data Analysis

Regression was performed using excel to find out if there is any relationship between economic factors and mutual fund performance.

3.2.5 Regression Model

Regression analysis was utilized to investigate how certain determinant variables influence the performance of mutual firms. The regression equation represents a multivariate function. The independent variables analyzed in the study included Money supply, Interest rate, Inflation rate, and GDP. The dependent variable analyzed was the performance of mutual funds in Bangladesh. The regression equation comes to look like this:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Y represents the fund performance. X1 is the interest rate. X2 is the inflation rate. X3 is the change in money. Lastly, X4 is the GDP growth rate.

3.3 Finding and Analysis

The regression results have been summed up in the table below.

Regression Statistics	
Multiple R	0.397
R Square	0.157
Adjusted R Square	0.15
Standard Error	7.396
Observations	500

First of all, we have the value of multiple R which is around 0.397. This value tells us the strength of the relationship between the dependent and independent variables. The dependent variable is fund performance and the independent variables are the economic factors. The value of 39.7% suggests a relatively strong but not strong enough relationship. The multiple R value always lies between 0 and 1. The closer to 1, the stronger the relationship. If we got a value closer to 1, we could assume that the economic factors have a stronger impact on fund performance, at least in the context of Bangladesh. Next, we need to take a look at the R Square value. This value tells us how much of the variation in fund performance is explained by the economic factors. This value also lies between 0 and 1. A value closer to 0 means much of the variation cannot be explained. A value closer to 1 implies the opposite. In our regression, we have a value that is closer to 0. We can also say that 15.7% of the fund performance is explained by the economic factors. The remaining 84.3% is explained by other factors not included in the regression model. However, this low value still has some value. That means if we incorporate other independent variables, we could see a value that goes closer to 1. Finally, we can take a look at the standard error value. This value helps us understand how far the data points are from the regression line. Our standard error value is quite high. However, this falls in line with our R Square value. The standard error value also indicates that there are other factors aside from the economic factors that are impacting fund performance.

We will now look at some other regression results taken directly from our Excel file.

Regression Coefficients

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	31.511	5.310	5.933	5.57E-09	21.077	41.945	21.077	41.945
Interest Rate	-3.185	0.407	-7.816	3.29E-14	-3.986	-2.385	-3.986	-2.385
Inflation (%) (12 month Average Presented in Quarters)	-0.32	0.173	-1.852	0.064	-0.660	0.0194	-0.660	0.0194
% Change in money Supply (M2)	-0.234	0.257	-0.910	0.362	-0.740	0.271	-0.74	0.2715
GDP Growth (%)	-0.328	0.136	-2.406	0.016	-0.597	-0.06	-0.597	-0.06

We need to consider two key columns above, the t stat values and the coefficients. Firstly, let us analyze the t stat values. The t stat tells us if our economic factors have any statistically significant impact on fund performance. It also allows us to understand if the changes in fund performance are just random events. We usually see if the t stat value is at the 5% level for a variable to be statiscally significant. Now, interest rate has a strong statistical significance. Inflation has weak statistical significance. Money supply is statistically insignificant. Lastly, GDP is moderately significant. The coefficient values tell us in which direction fund performance moves with a 1% increase in our economic factors. For our interest rate, a 1% increase in interest rate leads to a 3.19 unit reduction in fund performance. A 1% increase in inflation leads to 0.32 decrease in fund performance. A 1% increase in money supply indicates a 0.23 unit decrease in fund performance. Finally, a 1% increase in GDP shows a 0.32 unit decrease in fund performance. Some of these changes make sense while the other changes are somewhat illogical. We will delve deeper into these results in the next chapter.

3.3.1 Interpretation of the Findings

The norm is that positive economic conditions will bring about positive effects on a mutual fund's performance. The financial health of financial institutions is intricately linked with the economic health of a country. The same can be said vice versa as financial market health can drive a healthy economy long into the future (OECD). However, some of the results in our findings and analysis segment contradict this norm. We will look into this a bit more deeply.

Our first economic factor is the interest rate. Now, we have mainly taken the lending rate offered by banks in Bangladesh. This is the rate at which banks in Bangladesh give loans to individual and institutional investors. A high lending rate usually discourages investors from taking loans. During periods of economic growth, asset management companies usually leverage low lending rates to maximize returns for their mutual funds (The impact of interest rates on investment portfolios, 2024). In our regression analysis, we can see that this statement holds true. Increased interest rates decreased mutual fund performance as asset management companies were likely uninterested in high interest loans provided by banks.

Next up, we have inflation. In simple terms, inflation is the increase in prices of goods and services. Also, inflation leads to appreciation of currency values. Due to inflation asset management companies cannot invest in the same way they once did before. In other words, an investment pool for their mutual funds costs them more at present than in the past. Therefore, rising inflation is clearly a problem for asset management companies whose main goal is maximize returns according to (Batayneh and Momani, 2021). Although our regression shows a weak statistical significance, it does indicate that increased inflation leads to reduced mutual fund performance.

Now, money supply is a very important economic factor. Money supply impacts interest rates and inflation rates. Therefore, it is supposed to have a significant impact on mutual fund performance as well. Theoretically, increased money supply should boost mutual fund performance (Schwartz). A higher money supply means higher liquidity and this effectively lower interest rates. However, there might be some explanations for the regression results. Apparently, monetary policies can cause increased money supply and mutual fund returns to have an inversely proportional relationship. For example, national saving certificates offer attractive stable returns in comparison to mutual funds (Lee, 2021). Therefore, higher liquidity means the government can issue more NSC's and people will invest in them rather than mutual funds. Now, we do need to consider the statistical significance of our regression results. The high statistical insignificance in our regression implies that money supply and fund performance are not properly related.

Finally, we have GDP. This is the biggest outlier in our regression. Increase in GDP should inevitably increase fund returns is dictated by regular logic and theory. First of all, our findings are statiscally insignificant. The growth in GDP leading to decreased in fund performance is most probably explainable by using other variables not used in the regression. However, we can explain some things. For example, if higher GDP leads to increased lending rates among banks, mutual funds will be discouraged from taking leveraging loans. This happens when governments increase borrowing to increase governmental spending (The National Debt Can Crowd Out Investments, 2024). Also, people might simply shift to fixed income securities like bonds (Smetters and Deinerstein, 2021).

To wrap up, these are some possible reasons as to why our regression model behaved the way it did. Again, our regression model only uses 4 economic factors and we have already established the high possibility of other variables impacting mutual fund performance.

3.4 Conclusion

We have looked deeply into our research topic that discusses the impact of economic factors on mutual fund performance. Even though the research does not provide much insight into the statistical significance of our regression model, it still does explain some changes. Also, it presents some outliers that also have explanations during present times. This study can be advanced much further to answer some of the many questions that have risen. Looking into those matters is beyond the scope of this study. However, hopefully, the findings and analysis portion of this paper will provide researchers and investors with some idea of how mutual funds function under changing economic conditions. The mutual fund industry is still growing and has a lot of development to undergo. Analyzing the performance of these funds should be of important to various individual and institutional investors of Bangladesh.

3.5 Recommendations

Taking this regression to the next level is the best recommendation in my opinion. The small sample size of data does not do this regression analysis justice. Also, not only regression, but various other statistical techniques and model should be used to further advance this study we have conducted. By exploring and implementing advanced techniques, we can improve the statistical significance of our study. First of all, it is important to explore various other variables. For example, management practices play a crucial role in determining the performance of mutual funds. Also, various mutual funds have only started operations recently. Therefore, to further develop this study we need to let more time pass and let the mutual funds paint a bigger picture for so we can grasp where their performance will go. Also, looking at this study on an international scale can help us understand global mutual fund conditions.

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Annexure:

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

Particulars	Notes	31.12.2023 BDT	31.12.2022 BDT
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	5,862,338	7,880,247
Intangible assets	5	45,337	469,495
Right-of-use assets	6	846,805	4,911,467
Deferred tax asset	7	1,713,662	1,478,065
		8,468,142	**14,739,274**
Current Assets			
Investments	8	251,715,232	278,110,358
Account receivables	9	17,694,303	18,664,684
Advance income tax	10	42,686,936	39,924,697
Cash and cash equivalents	11	114,095,304	95,787,198
		426,191,775	**432,486,936**
Total Assets		**434,659,917**	**447,226,210**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	250,000,000	250,000,000
Retained earnings		86,901,320	92,722,628
		336,901,320	**342,722,628**
Liabilities			
Non-Current Liabilities			
Leased liabilities - non current portion		-	1,119,637
		-	**1,119,637**
Current Liabilities			
Provision for audit fees		115,000	115,000
Provision for expenses	13	4,146,342	8,620,311
Leased liabilities - current portion		1,119,636	5,086,933
Provision for diminution value of investments		24,856,328	25,569,437
Provision for income tax	14	67,521,291	63,992,263
		97,758,597	**103,383,945**
Total Liabilities		**97,758,597**	**104,503,582**
Total Equity and Liabilities		**434,659,917**	**447,226,210**

Annexure 1: IDLC AML balance sheet for 2023 and 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

Particulars	Notes	31.12.2023 BDT	31.12.2022 BDT
Operating Income (a)			
Portfolio management fees	15	10,840,204	19,860,235
Management fees from mutual fund	16	31,914,126	25,115,814
Management fees from IDLC Venture Capital Fund I		9,272,737	6,803,348
Income from investments	17	10,287,588	19,908,642
		62,314,655	**71,688,039**
Operating Expenses (b)			
General and administrative expenses	19	65,603,711	66,261,218
Depreciation and amortization	Annexure - A	7,558,055	7,777,417
		73,161,766	**74,038,635**
Operating Profit / (Loss) for the year (a - b)		**(10,847,111)**	**(2,350,595)**
Interest income	18	7,887,444	2,176,124
Interest expenses	20	(362,031)	(809,821)
Miscellaneous Income		80,712	48,355
Profit / (Loss) before provisions		**(3,240,986)**	**(935,937)**
Provision (charged) / released for diminution value in investments		713,109	(25,569,437)
Provision (charged) / released for operations		-	14,279,417
Profit/ (Loss) before provision for income tax		**(2,527,877)**	**(12,225,957)**
Provision for income tax			
Current tax	14	(3,529,028)	(3,154,549)
Deferred tax income / (expense)	21	235,597	168,578
		(3,293,431)	**(2,985,971)**
Profit / (Loss) for the year		**(5,821,308)**	**(15,211,928)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(5,821,308)**	**(15,211,928)**

Annexure 2: IDLC AML income statement for 2023 and 2022

IDLC Asset Management Limited

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	31.12.2021 BDT	31.12.2020 BDT
ASSETS			
Non Current Assets			
Property, plant and equipment	4	7,852,714	7,712,399
Intangible assets	5	1,106,646	1,904,593
Right-of-use assets	6	8,976,130	13,040,792
Deferred tax asset	7	1,309,487	797,655
		19,244,976	**23,455,437**
Current Assets			
Investments	8	380,377,263	291,577,172
Account receivables	9	12,373,185	8,511,616
Advance income tax	10	29,346,132	24,638,473
Cash and cash equivalents	11	26,120,922	37,833,843
		448,217,502	**362,561,104**
Total Assets		**467,462,478**	**386,016,542**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	250,000,000	150,000,000
Share money deposit		-	100,000,000
Retained earnings		107,934,556	71,889,156
		357,934,556	**321,889,156**
Non Current Liabilities			
Leased liability		10,845,715	14,028,224
		10,845,715	**14,028,224**
Current Liabilities			
Provision for audit fees		115,000	115,000
Provision for expenses	13	19,316,873	4,666,751
Provision for operations		14,279,417	-
Provision for income tax	14	64,970,917	45,317,412
		98,682,207	**50,099,162**
Total Equity and Liabilities		**467,462,478**	**386,016,542**

Annexure 3: IDLC AML balance sheet for 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended on 31 December 2021

	Notes	2021 BDT	2020 BDT
Operating Income (a)			
Portfolio management fee		23,239,971	48,168,720
Management fees from mutual fund		23,546,851	20,730,025
Management fees from IDLC Venture Capital Fund I		2,821,637	1,918,398
Advisory income		500,000	1,500,000
Income from investment	15	99,663,342	11,017,879
		149,771,800	**83,335,022**
Operating Expenses (b)			
General & administrative expenses	16	73,046,887	65,617,534
Depreciation and amortization		7,849,792	8,718,658
		80,896,679	**74,336,192**
Operating Profit for the year (a-b)		**68,875,122**	**8,998,830**
Interest income		836,105	4,326,242
Interest expenses	17	(1,179,323)	(1,648,989)
Gain / (Loss) on disposal of fixed asset		652,649	-
Miscellaneous Income		281,939	962,400
Profit before provisions		**69,466,491**	**12,638,482**
Provision Release / (Charged) for diminution value in investments		-	10,927,797
Provision Release / (Charged) for Operations		(14,279,417)	-
Profit before provision for income tax		**55,187,074**	**23,566,279**
Provision for income tax			
Current tax		(19,653,506)	(10,500,000)
Deferred tax income/(expense)	18	511,832	1,357,849
		(19,141,673)	**(9,142,151)**
Profit for the year		**36,045,400**	**14,424,128**
Other comprehensive income		-	-
Total Comprehensive Income for the year		**36,045,400**	**14,424,128**

Annexure 4: IDLC AML income statement for 2021