An Internship Report on

"Mutual Fund Portfolio Performance in Bangladesh: A Comparative Analysis"

Submitted By

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ID: 21304074

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

BRAC Business School
BRAC University
May 2025

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 reference.
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:

____

Tahmeed Hossain
21304074
BRAC Business School
BRAC University

Supervisor's Full Name & Signature:

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Dr. Abu Saad Md. Masnun Al Mahi
BRAC Business School
BRAC University

Letter of Transmittal

To,
Dr. Abu Saad Md. Masnun Al Mahi
BRAC Business School
Dhaka, Bangladesh

Subject: Submission of Internship Report

Dear Sir/Madam,

I am pleased to submit my internship report titled **"Mutual Fund Portfolio Performance in Bangladesh: A Comparative Analysis"** as part of the requirements for the Bachelor of Business Administration (BBA) program at BRAC University. This report documents my internship experience at EBL Asset Management Limited (EBL AML) and provides a comparative analysis of mutual fund performance against the DSEX benchmark.

The report highlights key findings, including the underperformance of actively managed funds relative to the risk-free rate and the DSEX, as well as challenges and opportunities in the Bangladeshi mutual fund industry. I have also included recommendations for both investors and asset management companies to improve portfolio performance and operational efficiency.

I sincerely appreciate the guidance and support provided by my university supervisor and the team at EBL AML during this internship. I hope this report contributes valuable insights to the academic and professional community.

Thank you for your time and consideration.

Sincerely yours,

____

Tahmeed Hossain
21304074
BRAC Business School
Date: 05 January 2025

Non-Disclosure Agreement

This agreement is made between EBL Asset Management and the undersigned student Tahmeed Hossain at Brac University that the report does not contain any confidential information from the organization.

Tahmeed Hossain
ID: 21304074
BRAC Business School
BRAC University

Md. Rifat Hossain
Head of Investment
EBL Asset Management Limited

Acknowledgement

I would like to express my deepest gratitude to all those who contributed to the successful completion of this internship report.

First and foremost, I am immensely grateful to **BRAC Business School** for providing me with the opportunity to undertake this internship as part of the completion of my bachelor's degree. The knowledge and skills I have gained imparted to me by my incredible professors and lecturers were instrumental in navigating the professional challenges I encountered.

I extend my sincerest thanks to my **university supervisor** for their patience and encouragement throughout the internship period, despite my struggles throughout. It cannot be stressed how much I value the consideration shown to me.

I am deeply indebted to EBL Asset Management Limited, especially my supervisor, Md. Rifat Hossain, Head of Investment, for their mentorship and for allowing me to contribute meaningfully to their operations. Under his guidance, I was able to apply all that I have learned as a finance student, and I greatly appreciate the openness of his communication and his willingness to hear the opinions of his juniors in professional matters.

I also appreciate the support of my colleagues at EBL AML: Mr. Niloy, Ms. Afsara, and Mr. Raihan, who welcomed me into the office, provided rich insights that do not fall short of the academic education that I have received. Their willingness to answer my questions and involve me in critical discussions enriched my learning experience.

Lastly, I thank my family and friends for their unwavering support and encouragement throughout this journey.

Tahmeed Hossain
BRAC Business School
BRAC University

Executive Summary

This internship report provides a comprehensive analysis of mutual fund portfolio performance in Bangladesh, focusing on a comparative evaluation of four mutual funds against the benchmark DSEX index. The study spans a three-year period (2022–2025) and employs quantitative methods, including return calculations, Sharpe ratios, Jensen's alphas and paired t-tests, to assess fund performance.

The key findings of the study are that professionally managed funds typically failed to beat the current risk-free rate (11.87% T-bill yield) and showed no statistically significant outperformance relative to the DSEX. Diversification benefits existed but were limited, and market volatility impacted returns significantly enough that, even in the cases where a fund outperformed the DSEX or risk-free rate, the low risk-adjusted returns challenge the utility of the fund.

The report also details the internship experience at EBL Asset Management Limited (EBL AML), highlighting contributions such as financial analysis, lead generation, and miscellaneous operational improvements. Challenges included communication inefficiencies and outdated hardware. Recommendations for EBL AML include enhancing intern supervision, upgrading technology, and expanding marketing efforts.

For investors, the findings suggest caution when investing in mutual funds during volatile market conditions, emphasizing the importance of risk-adjusted returns and diversification. The report underscores the need for fund managers to adopt more robust strategies to justify management fees and deliver consistent value.

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Chapter 1

Overview of Internship

1.1 Student Information

Name: Tahmeed Hossain

ID: 21304074

Program: Bachelor of Business Administration (B.B.A)

Major: Finance

1.2 Internship Information

1.2.1 Period, Company Name, Department/Division, Address

I applied and had the fortune of being accepted into the internship program at EBL Asset Management Ltd (EBL AML), a fully owned subsidiary of Eastern Bank Limited. I was assigned as an intern in the Research and Investment Department and my time with the company spanned three months, from 20th January to 20th April of 2025. EBL AML is located at Bangladesh Shipping Corporation (BSC) Tower 2-3, Rajuk Avenue (4th floor, Dhaka 1000), Motijheel C/A.

1.2.2 Internship Company Supervisor's Information

My supervisor at EBL AML was Md. Rifat Hossain, the Head of Investment. He joined the organization in 2024 and is a graduate of DU Finance. I also worked with other members of the organization, both belonging to and outside my department.

1.2.3 Job Responsibilities

I was given an outline of my main duties on my first day at EBL AML. These were: (i) conducting fundamental and technical analysis of five companies that the Investment Committee sought to evaluate for potential investments, (ii) updating the front page of the news update that goes up daily on the company's website and maintaining the associate spreadsheet, (iii) performing minor administrative tasks such as supply requisitions. Besides the listed tasks, I contributed to generating leads for potential SIP investments by scraping the publicly available data on the websites for several associations, and implemented some simple Excel data linking to speed up repetitive tasks performed by the department.

As my internship progressed, I became increasingly involved in the departmental and organization wide discussions regarding contemporary economic phenomena Bangladesh was being subjected to.

1.3 Internship Outcomes

1.3.1 My contribution to EBL Asset Management Limited

I analyzed and reported on the following five companies: Grameenphone, ADNTel, ITC, Unique Hotels & Resorts, and Square Pharmaceuticals. After submitting each report, I presented my findings and conclusions to the department and to the Managing Director. The reports and presentations were received positively, and were accepted into the decision making process.

Besides by performing financial analysis, I assisted the Head of Investment in generating leads for the organization's SIP model. I designed webscrapers using Python to scrape the contact information of individuals belonging to trade and professional associations (e-mails, addresses, numbers, etc.) which the organization used to reach out with professional emails or courier packages. It must be stressed that this information was publicly available (anyone could access them and collect them manually), and that the marketing efforts paid off with a slight uptick in the number of interested investors calling in every week.

1.3.2 Benefits

My internship at EBL AML, and internships in the broad context, provide a lot of benefits to students participating in them as students get to experience and learn about the corporate environment and professional conduct practically (something academia cannot convey or replicate). Some of the lessons I was directly taught at EBL AML were the professional standards for clothing and communication, but there are many indirect lessons to pick up on such as how to speak to one's superiors, what unspoken expectations there are from a professional (staying back beyond office hours), identifying key areas of maintenance and improvement in the office environment (maintaining cleanliness of premises, taking initiative in improving systems such as documentation, etc.). In my opinion, these lessons share one thing in common: **good executives proactively take on responsibility**.

In the more specific context of being an intern in an asset management company, this is the first opportunity to implement and test the practicality of a student's business education. This is especially important considering that, in formal education, students mostly deal with historical cases or fictional scenarios. The only thing at stake when analyzing these cases are the marks that are tied to academic performance and while students do take on some risk when performing academic tasks, they do not take on professional risk. That is to say, performing incredibly well or incredibly poorly on an assignment does not mean that one's career progression at an organization is jeopardized, but excelling at or failing to perform professional duties does affect a person's career progression. Speaking from personal experience, I believe the pressure put on an individual by the organization to be consistent in their contributions stimulates continuous improvement.

Working in the capital market (and more broadly the financial sector) provides lots of opportunity to implement one's financial education, like I said above. Aside from opportunity, one also receives the opportunity to interact with professionals who have varying experience in the industry. Personally speaking, I feel like I have learned so much about approaching investments in these three months and honestly think that it would be impossible to learn so much in such a short span any other way.

1.3.3 Problems

The primary hurdle I experienced during this internship was understanding effective communication plays in an office environment. That is to say, I witnessed a lot of friction in interdepartmental and vertical communication and, considering this is my first time experiencing such an environment, I cannot fairly say whose responsibility the friction was, nor can I say what one could do to solve these conflicts. I have, however, come away with a better understanding of how counterproductive such friction can be, and strongly believe that there is no room for it in professional relationships.

1.3.4 Recommendations

EBL Asset Management is an effective place to apply the education finance majors receive at Brac Business School, as they will get to regularly participate in discussions regarding the goings-on in the finance sector and will be expected to perform comprehensive analysis. There are, however, areas where the organization could improve to better serve as a learning environment for interns.

Firstly, I do not think there is enough oversight or close supervision of an intern's activities from management. Encouraging more active participation of interns in the concerns of the business would facilitate better learning and would be better representation of the company.

Secondly, the computers provided by the company have deteriorated due to wear and tears and so are difficult to work with. Investing into newer and more resilient hardware or at least repairing the existing hardware will boost productivity.

Chapter 2

Organization Part

2.1 Introduction

2.1.1 Objective

This section covers the background of EBL AML, and the organization's marketing operational and marketing strategies. The past five years' financial performance and a competitive analysis of the organization have also been included.

2.1.2 Scope

This section goes over the details of EBL AML's mission and vision statements, marketing efforts, organizational structure, and operational processes.

2.1.3 Methodology

In this portion, the overview of the company is done by studying its vision and mission statements, core values, and the goods and services given by EBLAML. Then the management practices are briefly reviewed by assessing the management style, leadership style, remuneration system, assessment technique, and how they are considered for EBL Asset Management Limited.

The marketing practices are also examined by examining their brand promotion and advertising strategies along with researching the marketing channels employed by the firm. The accounting and financial procedures are studied by taking the 3 years data from 2021-2023 into consideration. The various ratios are assessed to determine how the company is performing from the viewpoint of financial commitments and standards. The operations management and information systems are also studied briefly.

The conclusions in this portion are based on accessible information on the company's and other credible websites giving information about the business and the industry.

The information that could not be discovered on the firm's websites or other public sources has been obtained by questioning the employees at EBLAML, largely known by the research team.

2.1.4 Limitations

(i) Time: This study has been conducted simultaneously with the preparation of the five company valuation reports, all in the span of three months.

(ii) Confidentiality: Interviewing EBL AML's employees yielded limited information due to compliance with organizational confidentiality clauses. Being a private limited subsidiary, EBL AML does not have the same responsibility to divulge organizational information that public limited company

2.1.5 Significance of the study

This report is relevant to any student seeking an understanding of what an internship at an asset management company (AMC) is like and is also relevant to organizations interested in the perspective and experiences of their interns. Individual readers will get to know the marketing strategies and operations of asset management companies at the time of writing this report, while organizations may be helped in their decision making after understanding how they are represented to new additions/third parties.

2.2 Overview of the Company

Eastern Bank PLC was incorporated in August 1992. Prior to 1992, it operated as the Bank of Credit and Commerce International (BCCI). The bank was listed on the Dhaka Stock Exchange in the following year, and on the Chittagong Stock Exchange in 2004.

Within three decades, the bank became one of the top financial institutions within the country, consistently paying out more dividends than competitors in the banking sector. The organization has since branched out through its subsidiaries into the domestic capital market and foreign finance sectors.

The company's subsidiaries are the following:

(i) EBL Investments Limited – A merchant bank providing the full range of investment banking services to clients, and originates, structures, underwrites, etc.

(ii) EBL Securities Limited – A stockbroker and stock dealer.

(iii) EBL Asset Management Limited – An asset management company managing a mutual fund that clients can buy into.

(iv) EBL Finance (HK) Limited – An offshore subsidiary of EBL that provides letters of credit and facilitates international business, working closely with EBL Offshore Banking Unit.

Besides these listed entities, EBL also has representative offices in Guangzhou, China and Yangon, Myanmar.

It is easily inferred that EBL continues to expand in a way that aims to serve all of a customer's banking requirements – including facilitating savings, fixed income instruments, capital market instruments, portfolio management, debt financing, etc.

2.2.1 Vision Statement

In their vision statement, EBL states its intention is to be intends to be “the most valuable brand in Bangladesh” by creating long-term value, engaging in transformative business practices and maintaining sustainable growth.

EBL AML’s vision statements is “to become the best Fund Manager of Bangladesh by ensuring Professionalism, Integrity & Trust".

2.2.2 Mission Statement

EBL states that the organization will “provide excellence to all customers, maximize the value of shareholders, and create a cohesive, team-based culture that drives continuous improvement and professional growth”.

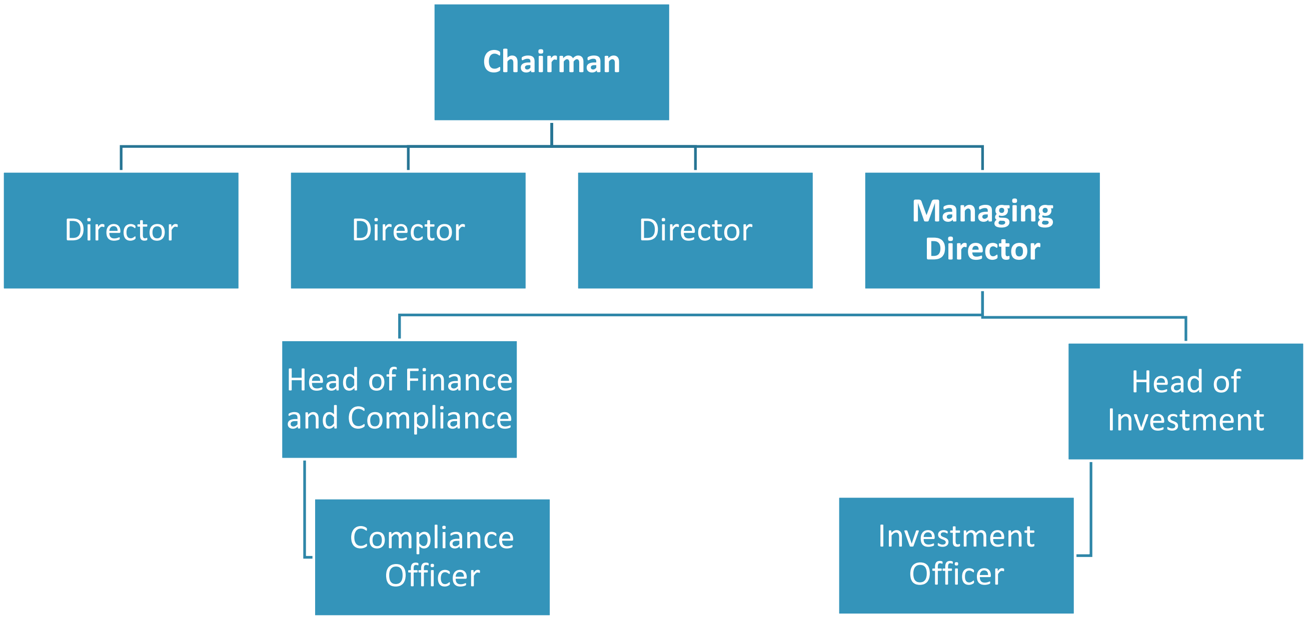
EBL AML’s mission is “to create investor’s confidence in the arena of asset management by following the highest standard of practices.”

2.3 Management Practices

EBL AML hires candidates with the education and skillset necessary to conduct thorough financial analysis and make sound judgements regarding mutual fund investments**.** In the CV screening and interview processes, management tests the depth of potential recruits’ knowledge regarding the Bangladeshi capital market. The screening processes (for interns and for employees) includes a 30-minute written exam which covers contemporary issues regarding the Bangladeshi and global economies, and also fundamental financial knowledge.

In the operation dimension, management is incentivized to pay close attention to the organization’s presentation to clients, and to maintain up-to-date information regarding the national and international financial markets.

Organogram of EBL AML



Source: EBL Annual report (2023**)**

2.3.1 Management Team of EBL Asset Management Limited

EBL AML's board of directors is made up of the following individuals:

(i) Chairman – K.M. Tanjib-ul-Alam
(ii) Director – Mahreen Nasir
(iii) Director – M. Khurshed Alam
(iv) Director – Zara Namreen
(v) Managing Director – Tauhidul Ashraf

The Management Personnel, under the Managing Director, are the following:

(vi) Head of Finance – Rayhanul Arefin
(vii) Head of Investment – Md. Rifat Hossain
(viii) Investment Officer – Monif Hasan Niloy
(ix) Compliance Officer – Afsara Dia

2.3.2 Leadership Style and Impact of Leadership Style on Achieving Goals and Objectives

EBL Asset Management Limited employs a democratic leadership style, where every employee is expected to share the responsibility of the organization and participate in the maintenance and decision-making processes.

For example, investment decisions are made after consulting every member of the investment team after financial analysis, and the Head of Investment and his Officer are expected to autonomously act to ensure that all the relevant information is being accounted for in the decision-making process.

The Head of Finance and Compliance and his Officer handle the accounts and auditory compliance side of the organization, maintaining documents and all other relevant information.

Every employee has been given the authority to act in the best interest of the organization; in terms of implementing new software, updating best practices, introducing new methods of financial analysis, updating systems of documentation, etc.

2.3.3 Recruitment Process

Internal recruitment occurs within the broader EBL employee pool to identify the right individual for the position.

External recruitment is done in the following ways:

(i) Recruiting fresh graduates in entry level positions.
(ii) Job posts on LinkedIn, Facebook, Instagram, and employee networks.
(iii) Different universities' job portals.
(iv) Recommendations of existing staff.

2.3.4 Compensation

The monetary and fringe benefits provided to employees of EBL AML are:

(i) Basic salary
(ii) Bonus
(iii) Increments based on performance
(iv) Transfer allowances
(v) Employee loans (for cars, homes, education, etc. and on a case by case basis)
(vi) Retirement

2.4 Marketing Practices

EBL AML is one subsidiary of Eastern Bank PLC, and so is able to attract customers from within the EBL banking ecosystem as well from the outside. For example, bankers at the EBL main branch or at any other subsidiary may direct customers seeking a hands-off investment vehicle to EBL AML, where they can invest in the open-ended mutual fund.

Besides from attracting investors with relatively higher risk appetites from within the EBL ecosystem, EBL AML conducts marketing campaigns to attract potential investors. These efforts include:

(i) Social Media Marketing

EBL AML will post on LinkedIn, Facebook, etc. and will use the platforms advertisement and promotion tools (boosting) to raise awareness and generate leads.

(ii) E-mail Marketing/Physical Marketing

Management will identify potential investors with the capital required to reasonably take on the risk of capital market investments. They have done so by scraping the internet, specifically the websites of trade associations and other associations for the e-mails, phone numbers and addresses of high-income individuals (only information the individuals have made publicly available) to create lists of marketing targets.

If the individual targeted is of great significance (Director/Managing Director/Chairman of a notable company or MNC), EBL AML may opt to send physical marketing materials such as brochures and gifts to communicate with them. For slightly less significant individuals, the organization writes customized emails to reach out and inform them of potential investment opportunities in the mutual fund.

(iii) Networking

Management, specifically the Research & Investment Department, are tasked with meeting monthly quotas for investments. To achieve this, the Managing Director and the R&I Department will often talk to individuals in their networks or personally speak to (physically and electronically) current and potential investors. The engagement results in greater retention and acquisition of investors.

2.4.1 Products and Services of EBL Asset Management Limited

EBL AML manages an open-ended mutual fund called the EBL AML 1st Unit Fund. Investors may put their money into this mutual fund in two ways:

(i) One-shot Investment – Investors place a lump sum of money into the mutual fund and buy shares of the fun at the NAV/share at the time of purchase. Depending on the mutual fund portfolio's performance, the value of the investment may rise or fall.

(ii) SIP – Investors may make monthly incremental payments into the mutual fund to mitigate some of the risk associated with putting in a lump sum of money in the fund. The way this reduces risk is because the consumer is obliged to pay the increments into the investment account and so effectively buys shares of the mutual fund at varying rates, effectively purchasing all of the units at a rate that falls between the two extremes of portfolio NAV/share during the investment period.

2.4.2 Target Customers, Targeting and Positioning Strategy

2.4.2.1 Segmentation of EBL Asset Management Limited

The main two ways EBL AML and practically any AMC segments its target market are:

(i) Economic: AMCs typically target individuals who have surplus income/wealth and will be able to part with that wealth without suffering economic hardship and deterioration in their quality of life. These individuals will usually be more receptive to marketing efforts encouraging them to invest in the relatively riskier capital market.

(ii) Psychographic: Even if individuals possess surplus income/wealth, they must also be willing to deal with the probability that the value of their investment will diminish instead of producing returns. The extent to which an individual is willing to take on risk is called their 'risk appetite', and individuals with higher risk appetites are willing to risk more to potentially earn more.

2.4.2.2 Target Group of EBL Asset Management Limited and the Factors Affecting Acquisition

The process of segmentation provides AMCs with a much smaller group of individuals than the population and other than corporations, these are retail investors. Recent reports indicate that 18.5% of the stocks listed on the Dhaka Stock Exchange are owned by retail investors, and this percentage was 37.86% in 2011. Considering that a drop of almost 20% has occurred, it can be inferred that:

(i) In economic terms, assuming that the 37.86% figure in 2011 did not make up all the possible stock investors, there are many more individuals who possess the wealth and ability to trade in stocks.

(ii) The market has shrunk due to exiting investors and while this is cause for concern, this is also an opportunity for AMCs and other investment banks as the market can, at the very least, return to 2011 numbers.

(iii) In psychographic terms, potential investors believe that the risk involved in trading in the DSE is far greater than the potential reward and so choose not to put their money in the capital market.

(iv) Instilling confidence in the stock exchange will be a driving factor behind acquiring these customers.

2.4.2.3 Positioning

EBL AML sets itself apart from competitors by:

(i) Creating customer centric investment solutions by identifying customer needs.

(ii) Highlighting the fact that thorough research and care goes into making investment decisions.

(iii) Strong corporate governance and ethical standards.

Essentially, EBL AML holds itself accountable to customers and focuses on fostering trust through transparency and superior financial performance. This approach to marketing is to separate itself from other AMCs and banks that often state on paper that customer money is safe but create barriers or refuse to disburse the cash when investors try to make withdrawals.

2.4.3 Marketing Channels

EBL AML contacts prospects and existing clients through a number of channels. For potential customers, the organization uses the following channels:

(i) Social media – regularly posts on LinkedIn, Facebook, etc.

(ii) Physical and electronic mail – contacts potential investors through physical and digital brochures.

(iii) Word of mouth – makes use of the EBL ecosystem and management's extensive networks to bring in customers.

For current clients, EBL AML does the following:

(i) Maintains contact through regular updates – both through the company website and through monthly emails with investment performance updates.

(ii) Through direct communication – customers have direct access to the Head of Investment at EBL AML. That is to say, they are free to drop in at any time or contact him during working hours to discuss performance or other investment-related matters.

EBL AML is very proactive about their communications with consumers, as the organization prioritizes the clean and trustworthy image, they have more than anything else. Proper representation of the organization's values and ethics are pronounced in all messaging.

2.4.4 Product Development and Competitive Practices

EBL AML currently only manages the EBL AML 1st Unit Fund. However, the organization is following an internal roadmap and is currently in the process of developing workplace culture and identity.

Eventually, the company intends to diversify their product offerings to ideally build portfolios that target different industries of the stock exchange (e.g. a fund that comprises of only IT stocks, one that comprises of energy sector stocks, etc.).

2.4.5 Advertising, Promotion and Branding Strategies

EBL AML regularly posts capital market news updates on LinkedIn and Facebook, and releases monthly Macro Notes that cover the Bangladeshi economy on their website. These News Updates and the Macro Updates are made to display that the company keeps up with contemporary economic developments that may affect the stock market.

Besides this, EBL AML advertises their SIP payment model (which is a relatively new offering in Bangladesh), using captioned social media posts on the same platforms.

Notably, the organization does not promote through physical presence on university campuses or conduct physical events to raise awareness. This is perhaps a missed opportunity for EBL AML, considering the fact that the younger individuals on average have higher risk appetites than older demographics, and being introduced to EBL AML’s offerings at an early stage could play a significant role in bringing new investors into the market. This is especially important with respect to the SIP model, which encourages purchases as small as 500 units per month (around BDT 4000 per month), which is within reach for many entry level employees.

2.4.6 Comment on Marketing practices

Despite being a subsidiary of Easter Bank PLC, EBL Asset Management Limited lacks presence and visibility in the financial sector. The organization's marketing efforts seem insufficient and inefficient, considering social media marketing and electronic contact are not effective means of building the trust required to make investments into an AMC. What the company could do is build a more relatable presence in the minds of potential customers by conducting workshops, sponsoring university events like case competitions, etc.

2.5 Financial Performance and Accounting Practices

2.5.1 Financial Performance

As of writing this report, EBL has not released their 2024 Annual Report and so data is only available up until 2023.

Financial Highlights (2019-2023)

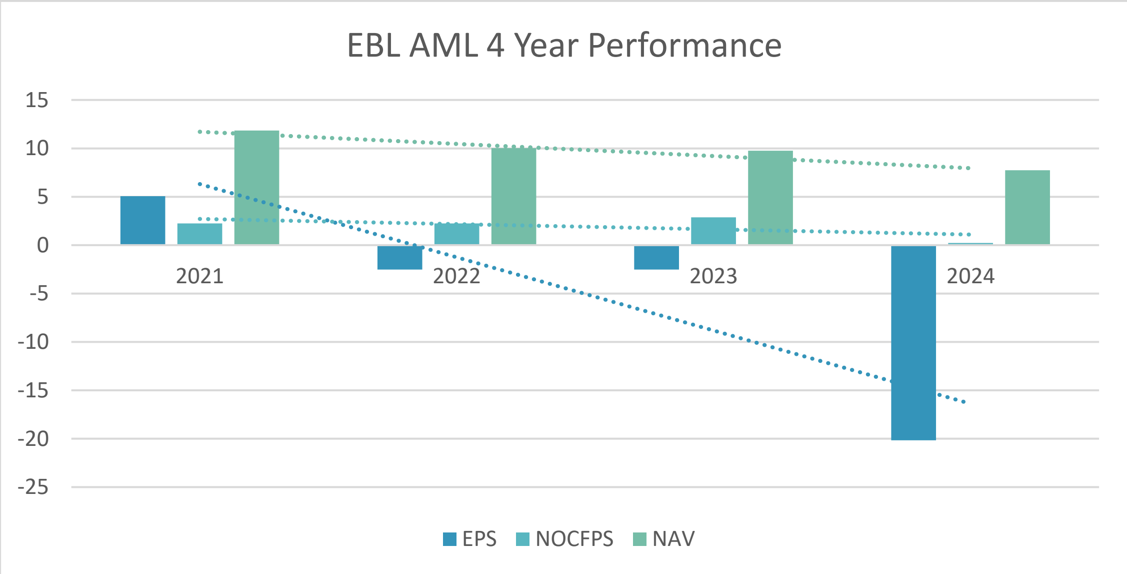
	2019	2020	2021	2022	2023	2024
Interest income	20,684,637.00	14,397,124.00	9,229,932.00	9,663,174.00	1,907,771.00	976,391.00
Growth (%)		-30.40%	-35.89%	4.69%	-80.26%	-48.82%
Investment income	6,139,991.00	2,279,666.00	9,758,181.00	7,158,524.00	13,344,596.00	6,845,859.00
Growth (%)		-62.87%	328.05%	-26.64%	86.42%	-48.70%
Operating income	26,824,628.00	15,560,701.00	2,707,270.00	7,168,341.00	9,769,566.00	(42,624,739.00)
Growth (%)		-41.99%	-82.60%	164.78%	36.29%	-536.30%
Operating expense	9,402,796.00	10,644,070.00	12,386,780.00	14,050,894.00	15,291,504.00	(15,474,750.00)
Growth (%)		13.20%	16.37%	13.43%	8.83%	-201.20%
Operating profit	17,421,832.00	4,916,631.00	14,920,490.00	(6,882,553.00)	(5,521,938.00)	(58,099,488.00)
Growth (%)		-71.78%	203.47%	-146.13%	-19.77%	952.16%
Profit before income tax	5,275,752.00	19,745,410.00	14,920,490.00	(6,882,553.00)	(5,521,938.00)	(58,099,488.00)
Growth (%)		274.27%	-24.44%	-146.13%	-19.77%	952.16%
Net profit for the year	563,647.00	17,680,495.00	12,626,891.00	(6,286,688.00)	(811,388.00)	(50,397,232.00)
Growth (%)		3036.80%	-28.58%	-149.79%	-87.09%	6111.24%
Non current assets	4,376,869.00	58,613,544.00	57,078,681.00	64,234,573.00	80,194,996.00	80,371,229.00
Growth (%)		1239.17%	-2.62%	12.54%	24.85%	0.22%
Current assets	290,161,661.00	234,481,559.00	242,108,848.00	196,975,089.00	173,383,647.00	121,480,093.00
Growth (%)		-19.19%	3.25%	-18.64%	-11.98%	-29.94%
Total assets	295,138,530.00	293,095,103.00	299,187,529.00	261,209,662.00	253,578,642.00	201,851,322.00
Growth (%)		-0.69%	2.08%	-12.69%	-2.92%	-20.40%
Total equity	265,286,174.00	283,103,611.00	295,730,501.00	250,140,361.00	243,806,935.00	193,409,703.00
Growth (%)		6.72%	4.46%	-15.42%	-2.53%	-20.67%
Non current liabilities	2,301,373.00	573,521.00	-	7,615,046.00	5,531,511.00	3,188,264.00
Growth (%)		-75.08%	-100.00%	100.00%	-27.36%	-42.36%
Current liabilites	27,550,983.00	9,417,969.00	3,157,027.00	3,454,254.00	4,240,196.00	5,253,355.00
Growth (%)		-65.82%	-66.48%	9.41%	22.75%	23.89%

EBL AML 1st Unit Fund Performance (2021-2024)

Dividend declaration				
Diidend declared to Unit Holders of EBL AML 1st Unit Fund	6.25%	5.00%	12.00%	0.00%
Customers outreach				
Fund raised by EBL AML 1st Unit Fund (YOY) in mn	255.67	179.18	160	245.35

2.5.1.1 Financial Ratios highlights (2021-2023)

	2021	2022	2023	2024
Market value ratios				
EPS	5.05	-2.51	-2.53	-20.16
NOCFPS	2.25	2.23	2.88	0.24
NAV	11.83	10.01	9.75	7.73
Liquidity				
Current Ratio	70.03	57.02	40.89	23.12
Cash ratio	10.68	22.12	2.72	0.10
Profitability				
Net Profit Margin	46.07%	-87.70%	-64.83%	118.23%
Operating Profit Margin	54.44%	-96.01%	-56.52%	136.30%
Return on Asses	4.22%	-2.41%	-0.32%	-24.97%
Return on Equity	4.27%	-2.51%	-0.33%	-26.06%
Leverage				
Debt to Equity	1.17%	4.43%	4.01%	4.36%
Debt to Assets	1.16%	4.24%	3.85%	4.18%



2.5.1.2 Analysis of financial performance

Analysis of Revenue and Expenditure

Interest income has declined consistently over the last 4 years, which indicates that the organization has shifted funds away from interest bearing sources like bonds and fixed deposits.

Income from investments have deviated very significantly over the last four years. The high volatility indicates that the fund portfolio is very closely correlated with the DSEX (has a beta close to 1).

Revenue from operations has declined significantly. This indicates operational inefficiencies; however, it must be noted that EBLAML's operational expenses do not fluctuate or increase significantly. Therefore, it is more like that the investments made by the company are not paying out enough money to cover operational costs (most likely a combined effect of unsavvy investments and the general underperformance of capital market).

Balances of Assets and Liabilities

Non-Current Assets have increased by 25.16% rise in 2023, which would indicate expenditures for future expansion.

Current Assets saw a slow rebound in 2023 after years of decline.

Non-Current Liabilities increased sharply in 2023.

Inference: The increase in Non-Current Assets and Liabilities indicates that debt has been incurred to finance fixed assets (such as offices, infrastructure, etc.).

Analysis of Ratios and Metrics

1. Liquidity Ratios:
   The cash ratio is decreasing as well as the current ratio (2021: 70.03, 10.68 vs. 2023: 40.89, 2.72). The drop suggests that liquidity is becoming worse.
2. Profitability:
   A difficult profitability environment is indicated by metrics such as Return on Equity (-0.33%), Operating Profit Margin (-56.52%), and Net Profit Margin (-8.31% in 2023).
3. Ratios of Leverage:
   A greater dependence on debt was shown by the increases in debt to equity (4.01% in 2023) and debt to assets (3.85%) as compared to 2021.

2.5.2 Accounting Practices

EBL and EBLAML both prepare financial statements in line with the Bangladesh Financial Reporting Standards (BFRS), which means that both comply with the IFRS framework with IAS 1 and IAS 8.

EBL also operates in accordance with the accrual basis and going concern assumptions**,** meaning that historical costs are conventionally used unless specific assets are revalued (investments in treasuries, values of equity owned, etc.).

Auditors: The financial statements of EBL Asset Management Limited for the year ended 31 December 2022, were audited by Aziz Halim Khair Choudhury, Chartered Accountants who expressed an unmodified opinion on those financial statements on 22 February 2023.

2.5.3 Comment on Financial and Accounting Performance

EBL Asset Management Limited adheres to the standard accounting principles in Bangladesh. The unmodified opinions of the auditors lends credibility to the accuracy and completeness of their financial statements.

2.6 Operations Management and Information System Practices

EBLAML does not appear to have a system of operations management beyond standards being set and enforced by higher level management.

In terms of information systems management, the company uses spreadsheets and basic documents to manage their data. They are in the currently integrating software that will enable MFS and digital compatibility.

2.6.1 Quality Assurance, Scheduling and Allocation of Resources

The primary assurance EBLAML offers its clients is that the organization will make the best decisions it can with the fund’s money, and will maintain transparency in all communications. Regardless of performance outcomes, the organization will always maintain ethical standards.

2.6.2 Information System

Management uses cloud software to store and share data across computers and departments, and uses a professional mailing service for communications. Most recently, EBLAML has invested in Google Workspaces to enable large scale email marketing campaigns and have begun utilizing GScript and other automated procedures to provide digital updates to clients on a monthly basis.

2.6.3 Comment on Operations Management and IS practices

EBLAML’s quality assurance practices are sound and robust, with strict supervision and transparent communications. The departments continuously receive and implement the feedback received from clients and higher-level executives.

The organization is, however, still catching up to others in the information systems sphere, as they still mostly make use of basic software like Excel and have only recently implemented cloud technologies to preserve data. Additionally, the organization spends a lot of time and effort on preserving physical copies of their operational and customer data instead of storing data in digital form in a data center. This is a significant point of inefficiency.

2.7 Industry and Competitive Analysis

EBL Asset Management Limited is a asset management company operating in Bangladesh and so falls into the financial industry.

2.7.1 Porter's Five Forces Analysis

- **Threat of New Entrants (Moderate):** There are some barriers to entry for new entrants into the Bangladeshi asset management sector. These include regulatory barriers, such as required licensing by the BSEC, social barriers, since organizations will need to build trustworthy brands to acquire and retain customers, and corporate barriers, as all mutual funds require large amounts of capital that can usually only be provided by banks or other NBFIs.
- **Bargaining Power of Suppliers (Low):** For asset management companies, the 'products' provided are the units of the mutual funds that customers can buy. Suppliers, in this context, would comprise of the entities that provide the financial instruments that the mutual fund invests in (equity, T-bills, bonds, etc.). The market for these instruments is not very competitive currently (largely due to the underdeveloped nature of the capital market and the lack of interest in the market from retail investors.).
- **Bargaining Power of Buyers (High):** EBLAML has a lot of competitors in the asset management sector, and most of them have been in operation longer than it has. The offerings made by these rival organizations are very similar to those of EBLAML, so buyers have a lot of options to pick from. This may change as the Bangladeshi economy and the industries contained by it expand and mutual funds become able to provide diversified products.
- **Threat of Substitute Products (High):** The danger of substitution in the asset management sector is quite high. As discussed, the organizations competing with EBLAML are similar-sized and offer similar offerings due to the lack of diversification in the sector. As a result, it is quite easy for rival organizations to come up with similar offerings.
- **Rivalry Among Existing Firms (High):** EBLAML has to compete with many competitors in Bangladesh, such as LankaBangla, UCB Asset Management, IDLC Asset Management, etc. The products being offered by the industry players are not very different, considering that the Bangladesh economy does not have multiple saturated industries to design multiple funds around and market volatility can outweigh manager expertise in most cases.

2.7.2 SWOT Analysis

Strengths:

- Brand Reputation and Credibility: Being a subsidiary of EBL, one of the best banks in Bangladesh, lends EBLAML substantial credibility by association.
- Professional Management: Being financed by EBL means EBLAML can hire the best managers available in Bangladesh.
- Corporate Network: Adding an asset management company to EBL's banking ecosystem means existing customers of EBL or any of its other subsidiaries can be directed to EBLAML if the customers are seeking professional asset management services.

Weaknesses:

- New Entrant: EBLAML is a much younger organization compared to a lot of the competitors in the sector such as ICB Asset Management.
- Underdeveloped Market: Due to competing in a still growing market that is dominated by a small group of companies, EBLAML has difficulty gaining significant market share.
- Timing of Entry: EBLAML came into the sector right before COVID-19 sent shockwaves throughout the global economy, resulting in initial fund investments souring between quarters as companies struggled to adjust to the rising energy costs.

Opportunities:

- Growing Income Per Capita: Statistically, the Bangladesh's per head income has increased over the last decade. As surplus income increases, the risk appetites of retail investors may also increase, thereby promoting investments into asset management companies.
- Industrial Growth: As companies develop and new companies become listed on the stock exchanges, asset management companies will have a more diverse selection of stocks to design portfolios out of. This will enable them to offer more unique offerings.

Challenges:

- Regulatory Challenges: Changes made in the regulatory requirements of the BSEC (although unlikely) could impact EBLAML's operations or investment plans by resulting in sudden changes in compliance standards.
- Stagnant Capital Market: The Bangladeshi capital market is very volatile due to the economy being susceptible to a multitude of related factors such as exchange rates, trade agreements, energy costs, etc. As news regarding industry performance emerges, the stock market can appreciate or depreciate suddenly in terms of being a suitable investment vehicle.

2.8 Summary and Conclusion

Due to unfortunate timing, EBLAML is struggling to capture retail investors and is suffering from poor capital market performance. Management has done an exemplary job in minimizing the adverse effects from capital exposure, but the portfolio under management is too heavily reliant on the capital market conditions for professional management to overcome.

The firm needs to capitalize on any opportunity (recovering capital market, upcoming IPOs) to recover and establish themselves as a reliable and notable name in the asset management sector.

2.9 Recommendations

EBL Asset Management should be ranked above its sector in terms of asset allocation and risk management, and in that regard, it should use technological innovation in terms of using AI powered tools to improve asset allocation and robo advisory services to manage risk effectively. Green bonds and ESG investments are attractive to investors that care about social issues when there is wider interest in sustainable finance. If risk management frameworks in Bangladesh's dynamic economic environment were strengthened, it would be easier to handle market volatility.

EBL's marketing strategy should concentrate on teaching the public about asset management, especially among younger, tech-savvy clientele, via seminars and online advertising. Building trust will come from adjusting marketing tactics to appeal to Bangladeshi cultural values, such as generational prosperity and family stability. EBL will expand its audience by digitizing services via social media marketing and smartphone applications.

For financial performance, customer retention and profitability will increase with operational simplification, loyalty programs, and adaptable product development that adapts to changing market conditions.

Chapter 3

Project Part

3.1 Introduction

This project observes the performance of mutual funds relative to the performance of the DSEX over the last 5 years. The objective of the project is to identify, if they exist, best practices and worst practices that have yielded portfolios returns greater or worse results than the DSEX respectively.

3.1.1 Background

One of the major financial markets in Bangladesh is the Dhaka Stock Exchange, where investors encounter difficulties because of the high level of market volatility and information scarcity. Two key ideas in contemporary portfolio theory are portfolio optimization and building an efficient frontier. Studying the performance of specific stocks along with risk return trade-offs gives the investors the opportunity to manage their resources efficiently in order to meet their financial objectives. This research limits itself to five well known DSE stocks that covers different sectors of industry to ensure diversity and gain insight for the performance of the portfolio in various conditions of the economy.

3.1.2 Objectives

This study should provide insights into how managed funds perform differently than the DSEX. In other words, this study explores the difference between the returns provided by a buy and hold strategy involving the DSEX's listed stocks and the returns provided by actively managed mutual funds.

3.1.3 Significance

The study will measure how well fund managers have performed relative to each other and the passive buy and hold strategy. This is significant for both managers and potential fund investors as to determining what excess value has been provided by professional management. It must be noted that funds slightly outperforming the broad index is insufficient to justify their existence to buyers as mutual funds often come with costs of service (management fees, fees when buying in, fees when offloading, etc.) which may reduce the actual investment volume/returns. Through this study, interested parties may obtain a clearer understanding of what the worth of mutual funds are to investors.

3.2 Literature Review

3.2.1 Introduction

The mutual fund industry in Bangladesh attracts increasing attention from investors, researchers and policymakers, because it is a way to mobilize savings and funds in the capital market, promote capital market development, and provide diversified investment opportunities to retail and institutional investors. This literature review synthesizes the current state of research on mutual fund performance, challenges, investor behavior, regulatory context, historical developments, and regional comparisons, with the aim of informing implications and recommendations for investors, asset management companies (AMCs), and policymakers.

3.2.2 Mutual Fund Performance and Challenges

Alam and Ahmed (2019) investigate mutual fund performance in Bangladesh, emphasizing the difficulties managers face in generating consistent alpha in a volatile and underdeveloped market. The Dhaka Stock Exchange (DSE) is marked by high informational asymmetry and vulnerability to macroeconomic shocks, stemming from the broader fragility of the Bangladeshi economy. For instance, sudden currency fluctuations, political unrest, and inflationary pressures frequently disrupt key industries, reducing the predictability of earnings and eroding the advantages of active management.

Modern Portfolio Theory (Markowitz, 1952) emphasizes diversification as the central strategy for optimizing risk-return trade-offs. Yet, Biplob (2017) found that diversification benefits are limited in Bangladesh in a study that covered 15 closed-ended mutual funds out of 36 traded on the DSE, as the nine well diversified funds did not earn returns different from the benchmark that were statistically significant. Hassan and Uddin (2022) further highlight that the absence of robust bond and derivative markets, a result of the robust risk-free returns provided by the Bangladesh Bank Treasury bills, restricts portfolio managers from employing advanced asset allocation strategies, making equity-heavy portfolios highly susceptible to market-wide downturns.

The research done by Biplob (2017) also presents mutual fund returns to benchmark indices and it is seen that that most funds do not provide the benefits to beat passive strategies when fees and expenses are considered. This agrees with global studies such as Fama and French (2010) and Carhart (1997), but local factors exacerbate the underperformance: severe liquidity constraints and thin trading volumes mean that even identified mispricings are difficult to exploit profitably Biplob (2017). (Khanam et al., 2024) add that inconsistent regulatory enforcement and weak corporate governance diminish market confidence, further constraining fund manager effectiveness.

3.2.3 Historical Evolution of Bangladesh's Mutual Fund Industry

The mutual fund sector in Bangladesh has evolved slowly over the past two decades. (EBL Securities, 2023) traces its origins to the early 2000s, when the market was dominated by state-owned enterprises, particularly the Investment Corporation of Bangladesh (ICB), which controlled most available funds. Private AMCs were allowed to enter gradually, but their growth was limited by restrictive regulatory policies, public mistrust, and a lack of diversified investment products. Reforms in the 2010s, including relaxed entry barriers and improved fund registration procedures, led to a moderate expansion, but the sector's overall assets under management (AUM) remain small relative to GDP compared to neighboring economies. Historical analyses also highlight that market crashes, such as those in 1996 and 2010, played a significant role in shaping public perception, reinforcing skepticism about equity investments and formal financial products. Despite the introduction of closed-end and open-end funds, the lack of innovation—such as index funds, exchange-traded funds (ETFs), or sectoral funds—continues to limit investor choice and market depth.

3.2.4 Retail Investor Behavior and Market Efficiency

Behavioral dimensions are critical to understanding mutual fund dynamics across the globe. Petridis et al. (2023), and Haque & Imam (2025) documents that retail investors frequently engage in herd behavior during periods of volatility, often chasing short-term price trends or rushing to conform to the market majority. This leads to asset bubbles and crashes that undermine market efficiency. Barberis and Thaler (2002), Shiller (2003), and Othman (2024) provide theoretical backing, arguing that psychological biases and sentiment play outsized roles in emerging markets compared to developed ones.

Sathya and Prabhavathi (2023) explore the influence of social media and informal investor networks, noting that unverified information often spreads rapidly, amplifying speculative waves. The resulting volatility poses challenges for mutual fund managers attempting to implement long-term strategies, as short-term noise frequently obscures underlying value signals.

3.2.5 Comparative Perspectives: India and Pakistan

Regional comparisons offer valuable lessons. Nagda (n.d.) examines India’s mutual fund sector, which has flourished since the liberalization of the 1990s and the establishment of the Securities and Exchange Board of India (SEBI) as a strong regulator. Key drivers of India’s success include the development of systematic investment plans (SIPs), widespread financial inclusion initiatives, and the proliferation of fintech channels, which have attracted significant retail participation.

In contrast, Pakistan’s mutual fund sector, while smaller, has made notable progress in Islamic finance offerings and institutional investor participation (Iraj et al., 2020). Bangladesh lags behind both countries in terms of product innovation, investor confidence, and regulatory sophistication. Comparative studies suggest that Bangladesh can learn from regional peers by enhancing regulatory enforcement, diversifying fund offerings, and leveraging technology to broaden participation.

3.2.6 Policy-Oriented Literature and Recommendations

Several studies provide insights into policy interventions that could strengthen the Bangladeshi mutual fund sector. Qamruzzaman and Jianguo (2017) recommend expanding the range of available financial products, particularly by developing a robust secondary bond market and introducing derivative instruments, which would give fund managers more tools to manage risk. Inferences from Khademian (1993) emphasize the need to strengthen the Bangladesh Securities and Exchange Commission (BSEC) by improving its autonomy, increasing technical capacity, and enhancing surveillance systems to detect manipulation and misconduct.

Hossain et al. (2020) call for comprehensive financial literacy campaigns to improve public understanding of investment products, reducing susceptibility to herd behavior and speculative bubbles. Aligning with World Bank (2018) recommendations, these campaigns should be paired with stronger investor protection mechanisms, including clearer disclosure requirements and swift enforcement actions against violations.

3.2.7 Critical Reflections and Gaps in the Literature

While the reviewed literature provides a rich overview, several gaps remain. Empirical research on fund performance tends to focus on aggregate returns, with limited exploration of risk-adjusted performance metrics or style analysis (e.g., value vs. growth, small-cap vs. large-cap). Moreover, studies often overlook the operational challenges faced by AMCs, such as talent shortages, technological constraints, and cost pressures. Most local studies also disregard the cost of investing into mutual funds as opposed to maintaining passive investment strategies (entry load, exit load, managerial fees, etc.).

There is also hardly any research on the role of ESG (Environmental, Social, and Governance) considerations in Bangladeshi mutual funds, despite global momentum in this area and due to ESG being a relatively new concern domestically. Additionally, due to a lack of recent data, most recent studies and research papers cite data that were published pre-2016, which leads to questionable conclusions being drawn.

3.3 Methodology

3.3.1 Data Collection, Benchmark, and Fund Selection Rationale

This study is a comparative analysis of the performance of four mutual funds with respect to the DSEX, which acts as a benchmark. The mutual funds monthly NAV data and the monthly close prices for the DSEX were collected across a period of three years (2022 – 2025). Data relating to the mutual funds was collected from the respective AMC disclosures available online, and the historical DSEX closing prices were collected from Investing.com. The DSEX acts as the benchmark for the study as it is the broad index of the DSE and reflects the overall performance of the stock market.

The funds selected include two that had an initial fund size of BDT 50 crore (IDLC Balanced Fund and HFAML UF), one that had an initial size of BDT 25 crore (LB1stUF) and one that had an initial size of BDT 30 crore (ICB Sixth Unit Fund). These funds are all open-ended and so compete for the same pool of potential investors. All the funds also claim to provide otherwise unattainable diversification benefits to investors at the individual level. This study will explore the extent to which diversification exists and what benefits have been provided as a result using metrics.

3.3.2 Return Calculation

The monthly returns for both monthly NAV and DSEX closing prices were calculated using the following arithmetic return formula:

$$R_t = \frac{P_t - P_{t-1}}{P_{t-1}} = \frac{P_t}{P_{t-1}} - 1$$

where P_t is the monthly NAV or DSEX closing price at time t.

3.3.3 Metrics of Performance

Risk was measured as the standard deviation of monthly returns and annualized by multiplying with the square root of 12:

$$\sigma_{annual} = \sigma_{monthly} \times \sqrt{12}$$

Fund performance was measured using the Sharpe ratio, as such:

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

where R_p represents the portfolio return, and R_f is the risk-free rate (taken at 11.87% from the latest BB Treasury auctions), and σ_p is the standard deviation of returns.

3.3.4 Comparative Analysis

Whether the difference in performance between the funds and the index were statistically significant was investigated by conducting a paired sample t-test:

$$t = \frac{\bar{d}}{s_d/\sqrt{n}}$$

3.3.5 Monte Carlo Simulations and Efficient Frontiers

10,000 simulations for each portfolio were run to construct efficient frontiers for each to examine the benefits (if any) of diversification. The simulations were run using Excel Data Tables, and the simulations were run using randomly generated portfolio weights.

Additionally, the portfolios with the highest Sharpe ratios and the lowest portfolio risks were also identified using the Solver Tool.

3.4 Findings and Analysis

In this section of the study, the performance of the funds are compared against the benchmark and the inferences are made. All the related data can be found in the Appendices.

3.4.1 Comparative Analysis

Metrics:

	DSEX	**IDLC**	**HF**	**LB**	**ICB**
Mean Returns	-0.66%	-0.46%	-0.81%	-0.31%	-0.80%
Standard Deviation	10.06%	11.92%	13.48%	7.61%	24.41%
Cumulative Return	-22.46%	-17.12%	-27.42%	-11.32%	-31.57%
Sharpe Ratio (3 Years)	-1.97	-1.46	-1.60	-2.05	-0.88

As per the above table, the DSEX saw average returns of 0.66%, standard deviation of 10.06%, cumulative returns of -22.46%, and had a Sharpe Ratio of -1.97. These are the benchmark metrics for comparative analysis.

Performance *relative* to DSEX:

	IDLC	**HF**	**LB**	**ICB**
Mean Returns	+0.20%	-0.15%	+0.35%	-0.14%
Standard Deviation	+1.86%	+3.42%	-2.45%	+14.35%
Cumulative Return	+5.34%	-4.96%	+11.14%	-9.11%
Sharpe Ratio	+0.51	+0.37	-0.08	+1.09

As per the above table, IDLC provided superior mean and cumulative returns compared to the benchmark. The fund's returns were also more volatile than those of the DSEX, but this resulted in a higher Sharpe Ratio.

HFAML UF provided slightly worse mean and cumulative returns than the DSEX, was more volatile than the benchmark, but also maintained a slightly better Sharpe Ratio.

The LB 1st BUF provided superior mean and cumulative returns compared to the benchmark, was less volatile, but provided a slightly inferior Sharpe Ratio.

The ICB Sixth Unit Fund provided worse mean and cumulative returns, was significantly more volatile than the benchmark and had a much better Sharpe Ratio than the DSEX.

3.4.2 Paired T-Test and Jensen's Alpha

	IDLC	**HF**	**LB**	**ICB**
p-value	0.69	0.72	0.37	0.89
Significance	Insignificant	Insignificant	Insignificant	Insignificant
t-value	0.40	-0.36	0.91	-0.14
Inference	Outperformed	Underperformed	Outperformed	Underperformed
Alpha	-0.35%	-0.11%	-0.51%	0.25%
Inference	Underperformed (statistically insignificant)	Underperformed (statistically insignificant)	Underperformed (statistically insignificant)	Underperformed (statistically insignificant)

The t-test has been performed on the difference in returns between the funds and the index. The test determines whether the differences seen in the performance of the funds and the index are statistically significant. The t-values indicate whether on average the funds outperformed the benchmark, with values of a magnitude less than 1 considered weak.

As the p-values found across the board are all greater than 0.05, it can be inferred that although fund performances have deviated from the DSEX, it is not a result of active management as there are no significant differences observed.

The negative alphas indicate that the associated funds have underperformed the DSEX after adjusting for risk, and positive alphas indicate outperformance compared to the DSEX. However, all the alphas are statistically insignificant, which indicates that these results are more likely due to chance and not a result of managerial skill.

3.4.3 Optimized and Minimum Risk Portfolios

In this section, the optimized and minimum risk equity portfolios for each fund are examined and compared. The weights used to determine the optimized equity portfolios are available in the Appendices.

Note that these calculations include only the latest portfolio listed securities (found in fund disclosures) and do not represent the total returns earned through investments in other financial instruments as the study only investigates the differences between funds and the DSEX in terms of equity portfolios.

IDLC BF

Optimized Portfolio	BRACBANK
Portfolio Return	18.93%
Portfolio Risk	20.75%
Sharpe Ratio	**0.33**

With a maximum possible Sharpe Ratio of 0.33 with the current selection of stocks, IDLC BF's current portfolio of stocks has not performed adequately over the last five years. A Sharpe Ratio less than 1 indicates that, even in the best possible distribution of stocks, investors would be taking on too much risk for the return earned.

Minimum Risk	
Portfolio Return	9.53%
Portfolio Risk	12.79%
Sharpe Ratio	**-0.19**

When funds are allocated to minimize the potential downside for investors, the portfolio manages a risk of 12.79%. With this allocation of funds, the Sharpe Ratio is -0.19, indicating that investors are losing money for taking on risk. Indeed, the portfolio return does not exceed the current treasury bill rate of 11.87%.

In both cases, investors would have benefited more from investing in T-bills as they could have earned a comparable return at virtually no risk.

LB 1st BUF

Optimum Portfolio	
Portfolio Weights	
Portfolio Return	44.45%
Portfolio Risk	47.07%
Sharpe Ratio	0.69

At the optimum allocation of funds, LB 1st BUF would have had a Sharpe Ratio of 0.69. Note that the portfolio return is 44.45% but comes at a risk of 47.07%. Objectively, this is a very high risk level for the return provided.

Minimum Risk	BRACBANK
Portfolio Return	9.80%
Portfolio Risk	11.83%
Sharpe Ratio	-0.19

The minimum possible risk that could have been achieved with the current selection of stocks was 11.83%, which would have earned a return of 9.80%. This would have yielded a Sharpe Ratio of -0.19, which means investors would have lost money for taking on risk.

In both cases, the returns earned would have been suboptimal. In the maximum Sharpe Ratio example, the portfolio is very undiversified (as indicated by the incredibly high risk) and so goes against best investing practices and in the minimum risk example, the return earned is below the risk-free rate.

ICB 6th Unit Fund

Optimum Portfolio	
Portfolio Return	18.76%
Portfolio Risk	48.38%
Sharpe Ratio	0.14

As can be seen, the ICB 6th Unit Fund, if optimized, would have offered a 18.76% return on investment at a 48.38% risk. This would have yielded a Sharpe Ratio of 0.14.

Minimum Risk	
Portfolio Return	-2.16%
Portfolio Risk	2.87%
Sharpe Ratio	-4.94

At the minimum risk allocation, the ICB 6th Unit fund would have yielded a return of -2.16% at a risk of 2.87%. The notably low risk in this case does not come from diversification of stocks, but from investing all of the possible funds into stocks that equity that underperformed and did not recover – providing stability at a detriment to investors.

HFAML Unit Fund

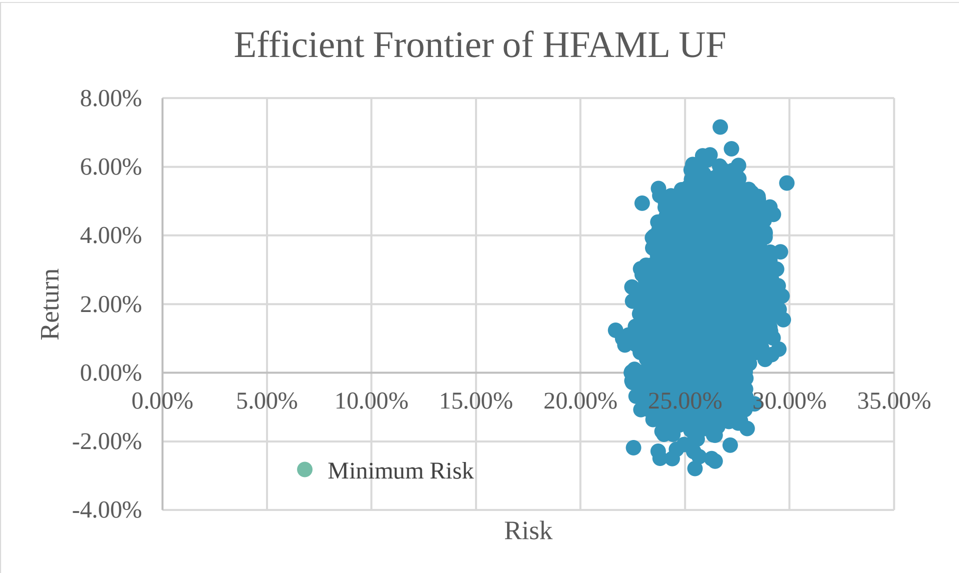
Optimum Portfolio	
Portfolio Return	31.77%
Portfolio Risk	28.63%
Sharpe Ratio	0.69

The optimized portfolio of HFAML UF would have yielded a Sharpe Ratio of 0.69, with a return of 31.77% at a risk of 28.63%.

Minimum Risk	
Portfolio Return	-2.83%
Portfolio Risk	6.81%
Sharpe Ratio	-2.18

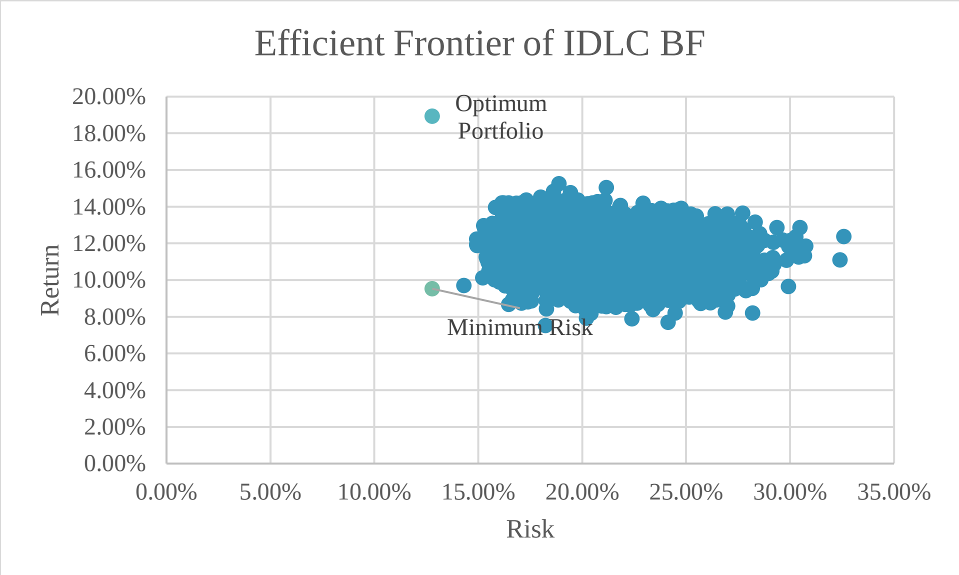
The minimum risk portfolio would have earned a return of -2.83%, at 6.81% risk. This would have yielded a Sharpe Ratio of -2.18, which loses a significant amount of the invested capital.

3.4.4 Efficient Frontiers

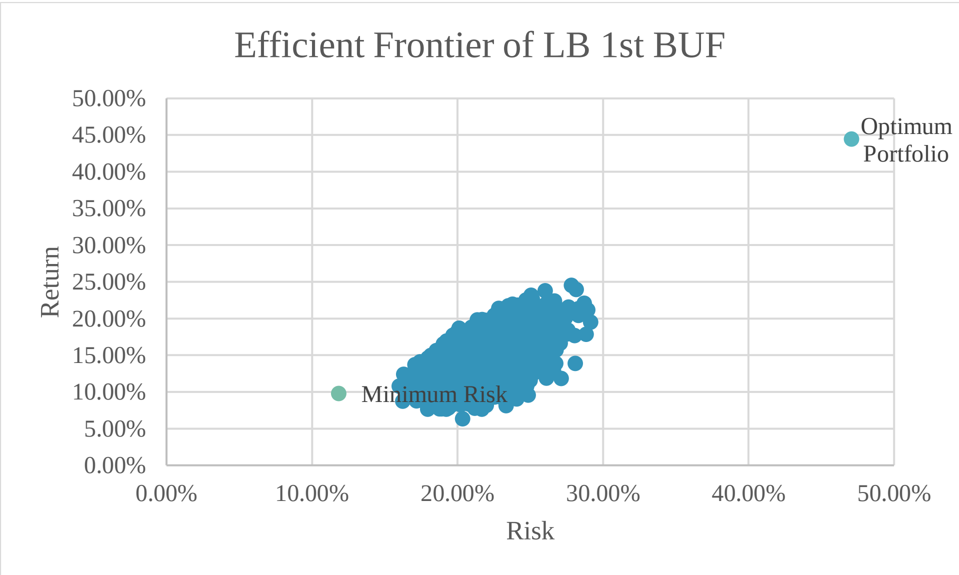


The efficient frontier of HFAML UF indicates that there are benefits to diversification of the portfolio, as there are comparable returns that can be earned at lower risk levels. The minimum risk portfolio is found is the one to the very left of the graph.

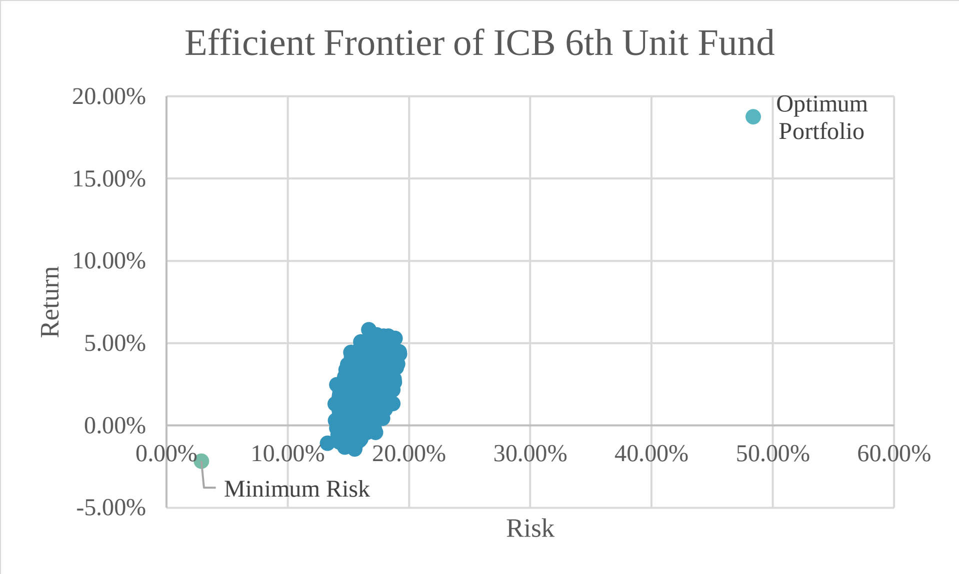
The efficient frontier also suggests that there are several combinations of stocks in this portfolio that shrank significantly in terms of value over the past five years.



The efficient frontier for IDLC BF also indicates that there are benefits to diversification, as it is possible to earn greater returns for lower risk. The optimum portfolio and the minimum risk portfolio are indicated on the graph. The selection of stocks that make up this fund, in 10,000 simulations, all yield positive returns (although most of them are inferior to the risk-free rate).



The portfolio of LB 1st BUF is constructed with stocks that also support the fact that diversification has benefits, however the graph's shape suggests that the fund includes stocks that vastly outperform the others. This is further indicated by the position of the optimum portfolio, which is very undiversified.



The Efficient Frontier of the ICB 6^{th} Unit Fund supports that diversification has benefits but also indicates that some stocks in the selection have vastly outperformed others. This is indicated by the position of the optimum portfolio, which is very undiversified.

3.5 Findings and Discussion

The comparative analysis of the four mutual funds (IDLC BF, HF, LB 1st BUF, and ICB 6th Unit Fund) against the benchmark (DSEX) provides valuable insights about the performance of actively managed funds in the volatile Bangladeshi capital market. The findings and their implications are discussed below:

1. Actively Managed Funds Underperform Compared to the Risk-Free Rate

The latest Bangladesh Bank Treasury Auction sold 1-year T-bills at a rate of 11.87%. This is, compared to other global T-bills, a very high risk-free rate. As such, all the funds included in this study underperformed compared to the risk-free rate when considering their minimum risk portfolios.
This implies that, even if the mutual funds arranged their portfolios to minimize risk, investors would still be better off investing in the virtually risk-free 1-year T-bills instead in the 2022-2025 period. As such, this raises questions regarding the value of actively managed funds in Bangladesh.

2. Funds fail to consistently outperform the DSEX

Three funds have shown marginally better returns compared to the DSEX, but the paired t-test revealed that the p-values revealed that none of these results were statistically significant. It cannot be said that, in the 2022-2025 period, active management played a significant role in the outperformance of these funds relative to the DSEX.

Additionally, the Sharpe Ratios for the listed **equity portfolios** were all negative. This indicates poor risk-adjusted returns, and so investors are actually better off investing in less risky alternatives such as T-bills. Additionally, although the overall risk-adjusted returns of the funds were superior to the DSEX over the 2022-2025 period, the outperformance is so slight and inconsistent that it does not justify the fees associated with professional fund management.

3. Diversification Provides Limited Benefits

Efficient Frontier Simulations of the four funds' listed equity portfolios revealed that diversification provided the benefit of reducing risk by diversifying, but the spread of possible portfolio allocations did not provide enough returns at acceptable risk levels. Optimized portfolios were associated with great risk (LB 1st BUF provides return of 44.45% at extreme risk of 47.07%), suggesting that a select number of stocks performed very well in the selected period while others did not provide remarkable returns. Some minimum risk portfolios can possibly yield negative returns, indicating that minimizing risk unreasonably reduces the gains that can be made; ICB 6th Unit Fund's minimum risk portfolio yielded negative returns (-2.16%), highlighting the trade-off between stability and growth in a bearish market.

4. Poor Market Conditions and Managerial Impact

The DSEX's cumulative return (-22.46%) reflects broader market downturns, likely driven by macroeconomic instability (e.g., post-COVID recovery, energy crises). Funds like HF and ICB underperformed the DSEX, suggesting that active stock-picking strategies were ineffective during the study period.

Inefficient markets like Bangladesh's may limit fund managers' ability to generate alpha, especially during periods of macroeconomic stress.

The Jensen's alpha analysis reveals that three of the four funds (IDLC, HF, LB) exhibited negative alphas, indicating they underperformed the DSEX on a risk-adjusted basis. While ICB outperformed the DSEX, its performance was not statistically significant. This leads to the conclusion that managerial skill likely did not play a part in the positive performance.

3.6.1 Summary

This study compared the performance of four Bangladeshi mutual funds against the DSEX from 2022 to 2025, employing quantitative metrics such as mean returns, standard deviation, cumulative returns, and the Sharpe ratio. Key findings include:

Underperformance Relative to Benchmarks: Most funds failed to outperform the DSEX or the risk-free rate (11.87% T-bills), with statistically insignificant deviations.

Limited Diversification Benefits: Efficient frontier simulations revealed that diversification reduced risk but often at the cost of returns, with some portfolios yielding negative outcomes.

Market Volatility as a Dominant Factor: Macroeconomic instability (e.g., post-COVID recovery, energy crises) overshadowed fund managers' ability to generate alpha.

3.6.2 Conclusions

The value proposition of actively managed funds in Bangladesh is weak, as they struggle to justify fees amid inconsistent performance. The Jensen's alphas derived confirms this fact, as most funds failed to deliver positive risk-adjusted returns relative to the DSEX. Investors may achieve better outcomes with passive strategies or by investing more heavily in Treasury bills.

Investors may achieve better outcomes with passive strategies or hybrid portfolios with a greater focus on fixed-income instruments.

This report underscores the need for systemic improvements in Bangladesh's capital market to foster sustainable growth and, more importantly, investor confidence. Lack of investor confidence stems from historically low to negative returns provided by the broader stock market because of financial illiteracy, market manipulation, weak regulation, and macroeconomic weaknesses. Addressing economic weaknesses is a very long-term undertaking, but financial literacy levels and regulation can be addressed within the short term.

3.7 Recommendations

Based on the findings of this study, the following recommendations are proposed for the relevant parties, mainly centered around financial literacy.

Investors:

Retail investors should aim to achieve greater financial literacy regarding investments before choosing to invest in any mutual fund, since mutual funds often fail to beat passive strategies and do not manage to produce adequate risk-adjusted returns. To that point, it is especially important that investors understand the importance of earning adequate risk-adjusted returns, as a basic tenet of investing is that adequate returns must be earned for any given level of risk taken on. As such, with the current risk-free rate being so rewarding, investors in Bangladesh should pay all the more attention to what their investments in professionally managed funds are earning them relatively.

AMCs:

Asset management companies should be upfront and transparent regarding the fact that investments in their portfolios are, presently, very risky. To this end, companies should include market volatility and risk reports with every NAV announcement to allow investors to make better decisions regarding their investments – especially in a volatile market like Bangladesh. Additionally, financial disclosures should come at regular intervals and without unusual delays to better serve customers. Transparency is paramount to improving investor confidence in the capital market, as only when an investor feels that they have all the information that they can regarding an investment will they feel safe making the investment.

Policymakers:

Regulators should require AMCs to include common fund performance evaluation metrics on their websites and in their publications in addition to a description of what the evaluation metric implies. As discussed in the literature review section, financial literacy is a weakness in Bangladesh and so investors may not be completely informed or educated about what considerations to make before investing with an AMC. The typical prospectus of an AMC highlights the income tax benefit provided to investors to a certain degree, but neglects to educate them on matters such as risk-adjusted return, diversification, cumulative return, etc.

Additionally, the policymakers should try possible avenues to become as liberal as the SEBI in terms of allowing investments outside of Bangladesh and stricter in terms of enforcement of existing regulations and standards. The lack of trust in the market also stems from the perceived weakness of the market regulator.

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Appendix 1: Annualized Metrics

	Monthly Variance	Monthly Standard Deviation	Months	Annualized Variance	Annualized St.Dev		Avg. Monthly Return	Annualized Return
ACME	0.005709	0.075557	12	0.068506	0.261737		0.005183	0.062192
ADNTEL	0.017766	0.133291	12	0.213197	0.461732		0.01695	0.203405
ACI	0.00898	0.094763	12	0.107761	0.32827		0.00682	0.081841
ACIFORMULA	0.005759	0.075886	12	0.069103	0.262875		0.005628	0.067535
AGRANINS	0.026903	0.164022	12	0.322838	0.568188		0.015764	0.189172
APEXFOOT	0.006702	0.081865	12	0.080422	0.283588		0.00283	0.033959
ATCSLGF	0.007772	0.088156	12	0.093259	0.305383		0.003009	0.03611
BEXIMCO	0.055298	0.235156	12	0.663581	0.814605		0.051477	0.617726
BDLAMPS	0.023682	0.15389	12	0.284186	0.533091		0.011171	0.134048
BSC	0.026299	0.16217	12	0.315588	0.561772		0.024735	0.296816
BCCL	0.011237	0.106005	12	0.134844	0.36721		0.012874	0.154492
BARKAPOWER	0.007541	0.086838	12	0.090491	0.300817		-0.00782	-0.0938
BATASHOE	0.001764	0.042001	12	0.021169	0.145494		0.003818	0.045821
BBS	0.008223	0.09068	12	0.098675	0.314125		-0.01217	-0.1461
BERGERPBL	0.001284	0.035827	12	0.015403	0.124109		0.005945	0.071339
BDTHAI	0.026501	0.162791	12	0.318009	0.563923		0.013952	0.16743
BXPHARMA	0.016511	0.128496	12	0.198134	0.445123		0.017342	0.208108
CITYBANK	0.006388	0.079923	12	0.076652	0.276862		0.011759	0.14111
BATBC	0.005232	0.072333	12	0.062784	0.250568		0.003402	0.040819
CONFIDCEM	0.010307	0.101523	12	0.123683	0.351686		-0.00534	-0.06407
BRACBANK	0.008198	0.090544	12	0.09838	0.313655		0.014763	0.177161
GENEXIL	0.02229	0.149298	12	0.267479	0.517183		-0.00063	-0.00758
GIB	0.002177	0.046657	12	0.026122	0.161624		-0.01342	-0.16109
GBBPOWER	0.015674	0.125197	12	0.188093	0.433697		-0.00112	-0.01345
EASTLAND	0.010648	0.103191	12	0.12778	0.357463		0.003098	0.03717
EBL	0.003278	0.057252	12	0.039334	0.198328		0.004107	0.049284
DOREENPWR	0.012147	0.110212	12	0.145761	0.381787		-0.00711	-0.08536

DHAKABANK	0.00364	0.060332	12	0.04368	0.208998		0.005092	0.061109
GRAMEENS2	0.004683	0.068429	12	0.056191	0.237046		0.004953	0.059437
GP	0.004696	0.068528	12	0.056352	0.237387		0.005928	0.071133
GREENDELT	0.01551	0.124539	12	0.18612	0.431417		0.006778	0.08133
IDLC	0.007993	0.089406	12	0.095922	0.309713		-0.00055	-0.00658
RELIANCINS	0.012346	0.111112	12	0.148151	0.384904		0.01222	0.146635
NRBBANK	0.077123	0.27771	12	0.925474	0.962015		0.012325	0.147904
NAHEE	0.009142	0.095613	12	0.109701	0.331212		-0.00821	-0.09851
POPULARLIF	0.007563	0.086965	12	0.090755	0.301256		0.00134	0.016074
IBNSINA	0.003878	0.062276	12	0.046539	0.21573		0.006194	0.074323
HEIDELCEM	0.020146	0.141936	12	0.241751	0.491682		0.015631	0.187566
IFADAUTO	0.007239	0.085082	12	0.086868	0.294733		-0.00446	-0.05354
INTRACO	0.020511	0.143216	12	0.246129	0.496114		0.022047	0.264569
JMISMDL	0.010944	0.104613	12	0.131327	0.362391		-0.00273	-0.03273
LHB	0.011623	0.10781	12	0.139476	0.373465		0.009189	0.110265
LIBRAINFU	0.026169	0.161769	12	0.31403	0.560384		0.019973	0.239674
JAMUNABANK	0.005386	0.073391	12	0.064635	0.254234		0.005926	0.071113
MPETROLEUM	0.001659	0.040726	12	0.019903	0.141078		0.00537	0.064446
MARICO	0.001555	0.039431	12	0.018657	0.136592		0.00809	0.097078
MBL1STMF	0.004117	0.064168	12	0.04941	0.222283		-0.00347	-0.04166
LRGLOBMF1	0.005906	0.076847	12	0.070866	0.266207		-0.0048	-0.05765
LINDE	0.005578	0.074683	12	0.066931	0.258711		-0.00166	-0.01991
MJLBD	0.004645	0.068153	12	0.055737	0.236087		0.008402	0.100824
PIONEERINS	0.037478	0.193592	12	0.449733	0.670622		0.024176	0.290117
ORION	0.017481	0.132215	12	0.209771	0.458008		0.002768	0.03322
OLYMPIC	0.014174	0.119054	12	0.170088	0.412417		0.004903	0.058838
ROBI	0.013366	0.115613	12	0.160396	0.400495		0.007891	0.094697
SEAPEARL	0.044146	0.21011	12	0.529754	0.727842		0.006569	0.07883
RENATA	0.005453	0.073846	12	0.065439	0.25581		-0.00664	-0.07963
RELIANCE1	0.00685	0.082766	12	0.082203	0.28671		0.018497	0.221964
RINGSHINE	0.020025	0.141509	12	0.240298	0.490202		0.000639	0.007672

SINGERBD	0.003619	0.060158	12	0.043428	0.208393		-0.00307	-0.03688
WALTONHIL	0.015827	0.125804	12	0.189919	0.435797		0.003246	0.038954
VAMLRBBF	0.012953	0.113813	12	0.155442	0.394261		0.011699	0.140384
VAMLBDMF1	0.008687	0.093203	12	0.104241	0.322863		0.009397	0.112768
USMANIAAGL	0.012667	0.112546	12	0.152	0.389872		0.001752	0.021025
UPGDL	0.004312	0.065667	12	0.051746	0.227478		-0.00699	-0.0839
UNIQUEHRL	0.012134	0.110153	12	0.145604	0.381582		0.005806	0.069672
TRUSTB1MF	0.009711	0.098545	12	0.116533	0.341369		0.001637	0.019644
UNIONBANK	0.002644	0.051422	12	0.031731	0.178131		-0.01807	-0.2169
SUMIT	0.003746	0.061206	12	0.044954	0.212024		-0.0133	-0.15966
SQUARETEXT	0.008619	0.092837	12	0.103424	0.321595		0.01275	0.152999
SQURPHARMA	0.003047	0.055198	12	0.036562	0.191211		0.004731	0.056777
WATA	0.007504	0.086626	12	0.090049	0.300082		-0.0135	-0.162
MERCANBANK	0.004418	0.066471	12	0.05302	0.230261		0.000738	0.008856
MTB	0.003972	0.063022	12	0.047661	0.218314		-0.00586	-0.07031
RAKCERAMICS	0.009788	0.098935	12	0.117457	0.34272		0.002179	0.026154
NPOLYMER	0.00936	0.096748	12	0.112323	0.335146		-0.00602	-0.0722
SICL	0.008474	0.092054	12	0.101687	0.318884		-0.03109	-0.37306
BAYLEASING	0.018163	0.134769	12	0.217953	0.466854		-0.00074	-0.00885
BDFINANCE	0.03925	0.198115	12	0.470996	0.686292		0.026382	0.316579
DBH	0.005524	0.074326	12	0.066292	0.257473		-0.00954	-0.11449
LANKABAFIN	0.022096	0.148646	12	0.265148	0.514925		0.015581	0.186972
MIDASFIN	0.016622	0.128926	12	0.199462	0.446611		0.008154	0.097854
UTTARAFIN	0.009243	0.096139	12	0.110912	0.333034		-0.01295	-0.15542
PHOENIXFIN	0.017197	0.131138	12	0.206365	0.454274		-0.02049	-0.24592
ASIATICLAB	0.013548	0.116397	12	0.162579	0.40321		-0.04401	-0.52813
ACMEPL	0.063435	0.251862	12	0.761214	0.872476		0.021173	0.254073
TECHNODRUG	0.146998	0.383404	12	1.763981	1.32815		0.050948	0.611379
FORTUNE	0.052087	0.228226	12	0.625043	0.790597		0.023051	0.276615

PENINS ULA	0.014226	0.119273	12	0.170713	0.413174		-0.00015	-0.00181
NCCBL MF1	0.007124	0.084401	12	0.085483	0.292375		0.002783	0.033401
PRIMEB ANK	0.00767	0.087579	12	0.092041	0.303383		0.011506	0.13807
PUBALI BANK	0.002278	0.047732	12	0.02734	0.165349		0.00684	0.082075
BANKAS IA	0.001685	0.041049	12	0.020221	0.1422		0.001134	0.013613
EXIMBA NK	0.003587	0.059891	12	0.043044	0.207469		-0.00312	-0.03741
BSRMST EEL	0.004746	0.068893	12	0.056955	0.238653		0.009326	0.111907
APOLOI SPAT	0.02615	0.16171	12	0.313801	0.560179		0.016869	0.202429
WMSHIP YARD	0.015096	0.122865	12	0.181149	0.425616		0.004122	0.049466
RUNNER	0.006951	0.08337	12	0.083407	0.288802		-0.00586	-0.07032
ILFSL	0.030828	0.175578	12	0.369932	0.608221		0.009787	0.117439
GHAIL	0.006151	0.07843	12	0.073816	0.271691		-3.1E-05	-0.00037
JAMUNA OIL	0.001644	0.040543	12	0.019725	0.140445		0.004899	0.058787
SPCL	0.010882	0.104317	12	0.130584	0.361364		-0.01011	-0.12127
AOL	0.034895	0.186802	12	0.418739	0.6471		0.009977	0.119729
SLIN	0.013968	0.118188	12	0.167621	0.409415		0.009083	0.108993
MERC	0.013491	0.116152	12	0.161896	0.402362		0.005773	0.069272
ITC	0.007436	0.086233	12	0.089233	0.298719		0.008842	0.106101
AAMRA TECH	0	0	12	0	0		0	0
SAIHAM COT	0.008625	0.092873	12	0.103505	0.321722		0.001631	0.019571
FAMILY TEX	0.020822	0.144299	12	0.249867	0.499867		0.014778	0.177342
PREMIE RCEM	0.007289	0.085374	12	0.087465	0.295744		0.001731	0.020775
SHASHA DNIM	0.005459	0.073883	12	0.065505	0.255939		0.000509	0.006109
DSSL	0.015364	0.123952	12	0.184368	0.429381		0.012324	0.147886

Appendix 2: Proposal of the report

Proposed Title: Investigating the Performance Disparity Between Mutual Funds and the DSEX

Rationale: The performance of mutual funds compared to market indices is a widely studied topic in financial markets. Mutual funds in Bangladesh operate under different strategies, regulations, and market constraints, leading to variances in their performance relative to the DSEX. Investors rely on mutual funds to provide competitive returns while managing risk. However, mutual funds in Bangladesh exhibit inconsistent performance relative to the DSEX index, leading to uncertainty regarding their effectiveness as investment vehicles. This research seeks to explore the underlying reasons for these disparities and determine whether mutual funds offer superior risk-adjusted returns compared to passive market investment.

Objectives:

- To compare the historical performance of mutual funds with the DSEX index.
- To identify key factors influencing mutual fund performance.
- To analyze whether mutual funds in Bangladesh consistently underperform or outperform the DSEX, and to identify the reasons for the deviation in performance.
- To evaluate the impact of fund management strategies, fees, and asset allocation.
- To provide recommendations for industry's best practices, investors and fund managers based on findings.

Analysis Method & Data:

- **Data Collection:** Historical return data for mutual funds and the DSEX index over the last 10 years will be collected from sources such as the Dhaka Stock Exchange, Bangladesh Securities and Exchange Commission, and fund managers' reports.
- **Analytical Approach:** Performance metrics such as Sharpe ratio and Jensen's alpha will be used to measure mutual fund returns against the DSEX index.
- **Comparative Analysis:** Statistical methods such as t-tests will be applied to assess performance trends and influencing factors.

Expected Outcome & Significance: This study expects to identify whether mutual funds in Bangladesh systematically underperform or outperform the DSEX index. It will also highlight key drivers of performance differences, providing insights for fund managers, regulators, and investors to make informed investment decisions. Understanding the performance disparity between mutual funds and the DSEX index is crucial for investors seeking optimal returns. This research aims to provide empirical evidence and practical recommendations to enhance mutual fund performance and improve investment strategies in Bangladesh.

References: A list of academic papers, reports, and financial market studies relevant to mutual fund performance and index benchmarking will be included.

Appendix 3: Raw Stock Data