# INSIGHTS INTO NEPAL'S MUTUAL FUND MARKET

Himalayan Capital

A Subsidiary of Himalayan Bank Limited

## Shrawan 2082


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# Some Common Abbreviations

| Abbreviations | Full Form |
|---|---|
| H8020 | Himalayan 80-20 |
| MF | Mutual Fund |
| NFO | New Fund Offering |
| NAV | Net Asset Value |
| BVPS | Book Value Per Share |
| Q1 | Quarter 1 |
| Q2 | Quarter 2 |
| Q3 | Quarter 3 |
| Q4 | Quarter 4 |
| AUM | Assets Under Management |
| NEPSE | Nepal Stock Exchange |
| SEBON | Securities Board of Nepal |
| DP | Depositary Participant |
| DRIP | Dividend Reinvestment Plan |
| BANKING | Commercial Bank |
| DEVBANK | Development Bank |
| FIN | Finance |
| LI | Life Insurance |
| NLI | Non-Life Insurance |
| HOTELS | Hotels and Tourism |
| MAN & PRO | Manufacturing and Processing |
| MICRO | Microfinance |
| HYDRO | Hydropower |
| INV | Investment |

# Current Overview of NEPSE


On 04 September 2025, the NEPSE index closed at 2,719.77 points, with a weekly turnover of NPR 25.47 billion. Compared to the previous week's final close price and average weekly turnover, the index decreased by 61.23 points (i.e. 2.20%) and a 21.04% decrease in average weekly turnover.

The RSI near 38 shows weakening strength and possible entry into oversold territory, while the MACD confirms a bearish trend with downside momentum. Together, these indicators suggest the market is under selling pressure, with a risk of further decline unless a reversal signal appears.

Looking ahead, the NEPSE index's immediate support levels are identified as (S1) 2,719.26, and (S2) 2,676.90, while immediate resistance levels are recognized at (R1) 2,817.73, and (R2) 2,900.16. These support and resistance levels serve as valuable indicators for investors when formulating trading decisions.

# Macroeconomic Outlook

| | |
| --- | --- |
| Inflation | 2.20% |
| Deposit Growth | 12.60% |
| Credit Growth | 8.12% |
| Import Growth | 13.30% |
| Export Growth | 81.80% |
| Remittance Growth | 19.20% |
| FX Reserve Growth | 25.97% |

** Growth refers to the change between twelve months data of FY 80/81 and FY 81/82.*

** Credit refers to claim on private sector.*

**Himalayan Mutual Fund, managed by Himalayan Capital Limited—a subsidiary of Himalayan Bank Limited—currently operates a single mutual fund, Himalayan 80-20.**

## Fund Details

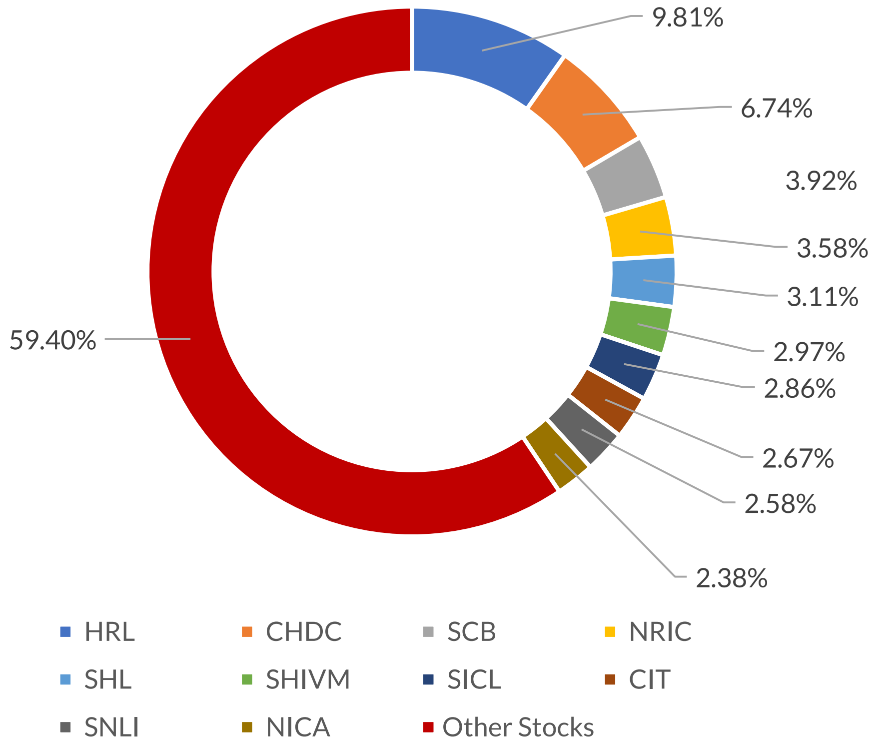
| | |
|---|---|
| Allotment Date | 13-Sep-23 |
| Maturity Date | 01-Oct-33 |
| Monthly NAV as of Asar end 2082 in NPR | 13.34 |
| AUM as of Asar end 2082 in NPR | 1,335,762,397.00 |
| Scheme Type | Close Ended |
| Scheme Objective | Growth Oriented |
| Benchmark | NEPSE |
| Fund Management Fee | 1.50% of NAV |
| DP Fee | 0.20% of NAV |
| Fund Supervisor Fee | 0.20% of NAV or NPR 100,000 per month whichever is lower |
| Fund Manager | Himalayan Capital Limited |
| H8020 Returns since FY 2081/82 End | 0.68% |
| NEPSE returns since the same date | 0.23% |
| Adjusted Fund Beta Since Inception (Monthly) | 0.69 |
| Fund Standard Deviation Since Inception (Monthly) | 1.32 |
| Average Monthly Fund Return Since Inception | 1.62% |

## Investment Philosophy

The fund structure involves investing 80% of its capital in long-term investments within the capital and financial markets, aiming for compounding returns. The remaining 20% is actively managed to maximize returns based on market conditions.

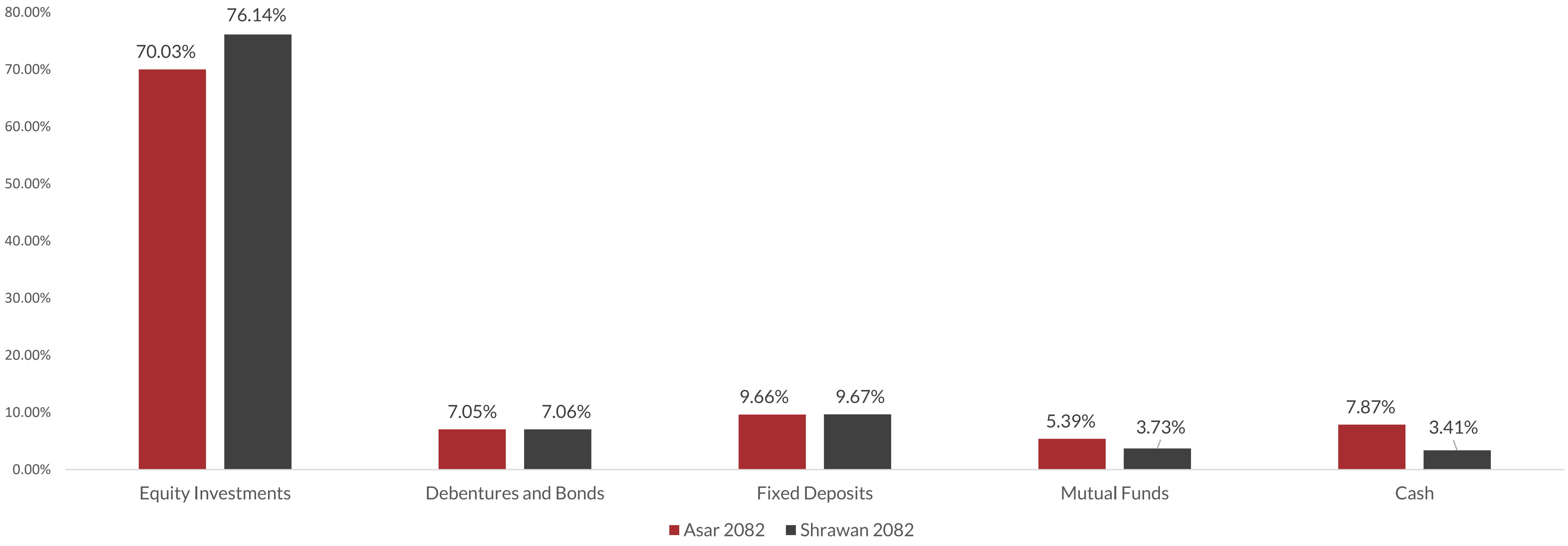
# Himalayan 80-20

## Top 10 Equity Holdings as of Shrawan End, 2082

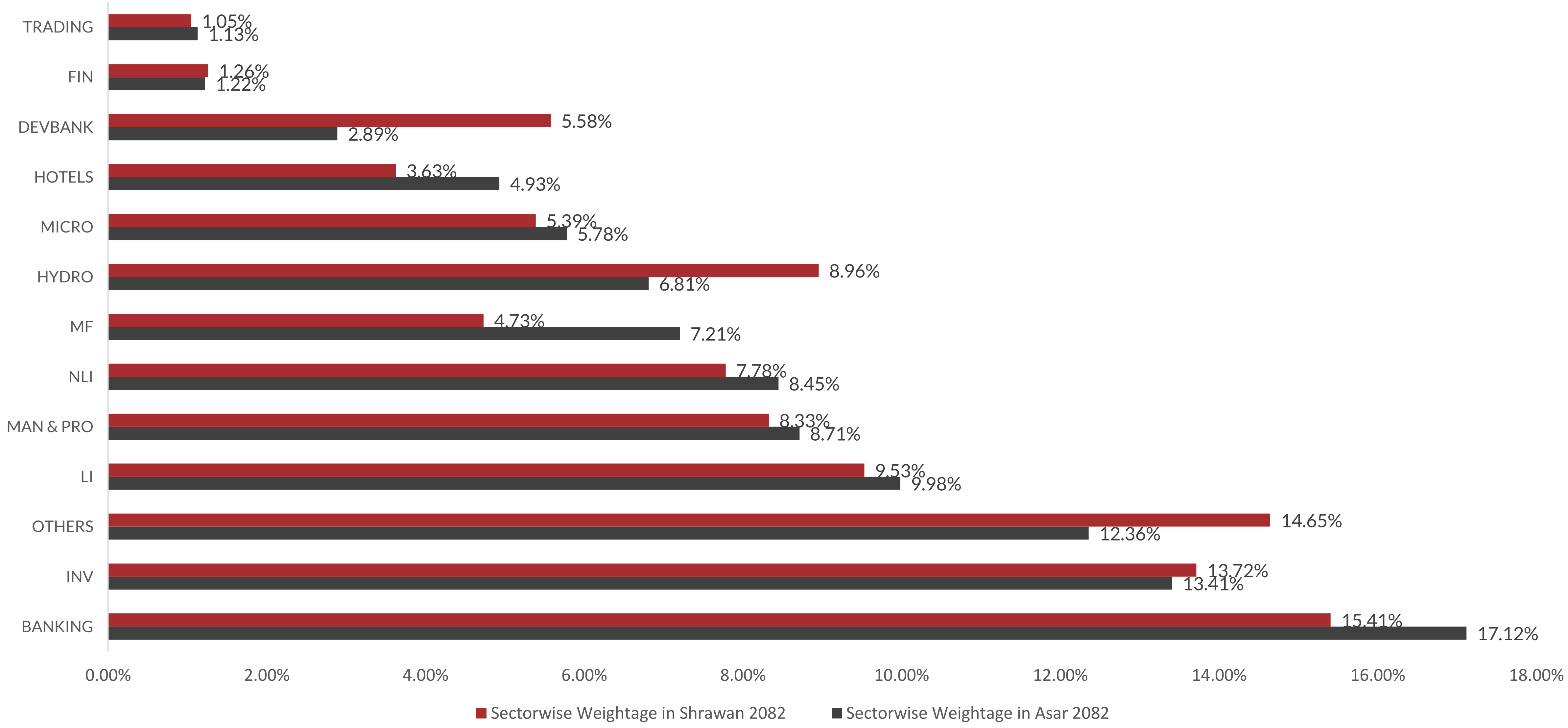


## Asset Allocation of Himalayan 80-20

Between Jestha and Asar 2082, H8020's equity allocation increased in percentage terms from 70.03% to 76.14%, meaning it was more exposed to equities than previous month. Cash holdings declined both in percentage and absolute terms, indicating active deployment of funds. Fixed deposits and debentures/bonds remained largely stable in both percentage and absolute terms, reflecting a steady focus on low-risk, income-generating instruments. The minor decrease in mutual funds exposure points to small portfolio adjustments without a major shift in strategy.

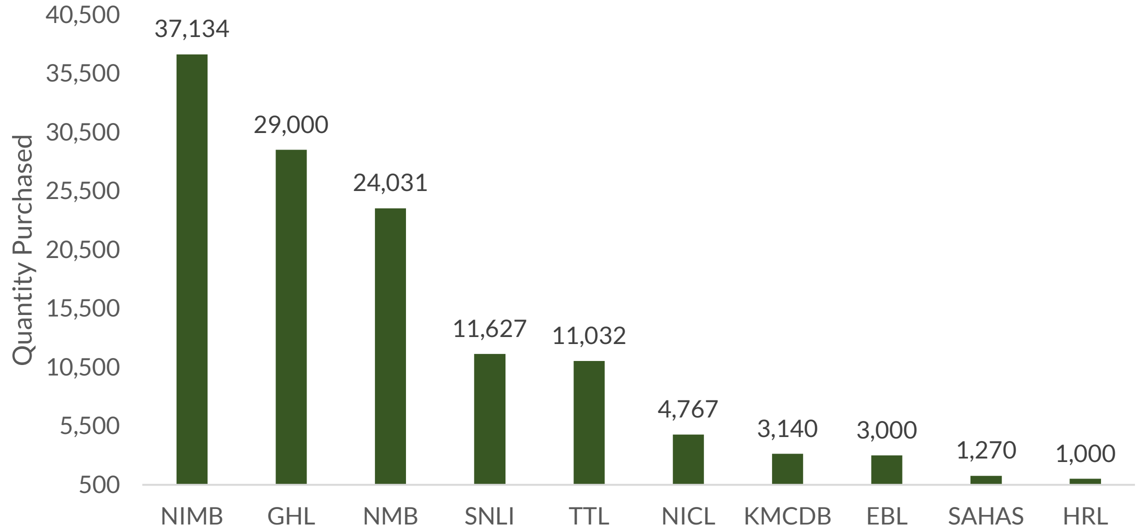


# Sectorwise Allocation of Himalayan 80-20

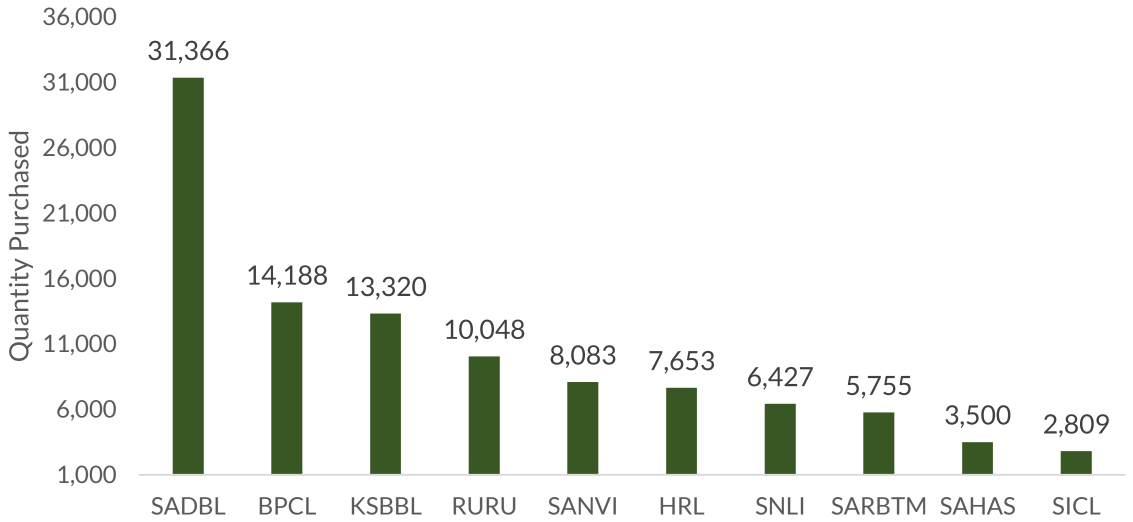


# Shrawan 2082

## Top 10 Equity Purchases of H8020 (Asar 2082)



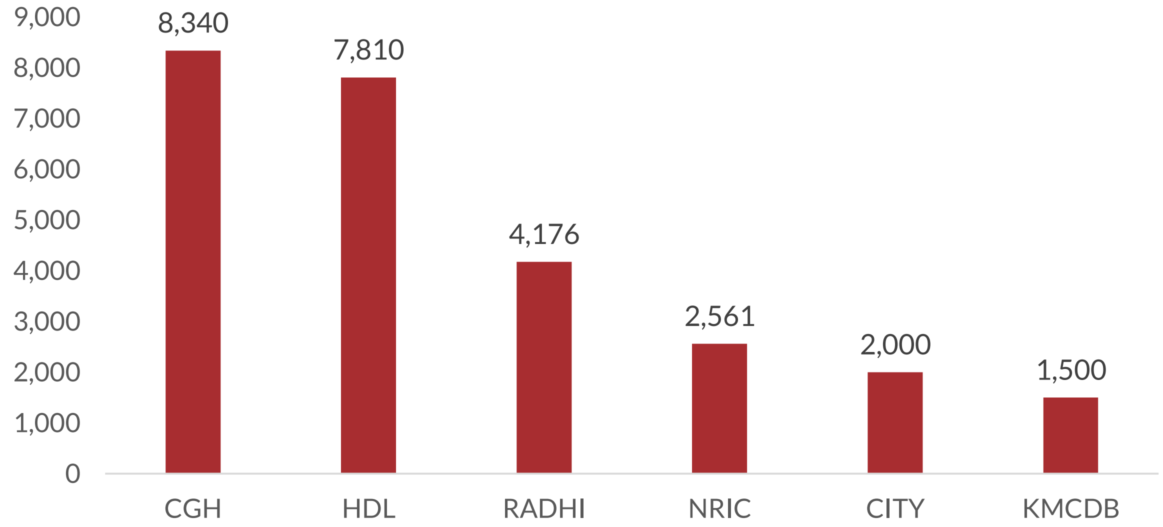

## Top 10 Equity Purchases of H8020 (Shrawan 2082)




## Top 10 Equity Sales of H8020 (Asar 2082)

**H8020 did not have any sales in Asar 2082**

## Top 10 Equity Sales of H8020 (Shrawan 2082)




HIMALAYAN MUTUAL FUND

*Note: Mutual funds are excluded from both purchase and sale transactions*
*Purchases may include bonus share listings, IPOs, and NFOs as well.*

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# NEPALESE MUTUAL FUND INDUSTRY – FUND MANAGERS

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Citizens Capital Ltd.

Global IME Capital Limited
ग्लोबल आइएमई क्यापीटल लि.
GROW WITH US

कुमारी क्यापिटल लिमिटेड
KUMARI CAPITAL LIMITED
Invest for your Future

LS CAPITAL
लक्ष्मी सन्राइज क्यापिटल लिमिटेड
A Wholly Owned Subsidiary of Laxmi Sunrise Bank.

NABIL INVESTMENT BANKING LIMITED

NIMB ACE CAPITAL LIMITED
Managing Shares. Managing Investments.

NIC ASIA CAPITAL

NMB CAPITAL
एनएमबि क्यापिटल
Partnership for Prosperity

PRABHU CAPITAL
(A Subsidiary of Prabhu Bank Limited)

आरविवि मर्चेन्ट बैंकिङ लि.
RBB MERCHANT BANKING LTD.
A subsidiary company of Rastriya Banijya Bank Ltd.

SanimaCapital
(A wholly owned subsidiary of Sanima Bank Ltd.)

Siddhartha Capital Limited
Investing happiness

मुक्तिनाथ क्यापिटल लि.
MUKTINATH CAPITAL LTD.
A Subsidiary of Muktinath Bikas Bank Ltd.

गरिमा क्यापिटल लिमिटेड
GARIMA CAPITAL LIMITED
(A Merchant Banker Licensed by SEBON)

Machhapuchchhre Capital Limited
माछापुच्छ्रे क्यापिटल लिमिटेड
(Subsidiary of Machhapuchchhre Bank Limited)

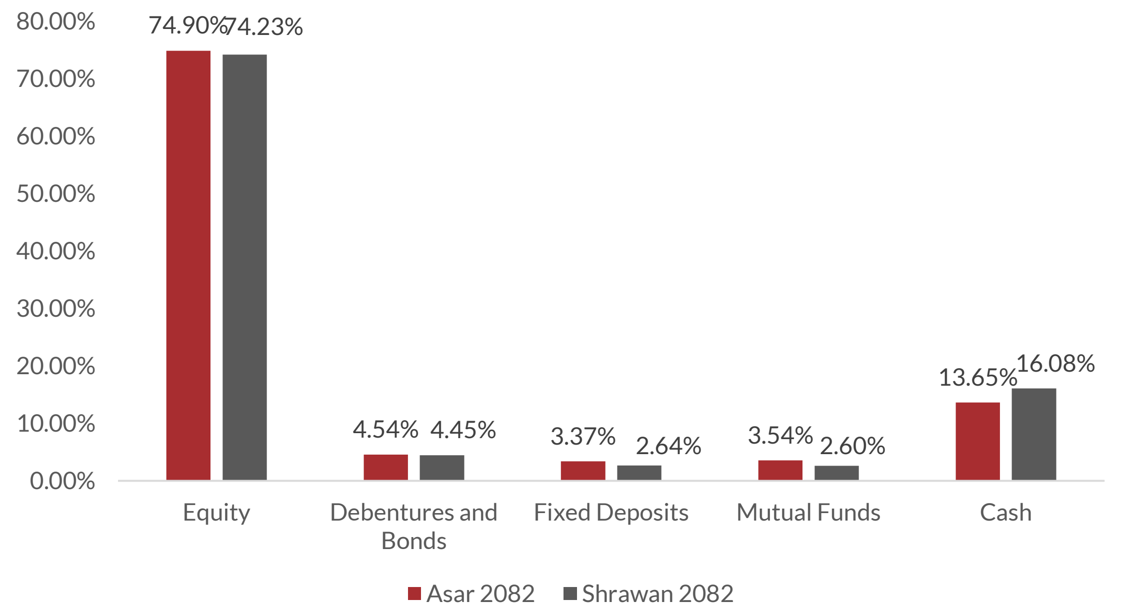
ReliableCapital
Investment & Merchant Limited

# Asset Allocation Comparison for Asar 2082 : H8020 and Industry Average

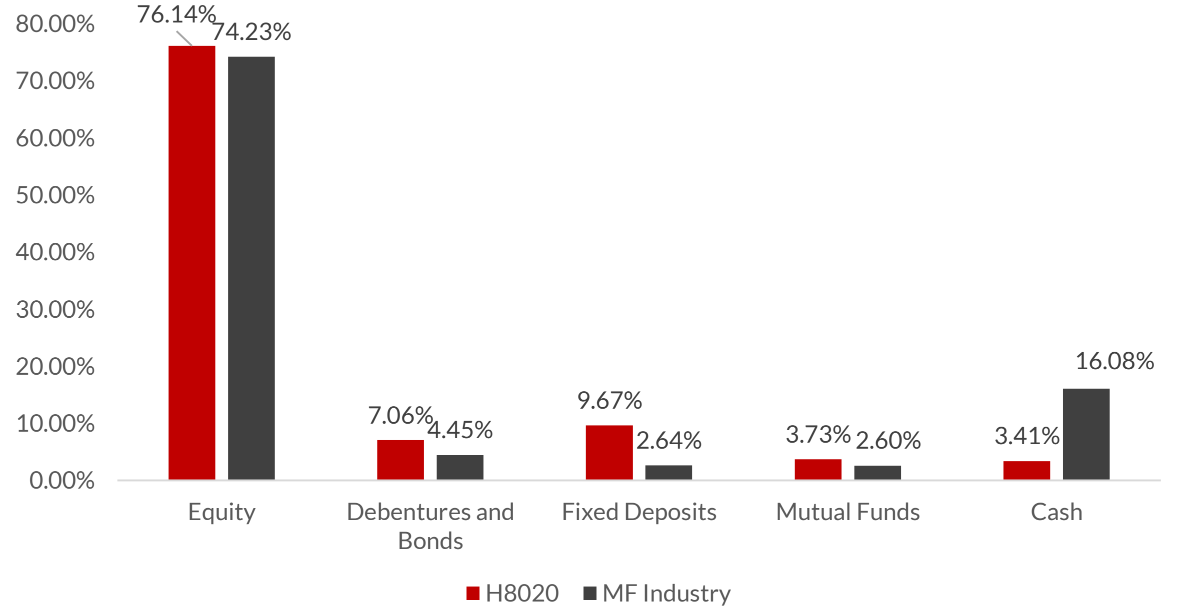
From Shrawan to Asar 2082, the mutual fund industry slightly increased equity, fixed deposits, and mutual fund allocations, while debentures remained stable. Cash holdings declined, showing funds were actively deployed into investments rather than kept idle.

In Shrawan 2082, H8020 remained more invested than the industry with higher exposure to equities, debentures, and fixed deposits while holding minimal cash. While this active deployment signals a return-focused strategy, the relatively low cash reserve could limit its ability to capitalize on swing lows in a declining market, unlike the industry which maintained higher cash buffers.

## Mutual Fund Industry

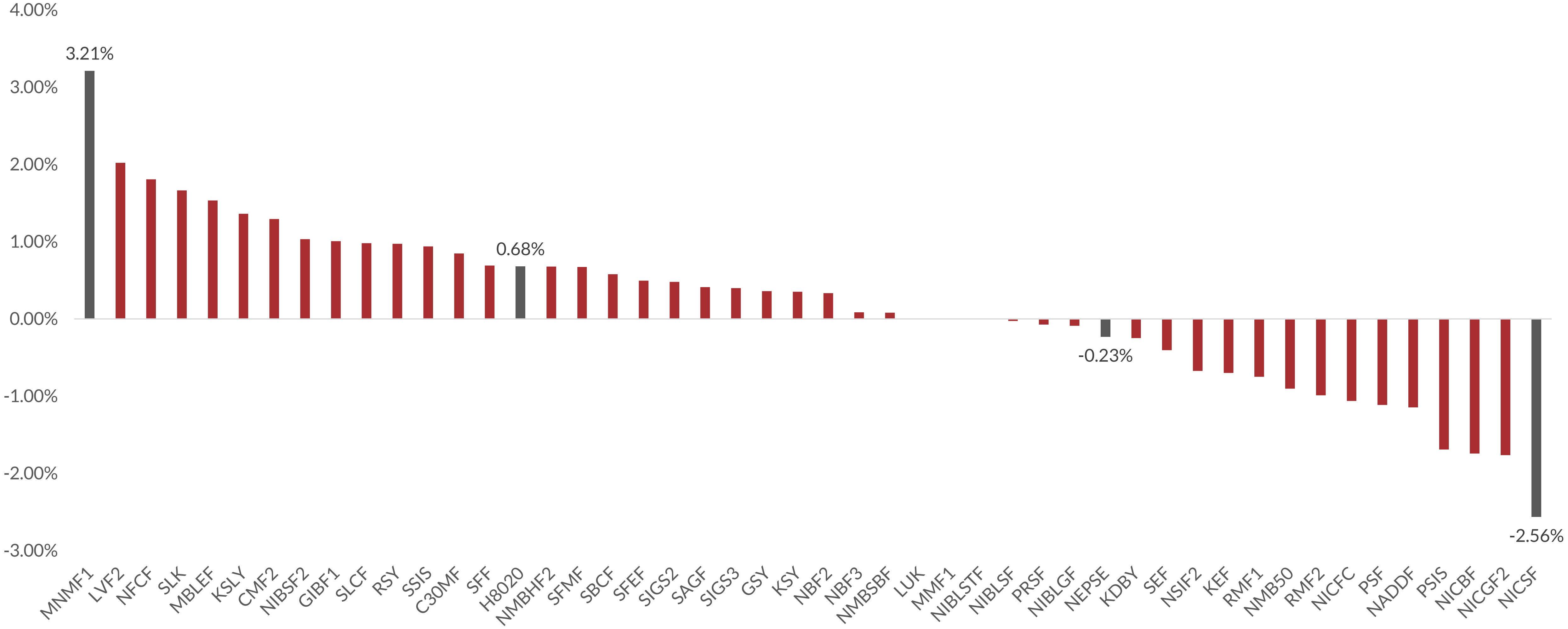



## H8020 vs Mutual Fund Industry



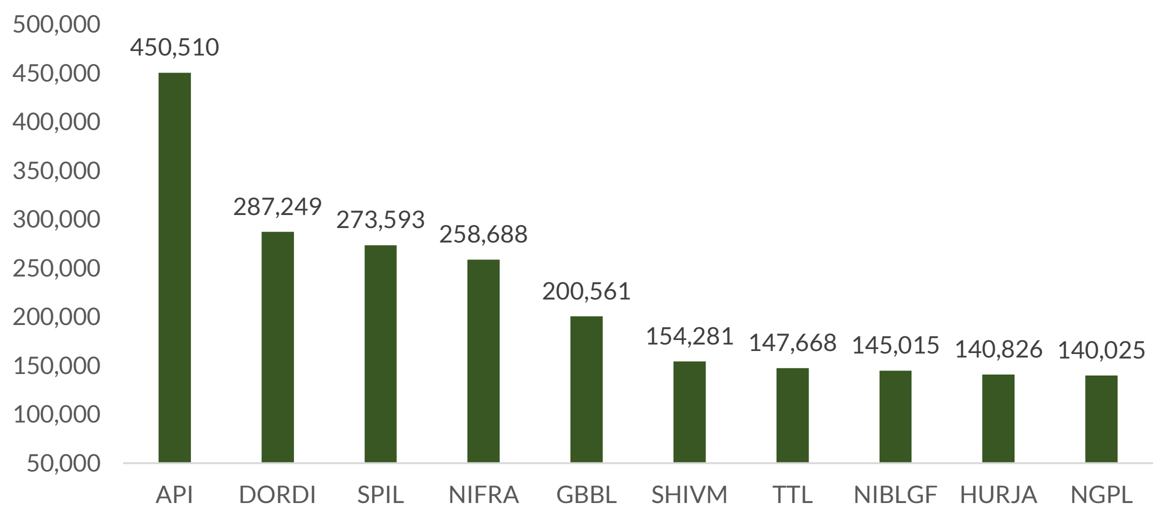
# Comparison of Mutual Fund Returns with NEPSE Performance Since the End of FY 2081/82

As of the first month of the fiscal year 2082/83, MNMF1 has been the top performer with a YTD gain of 3.21%. NEPSE lost 0.23%.




*The returns have been adjusted to reflect the cash dividends provided.*

## Top 10 Equity Purchases of Mutual Funds (Asar 2082)

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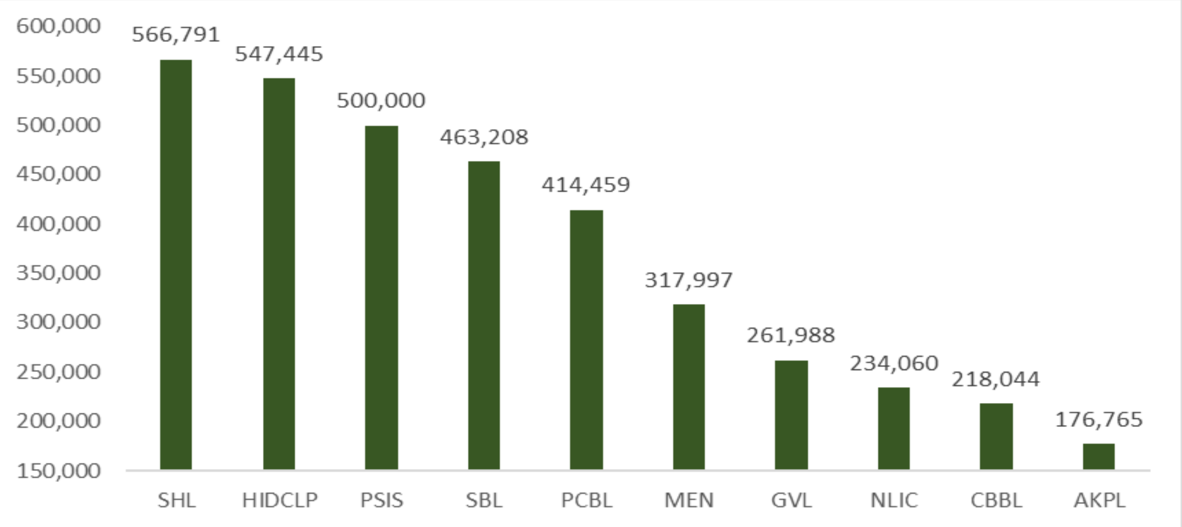
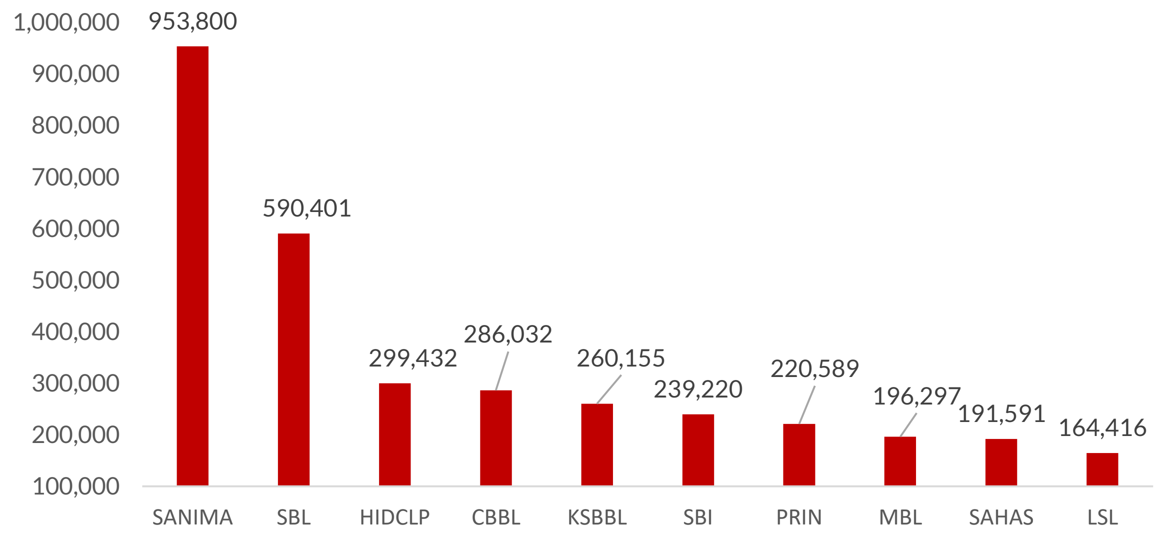



## Top 10 Equity Sales of Mutual Funds (Asar 2082)

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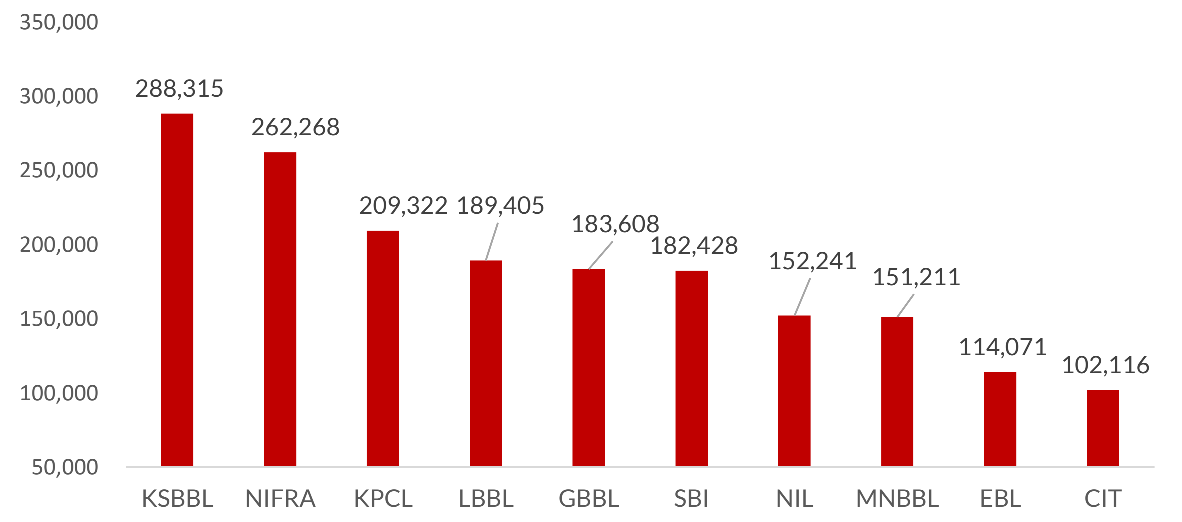


HIMALAYAN MUTUAL FUND

*Note: Mutual funds are excluded from both purchase and sale transactions*
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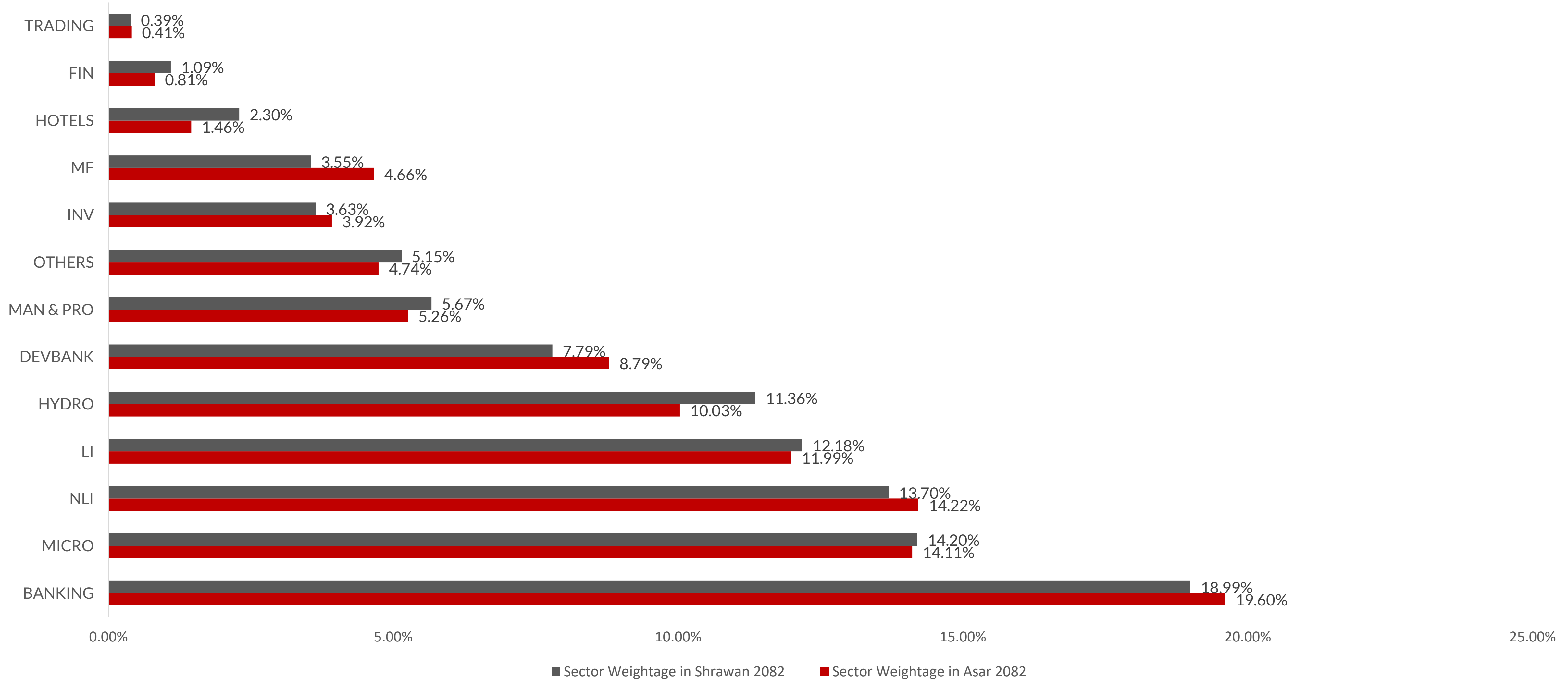
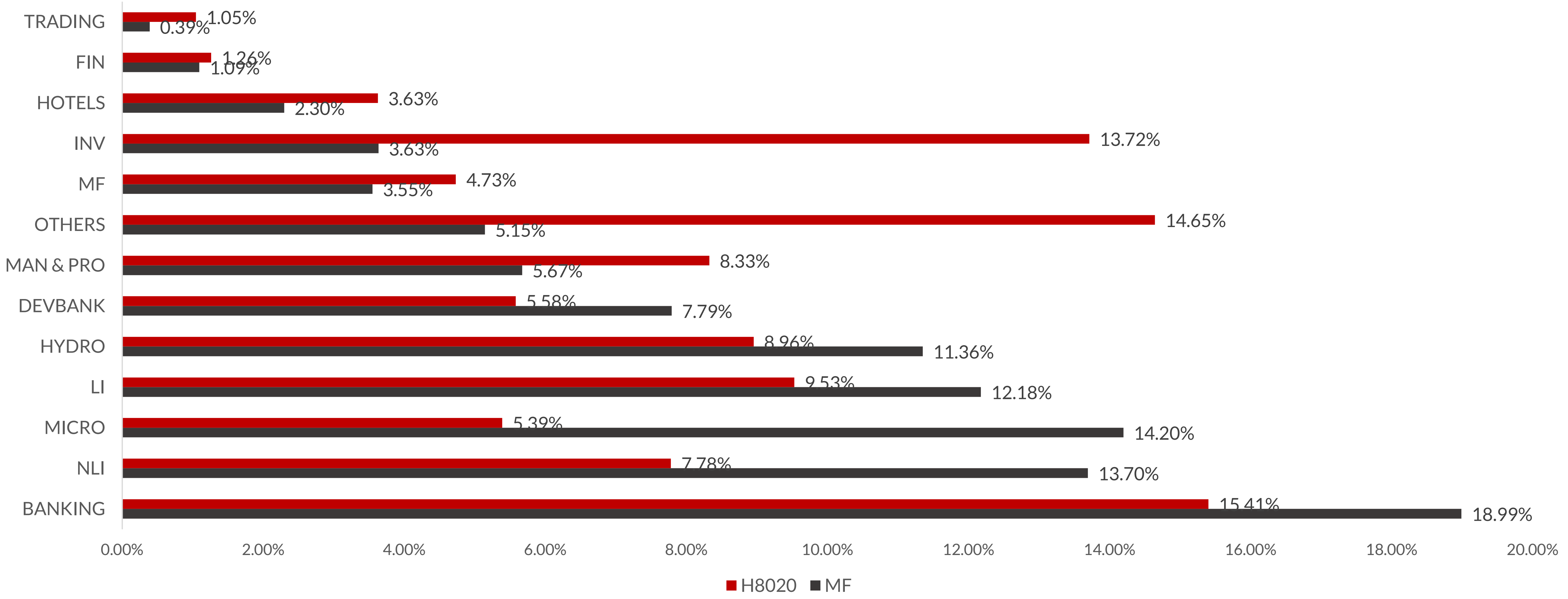
## Sector Wise Weightage of Mutual Fund Industry (Asar 2082 and Shrawan 2082)



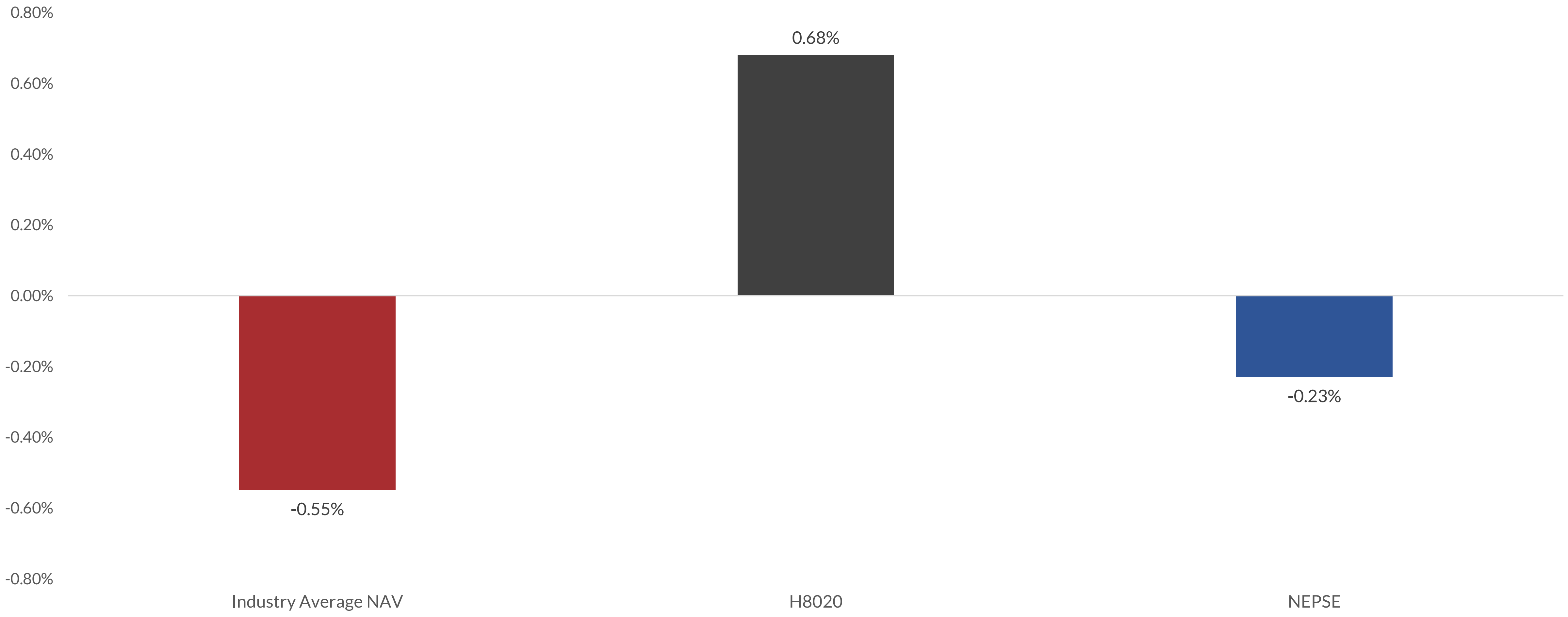
## Sector Wise Weightage Comparison of Mutual Fund Industry and H8020

H8020 shows a distinct allocation strategy compared to the mutual fund industry average. It is heavily overweight in Investment, Others, and Manufacturing & Processing sectors, while maintaining slightly higher exposure in Mutual Funds. On the other hand, it is underweight in Banking, Microfinance, Life Insurance, Non-life Insurance, Hydropower, and Development Banks. Finance and Trading remain nearly balanced with industry levels. Overall, H8020 avoids heavy concentration in traditional financial sectors and leans more toward diversified and alternative opportunities.



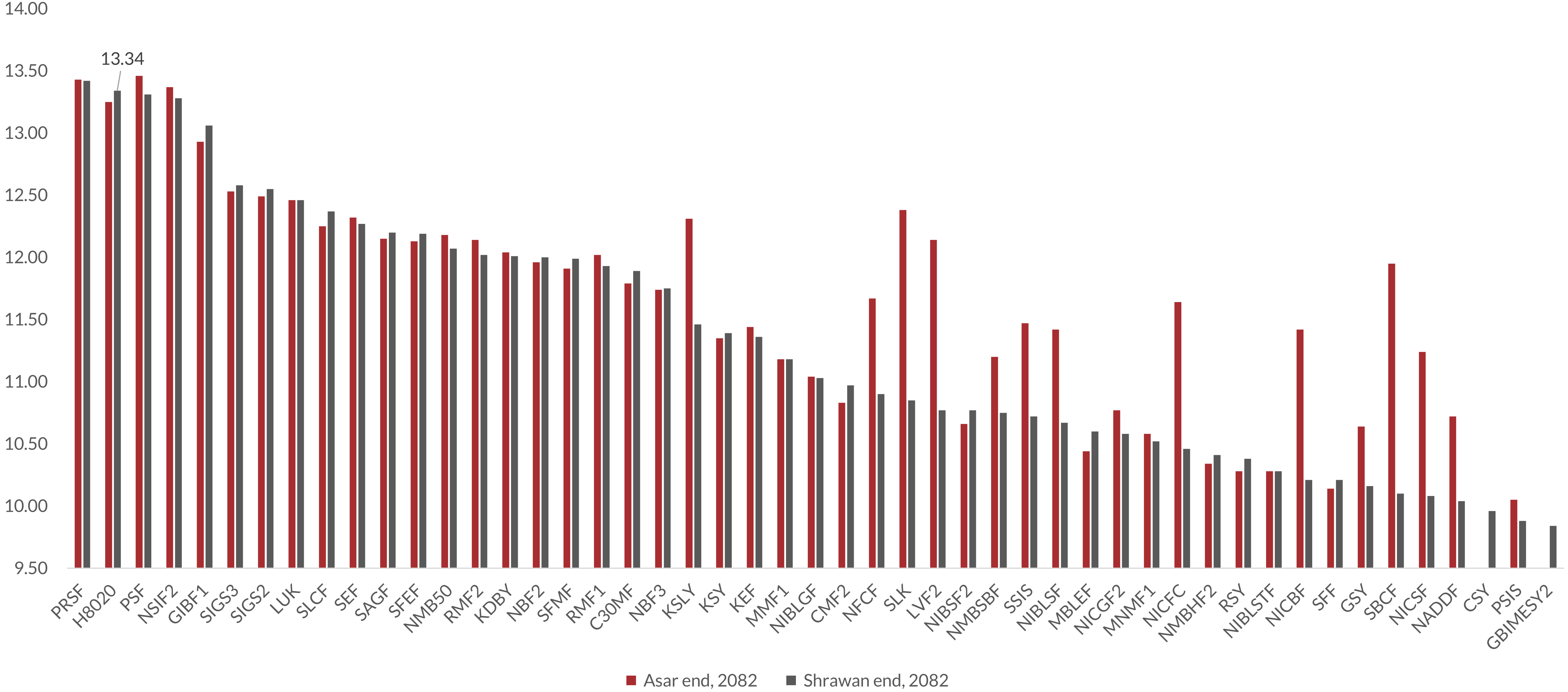
## H8020 vs NEPSE vs Average NAV (YTD Performance – FY 2082/83)

YTD in FY 2082/83, **H8020 outperformed (+0.68%)**, while **NEPSE (-0.23%)** and **industry average NAV (-0.55%)** remained negative, showing stronger portfolio positioning in the current scenario.



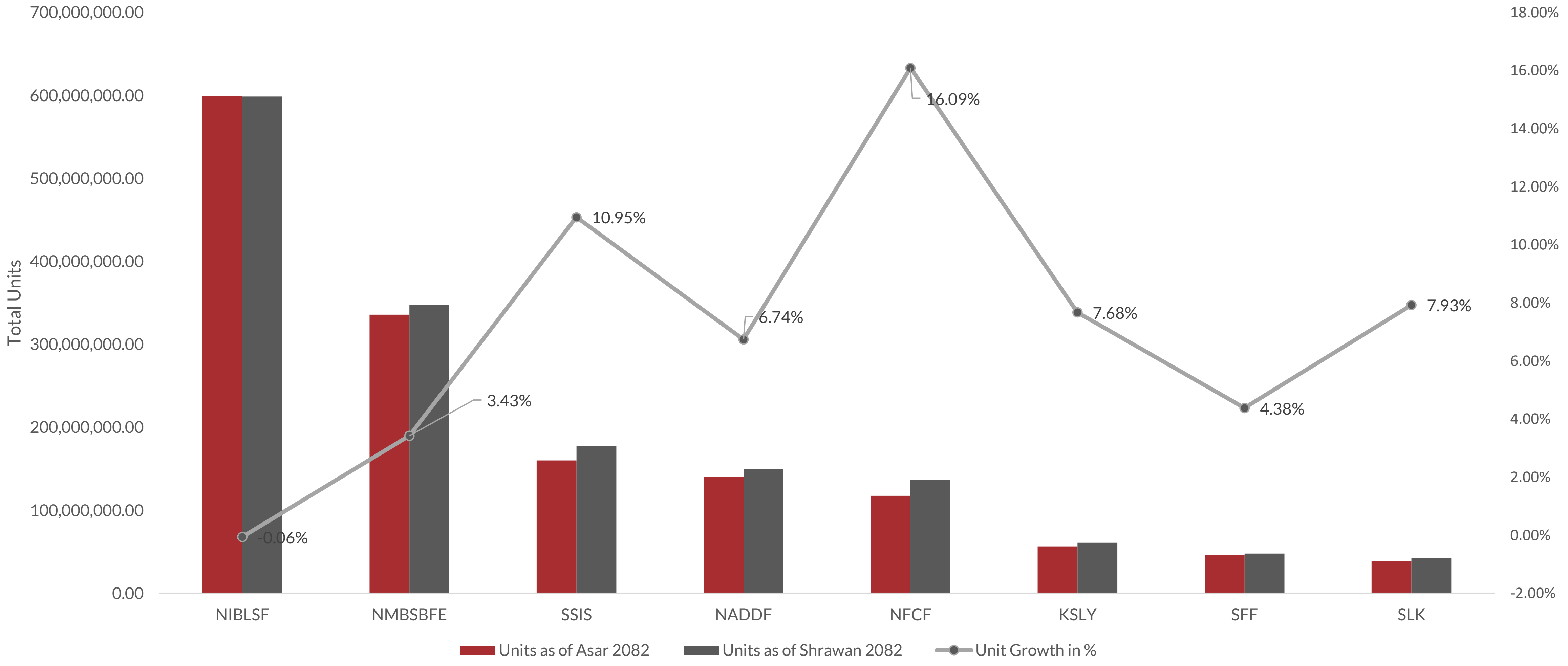

*Note: NAV of all the mutual funds have been adjusted for cash dividend*
*For instance, if the dividend book close were in mid-Bhadra 2081, the previous NAV for Asar 2081 and Shrawan 2081 would be adjusted based on this formula,*
*NAV for the previous months / (1 + Cash dividend %)*

## Month on Month NAV Comparison



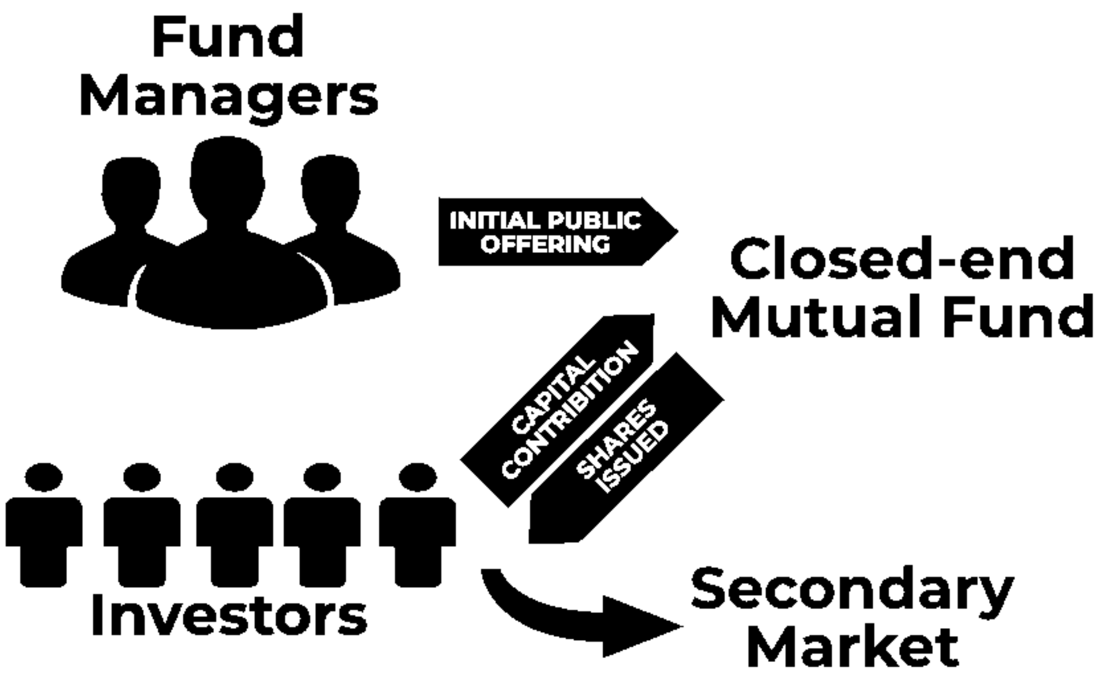
## Open Ended Mutual Funds

Among the eight open-ended mutual funds, there was a net unit growth of 66,518,212.83 units as of the end of Shrawan 2082. This represents a monthly increase of 4.45%.

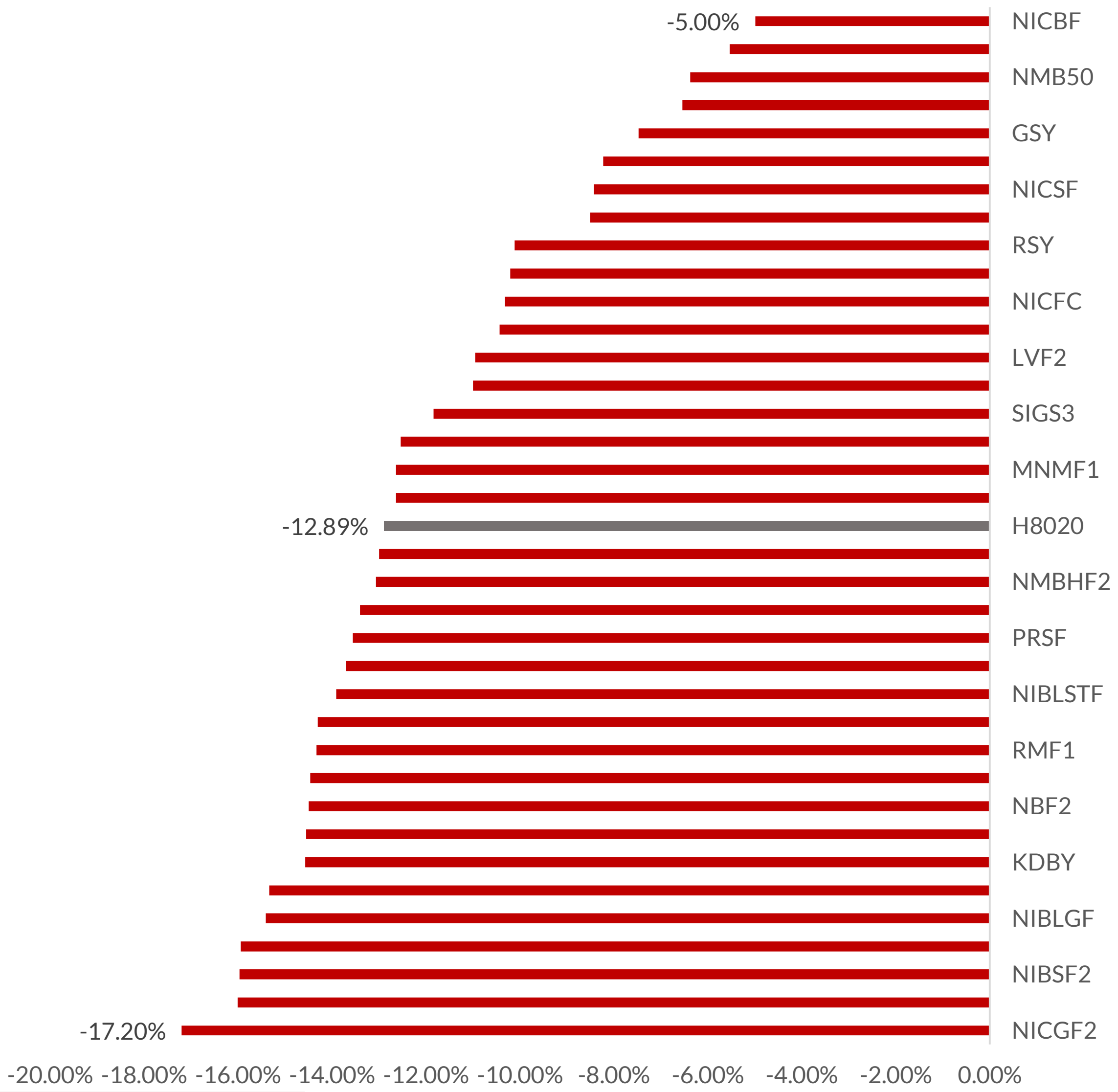


## Close Ended Mutual Funds

| Script | Shrawan 2082 | 3 month Average | Deviation |
|---|---|---|---|
| NIBSF2 | 10.77 | 10.49 | 2.67% |
| MBELF | 10.60 | 10.34 | 2.51% |
| SLCF | 12.37 | 12.07 | 2.49% |
| C30MF | 11.89 | 11.62 | 2.29% |
| SFEF | 12.19 | 11.92 | 2.29% |
| GIBF1 | 13.06 | 12.78 | 2.19% |
| SFMF | 11.99 | 11.73 | 2.19% |
| LUK | 12.46 | 12.19 | 2.19% |
| SIGS2 | 12.55 | 12.28 | 2.17% |
| MMF1 | 11.18 | 10.95 | 2.10% |
| KSY | 11.39 | 11.16 | 2.09% |
| CMF2 | 10.97 | 10.75 | 2.08% |
| NSIF2 | 13.28 | 13.01 | 2.08% |
| SAGF | 12.20 | 11.96 | 2.04% |
| SIGS3 | 12.58 | 12.34 | 1.94% |
| NMBHF2 | 10.41 | 10.22 | 1.86% |
| NIBLSTF | 10.28 | 10.10 | 1.82% |
| RMF1 | 11.93 | 11.72 | 1.79% |
| NIBLGF | 11.03 | 10.84 | 1.78% |
| RSY | 10.38 | 10.20 | 1.73% |
| NBF2 | 12.00 | 11.80 | 1.72% |
| PRSF | 13.42 | 13.21 | 1.59% |
| RMF2 | 12.02 | 11.83 | 1.58% |
| NBF3 | 11.75 | 11.57 | 1.56% |
| H8020 | 13.34 | 13.14 | 1.55% |
| KEF | 11.36 | 11.19 | 1.52% |
| SEF | 12.27 | 12.09 | 1.49% |
| KDBY | 12.01 | 11.84 | 1.46% |
| NMB50 | 12.07 | 11.90 | 1.43% |
| SFF | 10.21 | 10.09 | 1.16% |
| PSF | 13.31 | 13.17 | 1.06% |
| NICGF2 | 10.58 | 10.49 | 0.83% |
| MNMF1 | 10.52 | 10.44 | 0.73% |
| NMBSBF | 10.75 | 10.76 | -0.12% |
| GSY | 10.16 | 10.41 | -2.43% |
| SSIS | 10.72 | 11.02 | -2.69% |
| NIBLSF | 10.67 | 10.98 | -2.85% |
| KSLY | 11.46 | 11.83 | -3.10% |
| NADDF | 10.04 | 10.36 | -3.12% |
| NFCF | 10.90 | 11.30 | -3.51% |
| NICSF | 10.08 | 10.59 | -4.85% |
| NICSF | 10.08 | 10.59 | -4.85% |
| NICFC | 10.46 | 11.02 | -5.08% |
| NICBF | 10.21 | 10.82 | -5.67% |
| LVF2 | 10.77 | 11.44 | -5.86% |
| SLK | 10.85 | 11.59 | -6.41% |
| SBCF | 10.10 | 11.13 | -9.25% |
| SBCF | 10.10 | 11.13 | -9.25% |

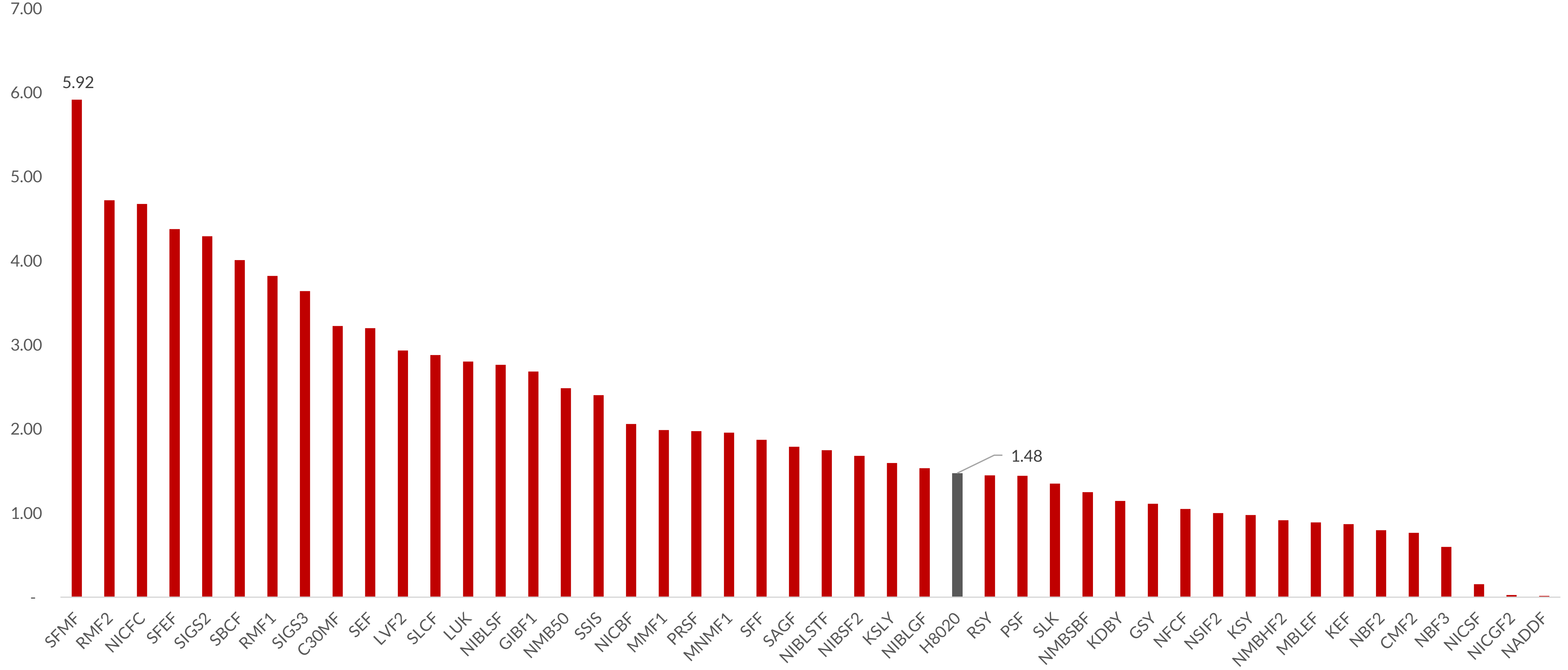


## Closed-End Mutual Funds: Discount Analysis Based on NAV and Price as of Shrawan End, 2082




*Closed-ended mutual funds often trade at a discount due to low demand and liquidity. Many investors prefer trading stocks for higher short-term returns compared to the long-term and relatively safer nature of mutual funds. While there is some level of institutional participation, it remains limited, which affects market activity. Furthermore, a lack of widespread understanding of how the Net Asset Value (NAV) reflects the intrinsic value of mutual funds further contributes to their lower market prices.*

## Dividend Capacity of Mutual Funds (1 month)




- *Mutual funds with a Net Asset Value (NAV) above NPR 10 are eligible for dividend distribution. Dividends can only be paid from realized gains and reserves, and the final amount is determined at the discretion of the fund manager. For the current analysis, only realized gains have been considered. These gains are expected to gradually increase as the fiscal year progresses.*

# Top 5 Equity Purchases in Units by Mutual Funds in Shrawan 2082

| Company Name | Graham Fair Value as of Q4 2081/82 | BVPS as of Q4 2081/82 | Market Price as of Asar end, 2082 | Our rationales |
|---|---|---|---|---|
| SHL | 63.30 | 27.15 | 577.58 | SHL's profits and revenues rose with higher occupancy and room rates post-COVID. Its strong brand and balance sheet, backed by rising tourist arrivals and forex inflows, made it a clear cyclical recovery pick |
| HIDCLP | 99.82 | 115.03 | 210.56 | With steady dividends from multiple hydro projects and government backing, HIDCLP offered stability. Nepal's energy push and export prospects added long-term growth appeal. |
| SBL | 345.37 | 219.97 | 383.77 | SBL's consistent profitability, dividend record, and improving asset quality highlight its strength. Robust remittances and better liquidity in the banking system supported its demand from funds. |
| PCBL | 284.72 | 173.72 | 276.31 | PCBL's large capital base, strong branch reach, and steady earnings made it a liquid, reliable bank stock. Supportive NRB policies and easing rates reinforced its growth visibility. |
| MEN | 287.61 | 152.11 | 639.19 | MEN generated stable cash flows from operational hydro plants and continued dividend payouts. Rising domestic demand, export opportunities, and government support positioned it as a strong energy play. |

## Top 5 Equity Sales in Units by Mutual Funds in Shrawan 2082

| Company | Graham Fair Value as of Q4 2081/82 | BVPS as of Q4 2081/82 | Market Price as of Asar end, 2082 | Our rationales |
|---|---|---|---|---|
| KSBBL | 261.67 | 168.13 | 500.69 | KSBBL has shown steady growth in deposits and lending, with stable earnings supporting its fundamentals. As a mid-sized development bank, it offers resilience but less liquidity compared to larger commercial banks. After a decent run-up in price during the mini bull phase, mutual funds may have chosen to lock in gains, especially as the broader market entered correction, while keeping an eye on long-term stability in banking. |
| NIFRA | 119.06 | 118.88 | 281.63 | NIFRA remains a strategic player financing large infrastructure projects, with predictable income streams and strong government backing. Its fundamentals remain intact, but the stock had risen over 20% before correction. Given its relatively high liquidity, mutual funds likely booked partial profits to capitalize on short-term gains, while macro uncertainty in project financing costs and slower disbursements justified cautious trimming. |
| KPCL | 160.43 | 113.48 | 542.62 | KPCL surged by more than 30% prior to the correction, reflecting optimism in the hydropower sector. With operational capacity and stable cashflows from PPAs, its fundamentals are sound. However, mutual funds likely sold into strength to realize gains, as the broader hydropower sector faced valuation concerns and seasonal fluctuation risks in generation. |
| LBBL | 213.18 | 192.73 | 480.69 | LBBL's fundamentals include steady profitability and growth in deposits, with a good track record of dividends. The stock, however, spiked more than 50% during the mini bull rally, making it vulnerable to profit-taking. With the banking sector facing tighter spreads despite improving liquidity, mutual funds possibly rebalanced by booking gains while holding more liquid commercial bank exposures. |
| GBBL | 291.92 | 164.17 | 428.36 | GBBL has maintained stable performance with consistent profitability and dividend payouts, cementing its reputation as one of the stronger development banks. Its share price rose around 25% before the correction, giving funds an incentive to secure returns. While fundamentals remain sound, funds may have opted to rotate capital into undervalued sectors, expecting development banks to face slower growth compared to large commercial banks in the current macro setting. |

# Risk Factors Associated with the Likely Activity of Himalayan 80-20

## Market Risk:

- **Price Risk**: The fund is exposed to price fluctuations in equity markets, which can impact returns. This risk is mitigated through an 80-20 portfolio strategy, combining long-term passive investments with active market-driven decisions, supported by tools like the Himalayan Equity Optimizer.
- **Sector and Stock-Specific Risk**: Managed through systematic research, leveraging both fundamental and technical analysis to make informed investment decisions.

## Cash Flow and Interest Rate Risk:

- **Variable Interest Rate Risk**: The fund faces cash flow risk from interest rate fluctuations, which could affect returns on variable-rate instruments.
- **Fixed Interest Rate Risk**: The fund also faces fair value risk due to interest rate changes that can impact the valuation of fixed-rate investments.

## Liquidity Risk:

- The fund may face liquidity challenges due to limited market depth or underdeveloped markets. However, it mitigates this risk by investing in listed securities and those soon to be listed on NEPSE. The Investment and Risk Management Committee monitors illiquid assets on a fortnightly basis to ensure prompt corrective actions.

## Credit Risk:

- Exposure to potential credit risk arises from defaults on debt securities or other receivables. This is managed through continuous monitoring of the fund's credit position on a daily basis by the back office and Scheme Manager.

## Operational Risk:

- Risks due to internal process failures, system issues, or external events are controlled through frequent compliance reviews and robust reconciliation systems, ensuring proper checks for all trading activities.

## Default Risk:

- The fund faces the risk of securities failing to meet debt obligations (interest and principal). This risk is mitigated by regularly monitoring the credit ratings of issuers and updating investment thresholds based on periodic reviews.