


INSIGHTS INTO NEPAL'S MUTUAL FUND MARKET


Magh 2081



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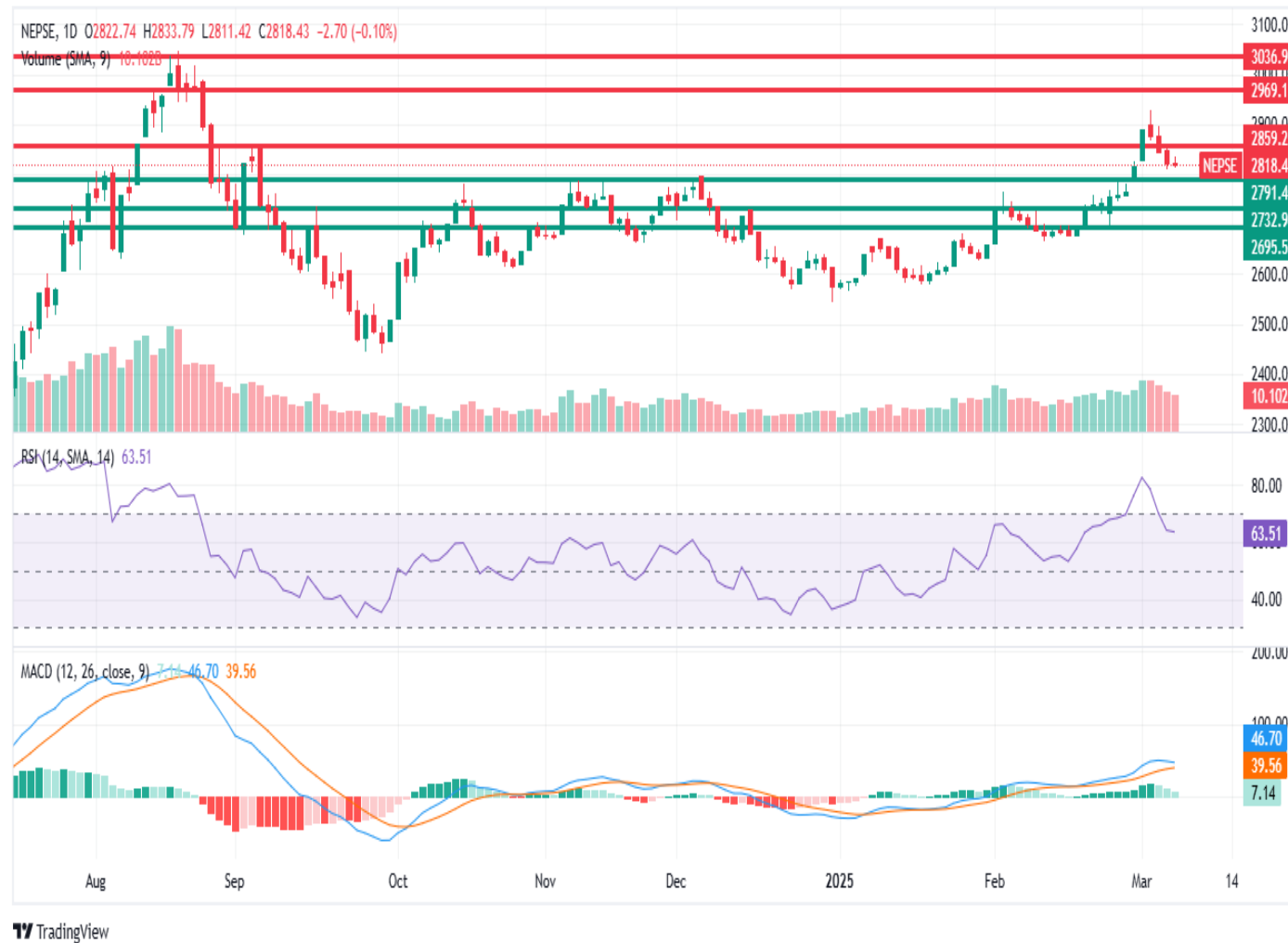
IT Plaza, Kamaladi, Kathmandu 

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	Depository 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 6 March 2025, the NEPSE index closed at 2,818.43 points, with a weekly turnover of NPR 62.55 billion. Compared to the previous week's final close price and average weekly turnover, the index increased by 3.39 points (i.e. 0.12%) and a 13.90% increase in average weekly turnover.

The Relative Strength Index (RSI) is currently at 63.51 points, which is at the neutral zone and the MACD is suggesting a bullish trend.

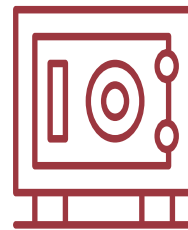
Looking ahead, the NEPSE index's immediate support levels are identified as (S1) 2,790, (S2) 2730, and (S3) 2,695 while immediate resistance levels are recognized at (R1) 2,860, (R2) 2,970, and (R3) 3,030. These support and resistance levels serve as valuable indicators for investors when formulating trading decisions.

Macroeconomic Outlook



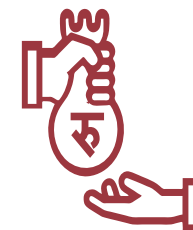
Inflation

5.41% ▲



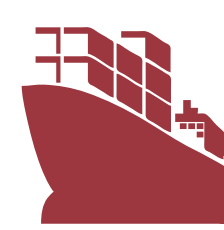
Deposit Growth

9.93% ▲



Credit Growth

7.01% ▲



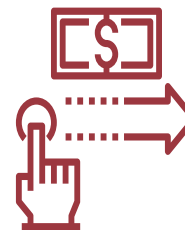
Import Growth

7.1% ▲



Export Growth

31.8% ▲



Remittance Growth

4.07% ▲



FX Reserve Growth

27.54% ▲

* Growth refers to the change between five 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

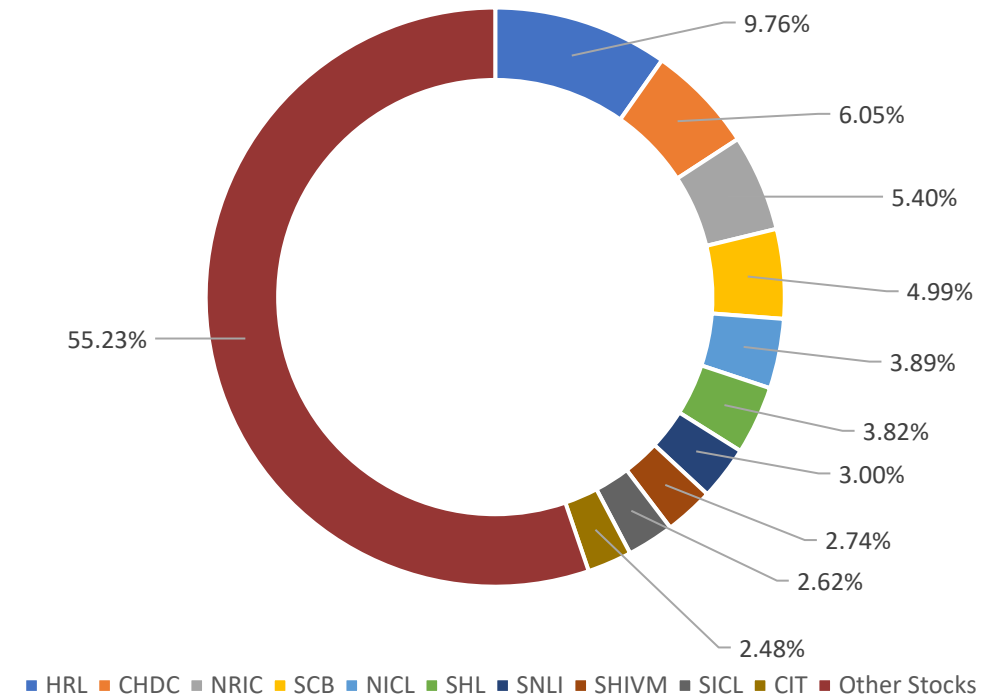
Allotment Date	13-Sep-23
Maturity Date	01-Oct-33
Monthly NAV as of Magh end 2081 in NPR	11.98
AUM as of Magh end, 2081 in NPR	1,200,226,575.04
Scheme Type	Close Ended
Scheme Objective	Growth Oriented
Benchmark	NEPSE
Fund Management Fee	1.50% of NAV
DP Fee	0.20% of NAV
Fund Supervisor Fee	0.20% of NAV or NPR 100,000 per month whichever is lower
Fund Manager	Himalayan Capital Limited
H8020 Returns since FY 2080/81 End	14.51%
NEPSE returns since the same date	19.88%
Adjusted Fund Beta Since Inception (Monthly)	0.69
Fund Standard Deviation Since Inception (Monthly)	1.05
Average Monthly Fund Return Since Inception	1.55%

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.

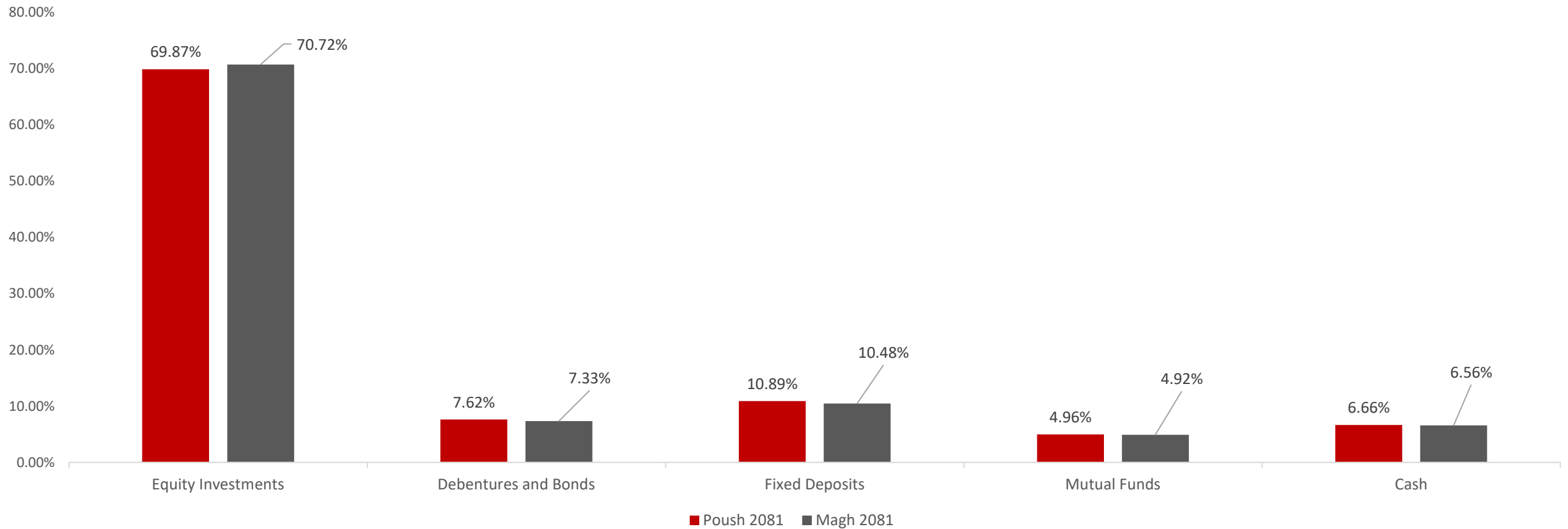
Himalayan 80-20

Top 10 Equity Holdings as of Magh End, 2081

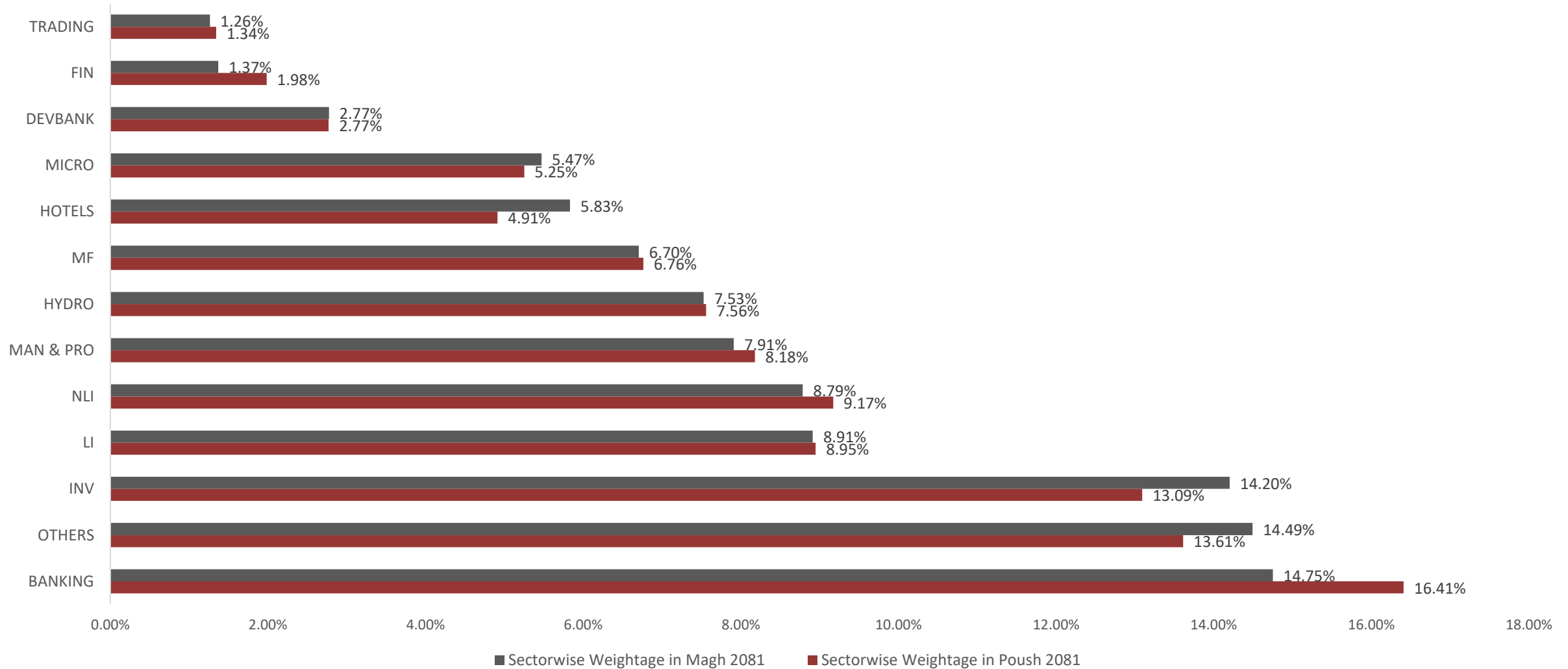


Asset Allocation of Himalayan 80-20

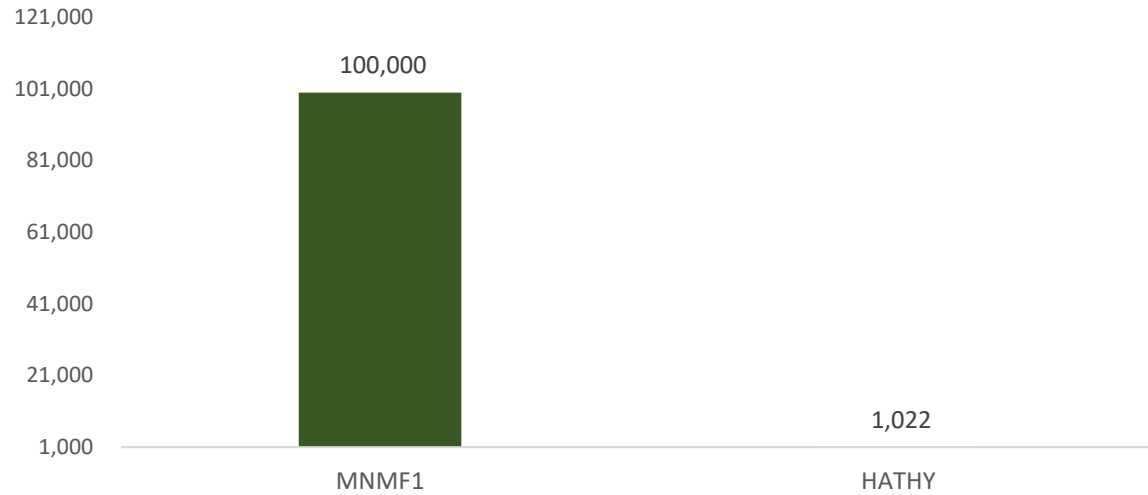
H8020's AUM grew by 3.94% in Magh 2081, with a higher allocation to equity (70.72%), suggesting a bullish stance on the market. Debentures, bonds, and fixed deposits saw minor adjustments, indicating a balanced fixed-income strategy. Cash holdings remained stable, ensuring liquidity. The steady mutual fund allocation suggests no significant shift in indirect equity exposure. Overall, the fund appears to be optimizing its portfolio for growth while maintaining liquidity and stability.



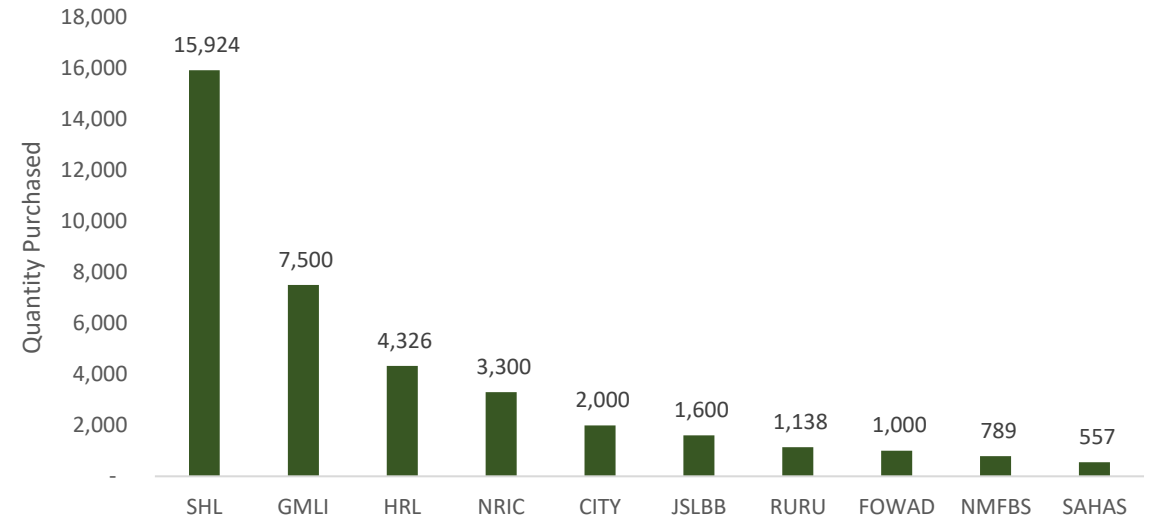
Sectorwise Allocation of Himalayan 80-20



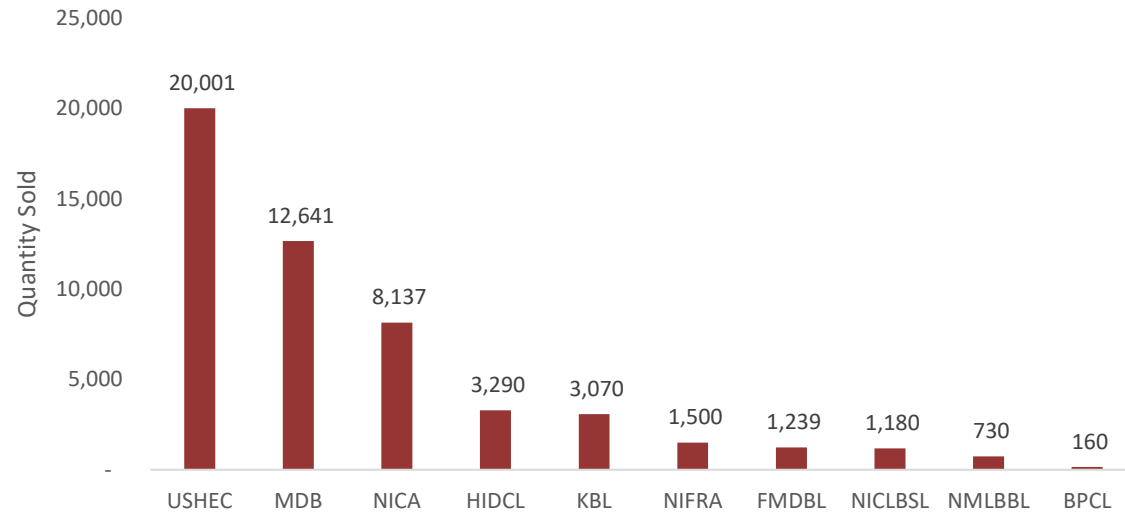
Top Equity Purchases of H8020 (Poush 2081)



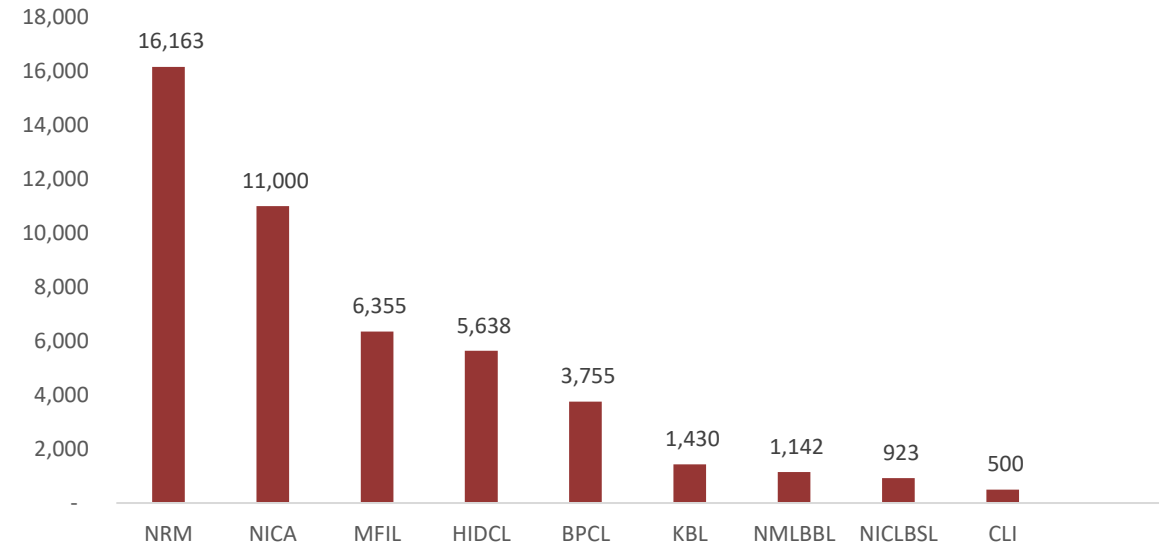
Top 10 Equity Purchases of H8020 (Magh 2081)



Top 10 Equity Sales of H8020 (Poush 2081)



Top 10 Equity Sales of H8020 (Magh 2081)



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

NEPALESE MUTUAL FUND INDUSTRY

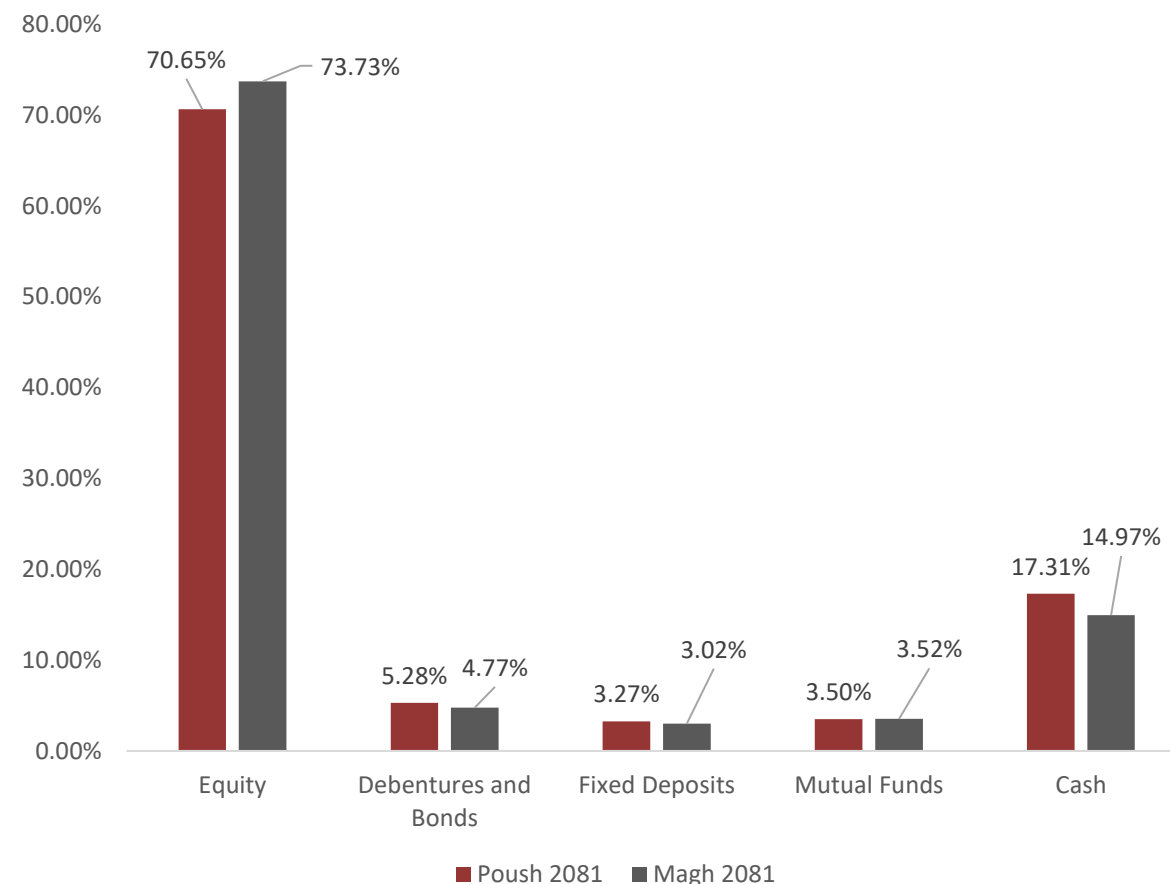
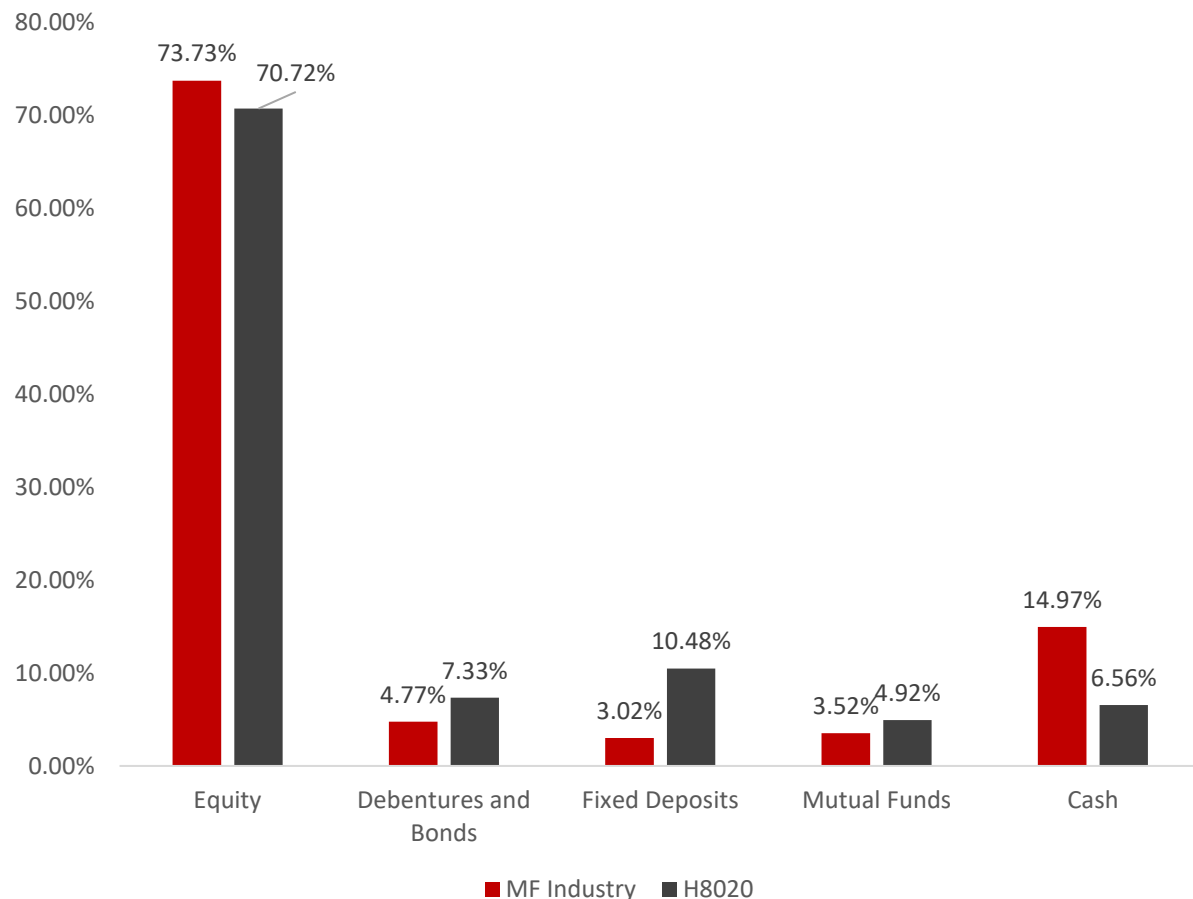
Currently, 45 active mutual funds—comprising 38 close-ended and 7 open-ended funds—are managed by 15 fund managers. With the addition of two more fund managers Muktinath Capital and Garima Capital, the total IPO allocation (5.00% quota) per fund manager will be reduced.



Asset Allocation Comparison for Magh 2081 : H8020 and Industry Average

The MF Industry has **higher equity (73.73%)** and **cash (14.97%)** than H8020's **70.72%** and **6.56%**, indicating a more aggressive and liquid strategy. In contrast, H8020 allocates more to **debentures (7.33%)** and **fixed deposits (10.48%)** than the industry's **4.77%** and **3.02%**, reflecting a more conservative approach.

The Assets Under Management (AUM) in Nepal's mutual fund industry decreased by 0.27% at the end of Magh 2081, reaching NPR 56.23 billion, down from NPR 56.38 billion recorded at the end of Poush 2081.

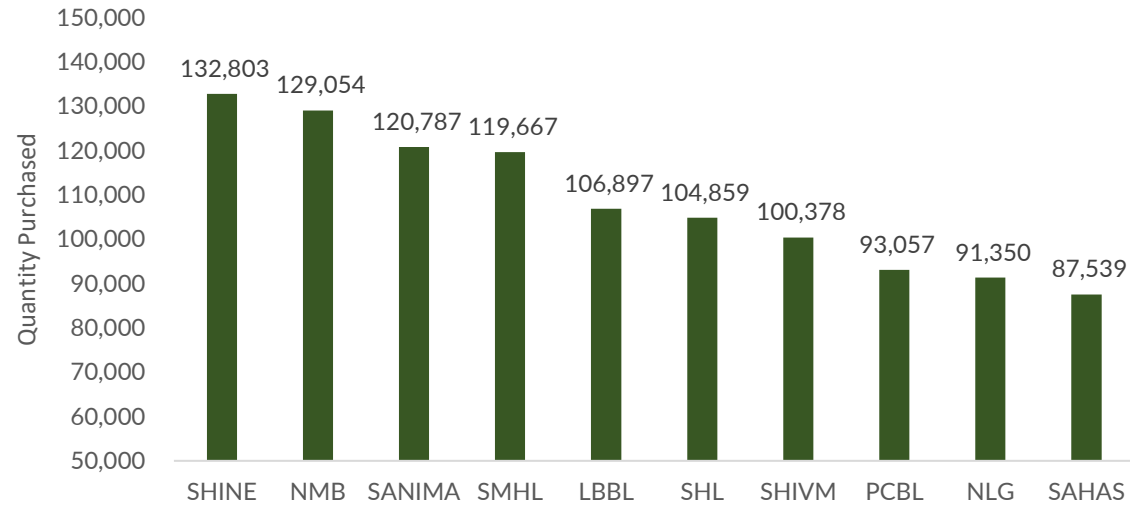


Comparison of Mutual Fund Returns with NEPSE Performance Since the End of FY 2080/81

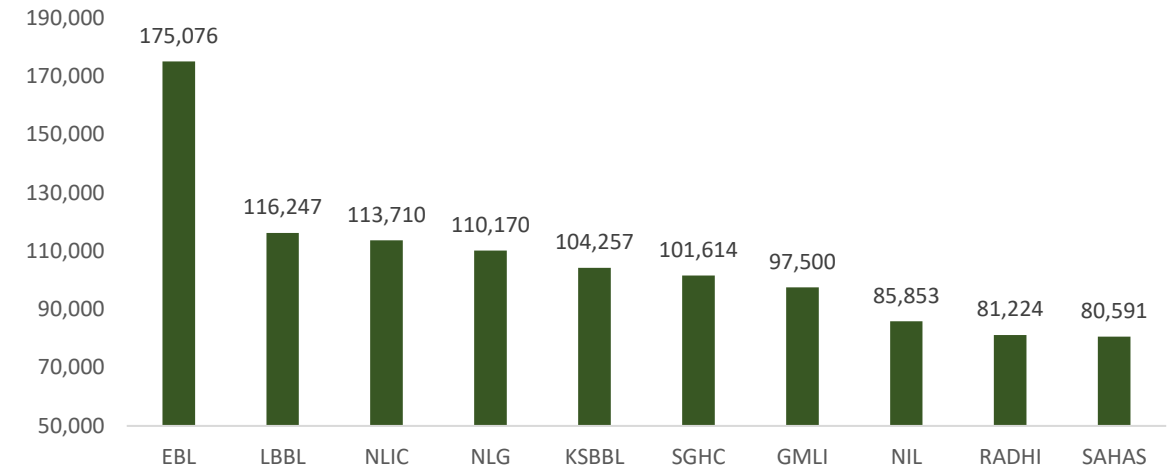
For GSY and MNMF1, only two month of data has been analyzed, as they are newly established funds. Meanwhile, SAEF has already matured.



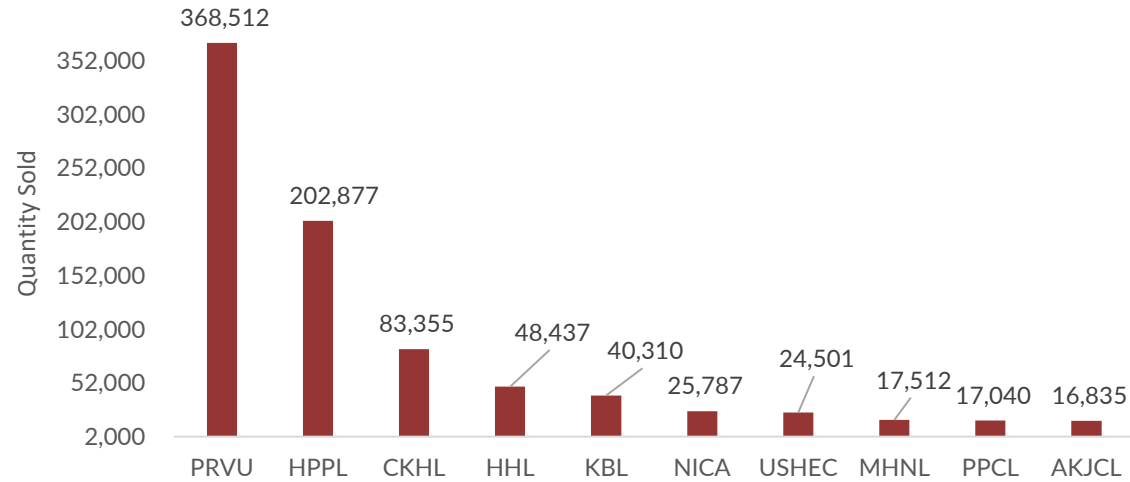
Top 10 Equity Purchases of Mutual Funds (Poush 2081)



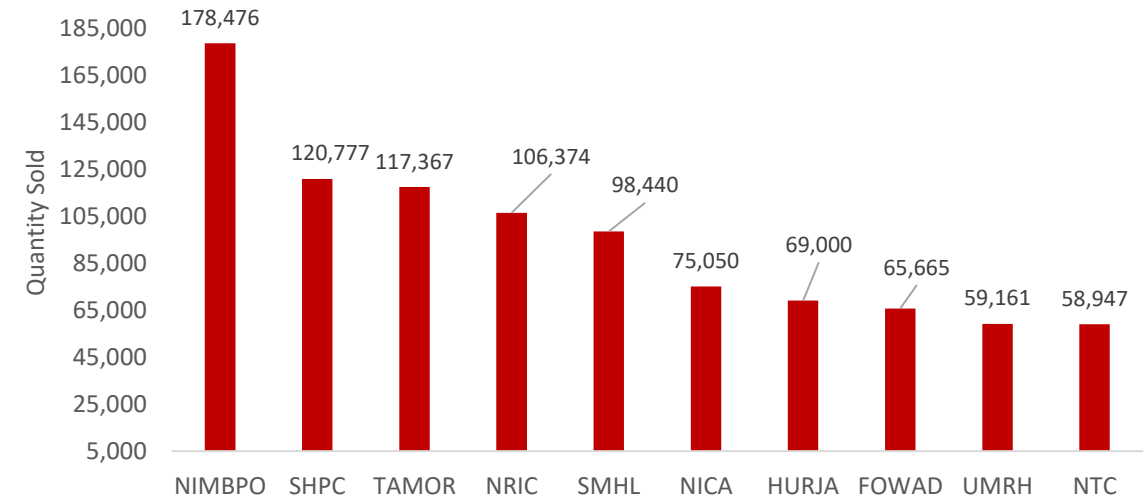
Top 10 Equity Purchases of Mutual Funds (Magh 2081)



Top 10 Equity Sales of Mutual Funds (Poush 2081)

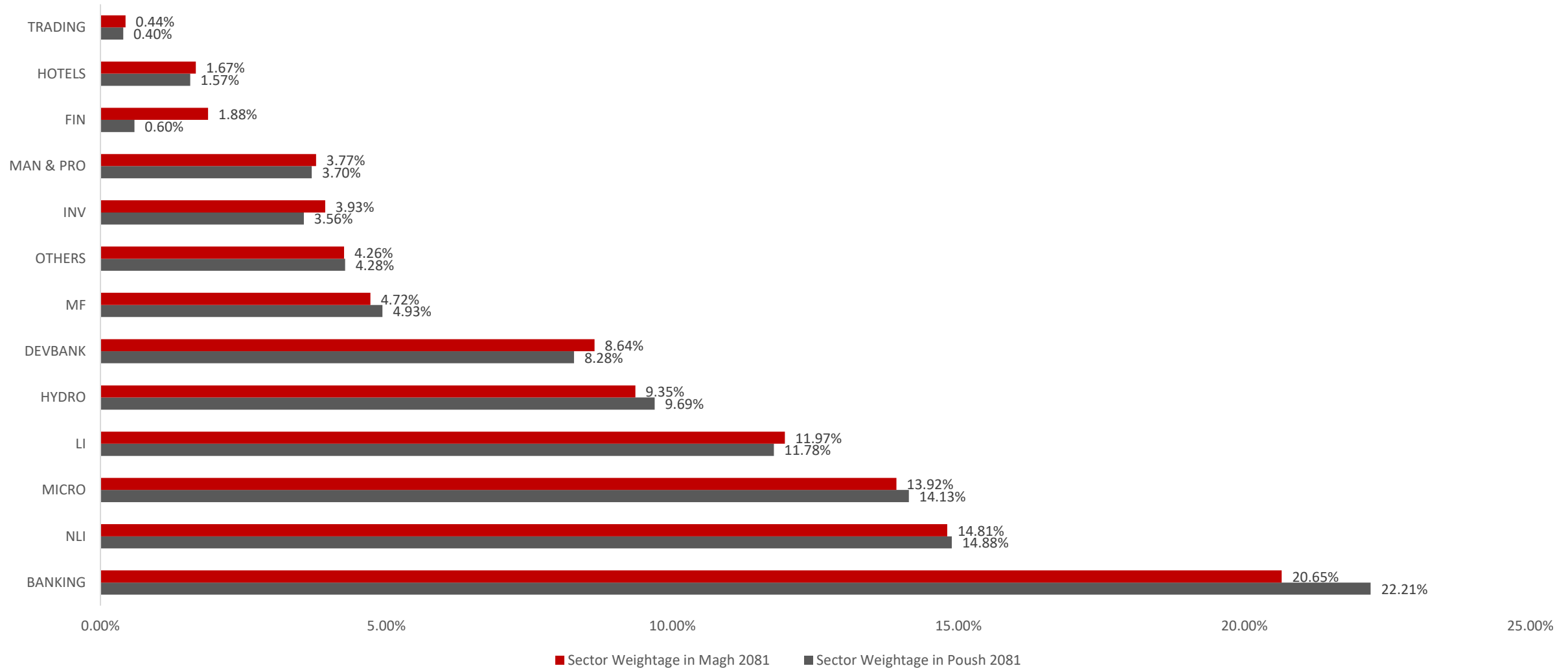


Top 10 Equity Sales of Mutual Funds (Magh 2081)

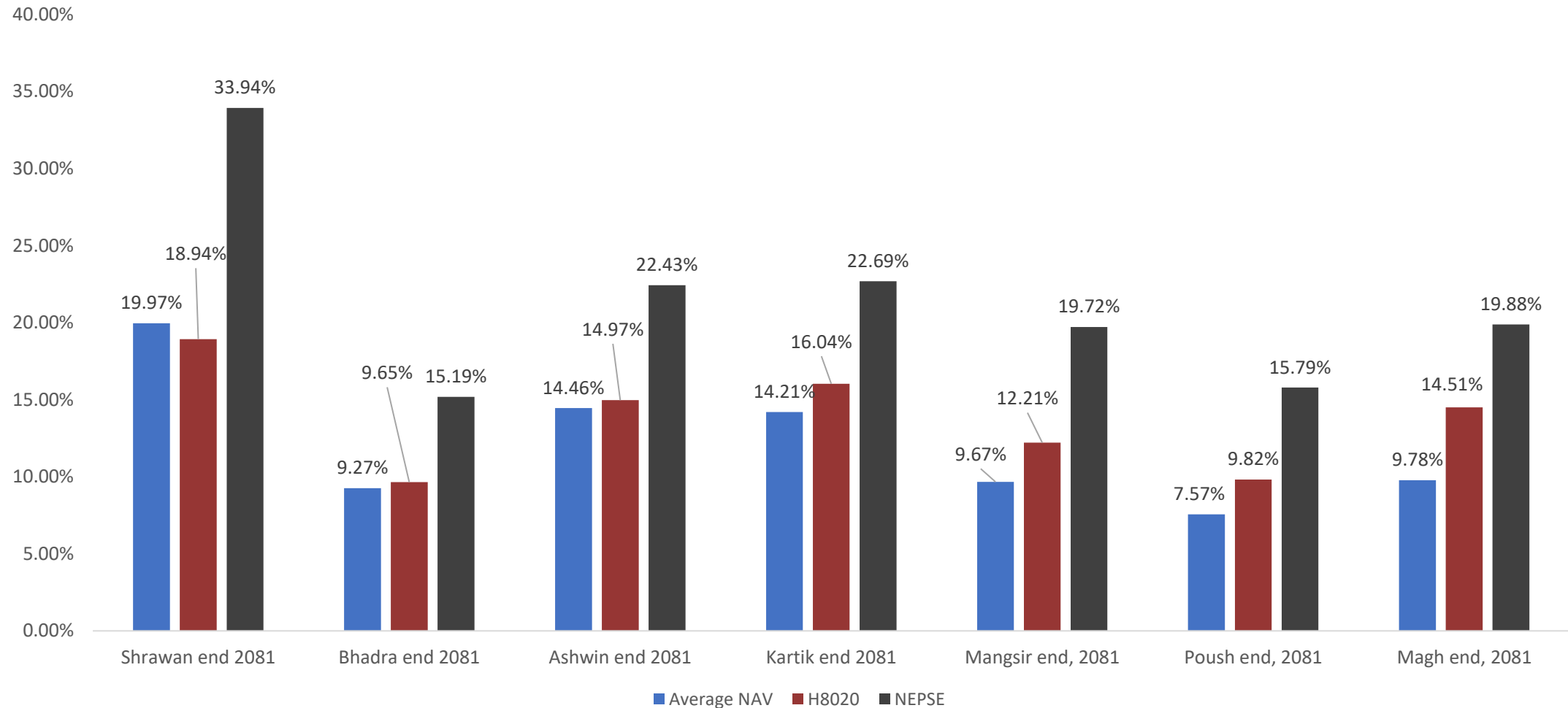


*Note: Mutual funds are excluded from both purchase and sale transactions
Purchases may include bonus share listings, IPOs, and NFOs as well..*

Sector Allocation of Mutual Fund Industry (Poush 2081 and Magh 2081)



H8020 vs NEPSE vs Average NAV (Since FY 2080/81 End)

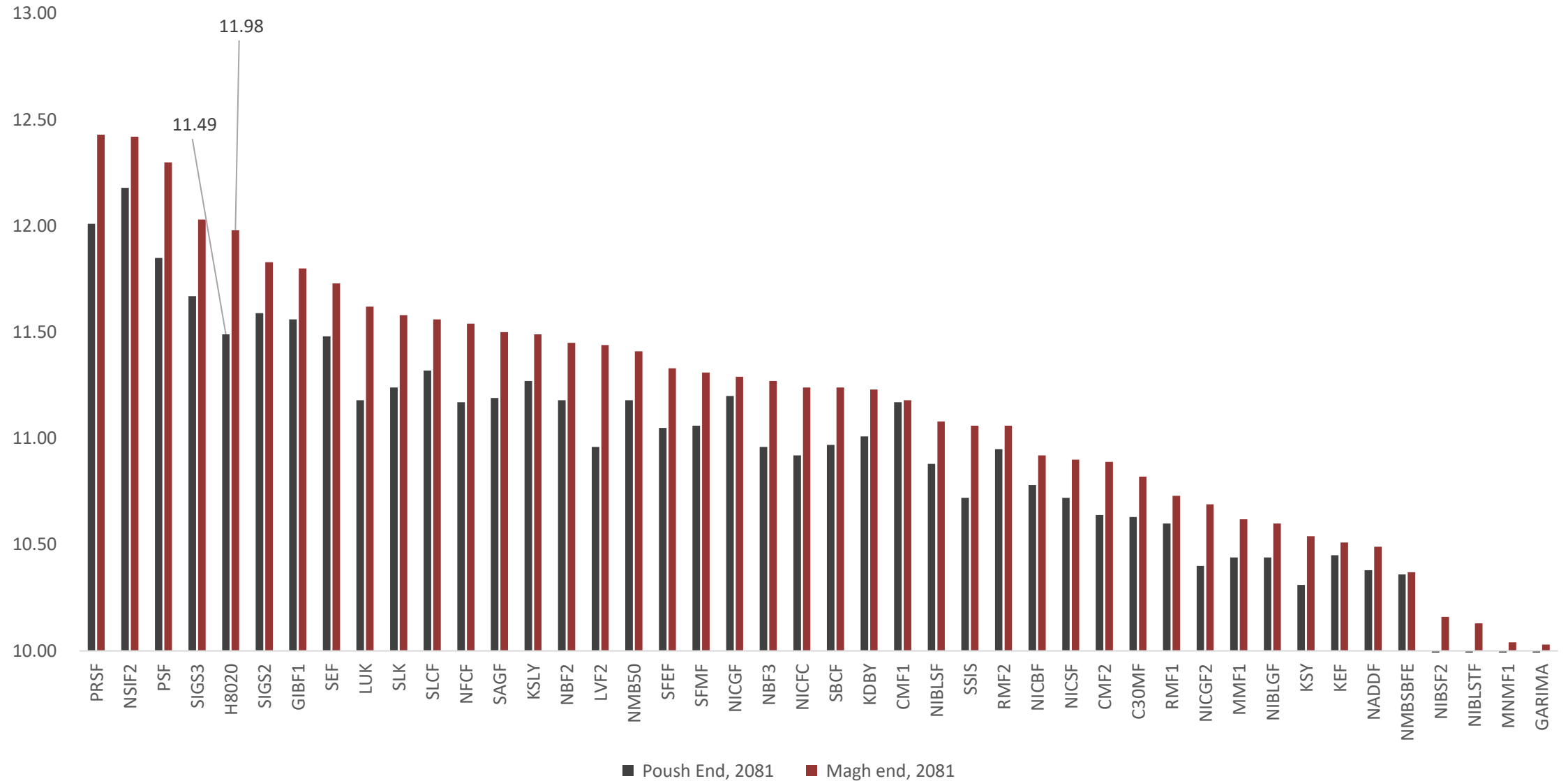


Note: NAV of all the mutual funds have been adjusted for cash dividend.

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,

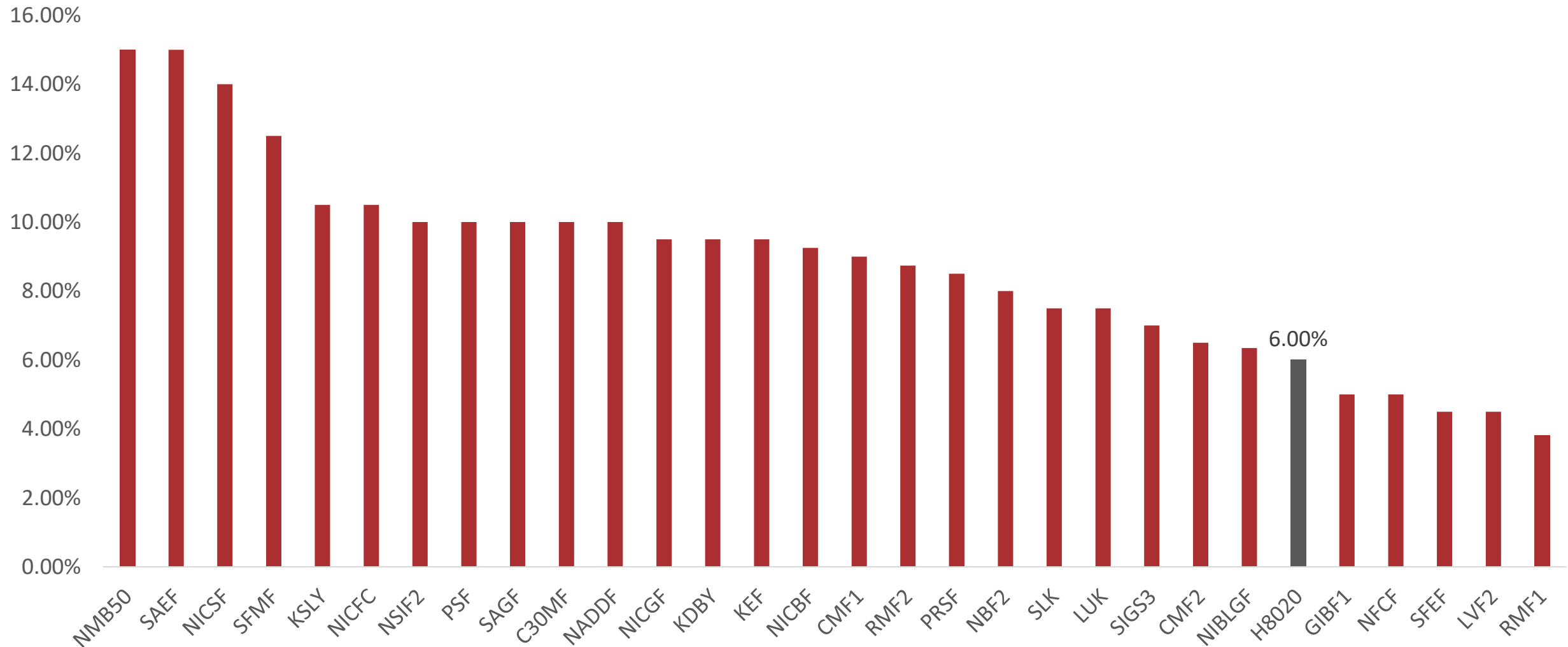
NAV for the previous months / (1 + Cash dividend %)

Month on Month NAV Comparison



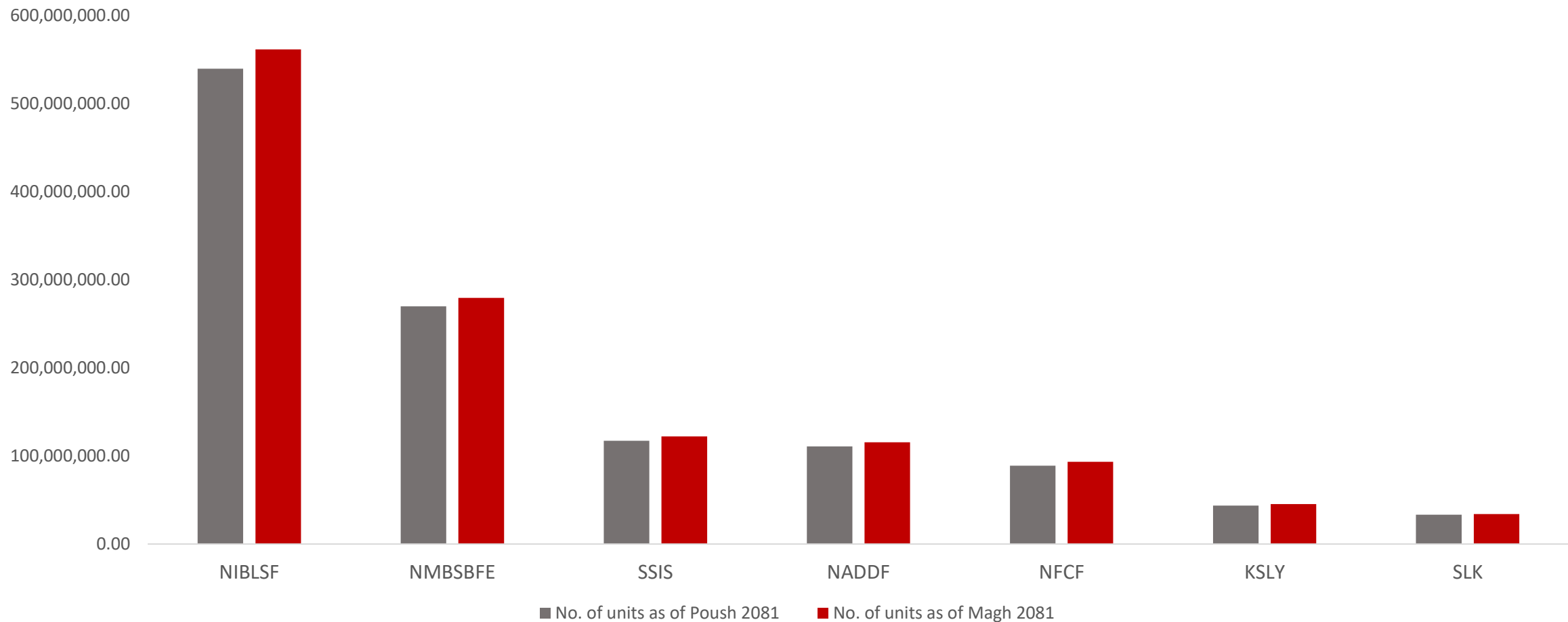
Cash Dividend Declarations for FY 2080/81

Among the 43 active mutual funds, currently, 30 have provided dividends to its shareholders.



Open Ended Mutual Funds

Among the seven open-ended mutual funds, there was a net unit growth, totaling 48,205,440.14 units as of Magh end 2081. This represents a monthly increase of 3.87%.



Value of SIP investment of open ended mutual funds since their inception assuming NPR 1,000 monthly investment since the date of the NFO, with DRIP (NAV as of Magh end, 2081)

Symbol	Allotment Date	Total Investment Excluding Reinvested Dividends	Total Investment Including Reinvested Dividends	Current Value Including Reinvested Dividends	Simple Return	XIRR
NIBLSF	7/10/2019	66,000.00	83,957.71	81,503.46	27.16%	#NUM!
NADDF	2/4/2021	49,000.00	58,301.03	56,071.85	15.65%	#NUM!
NMBSBFE	9/23/2021	38,000.00	38,000.00	41,466.19	9.12%	5.46%
NFCF	12/5/2022	27,000.00	28,106.26	31,812.55	17.82%	11.87%
SSIS	7/23/2021	43,000.00	43,000.00	50,908.65	21.21%	10.64%
KSLY	4/13/2023	21,000.00	22,655.89	23,392.48	11.39%	3.66%

Open
Ended Funds

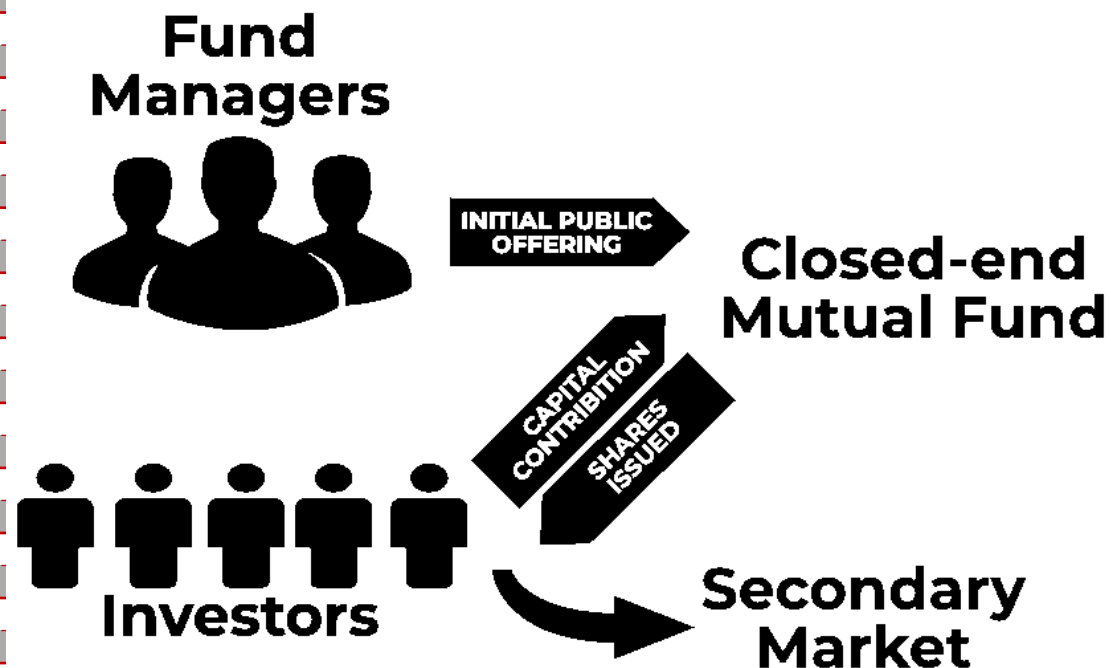


When the total investment is lower than the current value, including reinvested dividends, the XIRR for dividend-paying funds can appear negative or minimal. This occurs because reinvested dividends increase the capital base, but if NAV growth is weak or market conditions are unfavorable, the XIRR may not reflect positive performance. On the other hand, old funds without dividends or new funds paying dividends often show positive XIRR, as returns are driven by NAV growth. It's essential to consider total returns, which account for both NAV growth and dividends, to better assess a fund's performance and whether it meets long-term objectives.

Note: SLK has been excluded from the list due to the unavailability of historical daily NAV data

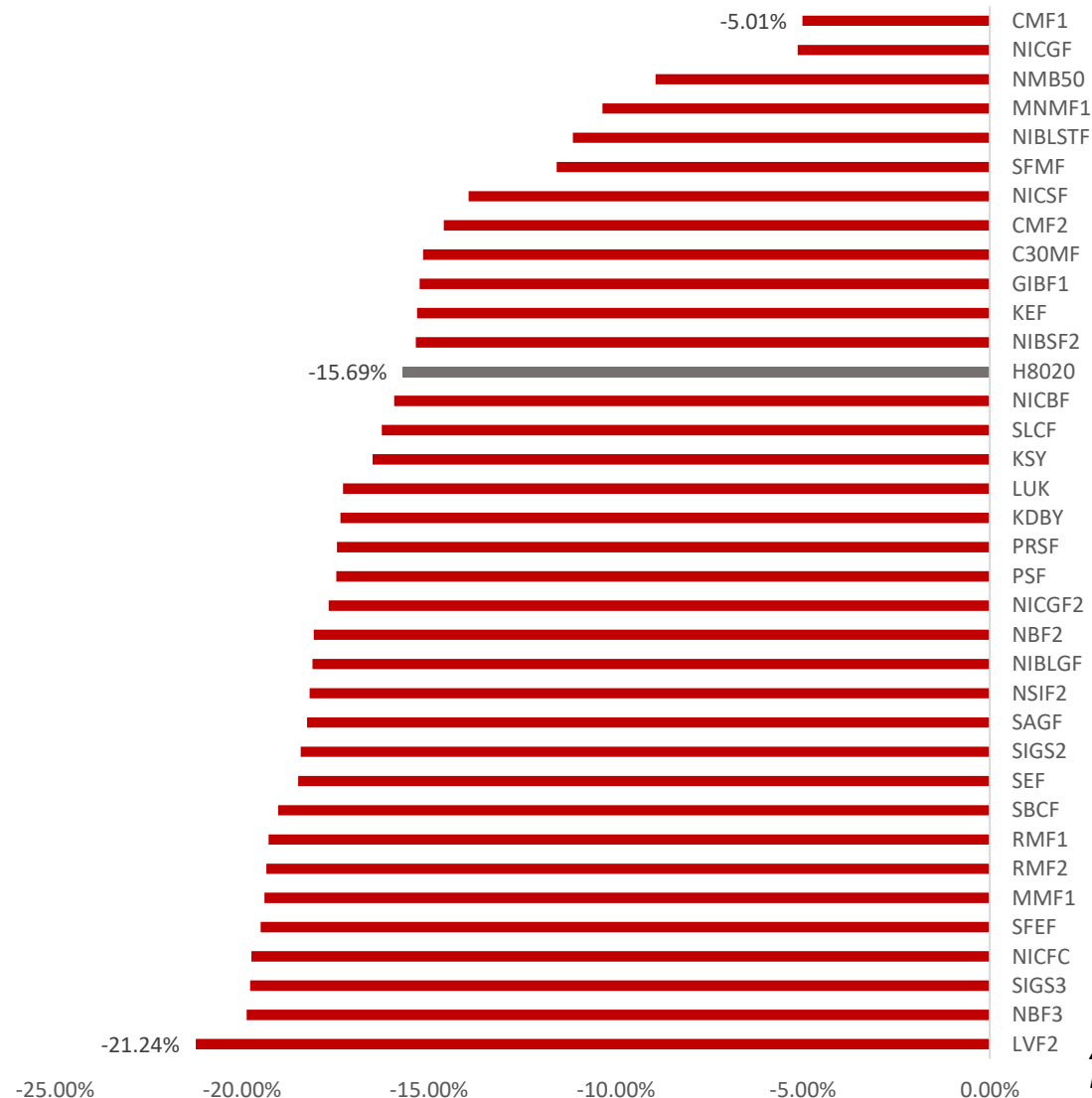
Close Ended Mutual Funds

Script	3 Month Average NAV	Magh End, 2081	Deviation
PSF	12.03	12.30	-2.20%
LVF2	11.20	11.44	-2.07%
H8020	11.74	11.98	-2.03%
PRSF	12.18	12.43	-1.98%
SIGS3	11.83	12.03	-1.63%
LUK	11.43	11.62	-1.61%
NIBLSTF	10.00	10.13	-1.32%
NBF3	11.13	11.27	-1.21%
NICGF2	10.56	10.69	-1.18%
NBF2	11.32	11.45	-1.14%
SAGF	11.38	11.50	-1.04%
SIGS2	11.71	11.83	-1.04%
NICFC	11.13	11.24	-1.01%
SEF	11.62	11.73	-0.97%
SBCF	11.14	11.24	-0.89%
SFMF	11.22	11.31	-0.83%
NIBSF2	10.08	10.16	-0.82%
SLCF	11.47	11.56	-0.75%
SFEF	11.25	11.33	-0.74%
KSY	10.47	10.54	-0.70%
KDBY	11.16	11.23	-0.62%
CMF2	10.84	10.89	-0.49%
C30MF	10.77	10.82	-0.46%
NSIF2	12.36	12.42	-0.46%
NICSF	10.86	10.90	-0.40%
NICBF	10.88	10.92	-0.40%
NMB50	11.37	11.41	-0.38%
NIBLGF	10.56	10.60	-0.35%
GIBF1	11.78	11.80	-0.17%
MMF1	10.60	10.62	-0.16%
RMF1	10.72	10.73	-0.09%
RMF2	11.06	11.06	0.00%
NICGF	11.32	11.29	0.30%
KEF	10.54	10.51	0.32%
CMF1	11.24	11.18	0.51%



Note - 3 Month Average NAV has been adjusted for cash dividends provided. GSY and MNMF1 have been excluded from the list.

Closed-End Mutual Funds: Discount Analysis Based on NAV and Price as of Magh End, 2081

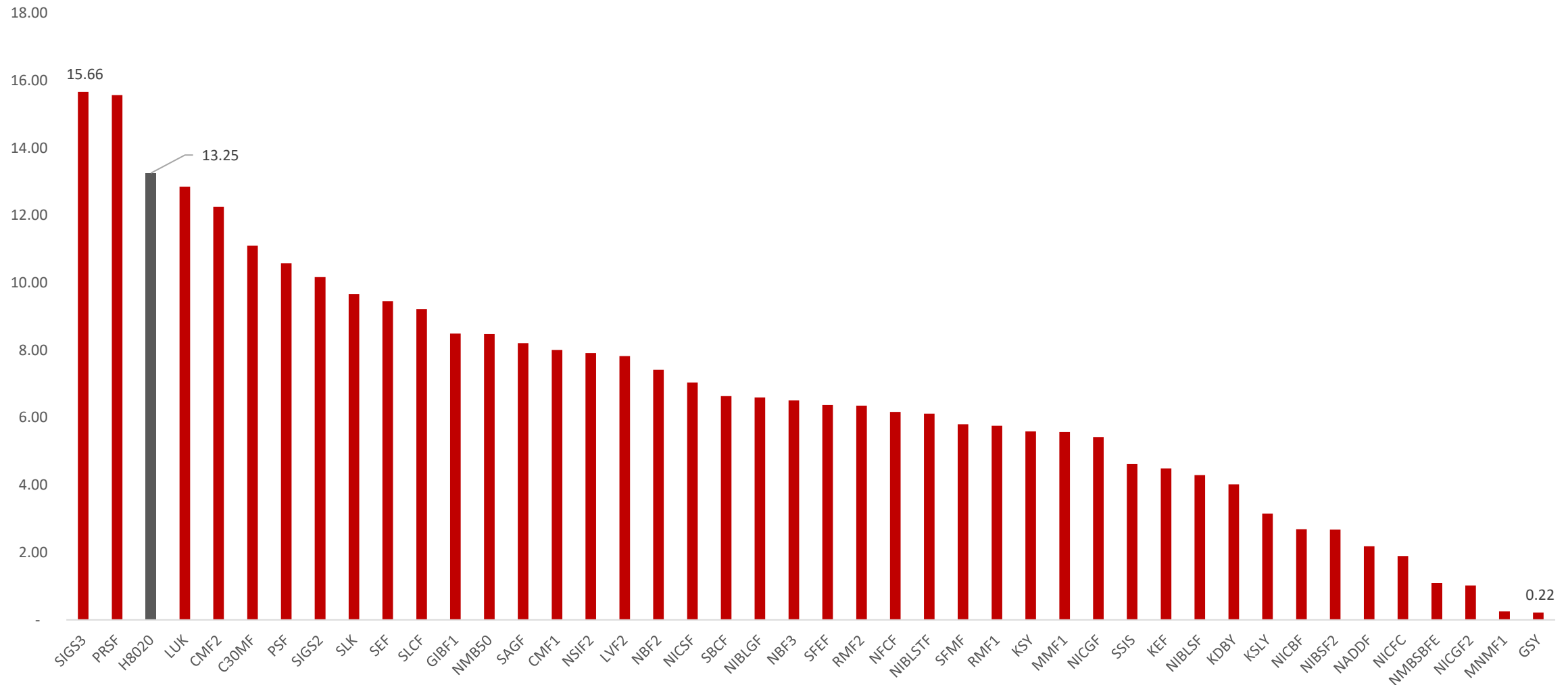


In Nepal, closed-end mutual funds often trade at a discount due to low demand and liquidity. Many investors prefer trading stocks for higher short-term returns compared to the long-term and relatively safer nature of mutual funds. While there is some level of institutional participation, it remains limited, 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.

DISCOUNT

Although MNMF1 and GARIMA published its NAV report for Poush 2081, their units were not listed on NEPSE by the end of Poush 2081.

Dividend Capacity of Mutual Funds (7 months)



- 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 Magh 2081

Company Name	Graham Fair Value as of Q2 2081/82	BVPS as of Q2 2081/82	Market Price as of Poush end, 2081	Our rationales
EBL	403.58	225.79	581.00	As of Q2, 2081/82, EBL holds the second-highest ROE (14.20%) and ROA (1.32%) , following SCB. However, EBL outperforms SCB in growth metrics , showing stronger expansion in deposits, loans, and profitability . It also boasts the second-highest EPS (NPR 32.06) and the lowest NPL (0.66%) in the sector , reflecting superior asset quality and efficiency, further solidifying its financial strength.
LBBL	182.38	181.39	456.00	LBBL's loans and deposits have grown YoY, and the impact of this expansion is expected to be reflected in its upcoming income statements in the coming quarters.
NLIC	199.16	154.51	721.73	Net income has grown by 9.44% year-over-year (YoY), driven by an increase in premium collection, which may have attracted mutual fund investments.
NLG	211.22	204.83	1036.00	Mutual funds may have acquired the stocks as part of a short-term trading strategy to capitalize on market movements.
KSBBL	255.11	157.46	433.00	The bank was among the top purchases by mutual funds due to its strong profitability growth, rising EPS, and healthy loan and deposit expansion. With net profit surging 24.55% YoY, EPS improving from NPR 15.78 to NPR 18.37, and ROE at 11.67%, the bank demonstrated robust financial strength. Despite an elevated NPL ratio of 4.35%, its overall growth trajectory and sector-leading performance likely made it an attractive investment for mutual funds seeking earnings stability and long-term value.

Top 5 Equity Sales in Units by Mutual Funds in Magh 2081

Company	Graham Fair Value as of Q2 2081/82	BVPS as of Q2 2081/82	Market Price as of Poush end, 2081	Our rationales
NIMBPO	262.90	185.05	156.80	As SAEF approached maturity and subsequent delisting, it sold 147,551 units of NIMBPO, making NIMBPO the top-sold stock in Magh 2081.
SHPC	261.61	192.03	456.30	As Q2 ended, the transition from the wet to dry season affected hydropower production, leading to lower revenue and profit due to seasonality. In response, mutual funds may have sold hydropower stocks to reallocate capital into better-performing opportunities.
TAMOR	197.14	105.97	538.10	As Q2 ended, the transition from the wet to dry season affected hydropower production, leading to lower revenue and profit due to seasonality. In response, mutual funds may have sold hydropower stocks to reallocate capital into better-performing opportunities.
NRIC	133.48	147.45	760.00	Mutual funds may have capitalized on market trends and engaged in profit booking to optimize returns.
SMHL	162.89	106.82	1509.00	As Q2 ended, the transition from the wet to dry season affected hydropower production, leading to lower revenue and profit due to seasonality. In response, mutual funds may have sold hydropower stocks to reallocate capital into better-performing opportunities.

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.





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