INSIGHTS INTO NEPAL'S MUTUAL FUND MARKET

Himalayan Capital
A Subsidiary of Himalayan Bank Limited

Baisakh 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 5 June 2025, the NEPSE index closed at 2,640.96 points, with a weekly turnover of NPR 29.04 billion. Compared to the previous week's final close price and average weekly turnover, the index decreased by 52.10 points (i.e. 1.93%) and a 4.18% decrease in average weekly turnover.

The Relative Strength Index (RSI) stands at 44.68 points, indicating the market is in the neutral zone while the Moving Average Convergence Divergence (MACD) indicator suggests a bearish trend.

Looking ahead, the NEPSE index's immediate support levels are identified as (S1) 2,640, (S2) 2,605, and (S3) 2550 while immediate resistance levels are recognized at (R1) 2,725, (R2) 2,775, and (R3) 2,850. These support and resistance levels serve as valuable indicators for investors when formulating trading decisions.

Macroeconomic Outlook

Inflation	3.39 % ▲
Deposit Growth	11.47% ▲
Credit Growth	8.09% ▲
Import Growth	12.18% ▲
Export Growth	65.16% ▲
Remittance Growth	7.30% in USD terms ▲
FX Reserve Growth	26.94% ▲

** Growth refers to the change between nine 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

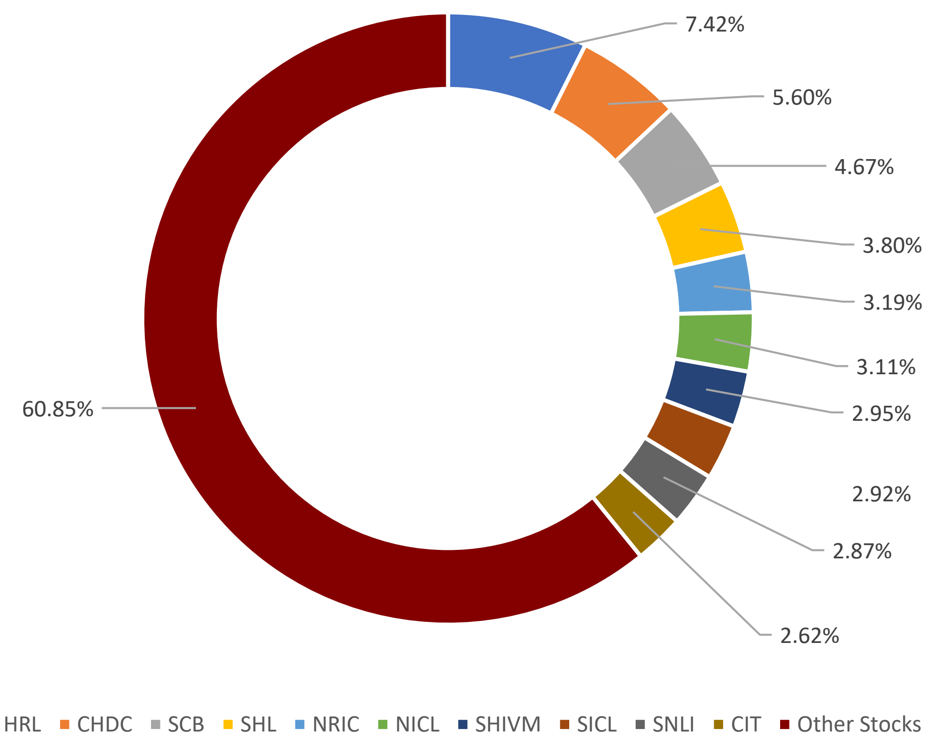
Allotment Date	13-Sep-23
Maturity Date	01-Oct-33
Monthly NAV as of Baisakh end 2082 in NPR	12.66
AUM as of Baisakh end, 2082 in NPR	1,268,081,227.52
Scheme Type	Close Ended
Scheme Objective	Growth Oriented
Benchmark	NEPSE
Fund Management Fee	1.50% of NAV
DP Fee	0.20% of NAV
Fund Supervisor Fee	0.20% of NAV or NPR 100,000 per month whichever is lower
Fund Manager	Himalayan Capital Limited
H8020 Returns since FY 2080/81 End	21.01%
NEPSE returns since the same date	16.95%
Adjusted Fund Beta Since Inception (Monthly)	0.69
Fund Standard Deviation Since Inception (Monthly)	1.17
Average Monthly Fund Return Since Inception	1.60%

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 Baisakh End, 2082



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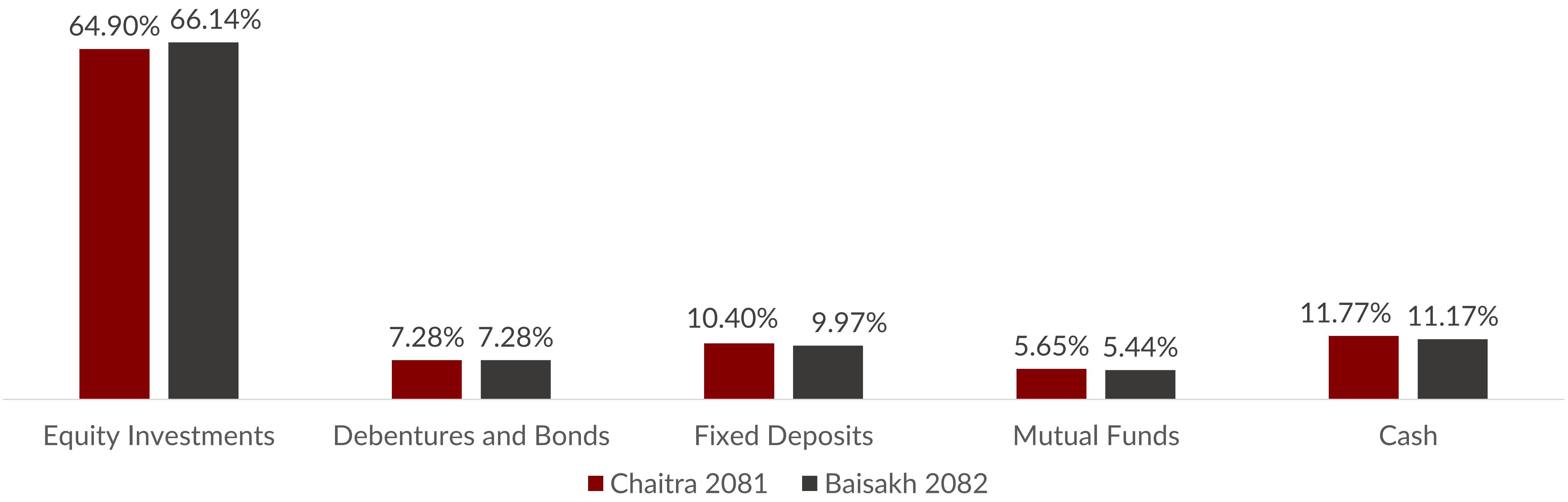
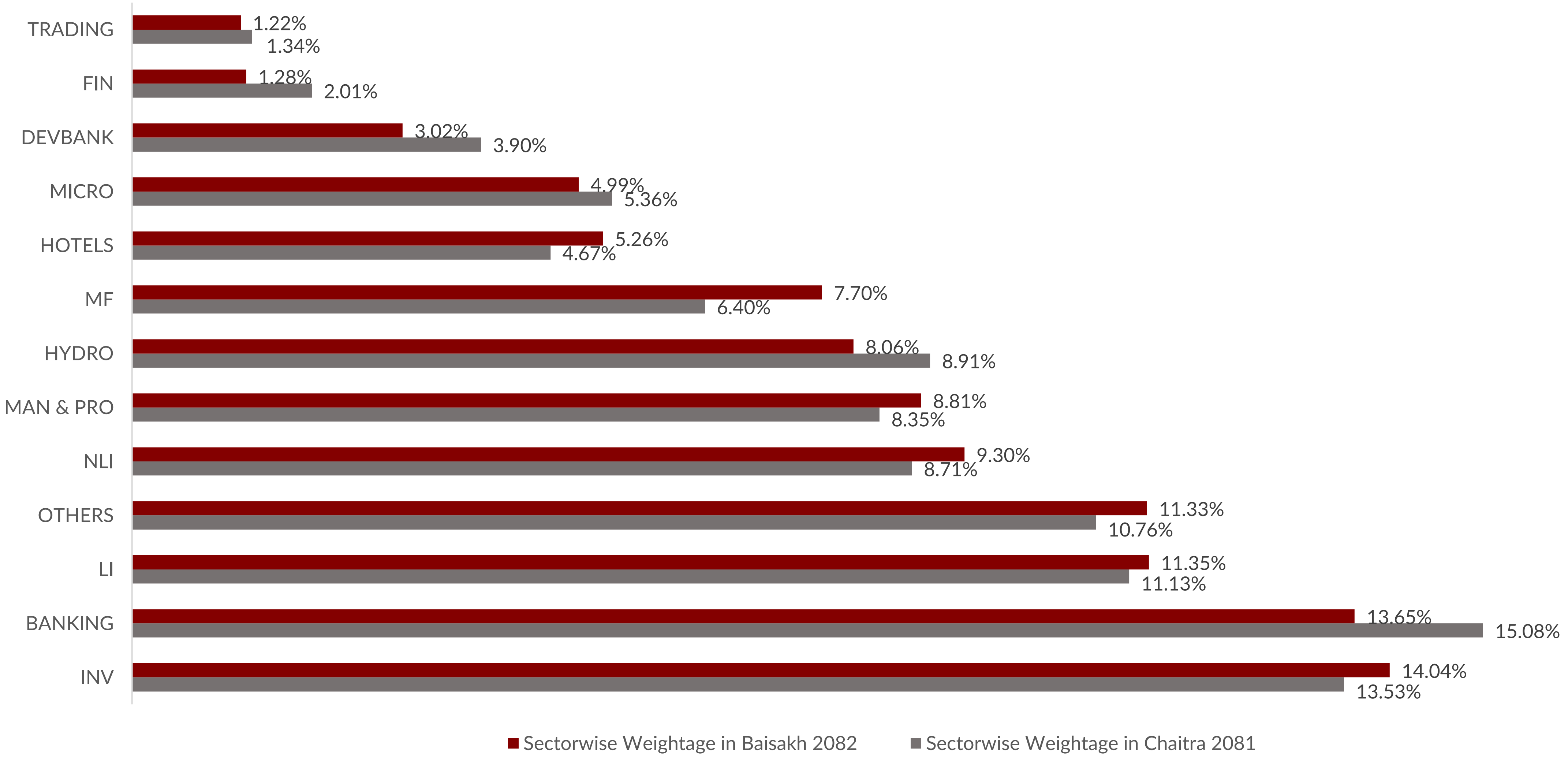
Asset Allocation of Himalayan 80-20

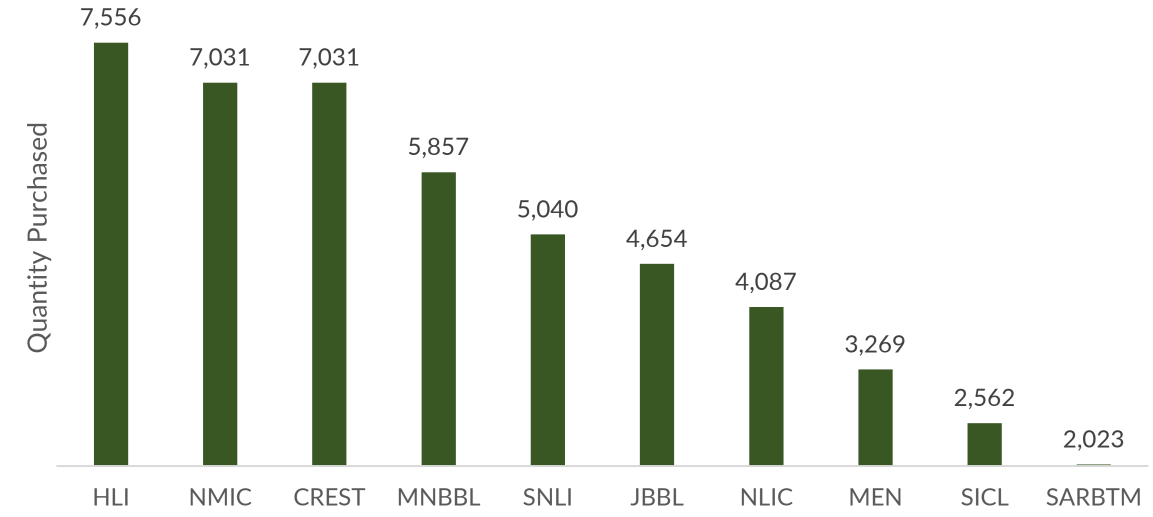
Between Chaitra 2081 and Baisakh 2082, the portfolio saw a slight increase in equity investments from 64.90% to 66.14%, with no equity sales made—indicating strong confidence in long-term equity performance. Fixed deposits, mutual funds, and cash holdings slightly declined, suggesting increased fund deployment. Debentures and bonds remained unchanged at 7.28%. Overall, the portfolio reflects a shift toward growth-oriented assets while maintaining moderate liquidity and fixed-income exposure.



Sectorwise Allocation of Himalayan 80-20



Top 10 Equity Purchases of H8020 (Chaitra 2081)



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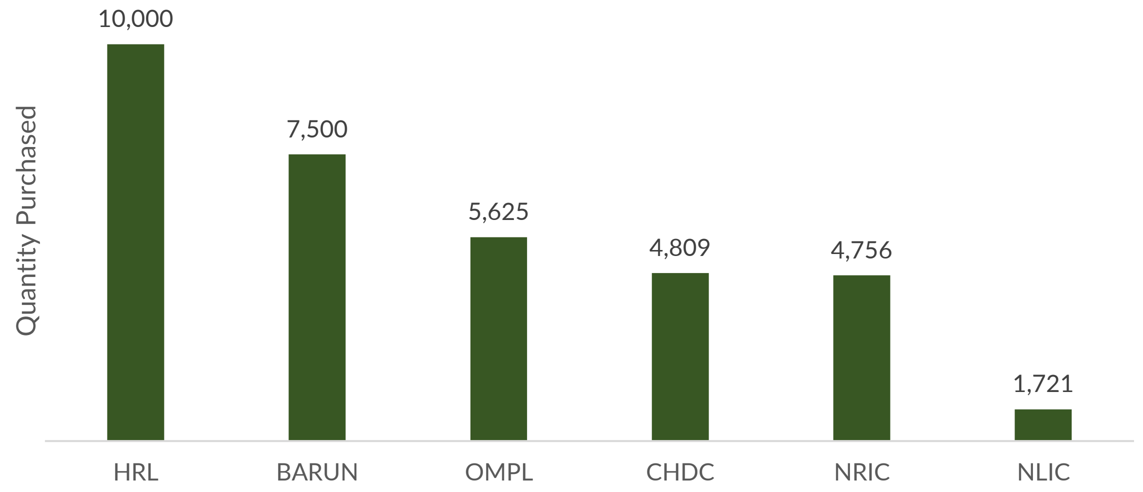
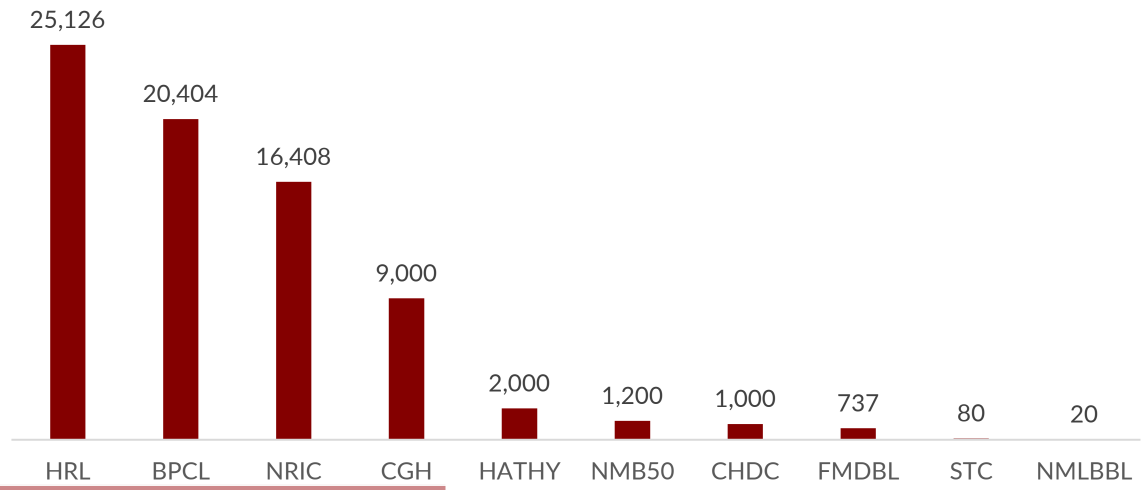


Top 10 Equity Sales of H8020 (Chaitra 2081)



Top 10 Equity Sales of H8020 (Baisakh 2082)

H8020 did not sell any shares in the month of Baisakh 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

Currently, 46 active mutual funds—comprising 38 close-ended and 8 open-ended funds—are managed by 17 fund managers.

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Citizens Capital Ltd.

Global IME Capital Limited
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कुमारी क्यापिटल लिमिटेड
Kumari Capital Limited
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A Wholly Owned Subsidiary of Laxmi Sunrise Bank.

NABIL® INVESTMENT BANKING LIMITED

NIMB ACE CAPITAL LIMITED
Managing Shares. Managing Investments.

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

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.

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

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)

ReliableCapital
Investment & Merchant Limited

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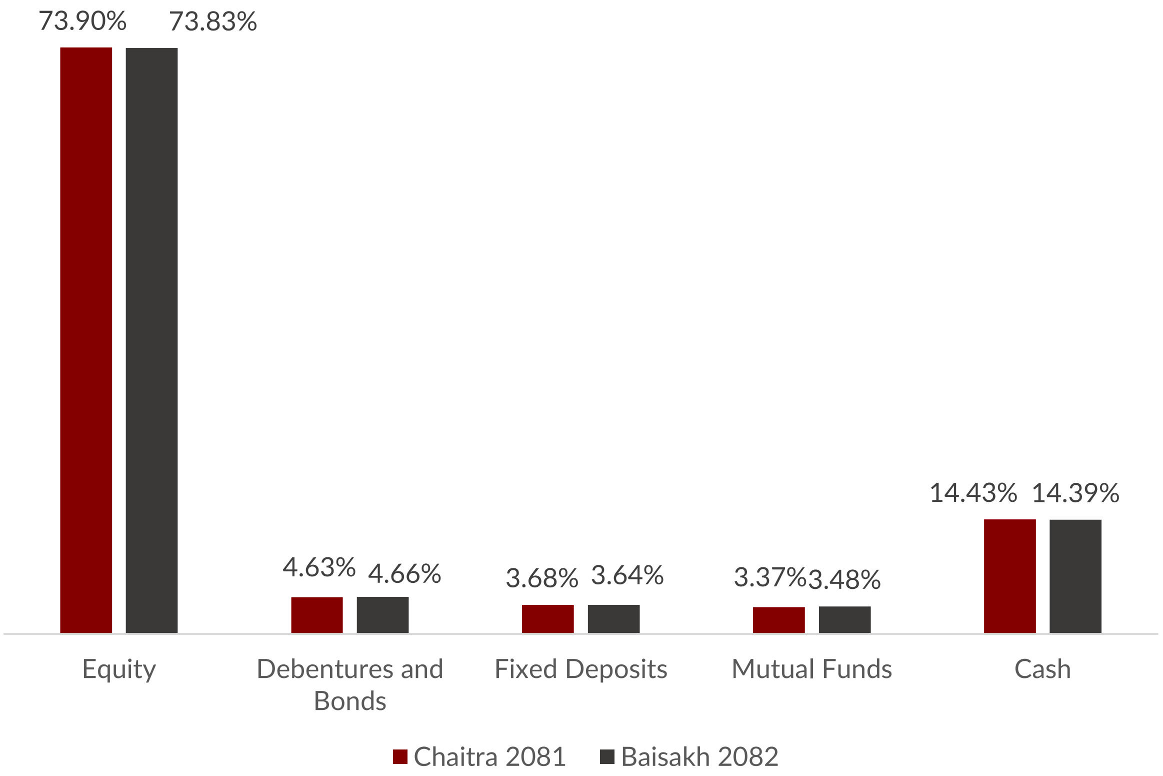
Asset Allocation Comparison for Baisakh 2082 : H8020 and Industry Average

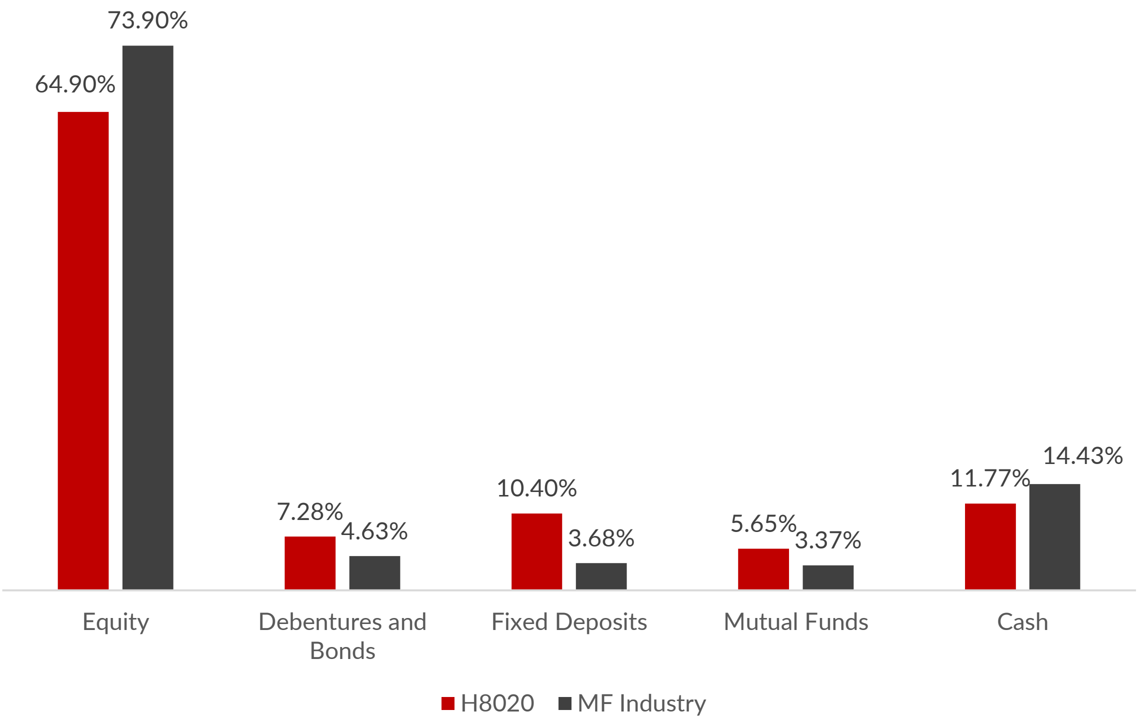
The mutual fund industry's asset allocation remained largely stable between Chaitra 2081 and Baisakh 2082. Equity holdings slightly dipped from 73.90% to 73.83%, while minor shifts were seen in other categories—debentures and mutual funds rose marginally, and cash and fixed deposits declined slightly. Overall, equity remains the dominant asset class with minimal month-on-month changes.

As of Baisakh 2082, H8020 shows a more balanced allocation than the mutual fund industry average. It holds 66.14% in equities, lower than the industry's 73.83%, signaling a slightly more defensive position. H8020 allocates more to fixed deposits (9.97% vs. 3.64%) and mutual funds (5.44% vs. 3.48%), suggesting greater diversification and income stability. Cash and bond allocations are similar across both. Overall, H8020 appears more risk-aware, while the industry leans heavily on equity exposure.

Mutual Fund Industry

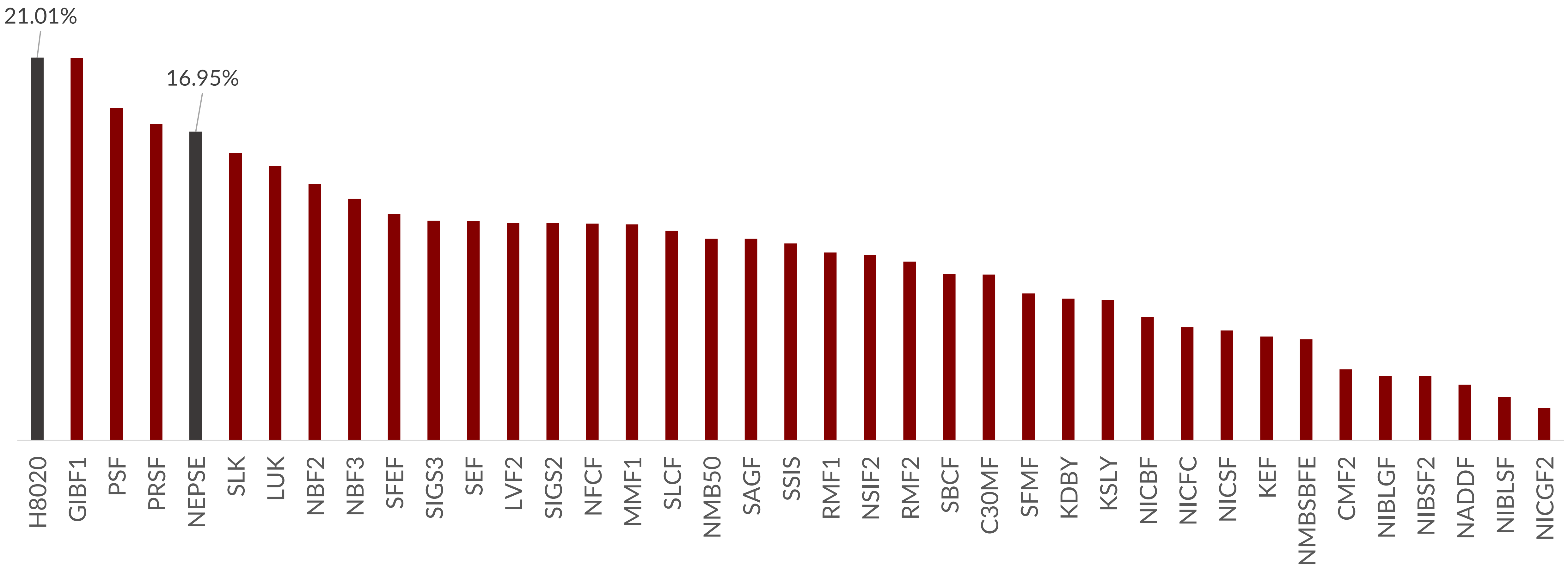


H8020 vs Mutual Fund Industry

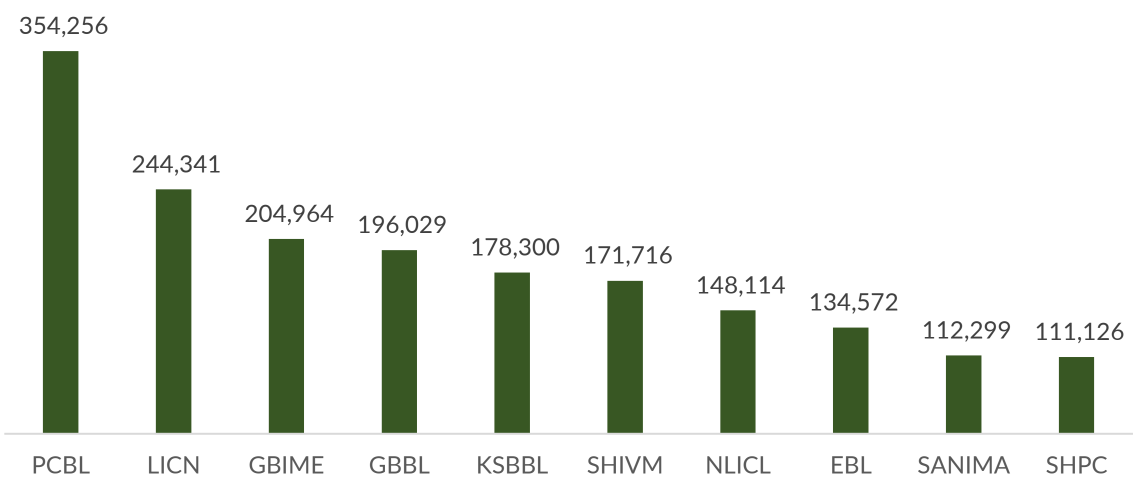


Comparison of Mutual Fund Returns with NEPSE Performance Since the End of FY 2080/81

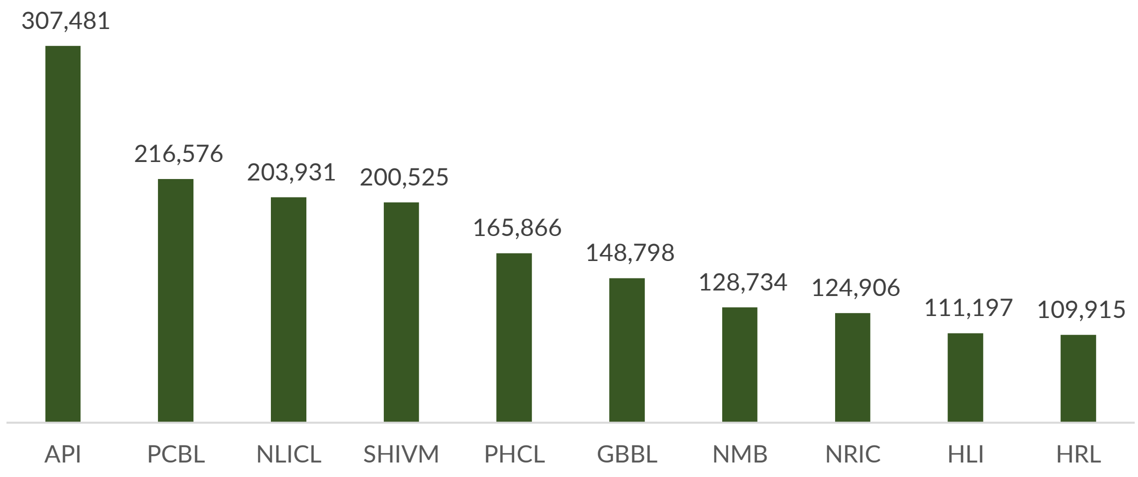
SAEF and CMF1 have already matured. H8020 was the top performer in the industry as per Baisakh 2082.



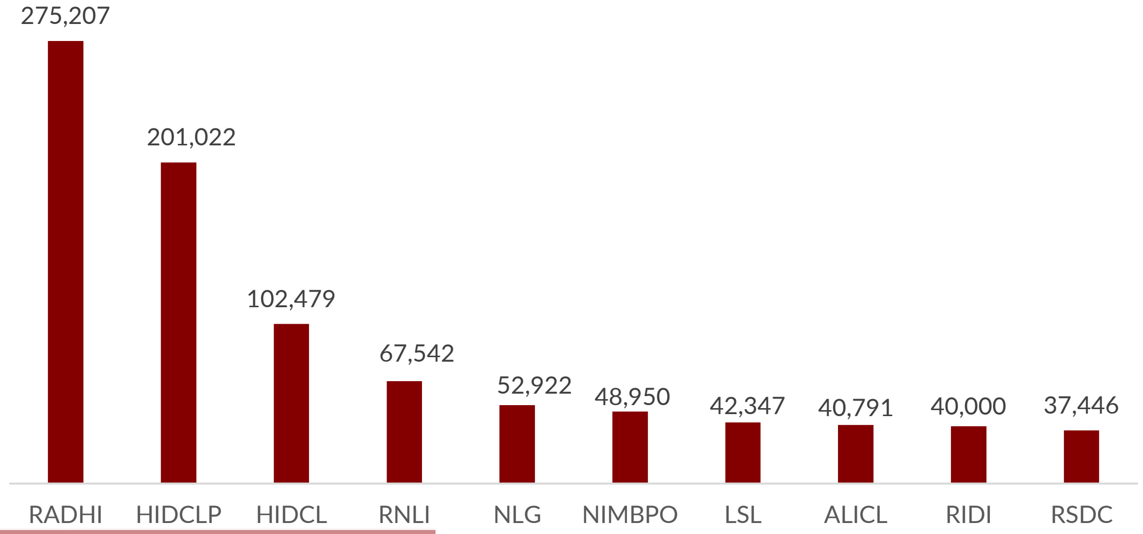
Top 10 Equity Purchases of Mutual Funds (Chaitra 2081)



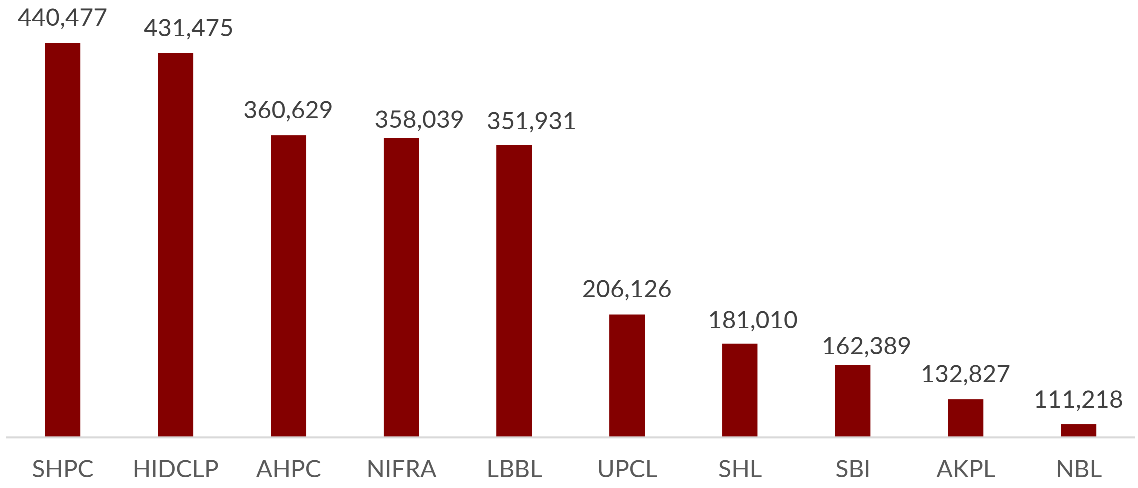
Top 10 Equity Purchases of Mutual Funds (Baisakh 2082)



Top 10 Equity Sales of Mutual Funds (Chaitra 2081)



Top 10 Equity Sales of Mutual Funds (Baisakh 2082)



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Note: Mutual funds are excluded from both purchase and sale transactions
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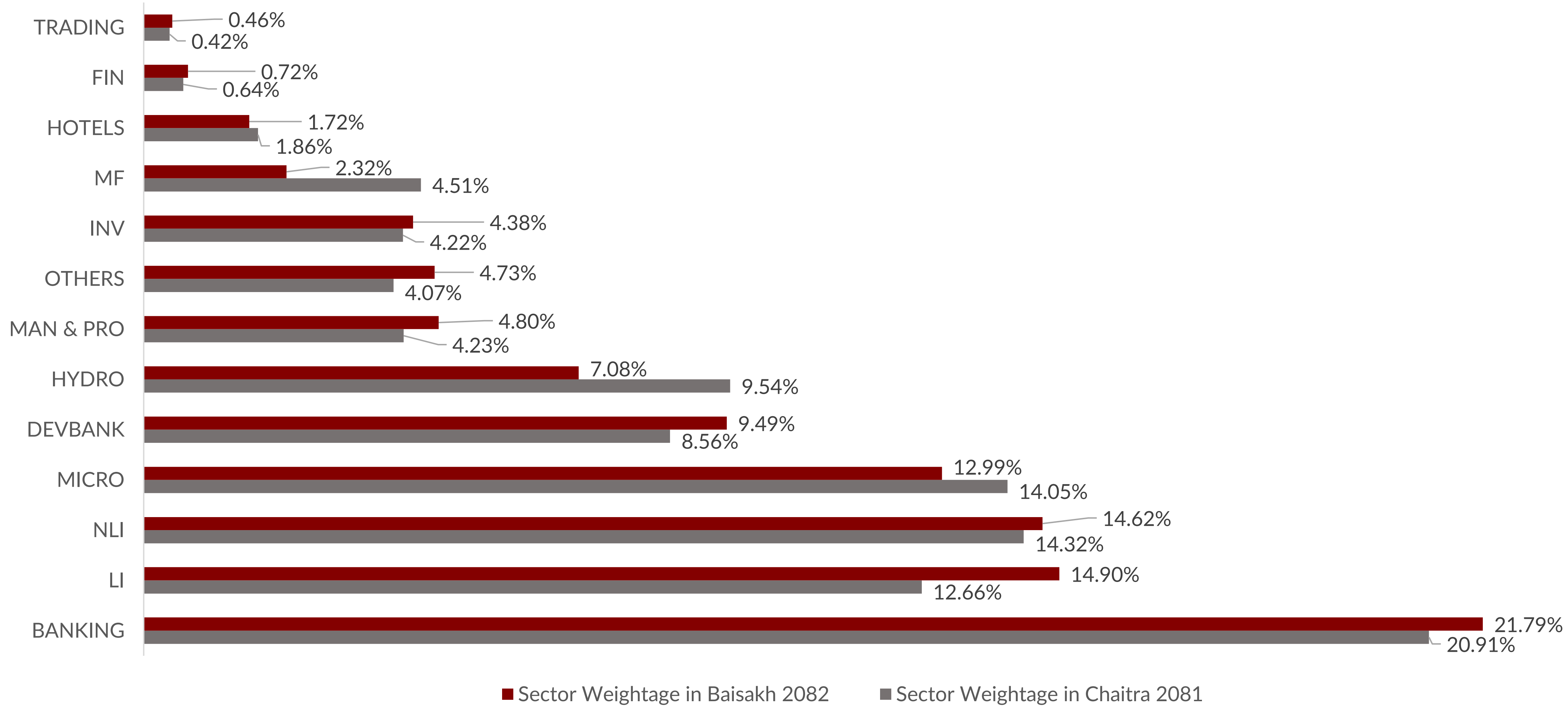
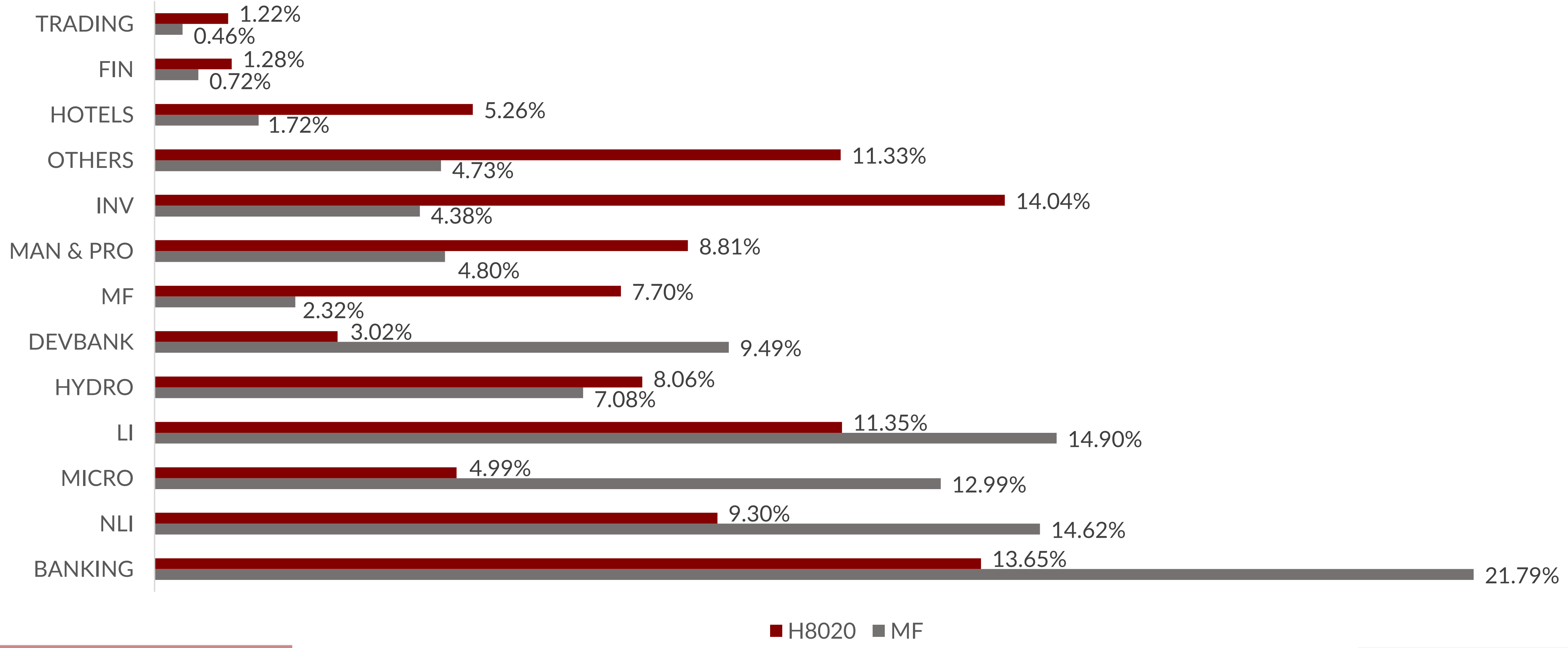
Sector Wise Weightage of Mutual Fund Industry (Chaitra 2081 and Baisakh 2082)



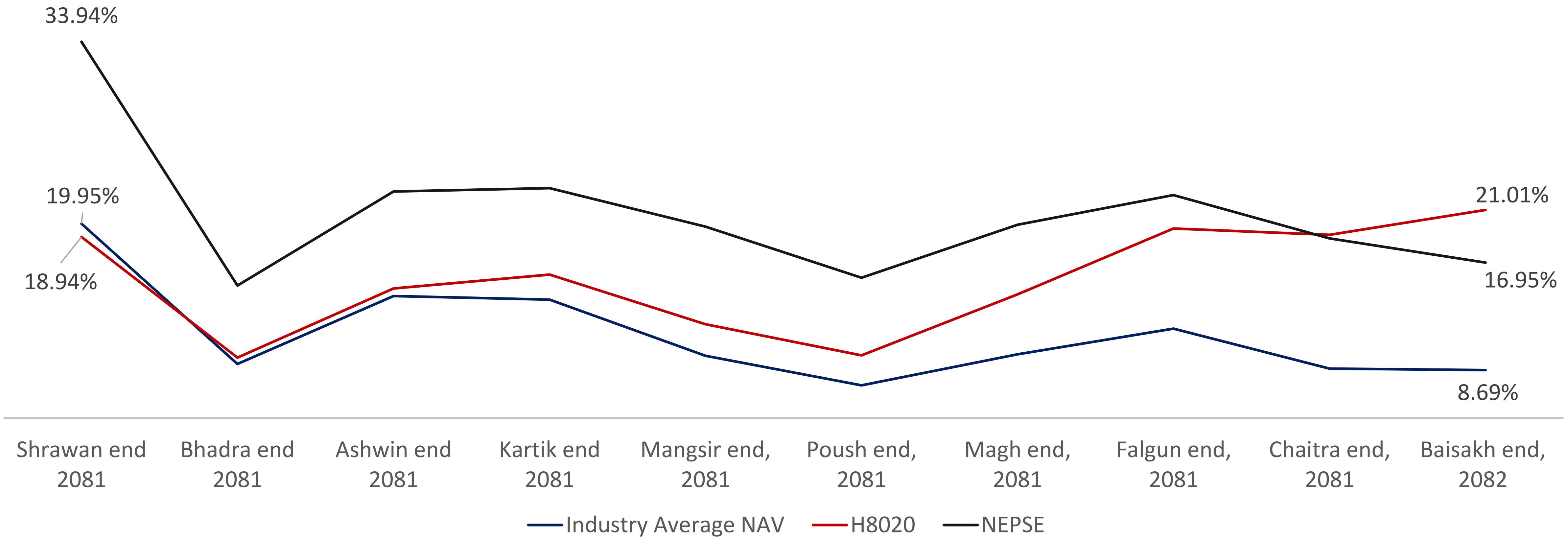
Sector Wise Weightage Comparison of Mutual Fund Industry and H8020

In Baisakh 2082, the sector-wise comparison reveals that H8020 has taken a more aggressive stance in sectors like *Investment* (14.04% vs. MF 4.38%), *Hotels* (5.26% vs. MF 1.72%), and *Manufacturing & Processing* (8.81% vs. MF 4.80%). Conversely, the overall mutual fund (MF) industry remains heavily concentrated in *Banking* (21.79% vs. H8020's 13.65%), *Life Insurance* (14.90% vs. 11.35%), and *Microfinance* (12.99% vs. 4.99%). This indicates H8020's preference for higher-growth, non-traditional sectors, while the broader industry remains tilted toward safer, income-generating sectors.



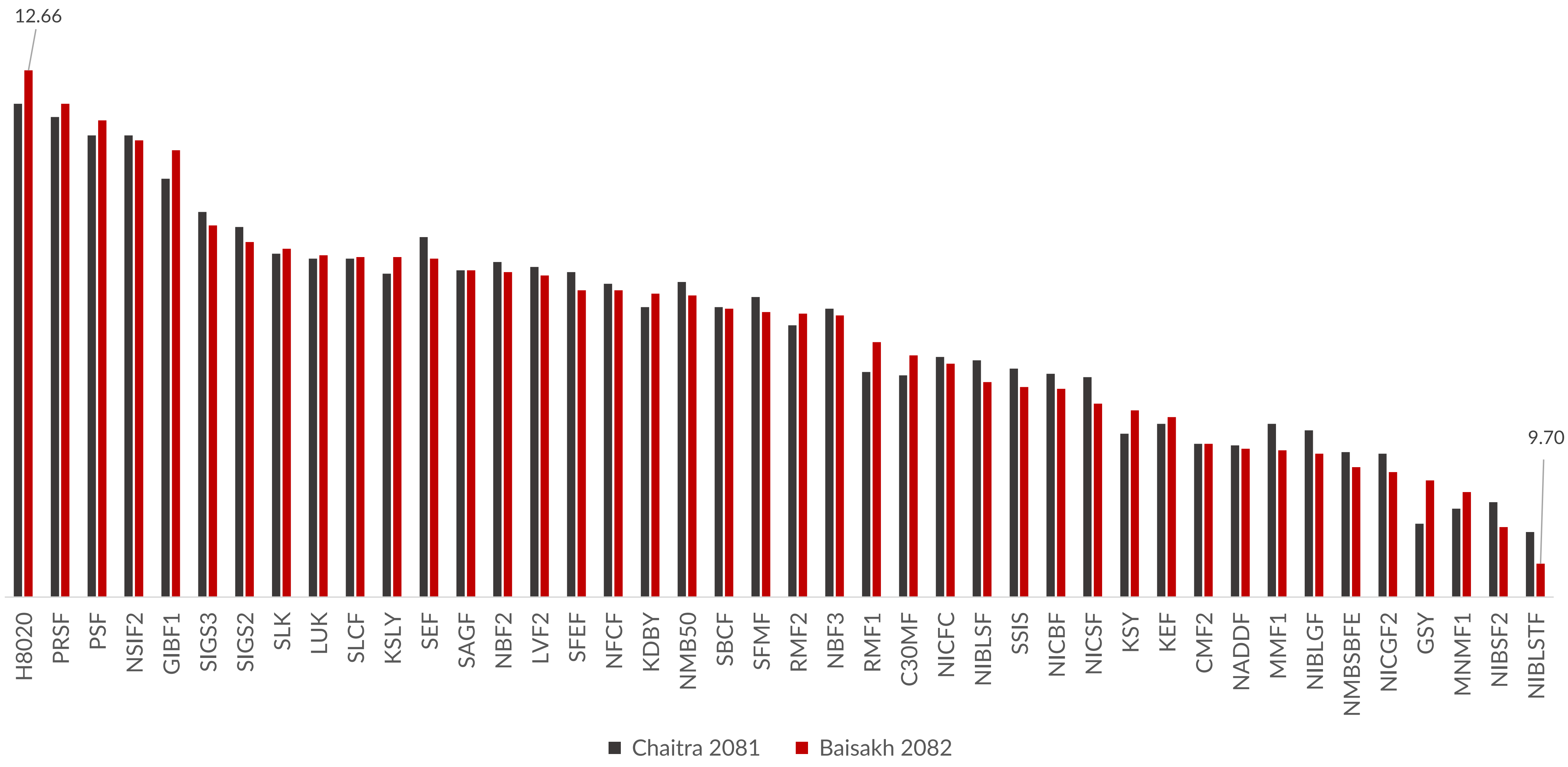
H8020 vs NEPSE vs Average NAV (Since FY 2080/81 End)

As of Baisakh 2082, H8020 leads with a **21.01% YTD return**, outperforming both **NEPSE (8.69%)** and the **mutual fund industry average (16.95%)**. Its strong performance reflects **active sector rotation and higher exposure to growth sectors** like Investment and Hotels, unlike the broader industry which remains more tilted toward Banking. This highlights H8020's **aggressive, growth-focused strategy** and effective fund management. H8020 has outperformed the alpha by 4.06%, while the broader mutual fund has underperformed.



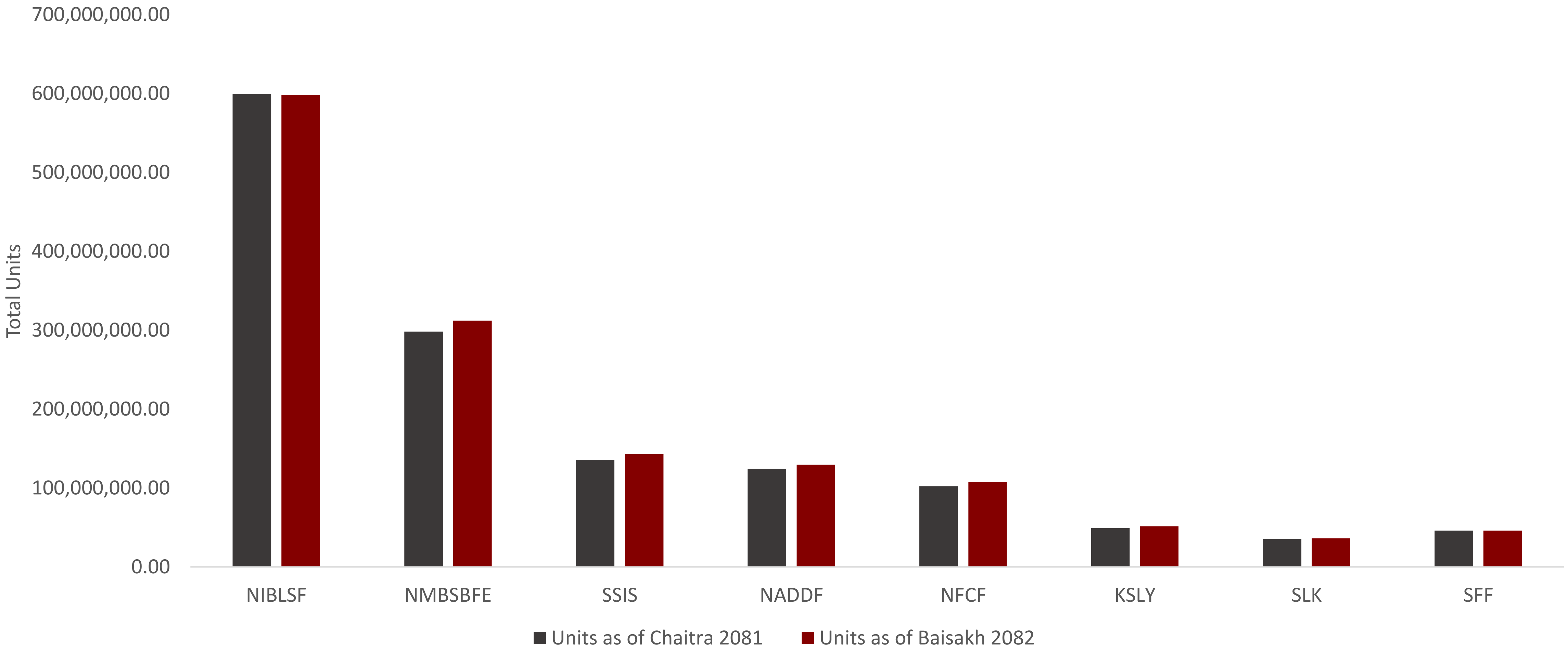
Note: NAV of all the mutual funds have been adjusted for cash dividend
For instance, if the dividend book close were in mid-Bhadra 2081, the previous NAV for Asar 2081 and Shrawan 2081 would be adjusted based on this formula,
NAV for the previous months / (1 + Cash dividend %)

Month on Month NAV Comparison



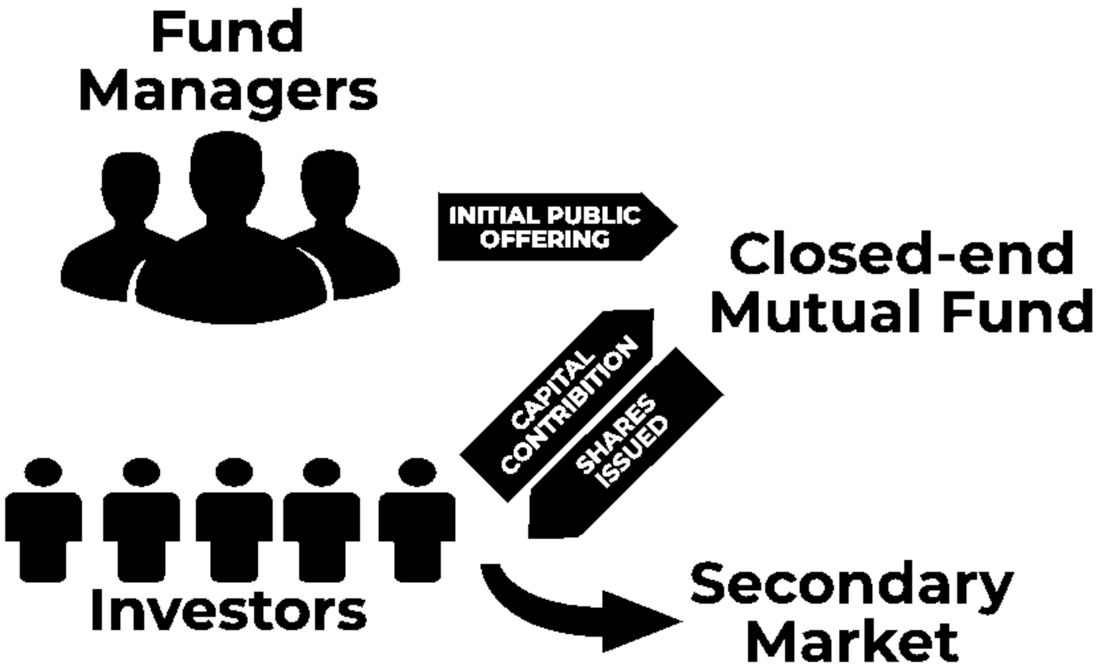
Open Ended Mutual Funds

Among the seven open-ended mutual funds, there was a net unit growth, totaling 33,302,528.49 units as of Baisakh end 2082. This represents a monthly increase of 2.39%.



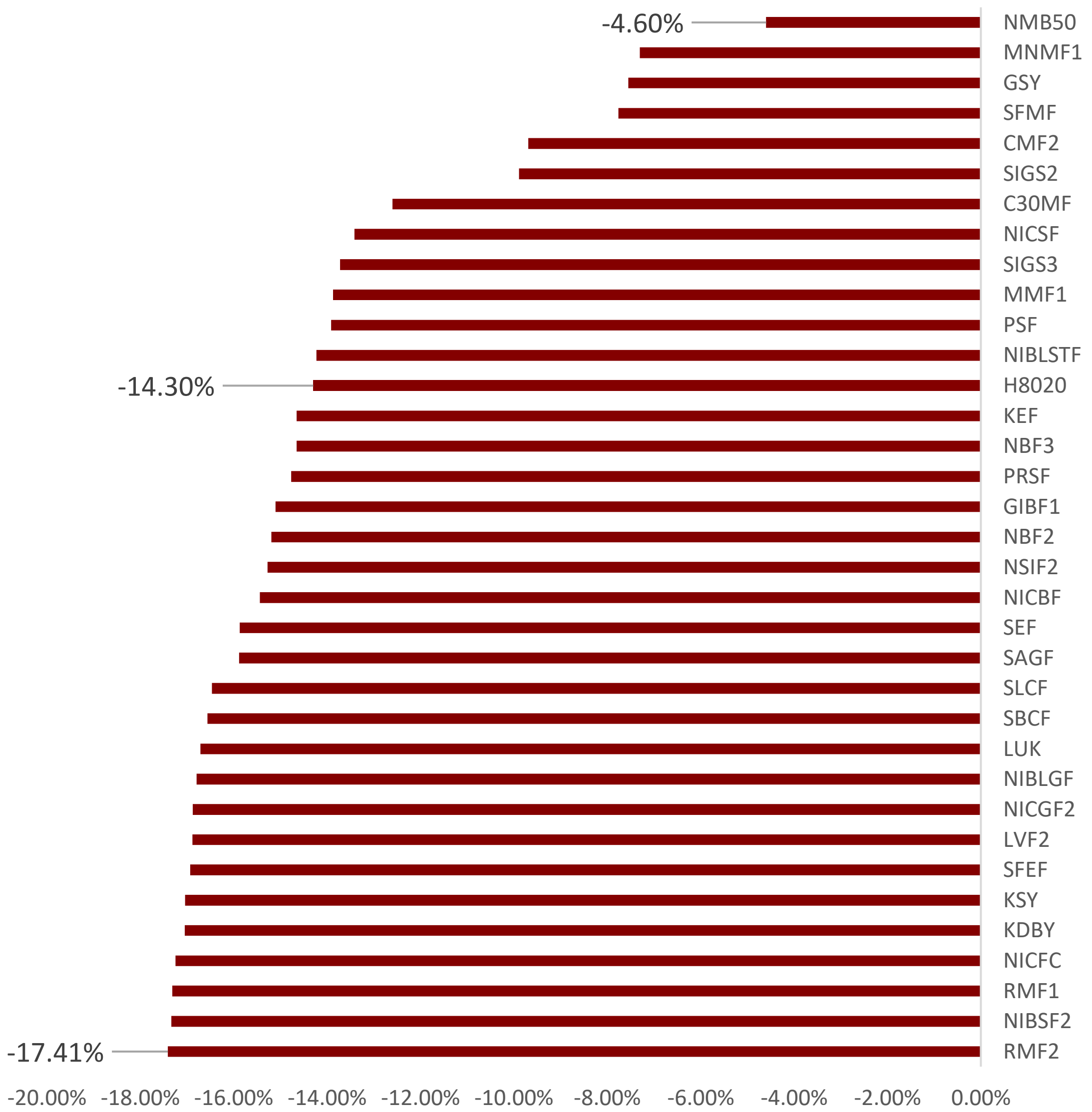
Close Ended Mutual Funds

Script	Baisakh 2082	3 month Average	Deviation
NADDF	10.39	11.69	-11.12%
RMF1	11.03	12.38	-10.90%
GSY	10.20	11.45	-10.89%
RMF2	11.20	12.49	-10.33%
MNMF1	10.13	11.23	-9.77%
NICBF	10.75	11.90	-9.64%
NIBLGF	10.36	11.31	-8.40%
SAGF	11.46	12.38	-7.46%
KEF	10.58	11.34	-6.67%
NIBSF2	9.92	10.58	-6.24%
C30MF	10.95	11.56	-5.30%
NBF3	11.19	11.72	-4.50%
NIBLSTF	9.70	10.12	-4.12%
SFEF	11.34	11.80	-3.87%
NMBSBFE	10.28	10.61	-3.11%
SFMF	11.21	11.56	-3.06%
NMB50	11.31	11.66	-3.00%
NICSF	10.66	10.88	-2.02%
SSIS	10.76	10.97	-1.88%
NICGF2	10.25	10.43	-1.73%
NFCF	11.34	11.46	-1.08%
NBF2	11.45	11.56	-0.95%
SLCF	11.54	11.64	-0.89%
NICFC	10.90	10.94	-0.34%
KDBY	11.32	11.33	-0.12%
SLK	11.59	11.56	0.23%
KSLY	11.54	11.50	0.35%
GIBF1	12.18	12.13	0.38%
KSY	10.62	10.54	0.73%
H8020	12.66	12.54	0.93%
NIBLSF	10.79	10.61	1.66%
SBCF	11.23	10.97	2.34%
MMF1	10.38	10.09	2.91%
CMF2	10.42	9.92	5.08%
SIGS2	11.63	11.04	5.34%
SEF	11.53	10.87	6.10%
LUK	11.55	10.57	9.24%
PRSF	12.46	11.36	9.68%
SIGS3	11.73	10.43	12.43%
PSF	12.36	10.94	13.01%
LVF2	11.43	10.06	13.66%
NSIF2	12.24	10.45	17.17%



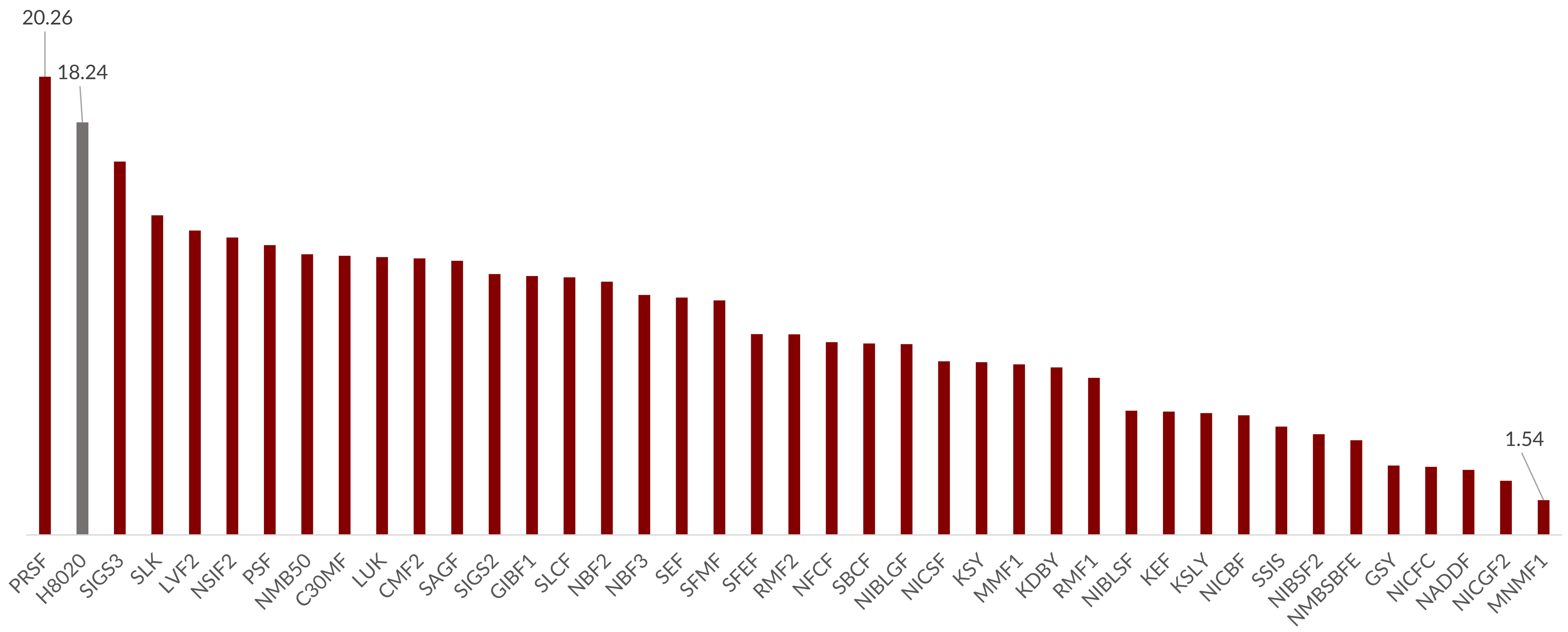
Note - 3 Month Average NAV has been adjusted for cash dividends provided.

Closed-End Mutual Funds: Discount Analysis Based on NAV and Price as of Baisakh 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 (10 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 Baisakh 2082

Company Name	Graham Fair Value as of Q3 2081/82	BVPS as of Q3 2081/82	Market Price as of Chaitra end, 2081	Our rationales
API	138.49	109.85	273.08	YOY, API has demonstrated strong growth in key financial metrics, primarily driven by the operation of its new hydropower and solar projects. **Revenue increased by 25.76%**, while **net income surged by 689%**, with the exponential profit growth largely attributed to the **NFRS-based fair value gains on its investments**. Currently, the company operates **62.50 MW** of hydropower and solar capacity and holds both existing and ongoing investments in multiple hydropower companies. This strategic positioning in Nepal's clean energy sector enhances its long-term growth potential—making it an attractive candidate for mutual fund portfolios seeking capital appreciation.
PCBL	238.22	164.63	250.01	Since Falgun 2081, mutual funds have bought 795,148 units of PCBL, likely anticipating strong Q3 results. However, Q3 showed a YOY decline in net profit and NPLs rising above 5%. Despite this, fund accumulation hints at a short-term strategy to lift prices and exit at higher levels.
NLICL	179.13	136.47	585.71	Since Poush 2081, mutual funds have accumulated 544,270 units, reflecting confidence in the company's strong fundamentals.
SHIVM	199.73	181.10	521.21	Nepal's recovering real estate and construction sector is starting to reflect in cement companies' performance, especially SHIVM. The company reported a **96.07% YOY rise in net profit**, driven by cost-cutting and lower financial expenses. A **39.07% increase in inventory** signals expectations of higher demand, while a **41.65% drop in receivables** indicates better sales recovery and cash flow—signs of a rebound in a sector that had faced a slowdown.
PHCL	N/A -	92.81	580.79	Mutual funds may have accumulated this stock to capitalize on short-term price movements and trading opportunities.

Top 5 Equity Sales in Units by Mutual Funds in Baisakh 2082

Company	Graham Fair Value as of Q3 2081/82	BVPS as of Q3 2081/82	Market Price as of Chaitra end, 2081	Our Rationales
SHPC	197.01	172.85	474.91	Since Magh 2081, mutual funds have sold 561,254 units of SHPC, possibly due to the seasonal nature of the hydropower sector. As most revenue is typically generated in Q1 and Q2, the business tends to slow down in Q3 and Q4 — prompting mutual funds to book profits or reduce exposure during the off-peak period.
HIDCLP	101.13	114.78	181.72	Three months ago, HIDCL and HIDCLP ranked among the top picks of mutual funds; however, recent activity suggests that mutual funds may now be engaging in profit booking.
AHPC	170.91	109.56	249.74	As most revenue for the hydropower sector is typically generated in Q1 and Q2, the business tends to slow down in Q3 and Q4 — prompting mutual funds to book profits or reduce exposure during the off-peak period.
NIFRA	121.40	117.81	276.51	The company’s total revenue and net profit have declined by 13.17% and 8.84% year-on-year, respectively. This weakening in financial performance may have prompted mutual funds to reduce their exposure.
LBBL	86.15	180.24	421.41	The company’s net profit has declined sharply by 85.45% year-on-year, primarily due to elevated impairment charges. This deterioration in financial performance has also resulted in a rise in NPL to 7.18%, which may have prompted mutual funds to reduce their exposure.

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.

Disclaimer: Investments in mutual funds are subject to market risk. This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Investment Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

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