INSIGHTS INTO NEPAL'S MUTUAL FUND MARKET

Himalayan Capital
A Subsidiary of Himalayan Bank Limited

Chaitra 2081

www.himalayancapital.com

01-5970675, 5358345, 5363147

info@himalayancapital.com

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	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 30 April 2025, the NEPSE index closed at 2,623.83 points, with a weekly turnover of NPR 36.73 billion. Compared to the previous week's final close price and average weekly turnover, the index decreased by 34.19 points (i.e. 1.29%) and a 12.05% increase in average weekly turnover.

The Relative Strength Index (RSI) is currently at 37.82 points, which is at the oversold zone. The MACD indicator is signaling a bearish trend and is below the histogram

Looking ahead, the NEPSE index's immediate support levels are identified as (S1) 2,575, (S2) 2,540, and (S3) 2,500 while immediate resistance levels are recognized at (R1) 2,690, (R2) 2,730, and (R3) 2,780. These support and resistance levels serve as valuable indicators for investors when formulating trading decisions.

Macroeconomic Outlook

Inflation	3.75 % ▲
Deposit Growth	9.50% ▲
Credit Growth	7.27% ▲
Import Growth	11.19% ▲
Export Growth	57.20% ▲
Remittance Growth	9.42% ▲
FX Reserve Growth	28.64% ▲

** Growth refers to the change between eight 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.

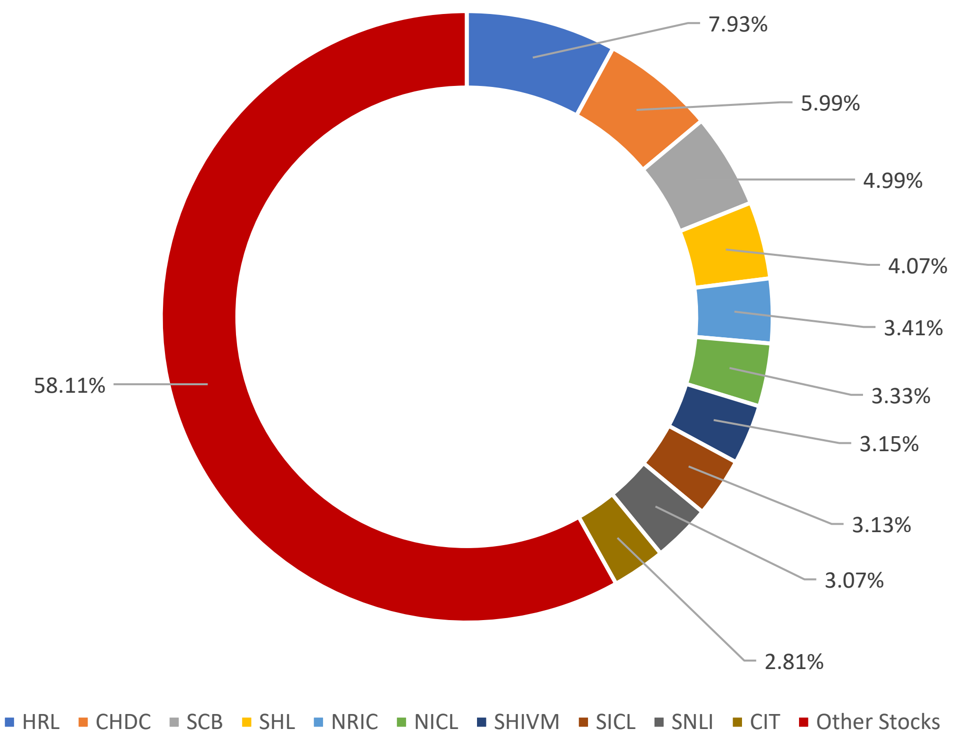
Himalayan 80-20

Fund Details	
Allotment Date	13-Sep-23
Maturity Date	01-Oct-33
Monthly NAV as of Chaitra end 2081 in NPR	12.46
AUM as of Chaitra end, 2081 in NPR	1,245,543,112.02
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	19.09%
NEPSE returns since the same date	18.82%
Adjusted Fund Beta Since Inception (Monthly)	0.69
Fund Standard Deviation Since Inception (Monthly)	1.14
Average Monthly Fund Return Since Inception	1.60%

Investment Philosophy

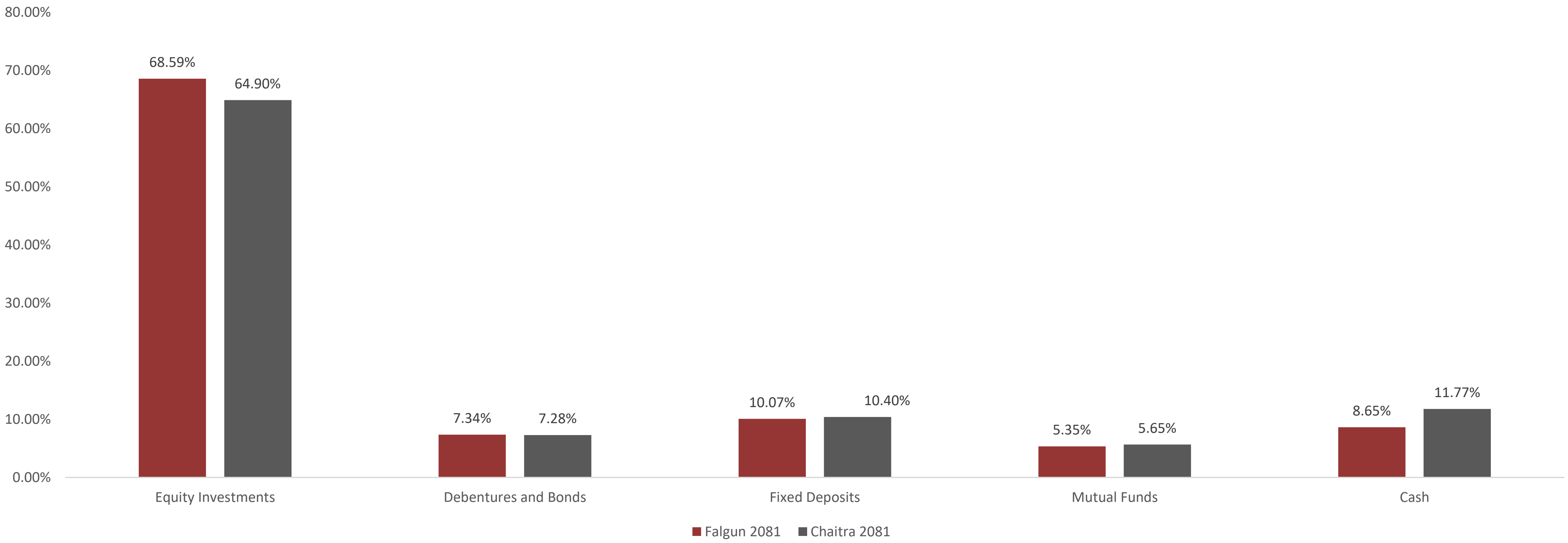
The fund structure involves investing 80% of its capital in long-term investments within the capital and financial markets, aiming for compounding returns. The remaining 20% is actively managed to maximize returns based on market conditions.

Top 10 Equity Holdings as of Chaitra End, 2081

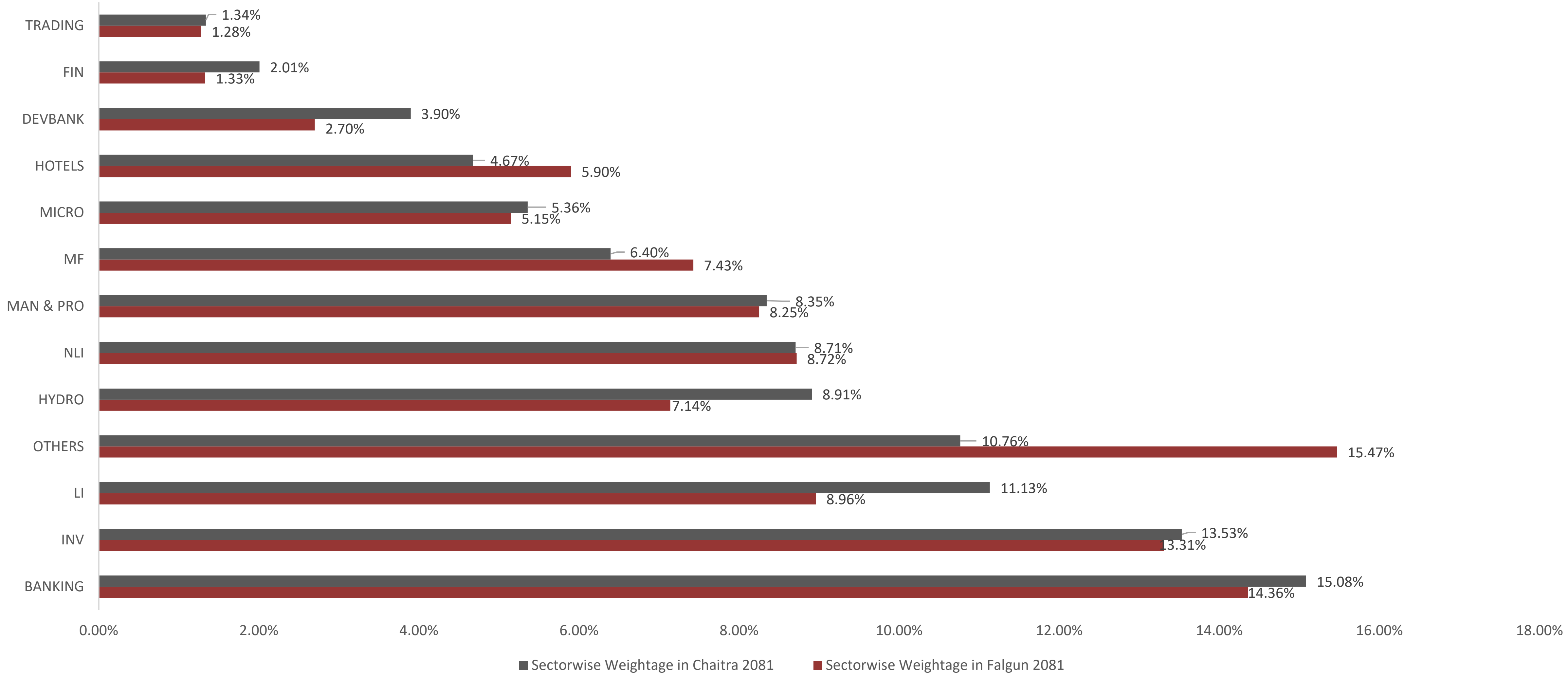


Asset Allocation of Himalayan 80-20

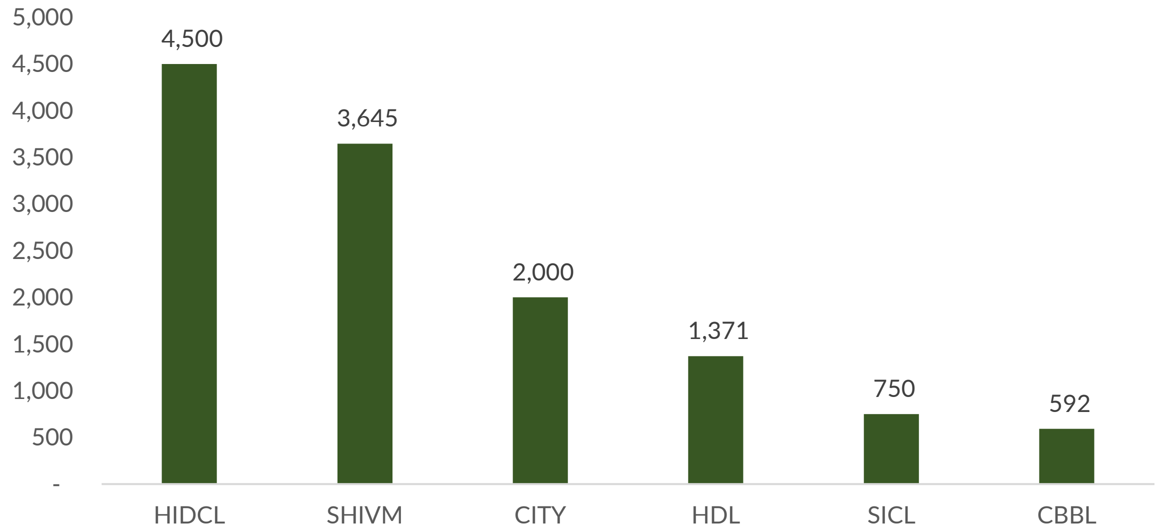
The bar chart compares the asset allocation of a portfolio between Falgun 2081 and Chaitra 2081. During this period, **equity investments decreased from 68.59% to 64.90%**, coinciding with a **2.72% decline in NEPSE**. This shift is further supported by the **increase in cash holdings from 8.65% to 11.77%**, indicating that a portion of the funds realized from equities was moved to cash on a month-on-month basis, potentially awaiting reinvestment opportunities.



Sectorwise Allocation of Himalayan 80-20



Top 10 Equity Purchases of H8020 (Falgun 2081)



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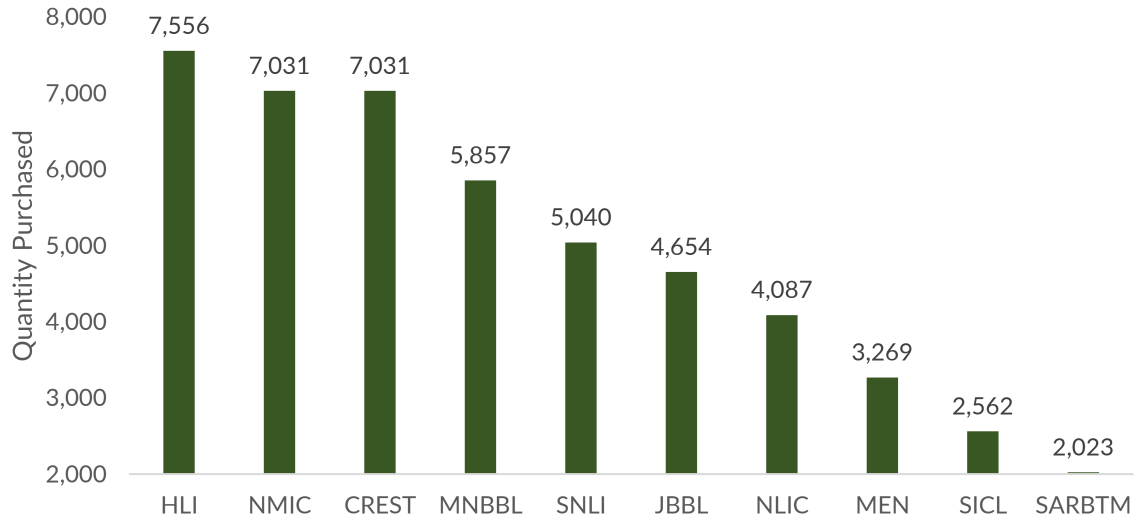
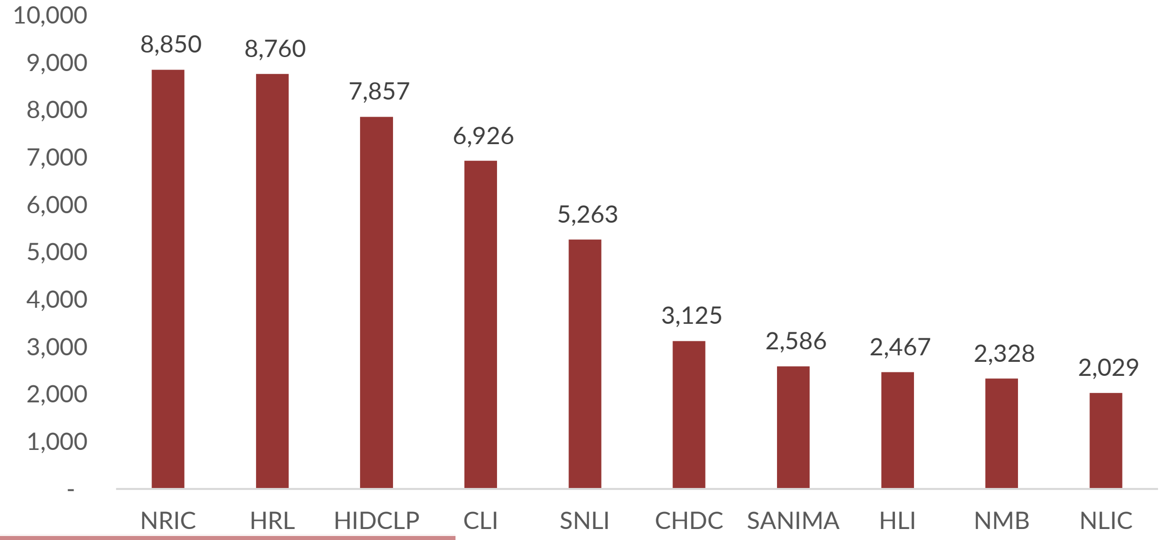
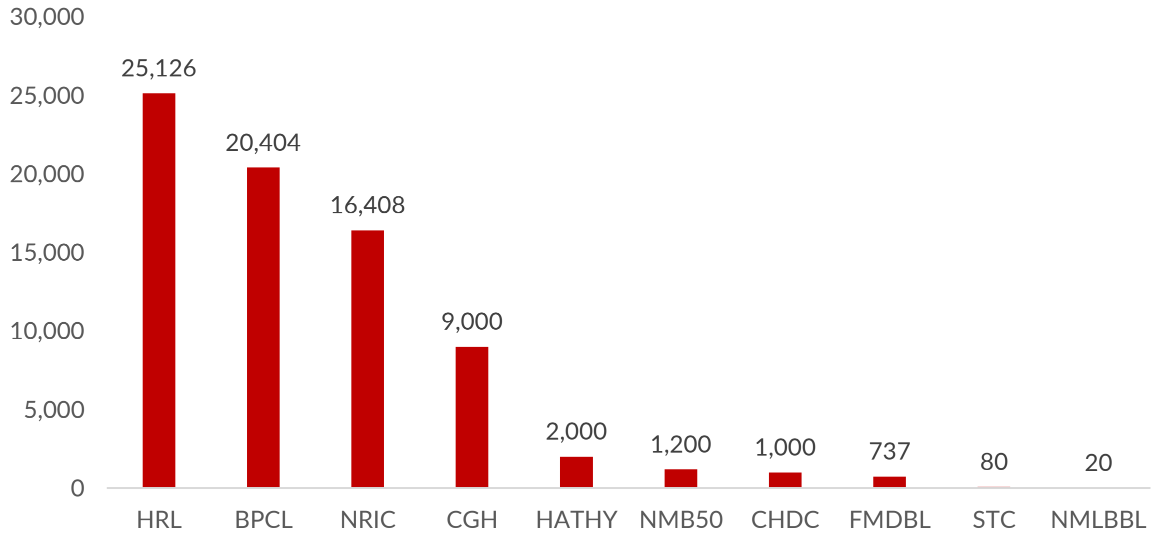


Top 10 Equity Sales of H8020 (Falgun 2081)



Top 10 Equity Sales of H8020 (Chaitra 2081)



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
ग्लोबल आइएमई क्यापिटल लि.
GROW WITH US

कुमारी क्यापिटल लिमिटेड
Kumari Capital Limited
Invest for your Future

NIC ASIA CAPITAL

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.

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

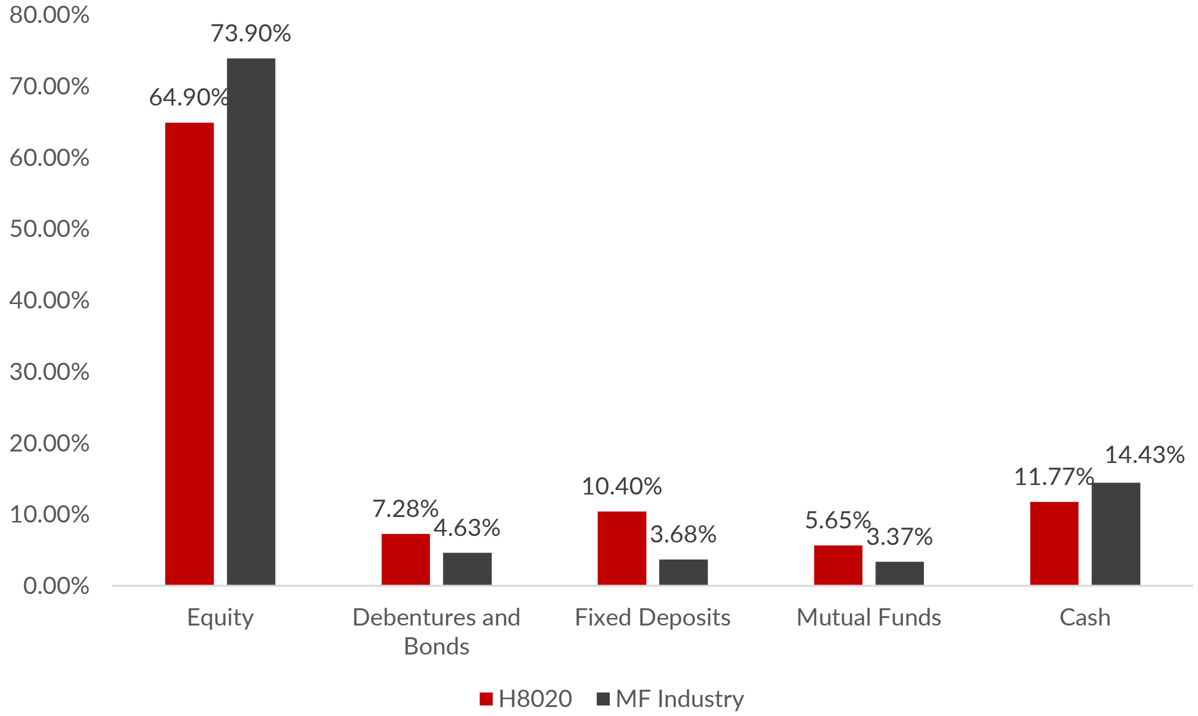
मुक्तिनाथ क्यापिटल लि.
Muktinath Capital Ltd.
A Subsidiary of Muktinath Bikas Bank Ltd.

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

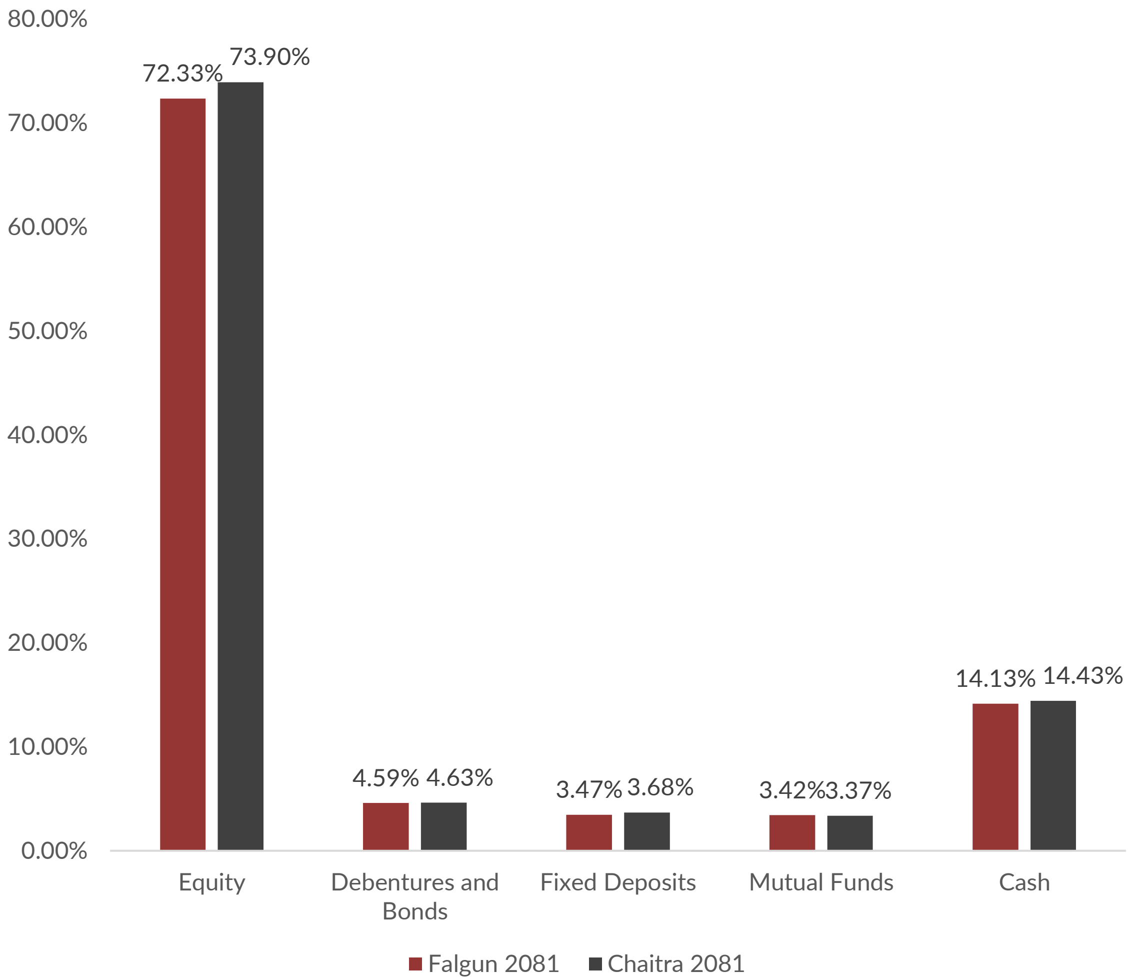
ReliableCapital
Investment & Merchant Limited

Asset Allocation Comparison for Chaitra 2081 : H8020 and Industry Average

As of Chaitra 2081, the mutual fund industry holds a higher equity exposure (73.90%) compared to H8020 (64.90%), reflecting its aggressive investment stance. It also maintains higher cash holdings (14.43% vs. 11.77%), suggesting preparedness for future opportunities. H8020's exposure to bonds and debentures is at 7.28%, notably above the industry average of 4.63%, while its allocation to fixed deposits (10.40%) and mutual funds (5.65%) remains ABOVE industry levels, indicating a more focused portfolio strategy.

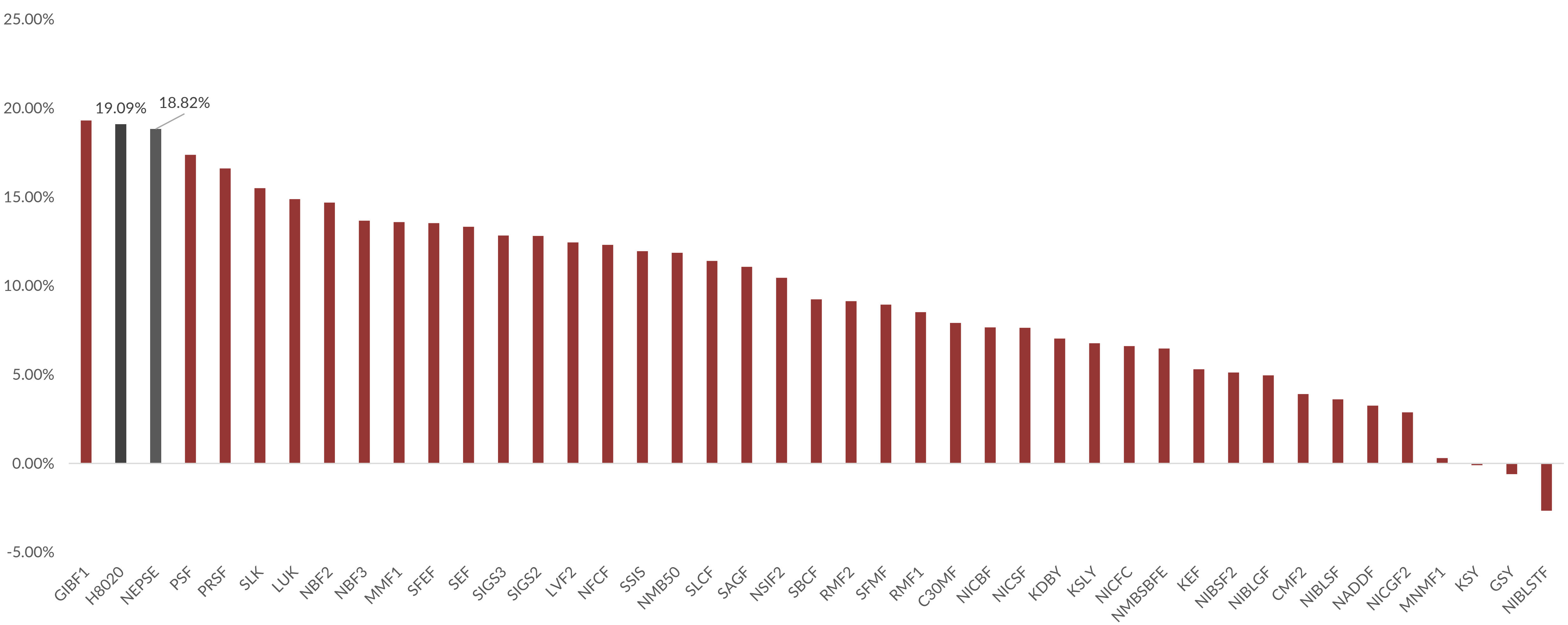


In Chaitra 2081, the mutual fund industry's equity exposure rose, indicating a slightly more aggressive stance.



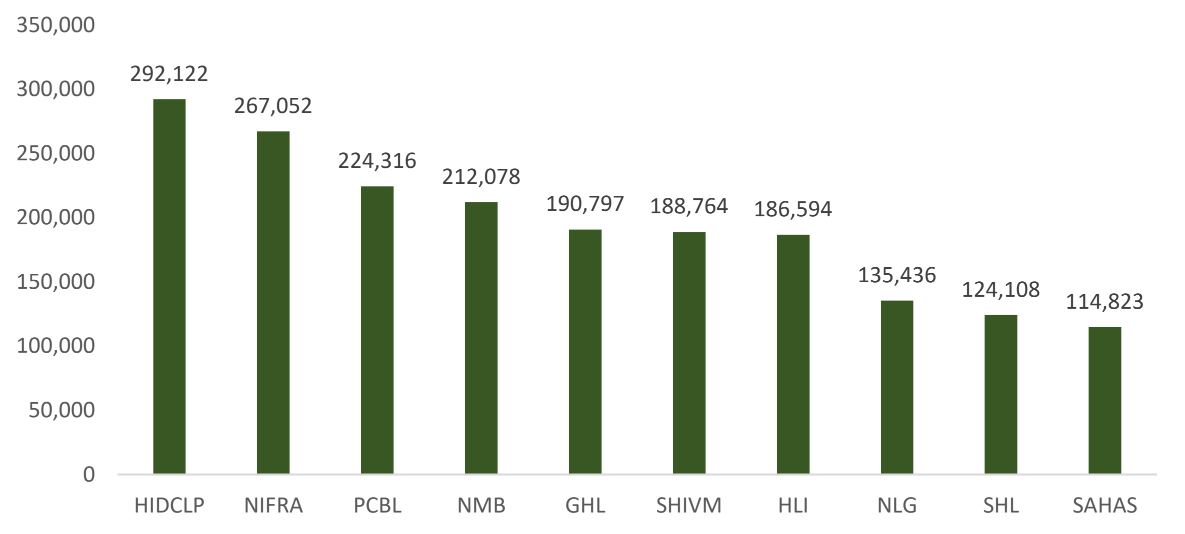
Comparison of Mutual Fund Returns with NEPSE Performance Since the End of FY 2080/81

SAEF and CMF1 have already matured, while SFF and MBLEF are not included in the analysis, as both funds are less than two months old.



Chaitra 2081

Top 10 Equity Purchases of Mutual Funds (Falgun 2081)



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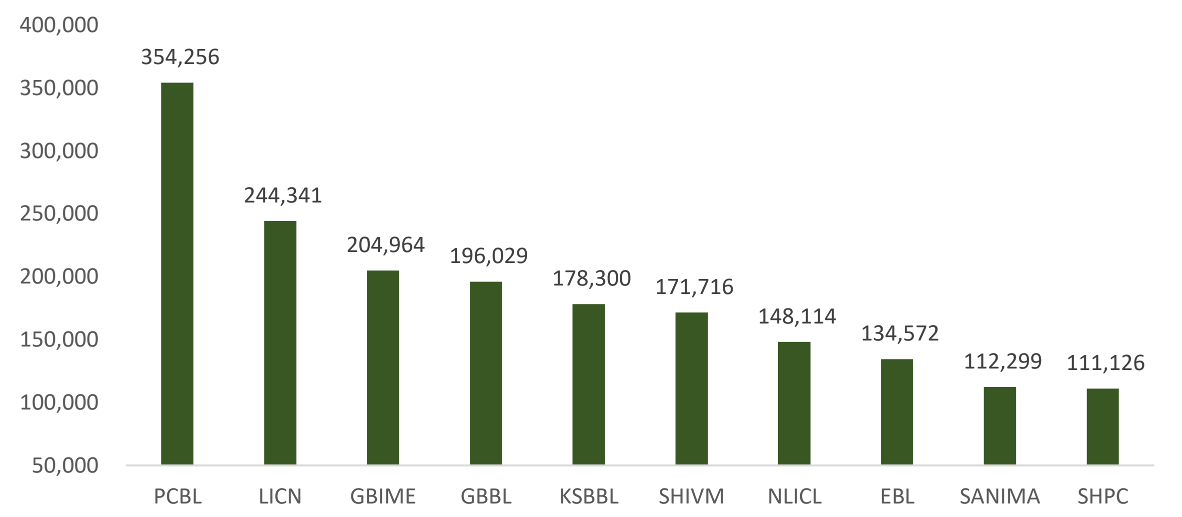
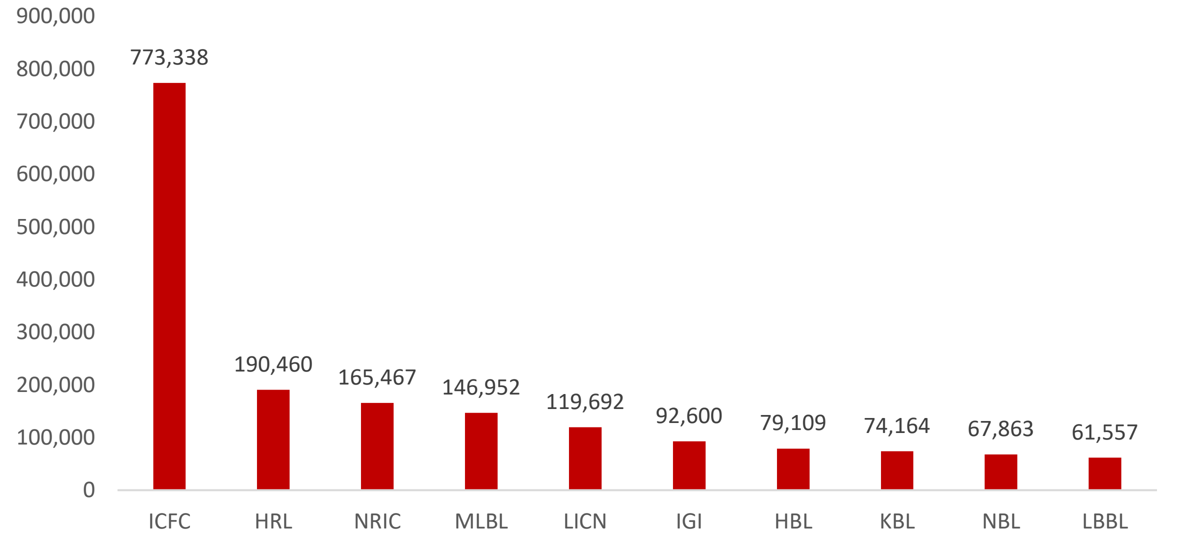
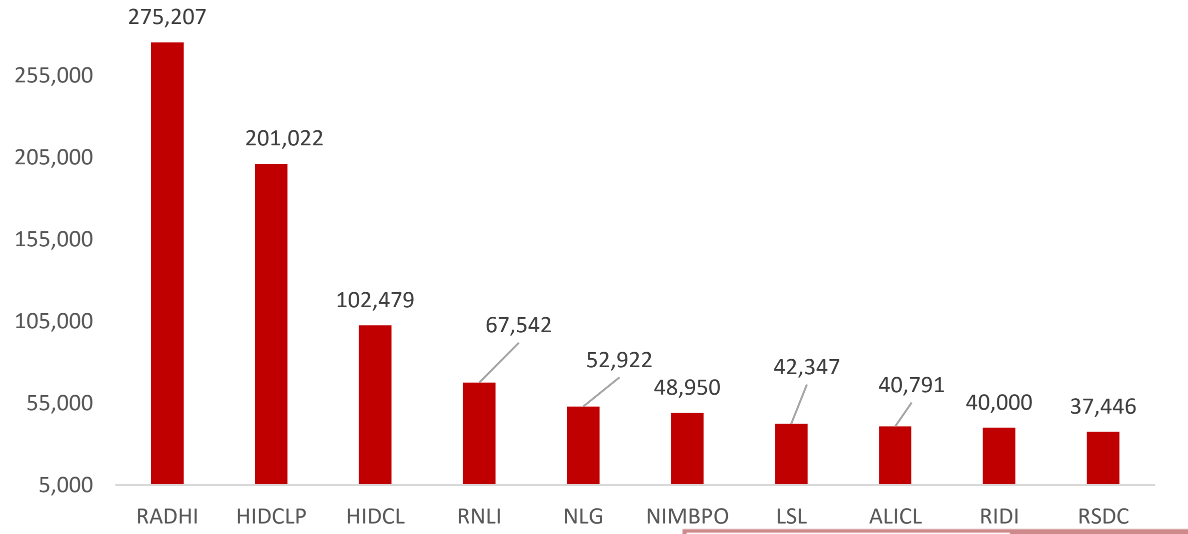


Top 10 Equity Sales of Mutual Funds (Falgun 2081)



Top 10 Equity Sales of Mutual Funds (Chaitra 2081)



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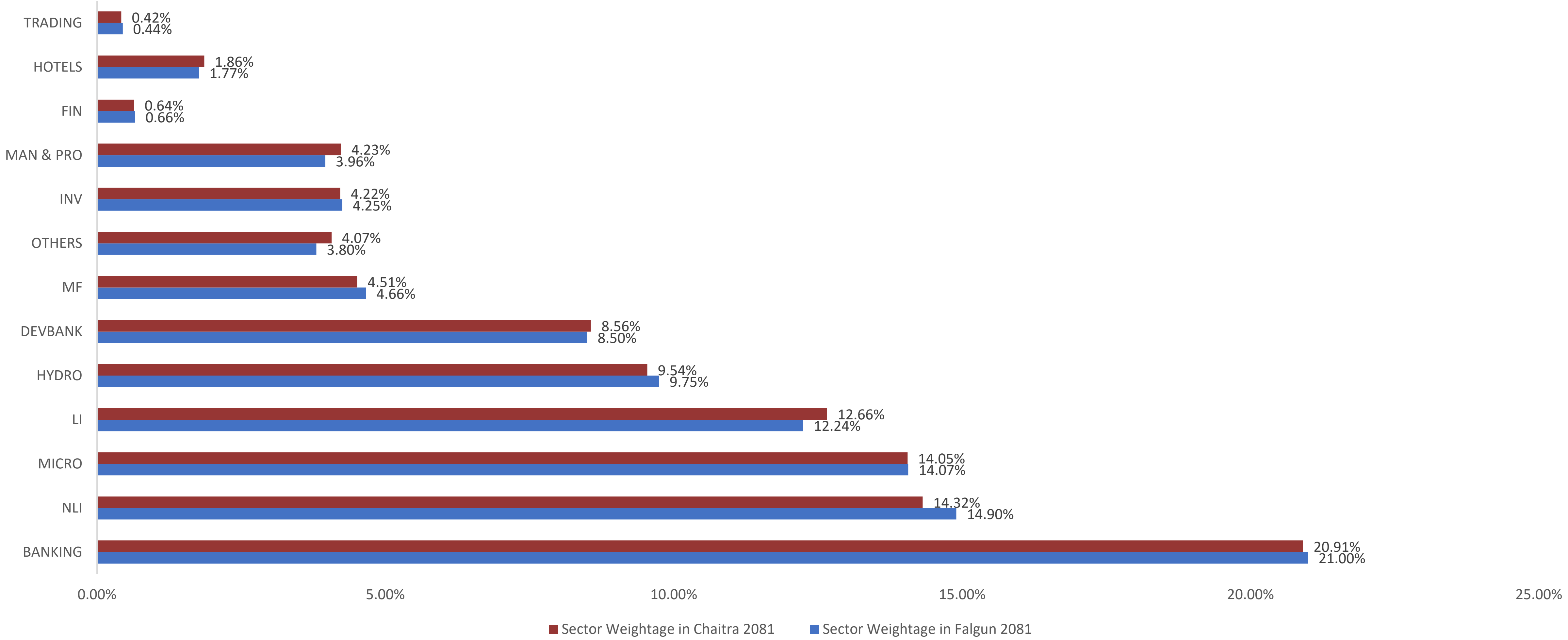
Sector Wise Weightage of Mutual Fund Industry (Falgun and Chaitra 2081)



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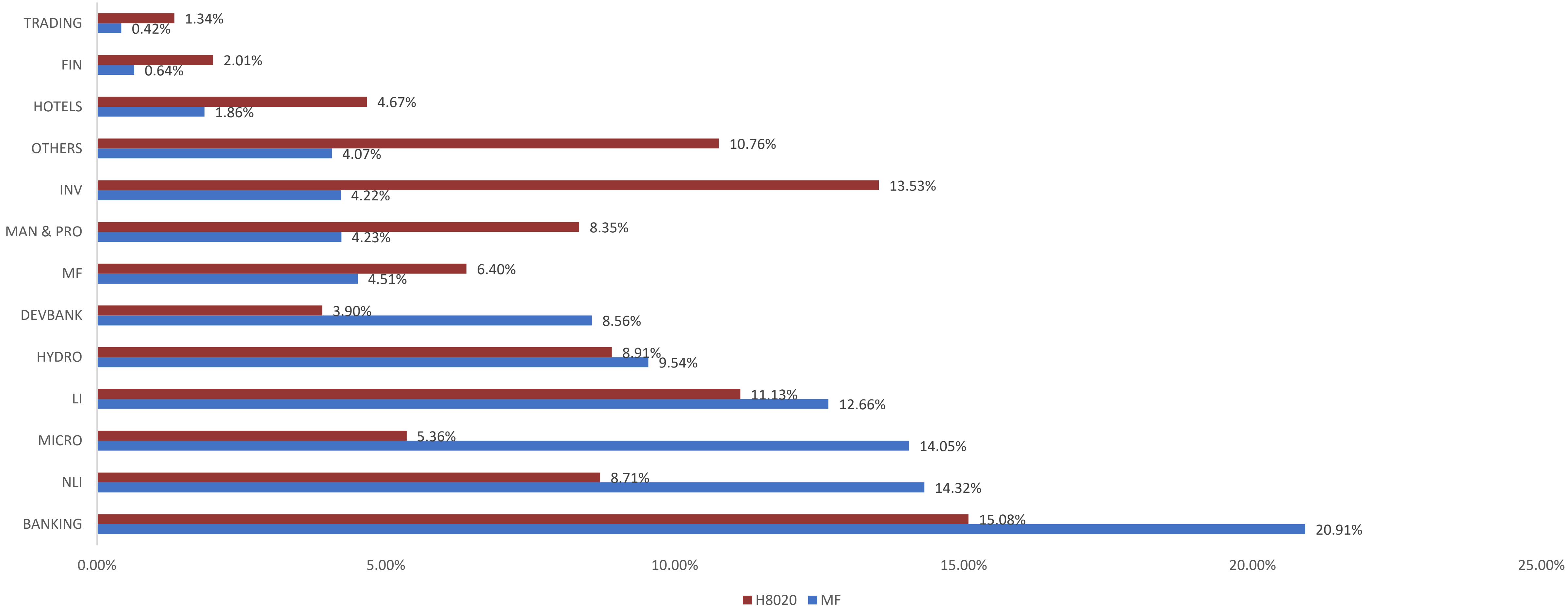
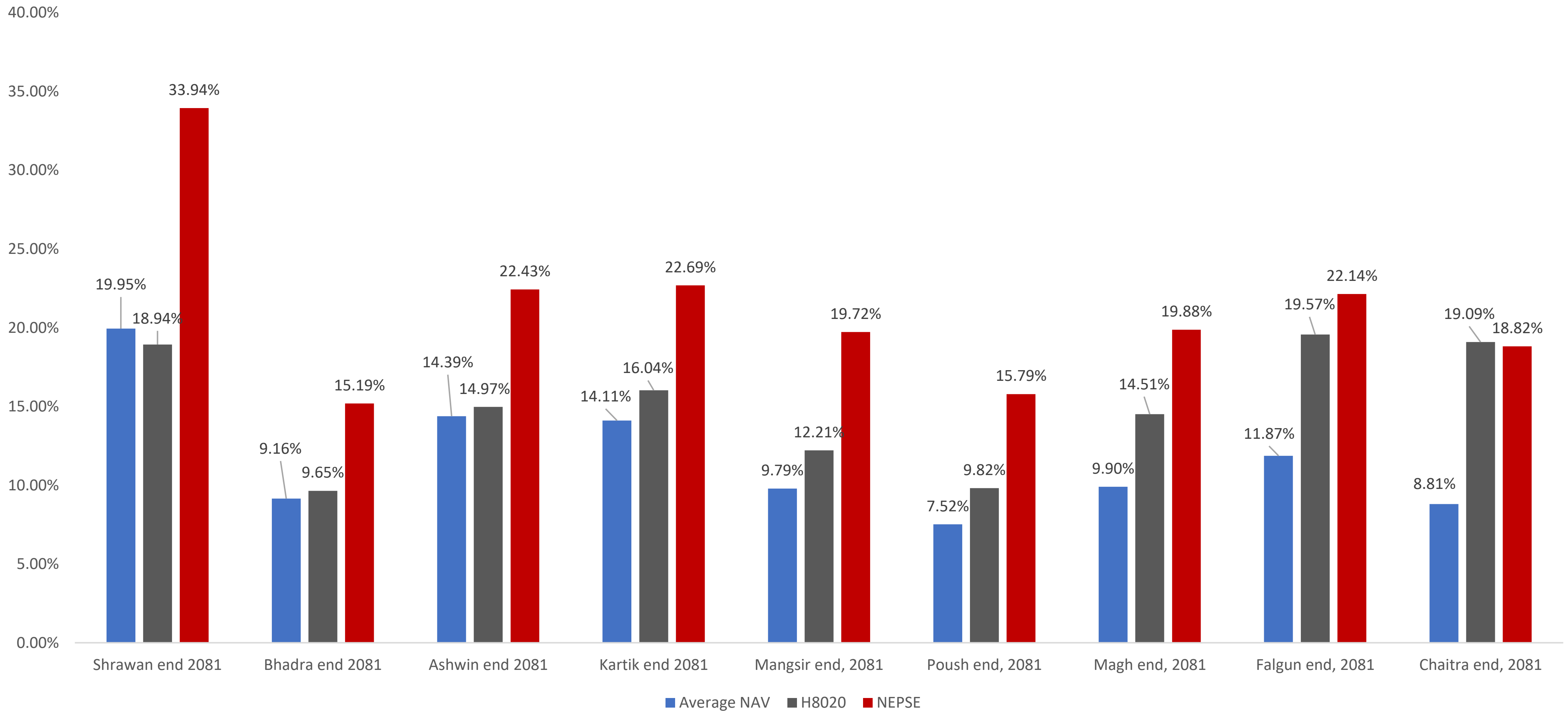
Sector Wise Weightage Comparison of Mutual Fund Industry and H8020

H8020 shows a strategic tilt toward high-growth sectors like Investment (13.53% vs. 4.22%) and Hotels (4.67% vs. 1.86%), signaling a return-focused, risk-tolerant approach. Its underweight position in Banking (15.08% vs. 20.91%) and Insurance suggests lower reliance on traditionally stable sectors. This reflects a conscious shift toward sectors with higher volatility but potential for superior long-term gains.



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 %)

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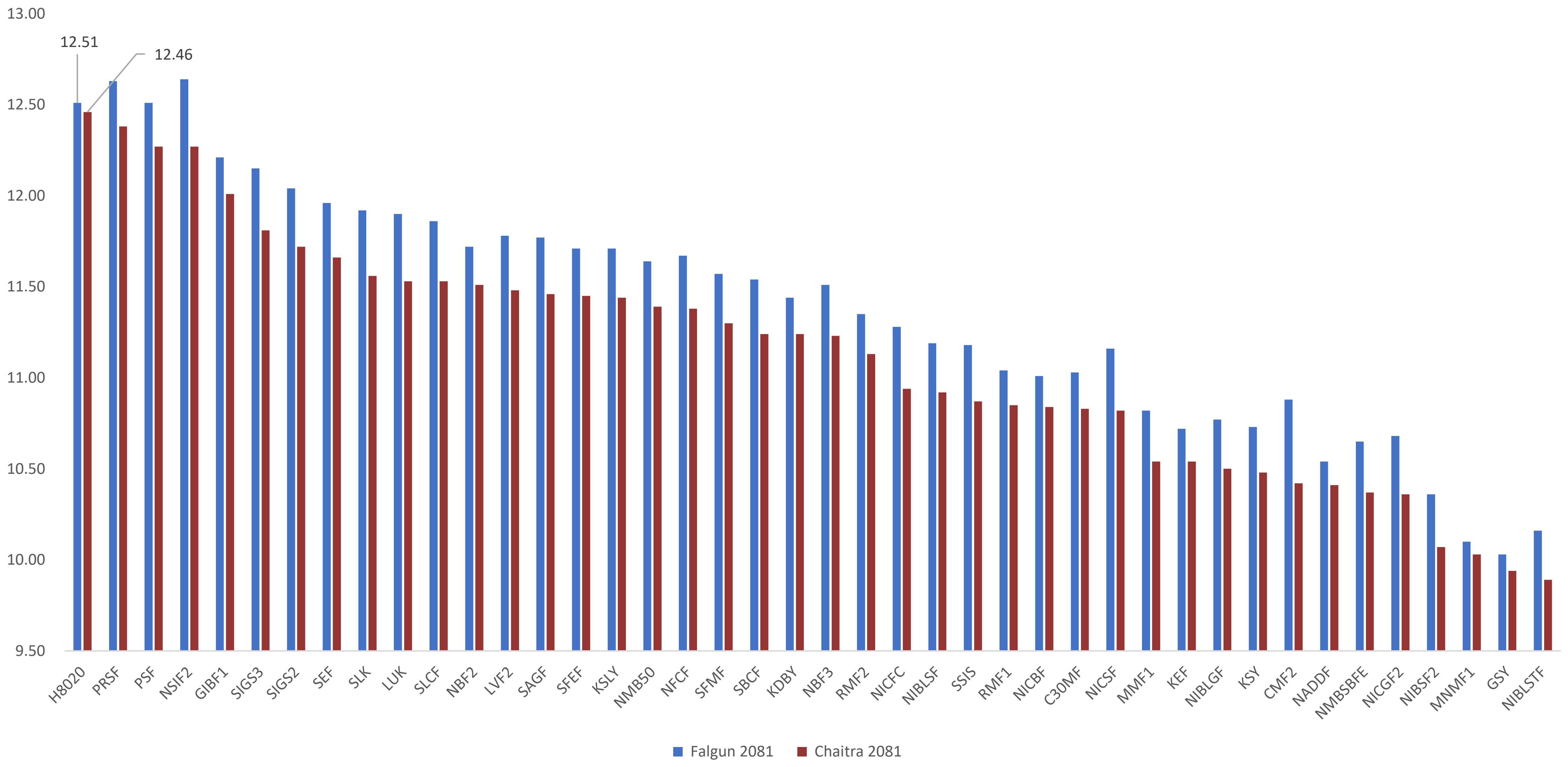
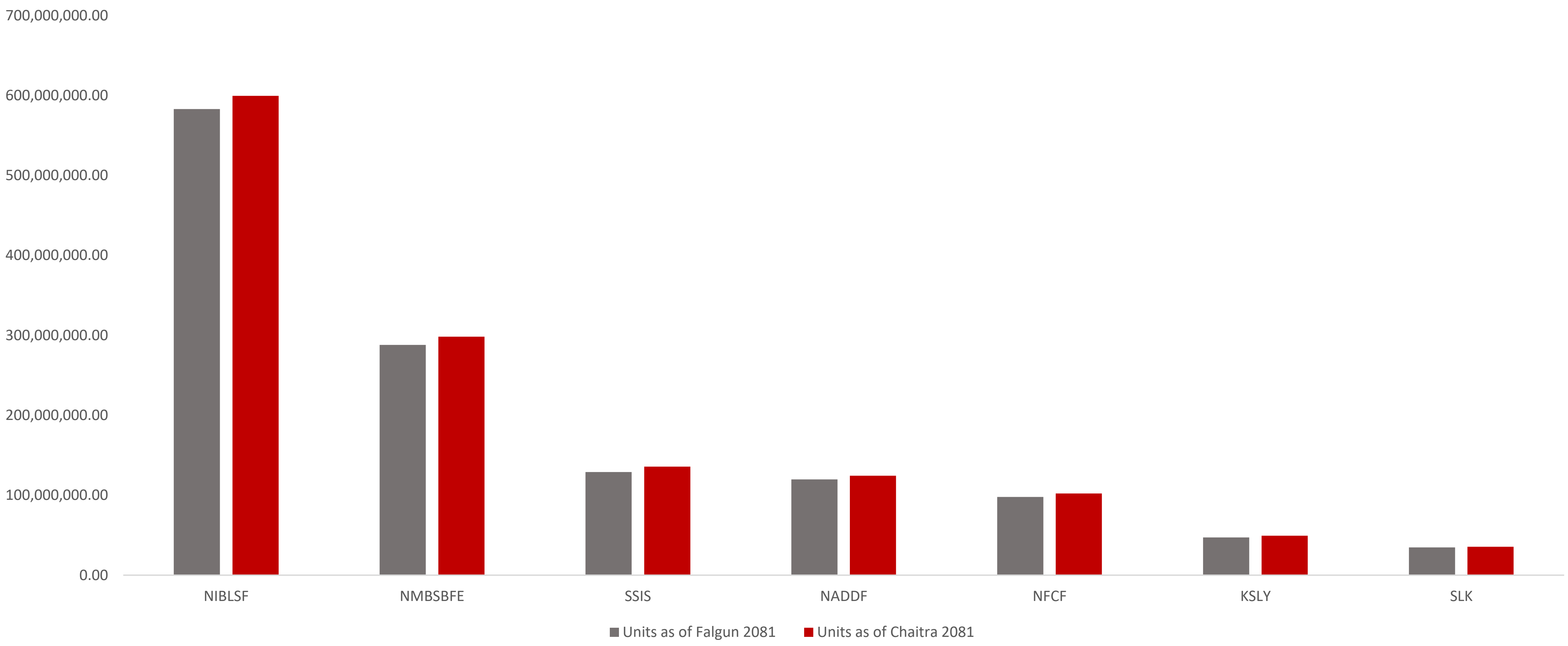
Month on Month NAV Comparison



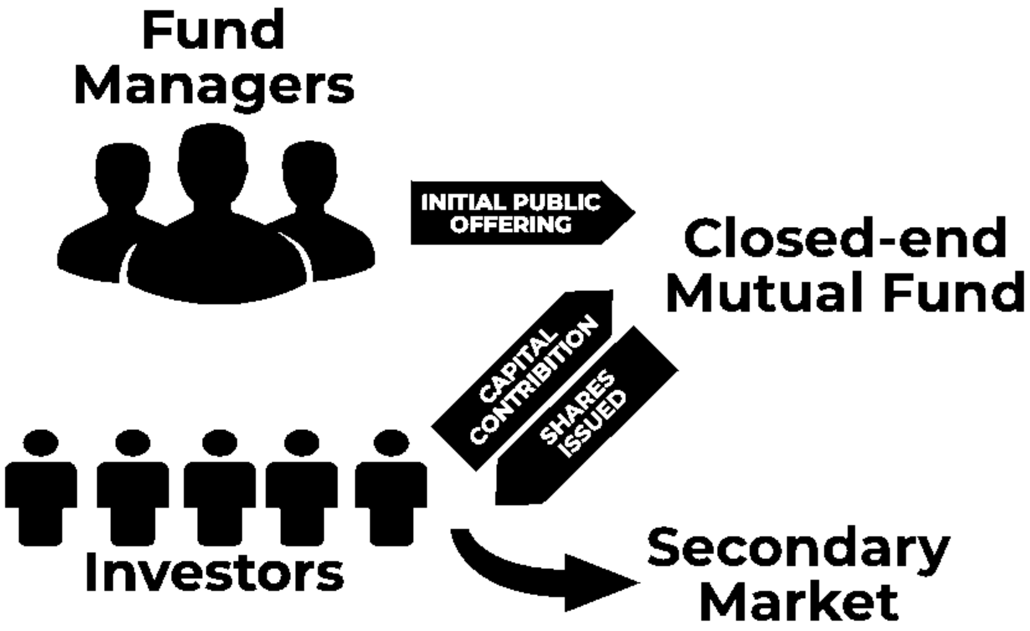
Open Ended Mutual Funds

Among the seven open-ended mutual funds, there was a net unit growth, totaling 45,623,633.70 units as of Chaitra end 2081. This represents a monthly increase of 3.51%.



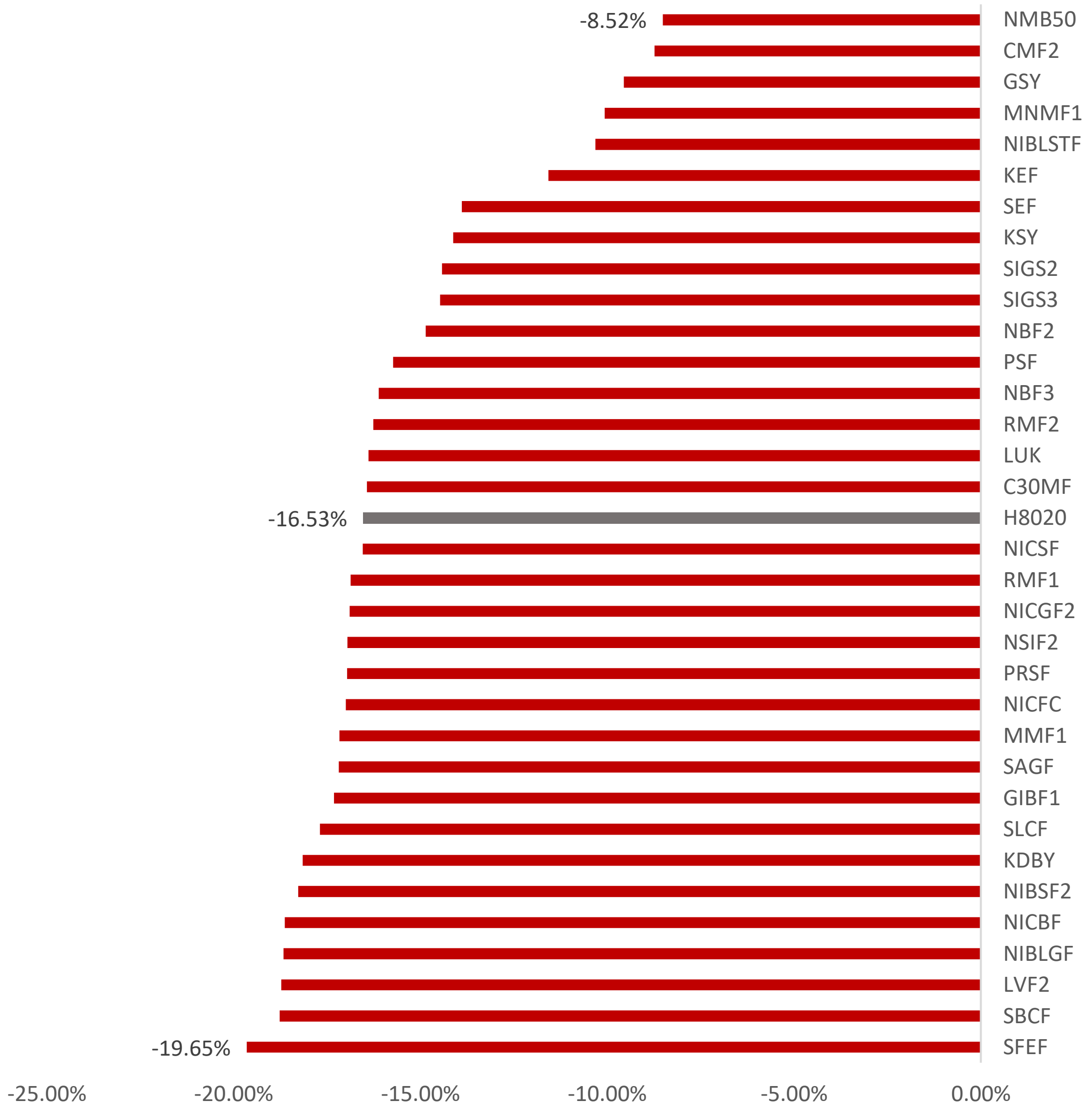
Close Ended Mutual Funds

Script	Chaitra 2081	3 month Average	Deviation
CMF2	10.42	10.73	-2.89%
NICGF2	10.36	10.58	-2.05%
NICFC	10.94	11.15	-1.91%
NIBLSTF	9.89	10.06	-1.69%
SIGS3	11.81	12.00	-1.56%
SSIS	10.87	11.04	-1.51%
NSIF2	12.27	12.44	-1.39%
LUK	11.53	11.68	-1.31%
NFCF	11.38	11.53	-1.30%
NIBLSF	10.92	11.06	-1.30%
NICSF	10.82	10.96	-1.28%
NIBSF2	10.07	10.20	-1.24%
SIGS2	11.72	11.86	-1.21%
NIBLGF	10.50	10.62	-1.16%
MMF1	10.54	10.66	-1.13%
SLK	11.56	11.69	-1.08%
SEF	11.66	11.78	-1.05%
SLCF	11.53	11.65	-1.03%
SAGF	11.46	11.58	-1.01%
KSY	10.48	10.58	-0.98%
NBF3	11.23	11.34	-0.94%
KSLY	11.44	11.55	-0.92%
NMBSBFE	10.37	10.46	-0.89%
SBCF	11.24	11.34	-0.88%
SFMF	11.30	11.39	-0.82%
PRSF	12.38	12.48	-0.80%
NMB50	11.39	11.48	-0.78%
NICBF	10.84	10.92	-0.76%
LVF2	11.48	11.57	-0.75%
PSF	12.27	12.36	-0.73%
NADDF	10.41	10.48	-0.67%
GSY	9.94	10.00	-0.60%
C30MF	10.83	10.89	-0.58%
KDBY	11.24	11.30	-0.56%
KEF	10.54	10.59	-0.47%
RMF2	11.13	11.18	-0.45%
NBF2	11.51	11.56	-0.43%
SFEF	11.45	11.50	-0.41%
MNMF1	10.03	10.06	-0.27%
RMF1	10.85	10.87	-0.21%
GIBF1	12.01	12.01	0.03%
H8020	12.46	12.32	1.16%



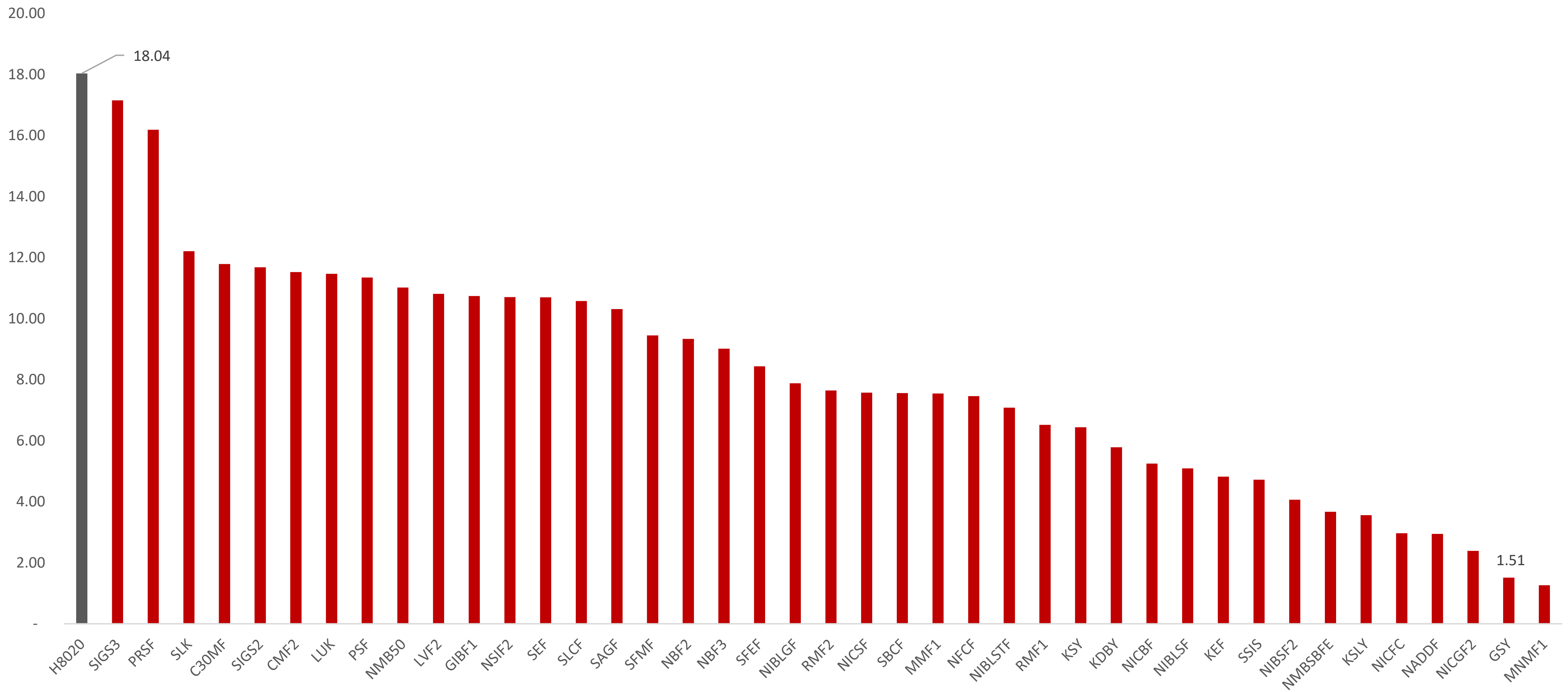
Note - 3 Month Average NAV has been adjusted for cash dividends provided. GSY and MNMF1 have been excluded from the list.

Closed-End Mutual Funds: Discount Analysis Based on NAV and Price as of Chaitra 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.

Dividend Capacity of Mutual Funds (9 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 Chaitra 2081

Company Name	Graham Fair Value as of Q2 2081/82	BVPS as of Q2 2081/82	Market Price as of Falgun end, 2081	Our rationales
PCBL	265.62	162.64	259.00	Anticipating improved financials, mutual funds have accumulated PCBL shares since Bhadra 2081.
LICN	237.68	218.90	1102.10	The company's rights shares were listed on NEPSE in Chaitra, resulting in a sharp rise in mutual fund holdings. This made it the second most purchased stock by mutual funds during the month of Chaitra 2081.
GBIME	247.23	169.58	225.60	Mutual funds have been accumulating GBIME since Magh 2081, as they might be anticipating good Q3 results.
GBBL	255.62	150.16	412.60	Anticipating strong Q3 results, mutual funds accumulated the shares in advance.
KSBBL	255.11	157.46	462.00	In Q2 2081/82, the bank posted strong results with a 13.64% rise in net interest income and a 24.55% jump in net profit—the highest among national-level development banks—boosting its ROE to 11.67%. Solid deposit and loan growth, along with improved EPS, highlight its operational strength. Despite a high NPL of 4.35%, likely due to sector-wide stress, the bank's overall performance remains impressive. Mutual funds may have increased holdings in anticipation of a strong Q3 as well.

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

Company	Graham Fair Value as of Q2 2081/82	BVPS as of Q2 2081/82	Market Price as of Falgun end, 2081	Our Rationales
RADHI	138.97	123.33	397.70	Profit booking might have occurred due to the script's exponential rise.
HIDCLP	109.24	118.12	177.90	Two 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.
HIDCL	109.24	118.12	277.30	Two 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.
RNLI	251.08	162.99	570.00	The script’s price had been in a declining trend – around 10% since its recent high, since the past one month and mutual funds likely exited from their positions to rebalance their portfolios.
NLG	292.01	298.18	897.00	The stock decreased by around 30% from its all time high, which may have prompted mutual funds to exit their holdings to rebalance their portfolios.

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.

Himalayan Capital Limited

IT Plaza, Kamaladi, Kathmandu

Contact: 01-5970675

www.himalayancapital.com

info@himalayancapital.com