

NEPALESE MUTUAL FUND INDUSTRY REPORT





Himalayan Capital


A Subsidiary of Himalayan Bank Limited


Bhadra 2081



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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	Depository Participant
DRIP	Dividend Reinvestment Plan

Fund Details

Allotment Date	13-Sep-23
Maturity Date	01-Oct-33
AUM as of Bhadra end, 2081 in NPR	1,219,718,380.97
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	9.65%
NEPSE returns since the same date	15.19%
Adjusted Fund Beta Since Inception (Monthly)	0.71
Fund Standard Deviation Since Inception (Monthly)	0.92
Average Monthly Fund Return Since Inception	0.09

Investment Philosophy

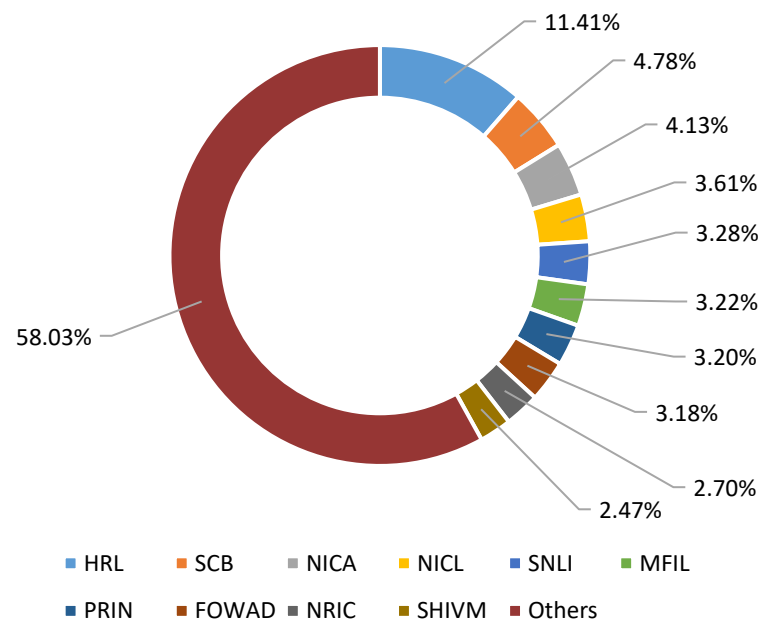
The fund structure involves investing 80% of its capital in long-term investments within the capital and financial markets, aiming for compounding returns. The remaining 20% is actively managed to maximize returns based on market conditions.



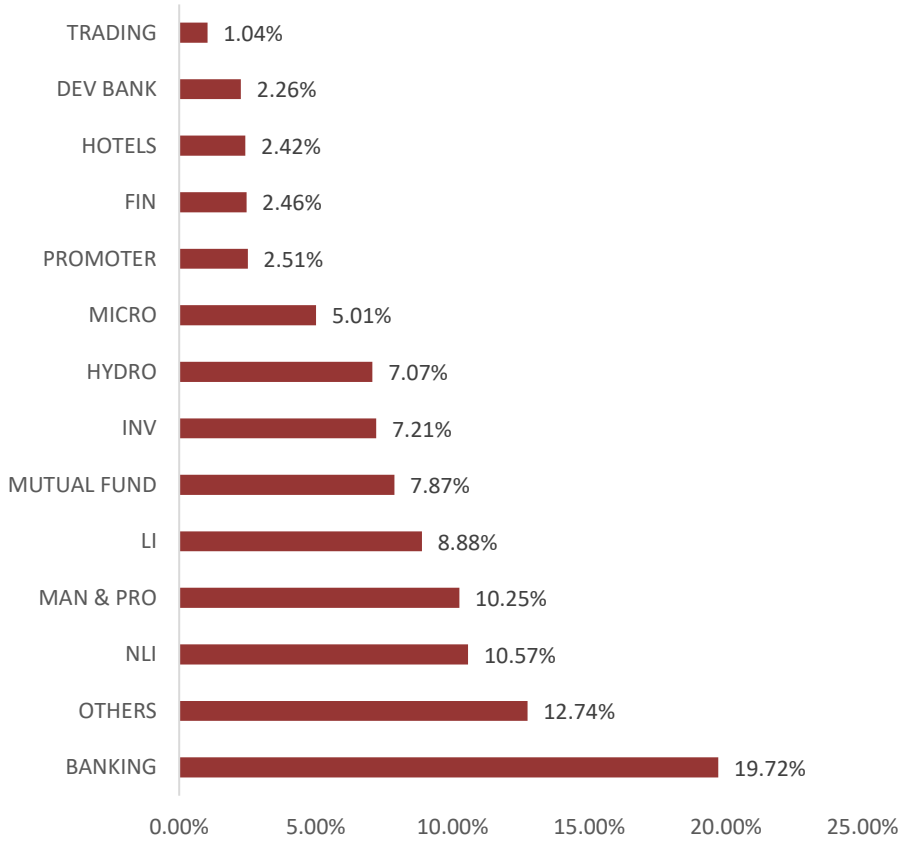
HIMALAYAN MUTUAL FUND

Himalayan 80-20

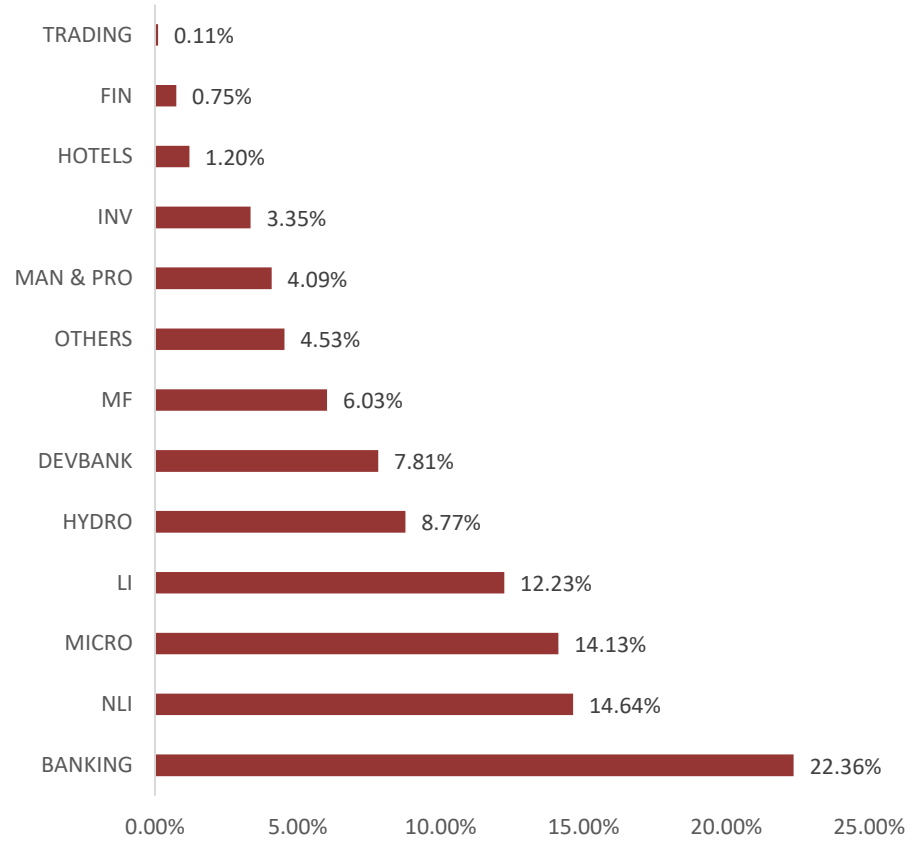
Top 10 Equity Holdings as of Bhadra End, 2081



Sector Allocation of Himalayan 80-20 and Mutual Fund Industry (Bhadra 2081)



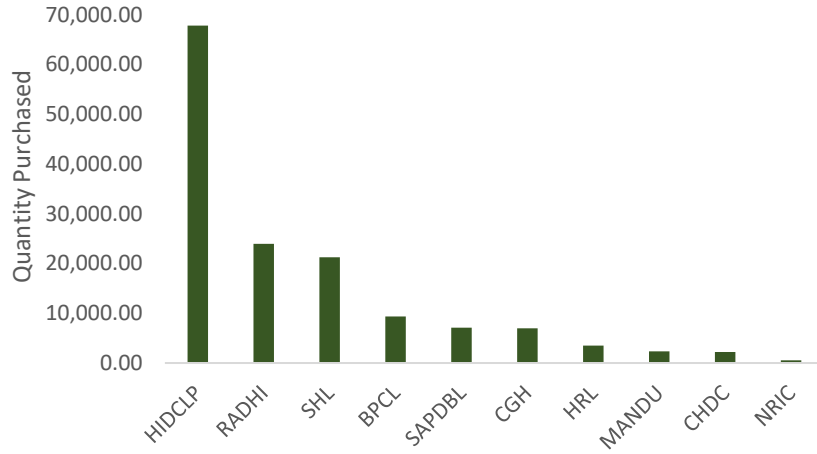
H8020



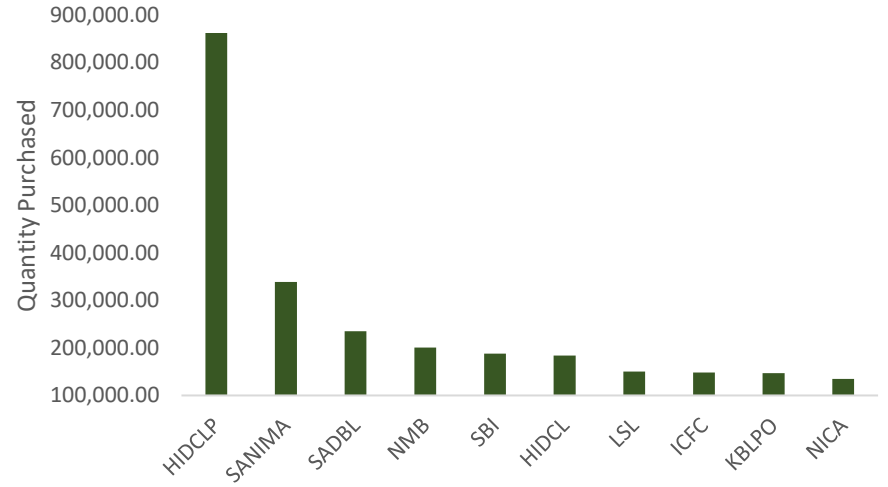
Mutual Fund Industry

Himalayan 80-20 (Bhadra 2081)

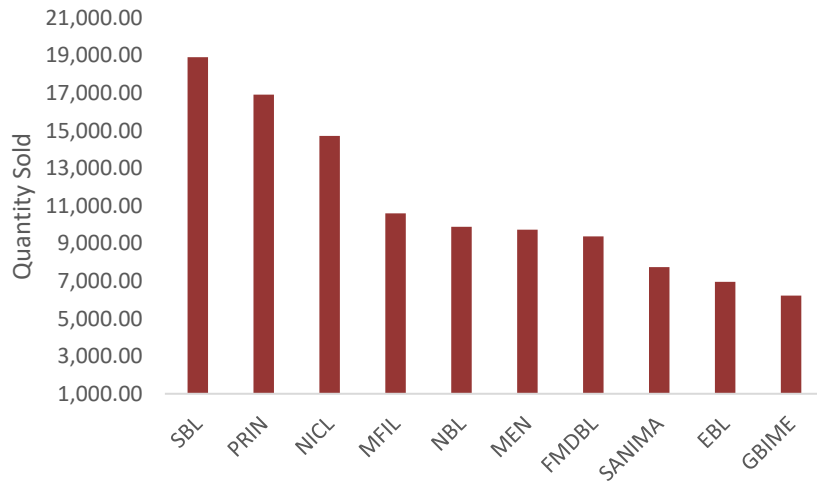
Top 10 Equity Purchases of H8020 (Bhadra 2081)



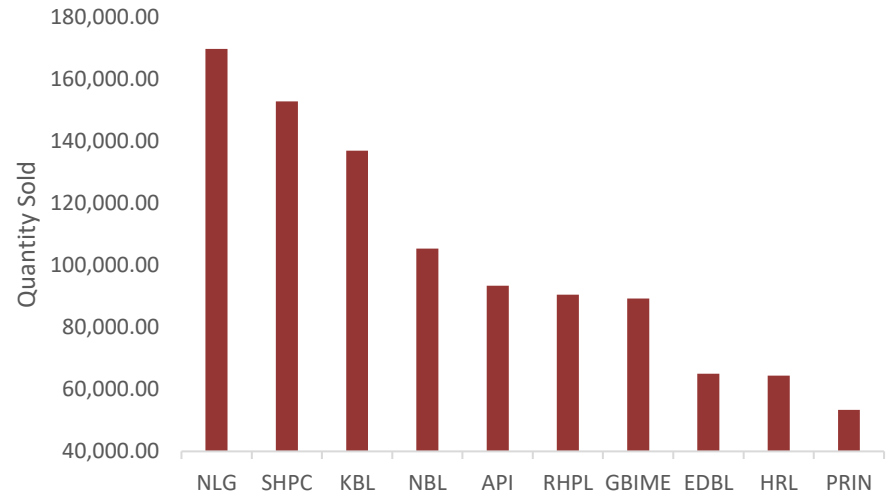
Top 10 Equity Purchases of Mutual Funds (Bhadra,2081)



Top 10 Equity Sales of H8020 (Bhadra 2081)

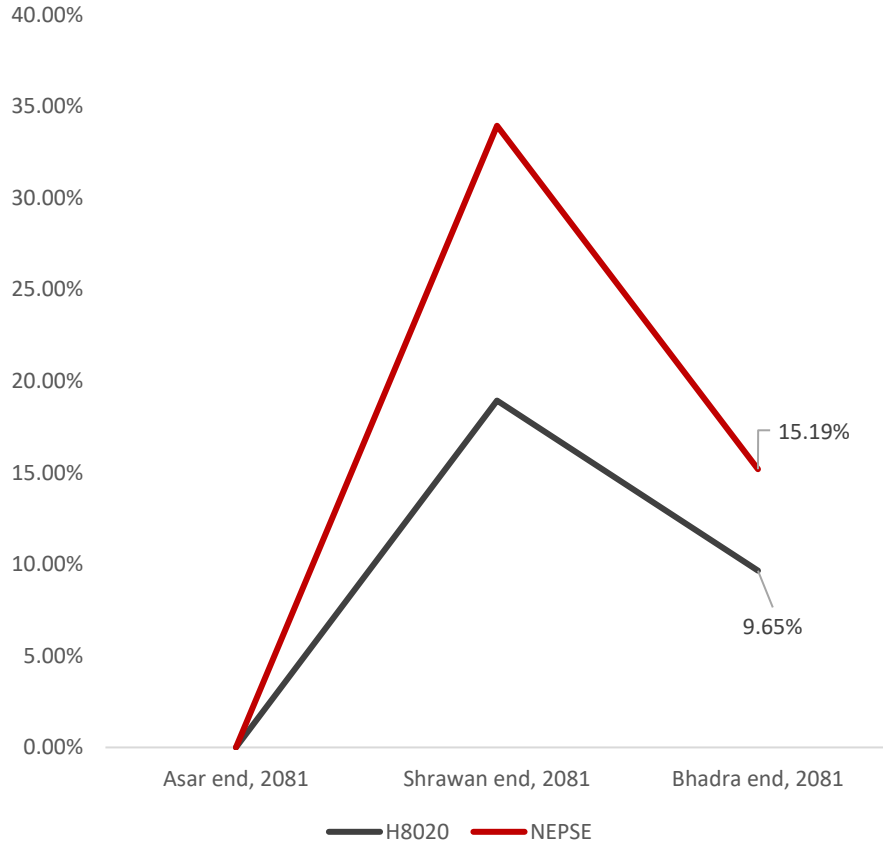


Top 10 Equity Sales of Mutual Funds (Bhadra 2081)

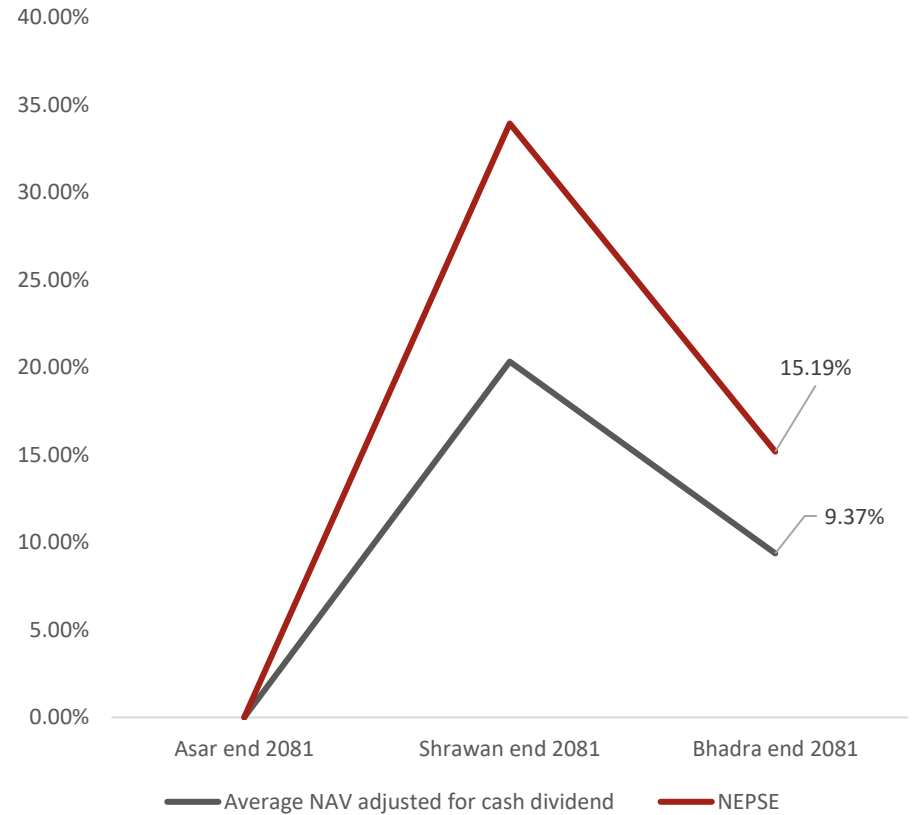


Note: Mutual funds are excluded from both purchase and sale transactions..

H8020 vs NEPSE (Monthly NAV since FY 2080/81 End)



Avg NAV vs NEPSE (Monthly NAV since FY 2080/81 End)



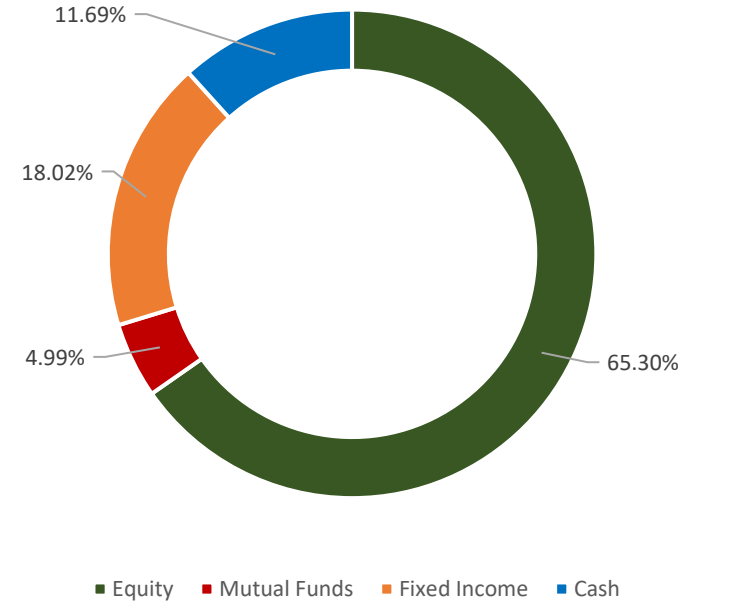
Note: NAV adjusted for cash dividend

If the dividend book close were in mid-Bhadra 2081, the previous NAV for Asar and Shrawan would be adjusted based on this formula,
 $NAV \text{ for the previous months} / (1 + \text{Cash dividend \%})$

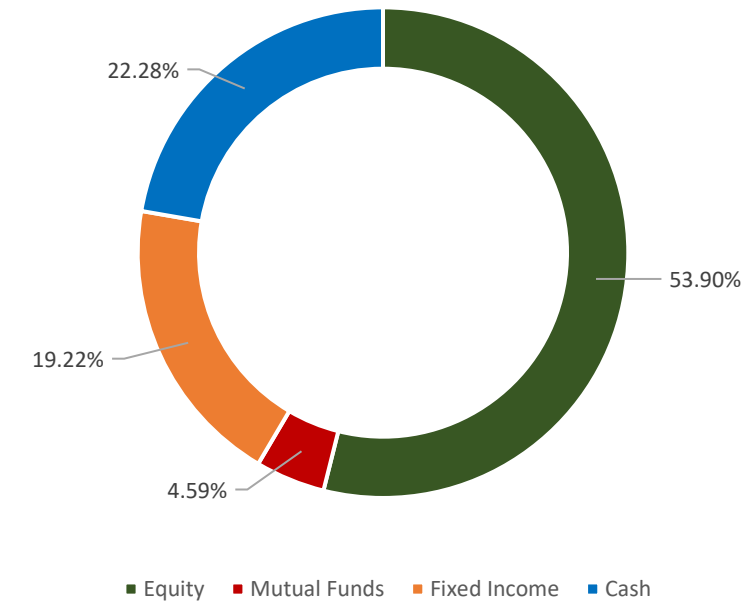
Asset Allocation of Himalayan 80-20

The asset allocation of H8020 has undergone significant adjustments between the end of Shrawan 2081 and Bhadra 2081. With the NEPSE index dropping by 18.76% over the month, H8020 strategically booked profits in anticipation of the decline, gradually reducing its equity exposure.

Shrawan End, 2081

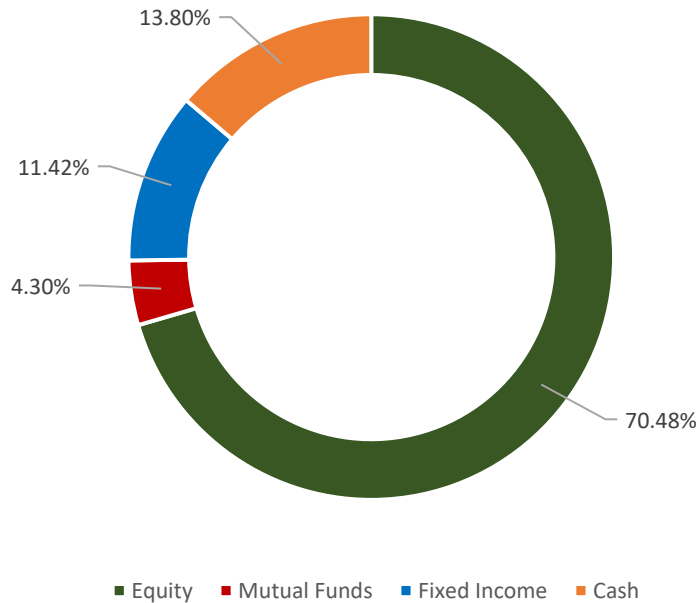


Bhadra End, 2081

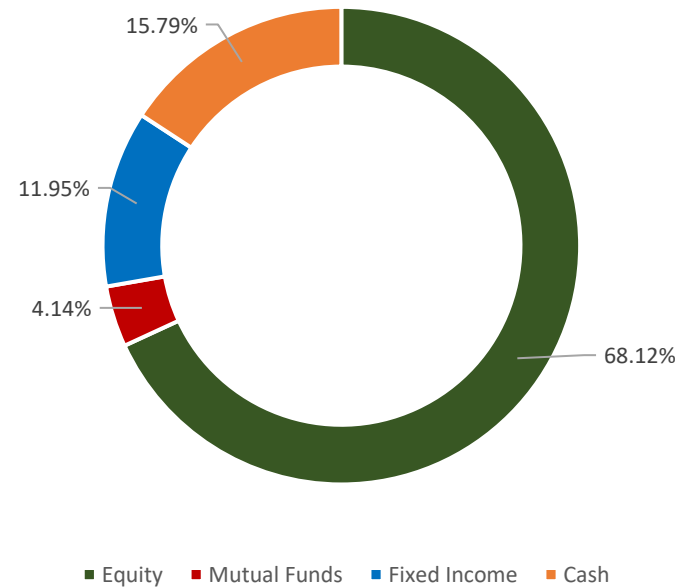


The Assets Under Management (AUM) in Nepal's mutual fund industry dropped by 8.49% in Bhadra 2081, declining to NPR 54.26 billion from NPR 59.30 billion in Shrawan 2081. The decline in AUM was primarily driven by 18.76% month-on-month decrease in the NEPSE index, which not only decreased the value of mutual fund investments but also encouraged profit booking.

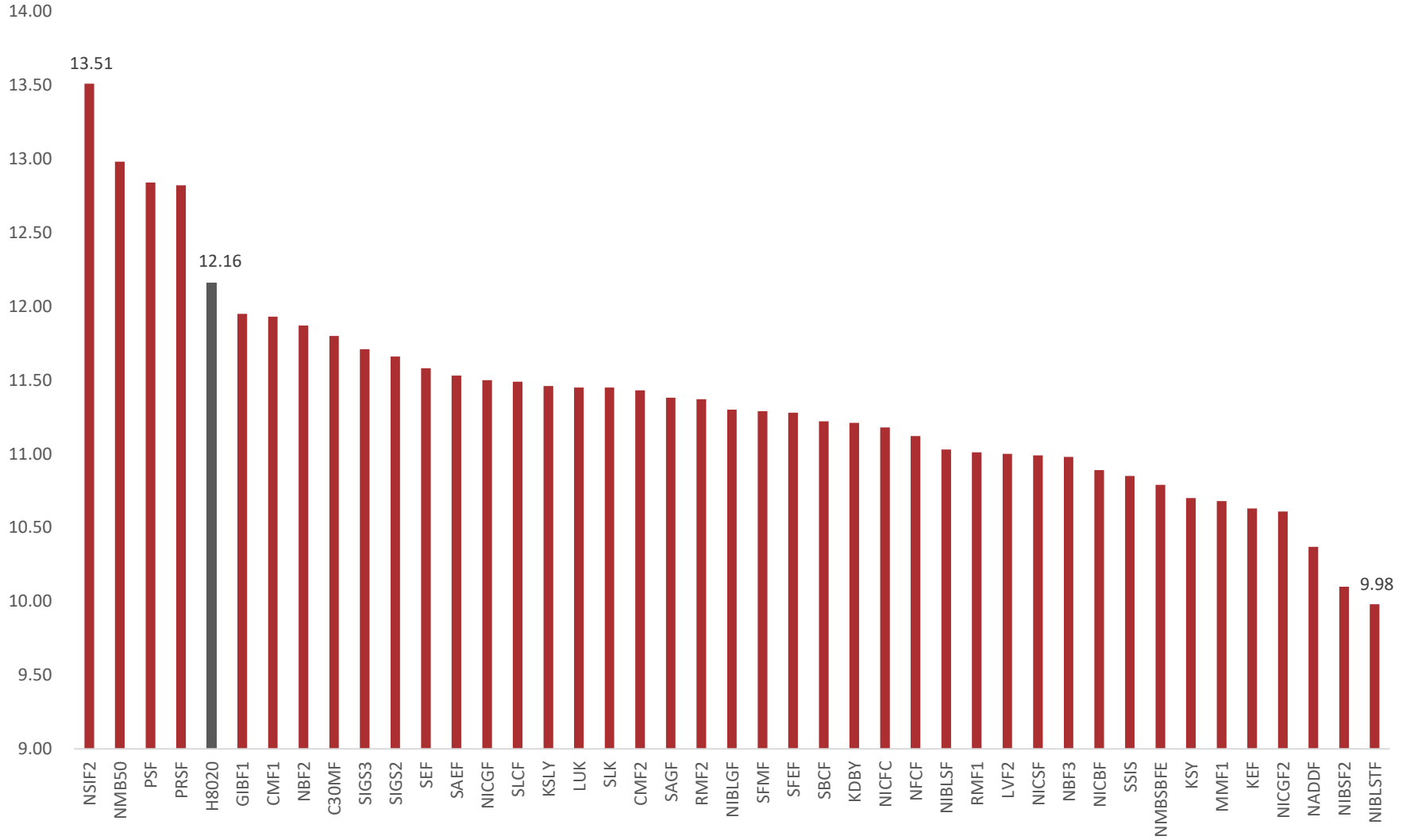
Shrawan End, 2081



Bhadra End, 2081

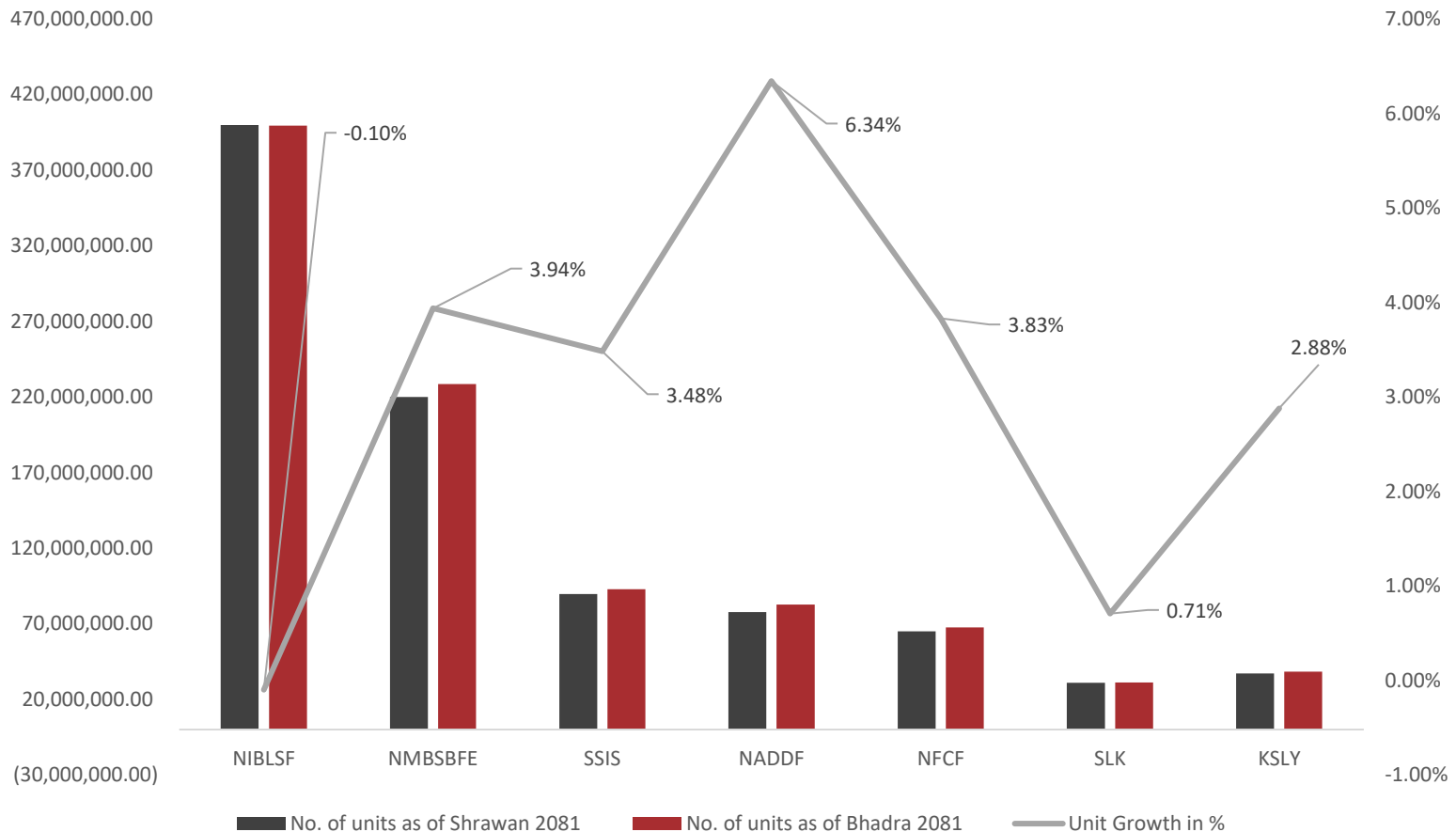


NAV of Mutual Funds as of Bhadra end, 2081

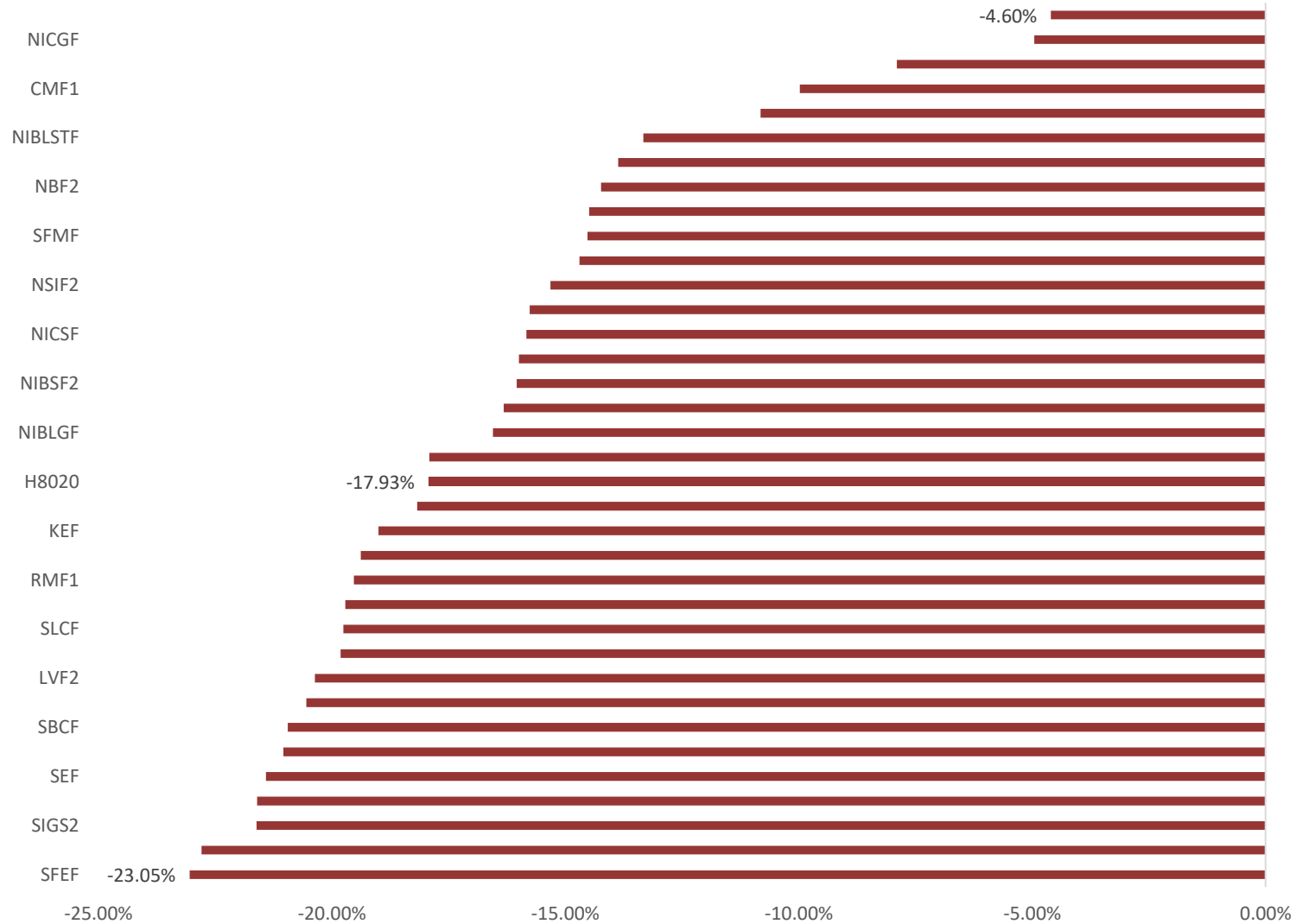


Open Ended Mutual Funds

Among the seven open-ended mutual funds, there was a substantial net unit growth, totaling 20,084,527 units as of Bhadra end 2081. This represents a monthly increase of 3.01%.



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



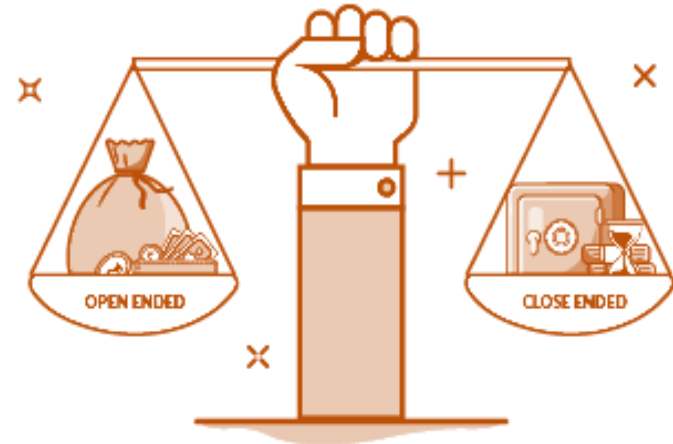
Mutual Fund Industry Report (Bhadra 2081)

Avg NAV of Close Ended Mutual Funds

Ticker	3 Months
NSIF2	13.64
NMB50	13.06
PRSF	12.81
PSF	12.81
SAEF	12.34
SFMF	12.34
NICGF	12.22
H8020	12.15
GIBF1	12.08
SIGS3	12.08
NBF2	12.08
RMF2	12.07
SAGF	12.06
NICSF	12.04
C30MF	12.02
NICFC	11.99
KDBY	11.96
CMF1	11.91
LUK	11.70
SFEF	11.67
CMF2	11.64
SIGS2	11.61
NICBF	11.56
SEF	11.53
SLCF	11.47
NIBLGF	11.47
KEF	11.43
SBCF	11.38
RMF1	11.36
LVF2	11.36
NIBLSF	11.17
NBF3	11.15
KSY	10.96
NICGF2	10.73
MMF1	10.67
NIBLSTF	10.36
NIBSF2	10.27

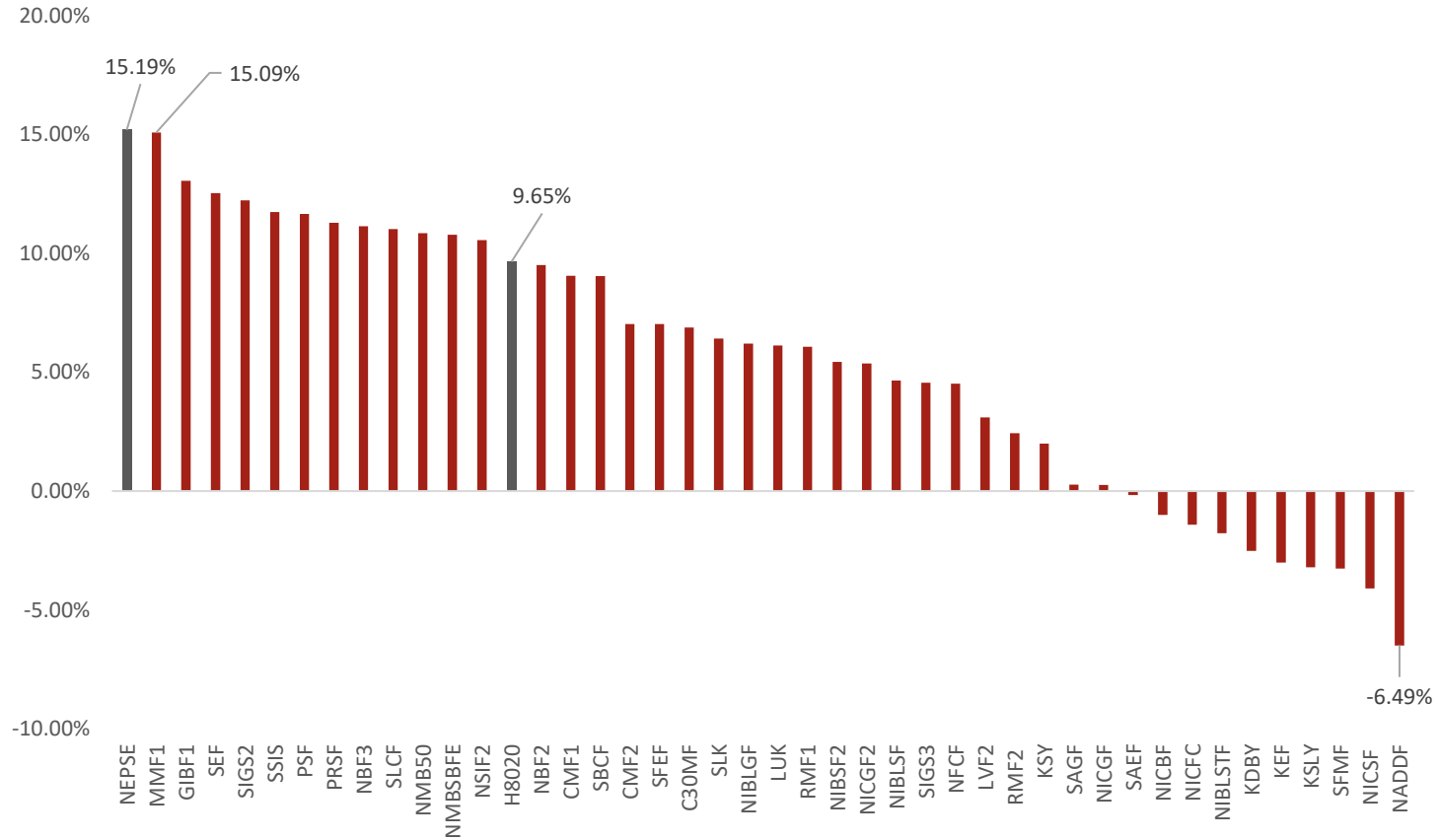
Value of SIP investment of open ended mutual funds since their inception assuming NPR 1,000 monthly investment since the date of the NFO, with DRIP (NAV as of Bhadra end, 2081)

Symbol	Allotment Date	Total Investment	Current Value	Gain / Loss
SSIS	7/23/2021	38,000.00	49,035.16	29.04%
NIBLSF	7/10/2019	62,000.00	78,591.45	26.76%
NADDF	2/4/2021	44,000.00	52,044.51	18.28%
NFCF	12/5/2022	22,000.00	25,749.30	17.04%
NMBSBFE	9/23/2021	33,000.00	38,168.36	15.66%
KSLY	4/13/2023	18,000.00	20,814.53	15.64%



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

Mutual Funds and NEPSE Returns Since FY 2080/81 End (Up to Bhadra end, 2081)



As detailed in the next slide, 20 mutual funds had already distributed dividends before the publication of the Bhadra end 2081 report.

Cash Dividend Declarations for FY 2080/81

SAEF: 15.00%

NICSF: 14.00%

SFMF: 12.50%

NICFC: 10.50%

KSly: 10.50%

SAGF: 10.00%

NADDF: 10.00%

NICGF: 9.50%

KDBY: 9.50%

KEF: 9.50%

NICBF: 9.25%

RMF2: 8.74%

SLK: 7.50%

LUK: 7.50%

SIGS2: 6.50%

SEF: 5.00%

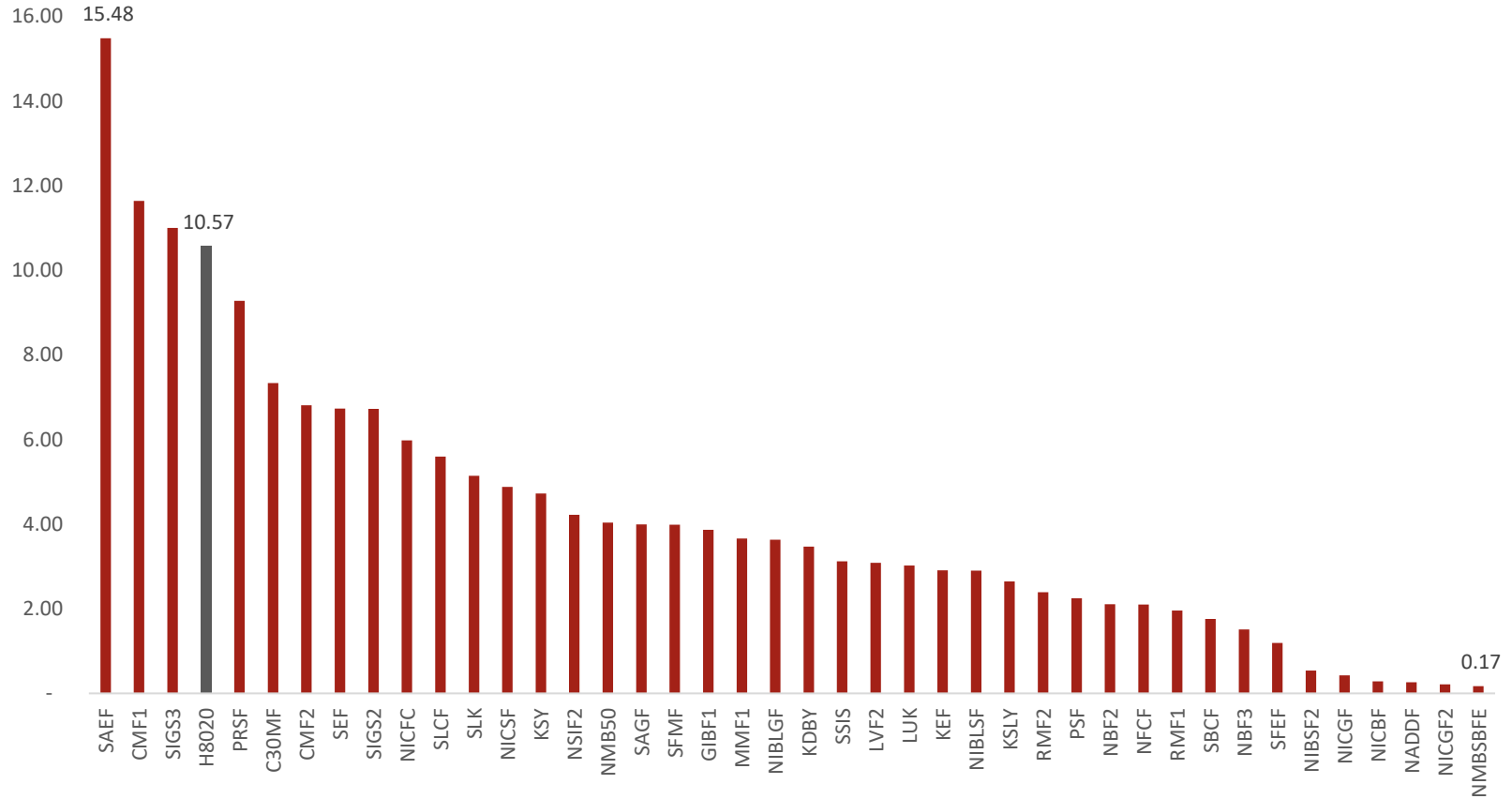
NFCF: 5.00%

SFEF: 4.50%

LVF2: 4.50%

RMF1: 3.81%

Dividend Capacity of Mutual Funds (2 months)



Note –

- **Only mutual funds with a Net Asset Value (NAV) above NPR 10 qualify for dividend distribution.**
- **Dividends can only be distributed from realized gains and reserves**
- **The final dividends are determined at the discretion of the fund manager.**
- **For the above, only realized gains have been taken into consideration**

Top 5 Equity Purchases in Units by Mutual Funds in Bhadra 2081

Company Name	Graham Fair Value as of Q3 2080/81	BVPS as of Q3 2080/81	Market Price as of Shrawan end, 2081	Why are mutual funds buying?
HIDCLP	127.60	113.95	197.00	In Bhadra 2081, HIDCLP successfully concluded the auction for its previously unsold right shares. Mutual funds played a significant role in the auction, acquiring 5.12% of the total units available. This strong participation by mutual funds made HIDCLP the highest equity purchase of Bhadra 2081.
SANIMA	246.81	154.35	367.00	In Shrawan 2081, mutual funds sold 338,764 units of SANIMA but reentered in Bhadra 2081 by buying 234,449 units, likely after booking profits and reinvesting at lower prices to increase their holdings at a lower cost. SANIMA's strong fundamentals likely made it the second-highest equity purchase in Bhadra 2081.
SADBL	222.32	144.81	485.00	On a quarter-over-quarter basis, SADBL's annualized EPS rose by 44.90% from Q3 to Q4 of 2080/81, primarily driven by a reduction in impairment charges. These positive changes likely made SADBL a preferred choice among mutual funds.
NMB	212.75	158.27	281.20	The bank has strong fundamentals and a good track record of financial performance, which may have attracted mutual funds to invest in it.
SBI	283.01	185.60	449.00	On a quarter-over-quarter basis, SBI's annualized EPS increased by 29.73% from Q3 to Q4 of 2080/81, primarily due to a decline in impairment charges. Additionally, the bank boasts above-average fundamentals, which likely positioned SBI as a preferred choice among mutual funds.

Top 5 Equity Sales in Units by Mutual Funds in Bhadra, 2081

Company	Graham Fair Value as of Q3 2080/81	BVPS as of Q3 2080/81	Market Price as of Jestha end, 2081	Why are mutual funds selling?
NLG	280.45	212.38	1109.10	Mutual funds began accumulating NLG shares in Magh 2080 as the non-life insurance company aimed to reach NPR 2.5 billion in paid-up capital. To meet this target, NLG planned to issue 62.56% in rights shares, pending SEBON approval. This development likely affected its stock prices, leading mutual funds to gradually sell their holdings to book profits.
SHPC	204.95	174.15	678.30	SHPC is a fundamentally strong hydropower company that had been trading sideways for a long time, during which mutual funds actively accumulated its shares. With NEPSE's rapid increase in Shrawan 2081, SHPC's stock price surged from NPR 360-365 to NPR 650-670. As a result, mutual funds gradually started selling their holdings to realize profits, a trend that continued into Bhadra.
KBL	167.36	141.47	256.00	KBL emerged as the second-highest equity purchase by mutual funds in Shrawan 2081, driven by anticipation of the FY 2081/82 monetary policy. The policy's rate cuts and potential reclassification of non-performing loans (NPLs) as performing assets made KBL's 4.95% NPL ratio more attractive, signaling reduced provisioning and increased profitability. Mutual funds likely bought into KBL expecting these favorable changes and subsequently booked profits in Bhadra 2081, following its strong performance as a top buy the previous month.
NBL	255.67	257.57	326.00	Since NBL published its Q3 report for 2080/81, which showed a significant decline in financial performance, mutual funds began selling their shares in Baisakh 2081. This trend persisted into Bhadra 2081, even though there was a rebound in performance in Q4.
API	139.57	109.73	375.00	API's revenue saw a remarkable boost following the completion of its 40 MW Upper Chameliya Project in Shrawan 2080. The company's financial performance started improving steadily from the second quarter of FY 2080/81. Mutual funds began accumulating API's stock around Magh 2080. With NEPSE's rapid surge in Shrawan 2081, API's stock price jumped from NPR 160-165 to NPR 370-380. As a result, mutual funds gradually offloaded their holdings to lock in profits, a trend that persisted into Bhadra.

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

Limited Diversification of Financial Products for Mutual Funds in Nepal.

High Reactivity of NEPSE to Different Events (Political, Economic, Liquidity, etc.).

T+2 Trading Cycle Hindering Swift Sell Decisions.

Information Asymmetry in the Market.

H8020 has a greater risk appetite compared to typical retail investors, making it challenging to replicate H8020's performance.

Asset classes such as mutual funds, bonds, and debentures, which H8020 can invest in, might have lower liquidity (in some cases), making them harder to convert into cash quickly.

Mutual funds in Nepal are regulated by SEBON, and changes in regulations, tax laws, or policies can significantly affect fund performance.



Investor Education for the Month – Open Ended Mutual Funds

Open mutual funds are investment vehicles that allow for continuous buying and selling of shares without a fixed share limit or maturity date. They differ from closed-end funds, which have a predetermined number of shares.

Open mutual funds are priced based on the Net Asset Value (NAV), calculated daily by dividing the total value of the fund's assets by the number of outstanding shares.

This pricing mechanism ensures transactions accurately reflect the value of underlying assets, avoiding market supply and demand influences.

Open mutual funds offer advantages such as liquidity, diversification, and professional management. They invest in a range of assets, such as stocks and bonds, which helps spread risk. However, they are subject to market fluctuations and management fees can impact returns.

The absence of a maturity date allows investors to hold shares indefinitely, making them a flexible option for long-term investment.



Macroeconomic Outlook for Ashwin 2081

The macroeconomic outlook has improved due to regulatory actions, increased remittance inflows, and a positive Balance of Payments, resulting in decreased inflation and interest rates.

The recent NEPSE index surge is due to several factors: lower interest rates improving borrowing conditions, the appointment of Mr. Bishnu Prasad Paudel as Finance Minister boosting market confidence, and Nepal Rastra Bank's rate cuts in FY 2081/82 aimed at stimulating economic activity. These combined factors have driven the NEPSE index upward.

The NRB has lowered the policy rates and introduced a range of rate cut measures, particularly benefiting the banking, financial institutions (BFI), and construction sectors.

Additionally, the NRB's decision to lift the NPR 20 crore cap on margin lending for institutional investors is expected to further inject capital into the market.

Over the past weeks, NEPSE has declined from its recent peak of 3,000.81. This drop is largely due to profit-taking by traders, which has slowed the market's upward momentum. Additionally, trading volumes have been insufficient to support the continuation of the bullish trend.





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