

Mutual Funds in Bangladesh – The present and future

Md. Nafeez Al Tarik, CFA, FRM

Managing Director & CEO

Asian Tiger Capital Partners Asset Management Limited



PROMOTED BY ISSCC

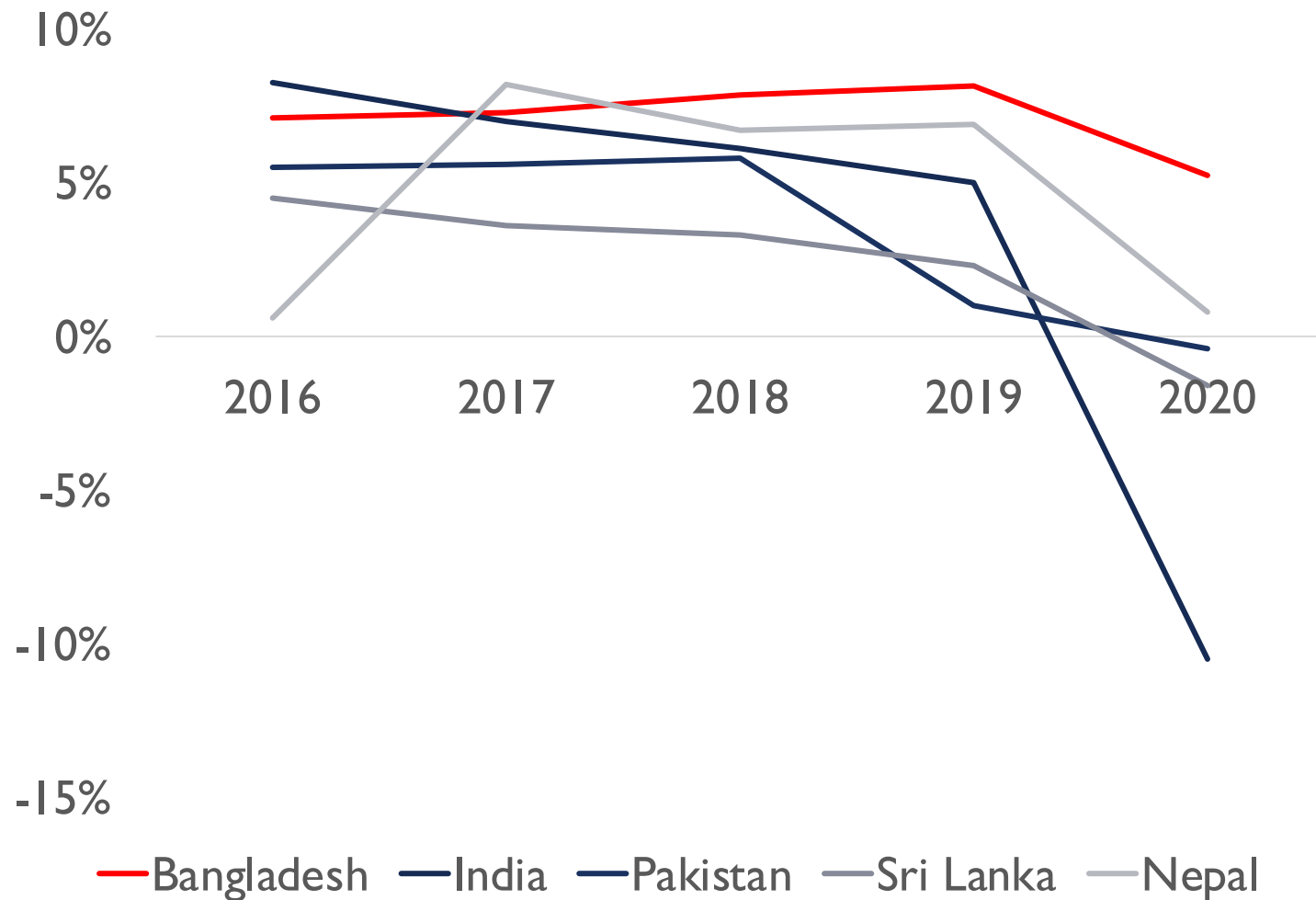
WORLD
INVESTOR
WEEK 2020

An aerial night photograph of a city, likely Dhaka, Bangladesh, showing a wide river (Dhaka River) flowing through the center. The city is densely packed with buildings, many of which are illuminated with warm lights. Several bridges span the river, with the most prominent one in the foreground featuring multiple arches and being brightly lit. The overall scene is a vibrant display of urban development and infrastructure.

BANGLADESH

An economy of endless possibilities

GDP Growth: Bangladesh vs peer economies



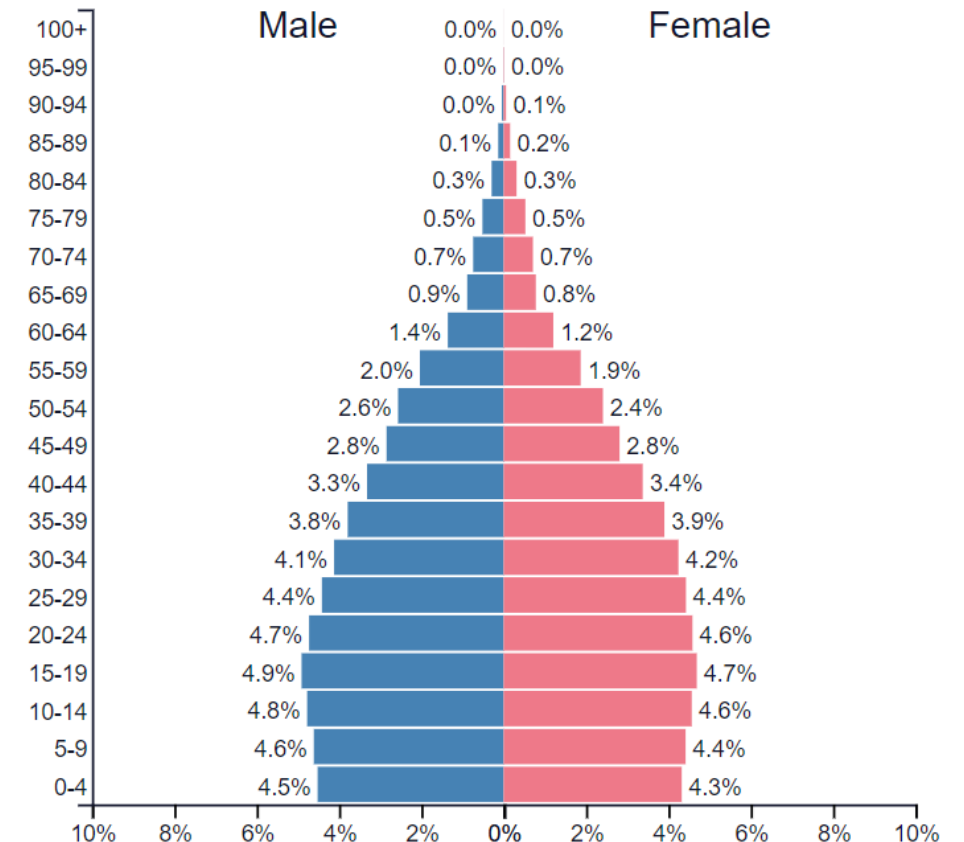
Source: WB, central bank data and full-year estimates

BANGLADESH
ECONOMIC
GROWTH ON A
RISING
TRAJECTORY
WITH HIGH
RESILIENCE TO
SHOCKS

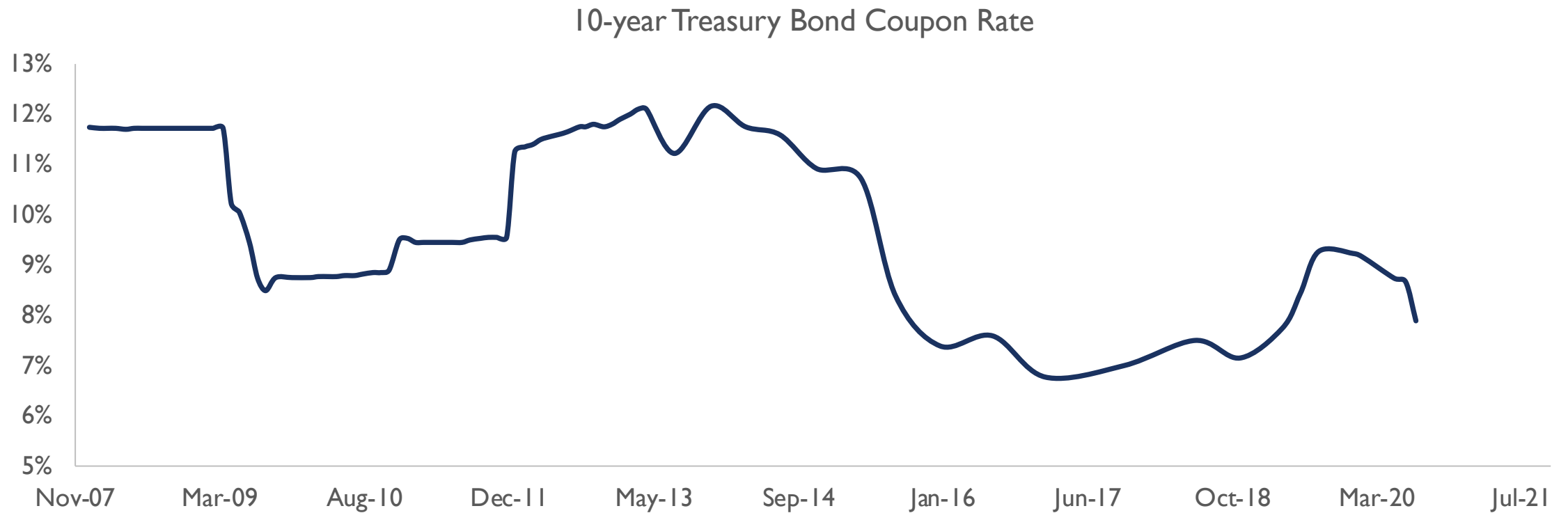
BANGLADESH ECONOMY

DEMOGRAPHY

Population (total)	167.56 million (8 th highest in the world)
Annual Population Growth	1.05%
Population Density	1,265.2 (6 th highest in the world)
Age Dependency Ratio	47%
% of population aged 15-64	68%
Total Labour force	71.1 million
Female Labour force participation rate	34%
Expected years of schooling	11.2 years
Life expectancy	72.3 years



LOW INTEREST RATE ENVIRONMENT MAKES FIXED DEPOSIT ALTERNATIVES MORE ATTRACTIVE



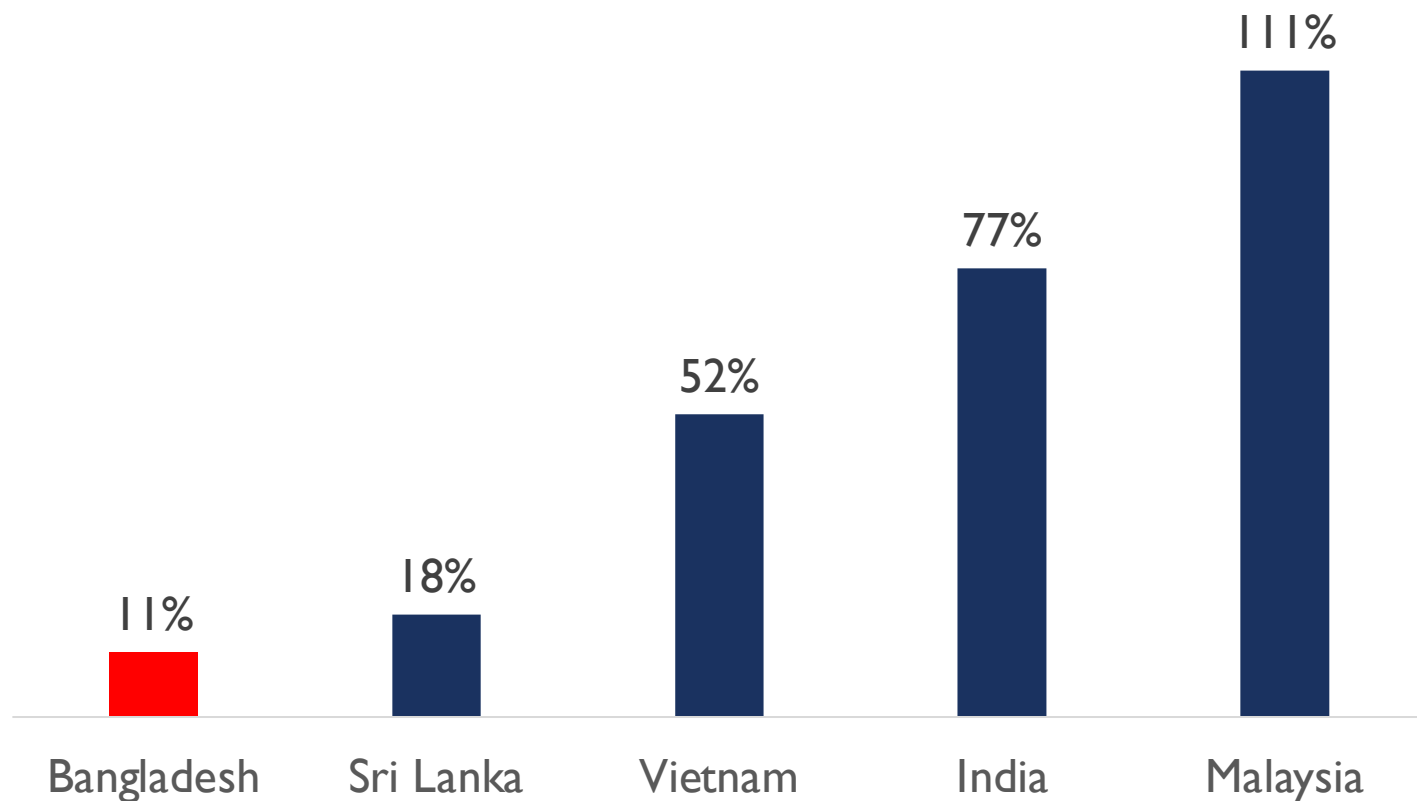
An aerial night view of a city, likely Dubai, showing a dense urban landscape with numerous skyscrapers and illuminated streets. A semi-transparent dark circle is centered over the image, serving as a background for the text.

Progressive

CAPITAL MARKET

Need more constructive measures..

Market Capitalization to GDP: Bangladesh vs peer countries

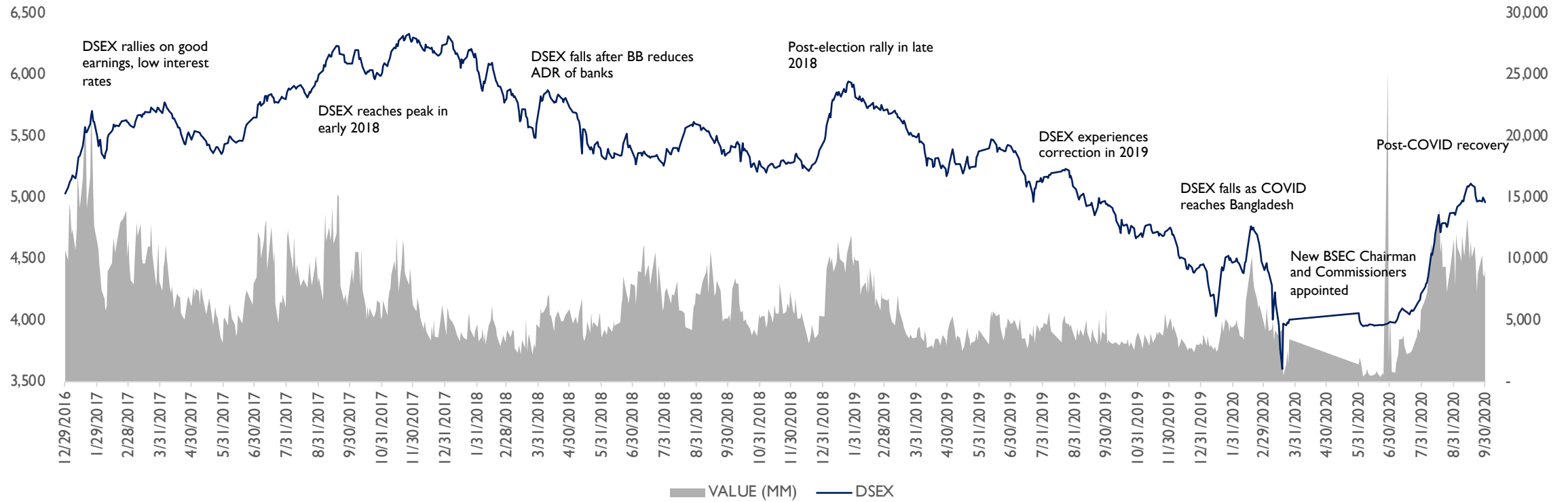


**BANGLADESH
MARKET
CAPITALIZATION
TO GDP LAGS
BEHIND MOST
COMPARABLE
COUNTRIES**

REASONS FOR LOW MARKET CAPITALIZATION TO GDP IN BANGLADESH

- Lack of profitable blue-chip companies
- Lack of investor trust
- Investors' risk aversion
- Lack of promotion
- Lack of fixed-income investment options

BANGLADESH CAPITAL MARKET EVENT CHART OF DSEX



BANGLADESH CAPITAL MARKET

WELCOMING MEASURES/ ACTS FROM NEW COMMISSION

Higher willingness to carry out needed reforms

Introduction of Bond Trading

Proactive enforcement of BSEC rules

Deeper scrutiny of IPO applications

Increased responsiveness to stakeholders

Quicker decision making

BANGLADESH CAPITAL MARKET

GOOD IPO ARE COMING

Energypac
Power
Generation

Walton High
Tech Industries

Robi

Lub-rref

Mir Akhter
Hossain

Ashuganj
Power
Company Bond

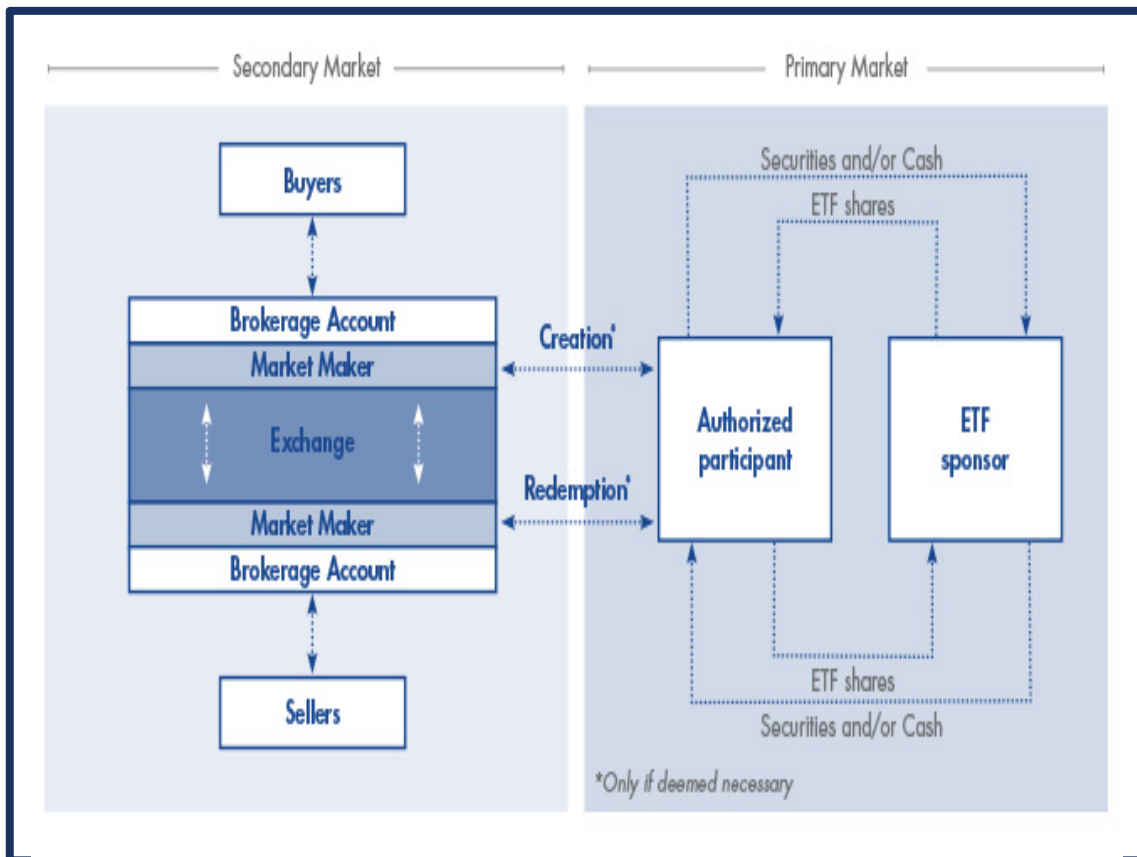
A scenic view of a city at sunset. The sky is filled with vibrant orange and yellow clouds. In the foreground, a body of water reflects the sky and the city. A bridge with a large arch is illuminated with blue lights. Several tall buildings are visible in the background, some with lights on. The overall atmosphere is peaceful and modern.

BANGLADESH MUTUAL FUND INDUSTRY

TYPES OF MUTUAL FUNDS AVAILABLE TO BANGLADESHI INVESTORS

Fund Type	Closed-end	Open-end
Tenure	Fixed	Unlimited
Size	Fixed at Inception	Open to new investment/withdrawal
Listed on DSE/CSE	Yes	No
Buy/Sell Price	Market Price at Exchange	Weekly NAV
Can trade at Discount/Premium to NAV	Yes	No

ETF



- ETFs have the advantages of both closed-end and open-end funds
- ETFs are listed on stock exchanges and can be bought or sold by investors
- Certain capital market participants are appointed as “Authorized Participants (AP)”
- ETF portfolios are known to APs
- If the trading price of the ETF deviates from its NAV, APs can create more ETF units by exchanging shares in the ETF portfolio, or redeem ETF units and sell shares in its portfolio
- This, ETFs trade on exchanges like closed-end funds, and always trade at NAV like open-end funds

AMC STATISTICS

47 AMCs

34 Closed-
end Funds

58 Open-end
Funds

AUM: BDT
120 bn
(2018)

EXISTING ASSET CLASS

Asset Class
Treasury Bills/Bonds
Sanchayapatra
Bank Deposit Products
Land
Gold/Precious Metals
Mutual Fund
Listed Equity
Private Equity

INVESTMENT OPTION AVAILABLE TO INVESTORS

BO Account

Separately
Managed
Account

Open-end
Equity focused
Mutual Funds

ETF

Open-end Fixed
Income Focused
Mutual Funds

Deposit
Products

Real Estate

Treasury Bonds

REIT

Corporate
Bonds

Private Equity
Funds

Venture Capital
Funds

Hedge Funds

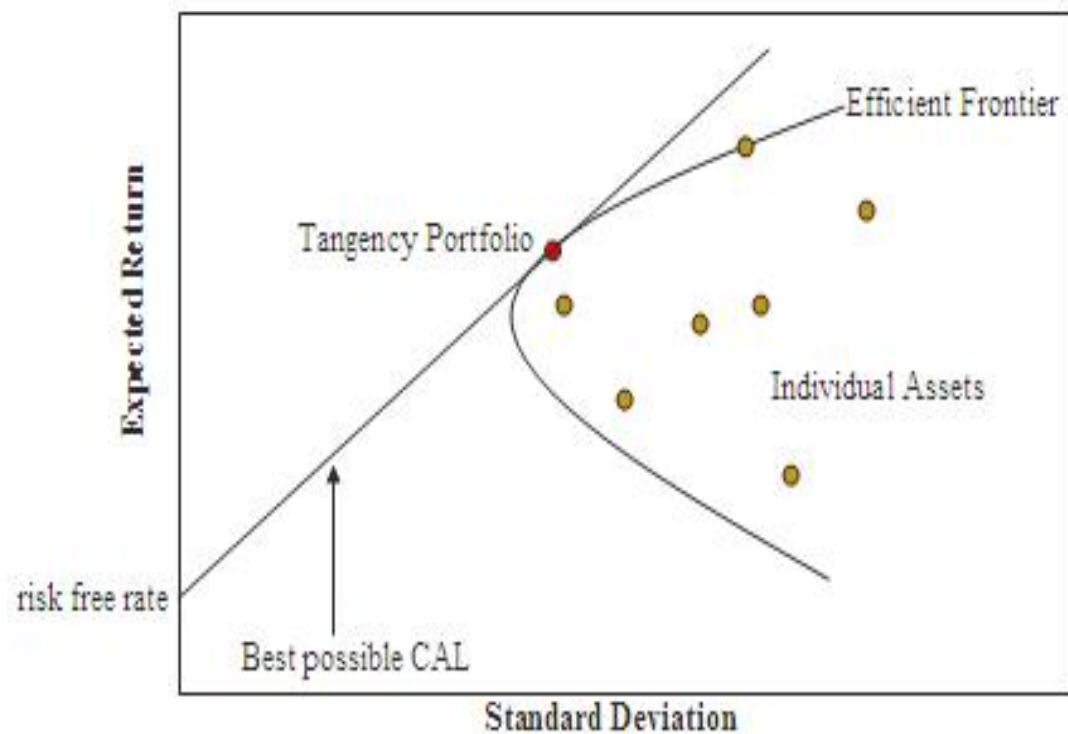
Commodities

Target-date
funds

WHY MUTUAL FUNDS ARE IDEAL FOR RETAIL INVESTORS

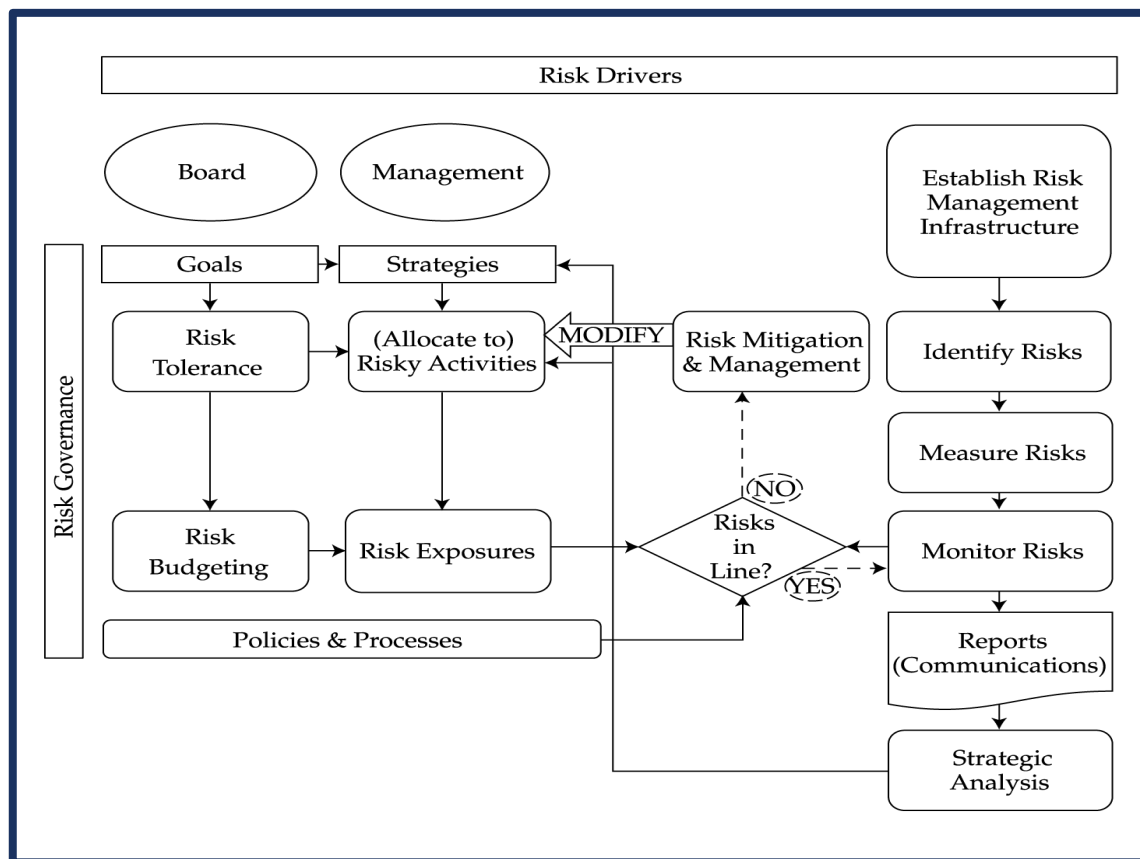
- Regulated by BSEC
- Potential higher long-term returns
- Investors can see historical returns to compare AMC's
- Less risk compared to real estate
- Higher Liquidity

DIVERSIFICATION LOWERS RISK



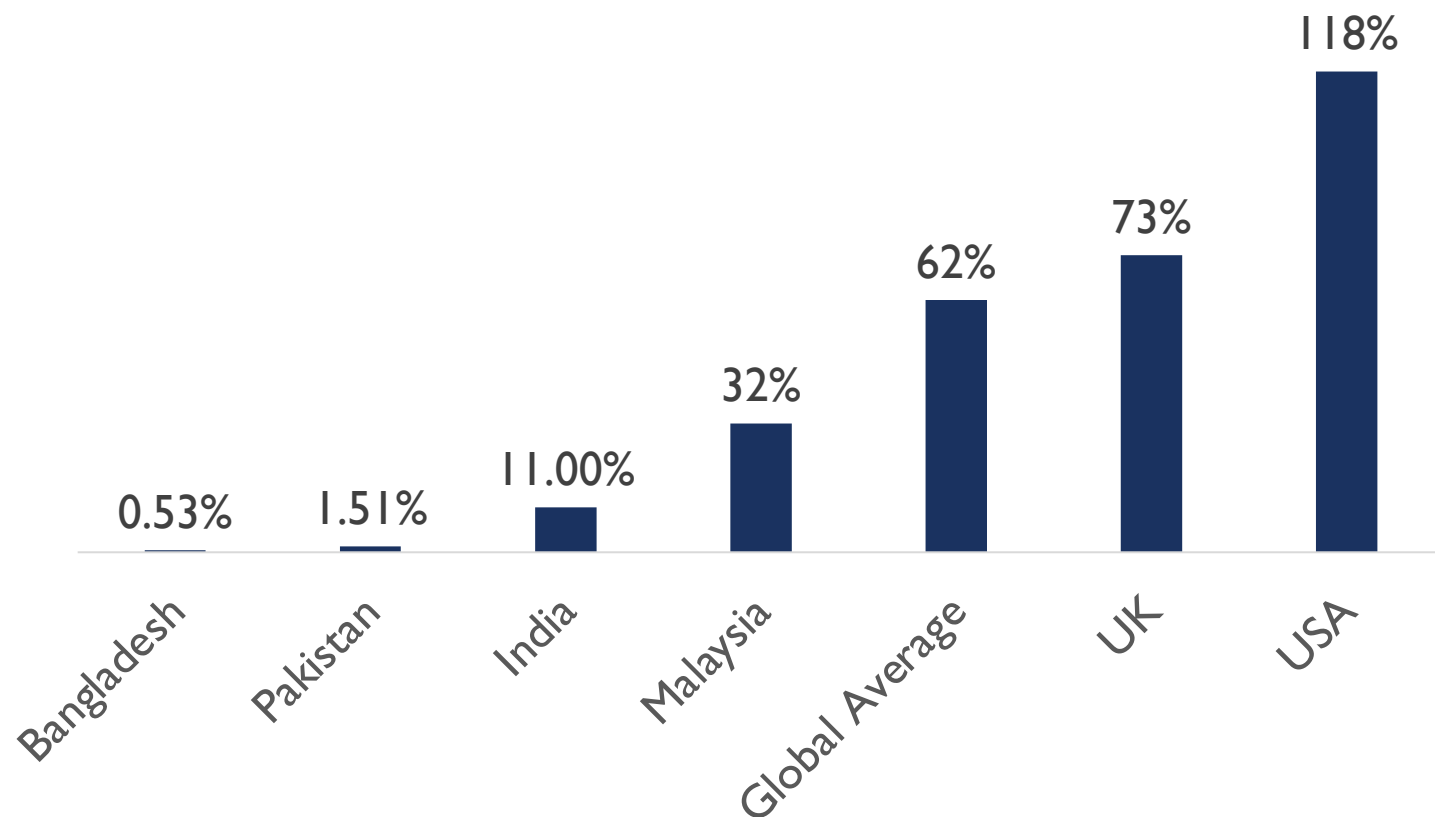
- Mutual Funds diversify their assets across different asset classes, sectors and individual securities
- By diversifying portfolio assets, fund managers lower the risk of the portfolio while providing similar returns
- This lowered risk can give investors greater confidence to invest in the capital market through mutual funds

RISK MANAGEMENT PROCESS KEEPS RISKS UNDER CONTROL



- Asset Management Companies put in place a robust risk management process to ensure that portfolio risks are always under control
- Investment committee sets the total risk budget
- Fund Manager responsible for identifying and measuring risks
- Fund Manager creates strategic asset allocation, and constructs portfolio
- Fund Manager continually monitors portfolio risk and return, and compares it with estimated risk and return to ensure risks are in line with expectations

Mutual fund assets to GDP



AUM TO GDP IN
BANGLADESH IS
ONE OF THE
LOWEST IN THE
WORLD

REASON FOR LOW POPULARITY OF MUTUAL FUNDS

Low financial literacy

No easy way to buy/sell mutual funds

Lack of fixed-income focused fund

Rigid investment constraints for asset and sector allocation

Lack of promotion and advertising

Lack of investable companies

ADDITIONAL CONSTRUCTIVE MEASURES RECOMMENDATION

Introduce Fixed-Income focused Mutual Funds

Buy/sell open-end mutual funds online or through mobile app/bKash

Update DSE sector classification criteria to avoid concentration in any sector

Promote awareness and financial literacy about mutual funds as an investment vehicle



THANK YOU

