

INSIGHTS INTO NEPAL'S MUTUAL FUND MARKET




Himalayan Capital


A Subsidiary of Himalayan Bank Limited


Poush 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
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

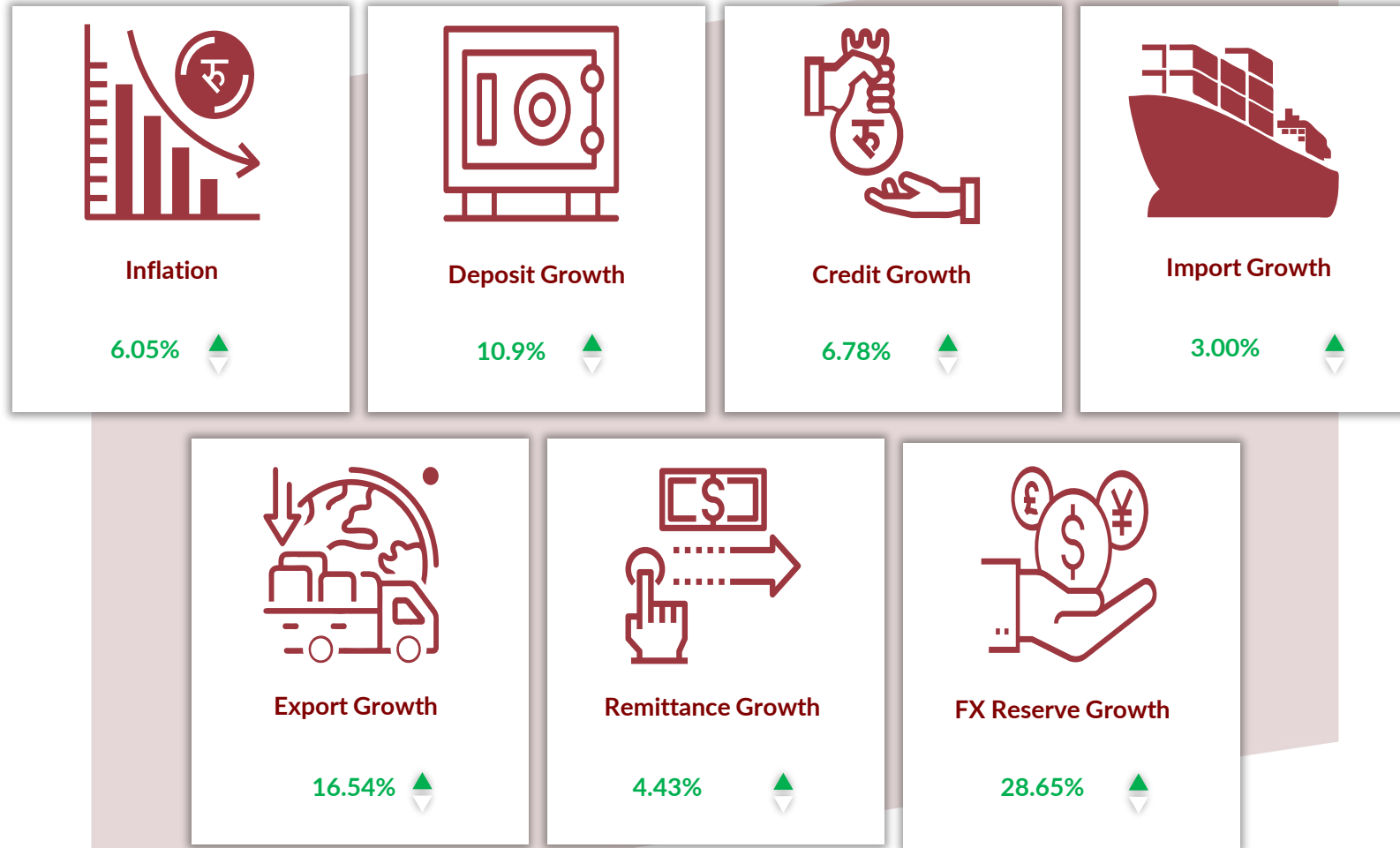


On 6 February 2025, the NEPSE index closed at 2699.81 points, with a weekly turnover of NPR 51.26 billion. Compared to the previous week's final close price and average weekly turnover, the index increased by 42.04 points (i.e. 1.58%) and a 28.28% increase in average weekly turnover.

The Relative Strength Index (RSI) stands at 56.49, which is at the neutral zone and the MACD is suggesting a bearish trend, but is above the histogram

From a technical analysis standpoint, the NEPSE index's immediate support levels are identified as (S1) 2670, (S2) 2620, and (S3) 2565 while immediate resistance levels are recognized at (R1) 2760, (R2) 2800, and (R3) 2870. These support and resistance levels serve as valuable indicators for investors when formulating trading decisions.

Macroeconomic Outlook



* Growth refers to the change between four 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

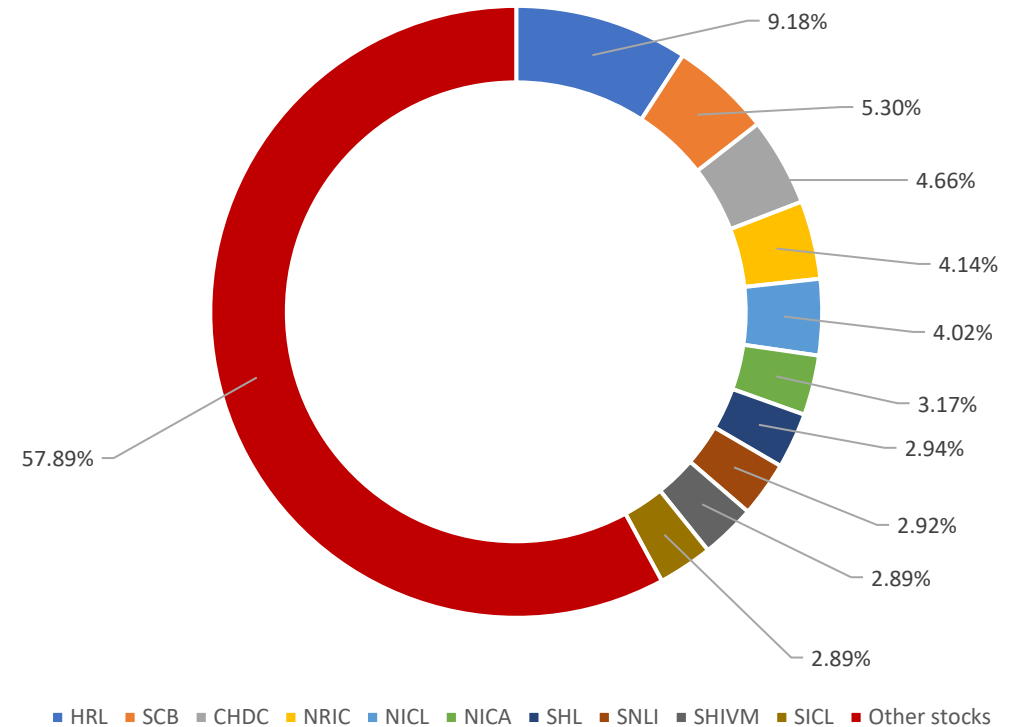
Allotment Date	13-Sep-23
Maturity Date	01-Oct-33
AUM as of Poush end, 2081 in NPR	1,149,406,828.58
Scheme Type	Close Ended
Scheme Objective	Growth Oriented
Benchmark	NEPSE
Fund Management Fee	1.50% of NAV
DP Fee	0.20% of NAV
Fund Supervisor Fee	0.20% of NAV or NPR 100,000 per month whichever is lower
Fund Manager	Himalayan Capital Limited
H8020 Returns since FY 2080/81 End	9.82%
NEPSE returns since the same date	15.79%
Adjusted Fund Beta Since Inception (Monthly)	0.69
Fund Standard Deviation Since Inception (Monthly)	1.03
Average Monthly Fund Return Since Inception	1.38%

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.

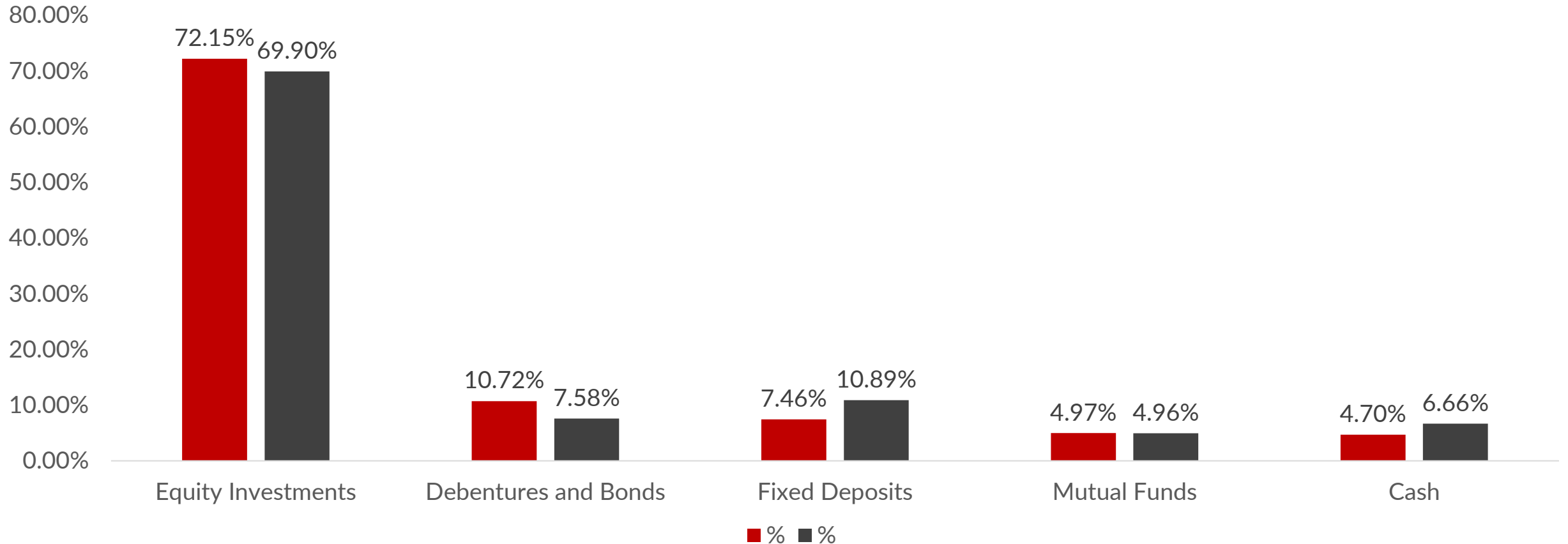
Himalayan 80-20

Top 10 Equity Holdings as of Poush End, 2081

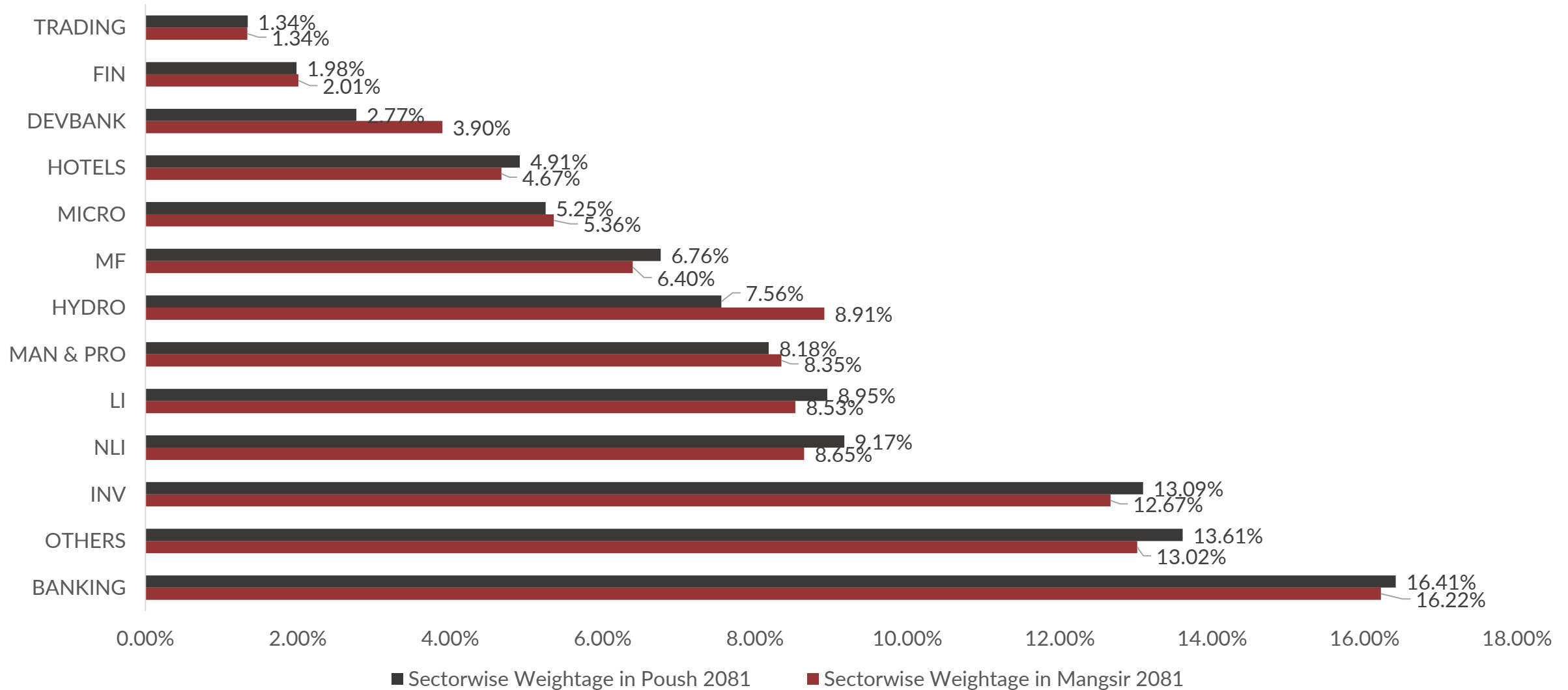


Asset Allocation of Himalayan 80-20

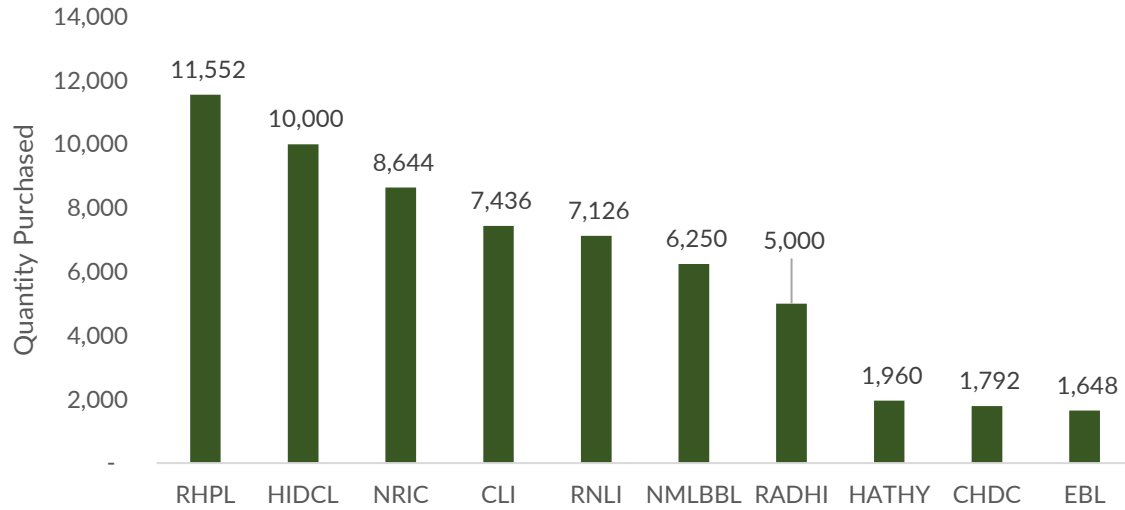
Our asset allocation in H8020 reflects the adjustments made between Mangsir 2081 and Poush 2081. During this period, as NEPSE declined by 3.40% on a month-on-month basis, cash allocation increased by NPR 21.66 million, primarily due to stock sales. The equity allocation decreased both as a result of stock sales and the drop in stock values corresponding to NEPSE's decline.



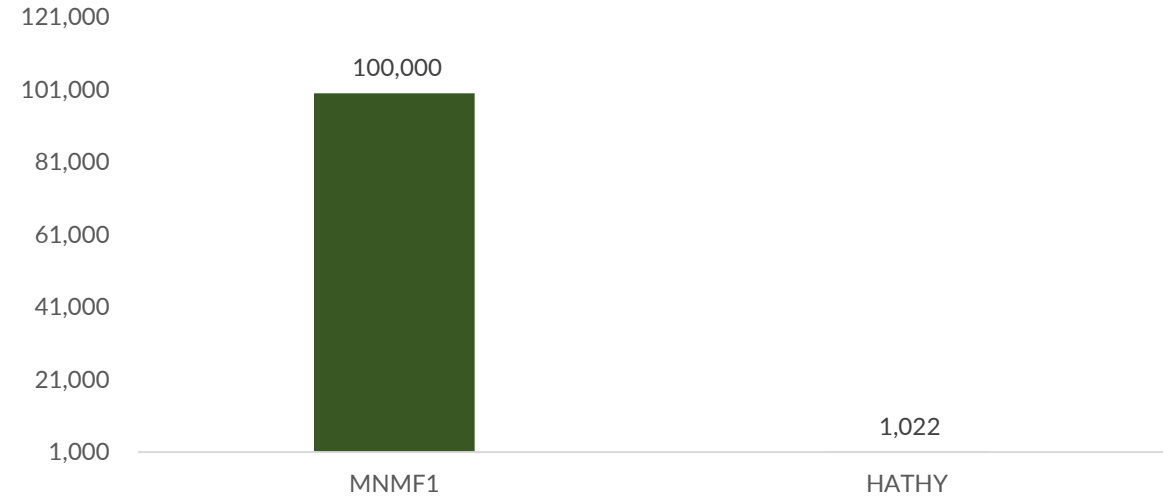
Sectorwise Allocation of Himalayan 80-20



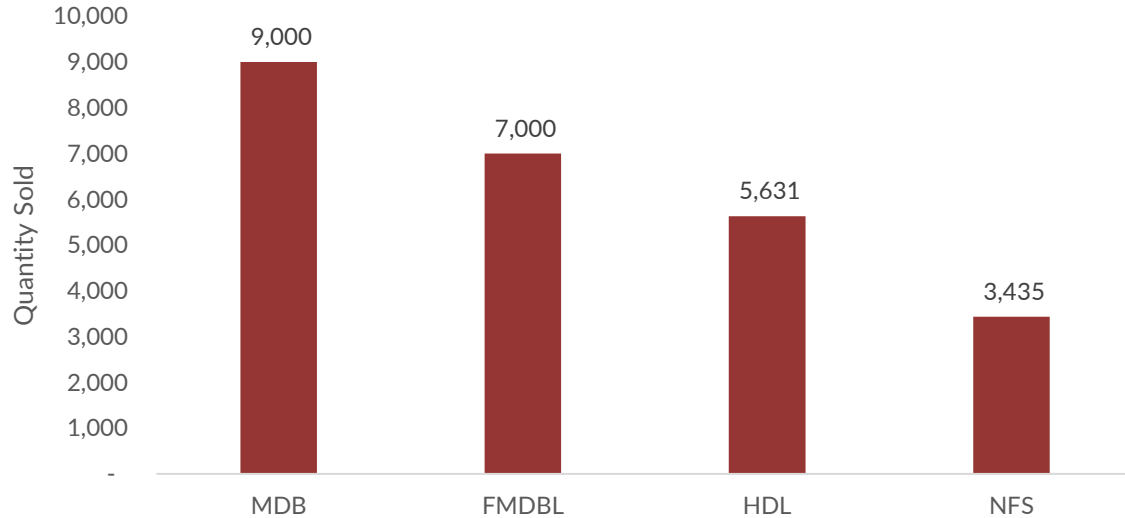
Top 10 Equity Purchases of H8020 (Mangsir 2081)



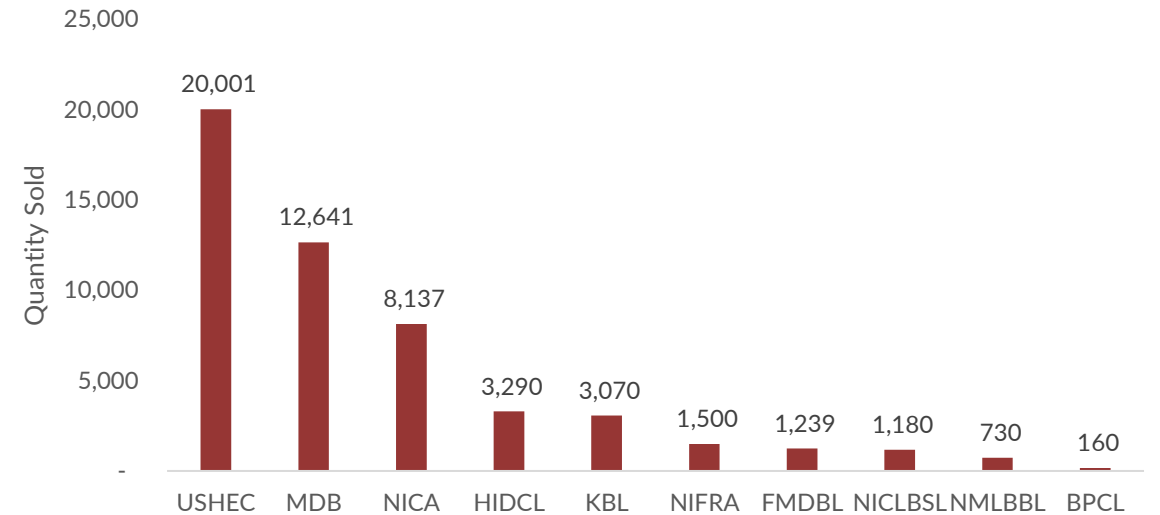
Top 10 Equity Purchases of H8020 (Poush 2081)



Top 10 Equity Sales of H8020 (Mangsir 2081)



Top 10 Equity Sales of H8020 (Mangsir 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

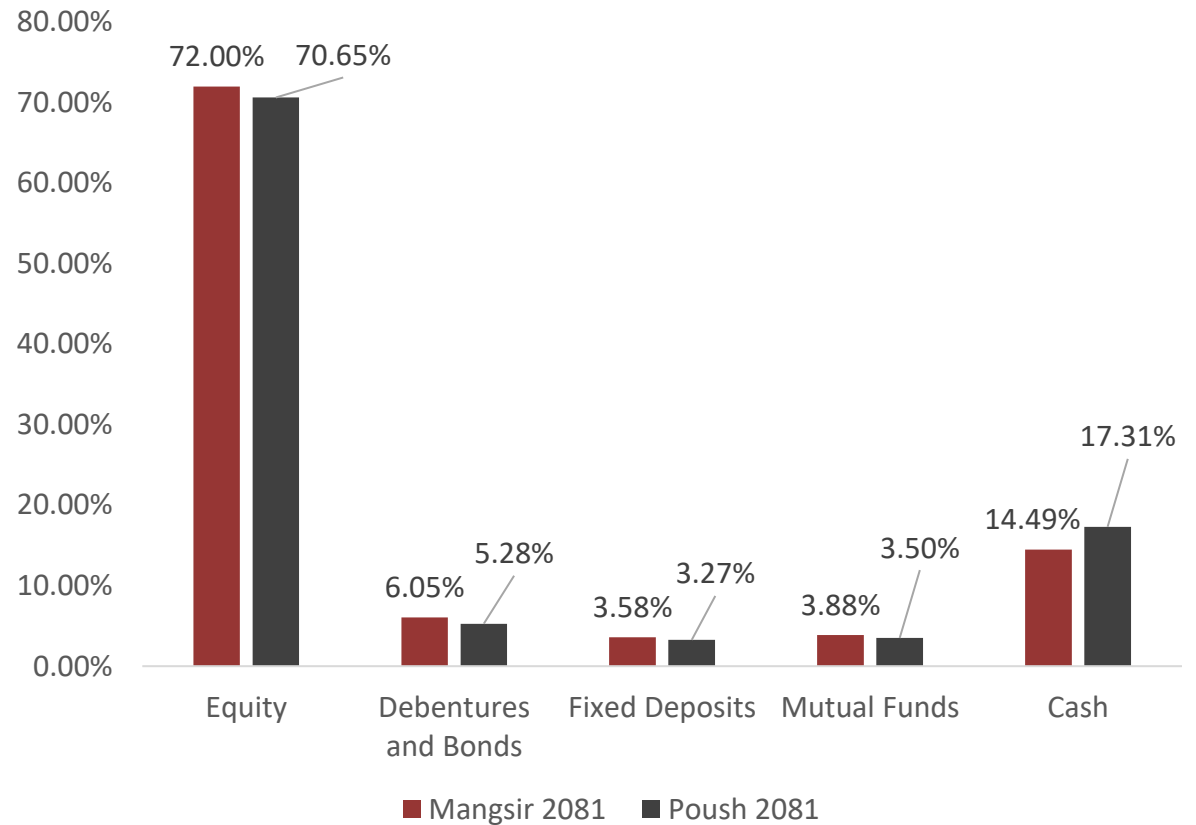
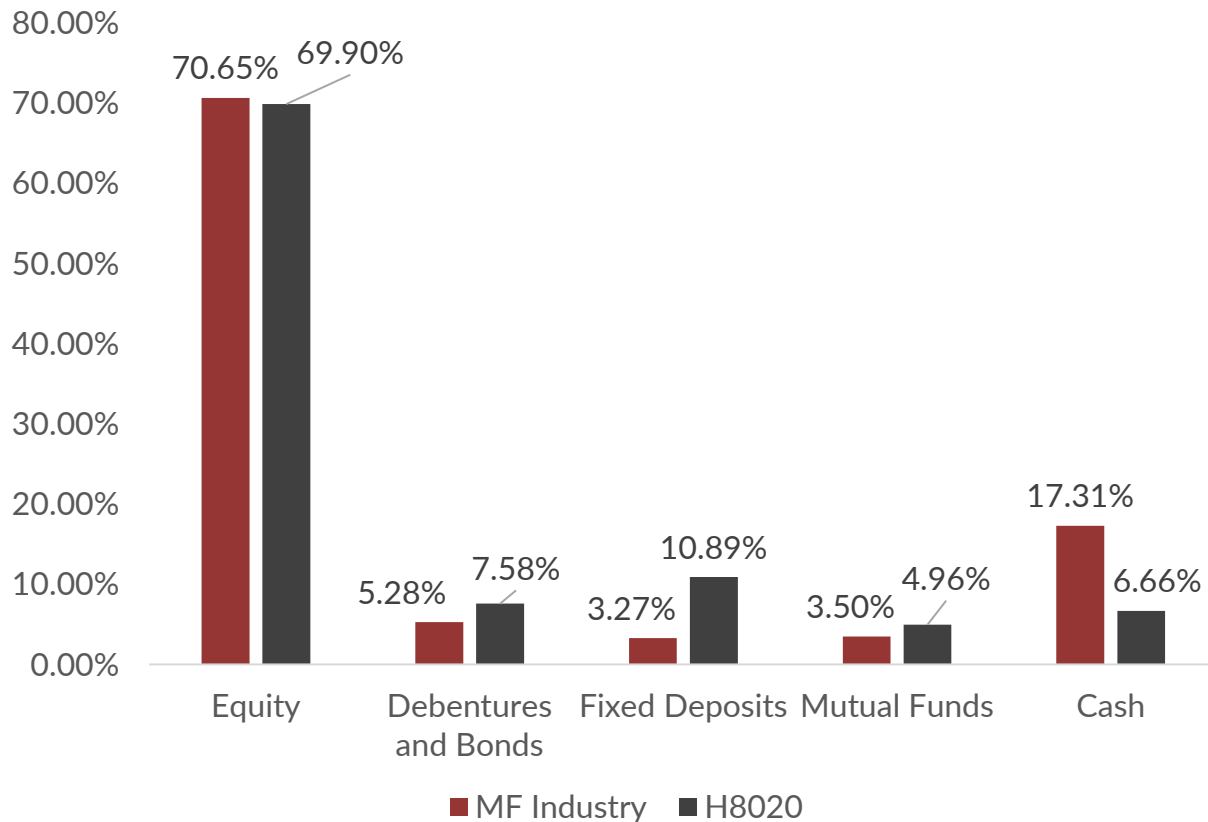
Currently, 45 active mutual funds—comprising 38 close-ended and 7 open-ended funds—are managed by 15 fund managers. With the addition of two more fund managers Muktinath Capital and Garima Capital, the total IPO allocation (5.00% quota) per fund manager will be reduced.



Asset Allocation Comparison for Poush 2081 : H8020 and Industry Average

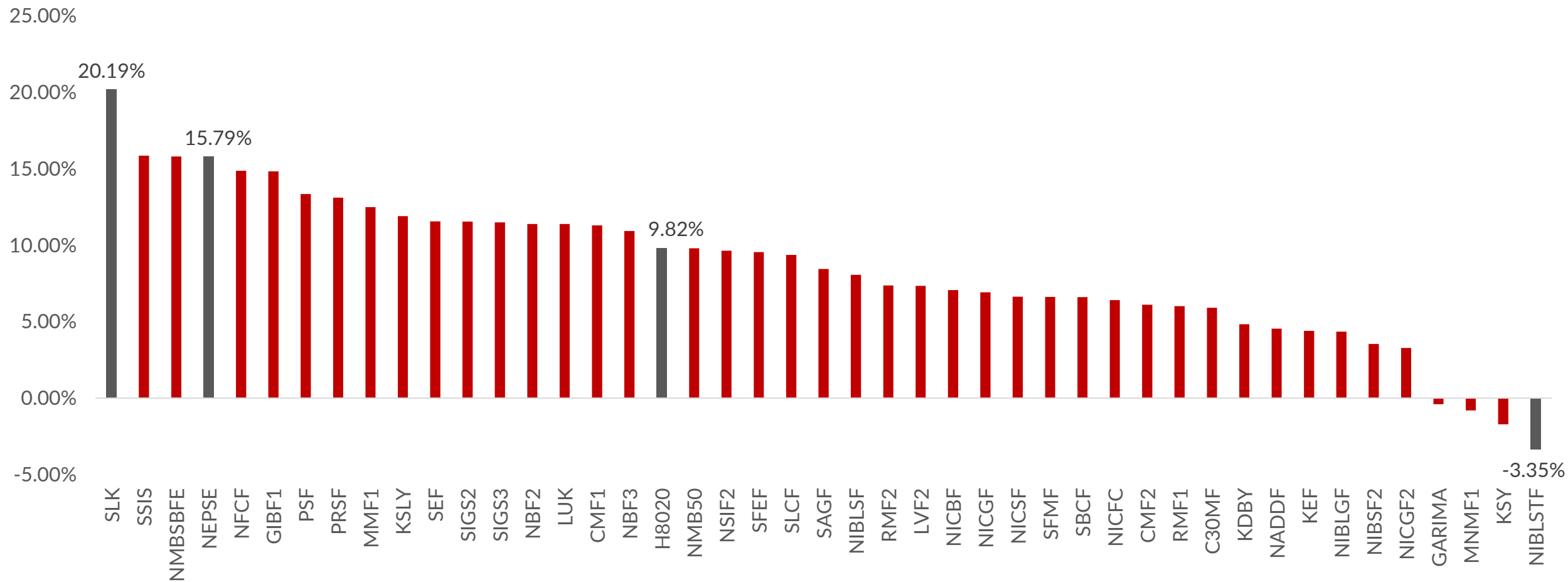
As of Poush 2081, H8020's asset allocation prioritizes equities and liquidity, with a higher equity allocation (70.65%) than the industry average (69.90%) and a significantly higher cash allocation (17.31% vs. 6.66%). Lower allocations to bonds (5.28%), fixed deposits (3.27%), and mutual funds (3.50%) reflect a reduced focus on fixed-income securities and diversified fund strategies. This approach suggests a growth-oriented strategy with a cautious reserve for market opportunities.

The Assets Under Management (AUM) in Nepal's mutual fund industry grew by 3.28% at the end of Poush 2081, reaching NPR 56.38 billion, up from NPR 54.59 billion recorded at the end of Mangsir 2081. Despite a 3.29% decline in NEPSE, the total AUM rose due to the addition of two new mutual funds, Muktinath Mutual Fund 1 and Garima Samriddhi Yojana, which commenced operations during Poush 2081.

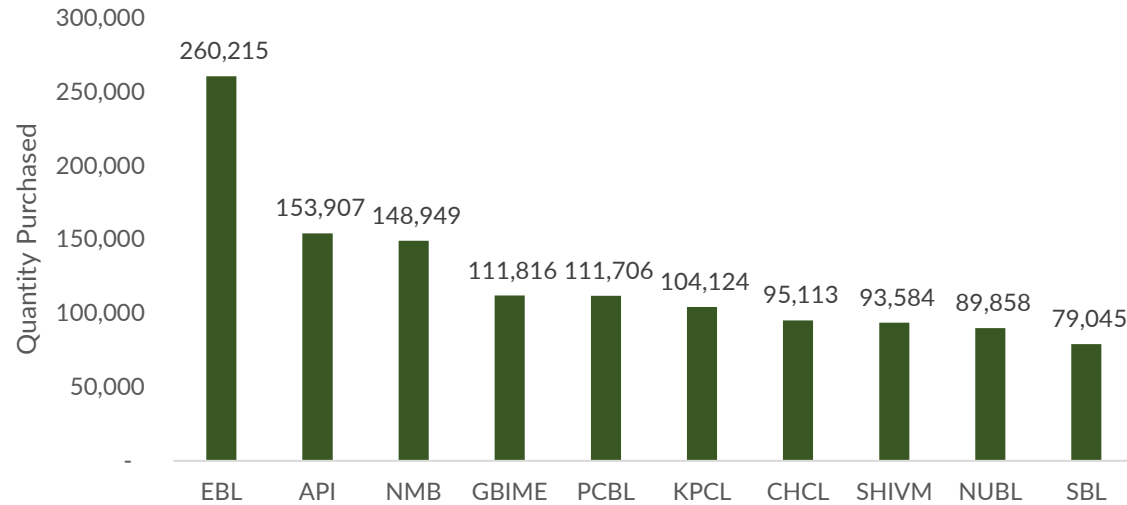


Comparison of Mutual Fund Returns with NEPSE Performance Since the End of FY 2080/81

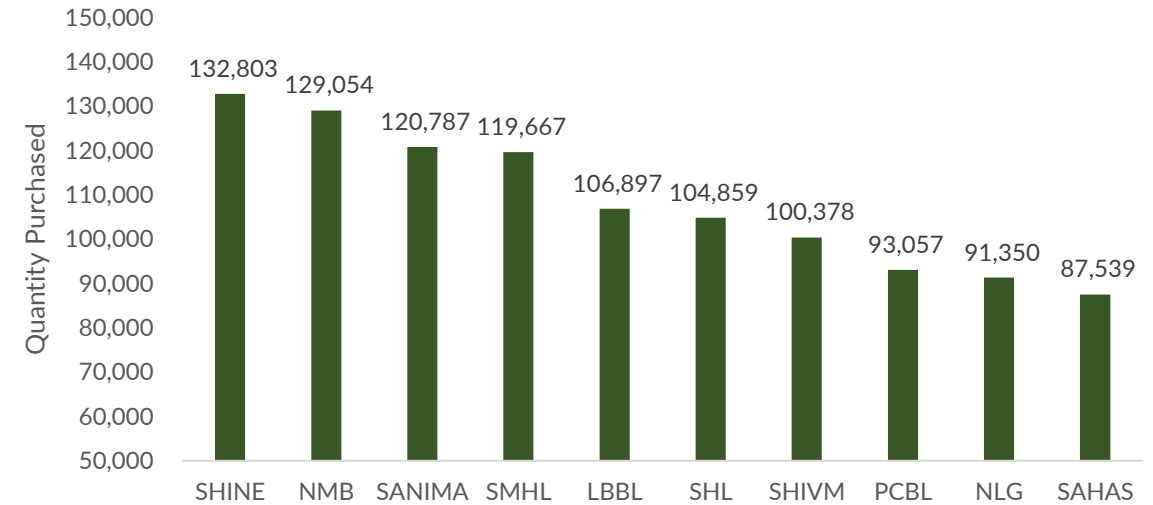
For GARIMA and MNMF1, only one month of data has been analyzed, as they are newly established funds. Meanwhile, SAEF has already matured.



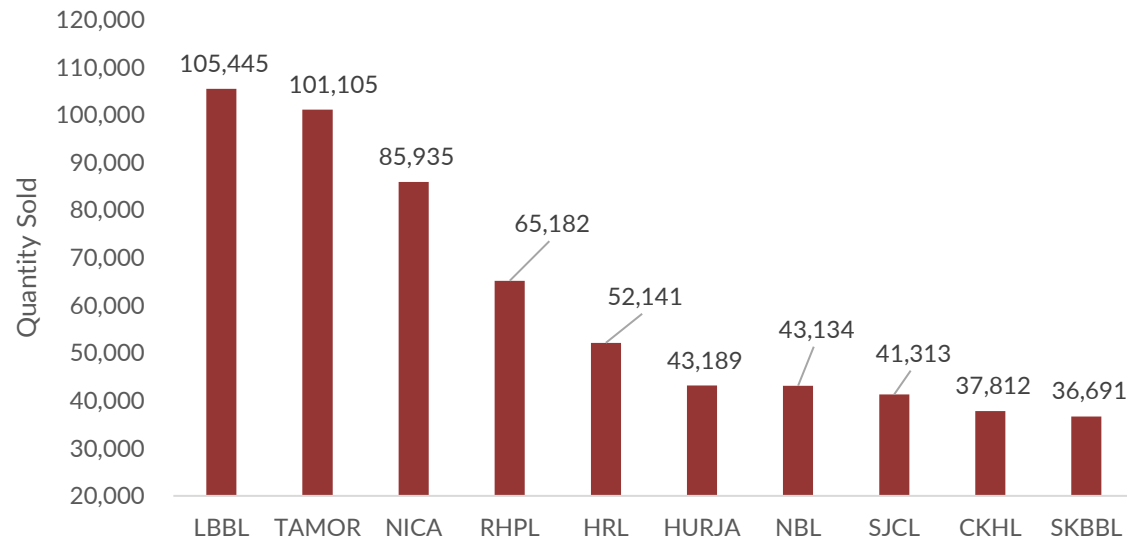
Top 10 Equity Purchases of Mutual Funds (Mangsir 2081)



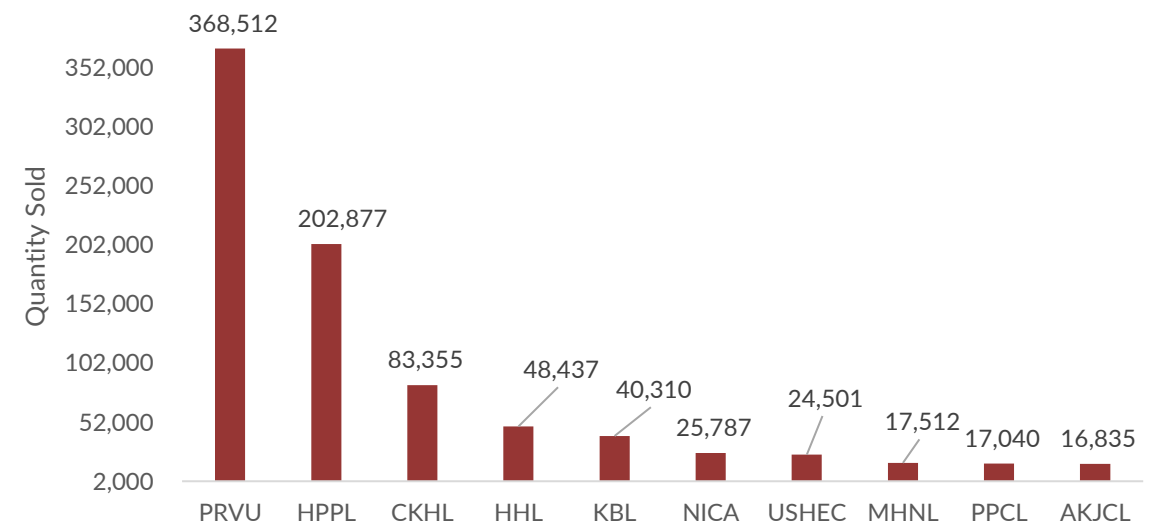
Top 10 Equity Purchases of Mutual Funds (Poush 2081)



Top 10 Equity Sales of Mutual Funds (Mangsir 2081)

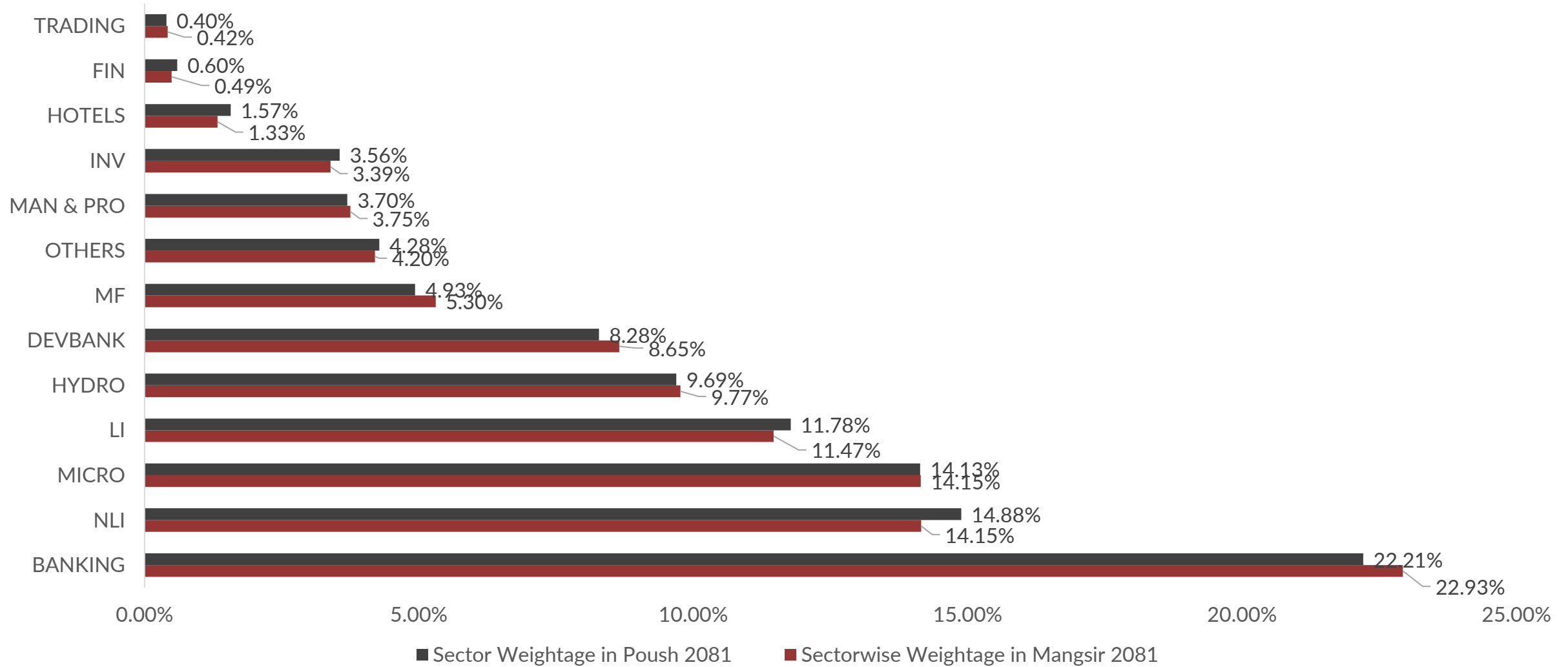


Top 10 Equity Sales of Mutual Funds (Poush 2081)

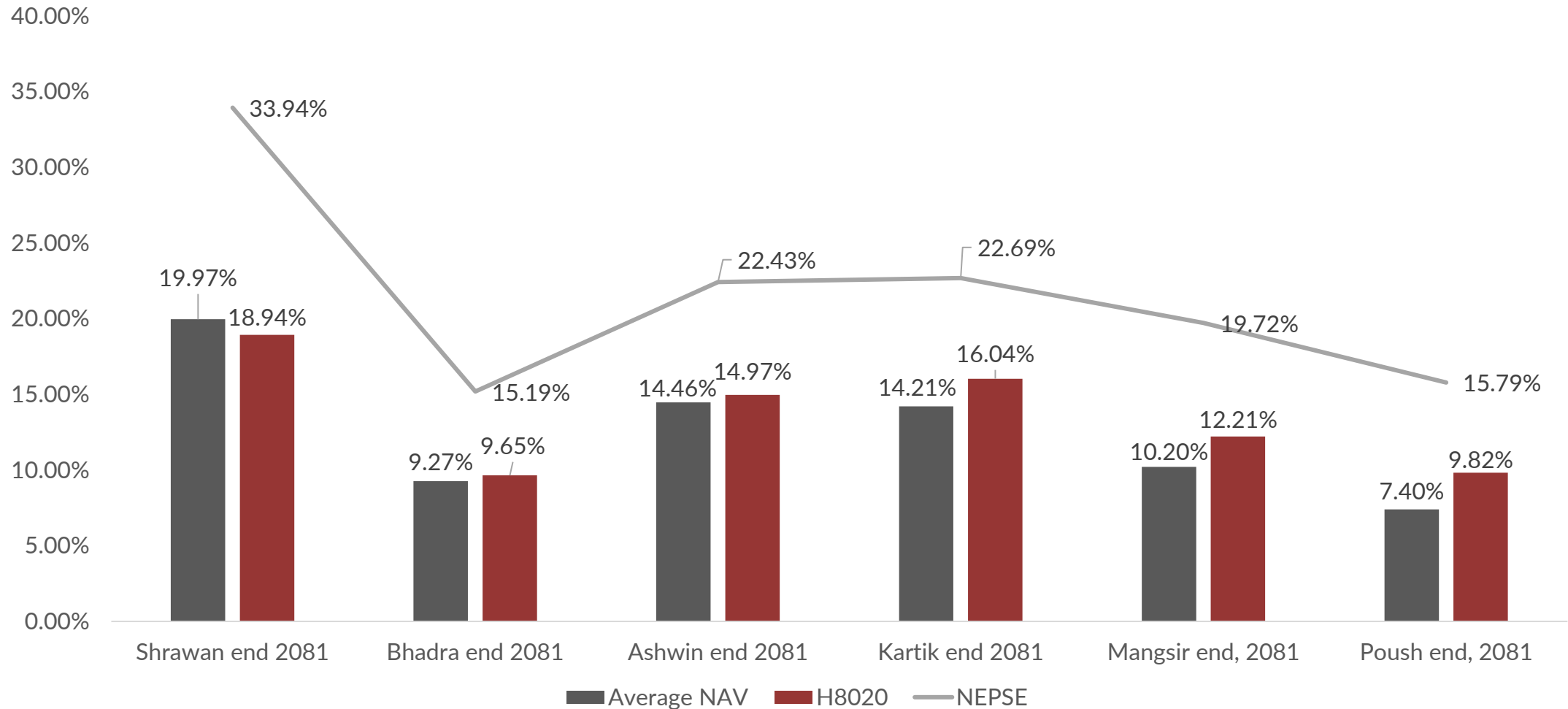


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Sector Allocation of Mutual Fund Industry (Mangsir 2081 and Poush 2081)

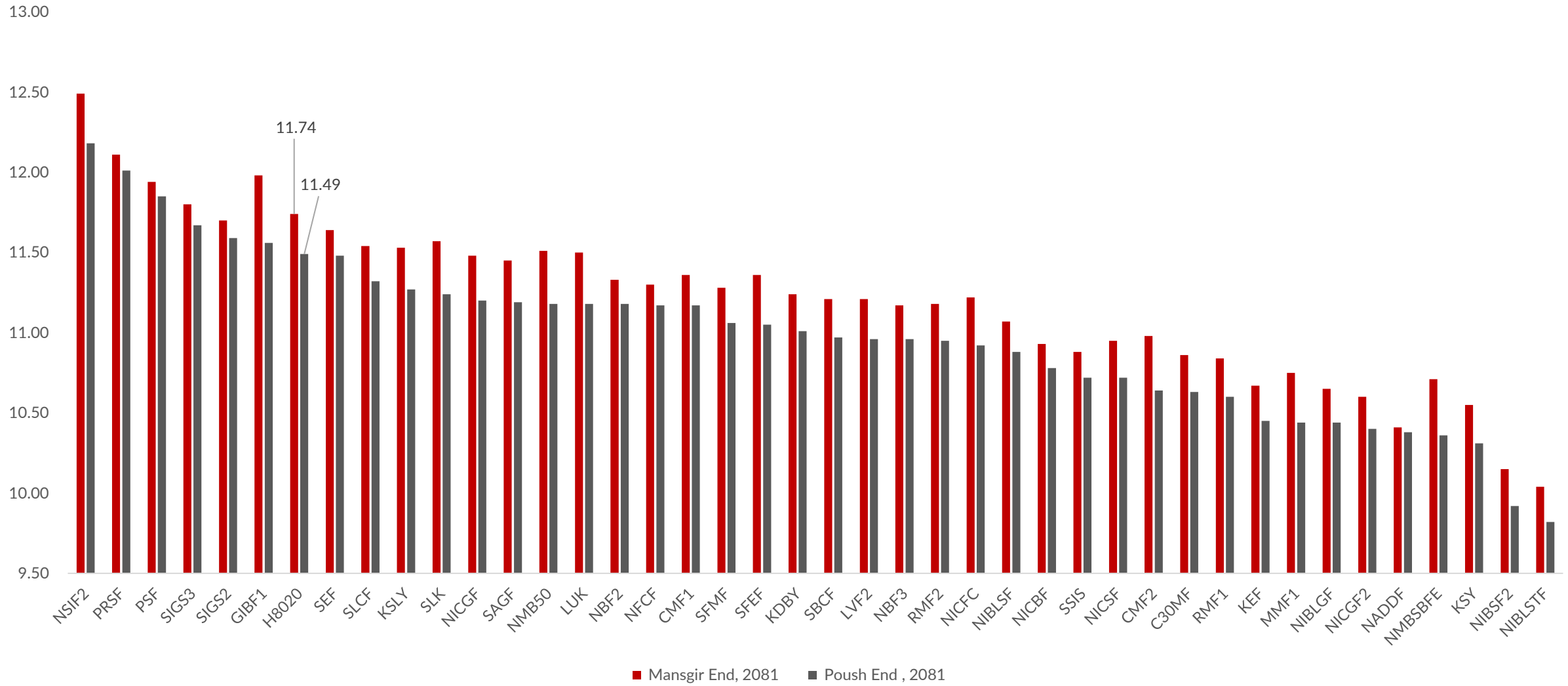


H8020 vs NEPSE vs Average NAV (Since FY 2080/81 End)



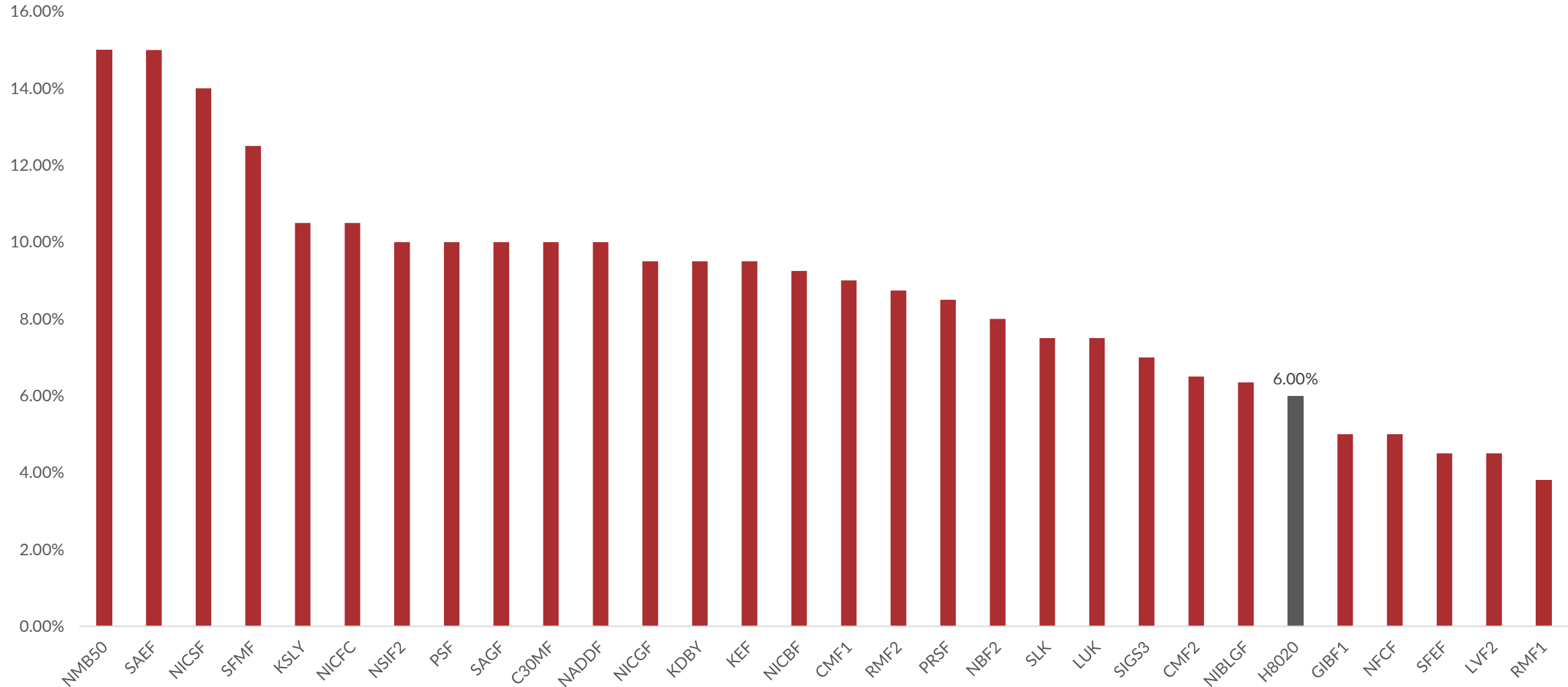
Note: NAV of all the mutual funds have been adjusted for cash dividend
For instance, if the dividend book close were in mid-Bhadra 2081, the previous NAV for Asar 2081 and Shrawan 2081 would be adjusted based on this formula,
NAV for the previous months / (1 + Cash dividend %)

Month on Month NAV Comparison



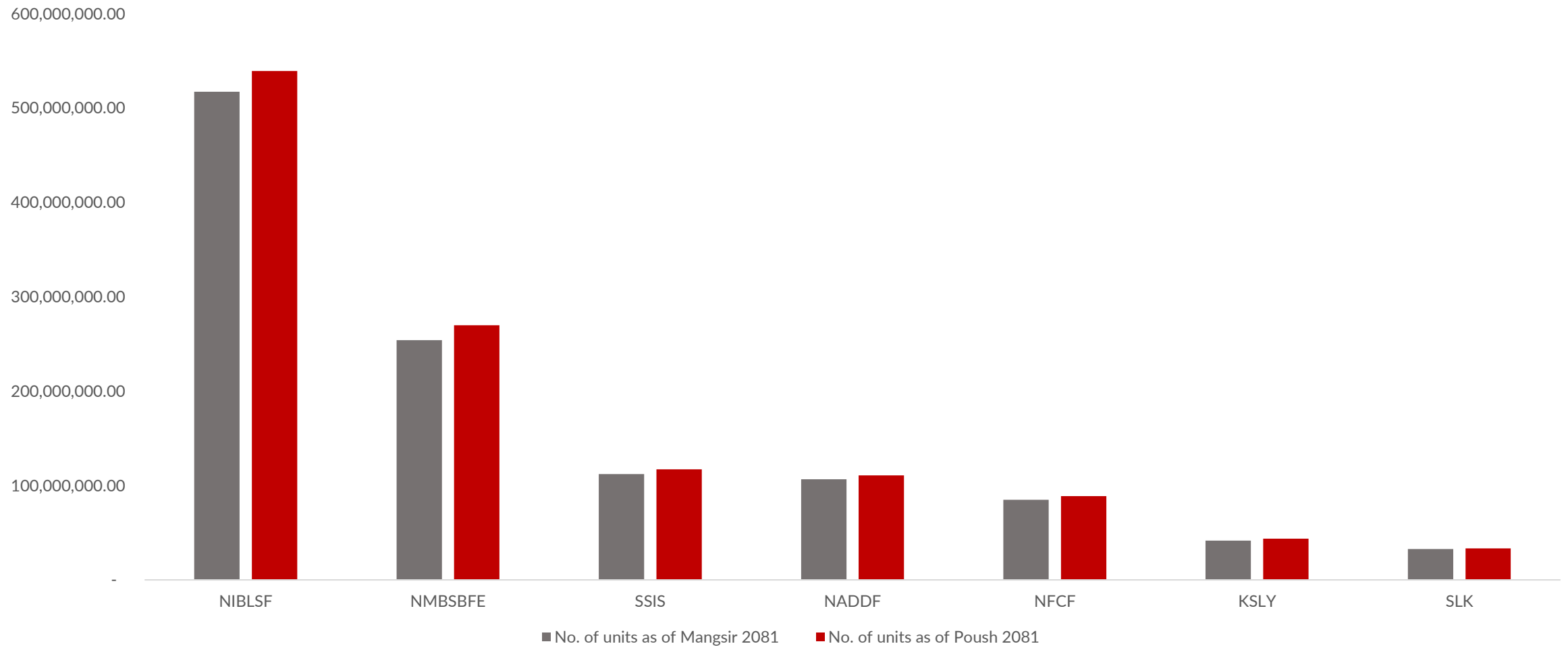
Cash Dividend Declarations for FY 2080/81

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 53,395,541.70 units as of Poush end 2081. This represents a monthly increase of 4.30%.



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 Kartik 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	65,000.00	82,957.71	81,503.46	25.39%	#NUM!
NADDF	2/4/2021	48,000.00	57,301.03	56,071.85	16.82%	#NUM!
NMBSBFE	9/23/2021	37,000.00	37,000.00	40,426.20	9.26%	14.98%
NFCF	12/5/2022	26,000.00	27,106.26	30,181.81	16.08%	11.59%
SSIS	7/23/2021	42,000.00	42,000.00	49,343.65	17.48%	9.29%
KSLY	4/13/2023	21,000.00	23,655.89	24,682.56	17.54%	5.09%

Open Ended Funds

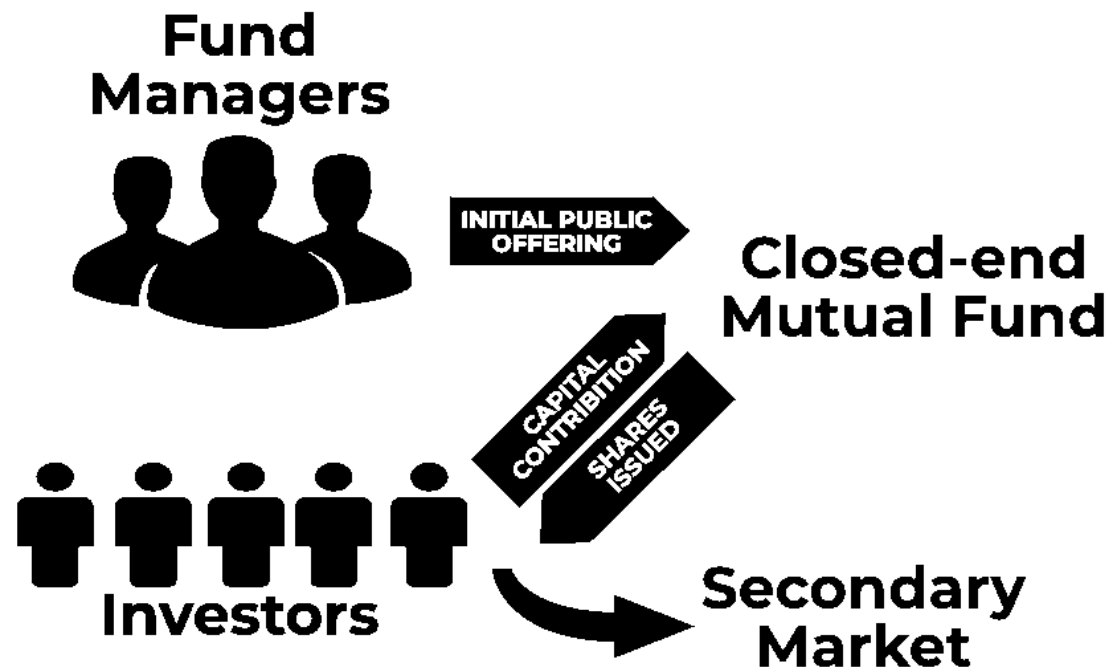


When the total investment is lower than the current value, including reinvested dividends, the XIRR for dividend-paying funds can appear negative or minimal. This occurs because reinvested dividends increase the capital base, but if NAV growth is weak or market conditions are unfavorable, the XIRR may 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

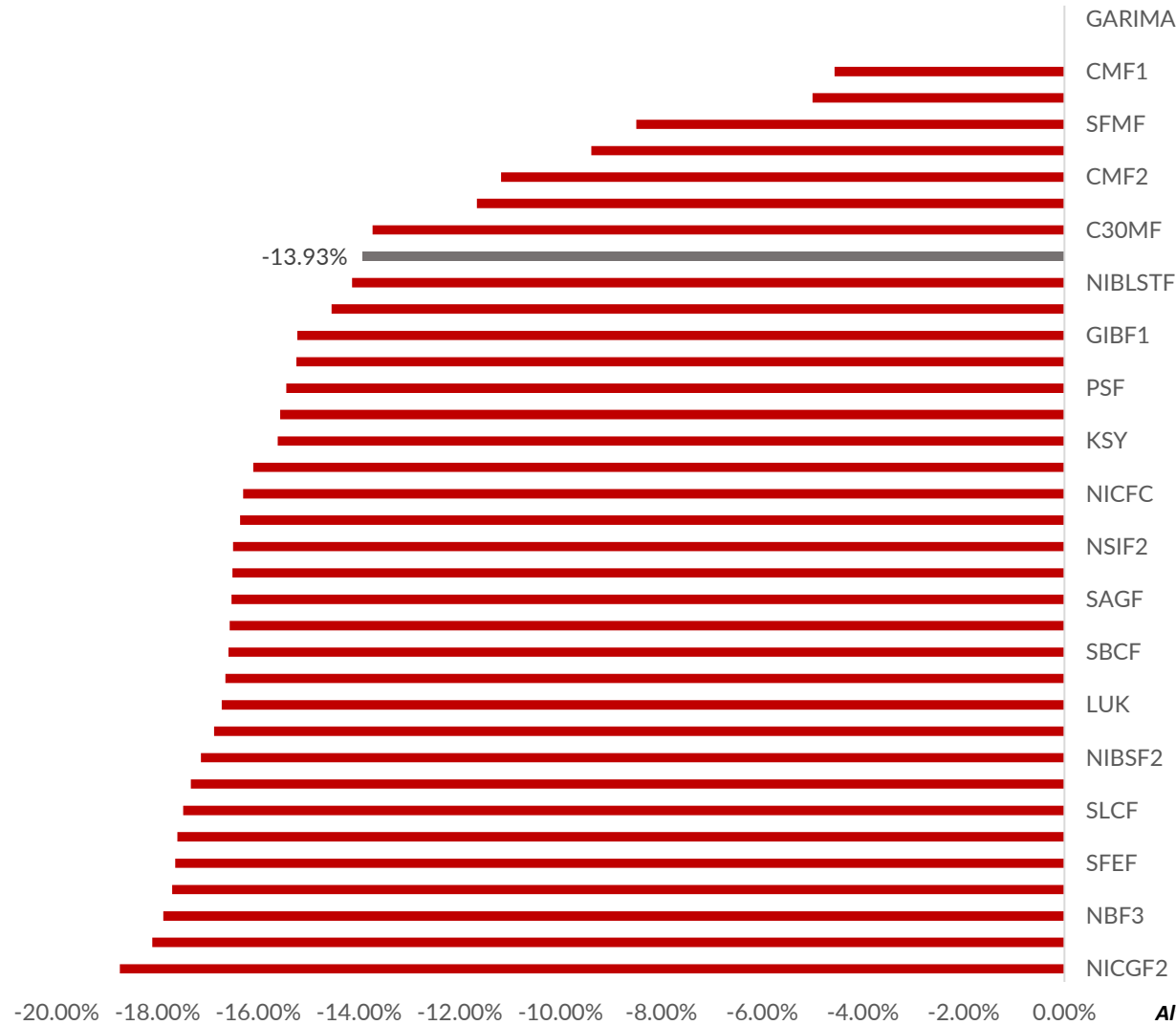
Close Ended Mutual Funds

Script	3 Month Average NAV	Poush End, 2081	Deviation
NMB50	11.59	11.18	3.64%
LUK	11.57	11.18	3.46%
NSIF2	12.60	12.18	3.42%
CMF2	10.99	10.64	3.26%
MMF1	10.78	10.44	3.22%
SBCF	11.31	10.97	3.13%
NICGF	11.55	11.20	3.13%
NICFC	11.26	10.92	3.11%
KSY	10.63	10.31	3.10%
SFEF	11.39	11.05	3.05%
GIBF1	11.91	11.56	3.03%
SFMF	11.39	11.06	3.01%
RMF1	10.91	10.60	2.96%
RMF2	11.27	10.95	2.95%
LVF2	11.27	10.96	2.86%
NICSF	11.02	10.72	2.77%
KEF	10.74	10.45	2.74%
KDBY	11.31	11.01	2.72%
NIBSF2	10.19	9.92	2.72%
SAGF	11.49	11.19	2.71%
NBF3	11.26	10.96	2.71%
C30MF	10.91	10.63	2.67%
H8020	11.79	11.49	2.61%
NIBLSTF	10.07	9.82	2.58%
NIBLGF	10.70	10.44	2.46%
SLCF	11.60	11.32	2.44%
NICGF2	10.64	10.40	2.31%
SEF	11.73	11.48	2.15%
SIGS3	11.91	11.67	2.03%
NICBF	11.00	10.78	2.01%
SIGS2	11.82	11.59	1.98%
NBF2	11.39	11.18	1.91%
PRSF	12.23	12.01	1.86%
PSF	12.07	11.85	1.86%
CMF1	11.34	11.17	1.55%



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

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

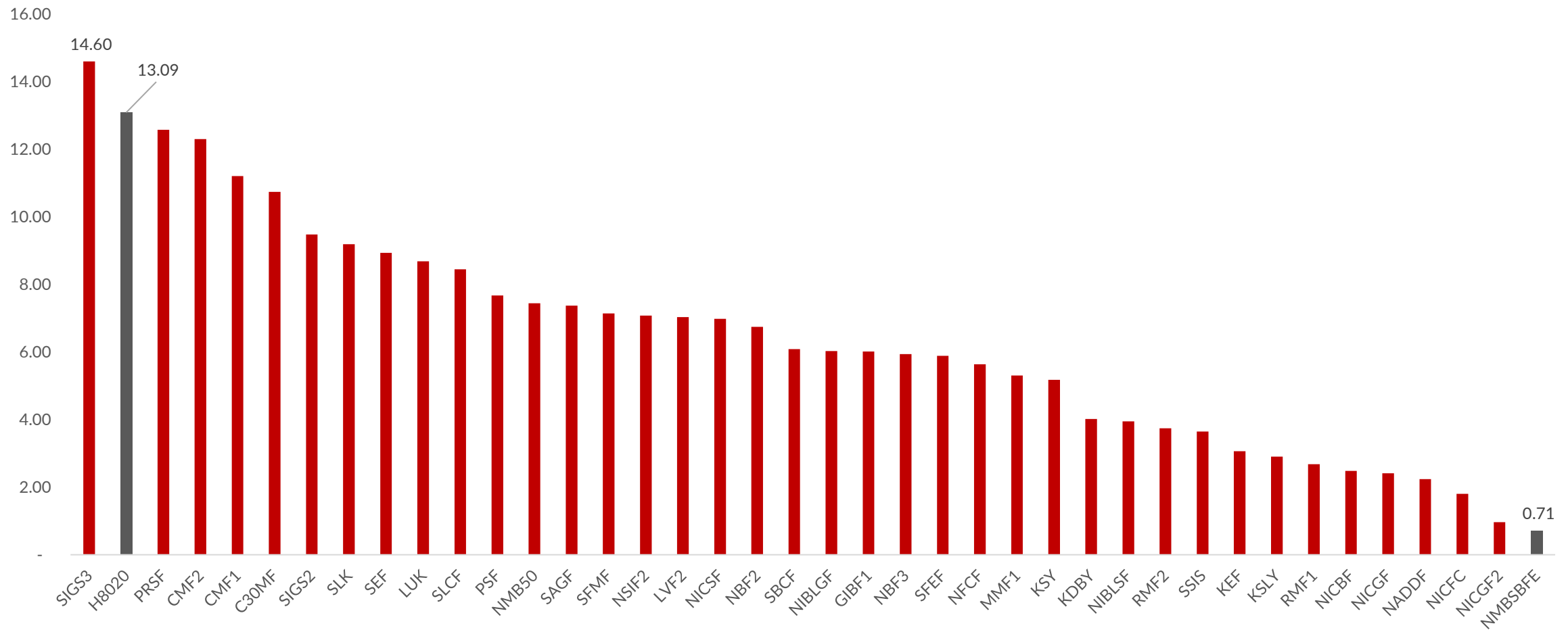


In Nepal, closed-end mutual funds often trade at a discount due to low demand and liquidity. Many investors prefer trading stocks for higher short-term returns compared to the long-term and relatively safer nature of mutual funds. While there is some level of institutional participation, it remains limited,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



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 (6 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 Poush 2081

Company Name	Graham Fair Value as of Q1 2081/82	BVPS as of Q1 2081/82	Market Price as of Mangsir end, 2081	Our rationales
SHINE	262.19	151.03	458.00	SHINE is one of the top financially robust development banks in its sector, which likely explains the increased holdings by mutual funds.
NMB	304.30	164.95	247.00	NMB Bank showcased strong financial performance in Q1 2081/82, with deposits growing by 22.42% and loans increasing 7.72% YOY. Net operating income rose by 18.29%, with a significant impairment charge decline. In Poush 2081, mutual funds heavily invested in anticipation of strong Q2 results, and their expectations were met as profits surged 45.61% YOY, driven by robust loan growth and an ROE of 12.90% (third-highest in the sector)
SANIMA	203.88	156.96	310.90	The bank is recognized as one of the fundamentally strong companies in its sector. Mutual funds likely increased their holdings in anticipation of strong Q2 2081/82 performance, and the results were decent, reflecting the bank's consistent growth and stability
SMHL	110.61	106.00	1046.00	The ongoing lock-in period for promoter and local IPO shares limits the company's float. Additionally, as an above-average performer in the hydropower sector, it presents an attractive option for short-term trading opportunities
LBBL	318.74	196.57	494.00	LBBL was the most sold stock by mutual funds in Mangsir 2081, as they likely booked profits during the period. Mutual funds may have repurchased the stock in Poush 2081, taking advantage of price adjustments and favorable market conditions to optimize their portfolios

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

Company	Graham Fair Value as of Q1 2081/82	BVPS as of Q1 2081/82	Market Price as of Mangsir end, 2081	Our rationales
PRVU	252.09	159.93	225.00	In Ashwin 2081, PRVU ranked among the top five acquisitions by mutual funds, driven by expectations of strong Q1 2081/82 financial results. Favorable monetary policy changes for FY 2081/82, including rate cuts and potential NPL reclassification, further boosted its appeal. Additionally, prior impairment charges and anticipated profitability enhanced its attractiveness. However, in Kartik 2081, mutual funds started reducing their exposure as financial results were released, revealing that profit growth was primarily driven by provision write-backs. By Poush 2081, this trend likely continued, given the unsustainable nature of the profit growth and PRVU's weaker fundamentals, which diminish its long-term appeal to investors.
HPPL	N/A	109.29	408.00	The company is a below-average performer in the hydropower sector with weak fundamentals, which likely makes it less appealing to investors. This may explain why mutual funds have been reducing their exposure to it.
CKHL	N/A	98.17	692.10	Mutual funds may have booked profits on this stock following the commencement of its electricity production, potentially capitalizing on short-term price swings.
HHL	16.12	72.18	512.00	The company is a below-average performer in the hydropower sector with weak fundamentals, which likely makes it less appealing to investors. This may explain why mutual funds have been reducing their exposure to it.
KBL	232.57	146.22	219.90	In Ashwin 2081, KBL ranked among the top five acquisitions by mutual funds, driven by expectations of strong Q1 2081/82 financial results. Favorable monetary policy changes for FY 2081/82, including rate cuts and potential NPL reclassification, further boosted its appeal. Additionally, prior impairment charges and anticipated profitability enhanced its attractiveness. However, in Kartik 2081, mutual funds started reducing their exposure as financial results were released, revealing that profit growth was primarily driven by provision write-backs. By Poush 2081, this trend likely continued, given the unsustainable nature of the profit growth and KBL's weaker fundamentals, which diminish its long-term appeal to investors.

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.



Investor Education for the Month – Index Funds: A Passive Investment Strategy

- Index funds are mutual funds or ETFs that passively track a market index, such as the S&P 500, Nifty 50, or NASDAQ 100. They replicate the index composition, offering broad diversification with low costs and minimal risk.
- Since they don't require active management, expense ratios are lower.
- Index funds provide consistent returns, aligning with market performance, making them ideal for long-term investors.
- Their low turnover reduces trading costs and tax implications.
- Suitable for beginners and passive investors, index funds offer a transparent, cost-effective way to grow wealth steadily over time, avoiding the risks of individual stock selection.





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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