

IDLC MONTHLY

BUSINESS

REVIEW



Ascent to Development

Can Private Equity and Venture Capital bring Bangladesh out of its FDI slump?



financing happiness

ফিক্সড ডিপোজিট করতে খুব খেয়াল...

ফিউচার প্ল্যান ফিক্সড করে নেয়ার জন্যই ফিক্সড ডিপোজিট। ভবিষ্যতের সঞ্চয় যেন অভিজ্ঞ হাতে নিশ্চিত থাকে, সেই লক্ষ্যে ফিক্সড ডিপোজিট করার আগে ব্যাংক অথবা আর্থিক প্রতিষ্ঠানটির যে বিষয়গুলোর প্রতি বিশেষভাবে খেয়াল রাখবেন-

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- সুশাসন ও স্বচ্ছ আর্থিক প্রতিবেদন প্রকাশের জন্য জাতীয় ও আন্তর্জাতিক স্বীকৃতি
- দেশজুড়ে আন্তরিক সেবাসহ শাখা অফিসের সহজলভ্যতা

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৩৩ বছরের অভিজ্ঞতা
নিষে আপনার পাশে



TOP PICKS OF 2018

History Written: Bangladesh's LDC Graduation

No more an LDC

Passing all three criterion (GNI per capita, Human Assets Index & Economic Vulnerability Index), Bangladesh became eligible for LDC graduation on March 16th 2018. This new status will brand Bangladesh as a hotspot for attracting investors and improve Bangladesh's creditworthiness. This also means Bangladesh's cost of development finance and debt servicing liabilities will be higher as it will no longer be eligible for low interest rates and longer payment periods. Bangladesh might also lose 8% of its exports due to additional tariffs. However, Bangladesh has 10 years approximately to prepare itself for these challenges and celebrate this achievement.

Fixing Leaks of Banking Industry

Where is respite?

Bangladesh Bank decreases ADR to 83.5% to curb aggressive lending and in a bid to spur the overall deposit collection. Bangladesh Bank also reduces interest spread of banks to 4% from 5% by reducing lending rate to establish further control on the banks.

Product of the year

Pharmaceuticals was named product of the year at the beginning of 2018 and the sector finally bagged a milestone of USD 103.4 million. Expectations of crossing USD 1 billion by 5 years are highly resonated in the industry. The strong manufacturing base and skilled workforce has made the Bangladeshi manufacturers meet 98% of local demand. Massive investments in research and government cash incentives will be followed by global recognition of Bangladesh pharmaceuticals products.

Road to Global Recognition

Alipay – a concern of Alibaba Group, China's e-commerce and tech giant, has bought 20% stakes in bKash which has helped open up many opportunities for the company. bKash can use Alipay's experience of serving 800 million users and Alipay has high expectations from its investment and potential of Bangladesh's MFS industry. Later on, bKash also rolled out their application to make their platform simple and cost effective. Pathao, a ride sharing platform has also received funding of \$2million from Go-Jek, an Indonesian delivery company.

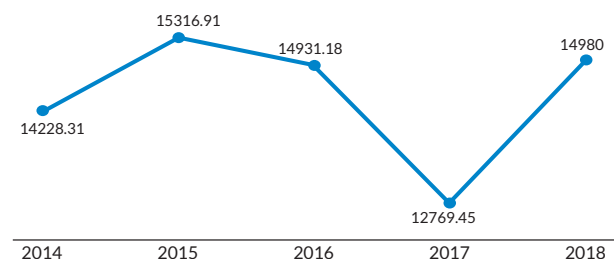
RMG's Reign Continues

Bangladesh is still the second largest RMG exporter in the world after China and ranked as the 5th largest sourcing hotspot for US fashion companies. 447 out of 2200 Bangladesh garment factories have also fixed their safety hazard standards. RMG industry remains to be Bangladesh's phenomenal success story.

3rd Highest Remittance Earner in Asia

Bangladesh was ranked the 3rd highest remittance earner in Asia and 9th highest in the world with USD 15.9 billion according to World Bank report. It increased by more than 17% from 2017 following depreciating USD and increasing global fuel prices pulling more remittance from the Middle East.. Along with the increase in manpower export, the increased surveillance of BB to check 'hundi' has raised the remittance flow. This remittance contributes to 12% of Bangladesh's GDP.

Inflow in USD millions





Bolstering economic development through Private Equity and Venture Capital

Bangladesh is now a role model in economic development boosted by its population and growing industrial base led by RMG industry. Economy is growing at more than 7% and projected to grow even faster in the future to become the 26th largest economy in the world by 2030. However, behind this rise lies multiple challenges revolving around infrastructural development and inadequate funds. Bangladesh needs to receive enough funding to sustain this growth and one industry has potential to do just that – Private Equity and Venture Capital (PEVC). Globally, PEVC backed companies are proven to generate more revenue and employment growth than non-PEVC backed companies.

However, for Bangladesh it's still a distant reality. While the large start-ups of Bangladesh such as bKash and Pathao are gaining FDI and global attention, small start-ups are also on the rise guided by incubators and accelerators. Thus, Venture

Capital's popularity is amassing but Private Equity still begs attention. Private Equity is shunned due to prominent obstacle such as, no local institutional investors, an economy reliant on debt financing, an obstinate corporate culture and huge tax rates on fund manager fees. Therefore, regulations and policies require structure and changes to promote local fund manager participation and attract international firms. Thus, a thriving PEVC industry is the catalyst for economy's development that will unfold Bangladesh's success through its manufacturing and tech sectors..

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Ascent to Development

Can Private Equity and Venture Capital bring Bangladesh out of its FDI slump?

Thriving from scratch to today's Bangladesh with a growth rate more than 6% over a decade, still there was scope of even further growth in this country. Unstoppable growth of was hindered because of the proper investment required to maintain the growth of full potential which is required to sustain the infrastructural development. There is a gap in infrastructure funding in Bangladesh, and the country needs to come up with ways of bridging this gap if it is to achieve its ambitious goals.

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Capital Market Review

McKinsey's Asia's digital banking race: Giving customers what they want

RESEARCH IN FOCUS

Asian countries are lagging far behind the rest of world in incorporation of banking sector because of the rigid and old fashioned banking practices that have been prevalent in those countries for decades. But in recent time the situation is changing and Asian countries are showing their willingness and ability to take action to change the traditional banking practices through incorporation of financial technologies and collaboration with nonbanking payment players. This is allowing customers across the Asia to explore the digital banking channels through smartphone. This facility is really essential to in Asia to keep growth in banking sector relevant and sustainable. McKinsey & Company conducted surveys on 17,000 urban banked respondents from 15 countries to get insights about different aspects of Banking from the mass.

This survey is all about addressing the changes in customer behavior, reflecting themes like digital banking and use of financial technologies. This survey was done covering Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Myanmar, New Zealand, Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam. The research work was independent of any business, government or any other organization. Any conclusion drawn from this survey are findings from the survey.

Key highlights of the survey

In this survey, McKinsey focused on finding answer to three important questions to broadly assess the overall industry environment and customer perception. Those are:

1. Are branches still relevant?
2. How disruptive are the new-age digital players?
3. Can banks still bank on loyalty?



ABOUT THE RESEARCH

'Asia's digital banking race: Giving customers what they want' is an survey published by McKinsey & Company through PFS which provides the insight on interest and current intention of banking users toward digital banking platform.

Digital Banking Outlook

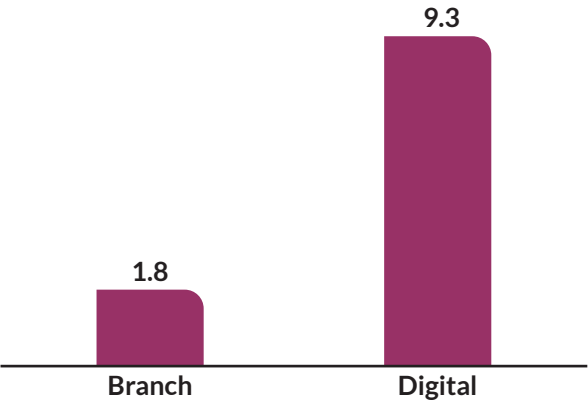
- Smartphone generates **65%** of all internet traffic.
- Digital Banking penetration has grown **1.5 to 3** times in emerging Asian countries.
- **30 to 50** percent people who are out of digital banking facilities are going to switch to digital banking.
- E-commerce purchase in emerging Asia doubled since **2014**, for developed countries growth was **1.2** times.
- Bank branches now accounts **12%** to **21%** of monthly transaction.
- Digital banks raised USD **3.6** billion deposit, USD **3** billion of loan in first **100** days.
- **55% to 80%** people want to open account with regular branch banking in Asia

The survey came out with interesting findings about the scenario of banking industry. Though physical branches are quite popular with the traditional customerstoengage withbanks;buttheshifttodigital banking from traditional banking is clear. Significant amount of people who use traditional platform of banking considers digital banking platform complex and do not feel that potential utility derived from digital banking is enough to go through the hassle of getting acquainted with digital banking platform. Survey suggests that banks should reorient their physical branches to offer more complex products and service and use digital platform for simpler offerings. The new technology oriented banking players are considering digital platform as the main source of revenue stream. Banks in Asia launch chat user base to acquire one million customer base. Many digital service providers have become initiator of new Banking services which includes a

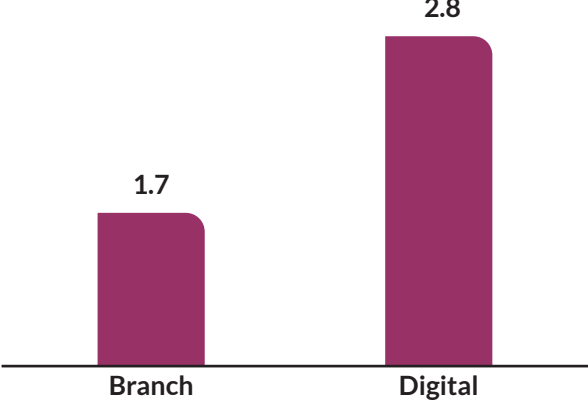
focus to become an ‘Ecosystem Player’ by offering best ways to serve daily needs of customers. This includes range of services like daily meal, grocery services, medical service, assistance in shopping etc.

and they are aimed assisting customers in their daily activities and enhancing their lifestyle at the same time acquiring brand value in the process.

Average transaction per Customer (Developed)



Average transaction per Customer (Emerging)



Increases in transaction per customer in both emerging and developed Asian countries

Interest in Data Sharing



This figure shows the interest in data sharing of the customer for more customized services from financial institution both in Emerging and Developed Asian region. This figure shows the level of satisfaction among the digital banking platform users both in Emerging and Developed Asian region who access with both mobile and internet.

Today’s consumer behavior is changed and curbed toward the growth of digital banking ecosystem. Competition among the digital bank and the

traditional banks resulted significant impact on the overall quality of banking system. Because of the added value offered by fintechs, traditional banks are driven toward digital banking to retain the customer. Many well known traditional banks of Asian region adapted the digital platform for this circumstance. The survey indicates this shift is biggest one in the banking system for last few years. The survey clearly portrays that consumers interest is gradually growing towards the digital banking and it is matter of time that all bank will provide the same facility.

THE 5 THINGS ALL GREAT SALESPEOPLE DO

Joseph Curtis, VP of enterprise sales of the company – Salesforce, carved out five major categories of patterns or habits and begun integrating them into his work life. He rehearsed, sharpened, taught them to his teams at different top notch companies like Salesforce or other technology based sales companies. As a result, his teams have consistently finished at or near the top of the leaderboard year in and year out.

Those categories of habits are-

- Owning everything
- Being resourceful
- Developing expertise
- Helping others
- Moving quickly.

The best salespeople own everything

Success depends on the individual salesperson and the attitude with which he approaches his work. Sales people who succeed in the long run have developed an internal locus of control i.e. they believe the power and control resides in them. This allows them to be accountable and own up to their job responsibilities. This attitude is followed by success at work, higher income and greater health outcomes. Even though this quality is hard to nurture in oneself since it is engrained in one's personality, one can still self-assess their locus of control and gradually foster the right behavior.

The best salespeople are resourceful

Sales is one of the toughest job as sales people are faced with many impossible circumstances, requiring them to be very resourceful. Salespeople have to be able to work under a time crunch, overcome random obstacles and win over the situations. And resourcefulness is a component of both the right mindset and right skills. Therefore, one without the other can't make a salesperson resourceful. Thus, whenever one is faced with an impossible task, the key is to embrace the task's complexity, take a step back, re-focus and find alternative routes to the ultimate destination

The best salespeople are experts

Salespeople are required to lead and thus, confidence is essential. And confidence comes with

expertise in the field. To pitch a customer successfully, an expert sales person knows everything related to his role and product which might become handy to attract customer. Experience is vital too which comes with time. Therefore, a strong salesperson would harbor enough industry knowledge and strong point of view about the product.

 Knowledge +  Experience =  Confidence

The best salespeople help others

Helping others can help a salesperson to climb up in the ladder because providing this sort of social support at work helps to boost confidence. When someone passes their knowledge and expertise to people who are less aware in the subject with no expectation of receiving anything in return, it becomes a catalyst for success and popularity. These social support providers are 40% more likely to receive a promotions in their workplace according to Shawn Achor, author of Big Potential.

The best salespeople move quickly

Moving quickly and getting jobs done is a quality which enables them to add quantity in their portfolio automatically. Salespeople are not required to move recklessly but have a sense of urgency when responding to clients, customers or making a decision.



ABOUT THE RESEARCH

This is summary of an article published in Harvard business review containing insight by Joseph Curtis, VP, Enterprise Sales, Salesforce, with a 16 years of experience in area of Sales Leadership.



THE SECRETS OF GREAT TEAMWORK

Every leader wants to have a great team, so many of them are on the quest to find the recipe of a great team. Now teams are challenging than ever, because teams are now diverse, dispersed, digital, and dynamic – often called the 4-D team. To understand what can be the secret of a high performing team, many research took place and one of the recent research grabbed a good ground among the experts. Martine Haas and Mark Mortensen did a research based on 300 interviews and 4,200 surveys with team leaders and managers over a period of 15 years. The research found that in a broader sense there are two problems that modern teams are vulnerable to and those are: ‘us versus them’ mindset and ‘incomplete information’.

Four fundamental developments are required to have a vibrant team according to the research:

- Compelling direction
- Strong structure
- Supportive context
- Shared mindset

Compelling Direction

Teams need to work towards a clearly defined goal and objectives that will provide a direction for their work especially in a 4-D team. The goal has to be challenging enough but not too difficult to properly motivate the employees. The goals also have to be consequential by carrying rewards.

Strong Structure

A team needs to maintain a balance of technical and social skills with the right mix and number of members. Roles and processes should be optimally designed that promotes positive dynamics. A diverse team would help foster creativity and avoid groupthink. For example, cosmopolitan members bring technical knowledge and expertise that apply in many situations, while locals bring country knowledge and insight into an area’s demographics

Supportive Context

A proper support involves maintaining a reward system that reinforces good performance, information system that provides access to work

related data, educational training and securing material resources like funding and technology needed for the job. While all might not be possible to provide but leaders can attempt to place the required ones in place.

Shared Mindset

Essential to overcome the ‘us versus them’ mindset and ‘incomplete information’ problem, leaders must foster a shared mindset among team members by building a common identity and understanding so that they view the team as one cohesive group. Shared knowledge is the cornerstone for effective and efficient collaboration. This can be promoted by valuing the individual member’s contributions to the end-goal and provide opportunity for the members to converse for better team chemistry.

Enabling these four enabling conditions are mandatory and if any team can achieve these, team coordination and overall performance will improve significantly. Regular monitoring is required to develop all these conditions. Rigorous improvement practice is required to remove the barrier among the team members and build the chemistry among team members to get the successful team.



ABOUT THE RESEARCH

This is a research published in Harvard Business review which was performed by Martine Haas (Professor of Management, Wharton School, University of Pennsylvania) and Mark Mortensen (Associate professor OF Organizational Behavior at INSEAD) based on 300 interviews and 4,200 surveys with team leaders and managers over a period of 15 years..





ASCENT TO DEVELOPMENT

CAN PRIVATE EQUITY AND VENTURE
CAPITAL BRING BANGLADESH OUT OF
ITS FDI SLUMP?

Arif Khan

CEO & Managing Director, IDLC Finance Limited.

The Asian Tiger. The Dazzling Delta. The Rise and Rise of Bangladesh.

A simple google search today will return a trove of articles singing praises of the economic marvel that is Bangladesh. It was not more than some decades ago that the same country was referred to as a basket case. Long gone are the days of plaguing illiteracy and debilitating poverty, the days of a country crippled by natural disasters. Boosted by its population of 170 million strong and a growing industrial base led by the Ready-made Garments industry, Bangladesh has stunned economists with its achievements in poverty reduction and a host of human development indices. The economy has grown at a rate of over 6% for well over a decade, and has even crossed 7% in recent years. The growth engine shows no sign of slowing down, instead projected to grow even faster over the coming years.

A stroll through the capital city of Dhaka reveals the intricate clockwork of a growing economy. Cars and motorcycles zoom by the hundreds of construction projects littered throughout the city, while 20 million city dwellers go about their daily lives – spending their ever-increasing income on goods and services. The country's GDP per capita has increased more than three-fold from USD 514 to USD 1,675 in the last 12 years. The outside world is also taking notice – HSBC has projected the country's USD 300 billion economy today to grow to USD 700 billion by 2030, becoming the 26th largest economy in the world.

A closer look into this seemingly unstoppable rise, however, and challenges begin to surface. The bustling capital often comes to a standstill due to excess traffic, and travelling to the outskirts of Dhaka reveals an as yet underdeveloped countryside – a far cry from the meteoric rise witnessed by the capital. As the lens zoom in, the infrastructure requirements of a rapidly developing economy become more apparent – road

transportation, economic zones, power generation – are few of the wide ranging areas where the country needs investments. The World Bank estimates that Bangladesh will require about USD 100 billion in infrastructure investments over the next 10 years, while International Finance Corporation (IFC) estimates a requirement of USD 320 billion in infrastructure investments to sustain the country's growth rate. All across the board, the message is the same: There is a gap in infrastructure funding in Bangladesh, and the country needs to come up with ways of bridging this gap if it is to achieve its ambitious goals.

Historically, Bangladesh has relied on government funding and multi-lateral agencies to fuel its infrastructure projects. Even today, the mega-projects throughout the country – the Padma Bridge – linking the western part of the country to its capital, the Ruppur Nuclear Power Plant – aimed at solving the country's growing power needs, or the Mongla Port – the country's gambit to enhance its position in the global supply chain – all are inextricably tied to government funding. Private sector participation in infrastructure is among the lowest in South Asia – USD 1.1 billion only compared to USD 13.3 billion and USD 8.4 billion for India and Pakistan, respectively. Compared to its neighbors, Bangladesh has struggled to bring in Foreign Direct Investments (FDI) into the country – FDI into Bangladesh was only 0.98% of its GDP in 2017, while it is 6.30% for Vietnam. The Asian Development Bank (ADB) projects that Bangladesh has an annual infrastructure financing gap of USD 9 billion, while the FDI inflow is only around USD 2 billion. As the country seeks more ways to engage the private sector in infrastructure and bring in more FDI, one industry has the potential to lead the way – Private Equity and Venture Capital (PEVC).

1 WorldBank

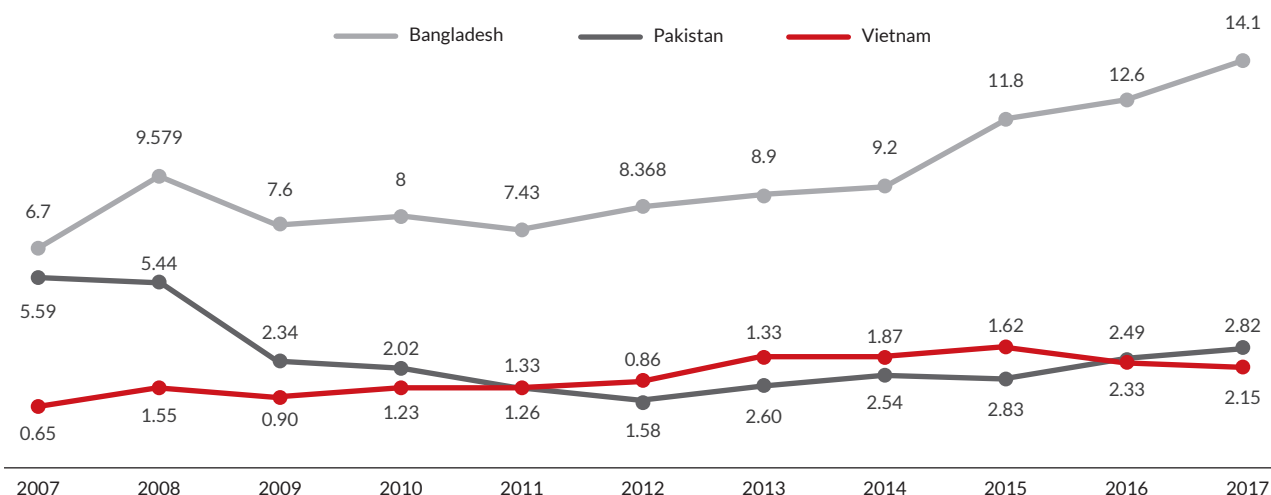
2 <https://www.dhakatribune.com/business/economy/2018/10/04/hsbc-report-bangladesh-to-be-the-26th-largest-economy>

3 <https://www.dhakatribune.com/business/2018/10/29/320b-needed-on-bangladesh-infrastructure-development>

4 WorldBank

5 <https://thefinancialexpress.com.bd/trade/adb-to-provide-300m-for-infrastructure-projects-1529729438>

Lagging behind: Bangladesh's peers have outpaced it in bringing FDI into the economy

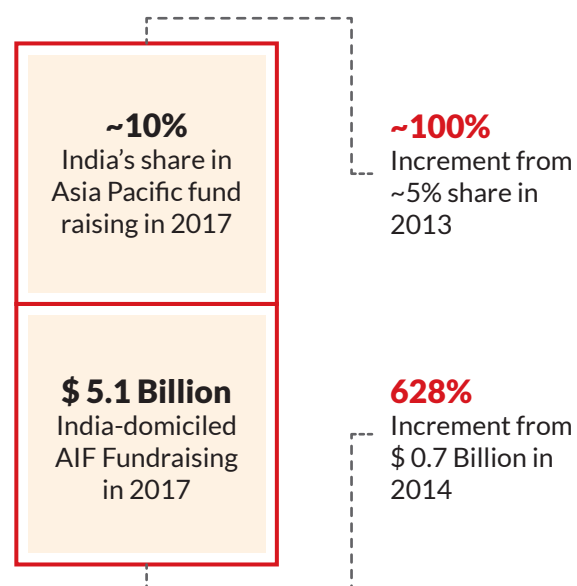


A world of its own – How PEVC has shaped nations, and the world

An early morning check-in on Facebook, catching an Uber to work, using Gmail to catch up on e-mails - our lives are being increasingly shaped by the PEVC industry. A world run by Private Equity and Venture Capital backed companies is not some far fetched fantasy, it is the reality we live in today. Microsoft, Apple, Alphabet, Amazon, Tencent, Facebook, Alibaba - 7 of the 8 largest publicly listed companies today (by market cap) were backed at their early stages by venture capital. The industry's reach goes far – according to estimates, Silicon Valley investments accounted for 57% of all investments into the United States, an incredible figure for the world's largest economy . Many credit USA's global dominance to the innovations born out of Silicon Valley, and finding anyone willing to take the opposing stance is a difficult task.

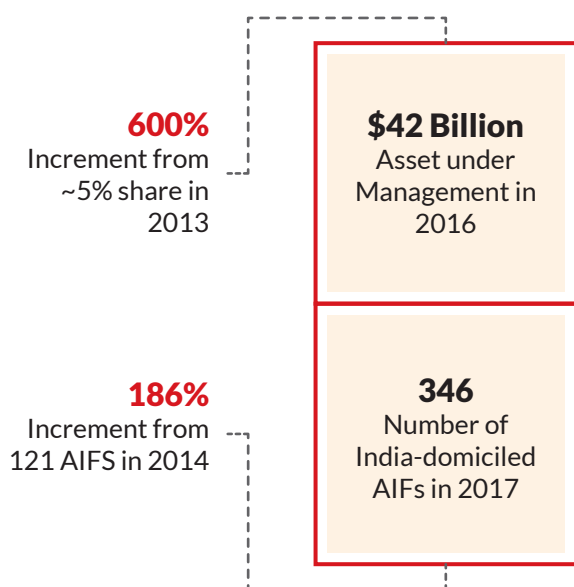
Venture capital's origins can be traced back to the 1960s with the birth of Intel, while late stage Private Equity came on its own in the 1980s. How such a young industry has such far reaching influence in today's world can perhaps be linked to its modus operandi. PEVC backers bestow a wide range of benefits upon their portfolio companies – active management through board/CXO level participation, network benefits, and access to

capital – benefits that have helped these companies outperform their non-PEVC backed counterparts. A McKinsey report showed that PEVC backed companies in India generated 20% higher revenue and 6% higher employment growth compared to their non-PEVC backed counterparts, while the difference in rate of export growth between PEVC backed and non-PEVC backed companies was even greater – a staggering 60% . The picture is the same across borders – increase in PEVC investments leads to greater growth in employment, productivity and profit.



6 Tom Nicholas, "The Origins of High-Tech Venture Investing in America", Harvard Business School

An economy fueled by PEVC backed companies is still a distant reality for a Bangladesh – the vast majority of the country’s enterprises are family-owned businesses. However, a cursory glance towards neighboring India can make the case of why Bangladesh needs to focus on this industry. McKinsey estimates that from 2001 to 2014, approximately USD 103 billion was invested into India in the form of PEVC investments – significantly higher than the funds raised in Indian IPOs over the same period, and more stable than any other form of capital into the country. PEVC contribution to fund-raising in India has increased over the past 15 years: from 20% of total capital raised in 2001–05 to 46% in 2011–14 .



India has also made a successful case of utilizing its PEVC industry to drive infrastructure investments. In 2017, USD 10 billion out of the total USD 63 billion of infrastructure investments in India were made by PEVC funds . Walmart’s massive USD 16 billion investment into FlipKart in 2018 has further solidified that PEVC is helping to bring in FDI into the country. Looking at Bangladesh - an economy that is in dire need of capital – the question then arises – is the country’s Private Equity and Venture Capital industry in a state to attract foreign capital?

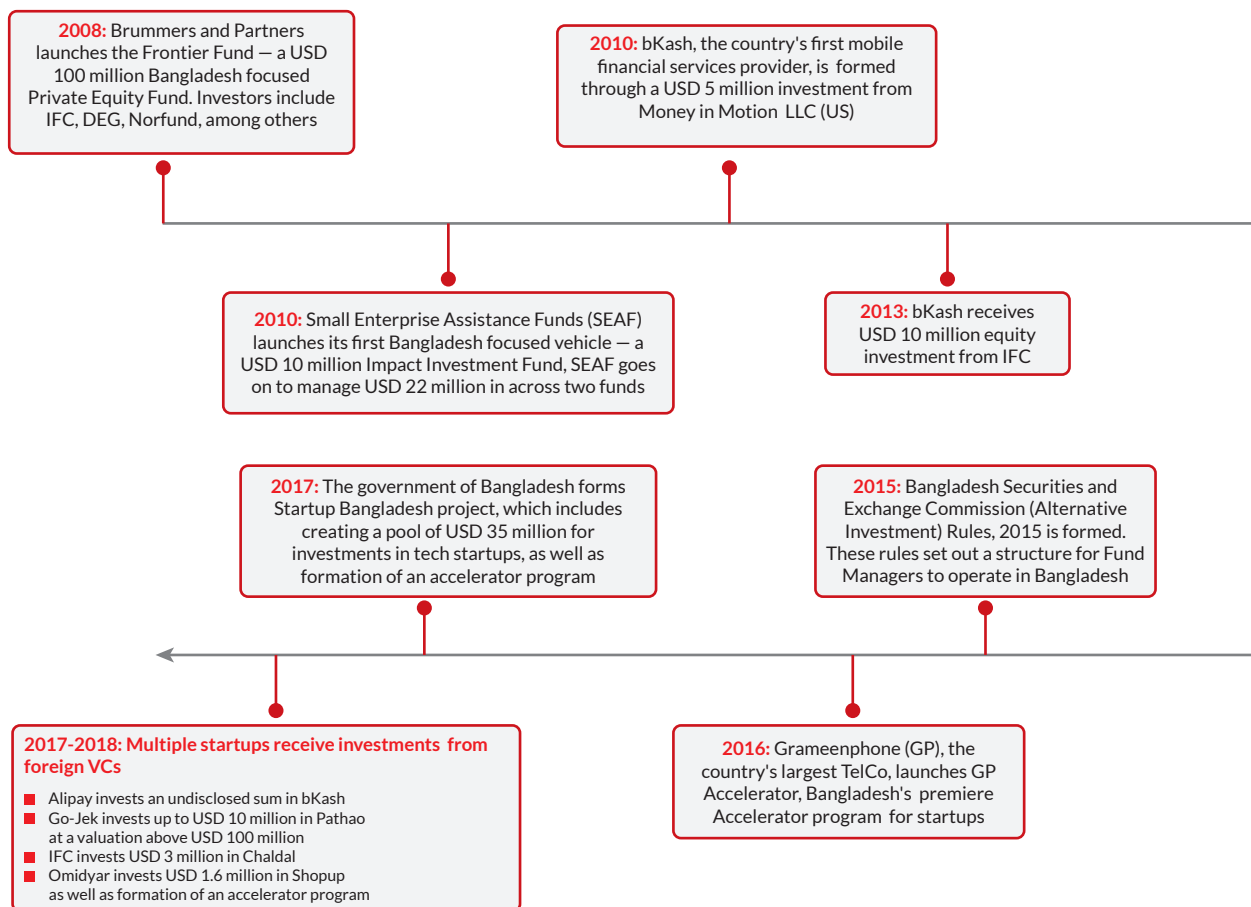
Bangladesh – Starting up?

When Pathao, a ride-hailing startup, raised USD 10 million from investors including South-East Asian behemoth Go-Jek, it turned heads worldwide. Soon after, Alipay invested an undisclosed amount into bKash, the country’s most valuable tech-based company. While the larger deals are the ones dominating headlines, smaller startups have begun to emerge across Dhaka, their young founders targeting a growing market and emboldened by stories of global successes. A handful of incubators and accelerators are guiding the hands of these young entrepreneurs. Grameenphone Accelerator – an accelerator program run by Grameenphone, the country’s largest publicly listed company, has been providing support to startups for the last 3 years, and has seen 26 startups come up through its ranks. Others have also been active in developing the ecosystem – BDVenture and Startup Dhaka notable among them. A number of major deals announced in late 2017 and in 2018 potentially signal a turning point for the country – foreign VCs have taken notice of the country, and are on the prowl for investments.

While venture capital in Bangladesh has been making waves recently, late stage private equity has not received as much attention. There is one major private equity fund operational in the country – the USD 100 million Frontier Fund managed by Brummers and Partners, a European Fund Manager (A second fund by Brummers is in the works). Other funds present in the market include Small Enterprise Assistance Funds (SEAF) which is backed by International Finance Corporation (IFC) and the United States Department of Agriculture (USDA). Notably missing is the presence of any local investors in this arena, as late stage private equity still seems to be shunned due to the challenges present in the segment.

7 McKinsey & Company: "Indian Private Equity: Route to Resurgence", June 2015

8 https://ndma.gov.in/iwdri/ppts/16jan/TS%203A/IWDRI2018_TS3A_Yellurkar_IDFC.pdf



The long path ahead

A large, young population with growing income, increasing technology and mobile penetration – these are the indicators of an economy prime for development. However, for the PEVC industry, the path has been fraught with challenges. Early signs of development have been present for some time – specially the presence of international investors in the country. But a major gap still remains in the supply of capital. The small number of international investors present in the market have not been enough to make a sizeable dent, and it is unlikely that there will be significant participation from major global Private Equity and Venture Capital firms until participation from local institutional investors increases. Regulations were formed in 2015 to help create a formal local PEVC Fund Management industry, but there has been little success in attracting local institutions and Fund Managers to come forward and spearhead the industry's development.

Till date, over a dozen organizations have received licenses to operate as Fund Managers, yet not a single locally domiciled PEVC Fund has seen the light of day.

Challenges lie in all directions – from an economy that has been historically reliant on debt-based financing, to an underdeveloped regulatory guideline in need of improvement – there is much to do before Bangladesh can hope to reach the level of its neighbors. Going from a debt-based economy to an equity-based economy is no simple task, and no one expects Bangladesh's corporate culture to change overnight. The simple course of action would then be a focus on solving the puzzles of the regulatory regime - improvements that have long been requested by the increasingly vocal participants in the industry.

While the Alternative Investment regulations set forth in 2015 provided a structure for management of funds, they did not bring along with them the required changes in the tax regime. Alternative Investment Fund Managers must pay a 35% tax rate on the management fees and carry they receive, which turns away most new fund managers from entering the industry. For comparison, Asset Managers of Mutual Funds pay only 15% tax on their management fee (the tax rate has been 15% from 2013, and previously was 0% for a period of 22 years). Industry participants believe that a tax holiday

Major Challenges

- Reliance on debt-based financing
- Underdeveloped regulatory guideline
- Lack of experienced fund managers
- Absence of local funds
- Corporate Culture

on management fees (similar to what was provided for Mutual Funds) and allowing for carry to be taxed at capital gains tax rates (in line with global practices) will likely help remove some major roadblocks for the industry.

Participants have also cited the example of Mutual Funds in Bangladesh to champion the cause for similar regulatory exemptions for Alternative Investment Funds – any Trust Fund registered in the country is subject to a 2% Stamp Duty, which industry participants state to be a major impediment for launching any new Alternative Investment fund. (This requirement stems from an 1882 regulation, and has been exempted for Mutual Funds yet remains for Alternative Investment Funds).

The effort to promote the local Fund Management industry has also had, on some occasions, the unfortunate effect of turning away foreign participants. Foreign Alternative Investment funds investing in Bangladesh are subject to a 3 year post-IPO lock in, while local funds only have a post-IPO lock in of 1 year. While arguments can be made for the necessity for preferential treatment of local participants, it does not change the reality that these discrepancies are dissuading foreign participants from exploring the market – and preventing the market from accessing the expertise and global networking benefits brought in by these foreign funds.

Moving away from regulations and towards attracting new participants into the industry, the government can take pages from the Indian playbook. In 1999,

regulations enacted by the Indian government allowed banks to invest up to 5% of their surplus funds in Venture Capital Funds. Similar guidelines could be a game-changer for Bangladesh - the country has around 100 banks and financial institutions competing in an increasingly crowded industry.

The immediate benefit of a structured policy approach for the industry will be increased participation from local fund managers, but it is also expected to pave the way for international firms to come forward. The industry in India has gone through many iterations to get to where it is today – a national policy framework for startups, special attention to the Ease of Doing Business Index, improved patent and intellectual property regulations – the list goes on. While all these changes have allowed local fund managers to enter the industry in greater numbers (there over 300 locally-domiciled PEVC funds operating in India), they have also had the important side-effect of ensuring increased participation from foreign fund managers – 80% of the PEVC investments in the country are made by foreign fund managers. The wealth of experience and knowledge brought in by these investors has led to the creation of the Flipkarts and the Olas of India. India's story is an illustration of what is possible in Bangladesh – with the right environment, the country may very soon have its first billion dollar startup – a “Unicorn”.

Bangladesh's path towards development will be long and arduous. The country faces formidable challenges -- massive infrastructure funding gaps and inadequate FDI inflow threaten to depress the country's sustained growth. Pinning the entire country's hopes and dreams on one sector will always be a fool's hope. But if how the global economy has been shaped over the last century is taken as any indication, the evidence is overwhelming – a flourishing PEVC industry can help catalyze Bangladesh's economic development and ignite the spark that the country needs to live up to its promise. The promise of 170 million people. The promise of an increasingly wealthy population whose demands are being unlocked through tech penetration. The promise of a country making its way into the global stage through its manufacturing and tech sectors. The steps taken to develop the country's PEVC industry today will play a role in how country's story unfolds over the coming decades. What that story is – the story of a country ascending towards development, or of a country stumbling along the path – that remains to be seen.

IDLC enhances medical facilities of Institute of Child and Mother Health NICU at Matuail

IDLC Finance Limited as part of its corporate responsibility recently donated a neonatal ventilator and furnished the NICU Mothers Room and Kangaroo Mother Care corner of ICMH with hospital beds and air conditioners. Institute of Child and Mother Health (ICMH) is dedicated to improve health and nutrition of mother and child, located in Matuail, Dhaka.

On 22 December 2018 at the inauguration ceremony Aziz Al Mahmood, Chairman of IDLC Finance Limited said, "As the largest financial institution of the

country, we try to contribute to the development of our nation from every possible avenue. As such quality and affordable health care is crucial determinant of our human capital, thus we are proud to be associated with ICMH. "

Arif Khan, CEO and MD of IDLC Finance Limited said, "We are humbled to have been part of this initiative and solemnly pledge to join all efforts towards better healthcare and facilities for all"



IDLC Assists School Extension for the Autistic Children at Bogra

IDLC extended assistance to Karim Para Autistic & Buddhi Protibondhi Biddaloy in Gabtoli, Bogra by extending the school building with an extra room, converting it into an activity corner. In order to help the students commute, IDLC also provided two school vans. The activity corner for the children includes a reading corner, arts and crafts corner and an audiovisual corner.

The official inauguration ceremony was held 20 December 2018 in presence of following IDLC Finance Limited officials Head of SME Ahmed Rashid Joy, IDLC Head of SEF Mohammad Saifuddin Shamim, Group Chief Marketing Officer Jane Alam Romel and Bogra Branch Manager Tanvir Shawkat.

Ahmed Rashid Joy, Head of SME of IDLC said, “IDLC always tries to bring at least a bit of happiness to everyone around us who needs it. We hope our contribution will make a greater impact on our future as a nation.”

This initiative was part of the Khushir Kheya CSR platform to help manage challenges and explore opportunities at the community level.



IDLC wins ICAB Best Presented Annual Report Award

IDLC wins ICAB Best Presented Annual Report Award in the following categories:

- Overall Winner of 18th ICAB National Award
- First Position: Integrated Reporting

- First Position: Financial Service Sector
- First Position: Corporate Governance Disclosure Sector



TIGER CAGE

Tiger Cage, by Startup Dhaka, is Bangladesh's first ever entrepreneurship based video series. This reality show finds and presents potential tech startups on stage to investors who can provide funding. Four startups were selected to present for the pilot season. There were four investors in the pilot season – Samad Miraly, Mustafizur R Khan, Fayaz Taher and Nazim Farhan Choudhury. MBR was in a conversation with Miraly, Mustafizur and Fayaz to learn about their inspirations and vision behind Tiger Cage and how it aims to promote entrepreneurship in Bangladesh.

MBR: Tiger cage is an initiative which is the first of its kind in Bangladesh. What actually inspired you to come up with something like this?

Samad Miraly: We have been working closely with startups for quite a few years and have been active angel investors. Through this, we noticed that that one of the biggest challenges for startups is raising funds. Startup investing isn't fully mainstream, and there are not that many players in the market, limiting options for companies looking for growth capital. Although I invest through angel investments and venture capital, I cannot, nor do I want to, nor should I, invest in every company. Different companies have different requirements, only some of which match with mine. To help mitigate the problem of access to capital, we came up with the idea of "Tiger Cage" that if we create a mainstream, broadcasted platform between the probable investors and the potential startups, the bandwidth for potential funding may be widened for participating startups.

We thought of initiating this programme a few years back, but decided not to go ahead, as the whole startup ecosystem was still in a nascent stage. Though still nascent, today is a totally different scenario, with promising startups like Pathao, Shohoz, Sheba, Bongo seeing success. That is why we think now is the time to roll out initiatives like this to help take the startup ecosystem to its next level.

Fayaz Taher: Through Startup Dhaka, we have been always connecting investors to entrepreneurs with documentaries initiatives and events like Innovation Xtreme. We have run 5 batches of GP Accelerator program, where we mentored the startups on how to pitch to the investors and how to deal with

them. However, we could mentor only a handful teams. With this platform, we zero in on giving this idea to the entrepreneurs that more access to capital have been created and enlighten investors about the bright ideas that are coming. We want to give the message to the large conglomerates and the angel investors that they can find bright startups to invest in, just by watching the show and seeing the pitch and the ideas.

We just ran the pilot, the response on social media after watching the teaser was,

“OH THIS WAS OUR IDEA, WHY DID NOT WE DO IT?”

That is when, we knew that the timing is absolutely right for this initiative.

With Tiger Cage, we did not want to just confine to local investors, rather we also wanted to attract the international investors and hence, we kept English as the mode of language for pitching.

Mustafizur Rahman Khan: At the initial phase of building the startup eco system in Bangladesh, we worked on building awareness on startups through our tech

blog site called SDASIA and angel investing. In order to scale our operation we later focused on startups events, accelerator program and online learning platform like Upkskill to create larger impact. However access to funding is still a major challenge so we designed a program like Tiger Cage that enables founders to seek funding to larger investment pool. We feel that Tiger





Nazim Farhan Choudhury

Cage will add value in terms showcasing new kind of investment opportunities that Bangladesh has to offer and bring larger investor base to the growing startup ecosystem.

MBR: Is the notion of Tiger Cage that entrepreneurs have to pitch their ideas to the investors in a bid to pursue them for investment?

Samad Miraly: First, we open up for applications through online and offline channels, where startups interested to be on Tiger Cage submit their ideas. We then shortlist a few after evaluating them through an in person pitch. The shortlisted startups are given a chance to pitch in the Tiger Cage. So far, only four of us are on the show as investors; however, we are on the lookout for more investors to include on the show. Based on the risk preference of the judge/investor, they decide, at their own discretion, whether or not to invest in the startup. Sometimes a couple of investors – affectionately called ‘tigers’ – can invest together. If no investors want to make a deal with a startup, we open the investment option up among the audience for a particular time period, and they are welcome to invest in the startup.

MBR: What do you look for in the pitch, the person and the idea?

Mustafizur Rahman Khan: The founders are really important when we evaluate a startup as they are the key people who executes the business vision. Secondly,

we look at the product itself in terms of solving a real problem that has a demand in the market. Lastly we look at the business model and path to monetisation before taking a decision.

Fayaz Taher: The team, the market they are operating in as market size matters, the business model indeed, the product itself, whether it is solving a customer pain point and lastly, if they can make a margin at the end. A lot of people come to us saying that they have an idea. We ask them if they have tested that in the market, if they think the product is a Minimum Viable Product, but most say no. First time entrepreneurs need to understand that they need go test in the market before going for fundraising to investors to see if customers really need their service or product.

Mustafizur Rahman Khan: Having said that, we received many interesting ideas which have not been executed yet because the founder has just touched the surface of the problem. In those cases, we intend to mentor them so that they can address those issues and come back on the next episode when they are in a better position to pitch for investments. In fact from our last pitching session for Tiger Cage, we selected 4 teams but kept 3 teams in waiting list because we found the ideas interesting but ideas not fully developed.

Samad Miraly: When an investor decides to invest in a company, s/he is going to be in that company for as long as five to seven years. Therefore, it is very important that both the investor and the entrepreneur build an understanding between themselves. Even if everything else is perfect, if these two stakeholders don't get along, it is going to be a tough investment. Finding an entrepreneur who is able to execute is one thing that I definitely look for as an investor along with an attractive market.

MBR: How is the current scenario of startups and investors perception now?

Fayaz Taher: The startup ecosystem is still at a nascent stage. Although, a handful of good companies emerged in this landscape, the situation did not change much in broader scale. People have just now begun to understand



Mustafizur Rahman Khan

the power of technology and internet, which is why, we see startups like Pathao, Shohoz, Sheba, Bongo, gearing up and getting immensely popular everyday. Now, we can watch TV through Bioscope which is a platform partnership with Bongo, we can send money within few minutes through bKash, get transportation with just a click on the screen, or video chat with relatives in the village through IMO. That is how internet is making an impact in our lives, it is not just scrolling down Facebook or reading newspaper anymore. Basically, we can say we are on the cusp of a digital economy.

Mustafizur Rahman Khan: In last 2 years we observed a major shift in mindset of the mid-level corporate executives who are now starting their own ventures. This may have been driven by the notion that their career growth is slow or the current job is not as rewarding, hence they are now looking for opportunities or challenges in the market, betting on themselves and getting ready to take the risk to start a venture on their own. It is a great inflection point for the ecosystem as we start to see seasoned professionals starting up versus just new graduates getting into startup scene.



Samad Miraly

Samad Miraly: Right now, we have a few companies that have seen tremendous growth and are operating at scale. Take bKash for instance. As these companies keep growing, their people will get hands on experience on how to build a scalable company from scratch. At some point, those people will start companies on their own, or go on to invest in other startups. This is how the startup ecosystem will flourish. At this moment, we are just seeing the first stream of these companies shaping this ecosystem and this is just the start.

Mustafizur Rahman Khan: There lies a big difference between our startup landscape and that of our neighbor's. They have all the international tech companies like Facebook, Google, CISCO, Amazon, etc along with local tech companies creating talents who later on venture on their own with relevant experience in technology, scaling and access to international investors. However, in Bangladesh, opportunities are very limited as our tech industry base is small which is largely supported by home grown companies. These founders learnt from their own experiences and mistakes. That is why the development of Bangladesh startup ecosystem will take slightly longer but it will be by driven domestic demand for services that are unique to Bangladesh.

MBR: What could be the next wave of disruption in the startup environment in Bangladesh?

Samad Miraly: It is hard to predict what could be the next disruption. We'll have to look at the bleeding problems of the country to see what needs to be



Fayaz Taher

disrupted. For instance, Pathao addressed the traffic problem, and they had huge success. We can see a lot of inefficiencies in many sectors of the country such as, remittance earning, manufacturing, transport, housing, education etc., and some companies are already trying to address these problems. What are our most frustrating problems? There are so many more difficulties we face by living in Bangladesh that need to be addressed. So, there is a huge potential.

Fayaz Taher: There is no single industry that is going to face the disruption the most, rather all the industries will have some kind of disruption. If you think about what is disruption, it is really the start of technology making things more efficient for everyday behaviors on the way we do things. The important question here, is that- is the user base ready for the change and I believe it is as we can already see a shift in behavior and technology adoption. It is a matter of time and we'll have to see which industry goes first and which one's next.

Samad Miraly: One of the biggest problems in Bangladesh is the opaqueness of information and data. Scarcity and inaccuracy in data is highly evident here. So, I think there is huge opportunity in Big Data and it is going to be a huge driver of technology in the future. With the application of Artificial Intelligence and Big Data, enterprises may have the opportunity to leapfrog legacy systems as well.

Mustafizur Rahman Khan: For predicting the future we can look at how internet evolved in the 1990s in USA. The change did not happen overnight but gradually expanded over last 3 decades. Three companies helped create the modern day online business, AOL with access to Internet, Google with relevant information through their search engine & Amazon making e-commerce mainstream for the masses. There were other companies helped along the way like Microsoft, Apple, netscape, Dell, Sun micro system who created the ground for tech companies moving from offline to online but that shift happened in the early nineties with advent of internet. In Bangladesh I feel something similar is happening, like 3 or 4 big brands will change the total consumer behavior in Bangladesh as people shift from offline to

online consumption as our market get access to cheaper data, smart phones and relevant services for our consumers. Our startup founders, the government and other relevant stakeholders are creating the foundation for online business to develop but we are still at the early stage. However, we can expect big things from this sector in terms of changing the face of Bangladesh in every aspect be it education , health care, agriculture or commerce - technology will dominate and shape the lives of Bangladeshis in the future.

MBR: What is your plan for the next season?

Mustafizur Rahman Khan: We wanted to ensure that there are enough people interested for this show. We want to improve the technical aspect of the show for better execution and production value. And finally we want a good partner who can add value for the next season to get things even more scaled. And fortunately, we have most the of things in place which hopefully will make Tiger bigger and better.

Samad Miraly: We want Tiger Cage to be successful as our investment companies by being self-sustainable and profitable so that we can continue this show for a long time. And so that it continues to be a platform for companies to raise investment and be an inspiration for entrepreneurs or would-be entrepreneurs in Bangladesh. We want to get more new companies in the pipeline to create the ecosystem. Which is the main concern of the show Tiger Cage.

Fayaz Taher: I want to address all the investors who have funds, but are not utilizing it efficiently, please join us in Tiger Cage. You will not be disappointed because there are lucrative investment options available. And for the startups this is the stage which you are looking for to get visibility, gather funding and get a smooth start with your venture so come join us!

KEY INFO

Private credit growth
slumps

at 14.01%

in November'18

Remittance inflow up

8.98%

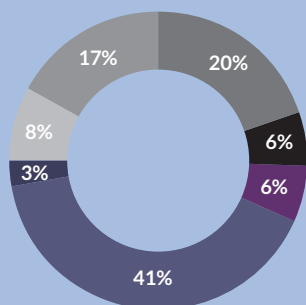
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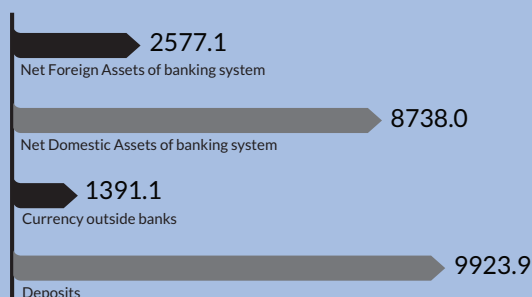
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IMPORT

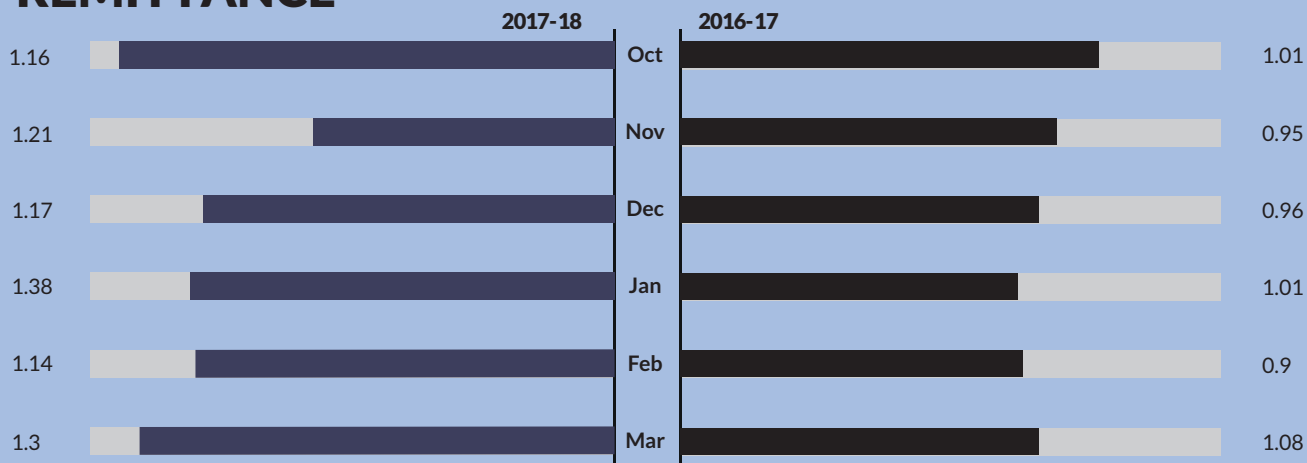


- Industrial raw materials 20%
- Intermediate goods 6%
- Consumer goods 6%
- Others 41%
- Petroleum & petro.prodts. 3%
- Machinery for misc. inds. 8%
- Capital machinery 17%

MONETARY AND CREDIT DEVELOPMENTS



REMITTANCE

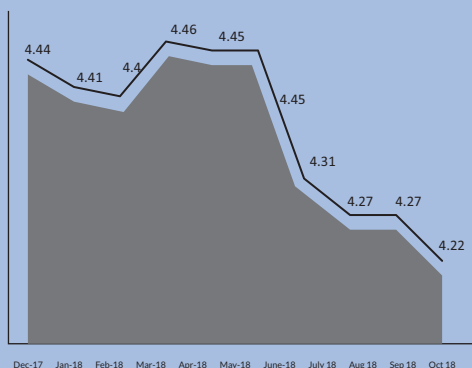


ion rate Down
 eral inflation
 7% in November '18

ECONOMY AT A GLANCE

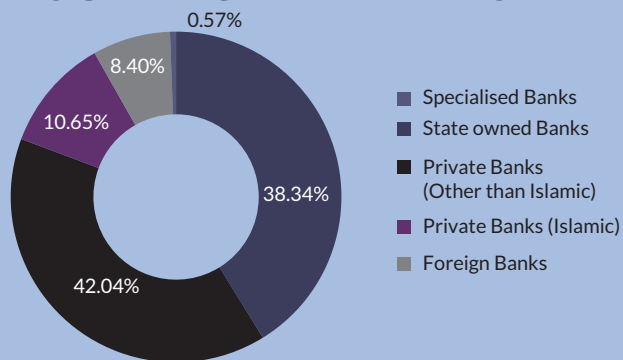
SEEING ECONOMIC TREND IN DATA

SPREAD OF ADVANCE & DEPOSIT RATE



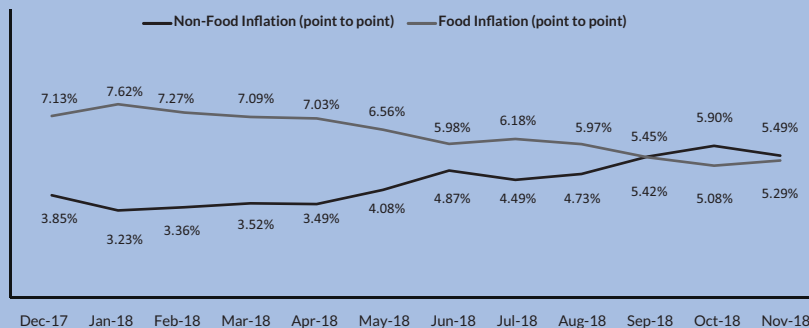
Dec-17 Jan-18 Feb-18 Mar-18 Apr-18 May-18 June-18 July-18 Aug-18 Sep-18 Oct-18

LIQUIDITY POSITION OF THE SCHEDULED BANKS



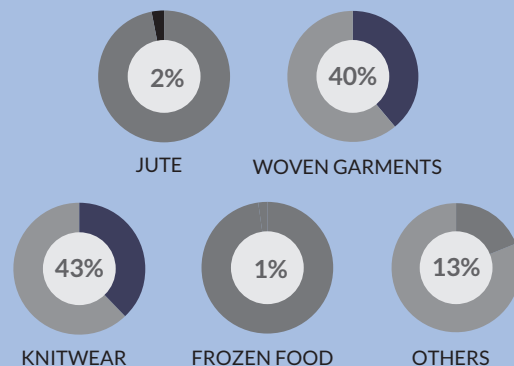
Total Liquidity Assets for December 2015 was BDT 2577.94 Billion

INFLATION



Inflation rate in March 2018 decreases as food inflation falls

EXPORT



INDUSTRY UPDATE

ENGINE OIL MARKET EXPANDING FAST

ENERGY

The growth in engine oil market was tremendous for last three years because of the rise in the consumer base in the automobile market and also introduction of new power plant in Bangladesh. Which boosted the oil market with a growth of nearly 15% during that period. Which is a good sign for the economy which indicates the consumers purchasing power is increasing. The consumption of lubricant oil rose to 160 tons in 2018 because of the increase in registered vehicles number in the country. On the other hand, Bangladesh started to generate 2.5 times more power with a production of 11623 megawatts of power recently. This demand of lubricant is assumed to rise for 15 years more because of the growth in power development and automobile purchase.



AUTOMOBILE

AUTO PARTS MARKET SWELLS ON RISING DEMAND

Bangladesh's automotive parts market size was reported to be in between BDT 1,300 crore to BDT 1,400 crore last year with a annual growth rate of 10% to 12%. Automobile market was below BDT 500 crore 10 years ago in Bangladesh. The market of automobile market is mostly dominated by Toyota which makes the auto parts of Toyota car more of lucrative option for the importer. Common items which are imported are engine, alternator, radiator, air conditioner, suspension, brake pads, spoiler, rim, tyre, trim package, body components etc. Most of the parts are imported from Thailand, China, Indonesia, Taiwan, Dubai and India, with Thailand and Indonesia etc. As importers are mostly interested to bring Toyota's parts, it is hard to find parts for other cars in our country. There are almost 200 auto parts traders in our country and beside that some manufactures parts in Bangladesh. Locally manufactured parts are known for low quality.

YARN PRICES SLIDE ON SUPPLY GLUT

TEXTILE

The supply of finished apparel items is increasing because of the lower price of yarn which is known to be the main raw material for textile products. The decline is about 12% in last two years which is threatening the primary textile industries in Bangladesh because lower price is just piling the stocks of yarn. The price of 30 carded yarn was between USD 3.40 and USD 3.50 a kilogram which dropped to USD 3.05 per kg. There are at least 430 local mills and the total apparel industry which are in threat is almost of USD 8 billion. The price of raw cotton is lowered because of US- China tariff war and also for Bangladesh, availability of cheap yarn from India.



AGRICULTURE

POTATO PRICE MAY GO FURTHER UP

Because of last year's loss in potato crops, many of the farmers switched to other products, declining total cultivation of potato. So, potato price will go higher this year according to industry experts. Price of new potatoes are now BDT 18-24 and BDT 28- 30 per kg at growers' end. The biggest potato selling hub are Nilphamari, Rangpur, Dinajpur, Thakurgaon, Panchagarh and Gaibandha districts. The price was BDT 12-18 a kg in this season of last year according to the Department of Agricultural Marketing (DAM). Most of the farmers incurred loss of BDT 8000 to BDT 8500 per bigha last year. And even till now it is pointed out by many industry players that the farmers are not even interested to grow potato for the February-March period for hoarding.



■ MONTH IN BRIEF

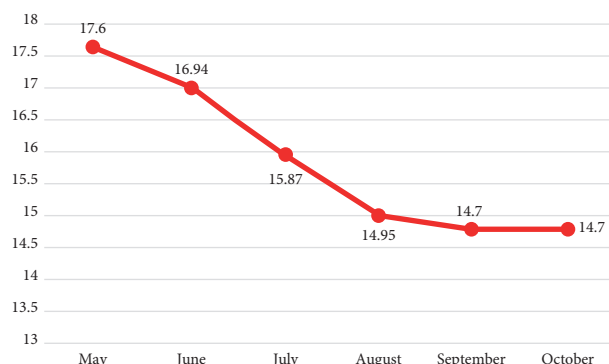
● **RMG exports to India grow 165** which is USD 87.43 million during the July-November period of FY 2017-18.

● **BDT 364.38 billion was spent** for projects under the Annual Development Programme (ADP) during July-November period as implementation rate was 20.15%.

● **Saving tools sales reach 68%** of annual target in 4 months because of national savings certificate sales increased by BDT 514.08 crore in July-October of 2018-2019.

● **Average consumption hit the landmark 1GB** which last year, the average usage was about 700 MB due to enhanced 4G facility.

Credit Growth Rate



● **Private sector credit growth was 14.7%** in October due to cautious credit disbursement by financial institutions.

● **The engine oil market grew 15%** a year for the last three years with introduction of new automobiles and power plants.

● **Auto parts demand is on rise** of which 80% consists of Toyota cars due to increase in automobile purchase in Bangladesh.

● **Full waiver of Value Added Tax (VAT)** on four types of services will be enjoyed by country's apparel exporters which they had to pay Value Added Tax ranging from 5.0% to 15%.

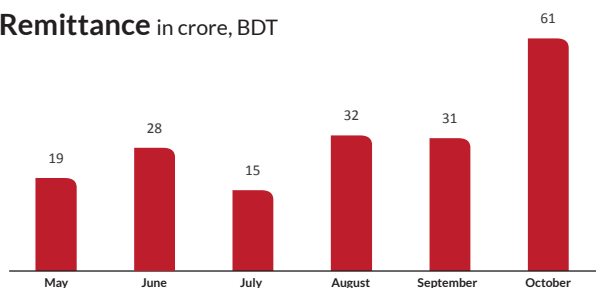
● **Goods export to India increased around 65 %** through Benapole land port totaling BDT 4,040.35 crore in 10 months to October this year due to infrastructure upgrades.

● **Non-food inflation dropped to 5.49 %** in November with stable market of non-food items.

MONTH IN BRIEF

● **Remittance disbursement doubled** through mobile financial services (MFS) in October which is BDT 61 crore due to growing popularity of the alternative payment channel.

Remittance in crore, BDT



● **Reserves reached about USD 31 billion** by the end of November in Bangladesh's foreign exchange.

● **Bank deposits rose by BDT 7,859.38 billion** in last 10 years along with the growing number of bank accounts.

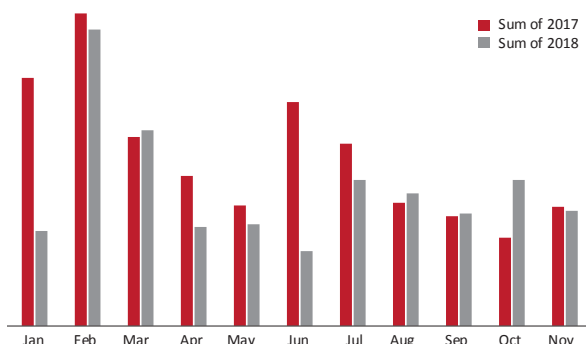
● **The inflow of foreign direct investment (FDI) rose** by around 39% to USD960 million from July to October of 2018.

● **Export earnings stood at USD 30.02 billion** from the country's readymade garment (RMG) including knit and woven items during the first eleven months of 2018.

● **30% increase in export earnings** from plastic products during the first five months of the current fiscal year (FY19) stood at USD 487 thousand.

● **Aggregate shortfall was BDT 167.99 billion** in tax revenue collection in the first four months of the current fiscal year (FY), 2018-19 against the increased target.

● **Value fell to BDT 120.40 billion** of the secondary trading of treasury bills in January-November period of 2018 which was BDT 243.27 billion in the same period of 2017.



● **Tax return submission has increased by 40%** in the past two years with total taxpayers increased to 3.8 million.

● **Source tax on exports cut to 0.25%** after three month of slashing advance or source tax on exports of readymade garments, except jute goods, to 0.60 % from 1 % in the budget.

THINGS TO KNOW BEFORE INVESTING IN MUTUAL FUND

Mutual funds are most preferred and well known investment option for the individual investor who wants to get a solid return from stock market, to acquire a handsome amount of money to fulfil a specific plan. Now a day, many people offer suggestion about investing in mutual funds, maybe friends or colleague, maybe someone from family. And a growing trend is realized that more and more people are investing in mutual funds.

But before investing in mutual funds, everyone should know things very well about it and also need to check some things to make a better investment with mutual fund because there is risk associated in it.

Things that everyone should know before investing in mutual funds:

- **Defining a purpose-** The mutual fund investment are normally done to fulfil a purpose e.g. saving for home, retirement, or any personal need that is to be fulfilled in future. Sometimes the purpose can be saving taxes.
- **Ways of Investment-** There are two type of investment available, one is where you put a lump sum amount for investment and another is where there will be a systematic planned investment option which is pretty much traditional DPS but with even a higher return. The second is commonly known as systematic investment plan (SIP) and known as best option as one can invest small amount of money monthly and the payment is not mandatory every month. Which is a relaxed option for many.
- **Duration-** Need to understand the fact that mutual fund investment is always a long term plan. So before investing, everyone should keep it in their mind.
- **Risk-** Most important piece of information of all, mutual fund investment means investing in stock

market. And stock market investment is always associated with risk. One should understand the potential risk in mutual fund.

- **Compounding-** Good news is even though there is risk but return is also great. Power of compounding holds in mutual fund investment and in some cases investment amount can get double of the initial investment with proper choice of mutual funds.

Some checks needed to be done before investment:

Mutual Fund Investment Check List

- Checking the existence time of the mutual funds are important as already existing mutual funds perform better than new mutual funds.
- Need to ensure the credibility and expertise of the fund manager.
- The scheme of the mutual funds should be understood very well so that all you can be well aware of the possible risk of the investment.
- Should get an idea about the performance of the asset that is managed by the mutual fund to understand the risk exposure from the investment.
- Should check on the effect of this investment on tax.
- Finally, those who wants to invest in mutual fund should consider the opportunity cost of the investment that is going to be made in mutual fund.

Performance of Equity Markets of Bangladesh and Peer Countries

The equity market of Bangladesh passed the closing month of 2018 in positive territory. The broad index DSEX advanced by 2.0% in December, recovering 104.4 points. Blue chip index DS30 and Shariah index DSES also gained 1.0% and 0.8%, respectively.

Among the regional peers, Pakistan and Vietnam lost 8.5% and 3.7%, respectively during the month, while Sri Lanka yielded 1.0% return. Sri Lanka also outperformed the regional peers in terms of yearly return. However, Vietnam showed the most encouraging longer term track record with a 5 years' return of 76.9%, followed by Pakistan and Bangladesh with 46.7% and 26.2% return, respectively

The year of 2018 appeared to be quite struggling for frontier market countries as indicated by MSCI Frontier Markets Index which lost 19.1% during the year. Bangladesh was no different as DSEX declined by 13.8%. However, Bangladesh managed to outperform MSCI Frontier Markets Index during 2018 as well as in longer period horizons (3Y, 5Y). (Table 1)

Even the Chinese and US equity market greatly suffered in 2018 amid growing concerns about US-China trade war, US fed rate hike in direct opposition of govt. and a slowdown of Chinese economy. By the end of the year, Shanghai Composite Index (SSEC) was down by 24.6%, while S&P 500 Index (SPX) lost 6.2%.

Table 1: Equity market performance in Bangladesh and peer countries

Indices	Index Points, December, 2018	Return*				
		1M	3M	12M	3Y	5Y
Bangladesh						
DSEX	5,385.6	2.0%	0.3%	-13.8%	16.3%	26.2%
DS30	1,880.8	1.0%	-0.5%	-17.6%	7.4%	28.3%
DSES	1,232.8	0.8%	-0.5%	-11.4%	11.4%	N/A
Peer Countries						
Pakistan (KSE 100)	37,066.7	-8.5%	-9.6%	-8.4%	13.0%	46.7%
Sri Lanka (CSE - All Share)	6,052.4	1.0%	3.2%	-5.0%	-12.2%	2.4%
Vietnam (VNI)	892.5	-3.7%	-12.2%	-9.3%	54.1%	76.9%
MSCI Frontier Markets Index	516.1	-3.0%	-4.5%	-19.1%	2.0%	-13.2%

* All returns are Holding Period Return

Source: Investing.com, MSCI, DSE

Liquidity Condition in Equity Market of Bangladesh

During December, the total market capitalization increased by 1.4%, while free float market capitalization increased by 1.6%. Meanwhile, daily average turnover stood at BDT 4.8 bn (USD 57.6 mn), falling by 17.1% compared to that of last month. Overall, average turnover of 2018 was BDT 5.5 bn (USD 65.2 mn) down by 37.0% from that of 2017. Turnover velocity which represents overall liquidity of the market, stood at 34.4% close to 2013-2016 average of 35.0%, declining from 51.3% of 2017.

Table 2: Market capitalization and turnover statistics

Particulars	31-Dec-18	30-Nov-18	% change
Total market capitalization (USD* mn)	46,162	45,504	1.4%
Total equity market capitalization (USD mn)	39,172	38,525	1.7%
Total free float market capitalization (USD mn)	15,877	15,621	1.6%
Daily Avg. Turnover (USD mn)	57.6	69.6	-17.1%
Turnover Velocity~	27.0%	36.7%	N/A

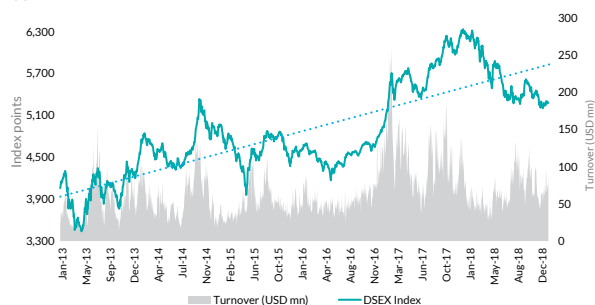
*All USD figures are converted using an exchange rate of 83.9 as of December 31, 2018 as per Bangladesh Bank.

~Turnover velocity is calculated by dividing monthly total turnover with month-end market capitalization. The figures are annualized.

Historical Index Points and Market Participation Data

Since its inception on January 27, 2013, DSEX yielded a holding period return of 32.8% till December, 2018. During the same period, daily average turnover of the market amounted to BDT 5.5 bn (USD 65.2 mn) (Figure 1).

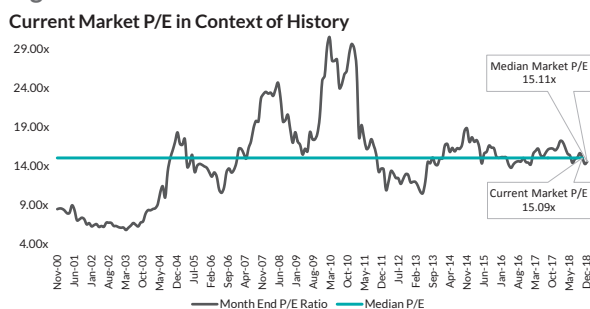
Figure 1: DSEX since inception along with market turnover



Market Valuation Level - P/E Ratio

The market P/E as of December, 2018 was 15.09x, which is slightly lower than 18 years' median market P/E of 15.11x (Figure 2). In terms of trailing 12 month P/E ratio the valuation level of Bangladesh is still low compared to most of the regional peer countries (Figure 3).

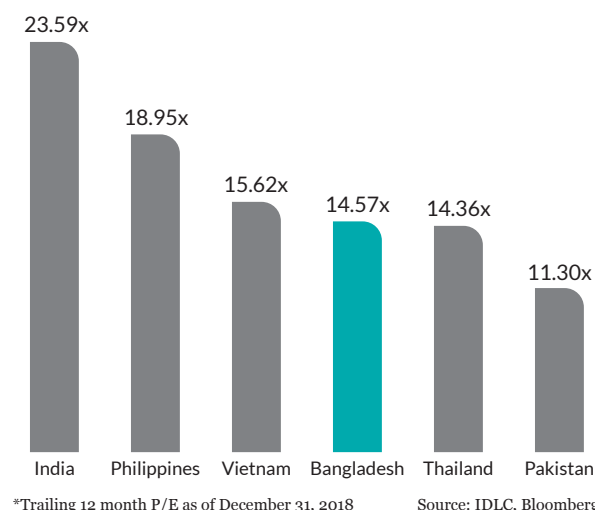
Figure 2: Historical market P/E* and its median



*Price Earnings (P/E) Ratio is calculated by dividing total market capitalization of all profit making listed companies with their total audited annual earnings.

Source: CEIC, DSE

Figure 3: Current market P/E* of Bangladesh and peer countries



*Trailing 12 month P/E as of December 31, 2018

Source: IDLC, Bloomberg

Sector Performance

Among the major sectors, Life Insurance yielded the highest return, appreciating by 17.6% in December. Non-Life Insurance followed next, advancing by 8.9%. Besides, Food & Allied and Bank increased by 5.5% and 4.3%, respectively during the month. On the contrary, Textile faced the highest selling pressure during the month, declining by 1.3%. Pharmaceuticals & chemicals followed next with a negative return of 0.7%.

In 2018, Life Insurance (+26.0%) was the top gainer, followed by Fuel & Power (+15.8%). Besides, Textile and Miscellaneous also yielded 14.0% and 13.9% return, respectively. On the contrary, Cement, NBFI, Bank and Telecommunication sector declined by 24.5%, 22.1%, 21.0% and 17.6%, respectively.

Despite good performance in December, the largest sector in terms of market capitalization, Bank is still relatively undervalued in terms of P/E ratio due to correction in previous months.



Table 3: Sector performance snapshot

Sector	Market capitalization (USD mn)		Return*					P/E (x)**	P/BV (x)^	Dividend Yield~
	Total	Free Float	1M	3M	12M	3Y	5Y			
Bank	6,950	3,955	4.3%	4.4%	-21.0%	58.4%	61.0%	9.9	0.9	2.8%
Telecommunication	6,095	639	1.4%	-0.5%	-17.6%	63.8%	119.5%	14.6	13.0	5.4%
Pharmaceuticals & Chemicals	5,916	3,264	-0.7%	4.0%	-3.6%	19.0%	115.1%	17.0	2.4	1.8%
Fuel & Power	5,156	1,414	0.9%	-5.8%	15.8%	39.2%	55.2%	10.5	1.5	4.2%
Food & Allied	3,341	1,202	5.5%	5.5%	1.1%	21.0%	132.5%	20.1	7.9	1.6%
Engineering	2,240	1,145	2.6%	-2.6%	-4.6%	9.8%	29.8%	14.2	1.8	1.4%
NBFI	2,278	705	2.9%	0.0%	-22.1%	34.4%	28.7%	27.2	1.9	2.7%
Textile	1,654	927	-1.3%	9.7%	14.0%	43.1%	-0.1%	14.4	1.0	1.9%
Miscellaneous	1,280	382	-0.7%	2.5%	13.9%	32.9%	101.5%	26.2	1.2	1.3%
Cement	1,215	498	3.6%	-9.6%	-24.5%	-25.9%	20.4%	37.7	2.8	2.4%
Life Insurance	484	345	17.6%	5.2%	26.0%	31.9%	-4.1%	15.8	6.1	1.8%
Non-Life Insurance	334	271	8.9%	-1.2%	-4.8%	45.5%	-6.5%	12.4	0.9	3.4%
Ceramics	329	128	-3.0%	-5.9%	-7.7%	1.8%	34.9%	21.1	1.9	1.3%
Tannery	261	155	0.7%	2.0%	2.3%	-4.8%	48.2%	15.7	2.5	2.1%
Travel & Leisure	215	150	-0.6%	3.6%	-0.2%	25.0%	-19.0%	22.8	0.6	3.2%
Paper & Printing	205	68	17.4%	15.1%	44.2%	60.0%	-18.4%	20.1	1.9	2.0%
Services & Real Estate	207	111	-1.5%	-1.1%	-19.2%	-26.9%	29.7%	13.3	1.0	4.1%
IT	749	137	-4.7%	7.9%	5.5%	27.0%	22.5%	21.8	2.2	1.4%
Jute	56	39	31.3%	211.6%	141.1%	456.0%	774.7%	N/A	17.1	0.1%
Market	38,966	15,537	2.0%	0.3%	-13.8%	16.3%	26.2%	14.2	1.8	3.0%

* All returns are Holding Period Return.

** Price Earnings (P/E) Ratio is calculated by dividing total market capitalization of all profit making listed companies with their annualized earnings excluding companies trading at an annualized P/E greater than 80.0x.

^ P/BV is calculated by dividing total market capitalization of listed companies with their total book values excluding companies with negative book values.

~ Dividend yield is calculated by dividing last year's declared cash dividend with market capitalization.

Cap Class Performance

During the month of December, Mid Cap Class and Micro Cap Class outperformed the market, yielding 4.3% and 4.0% return, respectively. On the other hand, Large Cap Class went up by 1.4%, while Small Cap Class stayed flat. However, Mid Cap Class (-13.4%) declined the most in 2018, followed by Large Cap Class (-7.3%)

Table 4: Performance of different market cap classes

Cap Class	Market Capitalization of Constituent Companies (USD mn)	% of Total Equity Market Capitalization	Return*					P/E (x)	P/BV (x)	Dividend Yield
			1M	3M	12M	3Y	5Y			
Large	≥121	80.9%	1.4%	-0.2%	-7.3%	42.3%	105.2%	14.1	1.9	3.3%
Mid	36-120	12.2%	4.3%	2.7%	-13.4%	23.6%	48.5%	13.6	1.1	1.9%
Small	12-35	5.7%	0.0%	6.2%	-0.9%	45.3%	82.8%	18.7	0.9	1.9%
Micro	<12	1.3%	4.0%	1.5%	-3.9%	34.1%	67.4%	12.1	0.5	3.1%
Market	-	-	2.0%	0.3%	-13.8%	16.3%	26.2%	14.2	1.8	3.0%

* All returns are Holding Period Return.

Performance of 20 Largest Listed Companies in Bangladesh

Among the 20 largest listed companies in terms of market capitalization DUTCHBANGL (+10.5%), LHBL (+7.1%), BATBC (+6.8%) and MJLBD (+6.6%) posted outstanding return compared to the market in December. On the contrary, SQRPHARMA (-3.5%) faced the highest loss during the month, followed by CITYBANK (-3.2%) and BERGERPBL (-3.1%).

In 2018, UPGDCL (+127.6%) was the best performer followed by BERGERPBL (+31.2%), SUMITPOWER (+18.3%) and RENATA (+17.6%). However, CITYBANK (-43.2%), LHBL (-37.8%), ISLAMIBANK (-31.0%) and EBL (-29.5%) were among the losers.

Majority of these companies yielded outstanding return over longer time horizon (5 years) such as BRACBANK (+409.2%), RENATA (+275.0%), BERGERPBL (+230.8%) and BATBC (+143.9%).

Among the scrips SUMITPOWER, TITASGAS, CITYBANK, GP, EBL, MARICO, and ISLAMIBANK recorded a higher dividend yield compared to that of market.

Table 5: Snapshot of 20 largest companies in terms of market capitalization

DSE Code	Sector	Market capitalization (USD mn)		Dividend Yield (%)	Return*					P/E (x)	P/ BV (x)	Dividend Yield
		Total	Free Float		1M	3M	12M	3Y	5Y			
GP	Telecommuni- cation	5,911	591	0.46	1.3%	-0.8%	-17.8%	66.2%	130.7%	14.3	14.8	5.6%
BATBC	Food & Allied	2,533	670	0.28	6.8%	5.0%	6.0%	25.2%	143.9%	20.2	7.8	1.7%
SQURPHARMA	Pharmaceuticals & Chemicals	2,224	1,458	1.40	-3.5%	1.0%	-8.7%	31.8%	132.5%	15.8	3.1	1.3%
UPGDCL^	Fuel & Power	1,660	166	1.59	0.5%	-13.6%	127.6%	218.9%	N/A	19.6	5.1	2.6%
RENATA	Pharmaceuticals & Chemicals	1,096	535	0.33	0.0%	7.8%	17.6%	44.3%	275.0%	27.3	5.7	0.7%
BRACBANK	Bank	929	518	1.09	0.0%	1.3%	-16.2%	139.0%	409.2%	15.4	2.4	0.0%
ICB	NBFI	920	29	0.04	3.4%	-0.8%	-21.9%	28.7%	32.5%	70.9	2.2	2.5%
BERGERPBL	Miscellaneous	743	37	0.23	-3.1%	7.5%	31.2%	46.2%	230.8%	45.6	10.0	0.7%
LHBL	Cement	602	213	0.45	7.1%	-16.2%	-37.8%	-40.4%	34.5%	77.1	3.4	2.3%
OLYMPIC	Food & Allied	515	372	0.30	-0.8%	7.8%	-23.3%	-6.3%	172.0%	22.5	6.4	2.2%
SUMITPOWER	Fuel & Power	501	185	0.25	1.0%	3.8%	18.3%	26.0%	61.8%	7.4	1.0	7.6%
ISLAMIBANK	Bank	464	243	0.06	3.0%	2.1%	-31.0%	1.7%	-8.0%	8.5	0.7	4.1%
MARICO	Pharmaceuticals & Chemicals	451	45	0.04	-1.1%	3.8%	15.6%	-3.5%	88.6%	18.2	21.7	5.0%
TITASGAS	Fuel & Power	429	107	0.07	-1.1%	-1.6%	-12.0%	-10.2%	-38.1%	7.2	0.5	6.9%
BXPBARMA	Pharmaceuticals & Chemicals	382	332	0.18	0.3%	-2.0%	-22.6%	4.6%	114.6%	10.6	1.2	1.6%
MJLBD	Fuel & Power	375	107	0.19	6.6%	7.3%	-0.2%	39.3%	110.2%	17.5	2.5	4.3%
CITYBANK	Bank	348	243	0.27	-3.2%	-5.9%	-43.2%	75.1%	140.4%	9.8	1.2	6.0%
DUTCHBANGL	Bank	344	45	0.18	10.5%	16.3%	-5.7%	44.0%	61.2%	8.1	1.3	2.1%
IFADAUTOS^	Engineering	320	119	0.73	0.9%	-5.2%	-3.6%	107.1%	N/A	17.3	3.0	1.8%
EBL	Bank	317	217	0.06	3.7%	8.1%	-29.5%	72.2%	94.1%	9.4	1.2	5.6%
Market		38,966	15,537	57.65	2.0%	0.3%	-13.8%	16.3%	26.2%	14.2	1.8	3.0%

* All returns are Holding Period Return

^Five years' return is not available for UPGDCL and IFADAUTOS as they were not listed then.

Top Performing Mutual Funds

All the top ten performing open end mutual funds of 2017 yielded negative return in 2018. Among them LankaBangla 1st Balanced Unit Fund (-2.0%) and UFS-Popular Life Unit Fund (-4.6%) managed to keep the losses at minimum. On the other hand, Peninsula AMCL BDBL Unit Fund One (-14.3%) underperformed the market.

Table 6: Top ten open end funds based on the performance of 2017

Name	Asset Management Company	Fund Size (USD mn)	Return		
			2018	2017	2016
VIPB Accelerated Income Unit Fund	VIPB	12.7	-7.8%	33.2%	6.7%*
Seventh ICB Unit Fund	ICB	5.5	-11.9%	32.5%	4.0%
ICL Balanced Fund	ICL	4.0	-9.7%	29.6%	1.8%*
Peninsula AMCL BDBL Unit Fund One	Peninsula	2.7	-14.3%	29.3%	10.5%
Sixth ICB Unit Fund	ICB	3.9	-9.3%	25.6%	9.0%*
Third ICB Unit Fund	ICB	4.1	-7.0%	21.1%	10.1%*
UFS-Popular Life Unit Fund	UFS	9.4	-4.6%	20.3%	11.7%*
UFS-Pragati Life Unit Fund	UFS	0.8	-5.3%	19.5%*	N/A
LankaBangla 1st Balanced Unit Fund	LankaBangla	5.0	-2.0%	18.8%	4.7%*
ICB AMCL Pension Holders' Unit Fund	ICB	3.8	-12.6%	18.5%	14.3%
Market			-13.8%	24.0%	8.8%

* Funds were launched within the year. Hence, reported return is not of full year.

The top ten closed end mutual funds on the basis of 5 years (2013-2017) performance yielded negative return in 2018, yet outperformed the market. Among these funds, RELIANCE1 (-1.1%) and GRAMEENS2 (-1.6%) kept their losses at the minimum.

Despite the feeble performance in 2018, the funds are traded at a lucrative discount compared to their NAV. Besides, the funds also offered higher dividend yields compared to market. (Table 7)

Table 7: Top ten close end funds based on 5Y return (CAGR) performance

DSE Code	Fund Manager	Fund Size (USD mn)	Price ¹ (BDT)	NAV ¹ (BDT)	Price/NAV	Dividend Yield ² (%)	NAV Return ³				Redemption Year ⁴
							2018	2017	2015-17	2013-17	
NLI1STMF	VIPB	8.70	13.0	14.50	89.7%	10.8%	-8.0%	31.8%	21.9%	19.3%	2022
SEBL1STMF	VIPB	16.09	12.2	13.53	90.2%	10.7%	-8.3%	31.1%	20.2%	18.5%	2021
GRAMEENS2	AIMS	39.62	11.9	18.58	64.0%	10.1%	-1.6%	24.7%	13.6%	17.2%	2018
RELIANCE1	AIMS	9.46	9.4	13.12	71.6%	11.7%	-1.1%	21.2%	13.5%	16.3%	2021
IFILISLMF1	ICB AMCL	9.98	6.8	8.37	81.2%	13.2%	-5.7%	11.8%	10.3%	15.4%	2020
PRIME1ICBA	ICBAMCL	9.54	6.2	8.00	77.5%	11.3%	-8.6%	21.7%	12.5%	14.3%	2020
1JANATAMF	RACE	37.59	4.4	10.80	40.7%	4.5%	-4.5%	20.9%	13.0%	13.6%	2020
PHPMF1	RACE	33.29	4.4	10.62	41.4%	6.8%	-4.9%	25.0%	13.8%	13.2%	2020
POPULAR1MF	RACE	38.94	4.2	10.86	38.7%	4.8%	-4.4%	22.7%	13.2%	12.9%	2020
PF1STMF	ICBAMCL	5.54	5.3	7.74	68.5%	9.4%	-9.9%	16.7%	10.9%	12.8%	2020
Market						3.0%	-13.8%	24.0%	8.7%	9.0%	

1 Price NAV published on December 27, 2018.

2 On last cash dividend declared.

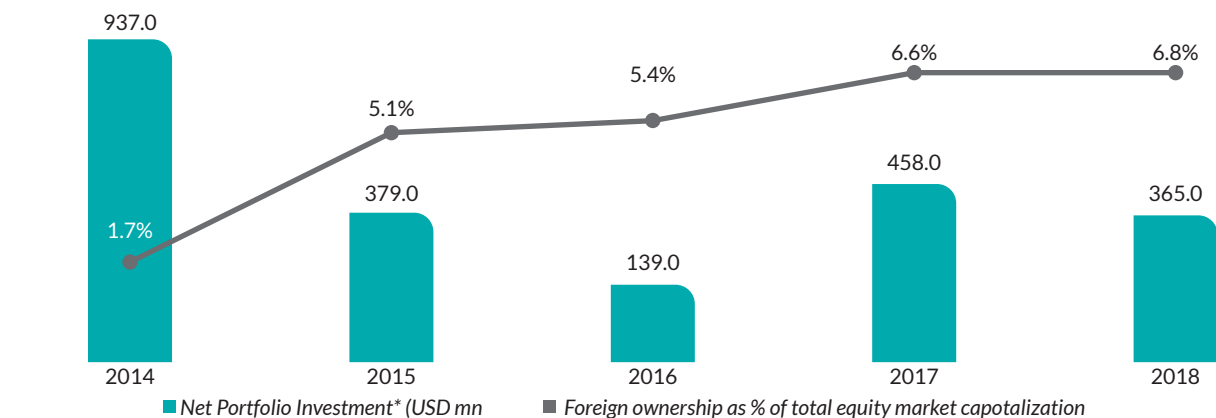
3CAGR computed for respected periods, except for 2018, adjusted for dividend. YTD returns of funds debuting within the year represent return generated since debut, hence is not directly comparable with return of funds that operated throughout the year.

4In reference to BSEC Press Release বিএসইবিএস/মুদ্রাপত্র (৩য় খণ্ড)/২০১১/২৫ published on September 16, 2018, tenure of existing listed closed end mutual funds can be extended by another tenure equal to maximum 10 years, provided that the full tenure of the subject fund does not exceed 20 years in total. However, the mutual funds those are not willing to extend their tenure will still have the option to convert or wind up as per rules and regulations.

Foreign Participation in Equity Market of Bangladesh

Over last 5 years, Bangladesh equity market has seen a surge of foreign investment. As of November 2018, total foreign ownership stood at 6.8% of the total equity market capitalization, which was only 1.7% in 2014.

Figure 4: Net foreign portfolio investment and foreign ownership as % of total equity market capitalization



Source: DSE and BB annual report

*Net portfolio investment data are as of June of the respective years

~% of foreign ownership of equity market capitalization data are as of December of the respective years except for 2018 (October)

Among all the companies with foreign ownership, DBH had the highest foreign shareholding of 43.3% as of November 2018, followed by OLYMPIC with 41.3%.

Table: Top ten companies with highest foreign shareholding as of November

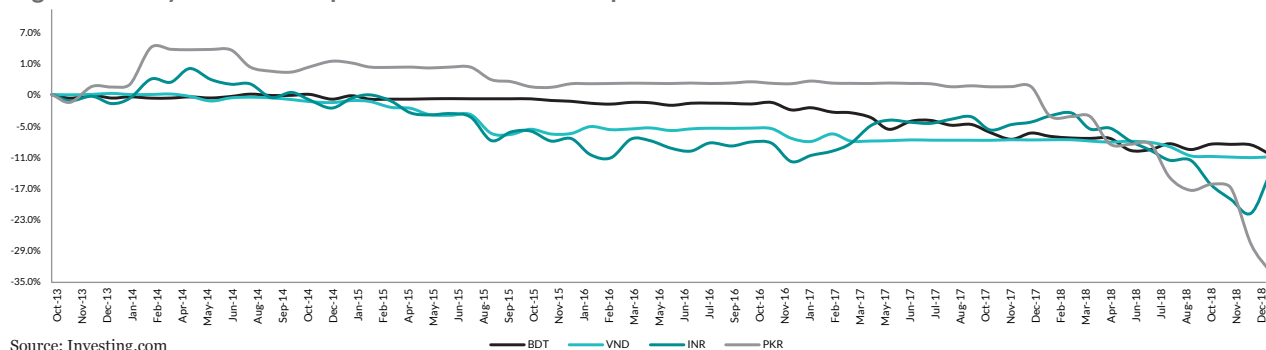
Ticker	Sector	Foreign Shareholding
DBH	NBFI	43.3%
OLYMPIC	Food & Allied	41.1%
BRACBANK	Bank	40.6%
BXPHARMA	Pharmaceuticals & Chemicals	38.1%
ISLAMIBANK	Bank	24.0%
RENATA	Pharmaceuticals & Chemicals	22.4%
MLDYENG	Textile	21.9%
SHEPHERD	Textile	21.1%
BSRMLTD	Engineering	19.4%
VFSTDL	Textile	18.3%

*Source: DSE

Performance of BDT and Currencies of Peer Countries against USD

Over last five years, BDT retained its value better than the currencies of peer countries. While BDT depreciated by 8.2% against US Dollar, other currencies of neighbor countries like Vietnamese Dong (VND), Indian Rupee (INR) and Pakistani Rupee (PKR) lost 9.9%, 13.2% and 30.9%, respectively.

Figure 5: Five year's relative performance of BDT and peer currencies



Source: Investing.com

নিজের বাড়ি মানে স্বপ্ন আঁকার ক্যানভাস আইডিএলসি হোম লোন



