

August 17, 2015

Flash Note on Scheduled Expiration of Ten Mutual Funds

According to BSEC press release regarding 550th commission meeting, ten closed end mutual funds, eight of which are managed by ICB and the remaining two by AIMS are to be converted into open end or redeemed in the respective time horizons.

Table No. 1: Maturity Deadline by December 2015

Sl. No.	Mutual Fund	Asset Manager	Conversion/ Redemption Deadline	Maturity from now (August 2015)
1	1STICB	ICB	31-Dec-15	5 months
2	AIMS1STMF	AIMS	31-Dec-15	5 months
3	GRAMEEN1	AIMS	31-Dec-15	5 months

Source: BSEC Directive

Investment Rationale

By the end of the deadlines the fund must be converted to open end funds or be liquidated. In case of conversion to open end funds, unit holders would be able to sell the units to Asset Manager at ‘repurchase Price’, which might be at 5% discount to the NAV at that time. In case of liquidation, the unit holders would get the cash obtained from liquidation of fund assets.

Investment Risk

The NAVs of the respected funds may increase/decrease in response to change in the prices of the securities held by the funds. In case of liquidation, sell off of illiquid scrips at unfavorable prices may erode the cash value available to investors. Any other systematic or unsystematic risk that may reduce NAV can cause decrease in return potential.

Table No. 2: Return Potential

Sl No.	Mutual Funds	NAV (BDT/Unit) (Latest)	Market Price (BDT/Unit) (August 16, 2015)	Months from now (August 2015)	Return Potential (%)	Return Potential (Considering 5% discount to NAV (%))
1	1STICB	1947.86	1400.4	5 months	39.1%	32.1%
2	AIMS1STMF	39.86	32.9	5 months	21.2%	15.1%
3	GRAMEEN1	32.68	26.8	5 months	21.9%	15.8%

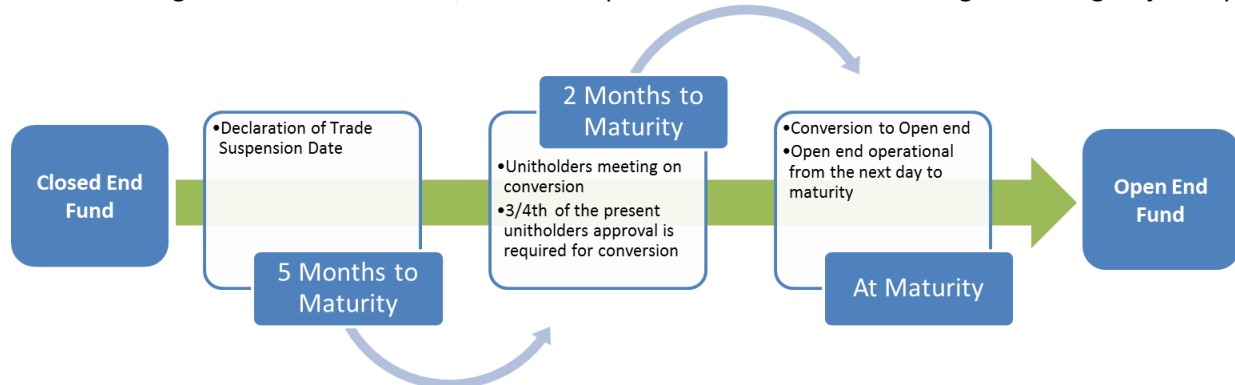
*1STICB declared 1000% cash dividend for unit holders. NAV is adjusted for the dividend.

Source: DSE; Research, IDLCIL

To protect investors’ interest BSEC has provided a guideline for conversion of closed end funds to open end ones. The guideline along with the Mutual Fund Rules, 2001 will dictate the conversion/redemption process of the funds as they approach maturity.

Process of Conversion to Open end Funds

Based on the guidelines and the rules, conversion process should be done through following major steps-

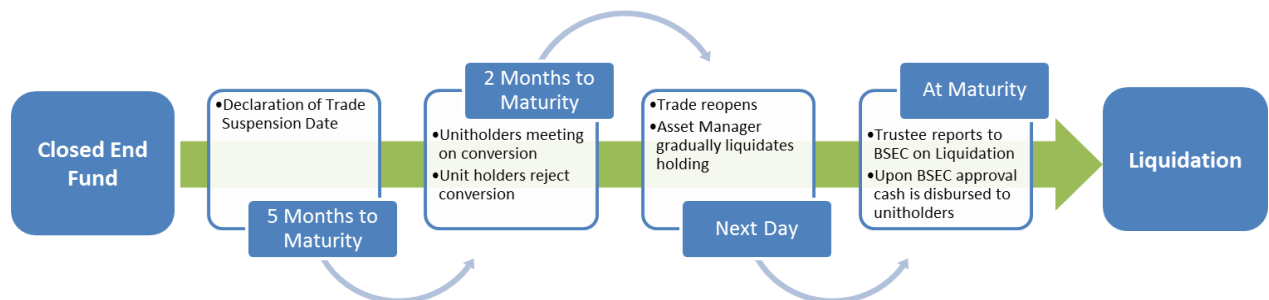


*Effective Date: immediate next date to trade suspension date when trustee takes over the control of the fund

Following the process, the converted open end funds will be operational from the next day to maturity.

Process of Liquidation

Based on the guidelines and the rules', redemption process should be done through following major steps-



In response to the BSEC directives 3 mutual funds namely 1STICB, AIMS1STMF and GRAMEEN1 has declared their Trade Suspension and Effective Date. Based on the guide line we estimate the following timeline for the funds' conversion/redemption.

Recent Dividend Declaration

Of the three funds, AIMS1STMF has declared 175% RIU for the unit holders at the end of 2015. The RIU adjustment will be according to a pre-specified formula. Based on our calculation at current NAV of BDT 39.86/unit, 27.3 mn new units would be issued. Given current market price of BDT 33.0/unit, post adjustment NAV, Price and total number of units would be BDT 27.7/unit, BDT 22.9/unit and 89.5 mn units, respectively. However, actual post adjustment NAV, Price and number of units to be issued would depend on the NAV just before record date.

GRAMEEN1 has declared 82% RIU for the unit holders at the end of 2015. The RIU adjustment will be according to a pre-specified formula. Based on our calculation at current NAV of BDT 32.68/unit, 8.3 mn new units would be issued. Given current market price of BDT 26.5/unit, post adjustment NAV, Price and total number of units would be BDT 26.1/unit, BDT 21.2/unit and 41.5 mn units, respectively. However, actual post adjustment NAV, Price and number of units to be issued would depend on the NAV just before record date.

Table No. 3: Estimated Conversion/Liquidation Timeline

In case of conversion to Open end	1STICB	AIMS1STMF	GRAMEN1
Trade Suspension	28-Oct-15	29-Oct-15	29-Oct-15
Unit holders meeting	8-Nov-15	11-Nov-15	11-Nov-15
Commencement as Open end Fund	1-Jan-16	1-Jan-16	1-Jan-16

In case of Liquidation	1STICB	AIMS1STMF	GRAMEN1
Trade Suspension	28-Oct-15	29-Oct-15	29-Oct-15
Unit holders meeting	8-Nov-15	11-Nov-15	11-Nov-15
Trading Reopen & Gradual Liquidation starts	9-Nov-15	12-Nov-15	12-Nov-15
Maturity	31-Dec-15	31-Dec-15	1-Jan-16
Cash Disbursement (Tentative*)	13-Feb-16	13-Feb-16	14-Feb-16

Source: DSE News; BSEC Directive; Research, IDLCIL

*Cash disbursement may happen earlier if Trustee submits the final status report before the deadline and BSEC approves it quickly. Similar timeline for the rest of the funds can be constructed once the asset managers declare their Trade Suspension and Effective Date.

Top assets in the portfolios

To assist investment decision making on the aforementioned mutual funds we report the top ten scrips in their respective holdings based on Market Value. Please note that the information is taken from the ICB funds' audited statements of June 2014. For AIMS1STMF and GRAMEEN1, the information is from unaudited balance sheet of December 2014.

Table No. 4: Top Ten AIMS1STMF holdings

Sl No.	Scrips	No. of Shares	Cost Value (BDT mn)	% of Total Cost Value	Market Value (BDT mn)	% of Total Market Value
1	GP	-	35.6	5.2%	181.0	13.9%
2	BRACBANK	-	44.7	6.5%	117.6	9.0%
3	BSCCL	-	21.0	3.1%	88.6	6.8%
4	TITASGAS	-	62.2	9.1%	66.9	5.2%
5	MJLBD	-	35.5	5.2%	53.3	4.1%
6	SQURPHARMA	-	9.8	1.4%	35.7	2.7%
7	DESCO	-	32.8	4.8%	32.5	2.5%
8	ABBANK	-	31.2	4.6%	29.9	2.3%
9	IBBLPBOND	-	28.2	4.1%	29.4	2.3%
10	RSRMSTEEL	-	16.0	2.3%	27.8	2.1%

Table No. 5: Top Ten GRAMEEN1 holdings

Sl No.	Scripts	No. of Shares	Cost Value (BDT mn)	% of Total Cost Value	Market Value (BDT mn)	% of Total Market Value
1	GP	-	35.6	12.5%	181.0	25.0%
2	BRACBANK	-	31.4	11.1%	98.0	13.6%
3	MJLBD	-	27.1	9.5%	39.6	5.5%
4	SQURPHARMA	-	9.6	3.4%	35.2	4.9%
5	BRACSCBOND	-	19.9	7.0%	20.5	2.8%
6	BATBC	-	1.5	0.5%	18.6	2.6%
7	TRUSTBANK	-	7.9	2.8%	18.4	2.5%
8	BSCCL	-	3.5	1.2%	14.8	2.0%
9	MARICO	-	1.0	0.4%	12.6	1.7%
10	RAKCERAMIC	-	6.0	2.1%	10.6	1.5%

Table No. 6: Top Ten 1STICB holdings

Sl No.	Scripts	No. of Shares	Cost Value (BDT mn)	% of Total Cost Value	Market Value (BDT mn) as on June 2014	% of Total Market Value
1	RENATA	763,260	2.9	1.6%	708.8	59.9%
2	GP	100,800	18.5	10.6%	30.3	2.6%
3	LAFSURCEML	200,000	8.6	4.9%	16.7	1.4%
4	TITASGAS	199,040	14.2	8.2%	15.2	1.3%
5	SQURPHARMA	52,509	5.1	2.9%	14.8	1.3%
6	JAMUNAOIL	54,651	10.2	5.8%	11.6	1.0%
7	MPETROLEUM	59,890	6.6	3.8%	8.2	0.7%
8	HIDELBCEM	12,700	3.5	2.0%	6.5	0.5%
9	ICBSONALI1	700,500	7.0	4.0%	6.2	0.5%
10	IBBLPBOND	5,700	5.6	3.2%	5.6	0.5%

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