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IDLC MONTHLY

BUSINESS REVIEW

STARTUP ECOSYSTEM: PROSPECTS & WAY FORWARD

IDLC Finance Limited

financing happiness

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STARTUP ECOSYSTEM: PROSPECTS & WAY FORWARD

Bangladesh has vast opportunities for startups. If we look back, especially in last two years, we can see many startup contributions was in positive line for our economy of Bangladesh. Global pandemic was a blessing for a startup to be fast-forwarded for almost 8 to 10 years. Startup ecosystem in Bangladesh has boomed in last few years, as startups are being encouraged to come up with their innovative products or services. The numbers of startups are increasing with the passage of time, as deployment of the National the National ICT Policy in 2009 to become Digital Bangladesh by 2021 has paved the way for the startups to grow.

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  Deputy Managing Director
  IDLC Finance Limited
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  CEO, Bangladesh Angels Network

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FROM THE EDITOR

Startup Ecosystem: Prospects & Way Forward

Growth in traditional drivers such as RMG, Agriculture, etc. along with pragmatic economic policies of the government have catalysed the tremendous growth of startup ecosystem in Bangladesh. Needless to say, 2021 was a year of recovery and progress for startups as Global Pandemic fast-tracked technology adoption across various segments and the country got its first ever Unicorn, a Startup which has valuation of more than USD 1 bln, in Bkash.

In 2021, startups had raised USD 166 mln of total fund which was only USD 40 mln in 2020. Like most emerging markets, the growth of this ecosystem in the coming years is expected to be aligned with growth of E-commerce, logistics and payments segments. These sectors along with ride-sharing, delivery solutions & consumer services attracted the deserving attention from foreign investors. Health-care, Food-tech and Education sectors also witnessed notable growth. Appreciatively, Bangladesh government also launched its own Startup Bangladesh, which is a USD 11.5 mln fund to support startups. It has already invested around USD 11.1 mln in 50 startups.

Startup Ecosystem in Bangladesh offers lucrative landscape of untapped opportunities. Remarkable growth can still be obtained in this ecosystem, if major segments such as garments, wealth management, insurance, micro financing, etc. can be addressed. Proper infrastructure, process and guidelines tailor-made for the Incubators, Venture Capitals and Angel Networks would encourage more investments. Resultantly, it would pave way for more global investors such as Tiger Global, Sequoia and Softbank, in the years to come.

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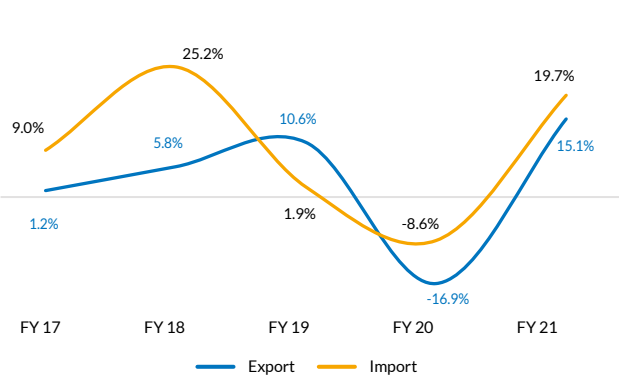
ECONOMY AT A GLANCE

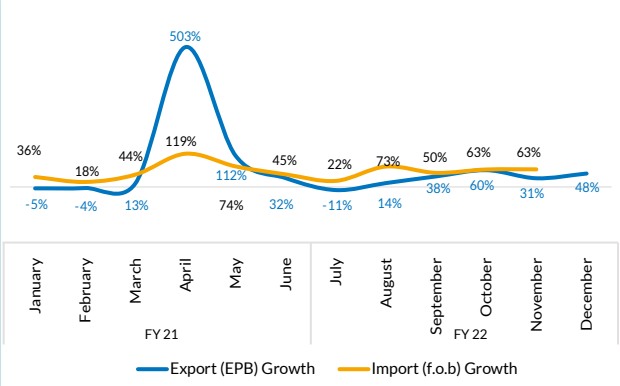
Prepared by IDLCSL Research Team

EXPORT-IMPORT

Growth in Export-Import Trade (Last 5 Years)

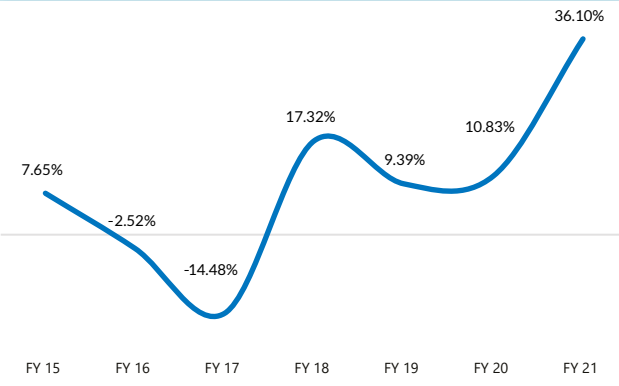


Export & Import Growth (Last 12 Months)

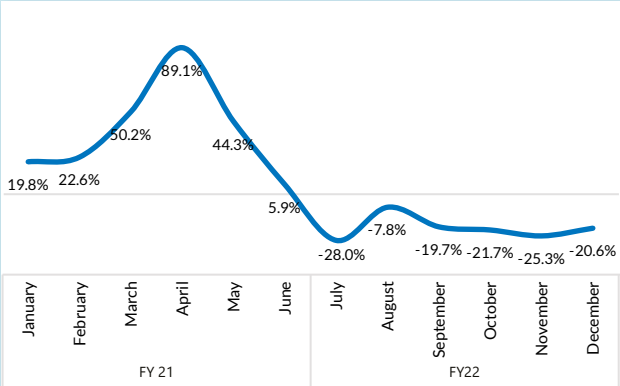


REMITTANCE

Remittance Growth (Last 7 Years)

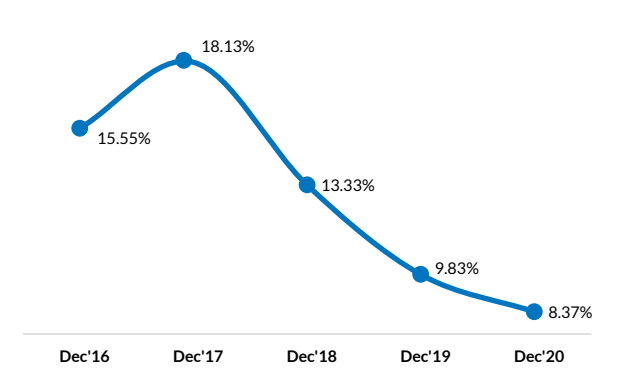


Remittance Growth (Last 12 Months)

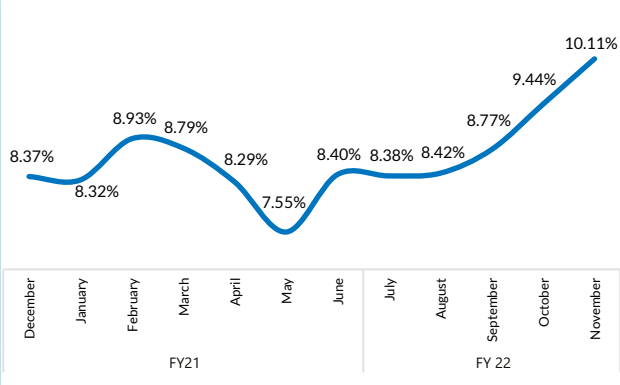


PRIVATE SECTOR CREDIT GROWTH

Private Credit Growth (Last 5 Years)



Private Sector Credit Growth (Last 12 Months)



MONTH IN BRIEF

- **Bangladesh's exports surged in November as it raked in USD 4.04 bln,** reflecting the strong demand for apparels from the country following reopening of US and European economies from the severe fallout of Covid-19.

- **The National Board of Revenue collected BDT 1,00,267 cr in the July-November period of the current fiscal year 2021-2022 comparing** with the same period of the previous fiscal year, the revenue collection grew by 14.99% in the ongoing fiscal year.

- The central bank continues to pump the US dollar into Bangladesh's overheating foreign-exchange market, **releasing over USD 2.0 bln in nearly four months now, as the greenback enjoys great demand amid economic rebound.**

- Bangladesh Bank relaxed the rules for foreign nationals residing in Bangladesh to send remittances to their countries. The foreigners, who are working in the country, **now can send up to 80% of their monthly earnings.**

- The non-bank financial institutions (NBFIs) can now show their unrealized interest of loans **as income if borrowers can pay 25% of their annual instalments by this year.**

- The borrowers under the stimulus package will now have to repay only 15% of their outstanding loans by **December 31, 2021 to remain unclassified. Earlier, this ceiling was 25%.**

- **The minimum wage board has finalized its recommendations, setting BDT 6,700** as gross monthly minimum pay for the country's shrimp sector workers with the provision of 5% yearly increment.

- **Bangladesh is set to become the 24th largest economy out of 191 countries by 2036 owing** to its ability to attract large foreign investments, the rising RMG demand, and macroeconomic stability.

- After Sri Lanka, the Bangladesh Bank is now going to **lend USD 200 mln to another country, the Maldives.**

- **The banking sector saw 10.11% growth in private sector credit, highest in the last two years,** according to recent data of the Bangladesh Bank. However, the growth is still far below the monetary target of 14.8% set for the current fiscal year.

REMITTANCE INFLOW WAS HIGHER DURING PANDEMIC AS THE EXPATRIATES SENT MORE THAN USUAL FROM THEIR SAVINGS TO SUPPORT THEIR FAMILY HOME.

Md Sirajul Islam, Executive Director of Bangladesh Bank on remittance lowest in 18th months.

The commission made it mandatory for all listed companies to be credit rated every financial year so that investors could understand whether the company was financially sound or not.

Rezaul Karim, Executive Director of BSEC on mandatory credit rating every year.

Our export earnings as well as export market should be expedited immediately to reduce trade deficit.

Mustafa K Mujeri, Executive Director of the Institute for Inclusive Finance and Development (InM) on trade deficit for FY 2021-2022.

Green bonds have the potential to become powerful financial tools in creating positive climate action for Bangladesh, with the growing demand for investments addressing climate risks.

Professor Shibli Rubayat-Ul-Islam, Chairman of BSEC on issuing green bond for sajida foundation.

Improving governance 'is like a plant. It is like we have planted a seed and we water it. It never grows, if we stop watering it paying attention elsewhere to turn our back on governance, gender, equality, human right. We have to nurture it so that it grows into society. It grows into the system to get the root deeper.

Patricia Danzi, , Director General of Swiss Agency for Development and Cooperation on Swiss Cooperation Programme 2022-2025 on Switzerland investing Tk. 1100 cr in Bangladesh's development.

Excess demand in the foreign exchange market has created pressure on the exchange rate. If the exchange rate depreciates too much too fast, it could further stoke inflationary pressure.

Zahid Hussain, Former Lead Economist of World Bank on energy price hike pushing up inflation.

WORLD ECONOMIC INDICATOR

PREPARED BY IDLCSL RESEARCH TEAM

Country	Nominal GDP: 2020 (USD in Billion)	Real GDP Growth: 2020 (Yearly % Change)	Inflation Point to Point (%)		Current Account Balance: (% of GDP)	Interest Rates (%), Ten years Treasury Bond	Currency Units (Per USD)
Frontier Market							
Sri Lanka	80.7	-3.57	12.10	December-21	-1.34	12.23	202.18
Vietnam	343.114	2.95	1.81	December-21	3.65	2.05	22,855.00
Kenya	102.4	-0.32	5.73	December-21	-4.42	13.17	112.76
Nigeria	429.4	-1.79	15.40	November-21	-3.95	12.61	409.59
Bangladesh	409.0	5.43	5.98	November-21	-0.93	7.42	85.80
Emerging Markets							
Brazil	1,444.7	-4.06	10.74	November-21	-1.79	10.26	5.60
Saudi Arabia	700.1	-4.11	1.10	November-21	-2.81	N/A	3.76
India	2,660.2	-7.25	4.91	November-21	0.90	6.45	74.39
Indonesia	1,059.6	-2.07	1.75	November-21	-0.42	6.45	14,265.20
Malaysia	337.0	-5.65	3.30	November-21	4.24	3.61	6.45
Philippines	361.5	-9.57	4.20	November-21	3.59	4.77	51.00
Turkey	719.9	1.79	21.31	November-21	-5.18	24.40	13.41
Thailand	501.7	-6.10	2.71	November-21	3.51	1.92	33.26
China	14,866.7	2.34	2.30	November-21	1.84	2.79	6.36
Russia	1,478.6	-2.95	8.39	December-21	2.44	8.42	75.04
Developed Markets							
France	2,624.4	-7.99	2.80	November-21	-1.90	0.19	0.88
Germany	3,843.3	-4.56	5.20	November-21	6.95	-0.18	0.88
Italy	1,884.9	-8.87	3.70	November-21	3.55	1.17	0.88
Spain	1,280.5	-10.82	6.70	December-21	0.69	0.57	0.88
Hong Kong	346.6	-6.08	1.80	November-21	6.54	1.38	7.80
Singapore	340.0	-5.39	3.80	November-21	17.59	1.67	1.35
United States	20,893.8	-3.41	6.80	November-21	-2.95	1.51	1.00
Denmark	356.1	-2.06	3.40	November-21	8.24	N/A	6.55
Netherlands	913.1	-3.83	5.20	November-21	6.98	-0.03	0.88
Australia	1,359.4	-2.35	3.00	September-21	2.66	1.67	1.38
Switzerland	751.9	-2.51	1.50	November-21	3.79	-0.16	0.91
United Kingdom	2,709.7	-9.85	5.10	November-21	-3.71	0.97	-0.16

Bangladesh data: The new GDP size (FY21) and real GDP growth (FY21) are as per new base year. Calculation Method of CA Balance (%of GDP): CA balance of FY21 / GDP of FY21

Interest rate (%) 10 years TB as per December 2021, Inflation as per November 2021 and Currency Unit (per USD) as per 4th January are sourced from Bangladesh Bank

Nominal GDP: Data of all countries apart from Bangladesh is sourced from IMF estimates of 2021 data (October, 2021 Outlook)

Real GDP Growth and Current Account Balance: Data of all countries apart from Bangladesh is sourced from IMF estimates of October, 2021 data (World Economic Outlook, October 2021)

Inflation: Data of all countries apart from Bangladesh is sourced from tradingeconomics.com

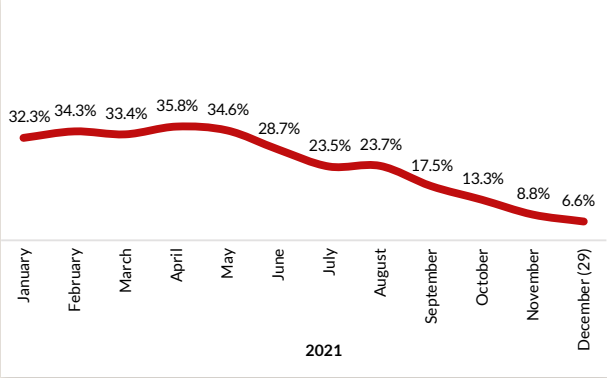
Interest rates 10 years TB and Currency Unit: Data of all countries apart from Bangladesh is sourced from Investing.com

BANKING DATA CORNER

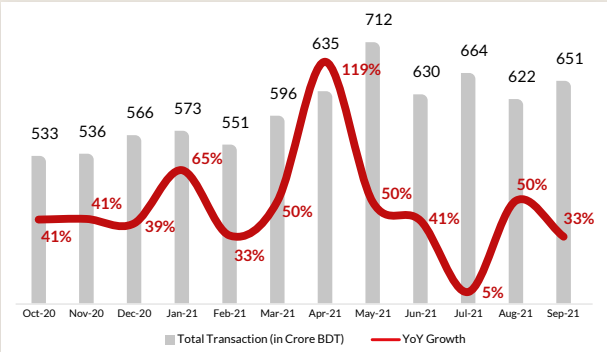
Prepared by IDLCSL Research Team

Foreign Exchange Reserve
(In Billion USD, Last 5 Years)

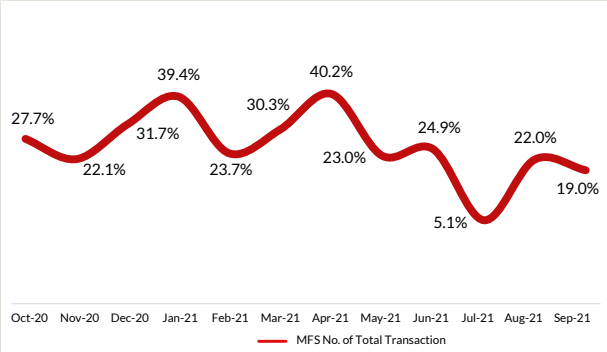
Foreign Exchange Reserve
(Last 12 Months Trend)



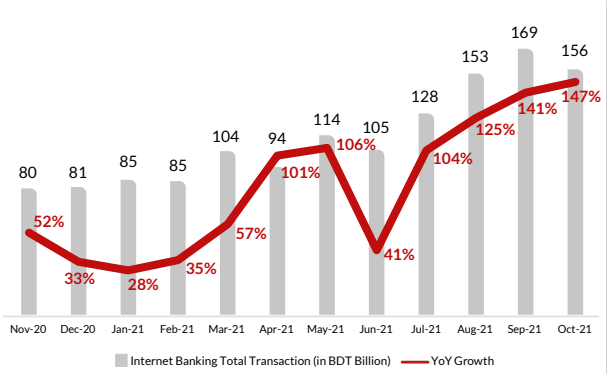
MFS Total Transaction Volume YoY Growth 2020 - 2021



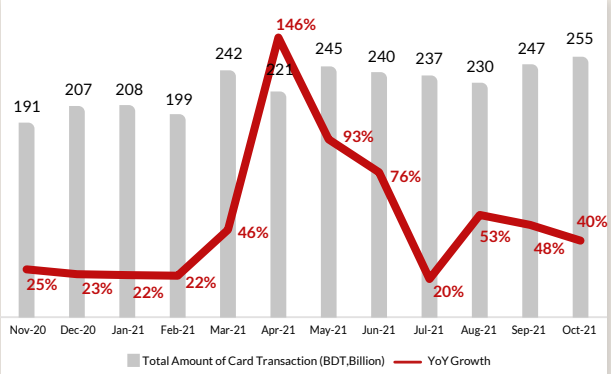
MFS No. of Total Transaction YoY Growth 2020-2021



Total Amount of Internet Banking Transaction
(BDT Billion and YoY Growth)

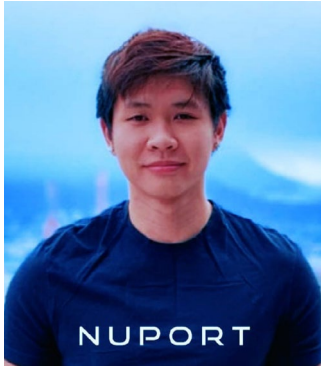


Total Amount of Card Transaction
(BDT Billion and YoY Growth)



Source: Bangladesh Bank

NUPORT



Fahim Salam
CEO
NUPORT

Christopher Li
CTO
NUPORT

Interviewed by
Anisha Saha, MBR Team

MBR: Nuport is a modern solution for distributors and manufacturers. Please tell us how the idea of Nuport has come to your mind and what has triggered you to develop this business concept.

Nuport: My partner Chris and I have been in this space for a significant amount of time. We were previously co-founders of a digital logistics company in Bangladesh called Loop Freight. For the past 3 years, we have had countless meetings with logistics executives in the supply chain departments figuring out their needs to streamline distribution. It was clear that beyond digital logistics, process automation was the sure shot answer to unlock more capacity (and hence more revenue) for these manufacturing and distribution companies. It was only when a few of our existing clients actively asked us for automation tools with additional requests coming from Canada, Pakistan, and India, and we realized the global potential for a solution like Nuport. Bangladesh always had the technical talent and we have the domain expertise. Also, with the right teams, we can deliver value beyond the borders. We immediately knew that we need to move forward with this and move fast.

MBR: Nuport offers route optimization software that automates distribution planning workflow for manufacturers and distributors. Please share with us your managerial strategies to execute this new concept.

Nuport: One thing we strongly believe and that is just technology is not enough if it is not communicated in the most effective manner along with the right implementation. We understood early on that we needed to speak about the problem more than the solution. Building sophisticated technology does not make sense if the audience is not familiar with the problem in the first place. According to my experience, technology adoption almost always fails when it is not delivered in the right language to the right stakeholder. Our approach as follows: Identify & understand the problem first > Set the process right > Engage in effective dialogue with the stakeholders at all times > Build technology and implement it.

In essence, Nuport is more of a 'process-fixing company' than just a technology company. Therefore, we are building out a very strong implementation and after-sales support team, in addition to our engineering and product team to build out the support infrastructure for our clients. We are also actively recruiting seasoned professionals to deliver the knowledge in a methodical approach.

NUPORT

MBR: Nuport is a unique idea in Bangladesh that saves time and cost and improves productivity and efficiency. Please share with us how your route optimization software will benefit customers.

Nuport: Bangladesh is a manufacturing and distribution-heavy economy. An average company has over 500 primary distributors and over 1000

secondary distributors. To plan the orders for these 500 distributors every day takes upto 4-5 hours on average (case and company-specific). Not to mention, there is no visibility or live ETA on the goods once they leave the factories. Upon implementation of Nuport's route optimization and distribution planning platform, companies are able to save time by automating the planning process. Warehouse staff is able to reduce loading times through auto-generation of FILO-templatized delivery plans. Supply chain managers are able to dynamically monitor the distribution once they leave the factories. At the same time, all the parties within the distribution channel are able to get live ETAs on the product. Reporting on the distribution KPIs is also done automatically so that decision-makers are able to instantly make strategic supply chain decisions. All these steps ensure control and visibility which was previously not possible before Nuport.

MBR: Recently Nuport has received a pre-seed foreign investment of USD 125,000 from ODX Flexport. Would you like to share with us how you're planning to expand the business? What are the achievements that Nuport wants to attain in the next five years?

Nuport: The expansion for Nuport will only happen with the right leadership structure within every region and department. Fortunately, through our entry at ODX Flexport, we would have the support network to build on the expansion plans. Additionally, as an internet-first company, we are actively investing in our SEO so that regional companies with bottleneck process can find us easily on the internet.

We are building our existing client pipeline to expand to India and the MENA region. Within the next 5 years, we expect to become a major regional industrial automation player (in the supply chain domain) which will be able to contribute to unlock a significant amount of GDP for manufacturing and distribution-heavy economies.

MBR: Nuport is the only player in Bangladesh with the idea of route optimization software. What are the barriers you had to face to create a place in the market and how did you overcome them?

Nuport: Nuport is essentially an enterprise-grade SaaS software. However, we will not be able to achieve our goals of adding value to our enterprise clients, if we just talk about route optimization. That is not enough.

To sustain ourselves in the long run, we have to start by thinking of creating an outcome-based culture. And, we all know that culture is the hardest thing to scale. We have to consistently communicate about outcomes to our customers. It involves instilling a mindset of cost-minimization that goes beyond low-cost labor.

The outcome for companies in question is lower lead time, faster decision-making leading to more sustained revenue (through happier customers). The key thing is not just talking about route optimization. We have to tie it to order management, inventory, and billing. If systems are operating in silos, then the company is unable to reap the whole benefit. And so, Nuport is building APIs to integrate with every disconnected system that is tied to the supply chain. We believe this will allow us to scale faster and generate more value for our customers.

STARTUP ECOSYSTEM:
PROSPECTS & WAY FORWARD

Written By
Mahedi Hasan Omi
Venture Partner
Rally Cap Ventures

Bangladesh offers a huge potential for startups to develop and flourish. With a population of 165 million, 40 million people fall in the middle-class strata of the country. The percentage of middle-class population is one of the largest in Asia. Bangladesh has one of the youngest populations in the entire world with a median age of 27 years. Considering all this, there is a vast opportunity to greatly develop across the world. However, the country lacks basic necessities for that growth, which is majorly seen as a challenge, but could be turned into an opportunity. Be it education, health, transport, security or infrastructure, Bangladesh is a construction deficit country. There is an abundance of resources along with everything a productive system could ask for, but where is the problem? We can identify that from the angle of a startup. A startup primarily identifies a problem and creates a solution for it which disrupts the entire system, changing the course of how that problem can be solved. This problem does not have to do anything with the amount of resources but everything to do with managing those resources efficiently. Currently, the problem for a startup is not having USD 1 mln in funds but how efficiently they can use the resources that they have at their disposal to generate value and more money. Bangladesh has immense potential, the right resources and other elements that make up the right equation for a successful economic model but the problem lies with managing it. Moreover, there is a need to build on the intellectual capacity for this system to thrive.

Startup Ecosystem in 2021

Startup ecosystem in Bangladesh has boomed in last few years, as startups are being encouraged to come up with their innovative products or services. The numbers of Startups are increasing with the passage of time, as deployment of the National ICT Policy in 2009 to become Digital Bangladesh by 2021 has paved the way for the startups to grow. The government has introduced polices and projects from ICT Ministry such as IDEA project and Startup Bangladesh Limited with funds.

Global pandemic, COVID-19, has accelerated technology adoption across different segments in Bangladesh. Some sectors have seen rapid adoption and rest are incorporating technology fast to make their core activities much more efficient. Notable sectors that have witnessed a boom are healthcare, education, logistics, food-tech, e-commerce, and financial services. The rapid adoption of technology in these sectors has been a blessing for the startups operating in these sectors. Startups such as Bkash, Chaldal, Pathao, Truck Lagbe and Praava have been essential in solving real problems through their offerings.

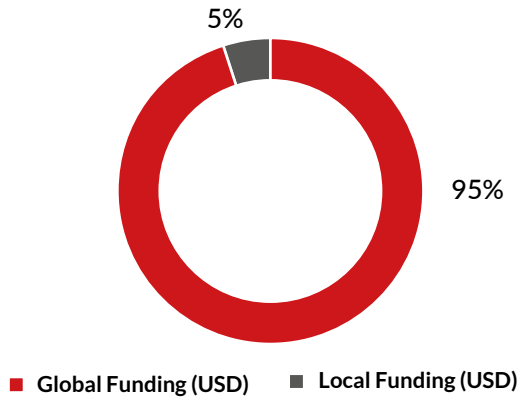
As Bangladesh recovers from Covid-19 lockdown, its economy is growing at a rapid pace. The startups ecosystem in 2021 has seen significant growth even amidst the Covid-19 recovery. The events range from having marquee global investors enter Bangladesh, to having Bangladesh's first ever unicorn, BKash. Bangladeshi startups have risen USD 166 mln funding in 2021.

The South Asian ecosystem itself has had a significant year. In India, 8 startups have listed publicly creating unicorns and exit opportunities for their investors. Zomato, Nykaa and Paytm are the headliners in this case. More companies are planning to have more IPOs throughout 2022 leading to the possibility of more unicorns. This is not an overnight success story. India is reaping the benefits of its well-planned startup ecosystem. And, sure India has a great macro story and so does Bangladesh.

Pakistan on the other hand has received significant attention from global investors, as investment in e-commerce logistics and fintech is growing up. Pakistani startups have raised USD 350 mln in funding through 81 deals which is 5x of the raised amount in 2020.

Compared to our South Asian counterparts, Bangladesh's ecosystem is still far behind. 2021 was a significant year for the Bangladesh ecosystem. It has seen big global VCs and investors enter the market. The ecosystem has also found its first unicorn startup. Unicorns are the startups which have a valuation over USD 1 bln.

% of Funding



The ecosystem has accelerated in terms of fundraising. In 2021, Bangladesh saw around 61 successful funding deals. In 2021, around USD 166 mln were raised in total, 98.26% of which came from foreign investors. Local investors have invested around USD 3 mln, most of which were angel investments.

Funded Companies	Number of Funding Deals	Funding Deals Disclosed
54	61	33

Total Funding (USD)	Global Funding (USD)	Local Funding (USD)
166M	163M	3M

Source: LightCastle Partners

Breakdown by Stage

Venture capital has a long-term commitment with the startups they invest in, typically greater than 5 years. The primary idea is to invest in a startup until it reaches to a sufficient size and captures a profitable market and its sustainability is assured so that it can be sold to a corporation or institutional public equity markets can step in and provide liquidity. Objectively speaking, the venture capitalist buys a stake in an entrepreneur's idea, nurtures it over a period of time, and then exits with the help of secondary sales or initial public offering (IPO).

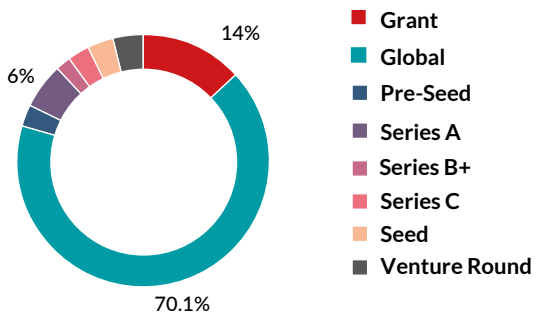
Basically, there are 3 types of funding of venture capital. The first one is early stage financing, second one is expansion financing and last one is acquisition or buyout financing. The early stage financing is the investment which is provided at the very early stage. This type of investment is required to start the business activities and operations. Early stage investments are actually spent to develop the product and to create a viable customer base. Pre-seed investment is similar to early stage investment as it refers to the period where the startups are first getting their operations off the ground. The seed investment is the official equity

funding stage which is the first investment that is raised by the companies. Seed funding helps the company to develop its product.

Pre-seed and seed stage investments are required to develop products and find market fit. Series A funds are used to optimize user base and product offerings. It goes beyond developing the product. Series B+ focuses to help businesses to increase market reach and scale further. Series C funding is meant for already successful businesses which are looking to develop new products, expand into new markets or acquire other businesses.

Around USD 15 mln were invested in seed and pre-seed stage startups, USD 23 mln in Series A, USD 116 mln were made in Series B and USD 10 mln in Series C funding. Compared to earlier years, the venture backed startups have seen significant changes with the entrance of global players.

% of Investments by Funding Stages



Source: LightCastle Partners

The Entrance of Global VCs and Investors

The startup ecosystem in Bangladesh is booming with the increased number of startups but the funding is not sufficient locally. Fundraising in Bangladesh has always been relatively tough for the aspiring founders in the early stages even with considerable traction and proof of concepts. Thankfully, this is where the ecosystem got attention from foreign investors and the acceleration took place in specific sectors such as ridesharing, e-commerce, agro-tech, consumer services and payment solutions. Venture capital's (VC) niche exists because of the structure and rules of capital markets in Bangladesh.

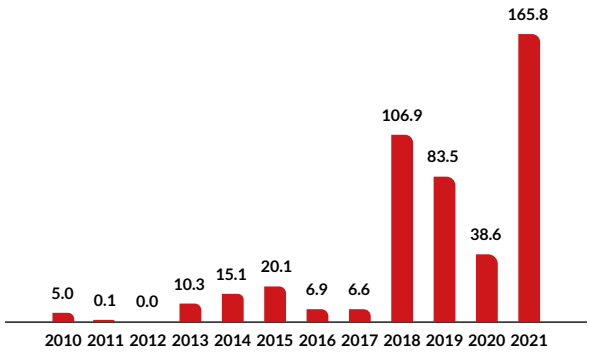
The startup ecosystem is slowly moving from being nascent to a more indigenous in nature. The sector is now being facilitated by more than 20+ incubators and accelerators, 20+ formal funders and investors and several co-working spaces across the country. According to Future Startup, till September, 2021 37+ Bangladeshi startups have raised more than USD 120 mln whereas in 2020 the amount was only USD 40 mln. The number will be much higher as all the investments are not disclosed in the statistical data. The overall angel and seed-stage funding has improved significantly. According to Lightcastle Partners in 2021, 54 companies have raised USD 166 mln of total fund which includes USD163 mln of global funding. The portion of global funding is increasing significantly which shows the potentiality of the startups towards growth. According to Lightcastle Partners, fintech sector has raised the prominent part of the total funding and also logistic and mobility sector has also received a good portion of fund.

2021 saw international renowned investors and VC entering in the market of Bangladesh. The most significant round was Softbank's investment in BKash. SoftBank committed to take 20% stake in payments giant BKash, helping its valuation to reach USD 2 bln, hence, making it Bangladesh's first unicorn.

Another significant investment story is ShopUp receiving USD 75 mln investment from Peter Thiel's fund along with commitments from Sequoia. Not only that, Shopup has also raised USD 34 mln early in 2022 from Tiger Global.

Logistics company Paperfly has received Series A funding from Ecom Express amounting USD 11

Funding Raised (In USD Million)



Source: LightCastle Partners

mln. Chaldal, Frontier Nutrition, Praava Health, Truck Lagbe, DataBird, Go Zayaan, Maya, Shikho are some more startups who have been funded by global investors.

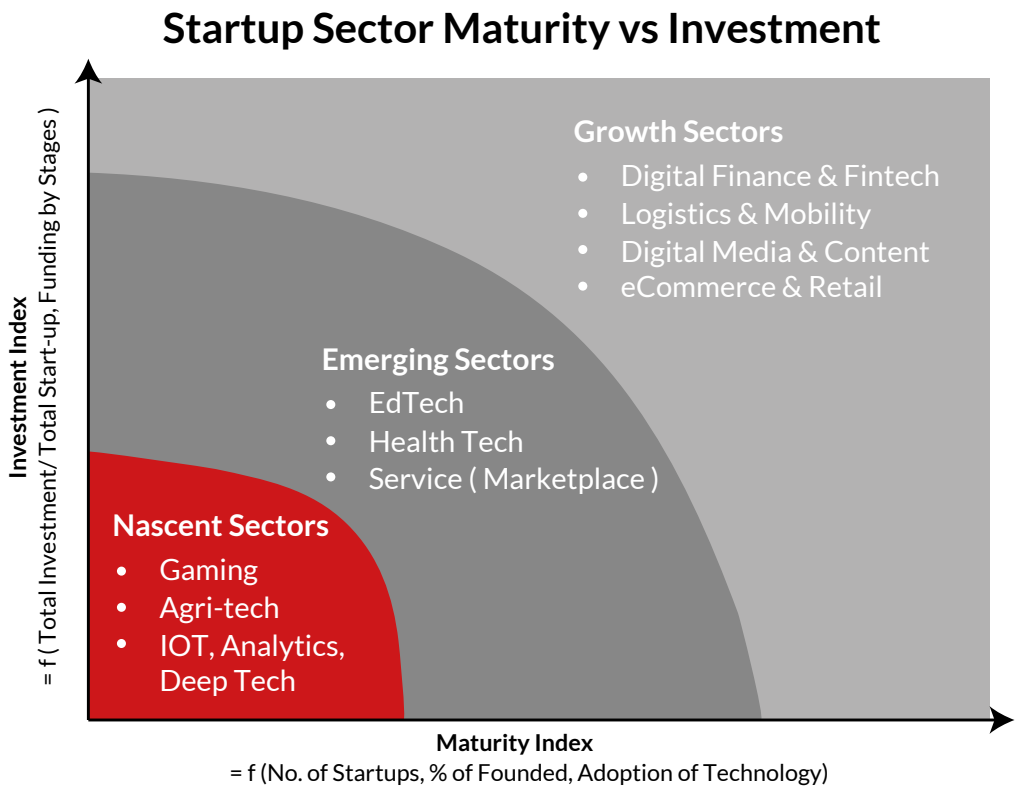
We can expect more global VCs to enter, as Bangladesh is comparatively untapped compared to its South Asian counterparts.

Prospective Investment Sectors

The ecosystem is industry agnostic on paper. However, we have seen that certain industries have had both regional and local demand at large. For most emerging market economies, the wheels of growth lie in e-commerce, logistics and payments segments. Regional comparable have seen similar trends in investments at similar growth phases. Investments in ShopUp and BKash essentially signals for the future. E-commerce enabler platforms, end to end logistics solutions and payment solutions for the demand driven population of Bangladesh are needed to be built keeping scalable business models in mind. These three sectors complement each other as the economy starts to grow.

Appreciatively, this is where the ecosystem got attention from foreign investors and the acceleration took place in specific sectors such as ridesharing, e-commerce, delivery solutions, consumer services, and payments. However, the government of Bangladesh also initiated its own public startup support wing, Startup Bangladesh with BDT 500 cr (USD 58 mln) fund to catalyze investments. To supercharge the startup ecosystem, they have conducted multiple competitions and boot camps as well. Startup Bangladesh has been actively investing in the ecosystem with 100+ startups receiving seed funds over USD 1.5 mln+ over the past few years. In 2021, Startup Bangladesh has taken the initiative of investing BDT 100 cr among 50 startups.

Since the economy traditionally relied on debt-based financing, emerging VC fund managers needed to have a deep understanding of the dynamic startup ecosystem and VC as an asset class before managing a fund. With the rapid development of the startup ecosystem, they developed confidence and eagerness to establish these funds. Then again, the regulatory guidelines had a lot to improve and that took a few years.



Source: LightCastle Partners

VC backed businesses essentially build solutions for large addressable problems with a view to scale at large generally incorporating technology within the process. Startups such as ShopUp, Truck Lagbe, BKash have built solutions for addressing large fundamental problems in e-commerce, logistics and payments respectively. This enabled them to provide a significantly better solution for a large target market as they iterated on their solutions as they scale. It was just a matter of time for the foreign investors to see the potential of these businesses and invest in the vision.

There are more problems which can be solved within these industries. Payment gateways have been the center focus in fintech. However, there are more segments such as wealth management, insurance, micro financing and others. The logistics segment can be benefited from B2B focused solutions, inventory management solutions, last mile delivery solutions. Investing in these segments could catapult us further ahead.

Bangladesh still has large markets in healthcare, garments and education. Healthcare has a huge potential. Startups which target the garments industry have a huge market which they can address. Startups focusing on these industries could lead to hyper growth over the coming years. Building solutions for emerging markets are hard to execute, in general. But having a large enough market which is ripe for disruption, traditional and highly fragmented keeps investors motivated as they see significant traction.

Policy Catalysis

Needless to say, Bangladesh has one of the best macro-economic stories at present. Yet our regional comparables have been getting better attention than us in many cases. Its table stakes to build and execute in large markets for a startup but positive regulatory changes can have a lasting impact on bringing confidence to investors as they feel encouraged to invest in certain sectors.

With the rapid development of the startup ecosystem, the scenario has changed gradually when BD Venture Limited registered a BDT 50 cr fund, and this continued with the Maslin VC fund, IDLC Venture Capital Fund. Since the inception, these funds have been actively investing in the early stage startups.

Fund managers need to pay a 35% tax rate on the management fees and on the carry they receive. 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 fees (the tax rate has been 15% from 2013, and previously was 0% for a period of 22 years). In addition to this, any trust fund registered in the country is subject to a 2% stamp duty. Surprisingly, this requirement has been a part of an 1882 regulation and has been exempted for mutual funds, but it remains for alternative investment funds.

Bangladesh's startup ecosystem has shown great promise over the past decade. According to LightCastle Partners, majority of the fundraising activities have been around early stage as the numbers of pre-seed investments are highest. As the ecosystem continues to grow, it is expected that the startups will overcome two major hurdles in fundraising, one of them is raising later stage funding and another is to raise from foreign investors. By passing the year, the startups have grown with a potential growth rate and they are able to grab the attention of foreign investors. And, thus the number of global funding has increased significantly.

Looking at Pakistan's stellar fintech rise in 2020, policy changes certainly helped them to accelerate the growth thereby encouraging foreign investments. Coupled with policies, helping companies to establish holding companies in other jurisdictions helped Pakistan secure a ton of investor confidence. Crypto startups have boomed in India over the past few years, catalyzed by policy and regulatory changes.

Bangladesh had tried to formulate a policy to provide collateral free capital to startups in 2021. While the policy is yet to be implemented, this shows how policy makers are considering certain financial policies to accommodate a the needs of the startups. The Startup Bangladesh Fund by the ICT Ministry is also active with a USD 65 mln fund. As we can see, policy makers are prepared and keen on helping the ecosystem grow.

There are certain spaces where policies need to be focused on. Foreign Direct Investment has grown 4 times over the past decade. The government also provides tax incentives for these investors. However, the entrance of foreign VCs or funds directed towards startups are still limited compared to our neighboring countries.

Way Forward, Upwards

Bangladesh has come a long way in the past decade, especially the start-up ecosystem. It can go even further with the right set of policies and a friendly ecosystem. We have to acknowledge that startups in different stages have different challenges to tackle. The ecosystem and its stakeholders have to come in at different stages to help and nurture these startups. This includes incubators, VCs and angel networks. The proper infrastructure, process and guidelines could encourage local investments as well as foreign investments more.

It is evident that our policies need to encourage more foreign investments in the startup ecosystem. Tiger Global, SoftBank, and Sequoia have all entered the Bangladesh market. More global investors and VCs could follow, if our regulation and policies encourage them to do so.

The ecosystem can move forward and upward by focusing on two aspects, mentorship and investments. Mentorship is an aspect which is essential for our early stage startups to grow and scale. Each startup has its unique problems. Thus, its mentorship needs to be catered to that specific problem. Sometimes, industry focused mentorship can help startups scale. In this domain, our incubators and accelerator programs need to step in. There are multiple incubators currently operating. However, industry specific and problem targeted incubators are still scarce in our ecosystem. Another solution could be thorough partnerships and networking. Linking our ecosystem with prominent programs across the globe could help create access to better mentorship and resources for our startups.

The second domain is in investments. Early stage startups struggle to raise funds through the proper channel. However, over the past few years, we can see that seed and pre-seed stage investments have increased in numbers and amount. The number of angel investments have also increased. This shows that the ecosystem has become more angel investment friendly. Angel networks can play a big role in developing the infrastructure and culture required to accelerate this. The VC scene is also changing in Bangladesh. It is expected that more VCs will emerge. This could create access to smart capital for startups which are looking to scale.

As the ecosystem's growth accelerates, it is exciting to imagine what the next decade holds for the ecosystem.

The writer of the content is working as a Venture Partner in Rally Cap Ventures and he can be reached at Myemergingvc@gmail.com.

Syed Javed Noor

Deputy Managing Director
IDLC Finance Limited

Interviewed by
Anisha Saha, MBR Team

MBR: 2021 has been an exciting year for Bangladesh's startup ecosystem as a whole. What are your thoughts on the landscape?

Syed Javed Noor: The startups are expected to grow fast in Bangladesh, taking advantage of the excellent IT or digital payment infrastructure of the country. As this is a recent trend around the globe and local investors lack exposure, most of the startups are funded or guided by the global players. Like the other countries around the globe, we may see increased activities in startup funding system along with large influx of talents.

Recently VC investment has generated huge interest as a new asset class in Bangladesh, and thus it is expected that local investors will also catch up quickly.

MBR: How important is the role of active early-stage investors for the growth of the startup ecosystem? It would be great to know your opinion on how to improve this practice.

Syed Javed Noor: By definition, the initiatives of startups are taken by young founders, who have the idea and ready to give their best to grow the business, but most of them lack business experience. In most cases, the early stage investors support the founder not only with the money but also with continuous coaching and 3rd party opinion to fill the gap.

MBR: What are some local industries that you feel have immense potential to produce billion-dollar companies in the next 5 years? Any specific trends that you foresee, which will encourage foreign venture investments in the country?

Syed Javed Noor: Healthtech, Consumertech, Edutech, Agritech, logistics are the five areas which I think has the potential to produce billion dollar companies in the next five years. These sectors have potentials to produce multiple unicorns in near future in our country.

Historically, venture capital industry of Bangladesh was driven by the foreign investment and at least for the next 5 to 7 years, it may remain so. Be it Shopup or Chaaldal, most of the startups are backed by the foreign investors. If you look at the startups, these are basically people and business ideas. When investors look into a company, they judge the team — whether the team has the capacity to execute and are committed to stay on the course — and they review the projected numbers which the founding team can generate. When investors are convinced about the team and find the numbers believable, they invest.

The key concern for any foreign investor is ease of exit which I think regulators may look into.

MBR: How do you see the pandemic as a catalyst causing the rise of tech enabled businesses?

Syed Javed Noor: During pandemic movement was restricted and as a result, the startups got the opportunity to introduce new model or framework of delivering their services and products to the consumers. As the citizens were locked at home, they had no choice other than adopting the online services which was the biggest blessing for the startup ecosystem. This new trend has fast forwarded the whole ecosystem by almost 8 to 10 years.

MBR: In terms of total investments into startups this year, a lion's share came from foreign investors. What do you think the local institutions and investors could do better to expedite the gap in local fundraising?

Syed Javed Noor: Most of the local people who has the money to invest in startups lacks exposure to VC ecosystem and also we need pool of talented individuals to take risk to start their business or associate them with new businesses.

To encourage the local investors, awareness program of this new asset class may be organized and also tax break for VC investment may be considered.

Government may also take steps to introduce tax incentives for the Startups and formulate regulation to allow share option pool for the key employees of startups to attract and retain talents which is key for their success.

Nirjhor Rahman

CEO
Bangladesh Angels Network

Interviewed By
Mahedi Hasan Omi on behalf of MBR Team

MBR: 2021 has been an exciting year for Bangladesh's startup ecosystem as a whole. What are your thoughts on the landscape?

Nirjhor Rahman: 2021 has been a landmark year for the ecosystem, which has led by significant investments into companies such as bKash and ShopUp. 2021 has witnessed the confirmation of bKash as the first-ever unicorn from Bangladesh. We have seen marquee international investors such as Softbank, Tiger Global and Valar Ventures entering Bangladesh through these companies. Startup Bangladesh, the government-backed venture capital fund, has launched with seven investments. Several companies have announced investments in the Series A, B and C stages worth millions of dollars. I believe the collective capital has deployed into Bangladesh startups in the last calendar year is almost USD 440 mln, representing about 60% of all startup funding into Bangladeshi startup companies in the previous decade. So clearly, the ecosystem is accelerating in terms of funding and fundraising.

MBR: How important is the role of active early-stage investors for the growth of startup ecosystem? It would be great to know your opinion on how to improve this practice.

Nirjhor Rahman: Early-stage investors, including angels, play a critical role in supporting entrepreneurs at the time when the business model is in flux and undergoing several iterations. Much of that support includes providing liquidity in the face of intense uncertainty. But it also provides mentorship and emotional support, often to inexperienced entrepreneurs who have to learn with the flow. It includes opening the doors and accessing to potential partners and customers.

And it also includes connecting to follow-on investments, helping the companies to craft their story and vision and positioning themselves for funding from institutional investors beyond the seed stage.

We have a lot to learn from mature ecosystems regarding how to facilitate more early-stage and follow-on investments into startups. For example, so far most of the funding into the Bangladesh startup ecosystem has come from international investors, who would prefer to invest through holding companies in places such as the US or Singapore, and not directly into Bangladesh. To attract such investors, Bangladeshi companies and entrepreneurs need to set up and incorporate abroad seamlessly. At the same time, for local investors who might like to invest in such companies, they need to transfer their shares or investments freely between the local and international entities of the company in different scenarios, including potential secondary exits in follow-on rounds.

Companies with hybrid cap tables, one abroad for international investors, another one local for those based in Bangladesh, face a handicap in fundraising because of the uncertainty around exits. What happens for international investors if there is a local exit (takeover/buyout from a large local company or a local IPO)?. What happens to local investors if the company has an exit abroad?

Ideally, a company, including its founders and early local investors and angels, should transfer up to 99% or even 100% of its shares to a foreign holding company to keep things as simple as possible between the local and international entities.

This is probably the most significant regulatory hurdle that is inhibiting more investments into and liquidity for the startup sector. Beyond this, we need more flexible instruments for funding, including convertible notes and SAFE notes which allow angels and entrepreneurs to close deals quickly without haggling back and forth about assigning set valuations and dilutions when there is not enough data to do so.

We need to look at potential tax breaks, or at the very least tax write-offs for potential losses, that encourage local investors, including institutions and corporates, to invest in startups while lowering their risk. The UK provides a robust model for this through their Enterprise Investment Scheme. We also need local financial institutions to expose a tiny portion of their enormous balance sheets to the startup sector through venture debt and venture equity.

All these actions would catalyze more liquidity into the ecosystem. Liquidity induces further liquidity through a virtuous cycle, as angels and seed-stage investors would rush to get into companies with the anticipation that they can sell their shares to future investors - whether local or international, individual or institutional.

MBR: What are some local industries that you feel have immense potential to produce billion-dollar companies in the next 5 years? Any specific trends that you foresee, which will encourage foreign venture investments in the country?

Nirjhor Rahman: I think the story of Bangladesh and Bangladeshi startups roughly follows two patterns. The first is labor arbitrage, and the other is talent arbitrage.

When it comes to talent arbitrage, I look at companies like Chaldal in groceries, Paperfly, Pathao, Loop, Truck Lagbe in logistics, Shikho in education or Maya, Praava in health. These companies were started by or run by talented individuals, often with educational and professional working experience and networks from abroad, leveraging technology to consolidate large, fragmented and highly inefficient industries within Bangladesh. In the case of iFarmer in agriculture or Nitex in garments, these founders have also come from top educational institutions in the country, such as IBA, BUET or North South University. New founders are increasingly coming from a startup-experienced background and built their reputations and expertise, regardless of their educational or class background. The defining characteristic that connects all of these people is a forward-thinking talent who understand the power of technology to scale rapidly and can raise money based on their communication skills and credentials, in addition to enormous execution capacity. In contrast, these founders are competing against incumbents that operate informally, are often confined to regional and local markets and consumer bases rather than nationally and are slow to adapt to new technologies and consumer-centric practices. In such large markets, even a 1% market share can create an annual revenue of hundreds millions of dollars and enterprise values in the billions. So far, we only have one unicorn, bkash, in fintech, specifically a subset of fintech, mobile payments. Entire industries, therefore, are up for grabs by would-be founders, some of whom might be reading this article and have yet to start their ventures.

The second type of company leverages our low-cost labor against regional and international competition. We have an enormous pool of young people who are proficient in English, technology savvy and hungry for opportunities, as shown by our massive freelancing population. They include developers, content writers, graphic designers, data entry specialists, image labelers/annotators and more.

Bangladeshi companies can build Software-as-a-service (Saas) products powered by such young people and offer them to enterprise and small business customers worldwide to solve various business problems. In addition to our talent pool, we also have

two additional built-in advantages: A growing BPO industry which is already catering to a global clientele and an educated diaspora working in the technology sector in places such as North America, the EU and APAC, from where to source potential ambassadors, business development specialists, advisors, technical experts and even founders.

Post-pandemic, it is easier than ever to conduct online outreach and get customers from all over the world. I can think of Gaze, Alice, MarkoPolo and OpenRefactory as examples of Bangladesh-based companies building Saas products for a global market, but there will be many more in the near future.

MBR: How do you see the pandemic as a catalyst causing the rise of tech enabled businesses?

Nirjhor Rahman: The pandemic fundamentally altered consumer behavior in the country and accelerated what would have happened perhaps in five years into two. Online purchases have ballooned. Students are more used to taking classes online, and teachers and institutions are open to adopting edutech software. Remote working arrangements and team structures have become accepted. All of this creates new problems and new opportunities for founders to solve. Additionally, the willingness of angels and investors to conduct meetings online and making decisions through online communication has accelerated the pace of startup investing in the country. This is especially true for Non-Resident Bangladeshis and many international investors who would have waited to visit the country first before the pandemic.

SOHOPATHI

Shadman Majid
CEO
Sohopathi Pte. Ltd.

Interviewed by
Anisha Saha, MBR Team

MBR: Sohopathi is the first social learning platform in Bangladesh for peer to peer learning. Please tell us how you came up with idea of Sohopathi?

Sohopathi: Our founding team, comprising 4 members, have the collective experience of teaching more than 10,000 students across the country over the last 8 years. We started teaching from the beginning of our university life in different regions of Bangladesh. As a result, we have closely observed that there is a considerable gap between students in urban and rural areas due to the scarcity of qualified teachers. We visited many schools in different districts of the country where specialized teachers of various subjects were not available, but it did not stop the students' eagerness to learn by any means. We were deeply moved by these situations and wanted to create an impact in all of these auspicious yet underprivileged students' lives. Thus, we tried to teach many such students personally, but we soon found out that it was not possible to help each and every student with such a small group of educators; rather we needed to build up a huge community to make a long-lasting impact.

In this regard, technology is always the best resort to come up with a scalable solution. All of our co-founders were students from the same university with computer science majors, so we were very quick to develop a technological solution through our first version of our website in 2018, which was an open academic problem solving and content sharing platform for students. That is how "Sohopathi" was born. From day one until today, we have been working continuously with the same vision to create a sustainable social community for education.

MBR: One of the core features of Sohopathi is to connect students & educators from all across the country. Please share with us about the services you offer which set you apart from your competitors?

Sohopathi: The current ed-tech platforms in Bangladesh are mainly focused on producing their own content and launching their own courses. As a result, the production cost of the content becomes very high, and so, it becomes relatively difficult to bring in a large pool of content together. More importantly, each student has their own learning style and learning needs. There is no single course or teacher who is best suited for each and every student. This is where "Sohopathi" works like a game-changer. Using our digital social platform, educators from anywhere can share their learning content and grow their own student fanbase. They can also launch paid courses and manage his/her online classes building their own brand and also get access to all the utility tools for online teaching management. Since, we are aggregating the contents from educators all across the country, we are building a pool of diverse educational content unlike any other platform. On top of that, we have a content recommendation engine that

suggests the students with the best suitable content and educators, for their learning style. These features make "Sohopathi"- a highly scalable platform, both in terms of content production and targeted personalized learning.

MBR: Sohopathi has come to market just before the pandemic. What are the major challenges that you have faced during this pandemic? Can you share with us how you overcame those challenges to bounce back?

Sohopathi: When the COVID-19 situation started, we already had launched our paid services in the market with a fair amount of dedicated students regularly subscribing to the paid courses. Even though the pandemic situation forced people to shift to the online learning paradigm, a big challenge was to build credibility among the users through online marketing. Most of our superusers came from different suburban areas of Bangladesh and there is indeed a huge market in those areas. However, most people were reluctant to take our services only because we could not reach out to them physically and build brand awareness. So, we took a different strategy. We used our loyal userbase as our main channel of marketing and recruited 1000+ campus ambassadors all across Bangladesh. They helped us to build our brand awareness through referral and affiliate marketing. Interestingly, that also helped us to bring in a lot of good educators in our platform as well. Now, as the pandemic situation has improved, we are looking to build on this strategy and adopt a hybrid model (offline and online) to reach the root levels of Bangladesh.

MBR: The main objective of Sohopathi is to make a better academic environment by connecting teachers, students, and alumni in a single platform. To what extent, do you believe, that this objective has been achieved?

Sohopathi: "Sohopathi" – started with the vision of becoming the most comprehensive learning platform where we can utilize the teaching potential of each and every person to reduce inequality in education. So far, we have already created a very good vibe in the community. We have impacted the lives of over 400,000 learners across Bangladesh. We have connected over 30 districts and onboarded 200+ star educators across the country. We want to improve the lives of all student by providing them the best quality personalized learning. It is a great pleasure for us to find out that, 90% of our students have improved their academic performance by connecting to our educators and taking their paid courses. Our college admission program has been a huge success in 2019 and 2020. 75% of the students who took services from different educators during college admission got admitted to the top-ranked colleges of Bangladesh. Interestingly, a huge portion of these students is from the suburban and rural areas where access to good teachers is not present.

The educators have been the greatest asset in our platform. Using their support, we have built a content pool of over 3,000 videos and completed 45,000 paid learning hours. All these educators are also from diverse backgrounds- ranging from college students up to professional school/college teachers. The huge diversity is the biggest strength of our social platform, and we are looking to capitalize on this diversity to create a holistic online learning ecosystem.

MBR: Please tell us about the milestones that Sohopathi wants to achieve in the future?

Sohopathi: "Sohopathi"- wants to become the epicenter of online learning by supporting anyone across the globe who wants to teach, in one single platform. We dream of a day where all educators and education facilitators will use our platform to build their own brand, publish their content and grow their business. On the student side, we have the dream of connecting the whole world where a student sitting in a remote village in Bangladesh can learn anything, be it physics or music or economics by connecting them with an educator living in USA or Singapore. All in all, our vision is to establish a social community where anyone can learn and teach at the same time. We have already achieved some significant milestones to execute our vision. We are currently a portfolio startup of ICT Ministry of Bangladesh, which is a pivotal milestone to reach our country's root levels. We are also backed by the investment of "Accelerating Asia"- a renowned Singapore based VC Fund and are also lucky to be supported by angel investors from USA and Bangladesh. We believe in ensuring equitable quality education for everyone.

IDLC AND PROTHOM ALO HONOR 6 BEST SME ENTREPRENEURS

IDLC Prothom Alo SME Award 2021 awarded the 6 SME entrepreneurs who have taken themselves to unique heights through their tireless work and dedication. Honorable Minister for Planning of the Government of the People's Republic of Bangladesh, MA Mannan, MP, was present as the Chief Guest at the gala event of the program, which was held on 7th December 2021 at Pan Pacific Sonargaon Hotel, Dhaka. Distinguished journalists of the country, MD & CEO of IDLC Finance Limited, M Jamal Uddin, Editor of Prothom Alo, Matiur Rahman and other senior officials of both organizations were also present at the event.

Out of the 1,100 nominations received, the esteemed jury panel declared 6 best entrepreneurs from 6 categories – education, agriculture, health, manufacturing industry, best women entrepreneur and special award. For their outstanding contribution in the SME sector of Bangladesh, Dr. Khondkar Siddique E Rabbani, Founder and President of Bi-Beat Ltd. received the award in the health category; Md Monir Hosen, Founder and CEO of Creative IT Institute received the award in the education category; Razia Sultana, Managing Director of Rayyan Agro Link received the award in the Agriculture category; Kamrunnahar Khnam, Managing Director of Nababi Footwear Limited received the award in the Best Woman Entrepreneur category; Ole Ullah, Owner of Janata Engineering received the award in the Manufacturing category; and Rehana Akter, Founder and Owner of Clay Image received a special award. Organized for the first time, the main objective of the program was to honor the existing SME entrepreneurs across the country for their successes, and to inspire future entrepreneurs.

Dr. Nazneen Ahmed, Country Economist, United Nations Development Program (UNDP) served as the conveyor of the jury panel. Other members of the jury panel included Md. Jaker Hossain, General Manager, SME & Special Programs Department (SPD), Bangladesh Bank; Farzana Khan, General Manager, SME Foundation; Mirza Nurul Gani Shovon, CIP, President, National Small and Cottage Industries Association, Bangladesh; and Md Gazi Tauhidur Rahman, Managing Director, FM Plastic Industries Limited and National SME Entrepreneur Award Winner 2018.

SME entrepreneurs play a vital role in the economic growth of developed countries. The SME sector of these countries on average contribute 60% to the national GDP, whereas the SME sector of Bangladesh only contribute about 23%-27% to the national GDP. Speakers at the event further said that the development of this sector on one hand would play a critical role in creating adequate employment, while also helping in the improvement of the quality of life for the people.

GREEN & SUSTAINABLE FINANCE: A PATH TOWARDS BETTER & GREENER TOMORROW

Green & Sustainable Finance

Even though industrialization has been the biggest blessing for us, the drawback of overusing the resources, pollution and deforestation have led the universe to a point where our very existence has become perilous. As global warming and adverse impacts of climate change are on the rise, the presence of our accommodation and habitat has come to a point where it is imperative that every individuals focus their attention towards saving the planet. In this milieu, green finance has been defined as finance focused in increasing the positive impacts of the environment (or decreasing the negative impacts) and conserving natural resources. At the same time, sustainable finance integrates the environmental, social and governance criteria in the financing decisions. Both green and sustainable finance is a step towards addressing the drastic climate change and also ensuring long term sustainability of the society.

Importance of Green & Sustainable Finance

Green & sustainable finance promote and support the flow of financial instruments towards the development and implementation of sustainable projects, which include sustainable business models, investments, trade, and economic, environmental and social development. As the financial sector plays a key role through its intermediary functions and risk management in advancing sustainable economic growth while directing investment to the real economy, the intertwinement of green finance and sustainable finance is crucial. Moreover, global initiatives like United Nations Sustainable Development Goals (SDGs), Paris Agreement, United Nations Environment Programme Finance Initiative (UNEP FI) all are dedicated to addressing the global changes and countries including Bangladesh, have exhibited their unity towards these initiatives with an aspiration to mitigate the current hazardous impact of climate change. Thus, green and sustainable finance have become a crucial basis for securing investments for greater commitment to the climate. Green finance can help to motivate clients and other stakeholders by introducing energy efficient technologies, biological ETP, renewable energy and lowering the carbon emission and conserving natural resources. Again, banks and FIs being business entities, it is their responsibility to consider social and economic impact while performing their functions. Thus, green and sustainable finance give financial institutions opportunities in leaving their marks for a better and greener future.

What financial institutions can do?

Sustainable and green finance open opportunities by integrating the environment, social and governance criteria while taking business or investment decisions. It creates long term value for economy, environment and society. Sustainability in financing can be achieved by linking vision, mission and objectives with sustainable economic, environmental, social contribution and governance. Financial institutions are committed to play an active role of being an intermediary between the economy, environment and society to address this global challenge. The central bank and financial institutions are taking initiatives more seriously as the financial risks from climate change are becoming more apparent and relevant to the banking sector. Financial institutions are mobilizing the finance to promote the transition of the global economy towards low carbon activities. One of the ways in which banks can facilitate this transition is by issuing green debt financing instruments (including bonds, loans,

commercial paper, certificates of deposit and other debt or financing structures) to facilitate capital for low-carbon emission and environmentally sustainable economic activity. Moreover, to attain the global target of limiting the temperature rise by 2 preferably 1.5 degrees Celsius, compared to pre-industrial levels, different development financial institutions, nations, and international organizations are offering subsidies, grants and concessional loans for motivating banks and end borrowers. Financial institutions can use these opportunities for onboarding new clients and instilling sustainability in the society and economy.

Overview – Bangladesh

Bangladesh Bank first introduced the term Green Banking in the investment world in 2009 and it began to popularize sustainable financing more broadly in 2011 by issuing guidelines on green banking in the country. The main ambition behind the advent of this journey was to contribute in the aspiration of transforming Bangladesh to a sustainable economy. The policies and regulations by Bangladesh Bank were incorporated to create an eco-friendly environment and healthy society, which would boost our economy in a broader perspective. To further bolster this initiative Green banking policy was issued to NBFI and scheduled banks in 2013 by Bangladesh Bank. As the time evolved and the need of clients became diversified, Bangladesh Bank came up with new refinancing schemes and grants like **"Refinance Scheme for Green Product/ Initiative/Project" – a fund of BDT 400 cr and "Technology Development/Up-gradation Fund" – a fund of BDT 1,000 cr** which were some of the noble steps of onboarding banks and FIs to collaborate sustainability in their financing decisions. In July 2015, Bangladesh Bank to deliver the message to the broader stakeholders, decided to abolish separate Green and CSR department from Bangladesh Bank and introduced Sustainable Finance Unit. Moreover, Bangladesh Bank also instructed all the Banks & FIs to do the same (SFD Circular No. 02 dated December 01, 2016). The main desire behind this measure was to ensure that stakeholders are receiving the message that Bangladesh Bank sees the whole CSR activities, Green financing and Financial Inclusion as a collaborative initiative towards society and the environment.

For all these years, Bangladesh Bank has continuously tried to integrate international funding like - JICA and SREUP, to provide the clients and banks with better opportunities. These funds and concessional loans would increase the number of renewable energy technology, energy-efficient machineries, waste treatment plant, safety related machineries and much more. Investing in these projects would positively impact the environment and society which further instil sustainability in the economy.

Bangladesh government being dedicated towards sustainability, is recently working on the Green Credit Guarantee Schemes (GCGS), which will initially focus on brick field industry, solid waste management, rooftop solar projects and Biogas Sector and later would be expanded to more sectors depending on the demand and opportunities. These sectors have been chosen carefully to bolster the opportunities for the end borrowers and giving them new ways to shape their businesses while ensuring sustainability.

The fact that Bangladesh Government is dedicated to developing a sustainable economy has been substantiated by its recent sustainable finance policy, which has crucially pointed out the difference between green and sustainable finance. Through this policy, 68 products have been defined as green products under 9 categories. Among these products, 55 have been selected for which end borrowers can apply for refinancing at a lower interest rate (6% to 7%). This initiative has contributed to the flow of investments towards products that would positively impact the environment by reducing carbon emission and by treating the waste materials. Similarly, **"Technology Development/Up-gradation Fund"** (currently available at an interest rate of 5%-6%) was introduced to make this country more technologically updated and thus to conserve the resources. Even though Bangladesh Bank has taken commendable measures in the path of sustainability, this country requires more facilitating opportunities and training from public, private and development sectors to educate the mass and to motivate them for a prosperous future.

Future Aspects

Without considering the environmental and social impact of the investments, businesses cannot sustain in the long run. As the global entities are focusing their attention on the drastic rise of temperature and the deterioration of the climate, it is evident that soon every nation and regulatory body will compel individuals to consider the environment, society and governance in their decisions. Being one of the most pivotal bodies in the economy, financial institutions need to understand this and use this as an opportunity for long term sustainability and gain while conserving the society and environment.

As profit margins and risk management remain the key criteria for both investors, and fund providers, societies are concerned that those who respect the environmental profile and impact of a project should be fully recognized and supported by the policies and regulations of sustainable finance. The central bank and financial regulators emphasize on long-term, well connected and beyond self- preserving growth policies that work for the society as a whole. Obviously, sustainable finance has become the centerpiece of this paradigm-shifting policy discourse.

Green financing boosts financial flows in banking, financial institutions, and investments. Many countries like the USA, China, Japan etc., focus on green finance more to save our planet. Ecological benefits and accountability are also critical parts of green finance. UN is already working with the governments and more institutions to integrate the economic systems with the help of 2030 schedule. It also helps to achieve sustainable development goals too.

Mesbah Uddin Ahmed

General Manager & Head of Corporate
IDLC Finance Limited

Interviewed by
Anisha Saha, MBR Team

MBR: Where does IDLC stand on Green & Sustainable Finance?

Mesbah Uddin Ahmed: Since the advent of IDLC's Journey, it has been steadfast in addressing the environmental issues and tried to incorporate the environmental & social criteria into its financial decisions. With the evolving of regulatory initiatives, IDLC has strengthened its focus towards green & sustainable finance for long-term sustainability. As Bangladesh has already expressed its unity with the Paris Agreement and the broader United Nations Sustainable Development Goals (SDGs), IDLC aspires to increase its efforts towards building a sustainable portfolio for a green and better future.

MBR: What initiatives have your organization taken to achieve sustainability in financing?

Mesbah Uddin Ahmed: IDLC Finance Limited has been working for over 36 years and is regarded as the largest NBFI in the country with strong and diversified exposure in Corporate, SME, Retail, and Capital Market segments. IDLC has formed its internal "Sustainable Finance Unit" & "Sustainable Finance Committee" in 2017, and its reporting structure has been approved by its Board of Directors. IDLC being a responsible banking unit, has been affiliated with the international organization United Nations Environment Programme Finance Initiative (UNEP FI) since 2010, and from 2019, it has signed up in multiple initiatives - Principles for Responsible Banking (PRB), Collective Commitment to Climate Action (CCCA), Tobacco-Free Portfolio and Net-Zero Banking Alliance (NZBA) with an ambition of aligning itself with the global targets of reducing carbon emission as a whole and ensuring sustainability in the economy. Besides taking these noble initiatives, IDLC has streamlined its internal processes with ESMS Toolkit, Green Banking Policy and Sustainability Roadmap for the years 2021 to 2025, 10 Principles of United Nations Global Compact (UNGC) and GRI guidelines for Annual Sustainability Report to instill sustainability in its operation & financing.

MBR: What are the future plans for maintaining and monitoring the policies and initiatives taken by IDLC?

Mesbah Uddin Ahmed: IDLC's future plan includes emphasizing initiatives on reduction of Environmental Impact by building a sustainable portfolio, reduction of energy consumption and use of green energy. To maintain this status, IDLC will conduct a carbon footprint analysis of both its operations & portfolio through an external consultant to understand its own carbon emission and thus would concentrate efforts in minimizing its emission for aligning with the global initiatives and for building a sustainable business. Besides this, IDLC is promoting awareness on IDLC Green

Office Guideline among employees to encourage responsible habits.

MBR: Do you believe green and sustainable financing is actually profitable for the banking sector in the long term? If so, what is your recommendation for other banks & FIs?

Mesbah Uddin Ahmed: Global warming is a rising concern for every individual. Banks & FIs being an intermediary between households and businesses, can play a vital role in addressing these issues. Global entities including United Nations, DFIs and regulators, are currently trying to take robust initiatives for limiting climate change. As a responsible banking system, IDLC Finance believes only profit-oriented businesses cannot sustain in the long run, and climate change is the biggest concern, it is necessary to address this without any delay. If the environment is not being prioritized in this hazardous stage then businesses will cease to exist in the long run, let alone profit. If businesses incorporate the environmental, social and governance criteria in their business strategies, then the short term investment would generate profit in the long term and would ensure the growth of the economy. Moreover, the grants & subsidies provided by different development financial institutions (DFIs) and Government would help the banks & FIs to make up for the additional investment for this purpose.

IDLC is already committed to increase its green portfolio and is getting good response from the clients and other stakeholders. We have already disbursed more than 20% in green and sustainable finance of the annual disbursement, and our target is to increase this percentage. We envisage converting 100% of our portfolio gradually to sustainable finance. Thus, I would recommend other banks & FIs to take this initiative seriously to achieve sustainability in their operations & portfolio.

MBR: Does IDLC appreciate all the guidelines and opportunities (like Refinancing Schemes) provided by Bangladesh Bank? Do you think that there are scopes where Bangladesh Bank can introduce new schemes or opportunities for further development of the sector?

Mesbah Uddin Ahmed: Definitely, we appreciate all the guidelines and schemes issued by Bangladesh Bank, which helped us to shape up our sustainability roadmap and facilitated us in sourcing low-cost funds through schemes like "Refinance Scheme for Green Product/ Initiative/Project", JICA, SREUP, "Technology Development/Up-gradation". These schemes and BB's continuous support and guidance has helped us in onboarding top tier clients for catering their green initiatives.

To answer your second question, Yes Bangladesh Bank can introduce new and innovative schemes and opportunities for further development of the sector. Recently, BB has started working for Green Credit Guarantee Scheme (GCGS), which will support Banks & FIs to extend further facilities to deserving customers. BB can also guide banks & FIs on how to reduce carbon emissions from their operation & portfolio in line with the global vision to achieve Net Zero-emission by 2050.

Performance of Equity Markets of Bangladesh and Peer Countries

Bangladesh equity market advanced in the month of December. During the month, the broad index DSEX rose by 0.8%, closing the year 2021 with a return of 25.1%. Blue chip index DS30 and Shariah index DSES increased by 0.6% and 1.8%, respectively in the month of December. These indices yielded 29.0% and 15.2% return, respectively in 2021.

Among the regional peers, Sri Lanka (+6.9%) and Vietnam (+1.3%) closed the month on positive note, while Pakistan (-1.1%) was in the negative territory. During the year 2021, Sri Lanka (+80.5%) posted the highest return, followed by Vietnam (+35.7%). MSCI Frontier Markets Index also advanced by 1.4% in December, closing the year with 19.6% return.

Table 1: Equity market performance of Bangladesh and peer countries

Indices	Index Points, December 2021	Return*					
		1M	3M	YTD	12M	3Y	5Y
Bangladesh							
DSEX	6,756.7	0.8%	-7.8%	25.1%	25.1%	25.5%	34.2%
DS30	2,532.6	0.6%	-6.6%	29.0%	29.0%	34.7%	39.9%
DSES	1,431.1	1.8%	-10.1%	15.2%	15.2%	16.1%	N/A
Peer Countries							
Pakistan (KSE 100)	44,596.1	-1.1%	-0.7%	1.9%	1.9%	20.3%	-6.7%
Sri Lanka (CSE - All Share)	12,226.0	6.9%	29.2%	80.5%	80.5%	102.0%	96.3%
Vietnam (VNI)	1,498.3	1.3%	11.6%	35.7%	35.7%	67.9%	125.3%
MSCI Frontier Markets Index	**890.0**	**1.4%**	**1.2%**	**19.6%**	**19.6%**	**32.0%**	**37.7%**

*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 1.1%. The daily average turnover of December was BDT 9.2 bn (USD 107.5 mn), decreasing by 24.0% from that of the last month. Turnover velocity which represents overall liquidity of the market stood at 42.9% in December compared to 59.7% of last month. In 2021, turnover velocity of Bangladesh equity market was 65.3%, in comparison to 30.1% in 2020.

Table 2: Market capitalization and turnover statistics

Particulars	31-Dec-21	30-Nov-21	% change
Total Market Capitalization (USD* mn)	63,193	62,529	1.1%
Total Equity Market Capitalization (USD mn)	55,675	55,011	1.2%
Total Free Float Market Capitalization (USD mn)	20,917	20,791	0.6%
Daily Avg. Turnover (USD mn)	107.5	141.4	-24.0%
Turnover Velocity~	42.9%	59.7%	N/A

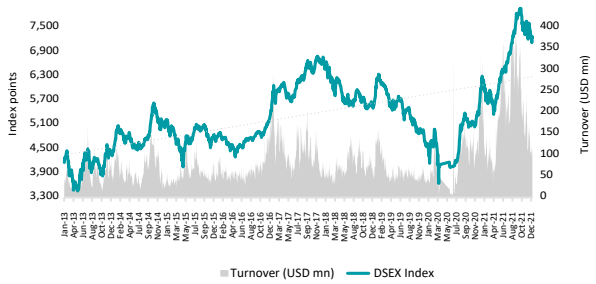
*All USD figures are converted using an exchange rate of 85.8 as of December 30, 2021 as per Bangladesh Bank website.

~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 66.6% till December, 2021. During the same period, daily average turnover of the market amounted to BDT 6.5 bn (USD 76.3 mn) (Figure 1).

Figure 1: DSEX since inception along with market turnover



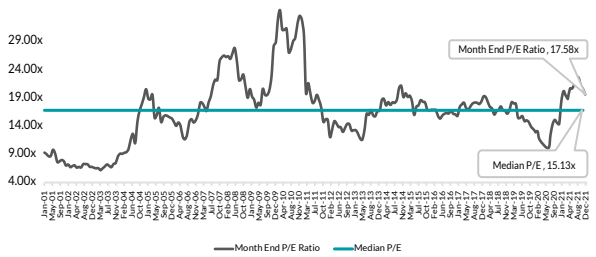
Source: DSE

Market Valuation Level - P/E Ratio

The market P/E slightly decreased to 17.58x in December compared to last month's 18.41x. It is much higher than the 21 years' median market P/E of 15.13x (Figure 2). In terms of trailing 12 month P/E ratio, the equity market of Bangladesh is cheaper than most of its regional peers. (Figure 3).

Figure 2: Historical market P/E* and it's median

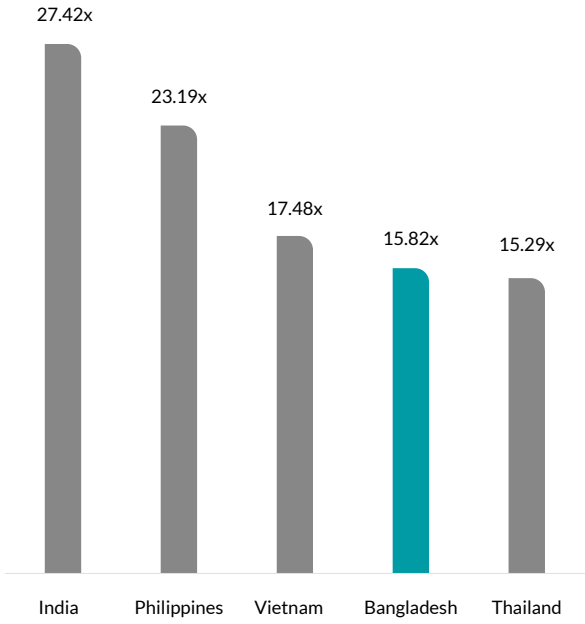
Current Market P/E* in Context of History



*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, DSES

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



*Trailing 12 month P/E as of January 03, 2022. Source: IDLC, Bloomberg

Sector Performance

Among the major sectors, Non-Life Insurance posted highest return of 13.2% in December, followed by Engineering (+3.9%). Moreover, Life Insurance (+3.5%), Fuel & Power (+3.2%), Food & Allied (+2.9%), NBFI (+2.7%), Pharmaceuticals & Chemicals (+1.8%), Textile (+1.6%) outperformed market in December. On the other hand, Bank (-2.4%) faced the highest selling pressure during the month among the major sectors.

All the major sectors closed the year of 2021 in positive territory. Among them, Miscellaneous (+72.3%) posted the highest return, followed by Food & Allied (+51.0%). Cement (+46.1%), Textile (+36.5%), Non-Life Insurance (+30.7%) and Life Insurance (+26.9%) outperformed the market in 2021.

Telecommunication sector has the highest dividend yield of 5.7% among all sectors.

Table 3: Sector performance snapshot

Sector	Market Capitalization (USD mn)		Return*						P/E (x)**	P/BV (x)^	Dividend Yield~
	Total	Free Float	1M	3M	YTD	12M	3Y	5Y			
Telecommunication	8,016	867	-0.9%	-9.3%	6.5%	6.5%	28.4%	77.8%	17.6	7.2	5.7%
Pharmaceuticals & Chemicals	8,305	4,513	1.8%	-4.8%	19.4%	19.4%	50.8%	80.4%	16.2	3.2	2.0%
Bank	8,369	4,549	-2.4%	0.3%	23.9%	23.9%	29.9%	64.9%	7.8	0.8	3.3%
Engineering	6,501	1,306	3.9%	-11.2%	10.6%	10.6%	49.6%	51.5%	19.6	2.7	2.1%
Fuel & Power	5,290	1,535	3.2%	-10.6%	10.0%	10.0%	12.2%	39.5%	11.5	1.5	5.5%
Food & Allied	5,178	1,573	2.9%	-2.7%	51.0%	51.0%	76.2%	128.4%	24.4	10.2	2.8%
NBFI	2,588	809	2.7%	-19.4%	19.9%	19.9%	24.3%	48.5%	22.0	2.4	2.0%
Miscellaneous	2,891	1,297	-1.1%	2.2%	72.3%	72.3%	134.9%	164.1%	11.8	2.7	2.2%
Textile	1,861	1,051	1.6%	-11.0%	36.5%	36.5%	-2.5%	17.3%	14.7	1.1	2.2%
Cement	1,480	586	-2.0%	-23.5%	46.1%	46.1%	25.1%	-13.8%	19.0	3.3	1.5%
Non Life Insurance	1,539	870	13.2%	-5.7%	30.7%	30.7%	237.3%	294.1%	21.4	2.7	1.6%
Life Insurance	882	527	3.5%	-7.1%	26.9%	26.9%	17.6%	60.0%	42.1	8.0	1.5%
Travel & Leisure	290	151	-0.8%	-13.4%	8.4%	8.4%	9.8%	11.5%	28.5	0.9	1.7%
Ceramics	357	135	1.0%	-12.8%	36.5%	36.5%	23.0%	27.4%	32.0	2.0	1.6%
IT	466	296	6.1%	-7.3%	25.5%	25.5%	25.5%	19.6%	26.9	3.2	1.2%
Services & Real Estate	308	166	-3.4%	-15.5%	24.8%	24.8%	39.3%	2.0%	20.1	1.5	1.9%
Tannery	393	211	6.6%	8.8%	68.9%	68.9%	17.7%	25.1%	22.9	3.0	0.9%
Paper & Printing	329	103	1.5%	-19.4%	-11.3%	-11.3%	-43.5%	-47.1%	34.2	2.0	0.8%
Jute	24	14	11.3%	-12.3%	-28.1%	-28.1%	-57.1%	109.4%	415.0	6.1	0.2%
Market	**55,675**	**20,917**	**0.8%**	**-7.8%**	**25.1%**	**25.1%**	**25.5%**	**34.2%**	**14.4**	**1.9**	**3.2%**

*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.

^P/BV is calculated by dividing total market capitalization of listed companies with their respective 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, Small Cap Class (+5.9%) posted the highest return. All the cap classes yielded positive return in 2021 with Micro Cap Class (+43.5%) advancing the most.

Large Cap was the highest dividend yielding (3.7%) class.

Table 4: Performance of different market cap classes

Cap Class	Definition based on market capitalization (USD mn)	% of total equity Mcap	Return*						P/E (x)	P/BV (x)	Dividend Yield
			1M	3M	YTD	12M	3Y	5Y			
Large	≥118	78.3%	1.2%	-5.7%	21.7%	21.7%	71.8%	123.6%	19.7	2.0	3.7%
Mid	36-117	11.2%	0.1%	-10.3%	33.0%	33.0%	-33.8%	-27.4%	25.5	1.3	2.2%
Small	12-35	7.9%	5.9%	-12.7%	28.3%	28.3%	61.6%	85.8%	81.8	1.3	1.9%
Micro	<12	2.5%	5.3%	-14.2%	43.5%	43.5%	-86.5%	-85.2%	196.0	1.0	0.5%
Market	**-**	**-**	**0.8%**	**-7.8%**	**25.1%**	**25.1%**	**25.5%**	**34.2%**	**14.4**	**1.9**	**3.2%**

*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, BEACONPHAR (+9.5%) advanced the most, followed by ICB (+8.8%). On the other hand, ROBI (-8.9%) faced the highest correction.

All these companies yielded positive return in 2021 except for UPGDCL (-1.2%). Among them, BEACONPHAR (+212.4%) posted the highest return, followed by BEXIMCO (+165.6%). Moreover, BATBC (+64.4%), LHBL (+51.7%), DUTCHBANGL (+41.3%), BRACBANK (+33.9%) posted attractive return.

Among the scrips, SUMITPOWER, GP, TITASGAS, UPGDCL, and MARICO recorded 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)		Daily Avg. Turnover (USD mn)	Return*						P/E (x)	P/ BV (X)	Dividend Yield
		Total	Free Float		1M	3M	YTD	12M	3Y	5Y			
GP	Telecommunication	5,500	550	0.37	0.3%	-8.1%	4.2%	4.2%	12.3%	57.4%	13.6	16.2	7.9%
WALTONHIL^	Engineering	4,056	39	0.10	4.2%	-10.0%	3.1%	3.1%	N/A	N/A	30.9	4.4	2.2%
BATBC	Food & Allied	4,000	1,058	1.34	2.5%	-2.4%	64.4%	64.4%	78.3%	165.1%	22.3	10.4	3.1%
SQURPHARMA	Pharmaceuticals & Chemicals	2,214	1,449	0.90	1.2%	-9.1%	0.3%	0.3%	1.4%	21.9%	9.5	2.7	2.8%
ROBI^	Telecommunication	2,112	211	0.38	-8.9%	-16.0%	16.1%	16.1%	N/A	N/A	81.1	3.0	0.9%
UPGDCL	Fuel & Power	1,650	165	0.24	-0.4%	-13.6%	-1.2%	-1.2%	3.5%	201.3%	12.2	5.3	7.0%
RENATA	Pharmaceuticals & Chemicals	1,639	800	0.81	1.7%	1.8%	31.7%	31.7%	57.5%	123.0%	25.4	7.1	1.0%
BEXIMCO	Miscellaneous	1,516	1,043	9.89	-2.4%	10.3%	165.6%	165.6%	579.9%	640.9%	9.0	2.1	2.4%
ICB	NBFI	1,164	37	0.15	8.8%	-19.8%	26.5%	26.5%	24.9%	59.6%	44.3	10.5	0.9%
BXPHARMA	Pharmaceuticals & Chemicals	1,002	700	1.34	0.1%	-18.5%	2.8%	2.8%	178.3%	180.1%	14.7	2.8	1.8%
LHBL	Cement	962	340	1.27	-3.3%	-23.1%	51.7%	51.7%	75.4%	-5.6%	20.0	5.3	1.4%
BERGERPBL	Miscellaneous	955	48	0.05	0.3%	-2.4%	26.1%	26.1%	39.6%	67.6%	34.4	11.3	2.1%
BRACBANK	Bank	897	482	1.13	2.0%	16.2%	33.9%	33.9%	3.1%	77.3%	14.5	2.0	1.7%
MARICO	Pharmaceuticals & Chemicals	845	84	0.19	0.9%	-1.4%	9.6%	9.6%	115.8%	207.3%	20.3	39.3	3.9%
BEACONPHAR	Pharmaceuticals & Chemicals	655	459	1.13	9.5%	14.9%	212.4%	212.4%	1452.3%	1111.7%	40.0	19.0	0.6%
ISLAMIBANK	Bank	600	292	0.20	2.2%	6.3%	23.5%	23.5%	50.1%	31.5%	9.0	0.9	3.1%
DUTCHBANGL	Bank	523	79	0.46	-3.8%	-3.5%	41.3%	41.3%	79.1%	133.8%	9.4	1.7	1.7%
SUMITPOWER	Fuel & Power	484	178	0.28	0.0%	-11.6%	8.4%	8.4%	21.1%	49.6%	9.5	1.3	9.0%
EBL	Bank	428	299	0.18	1.0%	-2.5%	31.2%	31.2%	64.1%	140.0%	6.9	1.5	3.9%
TITASGAS	Fuel & Power	419	105	0.10	2.3%	-12.8%	24.8%	24.8%	22.6%	1.3%	14.0	0.5	7.2%
Market		**55,675**	**20,917**	**107.48**	**0.8%**	**-7.8%**	**25.1%**	**25.1%**	**25.5%**	**34.2%**	**14.4**	**1.9**	**3.2%**

*All returns are Holding Period Return.

^WALTONHIL got listed on December 23, 2020. ROBI got listed on December 24, 2020.

Top Performing Mutual Funds

The top ten open end mutual funds based on 4 year CAGR outperformed the market, during the same period. Among them, CAPM unit Fund (+11.4%) yielded the highest return. In 2021, CAPM Unit Fund (+29.6%) posted the highest return.

Table 6: Top ten open end funds based on 4Y return (CAGR) performance

Name	Asset Management Company	Fund Size (USD mn)	NAV Return		
			2021	2020	2017-2020
CAPM Unit Fund	CAPM	1.7	29.6%	30.6%	11.4%
UFS-Pragati Life Unit Fund	UFS	1.4	27.3%	35.5%	9.1%
LankaBangla 1st Balanced Unit Fund	LankaBangla	6.3	21.9%	29.2%	8.7%
Peninsula AMCL BDBL Unit Fund One	Peninsula	3.2	25.7%	35.3%	8.5%
IDLC Balanced Fund	IDLC	6.3	18.8%	29.4%	8.3%
Seventh ICB Unit Fund	ICB	5.4	34.2%	20.4%	7.7%
VIPB Accelerated Income Unit Fund	VIPB	8.5	18.2%	13.0%	7.2%
ICB AMCL Pension Holders' Unit Fund	ICB	4.4	27.5%	36.5%	6.9%
ATC Shariah Unit Fund	ATCP	1.8	13.1%	17.6%	6.6%
Third ICB Unit Fund	ICB	4.4	26.0%	23.9%	6.4%
Market (Broad Index) Return (%)			**25.1%**	**22.3%**	**1.8%**

*Based on published NAV and DSEX point of December 30, 2021

All the top ten closed end mutual funds on the basis of 5 years (2016-2020) performance yielded positive returns on in 2021. Among them, 1STPRIMFMF (+38.5%) yielded the highest return.

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]
							2021	2020	2018-2020	2016-20	
NLI1STMF	VIPB	8.5	13.8	14.5	95.1%	12.7%	18.4%	13.4%	-0.1%	9.5%	2022
GRAMEENS2	AIMS	44.2	15.7	20.8	75.4%	8.3%	18.2%	18.5%	2.7%	9.2%	2023
RELIANCE1	AIMS	10.2	11.2	14.4	77.6%	9.4%	19.2%	15.5%	2.2%	8.7%	2021
1STPRIMFMF	ICB AMCL	3.5	20.2	15.1	133.9%	4.0%	38.5%	35.7%	3.1%	8.5%	2029
PRIME1ICBA	ICB AMCL	12.1	7.2	10.4	69.2%	10.4%	35.8%	33.0%	2.8%	8.1%	2030
ICBSONALI1	ICB	12.2	8.0	10.5	76.3%	8.8%	26.6%	28.3%	2.4%	7.8%	2023
ICBEPMF1S1	ICB	8.5	7.4	9.7	76.4%	8.1%	38.2%	40.0%	1.4%	6.9%	2030
ICBAMCL2ND	ICB	6.3	9.6	10.7	89.4%	8.3%	36.2%	35.1%	0.3%	6.9%	2029
LRGLOBMF1	LR GLOBAL	41.7	6.9	11.5	60.0%	21.9%	-0.9%	24.9%	2.0%	6.7%	2031
ICB3RDNRB	ICB AMCL	11.2	6.8	9.6	71.1%	10.3%	36.2%	37.2%	1.4%	6.6%	2030
Market							**25.1%**	**22.3%**	**-4.7%**	**3.1%**	

1 Price as of January 02, 2022, and NAV published on December 30, 2021

2 On last cash dividend declared.

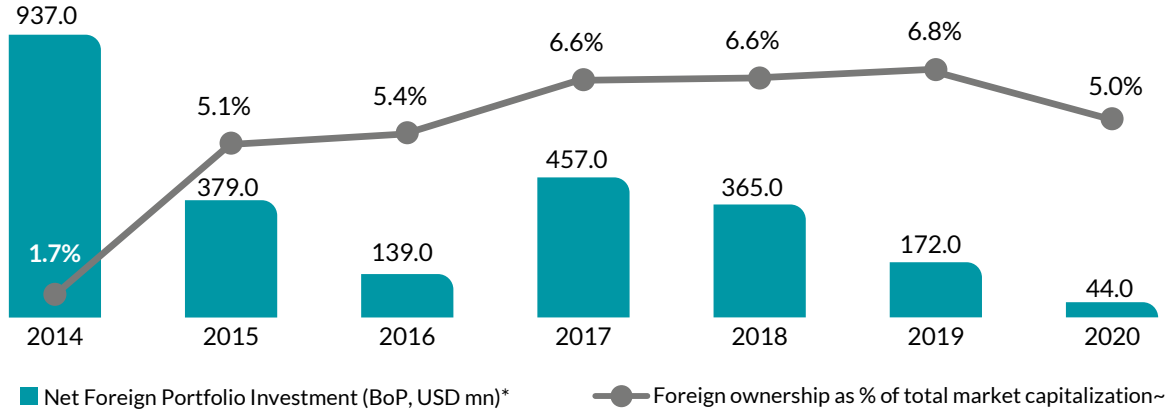
3 CAGR computed for respected periods, except for 2020 and 2021 YTD, adjusted for dividend. YTD returns of funds debuting within the year represent return generated since debut, hence is not directly comparable with return of funds that operated throughout the year.

4 In reference to BSEC Press Release বিএসইবস/মুখপাত্র (৩য় খন্ড)/২০১১/২৫ published on November 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 2021, total foreign ownership stood at 4.4% 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 Bangladesh Bank
~% of foreign ownership of equity market capitalization data are as of December of the respective years

Among all the companies with foreign ownership, BRACBANK had the highest foreign shareholding of 36.8% as of November 2021, followed by BXPHARMA with 29.6%.

Table 8: Top ten companies with highest foreign shareholding as of September 2021

Ticker	Sector	Foreign Shareholding*
BRACBANK	Bank	36.8%
BXPHARMA	Pharmaceuticals & Chemicals	29.6%
OLYMPIC	Food & Allied	28.7%
RENATA	Pharmaceuticals & Chemicals	22.8%
ISLAMIBANK	Bank	20.3%
DBH	NBFI	19.3%
BSRMLTD	Engineering	17.5%
VFSTDL	Textile	16.7%
AAMRANET	IT	16.0%
SHEPHERD	Textile	15.2%

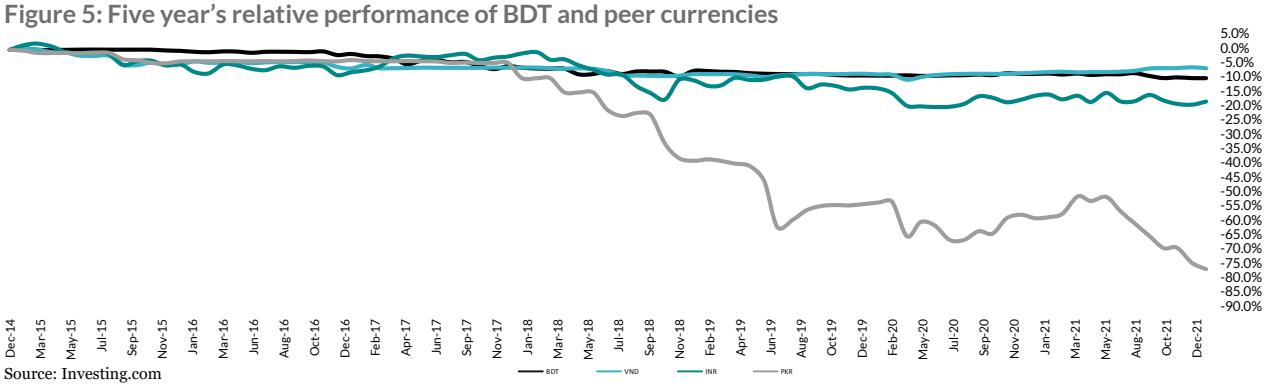
Source: DSE

*Latest Data for Foreign shareholding available on DSE are as of November, 2021.

Performance of BDT and Currencies of Peer Countries against USD

Since 2015, BDT retained its value better than majority of the currencies of peer countries. While BDT depreciated by 9.9% against US Dollar, other currencies of neighbor countries like Vietnamese Dong (VND), Indian Rupee (INR) and Pakistani Rupee (PKR) lost 6.4%, 18.0% and 76.5%, respectively.

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



Source: Investing.com

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