



**PROJECT REPORT**  
**ON**  
**PERFORMANCE EVALUATION OF ICB MUTUAL FUNDS**

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**EAST WEST UNIVERSITY**

December 18, 2014

Prof. Dr. Tanbir Ahmed Chowdhury  
Dean & Chairperson  
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**Subject: Submission of Project Report**

Dear Sir,

It gives me immense pleasure to submit my report 'Performance Evaluation of ICB Mutual Funds' which was assigned to me as a fulfillment of the course 'Bachelor of Business Administration'.

While making this report I came across many hurdles and pleasant experience. But valuable experiences I have gained during the period will undoubtedly benefit me in the years ahead. This report attempts to describe my observations, learning's and experienced gained in the Investment Corporation of Bangladesh. Despite the several constraints, I gave my all efforts to make this report a meaning one.

I have tried sincerely to comprehend and translate my knowledge in writing this report. My effort will be rewarded only if it adds value to the research literature. I enjoyed this project work and gladly attend any of you call to clarify on my point, if necessary.

Sincerely,



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Muhammad Kawsar Khan

ID: 2011-1-10-411

## ACKNOWLEDGEMENT

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At the very beginning, I would like to convey my sincere appreciation to almighty Allah for giving me the strength and the ability to finish task within the planned time.

I am thankful for the help and assistance of various people who helped me while working on this report. Appreciation from different people has helped me to present a satisfactory report. In addition, I would like to thank my supervisor Prof. Dr. Tanbir Ahmed Chowdhury for his kind guidance, advice, help, effort and encouragement when preparing this report on Performance of ICB mutual funds. Without his instruction, this report could not be possible to prepare.

At the event of the report submission I sincerely remember all of them.

December 18, 2014

East West University,

Dhaka.

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## EXECUTIVE SUMMARY

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A sound Capital Market ensures greater mobilization of domestic savings and also ensures broadening the base of industrial ownership. The sound Capital Market also assists the entrepreneurs whether in the private or public sector to acquire capital for a feasible project. The importance of sound Capital Market need not over emphasized as it contributes to the real economic growth of a country. The speedy Development of industrial activities in the country needs the support of a balanced and efficient Capital Market.

Bangladesh is one of the least developed countries in the world with minimum natural and financial resources. The development of Bangladesh is being hindered due to lack of insufficient capital. To accelerate the phase of industrialization through the development of capital market and broadening the base of investment, The Investment Corporation of Bangladesh (ICB) was established on 1 October 1976. The establishment of ICB was a major step in a series of measures undertaken by the Government to accelerate the pace of industrialization and to develop a well-organized and vibrant Capital Market particularly securities market in Bangladesh.

There are several departments in ICB, which are involved in managing investors, accounts, mutual funds, unit funds and others matters related to capital market. My main focus on this report is ICB's mutual funds. ICB floated eight mutual funds, which are close-end mutual funds. Total paid up capital of eight mutual funds is Tk. 1775.00 lac.

Mutual funds are traded in the secondary market through stock exchange. Price is determined on the basis of demand & supply. The DSE price index is dependent on the movement of the funds. When the price of the fund increases, DSE price index also increases or vice-versa. So, mutual funds have strong impact on the security market. Performance of mutual funds depends on the performance of the securities under each portfolio & how the portfolio is effectively managed.

As on June 30, 2013, the number of companies in the portfolio is 1483 and the number of certificate holders is 19799. The total cost of portfolio of mutual funds is Tk. 13099.08 lac and market value of the portfolio is Tk. 29681.57 lac. The performance of all the mutual funds is good except 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> mutual funds.



From the analysis I found that the fund, which was floated earlier, is in much better situation than the other funds. The main reason behind this, there was a government rules that 15% shares of any companies' have to be sold to ICB at the Initial Public Offering (IPO). That is why they did not have to compete in the open market. But in 1996 government has omitted this rule. Now ICB have to buy shares from the open market by competition.

Mutual fund department should be innovative, explorative and dynamism. ICB should specially emphasize on the operations and management of mutual fund because most of the small investors are key clients of mutual fund.

So, ICB should concentrate to increase the performance of its mutual fund and way to find out the path for overcoming the problems of operations.

# Chapter: 1

## Introduction

## 1.1 Background of ICB mutual funds

In accordance with the industrialization in Bangladesh, entrepreneurship development and investment decision, I was assigned to analyze activity of ICB mutual funds as a project student of East West University. In Bangladesh, problem of active participation of medium and small server in investment do not organize properly. So, financial institutions cannot accelerate the wheel of the industry as by expectation. On the other hand, medium and small server is increasing. So there is a strong distinction participation in the capital market by the financial institutions, and help to judge investment decision critically. Mutual funds were established as an important part of the ICB. ICB has played a pioneering role in the development of close-ended Mutual Funds in Bangladesh. Mutual fund such a fund which is formed as a trust and whose objective is to collect money from people by selling unit certificate one or more scheme and invests its fund in a diversified portfolio of stock, bonds and securities.

Investment Corporation of Bangladesh (ICB) is a statutory corporation. It is mainly an investment bank. As an investment bank is a financial institution, which mobilized fund from the surplus economic units by savings securities and developed funds to the deficit economic unit also by buying/underwriting securities. After Liberation in view of social economic changes, the scope for private sector investment in the economy was kept limited by allowing investment in projects up to taka 25 lacks. The new investment policy, which was announced in July, 1972 provides for an expanded role of private sector by allowing investment in a project up to taka 3 crores. The ceiling has further being raised to taka 10 crores in spite of the adequate facilities and incentives provided to the private sectors encouraging response was not for the coming. One of the reasons among other was the lack of institutional facilities, which provides underwriting support (Lick former ICB) to industrial enterprise that was required to raise much need equity fund. Thus, the need for reactivation for capital market, stock market was keenly felt.

The Investment Corporation of Bangladesh (ICB) was established on 1 October 1976, under "The Investment Corporation of Bangladesh Ordinance, 1976" (no. XL of 1976). The establishment of ICB was a major step in a series of measures undertaken by the Government to accelerate the pace of industrialization and to develop a well-organized and vibrant capital market particularly securities market in Bangladesh. ICB caters to the need of institutional

support to meet the equity gap of the companies. In view of the national policy of accelerating the rate of savings and investment to foster self-reliant economy, ICB assumes an indispensable and pivotal role. Through the enactment of the Investment Corporation of Bangladesh (Amendment) Act, 2000(no. 24 of 2000), reforms in operational strategies and business policies have been implemented by establishing and operating subsidiary companies under ICB.

In this connection ICB is playing an important role from the very beginning to make the market stable and liquid. The activities of ICB are pivotal to the Development of the Capital Market in Bangladesh, which is crucial for the sake of accelerating the pace of industrial Development. The underwriting or bridge financing operation of ICB enables implementation of industrial projects by ensuring a part of equity finance.

The activities related to merchant banking, mutual fund operation and stock brokerage activities in these subsidiary companies, namely ICB Asset Management Company Limited, ICB Capital Management Company Limited and ICB Securities Trading Company Limited are increasing day by day. So these three subsidiary companies are also playing an important role in the capital market.

There are some problems in the mutual funds management. These problems need to be solved and to solve the problems it is necessary to find out them first. This report will help to explore the problems. To the end of the report some recommendation will be presented to overcome the problems of the problems of operation and management of ICB's mutual fund.

## **1.2 Objectives of the Report**

East West University is an institute that promotes eastern culture & values and meaningfully blends eastern & western thought and innovation. To do this, it provides undergraduate degree on different subjects. Generally after completion of all the courses of BBA, Project is done. It helps us to apply our theoretical knowledge in practical company analysis. This report was assigned to me by my supervisor Prof. Dr. Tanbir Ahmed Chowdhury as a part of BUS 498 course.

The objectives of this report are:

- To relate classroom learning with real life situation.

- To acquaint myself with the practical aspect of the corporation.
- To go through all departments of the corporation and observe how the works are going on.
- To investigate the different functions performed by different departments of ICB.
- To evaluate effectiveness of the scheme.
- To know how ICB floats and manage the mutual funds.
- To explore the problems of ICB's mutual fund operation.
- To help the potential investors for assessing invest decision.
- To evaluate the mutual funds for taking investment decision.

### **1.3 Coverage of the Study**

The main focus of the study is "The Performance Evaluation of the ICB Mutual Fund". The topic is fixed. But the report has tried to cover overview of ICB objectives, functions, management, business policy and other things. The report specially covered the current performance of ICB's mutual fund. This report has also mentioned some problems of ICB's mutual fund and its solutions. The empirical part includes only the published information and current practices of the Investment Corporation of Bangladesh.

### **1.4 Methodology of the Report**

Methodology can be termed as underlying principles and rules of organization or the philosophical systems that work at the backdrop of any study. It clarifies the problems involving the research in a very ordered and systematic fashion. Strategic are determined at this stage for future implementation. In this report decisions and calculations have been made basing on past experiences and the available data of past activities. These data can be collected in any one or more of the following ways.

- ① **Sample Design:** In Bangladesh, presently available all mutual funds are issued & managed by the ICB. There are eight ICB mutual funds, which are close-end. The time horizon selected covers the latest available twelve years from 2000-2001 to 2012-13.

ii) **Database:** From the database of the study, secondary data were mainly used. They have been collected from the annual reports published by the ICB for itself, for the mutual funds & for the unit fund, the Securities & Exchange Commission.

iii) **Techniques of Analysis:** For the purpose of analysis the data pertaining to this study, some descriptive statistics such as frequencies, percentages, have been used.

## 1.5 Limitations of the Report

Limitations are obvious in any study so do here. Since this is an internship report, the limitations regarding the internship program have acted as the limitations of the study. Among others the main limitations are:

- I had to go to almost every Department of ICB as part of the internship program. There is a very short span of time to get in-depth knowledge about a massive organization like ICB.
- Officials of ICB maintain a very busy schedule. So they were not always able to provide enough time to enlighten the internee students every time, even if they had the intention to do so.
- The area covered by the report "Performance Evaluation of ICB mutual Fund" concerns a huge number of activities, and it is very difficult to sketch a total picture of the financial activities in a report of this scale.
- Data which are collected based on the financial report from 30 June 2012 to 30 June 2013. As 2013-2014 financial years has not completed, 2013-2014 financials can't be shown.
- I did not also get enough lab facility although it was important for me for preparing this report.

In spite all these limitations we have tried to put in our efforts as far as possible.

# Chapter: 2

## Company Profile

## **2.1 Background of ICB**

The Investment Corporation of Bangladesh (ICB) was established on 1 October 1976, under "The Investment Corporation of Bangladesh Ordinance, 1976" (no. XL of 1976). The establishment of ICB was a major step in a series of measures undertaken by the Government to accelerate the pace of industrialization and to develop a well-organized and vibrant Capital Market particularly securities market in Bangladesh. ICB caters to the need of institutional support to meet the equity gap of the companies. In view of the national policy of accelerating the rate of savings and investment to foster self-reliant economy, ICB assumes an indispensable and pivotal role. Through the enactment of the Investment Corporation of Bangladesh (Amendment) Act, 2000 (no. 24 of 2000), reforms in operational strategies and business policies have been implemented by establishing and operating subsidiary companies under ICB.

## **2.2 Objectives of ICB**

ICB has several objectives. These are:

- To encourage and broaden the base of investments.
- To develop the capital market
- To mobilize savings
- To promote and establish subsidiary companies for business expansion
- To provide for matters ancillary there to.

## **2.3 Business Policies of ICB**

- To act on commercial consideration with due regard to the interest of industry, commerce, depositors, investors and to the public in general
- To provide financial assistance to projects subject to their economic and commercial viability
- To arrange equity and loans singly or through consortium of financial institutions including banks.
- To develop and encourage entrepreneurs to diversify investments
- To inspire small and medium savers for investment in securities



- To create employment opportunities
- To encourage more on investment in Agro-based and Information & Communication (ICT) sectors

## **2.4 Functions of ICB**

- Direct purchase of shares and debentures including placement and equity participation
- Participating in and financing of joint-venture companies
- Providing lease finance singly and through syndication
- Managing existing Investment Accounts Managing existing mutual funds and unit fund Managing Portfolios of existing businesses Conducting Computer Training Programs
- Providing advance against ICB Unit and Mutual Fund certificates
- To act as Trustee and Custodian
- Providing Bank Guarantee
- Providing Consumer Credit
- Providing investment counseling to investors
- Participating in Government Divestment Program
- Introducing new business products suiting market demand
- Dealing in other matters related to Capital Market
- To supervise and control the activities of the subsidiary companies

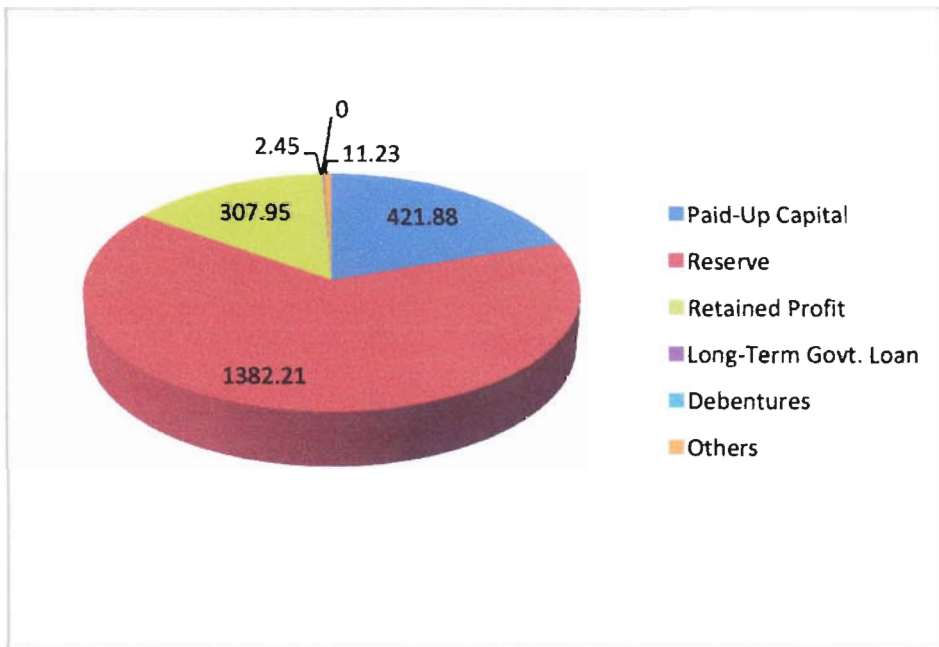
## 2.5 Sources of Capital of ICB

**Table 2.1 - Capital structure of ICB**

Particulars	As on 30 June		Increase/ decrease (Percentage)
	2013	2012	%
<b>Paid-Up Capital</b>	421.88	337.5	<b>25</b>
<b>Reserve</b>	1382.21	1428.11	<b>-3.21</b>
<b>Retained Profit</b>	307.95	448.47	<b>-31.33</b>
<b>Long-Term Govt. Loan</b>	2.45	2.80	<b>-12.5</b>
<b>Debentures</b>	-	1.80	<b>-100</b>
<b>Others</b>	11.23	10.25	<b>9.56</b>
<b>Total</b>	<b>2125.72</b>	<b>2228.93</b>	<b>-4.63</b>

Source-Annual report of ICB 2012-2013

**Graph 2.1 - Capital structure as on 30 June, 2013**



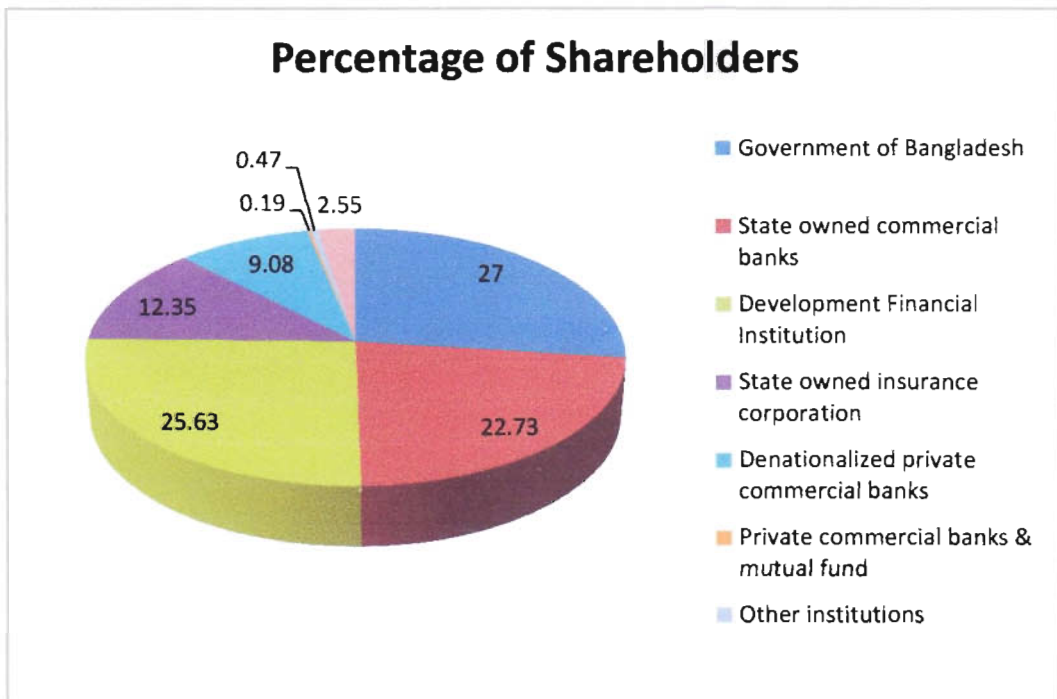
## 2.6 Shareholding Position of ICB

The shareholding position as on 30 June 2013 was as follows:

**Table 2.2 - Shareholding Position of ICB as on 30 June, 2013**

Sl. No.	Shareholders	No. Of Shareholders	No. Of Shares	Percentage of Shareholders
1.	Government of Bangladesh	1	11390625	27.00
2.	State owned commercial banks	4	9587947	22.73
3.	Development Financial Institution	1	10813074	25.63
4.	State owned insurance corporation	2	5212524	12.35
5.	Denationalized private commercial banks	2	3832836	9.08
6.	Private commercial banks & mutual fund	13	78158	0.19
7.	Other institutions	145	197112	0.47
8.	General public	2727	1075224	2.55
<b>Total</b>		<b>2895</b>	<b>42187500</b>	<b>100.00</b>

**Graph 2.2 - Shareholding position as on June, 2013**



## **2.7 Management of ICB**

The Head office of the corporation as per the requirement of the ordinance of ICB is located at Dhaka. The general direction & superintendence of the corporation is created in a board of directors, which consists of 11 directors including the chairman & managing Director of ICB. The Board of Directors consists of the following directors:

- a) Chairman to be appointed by the government.
- b) The Directors to be appointed by the government from among persons servicing under the Government.
- c) The Managing Director, Bangladesh Bank.
- d) The Managing Director, Bangladesh Development Bank Limited
- e) Four other directors to be elected by the shareholders other than the government, Bangladesh bank, Bangladesh Development Bank Ltd.
- f) The managing directors of ICB to be appointed by the government. The board is discharging its functions acts on commercial considerations with due regard to the interest of the industry & commerce, investment climate, capital market, depository, investors & to the public interest. The managing director is the Chief Executive of the corporation. The corporation has an executive comprised of 5 persons including Managing Director.

## **2.8 Share Price**

Share price of ICB varied from lowest Tk. 1176 to highest Tk. 2570 in the stock exchanges during the year. As on 30 June 2013, the market price of share was Tk. 1796.50 on DSE and 1593.75 on CSE.

## 2.9 Milestones of ICB

Milestones	Date of establishment /commencement
ICB	1 October 1976
Investors' Scheme	13 June 1977
ICB Chittagong Branch	1 April 1980
First ICB Mutual Fund	25 April 1980
ICB Unit Fund	10 April 1981
ICB Rajshahi Branch	9 February 1984
Second ICB Mutual Fund	17 June 1984
Third ICB Mutual Fund	19 May 1985
ICB Khulna Branch	10 September 1985
ICB Sylhet Branch	15 December 1985
Fourth ICB Mutual Fund	6 June 1986
Fifth ICB Mutual Fund	8 June 1987
Sixth ICB Mutual Fund	16 May 1988
ICB Barisal Branch	31 May 1988
Nomination as the country's Nodal DFI in SADF	7 May 1992
Seventh ICB Mutual Fund	30 June 1995
Eighth ICB Mutual Fund	23 July 1996
ICB Bogra Branch	6 October 1996
ICB Local Office, Dhaka	15 April 1997
Purchase of own Land & Building	11 December 1997
Participation in equity of SARF	16 January 1998
Advance against ICB Unit	
Certificates scheme	12 October 1998
Lease Financing Scheme	22 April 1999
The Investment Corporation of Bangladesh (Amendment) Act, 2000	
Formation and Registration of three Subsidiary Companies	6 July 2000

Commencement of operations of	5 December 2000
Subsidiaries:	
ICB Capital Management Ltd.	
ICB Asset Management Company Ltd.	1 July 2002
ICB Securities Trading Company Ltd.	1 July 2002
Registration as a Trustee with SEC	13 August 2002
Registration as a Custodian with SEC	20 August 2002
Bank Guarantee Scheme	20 August 2002
Advance against ICB Mutual Fund	21 June 2003
certificates scheme	
Consumer Credit Scheme	21 June 2003
Venture capital financing scheme	15 February 2004
Purchase of land (Agargaon)	26 April 2007
Commencement of management of Equity	3 March 2008
and Entrepreneurship Fund (EEF)	1 June 2009
Launching of Tk. 50 billion Bangladesh	
Fund	5 May 2011
Finalization of ICB's building design	12 April 2012
New centre for In-house training	28 June 2013

## Chapter: 3

# An Overview of ICB Mutual Funds

### **3.1 Definition of Mutual Funds**

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. The flow chart below describes broadly the working of a Mutual Fund.

Mutual funds has been defined by different authors in different words meaning one & the same thing i.e., it is a non-deposition or non-banking financial intermediary which acts as important vehicle for bringing wealth holders & deficit units together indirectly.

Mutual funds “are corporation which accepts dollars from savers & then use these dollars to buy stocks, long-term bonds and short-term debt. Instruments issued by business or Govt. unit, these corporations pool funds & thus reduce risk by diversification.”

Mutual funds sell equity shares to investors & use these funds to stocks and/ or bonds. They tend to specialize in denomination & default risk intermediates. Mutual funds sell relatively small denomination securities to wealthy holders & use the proceeds to purchase the market securities of deficit units. These also gain economics of scale, which lower the cost of analyzing securities managing portfolio & trading in stocks & bonds.

Mutual funds earned income by way of interest or dividend or both from the securities it holds. It deducts fee, operating expenses & a management income & then passes the remainder to wealth holder through dividends on the mutual fund share. The dividend fluctuates with the income on mutual funds investment.

### **3.2 Types of Mutual Fund**

There are 2 types of Mutual Fund:

- a) Open-end mutual fund
- b) Close-end mutual fund



### **3.2.1 Open-end Mutual Fund**

The holders of the shares in fund can resell them to the issuing mutual fund company at any time. They receive in turn the net assets value (NAV) of the shares at the time of resale. Such mutual funds companies place their funds in the secondary securities market. The open-end mutual fund companies buy or sell their own shares. These companies sell new shares at NAV plus a loading or management fee & redeem shares at NAV.

### **3.2.2 Close-end Mutual Fund**

Close-end fund Investment Company has a definite target amount for the funds & cannot sell more shares after its initial offerings. Its shares are issued like any other company's new issue listed & quoted at stock exchange. The shares of close-end fund are not redeemable of their NAV as are in open-end fund. These shares are traded in secondary market prices that may be above or below their NAV. The objectives of close-end funds may differ as compared to open-end fund. The prices of close end mutual fund shares are denominated by demand & supply & not by NAV. The examples of close-end funds include can stock, can share, master-share, magnum etc. which have the above figures.

## **3.3 Classification of Mutual Fund**

Each mutual fund has its specific investment policy to serve specific investors. So, mutual fund can be classified by investment policy they are as follow:

### **3.3.1 Money Market fund**

This fund is invested in short-term debt securities like commercial paper, Treasury bill. Net Assets Value is fixed and there is no tax implication with the redemption share.

### **3.3.2 Equity funds**

These are the funds that are invested in income stocks.

### **3.3.3 Fixed income funds**

These funds are invested in bonds like treasury bonds, municipal bond. Here is no risk for the investors because they get fixed income from it.

### **3.3.4 Income funds**

From this fund investors can maximize income from investment.

### **3.3.5 Balanced funds**

These funds are invested in both bonds and stocks. Here an investor risk is low and the investors get current income.

### **3.3.6 Asset-Allocation Funds**

These funds may include foreign equity, real estate shares, natural resources companies etc.

### **3.3.7 Specialized sector funds**

These funds are involved in particular and specific industries like housing, telecommunication, utilizes or precious metals.

## **3.4 Mutual fund returns**

There are three types of mutual fund returns:

- I. Dividends:* The dividend income to mutual fund company from investments in shares, both equity & preference, are passed on to holders. Their dividends are subject to tax deduction as per income Tax Laws.
- II. Capital gains:* Mutual fund holders or owners also get benefits of capital gain, which are realized & distribute in cash or hand. There are subject to tax in the same way as gain or uses of directly hold securities.
- III. Increase or decrease in net assets value:* The increase or decreases in net assets value are the results of unrealized gains & losses on portfolio holdings. They are not tax until released.

### 3.5 Advantages of Mutual Fund

- Mutual fund substantially lowers the investment risks of lower investors through diversification in which funds are spread out into various sectors, companies, securities as well as entirely different market.
- Mutual fund mobilizes the savings of small investors & channels them into lucrative investment opportunities. As a result, mutual fund adds liquidity to the market. Moreover, given that the funds are long-term investment vehicles, they reduce market volatility by offerings support to scrip price.
- Mutual fund provides the small investor's access to the whole market that, at an individual level, would be difficult if not impossible to achieve.
- Mutual funds are one of the most strictly regulated investment vehicles. The laws governing fund require exhaustive disclosure to the SEC as well as the general public. The laws also entail continuous regulations of fund operations by the Trustee.
- Mutual fund is the only vehicle which operates simultaneously both at the demand as well as the supply side of the market. On the supply side, the mutual funds being itself a listed security at the SEC, introduces a good & reliable instrument in the capital market for the small investor.
- The investor can pick & chase a mutual fund to match his or her particulars needs.
- The investors save a great deal in transaction cost given that he /she has access to a large number of securities by purchasing single share of a mutual fund.

## 3.6 Launching of ICB mutual funds

**Table 3.1 – Launching of ICB mutual funds**

Name of the fund	Date of launching	Paid-up capital (Tk. in lac)
First ICB Mutual Fund	25 April, 1980	75.00
Second ICB Mutual Fund	17 June, 1984	50.00
Third ICB Mutual Fund	19 May, 1985	100.00
Forth ICB Mutual Fund	06 June, 1986	100.00
Fifth ICB Mutual Fund	08 June, 1987	150.00
Sixth ICB Mutual Fund	16 May, 1988	500.00
Seventh ICB Mutual Fund	30 June, 1995	300.00
Eighth ICB Mutual Fund	23 July, 1996	500.00
	Total=	1775.00

*Source: Annual report of ICB mutual fund, 2012-2013 (page no. 7)*

## 3.7 An overview of ICB Mutual funds

### 3.7.1 First ICB Mutual Fund

First ICB Mutual Fund was established in April 1980, under regulation 29A of ICB (general) regulations with a total capital of TK. 50 lac divided into 50000 Certificates of Tk. 100 each. The management of the fund is vested with ICB.

As on 30<sup>th</sup> June, 2013 market value of the portfolio of First ICB mutual fund consisting of 154 securities amounted to Tk. 7377.15 lac as against cost price of Tk. 1610.49 lac. The market price per certificate was 932.00 as on June 30, 2013. As on June 30, 2013 the number of First ICB mutual fund certificate holders was 815. In 2012-2013, First ICB mutual fund declared Tk. 700 as per certificate dividend.

### 3.7.2 Second ICB Mutual Fund

Second ICB Mutual Fund was established in June 1984, under regulation 29A of ICB (general) regulations with a total capital of TK. 50 lac divided into 50000 Certificates of Tk. 100 each. The management of the fund is vested with ICB.

As on 30<sup>th</sup> June, 2013 market value of the portfolio of Second ICB mutual fund consisting of 154 securities amounted to Tk. 1733.82 lac as against cost price of Tk. 975.67 lac. The market price per certificate was 305.50 as on June 30, 2013. As on June 30, 2013 the number of Second ICB mutual fund certificate holders was 858. In 2012-2013, Second ICB mutual fund declared Tk. 375 as per certificate dividend.

### **3.7.3 Third ICB Mutual Fund**

Third ICB Mutual Fund was established in May 1985, under regulation 29A of ICB (general) regulations with a total capital of TK. 1 crore divided into 100,000 Certificates of Tk. 100 each. The management of the fund is vested with ICB.

As on 30<sup>th</sup> June, 2013 market value of the portfolio of Third ICB mutual fund consisting of 170 securities amounted to Tk. 2750.74 lac as against cost price of Tk. 1118.53 lac. The market price per certificate was 208.90 as on June 30, 2013. As on June 30, 2013 the number of Third ICB mutual fund certificate holders was 1202. In 2012-2013, Third ICB mutual fund declared Tk. 240 as per certificate dividend.

### **3.7.4 Fourth ICB Mutual Fund**

Fourth ICB Mutual Fund was established in June 1986, under regulation 29A of ICB (general) regulations with a total capital of TK. 1 crore divided into 100,000 Certificates of Tk. 100 each. The management of the fund is vested with ICB.

As on 30<sup>th</sup> June, 2013 market value of the portfolio of Forth ICB mutual fund consisting of 170 securities amounted to Tk. 2711.61 lac as against cost price of Tk. 1191.65 lac. The market price per certificate was 200.00 as on June 30, 2013. As on June 30, 2013 the number of Forth ICB mutual fund certificate holders was 1378. In 2012-2013, Fourth ICB mutual fund declared Tk. 240 as per certificate dividend.

### **3.7.5 Fifth ICB Mutual Fund**

Fifth ICB Mutual Fund was established in June 1987, under regulation 29A of ICB (general) regulations with a total capital of TK. 5 crore divided into 500,000 Certificates of Tk. 100 each. The management of the fund is vested with ICB.

As on 30<sup>th</sup> June, 2013 market value of the portfolio of Fifth ICB mutual fund consisting of 189 securities amounted to Tk. lac as against cost price of Tk. 1534.52 lac. The market price per certificate was 193.10 as on June 30, 2013. As on June 30, 2013 the number of Fifth ICB mutual fund certificate holders was 2126. In 2012-2013, Fifth t ICB mutual fund declared Tk. 200 as per certificate dividend.

### **3.7.6 Sixth ICB Mutual Fund**

Sixth ICB Mutual Fund was established in June 1988, under regulation 29A of ICB (general) regulations with a total capital of TK. 1.50 crore divided into 150,000 Certificates of Tk. 100 each. The management of the fund is vested with ICB.

As on 30<sup>th</sup> June, 2013 market value of the portfolio of Sixth ICB mutual fund consisting of 225 securities amounted to Tk. 3524.87 lac as against cost price of Tk. 2052.96 lac. The market price per certificate was 61.30 as on June 30, 2013. As on June 30, 2013 the number of Sixth ICB mutual fund certificate holders was 5154. In 2012-2013, Sixth ICB mutual fund declared Tk. 105 as per certificate dividend.

### **3.7.7 Seventh ICB Mutual Fund**

Seventh ICB Mutual Fund was established in July 1995, under regulation 29A of ICB (general) regulations with a total capital of TK. 3 crore divided into 300,000 Certificates of Tk. 100 each. The management of the fund is vested with ICB.

As on 30<sup>th</sup> June, 2013 market value of the portfolio of Seventh ICB mutual fund consisting of 114 securities amounted to Tk. 3869.62 lac as against cost price of Tk. 2107.93 lac. The market price per certificate was 112.00 as on June 30, 2013. As on June 30, 2013 the number of Seventh ICB mutual fund certificate holders was 2471. In 2012-2013, Seventh t ICB mutual fund declared Tk. 120 as per certificate dividend.

### **3.7.8 Eighth ICB Mutual Fund**

Eighth ICB Mutual Fund was established in August 1996, under regulation 29A of ICB (general) regulations with a total capital of TK. 5 crore divided into 500,000 Certificates of Tk. 100 each. The management of the fund is vested with ICB.

As on 30<sup>th</sup> June, 2013 market value of the portfolio of Eighth ICB mutual fund consisting of 207 securities amounted to Tk. 4211.44 lac as against cost price of Tk. 2507.33 lac. The market price per certificate was 68.40 as on June 30, 2013. As on June 30, 2013 the number of Eighth ICB mutual fund certificate holders was 5795. In 2012-2013, Eighth ICB mutual fund declared Tk. 110 as per certificate dividend.

### **3.8 Regulatory set-up of ICB Mutual Fund**

When ICB took the initiative of floating mutual fund in Bangladesh, there was no organized and recognized regulatory set-up for managing of mutual funds in Bangladesh. ICB had to formulate the necessary regulatory set-up and rules for the management of mutual funds; the regulatory set-up for ICB Mutual funds is explicitly explained in the ICB Regulation-1977. The main features of this regulatory set-up are mentioned below:

- The corporation might form the ICB mutual funds of such denominations and securities in such each case as the board may determine.
- ICB Mutual Fund certificates will be listed and quoted in the stock exchange in Bangladesh and the board may determine subject to the permission of the stock exchange.
- ICB Mutual funds certificate shall be movable property and freely transferable.
- ICB Mutual fund certificates may be offered for sale or subscription to the general public or to institution, individuals or class individuals or to all or some of them and in such manner as the board may in case determine.
- ICB Mutual fund certificate will be sold or offered for subscription with the prior consent of the government.

### **3.9 Mutual Fund Management**

There is a decision making board in order to manage different mutual funds.

As per board's decision securities are sold brought under different mutual funds. At the same way securities are sold. In case of new mutual fund subscribes for public issue. ICB authority

is made portfolio earlier by its own finance & given it name. After that it is published on any newspaper as prospectus, which shares & debentures have been, brought under these mutual fund shows in the prospectus. By studying this prospectus public response whether they will buy the mutual fund or not.

### **3.10 How to Buy or Sell Mutual Funds**

Mutual fund is a close-end fund. So anybody that wants to buy mutual fund he/she has to buy it from Dhaka Stock Exchange or Chittagong Stock Exchange through any stockbroker. In the same way he/she can sale it.

### **3.11 Registration of Mutual Fund**

In order to receive dividend or to be shareholder of mutual funds anybody who has purchased it must registrar his then name & address to company registration book without book closing date. Mutual fund department register shareholders name & address. As per the name & address Mutual Fund Department sent dividend warrant to shareholders.

### **3.12 Causes behind investing in Mutual Fund**

ICB mutual fund is regarded as the most trusted medium of investment in the country & it is very much popular with the small & medium of investment in the country & it is very much popular with small & medium investors. The reasons of investing in ICB mutual fund are as follow:

- i. Free from Tax:* Investment in mutual fund free from income tax.
- ii. High Return:* Most small & medium investor seeks a smooth return from their investment. The dividend payment against each certificate was very much attractive. This brings satisfaction to the investors.
- iii. Free from Harassment:* Investment want to avoid harassment in the investment process. Mutual fund of ICB reluctant the investors from such type of pressure.



- iv. **Risk Free:** Small & medium investors are very much cautious about the security of their investment & they found that there is not chance to loss their savings & no doubt about the institution that is will not close its operation without any notification.

### 3.13 How Mutual Funds Work

A mutual fund is a separate company. It has a structure that offers several safeguards for investors. The structure is stated in the following.

- i) **Shareholder ownership:** Since the investors bear the fund's investment risk so they are owners of the corporation.
- ii) **Board of Director:** Shareholders elect Board of Directors.
- iii) **Management Company:** Management Company handles daily administration. It may serve as the investment advisor, buying & selling of portfolio.
- iv) **Adviser:** According to the objects of the funds adviser runs the portfolio.
- v) **Independent Custodian:** The funds asset (stock, Bond's cash) is kept by an independent custodian. This protects shareholders against theft by management.
- vi) **Transfer agent:** The transfer agent handles sales & redemption of fund shares; handle dividend & capital gain distribution.
- vii) **Principal underwriter (fund distributor):** The underwriter helps to distribute fund shares to investing public.

### 3.14 Importance of Performance Evaluation

There are a number of situation in which the evaluation of portfolio performance becomes necessary & important, such as:

- ❖ **Self-Evaluation:** to evaluate how well is done as individual investor with a view of refining one's skills & improving one's performance over period of time.

- ❖ ***Evaluation of Managers:*** To evaluate portfolio managers by an investment company or asset management company in order to compare performance of these manager among several such manager each running a separate fund or sub-fund within an organization on the performance of a portfolio manager over a number of years.
  
- ❖ ***Evaluation of Mutual Fund:*** To evaluate the various mutual funds operating in the country in order to take division by the investor which if any, of there should be chosen for investment, or to evaluate the efficacy by the individuals or organization who engage external agencies for portfolio advisory services?

Thus, one important reason for doing performance evaluation is to help in correcting errors of portfolio management & improving the performance over a period of time.

## Chapter: 4

# An Appraisal of ICB Mutual Funds

## 4.1 Mutual Funds of ICB

It is a recognized principle that diversification of investment reduces risk. An individual may not have the time, expertise and resources to undertake such diversification. Here arises the advantage of a Mutual Fund. Mutual Funds pool the savings of a great number of investors and make investments in a wide array of securities. In Bangladesh ICB has pioneered Mutual Funds for the sake of investors and of the capital market. Country's first Mutual Fund the "First ICB Mutual Fund" was floated on 25<sup>th</sup> April 1980. Since then ICB has, over the years, floated 8 Mutual Funds with the total capital of Tk. 17.75 crore. ICB Mutual Funds continued to command the confidence and attraction of investors as lucrative and rewarding investment in terms of steady dividend performance.

**Table 4.1 - Performance of ICB Mutual Funds**

(As on 30 June 2013)

Name of the funds	Size of the fund (Taka in lac)	No. of companies in the portfolio	Market value of the portfolio (Taka in lac)	Market price per certificate (Taka)	Dividend declared in FY 2012-2013 (Tk. per certificate)	No. of certificate holders as on June 30, 2013
<b>First ICB Mutual Fund</b>	1610.49	154	7377.15	932.00	700	815
<b>Second ICB Mutual Fund</b>	975.67	154	1733.82	305.50	375	858
<b>Third ICB Mutual Fund</b>	1118.53	170	2750.74	208.90	240	1202
<b>Forth ICB Mutual Fund</b>	1191.65	170	2711.61	200.00	240	1378
<b>Fifth ICB Mutual Fund</b>	1534.52	189	3502.32	193.10	200	2126
<b>Sixth ICB Mutual Fund</b>	2052.96	225	3524.87	61.30	105	5154

<b>Seventh ICB Mutual Fund</b>	2107.93	214	3869.62	112.00	120	2471
<b>Eighth ICB Mutual Fund</b>	2507.33	207	4211.44	68.40	110	5795
<b>Total</b>	13099.08	1483	29681.57		2090	19799

*Source: Annual report of ICB mutual fund 2012-2013 (page no. – 6, 7, 10)*

#### **4.1.1 First ICB Mutual Fund**

It is shown in Table – 4.1 that as on 30<sup>th</sup> June, 2013 market value of the portfolio of First ICB mutual fund consisting of 154 securities amounted to Tk. 7377.15 lac as against cost price of Tk. 1610.49 lac. The market price per certificate was 932.00 as on June 30, 2013. As on June 30, 2013 the number of First ICB mutual fund certificate holders was 815. In 2012-2013, First ICB mutual fund declared Tk. 700 as per certificate dividend.

#### **4.1.2 Second ICB Mutual Fund**

In Table – 4.1, it is shown that as on 30<sup>th</sup> June, 2013 market value of the portfolio of Second ICB mutual fund consisting of 154 securities amounted to Tk. 1733.82 lac as against cost price of Tk. 975.67 lac. The market price per certificate was 305.50 as on June 30, 2013. As on June 30, 2013 the number of Second ICB mutual fund certificate holders was 858. In 2012-2013, Second ICB mutual fund declared Tk. 375 as per certificate dividend.

#### **4.1.3 Third ICB Mutual Fund**

It is shown in Table – 4.1 that as on 30<sup>th</sup> June, 2013 market value of the portfolio of Third ICB mutual fund consisting of 170 securities amounted to Tk. 2750.74 lac as against cost price of Tk. 1118.53 lac. The market price per certificate was 208.90 as on June 30, 2013. As on June 30, 2013 the number of Third ICB mutual fund certificate holders was 1202. In 2012-2013, Third ICB mutual fund declared Tk. 240 as per certificate dividend.

#### **4.1.4 Fourth ICB Mutual Fund**

It is shown in the table – 4.1 that as on 30<sup>th</sup> June, 2013 market value of the portfolio of Forth ICB mutual fund consisting of 170 securities amounted to Tk. 2711.61 lac as against cost price of Tk. 1191.65 lac. The market price per certificate was 200.00 as on June 30, 2013. As on June 30, 2013 the number of Forth ICB mutual fund certificate holders was 1378. In 2012-2013, Fourth ICB mutual fund declared Tk. 240 as per certificate dividend.

#### **4.1.5 Fifth ICB Mutual Fund**

As on 30<sup>th</sup> June, 2013 market value of the portfolio of Fifth ICB mutual fund consisting of 189 securities amounted to Tk. lac as against cost price of Tk. 1534.52 lac. The market price per certificate was 193.10 as on June 30, 2013. As on June 30, 2013 the number of Fifth ICB mutual fund certificate holders was 2126. In 2012-2013, Fifth t ICB mutual fund declared Tk. 200 as per certificate dividend.

#### **4.1.6 Sixth ICB Mutual Fund**

It appears from Table – 4.1 that as on 30<sup>th</sup> June, 2013 market value of the portfolio of Sixth ICB mutual fund consisting of 225 securities amounted to Tk. 3524.87 lac as against cost price of Tk. 2052.96 lac. The market price per certificate was 61.30 as on June 30, 2013. As on June 30, 2013 the number of Sixth ICB mutual fund certificate holders was 5154. In 2012-2013, Sixth ICB mutual fund declared Tk. 105 as per certificate dividend.

#### **4.1.7 Seventh ICB Mutual Fund**

It is shown in Table – 4.1 that as on 30<sup>th</sup> June, 2013 market value of the portfolio of Seventh ICB mutual fund consisting of 114 securities amounted to Tk. 3869.62 lac as against cost price of Tk. 2107.93 lac. The market price per certificate was 112.00 as on June 30, 2013. As on June 30, 2013 the number of Seventh ICB mutual fund certificate holders was 2471. In 2012-2013, Seventh t ICB mutual fund declared Tk. 120 as per certificate dividend.

#### **4.1.8 Eighth ICB Mutual Fund**

It appears from Table – 4.1 that as on 30<sup>th</sup> June, 2013 market value of the portfolio of Eighth ICB mutual fund consisting of 207 securities amounted to Tk. 4211.44 lac as against cost

price of Tk. 2507.33 lac. The market price per certificate was 68.40 as on June 30, 2013. As on June 30, 2013 the number of Eighth ICB mutual fund certificate holders was 5795. In 2012-2013, Eighth ICB mutual fund declared Tk. 110 as per certificate dividend.

## 4.2 Comparative Performance of ICB Mutual Funds

**Table 4.2 - Comparison of ICB mutual funds' Performance**

Name of Mutual Funds	2012-13				2011-12			
	Per certificate		As on 30 June 2013		Per certificate		As on 30 June 2012	
	Income Tk	Dividend Payment Tk	Market price per certificate Tk	Market capitalization (Tk in crore)	Income Tk	Dividend payment Tk	Market price per certificate Tk	Market capitalization (Tk in crore)
First ICB Mutual Fund	75.63	700	932	69.90	70.73	600	877	65.77
Second ICB Mutual Fund	44.10	375.0	305.50	15.27	36.08	300	191.50	9.57
Third ICB Mutual Fund	26.16	240	208.90	20.89	25.37	200	146.40	14.64
Fourth ICB Mutual Fund	29.24	240	200	20	24.35	185.0	147.80	14.78
Fifth ICB Mutual Fund	23.45	200	193.10	28.97	22.84	170	133.60	20.04
Sixth ICB Mutual Fund	10.99	105.0	61.30	30.65	11.98	100	48.70	24.35
Seventh ICB Mutual Fund	13.53	120	112	33.60	14.79	110	88	26.40
Eighth ICB Mutual Fund	12.47	110	68.40	34.20	12.79	100	59.60	29.80

*Source: Annual report of ICB mutual fund 2011-2012, 2012-2013*

The above table shows that the performance of ICB mutual funds in 2013 is better than 2012. Net income and dividend are increased in 2013. Again market certificate per certificate are also increased in 2013. So we can say that the performance of ICB mutual fund is better than the previous year.

### 4.3 Portfolio Position (as on 30 June 2013)

**Table 4.3 - Portfolio position, Market price per certificate and Number of certificate holders**

Name of the Fund	Cost of Portfolio (Tk. in lac)	Market Value of the Portfolio (Tk. in lac)	Market price Per Certificate (Taka)	No. of Certificate-holders
1 <sup>st</sup> ICB Mutual Fund	1610.49	7377.15	932.00	815
2 <sup>nd</sup> ICB Mutual Fund	975.67	1733.82	305.50	858
3 <sup>rd</sup> ICB Mutual Fund	1118.53	2750.74	208.90	1202
4 <sup>th</sup> ICB Mutual Fund	1191.65	2711.61	200.00	1378
5 <sup>th</sup> ICB Mutual Fund	1534.52	3502.32	193.10	2126
6 <sup>th</sup> ICB Mutual Fund	2052.96	3524.87	61.30	5154
7 <sup>th</sup> ICB Mutual Fund	2107.93	3869.62	112.00	2471
8 <sup>th</sup> ICB Mutual Fund	2507.33	4211.44	68.40	5795
<b>Total</b>	<b>13099.08</b>	<b>29681.57</b>		<b>19799</b>

*Source: Annual report of ICB Mutual fund 2012-2013 (page no. 6)*

In the above table states that, number of certificate holder is highest in eighth ICB mutual fund and the lowest in first ICB mutual fund. Market price per certificate is higher in 1<sup>st</sup> ICB mutual fund which is 932 Taka and lowest in 6<sup>th</sup> ICB mutual fund which is 61.30 Taka. Cost of the portfolio is high in eighth ICB mutual fund that is 250733000 taka. The lowest cost is in 2<sup>nd</sup> ICB mutual fund which is 97567000 taka.

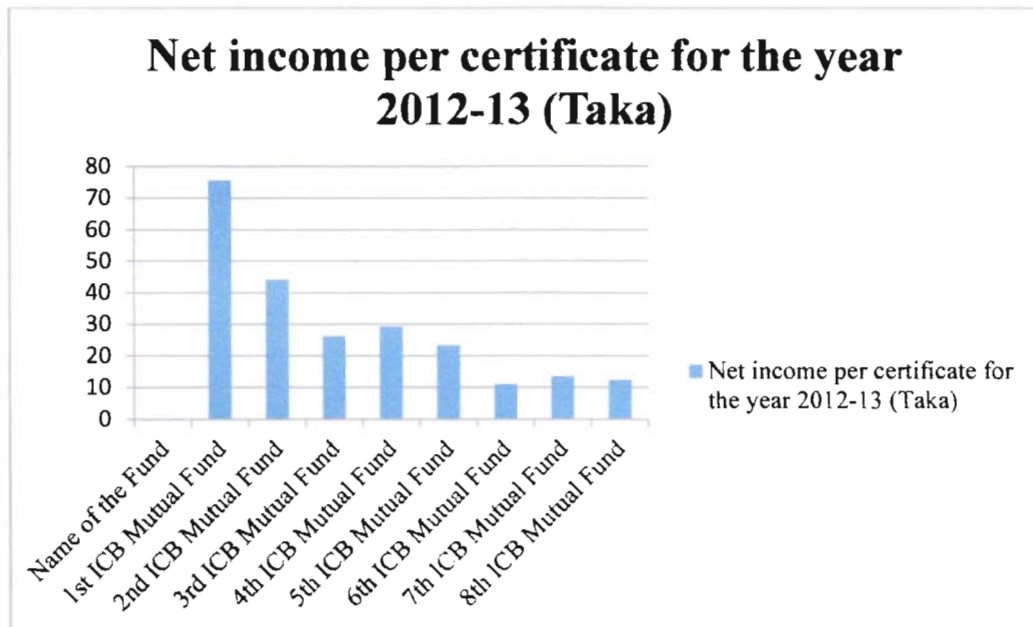


## 4.4 Operational Results (2012-13)

**Table 4.4 - Operational results of ICB mutual funds**

Name of the Fund	Net income per certificate for the year 2012-13 (Taka)	Distributable income per Certificate as on 30 June 2013 (Taka)	Ex-dividend Net Asset Value per certificate (Taka)
1 <sup>st</sup> ICB Mutual Fund	75.63	161.71	872.30
2 <sup>nd</sup> ICB Mutual Fund	44.10	90.14	215.61
3 <sup>rd</sup> ICB Mutual Fund	26.16	61.55	211.16
4 <sup>th</sup> ICB Mutual Fund	29.24	66.33	205.24
5 <sup>th</sup> ICB Mutual Fund	23.45	46.79	168.92
6 <sup>th</sup> ICB Mutual Fund	10.99	20.53	49.64
7 <sup>th</sup> ICB Mutual Fund	13.53	29.87	86.60
8 <sup>th</sup> ICB Mutual Fund	12.47	25.99	59.07

Source: Annual report of ICB Mutual fund 2012-2013 (page no. 7)



Net income per certificate was high in 2013 which was 75.63 taka in first ICB mutual fund and lowest was in 6<sup>th</sup> ICB mutual fund which was 10.99 taka.

## 4.5 Declaration of Dividend

The net income received on investments of Funds on account of dividend, bonus, interest, capital gain etc. are distributed amongst the Certificate holders as per decision of the Board of Directors of ICB. Board declares such income in the form of dividend at the end of July each year. Dividends declared by ICB in the past on the Mutual Funds were very attractive. The year-wise per certificate dividend performance of the Funds is given below.

**Table 4.5 - Rate of the Dividend per Certificate (Taka)**

FY	ICB Mutual Funds	1 st	2nd	3 rd	4 th	5 th	6 th	7 th	8 th
1980-1981		20							
1981-1982		20							
1982-1983		20							
1983-1984		25							
1984-1985		35	21						
1985-1986		38	23	21					
1986-1987		41	25.5	22.5	21.5				
1987-1988		48	28	25.5	23				
1988-1989		49	29	26	23.5	20.5	15.5		
1989-1990		49	29	26	23.5	20.5	13.25		
1990-1991		35	22	19	17	10	6		
1991-1992		31	22	19	18	11	6		
1992-1993		31.5	21	18	17	12	-		
1993-1994		45	27	22	40	25	16		
1994-1995		50	40	27	41	28	18		
1995-1996		60	42	28	41	30	20	18	
1996-1997		70	45	38	45	35	24	21	18
1997-1998		70	30	35	32	22	18	14	12
1998-1999		100	32	38	35	20	15	13	12
1999-2000		125	35	40	36	21	16	13.5	12.5
2000-2001		170	40	45	38	23	17	14	13
2001-2002		175	42	50	40	24	17.50	14.50	13.50
2002-2003		180	45	50	40	24	17.50	14.50	13.50
2003-2004		200	50	50	45	24	17.50	15	14
2004-2005		210	55	52	48	27	18.50	16	15
2005-2006		210	55	52	48	27	18.50	16	15
2006-2007		190	62	56	52	33	23	22.50	18
2007-2008		265	75	65	60	45	30	30	25
2008-2009		310	95	85	80	56	37	35	32
2009-2010		400	200	140	125	100	75	70	65
2010-2011		500	250	185	165	135	90	95	90
2011-2012		600	300	200	185	170	100	110	100
2012-2013		700	375	240	240	200	105	120	110

#### 4.6 Dividend performance (Tk. per Certificate)

**Table 4.6 – Dividend performance of ICB mutual funds**

Mutual Funds	Financial Years				
	2008-09	2009-10	2010-11	2011-12	2012-13
1 <sup>st</sup> ICB Mutual Fund	310.00	400.00	500.00	600.00	700.00
2 <sup>nd</sup> ICB Mutual Fund	95.00	200.00	250.00	300.00	375.00
3 <sup>rd</sup> ICB Mutual Fund	85.00	140.00	185.00	200.00	240.00
4 <sup>th</sup> ICB Mutual Fund	80.00	125.00	165.00	185.00	240.00
5 <sup>th</sup> ICB Mutual Fund	56.00	100.00	135.00	170.00	200.00
6 <sup>th</sup> ICB Mutual Fund	37.00	75.00	90.00	100.00	105.00
7 <sup>th</sup> ICB Mutual Fund	35.00	70.00	95.00	110.00	120.00
8 <sup>th</sup> ICB Mutual Fund	32.00	65.00	90.00	100.00	110.00

*Source: Annual report of ICB Mutual fund 2012-2013 (page no. 8)*

The table states that the dividend performance is increasing day by day. The dividend of first ICB mutual fund was only 310 in 2008-2009 but in 2012-2013 it was 700 taka. So, the dividend is increased almost double in first ICB mutual fund. Similarly all other dividend also increased from the previous years. So, we can say that the dividend performance of ICB mutual fund is good.

## 4.7 Comparison of performance of ICB mutual funds

**Table 4.7 - Comparison of EPS, Dividend & Net asset value between 2012 and 2013**

Particulars	For the year ended 30 June. 2013.	For the year ended 30 June. 2013. (Consolidated)	For the year ended 30 June. 2012.	For the year ended 30 June. 2012. (Consolidated)
Net Profit after Tax:	Tk. 247.91 crore	Tk. 376.42 crore	Tk. 394.14 crore	Tk. 462.59 crore
Earning Per Share (EPS):	Tk. 58.76	Tk. 89.23	Tk. 93.43	Tk. 109.65
Net Operating Cash Flow per share:	Tk. 361.14	Tk. 380.53	Tk. 204.24	Tk. 214.04
Dividend	Cash	40%	-	25%
	Stock	-	-	25%
Net Asset Value per Share:	Tk. 500.63	Tk. 607.74	Tk. 524.82	Tk. 615.99

Source: [http://www.icb.gov.bd/mutual\\_fund.php](http://www.icb.gov.bd/mutual_fund.php)

In 2013, Net income after tax was 247.91 crore Tk whereas in 2012 it was 394.42 crore Tk. So, we see that net income is decreased in 2013. EPS is also decreased in 2013 by 34.67 Taka. During 2013, ICB declared 40% cash dividend where as in 2012 it declared 25% cash dividend as well as 25% stock dividend. Net asset value per share was 500.63 crore taka in 2013 whereas in 2012 it was 524.82 crore taka. So net asset value decreased in 2013..

## 3.8 Formula used for Evaluation

- **Average price** =  $(\text{Year high price} + \text{year low price}) / 2$
- **Pay-out Ratio** =  $\{\text{Dividend per share (DPS)} / \text{Earnings per share (EPS)}\} \times 100$
- **Dividend Yield Ratio** =  $\{\text{Dividend per certificate (DPC)} / \text{Market price per certificate (MPC)}\} \times 100$
- **Changing dividend %** =  $(\text{current year dividend} - \text{previous year dividend}) / \text{value of previous year} \times 100$
- **Growth Rate (Based Year)** =  $\{\text{Value of current year} - \text{value of previous year}\} \times 100$
- **Net Asset** = Total Assets – Total liabilities.
- **Expense Ratio** = Total Expense / Net Assets.
- **Price- Earning (P/E) Ratio** =  $(\text{MPC} / \text{EPC})$
- **Dividend pay-out Ratio** =  $(\text{DPC} / \text{EPC}) \times 100$

## 4.9 Calculation of two years performance of ICB's Mutual Funds (summary)

### 1<sup>st</sup> Mutual Fund

Year	Cost Price Portfolio Tk. in lac	Market value of Portfolio Tk. in lac	Growth Rate of MV Base Year (%)	Market Price / Certificate Tk.	EPC Tk.	DPC Tk.	P/E Ratio	Dividend Pay-out Ratio (%)	Dividend Yield (%)
2013	1610.49	7377.15	-11.64	932.00	161.71	700	5.76	432.87	75.11
2012	1306.88	8349.16	10.25	882.00	146.08	600	6.03	410.73	68.03

### 2nd Mutual fund

Year	Cost Price Portfolio Tk. in lac	Market value of Portfolio Tk. in lac	Growth Rate of MV Base Year (%)	Market Price / Certificate Tk.	EPC Tk.	DPC Tk.	P/E Ratio	Dividend Pay-out Ratio(%)	Dividend Yield (%)
2013	975.67	1733.82	9.36	305.50	90.14	375	3.39	416.02	122.75
2012	804.44	1585.47	8.77	190.00	76.04	300	2.50	394.53	157.89

### 3<sup>rd</sup> Mutual Fund

Year	Cost Price Portfolio Tk. in lac	Market value of Portfolio Tk. in lac	Growth Rate of MV Base Year (%)	Market Price / Certificate Tk.	EPC Tk.	DPC Tk.	P/E Ratio	Dividend Pay-out Ratio(%)	Dividend Yield (%)
2013	1118.53	2750.74	25.09	208.90	61.55	240	3.39	389.93	114.89
2012	884.92	2199.03	18.07	151.00	55.39	200	2.73	361.08	132.45

### 4<sup>th</sup> Mutual Fund

Year	Cost Price Portfolio Tk. in lac	Market value of Portfolio Tk. in lac	Growth Rate of MV Base Year (%)	Market Price / Certificate Tk.	EPC Tk.	DPC Tk.	P/E Ratio	Dividend Pay-out Ratio(%)	Dividend Yield (%)
2013	1191.65	2711.61	27.92	200.00	66.33	240	3.02	361.83	120
2012	963.59	2119.70	22.49	147.80	55.59	185	2.66	332.79	125.17

### 5<sup>th</sup> Mutual Fund

Year	Cost Price Portfolio Tk. in lac	Market value of Portfolio Tk. in lac	Growth Rate of MV Base Year (%)	Market Price / Certificate Tk.	EPC Tk.	DPC Tk.	P/E Ratio	Dividend Pay-out Ratio(%)	Dividend Yield (%)
2013	1534.52	3502.32	15.03	193.10	46.79	200	4.13	427.44	103.57
2012	1276.74	3044.68	11.58	136.70	40.34	170	3.39	421.42	124.36

### 6<sup>th</sup> Mutual Fund

Year	Cost Price Portfolio Tk. in lac	Market value of Portfolio Tk. in lac	Growth Rate of MV Base Year (%)	Market Price / Certificate Tk.	EPC Tk.	DPC Tk.	P/E Ratio	Dividend Pay-out Ratio (%)	Dividend Yield (%)
2013	2052.96	3524.87	3.52	61.30	20.53	105	2.99	511.45	171.29
2012	1799.64	3404.95	15.03	48.30	19.54	100	2.47	511.77	207.04

### 7<sup>th</sup> Mutual Fund

Year	Cost Price Portfolio Tk. in lac	Market value of Portfolio Tk. in lac	Growth Rate of MV Base Year (%)	Market Price / Certificate Tk.	EPC Tk.	DP C Tk.	P/E Ratio	Dividend Pay-out Ratio(%)	Dividend Yield (%)
2013	2107.93	3869.62	-0.35	112.00	29.35	120	3.82	408.86	107.14
2012	1829.77	3883.34	20.57	102.00	27.34	110	3.73	402.34	107.84

### 8<sup>th</sup> Mutual Fund

Year	Cost Price Portfolio Tk. in lac	Market value of Portfolio Tk. in lac	Growth Rate of MV Base Year (%)	Market Price / Certificate Tk.	EPC Tk.	DPC Tk.	P/E Ratio	Dividend Pay-out Ratio(%)	Dividend Yield (%)
2013	2507.33	4211.44	-6.34	68.40	28	110	2.44	392.86	160.82
2012	2224.41	4496.42	18.88	52.30	23.52	100	2.22	425.17	191.20

## 4.10 Performance Analysis of ICB Mutual Funds

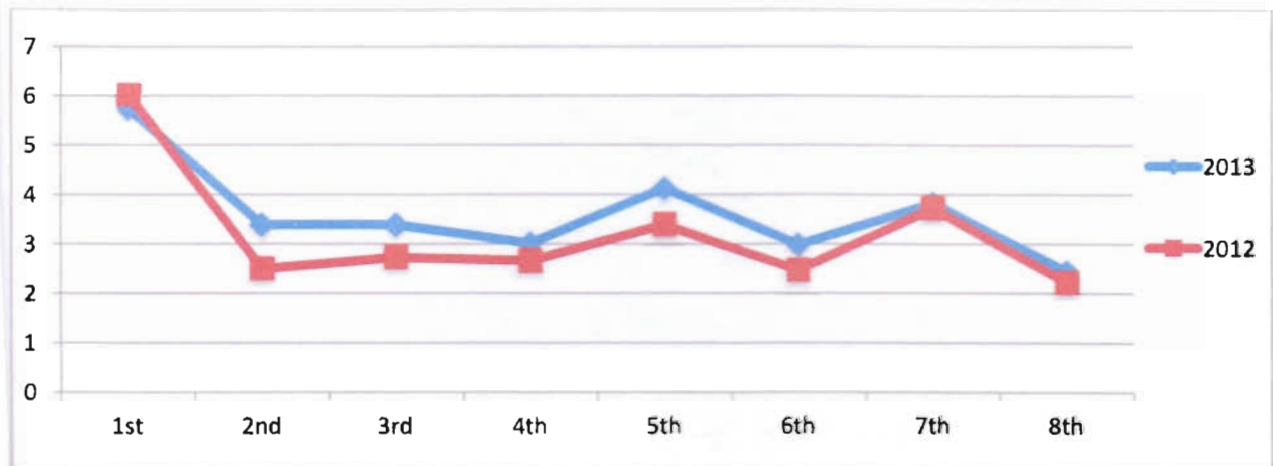
### 4.10.1 Price Earning Ratio

Table 4.8 – Price earning ratio of ICB mutual funds

Year	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>
2013	5.76	3.39	3.39	3.02	4.13	2.99	3.82	2.44
2012	6.03	2.50	2.73	2.66	3.39	2.47	3.73	2.22

The higher price earnings ratio indicates the better condition of the firm & if it falls down and it also means that the performance of the company is not good. We see that all P/E ratios are increasing in 2013 except 1<sup>st</sup> ICB mutual fund. Lower P/E ratio is good for the investors because they will get back their investment through earnings within less time. On the other hand, higher P/E ratio is not good for the investors, because they will get back their investment through earning within more time.

Graph 4.1 - Price Earning Ratio



In this graph, except 1<sup>st</sup> ICB mutual fund, all the mutual funds P/E is increasing trend in 213.



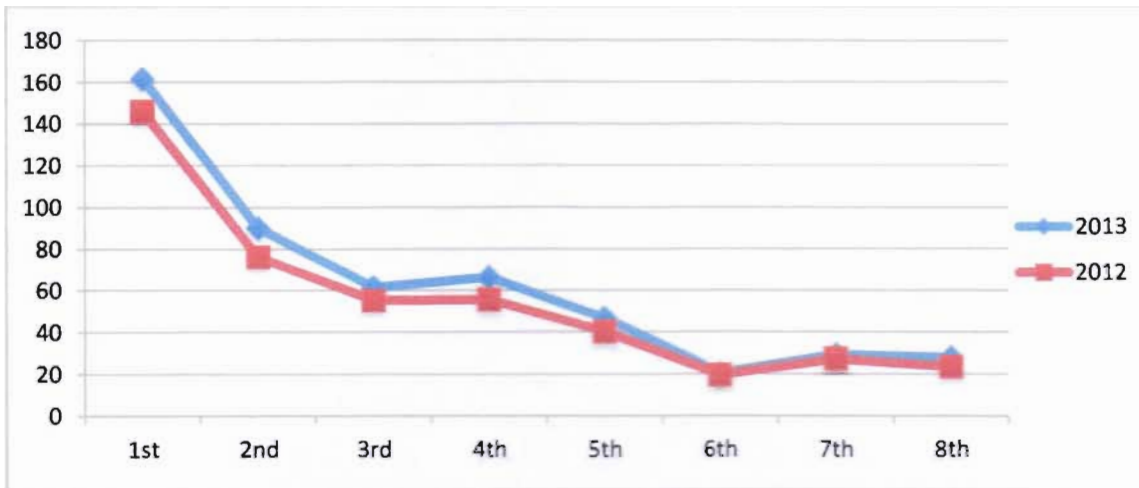
#### 4.10.2 Earnings per certificate (Taka)

**Table 4.9 – Earning per share of ICB mutual funds**

Year	1st	2nd	3 <sup>rd</sup>	4th	5th	6th	7 <sup>th</sup>	8th
2013	161.71	90.14	61.55	66.33	46.79	20.53	29.35	28
2012	146.08	76.04	55.39	55.59	40.34	19.54	27.34	23.52

Earning per certificate means how much mutual fund is earning from a particular certificate within a year. When earnings per certificate goes up it is good, but when it goes down it became bad for the fund. In 2013, EPC increased in all the mutual funds. So, it indicates a positive sign of the ICB mutual funds.

**Graph 4.2 - Earnings per certificate**



The ratio of all Mutual funds has increased in 2013 from 2012. From the investor's point of view, if EPC increase, dividend per share will increase & the investors will be benefited from both capital gain & dividend. But, if EPC decreases then price per certificate will decrease, dividend per share will decrease & it will be bad for the investors.

From the funds point of view, increase of EPC is also good because the investors will have confidence on the fund & management team for their efficiency on the maintenance of the portfolio. If EPC decrease then it is bad because investors will have no confidence on the fund & management team.

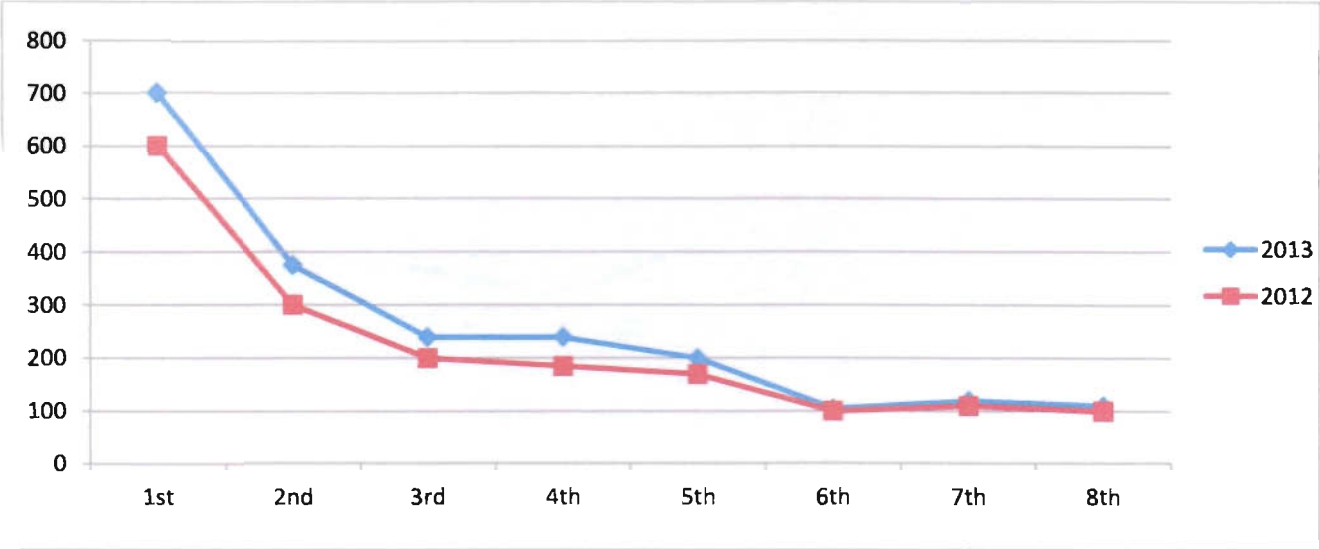
### 4.10.3 Dividend per Certificate (Taka)

**Table 4.10 – Dividend per certificate of ICB mutual funds**

Year	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>
2013	700	375	240	240	200	105	120	110
2012	600	300	200	185	170	100	110	100

DPC means that how much dividend a mutual fund is declaring against per certificate for a particular period. If the DPC goes up then it is good for the fund & if DPC goes down then it is bad for the fund.

**Graph 4.3 - Dividend per Certificate**



We see that 1<sup>st</sup> mutual fund declared highest rate of dividend i.e., Tk. 700 per certificate and 2<sup>nd</sup> mutual fund declared dividend i.e., Tk. 375 per certificate. 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> & 5<sup>th</sup> mutual funds are good. Whereas, dividend per certificate of 8<sup>th</sup>, 7<sup>th</sup>, & 6<sup>th</sup> mutual funds are low.

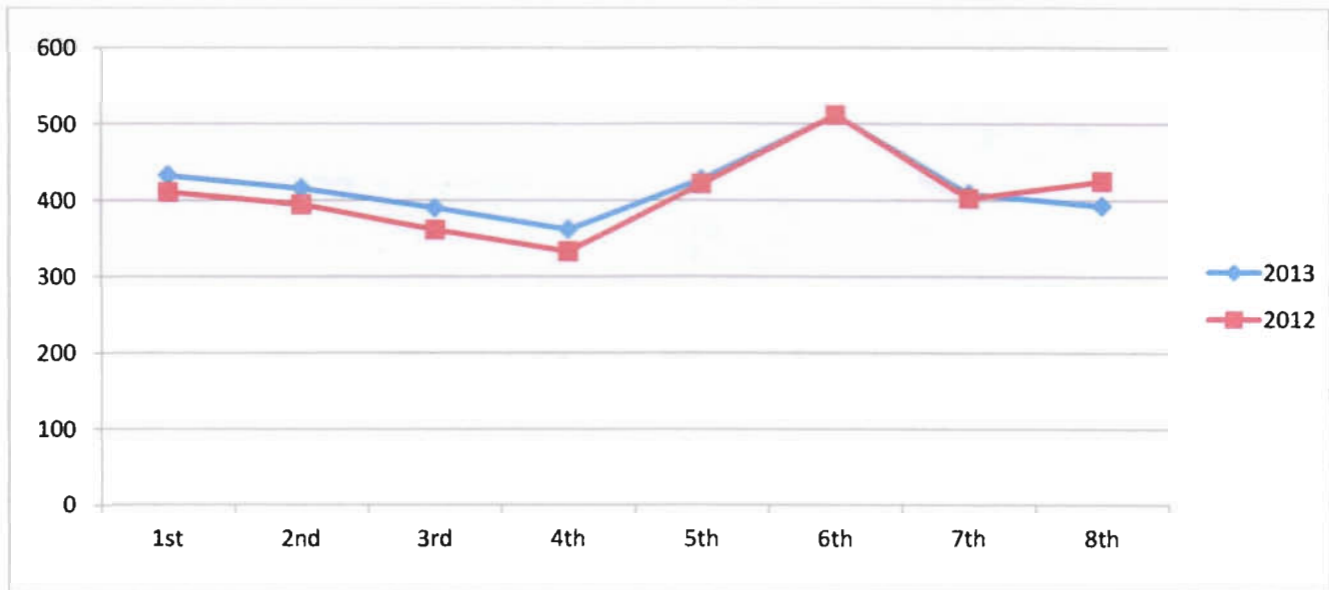
#### 4.10.4 Dividend Pay-out Ratio

**Table 4.11 – Dividend pay-out ratio of ICB mutual funds**

Year	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>
2013	432.87	416.02	389.93	361.83	427.44	511.45	408.86	392.86
2012	410.73	394.53	361.08	332.79	421.42	511.77	402.34	425.17

Dividend payout ratio is the percentage of dividend per certificate distributed to the shareholders against earnings per certificates. If dividend payout ratio is low, then generally it is good for the mutual fund because, the fund may reinvest the earnings, which is not distributed to the securities. But it depends on industry-to-industry & other factors, such as fund’s income or its dividend policy.

**Graph 4.4 - Dividend Pay-out Ratio**



The dividend payout ratio of 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> mutual funds are low. It is good because size of the above four funds are small compares to other funds & can invest in securities without much borrowing costly capital. On the other hand, dividend payout ratio of 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> & 4<sup>th</sup> mutual funds are high.

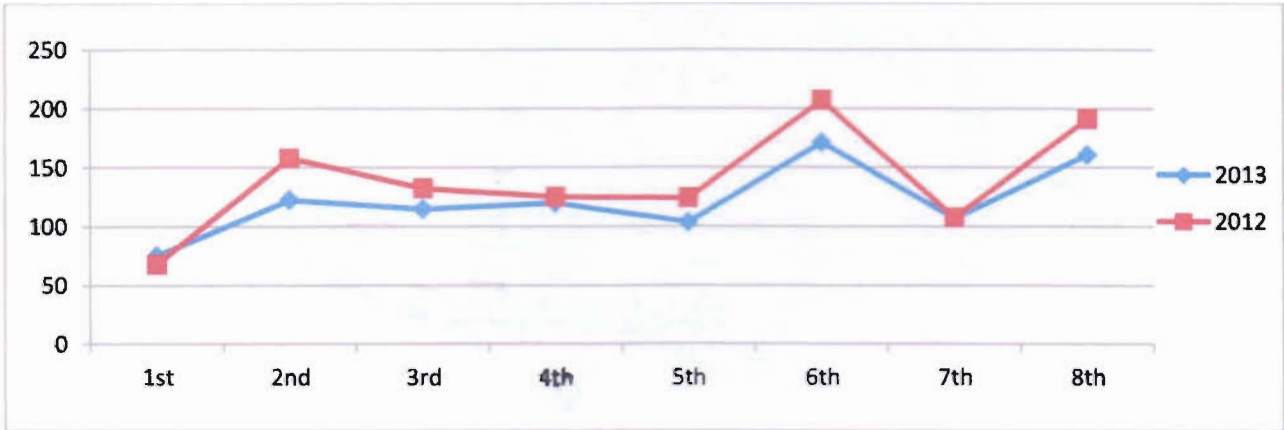
**4.10.5 Dividend Yield Ratio**

**Table 4.12 – Dividend yield ratio of ICB mutual funds**

Year	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>
2013	75.11	122.75	114.89	120	103.57	171.29	107.14	160.82
2012	68.03	157.89	132.45	125.17	124.36	207.04	107.84	191.20

It evaluates the shareholder return in relation to the market value of the share. The investors always will show his/her interest the share, which dividend yield is high.

**Graph 4.5 - Dividend Yield Ratio**



This graph shows that, in 2013, all the mutual funds except 1<sup>st</sup> mutual fund are decreasing trend compared to 2012 data. It indicates poor performance of the company. Whereas in 2012, the dividend yield ratio was satisfactory.

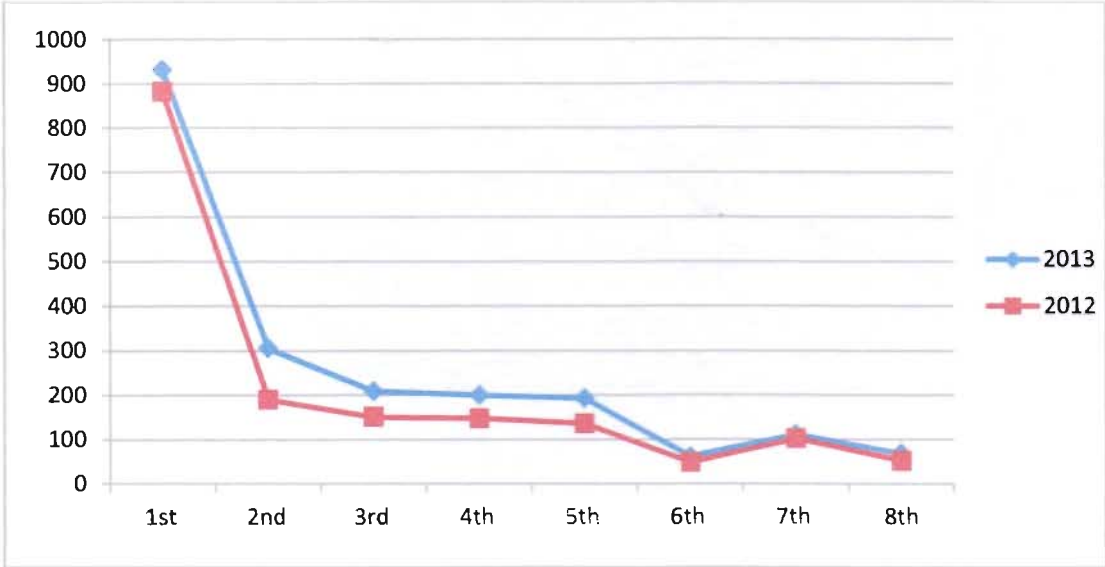
### 4.10.6 Market Price per certificate

**Table 4.13 – Market price per certificate of ICB mutual funds (Taka)**

Year	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>
013	932	305.50	208.90	200	193.10	61.30	112	68.40
2012	882	190	151	147.80	136.70	48.30	102	52.30

If the market price of a certificate increases, then the investors automatically expect high dividend or they may make gain from selling that certificate.

**Graph 4.6 - Market Price per certificate**



So, the market price of a certificate of a fund is very important for the investors. Because it shows the future growth, the investors are confident on the fund.

In this graph, all the mutual funds' market price per certificate is increasing. It indicates the growth of the ICB mutual funds. Investors expect higher dividend from the company.

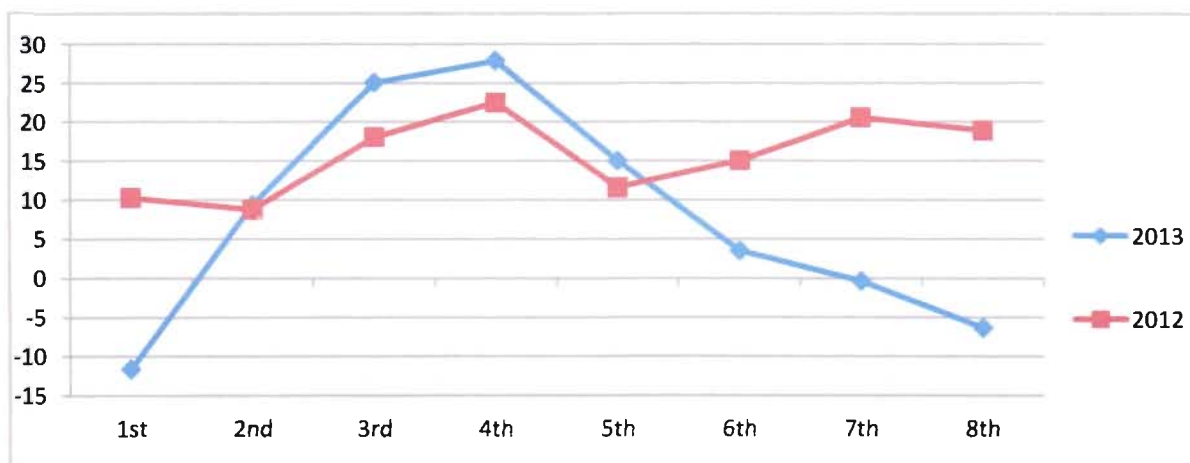
#### 4.10.7 Growth Rate of Market Value (%)

**Table 4.14 – Growth rate of Market value of ICB mutual funds**

Year	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>
2013	-11.64	9.36	25.09	27.92	15.03	3.52	-0.35	-6.34
2012	10.25	8.77	18.07	22.49	11.58	15.03	20.57	18.88

Market value means the fund is valued how much in the market. It is determined through demand & supply.

**Graph 4.7 - Growth Rate of Market Value**



If the market value goes up it is better for the fund & when it is down, it is bad for the fund.

From the graph, we can say that market value of 1<sup>st</sup>, 6<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup> ICB mutual funds in 2013 are lower than 2012. On the other hand, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> ICB mutual funds have higher growth

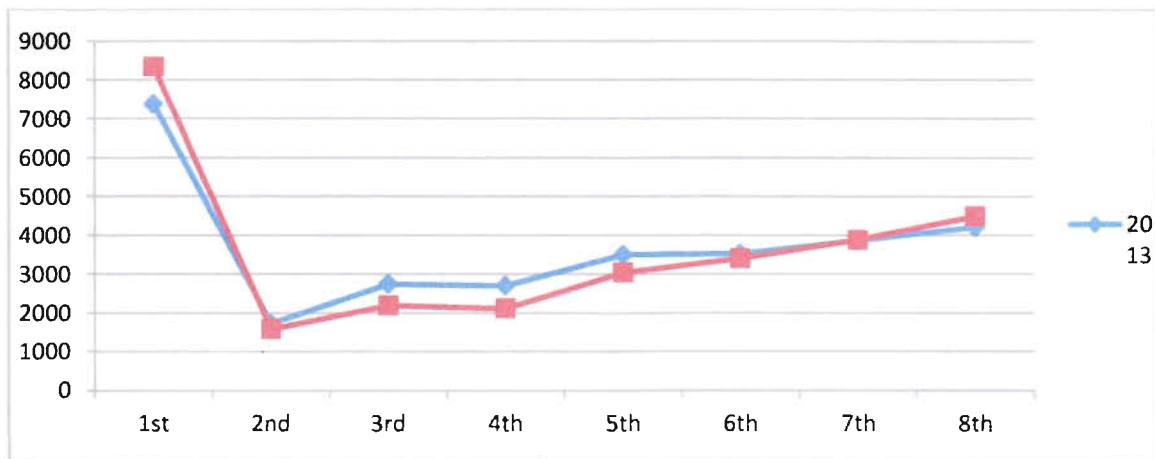
than 2012. Higher growth indicates the better position of the company and lower growth indicates the poor condition of the company.

#### 4.10.8 Market Value of Mutual Funds

**Table 4.15 – Market value of mutual funds (Taka in lac)**

Year	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>
2013	7377.15	1733.82	2750.74	2711.61	3502.32	3524.87	3869.62	4211.44
2012	8349.16	1585.47	2199.03	2119.70	3044.68	3404.95	3883.34	4496.42

**Graph 4.8 - Market Value of Mutual Funds**



Except 1<sup>st</sup>, 7<sup>th</sup> & 8<sup>th</sup> mutual funds, all mutual funds are raised in 2013 from 2012. If the market value of mutual fund increases, the investors want to invest more in the corporation. So, more funds can be accumulated if market share of mutual funds increase. In 2013, the value of first ICB mutual fund, seventh ICB mutual fund and eighth ICB mutual fund are in decreasing trend in relation to 2012

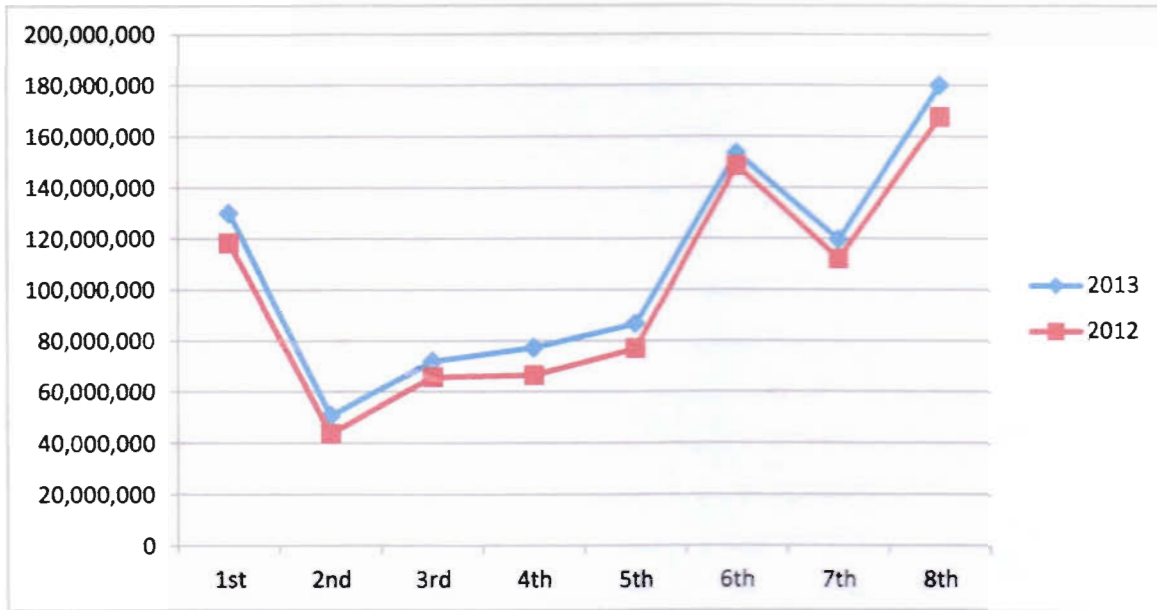
#### 4.10.9 Net Asset value (Taka)

**Table 4.16 – Net asset value of mutual funds**

Year	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>
2013	130,058,864	50,741,164	71,936,849	77,243,125	86,605,040	153,506,124	119,618,642	179,952,753
2012	118,333,451	43,692,944	65,775,955	66,503,888	76,933,125	148,540,690	112,038,823	167,578,644

Net asset value is the difference between net assets of the company and net liabilities of the companies.

**Graph 4.9 - Net Asset value (Taka)**



This graph shows that all the mutual funds have more net asset value in 2013 than 2012 which indicates the positive sign. Basically net asset value indicates that the net assets of ICB mutual funds are more than the net liabilities of ICB mutual funds.



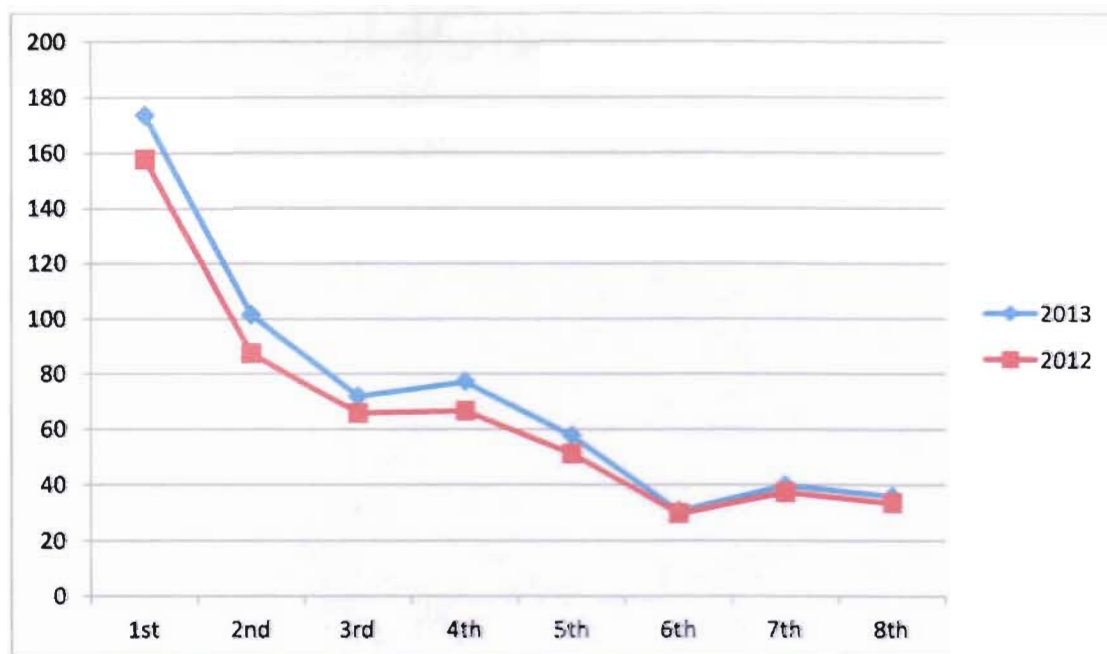
#### 4.10.10 Net asset value at per share (Taka)

Table 4.17 – Net asset value at per certificate

Year	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>
<b>Outstanding stock</b>	750000	500000	1000000	1000000	1,500,000	5,000,000	3,000,000	5,000,000
<b>2013</b>	173.41	101.48	71.94	77.24	57.74	30.70	39.87	35.99
<b>2012</b>	157.78	87.39	65.78	66.50	51.29	29.71	37.35	33.52

Net asset value per share means net assets of the company divided by the number of share outstanding in the market.

Graph 4.10 - Net asset value at per share (Taka)



All the mutual funds in 2013 have the higher net asset value per certificate than 2012. 1<sup>st</sup> mutual fund has the highest NAV which is 173.41 in 2013 whereas in 2012 it was 157.78. Gradually the NAV decreases from 1<sup>st</sup> to 8<sup>th</sup> mutual funds. Here, 8<sup>th</sup> mutual fund has 35.99 tk NAV whereas in 2012 it was 33.52 tk.

## Chapter: 5

# Problems of ICB Mutual Funds

## 5.1 Problems Related to ICB Mutual Funds

Mutual funds are managed and run by a professional management team, the success and growth of the mutual funds depend future profitability and investors' confidence also depend on the management performance.

There are some problems which can affect the fund future and the confidence of the investors. There are some problems related to fund. They are as follows:

### i) From depositor's Point of view:

- The services provided by the related personnel are not enough. It is taking more than required time for giving the service.
- Same laggard procedure is also taking place at the time of execution of order.
- Withdrawal of any funds of securities is also very lengthy and complicated process and inefficiently managed.

### ii) From Portfolio investment point of view:

ICB has not yet done any systematic analysis for measuring how they are doing. ICB has not identified any key variables to size up all its diversified performance.

### iii) From Capital market point of view:

- Dividend is one of the sources of income for the mutual fund. Most of the companies do not declare dividend up to satisfactory level.
- The rate of supply of fundamentally strong securities is very low.
- Political unsteady position also hearts the investor's sentiment in the market and thereby leads to flat the stock market.
- Using costly borrowing capital for the investment on securities is another factor causing problem for high expenditure of maintenance of funds, which affects the income of fund.

## Chapter: 6

# Suggestions & Conclusion

Mutual funds are managed & run by a professional management team. On the decisions & the efficiency of the performances of the management team, the success & growth of the mutual fund depend. Future profitability & investor's confidence also depend on the management performance. The management team should analyze internal & external factors that are affecting the fund's growth, stability & profitability. Identifying problems, taking effective solutions & implementing the solution, a management team can gain investors' confidence, which is the most important for a fund.

## 6.1 Suggestions for Development of ICB

Suggestions are suggested on the basis of problems. There are:

- Funds managers should focus specially on the 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> ICB mutual funds because their EPS and DPS are not satisfactory. Managers should analyze the external and internal factors that can affect the performance of the funds.
- For high amount of reserve from the current income, the present investors are being deprived. Reserve should be kept at a minimum level. It may vary fund to fund but not more than 25% of a fund's income.
- Dividend policy should be fair to all funds so that the investors may be satisfied. Dividend policy should be earning basis, not year basis.
- Manager should maintain the consistency of the assets value with the market price so that the investors can be ensured their environment. Fund manager should consider the reshuffling system and trading of funds portfolio.
- As ICB mutual funds are close end fund, it cannot run forever. So the management should take decision regarding its redemption period.
- As the cost price is greater than market price of some portfolios of the funds, fund manager should efficiently manage those portfolios.
- Investing by costly borrowing funds should be reduced. Management may look for source of less costly funds & reduce expenses & increase income.

- The interest of making portfolio of proposed funds and the existing ICB unit mutual fund profitable and attractive, it is imperative to design balance portfolio of securities. As the supply of securities is not adequate, I think, the portfolio is envisaged to be designed and developed from the following sources:
  - Shares of multinational companies
  - Shares of public enterprises
  - Primary issue of securities by companies
  - Secondary market operation.
  
- ICB may fix redemption date of each fund, it may redeem, 1<sup>st</sup>, 2<sup>nd</sup> & 3<sup>rd</sup> mutual fund. Because, these funds are established for more than 15 years.
  
- ICB may take initiative & decision to float more funds for the stabilization of capital market & for gaining of investment confidence to invest in the capital market.
  
- Investment in any company's shares will need to proceed with conscious & investor's interest should be the first priority. Any decision which will affect the interest the investors will not be complimented, though there are some external pressures.
  
- Unnecessary documentation & levels in the process of withdraw or securities should be eliminated. For this computerization is needed & training is must.
  
- More employees are recruited for better service & according to the skill & education background of employee needs to be positioned.
  
- Office of mutual fund has to establish within the head office of ICB.
  
- Office curriculums have to be modernized.
  
- Employees should set up proper positioned according to their skill and educational background.
  
- To monitor and evaluate the mutual funds properly.

## 6.2 Conclusion

ICB is a unique name in our country as an investment bank. It is playing a pivotal role to develop the country's capital Market, ICB as the National Investment house, is the organization to perform the activities by creating demand for securities and on the other hand to ensure the supply of securities in the Capital Market. ICB's investor's scheme helps to boost up domestic economy through facilitating to invest into the capital market. At a stage, this made an important effect on the capital market and excellent response from the investors. The floatation of mutual funds and issuance of unit certificates by the ICB strengthens the supply of attractive securities in Bangladesh capital market. Mutual fund management can manage the activities of mutual fund.

Mutual fund department should be innovative, explorative and dynamism. ICB should specially emphasize on the operations and management of mutual fund because most of the small investors are key clients of mutual fund.

So, ICB should concentrate to increase the performance of its mutual fund and way to find out the path for overcoming the problems of operations.

We are quite optimistic that if the given suggestions of this paper are implemented then ICB mutual fund may be able to overcome its present problems and may contribute in the rapid development of Bangladesh capital market.

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