

**Dear Sir:**

Hope you & your loved ones are healthy & sound. We all remember how it felt to be confined to our homes, to have our roads emptied, and to feel helpless as we were all confronted by the global pandemic of a deadly virus. Our condolences go to the people who have been affected during such tough times.

Defying the odds of a global pandemic, Ekush is working relentlessly towards the achieve your financial goals. In our never-ending effort to serve our countrymen, we have launched our flagship product "EKUSH FIRST UNIT FUND" to achieve their desired 'Financial Freedom and Peace'.

### **Capital Market – 2020**

Unlike most of the stock markets, our capital market made a staggering comeback. DSEX ended the year at 5,402 points (+21% YoY) after dropping to 3,594 points (-19% YTD) in March. The market gained 50% from the bottom. DSE posted the highest growth in Asia (24%) in Q3 while emerging as the best performing market in the world with a gain of 16% in August.

Daily trade value was down to as low as BDT 39 crore, whereas market ended the year with BDT 1,543 crore at the year end.

Major market movers after the lockdown are GP (45%), UNILEVER CL (37%), SQURPHARMA (34%), RECKITBEN (29%), MARICO (37%), BATBC (30%), BEXIMCO (438%), BXPBARMA (354%), RENATA (19%), and UPGDCL (32%).

Significant events that created optimism in the market are:

- **Boosted Economic Activities:**

1. Degrowth in export (-16.91% YoY) & even greater degrowth in import (-19.12% YoY) causing a lower trade deficit.
2. A huge influx of remittance (\$19.7 Billion, +18.44% YoY) due to the disruption of "Hundi" Cartel & 2% incentive offered by the Govt.
3. FX reserves (\$43 Billion) hit a new record high and Bangladesh Bank takes initiative to restrain appreciation of taka with dollar purchase (\$4.5 Billion).
4. Inflation rate (5.52%) defies surge in money supply backed by expansionary monetary policy such as: downward revision of cash reserve requirement (5% to 4%), repo rate (4.75%), reverse repo rate (4%) along with hefty stimulus package.
5. Banks are burdened with excess liquidity (BDT 1.83 Lac Crore) resulting in fall of ADR (Advance-Deposit-Ratio) from 77.34% in Dec-19 to 74% by Sep-20.
6. Imposition of single digit interest rate (9%) sustained & fell further (bank deposit rate 4.64% & Lending Rate 7.62%)

- **Unorthodox "Floor Price" halted "COVID" free fall:** On 19th March, BSEC introduced "Floor Price" for all stocks, which is, the average of the closing prices immediately preceding five trading days. Though we believe the imposition of floor price is not consistent with the precept of what a free market would be, it, somehow, managed to halt the free fall of the market.

- **Investors welcome the new Commission:** The new Commission, led by **Professor Shibli Rubayat-UI-Islam**, took charge in May and the investors sensed that "discipline" would finally be instilled in the capital market of Bangladesh.

- **BSEC implemented a 30% shareholding rule:** Sponsors and directors must jointly hold a minimum of 30% shares & individually hold at least 2% shares of the company at all time which was a far cry in the

past. This Commission finalized a proposed action plan to restructure the Board of those Companies which will not follow this rule.

- **Promising IPOs attracted new investors to the market:** Companies with strong fundamentals and bright outlook, e.g. Walton Hi-Tech, Robi Axiata Limited, Mir Akhter Hossain Ltd, Index Agro Industries Limited, are being listed in the market which is not only increasing the depth of the stock market but also bringing new investments to the secondary market.
- **Investment in savings certificates became stringent:** The government lowered the maximum investment ceilings of purchasing savings certificates up to BDT 50 lac in total in single and BDT 1 crores in joint names. Moreover, the government put some conditions, such as TIN and no cash transaction on purchasing all savings certificates.
- **Comparatively, low-interest regime has become a blessing for the capital market:** As both the FDR rate in Banks and inflation rate (point-to-point) have been hovering around 5.5%, there is no room for real income for the depositors. This low interest coupled with the stringent condition to invest in Savings Certificates alluring more and more people to invest in the capital market.
- **Banks' capacity to invest in capital market enhanced:** Bangladesh Bank allowed all scheduled banks to form a special fund worth Tk 200 crores each to invest only in the capital market over the five years and investment from this fund will not be included in the regular capital market exposure of a Bank. Moreover, excess liquidity in the banking sector because of the low loan demand, making investment in the capital market alluring to the Banks at least for the time being.

#### Performance of EKUSH FIRST UNIT FUND:

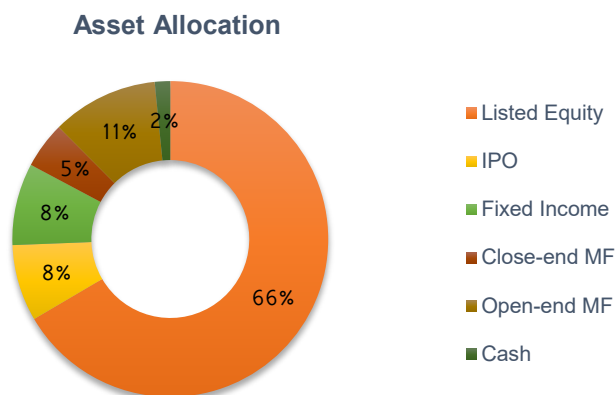
**You would be glad to know that our fund generated a return of 26.60% since inception to the year end with a Net Asset Value (NAV) of 12.66 per unit and Trustee declared 8 percent cash dividend for the year. The fund generated 38 percent return since inception till date.**

Ekush faced a great dilemma upon starting the investing activities of the fund during such difficult time and decided to follow the “investment basics” and grabbed the opportunities that would generate return for the fund.

- **Investment in fixed income securities:** As it was imminent in June that interest rates would go down, we tried to lock a significant portion (≈40% of the then NAV) of our portfolio at the then higher interest rates. We selected DBH (AAA rated) and choose a monthly income scheme of an 8.5% interest rate.
- **Investment in Equities:** We pursued to be “contrarian” while investing in stocks. We believed that deeply undervalued stocks with good corporate governance and less affected by the pandemic will soon revert to their intrinsic value. We executed several block trades to acquire those stocks even far below the floor price, which contributed fund performance significantly.
- **Investment in IPOs:** It was unfortunate that this Fund came into existence just after the completion of the bidding process of Walton Hi-Tech Industries Ltd. Since its inception the fund acquired IPO shares of Robi Axiata Limited, Mir Akhter Hossain Ltd, Index Agro Industries Ltd, Crystal Insurance Limited, Dominage Steel Building Ltd, Associate Oxygen Ltd. The following IPOs are yet to be listed:

Company	Allocated Amount (BDT)	% of NAV
Mir Akhter Hossain Ltd	9,493,200	5.5%
Index Agro Industries Ltd	4,507,200	2.6%

- **Investment in Mutual Funds:** The Fund invested in a number of mutual funds both close-end & open-end. Investment in close-end fund includes the Southeast Bank 1<sup>st</sup> Mutual Fund which is scheduled to be liquidated in the mid of 2021 and was trading at ≈20% discount from its NAV. To grab the return potential from IPOs to the fullest, we invested in 3 (three) open-end funds with a relatively smaller size, managed by reputed asset managers.



### What to expect in 2021

A far greater challenge awaits as capital market shifts to addressing the environmental and societal trends that the pandemic has catalyzed. Investment opportunities of the fund are not limited to equity only, you can expect considerable risk-adjusted return irrespective of the performance of the stock market.

We wish to allocate big portion of fund in equity rather than fixed income due to the following outlook:

1. **Fixed income securities:** Given excess liquidity condition, we do not expect fixed income outperforming equities. The major things to observe are the inflation and worldwide commodity prices. If inflation becomes out of control, restrictive monetary policy may drive interest rate up. We are closely watching fixed income market for opportunity.
2. **Equity:** With our positive outlook towards the capital market, we believe market valuation is still lucrative. It is a good bet that tech & communication and pharma sector stocks will continue to post gains in the early part of 2021 as COVID forces a continuation of work from home. However, a rotation of leadership should occur as herd immunity to the virus is realized and some form of normalcy attempts to emerge. Winning sectors under lockdown such as telecom, food and staples, pharma should experience a period of catch up by energy & cement.
3. **Upcoming IPOs:** Approximately BDT 877 crores of IPO expected to hit the market in this year. BSEC wants to cut the lead time for IPO which will keep the market vibrant. Guaranteed IPO allocation in the fund will boost your return substantially.

Logistical difficulties of distributing a vaccine, deep scarring of the labor market as part of an after-Covid impact, Inflation and formation of Non-performing loan will contribute to the market volatility.

You will continue to hear more about our efforts on this front as we put it at the heart of our investment offering.

Happy Investing

Regards,

Kazi Ahsan Maruf, CFA

Managing Director

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