

# LAXMI CAPITAL MARKET LIMITED

NEWSLETTER FOR THE MONTH OF ASOJ 2079

## Monthly Npse Summary

This Month NEPSE made volatility of 99.20 points. NEPSE made a high of 1910.90 and low of 1811.70 within a Month. Index opened at 1910.20 points and closed at 1910.38 points with the loss of 51.87 points.



### Exponential Moving Average:

We have used EMA's of 5 days' time period (Blue line), 20 days' time period (red line). At present, NEPSE Index is below Exponential moving average (5 Days EMA and 20 Days index), indicates down-trend.

### Relative Strength Index:

The relative strength index (RSI) is a momentum indicator that measures the magnitude of recent price changes to evaluate overbought or oversold conditions in the price of a stock or other asset. The RSI is displayed as an oscillator (a line graph that moves between two extremes) and can have a reading from 0 to 100.

Relative Strength Index is currently at 41.03. (Neutral zone)

This Month market statistics:

**Index Open**-1910.20 points

**Index closed**-1858.33 points

**Index High** 1910.90 points

**Index low**- 1811.70 points

### **Pivot Points Standard:**

A pivot point is a technical analysis indicator, or calculations, used to determine the overall trend of the market over different time frames. The pivot point itself is simply the average of the intraday high and low, and the closing price from the previous trading day. On the subsequent day, trading above the pivot point is thought to indicate ongoing bullish sentiment, while trading below the pivot point indicates bearish sentiment.

The pivot point is the basis for the indicator, but it also includes other support and resistance levels that are projected based on the pivot point calculation. All these levels help traders see where the price could experience support or resistance.

Support and resistance level for according to Pivot Point.

**1st Resistance**- 1884.95 point

**1st support**-1779.83 point

**2nd Resistance**-1958.72 point

**2nd support**-1706.06 point

Current Npse index is 1858.33 level, which is bellow pivot level indicating bearish sentiment.

## Overview on Mutual Fund

A professionally managed investment fund where money is pooled from large section of investors, with a purpose of generating return to investors is Mutual Funds. It is an instrument that pools the investment from different individuals and institutions to invest in different kind of securities like stocks, bonds, debentures, money market instruments and other different kind of income generating assets. Mutual funds give access to small as well as individual investor the access to various investment spectrum at once under the guidance of professionals. Individuals or institutions which buys unit of mutual funds are its shareholders or unit holders.

Mutual funds gain its value from the investment it makes out of the pooled funds. Fund manager gain income for themselves by the commission they receive on managing mutual funds. With greater return a mutual fund can generate its Net Asset Value also increase, which increase the value of unit shareholder/unit holders own. Unlike stocks, mutual funds unit holders do not get the voting right but can get their money managed by an expert. Mutual funds make money from their investment mainly from three ways; a security which pays interest or dividends, bank deposits which pays interest and a security which rises in value.

The value of Mutual funds is referred as its Net Assets Value (NAV) which is the intrinsic value of mutual fund. But the market price of Mutual funds can be different from its NAV. NAV is merely the  $(\text{Total Assets of mutual funds} - \text{Total Liability of mutual funds}) / \text{Outstanding Units of mutual funds}$ . Mutual fund shares can typically be purchased or redeemed at the fund's current NAV or market price according to the type of mutual fund. The price of a mutual fund is also updated when the NAV is settled.

Mutual Funds are of two different types namely Closed Ended Mutual Funds and Open Ended Mutual funds. At present there are a total of 34 mutual funds active in Nepal out of which 29 are close ended and 5 are open ended mutual fund. Mutual funds are actively managed funds. According to the Mutual Fund Regulation, 2067 of Nepal, mutual funds can invest the pooled funds in various sphere of investment like:

- Securities registered with Securities Exchange Board of Nepal.
- Publically Issued Securities.
- Bank Deposit including fixed deposit.
- Money Market Instruments.
- Securities listed on the stock exchange
- Bonds, treasury bills and other instruments of the money market issued by the Government of Nepal or any institution owned or controlled by the Government as guaranteed or fully secured by the Government of Nepal or issued by the Nepal Rastra Bank.
- Any other instrument areas specified by the Board.

### **Close Ended Mutual funds:**

Close ended mutual funds are those type of mutual funds which have maturity period normally ranging from 3-15 years depending of types of funds issued by Fund Sponsor. Just like issuing stocks of any company close ended mutual funds flow their units in primary market called as New Fund Offering (NFO), the units of funds are limited to the numbers of NFO issued i.e. the number of units doesn't change from the units offered at the time of NFO. After the funds are raised through NFO, closed ended mutual funds are listed in secondary market to be traded just like the other stocks in stock exchange. Price of the funds is determined by demand and supply in the stock market. It is not necessary that NAV and market price of the mutual fund unit are same as NAV is determined by its assets and liabilities whereas price is determined by demand and supply. After the maturity period all the units of mutual funds are liquidated as the market price and the return generated are used to pay all the liabilities of the fund and excess amount are then provided to unit holders as return on their investment.

### **Open Ended Mutual Funds:**

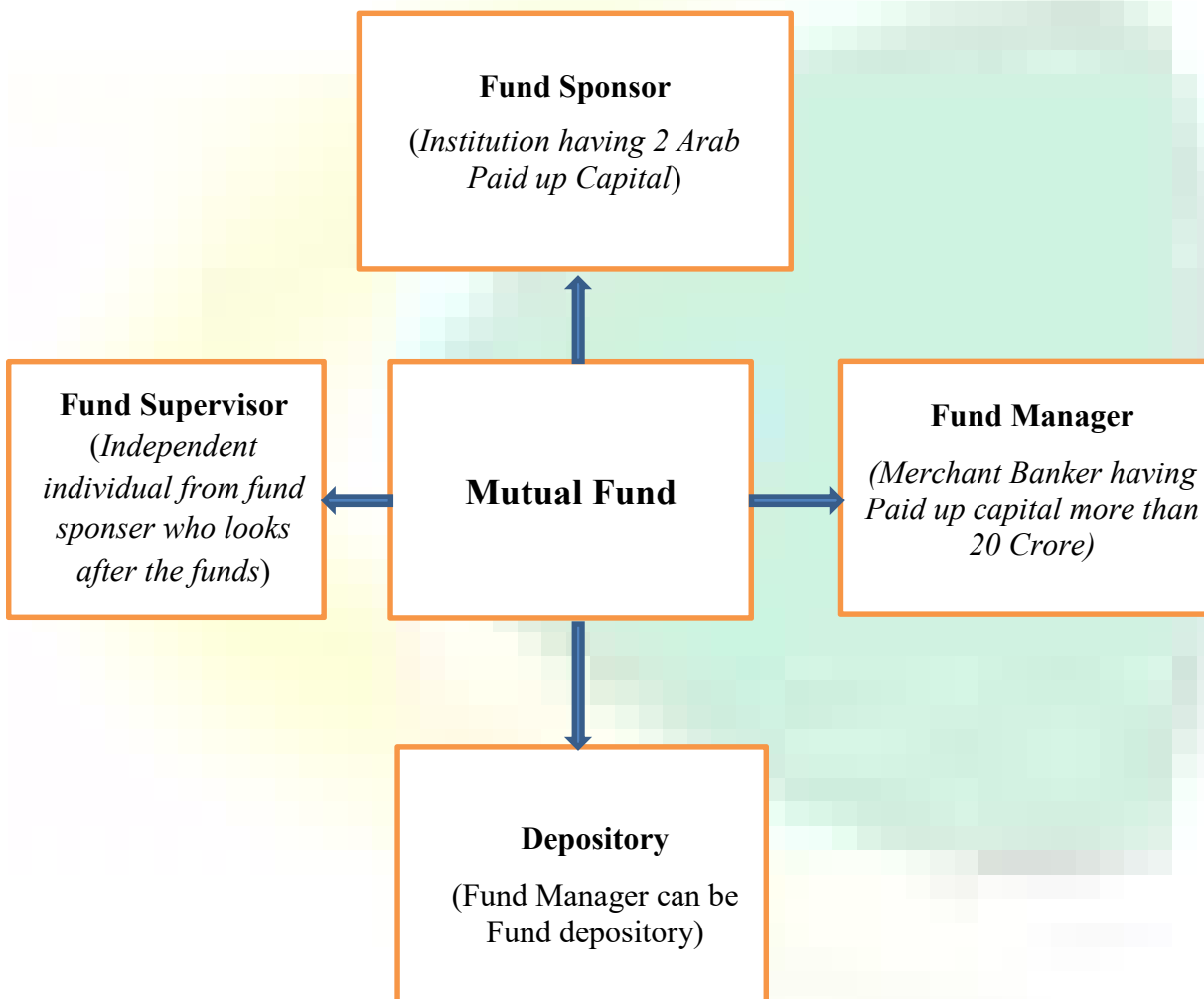
It is a type of mutual fund which doesn't have a maturity period, it is perpetual in nature. Also the units of funds are subjected to change according to the purchase and sales of units by clients. If the demand of mutual fund is high, fund will continue to issue share no matter how many investors/unit holders there are. Open ended mutual funds are not traded in stock exchange rather the unit holders or any interested individual/institution can buy and sell their units with fund manager or the agent registered by fund manager. Open ended mutual funds are highly liquid as they can be traded in NAV which are calculate daily, and fund manager is subjected to buy back any units if unit holder are willing to sell it. When fund investment committee feels that fund is too large to achieve its stated objective they might close the fund to be issued to new investors, although this is quite rare in practice. Open ended mutual fund charges some exit load fee when an investor/unit holder sells its holding back to fund manager.

Open ended mutual funds provide facility of *Systematic Investment Plan (SIP)* where investor can buy units of mutual fund on a time interval basis rather than buying a bulk unit at once. This facility provides the flexibility and convenience to investor. SIP is even an investment based saving tool for low income or risk avoider individuals.

Dividend reinvestment plan is another facility provided by open ended mutual fund where the return generated by the fund is again invested in the same mutual fund. This facility allows the investor to reinvest their cash dividends back to the same mutual fund instead of withdrawing their dividend income. This facility will provide the compounding effect to investor/unit holders.

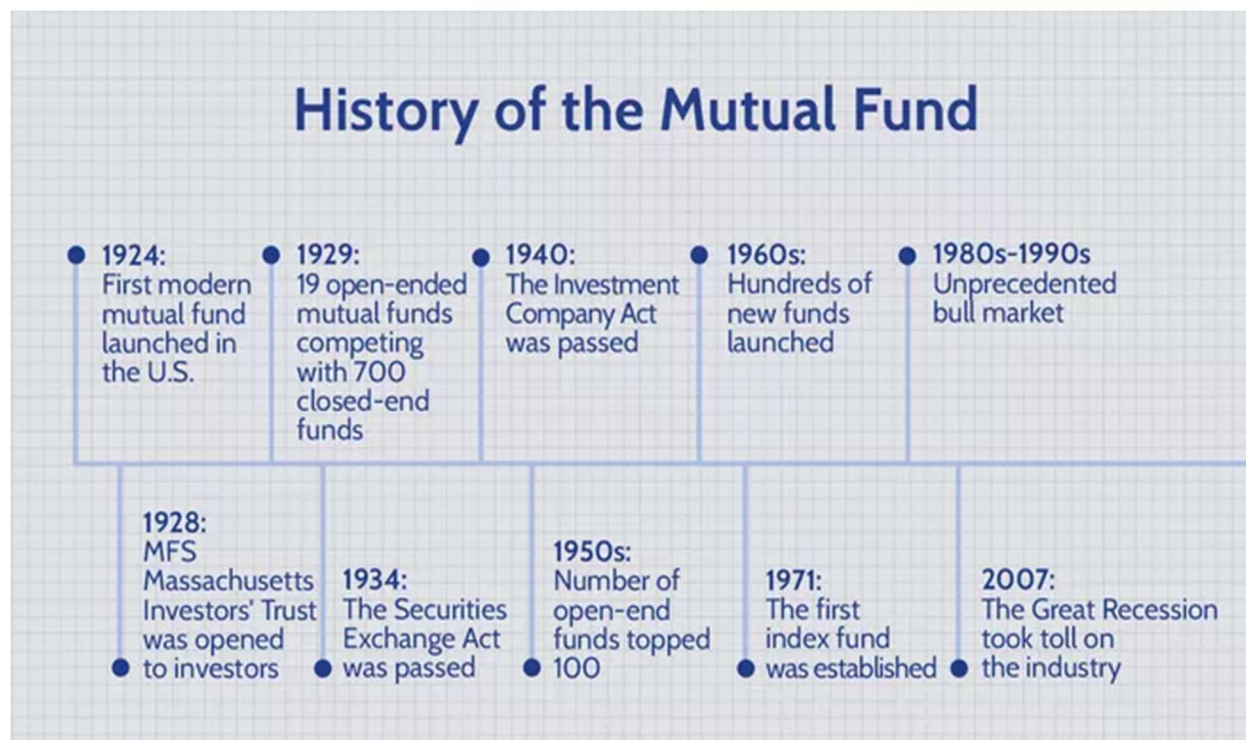
## Structure of Mutual Fund

Mutual Fund Regulation, 2067 require a sponsor to establish a mutual fund. This regulation also requires the independent fund supervisor to supervise and protect the interest of fund participants. Sponsor with the approval of fund supervisors is required to appoint eligible merchant banker company as a Fund Management Company/Fund Manager. The Fund Manager is responsible for the investment and management of the funds under different schemes of the mutual fund. To provide custodial services to the fund, the Regulation requires a depository. However, Fund Management Company itself can also carry the function of depository as provisioned by the regulation. In this way, a mutual fund shall consist of a financial institution as a sponsor, at least five individuals as fund supervisors, a Fund Management Company and a depository.



## History of Mutual Funds

Pooling of funds of investment purpose has a long history, for centuries but mutual fund didn't get much significant till 1980s and 1990s. Although the early appearance of mutual funds can have been seen in practice by Dutch merchant in 1770s. Switzerland and Scotland later started their own pool investment fund, namely investment trust but modern mutual fund didn't see the light unit half a decade before "The Great Depression", where US started its first modern open ended mutual fund named Massachusetts Investors Trust (MITTX) in 1924 A.D. which was open to public only in 1928 A.D.



"NCM Mutual Fund 2050" by Nepal Industrial Development Corporation (NIDC) Capital Market in Ashad 19, 2050 BS (1993) was the first mutual fund of Nepal. Similarly, Citizen Unit Scheme (CUS) 2052, with a par value of Rs. 100 came into operation in the year 1995. All these mutual funds were started before establishment of Securities Exchange Board of Nepal. However, "Siddhartha Investment Growth Scheme" a close ended mutual fund managed by Siddhartha Capital Limited was the first Mutual fund in Nepal launched in 25<sup>th</sup> December 2012 under Mutual Fund Regulation, 2067. NIBL Ace Capital was the first fund manager to manage an open ended mutual fund in Nepal under Mutual Fund Regulation, 2067 by managing "NIBL Sahabhagita Fund" in 2076 B.S.