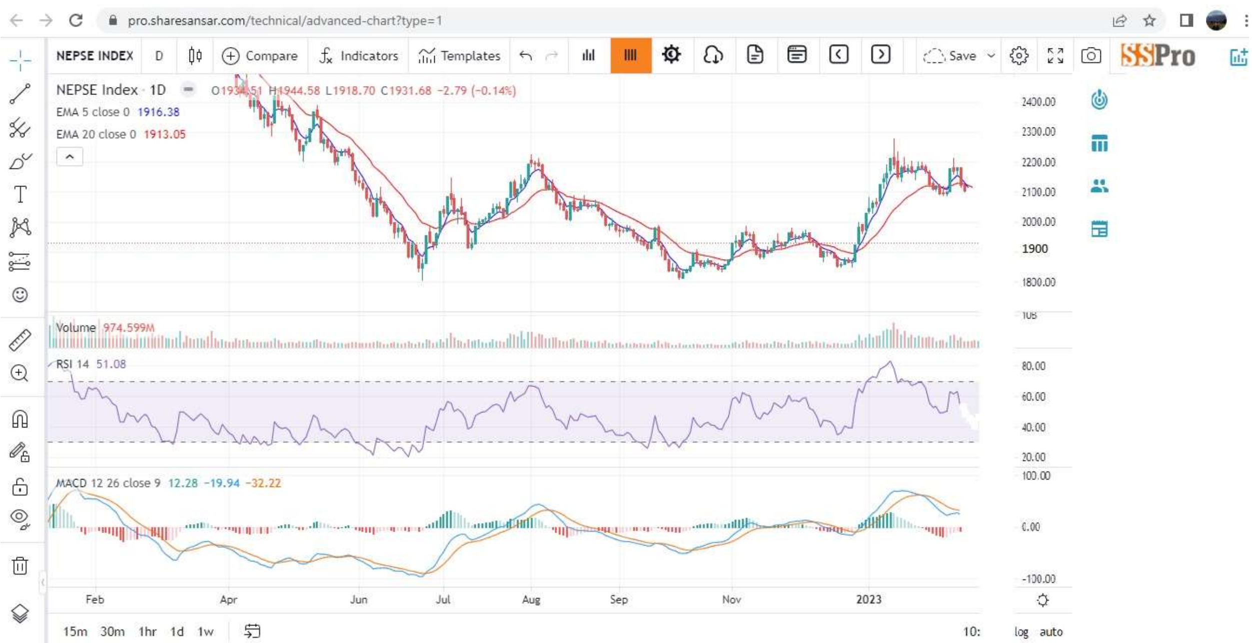
LAXMI CAPITAL MARKET LIMITED

Newsletter for the month of Magh, 2079

Monthly Nepse Summary

This Month NEPSE made volatility of 126.91 points. NEPSE made a high of 2214.39 and low of 2087.86 within a Month. Index opened at 2152.05 points and closed at 2121.86 points with the Loss of 30.19 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 below 20 Days EMI, 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 49.14 (Neutral zone)

This Month market statistics:

Index Open-2152.05 points **Index closed**-2121.86 points

Index High 2214.39 points **Index low**- 2087.48 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- 2139.74 point **1st support**-2001 point

2nd Resistance-2249.38 point **2nd support**-1891.36 point

Nepse index is at 2121.86 level, which is bellow pivot level indicating bearish sentiment.

Financial Action Task Force (FATF) Introduction

With an intention to fight against money laundering Financial Action Task Force (FATF) was established in the year 1989 by the G7 countries namely (Canada, France, Germany, Italy, Japan, the United Kingdom and the United States). FATF is an intergovernmental organization which acts as a global watch dog with an aim to combat the money laundering and terrorist financing. Anti-Money Laundering, Combating the Financing of Terrorism (AML/CFT) along with combating financing for weapons for mass destruction and corruption are the main objectives of FATF. Currently a 39 member strong organization sets international standards for practicing and tacking down blood money related to drug trafficking, illegal arms trade, financial cybercrimes and other financial crimes which harms societies. Although only 37 countries are its member but its jurisdiction is accepted and implemented by more than 200 countries as a part of coordinated response to fight against serious financial crimes. FATF fights against financial societal harms by keeping its watchdog eyes awake to all the countries (not only its member) by providing recommendation for combating financial crime, reviews members' policies and procedures, and seeks to increase acceptance of anti-money laundering regulations across the globe. One of its way to pressurize countries to implement proper financial practices to narrow down scope of money laundering, corruptions, financial terrorism is through keeping a list of implementation of FATF standards. Failure to comply with the recommendation of FATFs standard is subject to categorizing countries in its “Grey List” and “Black List”. Grey List (Jurisdiction under Increased Monitoring): Grey List (grey list) is used to denote a group of countries or jurisdictions who has failed to maintain its strategic deficiencies to counter money laundering and other terrorist financing activities. Grey List includes the counties which can implement necessary AML and CTF policies with the surveillance of FATF and remove its name from the infamous grey list. Being associated in the grey list of FATF is could be damaging for a country’s economy as those counties are subjected to different economics action against by donor countries and international agencies like: a) Downgrading of credit rating of the country. b) Lack oftrading opportunities in international market as different institutions and countries avoid practicing trade with such countries. c) Lack of Foreign Trade. d) Minimal participation of IMF and World Bank for the overall development of the nation. e) Refusal of foreign banks to carryout transaction with banks of grey listed counties. f) Reputational Risk g) Poor or No Foreign Direct Investments. Page 2 of 2 Although there is no ban on doing business with grey listed countries but due to the risk associated with a country which has not carryout necessary steps to control terrorist financing and money laundering business and countries avoid being associated with such counties. Currently there are 23 counties marked as grey listed. Nepal was also grey listed from year 2008 to 2014 but after series of progress made on anti-money laundering with implementation of Anti Money Laundering Act of 2008 and also with implementation of other laws Nepal was finally removed from grey list in 2014. Black List (High -Risk Jurisdictions subject to a Call for Action: Black list is used to denote a country or countries that have failed to combat money laundering and terrorist financing. It is the list of countries which is considered as non-cooperative in the global context to fight financing for terrorism and money laundering. When a country fails to implement AML/CTF policies even after being in grey list and support from FATF to develop and put in action the response that will minimize or eliminate counter financing and terrorist financing. Being in the black list of FATF is considered as doom for any countries economy as it is subjected to restrictions like: 1. Economic sanctions imposed by the IMF, World Bank, and Asian Development Bank make it difficult to secure these institutions and other countries. 2. De-risking regional financial institutions from global counterparties and a loss of faith in the country's financial institutions 3. Downgrading of Credit Ratings. 4. Blockage from SWIFT. 5. Increased cost for international trade. 6. No Foreign Direct Investments. 7. Economic Embargo. Currently there are 3 different countries which are black listed by FATF: 1. Democratic People's Republic of Korea (DPRK) 2. Iran 3. Myanmar FATF is an intergovernmental body with a motive to create a corruption free society with a help of integrated financial action. Although FATF cannot compel any nation to follow the recommendation suggested by them but can pressurize a country by creating an unfriendly international economic environment. In a globalized and integrated international financial practice the existence of FATFhas helped to narrow the scope for money laundering and terrorist financing.

Prepared by Bhabish Thapa, Scheme Manager

All about the Mutual Funds

In Nepal, mutual funds are a preferred form of investment. A mutual fund is a type of investment vehicle that collects money from numerous investors and invests it in a variety of securities, including stocks, bonds, and money market instruments. Each mutual fund is overseen by a qualified fund manager who invests the pooled funds in a diverse range of assets to provide returns for the fund's participants. Mutual Funds first originated in the Netherlands in the 18th century, before being introduced to Switzerland, Scotland, and finally the United States in the 19th century. Delivering a diverse investment solution is the primary goal of investing in mutual funds. However in Nepal, the "Mutual Fund Rules" 2067 were authorized by the Securities Board of Nepal (SEBON) in 2010. An investor in a mutual fund does not directly own individual securities; instead, they own shares of the fund. The performance of the underlying investments in the fund determines how much these shares are worth. With relatively low investment minimums and a high level of liquidity, mutual funds can give investors a convenient method to access a diverse portfolio of securities. Almost 38 mutual funds are currently registered in Nepal, and all these mutual funds are regulated by the Securities Board of Nepal (SEBON). There are 6 open end and 32 close end mutual funds functioning in Nepal out of those 38 mutual funds. In addition, six mutual funds reached maturity. Open end mutual funds have a total fund size of Rs. 3.76 billion and close end funds have a total fund size of Rs. 34.77 billion (as of Chaitra 22, 2079) . Understanding the Process of Mutual Funds When you invest in a mutual fund, you are pooling money with other investors. A fund manager who makes investments in financial assets like stocks, bonds, etc. manages the money that you and other investors have pooled together. Every day, the mutual fund is managed. Here is a flowchart showing how mutual funds operate: Passed down to the investors Investors pool their money together Fig: Operation process of Mutual Funds Importance and Benefit in Investing Mutual Fund The fact that mutual funds offer diversification, which can assist lower risk, is one of their benefits. Instead of placing all of their money into one stock or bond, investors can increase their exposure to a variety of securities by investing in mutual funds. Additionally, because mutual funds are overseen by professional fund managers who have expertise in investment selection and management, investors may have access to investment opportunities they might not otherwise have. Types of Mutual Fund There are two types of Mutual Funds that are mentioned below: i) Open-End Mutual Fund: Individual investors receive shares after the NFO (New Fund Offering) is closed. An open-ended does not place any restrictions on the total number of shares it may issue. It is always accessible for subscription and repurchase. It is perpetual in nature in the sense that it never reaches maturity after being introduced. The open-ended mutual fund conducts transaction directly through the fund manager and designated distribution agents rather than listing its shares on an exchange. Returns Mutual Funds Fund Manager Investor Generates Securities Choose securities to invest in ii) Closed-End Mutual Fund: In closed-ended mutual funds, investors' money is locked in for a specific period of time. Units in closed-ended funds may only be redeemed after maturity of the funds or by selling then in secondary market. Closed-ended funds are traded on stock exchanges just like equity shares. This makes it possible for investors to purchase and sell fund units based on real-time values that may be greater (premium) or lower (discount) than the fund's Net asset value (NAV). Things to be Consider before Investing Investors should take into account several aspects when selecting a mutual fund, including the fund's investment objective, historical performance, fees, and the expertise and track record of the fund manager. The risks connected with investing in mutual funds, such as market risk, credit risk, and liquidity risk, must also be taken into account. Conclusion Mutual funds are a well-liked form of investment in Nepal because they give clients access to a diversified selection of securities and expert investment management. Before choosing a mutual fund, investors should carefully analyze the investing aim, past performance, fees, and risks involved. You should also know the pros and cons of multiple mutual fund investment options available to take an informed decision.

Prepared By Radha Kumari