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EDITORIAL

Confidence-building Fund

THE floatation of the first private mutual fund will be a positive move for the country's capital market to help it acquire depth and variety that it so badly needs for its turnaround and sustainable growth and maturity. The private company — Asset & Investment Management Services (AIMS) of Bangladesh Ltd — that has ventured into this new area of securities' investment business in an otherwise much-prolonged, limp period of the stock market in the aftermath of its crash in late 1996 deserves kudos for this. It may be a small step towards deepening of the market and attracting the investors back to it but it is certainly a big one for facilitating it (the market) to offer the right kind of variety in products that is needed for confidence-building and promotion of stability.

This paper would like to see this new venture of AIMS as the pace-setter for other market intermediaries to introduce new products and services, keeping an eye on security and safety of investors funds with a 'reasonable' rate of return thereof. Keeping funds in equities of many companies has now become too risky for the ordinary investors' because of the current goings-on in the stock exchanges where the price-movements of the listed companies continue to run afoul of any rational expectation. This is more so when 'junks' are at times found to show greater volatility in price-movements than relatively 'better' stocks at least in terms of fundamentals even under the prevailing market conditions. The ordinary investors should have, therefore, good reasons to look for more mutual fund-type of products in the market where investments in individual stocks would be better handled by the institutions like investment and fund management companies, merchant banks, etc.

Now that the trust deed, along with other related agreements, for the AIMS First Guaranteed Mutual Fund has been signed, the company should be able to get the clearance from the regulatory watchdog — the Securities and Exchange Commission (SEC) — for floating its IPO (Initial Public Offering) for the purpose. A number of operational features of this new Mutual Fund, as were explained by the AIMS management, are noteworthy. Its face value of Taka one denomination with market lot proposed at 2500 shares is clearly aimed at targeting the small investors. This will incidentally be the ever lowest one in the country's capital market and has been designed taking the cue from active performances of low denomination shares in its two bourses since their automation. The Fund, sized at Taka 50 million with sponsors' stake at Taka 20 million, will be of five years' maturity period, with its management company guaranteeing the redemption of the initial subscribed amount in full at maturity even if its per share net asset value falls 'below par' in the market at the end of the redemption period. This 'novelty' is well-purported as it will provide some kind of hedging that the ordinary small investors do usually prefer for protecting their investments against any loss of value. Besides, its capital fund will be invested in both equity and fixed income securities. This makes the Mutual Fund's distinctiveness as an investment product and not a trading one all the more clear.

Viewed in this context, the new private mutual fund that will now join the already nine such operational funds (of which eight were floated by the government-controlled Investment Corporation of Bangladesh and one by the Bangladesh Shilpa Rin Sangstha in the public sector) should be considered a welcome addition. The private company that is going to float this new mutual fund will obviously have to prove its professional expertise and skill in managing it properly. A great deal of responsibility devolves on it, being the pioneer in the private sector in the launching of such an investment product: If it proves successful, that will contribute a lot to encouraging more new private initiatives in innovative investment fields. Nothing succeeds like success. A small move at this stage may then herald the beginning of many future giant steps at private initiatives for making Bangladesh move in tandem with the rest of the world in the 21st century, and not turn it anti-clockwise.