

LR Global for more mutual funds under supportive policy

The Financial Express, Sunday, March 21, 2010

LR Global, a US-based investment company, suggests authorities concerned allow more mutual funds under supportive policy to ensure sustainable growth of the country's stock market, reports BSS. The company, operating in Bangladesh since 2008, in a recent study expressed concern over the ongoing regulatory uncertainty, which would hinder the mutual fund market. It cautioned that the regulatory uncertainty could also put a large number of mutual funds, which are now in the pipeline, at risk.

The Securities and Exchange Commission (SEC) has recently taken a go-slow policy in approving new mutual funds. The capital market watchdog claims that allowing more mutual funds would increase buying competition on the market, influencing the already high share prices to go further up. LR Global, like many other fund managers, argued that more mutual funds would rather lessen speculative trading, which would eventually bring more stability in market.

Compared with other regional countries, the paper showed that the total size of all the mutual funds in Bangladesh was still very little. India has the largest number of mutual funds with \$160 billion followed by Malaysia with \$65 billion, Thailand with \$53 billion, Indonesia with \$10 billion and Pakistan with \$4.5 billion. Bangladesh is at the bottom of these six nations' table with a very tiny size of mutual funds worth \$400 million, according to the LR Global paper. The amount is only 1.5 per cent of the total market capitalization of \$27 billion, the paper said.

LR Global Bangladesh Chief Executive Officer Riaz Islam told the news agency Saturday that mutual funds would not harm the market. Instead, he said, new funds would take away substantial cash from circulation, bringing in a deflationary impact on the market. Besides, he said, more and more investors would get better investment opportunities if the authorities allowed regular flow of mutual funds. Referring to India, he said currently mutual fund industry contributed 12.5 per cent of the gross domestic product (GDP) when in Bangladesh the contribution was only 0.5 per cent. "We should consider the good example of other countries to help grow our own market," he suggested.

LR Global has been investing in Bangladesh capital market for over five years. It has recently sponsored the 1st DBH Mutual Fund and awaiting SEC's approval for few more funds.