

## MATERIAL MARKET UPDATE

The DSEX registered a modest gain of 11 points (0.24%) during the month of February, with a sharp rise circa mid-month that eventually lost steam. The prime index opened the month on a positive note but soon entered the red zone from the 3<sup>rd</sup> trading session as investor pessimism grew and set off panic sell-offs on selective large cap stocks amidst news of GP's operational issues. The DSEX consequently tumbled 121 points (-2.69%) between the 3<sup>rd</sup> and 7<sup>th</sup> trading day of the month. The core index however turned the corner into the 8<sup>th</sup> trading session, adding 383 points (8.72%) within 5 trading days, as the central bank announced it would allow banks to form a BDT 2 bn fund to mobilize the main bourse and ADB approved USD 170 mn (its 2<sup>nd</sup> installment) for Bangladesh's capital market development. The 5-day winning streak eventually collapsed as optimism did not sustain and the formal instruction from the central bank to implement single digit interest rates jointly hammered the DSEX in the last 6 trading sessions, causing the market to shed 278 points (-5.84%). Market liquidity (average daily turnover) experienced a significant growth of 69.35% compared to the previous month.

Remittance growth slowed down in January, posting a mere gain of 2.58%, but exhibited a healthy growth of 21.8% in the first 7 months of the FY, riding on the 2% cash incentive. Non-food inflation reached a 49-month high of 6.3%, but overall point-to-point inflation subsided by 18 bps. Exports continued its sluggish trend in January with a -1.7% growth compared to the same period last year. While the government has been taking various initiatives such as a 15% cash incentive against rice export to both boost and diversify exports, there are many headwinds ahead. Bangladesh is faced with the risk of supply chain disruption as more than one fifth of its imports originating from China, the epicenter of the coronavirus outbreak. This was evident in the 21% decline in import volume from China in the first one and half months of 2020. The RMG industry is to receive the largest blow as it is highly dependent on China for its raw materials, which will ultimately hurt export earnings further. Meanwhile, the banking sector outlook remains bleak as banks continue to camouflage their NPLs by exploiting the rescheduling policy and another new bank has received approval from the central bank, further adding to the woes of the sector.

## KEY NEWS UPDATE

### MACROECONOMY

- Exports remain sluggish with a 1.7% fall in January: <https://bit.ly/2T0kqvV>
- Slowing exports stretches trade deficit by 5.41% in H1 of FY 2020: <https://bit.ly/392bdbC>
- Imports from China tumble 21% for coronavirus: <https://bit.ly/2wR5siU>
- Remittance slows down with marginal 2.58% growth in January: <https://bit.ly/2HZlrwu>
- Non-food inflation hits a 49-month peak in January: <https://bit.ly/32tzG7g>
- Government to go back to old postal savings scheme rate by mid-March: <https://bit.ly/2T4xFv2>
- Bangladesh trade could lose out to rich nations after Brexit: <https://bit.ly/2uDc6IS>
- BB formally asks banks to set single-digit lending rates: <https://bit.ly/2wUxnhL>
- Rescheduling spree makes BDT 220 bn default loan disappear: <https://bit.ly/2T5CBAa>
- Government net bank borrowing may hit BDT 600 billion mark: <https://bit.ly/2HVQk6a>
- Yet another bank gets central bank approval: <https://bit.ly/383D2ik>

### CAPITAL MARKET

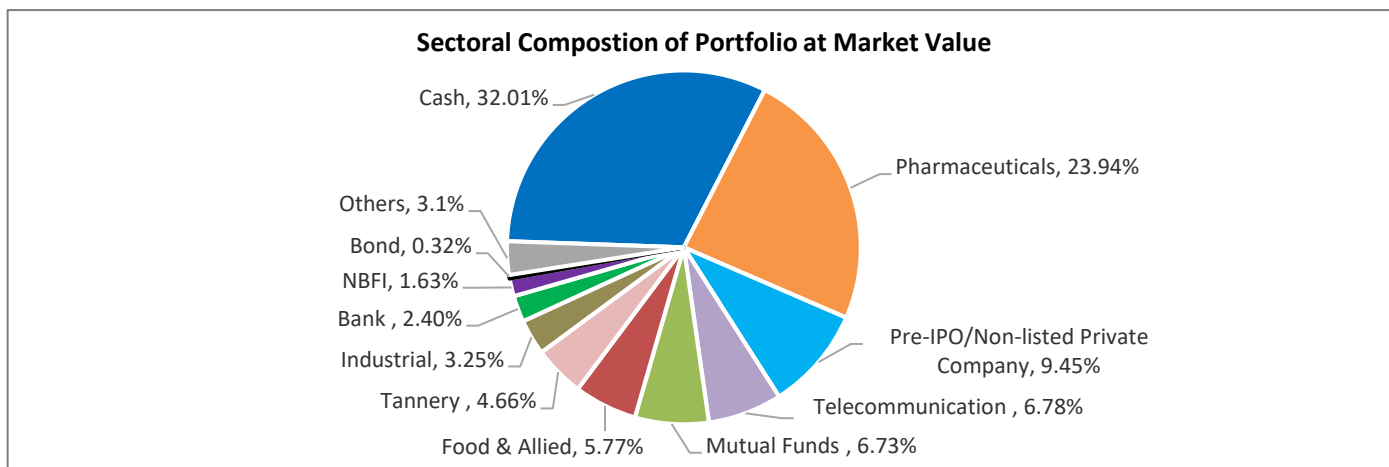
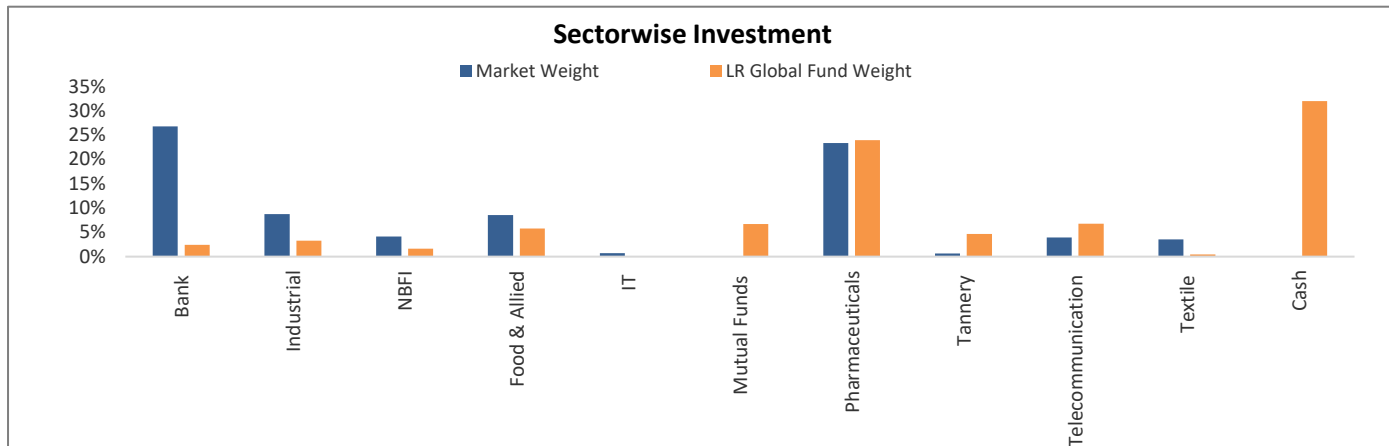
- BB allows each bank to form BDT 2 bn fund: <https://bit.ly/2viz6go>
- ADB provides additional \$170 mn for capital market reform: <https://bit.ly/32sLQ0j>
- Foreign investors scurry off from DSE: <https://bit.ly/2ThZ0sS>
- BSEC asks ICB, subsidiary to show cause for significant decline in IPDC share price: <https://bit.ly/39a6NQg>
- Share prices of Orion Pharmaceuticals and Orion Infusions keep soaring sans PSI: <https://bit.ly/3ccH3V5>
- Meera Agro's listing hits a snag due to audit dispute: <https://bit.ly/2VxywWK>
- Telecom operator Robi to apply for listing in March: <https://bit.ly/38ZC5Jk>
- Valuation of seven state-owned energy firms by April for listing in the bourses: <https://bit.ly/2Th6Y5m>
- Five state banks to get listed by October: <https://bit.ly/389kcGY>
- 25 companies to go public to raise BDT 13.34 bn: <https://bit.ly/2uD0MMS>

### INTERNATIONAL:

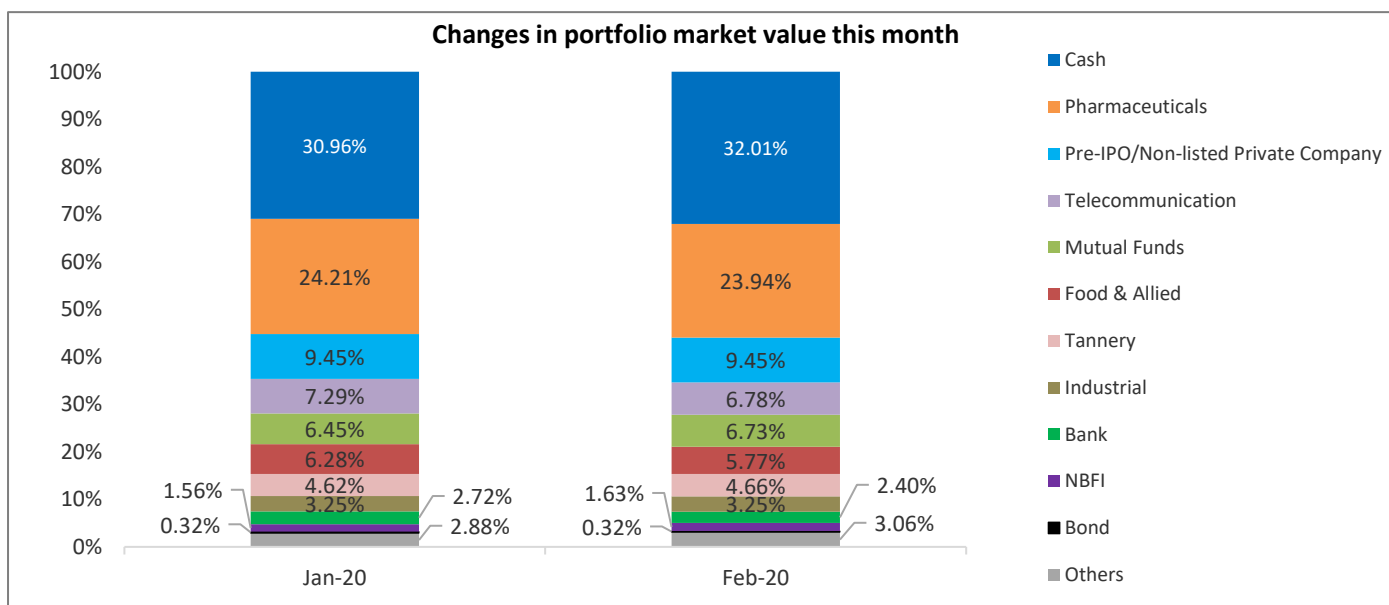
- US retail sales climb by 0.3% in January: <https://bloom.bg/2Vygrlg>
- UK retail sales rises by 0.9% in January: <https://bit.ly/2TuAMLM>
- Qatar reopens labor market for Bangladeshis: <https://bit.ly/2PrdsgS>
- Dhaka, KL to discuss labor market reopening: <https://bit.ly/388UCBX>

### LR GLOBAL PORTFOLIO UPDATE

Our portfolio is **UNDERWEIGHT** in all sectors compared to the benchmark index, except the pharmaceuticals, telecommunication, mutual funds, and tannery sector. We are currently maintaining a high proportion of cash as it is generating a better return compared to the market itself. Moreover, we are also well positioned to buy undervalued securities when appropriate.



We are taking selective positions in well-capitalized and focused companies and also evaluating discounted and transparent mutual funds to gain exposure. We primarily booked profits from few stocks and intend to buy back at more attractive prices.



## LR GLOBAL PORTFOLIO PERFORMANCE

LR Global managed funds have consistently beat the market with over 40% cash dividends. Despite a flat market since 2010, LR Global managed funds have materially outperformed the benchmark index.

Value Addition History	1 year	2 year	3 year	4 year	5 year	6 year	7 year	8 year	9 year	Since inception
Cumulative Return LR Global	-10.93%	-14.74%	1.16%	12.58%	22.95%	19.43%	39.41%	40.55%	16.68%	65.60%
Cumulative Return Benchmark	-22.09%	-25.85%	-19.75%	-1.86%	-4.24%	-4.60%	10.72%	-9.79%	-44.35%	-15.10%
<b>LR Global Value Addition</b>	<b>11.15%</b>	<b>11.11%</b>	<b>20.91%</b>	<b>14.43%</b>	<b>27.19%</b>	<b>24.03%</b>	<b>28.70%</b>	<b>50.33%</b>	<b>61.03%</b>	<b>80.70%</b>

Annualized Return LR Global	-10.93%	-7.66%	0.38%	3.01%	4.22%	3.00%	4.86%	4.35%	1.73%	5.23%
Annualized Return Benchmark	-22.09%	-13.89%	-7.07%	-0.47%	-0.86%	-0.78%	1.46%	-1.28%	-6.30%	-1.64%
<b>LR Global Value Addition</b>	<b>11.15%</b>	<b>6.23%</b>	<b>7.46%</b>	<b>3.47%</b>	<b>5.08%</b>	<b>3.79%</b>	<b>3.40%</b>	<b>5.63%</b>	<b>8.03%</b>	<b>6.86%</b>

Beta (LR Global vs Benchmark)	0.52	0.47	0.50	0.47	0.50	0.50	0.47	0.44	0.45	0.46
<b>Annualized Alpha over benchmark</b>	<b>-1.56%</b>	<b>-3.51%</b>	<b>1.62%</b>	<b>0.85%</b>	<b>2.38%</b>	<b>1.15%</b>	<b>1.78%</b>	<b>2.39%</b>	<b>2.13%</b>	<b>3.55%</b>

Our funds perform resiliently even when the market experiences a bearish phase. For instance, DBH1STMF and GREENELMF successfully disbursed attractive dividends with their commencement in 2010 even though the market crashed in that same year. The cumulative dividend yield of our funds in the last five years indicate that our unitholders have been the recipient of attractive returns as a result of investing in our mutual funds.

Dividend History	DBH1STMF	GREENELMF	AIBL1STMF	MBL1STMF	LRGLOBMF1	NCCBLMF1
Fund Inception Date	4-Feb-10	23-Sep-10	6-Jan-11	3-Feb-11	15-Sep-11	24-May-12
Initial Fund Size (BDT Mn)	1,200	1,500	1,000	1,000	3,000	1,000
Total Dividend Disbursed (BDT Mn)	667.20	472.50	415.00	370.00	1,250.33	434.01
% Cash Dividend to Initial PAR	56%	32%	42%	37%	42%	43%

Cumulative Dividend Yield	DBH1STMF	GREENELMF	AIBL1STMF	MBL1STMF	LRGLOBMF1	NCCBLMF1
5 year	41.9%	44.5%	49.2%	48.6%	48.5%	44.3%
4 Year	33.3%	34.9%	46.9%	45.3%	31.4%	37.3%
3 Year	25.4%	26.7%	29.9%	30.8%	23.5%	27.3%
2 Year	20.1%	21.6%	21.3%	21.9%	13.3%	23.1%
1 Year	9.6%	10.6%	11.1%	11.9%	6.0%	9.4%

Cumulative Div. Yield (Annualized)	DBH1STMF	GREENELMF	AIBL1STMF	MBL1STMF	LRGLOBMF1	NCCBLMF1
5 year	8.4%	8.9%	9.8%	9.7%	9.7%	8.9%
4 Year	8.3%	8.7%	11.7%	11.3%	7.9%	9.3%
3 Year	8.5%	8.9%	10.0%	10.3%	7.8%	9.1%
2 Year	10.0%	10.8%	10.6%	11.0%	6.7%	11.6%
1 Year	9.6%	10.6%	11.1%	11.9%	6.0%	9.4%

Note: The most recent dividend data used for NCCBLMF1 is for 2018 while the rest are for 2019.

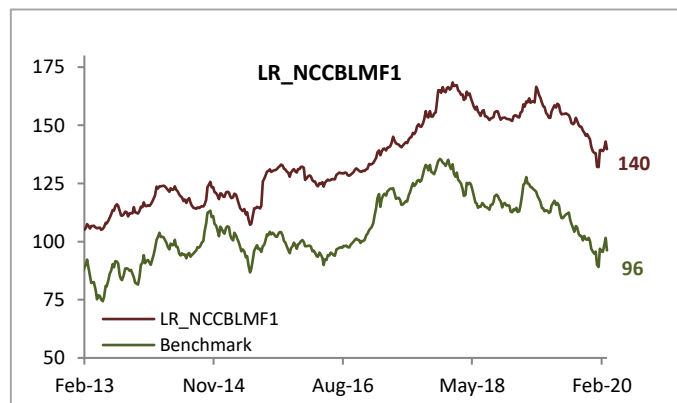
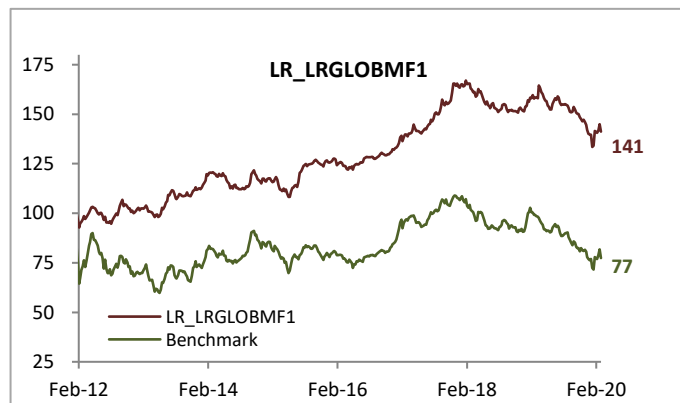
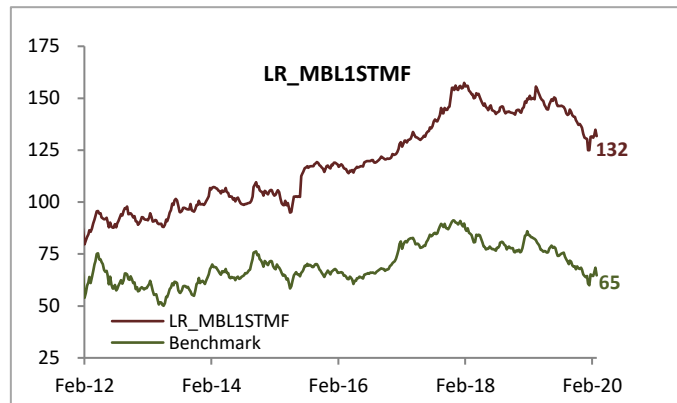
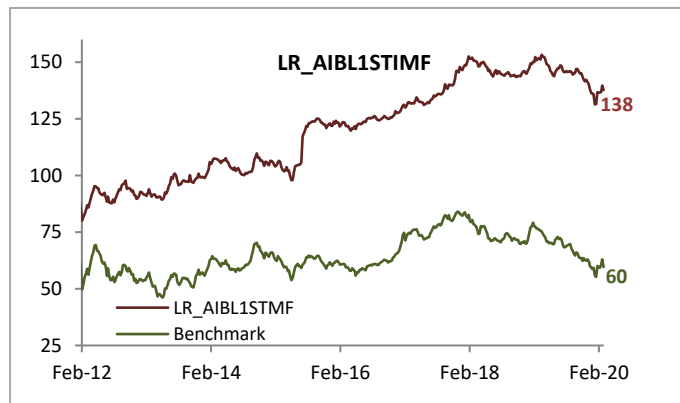
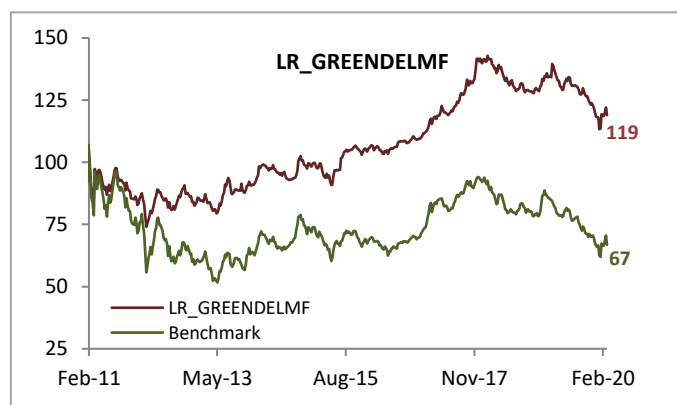
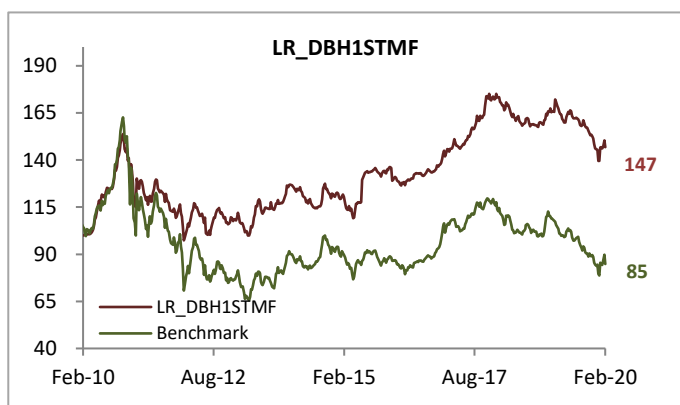
Our ten years of tested investment process has generated attractive returns, including attractive cash dividends. Our tested investment process includes security selection, asset allocation and an ongoing risk management process.

AIBL1STIMF outperformed the benchmark index during the month as it is not exposed to the banking and NBF1 sector and BATBC.

**Monthly Market Performance**

	This Month	Last Month	Change
<b>DSEX</b>	<b>4,480.23</b>	<b>4,469.66</b>	<b>0.24%</b>
DBH1STMF	9.21	9.21	0.00%
GREENELMF	9.19	9.20	-0.11%
AIBL1STIMF	9.55	9.47	0.84%
MBL1STMF	9.40	9.39	0.11%
LRGLOBMF1	9.38	9.37	0.11%
NCCBLMF1	9.42	9.40	0.21%

We have consistently outperformed the benchmark index across all funds since inception due to our security selection, asset allocation, market timing, and rating process.



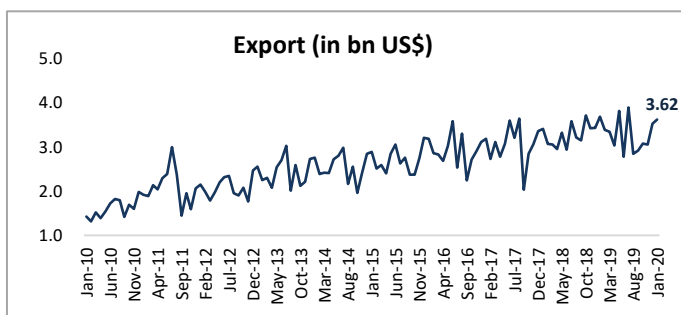
Source: LR Global Research

**MACRO UPDATE**

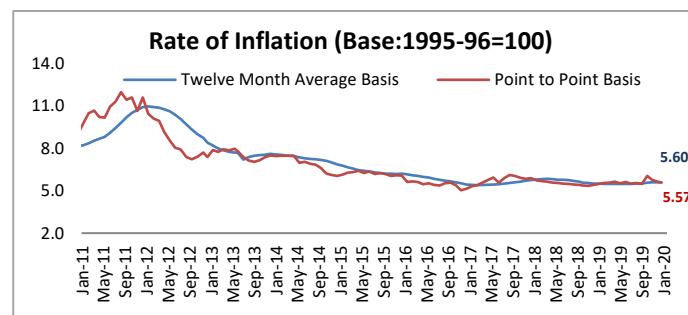
	FY 2019-20	FY 2018-19	% Change
<b>Export (mn \$) (Jul-Jan)</b>	22,917	24,180	<b>-5.2%</b>
<b>Import (mn \$) (Jul-Dec)</b>	29,251	30,070	<b>-2.7%</b>
<b>Remittances (mn \$) (Jul-Jan)</b>	11,058	9,080	<b>21.8%</b>
<b>Tax Revenue (NBR) (mn \$) (Jul-Dec)</b>	12,499	11,550	<b>8.2%</b>
<b>Total Domestic Credit (mn \$) (Dec)</b>	146,125	127,250	<b>14.8%</b>
<b>Credit to the Private Sector (mn \$) (Dec)</b>	124,046	112,939	<b>9.8%</b>
<b>Broad Money M2 (mn \$) (Dec)</b>	152,466	136,085	<b>12.0%</b>
<b>LC Opening of Industrial Raw Material (mn \$) (Jul-Aug)</b>	2,738	3,381	<b>-19.0%</b>
<b>LC Opening of Capital Machinery (mn \$) (Jul-Aug)</b>	700	760	<b>-7.8%</b>
<b>Current Account Balance (mn \$) (Jul-Dec)</b>	(1,347)	(3,388)	<b>N/A</b>
<b>Net Sales of National Savings Certificates (mn \$) (Jul-Dec)</b>	718	2,946	<b>-75.6%</b>
	<b>This Month</b>	<b>Last Month</b>	<b>% Change</b>
<b>Foreign Exchange Reserve (mn \$)</b>	32,702	32,401	<b>0.9%</b>
<b>Call Rate (Weighted Average Rate)</b>	5.09	5.04	<b>1.0%</b>
<b>Taka-Dollar Exchange Rate (Avg)</b>	84.95	84.90	<b>0.1%</b>
	<b>January</b>	<b>December</b>	<b>% Change</b>
<b>US Retail Sales (mn \$)</b>	529,766	528,367	<b>0.26%</b>
<b>UK Retail Sales (mn \$)</b>	14,672	14,537	<b>0.93%</b>

Source: Bangladesh Bank, US Census Bureau, UK Office for National Statistics

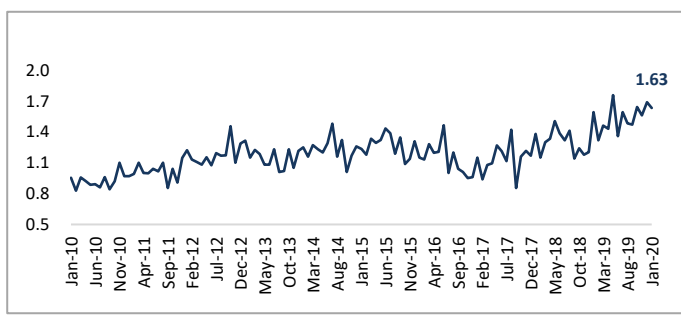
Exports registered a slight decline of 1.7% in January, in line with its ongoing grim trend this fiscal year.



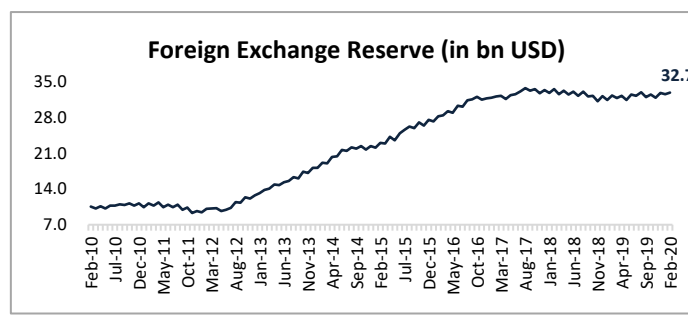
Non-food inflation spiked but point-to-point inflation declined by 18 bps as food inflation slightly calmed down.



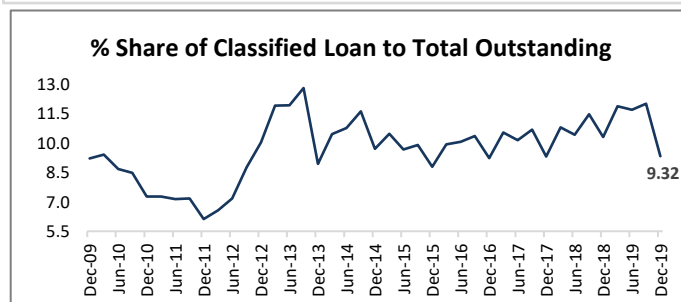
Remittance is exhibiting healthy growth, backed by 2% cash incentive by the government



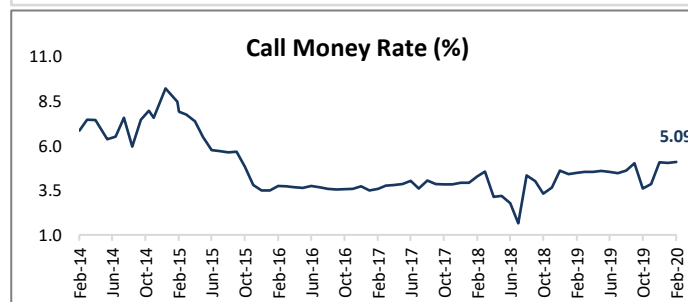
Foreign exchange reserve has remained stable at a \$31 bn to \$33 bn level for the last 4 years



Classified loan declined significantly in the latest quarter due to the relaxed rescheduling policy.

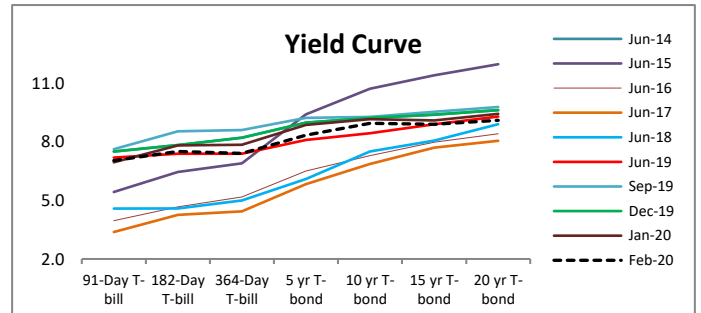
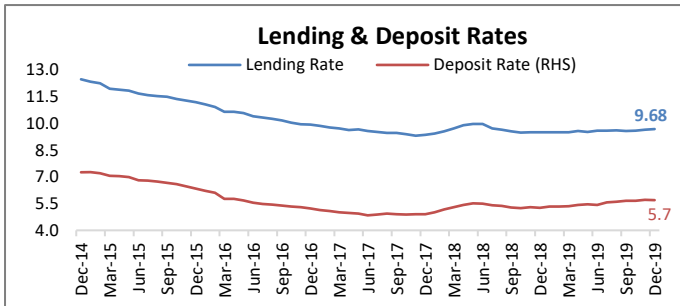


Call money rate edged up by 4 bps in February compared to the previous month.



Interest rate spread has been narrowing as they are being adjusted to single digits as per central bank directives.

The yield curve of short-term bills and long-term treasury bonds are gradually crawling down.



Source: Bangladesh Bank

### CAPITAL MARKET UPDATE

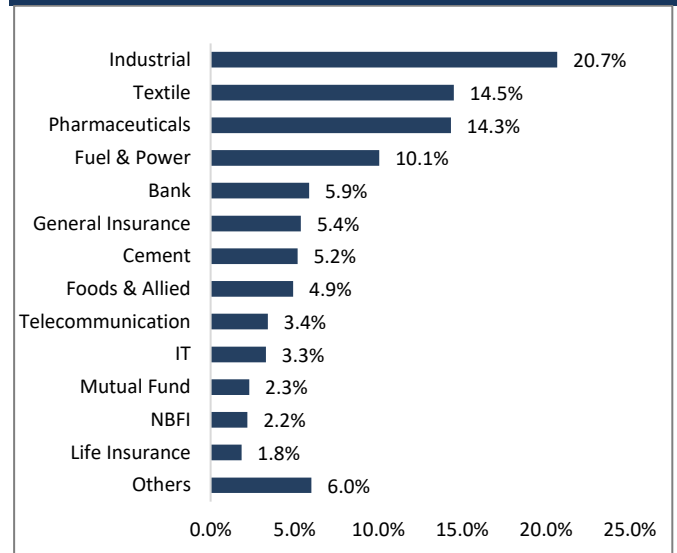
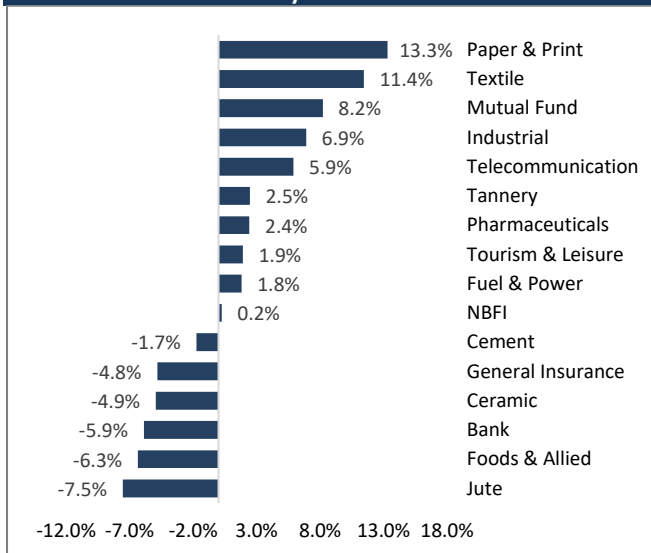
The DSEX registered a slight gain of 11 points (0.24%) during the period amidst a highly volatile environment.

The Paper & Print sector enjoyed the highest gain due to the price hike of HAKKANIPUL while the Jute and Food & Allied sectors were hit hard as a result of investors' reaction to NORTHERN and BATBC's EPS decline.

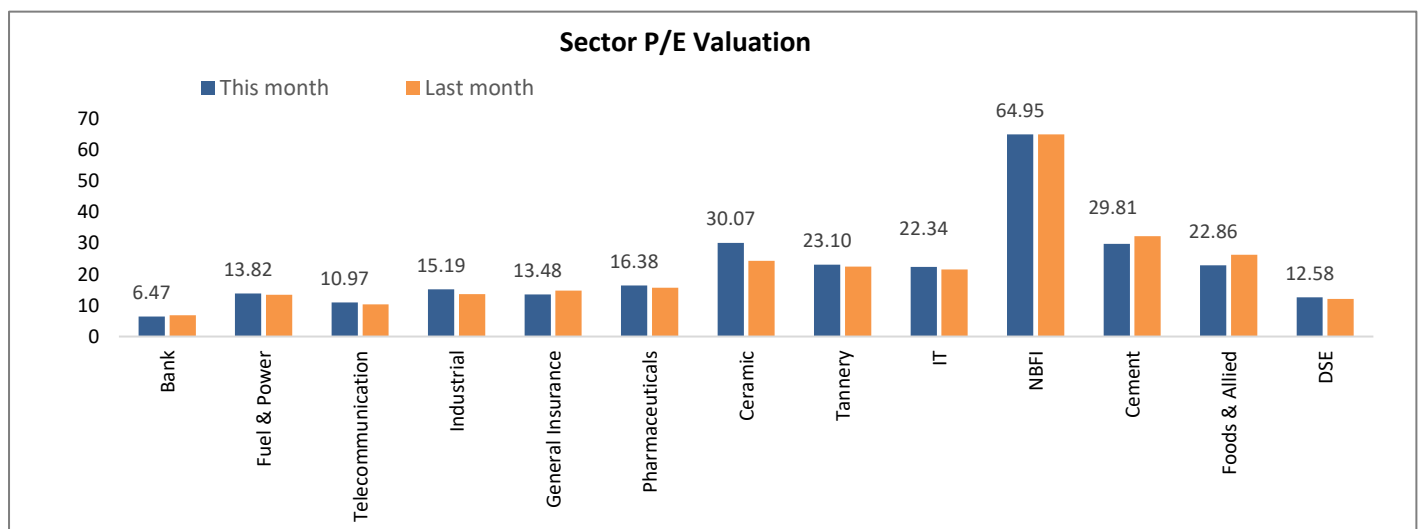
The stability and strong fundamentals of the pharmaceutical sector alongside cheap industrial and textile stocks drove investors to continue to binge on the stocks in these sectors.

Monthly Sector Return

Sector Contribution to Total Turnover



The P/E ratio of majority sectors increased minimally with the overall market, but stocks still remain at attractive prices.



Market liquidity improved substantially in February and had a similar trend as the previous month. The first 7 trading sessions had a moderate liquidity with an average daily turnover (ADTV) of USD 49 mn. Subsequently, the market picked up pace and almost doubled in the next 10 sessions but the momentum was eventually choked by investor pessimism.

**Market Liquidity**

	This Month	Last Month	Change
Total Turnover (USD MN)	1,465.37	951.80	53.96%
Avg. Daily Turnover (USD MN)	73.27	43.26	69.35%

LHBL remained investors' favorite pick while GP was also heavily traded as investors continued to be wary about the financial impact of GP's payment of BTRC's claim.

HAKKANIPUL enjoyed the highest gain despite having a negative EPS while the price of 5 pharma companies also soared albeit reporting negative EPS growth.

Most of the top ten losers that lost significant value during the month also reported an EPS decline or a negative EPS, which sent investors on a selling spree.

**Turnover Leaders**

Ticker	Turnover (BDT MN)
LHBL	4,697
KPCL	2,832
GP	2,732
SUMITPOWER	2,546
IBP	2,293
ADNTEL	2,097
GHAIL	1,914
ORIONINFU	1,887
VFSTDL	1,861
ORIONPHARM	1,857

**Top Ten Gainers**

Ticker	% Change
HAKKANIPUL	64.7%
ORIONPHARM	61.1%
CENTRALPHL	60.5%
ORIONINFU	60.4%
FARCHEM	55.6%
GHCL	53.7%
ICBEPMF1S1	52.3%
MLDYEING	48.9%
SKTRIMS	43.9%
PREMIERCEM	42.2%

**Top Ten Losers**

Ticker	% Change
STANCERAM	-28.4%
BRACBANK	-25.8%
PRIMEINSUR	-25.1%
FASFIN	-23.2%
NORTHERN	-21.7%
SHYAMPSUG	-18.4%
ILFSL	-17.0%
DHAKAINS	-15.8%
UNITEDAIR	-15.8%
JANATAINS	-15.5%

**NOTABLE QUARTERLY EARNINGS DURING THE MONTH**

BARKAPOWER and CONFIDCEM experienced significant growth during the period due to some cost reductions and substantial gain from associates while UPGDCL registered a negative growth as it had an extraordinary gain in the corresponding previous period last year from the disposal of its subsidiary.

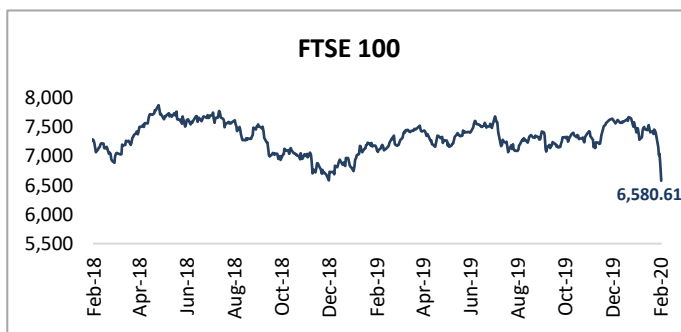
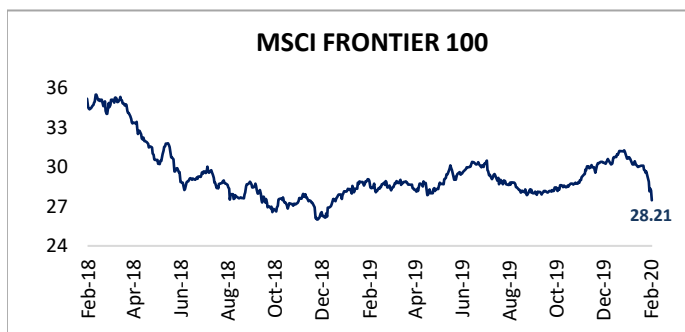
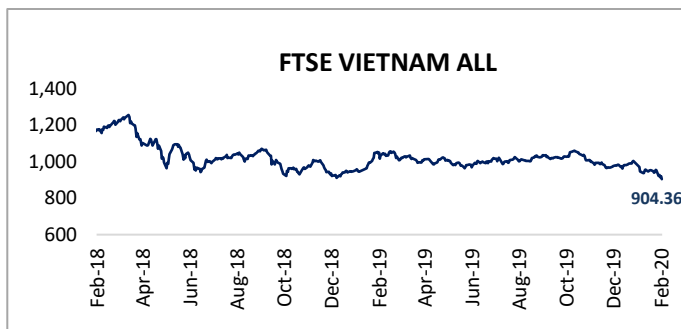
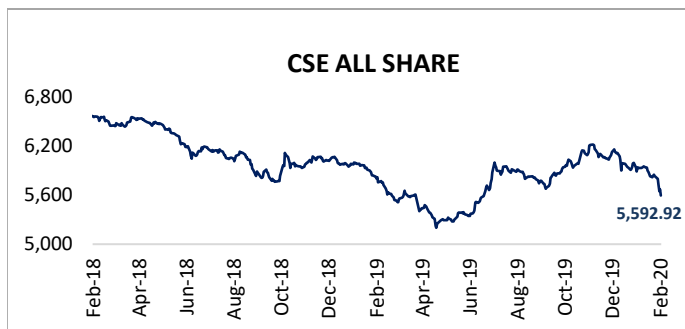
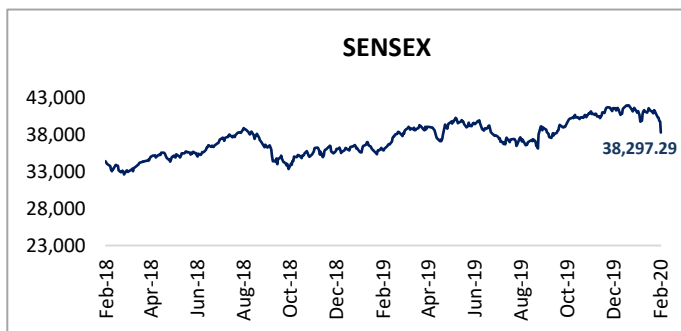
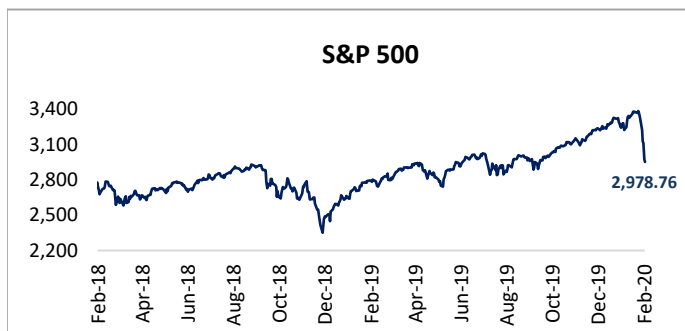
TICKER	COMPANY NAME	SECTOR	EPS 2019 (Oct-Dec)	EPS 2018 (Oct-Dec)	CHANGE
CONFIDCEM	Confidence Cement Ltd.	Cement	2.79	1.07	160.7%
BARKAPOWER	Baraka Power Limited	Fuel & Power	0.67	0.36	86.1%
GHAIL	Golden Harvest Agro Industries Ltd.	Food & Allied	0.41	0.30	36.7%
BERGERPBL	Berger Paints Bangladesh Ltd.	Miscellaneous	14.36	11.90	20.7%
KPCL	Khulna Power Company Limited	Fuel & Power	0.85	0.90	-5.6%
UPGDCL	United Power Generation & Distribution Company Ltd.	Fuel & Power	2.95	3.62	-18.5%

**NOTABLE YEARLY EARNINGS & DIVIDEND DECLARATIONS DURING THE MONTH**

BATBC registered negative growth during the year due to an overall decline in local cigarette stick revenue and increased tax rates. However, while the first two quarters had negative earnings growth, it bounced back in the last two quarters due to material increase in export volume and some improvement in local cigarette sales. SINGERBD's dividend yield has become more attractive at ~4.62%.

TICKER	COMPANY NAME	SECTOR	EPS 2019 (Jan-Dec)	EPS 2018 (Jan-Dec)	CHANGE	DIVIDEND (2019)
IPDC	IPDC Finance Limited	Financial Institutions	1.82	1.59	14.5%	10% cash, 5% stock
SINGERBD	Singer Bangladesh Limited	Engineering	10.35	9.20	12.5%	77% cash
DBH	Delta Brac Housing Finance	Financial Institutions	8.04	7.82	2.8%	20% cash, 15% stock
BATBC	British American Tobacco	Food & Allied	51.37	55.62	-7.6%	400% cash
IDLC	IDLC Finance Ltd.	Financial Institutions	4.51	5.76	-21.7%	35% cash



**WORLD MARKET**

**INDICES, COMMODITIES & CURRENCIES**

Indices	1-Year	6-Month	3-Month	1-Month	1-Week
S&P500	5.37%	0.95%	-5.95%	-8.92%	-12.42%
SENSEX	6.77%	2.58%	-6.12%	-7.04%	-6.98%
CSE ALL	-2.80%	-5.04%	-9.97%	-4.96%	-4.07%
FTSE VTNM	-99.90%	-99.90%	-99.90%	-99.90%	-99.89%
MSCI FRONTIER 100	-5.44%	-4.75%	-6.02%	-10.64%	-7.38%
FTSE 100	-7.40%	-8.69%	-10.43%	-11.17%	-11.12%
DSEX	-21.72%	-10.52%	-5.37%	0.24%	-4.65%

Commodities Return	1-Year	6-Month	3-Month	1-Month	1-Week
Gold	19.89%	3.78%	7.77%	1.11%	-1.82%
Copper	-14.04%	-0.16%	-4.36%	-0.31%	-2.38%
Crude Oil	-19.78%	-18.77%	-18.87%	-16.07%	-16.15%
Sugar	13.59%	29.80%	11.75%	-0.21%	-7.25%
Wheat	14.50%	13.84%	-3.11%	-6.50%	-4.80%

Currencies Return*	Exchange Rate	1-Year	6-Month	3-Month	1-Month	1-Week
Euro	0.91	3.2%	-0.3%	-0.1%	0.0%	-1.6%
INR	72.54	2.2%	0.8%	1.1%	1.7%	0.9%
Yen	108.08	-3.4%	1.7%	-1.3%	-0.8%	-3.1%
CNY	6.99	4.3%	-2.5%	-0.6%	0.8%	-0.5%
VND	23,241.00	0.2%	0.2%	0.3%	0.3%	0.0%
BDT	84.94	1.3%	0.5%	0.1%	0.1%	-0.1%

\*Calculated against USD, positive return denotes depreciation against USD