

MATERIAL MARKET UPDATE

The DSEX gained 17 points (0.38%) in January, with an initial sharp fall of 9.36% and a subsequent exceptional recovery of 12.19% that was short-lived. The persistence of panic sale in the first 10 trading days of the month caused the premier bourse to nosedive by 417 points (9.36%). Subsequently, Bangladesh Bank's plan and the PM's directives to rejuvenate the capital market were unveiled, and news such as the appointment of GP's new CEO and the announcement of SQRPHARMA's directors' intention to buy the company's shares also emerged. These news jointly revived confidence in the market and led investors to binge on large cap undervalued stocks, which helped the market add back 492 points (12.19%) in 8 trading sessions. This included the biggest single day gain of 232 points (5.60%) in the past 7 years. However, this trend did not sustain as the main index slipped back to red yet again as most companies reported earnings that failed to meet investors' expectations, causing the key index to shed 59 points (1.29%) in the last 4 trading days. Some large cap stocks such as GP, SQRPHARMA, and BRACBANK were among the top turnover leaders. Additionally, the majority of the stocks that made it to the top gainers and losers list have been operating with poor earnings.

While exports edged up by 2.89% in December owing to the RMG sector's peak period, H1 reported an overall 5.84% decline. The government has set up a USD 10 mn fund to help improve the dismal condition of exports. On the other hand, remittance reported another large gain of 39.79% during the month. Moreover, with the big success of the implementation of the 2% cash incentive, the government expects to bag more than USD 20 bn in remittance in the current fiscal year. Point to point inflation came down slightly by 30 bps to 5.75%, but the 12-month average went up by 3 bps. Poor revenue collection and increasing ADP expenditure has led to the budget deficit crossing 5% in FY 2018-19 for the first time in 11 years and this trend has continued into the first four months of this fiscal year as the budget deficit grew by 130% during the period. Meanwhile, the government's bank borrowing to finance this deficit has exceeded the whole year's target within the first half of the year itself (101.4%), digging a deeper hole in the banking sector. A solution for the banking sector's woes is in the works as a bank reform commission tasked with determining appropriate reforms for the sector is in the offing and a Public Asset Management Company is also being formed to give the country's financial sector a fresh start.

KEY NEWS UPDATE

MACROECONOMY

- Bangladesh likely to earn over USD 20 bn remittance this year: <https://bit.ly/2U52d0N>
- Budget deficit crosses 5% for first time in 11 years in FY 2018-19: <https://bit.ly/2RZ5hsx>
- Deficit financing widens by 130% in first four months of current FY: <https://bit.ly/36UUjtT>
- Exports shrink by 5.84% in H1: <https://bit.ly/2u25seG>
- USD 10 mn fund set up to boost exports: <https://bit.ly/2RWteRs>
- Government sets RMG export target at USD 50 bn in FY2020-21: <https://bit.ly/2U8WgzV>
- Inflation crawls up to 5.59% in December: <https://bit.ly/2tarkEu>
- NSC sales tumble by 73% in first 5 months of current fiscal year: <https://bit.ly/2RRzKsB>
- Government's credit growth target revised to 17.40% from 15.90% for H2: <https://bit.ly/2RUbHt4>
- Integrated savings tools policy in the offing: <https://bit.ly/2RUa7Ya>
- Government starts working on bank commission for remedial measures: <https://bit.ly/313v1rT>
- Preparations to enact PAMC draft law moving at bullet speed: <https://bit.ly/2RWNJOi>

CAPITAL MARKET

- PM gives six-point directive to revive capital market: <https://bit.ly/3aNGkJ8>
- Bangladesh Bank rolls out capital market support plan this week: <https://bit.ly/36AwqYo>
- Walton's Initial Public Offering (IPO) bidding approved: <https://bit.ly/38FEok5>
- ICB Employees Provident Mutual Fund 1: Scheme 1 gets 10-year extension: <https://bit.ly/312wxur>
- Regent Textile extends deadline instead of utilizing IPO funds: <https://bit.ly/3aFmEaB>
- Securities regulator asks to freeze Ring Shine Textiles' IPO account: <https://bit.ly/2tXP7I5>
- BSEC toughens corporate governance code: <https://bit.ly/2O5sDM2>
- Active BO accounts down by 7.25% in 2019: <https://bit.ly/2O3GSRs>

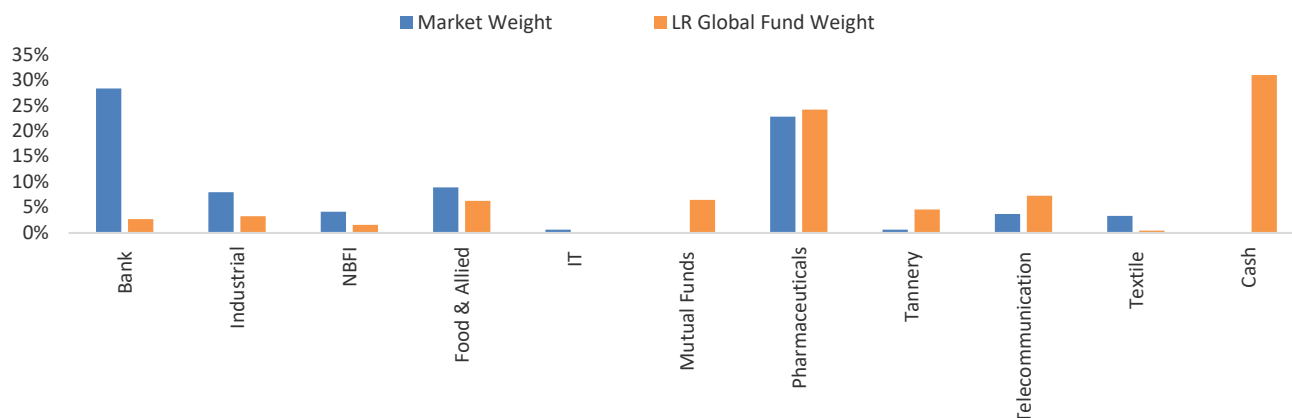
INTERNATIONAL:

- US retail sales climb by 0.3% in December: <https://cnb.cx/2U7hCOa>
- UK retail sales down volume down by 0.6% in December: <https://bbc.in/2GzoZGd>
- More than 100,000 Bangladeshi workers deported in 2019: <https://bit.ly/312xbYT>
- KSA deports more than 100 Bangladeshis in first 18 days of January: <https://bit.ly/2GutxNO>

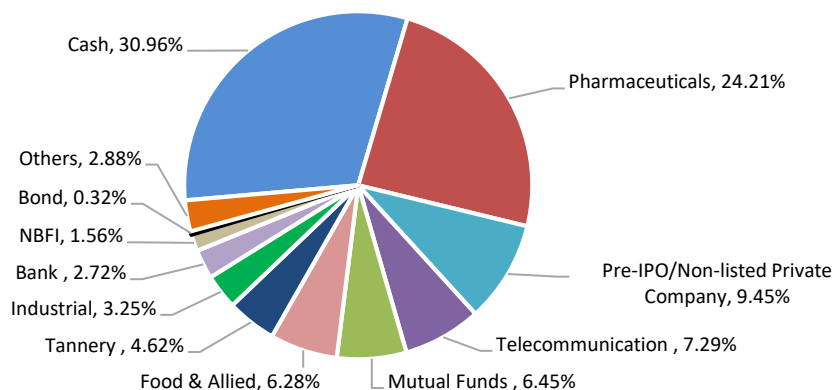
LR GLOBAL PORTFOLIO UPDATE

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.

Sectorwise Investment

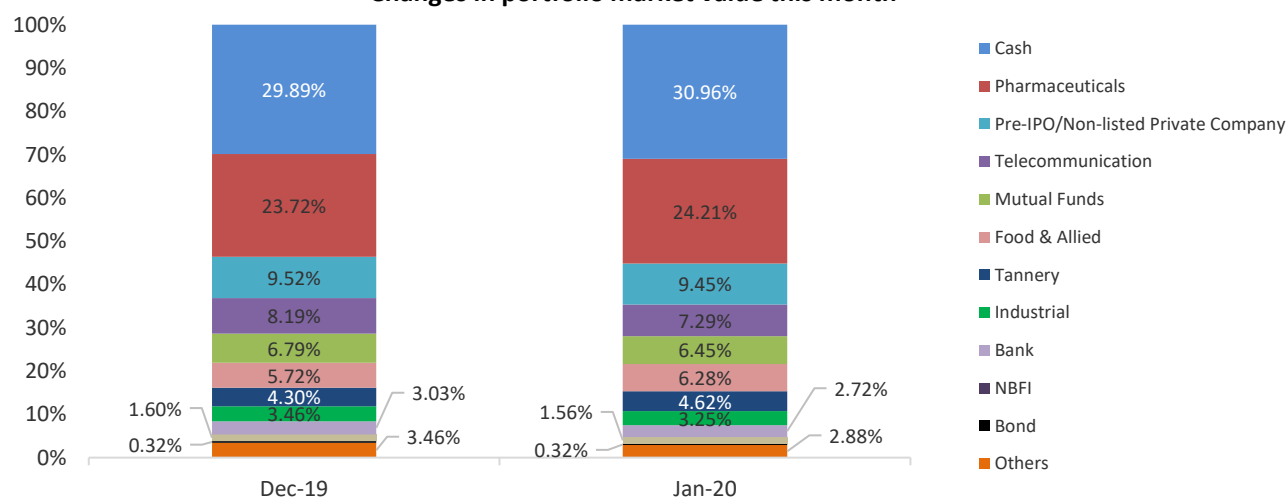


Sectoral Composition of Portfolio at Market Value



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.

Changes in portfolio market value this month



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	-10.16%	-14.23%	2.32%	9.74%	20.52%	27.37%	40.55%	41.71%	10.39%	65.35%
Cumulative Return Benchmark	-23.28%	-26.89%	-19.13%	-4.29%	-9.92%	6.54%	10.27%	-7.95%	-47.92%	-15.30%
LR Global Value Addition	13.12%	12.67%	21.45%	14.03%	30.45%	20.83%	30.28%	49.65%	58.31%	80.65%

Annualized Return LR Global	-10.16%	-7.39%	0.77%	2.35%	3.80%	4.12%	4.98%	4.45%	1.10%	5.25%
Annualized Return Benchmark	-23.28%	-14.50%	-6.83%	-1.09%	-2.07%	1.06%	1.41%	-1.03%	-6.99%	-1.68%
LR Global Value Addition	13.12%	7.11%	7.60%	3.44%	5.87%	3.05%	3.58%	5.48%	8.10%	6.93%

Beta (LR Global vs Benchmark)	0.53	0.47	0.49	0.48	0.50	0.50	0.47	0.44	0.46	0.46
Annualized Alpha over benchmark	0.01%	-2.97%	1.85%	0.52%	2.58%	1.34%	1.93%	2.38%	1.85%	3.60%

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	42.2%	44.8%	49.5%	48.8%	48.8%	44.4%
4 Year	33.5%	35.1%	46.9%	45.3%	31.6%	37.2%
3 Year	25.3%	26.6%	29.8%	30.6%	23.4%	27.1%
2 Year	19.9%	21.4%	21.2%	21.7%	13.2%	22.7%
1 Year	9.5%	10.5%	11.0%	11.8%	5.9%	9.2%

Cumulative Div. Yield (Annualized)	DBH1STMF	GREENELMF	AIBL1STMF	MBL1STMF	LRGLOBMF1	NCCBLMF1
5 year	8.4%	9.0%	9.9%	9.8%	9.8%	8.9%
4 Year	8.4%	8.8%	11.7%	11.3%	7.9%	9.3%
3 Year	8.4%	8.9%	9.9%	10.2%	7.8%	9.0%
2 Year	9.9%	10.7%	10.6%	10.8%	6.6%	11.4%
1 Year	9.5%	10.5%	11.0%	11.8%	5.9%	9.2%

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

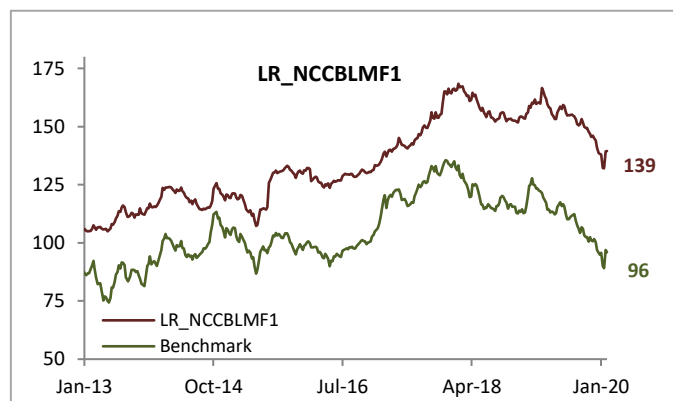
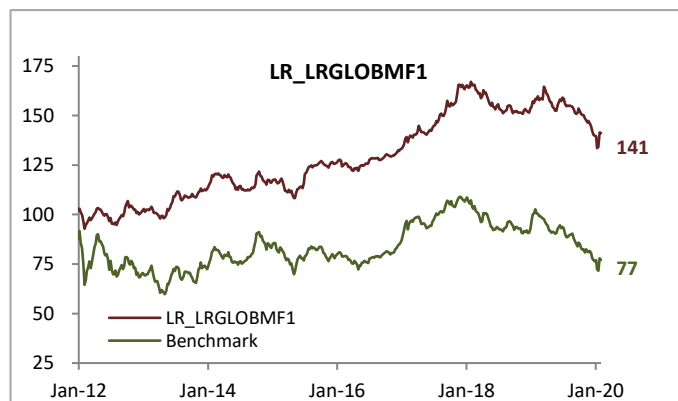
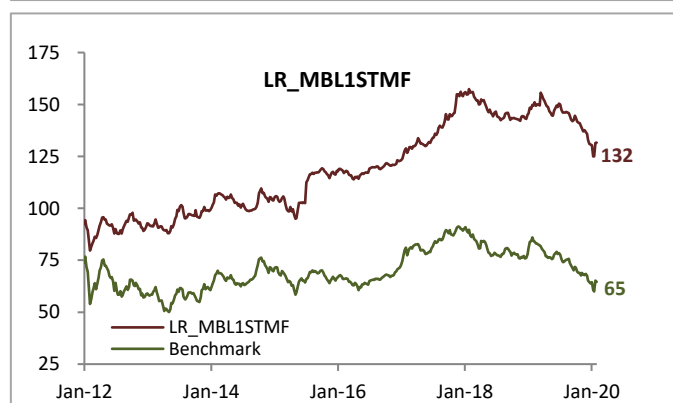
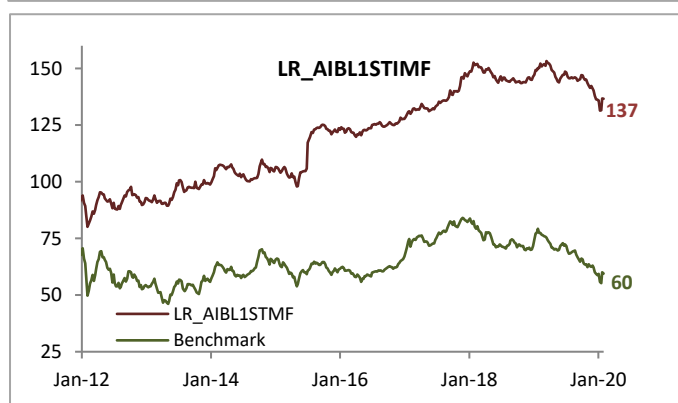
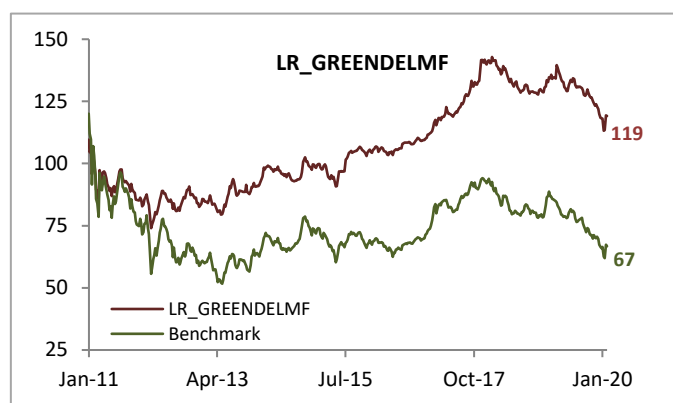
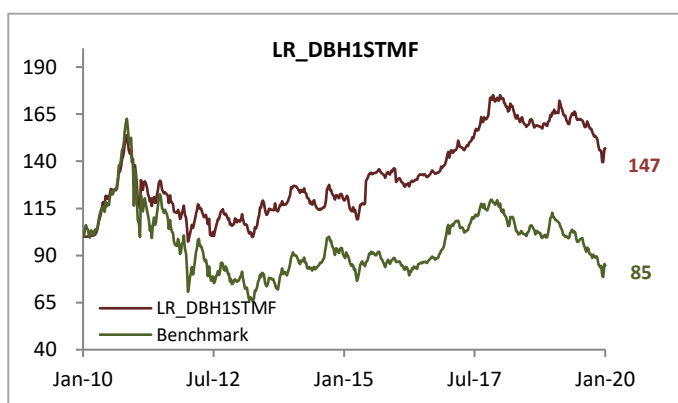
Our ten years of tested investment process has generated attractive returns, including attractive cash dividends. Our tested investment process includes security selection, asset allocation and an ongoing risk management process.

All LR Global managed funds outperformed the DSEX during the month, except AIBL1STMF.

Monthly Market Performance

	This Month	Last Month	Change
DSEX	4,469.66	4,452.93	0.38%
DBH1STMF	9.21	9.15	0.66%
GREENELMF	9.20	9.14	0.66%
AIBL1STMF	9.47	9.44	0.32%
MBL1STMF	9.39	9.33	0.64%
LRGLOBMF1	9.37	9.31	0.64%
NCCBLMF1	9.40	9.31	0.97%

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



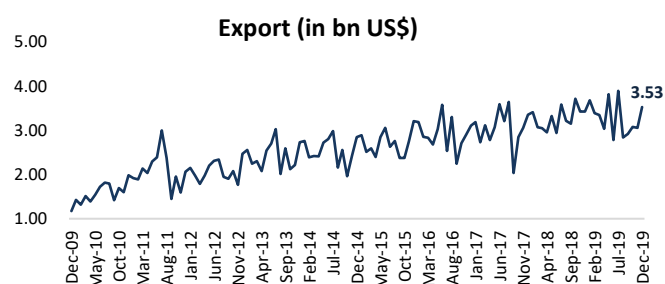
Source: LR Global Research

MACRO UPDATE

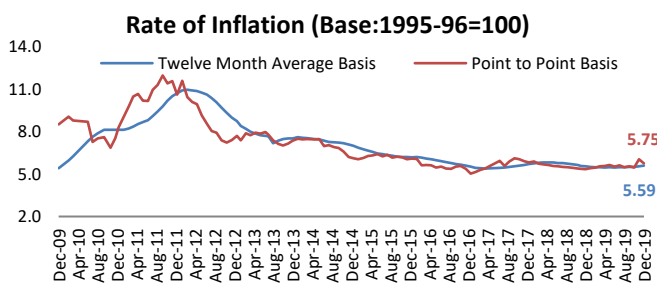
	FY 2019-20	FY 2018-19	% Change
Export (mn \$) (Jul-Dec)	19,300	20,500	-5.9%
Import (mn \$) (Jul-Nov)	23,997	25,326	-5.2%
Remittances (mn \$) (Jul-Dec)	9,428	7,489	25.9%
Tax Revenue (NBR) (mn \$) (Jul-Nov)	9,866	9,391	5.1%
Total Domestic Credit (mn \$) (Dec)	146,125	127,250	14.8%
Credit to the Private Sector (mn \$) (Dec)	124,046	112,939	9.8%
Broad Money M2 (mn \$) (Dec)	152,466	136,085	12.0%
LC Opening of Industrial Raw Material (mn \$) (Jul-Aug)	2,738	3,381	-19.0%
LC Opening of Capital Machinery (mn \$) (Jul-Aug)	700	760	-7.8%
Current Account Balance (mn \$) (Jul-Nov)	(1,097)	(2,425)	N/A
Net Sales of National Savings Certificates (mn \$) (Jul-Nov)	766	2,554	-70.0%
	This Month	Last Month	% Change
Foreign Exchange Reserve (mn \$)	32,251	32,668	-1.3%
Call Rate (Weighted Average Rate)	5.04	5.07	-0.6%
Taka-Dollar Exchange Rate (Avg BDT)	84.93	84.90	0.0%
	December	November	% Change
US Retail Sales (mn \$)	529,606	527,841	0.3%
UK Retail Sales (mn \$)	10,540	10,605	-0.6%

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

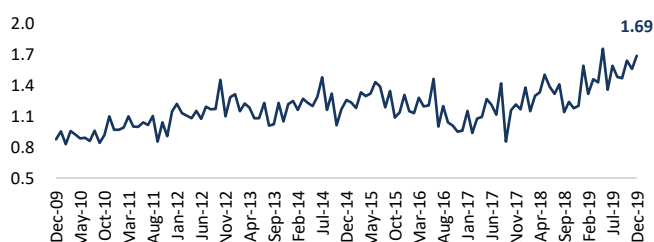
Exports registered a minimal gain of 2.89% in December due to the RMG sector's peak period.



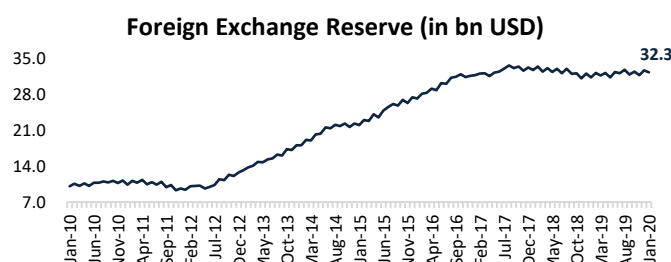
Point-to-point inflation declined by 30 bps as food inflation slightly calmed down.



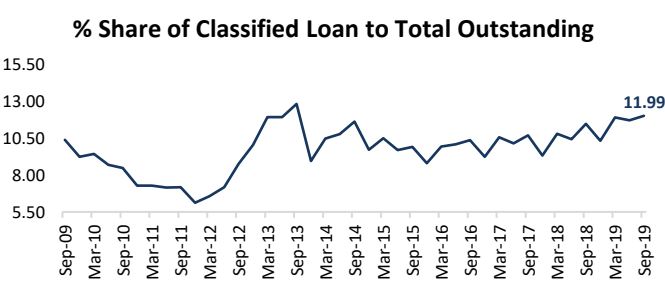
Remittance is exhibiting healthy growth, backed by 2% cash incentive by the government



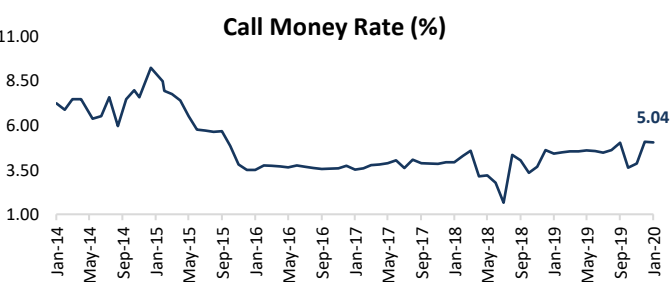
Foreign exchange reserve has remained stable at a \$31 bn to \$33 bn level for the last 4 years



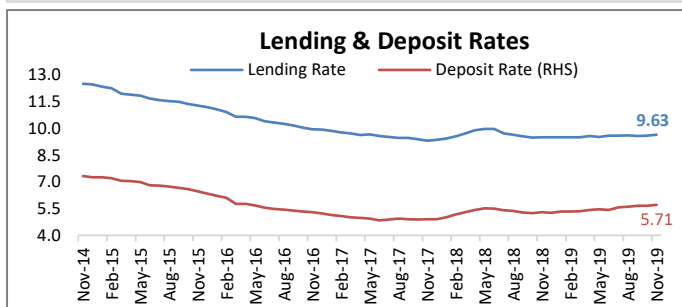
A relaxed rescheduling policy backfired as classified loan climbed to 11.99% of total outstanding loan



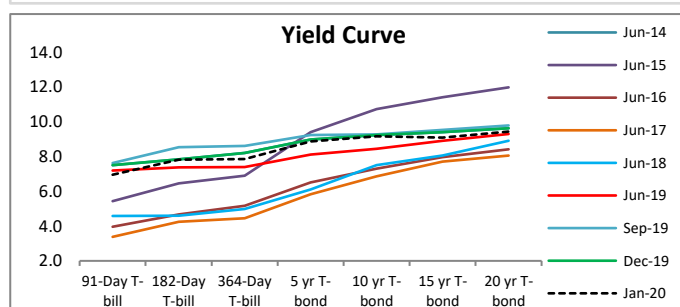
Call money rate came down slightly by 3 bps in January compared to the previous month



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



Yield curve of short-term bills and long-term treasury bonds have flattened significantly



Source: Bangladesh Bank

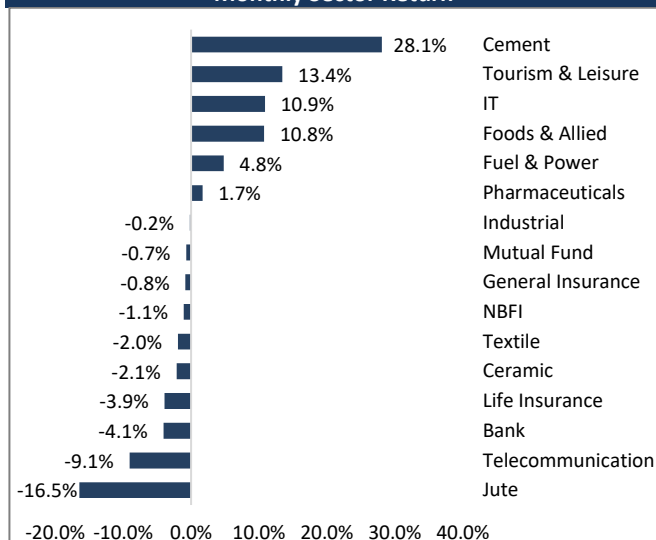
CAPITAL MARKET UPDATE

The DSEX gained 17 points (0.38%) during the period amidst a highly volatile environment.

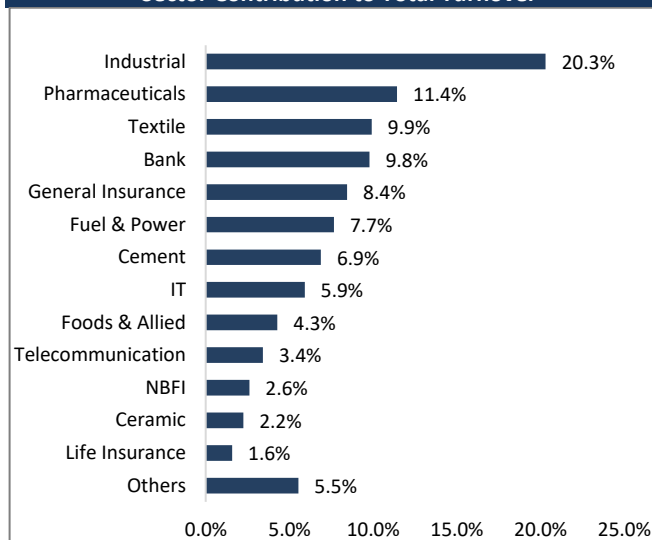
LHBL's price hike resulted in the cement sector marking the highest gain while the telecom sector recorded the second highest loss as displeased investors offloaded GP's shares due to low dividend declaration.

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

Monthly Sector Return

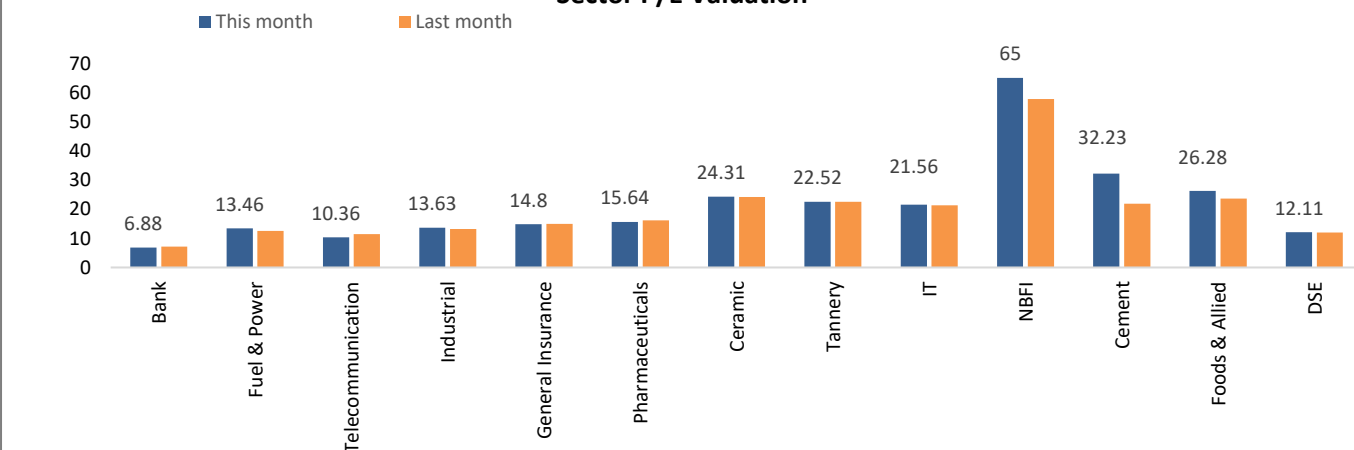


Sector Contribution to Total Turnover



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

Sector P/E Valuation



January started off with low liquidity, as the average daily turnover (ADTV) mostly hovered below the USD 35 mn mark in the first 12 trading sessions. Market activity however gained momentum mid-month and attracted more investor participation. Hence, ADTV increased by around 1.5 times in the remaining period of the month, boosting the overall turnover in January.

Market Liquidity

	This Month	Last Month	Change
Total Turnover (USD MN)	952.93	791.26	20.43%
Avg. Daily Turnover (USD MN)	43.31	39.56	9.48%

LHBL became investors' favorite pick with news of its amalgamation with Holcim and announcement of plans to transform into a building materials solution provider.

With the exception of LHBL, the remaining stocks in this list enjoyed the highest gain despite operating on a negative EPS or registering an EPS decline.

The majority 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	4,687.67
KPCL	2,584.32
SQURPHARMA	2,463.66
ADNTEL	2,168.19
SSSTEEL	1,565.59
BEACONPHAR	1,503.06
BRACBANK	1,496.38
GP	1,494.19
STANCERAM	1,189.94
PIONEERINS	1,080.63

Top Ten Gainers

Ticker	% Change
LHBL	49.7%
SHYAMPSUG	39.6%
ZEALBANGLA	39.5%
UNITEDAIR	35.7%
SEAPEARL	33.7%
MLDYEING	32.5%
DULAMIACOT	28.8%
BBS	28.8%
FIRSTFIN	26.2%
PROGRESLIF	26.2%

Top Ten Losers

Ticker	% Change
SSSTEEL	-42.7%
NORTHERN	-32.8%
STYLECRAFT	-27.5%
RINGSHINE	-27.2%
SINOBANGLA	-25.1%
SILCOPHL	-23.8%
AZIZPIPES	-23.4%
ZAHEENSPIN	-23.1%
ILFSL	-21.7%
BIFC	-18.5%

NOTABLE QUARTERLY EARNINGS DURING THE MONTH

While most top pharmaceutical companies reported positive earnings growth, ACI and ACMELAB recorded a negative growth. Additionally, almost all companies in the industrial sector declared poor earnings due to an overall slowdown in economic activity in the country.

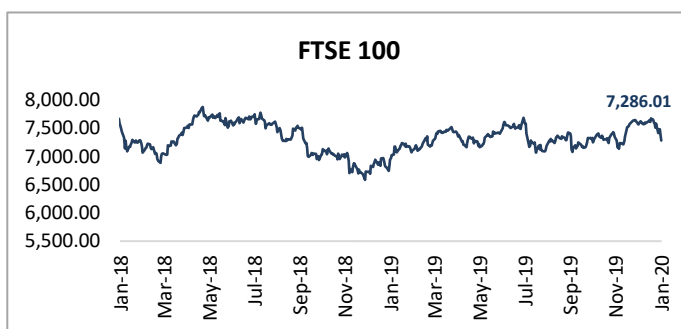
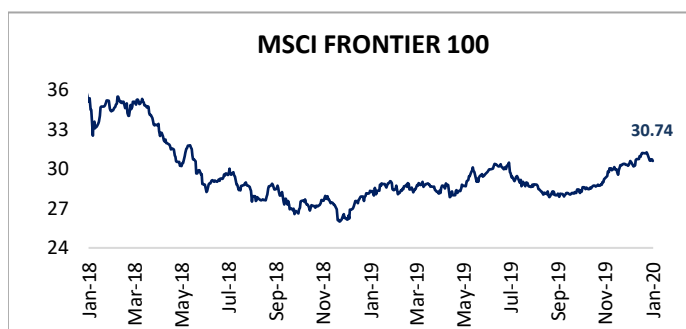
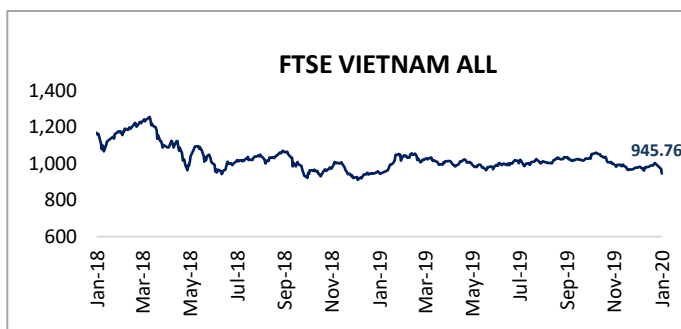
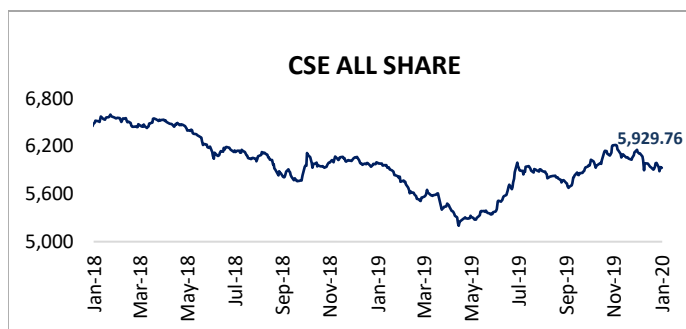
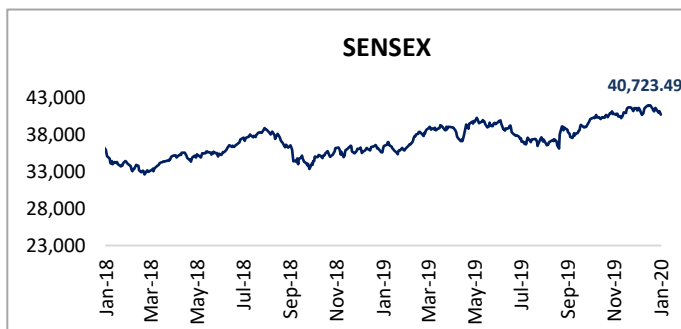
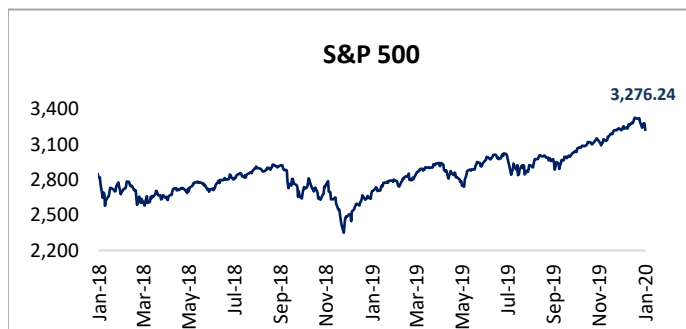
TICKER	COMPANY NAME	SECTOR	EPS 2019 (Oct-Dec)	EPS 2018 (Oct-Dec)	CHANGE
SQURPHARMA	Square Pharmaceuticals Ltd.	Pharmaceuticals	4.18	3.70	13.0%
BXPBARMA	Beximco Pharmaceuticals Ltd.	Pharmaceuticals	2.12	1.81	17.1%
RENATA	Renata Ltd.	Pharmaceuticals	10.83	9.65	12.2%
ACMELAB	The ACME Laboratories Limited	Pharmaceuticals	1.77	1.85	-4.3%
MARICO	Marico Bangladesh Limited	Pharmaceuticals	19.68	16.47	19.5%
ACI	ACI Limited	Pharmaceuticals	-6.98	-0.80	NA
SQUARETEXT	Square Textile Ltd.	Textile	0.43	0.49	-12.2%
OLYMPIC	Olympic Industries Ltd.	Food and Allied	2.47	2.20	12.3%
MJLBD	MJL Bangladesh Limited	Fuel & Power	1.56	1.46	6.8%
IFADAUTOS	IFAD Autos Limited	Industrial	0.96	1.61	-40.4%
BSRMSTEEL	BSRM Steels Limited	Industrial	0.07	0.88	-92.0%

NOTABLE YEARLY EARNINGS & DIVIDEND DECLARATIONS DURING THE MONTH

GP reported a flat earnings growth for the year ended 2019 and declared the lowest dividend in 9 years. GP's business performance was affected by bandwidth restrictions, ban on network equipment import and new package approval by BTRC alongside increased supplementary duty and SIM tax imposition in the last national budget.

TICKER	COMPANY NAME	SECTOR	EPS 2019 (Jan-Dec)	EPS 2018 (Jan-Dec)	CHANGE	DIVIDEND (2019)
GP	Grameenphone Ltd.	Telecommunication	25.56	24.71	3.44%	130.0%

WORLD MARKET



INDICES, COMMODITIES & CURRENCIES

Indices	1-Year	6-Month	3-Month	1-Month	1-Week
S&P500	19.18%	10.01%	6.19%	0.13%	-3.01%
SENSEX	14.74%	10.52%	2.15%	-1.55%	-0.49%
CSE ALL	-0.87%	0.59%	-1.70%	-3.25%	-1.03%
FTSE VTNM	0.29%	-6.90%	-8.03%	-3.15%	-5.31%
MSCI FRONTIER 100	8.66%	4.04%	6.99%	0.89%	-1.76%
FTSE 100	3.79%	-1.63%	-0.22%	-1.65%	-3.95%
DSEX	-22.95%	-13.83%	-4.46%	0.23%	-1.29%

Commodities Return	1-Year	6-Month	3-Month	1-Month	1-Week
Gold	17.50%	8.60%	4.73%	3.93%	1.12%
Copper	-10.01%	-2.56%	-4.59%	-10.01%	-7.67%
Crude Oil	-6.70%	-7.37%	-8.26%	-15.93%	-4.85%
Sugar	15.95%	21.55%	17.07%	8.87%	1.53%
Wheat	5.53%	12.73%	7.50%	-1.07%	-3.21%

Currencies Return*	Exchange Rate	1-Year	6-Month	3-Month	1-Month	1-Week
Euro	0.90	3.3%	0.1%	0.7%	1.1%	-0.6%
INR	71.56	0.2%	1.0%	1.1%	0.5%	0.3%
Yen	108.39	-1.0%	1.7%	0.2%	-0.3%	-0.8%
CNY	6.94	2.8%	-1.6%	-1.4%	-0.4%	0.0%
VND	23,223.00	0.1%	0.0%	0.1%	0.2%	0.2%
BDT	84.93	1.5%	0.3%	0.1%	0.0%	0.0%

*Calculated against USD, positive return denotes depreciation against USD

Source: investing.com