

Internship Report

On

The Procedure of IPO Placement & Portfolio Management: A Case Study on Asset Development & Holdings Ltd.

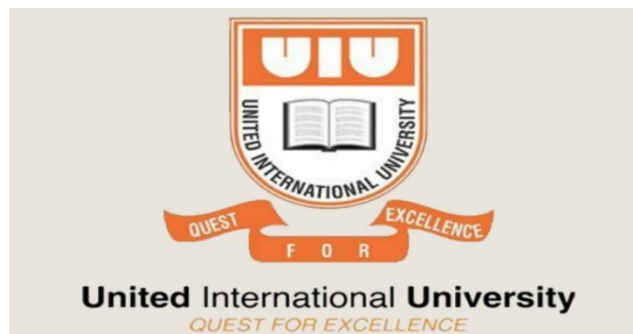
Submitted to

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Submitted by

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Date of Submission: 11th May 2024





Letter of Transmittal

May 11, 2024

Dr. Mohammad Tariq Hasan

Associate Professor

School of Business and Economics

United International University

Subject: Submission of the internship report on **“The Procedure of IPO Placement & Portfolio Management: A Case Study on Asset Development & Holdings Ltd.”**

Dear Sir,

I am honoured to present my internship report on “The Procedure of IPO Placement & Portfolio Management: A Case Study on Asset Development & Holdings Ltd.” I have submitted this report for the completion of my BBA in AIS degree from the United International University. In this report I wanted to note down how the IPO placement is submitted in the market and how the portfolio is managed for different funds and the asset management company it. I have put my best effort in preparing this report by collecting relevant information from the respective institution’s annual reports. From the internship I have learned how the asset management institutions operate and I have experienced a number of challenges which I eventually overcame from the help of my seniors.

I hope that you would spend some of your valuable time in order to assess my report. I humbly thank you for your valuable and continuous guidance.

Yours Sincerely

S.M. Nayeem Hasan

ID: 114 201 011



Declaration of Student

I am S.M. Nayeem Hasan, a student of undergraduate program BBA in AIS of the United International University bearing the ID: 114 201 011. I hereby declare that the internship report titled “The Procedure of IPO Placement & Portfolio Management: A Case Study on Asset Development & Holdings Ltd.” is solely prepared by me with the guidance of Dr. Mohammad Tariq Hasan, Associate Professor, School of Business and Economics, United International University, after the completion of internship at HF Asset Management Limited.

This report is prepared and submitted for academic purposes only, as it is mandatory to submit an internship report to complete the Bachelor of Business Administration degree at United International University. I am pleased to have this opportunity to complete my internship which has helped me learn practical aspects of day-to-day activities.

S.M. Nayeem Hasan

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Acknowledgement

All praises to the almighty for making me able to complete the internship report successfully. The title of the report is, “The Procedure of IPO Placement & Portfolio Management: A Case Study on Asset Development & Holdings Ltd.”

I would like to convey my gratitude to my academic supervisor Dr. Mohammad Tariq Hasan, Associate Professor, School of Business & Economics, United International University, who has guided me throughout this journey to complete it. Without his continuous guidance and support this task would have been much more difficult.

I am grateful for the guidance provided by Md. Fayekuzzaman sir, MD / CEO. I want to further extend my gratitude to Shihab Alam Khan, Portfolio Manager for showing the basics about share trading and kindling an interest of investment in me. I am also grateful to Fazlul Gani Majumder, senior executive of accounts department for guiding and showing me day to day work with much patience.



Executive Summary

This report is titled “The Procedure of IPO Placement & Portfolio Management: A Case Study on Asset Development & Holdings Ltd.” This report has been prepared for the completion of the BBA in AIS program. This report has been prepared based on this experience from working in HF Asset Management Limited as an intern. The report is describing how the formalities of the IPO bidding on book building method are done. This internship has provided the experience of all sections from preparing the valuation and note of the IPO to submitting pay orders in the bank. This report is segmented in five chapters, first chapter shows the background, objective, and the motivation of the report it also shows the scope and limitations of the report. Then in the second chapter a brief study on the background of the company and industry is shown. In the third chapter the methodology of the report is shown. The fourth chapter shows a detailed work experience and procedure for specific jobs. And in the fifth chapter the conclusion and recommendations are noted.

Keywords: IPO placement, portfolio, mutual fund, Asset Development & Holdings Ltd., Bangladesh



TABLE OF CONTENTS

Letter of Transmittal	II
Declaration of Student	III
Acknowledgement	IV
Executive Summary.....	V
Table of Figures.....	VIII
CHAPTER ONE: INTRODUCTION.....	9
1.1 Background of the Report	9
1.2 Objectives of the Report	10
1.3 Motivation of the Report	10
1.4 Scope and Limitations of the Report.....	10
1.4.1 Scope of the Report	10
1.4.2 Limitations of the Report	11
CHAPTER TWO: COMPANY AND INDUSTRY PREVIEW	12
2.1 Company Analysis: Overview and History	12
2.1.1 Company Analysis: Trend and Growth.....	12
2.1.2 Financial Trend:	13
2.1.3 Operational Trend:	15
2.1.4 Customer Mix:	15
2.1.5 Product / Service Mix.....	18
2.1.6 Operations	19
2.1.7 SWOT Analysis.....	20
2.2 Industry Analysis	25
2.2.1 Specification of the Industry	25
2.2.2 Size, Trend and Maturity of the Industry.....	26
2.2.3 External Economic Factors.....	27
2.2.4 Technological Factors	28
2.2.5 Barriers to Entry	28
2.2.6 Supplier Power	29
2.2.7 Buyer Power	30



2.2.8 Threat of Substitutes	30
2.2.9 Industry Rivalry	30
CHAPTER THREE: METHODOLOGY	32
3.1 Types of Data and Method	32
3.2 Data Collecting Procedures	32
CHAPTER FOUR: INTERNSHIP EXPERIENCE	33
4.1 Position	33
4.2 Duties and Responsibilities	33
4.3 Contribution to Departmental Functions	34
4.3.1 IPO Bidding.....	34
4.3.2 Preparing Office Documents	35
4.3.3 Bank Formalities	37
4.3.4 Bidding on Website	37
4.3.4 Share Ranking.....	38
4.4 New Skills Developed	38
CHAPTER FIVE: CONCLUSION AND RECOMMENDATION	39
5.1 Recommendation for improving departmental operations.....	39
5.2 Key Understanding	39
5.3 Conclusion	39
References	41



Table of Figures

Figure 1 Title: Investment in Funds & Marketable securities	13
Figure 2 Title: Net Comprehensive Income.....	14
Figure 3 Title: Operation Income & Expense.....	14
Figure 4 Title: Investors	16
Figure 5 Title: Strength	21
Figure 6 Title: Weakness	22
Figure 7 Title: Opportunities	23
Figure 8 Title: Threats.....	24
Figure 9 Title: Close End Funds	25
Figure 10 Title: Open End Funds	26
Figure 11 Title: Historical AUM.....	27
Figure 12 Title: IPO Process steps	35
Figure 13 Title: NAV Calculation	36
Figure 14 Title: P/E Calculation	37

CHAPTER ONE: INTRODUCTION

1.1 Background of the Report

The United International University is one of the top-rated universities in Bangladesh. It stands apart from other universities mostly for its academic programs and practical oriented courses to help the students learn more effectively. The university has also included an internship in its BBA program, which is a necessity for becoming accustomed in the upcoming job life of a student. The purpose of this particular course is to give students something similar to an orientation for their upcoming phase of life. This internship experience helped to understand how an office operates, how every employee has specific tasks to finish in order to complete daily activities with utmost efficiency. This internship also helped to implement the knowledge and skills gained throughout the years studying in university. This internship experience taught not only about the operations of an asset management company but also some of the operations of the share market. This report has been prepared based on the experience as an intern in the HF Asset Management Limited.

The selected topic is “The Procedure of IPO Placement & Portfolio Management: A Case Study on Asset Development & Holdings Ltd.” This report is a fundamental part of the BBA program offered by the university. The students are to note down the specifics of their work during the internship and submit the report to their respective supervisors. Being a student of accounting and information system in BBA degree, it was a target to complete the internship in a bank of NBFI. Asset Management Companies have a tremendous potential to grow in the market. Share market is a very risky investment place for an investor who doesn't have much knowledge about technicalities, most of the investors fall in that category. For them Asset Management Companies are a much safe option for investment as the portfolio is managed by a professionally trained and experienced person. The general public can invest without much worries with the help of asset management companies.



1.2 Objectives of the Report

The purpose of this report is to note down and summarise the procedure of IPO placement and portfolio management which is done on the basis of the experience gathered from working in HF Asset Management as an intern.

The specific objectives of the report are listed below

- How IPO share biddings are placed.
- A case Study of the last five investments done by IPO.
- A brief of portfolio management.
- What challenges Asset Management Companies face.
- Making recommendations based on the problems encountered.

1.3 Motivation of the Report

In today's volatile economy investment has become riskier than ever. In this situation an asset management company can play a big role in the investment market. The company's major task is the management of mutual funds. And a mutual fund gathers a huge pool of investment from numerous small and big investors and earns a hefty profit. Though investing in mutual funds is relatively safer than investing in the stock market. But mutual funds are still less known and least popular in our country. This is one of the factors that was a motivator to complete this report. Another factor that was a motivator for completing this report is that this report will work as a validation of the new skills and procedures gained through this internship period.

1.4 Scope and Limitations of the Report

1.4.1 Scope of the Report

Several important aspects of asset management companies are noted down in this report. Which are “The procedure of IPO placement, A brief of portfolio Management and a case study on assets.” This report will also include the learnings from this internship. Work experience from this institution helped to learn a lot more about asset management



companies. This scope also includes how each department of the organisation works in order to get everyday tasks done efficiently.

1.4.2 Limitations of the Report

It is a very difficult task to understand and know all the activities done by an organisation by working as an intern for a few months. The time employed in HF Asset Management was not enough to fully gauge the working conditions and limitations of the organisation. Here are the limitations encountered while preparing the report.

- The three months employed here is far too short for full understanding of everyday workings and portfolio management.
- Time constraints during work hours also wasn't helpful to survey the portfolio manager to the utmost efficiency.
- For the sake of confidentiality, the interns were not handed several important pieces of information.



CHAPTER TWO: COMPANY AND INDUSTRY PREVIEW

2.1 Company Analysis: Overview and History

HF Asset Management was formed and established on June 7, 2016, as a private limited company. Their office resides at RABBEE House, 2nd Floor, Building-B Gulshan-2, Dhaka-1212. HF Asset Management is established with a view of becoming the most respected organisation of the asset management sector. The company provides easy access to investment to the general public with significantly less risk through open end and close ended mutual funds. Currently the company has three open ended mutual funds where people can invest by buying shares of the fund. Open ended fund means it does not have a maturity value, these are not traded in the stock market and by looking at their weekly net asset value the fund's performance can be gauged. The three funds are HFAML Unit Fund, HFAML Acme Employee's Unit Fund, and HFAML Shariah Unit Fund. On November 20, 2017, the subscription of HFAML Unit Fund has started, on October 7, 2018, the Subscription of HFAML Acme Employee's Unit Fund has started and the latest addition HFAML Shariah Unit Fund's subscription date has started from 2 March 2022.

HFAML has taken on the mission to provide attractive returns on investment while keeping the high standards in the asset management sector. HFAML always tries to provide its investors with a return which is higher than the competitors and usual market rate, while aspiring to have the larger portion of the share market. Even in the last fiscal year of 2023 HFAML has provided 0.5, 0.75, 0.425 dividend per unit on their three funds whereas many of their competitors could not declare a dividend.

2.1.1 Company Analysis: Trend and Growth

To understand the trend of HF Asset Management their investment in various assets over the five-year period from 2019 to 2023 fiscal year and what return they have earned through these investments is shown. This will show the financial trend the company has been going through. After that the operational trend will be identified by their ability to reduce cost over

the year and increase in efficiency. By analysing the upward and downward trajectory of these trends the growth of HF Asset Management Limited can be assessed.

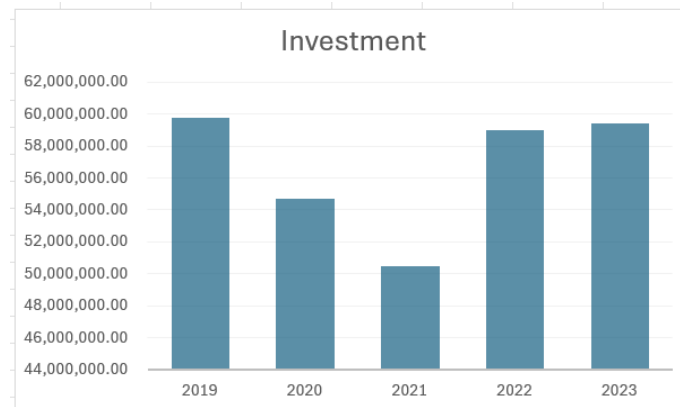


FIGURE 1
TITLE: INVESTMENT IN FUNDS & MARKETABLE SECURITIES

2.1.2 Financial Trend:

In this chart the amount of investment throughout the year 2019 to 2023 of HF Asset Management in HFAML Unit Fund, HFAML Shariah Fund and marketable securities have been calculated. If the asset management company is the sponsor of their own fund then they need to invest 10% of the fund and initiate the subscription. From the chart we can identify that they had decreased their investment in 2021 and 2020 due to Covid-19 pandemic. In that particular period they did not keep much of their investment in marketable securities instead they kept investment in their own unit fund. This helped to keep the NAV of their funds at a good value even when the market was falling. Particularly in 2021, it is noted that their investment was at the lowest at 50,000,000 Taka, which was all invested in HFAML Unit Fund. Then, in 2022, it is observed that they have increased their investment by quite a margin. They launched their new HFAML Shariah Unit Fund where they are also the sponsor, that's why they have increased their investment to that margin.

Now the analysis of the changes in net comprehensive income throughout the years is further discussed. This will assist in understanding of the amount they were able to utilise with their investment and how much earnings they made on the investments in Funds and Marketable securities.

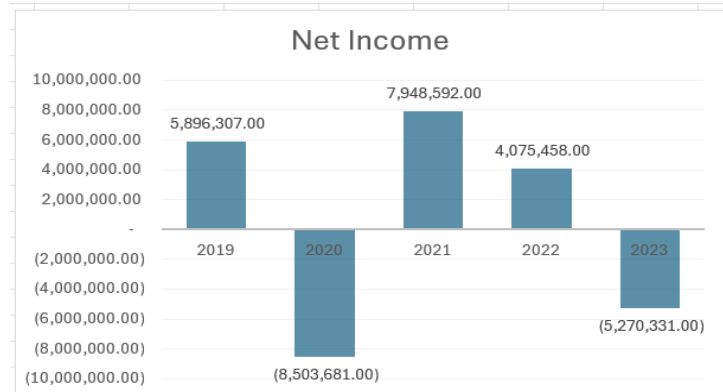


FIGURE 2
TITLE: NET COMPREHENSIVE INCOME

In this chart, the net income of HF Asset Management Limited throughout the years from 2019 to 2023 is further illustrated. As per the analysis it is seen that they have incurred loss twice in this five-year time period, once in 2020 largely due to the pandemic Covid-19 and then again incurring loss in 2023. In 2022 they had introduced a new open-ended fund named HFAML Shariah Unit Fund in which they were also the sponsor, so they had invested a huge amount of 25,000,000 Tk. And later that year Shariah Unit Fund could not declare any dividend and that caused a loss of net income. However, it is also evident that HFAML can recover within a year, like they did in 2021 after suffering a loss of 8,000,000 Tk in 2020. So, it is expected that by the end of 2024 fiscal year HFAML will have recovered from the loss of 2023.



FIGURE 3
TITLE: OPERATION INCOME & EXPENSE



2.1.3 Operational Trend:

In this chart the comparison between operating income and expense of HFAML throughout the five-year time period is further illustrated. The learnings from their financial statement indicated that their major source of income is income from mutual funds and capital gain earned from trade of marketable securities. In 2020 the pandemic sank down the share market, which caused less and less trade there and as a result they could not earn from a major source of theirs. In that year their operating expenses remained the almost the same, they did not fire any employees to cut costs, they had loan interest and rent to pay that's why they incurred a loss in 2020.

In 2023 they incurred loss for the second time in this five-year period. This loss is incurred due to launching a new fund in the previous year where HFAML invested heavily. As per the analysis of the data of these five years, it is safe to expect that HFAML will earn more operating income in the upcoming years. Because judging from the loss of 2020 it is observed that they can recover the loss quite well, so it is expected that their operating income will increase which will then increase operating profit later. After analysing the data of five years it can be concluded that their operation activity has not been smooth, and much expense can be avoided with the correct investment plan.

2.1.4 Customer Mix:

A business serves various types of people every day. HF Asset Management is not any different from other businesses in this regard. Customer mix means the range of customers a business serves. It investigates the characteristic, demographic, purchase pattern of the customers, in this case the investors. To get a better understanding of the types of investors, a pie-chart has been developed based on the analysis of investor data of HFAML.

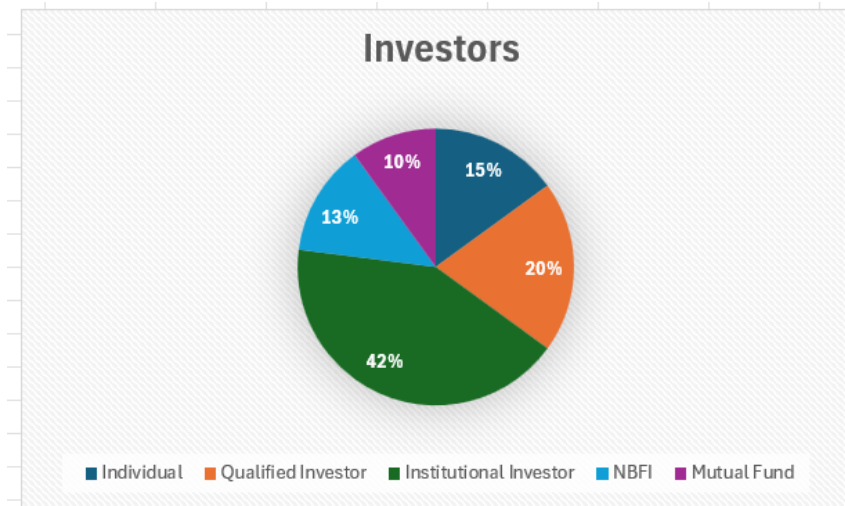


FIGURE 4
TITLE: INVESTORS

From the chart, it can be seen that the investors are separated in five distinct groups. Each of the group has a different demographic, psychographic, and purchasing behaviour. The discussion further includes how three of these traits are present in all the groups. Individual investors assume ten percent of the total investors. Demographics represent that their age varies from young to retired service holders. Majority of these investors are educated and has an income level over the average income of general public.

Most of the individual investors are either employed in private sectors or are retired government officials who are looking to increase their wealth. Furthermore, psychographics represents that there is a mix of individuals in this group who are willing to take more risk and there are people who are willing to take no risk at all. The purchase behaviour of this group is that they look for shariah based investments, they don't do large investments at once, this group has the highest rate of surrender. The qualified investors are the regular investors of the capital market and the money market. Usually when an investor has more than fifty-thousand-taka worth marketable securities in their BO account they are called qualified



investors. They can also be referred as the investors with High Net Worth. Demographics indicate that they are individuals with a large amount of assets, both in liquid and fixed forms. Usually professionals such as doctors, business owners, engineers and other highly paid professionals make up this group. They have a high-risk tolerance and focus on what return can be expected in the future. Purchase behaviour of this group is mainly focused on investing in a portfolio making their investment as diversified as possible, investing in agriculture sectors, Secondary share market to get the most tax rebate.

Furthermore, the institutional investors take up the largest portion in the chart being forty-two percent. These institutional investors mainly consist of banks who are looking for a long-term investment. Demographics of this group indicate that a major portion of the banks are privately owned banks. The psychographics of this group further indicate that banks want to preserve their capital; they want to achieve their goals on different investments. This group usually invests in a large amount compared to others. Then comes the NBFIs, from the chart it is observed that about thirteen percent of the total investors are made up of non-banking financial institutes. The demographics of this group indicate that the invested NBFIs are the oldest ones in the industry. The psychographics of this group represent that they are determined about their specific purpose of the investment, they are moderate risk takers, they don't avoid the newly established funds or investments. Their purchasing behaviour varies depending on the business relation they have with HFAML. Then comes the mutual funds investing in other mutual funds. As mentioned earlier regarding HF Asset Management's work with open-ended mutual funds which don't have a maturity date, it is a normal practice in the market for funds of other asset management companies investing in other funds. Here, Demographics indicate that most of the invested funds are local funds and are seldom seen in any foreign fund investing here. The psychographics further point out that this group tends to invest where more dividend is being offered. Their purchasing behaviour is almost similar to the NBFIs investors. If they have a good business relation, they are willing to invest and if adequate dividend is provided then they will keep their investments. Otherwise, they are prone to surrendering.



2.1.5 Product / Service Mix

As per the gathered experiences as an intern at HF Asset Management Limited, which is an asset management company, this company is primarily a service providing company, it can also be said that they sell their fund's units to the investors. Product / Service mix or the extended service mix means the range of products or services provided by an organization to fulfil the demands of its customers. There are seven components of the extended service mix, which are further discussed in broad details below in regard to HF Asset Management Limited.

The core service offered by HF Asset Management Limited is providing the scope of investing in open ended mutual funds where the investors can enjoy mitigation of risk and their investment being looked after by experienced professionals of the field. They also provide consultancy to various companies about how to invest, how to maintain and manage investments, while ensuring customized approach to each client based on their risk tolerance, return expectations and many other preferences like shariah compliance etc. Investors always want updates on their investment. So, HFAML provides personalised and enhanced services such as updates on portfolio, access to portfolio manager, quarterly updates of the portfolio. Moving onto the corporate advisory or consultancy where HFAML aid to conceptualize projects at an initial stage, many institutes and entrepreneurs fail to organize their business activities even though they have a good idea for the business. This is where HFAML provides service about how to organise the initial tasks. Preparing financial feasibility and structure of the project is another service they provide, which includes determining the utmost and optimal debt to equity ratio and gearing ratio for the client. Also, they help clients to explore refinance alternatives to find better sources of funds. The pricing of HF Asset Management Limited does not vary that much from other funds of other companies. All the units of the three funds are offered at BDT.10 and the surrender price of the units are thirty paisa less than the market value. If an investor chooses SIP scheme (systematic Investment Scheme) where they can pay the investment money in each month at a settled amount, the investor will get twenty paisa less on their surrender.



This pricing is similar to their competitors because it is a market fixed rate and there is a little chance of deviation from this in an open market. HF Asset Management operates from one office strategically located in Gulshan. But an investor can invest without even going at the office through online. HFAML utilises the online platforms of banking and other monetary issues to the full. As for promotion, HF Asset Management promotes their services in very specific places for targeted customers. By promoting their services and investment scheme in the yearly magazine of ICB, participating in various conferences. The biggest plus point in promoting themselves is the positive word of mouth of their investors. Businesses are not only built on imagination and dreams but also through the hard work of skilled employees. HF Asset Management is no different from any other business in this regard. These employees' performance is directly linked to the expectation and satisfaction of the investors. They are committed to their work in order to provide with the best customer experience to the investors. Delivering the services to the customers is a delicate process in the HF Asset Management Limited. Here, the portfolios of the funds are maintained under the supervision of the CEO sir, who has more than 30 years of experience in the field. For the corporate advisory, detailed discussions with the client are held quarterly where newly faced issues are discussed. As for the physical evidence of the services provided by HF Asset Management includes investment certificates, wealth certificates, quarterly portfolio statements, dividend letters. All these documents serve different purposes like tax rebate, lien for loan, investor satisfaction etc.

2.1.6 Operations

With the experiences obtained as an intern in the accounts department of HF Asset Management Limited in a duration of three months, this internship has provided the opportunities to work along with their head of accounts and assist them in preparing several reports. These reports included the Annual Report of 2023, First Quarterly Report of 2024, Fortnight Report, weekly Net Asset Value calculations. Moreover, the operations are further divided into two segments: Routine Operations and Operations for special Purpose. Routine operations start with entries of office cost and other petty costs incurred on the previous day. Each of the transaction's papers such as cash memo and other bills are collected and put inside separate files separated by the cost category. Such as office supplies, snacks and entertainment, stationary, repair and servicing, conveyance etc. The entry is given input in the



X ERP Software by Cygnus Software Limited. The company entries were mostly given by the interns involved and the junior accounts officer and it waited for the approval of the senior executive of accounts or the head of accounts. After the trade closing of DSE at 2.00 PM the transactions of buy and sell of securities of the three funds are inserted into the ERP software. Then bank reconciliation is prepared for the three fund's accounts and the company's account. Then it is communicated with the IT officer who declares EOD (End of Day) on the website of HF Asset Management Limited.

Operation for special purpose includes dematerializing and rematerializing of units, updating dividend register, making reports on the advancement of the advisory works, fortnight report, OFC Report, quarterly report etc. When a someone invests in a fund then the invested amount is rematerialized into number of units which are 10 Tk per unit. Then the new units are given input in the X Asset software and later given input in the CDBL (Central Depository system Bangladesh Limited) software. Same procedure is followed when and investor surrenders. The invested amount is further dematerialized adjusting the net asset value of that week. HFAML keeps the list of their invested securities in an excel file. If dividend is declared in the DSE website then the data is further included in the excel file, which later automatically sorts the dividend amount in dividend receivable column when the record is over. The advisory work consists of preparing various forecasts of the clients. Quarterly reports are prepared and submitted to the trustee in every quarter, which includes an income statement, balance sheet, cash flow statement and changes in equity statement.

2.1.7 SWOT Analysis

The SWOT analysis is one of the most used models to know about a company's overall situation. SWOT stands for Strength, Weakness, Opportunity and Threat. Here strength and weakness show the internal situation of a company and opportunity and threat shows the situation of the companies outside factors. These particular aspects are discussed in details further below in regards of HF Asset Management Limited internal and external market position.

Strength

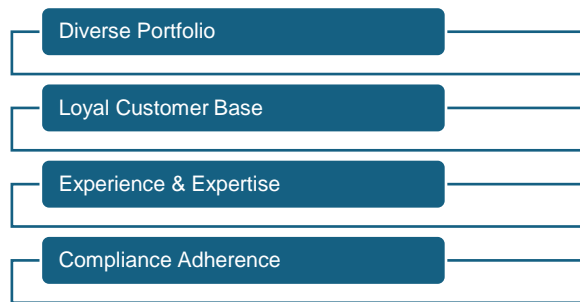


FIGURE 5
TITLE: STRENGTH

When it comes to strength, HF Asset Management Limited has quite a few factors working on that aspect. Firstly, HFAML has a very diverse portfolio than its competitors. There are investments in all sectors of companies. It is a robust portfolio that lessens the risk of investing in a volatile market like DSE and CSE. HFAML also has a strong and loyal customer base. They have a very low rate of surrender and in the long run they offer a significant gain in the investment. For that reason, surrender rate is low. Moreover, the customer base can be called loyal because the customers have helped to create a good reputation in the market. Word-of-mouth from the customers attracts new investment very frequently.

Expertise and experience are another of the few strengths of HF Asset Management. The employee team has individuals with high expertise and knowledge in their respective fields. The finance department consists of a portfolio manager who has experience of ten years in the field and traders with the same level of experience. Then there is also a very strong IT team managing the software and website proficiently. Keeping up with the compliance with the rules and regulations is another strong suit of HF Asset Management Limited. Compliance set by BSEC and other regulatory authorities are maintained with utmost sincerity. All the reports to the trustee and custodian are submitted according to the rules.

Weakness

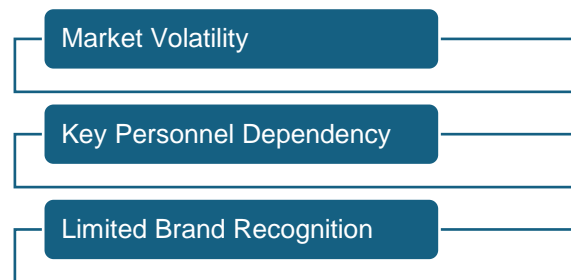


FIGURE 6
TITLE: WEAKNESS

When it comes to weakness, market volatility takes the top spot. An asset management company's earnings depend on the stock market of the country. The more fluctuation it has the more difficult it becomes for the AMC to earn from the trading. Just in the month of Ramadan the news reports about the fall of the DSE index were seen. This fluctuation occurs mostly because of the large number of investors who know nothing of trading and they unknowingly bid on stocks and securities that cause prices to go up of a stock that should not be expensive. Mass impulse buying and selling is another reason for this market fluctuation. No matter how diversified the portfolio is, when the market falls it will take everything with it.

Another weak point HF Asset Management Limited has is the dependency on key personnel. During the three-month long experience as an intern, it was observed when even one employee was absent the office gets thrown into a chaos. Moreover, during the work time as an intern, three employees have left the office and the workload fell on the remaining employees which caused strain on the busy days. Furthermore, another key personnel who the company depends on is the CEO. Additionally, there is no separate marketing team in the company so, the marketing related works such as approaching new investors, convincing them to buy the units, all these works are done by the CEO personally, which is only possible because CEO sir was a renowned government official in his youth.

Limited brand recognition is another point of weakness of HF Asset Management Limited. The company has started its operation in 2017 which is not a long time to gain the trust of mass investors. And another reason for this limited brand recognition is the limited practice of marketing, as mentioned earlier in the report that HFAML only advertises in certain

magazines and websites which are very specific and targeted at the investors. For this reason, the exposure to the general and new investors is not that much.

Opportunities



FIGURE 7
TITLE: OPPORTUNITIES

The market of HF Asset Management has many opportunities to expand. Because Bangladesh has a large number of investors who are looking for a safe place to invest. As a result, they choose cooperative societies to invest in. There have been many cases in recent years where the cooperative society just stole the money from their clients. But an asset management company is overseen by three authorities: Trustee, Custodian and Investment Committee of Bangladesh. If the general investors can be informed with this information of safety, they will surely be swayed to invest in mutual funds.

There is another opportunity of giving higher rates of dividend to the investors. The sector of mutual fund in the stock market can be the most profitable for the investors and HF Asset Management Limited can utilize this. Mutual funds gather a large investment from investors, and they can invest in profitable sectors in a large number, and they can earn a large profit too and by the Mutual Fund Rules (2001) they are bound to disburse 80% of the earned profit as dividends to their investors. Another opportunity for HF Asset Management is in utilizing the IT sector to its full potential. There are many tasks such as recording information, dematerializing, rematerializing are still done by hand. And the software that they have at the present has a few major problems too. All these problems are small but together they cost a good amount of time.



FIGURE 8
TITLE: THREATS

One of the most unavoidable factors that threatens HF Asset Management is the uncertain economy. After the covid-19 pandemic the economy worldwide is at a declining state and the situation was worsened by the Russia and Ukraine war. At present we have an inflation rate around 9.8% which has already caused the prices of necessary products to increase. In this situation of price hike investors are surrendering their units. So, a reclining economy is a threat to everyone.

Morality of the investors is another threat to this industry. Many investors have a strict Islamic mindset where they don't want to invest in sectors which are associated with interest. So, they invest their money blindly in shares which later causes huge losses making the whole stock market fall.

Incompetency of the authorities is another big threat faced by HF Asset Management. As more or less most work process are done online but there are a few government authorities who are still stuck in the age of pen and papers. For instance, HFAML must record its investors information in the Central Depository System (CDBL). They have a website very slow and doesn't work most of the time. In this situation, the employees have to call from the office and let them know about the problem and work and in the CDBL they manually input the data to update it. This process sometimes takes more than a day because of the incompetency of the authorities.

2.2 Industry Analysis

2.2.1 Specification of the Industry

The asset management industry of Bangladesh started its journey in the year of 1980, 25th April with the introduction of the close ended fund named “First ICB Fund”. This was launched by Investment committee of Bangladesh a government run institution. Then in 1999 the first privately owned asset management company was formed, named Asset and Investment Management Services Bangladesh also known as AIMS. For the first thirty years only, close ended funds were available. Only three open ended funds were there, all by ICB. Then in 2010 the first privately owned open ended mutual fund was launched by Prime Finance Investment Limited. It was named Prime Finance First Unit Fund.

In the year of 2024 there are 58 registered asset management companies in Bangladesh and there are about 36 close ended and 88 open ended making a total of 124 mutual funds managed by these companies. Here are two charts showing the numbers and types of funds in the market as of this moment.

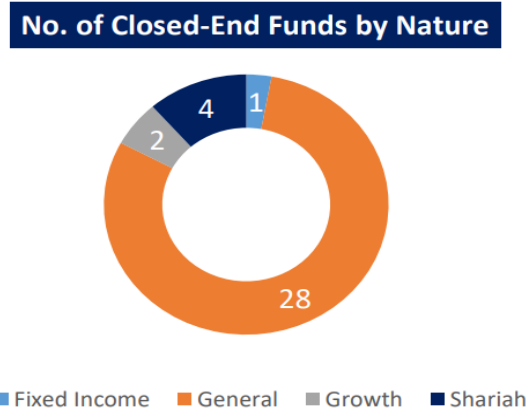


FIGURE 9

TITLE: CLOSE END FUNDS

Here, the general funds hold the largest portion with 28 funds, 4 shariah funds holds the second largest portion and 1 fixed income fund, 2 growth funds.

No. of Open-End Funds by Nature

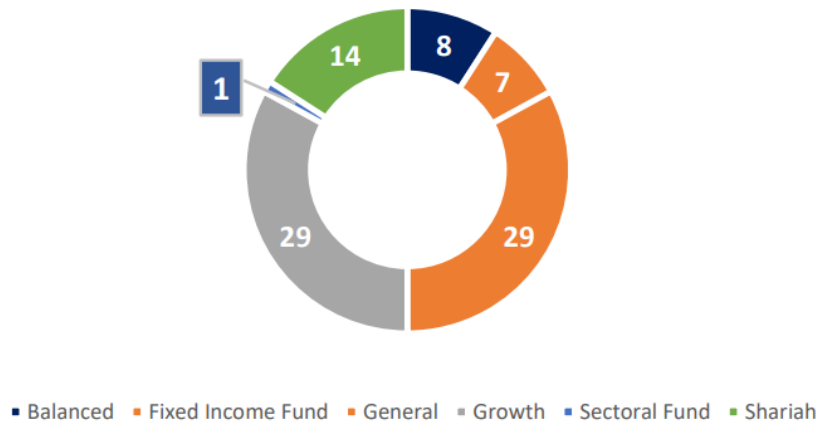


FIGURE 10
TITLE: OPEN END FUNDS

In the open-ended fund market largest positions are held by 29 general fund and 29 growth funds, second largest position is held by shariah with 14 funds and then there are 8 balanced funds, 7 fixed income funds and 1 sectoral fund.

2.2.2 Size, Trend and Maturity of the Industry

Upon calculation of data of 2017-2022 the “compound annual growth of the Asset Management Industry stands at 7.72% and the total asset under management of the industry is 118,070 million taka on the end of the year 2022” (EBLSL Research, 2023). The trend of the industry is measured by gauging the asset under management (AUM) of the companies. Here is a graph showing the historical AUM from the year 2017-2022.

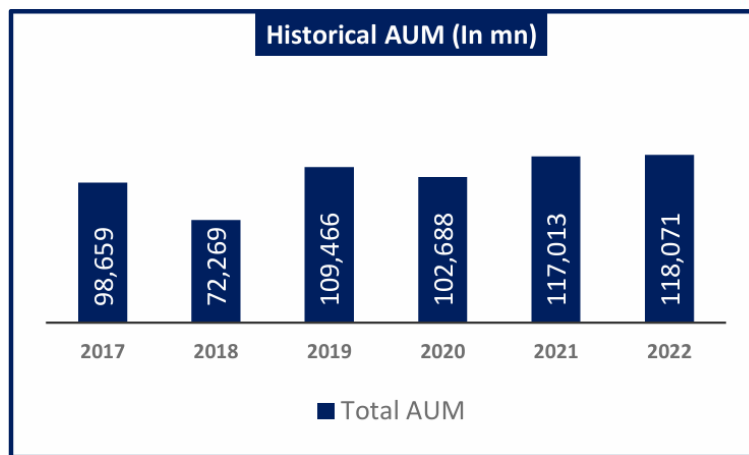


FIGURE 11
TITLE: HISTORICAL AUM

Here, it is observed that the asset under management has stayed in the scale of 100,000 mn taka for the five-year time period. In 2018 the number came down significantly to 72,269 mn taka and in the next year it took a leap to 109,466 mn taka. After that the AUM kept increasing an average rate of 15% till the year 2022. Like all products an industry also has a lifecycle. The lifecycle of the industry is separated in five phases these are: launch, growth, shake out, maturity and decline. The asset management industry in Bangladesh is still at the growth stage of the industry life cycle. The industry got launched in 1980 with the launch of First ICB Unit Fund by investment corporation of Bangladesh. For the first twenty years the industry stayed in a stagnant position as no new companies emerged. Finally in 1999 a private owned asset management launched its fund. After that till now there have been sixty-five asset management companies in Bangladesh and the number is still growing.

2.2.3 External Economic Factors

Economic Factors are very important; they need to be taken in consideration in every decision of business. To talk about the economic factors, the discussion begins with the macroeconomic factors such as GDP, inflation rate, unemployment rate etc. These factors provide an overview of the general people of the country. GDP shows the productivity of a country “GDP measures the monetary value of final goods and services—that is, those that are bought by the final user—produced in a country in a given period of time” (International



Monetary Fund, F&D). GDP gives an overview of how much the employed workforce can work and how much the general people can buy. Inflation rate affects the economy and the lifestyle of a country quite severely, as inflation increases the buying power of general public decreases, when people can't buy daily necessities, they will surely avoid investing. People earn from their respective employments but if the majority of the population remains unemployed that means no income and when they don't have income, they will surely not invest in stock markets. Because when people can save from their daily income, that portion will be put in investment.

2.2.4 Technological Factors

For an asset management company technology is a vital part for the efficiency of daily operations and the enhancement of customer experience. Nowadays investor doesn't even have to leave his home to interact with the asset managers, all procedures can be done by being online. The investors can also contact with the advisor without any barriers thanks to the technology. There are portals for chatting where an AI generated reply is given with the most promptness. If more assistance is required, then an employee will contact. Cloud computing is another factor needs to be taken into account, because as of this moment there are very good cloud computing services which provide easy online storage services which are used to keep backup of necessary data of the investors and employees. Another sector where technology can be utilised is by machine learning. Machine learning algorithms can be used to predict and analyse the patterns of the financial market and big data driven investment schemes.

2.2.5 Barriers to Entry

“Barriers to entry are the obstacles or hindrances that make it difficult for new companies to enter a given market. These may include technology challenges, government regulation, patents, start-up costs, or education and licensing requirements” (Corporate Finance Institute). Every business faces certain challenges and obstacles when they are getting started these are termed as barriers to entry. There are different types of these barriers, some are discussed below. The effect of existing network is makes new entrants difficult to acquire clients, because all the customers and investors are taken by the old and established organisations. A new asset management company needs to find what the investors want and what could be their unique offered service. This takes quite a bit of research and financial aid,



which might be difficult for a new company. The sunk costs that come with the setup cost is another major barrier because these costs cannot be recovered no matter what. In the asset management industry, the brand value carries a lot of weight. Because in the recent years few of the most popular asset management companies such as Universal Asset Management Limited, International Leasing and Financial Services Limited embezzled more than a few thousand crore taka. These incident makes investors more discouraged to put their money in a small company. Minimum capital requirement for an asset management company is another big barrier to the new entrants because by the 2022 gazette of BSEC, an asset management company or any other stock market intermediaries will require minimum fifty million taka as capital to start business.

2.2.6 Supplier Power

The supplier power can be termed as the degree of control a service provider, or a product provider can have on the buyer. Suppliers are a vital part to run a business, some factors that measure the supplier power in the asset management industry are discussed below. Asset management companies largely rely on the IT companies who provide technological support. They provide with ERP Software, portfolio management software which are essential to run a business that provides financial services. Cloud storage and server security is also provided by them. Services from a good IT company is quite expensive and it is not easy to change the IT company in a blink because then employees will need to be trained again. Law firms is another supplier whose service is required in various procedures from tax consultancy to registration of new scheme. Legal services can also be required when there is a court case. Accounting firms are another supplier whose services are necessary for operations. Because asset management companies are bound by law to audit their accounts each year by a reputed accounting firm who provide auditing and assurance services. Banks are another supplier of services, because without bank any business activities would come to a halt. Asset Management Companies also invest in FDR to get a stable return. Another supplier who is necessary for this industry is the research firms. It is quite normal for a company to take their service because research is a time-consuming work which takes several experienced employees.



2.2.7 Buyer Power

When customers can put pressure on the service providers to ensure better service that is called buyer power or customer power. In an industry like asset management companies which are closely related with the stock market buyers have really little say in this matter. Because it is a common scene where stock market index falls drastically making stock prices fall and the investors riot Infront of the DSE. In this industry even the number of customers is huge they are not able to apply any power. Switching cost in the industry is significantly high, if an investor doesn't like the returns and services then he can surrender his units which is usually thirty to fifty paisa less from market price of the stocks and the investors that have a large investment they incur a huge loss when they want to switch. It takes years to build trust in the asset management industry mostly because of the frequent embezzlement and the lack of government interference in this matter. About 62% percent of the total investment is under ICB Asset Management Limited which is a government run organisation. This shows that people are still not choosing a private company.

2.2.8 Threat of Substitutes

When customer can easily substitute the organisation to take the same services from a different organisation that is called the threat of substitute. Threat of substitute is quite high in asset management industry because more or less all the companies are providing the same services just the prices vary marginally. Only factor that keeps this threat away is the switching cost and the customer loyalty. The customer willingness to go to a different place is low in the industry because here investors put money into the hands of the organisation they trust, and this trust has been built over the years. Which is very unlikely to be broken. So, even though the service they provide is very similar to each other the threat of substitute is low.

2.2.9 Industry Rivalry

The measure and tendency of the competitors of the industry indicate the rivalry. Intense competition is never good for the businesses it may lead to competitive moves like price cutting, increased advertising expenditure, increasing R&D expenses to provide better services. As the market of asset management is matured and have gotten saturated the competition between company is on, new investors are choosing the old and reputed AMC while the new companies are providing with more strategic and unique advisory services.



Due to the competition the fees have been lowered in all the companies. The merging of firms makes rivalry more intense because after merging of the competitors will result in bigger companies which will pose bigger rivalry.



CHAPTER THREE: METHODOLOGY

3.1 Types of Data and Method

For the purpose of this internship report, both secondary data and primary data have been utilized in different chapters in regards to whichever was necessary for the respective chapters. The major portion of the data is secondary and has been collected from various verified websites and sources. This is a qualitative report on the process of IPO.

3.2 Data Collecting Procedures

In the age of internet data is widely and easily available and accessible through anywhere in the world. The secondary data used in the literature review is collected from various websites and news articles. The necessary information was further collected from the company records which fall under secondary data. Upon the request to the management about the requirement of certain data, the management assisted with all necessary data required for this internship report. Furthermore, via the IPO biddings and preparing IPO note, first-hand experiences as an intern were gained as well which falls under the category of primary data.



CHAPTER FOUR: INTERNSHIP EXPERIENCE

4.1 Position

Hired as an intern, the post given in the company was in the accounts department. Because of being short-staffed, the opportunities to work in price sensitive issues and other important tasks under the supervision of a senior officer was also given and extensive experience as an intern was gained. The everyday work in the company as an intern required to input daily entries on the X.ERP software of the company. The transaction of the fund entries was given by senior officers.

4.2 Duties and Responsibilities

As mentioned earlier that there is a short of staff in the office. So, the interns were given a significant workload. The first duty assigned as an intern was to update the dividends of all the open and close ended mutual funds in Bangladesh which was a time-consuming task. The responsibilities further included looking up in their websites and calling in some companies for the information. The duty of updating the dividend register of the invested funds and schemes were also part of the internship experience which was a worksheet made in excel by one of the senior officers. Via visiting the DSE website and then news archive, the company names were searched up in which where the company has its investment, and further contacted. After putting in the date of the search all the news relating to that particular company would show, and then pressing the ctrl+f and search for dividend declaration would appear. Then it is further checked if the company has declared dividend or not, if it has then the record date is checked further, and later checking the company excel sheet if the company is eligible for the declared dividend or not. If the company is eligible then the dividend rate is inputted and the total dividend is automatically calculated in the next columns with the help of previously prepared formulas.

The daily transaction of the company such as petty expenses, buying and selling of the stocks from company portfolio entries were also part of the internship responsibilities. And after the closing of trade in the stock market, as part of an intern's responsibility, the bank reconciliation was prepared, where firstly the bank balance of the company account was



checked by logging in the online portal and then rechecked if any entries were missed or not. Moreover, inputting the entry of the buy and sale of the shares of the company portfolio were also done by the interns. Buy entries are simple where the stock name has to be debited and the bank balance has to be credited, but the sale entries are a bit tricky. Here, the capital gain or loss of the shares that have been sold are calculated. Firstly, the average cost of the shares on the date its being sold are looked up and then searched further if it is selling on loss or gain. According to that, the data are put as journal entry in the X.ERP software.

4.3 Contribution to Departmental Functions

Besides doing the regular work as an intern, the responsibility for extra work that arose with many occasions were also given in this internship of three months. These works contributed to the smoother functionality of the department and the whole organisation. These works were IPO bidding, share ranking.

4.3.1 IPO Bidding

The IPO term refers to initial public offering which means that a certain company is selling their shares in the stock market for the first time. IPO for investment is a profitable sector, the price of the shares bought in IPO will go up, there is a 90% possibility of this happening. So, for investors and asset management companies' investment in IPO is a safe place to put in money and rarely anyone gives up this chance. There are two methods of IPO.

- Book Building Method
- Fixed Price Method

In the book building method, the investor needs to specify the number of stocks they want to purchase. There is no fixed price here, the lowest price is called floor price, and the highest price is called cap price. The company that is going public with the IPO offers a price band which helps determining how much the investors are willing to pay for the shares. Then investors bid on the shares before the final price is determined.

In the fixed price method, the company determines a price at which their shares will be offered to the investors. The investors know the price from the IPO prospectus published by the company. As there are a lot of investors there is a lottery system in place. The investor needs to deposit the full amount of investment in the accounts of DSE and bid for apply at the

designated time. The investors are given the number of shares they get at the lottery and their rest of the money is sent back to their respective accounts. In this method, no investor gets the amount of shares they applied for, because in the lottery every investor is given portions of the shares.

HF Asset management invests in both book building method and fixed price method. As an intern, first-hand experience was gained via working on two such investments during the time of the employment as an intern.

The IPO process is further segmented into three parts. These are:

- Preparation of Documents in office.
- Formalities in the bank.
- Bidding on website.

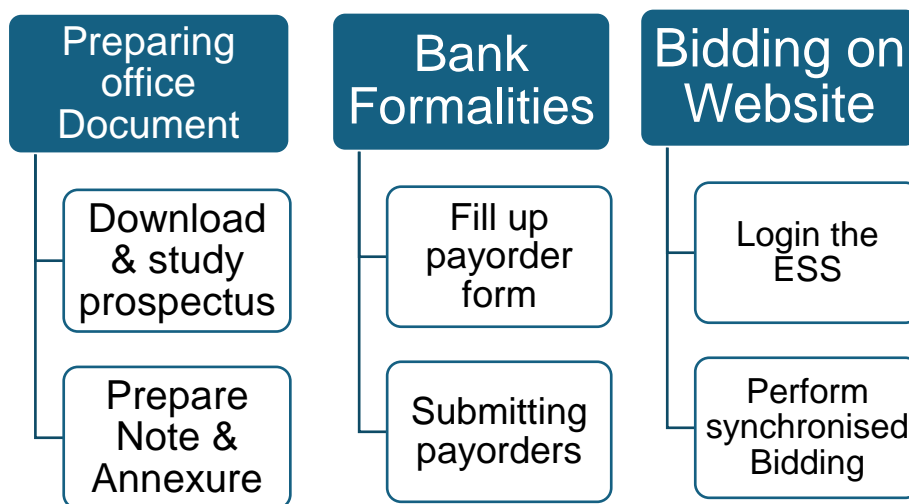


FIGURE 12
TITLE: IPO PROCESS STEPS

4.3.2 Preparing Office Documents

The prospectus contains the written permission from the BSEC about the company being eligible for IPO bidding, summary of the offering. Meaning the total public offering size amount, face value and the size amount for the eligible investors, manager names and the register names, what time the bidding will start and end, bidding fee, which bank will be



money be deposited and under which account. The note is prepared in two steps in the excel sheet. In the first sheet the general information of the company is summarised such as the company's status, nature of business, details of the capital, purpose of raising the fund, summary of the share valuation done in another sheet, there is also a brief of the financial statements of the past five years of the company. This completes the first sheet of the Note. In the next sheet, which is called annexure, there the valuation of the share was further calculated. As it is a book building method the investors will electronically bid to determine a cut off price for the ordinary share. It is valued by net asset value per share method. Firstly, the net asset value with revaluation reserve is calculated and then without revaluation reserve. Here is an example of the calculation developed as an intern on Technodrugs IPO.

	Particulars	Amount BDT
Method: 01	Share capital	941,574,000
	Revaluation Surplus	487,437,890
	Retained Earnings	1,183,337,389
	Total Shareholders Equity	2,612,349,279
	Number of Shares Outstanding as on June 30, 2023	94,157,400
	NET ASSET VALUE WITH REVALUATION RESERVE ON JUNE 30, 2023	27.74
Method: 01 (B)	Share Capital	941574000
	Retained Earnings	1183337389
	Total Shareholders Equity	2124911389
	Number of Share Outstanding as on June 30,2023	94157400
	NET ASSET VALUE WITHOUT REVALUATION RESERVE ON JUNE 30, 2023	22.57

FIGURE 13
TITLE: NAV CALCULATION

Furthermore, the historical earning-based value per share considering sector P/E are calculated and then considering market P/E. Here, five-year data were collected and the weighted average of the Net profit after tax was also calculated afterwards. Then further calculating the diluted EPS based on the weighted average of the Net profit after tax by dividing total number of share before IPO by the total weighted average of the net profit after tax. Then the diluted EPS with sector P/E and with market P/E is multiplied in another table. Here is the portion of the calculation done as an intern on Technodrugs IPO.

Historical Earning-based-value per Share(Considering Sector P/E)						Historical Earning-based-value per Share(Considering Market P/E)							
Method:	Year	Number of share	Net Profit After Tax	Weight	Weighted	Method:	Year	Number of share	Net Profit After Tax	Weight	Weighted Average		
	02 (i)	30/Jun/19	9,960,000	226,281,965.00	2.85%		6,459,440	02 (ii)	30/Jun/19	9,960,000	226,281,965.00	2.85%	6,459,440
	30/Jun/20	68,760,000	163,609,083.00	19.71%	32,242,512		30/Jun/20	68,760,000	163,609,083.00	19.71%	32,242,512		
	30/Jun/21	81,876,000	360,942,830.00	23.47%	84,699,457		30/Jun/21	81,876,000	360,942,830.00	23.47%	84,699,457		
	30/Jun/22	94,157,400	479,778,427.00	26.99%	129,473,462		30/Jun/22	94,157,400	479,778,427.00	26.99%	129,473,462		
	30/Jun/23	94,157,400	195,506,359.00	26.99%	52,759,532		30/Jun/23	94,157,400	195,506,359.00	26.99%	52,759,532		
	Total	348,910,800	1,426,118,664	100.00%	305,634,402		Total	348,910,800	1,426,118,664	100.00%	305,634,402		
	Number of Shares before IPO					94,157,400		Number of Shares before IPO					94,157,400
	Diluted EPS based on weighted average net profit after tax					3.25		Diluted EPS based on weighted average net profit after tax					3.25
	Pharmaceuticals Sector P/E					17.61		Pharmaceuticals Sector P/E					14.36
	Earning Based Value Per Share					57.16		Earning Based Value Per Share					46.62
	Calculation of average price earnings of pharmaceuticals sector						Calculation of average price earnings of market						
	Particulars	23-Mar	23-Apr	23-May	Average		Particulars	23-Mar	23-Apr	23-May	Average		
	Pharmaceuticals Sector P/E	17.54	17.59	17.7	17.61		Overall Market P/E	14.24	14.35	14.5	14.36		

FIGURE 14
TITLE: P/E CALCULATION

Moreover, the average P/E of peer companies were also calculated by taking data from their last year performance. Then, the average P/E of peer companies were multiplied with the weighted average EPS of Technodrugs and that resulted in the fair price in four different valuation methods. Now the note’s valuation is ready, along with a formal letter this note will be sent to the COO and the CEO for their signatures.

4.3.3 Bank Formalities

The pay order forms from the banks are collected on a previous date. It is then filled up with the amount of money, cheque numbers, details of the deposits and signatures from the relevant authorities. Then the cheques are prepared and agents from office is sent to the respective banks. The pay orders are then deposited in the bank. This concludes the second step for IPO.

4.3.4 Bidding on Website

Bidding process starts by logging in to the Electronic Subscription System (ESS) website. Then go to the IPO portal. If the payment from the bank is not yet deposited, then the IPO portal will not appear. So, it is mandatory to have the payment cleared and deposited in the account of DSE before logging into the ESS. Then the company needs to put in the share numbers the company plans to buy and have already paid for. Then waiting for the



subscription time to try bidding on the first ten seconds, as this is a lottery bidding in the first ten seconds gives a greater chance of getting the amount of shares the company has paid for. Most of the times the company won't get the full amount and the extra money will be deposited back to the company's accounts in three working days.

4.3.4 Share Ranking

As one of the vital responsibilities as an intern includes the Share Ranking, completed every day after the end of day was announced. Firstly, one excel file was prepared which had four separate sheets containing four portfolios of the four accounts, which were company account, HF Unit Fund account, HF Acme Fund account and HF Shariah Fund account. Furthermore, the updated portfolios from the X. Asset website were downloaded and replaced the stocks from their previous date. Then rank the stocks in three different categories red for the one decreased in value, green for the ones increased in value and blue for the ones that remained unchanged. Do the same procedure for the four portfolios and share ranking is done.

4.4 New Skills Developed

Working in an office is the best way to develop new skills. Before gaining first-hand experience via this internship, corporate etiquette and knowledge were not as efficient. This internship opportunity provided the scope of enhancing excel skills more accurately. Even though using excel during university curriculums, gaining first-hand experience of excel via work is an effective method. Many new function and formulas were also learned and re-learned some of the difficult functions in this internship opportunity. Learning the formalities of an asset management company was also a significant part of this internship. Before joining as an intern here the knowledge about this sector was not as efficient at all. Through this internship opportunity, working here has sufficed with valuable knowledge. Another thing learned via this internship is how to deal with authorities. While working as an intern there, the office dealing with several authorities such as BSEC, ICB, NBR, Custodian and Trustee was observed. Valuable knowledge of how to work with pay orders and many other things was also part of the learning in this internship experience.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATION

5.1 Recommendation for improving departmental operations

The operations of HF Asset Management are more than good, at the end of the day it gets the work done. But there are some issues that could be looked into for greater efficiency.

1. Hire an IT specialist who can operate the software in the company properly.
2. Hire an employee or a marketing agency for advertisement and other exposure to the general public.
3. Have a defined hierarchy rather than having an open power chain.
4. Hire experienced people with proper knowledge of the sector.
5. Provide employees with proper incentives.

5.2 Key Understanding

The objective of this report is to make aware of the procedure and step by step process of the IPO bidding of a company and provide a glimpse of how an asset management company operates on a daily basis. From the working experience as an intern and the preparation of this report it can be concluded that the asset management sector has an immense potential that just not yet discovered by the mass people. Some of the oldest and most reputed companies are partly responsible for this problem. The view of general public will take some time to change. This sector needs to spend a lot of effort to educate their potential customers about the benefits and convenience.

5.3 Conclusion

The asset management sector is still growing as an industry in the fragile market of Bangladesh stock exchanges. Even though the industry is more than thirty years old it still hasn't been popular or well known among the general people. This industry is mainly there for to provide support to the stock markets while keeping the investors money safe from the usual and unusual fluctuations of the stock market. HF Asset Management has a bright future ahead because of the experienced and skill full guidance of the CEO and COO. The



internship experience gained from here has increased the knowledge and working experience at a tremendous amount for the intern without which the knowledge obtained in BBA would have remained incomplete.



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