**PRESS RELEASE**

**HIMALAYAN INVESTMENT BANKER LIMITED**

**August 2026**

**Ratings Ratings**

| Instruments | Amount (NPR Mn) | Rating | Rating Action |
|---|---|---|---|
| Fund Management Quality Rating | NA | IRN AMC Quality 3 &* | Reaffirmed and removed from watch with negative implications and placed on watch with developing implications |

* The symbol '&' indicates Rating watch with developing implications

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the fund management quality rating of IRN AMC Quality 3 [IRN Asset Management Company Quality Three]. Fund managers with this rating are considered to have adequate ability to achieve fund objectives. Also, the ratings have been removed from watch with negative implications and simultaneously placed under watch with developing implications.

## Detailed Rationale

The reaffirmation of rating assigned to Himalayan Investment Banker Limited (HIBL) factors in successful commencement and oversubscription[1] of its first close ended scheme and largest close ended fund in Nepalese capital market- "HLI Large Cap Fund" (HLICF) which was subsequently listed in NEPSE in November 04, 2025. The rating also continues to factor in the company's strong promoter profile with majority shares being held by Himalayan Life Insurance Limited (~75%) (IRN A+@), a life insurance conglomerate in Nepalese insurance landscape and remaining shares owned by various individual and institutional promoters spanning various sectors providing various technical and managerial support. The rating further derives comfort from presence of experienced board of directors and well-experienced management team. Likewise, the rating also factors in adequately established organizational structure for the management of its existing scheme. Further, the company's MF schemes have sizeable cash reserves (~NPR 0.94 Bn i.e. ~20% of the AUM as of mid-June 2026), which could provide investment opportunities in the current sideways market scenario. The rating also derives comfort from the growing investor interest in mutual funds, as evidenced by the oversubscription of the last few mutual fund offerings to the public and increasing concentration of Mutual Fund segment in secondary market. Additionally, ongoing and proposed regulatory improvements alongside expectation of political stability with election of majority government are expected to enhance investment diversification opportunities and improve the depth and liquidity of the capital market.

Nonetheless, the rating remains constrained by the company's limited track record in MF management, which offers less autonomy compared to private fund management, as MF operations are governed by regulatory frameworks and the scheme's prospectus. The rating also factors in weak NAV reporting of its only operational scheme (NAV of <9 per unit as on Mid-June 2026) due to sharp decline in life, non-life and reinsurance segment during latest period wherein the scheme had highest concentration (~50% of equity concentration). The rating also factors in the challenges faced by investors in Nepal's market, stemming from the weakening asset quality and subdued profitability outlook of banks and financial institutions (BFIs), which constitute a significant portion of NEPSE. The rating is also affected due to volatile investment and regulatory environment amid political instability and limited avenues available for fund managers for diversification of investment, leading to a concentrated portfolio. The rating also remains constrained due to highly fragmented and competitive

[1] HLICF was oversubscribed by ~25%, resulting in an allotted fund size of NPR 5 Bn against the proposed size of NPR 4 Bn.

MF industry. Going forward, HIBL's ability to achieve fund objectives while safeguarding the scheme's NAV in a volatile market, and balancing risk and reward, will remain a key sensitivity.
Likewise, Infomerics Nepal has removed the rating from watch with negative implications as the company's operations continue to run as in the ordinary course of business, there has been no material adverse change in its financial condition, and its fund management ability continue to operate as normal as of the review date. Furthermore, Infomerics Nepal has received a Management Certificate confirming the same, as stated above.
Simultaneously, Infomerics Nepal has placed the ratings of HIBL under Watch with developing Implications, considering the absence of an active fund supervisor overseeing the management of the schemes, along with significant unrealized losses arising from the portfolio's high concentration in the insurance sector. These factors have adversely impacted the funds' net asset value (NAV), which remained below NPR 9 as of mid-June 2026. Going forward, HIBL's ability to appoint a fund supervisor in a timely manner and effectively mitigate the unrealized losses arising from the concentrated portfolio will remain key rating monitorable.

## Detailed Description of Key Rating Drivers

## Key Rating Strengths

**Strong ownership profile with experienced BOD and management team.**
HIBL is a subsidiary of HLI with a stake of ~75% followed by various institutional and individual promoters spanning various sectors as of mid- June 2026. HLI has assumed the role of fund sponsor for its only operational scheme "HLI Large Cap Fund" with a fund size of NPR 5,000 Mn- the largest close ended fund issued till date in Nepalese Capital Market. The sponsor's commitment to the fund is evidenced by the use of its established brand name and the full funding of the stipulated seed capital, reflecting continued financial and strategic support. Furthermore, the rating takes notes of strong guidance provided by Board of Directors (BOD) having decades of cumulative experience in the insurance and financial sector. The board is well supported by experienced management team led by CEO, Mr. Sailesh Subedi.

**Regulatory support for development of mutual fund industry and financial markets**
The regulatory body for capital markets have introduced new regulations and multiple reform measures in recent years that have supported the growth of the financial markets along with mutual fund industry. The planned reforms for the industry by regulatory bodies is expected to further support the growth and maturity of financial markets. The mandatory regulatory allocation to mutual fund schemes in IPOs along with tax exemption on their income has supported the performance of these schemes. Moreover, the Budget for FY23 has made a provision that requires companies with capital of NPR 1 Bn or above, turnover of NPR 5 Bn or above, or those that mobilize natural resources to be listed in the stock exchange and entry of established companies from the non-financial sector especially through book building process or IPO with premium is likely to increase the scope of investment diversification for mutual funds beyond the banking, insurance, and hydropower sectors. Hence, any moderation in such regulatory support would impact incremental fund performance.

## Key Rating Weaknesses

**Limited track record in MF management**
HIBL, being newest player in the industry has very limited track record in MF management. The company entered the mutual fund segment with the launch of its first scheme, HLI Large Cap Fund (HLICF), a 10-year close-ended fund with an issue size of NPR 4 Bn and an allotted size of NPR 5 Bn, listed in November 04, 2025. Within its short operating history, HLICF has faced challenges in maintaining profitability with its NAV falling below 9 as of Mid-June 2026. HLICF's NAV has declined owing to substantial losses stemming from sharp decline in life, non-life and reinsurance segment wherein the scheme had highest concentration (~50% of equity concentration as of Mid-June 2026).

However, the fund's performance is over a limited time frame, and its ability to sustain and improve performance over a longer horizon remains a key monitorable. Ability of management to foresee healthy NAV growth in its first ever mutual fund scheme remains key rating sensitivity. However, the appointment of key management personnel with substantial experience in mutual fund operations offers comfort regarding the company's capability to effectively manage and navigate its mutual fund activities to an extent.

**Volatile operating environment**

The income and profitability of HIBL and the managed funds are closely tied with the movement of the stock market, which has remained volatile over the years. Furthermore, the stock market is closely-linked with macroeconomic factors, liquidity, market sentiment, interest rates on fixed income securities along with various other external factors which are subject to change. Additionally, the stock market is highly cyclical and seasonal in nature, further aggravating the already volatile operating environment for HIBL and its managed funds. Given the current market scenario, the ability to make prudent investment decisions while effectively navigating the stock market's volatility remains a key challenge for AMCs like HIBL

**Limited investment diversification avenues**

The mutual fund schemes launched so far mostly have made equity investments through the primary and secondary markets, predominantly in banks, financial institutions and hydro sector. Further, limited secondary transactions for bonds, debentures and other fixed income securities has created limitation in scope for investment and risk diversification. As a result, the equity investments of HIBL's operational schemes have remained concentrated towards insurance and commercial banks which represents ~63% of the stock holding for HLICF. Going forward, the ability of the fund manager to maintain adequate risk-reward ratios and moderation in sectoral concentration remains a key monitorable

**Evolving mutual fund industry with moderate attraction amongst investors**

The mutual fund industry of Nepal is in its development phase with track record of just over a decade and represents ~1% of the Gross Domestic Products (GDP) of Nepal. A total of 71 mutual fund schemes have been launched till Mid-June 2026 and 15 close ended schemes have been liquidated after completion of their tenure. Currently, there are 42 close ended mutual funds and 14 open ended mutual funds with total AUM of ~NPR 84.12 Bn. Furthermore, there are 8 mutual fund schemes awaiting approval from the Securities Board of Nepal (SEBON), with a proposed AUM of ~NPR 7.2 Bn. Despite the development of the mutual fund industry, the interest from investors in mutual fund schemes remains moderate as reflected by the recent subscription rates for mutual fund schemes. Additionally, the development and retention of skilled and qualified human resources considering the current status of the industry remains a challenge for investment/merchant bankers like HIBL.

**Analytical Approach:** Infomerics Nepal has applied its fund management quality rating methodology as indicated below.

**Applicable Criteria:**

Fund Management Quality Review Methodology

**Link to past rating rationale:**

Himalayan Investment Banker Limited: Fund Management Quality Rating Assigned

Ratings placed under watch with negative implications

**About the Company:**

Himalayan Investment Banker Limited (HIBL), a subsidiary of Himalayan Life Insurance Limited (HLI), is a leading merchant banker in Nepal, licensed by the Securities Board to offer underwriting, portfolio management, corporate advisory, RTA/RTS, Issue management services and depository participant services. HLI received license of Merchant Banker from the Securities Board of Nepal

(SEBON) on October 24, 2024. HIBL recently obtained the license to operate a mutual fund scheme and HIBL plans to operate in the capacity of fund manager and depository participant for the close ended scheme "HLI Large Cap Fund".

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**About Infomerics Credit Rating Nepal Limited:**
Infomerics Credit Rating Nepal Ltd. is Nepal's third Credit Rating Agency licensed by the Securities Board of Nepal (SEBON) on March, 2022. Infomerics Nepal is a subsidiary of Infomerics Valuation and Rating Private Limited (Infomerics India) which is a SEBI registered and RBI accredited Credit Rating Agency licensed in 2015. Infomerics Nepal aims to provide investors with objective analysis and evaluation of credit worthiness of Banks, NBFCs, Large Corporates and Small and Medium Scale Units (SMUS) via its rating and grading services. Thus, it is playing a key role in serving the financial markets by reducing the information asymmetry among varied lenders and investors and facilitating borrowers/issuers to various fundraising opportunities/avenues. Infomerics observes and maintains ethical standards in its activities. For more information, visit https://infomericsnepal.com/

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