

PRESS RELEASE

MUKTINATH CAPITAL LIMITED

September 2026

Rating

Instruments	Amount (NPR Mn)	Rating	Rating Action
Fund Management Quality Rating	NA	IRN AMC Quality 3	Reaffirmed

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the fund management quality rating of IRN AMC Quality 3 [Asset Management Company Quality Three]. Fund managers with this rating are considered to have adequate ability to achieve fund objectives.

Detailed Rationale

The reaffirmation of the rating assigned to Muktinath Capital Limited (MCL) factors in the successful commencement and oversubscription of its first close-ended scheme, "Muktinath Mutual Fund 1 (MNMF1)," which was subsequently listed in January 2025. The rating also considers the successful subscription of the company's second close-ended scheme, "Muktinath Mutual Fund 2 (MNMF2)" which was oversubscribed by 1.25x its initial issue size. The rating also continues to factor in the company's strong promoter profile with majority shares being held by two National Level Class "B" Development Banks—Muktinath Bikas Bank Limited (holding 60.26% and acting as the fund sponsor for the schemes) and Lumbini Bikas Bank Limited (holding 19.75%) and remaining shares owned by various individual promoters spanning various sectors providing various technical and managerial support. The rating also factors in company's long track record of operation (since 2010) in portfolio management services and corporate advisory services which provides the company an edge for fund management for its schemes. The rating also takes comfort from MCL's well-established organizational framework, which is suitably equipped to manage both existing and proposed mutual fund schemes. Furthermore, ongoing and proposed regulatory reforms are anticipated to broaden investment diversification opportunities while enhancing the depth and liquidity of the domestic 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 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. Consequently, the company's ability to maintain prudent asset allocation (i.e., a balanced mix of equities, fixed-income investments, and cash) aligned with anticipated market movements will be pivotal in driving the performance of the newly issued mutual fund scheme Muktinath Mutual Fund 2. The rating also remains constrained due to highly fragmented and competitive MF industry. Going forward, MCL'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.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Satisfactory fund performance so far

The company currently manages two closed-ended MF schemes (viz. Muktinath Mutual Fund 1–MNMF1 launched on January 2025 and Muktinath Mutual Fund 2 - MNMF2 issued on September

2026). MNMF1 has been able to report annualized NAV growth (including dividends) of ~6.31% since their launch till mid-August 2026 as compared to NEPSE's negative annualized growth of ~0.07%. However, the performance of newly launch scheme is yet to be established. The company at present has AUM of ~NPR 1.3 Bn with significant investment in equity instruments at ~91% of its portfolio as on Mid-August 2026.

Strong ownership profile with experienced fund supervisors, BOD and management team.

MCL is a subsidiary of Muktinath Bikas Bank Limited (MNBBL) with a stake of ~60% followed by Lumbini Bikas Bank Limited (LBBL) holding ~20% stake as of mid- July 2026. MNBBL has assumed the role of fund sponsor for the operational "Muktinath Mutual Fund 1" with a fund size of NPR 1.25 Bn. It has also sponsored the recently issued close-ended scheme, "Muktinath Mutual Fund 2," with a size of NPR 1 Bn, for which units have been issued through IPO and are yet to be allotted to unitholders. Furthermore, the adequate track record and experienced management of the fund sponsor is expected to support the operations of the newly issued mutual fund scheme. The rating also takes notes of strong guidance provided by BOD led by Mr. Gajendra Man Shrestha, Chairman having more than two decades of leadership experience in the healthcare, pharmaceuticals, and financial services. The board is well supported by experienced management team led by CEO, Mr. Kabindra Bikram Dhoj Joshi.

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 such as participation of Non-Resident Nepalese in secondary market 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 regulatory framework for the capital market has continued to evolve in FY26 through SEBON's enhanced public issue eligibility and governance guidelines, which emphasize stricter listing standards, improved corporate governance, and transparent IPO valuation practices including book-building based pricing reforms. These developments, along with government policy continuity supporting wider market participation of large and established non-financial sector companies, are expected to gradually expand the pipeline of investable securities. Consequently, the scope for mutual funds to diversify beyond traditional sectors such as banking, insurance, and hydropower is expected to improve over the medium term. However, any moderation or delay in such regulatory support measures or policy execution may constrain incremental fund expansion and limit diversification benefits, thereby impacting future portfolio performance of mutual funds.

Key Rating Weaknesses

Volatile operating environment

The income and profitability of MCL 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 MCL 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 MCL.

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. In this context, the ability of MCL to diversify investment across asset classes and sectors within equity segment, safeguard its Net Asset Value (NAV) during significant market downtrends and ability to adapt strategy as per evolving market conditions remains a challenge.

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 75 mutual fund schemes have been launched till Mid-August 2026 and 16 close ended schemes have been liquidated after completion of their tenure. Currently, there are 45 close ended mutual funds and 14 open ended mutual funds with total AUM of ~NPR 88.53 Bn. Furthermore, there are 7 mutual fund schemes awaiting approval from the Securities Board of Nepal (SEBON), with a proposed AUM of ~NPR 6.4 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 MCL.

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:

[Muktinath Capital Limited: Fund Management Quality Rating Reaffirmed](#)

About the Company:

Muktinath Capital Limited (MCL, formerly Vibor Capital Limited) is a subsidiary of Muktinath Bikas Bank Limited and the company was established in February 2010. Lumbini Bikas Bank Limited is another major institutional investor of the company. MCL is licensed by SEBON to provide services like fund management, private placement, corporate advisory, portfolio management, issue management, depository participant, registrar to share (RTS) and underwriting services. MCL operates in the capacity of fund manager and depository participant for the existing close ended scheme "Muktinath Mutual Fund 1" and its newly issued second close ended scheme "Muktinath Mutual Fund 2".

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About Infomerics Credit Rating Nepal Limited:

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