

PRESS RELEASE

MACHHAPUCHCHHRE CAPITAL LIMITED

October 2026

Rating

Instruments	Amount (NPR Mn)	Rating	Rating Action
Fund Management Quality Rating	NA	IRN AMC Quality 3+	Upgraded from IRN AMC Quality 3

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

Detailed Rationale

The upgradation of the rating assigned to Machhapuchchhre Capital Limited (MCL) factors the successful launch and satisfactory performance of MCL's two mutual fund schemes, namely MBL Equity Fund (MBLEF) and Machhapuchchhre SIP Yojana (MSIP), the latter being its first open-ended scheme, which reported Net Asset Values (NAVs) of NPR 10.14 and NPR 11.68, respectively, as of mid-September 2026, albeit over a relatively limited operating period. The rating continuous to factors in its strong promoter profile, with Machhapuchchhre Bank Limited ([ICRANP-IR] BBB+@) a Class 'A' commercial bank, holding a majority stake of ~74%, while the remaining shares are held by various individual and institutional promoters, providing technical and managerial support. The rating also derives comfort from the presence of an experienced Board of Directors, fund supervisors and a well-qualified management team. The rating also considers the company's established track record in portfolio management and corporate advisory services, with operations dating back to 2011 through Kriti Capital and Investments Limited, providing an advantage in managing mutual fund schemes. Additionally, the rating derives comfort from MCL's well-defined organizational structure and continued emphasis on structured training and human resource development, supporting its ability to manage existing and proposed schemes. The growing investor interest in mutual funds is expected to support subscription to the company's proposed closed-ended scheme, Machhapuchchhre Growth Fund. Further, the ongoing and proposed regulatory reforms are expected to support the development of capital markets and the mutual fund industry over the medium to long term.

Nonetheless, the rating remains constrained by MCL's limited track record in mutual fund management, wherein investment flexibility remains relatively restricted compared to private portfolio management, given the regulatory requirements and investment mandates stipulated in the respective scheme prospectuses. The rating also takes into account the challenges associated with the evolving capital market, particularly the weakening asset quality and subdued profitability outlook of banks and financial institutions (BFIs), which constitute a significant portion of the NEPSE Index. Accordingly, MCL's ability to maintain prudent asset allocation across equities, fixed-income securities and cash, while aligning its investment strategies with prevailing and anticipated market conditions, will remain crucial for the performance of its existing and proposed schemes, including Machhapuchchhre Growth Fund. Furthermore, the fragmented and competitive nature of the mutual fund industry continues to constrain the rating. Going forward, MCL's ability to achieve the stated investment objectives, mobilize adequate subscriptions for its proposed schemes, generate sustainable risk-adjusted returns and safeguard the schemes' NAVs amid volatile capital market conditions will remain the key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Satisfactory fund performance of mutual fund scheme

MCL currently manages two mutual fund schemes, namely MBL Equity Fund (MBLEF), a closed-ended scheme launched in May 2025, and Machhapuchchhre SIP Yojana (MSIP), an open-ended scheme launched in December 2025. Both schemes have demonstrated satisfactory performance since their respective launches, outperforming the benchmark NEPSE Index. MBLEF reported annualized NAV growth (including dividends) of ~9% from its launch till mid-September 2026, compared to the negative annualized return of ~2% recorded by the NEPSE Index over the corresponding period. Similarly, MSIP reported annualized NAV growth (including dividends) of ~17% since its launch till mid-September 2026, against the annualized NEPSE return of ~1% during the corresponding period. The outperformance of both schemes relative to the benchmark index provides comfort regarding MCL's fund management capabilities and investment strategies, albeit over a relatively limited operating history. Further, MBLEF declared an 8% dividend for FY26, demonstrating its ability to generate distributable returns for unitholders. Apart from its mutual fund operations, MCL is also engaged in Portfolio Management Services (PMS), with AUM of ~NPR 554.34 Mn as of mid-September 2026, contributing to the diversification of its asset management business.

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

MCL is a subsidiary of Machhapuchchhre Bank Limited (MBL) with a stake of ~74% followed by various institutional and individual promoters spanning various sectors including Life Insurance, Non-Life Insurance Business as of mid-July 2026. MBL has assumed the role of fund sponsor for the operational "MBL Equity Fund" and "Machhapuchchhre SIP Yojana" as well as for the proposed close ended scheme "Machhapuchchhre Growth fund" with initial fund size of NPR 1,000 Mn. The fund sponsor's commitment to its subsidiary is exemplified by sharing of the brand name and commitment for the seed capital¹ for the proposed mutual fund scheme. Furthermore, the adequate track record and experienced management of the fund sponsor is expected to support the operations of the proposed mutual fund scheme. The rating also takes notes of strong guidance provided by Board of Directors (BOD) led by Mr. Bishwambhar Neupane, Chairman having more than two decades of experience in the banking sector. The board is well supported by experienced management team led by CEO, Mr. Upendra Malakar. The rating also takes cognizance of MCL's continuous and structured training programs designed to enhance human resource capabilities, along with its ongoing CSR initiatives, which reflect the company's commitment to organizational development and social responsibility and is a rating positive.

Regulatory support for development of mutual fund industry and financial markets

The regulatory bodies for capital markets have introduced new regulations and various reform measures in recent years that have supported the gradual development of financial markets and the mutual fund industry. The planned reforms, including participation of Non-Resident Nepalese (NRNs) in the secondary market, are expected to further support market depth and maturity. The mandatory regulatory allocation of 5% of IPO shares to mutual fund schemes, along with tax exemptions on their qualifying income, has supported the performance of these schemes. Furthermore, the evolving regulatory framework, with increased emphasis on corporate governance, transparent IPO pricing and the book-building process, is expected to encourage the entry of established non-financial sector companies into the secondary market. These developments are likely to widen investment diversification opportunities for mutual funds beyond the traditional banking, insurance and hydropower sectors. Additionally, growing investor interest in open-ended mutual fund schemes through Systematic Investment Plans (SIPs) is expected to support industry growth. The formation of a single-party majority government following the March 2026 elections is also expected to provide greater policy stability and a favorable operating environment for the capital market. Nevertheless, the growth and performance of mutual fund schemes remain dependent on continued regulatory

¹ 15% of the proposed fund size has been committed by MBL for both operational as well as proposed schemes.

support, timely implementation of proposed reforms and favorable capital market conditions. Any moderation in such support or delays in policy execution could constrain industry growth and diversification opportunities, thereby impacting future fund performance.

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 in Nepal remains in its developing stage, with a track record of just over a decade and representing ~1.98% of the total market capitalization of NEPSE as of mid-September 2026. The earlier mutual fund schemes, which have now matured, benefited from the mandatory 5% IPO allocation and favorable movements in the NEPSE Index during their tenure. However, the relatively newer schemes have faced challenges in replicating similar performance. Furthermore, the secondary market continues to evolve in terms of market depth, number of listed companies and investor participation. Despite the gradual development of the industry, investor interest in mutual fund schemes remains moderate, particularly among retail investors, limiting the ability of asset management companies (AMCs) to develop a diversified and granular investor base for sustainable growth. Additionally, liquidity management practices of open-ended mutual fund schemes remain largely untested during bullish market conditions, wherein increased profit-booking activities could result in sizable redemption pressures. Given the relatively nascent stage of the industry and the significant growth witnessed in the company's open-ended scheme in recent years, the ability of the fund manager to effectively manage liquidity while maintaining stable returns and safeguarding the scheme's NAV remains a key rating monitorable.

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:

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

About the Company:

Machhapuchchhre Capital Limited (MCL), a subsidiary of Machhapuchchhre Bank Limited, is a leading merchant banker in Nepal, licensed by the Securities Board of Nepal (SEBON) to offer underwriting,

portfolio management, corporate advisory, and depository participant services. It was formed from the merger of Machhapuchchhre Capital Limited and Kriti Capital and Investments Limited in 2021, MCL has expanded its market expertise, capital base, and business scope, positioning itself as one of the largest portfolio management service providers and corporate financial advisors in the country. MCL recently obtained the license to operate a mutual fund scheme and MCL plans to operate in the capacity of fund manager and depository participant for the close ended scheme "MBL Equity Fund", "Machhapuchchhre SIP Yojana" and its proposed close ended scheme "Machhapuchchhre Growth Fund".

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About Infomerics Credit Rating Nepal Limited:

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