



COOPERATIVE EDUCATION REPORT:

Reining in an Institutional Investor: Inside National Capital Limited

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ABSTRACT

National Capital Limited (NCL) is a distinguished institutional investor and subsidiary of the National Life Insurance Company Limited (NLIICL), a leading Nepali life insurance company. National Capital was the result of an amalgamation of a value-oriented investment firm into the investment arm of the insurance giant. National Capital Limited's primary objective is to identify companies with formidable competitive advantages in promising industries, led by dynamic management teams committed to generating wealth for shareholders. Through rigorous research and analysis, the firm seeks out opportunities that offer long-term value and sustainable growth potential. While returns are the barometer for success at National Capital, being a subsidiary of an insurance company naturally means that returns must be pursued prudently. During my tenure as an investment analyst intern at National Capital Limited, I gained practical experience in the intricacies of the financial market. This hands-on experience provided me with valuable insights into the application of value investing principles and the nuances of real-world investment practices. As an intern at National Capital Limited, I had the opportunity to dig deep into business analysis, refining my skills in comprehensive company evaluations and detailed valuations. Through encountering challenges and proposing solutions during my internship journey, I enhanced my understanding of investment strategies and developed a diverse set of experiences, skills, and knowledge.

Keywords: Value Investing, Financial Market, Stock Market

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I also want to thank Mr. Raj Sankrit my academic advisor at Siam University, for providing me with the feedback I needed to prepare my report.

I would like to express my sincere appreciation to my job supervisor, Miss. Shraddha Pant for her continual guidance and assistance throughout the term. I'd also like to express my gratitude to all of the team at National Capital Limited, as well as all of my coworkers, for their assistance in making my internship experience as fruitful as possible.

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LIST OF ACRONYMS

BBA - Bachelors in Business Administration

PMS: Portfolio Management Services

SWOT - Strength, Weakness, Opportunity, and Threat

NCL - National Capital Limited

NLICL: Nepal Life Insurance Company Limited

CHAPTER 1: INTRODUCTION

1.1 Company's Profile

Situated in Panipokhari, Kathmandu, National Capital Limited was established as a financial services entity to serve both retail and institutional investors, with the notable inclusion of National Life Insurance Company Limited among its major clients. With over NRS 2 billion in Assets Under Management, the company primarily focuses on Portfolio Management Services, while also actively engaging in stock market operations to generate returns across investor profiles.

At the helm of National Capital Limited is CEO Mr. Arpan Khanal, CFA, leading a seasoned research team with diverse expertise in investment domains. Overseeing this team is Investment Head Ms. Shraddha Pant, CFA, guiding the company's strategic investment decisions.

Drawing inspiration from eminent investors such as Warren Buffet and Charlie Munger, National Capital Limited's investment philosophies are deeply rooted in the principles of value investing. These guiding principles shape the company's approach to investment strategies and operational methodologies.

1.1.1 Mission of the Company

To help generate appropriate risk-adjusted returns for the parent company, investors, and stakeholders

1.1.2 Vision of the Company

- To create an institution that manages people's money ethically
- To grow the value investment community in Nepal
- Provide dedicated services to clients while having a profitable growth

1.1.3 Strategy of the Company

The company's approach is based on a simple yet significant strategy: carefully choosing great securities from the market while sticking to value investing principles. This way of thinking is centered on owning good businesses at lower prices, maintaining a proper margin of safety, and making a long-term commitment similar to the company's indefinite life.

1.2 Organizational Structure

National Capital Limited consists of a unique and diverse set of professionals. The organizational structure is as follows:

1.2.1 Diagram of Organizational Structure



Figure 1: Organisational Structure

1.2.2 Job Position

My job position is that of an Intern Analyst. It mostly includes researching various companies listed in NEPSE and other private companies. This includes doing fundamental analysis using both quantitative and qualitative data and arriving at an investment decision.

As an investment analyst intern at our value investment firm, my role encompasses a range of responsibilities critical to our investment research and decision-making processes. First and foremost, I immerse myself in thorough financial analysis, dissecting company financial statements, assessing key performance indicators, and identifying trends that may impact investment opportunities.

I'm tasked with conducting extensive industry research to understand market dynamics, competitive landscapes, and emerging trends. This involves analysing market data, industry reports, and competitor performance to gain insights that inform our investment strategies.

1.2.3 Job Position in the company's organizational structure

The key departments in the company are Investment/Research and Operations. My position is directly supervised by the company's Chief Investment Officer. She assigns me various tasks related to various stocks from different industries where I have to then present my analysis which is further passed down to other analysts.

1.3 Intention and motivation to choose the company

My advent at NCL was pure happenstance; I was scouted by the CEO, Mr. Arpan Khanal, CFA in an investment workshop conducted by KCM where Arpan Sir was the guest speaker. He invited me to work at his boutique investment firm once I returned from Thailand after my 7th Semester at Siam. Upon returning I found that Arpan sir's investment firm was acquired by one of the biggest Nepali insurance company, NLICL, via an M&A deal. Thus, I was now going to work under the banner of NLICL's subsidiary investment firm – National Capital Limited.

Arpan sir's invite itself was enough of a motivation for me to work at his investment firm; Nepal is devoid of firms and leaders that fit my investment style and temperament. Arpan sir being one of the few people in the country's investment landscape who grasped the true nature of "the right investment style" made it easy for me to choose to work under him.

1.4 Strategic Analysis of the Company (SWOT analysis)

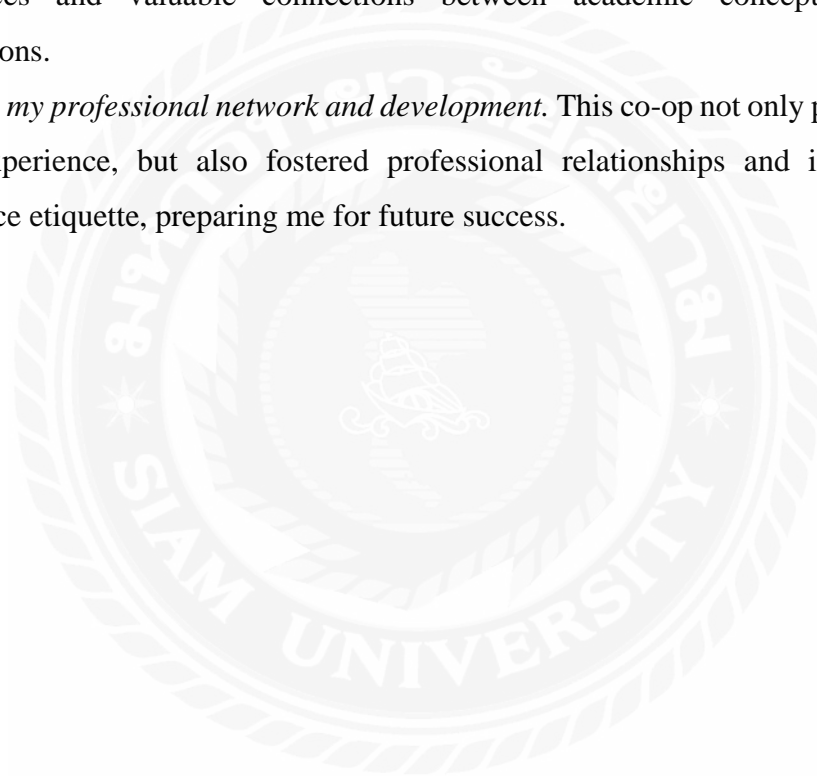
Strength	Weakness
1. Strong research-focused value investing methods 2. Provide clients with stable returns even during market downturns 3. Strong track record with over NRS. 2 Billion portfolio	4. Regulatory restraints: being the subsidiary of a capital sensitive insurance company, the investment firm has to work under various regulatory constraints 5. Unlike a boutique investment firm with its quick decision making and autonomy, being the investment arm of a heavily regulated insurance business comes with the usual drawbacks of a large institution
Opportunity	Threats
6. Increased interest in personal finance post-COVID 7. High Nepalese stock market participation 8. Potential for financial literacy education through YouTube videos (increased brand awareness and revenue)	9. Low barrier to entry for new competitors in the industry 10. Increased competition for a limited pool of clients

Table 1: SWOT Analysis of NCL

1.5 Objective of the co-operative study

I actively participated in a co-op program to:

- *Sharpen my financial and investment expertise.* I gained practical experience through applying value investing principles and observing how real-world scenarios translate textbook knowledge into action.
- *Bridge the gap between theory and practice.* By working in an investment management company, I directly witnessed the intricacies of the industry, identifying both the differences and valuable connections between academic concepts and practical applications.
- *Enhance my professional network and development.* This co-op not only provided valuable work experience, but also fostered professional relationships and instilled essential workplace etiquette, preparing me for future success.



CHAPTER 2: CO-OP STUDY ACTIVITIES

2.1 Job Description

My internship provided a valuable opportunity to gain hands-on experience in the world of finance and investment. I actively participated in a co-op program to sharpen my financial and investment expertise. A core aspect of my role involved conducting in-depth stock market research on publicly traded companies. This research involved evaluating various reports and articles, compiling the findings in Excel spreadsheets for further quantitative analysis.

My responsibilities extended beyond simply gathering data. I performed comprehensive financial analysis, meticulously examining companies' financial records. Utilizing key metrics, I assessed their historical performance. However, my role wasn't limited to just crunching numbers. I employed qualitative reasoning to assess the data's validity and its implications for the company's long-term shareholder value. This involved critically evaluating whether the identified trends were sustainable and would continue to benefit the company's stockholders.

In addition to these core responsibilities, I also demonstrated adaptability by readily taking on additional duties assigned by my supervisor. This internship experience not only provided valuable work experience, but also fostered professional relationships and instilled essential workplace etiquette, preparing me for future success.

2.2 Job Responsibilities and Work Duties

My internship revolved around researching publicly traded companies. Here's a breakdown of my key responsibilities:

2.2.1 Deep Dives: Data Gathering and Analysis

My journey began with in-depth research. Supervisor assigned, I scoured annual reports, credit ratings, and online resources as further as I could go back in the past. This holistic view helped identify one-off occurrences and understand the company's true performance. After meticulously combing through the data, I compiled key points and financial statements into Excel spreadsheets for further analysis.

2.2.2 Beyond the Numbers: Unveiling the Company's Story

The core of my work involved fundamental analysis. This meant assessing the company's historical performance and predicting future potential. It was an intellectual challenge, often requiring "reading between the lines" to uncover hidden truths. A crucial aspect was identifying "economic moats," or sustainable competitive advantages, that drive long-term success. Management quality was another key factor. Red flags like accounting malpractices or self-serving transactions were scrutinized to avoid companies that prioritize profits over shareholder value.

2.2.3 Unveiling True Value: Stock Valuation

One of the most critical tasks, central to value investing, was stock valuation. We only aimed to buy companies trading below their intrinsic worth. This time-consuming process involved different valuation methods. "Relative valuation" compared a stock's price to similar companies, while "discounted cash flow" used financial modelling to predict future cash flow and derive a company's true value.

2.2.4 Building the Case: Investment Thesis

After extensive research, analysis, and valuation, I synthesized my findings into a compelling investment thesis. This presentation, typically a PowerPoint deck, included a buy or sell recommendation. While many stocks traded above their value, market downturns could present opportunities. These investment theses were documented for future reference, ready to be revisited when compelling buying opportunities emerged.

2.2.5 Collaboration and Decision Making

The final stage involved presenting my investment thesis to the team. These discussions fostered diverse perspectives, ensuring well-informed decisions. Together, we determined whether the stock was a good fit for our portfolios, considering both its quality and valuation.

2.3 Activities in coordinating with co-workers.

My internship was not a solo act; it thrived on collaboration. I worked closely with the research director and fellow interns, fostering a team environment.

The CIO assigned tasks directly to me, and I directly reported to the CIO even though there was a layer of hierarchy between us. Even though I directly reported to the CIO, I had to continuously require the inputs and assistance of full-time analysts.

Daily briefings with the CIO were a cornerstone of our collaborative process. These meetings served a dual purpose: showcasing our completed work and brainstorming strategies to move forward on ongoing projects. The shared experiences and diverse perspectives within the other intern, who too was a classmate from KCM, fostered a comfortable and productive work environment. Ultimately, this teamwork approach was instrumental in building a strong team and achieving our desired outcomes.

2.4 Job Process Diagram

Below are the flowcharts as well as the description of my work process as an intern analyst citation.



Figure 2: Flowchart of the work process in NCL

2.5 Contribution as a Co-op student in the company

During my CO-OP internship, I played a key role in supporting investment decisions:

2.5.1 Research and Data Analysis:

Market Research: Assisted senior analysts with in-depth research on specific industries, companies, or market trends mainly related to the banking sector. This included gathering data from various sources usually an institutional database, analyzing financial statements, and creating reports with key insights and recommendations.

Data Cleaning and Verification: Ensured the accuracy and completeness of financial data used for analysis. After collecting the relevant data, I had to clean and organize the datasets before using it into our models.

Building Financial Models: Helped build and maintain financial models used for investment valuation, scenario analysis, price-based market multiples

2.5.2 Supporting Investment Process:

Screening Potential Investments: Assisted with screening potential investments based on predetermined criteria. Analysed company profiles, competitive landscapes, and financial ratios to identify promising opportunities.

Competitive Analysis: Researched and compared potential investment targets against their competitors. This helped me to identify strengths, weaknesses, and potential risks associated with each investment option.

Preparing Presentations and Reports: Summarized complex financial data and research findings into clear and concise presentations and reports for senior analysts and the CIO.

CHAPTER 3: LEARNING PROCESS

3.1 Problems and issues of the institution

While NCL was not lacking its own problems and issues, it is to be noted that the company, having been in business for less than three months, was in its infancy. Regardless there were some problems and issues of the institution that I noticed/encountered during my internship period:

Low technological expertise: The biggest issue that I consistently faced at NCL was the teams, and my own, lack of technological expertise. Data manipulation is the foundation for an analysis and it was the first step into the demanding task that is to draft an investment thesis. Since excel was the height of technological expertise in the firm, I alongside my team members had to spend an awful amount of time in excel. Any expertise in coding and programming languages was much welcomed during my stay at NCL.

Institutional restraints: Having prior intern experience in nimble boutique investment firms, the cons that come attached with an increase in fund size was hard to miss. If my previous intern experiences were composed of prompt feedback loops and swift decision making, NCL's size made it hard for the investment team to quickly work its way through an investment opportunity, often waiting for the board's green signal. Along with this, due to our sheer fund size, we found it tough to capitalise on low market cap investment opportunities.

3.2 Solving the problem

According to the literature review, the possible solutions for the above-mentioned problems could be:

Invest in training: Provide training to employees on how to use data analysis tools and programming languages. This will improve their ability to handle complex data sets and automate tasks

Invest in new technologies: Consider investing in new technologies such as portfolio management software or data analytics platforms. These tools can streamline the investment process and provide more sophisticated analysis capabilities

Hire data specialists: If the in-house expertise is limited, consider hiring data analysts or data scientists who can handle the data manipulation and analysis tasks

Create a separate investment team for smaller deals: The firm could create a separate team focused on identifying and pursuing smaller investment opportunities. This team would be able to move more quickly and decisively than the larger team.

Partner with a boutique investment firm: The firm could partner with a smaller boutique investment firm that specializes in smaller deals. This would give the firm access to the expertise and agility of the boutique firm.

3.3 Recommendations to the Company

Upskill Workforce: Train employees on data analysis tools and programming languages. This empowers them to handle complex datasets and automate tasks, freeing up valuable time and resources.

Embrace New Technologies: Invest in portfolio management software and data analytics platforms. These tools streamline the investment process, provide sophisticated analysis capabilities, and ultimately lead to better decision-making.

Bring in Data Expertise: If needed, consider hiring data analysts or scientists. Their expertise can bridge the gap in data manipulation and analysis, further enhancing your competitive edge.

3.4 Learnings during the co-op studies

My internship at Nepal Life Capital wasn't just about finance; it provided valuable lessons in other areas as well.

Since I collaborated with classmates, colleagues and executives, teamwork was crucial. To succeed, we had to work together effectively, supporting and complementing each other's strengths. Adaptability was key, as we learned to work well within the team dynamic.

Fundamental Valuation: I gained a strong foundation in valuation theory and concepts. Understanding a company's intrinsic value is essential in the investment industry. However, the accuracy of this value hinges on how well initial assumptions align with future financial statements. Importantly, I learned how to forecast financial statements and calculate intrinsic value based on informed assumptions.

Company Screening: Prior to this internship, I wasn't familiar with ranking financial statements to assess company performance. Now, I can leverage powerful Excel functions like XLOOKUP and PIVOTTABLES to analyse balance sheets and income statements, enabling me to rank companies based on quarterly reports.

Compliance: Individual investment and trading are relatively straightforward, with general regulations. However, the game changes for investment firms. Compliance becomes paramount as you learn to adhere to industry rules and prioritize the protection of client funds.

Advanced Excel and Data Consolidation: In today's data-driven world, effective data analysis is crucial for generating insights, especially with the rise of Artificial Intelligence. Learning advanced Excel was vital, as most tasks involved working with numbers. I can now efficiently organize and consolidate data using shortcuts and functions within Excel.

Portfolio Management: My foray into portfolio management has been instructive. I got exposure to knowledge on asset allocation, diversification, risk mitigation strategies, and the necessity of unemotional decision-making.

3.5 Applying knowledge from coursework

While college provided a solid foundation in financial statement analysis and business analysis, the concepts remained theoretical. My internship at NCL, however, has been a turning point. Here, I've not only revisited core financial concepts but also witnessed their practical application in, for example, stock valuation using discounted cash flow models (DCF). This method, though covered in theory, truly clicked when I applied it to a real company. Analysing its future cash flows and discounting them to present value helped me grasp its intrinsic value and ultimately informed my decision to buy, sell, or hold the stock.

The internship has shown me how academic knowledge comes alive in practice. Many financial concepts become intuitive when used in real-world scenarios. In the past four months, I've filled the gap between theory and application, gaining valuable experience. Witnessing how NCL uses these concepts to make investment decisions has been both inspiring and motivating. Now, I see how financial concepts directly impact investment outcomes, which ultimately influence our lives.

CHAPTER 4: CONCLUSION

4.1 Summary of highlights of Co-Op study

The internship program at NCL was designed to provide students like me with hands-on experience in the world of finance and investment. As an intern, I had the opportunity to participate in this via my university's co-op program, which allowed me to gain experience in a variety of areas, such as stock market research, financial analysis, and portfolio management.

One of the core responsibilities of the internship was to conduct in-depth stock market research on publicly traded companies. This research involved evaluating various reports and articles, compiling the findings in Excel spreadsheets for further quantitative analysis.

In addition to gathering data, interns were also responsible for performing comprehensive financial analysis. This included meticulously examining companies' financial records and using key metrics to assess their historical performance. However, the role was not limited to just crunching numbers. I was also required to employ qualitative reasoning to assess the data's validity and its implications for the company's long-term shareholder value. The ultimate result of the process was to help the team to generate alpha per measurement of risk.

4.2 Evaluation of the work experience

This internship has been a rewarding experience, filled with valuable lessons learned in a short period. It's equipped me to be a more effective business analyst and a well-rounded professional. One key takeaway is the importance of maintaining discipline during market uncertainty. The internship emphasized the need for a well-defined investment thesis, especially when faced with crises. By staying true to the thesis, I learned to avoid emotional decision-making and prioritize rational analysis.

Furthermore, the experience instilled a strong sense of professional accountability. It highlighted the importance of taking full ownership of my work, both successes and failures. This included a focus on punctuality, further refining my professional approach.

The collaborative environment fostered a deep appreciation for teamwork and its impact on success. Working effectively as a unit significantly contributed to my professional and personal growth. It solidified the importance of clear communication and collaboration in achieving goals. Beyond technical skills, the internship emphasized the value of seeking feedback. I learned that an open mind to guidance and constructive criticism is crucial for continuous improvement and delivering high-quality work. This experience instilled a willingness to actively seek feedback in my future endeavours.

Perhaps most importantly, this journey provided valuable life lessons that transcend technical skill sets. It highlighted the importance of patience, discipline, and a growth mindset – principles that will benefit me throughout my career.

4.3 Limitations of the Co-Op study

My internship thrived on fostering growth. Unrestricted access to information and meaningful tasks became the cornerstones of my learning experience. This empowered environment nurtured my professional development. However, the experience was not without its impediment:

System X, the institutional database, was not user friendly and took some time adjusting
Lack of proper use of technology and software to speed up different processes.

4.4 Recommendations for the company and Co-op studies

Below are a few recommendations I would like to make to my workplace and to the organizers of the Co-op studies to make the internship better for the upcoming candidates:

Software Automation: Consider implementing software solutions to automate manual data entry tasks. This would free up employee time for more strategic and creative work. For example, exploring data visualization tools could greatly improve efficiency.

Improved Communication Channels: To ensure everyone is on the same page, consider implementing a more frequent and effective communication strategy. Explore internal communication platforms like secure social media tools to facilitate seamless communication between employees and managers.

Motivation Strategies: Develop and implement strategies to boost employee motivation, especially during market downturns. A well-motivated workforce is crucial for company success. Consider exploring options like employee recognition programs or professional development opportunities.

Expanding Marketing Channels: To broaden the company's reach and attract new clients, consider diversifying marketing channels. Utilize a multi-pronged approach that includes traditional advertising alongside digital marketing strategies. This will allow Nepal Life Capital to target a wider audience and build a robust client base.

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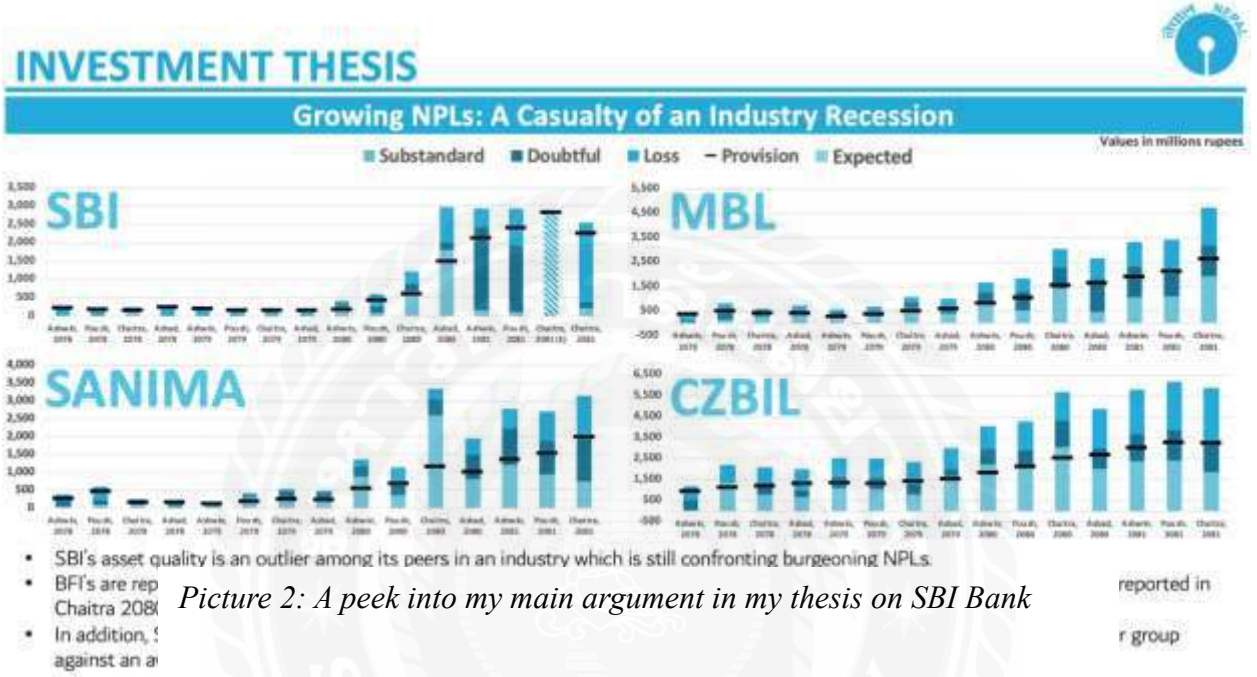
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Annex



Picture 1: Our temporary office



Picture 2: A peek into my main argument in my thesis on SBI Bank

VALUATION

Loan Growth Potential and Forward Multiples



- While banks like SANIMA look desirable than SBI in terms of both profitability and valuation, SBI could pose as a better arbitrage opportunity given the likelihood of reversals in its bad loans.

Picture 3: Subsequent valuation

Picture 3: Subsequent valuation