

By Faseeh Mangi and Arun Devnath

(Bloomberg) -- The huge election victory for Bangladesh Prime Minister Sheikh Hasina's party may lure frontier-market investors to look beyond the violence that marred the vote and add the South Asian nation's assets.

The benchmark Dhaka Stock Exchange's DSE Broad Index, which dropped 14 percent last year, the first decline since 2015, may "react very positively" to Hasina's landslide victory, said Thomas Hugger, chief executive officer at Asia Frontier Capital Ltd. The ruling Awami League won almost 90 percent of the seats. The DSE Index surged 1.5 percent, the biggest gain since April 1, in Dhaka on Tuesday.

Hasina, 71, who said she plans to complete her "unfinished tasks" following her win, will extend her rule as the longest-serving premier since the nation became independent in 1971. While the economy surged under Hasina's regime, opposition parties alleged the government suppressed their voice. More than 8,000 activists and leaders from the opposition alliance have been arrested since voting was announced in November, according to the rival Bangladesh Nationalist Party.

The main opposition leaders were in jail and that does cast "some doubts on transparency of the elections," said Shamoon Tariq, vice chief investment officer at Stockholm-based Tundra Fonder AB, which manages \$341 million of assets. Still, "from an economic perspective, investment case remains intact. We will add when there is value."

Here's what investors and analysts are saying:

Tundra Fonder (Shamoon Tariq)

"The previous regime, that will continue now, have done a good job on the economic side by boosting exports and free trade agreements."

"We are not cutting for sure and will add when there is value," said Tariq, who owns Square Pharmaceuticals Ltd. and Brac Bank Ltd. among its top six holdings in its frontier fund.

The nation has an allocation of about 13 percent in Tundra Sustainable Frontier Fund that includes Egypt, Vietnam and Pakistan.

Asia Frontier Capital (Thomas Hugger)

“Not a surprise win for Awami League but the number of seats won is a slight surprise for us.”

“The election results basically support our long term positive view and investment thesis on Bangladesh.”

“The current government will continue to bring stability to the country and Awami League will try everything to continue with the current growth path and transform the country to an "emerging country" in a few years.”

“A lot of citizens have been, and will be in the future, elevated to middle income status and thus we are very positive on the consumer and infrastructure sector.”

“Bangladesh is the second biggest country allocation after Vietnam that will not change.”

The fund will “increase our allocation in 2019 and not decrease.”

IDLC Finance Ltd. (Arif Khan)

“After the election, the economic policy continuation will send a positive signal to the market and will probably attract foreign investors to Bangladesh.”

“Foreign investors will look at the dollar-taka exchange-rate depreciation probability,” said Khan, chief executive officer and managing director of IDLC in Dhaka. “That will be a concern. Foreign investment in our stock market is not a big driving force, but definitely it’s a good indicator of how they look at Bangladesh. For that, we need to reform the investment environment.”

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