



Contents

<i>1. Asset Management Industry. General Overview</i>	<i>2</i>
<i>2. NPFs Asset Management Market Results</i>	<i>3</i>



1. Asset Management Industry. General Overview

Number of Market Participants

Asset Management Companies (AMCs)

In the 4th quarter of 2018, the number of *asset management companies* increased by 4, to **296**, that is, it returned to the level at the beginning of the year. In October-December 5 new AMCs were created, while one was closed. The number of AMCs newly created and closed during the year equaled 12.

Collective Investment Institutions (CII)

27 new CII were registered in the 4th quarter, and 91 - for the whole year 2018. Taking into account the funds, that were closed, as at December 31, 2018, *the total number of registered CII* increased by 1.1% for the 4th quarter and by 4.8% for the year, to **1,783**.

Number of CII, which have reached norms for minimum asset value (formed ones), grew for the fifth quarter in a row - up to **1,228** (+1.6% for the 4th quarter, +5.2% for the year).

In total, at the end of 2018, 283 AMCs managed from one to 37 funds, and more than 99% of all such AMCs managed at least one venture fund.

Non-State Pension Funds (NPFs)

Number of *NPFs under management* as at 31.12.2018 remained at the level of **58** (excluding the NBU corporate fund), including 45 open, 7 corporate and 6 professional ones. In total, there were 34 AMCs managing NPF assets.

Insurance Companies (IC)

Number of IC that had transferred their assets under AMC management in December of 2018 decreased to **2** – along with the termination of activity on managing of IC assets by one among two of asset management companies that provided such services. So as at 31.12.2018, only one AMC had assets of insurance companies under its management.

Assets under Management and NAV

All Institutional Investors

Total assets under AMC management increased by 4.7% for the 4th quarter and as at December 31, 2018 amounted to **UAH 314,820.9 M**. Annual growth for the whole year 2018 was 18.7%.

Collective Investment Institutions (CII)

Total assets of all CIIs under management, including those that have not yet reached the norms, increased by more than 4.7% in the 4th quarter, and for the whole year by 18.8%, to **UAH 313,327.2 M**.

Assets of operating CII that have reached the norm for minimal asset value ('established' CII) grew by 1.1% in the fourth quarter, and for the full year 2018 - by 7.7% (after +14.5% in 2017) and as at 31.12.2018 amounted to **UAH 296.8 bln**. Growth slowed down due to some decrease of number of closed-end funds with private and public placement and in conditions of closing of a number of funds in the sector of venture CII, despite general increase of the number of these funds.

Net asset value of formed CII ('established' ones) in the 4th quarter of 2018 increased by 1.4%, and in 2018 - by 5.7% (after +18.5% in 2017). As at December 31, 2018 it has reached **UAH 235 833.2 M**.

Non-State Pension Funds (NPFs)

NPF assets under AMC management increased in the 4th quarter of 2018 increased by 2.6% and for the year - by 14.3% (after +15.2% in 2017). As at 31.12.2018, they reached **UAH 1,364.1 M**.

Insurance Companies (IC)

ICs' assets under AMC management decreased by 28.9% in the 4th quarter of 2018 and by 35.2% for the year (after +127.5% in 2017). As at 31.12.2018, these assets amounted to **UAH 80.0 M**.

2. NPFs Asset Management Market Results

Assets of non-state pension funds¹ under AMC management, according to UAIB, continued to increase in 2018. The number of AMCs managing NPF assets decreased by one (up to 34). As at December 31, 2018, 32 AMCs managed assets of 45 open NPFs, 6 - assets of 7 corporate NPFs and 6 - assets of 6 professional NPFs (Table 1).

Thus, the **number of pension funds under management** remained constant for the second consecutive year (**58**, without taking into account the corporate fund of the NBU). Accordingly, the share of open NPFs by number of funds under management was not changed, without taking into account the NBU CNPF: 77.6% (Chart 2).

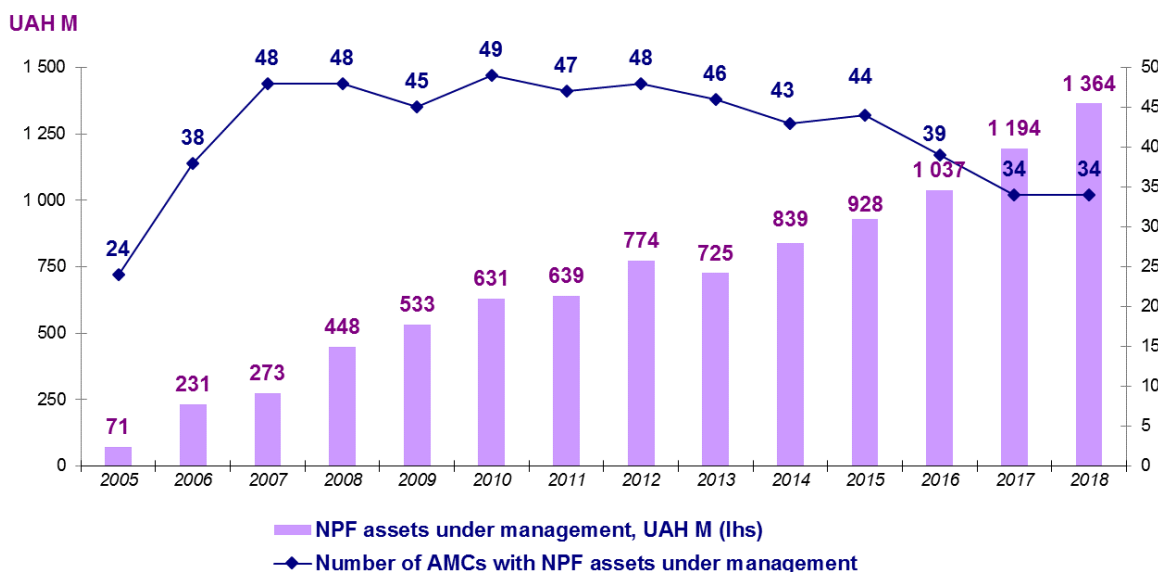


Chart 1. Distribution of the number of NPFs and of value of their assets under AMC management by fund types as at December 31, 2018

Table 1. Number of NPFs under AMC management by fund types in 2018

NPF type	31.12.2017	30.09.2018	31.12.2018	Q4 2018 change	2018 change
Open	46	45	45	0.0%	-2.2%
Corporate	6	7	7	0.0%	16.7%
Professional	6	6	6	0.0%	0.0%
Total	58	58	58	0.0%	0.0%

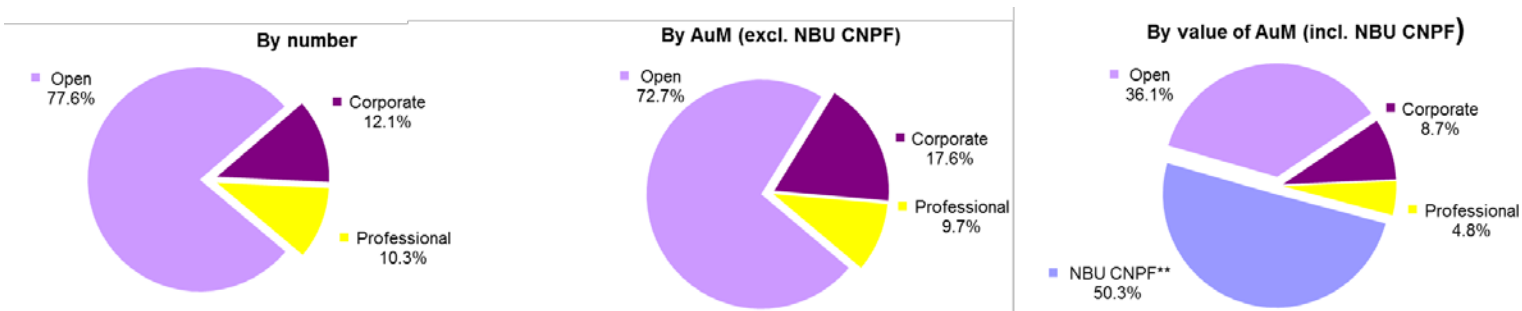


Chart 2. Distribution of number of NPFs and of value of their assets under AMC management by fund types as at 31.12.2018

¹ Excluding the corporate non-state pension fund of NBU.

The aggregate assets of all NPFs, including the NBU CNPF, for Q4 2018 increased by 3.5%, and for the year 2018 - by 11.3%, to UAH 2,745.2 M. (after +15.3% in 2017, Table 2). This was facilitated by growth of the number of NPF participants by 0.8% in the 4th quarter and by 1.7% for the whole year 2018 and by the amount of investment income - by 6.0% and by 21.4%, respectively².

At that, the number of concluded retirement contracts also increased by 3.8% in the 4th quarter and by 17.2% for the year, although in the 3rd quarter the annual change was negative (-3.1%). At the same time, the increase of pension payments still outpaced the growth of contributions (+16.3% versus +5.4% in 2018), which held up the upward dynamics of pension assets.

Value of NPF assets under AMC management in the 4th quarter of 2018 increased

by 2.6% (after +5.1% in Q3 2018), **and for the whole year - even relatively more than all pension assets (including the NBU CNPF) - by 14.3%**, which shows an acceleration compared to the previous year (+13.5% in 2017). As at 31.12.2018, pension assets under AMC management reached **UAH 1,364.1 M.**

About half of the total volume of pension funds' assets was maintained by the CNPF of NBU (Chart 2), and in the 4th quarter it grew faster than the rest of the NPFs which were under AMC management (both as a whole and by sectors of NPFs). Nevertheless, the dynamics of this fund's growth in 2018 was weaker compared to NPFs under AMC management (totally +8.6%), therefore, the NBU fund's weight in total pension assets of all NPFs for the year decreased from 51.6% to 50.3%.

Table 2. Value of NPF assets under AMC management by fund types in Q4 2018 and its change for the year

NPF type	31.12.2017		30.09.2018		31.12.2018		Q4 change of NPF AuM, %	2018 change, %
	Assets, UAH M	Number of NPFs reported	Assets, UAH M	Number of NPFs reported	Assets, UAH M	Number of NPFs reported		
Open	863.6	43	961.1	45	991.5	44	3.2%	14.8%
Corporate	214.8	5	237.8	6	239.9	6	0.9%	11.6%
Professional	115.6	6	130.2	6	132.7	6	2.0%	14.9%
Total*	1 194.0	54	1 329.1	57	1 364.1	56	2.6%	14.3%
NBU CNPF**	1 271.6	1	1 322.2	1	1 381.1	1	4.5%	8.6%
Total	2 465.6	55	2 651.3	58	2 745.2	57	3.5%	11.3%

Assets of **open NPFs** grew the fastest in Q4 2018 among sectors by type of pension funds under AMC management - by 3.2% (after +4.9% in the Q3 2018). Thus, by the end of the year their share of the market by assets (excluding the NBU CNPF) increased from 72.3% to 72.7%. In 2018, pension assets of these funds under management added 14.8% and as at December 31, 2012 reached **UAH 991.5 M.**

Assets of corporate NPFs under management (excluding the NBU CNPF) in the 4th quarter, as opposed to the 3rd one, grew relatively least - by 0.9% (after +7.9%). The annual growth of pension assets of these NPFs in 2018 amounted to 11.6% and as at the end of December reached **UAH 239.9 M.**

Assets of professional pension funds under management in the fourth quarter increased by 2.0% (after +1.8% in 3rd one), and for the whole year 2018 - the largest among sectors of NPF - by 14.9%, although they had the smallest base of comparison. The volume of their assets under management as at December 31, 2018 amounted to **UAH 132.7 M.**

Corporate NPFs remained **the largest ones by volume of assets under management** as at the end of 2018, the conditional average fund reached a size of UAH 40 M. (the average open and average professional NPFs had about UAH 22 M. of assets under management).

In the structure of NPF assets under AMC management, the share **of securities** in the 4th quarter of 2018, as opposed to the 3rd one, increased from

² According to the National Financial Service.

56.4% **to 57.5%**, which is significantly higher than a year ago (51.2%, Chart 3).

This increase of the weight of financial instruments was due to a much faster increase of assets in them (primarily due to the dynamics of investments in equities) in comparison with other areas of investments both in the quarter and for the year. In particular, this applies to **assets in banks**, whose volume in the 4th

quarter of 2018 for NPFs under AMC management as a whole did not change, and its growth for the year 2018 was less than the growth of assets in securities by more than 14 times (+1.9%) Thus, the share of money in bank accounts (including deposit ones) in the assets of all NPFs under management, respectively, decreased from 43.1% at the beginning of the year and 39.5% in the 3rd quarter to **38.5%** as at the end of the year.

Table 3. Structure of NPF assets under AMC management by fund types as at December 31, 2018, UAH M

NPF Type	Securities	Cash	Bank metals	Real estate	Other assets
Open	565.1	382.3	9.8	24.7	9.7
Corporate	129.4	110.5	0.0	0.0	0.0
Professional	89.5	32.4	0.0	7.1	3.8
Total	784.0	525.2	9.8	31.7	13.4

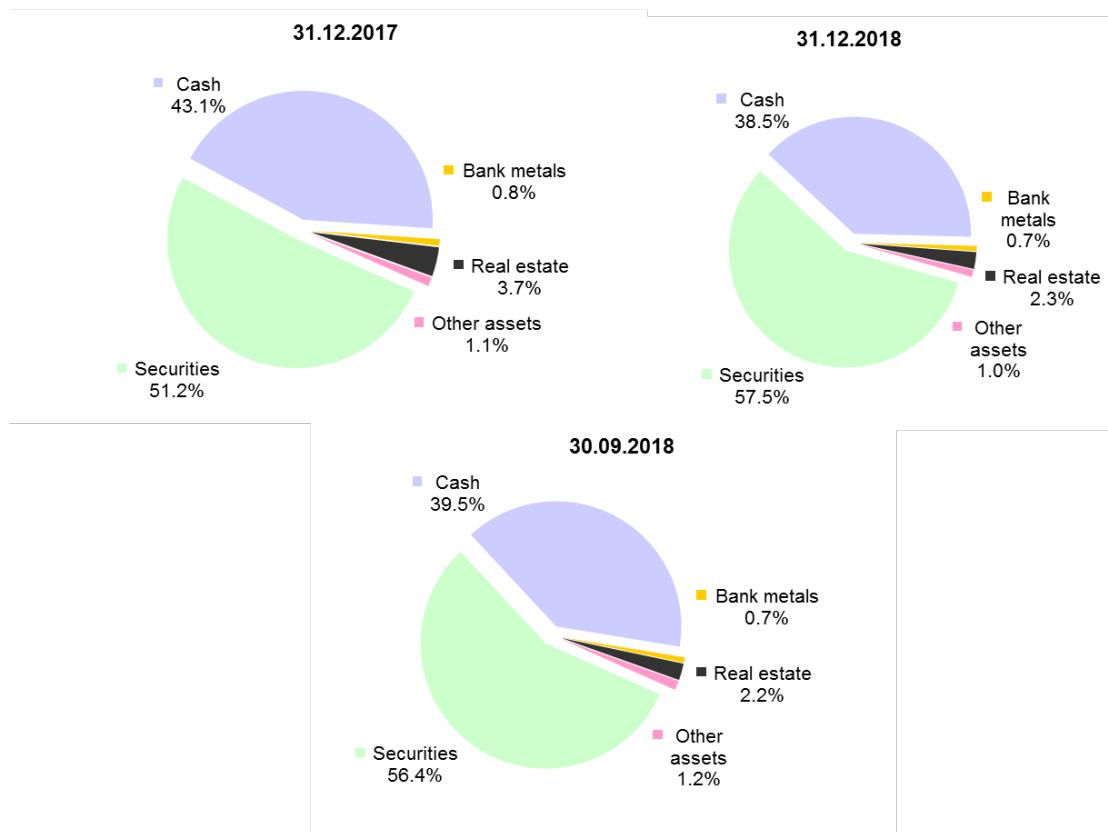


Chart 3. Dynamics of the structure of the aggregated portfolio of NPFs (excl. the NBU CNPF) in Q4 2018 and 2018

For the entire NPF industry, taking into account the corporate fund of the NBU, the weight of securities as at the end of 2018 increased to **58.6%**, from 49.5% at the beginning of the year and 57.6% in September (Chart 4). Changing the dynamics of the 3rd quarter, increase of NPFs' stock assets in Q4 2018 surpassed the increase of their aggregated cash in banks

and the overall increase of retirement assets for this period. For the whole year 2018, the growth of NPF assets in securities was almost in three times higher than the overall growth of pension assets, against the backdrop of shrinking assets in banks, metals and real estate and of a more moderate increase of "other" assets.

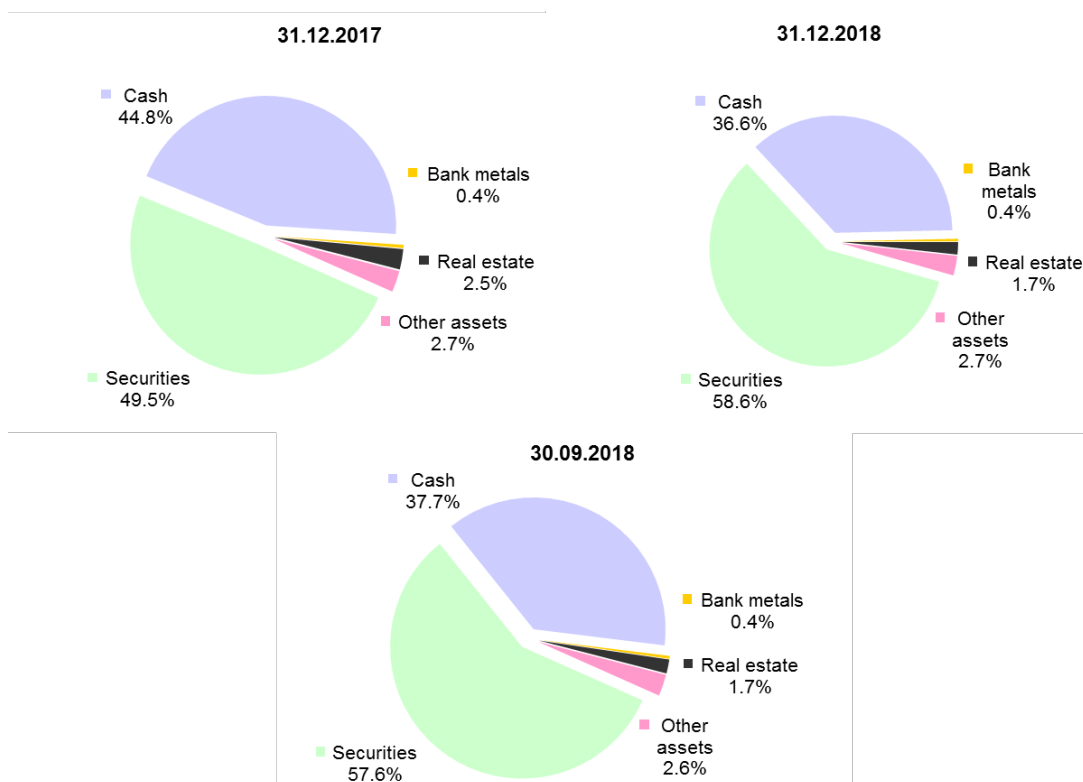


Chart 4. Dynamics of the structure of the aggregated portfolio of NPFs (incl. the NBU CNPF) in Q4 2018 and 2018

In the fourth quarter, the increase of assets **in securities** for NPFs under management (excluding the NBU CNPF) was provided by *open* funds, where the total value of securities increased by 8.5% during this time, while in *corporate and professional NPFs* it decreased by 7.1% and 0.2%, respectively. In 2018, it grew in the first ones by 31.2%, in the second and the third ones - by 22.6% and 18.9%, respectively.

Professional funds kept the largest share of securities in their assets, where at the end of 2018 it amounted to 67.4% (after 68.9% in the 3rd quarter, Chart 5). The decline of these assets' weight in the sector in the fourth quarter was due to a relatively weak increase of these NPFs' investments in equities and corporate bonds, and also due to decrease of investments in OVDP, which was reinforced by increasing of assets in banks. However, the share of equities in *professional NPFs* for the quarter remained virtually unchanged (8.0%), although it grew sharply over the year (from 0.2%), while share of OVDP fell from 43.1% in early 2018 and 40.4% in the 3rd quarter to 39.2% in December.

In *open NPFs*, the share of securities increased both in Q4 2018 and for the year 2018 as a whole, respectively, from 54.2% and 49.9% to 57.0%, mainly due to equities and corporate bonds.

In *corporate NPFs*, the volume of investments in equities remained very small, although it increased in the 4th quarter, as well as investments in state bonds. The latter remained by an order of magnitude larger part of their assets compared with corporate bonds, the volume of investments in which decreased more than twice for the quarter. OVDPs had the largest share among all types of pension funds in the sector's assets (49.4%, after 49.2% in the 3rd quarter and 49.1% at the beginning of the year).

Cash and deposits in banks in the 4th quarter of 2018 remained the second largest part of assets under management of each sector of NPF, at that they increased in *corporate and professional NPFs*, where their weight in assets rose from 41.5% to 46.1% and from 22.8% to 24.4%, respectively. For the whole year, however, it fell in both sectors (from 50.9% in *corporate* and from 27.3% in *professional* ones).

In *open NPFs*, the reduction of assets in banks, against the background of increase of stock assets, lowered the weight of the first ones from 41.3% to 38.6% in the 4th quarter and from 43.3% at the beginning of 2018.

Real estate in December of 2018 remained in assets of only *open and professional NPFs*, and its share in assets in the 4th quarter increased from 2.2% to 2.5% in the first ones, while in the second ones it decreased from 5.4% to 5.3%.

At the end of 2018, **bank metals** were in assets of only *open NPFs*, where their volume increased in the 4th quarter, but for the whole year, it decreased, and their

share in total assets of the sector decreased only on the annual basis, and in October-December remained within 1.0%.

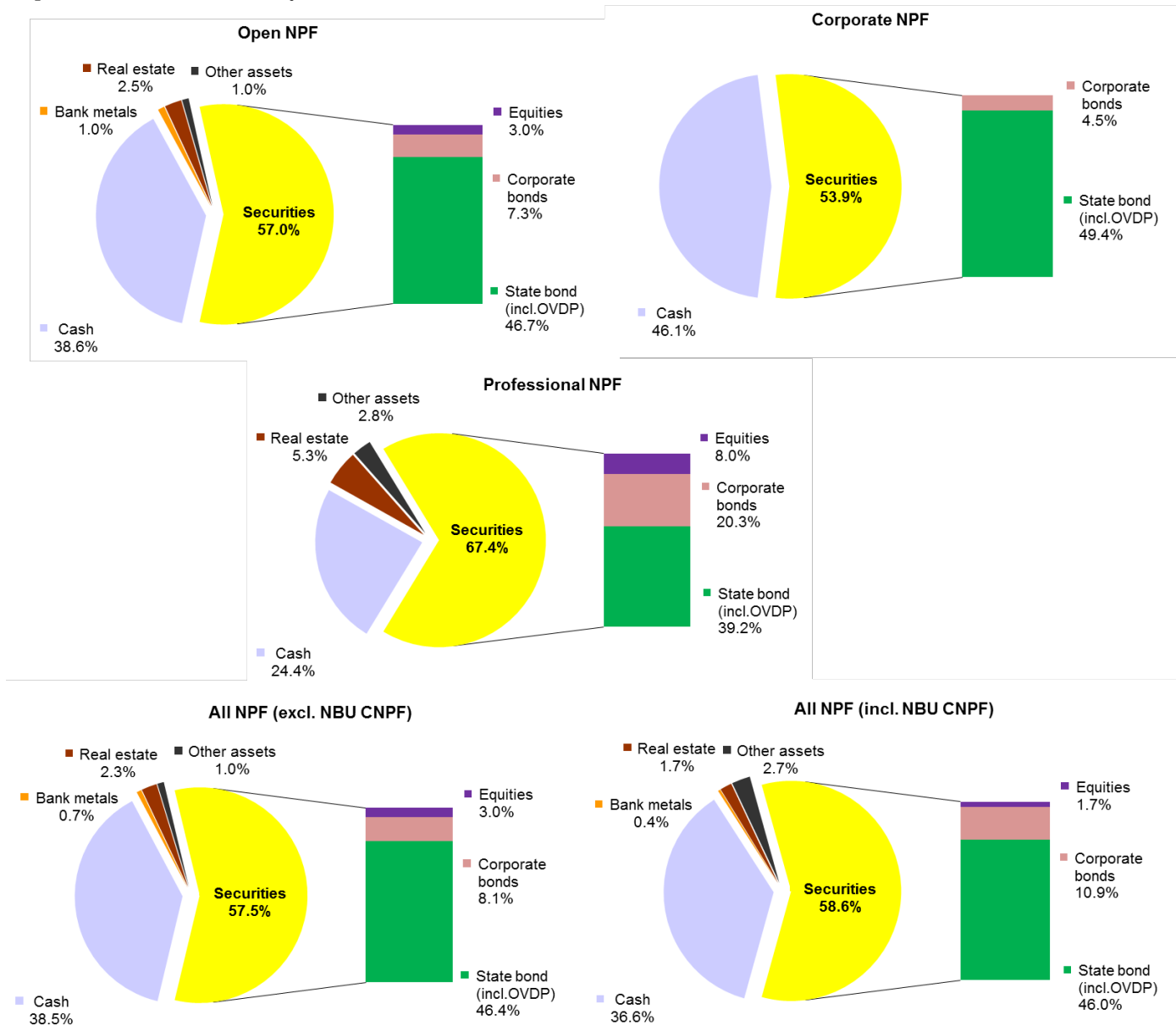


Chart 5. Structure of NPF assets by fund types as at 31.12.2018

See additional and statistical information on the UAIB website:

- [The Ukrainian Fund Market in Figures](#)
- [Quarterly & Annual Asset Management Industry Reviews](#)
- [Ranking: AMC Rankings](#)

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