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1. Asset Management of Institutional Investors and NPF Administration. **General Overview**

Number of Market Participants

Asset Management Companies (AMCs)

In the 3rd quarter of 2021, the total number of **asset management companies** increased by six to **313**. During April-June, 9 new AMCs were established and 3 ceased operations.

Of all AMCs, 286 managed between one and 66 funds, and more than 98% of such companies managed at least one venture CII.

Administrators of Non-State Pension Funds (ANPFs)

The number of ANPFs in the 3rd quarter of 2021 did not change: 19. Among them, as before, there were 6 companies that carried out exclusively the activities of NPF administration, the rest ones combined it with asset management.

Collective Investment Institutions (CIIs)

In the 3rd quarter of 2021, 54 new CII were registered. The total number of **CII that reached the minimum assets ratio (formed)** grew for the 16th consecutive quarter and amounted to **1,624** at the end of September (+4.1% for the quarter).

Non-State Pension Funds (NPFs)

The number of **NPFs under management** as at September 30, 2021 was **55** (excluding the NBU corporate fund), including 46 open, 3 corporate and 6 professional ones. In total, 33 AMCs managed NPF assets.

In September 57 NPFs **were administered** by 18 ANPF - members of UAIB: 47 open, 4 corporate and 6 professional.

Insurance Companies (ICs)

The number of **insurance companies that transferred their assets to AMC management** and the number of AMCs that provided such services did not change in the 3rd quarter of 2021: as at June 30, 2021, **one** such company continued to manage the assets of **two** insurance companies.

Assets under Management and NAV

All Institutional Investors

Total assets under AMC management continued to accelerate growth - to 6.4% for the 3rd quarter - and as at September 30, 2021 reached **UAH 507,806 M**. Since the beginning of the year these assets grew by 19.6%, and for the last 12 months at the end of September - by 26.9%.

Collective Investment Institutions (CIIs)

The total assets of all CII under management, including those that have not yet reached the standard, also grew by 6.4% for the 3rd quarter and for the last year - by 27%. As at September 30, 2021, they amounted to **UAH 505,498 M**.

At the end of September 2021, **the assets of current CII, which reached the standard of the minimum amount of assets (formed), reached UAH 496,066 M**. For the 3rd quarter they grew by 6.0%, since the beginning of the year 2021 - by 19.8%, and for the last 12 months - by 25.8%.

NAV of the formed CII at the end of September 2021 reached **UAH 373,066 M**. In July-September, it accelerated the quarterly growth rate, but slowed down the annual one: +5.0% for three months and +20.5% for the last year. For 9 months of 2021, it added 15.8%.

Non-State Pension Funds (NPFs)

In July-September 2021, **NPF assets managed by AMC** accelerated quarterly growth to 3.3%, but slowed the annual one to 11.6%. In the first 9 months of the year, they added 8.3% and as at September 30, 2021, they reached **UAH 2,120 M**.

At the end of September, **NPFs under administration of UAIB members** had **UAH 2,122M** in assets, which is 2.7% more than in June.

Insurance Companies (ICs)

The assets of the IC under the AMC management in the 3rd quarter of 2021 continued to grow at an accelerated pace: +6.4%. Since the beginning of the year they added 9.9%, and for the last 12 months - 15.8% and at the end of September amounted to almost **UAH 188 M**.

2. CII Asset Management Industry Performance

2.1. Number of AMC and CII

The number of **asset management companies** in July-September increased by six - a total of **313** (Chart 1). During this quarter, according to UAIB, 9 new AMCs were created, and 3 - ceased operations.

At the end of September 2021, there were 286 companies that had funds under their management (they were 287 in March). They managed from one to 66 funds, and more than 98% of such companies managed at least one venture CII.

During the 3rd quarter of 2021, 54 *new CIIs* were registered, all of which were venture funds, and 52 were also corporate funds, that is, they were recognized as valid immediately after registration.

The total number of **CII that reached the norms for minimum volume of assets (formed)** in July-September 2021 increased for the 16th consecutive quarter and in September amounted to **1,624**, ie increased by 64, or 4.1% for this quarter (after +2.4% for the previous one).

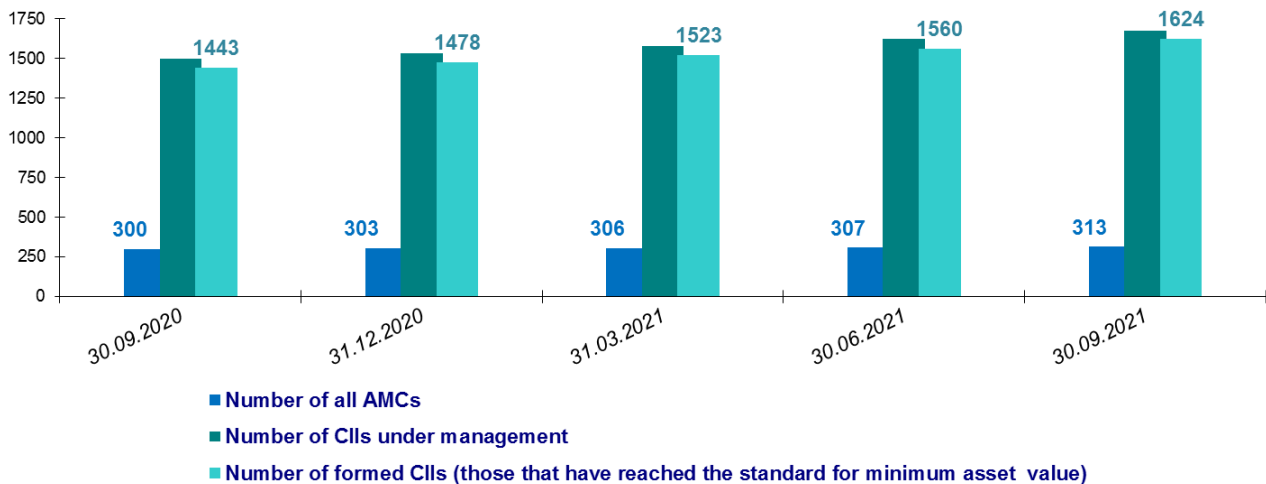


Chart 1. Dynamics of number of AMCs and CIIs in Q3 2020-2021

Taking into account the funds that left the market during the quarter, the number of formed acting funds among venture CIIFs increased by 67 (+9.1%), and the number of venture UIFs - by 3 (+0.4%, Table 1). Finally, the number of venture CIIFs at the end of September 2021 reached 800 and accounted for 49.3% of all formed CII (after 47.0% in June). The share of venture funds as a whole increased to 92.7% (Chart 2). As at September 30, 2021, there were 1,506 venture CII (+4.9% for the 3rd quarter).

The number of CII that has not yet reached the minimum asset size, ie UIFs among all CIIs managed by AMC, in the 3rd quarter of 2021 decreased from 57 to 52,

or from 3.5% to 3.1% of all CII under management. Thus, the pool for the industry's growth due to the newly formed UIFs narrowed somewhat in this period, but new CIIFs which meet the standards at the same time as their state registration, were still its engine.

At the end of September 2021, according to UAIB, the total number of funds which remained *in the process of liquidation* or had started it was 64 (3.9% of all recognized and operating CII, after 4.1% in June). Among them, the same as at the beginning of the 3rd quarter, there were: one open, two interval and three closed diversified UIFs, 5 closed non-diversified UIFs, 52 venture UIFs and one CII.

Table 1. Dynamics of number of CIIs that have reached compliance with standards, by types, and legal forms, in Q3 2020-2021

Date / Period	Total	UIF*									CIF*		
		O*	Os*	I*	Is*	CD*	CNN*	Cs*	Cq*	CV*	Cs*	Cq*	CV*
30.09.2020	1443	12	7	16	4	3	25	1	2	738	44	4	587
31.12.2020	1478	10	7	16	4	3	24	1	2	726	44	5	636
31.03.2021	1523	10	7	15	4	3	21	1	3	719	51	5	684
30.06.2021	1560	7	10	14	4	3	20	1	3	703	57	5	733
30.09.2021	1624	7	10	14	4	3	20	1	3	706	51	5	800
Q3 2021 change	64	0	0	0	0	0	0	0	0	3	-6	0	67
	4.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	-10.5%	0.0%	9.1%
YTD change	146	-3	3	-2	0	0	-4	0	1	-20	7	0	164
	9.9%	-30.0%	42.9%	-12.5%	0.0%	0.0%	-16.7%	0.0%	50.0%	-2.8%	15.9%	0.0%	25.8%
Annual Change	181	-5	3	-2	0	0	-5	0	1	-32	7	1	213
	12.5%	-41.7%	42.9%	-12.5%	0.0%	0.0%	-20.0%	0.0%	50.0%	-4.3%	15.9%	25.0%	36.3%

*O – open-ended diversified, Os – open-ended specialized, I – interval diversified, Is – interval specialized, CD – closed-end diversified, CNN – closed-end non-diversified non-venture, Cs – closed-end specialized, Cq – closed-end qualified, CV – closed-end non-diversified venture CII.

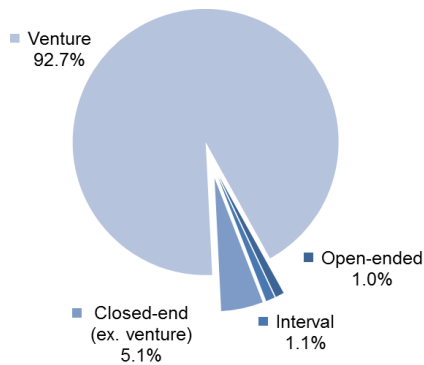


Chart 2. CII that have reached compliance with standards, by types by fund types of as at 30.09.2021

There were 80 **CIIs with public issue** at the end of Q3 2021 (+2.6%) - due to a fuller consideration of funds according to the submitted reports (two closed

non-diversified funds were added) (Table 2). The number of AMCs managing CII with public issue did not change in July-September 2021: 31.

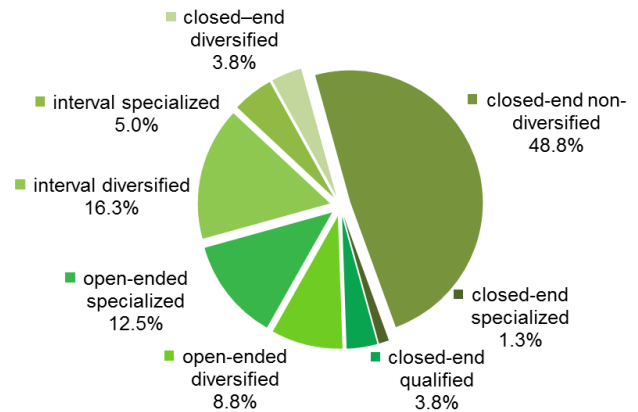


Chart 3. CII with public issue as at 30.09.2021.

Table 2. Dynamics of number of CII with public issue in Q3 2020-2021

Date / Period	Total	Open-ended			Interval			Closed-end				
		D*	S*	Total	D*	S*	Total	D*	N*	Q*	S*	Total
30.09.2020	78	12	7	19	15	4	19	3	35	1	1	40
31.12.2020	76	10	7	17	15	4	19	3	35	1	1	40
31.03.2021	75	10	7	17	14	4	18	3	34	1	2	40
30.06.2021	78	7	10	17	13	4	17	3	37	1	3	44
30.09.2021	80	7	10	17	13	4	17	3	39	1	3	46
Q3 2021 change	2	0	0	0	0	0	0	0	2	0	0	2
	2.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.4%	0.0%	0.0%	4.5%
YTD 2021 change	5	-3	3	0	-1	0	-1	0	5	0	1	6
	6.7%	-30.0%	42.9%	0.0%	-7.1%	0.0%	-5.6%	0.0%	14.7%	0.0%	50.0%	15.0%
Annual change	2	-5	3	-2	-2	0	-2	0	4	0	2	6
	2.6%	-41.7%	42.9%	-10.5%	-13.3%	0.0%	-10.5%	0.0%	11.4%	0.0%	-	15.0%

* D - diversified, S - specialized, N - non-diversified, Q - qualified.

There were still 32 **diversified and specialized CII with public issue** that submitted reports for the 3rd quarter of 2021 (Table 3).

The composition of funds by asset classes¹ also had no changes: at the end of September, one open-ended CII, the same one as before, was assigned to *equity funds*, to which it belonged for 9 months of 2021. It had a 3.1% share of all diversified and specialized CII with public issue (Chart 4).

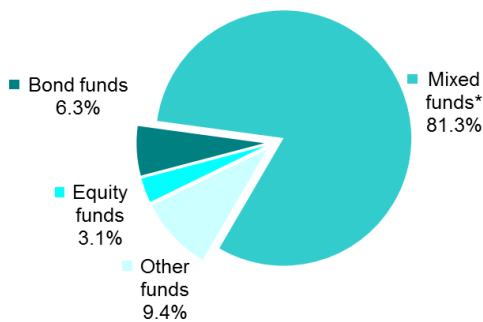


Chart 4. Diversified CII with public issue by fund types as at 30.09.2021

Two open-ended CII remained to be *the bond funds*, which accounted for 6.3% of all diversified and specialized CII with public issue.

2.2. Regional Breakdown of AMCs and CII

In Kyiv and the capital region in the 3rd quarter of 2021 the total number of **current AMCs** increased by 3 and at the end of September amounted to 218 (Chart 5). In July-September 7 companies were created here.

As a whole, in the top 5 regions in terms of the number of AMCs in July-September 2021, the number of companies increased again in Dnipro - to 23, and in Lviv - to 12 - also by one. It increased the corresponding market share of the former from 7.2% in June to 7.3% in September, and of the latter from 3.6% to 3.8%. Among other regions of Ukraine, the number of AMCs changed only in Zaporizhzhia (+1) - up to 5. At the end of September, the total number of AMCs in the regions outside the TOP-5 increased to 32, and their market share grew to 10.2%. Finally, the weight of Kyiv and the capital region by the number of companies continued to decrease - from 70.0% in June to 69.7% in September.

26 CII were again *the mixed investment funds*: 11 open-ended, 9 interval and 6 closed-end CII. In June 2021, the share of this class in all diversified and specialized CII with public issue remained as 81.3%.

The "other" funds during the 3rd quarter of 2021 included the same two open-ended and one interval CII (9.4%).

Table 3. Dynamics of diversified CII with public issue by fund types in Q3 2020-2021

Date / Period	Total	Equity funds	Bond funds	Mixed funds*	Other funds
30.09.2020	32	3	3	1	25
31.12.2020	32	1	2	26	3
31.03.2021	32	1	2	26	3
30.06.2021	32	1	2	26	3
30.09.2021	32	1	2	26	3
Q3 2021 change	0	0	0	0	0
	0.0%	0.0%	0.0%	0.0%	0.0%
YTD 2021 change	0	0	0	0	0
	0.0%	0.0%	0.0%	0.0%	0.0%
Annual change	0	-2	-1	25	-22
	0.0%	-66.7%	-33.3%	2500.0%	-88.0%

* Funds that have equities, and bonds, and cash in their portfolios.

The number of **CII under management** in Kyiv and its region in the 3rd quarter of 2021 increased by 43 (+3.6%), to 1,250 funds, and in Ukraine as a whole - by 55 (+3.4%). Accordingly, the weight of Kyiv and its region according to this indicator increased slightly: from 74.4% to 74.5% (Chart 6). Relatively most funds were added in Ivano-Frankivsk - 5.6% (2 CII), also their number increased in Lviv (+5.1%) and Dnipro (+4.2%), and in Kharkiv it did not change. Accordingly, the weight of the latter in the 3rd quarter fell below 6% (5.8%), staying by this indicator behind Lviv (6.1%) and Dnipro (5.9%). In the regions of Ukraine outside the TOP-5, the number of funds during this period increased by one (+1.1%), to 90, but their weight continued to decline - from 5.5% to 5.4%.

In breakdown of **CII assets under management by regions** in the 3rd quarter of 2021, the share of the largest cities and their regions decreased this year for the first time - mainly due to Dnipro (from 5.7% to

¹ See Rankings "CII (diversified publicly offered funds) - by fund classes" on the UAIB website: <https://www.uaib.com.ua/en/analituaib/rankings/ici/by-class>

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5.5%), because growth of assets here was weaker than in the industry as a whole - by 2.4%. The share of Kyiv, also in contrast to the second quarter, increased - from 80.4% to 80.5%, while the volume of assets under management increased here by 6.7%. Kharkiv increased its assets by 7.2%, so its weight rose slightly, but remained within 4.8%.

Regions of Ukraine outside the TOP-5 in terms of CII assets under management in Q3 2021 increased their

assets more significantly than the leaders did (+8.8% vs. +6.4%), so their share increased - to the March's level - 2.5%. Thus, in July-September 2021, a certain increase of CII asset management industry's concentration in the TOP-5 areas continued only in terms of the number of funds, while slight decentralization took place both by the number of AMC's and amount of CII's assets under management, together with the growth of indicators in almost all regions of Ukraine.



Chart 5. Regional breakdown of AMCs by number as at 30.09.2021

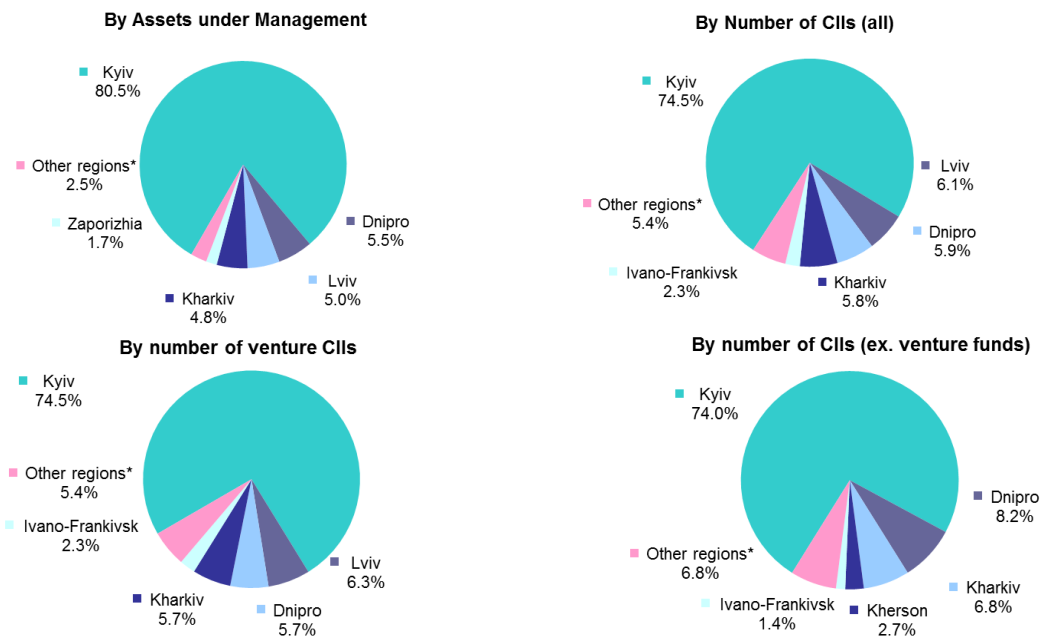


Chart 6. Regional breakdown of CII by number and value of their assets under management as at 30.09.2021

2.3. Value of Assets and Net Assets of CIIs

Total CII assets under management, including those that have not yet reached the minimum asset ratio, grew by 6.4% in the 3rd quarter (after +6.2% in Q2 2021), since the beginning of the year - by 19.6%, and by 27.0% for the last year. As at September 30, 2021, they amounted to **UAH 505,498 M**.

The total assets of existing CII, which were managed by AMC and reached the standards (formed, "recognized" CII), at the end of September 2021 reached **UAH 496,066 M** (Chart 3). In the 3rd quarter they grew by 6.0% (as in Q2 2021), from the beginning of the year 2021 - by 19.8%, and for the last 12 months in September - by 25.8% (after +26.1% in June)..

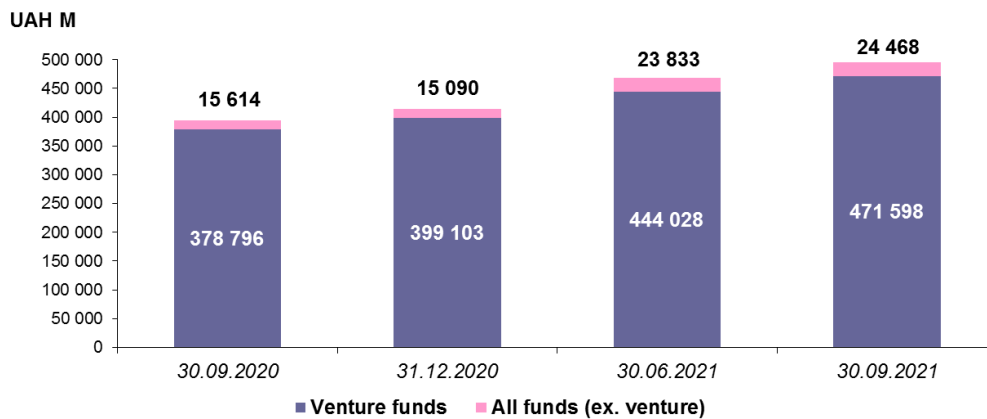


Chart 7. Dynamics of CII assets value in Q3 2021 and for the year

Venture funds provided almost 98% of growth of formed CII assets' value in July-September 2021, in particular due to increasing of their number. As at September 30, 2021, the total assets of *venture CII* amounted to **UAH 471,598 M**, which is 6.2% more than in June.

Assets of other sectors of closed-ended funds also increased, as well as assets of *open-ended CII*, which after a decrease by 0.8% in the 2nd quarter added 3.0% in Q3 2021. That was again largely due to movements of capital in this sector, which this time were positive. The dynamics of these CII since the beginning of 2021 and for the last 12 months has remained extremely positive: over 61% and 77%, respectively. As at September 30, 2021, open-ended CII had **UAH 180 M** in assets.

The value of net assets of all formed CII as at the end of September 2021 reached **UAH 373,066 M**. In July-September, it accelerated the quarterly growth rate, but slowed down the annual one: +5.0% in three months (after +4.5% in the 2nd quarter) and +20.5% for the last year in September (from +22.6% in June). For 9 months of 2021, the NAV of the formed CII added 15.8%.

Among the other factors of quarterly growth there was an increase of the number of funds in the venture sector (+3.6% of reports). The NAV of *venture CII* in the 3rd quarter of 2021 grew almost twice as much as in the Q2 - by 5.2%, since the beginning of the year - by 13.7%, and for the last 12 months - by 18.7%, and at the end of September amounted to **UAH 349,344M**, or almost 94% of total net assets of CII.

Open-ended CII, among which the number of operating funds remained unchanged during July-September 2021, grew their Nav by 4.9% during this period (after -2.9% in Q2 2021), and for the first 9 months of the year - by 61.4%. In September annual growth slowed to 76.6% (from 88.7% in June). As at September 30, 2021, the net assets of the sector amounted to almost **UAH 179 M**. The growth of NAV was mainly due to the net inflow of investors' assets, which accounted for more than 2/3 of the total increase of these CIIs' NAV as a whole. The rest was determined by the positive revaluation of funds' portfolios in the sector during this period.

Table 4. Dynamics of CII NAV, by fund type, in Q3 2021 and for the year, UAH M

Funds	30.09.2020	31.12.2020	30.06.2021	30.09.2021	Q3 2021 change	YTD 2021 change	Annual change
Open-ended	101.3	110.8	170.4	178.8	4.9%	61.4%	76.6%
Interval	96.7	107.7	104.3	102.0	-2.2%	-5.2%	5.5%
Closed-end (ex.venture)	15 045.4	14 449.9	22 848.8	23 441.2	2.6%	62.2%	55.8%
with public issue	2 804.0	3 087.8	6 064.0	6 044.4	-0.3%	95.8%	115.6%
with private issue	12 241.4	11 362.1	16 784.8	17 396.7	3.6%	53.1%	42.1%
All funds (ex. venture)	15 243.4	14 668.3	23 123.5	23 722.0	2.6%	61.7%	55.6%
Venture funds	294 390.0	307 360.4	332 049.7	349 344.2	5.2%	13.7%	18.7%
All funds	309 633.5	322 028.7	355 173.2	373 066.2	5.0%	15.8%	20.5%

* Acting CIIs that have reached the norms for minimal asset value (were recognized as valid), are managed by AMC and provided reports for the relevant period (as at the reporting date). ** Values are adjusted for open-ended and interval funds.

Interval CII in July-September for the third consecutive quarter experienced a decrease of NAV: -2.2%, after -2.0%, but remained positive dynamics over the year (+5.5% at the end of September, after +18.8% in June).

The number of closed-end CII with public issue which reported for the 3rd quarter of 2021 was one less compared to the 2nd quarter (-2.8%), and the quarterly NAV dynamics of the sector was moderately negative: -0.3% (after +51.4%). However, since the beginning of 2021, the net assets of the sector have almost doubled, and for the last 12 months in September - by 115.6% (after 108.4% in June).

Closed-end CII with private placement (excluding venture) in July-September added 3.6% of NAV (after

+34.1% in the 2nd quarter). This was despite a decrease of the number of these CIIs' reports by 5 (-10.9%). In the first 9 months of 2021, the NAV of the sector grew more than one and a half times, and for the last year in September - by 42.1% (after +40.5% in June).

Virtually the same growth rate of NAV of open-ended and venture CII - and of all CII as a whole - in the 3rd quarter of 2021 almost did not change the weight of two sectors in funds' total net assets (0.05% and 93.6%, respectively, in September, after 0.05% and 93.5% in June, Chart 8). The weight of the closed-end CII decreased insignificantly within 6.4%, including funds with public issue - from 1.7% to 1.6%

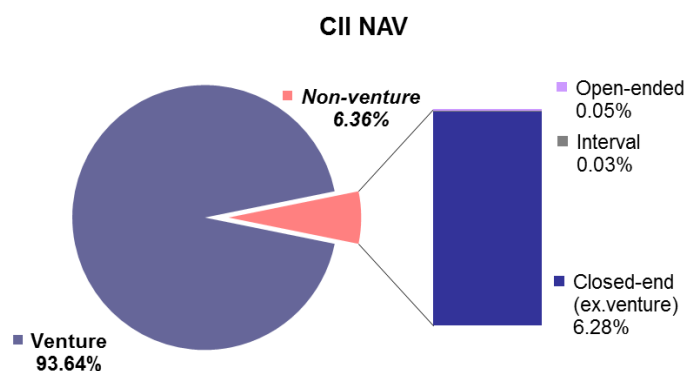


Chart 8. Distribution of CII NAV by fund types as at 30.09.2021

2.4. Net Capital Flow in Open-Ended CII

The negative movement of capital in Ukrainian open-ended CII in May-June 2021 already in July was replaced by the inflow, which lasted until the end of summer. Even September’s net outflow also did not prevent a positive result of the quarter.

July’s indicator of +UAH 4.8 M was slightly better than one for the same month of the last year, and in August the net inflow increased to UAH 5.3 M (Chart 9). At that, though the largest inflows into the sector took place mainly on local corrections of the stock market, which reduced also the value of funds’ certificates, but anyway they

preceded the main decline of inflows in August and September. During the last month of the third quarter, the sector also received some inflows into a number of funds, but eventually it suffered a significant outflow due to the redemption of some certificates from investors during local market lows within this period.

Finally, 95% of September's net outflow was accounted for one fund (of mixed investments), which, however, provided overall more than 99% of net inflow to the sector of open-ended CII for the entire third quarter of 2021.

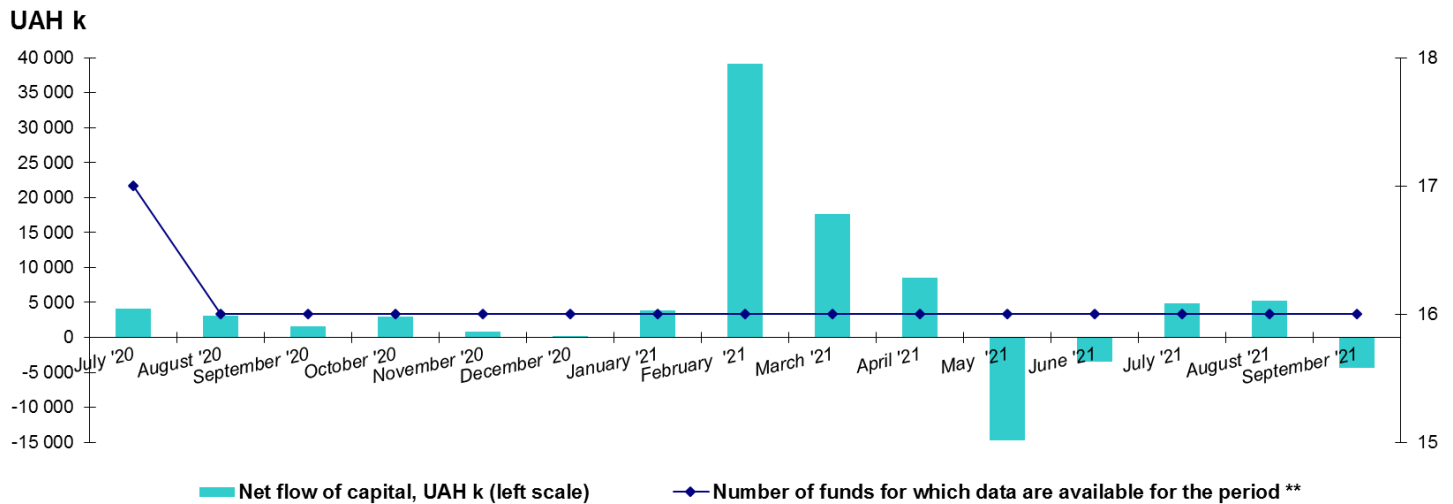


Chart 9. Monthly net flow of capital of open-ended CII in July 2020 - September 2021 (according to daily data)

During Q3 2021, the number of open-ended funds with a net inflow ranged from two in July to one in August-September, and of funds with a net outflow ranged from three to four in July-August to two in September.

Of all 16 open-ended CII which provided reports during the 3rd quarter, only 6 had some movement of capital. There were two funds with a net inflow by the results of three months, and their total additional income for the quarter was UAH 6.5 M (after UAH 3.8 M for three funds in Q2 2021). There were 4 funds with a net outflow, and their total net losses because of investors’ exit amounted for the 3rd quarter of 2021 to UAH 0.7 M (after -UAH 13.4 M for 6 funds in Q2 2021).

Retail investors-residents were those who invested the most in open-ended funds in July-September 2021, at that their number here, in contrast to the previous three months, increased.

Thus, the **total net movement of capital in open-ended CII** in the 3rd quarter of 2021 returned to the positive zone: +UAH 5.8 M (after -UAH 9.6 M, Chart 10). Additional inflows of investors’ funds as a whole provided 68.5% of the sector’s net assets growth for this period.

Net inflow to open-ended CII from the beginning of 2021 remained positive - as well as the annual one, which slowed down to UAH 60.7 M at the end of September (from UAH +63.8 M in June)

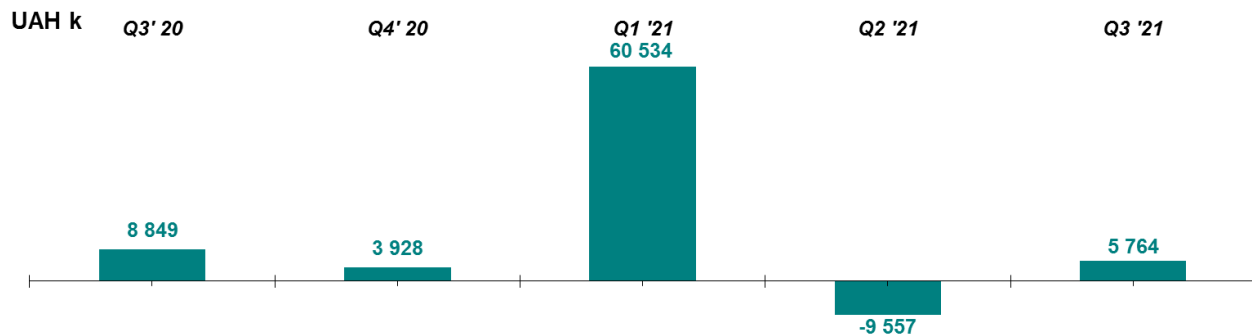


Chart 10. Net flow of capital of open-ended CII in Q3 2020-2021

At this time in the European Union, inflows into the collective investment industry continued, albeit it was somewhat weaker, particularly in funds oriented on retail investors. Nevertheless, net revenues into the industry in the 3rd quarter of 2021 exceeded the figure for this period of the last year. Some decline of capital inflows occurred mainly for equity funds, amid high markets' volatility and after significant inflows in previous quarters. At the same time, additional infusions into bond and mixed funds intensified, increasing the diversification of total investors' investments.

In total, **in the 3rd quarter of 2021, the net inflow of capital to the EU investment fund industry**, according to EFAMA, amounted to **EUR 200 billion** (after +EUR 228 billion in the 2nd quarter and +EUR 195 billion - a year ago)².

In UCITS³ funds the net inflow for July-September 2021 amounted to **EUR 179 billion** (after +EUR 210 billion in the 2nd quarter and +EUR 145 billion a year ago). Thus, these funds again received 90% of total additional revenues to the fund industry in the EU, as in the previous quarter.

Equity funds were the most popular among UCITS for investors for the fourth consecutive quarter, although they narrowed the gap with other categories: +EUR 64 billion (after +EUR 114 billion in the second quarter and +EUR 42 billion a year ago).

The net inflow into UCITS *mixed funds* increased during this period, especially compared to the indicators of

the last year, and was slightly lower than the result of equity funds: +EUR 60 billion (after +EUR 54 billion in the 2nd quarter and +EUR 15 billion in 2020). *Bond funds* in the 3rd quarter of 2021 also received increased net inflows: EUR 54 billion (after +EUR 49 billion in the 2nd quarter and +EUR 48 billion a year ago).

Instead, *money market funds* for the third consecutive quarter were the only sector to experience a net outflow of capital: -EUR 9 billion (after - EUR 12 billion and - EUR 73 billion in the 2nd and 1st quarters, respectively, but received +EUR 40 billion a year ago).

AIF⁴ funds in the 3rd quarter of 2021 received a higher net inflow compared to the 2nd quarter: +EUR 21 billion (against +EUR 18 billion). However, it was more than twice less than in the same period of 2020 (+EUR 51 billion).

The most popular of AIF among investors in July-September 2021, in contrast to the previous quarters, *were mixed funds*: +EUR 15 billion (after +EUR 9 billion in Q2 and -EUR 2 billion a year ago). *Bond funds* also had a significant positive result: +EUR 12 billion (after -EUR 8 billion and +EUR 20 billion, respectively). *Real estate funds* also continued to receive the most stable inflows of additional capital: +EUR 5 billion (after +EUR 7 billion and +EUR 8 billion, respectively).

Other classes of *AIF funds* had a net outflow of capital in the 3rd quarter of 2021, in particular *equity funds* lost another EUR 6 billion for this quarter (after -EUR 20 billion in Q2 2021), although they received an additional

² According to the available data on 29 countries whose associations are members of EFAMA (24 EU member states, including Poland (former EFAMA member), as well as the United Kingdom, Liechtenstein, Norway, Switzerland and Turkey), see. [EFAMA Quarterly Statistical Report Q3 2021](http://www.efama.org) at: <http://www.efama.org>.

³ In this context, long-term UCITS funds are all classes of UCITS, except money market funds. UCITS (Undertakings for Collective Investment in Transferable Securities) - enterprises for collective (joint) investment in current securities (those that are in circulation in regulated markets); they are open-ended funds with public placement and strict requirements for the composition, quality, liquidity and

structure of assets. Regulated by the relevant Directive (Directive 2009/65 / EC of 13 July 2009, as amended by Directive 2014/91 / EU of 23 July 2014) and other related acts of EU legislation. They are most similar to Ukrainian open-ended CII (diversified and specialized, with public placement).

⁴ AIF (Alternative Investment Funds) - alternative investment funds; in fact include all other non-UCITS regulated funds. Companies that manage such funds are regulated by the AIFMD Directive (Directive 2011/61 / EU of 8 June 2011). Most Ukrainian CII are similar in their characteristics exactly to AIF.

EUR 1 billion a year ago. And traditionally the most popular category of AIF among investors - "other" funds⁵ - during this time lost EUR 4 billion (after +EUR 31 in the 2nd quarter and +EUR 23 billion a year ago).

Slightly weaker net capital inflows and increased volatility of stock markets in Europe and in the world slowed the growth of the European fund industry in the

third quarter of 2021, but it continued further and in some sectors was ahead of the last year's indicators. As a whole, the total NAV of funds in the EU and the EEA in July-September increased by 1.7% (after +4.1% in Q2 2021) and as at 30.09.2021 amounted to almost EUR 20.8 trillion. Of these, about 63% were in UCITS, whose net assets increased by 2.0% (after +4.6%) to EUR 13.1 trillion.

2.5. CII Investors

In the 3rd quarter of 2021, the largest changes in the ownership structure took place in closed-end CII, in particular in ones with private placement (excluding venture).

The largest category of CII's participants in terms of total investments (share in net assets) were invariably **resident legal entities**, which retained more than half of NAV assets, at that their share in July-September increased for the first time in a long time, albeit insignificantly: from 51.0% up to 51.6% (Chart 11). This was due to an increase of these investors' total assets in CII as a whole by UAH 11.6 billion (+6.4%, after -3.5% in the 2nd quarter). At that the total assets of other categories

of CII's investors increased less or decreased, that resulted in increased weight of local enterprises in funds' NAV.

By CII sectors, the assets of these investors grew almost exclusively in *venture funds*: +UAH 11.6 billion, or 6.6% (after -4.8% in the 2nd quarter). Their share in the sector increased from 52.7% in June to 53.4% in September. On contrary, in *closed-end funds (excluding venture)* as a whole, total assets of resident legal entities decreased by 1.1%, and their weight in these CII's NAV - from 26.9% to 25.9%, and of funds with public placement in particular - from 73.7% to 70.9%. In *open-ended CII*, assets of resident companies decreased insignificantly in the 3rd quarter of 2021 (-1.4%), from 6.8% to 6.4% of NAV.

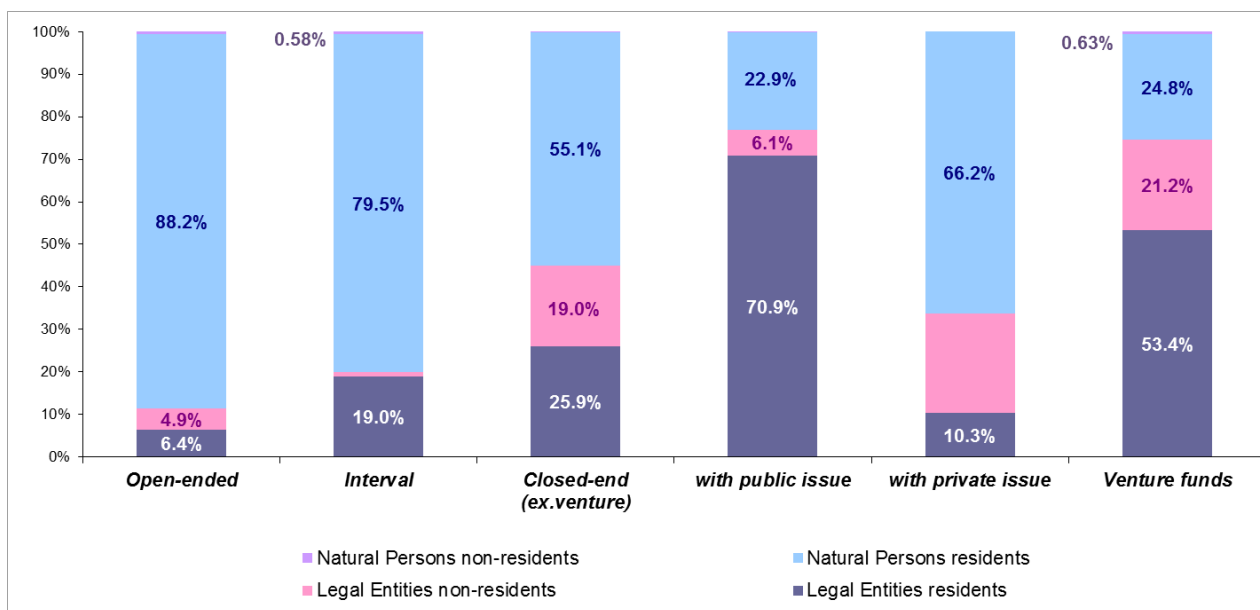


Chart 11. Investments in CII by categories of investors as at 30.09.2021, share in NAV⁶

⁵ This category of AIF includes equity funds, bonds funds and mixed assets funds in Ireland due to the lack of data on their breakdown by these sectors.

⁶ Excluding bearer securities in circulation. The chart has been corrected to reflect the data on 30.09.2021 and not on 30.06.2021.



In the 3rd quarter of 2021, **resident individuals** continued to increase actively their total assets in CII as a whole and in open-ended and venture funds in particular. As a whole, the total value of these investors' contributions grew by over UAH 8.6 billion or 9.4% (after +13.8% in the 2nd quarter). *Venture funds* received even more (+UAH 8.7 billion, +11.2%), while in other closed-end CII local retail investors' assets decreased. Finally, their weight in the NAV of *all CII* increased further: from 25.7% in June to 26.7% in September (in *venture CII* - from 23.4% to 24.8%).

In *open-ended CII* in July-September 2021, aggregate investments of resident retail investors increased by 5.7% (after +3.3% in the 2nd quarter), which was largely due to inflows of capital to one of these funds in July-August. Finally, the share of local retail investors in the sector's NAV increased from 87.5% to 88.2%.

The aggregate value of investments of all **foreign investors** in CII in the 3rd quarter decreased for the first time in 2021, at that at an accelerated pace - by -UAH 2.3 billion, or -2.7% (after +14.9% in Q2 2021). This was due to both non-resident enterprises (-UAH 1.0 billion, -1.3%, after +13.4% in the 2nd quarter) and individuals (-UAH 1.3 billion, -36.0%, after +65.3%). The decrease of non-

residents' assets took place mainly in *venture CII*, and also in *interval* ones. In the third quarter, the share of non-residents in the NAV of *venture CII* decreased from 23.9% to 21.8%, and in *all CII* - from 23.4% to 21.6%/

At the end of September 2021, **non-resident companies** hold 97.2% of foreign investments in all CII as a whole, and 94.5% of their assets were in *venture funds*.

In *open-ended CII*, the total value of these participants' investments in the 3rd quarter remained almost unchanged (+0.2%, after -0.5% in Q2 2021), and their weight dropped from 5.2% in June to 4.9% in September. The total assets of **retail foreign investors** in open-ended funds grew by 2.4% in the 3rd quarter (after +2.1% in Q2 2021), but their share in the sector's NAV remained within 0.5%. The aggregate weight of all non-residents here decreased from 5.7% to 5.4% for the third quarter.

The **number of CII investors** as at September 30, 2021 was **280,284** (Table 5). Of them, 98.9%, the same as in June, were individuals - residents of Ukraine, 96.5% - were participants of interval funds⁷, 0.6% - of open-ended ones, 1.5% - of venture funds.

Table 5. CII investors by categories, number and share in total number, as at 30.09.2021

Funds	Legal Entities				Natural Persons				TOTAL	Q3 2021
	residents		non-residents		residents		non-residents			
Open-ended	21	1.27%	2	0.12%	1 634	98.43%	3	0.18%	1 660	0.24%
Interval	20	0.01%	1	0.00%	270 474	99.99%	19	0.01%	270 514	-0.01%
Closed-end (ex.venture)	324	8.43%	10	0.26%	3 498	91.02%	11	0.29%	3 843	0.05%
with public issue	164	4.54%	6	0.17%	3 435	95.05%	9	0.25%	3 614	0.67%
with private issue	160	69.87%	4	1.75%	63	27.51%	2	0.87%	229	-8.76%
All funds (ex. venture)	365	0.13%	13	0.00%	275 606	99.85%	33	0.01%	276 017	0.00%
Venture funds	2 405	56.36%	326	7.64%	1 513	35.46%	23	0.54%	4 267	2.75%
All funds	2 770	0.99%	339	0.12%	277 119	98.87%	56	0.02%	280 284	0.04%

During the 3rd quarter of 2021, the total number of CII participants increased again, albeit insignificantly: +0.04% (+106). In some sectors, growth was more significant, while in others the number of funds' participants decreased.

Number of investors in *venture CII* increased the most - by 114, or 2.7% (after +4.9% in the 2nd quarter). Over the last year, the number of these funds' participants

increased by 4.7%. As at September 30, 2021, they were 4,267.

There was also an increase of number of investors in *open-ended funds and in closed-end CII with public offering*. As at September 30, 2021, the former had 1,660 participants (+4, or +0.2%, after +1.8% in Q2 2021). The increase *again* occurred entirely at the expense of resident retail investors, who at the end of September became 1,634

⁷This is due to the activities of several funds, which were reorganized from the former mutual funds into interval CII and which have a relatively large number of small investors.



in the *open-ended CII*. Over the past 12 months, the number of all investors in this sector has increased by 7.4%.

The number of participants of *closed-end CII with public placement* increased by 24% or 0.7% for the 3rd quarter (after +1.9% in Q2 2021), and by 3.9% for the last year. At the same time, the number of investors in *closed-end CII with private placement* decreased by 22 or 8.8% (after +2.9% in the second quarter), and by 7.7% for the year.

As at September 30, 2021, *interval CII* still had the largest number of investors - 270,514, their number in July-September almost did not change in relative terms: -0.01% (-14). Over the last 12 months, it grew by 8.3% due to a slightly changed (and fuller) accounting of the number of investors in some funds, which was reflected in the reporting for the previous quarter.

The increase of the total number of CII investors in the 3rd quarter of 2021, as in the previous quarter, was mainly due to **resident individuals**. Their number in CII increased by 87, or 0.03% (after +8.2% in the 2nd quarter). At that, the same as the total number of CII participants, the presence of local retail investors increased in the sectors of open-ended CII, closed-end CII with public issue and venture CII. In particular, in *open-ended CII* they increased by 5 people, or 0.3% (after +1.8% in Q2 2021), in *closed-end funds with public placement* - by 14, or 0.4% (after +1.8%), in *venture funds* - by 89, or 6.3% (after +16.8%).

In July-September 2021, in contrast to the previous three months, the number of **resident legal entities** in CII increased: +54, or 2.0% (after -1.3%). Their

number increased in all categories of closed-end funds, while in *open-ended and interval CII* it decreased insignificantly (by -1 participant in each of these sectors, or -4.5-4.8%). The number of local enterprises in *closed-end CII with public issue* increased by 11 or 7.2% (after +3.4% in the 2nd quarter). In *venture funds* 44 of such investors were added in July-September, or 1.9% (after -0.9%), but their share in this sector continued to decline - from 56.9% in June to 56.4% in September - amid faster growth of the number of investors - individuals.

In the 3rd quarter of 2021, **foreign companies and individuals** reduced their presence in CII: -35, or -8.1% (after +6.7% in the 2nd quarter). The number of **non-resident corporate investors** decreased in all sectors of *closed-end CII*, and in all funds as a whole - by 24 or 6.6% (after +3.1%). Relatively the largest decrease occurred in *closed-end funds with private issue*: -15, or -78.9% (after +15 in Q2 2021). In *venture funds*, they decreased by 8 or 2.4% (after -0.9%).

The number of **non-resident individual investors** in the 3rd quarter decreased only in *venture CII*: -11 people, or -32.4% (after +13 people in the 2nd quarter). This led to their overall reduction in all CII by 16.4% (after +31.4%). In other CII sectors, the number of these investors did not change in the 3rd quarter.

At the end of September 2021, the largest fraction of non-resident investors remained in *venture CII*: 8.2% (after 8.8% in June), incl. 7.6% - corporate participants (after 8.0%). In open-ended CII, the number of foreign investors was again stable during the quarter (5), as well as their weight in the total number of participants in these funds (0.3%).

2.6. CII Asset Structure

In the structure of CII assets in the 3rd quarter of 2021, **securities and derivatives** continued to lose **weight** in *closed-end CII* with private issue, including *venture* ones. Also, their share decreased, in contrast to the 2nd quarter, in *open-ended CII* (Table 6, Chart 12). If in *venture funds* this was due to a decrease of total investments in promissory notes, with a predominant increase of other components of these CII's assets, in *open-ended* it occurred due to weaker growth of assets in securities compared to other items, which was partly due to some reduction of sector's investments in **OVDP**.

In *closed-end funds with private issue*, the share of capital markets' instruments in assets decreased mainly due to a reduction of investments in **corporate bonds**. Instead, the increase of securities' weight in assets of *closed-end CII with public issue* took place against the background of relatively faster growth of aggregate investments in government and corporate bonds, and in *interval funds* these were the only assets' items which grew in the 3rd quarter.

The **total value** of all securities and derivatives in CII assets as a whole in the 3rd quarter of 2021, in contrast to the first half of the year, increased - both due to the *venture funds* and almost all other sectors of CII.

Table 6. Changes in the structure of aggregated CII portfolios by fund types in Q3 2021

Asset Type / CII Type / Quaterly Change	Open-ended		Interval		Closed-end- with public issue		Closed-end- with private issue		Venture	
	p.p.	%	p.p.	%	p.p.	%	p.p.	%	p.p.	%
Other assets (Incl. R and CR)	0.07	2.7%	-0.61	-15.4%	-0.47	-0.6%	-15.21	-17.1%	-0.17	-0.2%
Real estate	-	-	-	-	0.09	8.5%	12.92	488.1%	0.15	4.8%
Cash and bank deposits	0.26	0.9%	-2.83	-21.7%	-1.08	-69.0%	2.71	200.6%	0.26	9.3%
Bank metals	-0.01	-2.9%	-	-	0.00	-4.8%	-	-	0.00	-9.5%
State bonds (OVDP)	-1.14	-3.2%	2.87	5.0%	1.10	14.4%	0.41	5605.3%	-0.02	-3.7%
Municipal bonds	0.06	6.6%	-	-	0.00	1.9%	-0.02	-20.6%	-0.01	-6.9%
Equities	0.82	4.1%	0.46	1.8%	0.00	0.0%	-0.11	-2.4%	-0.08	-5.0%
Corporate bonds	-0.06	-0.6%	0.11	18.4%	0.32	7.4%	-0.64	-27.5%	0.14	4.8%
Promissory notes	-	-	-	-	0.06	-	-0.06	-29.0%	-0.22	-15.1%
Other securities & derivatives	-	-	-	-	-0.02	-0.01	-0.01	-0.05	-0.06	-4.2%
Securities & derivatives	-0.32	-0.5%	3.44	4.1%	1.46	7.9%	-0.42	-5.9%	-0.24	-3.0%

In July-September 2021, *open-ended* funds continued to increase their aggregate investments in securities - through equities, corporate bonds and local loan bonds. As at September 30, 2021, capital market instruments remained a key component of the sector's assets, accounting for more than 67% (the same as at the

end of June). In *interval* funds, their weight increased - due to investments in government and corporate bonds - from 83% in June 2021 to over 86% in September and remained the largest among all sectors of CII. **Government bonds (OVDP)** continued to have the largest share in both sectors (Chart 12).

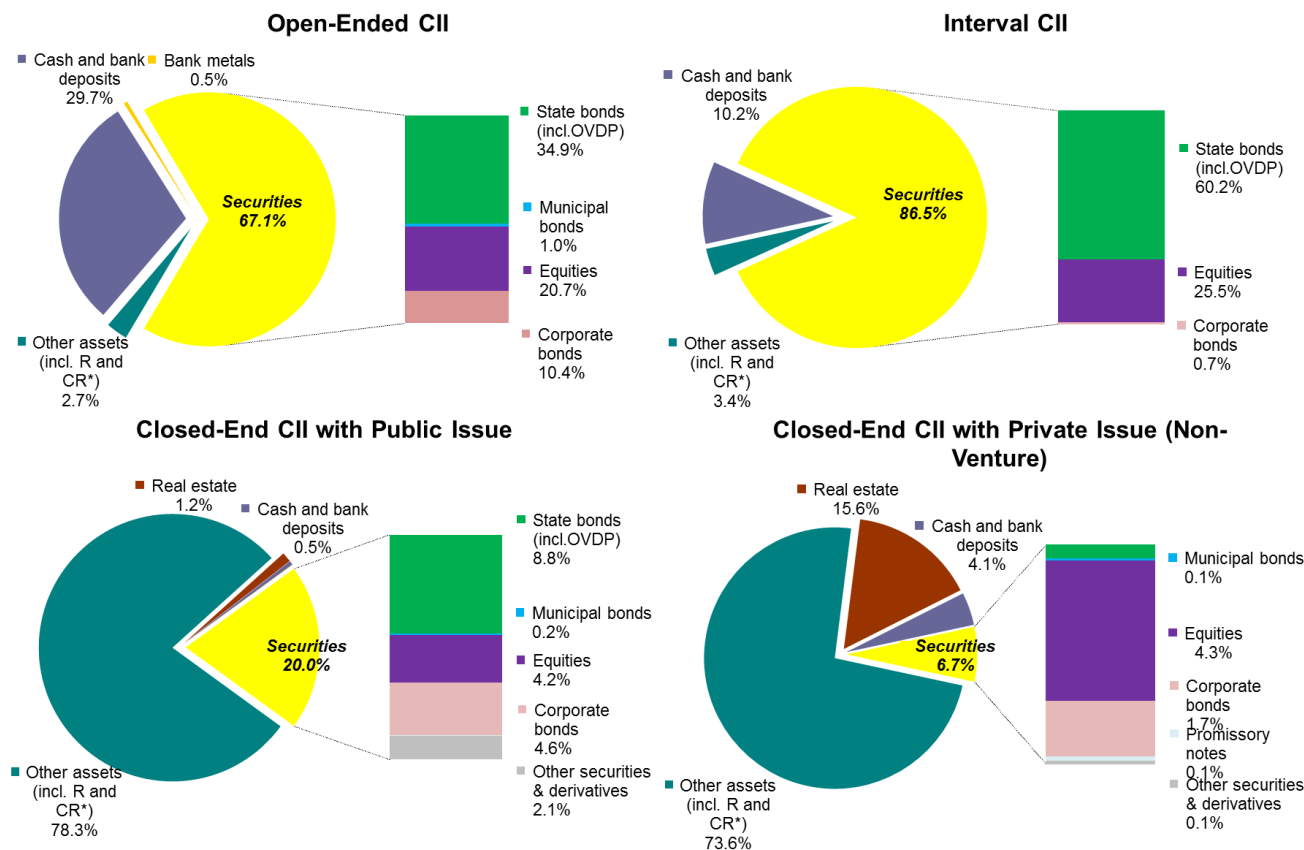


Chart 12. CII assets structure by fund types as at 30.09.2021

The attractiveness of **OVDP** for funds against the background of high inflation in the 3rd quarter of 2021, with a slight increase of rates, slightly staggered, but insignificantly. This was mainly due to lower rates on bank deposits and to the decline of the stock market during this period.

In *open-ended CII* in July-September the weight of OVDP in assets fell from 36.1% to 34.9% but this was influenced more by the increase of other components of the fund's portfolios than by the decrease of the total value of investments in government securities (-0.3% in the 3rd quarter, after - 7.4% in Q2 2021). In *interval CII*, the OVDP package increased by 2.4% (after -1.2%), which raised its weight in the sector's assets from 57.4% in June to 60.2% in September. In *closed-end funds with public issue*, the total value of OVDP in assets increased in the 3rd quarter by 15.5% (after -13%), and their weight - from 7.7% to 8.8%, and in *funds with private issue* (excluding venture) - almost by 60 times and from 0.01% to 0.42% respectively.

Equities in September 2021 retained more than a quarter of the *interval funds' assets*, and in *open-ended CII* their share increased from 19.9% to 20.7%, due to an increase of the total value of the package of these instruments in sector's funds by 7.2% for the 3rd quarter (after +8.8% in Q2 2021).

Corporate bonds increased by total value in assets of all sectors of CII with public placement, the same as in the previous quarter, and only in *open-ended funds* their share decreased slightly (from 10.5% to 10.4%) due to faster growth of other components of the sector's assets.

In July-September 2021, **cash** on current and deposit accounts of CII in banks grew in CII's assets as a whole by 18.8% (after -0.8% in the 2nd quarter), and their share - from 2.8% to 3.1%. By CII sectors, cash and deposits increased in *open-ended CII* (+3.9%) and *closed-end funds with private issue, including venture funds*. In each of these sectors, the weight of the most liquid part of assets also increased, in particular in *open-ended CII* - from 29.4% to 29.7% - which was facilitated by net capital inflows in the third quarter. In *interval funds*, where the volume of cash and deposits decreased by almost a quarter in this period, after an increase by 1.5 times in the second quarter, its share in assets decreased from 13.0% in June to 10.2% in September.

"Other" assets⁸ - the largest component of assets of *venture CII* and other funds of closed-end type -

in July-September 2021 increased in the first ones by almost UAH 23 billion, or 6.0% (after + 5.0% in the 2nd quarter). However, their weight in the sector's assets fell slightly - from 86.0% to 85.8% (Chart 13) - in the context of more active growth of other items of the sector's assets, in particular, of real estate and assets in banks, as well as of corporate bonds. At the end of September, "other" assets of venture CII amounted to UAH 404.5 billion.

The total value of **real estate** in the sector in the 3rd quarter grew by another 11.4% (after +16.0% in the 2nd quarter) to UAH 15.6 billion or 3.3% of the sector's assets (from 3.2% in June).

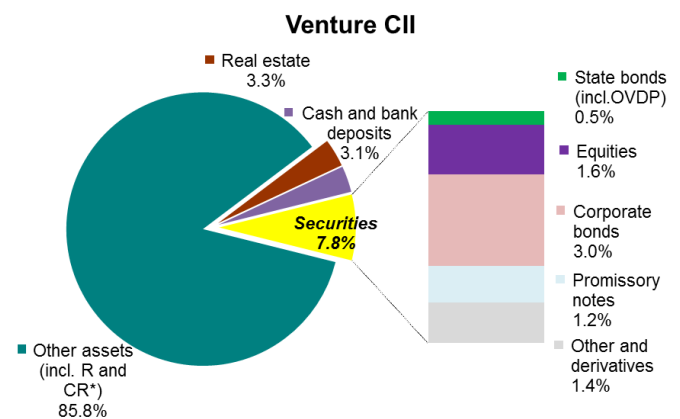


Chart 13. Structure of venture CII assets as at 30.09.2021

The portfolio of securities and derivatives of all CII as a whole in the 3rd quarter of 2021 grew by almost 3% (after -0.2% in Q2 2021) and nted to **UAH 39,269 M** at the end of September (Table 7)..

This was mainly due to *corporate bonds* (+UAH 1.4 billion, or 10.2%, after -7.7% in the second quarter) and to *OVDP* (+UAH 0.2 billion, or 7.3%, after -31.7%). Against the background of decline of assets in promissory notes (mainly in venture CII) - also in contrast to the 2nd quarter - such cumulation increased the share of corporate and government bonds in the consolidated financial portfolio of CII, respectively, from 35.6% and 7.1% in June to 38.1% and 7.4 % in September.

Equities in the assets of all CII as a whole in the 3rd quarter also grew by total value - by 0.9% (after -2.3% in Q2 2021) - not only due to venture funds, but also to other CII sectors. Equities in the financial portfolio of all funds remained the second largest component, although their share continued to decline, from 22.4% in June to

the capital (for venture funds).

⁸ "Other" assets include corporate rights expressed in forms other than securities, as well as receivables, including loans to companies in which CII have a share in

21.9% in September. Volume of *promissory notes* in CII assets decreased by 9.8% in the 3rd quarter (after +8.4% in Q2), and their share in the aggregate financial portfolio of funds decreased from 16.8% to 14.8%. *Municipal bonds* in July-September, also decreased by total value in CII assets as a whole: -1.6% (after +33.6% in the second quarter), and their share in the consolidated portfolio fell from 1.0% to 0.9%.

The consolidated package of *other securities and derivatives* in the assets of all CII increased by another 1.8% (after +42.4%), but its share in the financial portfolio of funds decreased from 17.1% in June to 16.9% in September. The same as before, at the end of the 3rd quarter almost 98% of them were in venture CII.

Table 7. Portfolio of CII securities and derivatives, as at 30.09.2021

Security Type	Aggregate value of securities & derivatives in CII portfolio, UAH M	Share in the consolidated portfolio of securities of CII	Q3 2021 change, UAH M	Change, %
Corporate bonds	14 972.6	38.1%	1 388.4	10.2%
Equities	8 602.2	21.9%	76.7	0.9%
Promissory notes	5 792.2	14.8%	-630.0	-9.8%
State bonds (OVDP)	2 909.0	7.4%	197.4	7.3%
Municipal bonds	363.2	0.9%	-5.8	-1.6%
Other securities and derivatives	6 629.4	16.9%	114.5	1.8%
TOTAL	39 268.5	100.0%	1 141.2	3.0%

The value of the **CII's portfolio (excluding venture)**, increased by 2.9% in July-September 2021 (after -0.4% in the 2nd quarter). This was mainly due to the increase of packages of OVDP, as well as to some increase of equities in closed-end and open-ended funds. At the end of September, this portfolio was worth **UAH 2,701 M** (Table 8).

Equities held the lead, but after they added only 1.0% in the 3rd quarter (after -0.9% in Q2) they lost their weight: from 41.5% in June to 40.7% in September, amid

an order of magnitude faster growth of investments in government bonds.

The total value of CII investments, except for ventures, *in OVDP* in the 3rd quarter increased by 24.3% (after -11.4% in Q2) and at the end of September their share in the consolidated financial portfolio of these CII jumped from 23.6% to 28.5%. *Corporate bonds*, whose stake in these funds decreased by 10.0% (after +9.7%), lost second place in the portfolio of securities and derivatives of non-venture CII: their share decreased from 26.6% in June to 23.0% in September.

Table 8. Portfolio of securities and derivatives of CII, excluding venture, as at 30.09.2021

Security Type	Aggregate value of securities & derivatives in CII portfolio, UAH M	Share in the consolidated portfolio of securities of CII	Q3 2021 change, UAH M	Change, %
Equities	1 098.9	40.7%	11.0	1.0%
State bonds	770.2	28.5%	150.5	24.3%
Corporate bonds	622.4	23.0%	-76.5	-10.9%
Promissory notes	27.9	1.0%	-5.1	-15.4%
Municipal bonds	24.3	0.9%	-2.2	-8.2%
Other securities and derivatives	157.6	5.8%	-0.3	-0.2%
TOTAL	2 701.3	100.0%	77.4	2.9%

Diversified CIIs in the 3rd quarter of 2021 increased the total value of their consolidated portfolio of financial instruments by 1.7% (after +4.7% in Q2 2021). As at the end of September, this portfolio was worth over **UAH 72 M** (Table 9).

The growth was driven by investments in all available instruments, except for *municipal bonds*, which in the 3rd quarter decreased by 1.0% (after -1.1% in Q2) and their weight was within 0.2%. The consolidated package of *corporate bonds* added 24.5% (after +436.8% in the 2nd quarter), and its share increased from 3.1% in

June to 3.8% in September. The total value of OVDP in these funds increased by the same 1.7% as the total financial portfolio of the sector (after +17.5% in the 2nd quarter), so its weight remained at the level of 39.9%.

Equities lost some weight again - from 56.8% to 56.2%, as their package in the assets of diversified CII in July-September added only 0.6% (after -6.5% in the 2nd quarter).

Table 9. Portfolio of securities and derivatives of diversified CII, as at 30.09.2021

Security Type	Aggregate value of securities & derivatives in CII portfolio, UAH M	Share in the consolidated portfolio of securities of CII	Q3 2021 change, UAH M	Change, %
Equities	40.6	56.2%	0.2	0.6%
State bonds	28.8	39.8%	0.5	1.7%
Corporate bonds	2.7	3.8%	0.5	24.5%
Municipal bonds	0.2	0.2%	0.0	-1.0%
TOTAL	72.2	100.0%	1.2	1.7%

2.7. Rates of Return: CIIs and Other Areas of Investment

Mostly the downward trend of the stock market of Ukraine in the 3rd quarter of 2021 affected the rates of return on investment of a number of CII sectors: in three of the eight of them by type of funds and methods of issue rate of return fell. At the same time, it remained positive in five sectors. In addition, almost all CII sectors, including equity funds and other CII, which invested a significant part of their assets in securities, had significantly better dynamics during this period than the Ukrainian Stock Index, which lost 6.6%. In contrast to the 6 equities of the UX index, CIIs had 117 issues of equities and 364 issues of all securities in their portfolios as at the end of September.

Leaders in terms of rate of return for the 3rd quarter of 2021 among all major areas of investment for retail investors were closed-end CII with public issue, the same as in the 2nd quarter, which in July-September showed an average of +4.8% (after +8.8%, Chart 14). The range of indicators of individual funds in the sector remained very wide, but narrowed somewhat: from -6.9% to +150.0%. Of these 34 CII, investment growth was provided by 16 (47%, after 60% in the 2nd quarter). Three of these funds were more profitable than residential real estate during this period, six - than annual term bank deposits in hryvnia, 11 - at least offset inflation, and 29 were more profitable or made lower

losses than deposits in USA dollar, in gold and compared to the fall of the PFTS index, 30 - than deposits in euro, and almost all but one - compared to the UX index.

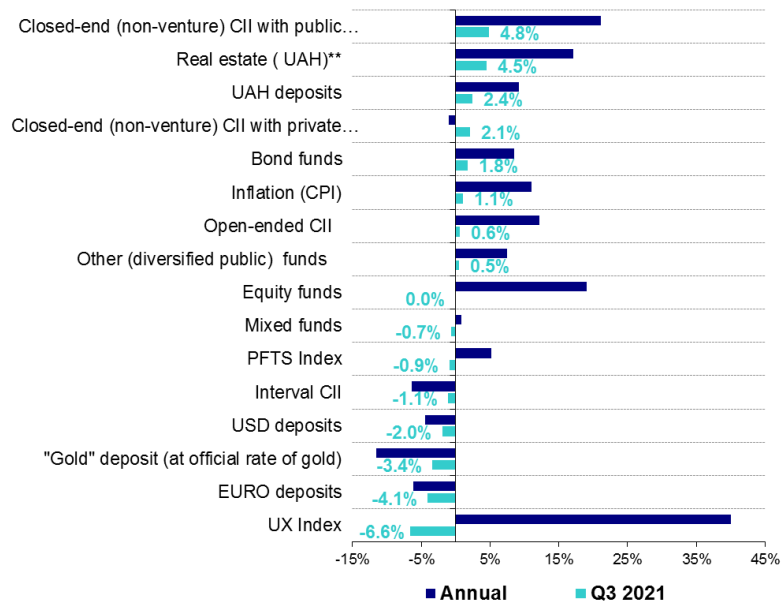


Chart 14. Rates of return: CIIs, deposits, equity indices and inflation rate in Q3 2021 and for the year¹⁰ (ranking by quarterly indicator)

⁹ In order to compare adequately rates of return of different areas of investment (types of assets) it is necessary to consider liquidity of CII, in particular, of open-ended ones, which allow you to exit investments on any working day without loss of profitability, as opposed to fixed-term bank deposits, which mainly involve recalculation of income interest in case of early repayment of assets at the rate of deposits on current accounts (close to zero). At the same time, the calculated return of CII does not take into account possible commissions and other costs when entering / exiting funds. Taxation of investment income when leaving the fund and taxation of interest on deposits are also not taken into account.

¹⁰ CIIs' rates of return are calculated according to the reporting data for the 3rd quarter of 2021 for 16 open-ended, 14 interval, 68 closed-end CII (including 34 funds with public issue and 34 ones with private issue) and according to reports for previous periods - see Rankings: CII by type of funds and CII (diversified public) - by class of funds. Inflation is calculated based on data of the State Statistics Service of Ukraine (up to the previous month). Rates of return for real estate in hryvnia is calculated according to the State Statistics Committee's data on prices on the secondary market of residential real estate in Ukraine: <http://www.ukrstat.gov.ua>



Residential real estate in Ukraine rose by 4.5% in July-September 2021 (after +3.6% in the previous quarter).

Bank term annual deposits in hryvnia in this quarter provided an average of +2.4% (after +2.1%), while interest rates ranged from 9% per annum in September 2020 to 9.5% in September 2021. In the 3rd quarter of 2021, *foreign currency deposits* were again unprofitable in hryvnia terms, amid the revaluation of the national currency and further reduction of interest rates, especially on euro deposits. Deposits in *US dollars* yielded -2.0% (after -2.1% in the 2nd quarter), in *euro* - -4.1% (after -1.3%). *Gold deposits* returned to negative quarterly yields: -3.4% in July-September (after +2.7% in the second quarter). This was due to a 3.8% drop in the price of gold.

Closed-end CII with private issue in the 3rd quarter of 2021 improved its average return: +2.1% (after -4.1% in the 2nd quarter). Of the 34 such funds, 19 (56%, after 26%) had an increase in the value of their certificates or equities.

Open-ended CII in the 3rd quarter of 2021 yielded an average of +0.6% (after +0.7%). The range of indicators of individual funds of this type narrowed compared to the 2nd quarter: from -1.6% to +3.5%. Of 16 funds in the sector 8 increased the value of their certificates in the 3rd quarter (50%, after 63% in Q2). Two open-ended funds brought more income to their investors than deposits in hryvnia, five - more than compensated for losses from inflation, 15 - gave more income or less losses than the PFTS index, and all 16 - more than the UX index, annual deposits in gold and foreign currencies.

Interval CII in July-September had the lowest average result: -1.1% (after -2.5% in the 1st quarter), although a positive return was provided by half of these funds (after 21% in the 2nd quarter). Of the 14, 4 at least offset inflation losses, 12 were more profitable than deposits in foreign currency and "gold" bank term

deposits, and almost all of them were more profitable or brought less losses than the decline of the UX index.

Bond funds had the highest income among diversified and specialized funds with public issue by asset classes in the 3rd quarter of 2021, which increased the average to +1.8% (from +1.0% in the 2nd quarter). The popularity of these funds continued to decline somewhat in the face of high inflation, but both funds in this class increased the value of their certificates, were more profitable than foreign currency deposits and more than covered losses from inflation. In addition, their slightly lower rate of return compared to term deposits in hryvnia was to some extent offset by much higher liquidity, as these funds are open-ended CII.

Equity funds - again the only one among diversified and specialized CII in this class - almost did not lose in the value of its certificates in July-September - 0.01% (after +6.7% in the 2nd quarter), being well ahead of both Ukrainian stock indices.

Mixed investment funds in the 3rd quarter of 2021 had an average return of -0.7% (after -0.9% in the 2nd quarter). However, the results of some 26 funds ranged from -14.6% to +3.5%. Two of them provided income higher than hryvnia deposits, 6 - more than offset inflation, 23 - were more profitable or brought less losses than deposits in foreign currency and gold, and almost all but one - than the UX index.

For 9 months of 2021 the most profitable were **closed-end CII with public issue** (+16.9%) and **equity funds** (+8.0%), and **interval CII** showed the lowest results (-1.2%).

In the annual period at the end of September 2021, **closed-end CII with public issue** (+21.1%) and **equity funds** (+19.1%) were the most profitable, while **interval CII** again showed the lowest average result (-6.4%).

3. Summary

In July-September 2021, the industry of common investment institutions' asset management in Ukraine grew further - both in terms of assets under management and the number of funds that entered the market.

The key trends of the asset management industry in Ukraine in the 3rd quarter of 2021 were:

- Active increase of the *number of AMCs*;
- Accelerated increase of the *number of CII*, in particular, *formed CII* - again almost only at the expense of venture funds;
- Practically stable quarterly and annual growth of the *total value of assets and NAV of recognized CII*, at that:



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- NAV of *open-ended* CII returned to growth for the quarter and maintained double-digit growth since the beginning of 2021 and for the last year - mainly due to inflows of capital to these funds;
- Further increase of *the number of investors in CII* - mainly in venture funds, but also in some other sectors, in particular in open-ended CII;
- For the first time in a long time, *the increase of total investments* of legal entities-residents of Ukraine in CII and of *their share in the total NAV* of funds; further increase of investments of local individual investors - mainly in favor of venture and open-ended CII;
- Further decrease of the *total value and of the share of securities and derivatives* in the assets of all CII sectors of closed-end type, and also in open-ended CII - in contrast to the 2nd quarter;
- Increasing of quarterly *returns* in most CII sectors by types of fund, methods of issue and asset classes, despite declining of stock market

by key indices, and maintaining positive performance in most sectors.

Mostly downward trend of blue chips of the Ukrainian stock market in the 3rd quarter of 2021 had a negative impact on the return on investment in a number of CII sectors, but a much wider range of areas of investment helped to maintain mostly positive dynamics of value of investment for most funds. Under these conditions, as well as against the background of continuing high inflation, private capital funds, in particular venture CII, remained the most attractive for investment.

As at the end of September 2021, the total value of available CII investments in the capital of Ukrainian companies in various sectors of the economy, including given to them loans or buying their equities, bonds and promissory notes, amounted to over UAH 451 billion. In addition, CII were creditors to the Ukrainian Government and local councils totaling almost UAH 3.3 billion, to banks - UAH 15.4 billion.

See additional and statistical information on the UAIB website:

- [The Ukrainian Fund Market in Figures](#)