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1. Institutional Investor Asset Management & Pension Fund Administration Industries. General Overview

Number of Market Participants

Asset Management Companies (AMCs)

In Q3 2021, the total number of **asset management companies** increased by six to **313**. During April-June, 9 new AMCs were created, and 3 ceased their 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 (formed) ratio** 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. In total, the assets of the NPF were managed by 33 AMCs.

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

Insurance Companies (ICs)

The number of insurance companies **that transferred their assets under 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% in Q3 2021 - and as at September 30 reached **UAH 507,806 M**. From 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% in the 3rd quarter and by 27% for the last year. As at September 30, 2021, they amounted to **UAH 505,498 M**.

As 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**. In the 3rd quarter they grew by 6.0%, from the beginning of 2021 - by 19.8%, and for the last 12 months - by 25.8%.

NAV of the 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% and +20.5% respectively. 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 year on year 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 in the administration of UAIB members** had **UAH 2,122 M** in assets, which is 2.7% more than in June.

Insurance Companies (ICs)

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

2. NPF Asset Management Market Results

2.1. Number of NPFs and AMCs managing their assets

The number of professional participants in the market of non-state pension fund asset management, according to the reports received by UAIB, increased insignificantly as at September 30, 2021: **there were 33 companies that managed NPF assets**, of which 31 AMC managed assets of 47 open NPFs, four - assets of four

corporate NPF and 6 - assets of 6 professional NPF. Thus, at the end of September 2021, there were a total of **57 pension funds** under management¹ (Table 1).

Thus, open NPFs accounted for more than 82% of the total number of pension funds under management.

Table 1. Number of NPFs under AMC management by fund types in Q3 2021

NPF Type	30.09.2020	31.12.2020	30.06.2021	30.09.2021	Q2 2021 change	YTD 2021	Annual change
Open	48	47	45	47	4.4%	0.0%	-2.1%
Corporate	6	6	3	4	33.3%	-33.3%	-33.3%
Professional	6	6	6	6	0.0%	0.0%	0.0%
Total	60	59	54	57	5.6%	-3.4%	-5.0%

2.2. NPF assets managed by AMC and total assets of pension funds

In Q3 2021, the NPF asset management industry continued to increase funds' assets. **The total assets of all NPFs, including the NBU CNPF**, according to UAIB and the National Bank's corporate fund, increased to **UAH 3,787 M**, adding 2.4% in July-September (after +1.9% in April-June) and 7.3% since the beginning of 2021. Annual growth continued to slow down: from +9.7% at the end of June to +7.9% in September.

The positive dynamics of the market was facilitated by an increase in the number of NPF participants by another 0.2% for the quarter, although the number of depositors decreased slightly - by 0.1% (after +1.7% in the 2nd quarter). In addition, the amount of NPFs' investment income increased by 2.9%.

The growth rate of payments from funds continued to exceed the growth rate of contributions to

them – by 1.6 times both by the results of July-September 2021 and in the annual period at the end of September: total pension payments increased by 3.7% for the quarter, and contributions - by 2.3% (for 12 months - by 16.0% and by 10.2%, respectively).² However, the absolute volume of contributions both in the 3rd quarter and for the last year at the end of September still exceeded the volume of payments (by 1.3-1.4 times), which also contributed to the growth of assets of the NPF industry.

In the total volume of pension funds' assets, the share of the corporate non-state pension fund of NBU continued to decrease - from 44.5% in June to 44.0% in September (Chart 1), as its assets in this period grew more slowly (+1.3%) than of other NPFs as a whole.

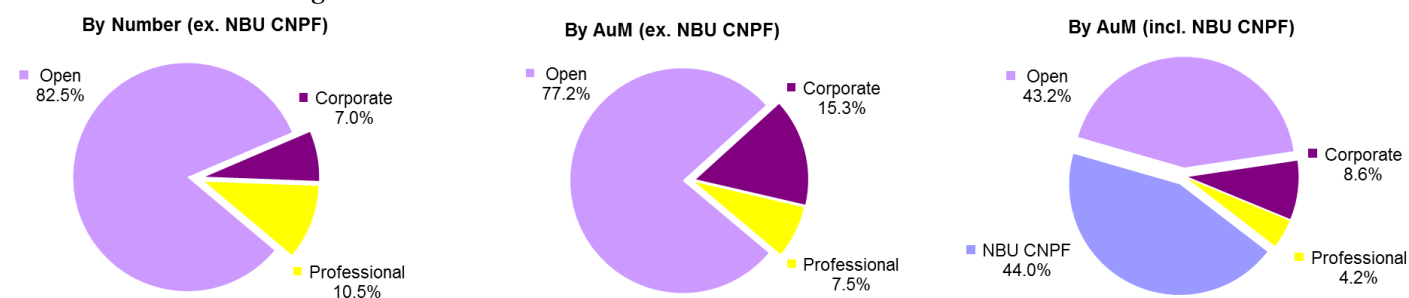


Chart 1. Breakdown of the number of NPFs and their assets managed by AMC, by type of funds as at 30.09.2021

¹ Excluding the NBU's corporate pension fund.

² According to the NSSMC.

Table 2. Value of NPF assets under AMC management by fund types in Q3 2021 and its change over the year

NPF Type	30.09.2020		31.12.2020		30.06.2021		30.09.2021		Change of NPF AuM in Q3 2021, %	YTD, %	Annual change, %
	Assets, UAH M	Number of NPFs reported	Assets, UAH M	Number of NPFs reported	Assets, UAH M	Number of NPFs reported	Assets, UAH M	Number of NPFs reported			
Open	1441.4	48	1 450.1	46	1 571.6	45	1 635.9	46	4.1%	12.8%	13.5%
Corporate	321.9	4	322.6	3	323.7	3	324.9	3	0.3%	0.7%	0.9%
Professional	149.9	6	151.5	6	157.1	6	158.9	6	1.1%	4.9%	6.0%
<i>Total*</i>	1913.2	58	1 924.2	55	2 052.4	54	2 119.7	55	3.3%	10.2%	10.8%
NBU CNPF	1 595.0	1	1 605.8	1	1 646.1	1	1 666.8	1	1.3%	3.8%	4.5%
Total**	3 508.2	59	3 529.9	56	3 698.6	55	3 786.5	56	2.4%	7.3%	7.9%

* Excluding the NBU's corporate pension fund.

** As at 30.09.2020 - according to the National Financial Services, starting from 31.12.2020 - according to the AMC reports on NPFs under management and data of the NBU CNPF.

Assets of non-state pension funds managed by AMC in the 3rd quarter of 2021, according to UAIB, increased by 3.3% (after +2.8% in Q2 2021), and since the beginning of the year - by 10.2%. Growth over the last 12 months slowed down from +13.6% in June to +10.8% in September, when these assets reached **UAH 2,120 M**.

As at September 30, 2021, the share of open NPFs in terms of the value of assets under AMC management, excluding the NBU's CNPF, was 77.2% (76.6% in June).

Already traditionally, in the 3rd quarter assets of **open** NPFs increased the most: +4.1% (after +3.5%). The number of reported funds in this sector increased by one in September compared to June (+2.2%). In the first 9 months of 2021, the assets of these NPFs under management added 12.8%, and for the last year in September - 13.5%, having slowed down from +16.0% in June. However, such rates were again many times higher than of other types of NPFs. Finally, as at September 30, 2021, assets of open pension funds under management reached **UAH 1,636 M**.

In the same six professional pension funds, assets under management were again second by the quarterly

growth rate: +1.1% (after +1.8% in the second quarter). From the beginning of 2021, they grew by 4.9%, and for the year as at the end of September, they slowed down their growth to +6.0% (from +7.0% in June). The volume of these funds as at September 30, 2021 amounted to **UAH 159 M**.

Corporate NPFs (excluding the NBU CPF) under AMC management, for which three reports were submitted for both Q2 2021 q3 2021, increased by the same 0.3% and by 0.7% for January-September. The annual growth of these funds' assets under management as at September 30, 2021 slowed down to +0.9% (from +6.2% in June) and at the end of September they amounted to **UAH 325 M**.

Thus, in September 2021 *corporate NPFs* remained **the largest ones in terms of average assets under management**. They were the least by the number and the contingent average fund among them was three times larger than an average open NPF and four times larger than an average professional one: UAH 108.3 M vs. UAH 35.6 M and UAH 26.5 M, respectively. Each of them increased in July-September.

3. NPF administration activity results

3.1. Number of participants, depositors, pension contracts

In the 3rd quarter of 2021, all 18 administrators - members of UAIB, who had 57 pension funds under their administration, submitted data on the performance results of these NPFs to the Association.

At the end of September 2021, **the number of participants** in these NPFs was **877,012**, which was 98.6% of the participants in all NPFs (including the NBU CNPF - 889.7 thousand people, according to the NSSMC).

In 57 funds under administration of the ANPF (excluding the NBU CNPF), the number of participants increased by 1,412 in July-September (+0.2%, the same as in the second quarter according to data of 55 NPFs).

In September 2021, the same as before, 57.8% of the participants in these NPFs were men and 42.2% were women. The largest subcategories were people aged 25 to 50 years in each group, which together accounted for almost 54% of all participants in the NPF (Chart 2).

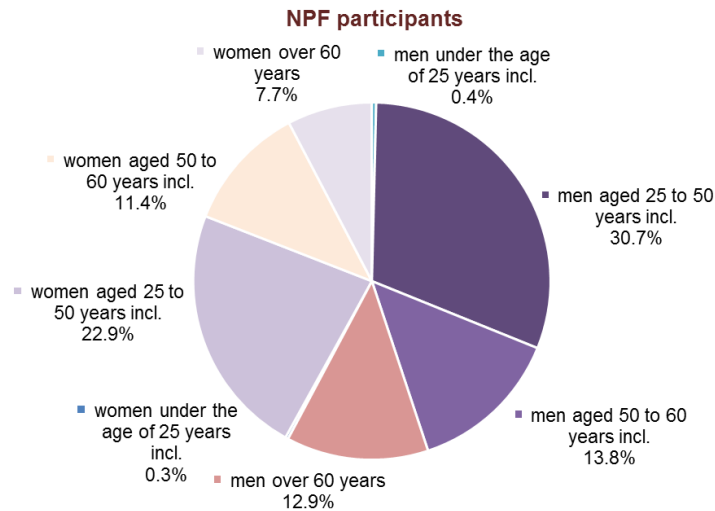


Chart 2. Breakdown of the number of NPF participants by sex and age as at 30.09.2021

As at September 30, 2021, **the number of NPF depositors** (excluding the NBU CNPF) amounted to **83,461 people**, which is 248 people less than in June (-0.3%). Individual depositors increased by 310 in the 3rd quarter.

The total **number of NPF pension contracts** (excluding the NBU CNPF) in September 2021 reached

90,798. As at September 30, 2021, 97.6% of depositors of NPF in the administration of UAIB members are individuals with whom 92.5% of all pension contracts were concluded, ie 83,946 (Chart 3). The number of contracts concluded in the 3rd quarter was 1,163, and as a whole it increased by 1,035 (+1.2%) during this time.

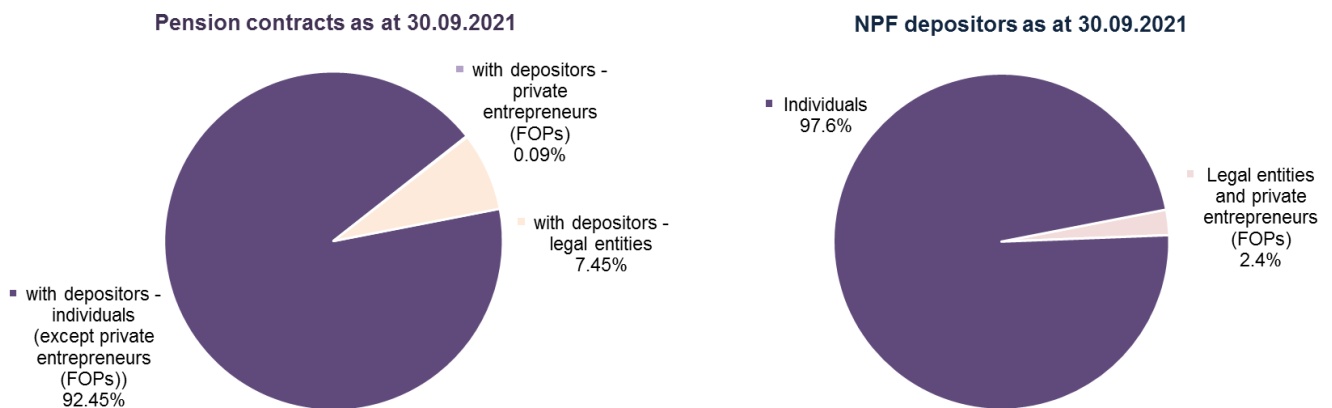


Chart 3. Breakdown of the number of NPF depositors and concluded pension contracts by categories as at 30.09.2021

3.2. Pension contributions & payments

Pension contributions received by 57 NPFs in the administration of UAIB members in the 3rd quarter of 2021 amounted to **UAH 101.2 M** (after UAH 75.5 M in the 2nd quarter). Of these, 58.6% of deductions were in favor of men, 41.4% - in favor of women, and the largest two subcategories of both groups (25-50 years) received 74% of quarterly contributions (Chart 4). As at September 30, 2021, these funds received a total of **UAH 1,529.0 M**

of pension contributions, of which 57.5% were from legal entities, the remaining 42.5% were paid by individuals or transferred by them to pension funds from other financial institutions.

At the end of September 2021, the total amount of pension contributions of these NPFs increased compared to June by UAH 44.1 M, or 3.0%.

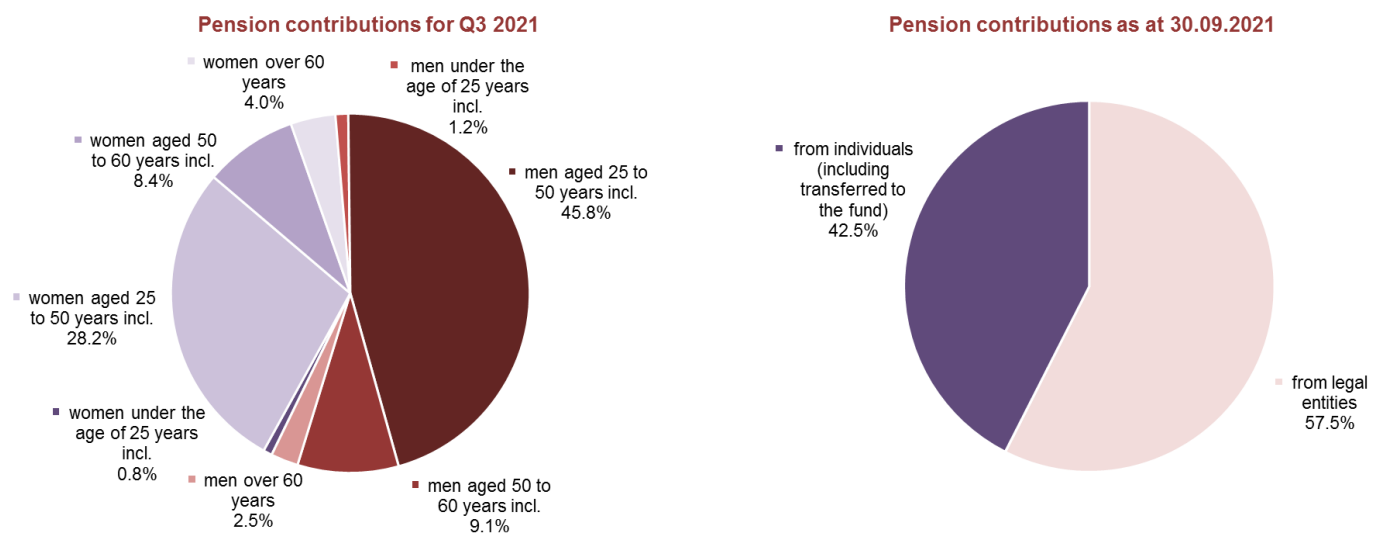


Chart 4. Pension contributions to the NPF for Q3 2021 and as at 30.09.2021

Pension payments from all funds (excluding the NBU CNPF) for the 3rd quarter of 2021 amounted to almost **UAH 24.3 M** (after UAH 32.3 M for Q2 2021). Of these, 55.9% were one-time payments, almost 1/3 were fixed-term payments, and the remaining 11.3% were reconsignments to banks, insurers or other NPFs (Chart 5). As at September 30, 2021, these pension funds paid to their participants or transferred to their accounts

in other financial institutions **UAH 553.0 M**, of which 69.0% were one-time, 16.5% - fixed-term payments, and the remaining 14.6% - transfers to other financial institutions.

Thus, the total amount of payments at the end of September increased by UAH 15.7 M or 2.9% as compared to June.

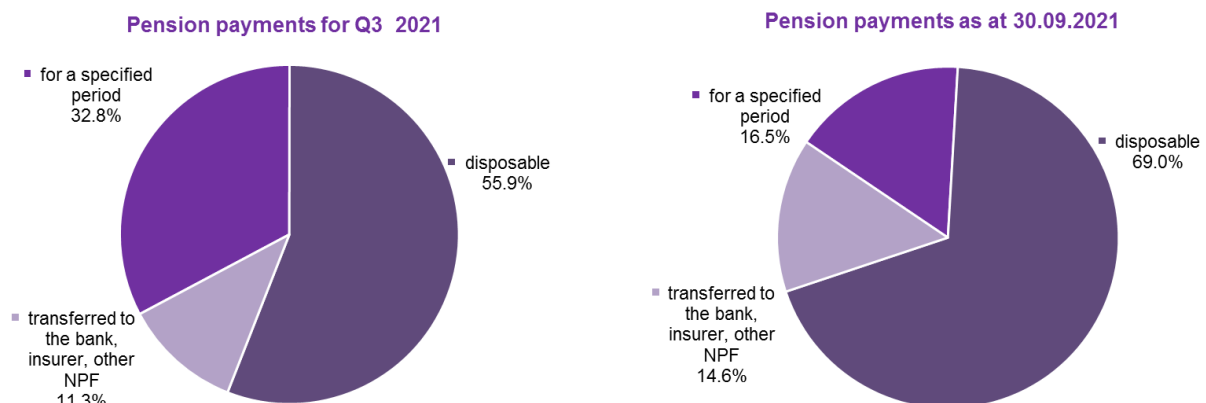


Chart 5. Pension payments out of NPFs in Q3 2021 and as at 30.09.2021

The total amount of pension assets on the individual pension accounts of the participants, ie the net assets of all 57 NPFs in the administration of UAIB members as at 30.09.2021 amounted to UAH 2,115.0 M. In the third quarter, they increased by UAH 54.7M (2.7%).

The amount of return from investing the assets of pension funds (excluding the NBU CNPF) at the end of September 2021 increased to UAH 1,142.5 M for the entire period of their activity. During the 3rd quarter, the investment profit of these NPFs grew by UAH 29.5 M(2.7%). Thus, again more than 50% of the quarterly increase of NAV was obtained due to the management of the funds' portfolio assets, which ensured an increase of their total value.

According to the Information on the Status and Development of Non-State Pension Provision of Ukraine as at 30.09.2021, published by the NSSMC³, the weighted average indicator of change of the net value of a unit of pension assets for the year as at the end of September was +6.2% (after +7.0% as at 30.06.2021). Thus, the average yield of NPFs as at the end of September remained lower compared to residential real estate (+17.0%), one-year OVDPs (+11.5%) and annual term deposits in hryvnia (+9.2%) and only partially covered inflation which increased during the pandemic (11.0%). At the same time, it was significantly higher compared to deposits in foreign currency (-4.4% in US dollars and -6.1% in euros) and in gold (-11.6%)⁴.

3.3. Structure of NPF assets

In the structure of NPF assets in the administration of ANPF - UAIB members, the share of securities in the 3rd quarter of 2021 continued to increase - from 64.9% in June to 67.4% in September (Chart 6). This was due to both an increase in the total value of pension funds' investments in capital markets'

instruments by 6.6% (UAH 88.2 M) and a decrease of cash and deposits in their assets. As at the end of September, the volume of NPFs' investments (excluding the NBU CNPF) in stock instruments increased by 26.3% (UAH 297.5 M) over the last 12 months, and their share in the assets of these funds increased by 8.2%. p.p.

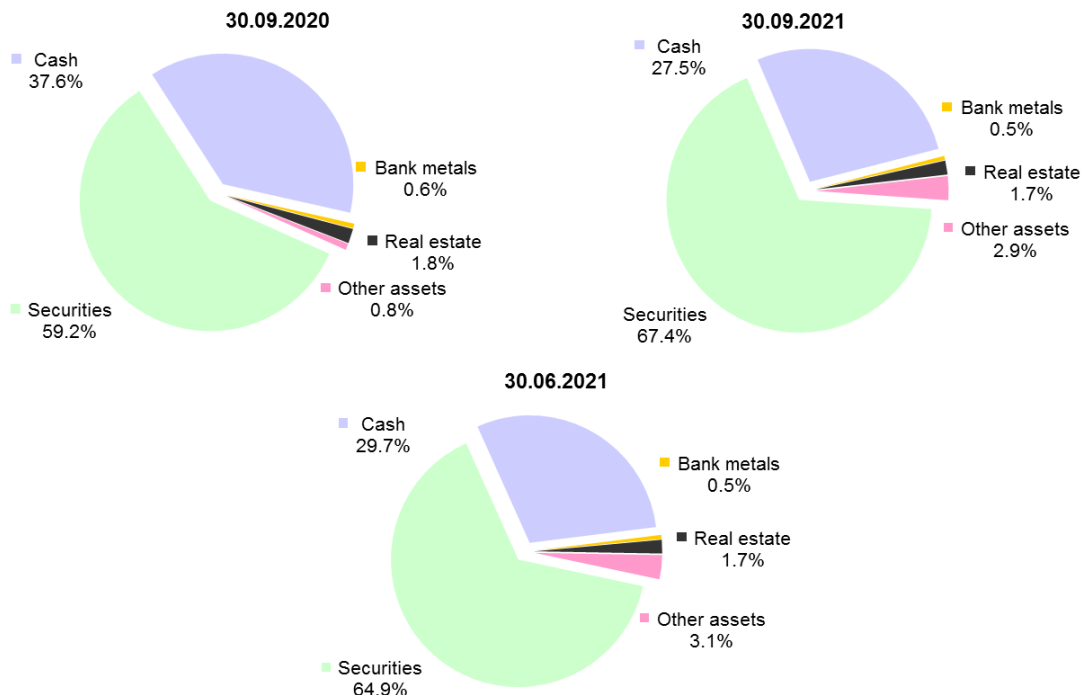


Chart 6. Dynamics of the structure of the aggregate portfolio of NPFs (excluding NBU CNPF) in Q3 2021 and for the year (As at 30.09.2020 - according to the AMCs' reports on NPFs under management, starting from 31.03.2021 - according to ANPFs' reports on NPFs in administration.)

³ https://www.nssmc.gov.ua/wp-content/uploads/2021/11/npf_3_kv-2021.doc

⁴ Inflation is calculated according to the State Statistics Service of Ukraine, real estate rate of return in hryvnia - according to the State Statistics Committee on

prices in the secondary market of residential real estate in Ukraine; return on deposits - according to banks, return on OVDPs - according to the NBU.

Cash in bank accounts (including deposit accounts) of NPFs (excluding the NBU CNPF) in the 3rd quarter of 2021 remained the second largest component of assets. In July-September, the same as in the 2nd quarter, the amount of money in these funds decreased by 5.2% (-UAH 32 M).

It decreased relatively the most in *professional* funds (-10.2%, UAH -2.3 M), and in absolute terms - in open funds (-UAH 27.9 M, -5.6%). Finally, the share of money in the assets of pension funds decreased from 29.7% in June 2021 **to 27.5%** in September, and for the last 12 months - by almost 10 p.p.

Table 3. Structure of NPF assets under AMC management by fund types as at 30.09.2021, UAH M

NPF type	Securities	Cash	Bank metals	Real estate	Other assets
Open	1 075.3	468.5	10.3	29.0	55.0
Corporate	228.9	93.8	0.0	0.0	2.2
Professional	126.2	20.7	0.0	7.0	4.6
Total	1 430.4	582.9	10.3	36.0	61.8

For the entire NPF industry, including the NBU's corporate fund, in the 3rd quarter of 2021 the weight of **securities** in assets also grew further: from 59.3% to **60.0%** (Chart 7). The volume of these instruments in all NPFs as a whole increased by 3.4% (UAH 73.8 M), and of total assets - by only 2.0%, due to an order of magnitude weaker increase of cash and deposits and a decrease of some other components of assets.

In July-September, **cash in banks** in the assets of all NPFs grew by 0.2% (UAH 3.1 M), and finally their weight in these assets decreased from 35.6% to 35.0%.

NPFs' investments in **real estate** increased again in the 3rd quarter, but only by 0.1% (after +28.4% in Q2 2021), and their share in the funds' assets as a whole remained within 3.1%.

Over the last year in September the total value of all NPFs' investments in securities as a whole increased by 14.3%, which against the background of a decrease of money by 5.7% and total growth of assets by 8.0% during this time increased the weight of stock instruments by 3.3 p.p.

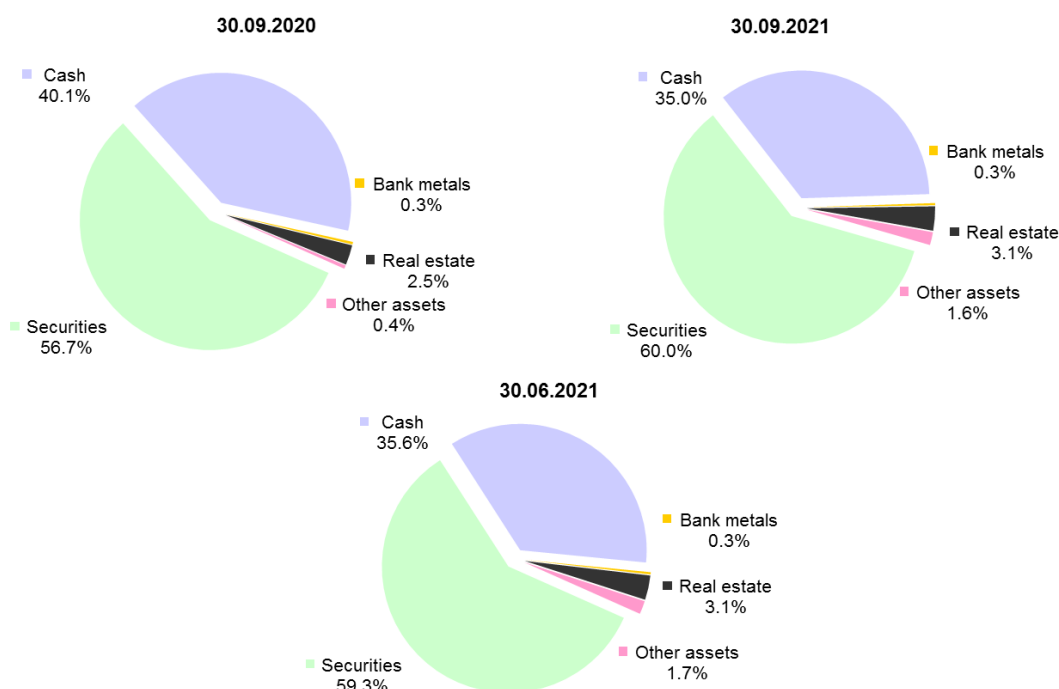


Chart 7. Dynamics of the structure of the aggregated portfolio of NPFs (including the NBU CNPF) in Q3 2021 and for the year (As at 30.09.2020 - according to the AMCs' reports on NPFs under management, starting from 31.03.2021 - according to ANPFs' reports on NPFs in administration.)

As for certain instruments of capital markets in the NPFs' assets, the consolidated NPF portfolio in the administration of ANPF - UAIB members in **state bonds** (including OVDPs) in July-September 2021 increased by 3.8% (after +1.2% in Q2 2021), up to UAH 963.7 M as at 30.09.2021. Their share in the assets of these NPFs, with all their assets growing by 2.7%, increased from 44.9% in June to 45.4% in September (Chart 8). Thus, state bonds held the lead in terms of attractiveness among financial instruments for investing the pension funds' assets, despite a slight decrease of their real rate of return in conditions of relatively high inflation with a slight increase of interest rates.

Municipal bonds, as before, in June 2021 were in the assets of all types of NPFs, excluding the NBU fund. In the 3rd quarter, their total value increased by 5.4% (after -12.5% in Q2 2021) to UAH 96.6 M. Finally, for the

first time this year, their share in the assets of NPFs (excluding the NBU CNPF) increased from 4.4% in June to 4.6% in September.

In July-September 2021, the consolidated portfolio **of corporate bonds** in the assets of these NPFs grew the most again - by 16.7% (after +60.6% in the 2nd quarter), to UAH 321.4 M, at that these instruments at the end of September were also only in portfolio of NPFs under AMC management. The weight of corporate bonds in the assets of these funds grew for the third quarter in a row: from 13.3% in June to 15.1% in September.

Equities also continued to grow in total value: +4.2% in the 3rd quarter (after +9.5% in Q2 2021). This was despite a decrease of Ukrainian stock indices during this period by 0.9-6.6%. As a whole, at the end of September, pension funds (excluding the NBU CNPF) had equities in the amount of UAH 48.8 M, the share of which in the assets of these NPFs remained within 2.3%.

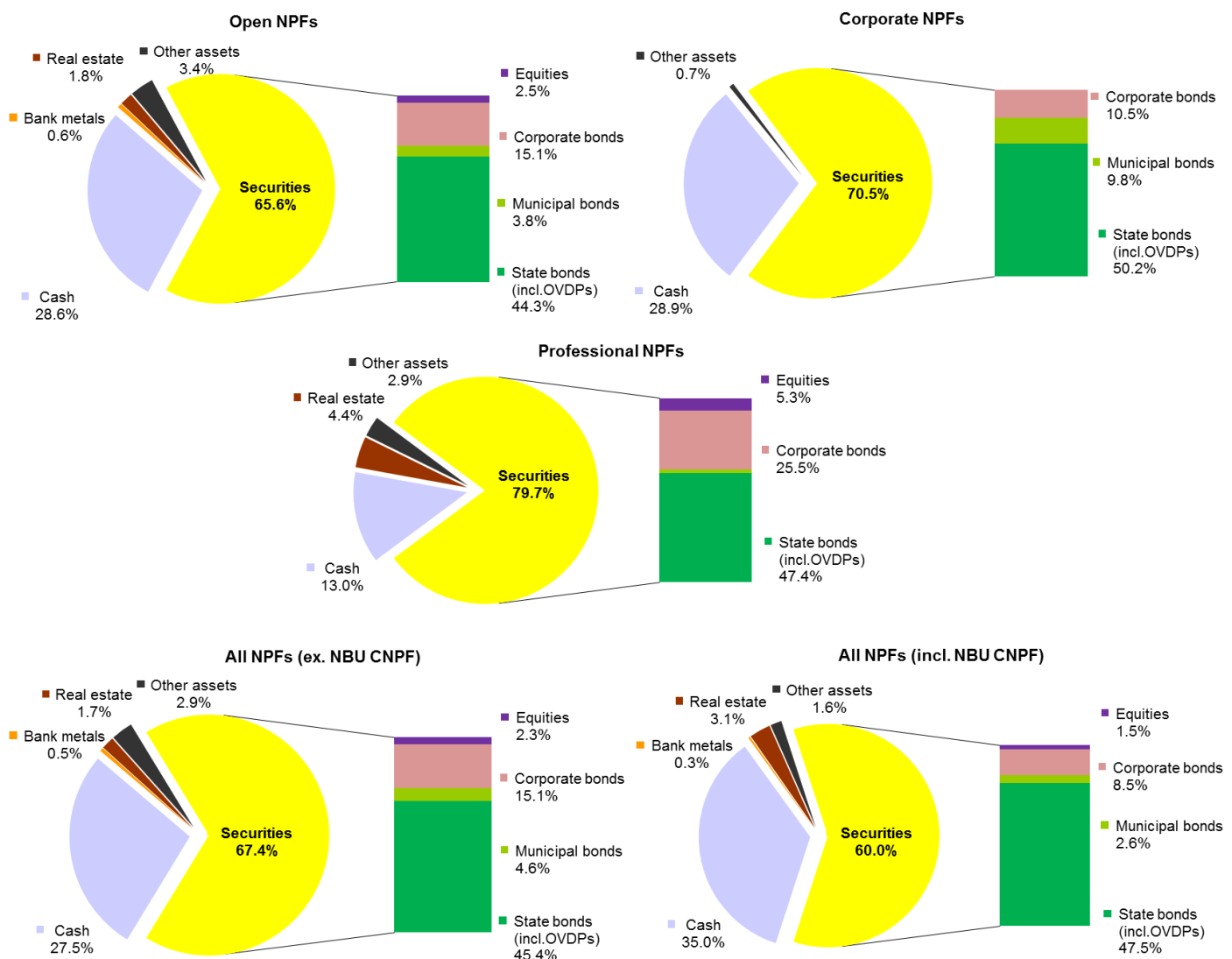


Chart 8. Structure of NPF assets by fund types as at 30.09.2021



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS

**Review of the Institutional Investor Asset Management & Pension Fund
Administration Industries in Ukraine**

Non-State Pension Funds

Q3 2021

See additional and statistical information on the UAIB website:

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