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1. Asset Management Industry. General Overview

Number of Market Participants

Asset Management Companies (AMCs)

In Q4 2019, the number of **asset management companies** decreased by one, to **293**, three less than at the beginning of the year. In October-December, one new AMC was created, while two were closed. Throughout 2019, 5 new AMCs were created, and 8 companies ceased their activities.

Collective Investment Institutions (CII)

In Q4, 47 new CII were registered, and for the whole of 2019 - 129. Considering the closed funds, as of December 31, 2019, the total number of **registered CII** increased by 2.3% for Q4 and by 6.0% for the year, up to 1890.

The number of **CII that reached the minimum asset standard (formed, or 'established' funds)** increased in the ninth quarter and for the third year in a row - to 1326 (+ 3.3% for Q4 and + 8.0% for the whole of 2019).

At the end of 2019, 278 AMCs managed from one to 57 funds, and more than 99% of all such AMCs managed at least one venture fund.

Non-State Pension Funds (NPFs)

The number of **NPFs under management** as of December 31, 2019 remained at 58 (excluding the NBU corporate fund), including 46 open, 6 corporate and 6 professional. In total, the assets of NPFs, according to UAIB data, were managed by 33 AMCs.

Insurance Companies (IC)

The number of **insurance companies that had transferred their assets under AMC management** did not change during 2019, as did the number of AMCs that provided the following services: one such company managed the assets of two insurance companies.

Assets under Management and NAV

All Institutional Investors

Total assets under AMC management in Q4 2019 continued to grow (+ 1.5%) and amounted to **UAH 355,087 million** at the end of December. For the whole of 2019, they increased by 12.8%.

Collective Investment Institutions (CII)

In Q4 2019, the **total assets of all CII under management**, including those that have not yet reached the minimum asset ratio, grew by 1.4%, and for the whole year - also by 12.8%, to **UAH 353,337 million**.

The **total assets of existing CII, which were managed by AMC and reached the standards ('established' CII)**, as of December 31, 2019 amounted to **UAH 339,130 million** (Chart 7) ¹. In Q4 2019, they formally decreased by 0.2%, and for the whole year - increased by at least 14.3%. Venture funds remained the engine of growth in the CII industry, against the background of a further, even more rapid increase in the number of funds in this category.

The **NAV of 'established' CII** in Q4 2019 formally decreased by 1.2%, and in 2019 - added at least 10.8%. As of December 31, 2019, it reached **UAH 261,206 million**.

Non-State Pension Funds (NPFs)

NPF assets under AMC management in Q4 2019 accelerated growth to 3.4%, and for the whole year - to 17.5%. As of December 31, 2019, they reached **UAH 1,603.2 million**.

Insurance Companies (IC)

The assets of the IC under the AMC management decreased by 0.1% in Q4 2019 but increased by 21.2% in the year. As of December 31, 2019, these assets amounted to **UAH 96.7 million**.

¹ Hereinafter, these indicators include data on the annual reports of the AMC on CII, as well as the assets of NPFs and ICs under management, for 2019, received at the time of preparation of this Review. They are fewer than expected due to the restrictive measures introduced in March 2020 to counter the spread of the covid-19 pandemic and the corresponding extension of the reporting deadlines. UAIB

estimates that the completeness of the received reports is at least 95% and 99%, respectively, in terms of the number of reports on institutional investors and the volume of their assets under management.

2. NPFs Asset Management Market Results

Assets of non-state pension funds managed by AMC in 2019, according to UAIB, accelerated growth. The number of companies that managed the assets of NPFs as of December 31, 2019 has not changed: only 33 AMCs managed **58 pension funds**² - unchanged over the past three years (Chart 1). Of these, 31 AMCs managed the assets

of 46 open NPFs, 5 - the assets of 6 corporate NPFs and 6 - the assets of 6 professional NPFs (Table 1).

Accordingly, the share of open NPFs in the number of funds under management did not change, excluding the NBU's NPFs: 77.6% (Chart 2).

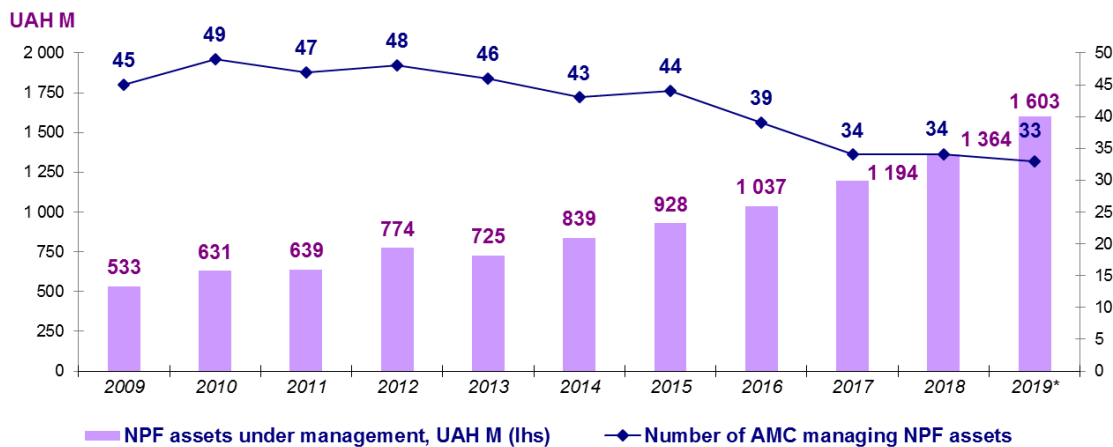


Chart 1. Distribution of the number of NPFs and of value of their assets under AMC management by fund types as at December 31, 2019

Table 1. Number of NPFs under AMC management by fund types in 2019

NPF Type	31.12.2018	30.09.2019	31.12.2019**	Q4 2019 change	2019 change
Open	45	47	46	-2,1%	2,2%
Corporate	7	7	6	-14,3%	-14,3%
Professional	6	6	6	0,0%	0,0%
Total	58	60	58	-3,3%	0,0%

* Excluding NBU ** Data include those AMCs that submitted the relevant annual report for 2019 at the time of preparation of these statistics (ie all companies, except one, reports from which UAIB has not yet received).

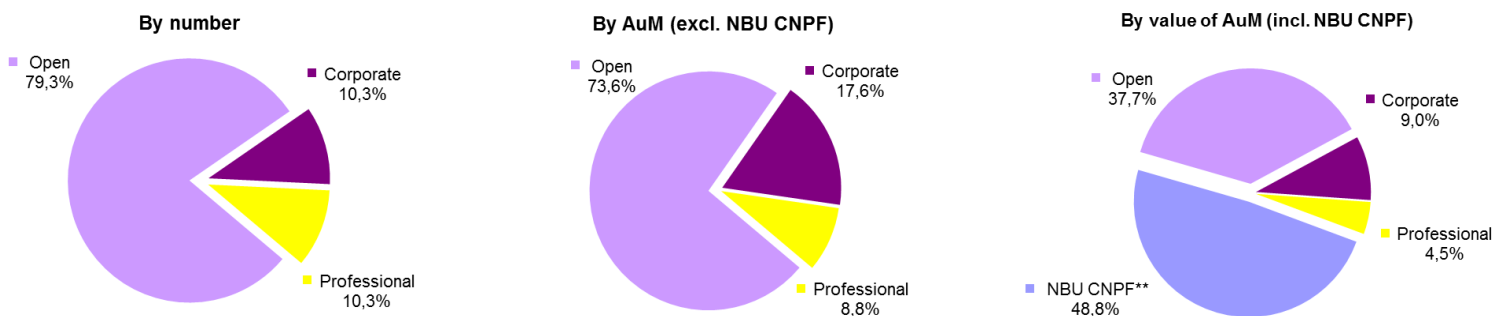


Chart 2. Distribution of number of NPFs and of value of their assets under AMC management by fund types as at 31.12.2019

² Excluding NBU. Excluding NBU ** Data include those AMCs that submitted the relevant annual report for 2019 at the time of preparation of these statistics (ie all companies, except one, reports from which UAIB has not yet received). Data include those AMCs that submitted the relevant annual report for 2019 at the time of

preparation of these statistics (ie all companies, except one, reports from which UAIB has not yet received).

The **total assets of all NPFs**, including the NBU CNPF, increased by 5.3% in Q4, and by 14.1% in the whole of 2019 (after + 11.3% in 2018), to **UAH 3,131.7 million**. This was facilitated by further and accelerated growth in the number of NPF participants - by 0.7% in Q4 and by 2.3% for the whole year and depositors by 15.8% and 28.4%, respectively, as well as investment income - by 7.9% and 24.5%, respectively. At the same time, the increase in pension benefits still outpaced the growth of contributions (+ 3.8% vs. + 2.3% in Q4 and 17% vs. 8% for

the whole of 2019), which restrained the upward dynamics of pension assets.³

About half of the total assets of pension funds were retained by the NBU CNPF (Chart 2), and although in Q4 it grew faster than other NPFs (+ 7.5%), at the end of the year - increased less (+ 10.7%) than funds in AMC management (both in general and by NPF sectors, except for professional ones). Accordingly, at the end of 2019, the weight of the NBU fund in the total assets of all NPFs decreased from 50.3% to 48.8%.

Table 2. Value of NPF assets under AMC management by fund types in Q4 2019 and its change for the year

NPF Type	31.12.2018		30.09.2019		31.12.2019		Change of NPF assets managed for Q4 2019,%	2019 change,%
	Assets, UAH M	Number of NPF reported	Assets, UAH M	Number of NPF reported	Assets, UAH M	Number of NPF reported		
Open	991,5	44	1 139,8	47	1 180,4	45	3,6%	19,0%
Corporate	239,9	6	270,7	6	281,4	4	3,9%	17,3%
Professional	132,7	6	139,7	6	141,4	6	1,2%	6,5%
Total*	1 364,1	56	1 550,3	59	1 603,2	55	3,4%	17,5%
NBU CNPF**	1 381,1	1	1 422,4	1	1 528,5	1	7,5%	10,7%
Total	2 745,2	57	2 972,7	60	3 131,7	56	5,3%	14,1%

The value of **NPF assets managed by AMCs** in Q4 2019 increased by 3.4% (after + 3.0% in Q3) and as of December 31, 2019 reached **UAH 1,603.2 million**. For the whole of 2019, it accelerated growth to 17.5% (from + 14.3% in 2018).

Relatively fastest in Q4 2019, as in Q3, the assets of corporate NPFs managed by AMC (excluding the CNPF of the NBU) grew by 3.9% (after + 4.8%). At the end of 2019, they reached UAH 281.4 million, adding 17.3% for the whole year.

Open NPFs were again the second fastest growing in assets under management, with the largest increase in absolute terms, amounting to UAH +189 million for the year (+ 19% for 2019, including + 3.6% Q4, after + 2.8% in Q3). In October-December, the share of this market sector in pension assets under management (excluding the NBU CNPF) slightly increased from 73.5% to 73.6%. As of December 31, 2019, its assets under management reached UAH 1,180.4 million.

The assets of **professional pension funds** in management traditionally grew the slowest in 2019: in Q4 they added 1.2% (after + 1.3% in Q3), and their volume at the end of December amounted to UAH 141.4 million.

As of December 31, 2019, **corporate NPFs** remained the largest in terms of average assets under management, with the notional average fund among them being much larger than in September (UAH 70.3 million compared to UAH 45.1 million), which is due to the lack of annual reports of two funds of this type, which had zero assets at the end of September and then still came to the calculation. Open NPFs, the number of reports for which in 2019 was two less than in Q3 and among which there were two more funds with zero assets, at the end of the year had an average of UAH 26.2 million. (after UAH 24.3 million in September). Professionals remained the smallest: with the same number during Q4, the average such fund increased slightly from UAH 23.3 million in September to UAH 23.6 million in December.

In the **structure of NPF assets under AMC management**, the share of securities in Q4 2019 increased slightly - from 54.8% in September to 55.4% in December, which was still less than at the beginning of the year (57.5%, Chart 3). The total value of pension funds' investments in stock instruments grew by 4.5% this quarter, which was faster than the growth of the fund's assets as a whole (due to slower cash growth). Positive

³ According to the National Financial Services Commission of Ukraine.

dynamics was observed in each sector by types of pension funds. Over the year, the volume of investments in stock instruments increased by 13.2% in all NPFs managed by AMC together.

In October-December 2019, funds on bank accounts (including deposit accounts) of NPFs managed by AMC grew by a total of 1.9%, while in professional funds

they decreased by 1.6% (after + 14.6% in Q3). In other sectors, they grew by 1.8% in the open NPF sector and by 3.2% in the corporate sector. Finally, the share of money in NPF assets under AMC management as a whole mixed from 42.0% in September to 41.3% in December.

Table 3. Structure of NPF assets under AMC management by fund types as at December 31, 2019, UAH M

NPF Type	Securities	Moneys	Bank metals	Real estate	Other assets
Open	649,4	489,1	5,0	27,3	9,6
Corporate	143,9	137,5	0,0	0,0	0,0
Professional	94,3	36,2	0,0	7,1	3,8
Total	887,6	662,8	5,0	34,3	13,4

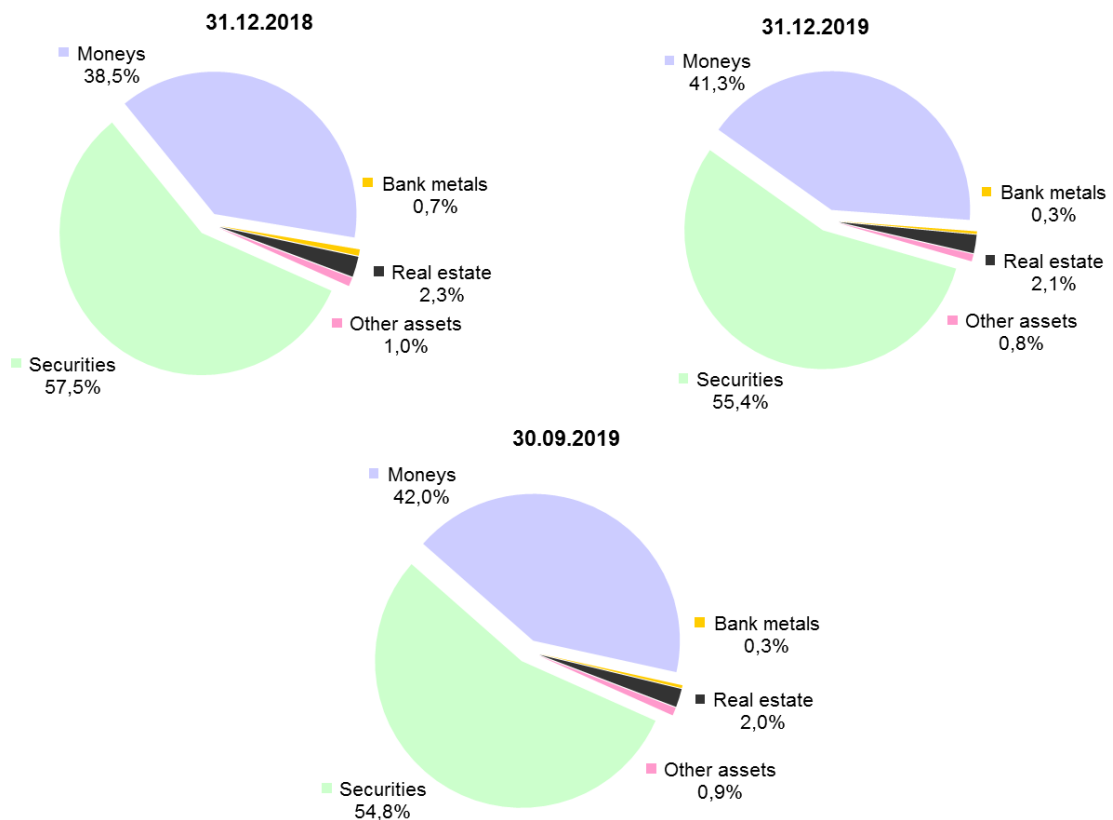


Chart 3. Dynamics of the structure of the aggregated portfolio of NPFs (excl. the NBU CNPF) in Q4 2019 and 2019

For the entire NPF industry, taking into account the NBU's corporate fund, the share of securities continued to decline, albeit at a slower pace - from 55.3% in September to 55.1% in December, which was also significantly less than a year ago (58.6%, Chart 4).

This was due to a slower growth in the volume of stock assets (+ 5.0% in Q4) compared to all their pension assets - due to a relatively larger increase in investments in real estate (+ 14.2%) and in "other" assets (+ 11.8%).

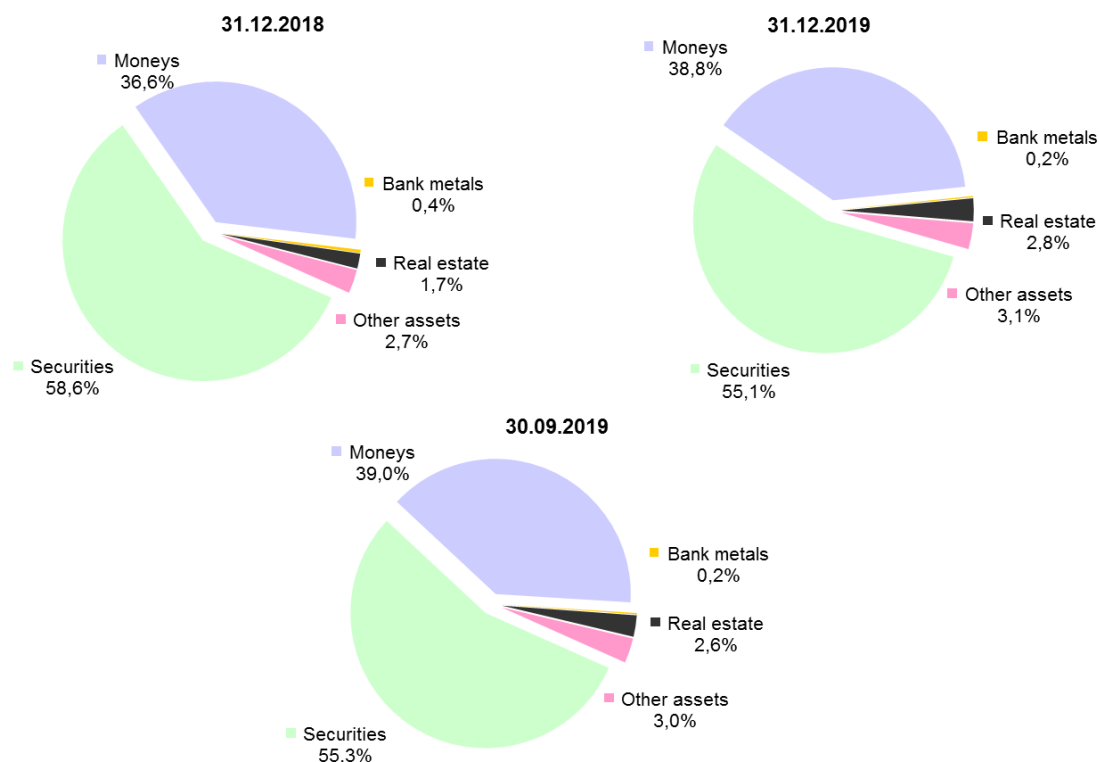


Chart 4. Dynamics of the structure of the aggregated portfolio of NPFs (incl. the NBU CNPF) in Q4 2019 and 2019

The total value of assets in securities in *open pension funds* in Q4 2019 significantly accelerated growth to + 4.7% (from + 0.4% in Q3). This was due to the sharply accelerated growth of the total value of their investments in corporate bonds (+ 32.1%, after + 3.6%) and - in municipal bonds (+ 121.3%), investments in which still remained insignificant. But the consolidated portfolio of shares in the assets of this sector of NPFs decreased again (-3.6%, after -0.9%), which correlated with the dynamics of the stock market in this period. The government bond portfolio (including OVDPs) remained many times larger than corporate bonds (UAH 532 million) and grew by 1.0% in Q4 (after + 0.1% in Q3). Therefore, in general, at the end of December 2019, the share of securities in the assets of open NPFs increased from 54.4% to 55.0% (Chart 5).

Corporate NPFs also grew by 4.7% of their consolidated portfolio of stock market instruments in Q4 of 2019 (after + 5.8% in Q3). This was due to an increase in the corporate bond package by more than 3.5 times (but only to UAH 14 million), while the OVDPs package here decreased by 2.9% (to UAH 130 million), and at the same time - its weight in Assets of the sector - from 49.3% in September to 46.1% in December. The shares remained in the assets of these NPFs, but their total value remained unchanged from Q3 and insignificant. In general, the

share of securities in the assets of corporate NPFs increased again in Q4 - from 50.8% to 51.1%.

Professional pension funds at this time practically recovered the value of their consolidated portfolio of securities: it grew by 2.4% in October-December, after a decrease of 2.4% in July-September. This was only due to investments in OVDPs, which increased by 5.9%, while investments in corporate instruments - stocks and bonds - decreased (-7.0% and -2.3%, respectively). Finally, the weight of government bonds increased in Q4 from 41.8% to 44.8%, and of securities in pension assets of professional funds in general - from 65.9% to 66.7%.

Cash in banks at the end of 2019 remained the second largest component of all sectors of NPFs in management, and their volume increased in Q4 in open and corporate funds.

In open NPFs, cash, current accounts and deposits grew by 1.8 % (for the whole of 2019 - by 27.9%), which was weaker compared to the growth of the securities portfolio in their assets, so the weight of money fell from 42.2% in September to 41.4% in December (but increased from 38.6% at the beginning of the year).

The volume of money in corporate NPFs increased by 3.2% (for the whole of 2019 - by 24.5%), but their weight decreased from 49.2% in September to 48.9% in

December (but increased from 46.1% at the beginning of the year).

In professional NPFs, in contrast to Q3, the volume of funds in banks decreased in Q4 (-1.6%), although for the whole of 2019 it increased by 11.6%. Finally, the share of money in the assets of this sector decreased in Q4 from 26.3% to 25.6% of its pension assets under management (and increased from 24.4% at the beginning of the year).

Bank metals as of December 31, 2019, were still in the assets of only open NPFs under management. The decrease in the price of gold by 3.6% in Q4 reduced the

total value of investments in the assets of these NPFs by 0.6% - and their weight in the assets of open NPFs: within 0.4% during the quarter and from 1.0% at the beginning of the year.

At the end of 2019, only open and professional NPFs still had **real estate** in their assets. Its total value changed again only in the assets of the former (+ 11.7% for Q4 and + 10.7% for the whole of 2019). Accordingly, the share of real estate in open funds increased from 2.1% in September to 2.3% in December, but decreased from 2.5% in early January; for professionals - from 5.1% to 5.0%, respectively (5.3% at the beginning of the year).

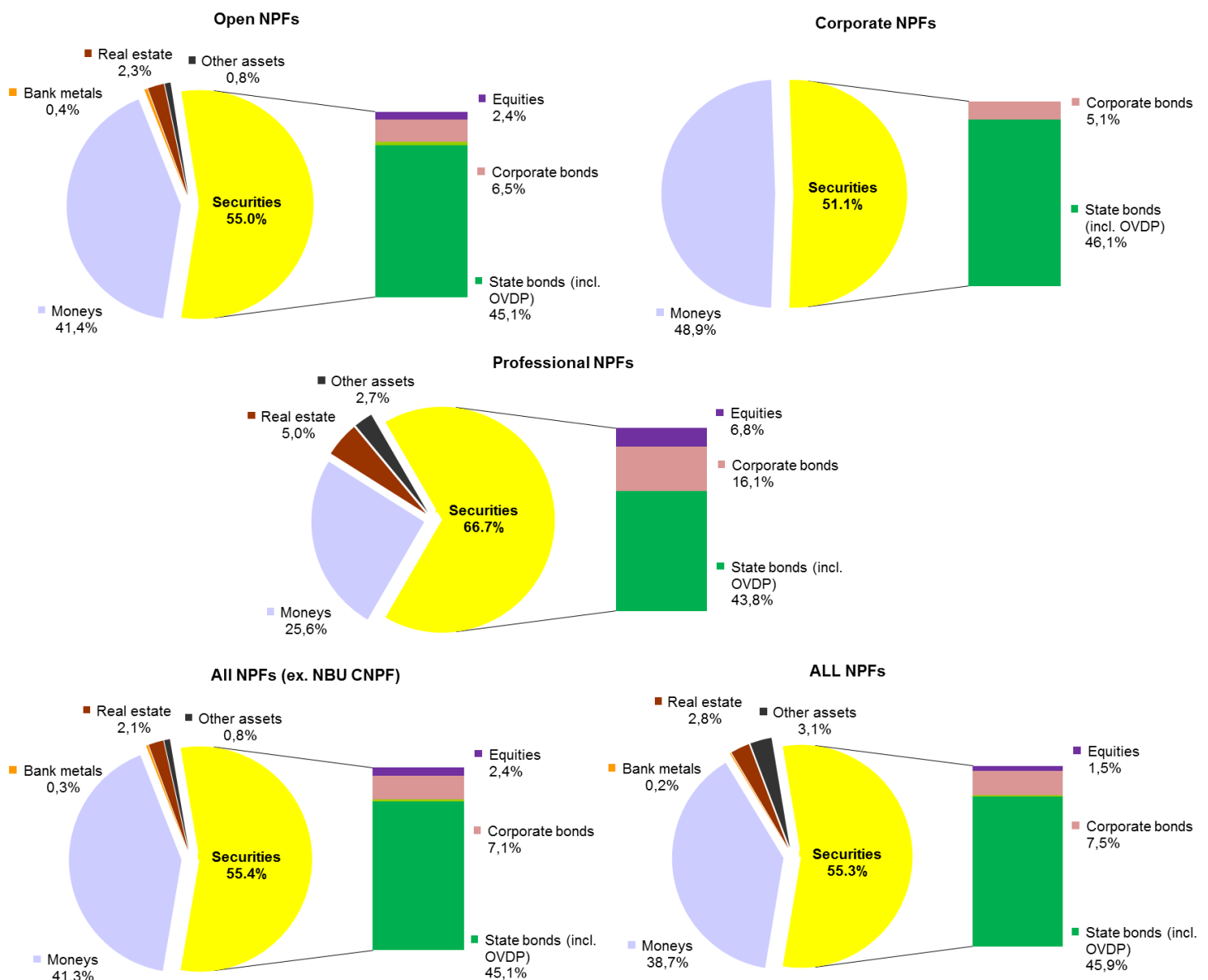


Chart 5. Structure of NPF assets by fund types as at 31.12.2019



See additional and statistical information on the UAIB website:

- [The Ukrainian Market in Figures](#)