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1. Stock Markets: Ukraine and the World

In the 1st quarter of 2017 the **world's leading stock markets** rose moderately in conditions of relative macroeconomic stability and generally positive investors' expectations about movements of the global economy.

However, at the beginning of the year data were published on a record decline of investors' confidence in Europe, in particular, in consequence of geopolitical risks, which was accompanied by decrease of the main index of European equities in late January - early February. End of March was marked by British government's official announcement about country's exit from the EU, and although it was, in principle, expected, nevertheless it lowered the key London's equity index and reduced quarterly growth to +2.5% (Table 1, Chart 1). Two other major EU markets showed for the quarter from +5.4% (France) to +7.2% (Germany).

The USA market had similar results in January-

March of 2017 - despite uncertainty about implementation of announced changes in regulations of markets by new presidential administration, investors were mostly optimistic, so the key equity indexes added here 4.6% - 5.5% for the quarter.

Japanese equities, after rise at the end of 2016, in the 1st quarter of 2017 moved by lateral trend during the quarter, and eventually lost 1.1%, although the annual dynamics of market remained positive. Chinese equities – according to index of the country's leading "mainland" exchange - after the collapse in December of 2016, since the beginning of 2017 kept moderately rising trend and increased by 3.8%, approaching the peak of 2016. Meanwhile, in Hong Kong, index, which was an outsider in the 4th quarter of the last year, in January-March of 2017 rose by 9.6% amid political stabilization.

Table 1. Dynamics of World Stock Indices in Q1 2017*

Indexes	30.12.2016	31.03.2017	Q1 2017 change	Annual change
UX (Ukraine)	795.84	1 042.06	30.9%	90.6%
BIST 100 National Index (Turkey)	78 138.66	88 947.40	13.8%	6.8%
WSE WIG 20 (Poland)	1 947.92	2 175.96	11.7%	8.9%
SENSEX (Mumbai SE) 30 (India)	26 626.46	29 620.50	11.2%	16.9%
HANG SENG (Hong Kong)	22 000.56	24 111.59	9.6%	16.1%
Ibovespa Sao Paulo SE Index (Brazil)	60 227.29	64 984.07	7.9%	29.8%
DAX (Germany)	11 481.06	12 312.87	7.2%	23.6%
S&P 500 (USA)	2 238.83	2 362.72	5.5%	14.7%
CAC 40 (France)	4 862.31	5 122.51	5.4%	16.8%
DJIA (USA)	19 762.60	20 663.22	4.6%	16.8%
SHANGHAI SE COMPOSITE (China)	3 103.64	3 222.51	3.8%	7.3%
FTSE/JSE Africa All-Share Index (PAR)	50 653.54	52 056.06	2.8%	-0.4%
PFTS (Ukraine)	265.15	272.49	2.8%	20.7%
FTSE 100 (Great Britain)	7 142.83	7 322.92	2.5%	18.6%
Cyprus SE General Index (Cyprus)	66.41	68.08	2.5%	0.9%
NIKKEI 225 (Japan)	19 114.37	18 909.26	-1.1%	12.8%
RTS (Russia)	1 152.33	1 113.76	-3.3%	27.1%
MICEX (Russia)	2 232.72	1 995.90	-10.6%	6.7%

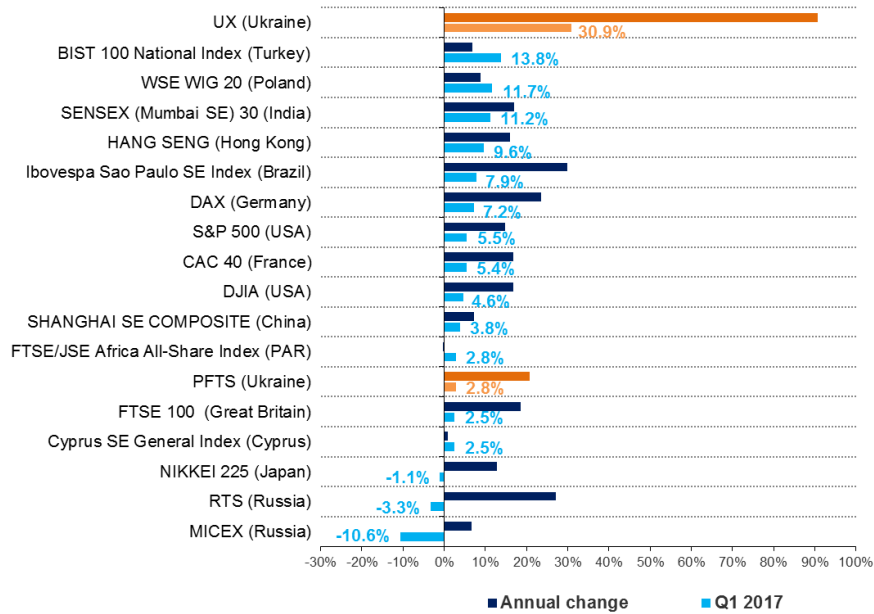


Chart 1. Dynamics of World Stock Indices in Q1 2017

* Based on data of Exchanges and Bloomberg Agency.

Turkey was the leader among emerging markets (+13.8%), Brazilian equities also activated their growth (+7.9%, after +3.2% in the 4-th quarter). Polish key index ascended for the second consecutive quarter (+11.7%, after +13.9%).

Russian equities, after the triumphant year 2016, in the Q1 2017 were outsiders (-3.3% -10.6%), amid falling oil prices and continued geopolitical conflicts.

Ukrainian stock market, after correction by 1.8% in October-December of 2016, in early 2017 returned to the rapid growth - for the 1st quarter index of Ukrainian Stock Exchange (UX) rose by almost a third (+30.9%). PFTS index grew during this period by 2.8%.

Composition of the index basket of Ukrainian equities' index (UX) did not change during the quarter. There were still 5 equities remained there for the third consecutive quarter (3 energy companies, one – mechanical engineering enterprise and one bank). Composition of PFTS index basket was also unchanged. It included all five components of the UX index and 5 other equities (2 emitters in the electricity sector, one in each of the following sectors: metallurgy, mechanical engineering and telecommunications).

Rapid growth continued during all three months, with only small periodic corrections - investors in the market took into account better than expected rates of Ukrainian economy's growth in 2016 (+2.3% for the year, compared to IMF's forecasts of 1.5%), stabilization of UAH rate and of inflation, and successes in balancing of state finances. In addition, the terms of the stock markets' functioning during this time did not change, that was a

relatively positive factor, taking into account the preliminary regulator's steps.

Volume of Ukrainian exchange stock market in the 1st quarter of 2017 continued to decline: number of securities in stock lists decreased by another 10.5% (for the year – by 29.1%). Meanwhile, in the 1st and 2nd levels of listing it stabilized (due to government bonds), after decreasing by 44.3% in 2016.

Number of equities in listing for the 1-st quarter decreased by 14.3% (for the year - more than twice, after -77.4% in 2016), and of corporate bonds - by 15.4% (for the year - by 62.1%, after 71.4% in 2016). Thus, rates of decline for the quarter and for the year continued to slow down, however, the number of relevant listed securities remained very small: 6 equities and 22 bonds – all together – in 10 times less than OVDP. Latter increased in lists (and listing) - up to 279 (+1.8% for the quarter, +2.6% for the year).

Total trading volume on all stock exchanges fell -14.0% (after +15.3% in Q4 2016). Value of transactions with all types of instruments, other than derivatives, decreased: with OVDP – by 10.7% (after +16.5%), equities – by 34.8% (after +9.8%), corporate bonds - by 78.9% (after -7.4%), investment certificates - by 75.1% (after -18.5%). In return, trading volume with derivatives in Q1 2017 doubled (after a similar fall) - almost recovered to the level of Q3 2016.

Annual dynamics of trading on the stock exchanges returned into positive zone (+22.3%, after -18.5% in 2016) - mainly due to OVDP (+64.5%, after -16.6%). Volume of transactions with derivatives (+11.2%) and optional certificates (+128.8%, Table. 2) increased too.

Table 2. Dynamics of the Ukrainian Stock Exchange Market in Q1 2017

Indicator / Date	31.03.2016 (Q1 2016)	31.12.2016 (Q4 2016)	31.03.2017 (Q1 2017)	Change for Q1 2017	Annual Change
Number of Securities in the listing of stock exchanges incl.:	2059	1631	1459	-10.5%	-29.1%
Number of securities in the registers (listing) of stock exchanges, incl.:	349	313	313	0.0%	-10.3%
state bonds (OVDP)	272	274	279	1.8%	2.6%
equities*	14	7	6	-14.3%	-57.1%
corporate bonds	58	26	22	-15.4%	-62.1%
municipal bonds	0	0	0	x	x
NBU deposit certificates	1	0	0	x	-100.0%
Trading volume on the stock exchanges (total) per year, UAH mln, incl.:	48 010.9	68 232.6	58 711.9	-14.0%	22.3%
state bonds (OVDP)	34 585.5	63 717.1	56 900.3	-10.7%	64.5%
equities	538.56	651.9	425.07	-34.8%	-21.1%
corporate bonds	1 330.0	3 032.2	641.0	-78.9%	-51.8%
municipal bonds	0.0	0.0	0.0	x	x
NBU deposit certificates	10 733.8	0.0	0.0	x	-100.0%
investment certificates	323.9	21.5	5.4	-75.1%	-98.3%
derivatives (without state derivatives)	341.5	188.9	379.6	101.0%	11.2%
optional certificates	157.6	556.9	360.6	-35.3%	128.8%

2. Number of AMC and CII

In the 1st quarter of 2017 the number of asset management companies stabilized and, despite minor changes during the quarter, remained at the level of 295 AMC. Three AMC were closed during January-March and the number of newly established companies was the same.

According to UAIB data, 28 CII were registered during the 1-st quarter of 2017 (after 36 in Q4 2016), 14 of which were corporate venture funds (CIF), 12 – unit venture funds (UIF), and 2 – closed-end non-diversified

UIF. Taking into account funds, which were closed during the quarter, *the total number of registered CII*, as at 31.03.2017, increased to 1,643.

Thus, concentration on CII asset management market continued to grow: one AMC accounted for an average of 5.6 funds (after 5.5 in Q4 2016, Chart 2).

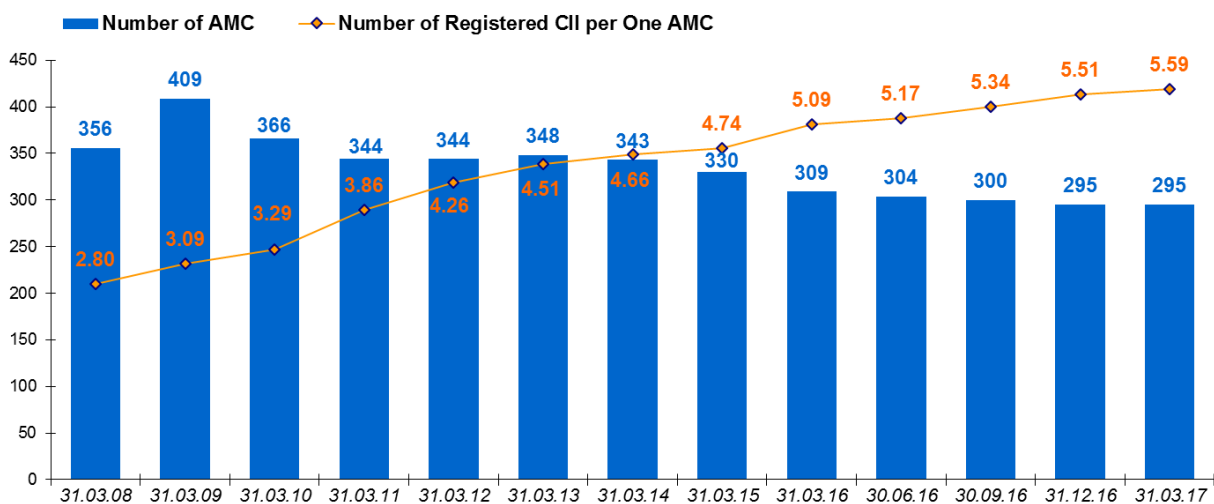


Chart 2. Dynamics of the Number of AMC and CII per One AMC in Q1 2016-2017

Number of CII, that have reached compliance with norms for minimal assets volume, during six months increased for the second time - to 1,143. Nine out of 13 new CII, which were formed during the 1st quarter of 2017, were corporate funds (CIF).

As the result, the annual dynamics changed for the upward one - number of "recognized" CII increased by 3 for the last year (+0.3%).

Number of venture CIF increased the most (+11, +4.7% for the quarter and +50, +25.8% for the year).

Only the number of acting open-ended diversified UIF decreased during this quarter (-1, -6.7%); they decreased for the year by 6 (-30%), at that the number of specialized CII of this type also declined (-1, -16.7% for the year).

Venture UIF became 3 more (0.4%) in the 1-st quarter, and although their number decreased significantly for the year (-24, -3.0%), they remained the largest sector of CII (768 funds, Table 3).

Table 3. Dynamics of Number of CII that Have Reached Compliance with the Standards, by Types and Legal Forms of Funds, in Q1 2016 - 2017

Date/Period	Total	UIF*								CIF*		
		OD*	OS*	ID*	IS*	CD*	CNN*	CS*	CV*	ID*	CNN*	CV*
31.03.2016	1140	20	6	22	3	9	30	1	792	1	62	194
30.06.2016	1134	17	6	22	3	6	30	1	785	1	61	202
30.09.2016	1127	15	5	21	3	6	28	1	771	0	58	219
31.12.2016	1130	15	5	21	3	4	28	1	765	0	55	233
31.03.2017	1143	14	5	21	3	4	28	1	768	0	55	244
Q1 2017 change	13	-1	0	0	0	0	0	0	3	0	0	11
	1.2%	-6.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	-	0.0%	4.7%
Annual change	3	-6	-1	-1	0	-5	-2	0	-24	-1	-7	50
	0.3%	-30.0%	-16.7%	-4.5%	0.0%	-55.6%	-6.7%	0.0%	-3.0%	-100.0%	-11.3%	25.8%

*UIF - Unit Investment Funds, CIF - Corporate Investment Funds; OD – open-ended diversified CII, OS – open-ended specialised CII, ID – interval diversified CII, IS – interval specialised CII, CD – closed-end diversified CII, CNN - closed-end non-diversified non-venture CII, CS - closed-end specialised, CV - closed-end venture CII (non-diversified, with private issue).

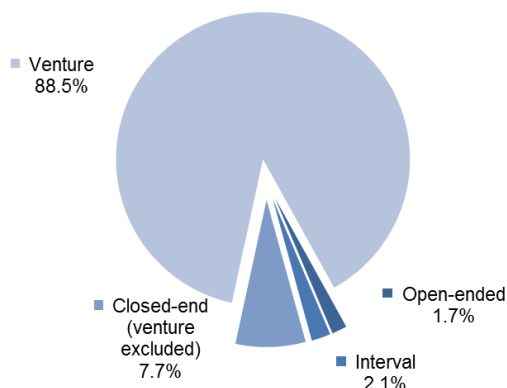


Chart 3. CII that Reached the Standards by Types of Funds as at 31.03.2017

Growth of the number of acting venture CII in the 1-st quarter increased their market share from 88.3% to 88.5% (Chart 3), although the weight of venture UIF continued to decline - from 67.7% to 67.2%. Open-ended CII had market share of 1.7% (after 1.8% at the end of 2016).

Total number of "recognized" and acting open-ended CII was 19, of venture ones - 1012.

The number of funds that have not yet reached the normative for minimal volume of assets, among all registered CII under AMC management in Q1 2017 rose to 62, and their share among all managed CII - to 5.1%.

In the process of liquidation, according to UAIB data, in Q1 2017 there still were or just started it one open-

ended and 3 interval diversified UIF, four closed-end non-diversified UIF and five of the same CIF, 50 venture UIF and 3 CIF. Totally – they were 66 funds, or 5.8% of all recognized and acting CII.

Thus, the amount of CII which enter the market, is almost balanced by the number of CII, which have plans for closure, so the total number of existing CII that have reached the standards will not change significantly in the nearest future.

CII with public offering in Q1 2017 showed stability: their number remained at level of 92 funds (table 4).

AMC, which managed public CII, remained 40, and in the sector of open-ended CII - 11.

There were 36 of diversified and specialized CII with public issue in Q1 2017, including 8 - equity funds, 5 – bond funds, 16 - mixed funds and 7 - other funds, according to the asset structure-based classification¹ (Table 5).

Equity funds included 4 open-ended, 3 interval and one closed-end CII (Chart 4).

Bond funds also became more (5), 4 of which were of open-ended type, one – interval.

Among mixed (balanced) funds, number of which declined from 27 at the beginning of 2017 to 16 at the end

¹ See [Rankings: Collective Investment Institutions \(CII\) - by fund class](#), Methodology for Ranking AMC and CII, Based on Their Performance Results (in Ukr) on UAIB website: <http://www.uaib.com.ua>.

Table 4. CII with Public Issue, as at 31.03.2017

CII Type and Class	Number		
	31.03.2016	31.12.2016	31.03.2017
Open-ended (total), including:	26	19	19
diversified	20	14	14
specialized	6	5	5
Interval (total), including:	25	23	23
diversified	22	20	20
specialized	3	3	3
Closed-end (total), including:	58	50	50
diversified	3	3	3
non-diversified	54	46	46
specialized	1	1	1
Total	109	92	92

Table 5. Dynamics of the Number of Diversified CII with Public Issue by Classes of Funds (in Accordance with Asset Structure) in Q1 2016-2017

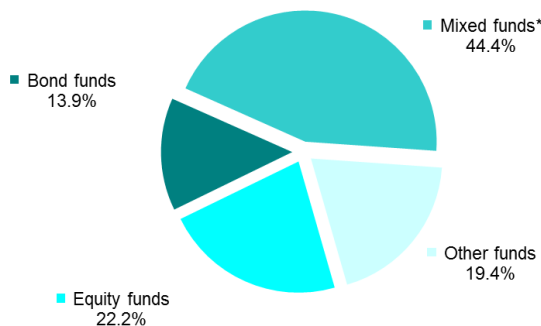
Date / Period	Total	Equity funds	Bond funds	Mixed funds*	Money market funds	Other funds
31.03.2016	34	4	4	17	0	9
30.06.2016	33	6	4	13	0	10
30.09.2016	33	4	5	14	0	10
31.12.2016	34	4	2	27	0	1
31.03.2017	36	8	5	16	0	7
Q1 2017 change	2	4	3	-11	0	6
	5.9%	100.0%	150.0%	-40.7%	-	600.0%
Annual change	2	4	1	-1	0	-2
	5.9%	100.0%	25.0%	-5.9%	-	-22.2%

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

See more on Fund Types: <http://www.uaib.com.ua/eng/analituaib/rankings/ici.html>

of the 1-st quarter, there were 3 open-ended, 11 interval and 2 closed-end CII.

"Other funds", which did not meet the criteria for special classes of assets, were 5 open-ended and 2 interval CII; 6 of them at the beginning of the year belonged to mixed funds.



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

Chart 4. Diversified CII with Public Issue, by Classes of Funds, as at 31.03.2017

3. Regional Distribution of AMC and CII

In Kyiv and metropolitan area in the 1st quarter of 2017 the number of acting AMC increased by one - to 212 companies (Chart 5). Meanwhile, two AMC were closed in Kyiv. Among other regions of top-5, number of companies in Dnipro became less by one, meanwhile one new AMC was established in Kharkiv, and, accordingly, their total number in this city and in the region increased as well.

Totally, in regions - leaders by number of AMC, at the end of March 2017 there were acting: in Dnipropetrovsk region - 20 companies, in Kharkiv region - 19, Odessa region - 9, Lviv region - 8. The remaining

regions of Ukraine all together had 27 AMC, or about 9.2% of the market.

Market share of the metropolitan region by the number of professional participants since the beginning of 2017 increased from 71.5% to 71.9%.

Number of CII under management in Kyiv and its region in the 1st quarter of 2017 increased by 13 (+1.5%), while in the Ukraine as a whole - by 23 (+1.9%). Finally, the weight of Kyiv by the number of CII under management decreased for the quarter from 72.8% to 72.6% (Chart 6).

In Dnipro the number of CII decreased by one, in Kharkiv - rose by 3, in Lviv - by 9, in Zaporizhzhia - did not change, so only market shares of Kharkiv and Lviv grew among regions-leaders - to almost 6% and 4.2%, respectively.

Other regions of Ukraine comprised 7.2% (after 7.5% in early 2017), so the regional concentration of CII market continued to grow by this indicator too, although not in favor of metropolis, but of leaders of western and eastern regions.

Within the breakdown of CII under management by regions concentration in the 1-st quarter, in contrast, weakened: the total weight of the leading regions decreased.

Kyiv returned to a more active, compared to other regions, increasing of assets - share of metropolis increased from 80.8% to 81.5%. Total managed assets of CII registered in Kyiv and its area, increased significantly during this quarter, at that relatively more than those of the whole Ukraine. Meanwhile, the growth of assets in Kharkiv's, Mykolaiv's and Kherson's areas was more than two times faster, that increased the weight of these regions, although the proportion of the last two ones remained low (0.4%). In the top-5, Kharkiv boosted it from about 4% to 4.3% (Chart 6).



Chart 5. Regional Distribution of AMC Number, as at 31.03.2017



Chart 6. Regional Distribution of CII by Number and Value of Their Assets under Management, as at 31.03.2017

4. Assets and Net Asset Value of CII

In the 1st quarter of 2017, CII industry in Ukraine returned to growth: total aggregate assets of acting investment funds, which have reached the norm for minimum volume of assets, **increased by UAH 16,750.0 mln. (+7.3%, after -9.2% in Q4 2016)**. At that, growth of assets value in all sectors of CII, in particular, in *open-ended* (+6.2%, after -0.5%) and *venture one* (+7.4%, after -9.3%) was an important shift.

Interval CII continued to build up assets (+2.5%, after +2.0%), and among closed-end funds (ex. venture) a sharp change of the dynamics was shown by funds with private issue (+4.6%, after -13.3%). At that, the number of venture funds providing data for the Q1 2017, increased (+2.2%) as compared to Q4 2016, while in the sectors of

open-ended and interval CII it did not change, and in the sector of closed-end CII with public issue it has decreased.

All *closed-end CII (ex. venture)* increased their assets by UAH 254.4 mln. for the quarter (+3.2%, after -8.9% in Q4 2016) – to UAH 8,177.7 mln.

Total assets of CII (ex. venture) at the end of March of 2017 increased by UAH 259.7 mln., to UAH 8,309.2 mln. (+3.2%, after -8.8%).

Venture funds increased their assets by UAH 16,490.3 mln., to UAH 238,628.8 mln.

Total assets of acting CII that reached the standards amounted to **UAH 246,938.0 mln.** as at 31.03.2017, having risen by UAH 9,351.1 mln. (+3.9%) for the year (chart 7).

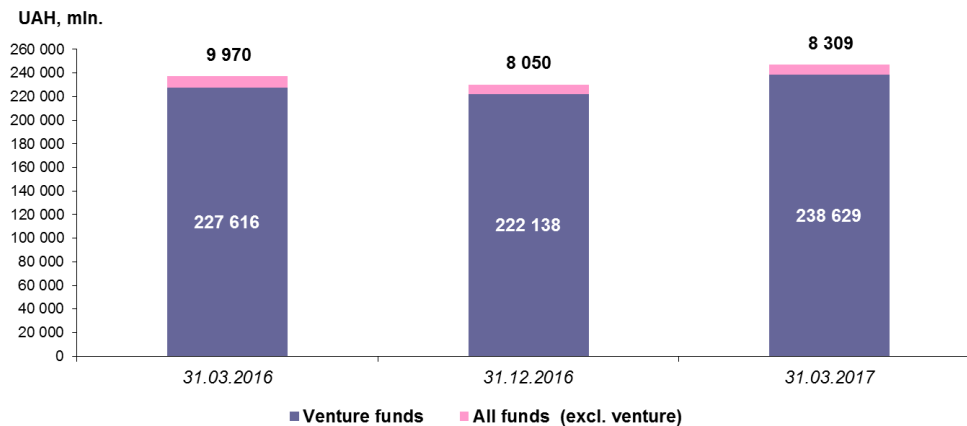


Chart 7. Dynamics of CII Asset Value in Q1 2016 -2017

Net asset value of CII in Q1 2017 also returned to growth: NAV of all funds, which have reached standards, increased **by UAH 16,198.0 mln. (+8.6%**, after -11.3% in Q4 2016). As at the end of March, it amounted to **UAH 204,529.6 mln.** (Table 6).

Growth was observed in all sectors of CII by fund types, as well as for aggregate assets.

At that, growth of closed-end CIIs' NAV (in particular, of venture funds) was faster than increase of total assets, ie funds as a whole reduced leverage (share of loans in the asset structure) during the 1-st quarter.

For the year, NAV of all CII increased by 0.9%, at that of venture ones - by 1.8%, and of open-ended funds - by 14.2%. In other sectors the annual dynamics remained downward.

Table 6. Dynamics of CII NAV, by Types of Funds, in Q1 2016-2017, UAH mln.

Funds	31.03.2016	31.12.2016	31.03.2017	Q1 2017 Change	Annual Change
Open-ended	53.5	57.7	61.0	5.8%	14.2%
Interval	68.8	65.0	66.4	2.1%	-3.5%
Closed-end (excl. venture), incl.	9 437.9	7 546.2	7 810.6	3.5%	-17.2%
with public issue	3 284.6	2 712.6	2 739.0	1.0%	-16.6%
with private issue	6 153.3	4 833.6	5 071.6	4.9%	-17.6%
All funds (excl. venture)	9 560.1	7 668.9	7 938.1	3.5%	-17.0%
Venture funds	193 158.3	180 662.6	196 591.5	8.8%	1.8%
All funds	202 718.5	188 331.6	204 529.6	8.6%	0.9%

* Acting CII that have reached the norm for minimum amount of assets (were recognized as valid), are managed by AMC and provided statements for the relevant period (on the reporting date)

Among CII sectors, **open-ended funds** increased for the 1st quarter of 2017 by 5.8% (after -0.8% in Q4 2016). As at 31.03.2017 sector's NAV amounted to **UAH 61.0 mln.**

Net assets **of interval CII** grew almost at the same pace, as in the 4th quarter of 2016 - by 2.1% to **UAH 66.4 mln.** Annual change remained in the negative zone (-3.5%).

Closed-end CII with *public issue* added 1% of NAV (after +0.5% in Q4 2016), while reducing the number of operating funds by 3. Funds of this type with *private placement*, with a constant quantity, showed growth by 4.9% (after -12.8%). For the year, both sectors' NAV has contracted significantly (-16.6% and -17.6% for the funds with public and private issue respectively).

As at 31.03.2017, net assets of closed-end CII (venture excluded) amounted to **UAH 7,810.6 mln.**, including of funds with *public issue* - **UAH 2,739.0 mln.**

Net assets **of venture CII** increased by UAH 15,928.9 mln. (+8.8, after -11.5% in Q4 2016) in the 4-th quarter and reached **UAH 196,591.5 mln.** Increasing of the number of funds by 20 contributed to growth of sector's NAV. Growth of open-ended CIIs' NAV, which was almost twice as fast as of interval and closed-end CII (venture excluded), provided for the first ones some increase in their market share (from 0.75% to 0.77%). At the same time, the weight of closed-end funds remained very significant (almost 98.4%, Chart 8).

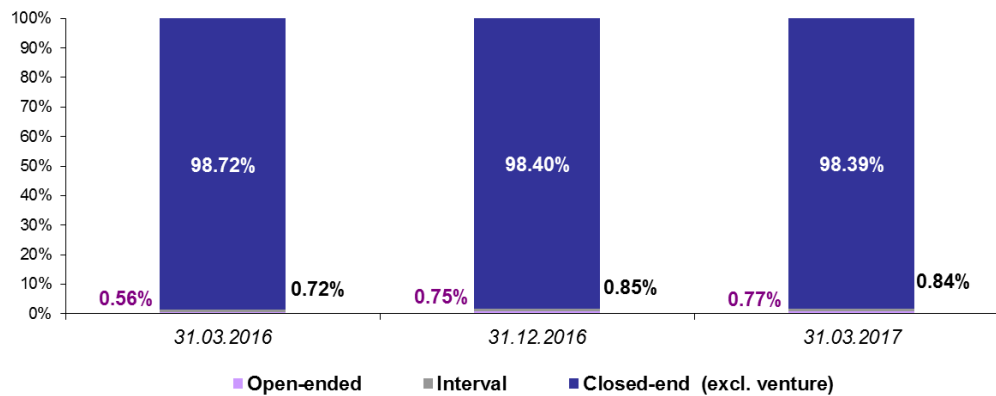


Chart 8. Dynamics of Non-Venture CII NAV Breakdown by Fund Types in Q1 2016-2017

Venture funds, due to expansion of the sector and more active escalating of net assets, increased their weight in NAV of CII industry from 95.9% to 96.1% for the 1-st quarter of 2017 (Chart 9). Open-ended and interval funds

held net assets at the level of 0.03% of aggregate NAV of all CII, and closed-end ones (other than venture) reduced their weight from 4.0% to 3.8%, in particular, funds with public issue - from 1.4% to 1.3%.

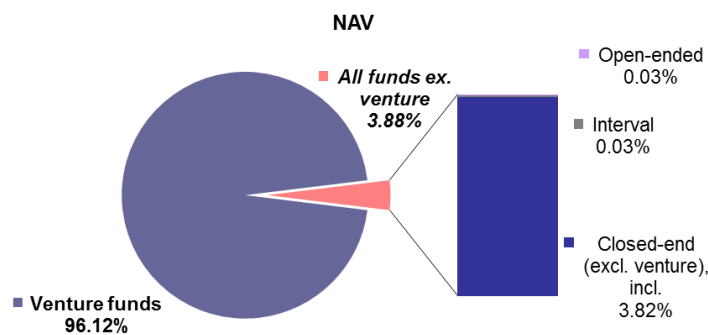


Chart 9. Distribution of CII NAV by Fund Types as at 31.03.2017

5. Net Capital Flow in Open-Ended CII

Outflow of capital from open-ended CII in Q1 2017 increased, however, it was insignificant.

Negative movement of capital in the sector was observed during each month (Chart 10, Table 7). This took place on the background of mainly growing key equity index (UX), and gave the opportunity to investors to fix profits or partially refund the cost of made investments.

It was also accompanied by a decrease of the number of sector's investors, with a stable number of funds.

Each month there were 2-4 of open-ended CII, which had net inflows in January-March of 2017 (in October-December 2016 – 1-5), and quarterly cumulative result of these funds amounted to +UAH 0.4 mln (after +UAH 0.2 mln. in Q4 2016).

4-9 funds had net outflows during the first three months of 2017; all together they lost UAH 1.9 mln. (in Q4 2016 the same indicator amounted to UAH 1.2 mln.).

The average number of open-ended CII, which provided daily information, decreased from 18 to 17 (out of 19 of acting funds).

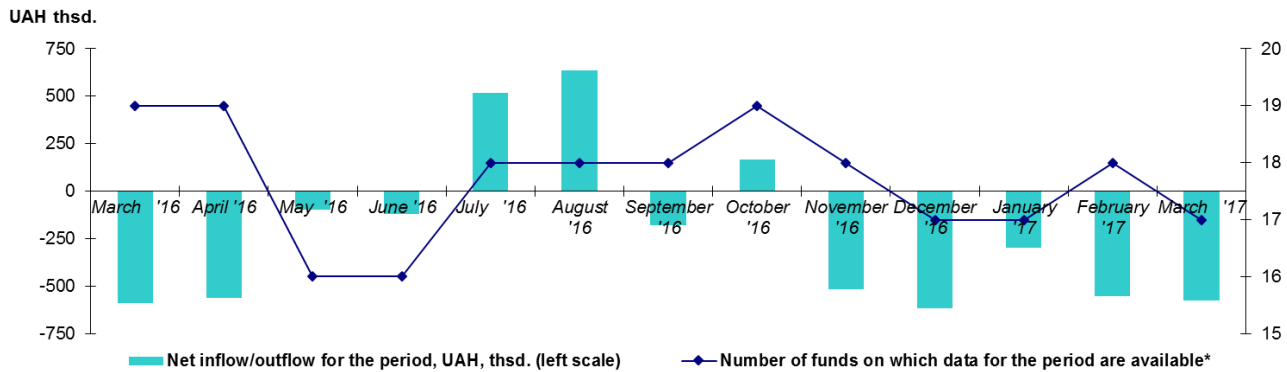


Chart 10. Monthly Net Capital Flow in Open-Ended CII in March 2016-2017 *

* Based on daily data

Table 7. Monthly Net Capital Flow in Open-Ended CII in March 2016-2017 *

Period	Net inflow/outflow for the period, UAH, thsd.	Number of funds on which data for the period are available*
March '16	-590	19
April '16	-563	19
May '16	-99	16
June '16	-118	16
July '16	519	18
August '16	634	18
September '16	-177	18
October '16	167	19
November '16	-515	18
December '16	-618	17
January '17	-296	17
February '17	-551	18
March '17	-577	17
For 12 months	-2 194	18

* Для квартальних даних - середні значення за щомісячними даними.

** За 12 місяців - середня.

Overall, in Q1 2017 the **total net capital outflow from open-ended CII amounted to UAH 1.4 mln.** (after almost **UAH 1.0 mln.** in Q4 2016, Chart 11). Movement of capital did not play a major role in

dynamics of NAV of sector of open-ended funds, which was positive in this period - the rising value of funds' portfolio investments allowed to compensate the outflow.

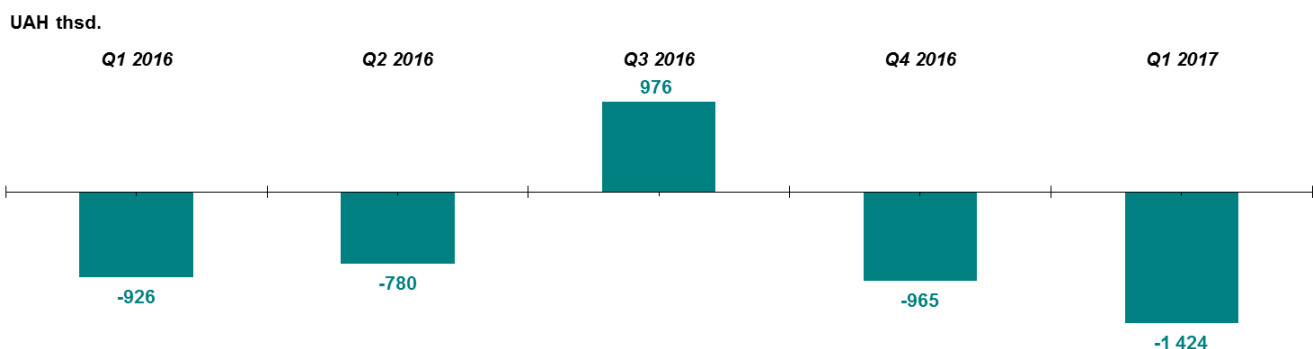


Chart 11. Net Inflow/Outflow of Capital in Open-Ended CII in Q1 2016-2017

Annual net outflow (for 12 months, which ended in March of 2017) from open-ended CII in the 1-st quarter increased by 29%, to **-UAH 2.2 mln.**, that

was significantly influenced by upward movement of the stock market at this time (growth of UX index by 91%).



The inflow of capital into the European Union's industry of investment funds in January-March of 2017 updated the record, reflecting significantly increased demand for investment funds, in particular **UCITS**², at this time. Thus, the total net inflow of capital to all funds for the 1st quarter of 2017 rose to **EUR 261 bln.**³ (compared to EUR 36 bln. for the same period of 2016).

This was due mainly to the dynamics of **UCITS**, which **attracted additionally EUR 202 bln. during this period** (compared with a net outflow of EUR 7 bln. a year ago and inflow of EUR 82 bln. for Q4 2016).

At that, net assets of these funds rose in Q1 2017 by 15% (of all investment funds – by 14%) – capital's inflow amounted to about a third of funds' NAV growth during this period (EUR 519 bln. for UCITS and EUR 715 bln. overall).

Bond funds (EUR 74 bln.) and money market funds (EUR 51 bln.) were the most popular among the UCITS in January-March of 2017.

Mixed funds significantly accelerated raise of capital (EUR 36 bln., after EUR 7 bln. in October-December of 2016). Similar dynamics was shown also by **equity funds**, which actively increased demand in February, amid a recovery of the European stock markets at this time, and finally received additional EUR 29 bln. for the 1-st quarter (last year they had a net outflow of EUR 4.0 bln.).

AIF⁴ funds in January-March of 2017 received **a net inflow in the amount over EUR 59 bln.** (compared with EUR 43 bln. for the same period of 2016 and EUR 39 bln. in October-December of 2016), including EUR 25 bln. in February.

Mixed funds (EUR 13 bln.) and other funds (EUR 35 bln.) remained the leaders among AIF funds in terms of attracting of additional capital.

Bond funds were also quite popular at this time (+EUR 11 bln., after the outflow of EUR 4 bln. in Q4 2016), while **equity funds** – were the single category that had a

net outflow in the sector (-EUR 8.0 bln., after -EUR 6.0 bln.).

Also, by asset classes, **real estate funds** held inflows in January-March of 2017 at the level of October-December of 2016 (EUR 7 bln. for the 1st quarter of 2017 and EUR 5 bln. - a year ago).

Almost constant was also an inflow to the **"institutional" funds** (special funds for institutional investors) - EUR 32 bln. (in previous quarter - EUR 35 bln., a year ago - EUR 39 bln.).

6. Investors of CII

In the 1st quarter of 2017 **legal entities-residents** not only retained their status as the **largest investors in CII**, but also significantly increased their investments and their weight in funds' assets compared to other categories of CII's participants.

Thus, the latter increased from 68.4% at the beginning of the year to 69.1% in March, and the total value of domestic enterprises' assets in CII - by UAH 12.3 bln. (after -UAH 22.6 bln. in Q4 2016). By sectors of CII, only in **closed-end CII** with public issue investments of these investors declined for the quarter; that was also reflected in the reduction of their weight in the sector.

Increase of these investors' assets **in venture CII** restored more than half of the reduction for the 4th quarter of 2016 (+UAH 12.3 bln., after -UAH 21.8 bln.). Their weight in sector's NAV increased from 69.9% to 70.7%.

In open-ended CII share of domestic corporate investors in Q1 2017 increased from 10.0% to 10.2%: outflow, which lasted in the sector, took place, mainly, due to citizens of Ukraine.

In interval CII situation was similar: with a minor increase in the total value of investments, the share of companies-residents here increased slightly - from 14.1% to 14.9%.

In closed-end CII (venture excluded) overall weight of residential legal entities decreased further - from 33.6% to 32.0%. In funds with public issue it dropped from 40.6% to 39.3%, with private issue - from 29.7% to 28.1% (Chart 12)⁵.

For the year, weight of the enterprises-residents in CII assets declined by 5.1 p.p. (from 74.2%), while reduction of their total investments by UAH 12.5 bln. and a substantial increase of other categories of investors' assets in CII at this time (citizens of Ukraine and foreign companies).

² UCITS (Undertakings for Collective Investment in Transferable Securities) – institutions of collective investments in negotiable securities (those that are traded on regulated markets); are open funds with public issue (offering) and strict requirements for composition, quality, liquidity and structure of assets. They are governed by corresponded Directive (Directive 2009/65 / EC of 13 July 2009), amended in accordance with Directive 2014/91/ EU of 23 July 2014) and other legislative acts of the EU.

³ Based on available data on 29 countries, associations of which are members of EFAMA (25 of EU member states, as well as Liechtenstein, Norway, Switzerland and Turkey) - see. EFAMA [Investment Fund Industry Fact Sheet March 2017](http://www.efama.org) on website: <http://www.efama.org>.

⁴ AIF (Alternative Investment Funds) - Alternative Investment Funds; in fact, include all other regulated funds, which are non-UCITS. Companies that manage such funds are regulated by Directive AIFMD (Directive 2011/61 / EU of 8 June 2011).

⁵ Excluding CII securities to bearer.

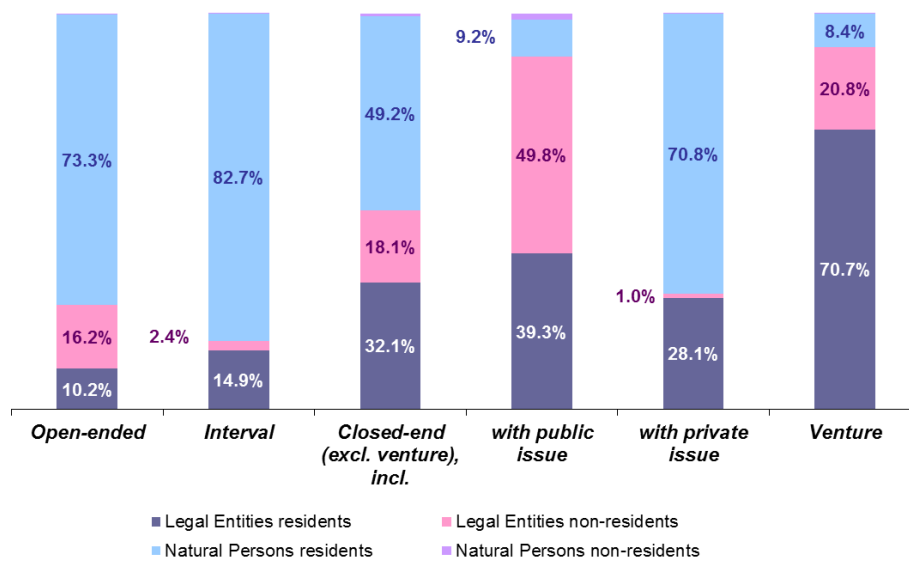


Chart 12. CII NAV Breakdown by Categories of Investors as at 31.03.2017, Share of NAV

Ukrainian retail investors (individuals-residents) in Q1 2017 increased their presence in all sectors of CII. Meanwhile, in *open-ended and interval funds* distribution between categories of investors shifted in favor of corporate members (both domestic and foreign companies). However, the first ones remained the key investors of the most liquid sectors of CII (73.3% of NAV in open-ended and 82.7% in interval funds).

Weight of these investors decreased also in *venture CII* (to 8.4%), although the total value of their investments in sector's NAV increased by UAH 1.2 bln., whereas in all CII as a whole – by UAH 1.5 bln. (while decrease of the share of this category of investors from nearly 10.2% to 10.1%).

Foreign investors in CII in Q1 2017 largely offset the reduction of investments in Q4 2016 - +UAH 2 bln. (after -UAH 2.5 bln.).

Legal entities, the same as before, had the largest investments among non-residents; they provided almost the entire increase. Meanwhile, their assets in NAV of all funds by the end of March of 2017 amounted to 20.7% (after 21.4% at the beginning of the year). Reduction of this category's weight in CII's assets, despite the increase of investments, was caused by almost an order of magnitude faster increase of investors-residents' investments; growth of retail domestic investors' investments also outstripped them.

Foreigners slightly reduced their investments in venture CII, where their share remained within 0.1%.

Totally investors-non-residents, as at 31.03.2017, owned about UAH 40.8 bln. in all CII, including 39.3 bln. - in venture ones (respectively, +5.2% and +5.3% for the quarter).

Number of CII investors in Q1 2017 increased for the first time during the year (+7,242, +2.8%, after -0.06% in Q4 2016).

In *open-ended funds*, after growth in late 2016, for the first three months of 2017 number of investors declined (-7, -0.4%, after +3, +0.2%). Almost all participants, who went out from these CII during the quarter, were retail investors - citizens of Ukraine (6 persons). In annual terms, the number of investors in the sector also declined (-58, -3.3%).

Investors in *closed-end CII with public issue* also became less (-530, including -528 of retail investors-residents), that occurred against the closure of several funds in this sector.

In *interval CII*, closed-end funds with private issue (venture excluded) and venture CII numbers of investors increased significantly - by 1763, 1688 and 4328 members, respectively, at that only venture sector was filled by new funds. In interval and closed-end non-venture funds investments were made primarily by citizens of Ukraine, in venture funds - by domestic enterprises.

Dynamics of **natural persons-residents' participation** in CII generally improved sharply in the first quarter (+2,862 persons, after -97 persons in the 4th quarter of 2016). Number of these investors increased also in interval and closed-end funds, in particular, with private issue (non-venture).

Despite a significant reduction of their presence in sector of closed-end CII with public issue, citizens of Ukraine amounted to almost 95% of investors in these funds (Table 8). In open-ended CII this indicator was at level of 98.6%, and in interval ones, the same as before, approaching 100%.

In closed-end CII with private issue share of these investors rose sharply - from 19.5% to 87.9% due to the large number of new participants, and in venture ones - decreased from 10.1% to 5.3% - in conditions of relatively weak demand from this category of investors compared to foreign enterprises.

Number of *legal entities-residents* among investors of CII as a whole in Q1 2017 decreased symbolically (-1). Specifically, they became 10 less in venture CII (-0.3%, after -0.8% in Q4 2016). At that in interval and closed-end CII with private issue (venture excluded) their numbers increased (+2 and +9, respectively, after +4 and -3 in the previous quarter).

Foreign citizens became more by two in the 1st quarter of 2017- they invested in closed-end CII with private issue (venture excluded). In other sectors of CII their number did not change at that time.

Enterprises - non-residents actively invested in CII in January-March of 2017 – they became more by 4,379, in particular, by 4,328 in venture CII (respectively, +879.3% and +940.9%). Also, their number soared in interval funds, although this was due to the low comparison base (+52, +1,733.3%, after -33.3% in the 4-th quarter).

Overall, as at 31.03.2017, there were 268,526 investors in CII, 96.6% of which were retail investors - residents of Ukraine. 93.8% were in interval funds (after 95.6% at the beginning of the year), 0.6% - in open-ended, 2.3% - in closed-end CII (venture excluded), including 1.5% - with public issue, and 3.4% - in venture ones.

Table 8. Investors of CII by Categories, Number and Share of the Total Number, as at 31.03.2017

Funds	Legal Entities				Natural Persons				TOTAL
	residents		non-residents		residents		non-residents		
Open-ended	15	0.89%	7	0.41%	1 664	98.64%	1	0.06%	1 687
Interval	23	0.01%	55	0.02%	251 703	99.96%	18	0.01%	251 799
Closed-end (excl. venture), incl.	415	6.88%	27	0.45%	5 581	92.51%	10	0.17%	6 033
with public issue	188	4.63%	17	0.42%	3 849	94.76%	8	0.20%	4 062
with private issue	227	11.52%	10	0.51%	1 732	87.87%	2	0.10%	1 971
All funds (excl. venture)	453	0.17%	89	0.03%	258 948	99.78%	29	0.01%	259 519
Venture	3 729	41.40%	4 788	53.16%	481	5.34%	9	0.10%	9 007
All funds	4 182	1.56%	4 877	1.82%	259 429	96.61%	38	0.01%	268 526

7. Asset Structure of CII

In the 1st quarter of 2017 in asset structure of CII the following key changes, concerning investments with usage of **stock market's instruments, took place:**

increasing of the securities' weight in the assets of open-ended, interval and closed-end CII with public offering and decline - in closed-end funds with private placement (including venture ones), *while increasing of their total value in all sectors of CII; at that:*

reduction of total investments in *government bonds* in open-ended and venture CII, their growth - in other sectors; at that the share of OVDP decreased in assets of all sectors of CII other than closed-end non-venture ones;

increase of packages of *equities* in all sectors, other than closed-end CII with private placement, with simultaneous increasing of these instruments' weight only in public funds (open-ended, interval, closed-end (venture excluded));

reduction of *corporate bonds'* weight in all sectors, except closed-end public CII - against the respective dynamics of the total value of investments in these assets;

reduction of *promissory notes'* weight in venture CII - despite growth of these instruments' package in the sector - as well as in other closed-end funds with private placement, where, instead, proportion of promissory notes increased for the quarter (table 9).

Table 9. Changes in the Structure of Aggregate Portfolios of CII by Fund Types in Q1 2017

Asset Type / CII Type / Change	Open-ended		Interval		CD with public issue		CD with private issue		Venture	
	p.p.	%	p.p.	%	p.p.	%	p.p.	%	p.p.	%
Other assets (including AR)	-1.28	-18.3%	0.52	4.9%	-1.22	-1.8%	3.92	7.8%	0.62	0.8%
Real estate	-	-	-	-	0.00	-0.6%	-0.03	-28.0%	0.27	9.3%
Cash and bank deposits	-0.37	-1.5%	-0.86	-6.0%	-8.15	-69.7%	-2.65	-15.0%	-0.06	-4.1%
Bank metals	0.02	1.9%	-	-	0.00	2.1%	-	-	0.00	254.8%
State bonds (OVDP)	-3.56	-11.9%	-3.07	-8.4%	8.88	109.9%	1.42	623.9%	-0.01	-9.5%
Equities	5.24	14.3%	3.65	9.9%	0.39	3.9%	-2.60	-10.0%	-0.44	-3.7%
Corporate bonds	-0.06	-7.9%	-0.24	-20.1%	0.10	39.9%	-0.25	-4.6%	-0.35	-9.5%
Promissory notes	-	-	-	-	0.00	-0.6%	0.19	52.9%	-0.14	-2.5%
Mortgage	-	-	-	-	-	-	-	-	0.00	-16.3%
Other securities	-	-	0.00	-	-	-	-	-	0.11	97.3%
Securities	0.02	2.4%	0.00	0.5%	0.09	50.1%	-0.01	-3.9%	-0.01	-3.9%

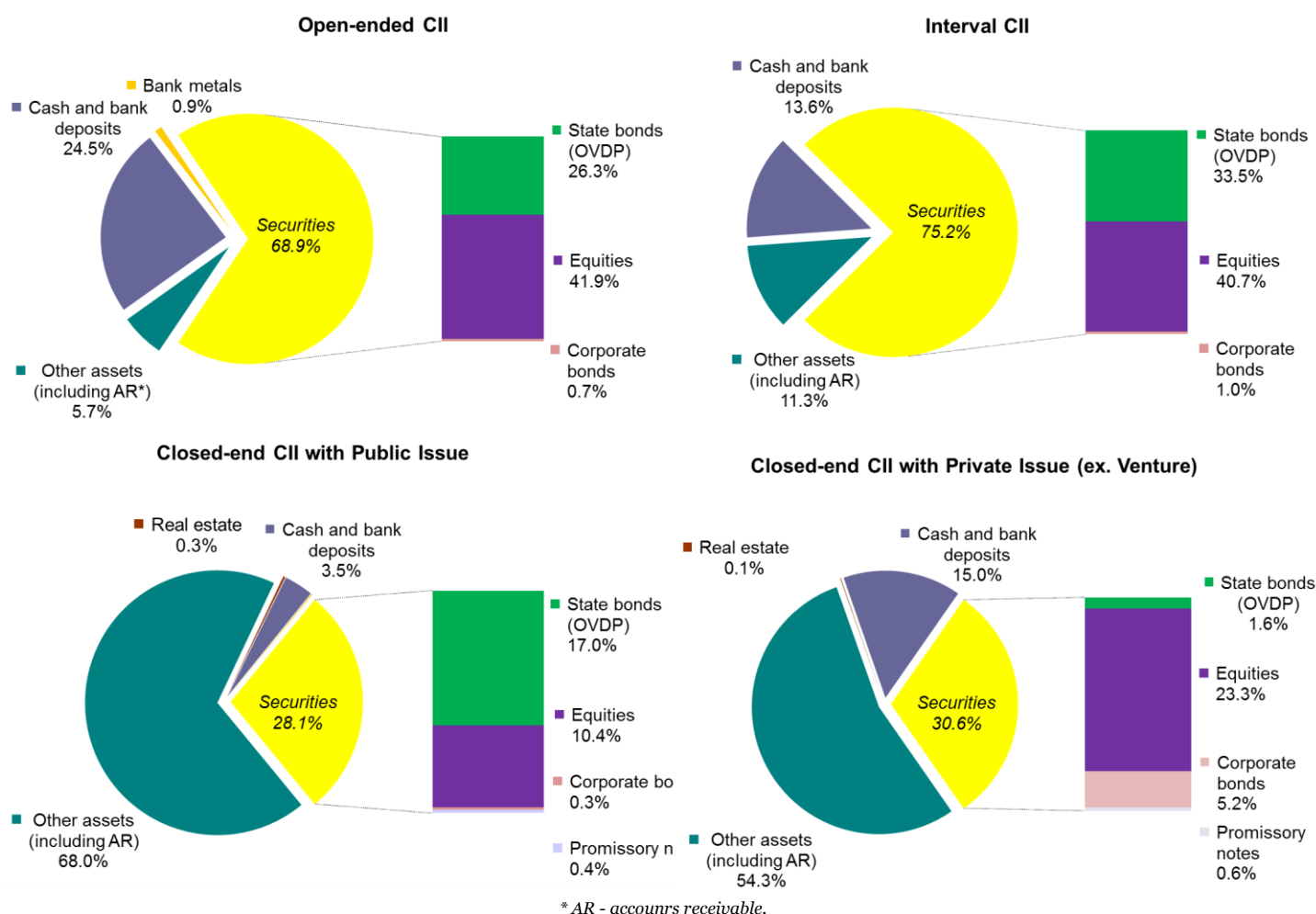


Chart 13. CII Assets Structure, Venture Funds Excluded, by Fund Types as at 31.03.2017

Securities accounted for at least one third of open-ended and interval CIIs' assets as at 31.03.2017 (respectively, 68.9% and 75.2%, after 67.3% and 74.8% in Q4 2016). In closed-end CII with public offering stock instruments accounted for 28.1%, with private issue

(except venture ones) - 30.6%, and in *venture funds* - 20.7% (Charts 13, 14).

Along with increase of these relatively long-term financial instruments' proportion in assets of majority of CII sectors in Q1 2017, a reduction of **cash in banks'** share took place (in all sectors), though the total value of

assets in open-ended and venture funds increased (growth of other types of assets was faster).

Thus, in particular, their weight in assets of *open-ended CII* dropped from 24.8% to 24.5%, in interval ones - from 14.4% to 13.6%, in closed-end CII with public offering - from 11.7% to 3.6%.

Reduction of cash in banks' share from 1.4% to 1.3% **in venture CII** occurred while increasing of these assets' total value in the sector and against the backdrop of significantly more rapid increase of investments in other types of assets at this time.

"**Other**" assets⁶ remained the largest component of closed-end funds, in particular of venture ones, in Q1 2017 (Chart 14).

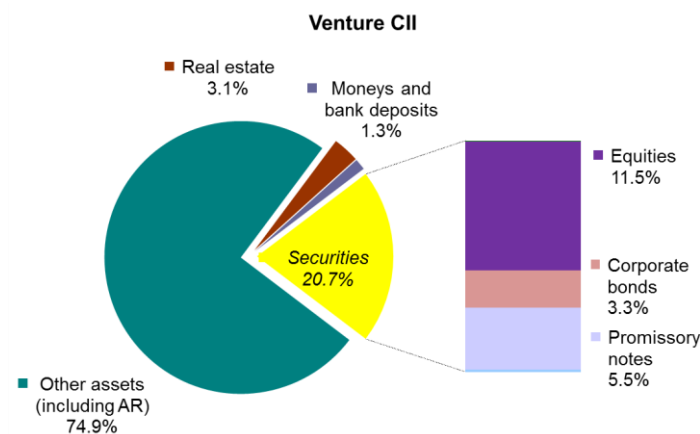


Chart 14. Asset Structure of Venture CII as at 31.03.2017

Weight of "other" assets in the sector, unlike Q4 2016, for the 1st quarter of 2017 increased - from 74.3% to 74.9%. This was contributed by an active increment of these assets (+UAH 13.6 bln., after -UAH 19.5 bln. in Q4 2016).

Sector's investments **in real estate** grew by an order of magnitude less (+UAH 1.1 bln., after +UAH 0.8 bln. for the previous quarter), but this increase was relatively more large, so the weight of the real estate in the sector increased from about 2.9% to over 3.1%.

Increased investments of venture CII *in equities and promissory notes* also took place in the 1-st quarter, but it was slower, so the share of these instruments in sector's assets decreased (from 11.9% to 11.5% and from 5.7% to 5.5%, respectively).

Along with a decrease in the total value of investments in *corporate bonds, mortgage and government bonds*, and in contrast to the increase of investments *in other securities*, such dynamics led to a

reduction of the total share of capital market's instruments in the assets of venture CII in the first quarter (from 21.5% to 20.7%).

Securities portfolio of all CII in Q1 2017 returned to growth, partially offsetting the reduction for the 4th quarter of 2016 (UAH 1,788.9 mln., after -UAH 5,923.8 mln.). As at 31.03.2017, its total value reached **UAH 51,808.5 mln.** (Table 10).

Equities, despite increase of their total value (+UAH 843.6 mln., after -UAH 2,149.2 mln.), experienced reduction of weight in the consolidated stock portfolio of CII - from 56.3% to 56.0%. Reduction of investments in *corporate bonds* (mainly by venture CII) also shortened their share - from 17.0% to 16.0%.

Growth of *promissory notes*' packages (+UAH 593.6 mln.) and *OVDP* (+UAH 318.7 mln.) was relatively faster compared to equities, so the shares of these instruments in portfolio increased - from 25.3% to 25.6% and from 0.9% to 1.5%, respectively.

Presence of *derivatives* also increased significantly: their total value increased by UAH 270.6 mln., or 112% (in venture funds), after +75.6% in Q4 2016; share of derivatives in the consolidated securities portfolio of all CII for the quarter increased almost twice - up to 1%.

Portfolio of CII (excluding venture funds) also increased during the 1st quarter of 2017 - by UAH 277.8 mln. (after -UAH 957.7 mln. in Q4 2016) and as at 31.03.2017 amounted to **UAH 2,528.8 mln.**

Only investments *in equities* decreased (-UAH 58.5 mln.), that, along with the growth of other stock investments, reduced the share of first ones in the aggregate portfolio of non-venture CII by more than 10 percent. p. - to 63.2%.

Weight of investments *in OVDP* almost doubled - from 12.3% to 23.8% - (+UAH 323.1 mln. - mainly due to closed-end funds with public offering).

The aggregate value of investments in *corporate bonds* grew the least (+UAH 1.9 mln.), leading to a reduction of their share in the stock portfolio of non-venture CII from 12.7% in early 2017 to 11.4% at the end of the 1-st quarter (table 11).

Diversified CII in January-March of 2017, similarly, had growth of securities portfolio (+UAH 6.0 mln., after -UAH 4.0 mln. at the end of 2016). As at 31.03.2017 it was worth **UAH 121.1 mln.**

Equities provided growth (+UAH 7.0 mln., after -UAH 3.9 mln. in Q4 2016). Weight increased from 80.1% to 81.9% of these CII's stock portfolio.

Investments in other securities: share of *OVDP* fell from 18.9% to 17.2%, and of *corporate bonds* - to less than 0.9% (table 12).

⁶ "Other" assets include corporate rights, denominated in other forms than securities, as well as accounts receivable, including loans to companies in which CII own share of capital (for venture funds).

Table 10. Portfolio of Securities and Derivatives in CII by Types of Instruments, as at 31.03.2017

Security Type	Aggregate Value of the Security in CII Portfolios, UAH	Share in the Aggregate CII Securities Portfolio	Q1 2017 Change, UAH	Change, %
Equities	29 021 202 156	56.02%	843 639 638	3.0%
Promissory notes	13 248 059 747	25.57%	593 596 845	4.7%
Corporate bonds	8 263 933 598	15.95%	-236 377 718	-2.8%
Internal state loan bonds (OVDP)	751 390 912	1.45%	318 720 802	73.7%
Mortgage securities	11 368 967	0.02%	-1 281 645	-10.1%
Derivatives	512 592 082	0.99%	270 588 401	111.8%
TOTAL	51 808 547 462	100.00%	1 788 886 323	3.6%

Table 11. Portfolio of Securities and Derivatives in CII (Venture Excluded), as at 31.03.2017

Security Type	Aggregate Value of the Security in CII Portfolios, UAH	Share in the Aggregate CII Securities Portfolio	Q1 2017 Change, UAH	Change, %
Equities	1 598 694 450	63.22%	-58 454 056	-3.5%
Corporate bonds	288 481 523	11.41%	1 897 505	0.7%
Internal state loan bonds (OVDP)	600 843 950	23.76%	323 121 469	116.3%
Promissory notes	40 779 279	1.61%	11 217 882	37.9%
TOTAL	2 528 799 201	100.00%	277 782 801	12.3%

Table 10. Portfolio of Securities and Derivatives in Diversified CII, as at 31.03.2017

Security Type	Aggregate Value of the Security in CII Portfolios, UAH	Share in the Aggregate CII Securities Portfolio	Q1 2017 Change, UAH	Change, %
Equities	99 243 376	81.94%	6 997 409	7.6%
State bonds (OVDP)	20 822 015	17.19%	-885 049	-4.1%
Corporate bonds	1 046 818	0.86%	-159 336	-13.2%
Promissory notes	2	0.00%	2	x
TOTAL	121 112 211	100.00%	5 953 026	5.2%

8. Rates of Return: CII and Other Financial Instruments

Dynamics of CIIs' rates of return in Q1 2017 resembled the third quarter of 2016 - rapid growth of the key Ukrainian equity index contributed to the accelerated increase of value of investments in CII, in particular, of equity funds and open-ended CII (Chart 15).

Among the various areas of investments in the 1st quarter of 2017, Ukrainian equities, which were represented by the UX index, led - it grew by 30.9% (after adjusting by 1.8% in the fourth quarter of 2016).

Rates of deposits in foreign currency, as well as in hryvnia, kept downward trend. At the same time, weakening of the national currency during the quarter, though it was delayed very much, increased profitability of *deposits in foreign currency* during this period - +4.6% on annual deposits in euros, +2.1% - in US dollars; also yield of *deposits in gold* increased dramatically, due to recovering of precious metals' rate nearly to the level of the end of the 3rd quarter of the last year (+11.0%, after -10.2% in Q4 2016)⁷.

One year-term bank deposits in hryvnia brought for the 1st quarter of 2017 +4.4% and, accordingly, were inferior to many sectors of CII.

Residential real estate in Kyiv cheapened (in UAH terms - by 1.8% for the quarter, after +0.3% in the previous quarter). For the year its price fell by 9.3% in local currency (and by 9.1% in dollar terms).

Among CII by the types of assets, open-ended CII, number of which amounted to half among equity funds, regained primacy by the quarterly yield (totally, the share of equities in open-ended CII increased to 42% at the end of the quarter). Average gains of investments in open-ended CII in Q1 2017 rose to +10.2% (after +1.8%).

withdraw from investments on any working day without loss of yield, in contrast to fixed-term bank deposits, which mainly include recalculation of interest rate in case of early refund at the rate of deposits in current accounts (close to zero). At

the same time, calculated CIIs' rates of return do not account for possible commissions and other expenses at the entrance/exit to/from fund, as well as taxation of investments' yield in case of exit from fund and taxation of deposits' interest rate.

⁷ For adequate comparison of rates of return it is necessary to take into account the liquidity of CII, in particular, of open-ended type, which allows to

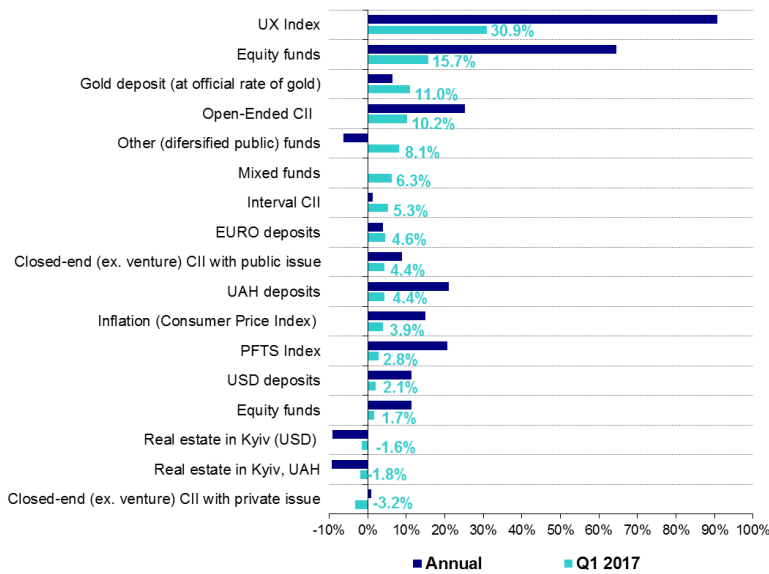


Chart 15. Rates of Return of CII, Deposits, Equity Indexes and Inflation Rate in Q1 2017⁸

Different funds showed from -0.9% to 32.3%, pushing the range upwards significantly. Only one fund in the sector had negative result, so 17 out of 18 of these CII provided increase of investments (94%, after 78% in Q4 2016).

All open-ended CII were more profitable than real estate, 11 at least offset losses from inflation and were more profitable than deposits in US dollars, 10 - than bank deposits in national currency and in Euro, 6 - than deposits in gold, and two of such funds outperformed the UX index.

Interval funds showed the second result among types of CII - their average quarterly rate of return was +5.3% (after -0.5% in Q4 2016 year). The range of individual funds' performance also significantly moved up - from -7.3% to +31.0%. 15 funds out of 19 showed growth (79%, after 58%).

Closed-end CII with public issue in the 1-st quarter of 2017 had similar dynamics of rates of return: it

increased for the quarter from -0.1% to +4.4%. Variation of different funds' results in the sector decreased significantly, despite the fact, that funds showed from -28.3% to +50.4%. While number of funds in the sector decreased, more of these CII provided growth of their investments (26 funds or 59%, after 21 fund, or 45%).

Closed-end CII with private placement (other than venture) narrowed the range of quarterly results - from -87.6% to +58.2% - the upper limit dropped, as well as the average yield in the sector (-3.2%, after +1.9%). Number of funds that showed increase of their securities' value, decreased to 7 (23%, after 10, or 32% in Q4 2016).

Among diversified CII with public issue by asset classes, as well as among all CII as a whole, **equity funds** led by yield in January-March of 2017 for the 4th consecutive quarter (+15.7%, after +11.8% in October-December of 2016). Three out of 8 of such funds showed growth at level of UX index, among which there were two open-ended and one interval CII. At that one closed-end equity fund had the single negative result, which significantly lowered the average indicator (without taking it into account, the last was at level of 22%).

Bond funds (4 out of 5 - open-ended ones) in the 1st quarter of 2017 were the least profitable among CII classes, but also had positive results (+1.7%, after +4.5% in Q4 2016).

Mixed funds significantly increased the quarterly yield: +6.3, after +0.2% in the previous quarter. This was accompanied by a sharp decrease of the number of funds in this class (from 27 to 16), and by increased number of funds with positive performance.

Other diversified funds with public issue, the number of which increased from one to 7, were the most profitable after equity funds and open-ended CII (+8.1% on average for 7 of such funds, after -17% of a single fund of this class in the 4-th quarter of 2016).

In terms of annual returns among CII, by the results of the 1st quarter of 2017, the leaders were also **equity funds** (+64.5%, after +15.0% in Q4 2016) and **open-ended CII** (+25.1%, after +14.0%), at that first ones inferior only the UX index (+90.6%).

⁸ CII rates of return are calculated based on reporting data for Q1 2017 for 18 open-ended, 19 interval, 74 closed-end CII (including 44 funds with public issue and 37 ones - with private placement) and on reporting data for the previous periods - see [Ренкінги: ІСІ за типами фондів та ІСІ \(диверсифіковані публічні\) - за класами фондів](#). Inflation rate is calculated based on data of the Ukrainian State Statistics Service (indexes of consumer prices for goods and services in 2017 (till to the previous month). Return on real estate in USA dollars is calculated as an average of data on residential property's values in Kyiv from web portals: <http://www.domik.net>, <http://100realty.ua>, <http://realt.ua>; in Hryvnia - based on data from web portal <http://100realty.ua>.

9. NPF Asset Management Market Performance

Table 13. Number of NPF under AMC management, by Fund Types in Q1 2017 and for the Year

NPF type	31.03.2016	31.12.2016	31.03.2017	Q1 2017 Change	Annual Change
Open	55	48	48	0.0%	-12.7%
Corporate	8	8	8	0.0%	0.0%
Professional	6	6	6	0.0%	0.0%
Total	69	62	62	0.0%	-10.1%

* Excluding NBU corporate pension fund.

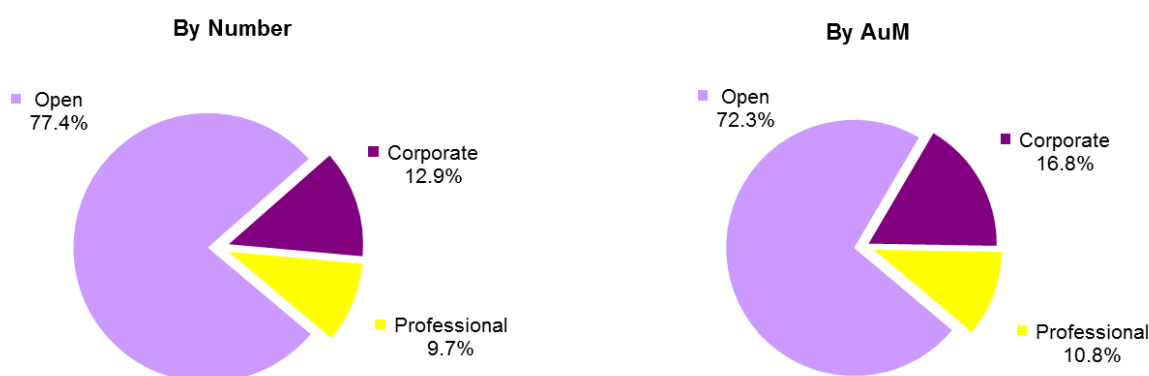


Chart 16. Breakdown of Number of NPF and Value of Their Assets under AMC Management, by Fund Types, as at 31.03.2017

Table 14. Value of NPF Assets under AMC Management by Fund Types in Q1 2017 and for the Year

NPF type	31.03.2016		31.12.2016		31.03.2017		AuM Change for Q1 2017	Annual Change	Annual Change, UAH
	AuM, UAH	Number of NPF reported	AuM, UAH	Number of NPF reported	AuM, UAH	Number of NPF reported			
Open	705 261 235	53	744 287 554	46	793 242 371	48	6.6%	12.5%	87 981 136
Corporate	149 943 016	7	176 171 316	7	184 427 310	7	4.7%	23.0%	34 484 293
Professional	109 603 307	6	116 185 980	6	118 911 163	6	2.3%	8.5%	9 307 856
Total	964 807 558	66	1 036 644 850	59	1 096 580 844	61	5.8%	13.7%	131 773 286

Volume of assets of non-governmental pension funds⁹ under management in the 1st quarter of 2017 accelerated growth, with a constant number of NPF and AMC, which managed their assets.

Number of pension funds under management as at 31.03.2017 amounted to **62** (except corporate fund of NBU), for the year it decreased by **10.1%**. Under management of 39 AMC there were 48 open, 8 corporate and 6 professional NPF (table 13).

Most of all there were NPFs of open type, the market's share of which by the number was 77.4% for the quarter (Chart 16).

Value of NPF assets under AMC management for the quarter increased by **5.8%**, and for the year - by 13.7% to **UAH 1,096.6 mln.**, that was partly due to the increasing number of funds that have provided statements for this period (table 14). Also, growth continued despite the further reduction of the number of securities listed on stock exchanges and their very small number by the results of March of 2017.

Open NPF, which had 72.3% of market's assets (after 71.8% in early 2017) - increased assets under management for the 1st quarter the most - by 6.6% to **UAH 793.2 mln.** Annual growth slightly accelerated - + 12.5% (after 11.1% in Q4 2016).

⁹ Excluding corporate pension fund of NBU

Assets of **corporate NPF** under management again rose the fastest during the quarter - **by 4.7%** (after +5.4% in the previous quarter) and reached **UAH 184.4 mln.** For the year, growth accelerated to **23.0%** (after +20.4%).

Professional NPF also somewhat weakened growth in the 1st quarter, along with increased annual growth: **+2.3%** (after +3.9%) and +8.5% (after +3.8%), respectively. As at 31.03.2017 they amounted to **UAH 119.8 mln.**

Corporate NPF remained **the largest in terms of average assets under management** (UAH 26.3 mln., after UAH 25.2 mln. at the beginning of the year).

Professional NPF increased the average size of the fund to UAH 19.8 million (from UAH 19.3 mln.).

The average volume of **open NPF's** assets under management at the end of Q1 2017 remained the smallest, but increased to UAH 16.5 mln. (from UAH 16.2 mln. in Q4 2016).

Share of securities in the **structure of NPF assets** in early 2017, unlike the previous two quarters, increased - from 50.3% to **50.9%** (for the year - decreased from 52.7%, Chart 17).

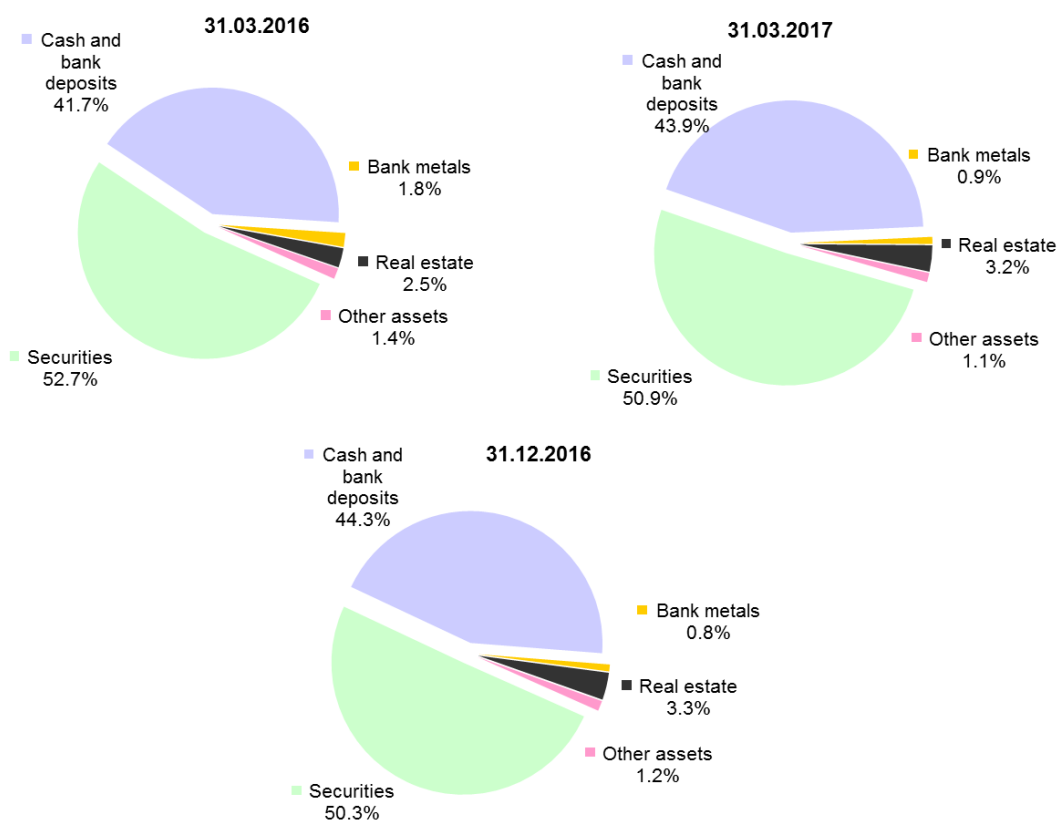


Chart 17. Dynamics of NPF Aggregate Portfolio Structure in Q1 2017 and for the Year

NPF assets **in securities** rose for the year by UAH 36.2 mln., or 6.9%, for the year - by UAH 49.4 mln. (+9.7%).

At that **open NPF** provided more than half of growth (UAH 25.5 mln. for the quarter, UAH 27.6 mln. for the year). Securities in this sector had the largest weight among the types of assets (table 15, Chart 18).

At the same time, **professional NPF** in the 1st quarter of 2017 decreased investments in funds' assets (-UAH 1.1 mln., -1.4%) - to UAH 77.4 mln., though their dynamics for the year remained upward (+UAH 3.3 mln., +4.5%). At that weight of securities in the aggregate

portfolio of these funds' assets under management fell also - from 67.6% to 65.1%, while it remained the largest among NPF types. Increase of total sector's assets on bank accounts (+UAH 3.8 mln., +13.1% for the quarter) also contributed to this.

Cash on bank accounts remained the second largest component of pension funds' assets under management as a whole and of each sector by NPF type in particular (**43.9%** in all NPF together, after up to 44.3% at the beginning of the year). Totally, in all funds they increased in the 1st quarter of 2017 by UAH 23.1 mln. (+5.0%), and for the year - by UAH 79.9 mln. (+19.9%).

While *corporate and professional NPF* showed opposite dynamics of these assets (in the first ones their volume decreased by 3.4%, in the second - grew by 13.1%), *open NPF* provided almost all quarterly growth (+UAH 22.3 mln., +6.5%). And for the year they *were professional and corporate NPF*, which actively built up assets in banks (+25.0% and +22.2%, respectively).

Real estate, the same as before, was in assets of open and professional NPF, **and precious metals** - only in open ones. The aggregate weight of these types of assets in all NPF as a whole unchanged during the quarter, while bank metals became relatively a little bit more, and real estate - less.

Table 15. Structure of NPF Assets under AMC Management, by Fund Types, as at 31.03.2017, UAH

NPF type	Securities	Cash and bank deposits	Bank metals	Real estate	Other assets
Open	378 925 327	366 216 513	9 455 127	30 051 909	8 593 495
Corporate	101 546 110	82 881 200	0	0	0
Professional	77 411 745	32 804 045	0	5 050 939	3 644 434
Total	557 883 182	481 901 758	9 455 127	35 102 848	12 237 929

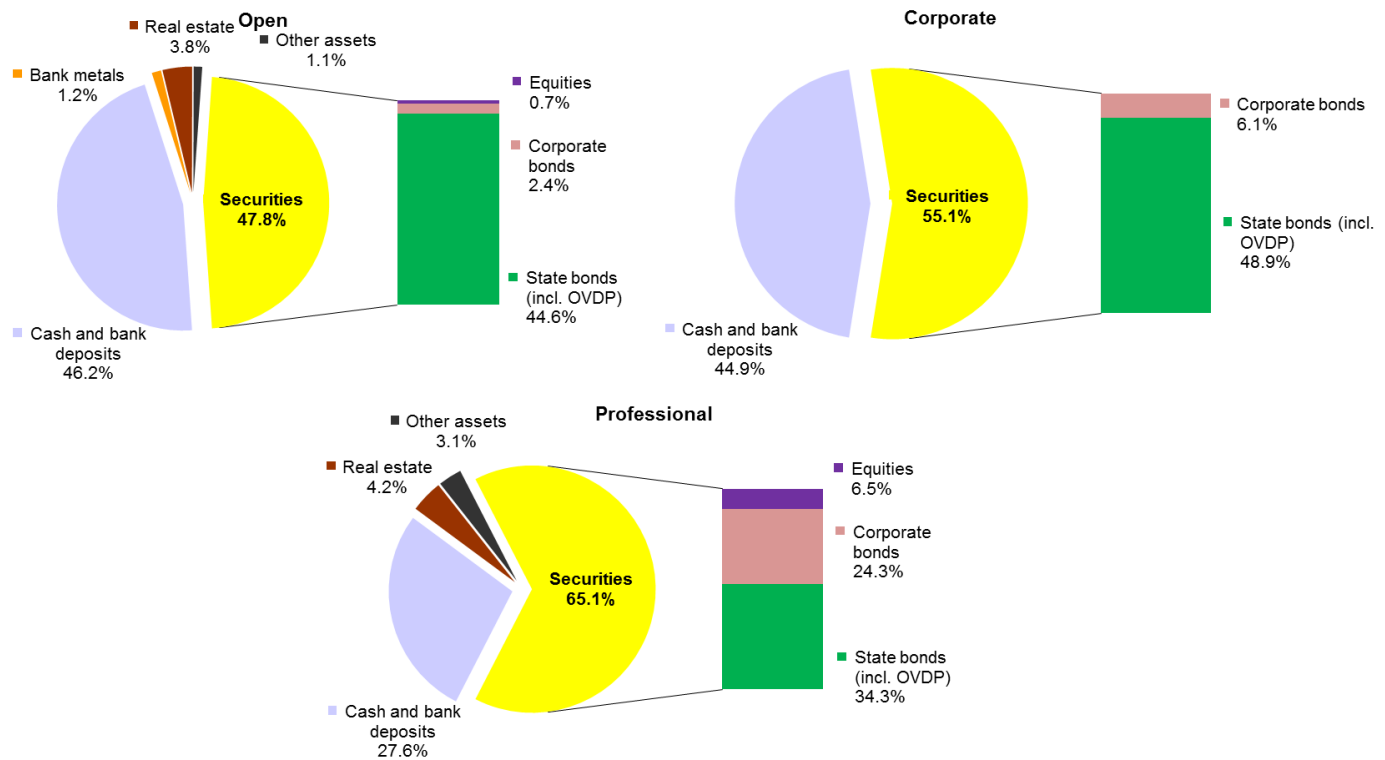


Chart 18. NPF Assets Structure by Fund Types as at 31.03.2017

10. Insurance Companies' Asset Management Performance

In Q1 2017 assets of insurance companies (IC) under management increased, with a constant number of market participants.

Number of IC that transferred their assets under management remained at level of 7, and **AMC** that provided such services - **3** (Chart 22).

IC assets under management continued to grow, at that by increased rates - **by 27.3%** for the quarter (after +6.0 in Q4 2016), and for the year – they more than doubled (**+106.4%**). As at 31.03.2017 they reached **UAH 69.1 mln.** (Table 13).

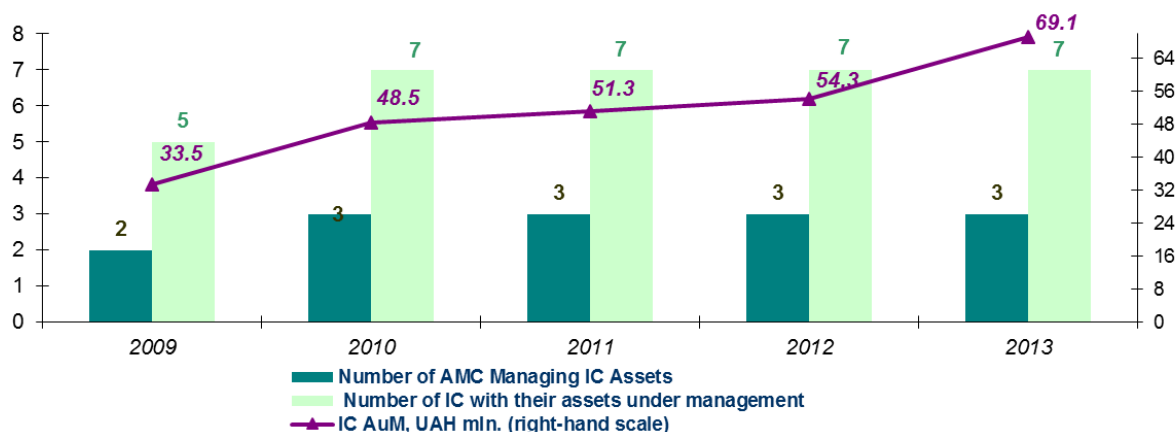


Chart 19. Dynamics of IC Asset Management in Q1 2016-2017

Table 16. IC Assets under AMC Management in Q1 2016-17

Date / Period	Number of AMC Managing IC Assets	Number of IC with their assets under management	IC AuM, UAH mln. (right-hand scale)	Change of IC Assets Managed		
				for the Quarter	YTD	Annual
Q1 2016	2	5	33.5	2.2%	2.2%	0.9%
Q2 2016	3	7	48.5	44.7%	47.9%	72.3%
Q3 2016	3	7	51.3	5.8%	56.4%	69.0%
Q4 2016	3	7	54.3	6.0%	65.7%	65.7%
Q1 2017	3	7	69.1	27.3%	27.3%	106.4%

* IC - Insurance Companies

11. Resume

The first quarter of 2017 brought mainly positive results to the stock markets of the world.

Some improvements in the economy and increased attention from international investors contributed to growth also of the leading Ukrainian equities.

Collective investment institutions, which retained a significant portion of assets invested in the stock market, as a consequence, had higher yields. This helped to increase competitiveness of funds with public offer, in particular of open-ended CII and equity funds, along with other types of financial instruments and the most popular areas of investing of savings.

Along with a significant intensification of capital inflows into investment funds in the EU at the beginning of 2017, Ukrainian open-end CII experienced accelerated outflow of capital, but it remained small and was largely associated with the rapid rise on the stock market, that allowed to fix profit or improve financial results of investments in CII. Some funds continued to raise additional assets from investors.

Key trends of the asset management industry in Ukraine in the 1st quarter of 2017 were:

- stabilization of the number of AMC and increasing of the number of registered and recognized CII - mainly due to venture CII, in particular CIF ones;
- recovery of growth of industry's assets and increase of venture CIIs' share by their number and value of assets;
- increased weight of Kyiv and metropolitan region in the market by the number of AMC and assets under management and, at the same time, reduction - by the number of CII, against more active creation of funds in Kharkiv and Lviv;
- increase of NAV of open-ended CII for the fourth consecutive quarter, with some increasing of net outflow of capital from them;
- growth of assets and NAV of interval and closed-end CII with public issue – for the second consecutive quarter, while reducing of the number of recognized and operating closed-end funds;



- growth of the number of investors in the industry for the first time during the year - due to interval and closed-end CII with private placement (including venture funds); in open-ended funds - a slight decrease of the number of depositors for the second quarter in a row;
 - continuation – for the third consecutive quarter - of growth of Ukrainian citizens' assets in all sectors of CII; at that in open-ended, interval and venture funds their weight somewhat decreased against dynamics of investments of other categories of investors;
 - active increasing of investments in venture funds by companies-residents, that provided some growth of their share in the sector, after a notable reduction in the previous quarter;
 - increasing of securities' weight in assets of CII's sectors with public offering - while decreasing in closed-end funds with private placement (including venture funds), with growth of their total value in all sectors of CII
 - growth of yield in all sectors of CII other than closed-end non-venture CII with private issue and bond funds; return of interval and closed-end CII with public issue to positive profitability zone;
 - increased number of funds with growing value of their securities for the quarter - in all sectors of CII, excluding closed-end funds with private placement;
 - in pension funds' asset management market - a further increase of NPF assets under management, with a constant number of market participants (AMC and funds);
 - in asset management market of insurance companies - growth of assets under management intensified, with constant number of market participants.
- Return of the stock market's dynamics in early 2017 to an even more rapid growth compared with one, that was observed in the 3rd quarter of 2016, along with preservation of a significant equities' share in funds' portfolios, contributed to an increase of CII's profitability. Investors of open-ended funds at that time preferred to fix profits or improve results from investing in them, while interval and closed-end funds with private placement actively attracted investors, that restored the fast growth of the industry. This was facilitated by relatively stable operating conditions for funds and AMC during the 1st quarter of 2017.

See additional information and statistical data on the UAIB website:

- [The Ukrainian Fund Market in Figures](#)
- [Daily Fund Data](#)
- [Analytical Reviews and Statistics of Publicly Offered Investment Funds: *Weekly; Monthly*](#)
- [Quarterly & Annual CII Industry Reviews](#)
- [Quarterly Statistics of NPF Under Management](#)
- [Ranking: AMC Rankings; CII Rankings \(by fund types and by fund classes\)](#)

For more information about UAIB [please visit UAIB website.](#)