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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) <sup>1</sup>. 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**.

<sup>1</sup> 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. CII Asset Management Market Results

### 2.1. Number of AMCs and CIIs

The number of asset management companies increased in 2019, but in Q4 decreased by one and amounted to **293** - three less than at the beginning of the year (Chart 1). In Q4, according to UAIB, one new AMC was created, while two were closed. Throughout 2019, 5 new AMCs were created (after 12 in 2018), and 8 companies ceased their activities.

At the end of December 2019, there were 278 AMCs that had funds under management (283 a year ago). They managed from one to 57 funds (up to 37 funds a year ago), and more than 99% of all AMCs still managed at least one venture CII.

During October-December 2019, 47 new CII were registered (after 33 in July-September and 27 years ago). Taking into account the funds that closed during Q4, as of December 31, 2019, the **total number of registered**

**CII**, according to UAIB, increased to **1890** (+42 funds, or + 2.3% for Q4 and +107 funds, or + 6.0% per year). Thus, its growth lasted for the fourth year in a row and steadily accelerated in annual terms, and the growth for Q4 was twice as large as for Q3.

The **number of CII, which reached the minimum asset standard (formed, or 'established' funds)**, grew for the ninth consecutive quarter and for the third year in a row – to **1326** (+ 3.3% in Q4, after 2.0% in Q3, and +8.0 % for the whole of 2019, after + 5.2% in 2018).

During October-December 2019, 50 CII were established as having taken place (after 35 in July-September). For the whole year, the standards reached 134 (including 132 - venture), after 107 (106) in 2018.

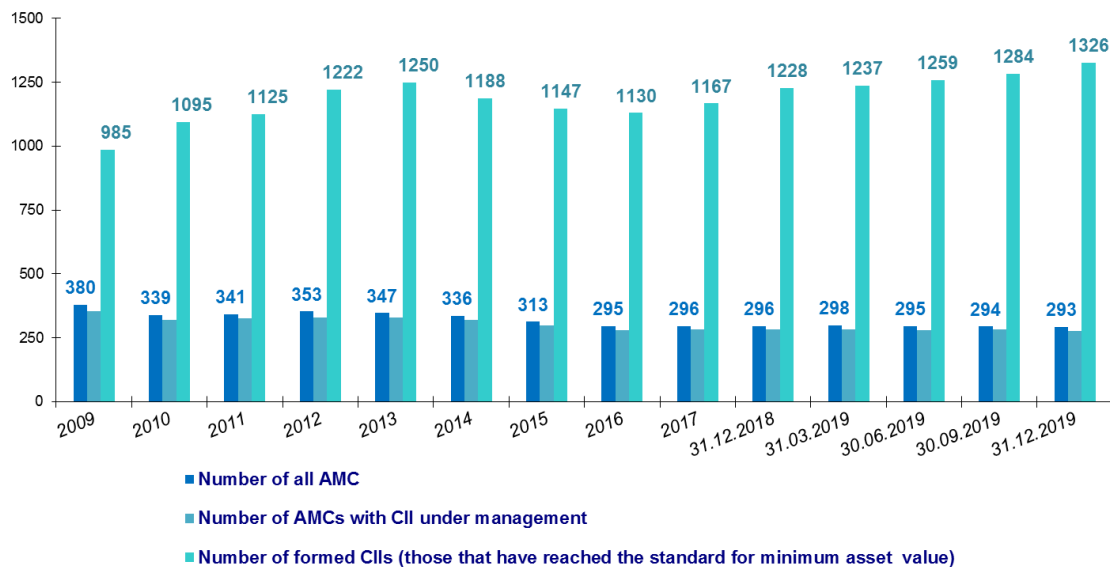


Chart 1. Dynamics of number of AMC and CII in 2009-2019 and in Q1-Q4 2019

All 50 new funds formed during Q4 2019, which were managed by AMC, were venture CII, of which 6 were UIFs, the rest - CIFs, which reached the minimum assets at the same time with state registration.

According to the results of Q4, taking into account the funds that left the market, the number of existing funds among venture CIFs increased by 43 funds (+ 10.3%), while venture UIFs - by one (+ 0.1%, Table 1). For the whole of 2019, the former increased by 99 (27.3%), the latter - by three (0.4%).

Finally, the share of venture UIFs among all CII fell from 60.4% at the beginning of the year to 56.2%, although

venture funds in general increased from 89.8% to 91.0% (Chart 2). In December 2019, there were a total of 1207 venture CII (+ 3.8% for Q4 and + 9.2% for the year - after + 6.6% in 2018).

In the closed-end non-diversified CIFs sector (excluding venture funds) in Q4 2019 the funds decreased by two (-4.3%), and for the whole year - by 6 (-11.8%).

The number of 'established' funds in all sectors of UIFs, except venture funds, did not change in October-December, and for the whole of 2019 only the number of operating interval diversified funds (-2, -10.5%) decreased up to 17. In the sector of open-ended CII, where the total

number of operating funds was unchanged during the year (17), another fund changed its appearance from diversified

to specialized, so there were already 7 such funds in December (+ 16.7% in 2019).

Table 1. Dynamics of number of CII that have reached compliance with standards, by types and legal forms in 2019

Date/Period	Total	UIF*									CIF*		
		O*	Os*	I*	Is*	CD*	CNN*	Cs*	Cq*	CV*	I*	CNN*	Cq*
31.12.2018	1230	13	6	19	3	3	27	1	1	742	51	1	363
31.03.2019	1242	12	7	19	3	3	28	1	1	742	51	1	374
30.06.2019	1259	12	7	18	3	3	28	1	1	743	49	1	393
30.09.2019	1284	12	7	17	3	3	27	1	2	744	47	2	419
31.12.2019	1326	12	7	17	3	3	27	1	2	745	45	2	462
Q4 2019 Change	42	0	0	0	0	0	0	0	0	1	-2	0	43
	3,3%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,1%	-4,3%	0,0%	10,3%
YTD (Annual)	96	-1	1	-2	0	0	0	0	1	3	-6	1	99
	7,8%	-7,7%	16,7%	-10,5%	0,0%	0,0%	0,0%	0,0%	100,0%	0,4%	-11,8%	-	27,3%

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

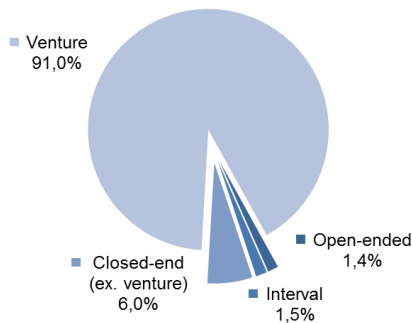


Chart 2. CII that have reached compliance with the standards, by fund type, as at 31.12.2019

The number of CII that have not yet reached the minimum asset size among all funds under AMC management, as of December 31, 2019, as at the beginning of the year, was 48 (3.5% of all CII under management, after 3.8% in January).

In the process of liquidation, according to UAIB, at the end of 2019, a total of 81 funds remained or started, or 6.1% of all established and operating CII (at the beginning of the year - 6.8%). Among them were: two open-ended, three interval and three closed-end

diversified UIFs, 9 closed non-diversified UIFs and three similar CIFs, 59 venture UIFs and two venture CIFs.

The number of CII with public issue in Q4 2019 declined by another three closed-end non-diversified funds (-3.6%), to 82 (-9.0% per year, Table 2).

The number of AMCs managing CII with public issue in Q4 2019 decreased from 35 to 34. There were 11 of them left in the open-ended CII sector (excluding AMCs of liquidated funds - 10).

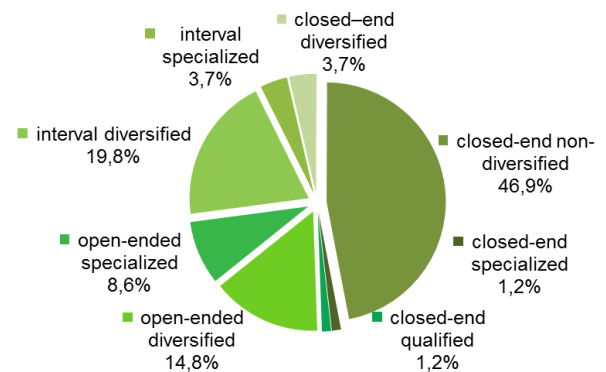


Chart 3. CII with public issue as 31.12.2019

Table 2. Dynamics of number of CII with public issue in 2019

CII Type	Total	Open-ended			Interval			Closed-end				
		D*	S*	Total	D*	S*	Total	D*	N*	Q*	S*	Total
31.12.2018	89	13	6	19	18	3	21	3	44	1	1	49
31.03.2019	89	12	7	19	18	3	21	3	44	1	1	49
30.06.2019	86	12	7	19	17	3	20	3	42	1	1	47
30.09.2019	84	12	7	19	16	3	19	3	41	1	1	46
31.12.2019	81	12	7	19	16	3	19	3	38	1	1	43
Q4 2019 Change	-3	0	0	0	0	0	0	0	-3	0	0	-3
	-3,6%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	-7,3%	0,0%	0,0%	-6,5%
YTD (Annual)	-8	-1	1	0	-2	0	-2	0	-6	0	0	-6
	-9,0%	-7,7%	16,7%	0,0%	-11,1%	0,0%	-9,5%	0,0%	-13,6%	-	0,0%	-12,2%

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

There were **33 diversified and specialized CIIs with public issue**, which reported for Q4, as well as during the whole year (Table 3).

Equity funds, according to the classification based on the structure of assets<sup>2</sup>, at the end of December 2019 were 6, of which - the same one open-ended and 4 interval CIIs as in Q3, and another interval, which moved to this class from "Other" funds. Together, funds of this class covered 18.2% of all diversified and specialized CIIs with public issue (Chart 4) - after 27.3% at the beginning of the year.

Bond funds at that time were three of the 5 that were assigned to this class in September - two open and interval. Together, they accounted for 9.1% of all diversified and specialized CII with public issue (as at the beginning of the year).

There were 23 mixed investment funds in December 2019, and their funds were replenished with two funds that belonged to the class of bond funds in Q3. As of December 31, 2019, 13 open-ended, 8 interval and two closed-end CII were included in the mixed funds. At the end of the year, the share of this class was 69.7% of all diversified and specialized CII with public placement (after 54.5% at the beginning of the year).

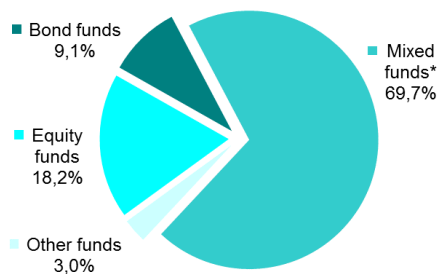


Chart 4. Diversified CII with public issue as at 31.12.2019

Table 3. Dynamics of diversified CII with public issue by fund types (according to asset structure) in 2019

Date/Period	Total	Equity funds	Bond funds	Mixed funds*	Money market funds	Other funds
31.12.2018	33	9	3	18	0	3
31.03.2019	33	7	3	20	0	3
30.06.2019	33	5	3	22	0	3
30.09.2019	33	5	5	21	0	2
31.12.2019	33	6	3	23	0	1
Q4 2019 Change	0	1	-2	2	0	-1
	0,0%	20,0%	-40,0%	9,5%	-	-50,0%
YTD (Annual)	0	-3	0	5	0	-2
	0,0%	-33,3%	0,0%	27,8%	-	-66,7%

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

## 2.2. Regional Breakdown

In Kyiv and the capital region in Q4 2019, the total **number of acting AMCs** decreased by two and at the end of December amounted to 206 (Chart 5). At the same time, one new AMC was created here. In general, in the TOP-5 regions in terms of AMC, except for Kyiv, at the end of 2019 the number of companies decreased by one compared to September: in Odessa region they increased by one (8), in other leading regions - unchanged - as in other regions of Ukraine. The share of the latter, however, increased from 10.5% in September (as at the beginning of 2019) to 10.6% in December.

For the whole of 2019, the number of Kyiv companies decreased by four. According to this indicator, the market share of Kyiv and the capital region decreased both in Q4 and for the whole of 2019: from almost 71% at the beginning of the year and 70.8% in September to 70.3% in December.

The **number of CII** registered in Kyiv and the region in Q4 2019 increased from 958 to 996 funds (+ 1.1%), and in Ukraine as a whole - by 3.5%. Accordingly, the weight of Kyiv and the region according to this indicator for Q4 (as well as for the whole year) increased from 71.7% to 72.0% (Chart 6). The share of Dnipro, while the number of CII in the city and its region increased by two (+ 2.2%) in Q4, decreased from 6.8% to 6.7% (at the beginning of 2019 - 7.3%). The weight of Kharkiv increased from 6.1% at the beginning of the year and 6.0% in September to 6.2% in December, which was facilitated by an increase in the number of CII in this region by 5 (+ 6.3%). In Lviv and Ivano-Frankivsk oblasts, one fund was added (+ 1.3% and + 2.5%, respectively) in October-December 2019, however, the share of these regions in the number of CII under management decreased in Q4, respectively, from 5.7% to 5.6% and within 3%. In other regions of Ukraine, the number of funds did not change, and their weight decreased from 6.8% to 6.6%.

In the distribution of **CII assets under management** by regions in Q4 2019, the share of TOP-5 regions decreased, including Kyiv - from 80.8% to 80.4% (although the volume of assets under management increased by 0.6%), as well as Dnipro - from 5.8% to 5.7% and Lviv - from 5.2% to 4.6% (in these regions CII assets decreased by 0.3% and 9.4%, respectively). Instead, almost 1 percent. The weight of Kharkiv increased to 4.9%, where the volume of CII assets in October-December 2019

<sup>2</sup> See Ренкінги «ІСІ (диверсифіковані публічні) - за класами фондів» and Методику ренкінгування КУА та ІСІ за результатами їхньої діяльності at the UAIB website: <http://www.uaib.com.ua>.

increased by 26.4%. The share of regions outside the TOP-5 in terms of CII assets under management in Q4 increased from 2.3% to 2.4% (and from 2.0% at the beginning of the year) - due to the growth of assets under management at a faster pace (+ 5.5% in Q4) quarter and + 29.8% for the whole of 2019).

Thus, in Q4 in particular and in 2019 in general, the "decentralization" of the industry continued, with an

increase in the weight of regions outside the TOP-5 in terms of AMC and assets under management (for the quarter; for the whole year - also the number of funds in management). The weight of Kyiv and its region both in Q4 and since the beginning of 2019 has increased only by the number of CII under management.



Chart 5. Regional distribution of AMC number as at 31.12.2019

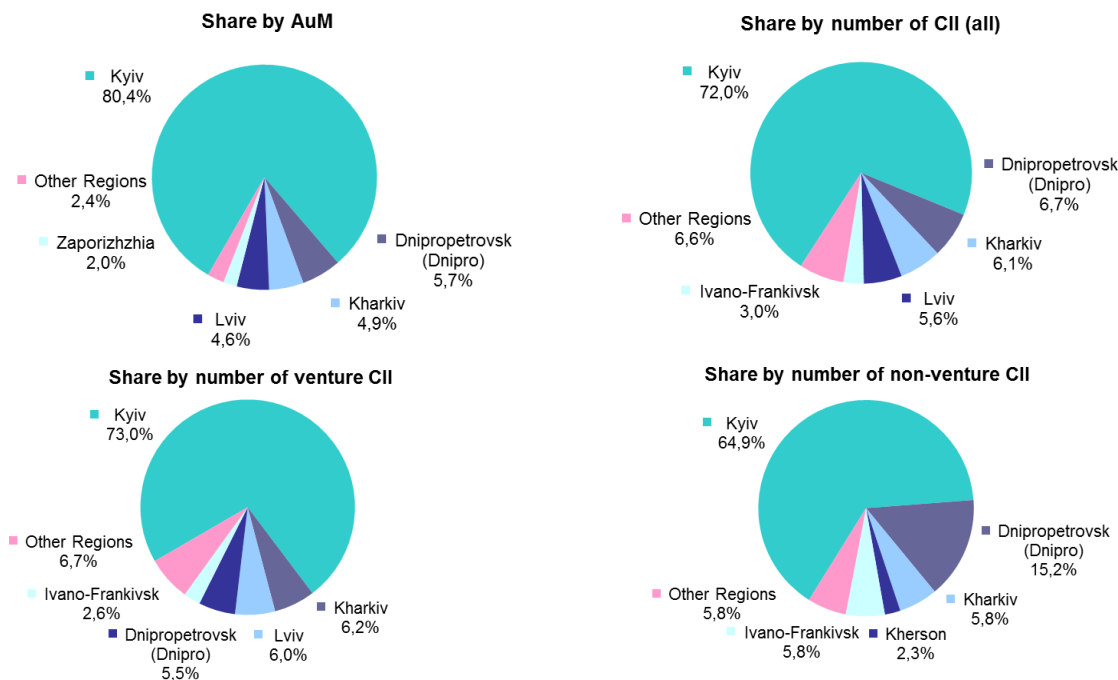


Chart 6. Regional distribution of CII by number and value of their assets under management as at 31.12.2019

**2.3. Assets and Net Asset Value of CIIs**

The **total assets of all institutional investors under AMC management** in Q4 2019 continued to grow: + 1.5% (after + 3.3% Q3) and at the end of December amounted to **UAH 355,086.8 million**. Thus, for the whole of 2019, they increased by 12.8% (after + 18.7% in 2018).

In Q4 2020, **CII assets under management**, including those that have not yet reached the minimum assets ratio, grew by 1.4%, and for the whole of 2019 - by 12.8% (after 18.8%) to **UAH 353,337.4 million**.

As of December 31, 2019, the **total assets of current CII under management, which reached the standards (formed, or 'established' funds)**, amounted to **UAH 339,129.8 million**.<sup>3</sup> In Q4 2019, they conditionally decreased by 0.2%, and for the whole year - increased by 14.3% (after + 7.7% - in 2018). Over the last 10 years, the assets of established CII have increased more than 4 times (+ 311%, Chart 7).

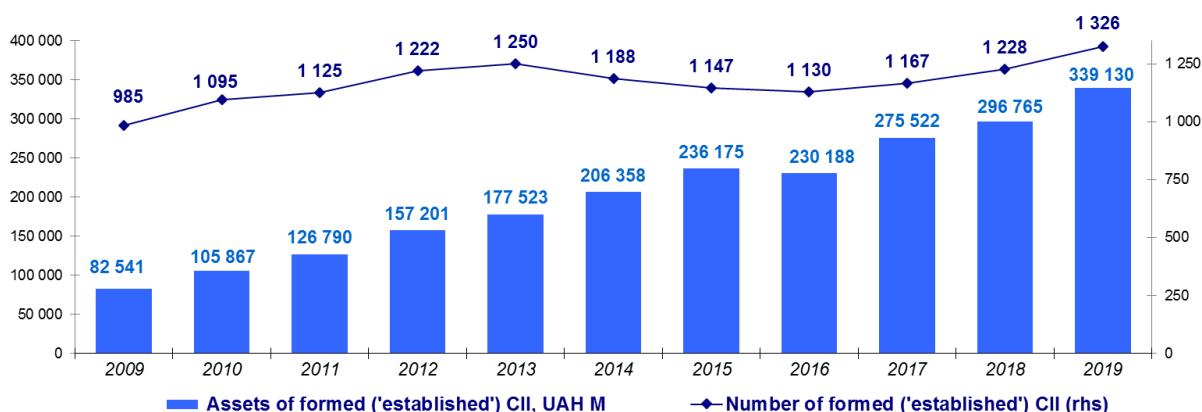


Chart 7. Dynamics of CII asset value and number of recognized CII in 2009-2019

The **ratio of CII assets to Ukraine's GDP** in 2019 increased for the first time in five years - from 8.3% at the beginning of the year to 8.5% at the end - due to relatively faster growth of funds' assets compared to nominal gross domestic product (+ 11.7%, Chart 9).

The **ratio to the assets of Ukrainian banks** grew for the third year in a row - from 18.3% in 2016 to 22.7% in 2019<sup>4</sup>. During this period, bank assets grew by an average of 6% over the year, while CII assets grew more than twice as fast (+ 13.9%).

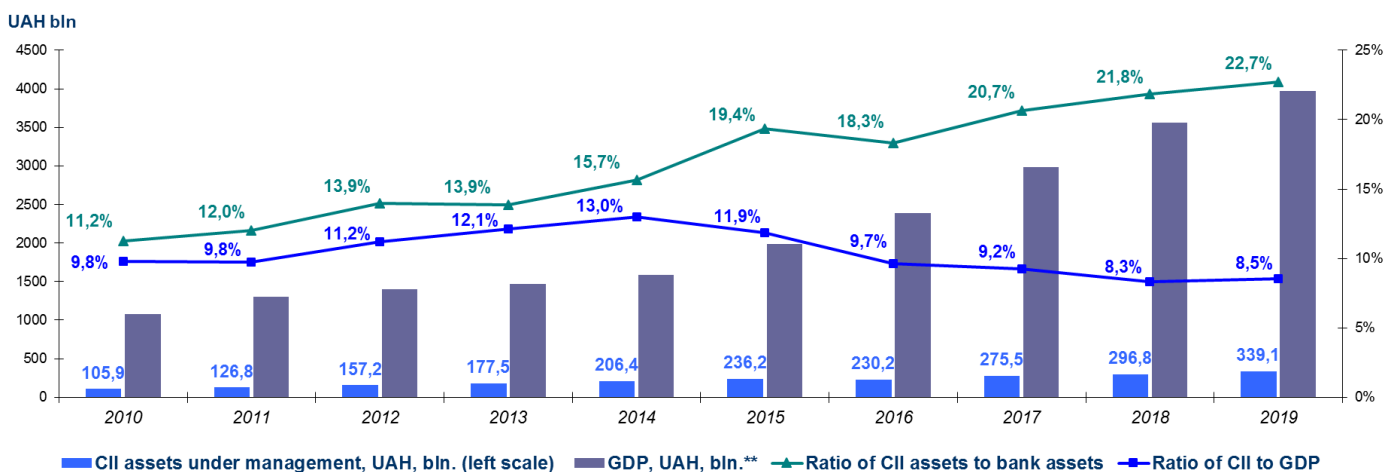


Chart 8. Dynamics of CII against the background of GDP and the banking sector of Ukraine in 2010-19

<sup>3</sup> Hereinafter, these indicators include data on the annual reports of AMCs on CII, as well as the assets of NPFs and ICs under management, for 2019, obtained at the time of preparation of this analytical review. They are fewer than they should be 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. According to UAIB estimates, the completeness of the received reports

is 96% and 99%, respectively, according to the number of reports on CII and NPFs and the volume of their assets under management.

<sup>4</sup> According to the updated data regarding the assets of banks as at 31.12.2015-2018 pp. Sources.: State Statistical Service of Ukraine <http://ukrstat.gov.ua>, National Bank of Ukraine: [https://bank.gov.ua/control/uk/publish/article?art\\_id=34661442](https://bank.gov.ua/control/uk/publish/article?art_id=34661442); Data and calculations on CII - UAIB.

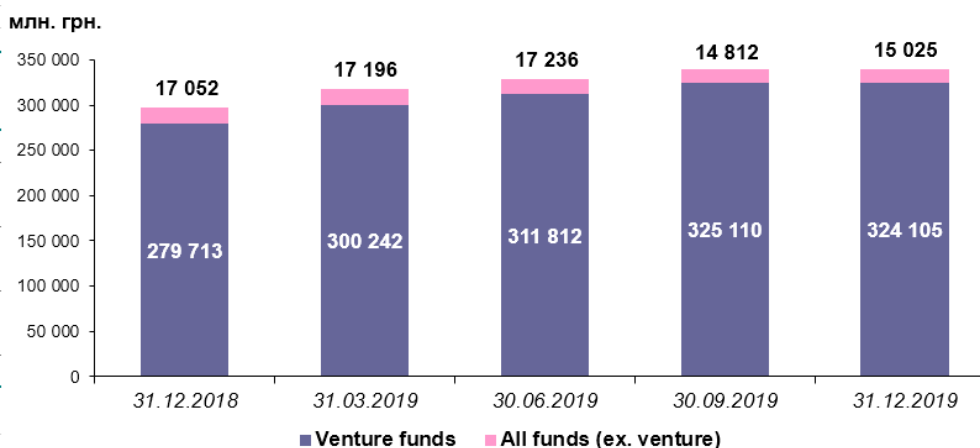


Chart 9. Dynamics of CII Assets in 2019

During 2019, the assets of established CII grew quarterly. The only conditional exception was Q4, which was mainly due to incomplete reporting, as this quarterly reduction was much smaller than the lack of fund reports. 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 (+ 9.2% for the year, including + 3.8% for Q4). Other closed-end CII with private placement in Q4 2019 was the only sector whose assets grew significantly (+ 2.1%) - even though the number of reports in this sector was 11.4% lower compared to Q3. For the whole of 2019, however, these CII still had the most negative result (-15.4% with a decrease in the number of reports by 6.1%). The assets of open-ended and interval funds, both in Q4 and for the whole of 2019 decreased in the context of declining stock

indices by 3% and 9-11%, respectively, and in addition, the former also suffered losses due to capital outflows.

And the increase for this year, in addition to venture funds, also recorded the sector of closed-end CII with public issue (+ 3.6%), despite a reduction in the number of reports by 20%.

In Q4 2019, the total value of CII assets (excluding venture) increased by 1.4%, and for the whole year it decreased by 11.9%, to UAH 15,024.8 million (Chart 9). Such a sharp decline was mainly due to the dynamics of the private placement sector with private placement.

The **net asset value of CIIs**, which reached the standards, as of December 31, 2019 reached **UAH 261,205.8 million** (Table 4). In Q4 2019, it formally decreased by 1.2% (see above the footnote on total assets), and in 2019 it added at least 10.8% (after + 5.7% in 2018).

Table 4. Dynamics of CII NAV by fund types in 2019, UAH M

Funds	31.12.2018	31.03.2019	30.06.2019	30.09.2019	31.12.2019	Q4 2019 change	Annual change
Open-ended	87,4	87,2	86,0	85,8	82,6	-3,7%	-5,4%
Interval	81,6	76,3	73,2	77,1	75,7	-1,8%	-7,1%
Closed-end (ex.venture)	15 226,1	15 497,3	14 945,3	13 150,9	13 505,3	2,7%	-11,3%
with public issue	2 471,0	2 701,6	2 707,1	2 579,4	2 557,9	-0,8%	3,5%
with private issue	12 755,2	12 795,7	12 238,2	10 571,5	10 947,3	3,6%	-14,2%
<b>All funds (ex. venture)</b>	<b>15 395,0</b>	<b>15 660,8</b>	<b>15 104,4</b>	<b>13 313,8</b>	<b>13 663,6</b>	<b>2,6%</b>	<b>-11,2%</b>
Venture funds	220 438,1	231 088,8	239 679,7	250 988,3	247 542,2	-1,4%	12,3%
<b>All funds</b>	<b>235 833,2</b>	<b>246 749,5</b>	<b>254 784,1</b>	<b>264 302,1</b>	<b>261 205,8</b>	<b>-1,2%</b>	<b>10,8%</b>

\* Operating CIIs that have reached the standard for minimum asset value (were 'established'), are under AMC management and reported for the relevant period (as at the reporting date).

Thus, growth accelerated compared to the previous year, despite the incomplete reporting by the funds for

2019 at the time of preparation of this Review, as well as some actual reduction in the number of existing funds.



## Analytical Review of the Asset Management Industry in Ukraine

### Collective Investment Institutions

Q4 2019 & Full Year 2019

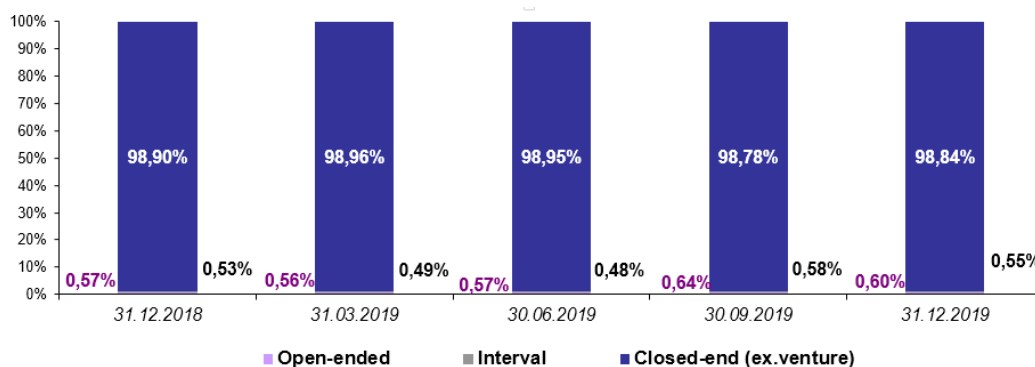


Chart 10. Dynamics of non-venture CIIs' NAV breakdown, by fund types in 2019

Venture CIIs, whose net assets in 2019 had several times higher growth even compared to closed-end funds

with public placement, increased their weight in the NAV of all CII for the year from 93.5% to 94.8% (Chart 11).

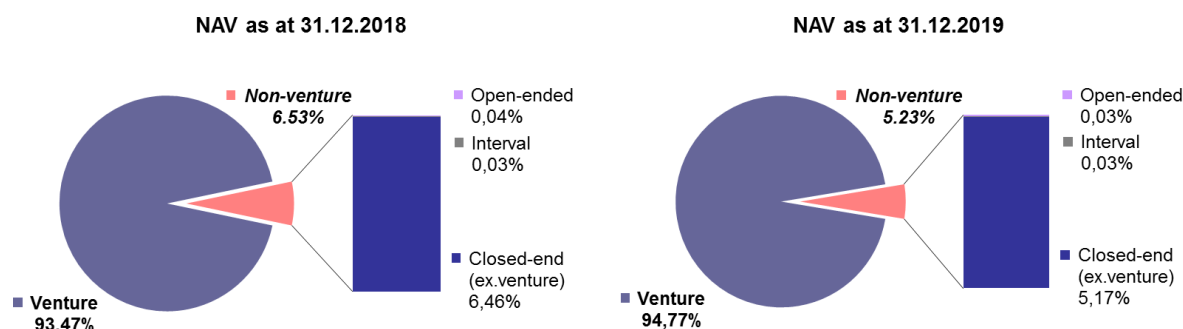


Chart 11. CII NAV Breakdown by fund types in 2019

### 2.4. Net Capital Flow in Open-Ended CIIs

In Q4 2019, capital movements in Ukrainian open-end CII became negative again, after a slight inflow in Q3.

Redemptions outweighed sales every month, and although the net outflow fell to - UAH 0.3 million in November, it accelerated in December (Chart 12). This was accompanied by a fall in stock indices (UX and PFTS) in October-November and an upward correction (+ 1.75% on the UX index) in December, which investors used to partially withdraw funds.

Of the 17 open-ended CIIs reported during the quarter, 12 funds had some capital movements. There were 10 funds with a net outflow (6 in Q3), and their total net losses from investor output in Q4 amounted to UAH

2.4 million. Half of this outflow was caused by capital movements in only one fund (40% in Q3).

There were two funds with a net inflow (three in Q3), and their total additional revenues for Q4 amounted to less than UAH 0.2 million.

During Q4 2019, the number of funds with a net outflow ranged from 6 in October-November to 10 in December, and funds with a net inflow - from one in October and December to two in November.

Additional investments in open-ended funds in Q4 2019 were mainly made by local enterprises, while the total investments of resident retail investors in the sector decreased significantly during this period - together with the withdrawal of some of them from these funds.

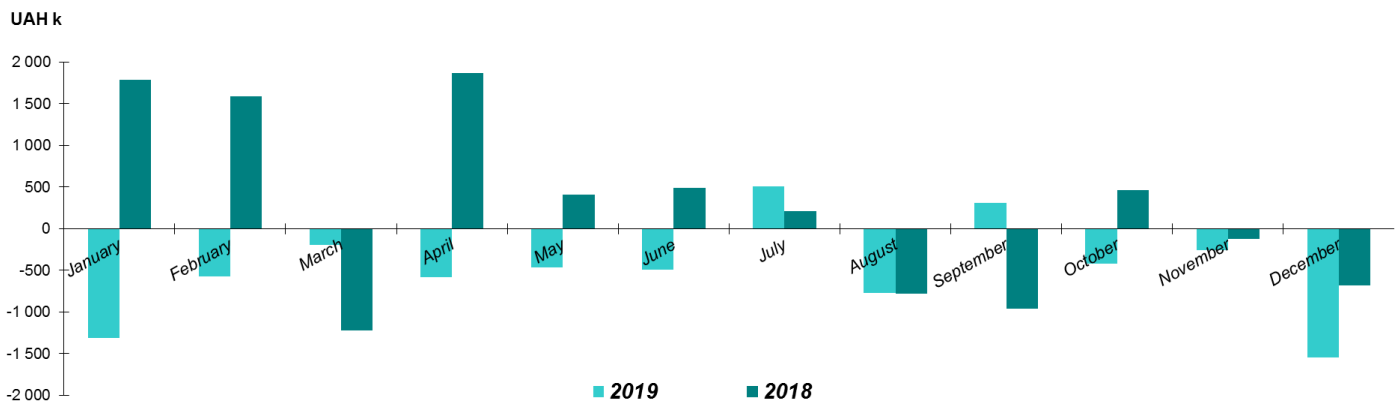


Chart 12. Monthly net flow of capital of open-ended CII in 2018-2019 (based on daily data)

The **total net flow of capital in open-ended CII** in Q4 2019 was negative and the largest for the whole year: **UAH -2.2 million** (after +0.1 million UAH in Q3, Chart 13).

This significantly worsened the **annual sales of open-ended CII** (Chart 14), which eventually became negative in 2019 for the first time in three years and amounted to UAH -5.8 million. (after UAH +3 million in 2018 and UAH 2.2 million in 2017).

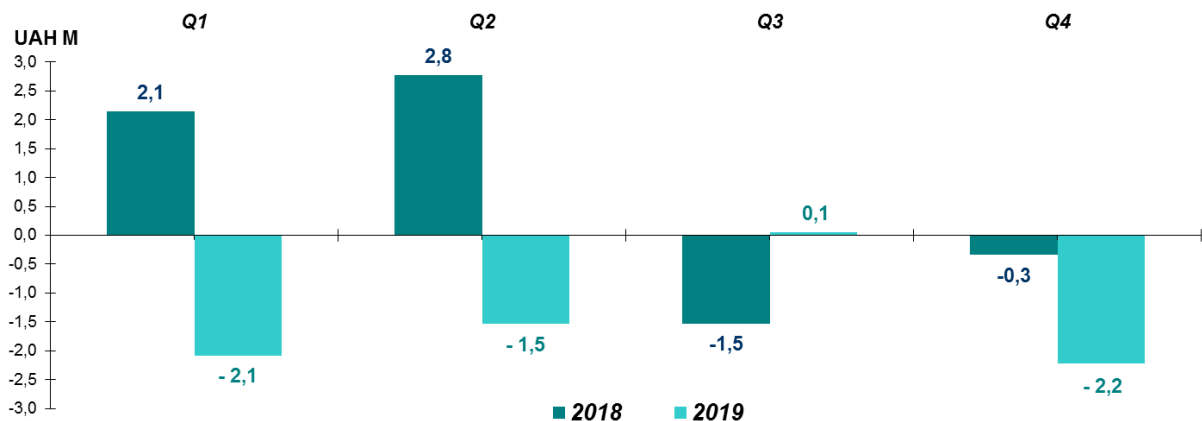


Chart 13. Net flow of capital of open-ended CII in 2018-2019, quarterly

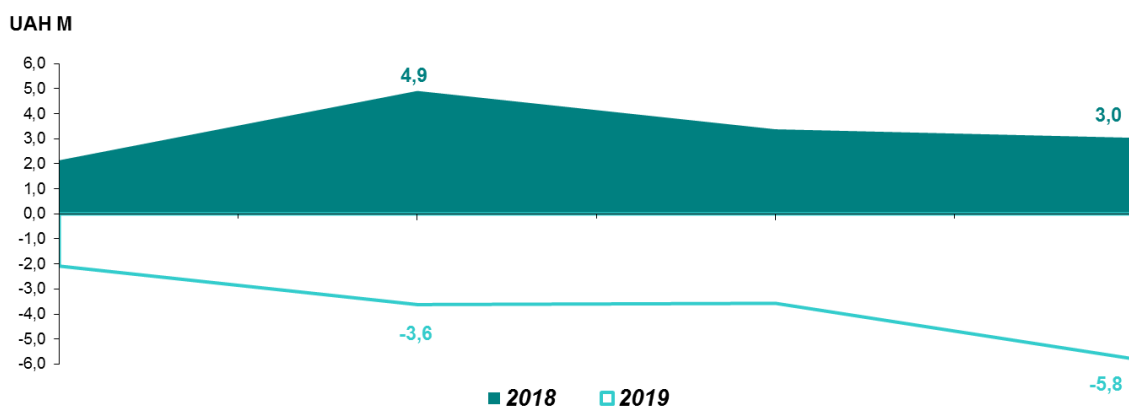


Chart 14. Net flow of capital of open-ended CII in 2018-2019, accumulated since the beginning of the year



At this time, the European investment market continued to receive funds at almost the same rate as in the previous quarter. This allowed to increase net revenues to the European fund industry for the whole of 2019. This was facilitated, in particular, by the preservation of the ECB's soft monetary policy, which stimulated the economy and markets, and the return of the US Federal Reserve to it, including through the reversal of the rate of increase in the opposite direction. Only money market funds and some "other" funds suffered a slight outflow in December and November, respectively, as well as part of equity funds and bond funds among the categories of alternative funds.

In total, **in Q4 2019, the net inflow of capital into the EU investment fund industry, according to EFAMA, amounted to € 190 billion** (after + € 188 billion in Q3 and + € 48 billion a year ago)<sup>5</sup>. Compared to 2018, **net sales of funds in 2019 more than doubled to € 546 billion** (after of 258 in 2018).

**Net inflows into UCITS funds<sup>6</sup>** in Q4 2019 accounted for most of the additional revenue to the industry during this period: € 148 billion (after € 157 billion in Q3 and an outflow of € 71 billion a year ago). This was more than these funds attracted for the whole of 2018 (€ 121 billion) and increased the annual result from the beginning of 2019 to € 394 billion.

The most popular UCITS fund class in Q4 2019 were equity funds, which raised an additional € 61 billion (after -13 in Q3 and -7 in a year ago). Nevertheless, for the whole of 2019, these funds had a net outflow of € 12 billion (a year ago - an inflow of 109).

Bond funds raised almost € 60 billion in Q4 (albeit less than € 85 billion in Q3, and almost the opposite of €

46 billion in the worst UCITS class a year ago). This class of funds became the undisputed leader in net income in 2019, which amounted to € 301 billion (after -23 in 2018).

Outsiders of Q4 2019 in this category were money market funds: - € 3 billion (after -23 years ago). However, thanks to net sales of € 72 billion in Q3, they received € 85 billion in net inflows for the whole of 2019 (after -11 in 2018).

**Net inflows to AIF funds<sup>7</sup>** in Q4 2019 accelerated to € 43 billion (from € 33 billion in Q3 and 23 years ago). For the whole of 2019, they received € 152 billion in net revenues (in 2018 - 137).

The most popular AIF fund class in Q4 2019 were mixed assets funds (+€ 27 billion, after + 13 in Q3 and + 10 years ago) and "other" funds<sup>8</sup> (+€ 38 billion, after + 16 and + 8 respectively). For the whole of 2019, the former attracted an additional € 56 billion (after 32 a year ago), the latter - 125 (after 92 a year ago).

The least successful among AIFs, in contrast to UCITS, Q4 2019 was for bond funds, which during this period lost €22 billion in net capital outflows (after - € 4 billion in Q3 and -2 a year ago). For the whole of 2019, they had - € 19 billion (after -14 in 2018, when they were also outsiders to raise funds from the AIF).

The total NAV of the fund industry in the EU for Q4 increased by 3.3% (after 3.8% for Q3) and by 16.8% for the whole of 2019 (after -3% in 2018), which contributed to a significant inflow of capital, and the rapid recovery and growth of stock markets in Europe and the world described above. As of December 31, 2019, the net assets of the funds amounted to € 17.7 trillion, 62% of which belonged to UCITS.

## 2.5. CII Investors

As of the end of 2019, **resident legal entities** remained the largest investors in CII: they owned 59.3% of the net assets of all CII (after 60.7% in Q3 and 62.3% at the beginning of the year, Chart 15). The decrease in the weight of these investors in NAV CII lasted for the third year in a row - as well as the growth, despite this, of the total value of their investments (+ 5.5%, after + 11.1% in 2018). In

absolute terms, their growth was the second largest, while in relative terms it was second to the growth of investments of all other categories of investors.

By CII sectors by types of funds, in particular, in venture CII, the total value of investments of local enterprises in Q4 decreased by 3.4%, but for the whole of 2019 - increased by 5.2% (after + 11.8% in 2018). At the

<sup>5</sup> According to available data on the 28 EFAMA member associations (24 EU Member States, including Poland (former EFAMA Member) and Liechtenstein, Norway, Switzerland and Turkey) - see [EFAMA Quarterly Statistical Report Q4 2019](http://www.efama.org) at: <http://www.efama.org>.

<sup>6</sup> In this context, long-term UCITS funds are all classes of UCITS except money market funds. UCITS (Undertakings for Collective Investment in Transferable Securities) - enterprises for collective investment in negotiable securities (those that are in circulation in regulated markets); are open-ended funds with public placement of strict requirements for the composition, quality, liquidity and structure of assets. Regulated by the relevant Directive (Directive 2009/65 / EC of

13 July 2009, as amended by Directive 2014/91 / EU of 23 July 2014) and other related acts of EU legislation.

<sup>7</sup> AIF (Alternative Investment Funds) – alternative investment funds; in fact include all other regulated funds that are not UCITS. Companies that manage such funds are regulated by the AIFMD Directive (Directive 2011/61 / EU of 8 June 2011).

<sup>8</sup> This category of AIF includes equity funds, bonds and mixed assets in Ireland due to the lack of data on their distribution by these sectors.

same time, their share decreased from 65.6% at the beginning of the year and 62.7% in Q3 to 61.4% at the end of the year. In open-ended CII, the total investments of Ukrainian enterprises in Q4 and for the whole of 2019

increased, and their weight in the sector rose from 9.4% at the beginning of the year and 10.2% in September to 10.8% in December.

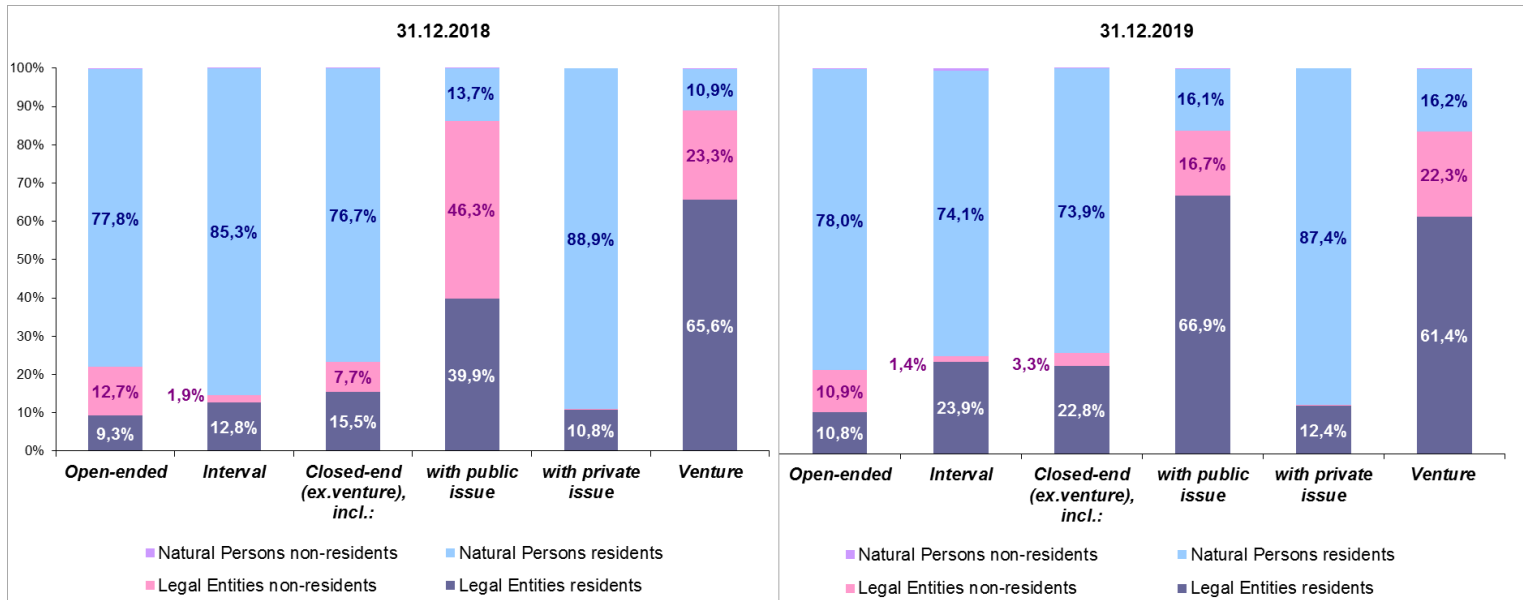


Chart 15. Investments in CII by category of investors at the beginning and at the end of 2019, share in NAV<sup>9</sup>

In Q4 and throughout 2019, **resident individuals** steadily increased their total funds in CII as a whole - mainly due to investments in venture funds (for this quarter - also in other closed-end CII).

In general, the weight of these investors in all CII by total NAV increased from 15.2% at the beginning of the year and 17.1% in September to 19.3% in December. In open-ended funds, in contrast to the same period in 2018, these investors reduced aggregate investments, which led to a decrease in their share in the NAV sector in Q4 from 79.2% to 78.0% (however, it increased from 77.8% at the beginning of the year). In venture CII, total baskets and the share of this category of investors continued to grow during 2019 (+ 11.4% for Q4 and + 40% for the whole year). The weight of local individual investors in this sector rose from 10.9% at the beginning of the year and 14.1% in September to 16.2% at the end of December.

The total value of **foreign investors'** investments in CII in Q4 2019 decreased in venture and other closed-end funds (and, consequently, in CII as a whole), while in open-ended and interval funds it increased. For the whole year, it increased only in the latter (due to individuals - non-residents).

At the end of the year, 98.5% of foreign investments were held by **non-resident enterprises**. In Q4, their open-ended funds increased by 1.3% and their weight - from 10.4% to 10.9%, but for the whole year they decreased both in absolute terms and relative to other investors' funds (weight at the beginning of the year - 12.7%). Together with retail foreign investors of these CII, the share of non-residents in open-ended funds increased from 10.6% to 11.2% in the quarter (however, it decreased from the beginning of 2019 from 12.9%). In venture funds it decreased from 23.5% at the beginning of the year and by 23.2% in September to 22.4% in December, and in all CII - from 22.5% and 22.2% to 21.4%, respectively.

The **number of CII investors** as of December 31, 2019 was 258,848 (Table 5). Of these, 98.7% were individuals - residents of Ukraine, 96.5% - participants of interval funds<sup>10</sup>, 0.6% - open-ended, 1.4% - venture CII.

At the end of 2019, there were 1,633 participants in open-ended funds (-9, or -0.5% for Q4 and -17, or -1.0% for the year). The quarterly decrease was entirely due to retail investors, which decreased by 13 (-0.8% per year) to 1,609.

<sup>9</sup> Excluding funds' securities on bearer which are in circulation

<sup>10</sup> This is due to the activities of several funds, which were reorganized from the former mutual funds into interval CII and which have a relatively large number of small participants.

The number of participants in venture CII in Q4 2019 decreased by 164 (-4.3%), to 3,646, and for the year - by 211 (-5.5%, after + 2.3% in 2018).

In general, the dynamics of investor participation in CII in general in Q4 and in 2019 was negative: -0.1% (-155)

and -0.3% (-700), respectively (after -0.1% in 2018). By sectors of funds only in interval and closed with private issue (except for venture) participants increased slightly in October-December.

*Table 5. Investors of CII by categories, number and share of the total number as at 31.12.2019*

Funds	Legal Entities				Natural Persons				TOTAL
	residents		non-residents		residents		non-residents		
Open-ended	20	1,22%	3	0,18%	1 609	98,53%	1	0,06%	1 633
Interval	17	0,01%	1	0,00%	249 817	99,99%	19	0,01%	249 854
Closed-end (ex.venture), incl.:	330	8,88%	15	0,40%	3 360	90,44%	10	0,27%	3 715
with public issue	149	4,29%	10	0,29%	3 306	95,14%	10	0,29%	3 475
with private issue	181	75,42%	5	2,08%	54	22,50%	0	0,00%	240
<b>All funds (ex. venture)</b>	<b>367</b>	<b>0,14%</b>	<b>19</b>	<b>0,01%</b>	<b>254 786</b>	<b>99,84%</b>	<b>30</b>	<b>0,01%</b>	<b>255 202</b>
Venture funds	2 524	69,23%	338	9,27%	772	21,17%	12	0,33%	3 646
<b>All funds</b>	<b>2 891</b>	<b>1,12%</b>	<b>357</b>	<b>0,14%</b>	<b>255 558</b>	<b>98,73%</b>	<b>42</b>	<b>0,02%</b>	<b>258 848</b>

In terms of the contribution of various categories of investors, the decrease in the total number of CII participants in Q4 2019, in contrast to last year's situation, was actually due to legal entities, including residents, which decreased by 200 (-6.5%). in particular in venture funds - by 187 (-6.9%). For the whole of 2019, they decreased by 392 (-11.9%) in total, and in the venture CII sector - by 366 (-12.7%), where their share decreased from almost 75% of all investors in this sector at the beginning of the year to 69% in December. The number of Ukrainian enterprises increased this year only among open-ended investors (+1, + 5.3%), where at the end of December there were only 20 of them (1.2% of all participants).

Resident individuals slightly increased their presence in CII in Q4, but decreased in the whole of 2019 (+83 persons, or + 0.03%, and -252 persons, or -0.1%, respectively). In Q4, their number decreased only in open-ended funds (-9 persons, -0.6%), and during the year - increased only in venture funds (+200, + 35.0%).

## **2.6. CII Asset Structure**

**Securities** in the structure of CII assets in 2019 decreased in weight in all CII sectors by type of fund. And in interval funds it happened for the first time in three years. In open-ended funds, the dynamics of the share of stock market instruments was negative both on a quarterly and annual basis (Table 6, Chart 16).

In Q4, the share of securities in open-ended CII decreased due to government bonds (OVDPs) and equities, and while the decrease in the weight of the latter

During 2019, foreign companies and individuals still maintained a small share in CII as a whole (within 0.2%). In Q4, non-resident corporate investors reduced their presence in CII (both in all funds and in particular in venture funds) by 10.8% (-43 and 41 companies, respectively). Relatively, their number decreased the most in closed-end CII with a public issue (-16.7%, -2 companies).

For the whole of 2019, CII decreased these CII by a total of 62 (-14.8%), including venture - by 48 (-12.4%), although relatively the most - in open-ended - by 5 (-62.5%). Finally, in venture CII, the number of these participants decreased from 10.0% at the beginning of 2019 and 9.9% in Q3 to 9.3% in December.

In open-ended CII, the share of non-resident enterprises in the total number of investors decreased from 0.5% at the beginning of the year to 0.2%, which remained in October-December.

was typical for all CII sectors by type of fund, the weight of OVDPs in interval CII increased. The share of corporate bonds increased over the quarter in all sectors, although in open-ended funds their aggregate package decreased slightly in value.

The total value of all securities in CII assets both in Q4 and for the whole of 2019 decreased in all sectors (except venture).

Table 6. Changes in the structure of aggregate CII portfolios by fund types in Q4 2019

Asset Type / CII Type / Quaterly Change	Open-ended		Interval		Closed-end- with public issue		Closed-end- with private issue		Venture	
	p.p.	%	p.p.	%	p.p.	%	p.p.	%	p.p.	%
<b>Other assets (Incl. R and CR)</b>	-0,52	-10,3%	-0,20	-4,4%	-1,93	-2,5%	1,91	2,2%	-1,53	-1,8%
Real estate	-	-	-	-	-0,02	-18,4%	-0,48	-50,1%	0,50	16,0%
<b>Cash and bank deposits</b>	4,29	15,3%	2,89	34,3%	6,72	219,4%	-0,33	-11,9%	0,33	32,8%
Bank metals	-0,08	-8,6%	-	-	0,00	-8,1%	-	-	0,00	0,1%
<b>State bonds (OVDP)</b>	-3,12	-11,5%	0,73	1,5%	-4,73	-38,9%	-0,32	-45,8%	-0,01	-5,0%
<b>Equities</b>	-2,38	-6,2%	-3,42	-8,8%	-0,09	-1,1%	-1,19	-16,8%	-0,34	-9,5%
<b>Corporate bonds</b>	0,02	3,6%	0,00	0,8%	0,04	16,7%	0,33	11,9%	1,14	40,3%
Promissory notes	-	-	-	-	0,00	0,6%	-0,01	-2,0%	-0,30	-11,4%
Other securities	-	-	-	-	-	-	-	-	0,20	54,0%
<b>Securities</b>	-5,48	-8,3%	-2,69	-3,1%	-4,77	-22,8%	-1,18	-10,8%	0,70	7,4%

Despite the above described dynamics, as of the end of 2019, stock market instruments remained a key component of open-ended and interval CII assets (over 60% and over 84%, respectively), and if in the former most of them retained equities, in the latter - won the championship government bonds (OVDPs, Chart 16).

In closed-end CII, the weight of securities fell from 22% in early 2019 to almost 16% in December, with the largest share of OVDPs in the sector's assets declining. In general, the share of stock instruments in the assets of all closed-end CII (except venture) with both types of placement decreased for the second year in a row, but this time much more slowly - from 12.2% to 11.2%, due to a much faster decline in total cash and 'other' assets of funds with private placement.

The assets of venture CII in stock market instruments both in Q4 and for the whole of 2019, in contrast to 2018, increased, although their weight decreased slightly over the year - from 10.7% to 10.2%. This was due to a more active increase in the total value of investments of these funds in real estate and 'other' assets.

**Government bonds (OVDPs)**, in the context of a significant reduction in interest rates during 2019, have lost some of their popularity among asset managers of many CII. The weight of OVDPs in open-ended fund assets decreased over the year from 24.5% to 24.0%, together with a decrease in their investments by 7.4%. In closed-end funds with public issue, it fell from 11.5% to 7.4%, reducing the package of these instruments by a third. On the other hand, in interval CII the OVDPs package as a

whole increased by 7.8%, which, together with a decrease in equity investments, increased the share of the former from 42.1% at the beginning of the year to 48.1% in December and returned them to the main investment instrument.

**Equities** at the end of 2019 held the largest share among stock instruments in CII as a whole, and in open-ended funds - among all asset classes in general; in interval - became the second most invested class of assets. However, in open-ended funds, where the block of equities decreased by 24.3% over the year, its share in assets fell from 44.8% to 35.8%.

**Cash on current and deposit accounts** of CII in banks in 2019 increased in total value and weight in assets of all sectors by types of funds, except for closed-end CII with private placement (except venture). They remained the second largest component of consolidated assets of open-ended CII, where their weight rose from 24.9% to 32.3%. In interval funds, they were the third largest asset at total value with an increase in the share in 2019 from 9.0% to 11.3%.

**'Other' assets**<sup>11</sup> in 2019 were still the largest component of assets of venture and other closed-end funds, both public and private. In venture CII, these assets increased, but their share remained at 84.8% at the end of the year, as at the beginning, due to almost the same growth rate as all assets of the sector as a whole. At the end of 2019, assets in the sector reached UAH 275 billion.

In closed-end CII with private issue (except venture) 'other' assets decreased in 2019, but their weight

<sup>11</sup> 'Other' assets include corporate rights, expressed in forms other than securities, as well as receivables, including loans to companies in which CII have a share in the capital (for venture funds)..

increased in the context of a relatively larger reduction in cash and equity investments in the assets of this sector - from 81.5% at the beginning of the year to 87.2% in December.

The total value of real estate in venture funds in 2019 increased the most (+ 28.4%), which increased its weight from 3.3% to 3.6%.

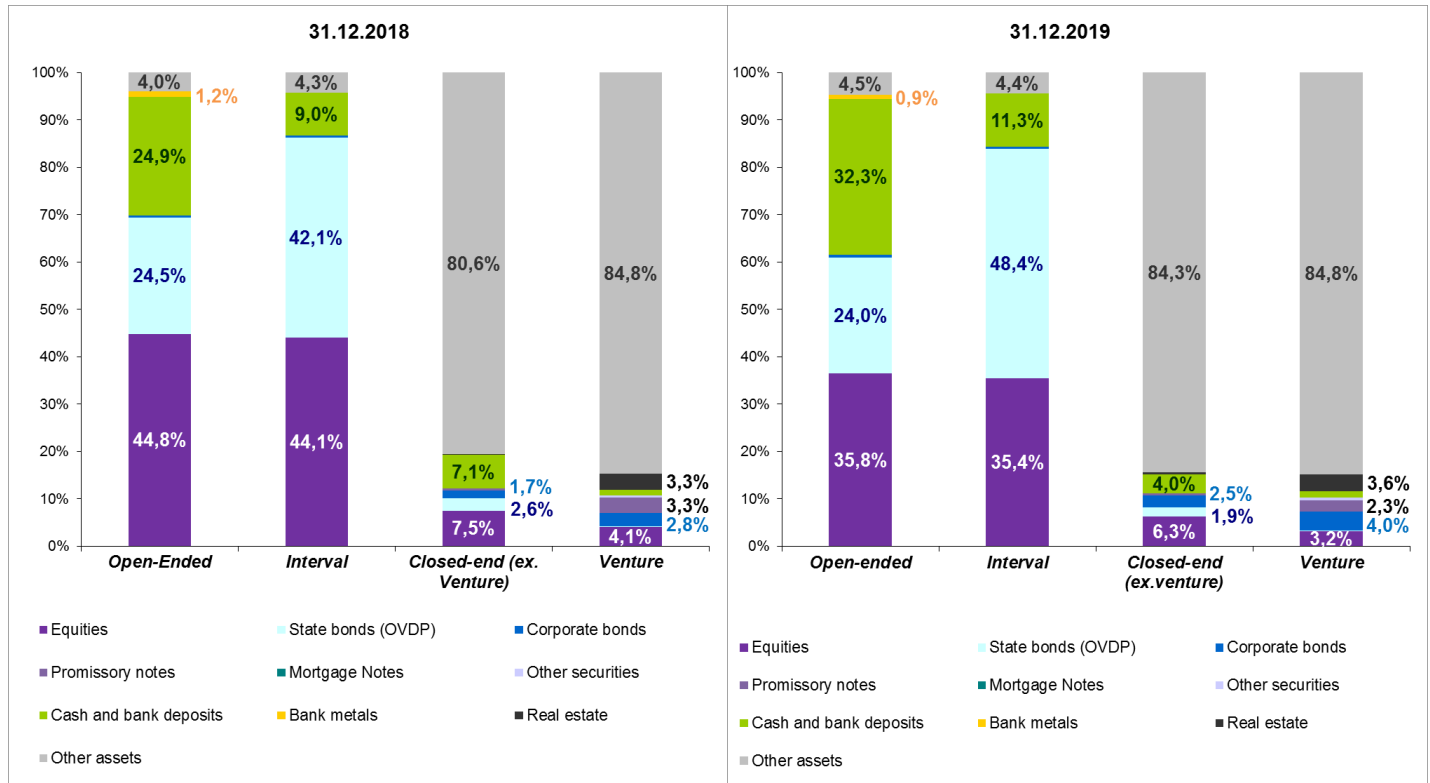


Chart 16. CII asset structure by fund types at the beginning and at the end of 2019

The **portfolio of securities and derivatives of all CII** in 2019 increased by UAH 2.7 billion, or by 8.3% (after a decrease of 24.2% in 2018), including in Q4 - by UAH 1.9 billion (+ 5.8%). As of December 31, 2019, it cost **UAH 34,889.6 million** (Table 7).

The stock portfolio had the most negative dynamics in absolute terms for the second year in a row (UAH -1.4 billion), although it decreased the least (-9.9%). And the total value of promissory notes decreased the most rapidly

in 2019 (-17.3%, of which -11.6% - only in October-December). Finally, the weight of the former in the consolidated financial portfolio in CII assets for the year fell from almost 40% to 32.7%, while the latter - from 28.6% to 21.8%. In Q4, however, the IGLBs package contracted the fastest (-22.5%), although for the whole of 2019 it decreased by only 1.7%, and its share in the consolidated portfolio - from 2.3% to 2.1%.

Table 7. Portfolio of CIIs' securities and derivatives, as at 31.12.2019

Security Type	Aggregate value of securities & derivatives in CII portfolio, UAH		Annual change		Share in the consolidated portfolio of securities of CII	
	31.12.2018	31.12.2019	UAH M	%	31.12.2018	31.12.2019
Corporate bonds	8 017	13 290	5 272	65,8%	24,9%	38,1%
Equities	12 768	11 395	-1 372	-10,7%	39,6%	32,7%
Promissory notes	9 205	7 609	-1 596	-17,3%	28,6%	21,8%
Derivatives	1 469	1 840	370	25,2%	4,6%	5,3%
State bonds (OVDP)	757	744	-13	-1,7%	2,3%	2,1%
Municipal bonds	0	12	12	-	0,0%	0,0%
Mortgage Notes	0	0	0	-100,0%	0,0%	0,0%
<b>Total</b>	<b>32 217</b>	<b>34 890</b>	<b>2 673</b>	<b>8,3%</b>	<b>100,0%</b>	<b>100,0%</b>

The only class of securities that grew in total value during this time were **corporate bonds** (+ 39.0%). For the whole of 2019, their volume increased by 65.8% (after -1% in 2018), which brought this instrument to the first position in the portfolio of financial instruments in the assets of CII with a share of 38.1% (from the second position from 24.9% a year ago).

Separately, we note the emergence, after a long break, of municipal bonds in the assets of CII (open-ended and closed-end non-venture with private placement), although at the end of 2019 they still had a negligible share in the consolidated portfolio (0.03%).

The derivatives portfolio in 2019 also grew significantly (+ 25.2%) and at the end of the year more than doubled the volume of CII-owned government bonds: its share in the consolidated financial portfolio of funds increased from 4.6% at the beginning of the year to 5.3% in December.

The **portfolio of CII ex. venture**, decreased by 18.4% in 2019, and only for Q4 - by 13.0%. This is partly due to less complete reporting than in previous periods, but to a greater extent - the negative dynamics of the stock market and the outflow of capital from some funds (including open-ended). At the end of the year, it cost UAH 1,785.1 million. (Table 8).

The equities retained the first position and more than half of the consolidated portfolio of non-venture CII in 2019: their share decreased from 61.5% at the beginning of the year to 55.7% in December. Corporate bonds took the second position, increasing in value in these funds by more than 30% in 2019 - the weight increased from 13.2% to 21.1%. To change the dynamics of the previous year, in 2019 the investments of these CII in OVDPs decreased sharply both in Q4 and for the whole of 2019 (-36.3% and -30.8%, respectively, after + 26.4% in 2018). As a result, their weight fell from 22.4% at the beginning of the year to 19.0% in December.

Table 8. Portfolio of securities and derivatives of CII, excluding venture funds, as at 31.12.2019

Security Type	Aggregate value of securities & derivatives in CII portfolio, UAH		Annual change		Share in the consolidated portfolio of securities of CII	
	31.12.2018	31.12.2019	UAH M	%	31.12.2018	31.12.2019
Equities	1 345	994	-351	-26,1%	61,5%	55,7%
Corporate bonds	289	376	88	30,3%	13,2%	21,1%
State bonds (OVDP)	490	339	-151	-30,8%	22,4%	19,0%
Promissory notes	64	64	0	0,0%	2,9%	3,6%
Municipal bonds	0	12	12	-	0,0%	0,6%
<b>Total</b>	<b>2 188</b>	<b>1 785</b>	<b>-403</b>	<b>-18,4%</b>	<b>100,0%</b>	<b>100,0%</b>

**Diversified CII** in Q4 2019 continued to show a decrease in their consolidated securities portfolio - by 9.8%, which eventually led to a negative annual dynamics

(-10.6%). As of December 31, 2019, this portfolio was worth UAH 66.8 million. (Table 9). This is almost four times less than in 2015 and 15 times less than in 2014.

Table 9. Portfolio of securities and derivatives of diversified CII, as at 31.12.2019

Security Type	Aggregate value of securities & derivatives in CII portfolio, UAH		Annual change		Share in the consolidated portfolio of securities of CII	
	31.12.2018	31.12.2019	UAH M	%	31.12.2018	31.12.2019
Equities	52	40	-12	-23,1%	69,7%	59,9%
State bonds (OVDP)	22	25	2	11,0%	29,9%	37,1%
Municipal bonds	0	1	1	-	0,0%	2,2%
Corporate bonds	0	1	0	50,5%	0,4%	0,8%
<b>Total</b>	<b>75</b>	<b>67</b>	<b>-8</b>	<b>-10,6%</b>	<b>100,0%</b>	<b>100,0%</b>

The annual decrease in the portfolio of these CII was mainly due to the fall in the total value of their investments in equities (-23.1%), and the quarterly decrease was also

due to OVDPs (13.3% in the former and -9.5% in the latter).

The share of equities in the stock portfolio of diversified CII decreased both in Q4 and for the whole of



2019 - from 69.7% at the beginning of the year and 62.4% in September to 59.9% in December. Despite the reduction of these CII investments in government bonds this quarter, their weight symbolically increased (from almost

37% to 37.1%), and the increase in OVDPs in the portfolio for the whole of 2019 increased their weight from less than 30% since the beginning of the year.

### 2.7. Rates of Return: CIIs and Other Investment Tools

The key indicators of the domestic stock market – the Ukrainian equities index (UX) and the PFTS index - in 2019 in general and in Q4 in particular showed much closer convergence than in the previous year, losing in October-December about 3%, and -9-11% for the year. This significantly affected the results of CII, which invested a significant share of assets in stock instruments, in particular, a number of open-ended and interval, as well as closed-end funds with public issue. And although many other CII sectors showed significantly better results in 2019, most of them worsened the average results compared to 2018.

Equity funds became outsiders in terms of **rates of return in 2019** among all CII sectors by asset classes and types of funds (-11.9%, after + 14.1% in 2018). At the same time, deposits in euros and US dollars remained the most unprofitable investment instruments (-15.3% and -11.9%, respectively, after -4.4% and -0.2% in 2018)<sup>12</sup> (Chart 17).

Residential real estate in Kyiv in October-December 2019, against the background of the hryvnia revaluation, continued to depreciate in hryvnia terms (-2.6%) and lost a total of 4.1% in 2019 (after -0.4% in 2018).

At the same time, deposits in gold practically compensated for the nominal losses for the previous year due to + 1.8% in 2019 (after -1.5%). For the second year in a row, bank term (annual) deposits in hryvnia held the lead among all major areas of investment for retail investors. Rates on them in 2019 even increased slightly, which increased the average yield for the year from 15% to 17.1%.

Leaders in terms of rates of return among all categories of CII in 2019 were closed-end private placement funds (except venture funds), which received an average of + 6.7% (after -0.8% in 2018).

Open-ended CII, which were the first in terms of rate of return among sectors by type of funds last year, in 2019 showed an average of -0.9% (after + 9.0%).

Among CII by asset classes, the leaders in 2019 were bond funds, which had an average of + 6.1% (after + 6.7% in 2018).

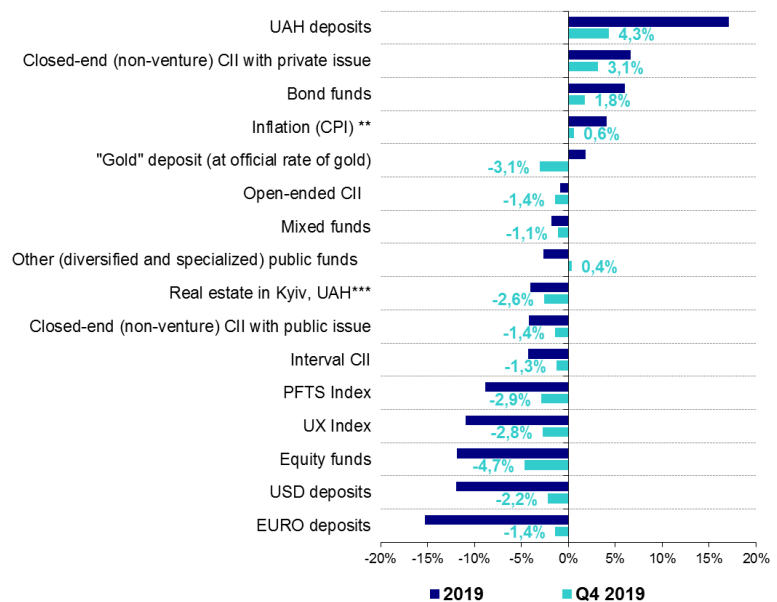


Chart 17. Rates of return – CII, deposits, equity indexes and inflation rates in Q4 2018 and in 2019<sup>13</sup>

In Q4 2019, the decline in stock indices caused a decline in the yield of a number of funds and in general in 4 of the 8 categories of CII by types of funds and asset classes. At the same time, quarterly returns were on average negative in a smaller number of fund categories compared to Q3 - in 5 out of 8 (after 6).

<sup>12</sup> In order to adequately compare rates of return of different types of investment (types of assets), it is necessary to consider liquidity of CII, in particular, open-ended ones, which allow to exit investments on any working day without loss of rate of return, as opposed to fixed-term bank deposits, which mainly involve the conversion of interest. Income at early repayment of deposits at current accounts (close to zero). At the same time, the calculated rates of return of the CII does not take into account the possible commissions and other expenses when entering / leaving the funds. It also does not include taxation of investment income when leaving the fund and taxation of interest on deposits.

<sup>13</sup> CIIs' rates of return are calculated based on the reporting data for Q4 2018 for 17 open-ended, 15 interval, 66 closed-end CII (including 35 with public issue and 31 with private issue), and according to the reporting data for the previous quarters. Inflation is calculated on the basis of data from the State Statistics Service of Ukraine. Rates of return for real estate in USD is calculated as the average of data on value of residential real estate in Kyiv from portals: <http://www.domik.net>, <http://100realty.ua>, <http://realt.ua>; in UAH - according to the portal: <http://100realty.ua>.



Among all categories of CII in general, the first in terms of return in Q4, as in Q3 and for the whole of 2019 in general, were closed-end funds with private placement (except venture), which received an average of + 3.1% (after +2.6 % in Q3). The range of quarterly results of these funds narrowed and decreased slightly (from -18.0% to + 60.5%), with 13 of the 31st funds showing an increase in the value of their securities for this quarter (42%, after 38% in Q3).

Interval funds in Q4 2019 had an average return of -1.3% (after -1.2% in Q3). The range of indicators of individual funds in this sector also narrowed (ranging from -11.9% to + 4.3%). The increase in the value of certificates was shown by 7 out of 15 such funds (47%, after 40% in Q3).

Closed CII with public placement showed an average of -1.4% in Q4 2019 (after + 0.8% in Q3). The range of indicators of various funds in the sector narrowed significantly (ranging from -19.7% to + 10.2%), and out of 28 of these CII, the increase in investment was provided by 9 funds (32%, after 42% in Q3).

On average, open-ended CII also had -1.4% (excluding the two extreme values, the lower of which differs sharply from the nearest - -0.8%, as in Q3). The performance of individual funds of this type ranged from - 17.3% to + 4.5%, ie in the range that expanded mainly down compared to Q3. Of the 17 funds in Sector 8, they brought an increase in the value of their certificates for the quarter (47%, after 29% in Q3). One open-ended fund in Q4 was more profitable than annual hryvnia deposits, 6 at least offset inflation, 11 were more profitable than euro and

US dollar deposits, 12 were more attractive than residential real estate investments in Kyiv, and 13 were stock indexes and 14 out of 17 - for "gold" deposits.

Among diversified and specialized funds with public issue by asset classes in particular, in Q4 2019 the leaders of rate of return were bond funds, the average of which was + 1.8% (after -0.5% in Q3). At the same time, all three such funds increased the value of their certificates and were more profitable than foreign currency deposits (although not as much as hryvnia deposits, which, however, have much lower liquidity). Two of these three CII also generated income that at least offset inflation losses.

"Other" diversified and specialized funds with public issuance (one open-ended CII) also showed a positive return in Q4, albeit at a low level of + 0.4% (after -1.9% for two such funds).

Mixed investment funds for the last three months of 2019 had an average of -1.1% (after -0.4% in Q3). Among them, 8 out of 23 had positive indicators (35%, after 33% in Q3). One such fund was more profitable than hryvnia deposits, 7 at least offset inflation, 15 were more profitable than euro deposits, 16 were more profitable than US dollar deposits, 17 were more attractive than real estate investments in Kyiv, 18 were equity indices, and 20 out of 23 - for "gold" deposits.

Equity funds in Q4, as in the annual period in 2019, had the lowest results: losses on their certificates averaged -4.7% (after -5.1% in Q3). Among them, a third of the funds (two) had a positive return (after none in Q3) and at least offset inflation, and half showed better results than stock indices (UX and PFTS).

### 3. Summary

The Ukrainian asset management industry, in particular CIIs, continued to grow mainly in quantity and value in 2019, despite a slight reduction in the number of asset management companies in Q4 and throughout the year.

***The key trends of the asset management industry in Ukraine in Q4 2019 and in general for 2019 were:***

- Slight decrease in the number of AMC, after weak fluctuations during the year;
- Further increase in the number of registered CII and the number of formed ("established") CII - almost only due to venture CIFs;
- Accelerated growth of the total value of assets and NAV of all CII as a whole for the year, with:

- The first decrease in NAV of open-end CII in four years - due to the first in three years net outflow of capital from this sector, as well as to some extent due to the decline in the stock market;

- Further insignificant quarterly and annual decrease in the number of investors in CII - mainly due to closed-end CII with public issue, as in the previous year, as well as - venture funds;

- Steady increase in the total funds of individual investors - residents of Ukraine in CII - mainly in venture; increase in their number in CII in Q4 in open-ended funds, and in a year - in venture funds;

- Maintaining the tendency to decrease the weight of resident enterprises in the NAV of all CII in general for the third year in a row, due to a relatively weak increase in



their investments compared to other categories of investors;

- Further reduction of total funds of foreign investors for the quarter and for the year in CII as a whole;
- Decrease in the weight of securities in the assets of all CII in general and in all sectors by types of funds, in particular – equities, as well as government bonds (in all sectors except interval CII); appearance after a long break of small packages of municipal bonds in the assets of open-ended and closed-end funds with private placement;
- Decrease in quarterly rate of return in half of CII sectors by types of funds and asset classes, and annual - in most of them, with the fall of stock indices both for the quarter and for the year; at the same time, an increase in the number of sectors with positive returns in Q4, as well as the equities of funds with positive indicators in almost all sectors.

Against the background of the downward dynamics of the stock market of Ukraine during 2019 and in Q4 in particular, which took place despite the rapid growth and inflow of capital into international markets at this time, Ukrainian investment funds were looking for returns, and investors in general increasingly switched their attention on CII with private placement, investing in assets outside the stock market. The main active investors of CII at that time were residents, including individual investors, as well as local corporate participants, who continued to increase their funds in funds - mostly venture funds.

The rate of return of CII, which invests mainly in stock market instruments, and with it their attractiveness to investors in 2019, suffered, but some sectors of CII and a number of funds in all sectors showed not only an increase in the value of their securities and, consequently, an increase in investment, but also its competitive values in comparison with alternative directions of investment that offer much lower liquidity.

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***See additional information and statistical data on the UAIB website:***

- [The Ukrainian Market in Figures](#)
- [Monthly](#) analytics & [Weekly](#) statistics of investment funds with public offering
- Rankings: [CII](#) / [AMC](#)