



Contents

<i>1. Stock Markets: Ukraine and the World</i>	<i>2</i>
<i>2. Asset Management Industry</i>	<i>5</i>
<i>2.1. Number of AMCs, ANPFs CIIs, NPFs and ICs with assets under management</i>	<i>5</i>
<i>2.2. Assets under management, CII NAV and Net Flow of Capital in Open-Ended CII</i>	<i>6</i>

1. Stock Markets: Ukraine and the World

During April-June 2021, most of the world's stock markets had an upward trend, largely supported by trillions of programs to support and stimulate economic activity after partially overcoming the coronavirus crisis, in the context of mass vaccination, falling morbidity and mortality. This was especially true for wealthy and developed countries and blocs, but large-scale liquidity infusions and low interest rates in the face of significantly higher inflation have fueled investor interest in both emerging or high-yield markets and risks. Already in April, the IMF revised its forecast for global GDP growth upwards, to 6% in 2021 and to 4.4% in 2022.

Under these conditions, all but one developed stock markets continued to grow in Q2. The upward trend of US stock indices, which began in November last year, continued to level off in April-June 2021: + 4.6-8.2% (after + 6.5-8.5% in Q1). However, the growth of the US market outpaced both quarterly and annual returns, almost all developed markets, which increased by an average of 5.4% in Q2. At the end of June, the broad market index S&P 500 reached its next all-time high.

Two of the three leading European markets grew more slowly in Q2 2021: + 7.3% (after + 8.4%) in France and + 3.5% in Germany (after + 9.4%). At the same time, French and German stocks have also been growing faster since the beginning of 2021 and in the last 12 months than developed markets on average, almost not lagging behind the American ones in this, and the former - even overcoming their maximum before the corona crisis. On the other hand, the British market, although it accelerated twice in Q2, to + 4.8%, rose relatively weakly in the last six months and a year and at the end of June remained below the peak level in January 2020.

Japanese blue chips lost 1.4% in April-June 2021 (after + 6.4% in Q1), recording the smallest increase since the beginning of the year among developed markets (+ 4.9%), although they have grown above average over the last 12 months.

In Poland, which some international organizations refer to as developed markets, equities of leading companies more than offset losses in Q1, rising by 14.4% in Q2 (after -2.3%).

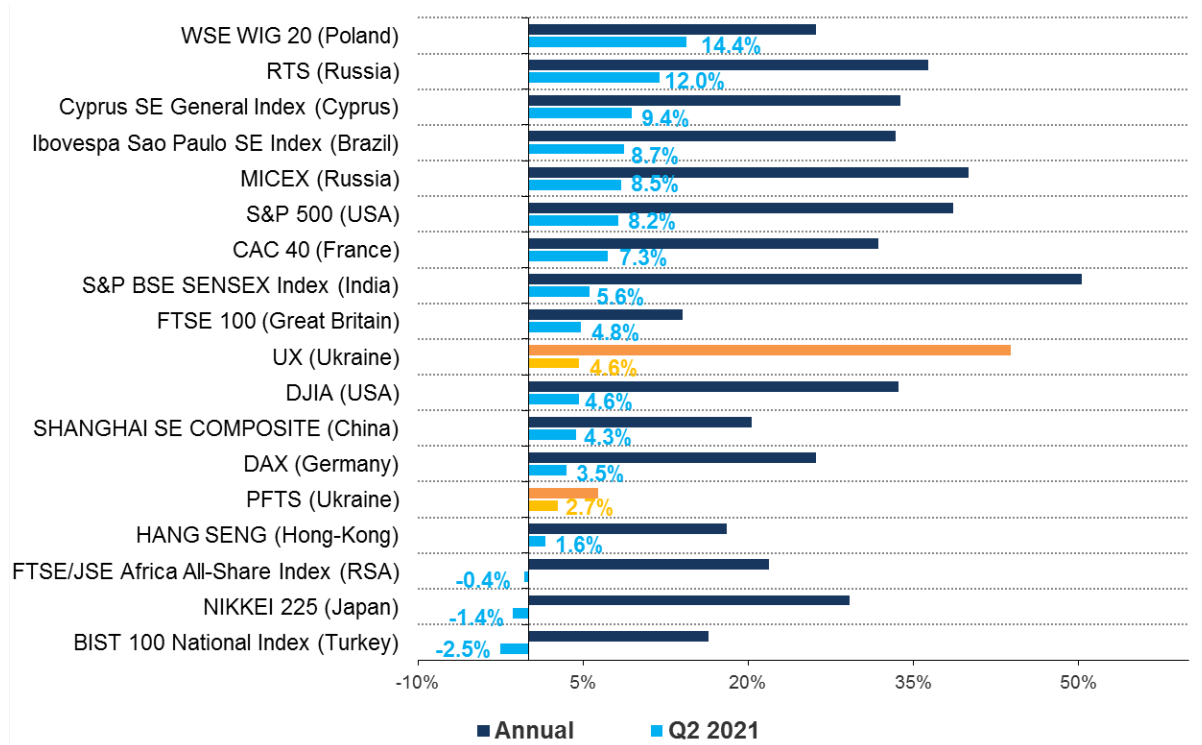


Chart 1. Dynamics of the world stock indices in Q2 2021*

* Based on the data of exchanges and Bloomberg Agency. Ranking in the chart is based on quarterly figures.



Emerging markets in April-June 2021 were generally ahead of developed markets in terms of growth rates of stock indices (+ 5.3% on average), although some of them were adjusted during this period. In addition to Polish ones, Russian blue chips in the RTS dollar index added the most in Q2: + 12.0% (after + 6.5% in Q1), while the MICEX ruble - + 8.5% (after + 7.7 %), against the background of an increase in oil prices by 12.2% and the ruble against the US dollar by 4.1%. Cypriot equities (+ 9.4%, after + 5.6%) and Brazilian equities (+ 8.7%, after - 2.0%) also had a significant increase. All of these markets grew by at least a third year-on-year at the end of June 2021. The key stock index of "mainland" China in April-June 2021 accelerated growth to + 4.3% (from + 0.8% in the previous quarter), and Hong Kong - slowed further: + 1.6% (after + 4.5%). The leaders of Q1, South African stocks, in Q2 adjusted by 0.4% (after + 11.5%), and the main index of Turkey remained among the outsiders in this period: -2.5% (after -6.0%). Thus, the Turkish market was almost the only one to fall in the first half of 2021 (- 8.3%), although in the last 12 months it rose by 16.4% (the least among the key markets in the world and emerging markets).

In April-June 2021, the Ukrainian stock market had a rather volatile, albeit mostly upward, dynamics. Growth slowed somewhat compared to Q1, but both major stock indices rose again and had closer results, and one of them was almost at the level of the average for emerging markets. The index of Ukrainian equities of UX for Q2 2021 increased by 4.6% (after + 15.9% for Q1), moving from the leading position among world indices to the middle of the range of their indicators for this period. The PFTS index, which is not calculated daily, added 2.7% (after + 3.5%). According to the annual dynamics at the end of June 2021, Ukrainian blue chips (UX index) were among the world leaders: + 43.9%.

The composition of equities included in both Ukrainian indices did not change in April-June: the UX index included 6 equities (4 energy companies, one - machine-building and one bank); PFTS index - 7: in addition to 5 equities from the UX index (energy and banking), there is also one machine-building and one telecommunications company.

The slowdown in the growth of blue chips in the Ukrainian market in Q2 2021 was in contrast to the resumption of economic activity against the background of a number of easing of quarantine restrictions caused by the coronavirus crisis in Ukraine and the world. At the

same time, its pace was closer to Ukraine's macroeconomic indicators in this period than in the previous quarter. Thus, according to the operative assessment of the State Statistics Committee, the real GDP of Ukraine in Q2 2021 increased by 5.4% year on year (after -2.2% in Q1, according to updated data).

Exports of goods from Ukraine in January-June 2021, according to the National Bank of Ukraine, recovered relatively faster than imports, and in the service sector - on the contrary, but in general the trade balance for Q2 was positive and increased by 7.7 per year %, although the current account as a whole for this period was 28.4% less than a year ago. The financial account balance also decreased significantly in Q2 (-75.9% yoy), in particular, due to the withdrawal of portfolio investments (-USD 2.2 billion in April-June). Nevertheless, it was also positive (USD 154 million) and contributed to the formation of a positive foreign trade balance for the quarter as a whole (USD 1.3 billion), albeit by 5.4% less than a year ago. This result had a favorable effect, in particular, on the national currency.

The official exchange rates of the hryvnia against the US dollar and the euro in Q2 of 2021 continued to grow: + 2.6% and + 1.3% respectively (after + 1.4% and + 6.2% in Q1), although at the end of June the hryvnia lost 1.8% and 7.3%, respectively. However, the moderate strengthening of the national currency did not restrain the growth of consumer inflation, with the recovery of demand, rising production costs and a number of other factors, which eventually accelerated the CPI from 8.5% for the year in March to 9.5% in June 2021. In anticipation of similar price developments and noting the more persistent nature of the negative factors that will persist for some time to come, the NBU raised its discount rate from 6.5% to 7.5% in April, but kept it at that level in June in an effort to maintain stimulus monetary policy.

Ukraine's international reserves for Q2 2021, according to the NBU, increased by USD 1.4 billion (in equivalent), or 5.2%, recovering about 70% of losses for the previous quarter, and at the end of March amounted to USD 28.4 billion. This was due, in particular, to the placement of new (additional to refinancing) government bonds in April¹ and excess supply of currency over demand, amid growing interest of nonresidents in OVDPs and the intensification of exporters, which allowed the NBU to buy a significant amount of currency in reserves in June.² Thus, in Q2, Ukraine's international reserves provided 4.3 months of future imports.

¹ <https://bank.gov.ua/ua/news/all/mijnarodni-rezervi-stanovili-28-mlrd-dol-ssha-za-pidsumkami-kvitnya>

² <https://bank.gov.ua/ua/news/all/mijnarodni-rezervi-stanovili-284-mlrd-dol-ssha-za-pidsumkami-cherვნya>

A significant amount of government bonds issued by the Ministry of Finance of Ukraine during April-June 2021 was aimed at repaying previous issues and current debt service for domestic and foreign bonds. In general, at weekly auctions during Q2, the Ministry of Finance placed OVDPs worth UAH 96 billion, ie 21.5% less than in Q1, but 5.0% more than in the same period a year ago. Of these, 63.1 billion - for hryvnia bonds, as well as foreign currency OVDPs for USD 0.8 billion and EUR 0.3 billion.

Slightly lower demand from investors was due to almost constant rates on OVDPs at this time, amid rising inflation. As a result of the use of the lion's share of funds raised from the placement of OVDPs for the redemption of previously issued bonds, their volume in circulation decreased by UAH 21.4 billion (-2.1%) in Q2. However, the demand for OVDPs from local retail investors and non-residents remained in April-June 2021: the former increased their investments in these securities by 18.3%, ie UAH 2.8 billion (after + 39.1%, UAH + 4.3 billion in Q1); Non-residents increased their OVDPs portfolios by 6.2%, ie UAH 6.5 billion (after + 23.4%, UAH 19.7 billion). The consolidated portfolio of OVDPs owned by resident individuals increased to UAH 18.1 billion at the end of June, or 1.8% of these instruments in circulation (from

1.5% in March), and of nonresidents to UAH 110.6 billion (11.0%, from 10.2%).

Despite the decrease in OVDPs in banks' portfolios in Q2 by UAH 19.9 billion (-3.8%), as of the end of June 2021 they remained the largest holders of domestic government bonds in circulation in the principal amount of debt - UAH 506.5 billion (50.6%, after 51.5% in March).

In April-June, resident legal entities, including professional participants in the capital markets (excluding banks), continued to reduce their total public debt financing: UAH -5.9 billion (-10.8%, after -5.2% in Q1). At the end of Q2, they owned OVDPs worth UAH 48.3 billion, or 4.8% (after 5.3% in March).

Thus, the dynamics of demand for OVDPs from different categories of domestic and foreign investors in Q2 2021 was diversified, but they remained the main investment instrument in the domestic capital market. The number of corporate securities admitted to trading on the stock exchanges of Ukraine, although slightly increased at this time, but the list of liquid among them was still extremely limited.

In Q2 2021, the stock exchange capital markets in Ukraine narrowed not only in terms of the number of securities issues admitted to trading, but also in terms of total trading volume.

Table 1. Dynamics of the regulated stock market of Ukraine in Q2 2021

Indicator / Date	30.06.2020 (Q2 2020)	31.12.2020 (Q4 2020)	31.03.2021 (Q1 2021)	30.06.2021 (Q2 2021)	Q2 2021 change	YTD change	Annual change in Q2 2021
Number of Securities in the listing of stock exchanges, incl.:	523	511	493	481	-2.4%	-5.9%	-8.0%
Number of securities in the registers (listing) of stock exchanges, incl.:	209	206	201	191	-5.0%	-7.3%	-8.6%
State bonds (OVDP)	194	192	189	182	-3.7%	-5.2%	-6.2%
municipal bonds	2	2	2	0	-100.0%	-100.0%	-100.0%
corporate bonds	9	8	8	6	-25.0%	-25.0%	-33.3%
equities	3	3	1	2	100.0%	-33.3%	-33.3%
CIF equities	1	1	1	1	0.0%	0.0%	0.0%
investment certificates	0	0	0	0	x	x	x
Trading volume on all stock exchanges in total, UAH M, incl.:	78 311.0	96 334.3	116 995.3	87 147.4	-25.5%	-9.5%	11.3%
State bonds (OVDP+OZDP)	77 486.1	94 429.2	116 262.8	85 543.5	-26.4%	-9.4%	10.4%
municipal bonds	588.8	1 510.1	63.7	712.3	1018.2%	-52.8%	21.0%
corporate bonds	38.1	182.2	351.0	634.6	80.8%	248.4%	1564.8%
equities	11.4	189.1	80.6	190.9	136.9%	1.0%	1570.3%
investment certificates (and CIF equities)	5.6	2.0	3.9	8.0	102.8%	290.7%	41.8%
derivatives (excl. state derivatives)	53.3	18.7	10.9	28.7	164.6%	53.4%	-46.1%

Sources: data on securities in lists of stock exchanges and trading volumes – NSSMC, stock exchanges; calculations – UAIB.

* In total, as of June 30, 2020, the lists of the UX, including "listing", included 196 issuances of government bonds, 10 issuances of municipal bonds, 91 issuances of corporate bonds, 118 issuances of equities (including 19 foreign), 12 issuances of equities of CIF, 27 issuances of investment certificates of UIFs and 26 issuances of derivatives.

** Including the depository receipts of MHP S.A.



The consolidated stock exchange list of all current stock exchanges in April-June decreased by 2.4% (after -3.5% in the previous quarter) and included 481 issues (Table 1). "Listing" - securities in stock exchanges - also decreased again: -5.0% (after -2.4%) - mainly due to government bonds (OVDPs), the number of issues of which on the stock exchanges decreased by seven (-3.7%, after -1.6%). At the same time, the number of "listed" corporate bonds decreased by a quarter. Finally, at the end of June 2021, OVDPs accounted for 95.3% of all instruments listed on stock exchanges (after 94.0% in March).

The total quarterly trading volume on all exchanges in Q2 2021 decreased by more than a quarter and, according to the NSSMC, amounted to UAH 87.1 billion. However, in Q2 the volume of exchange trading in Q2 remained positive, although significantly slower (+11.3%).

The quarterly decrease in trades was due exclusively to government bonds (-26.4%). However, as before, the lion's share of exchange transactions in Q2 2021 occurred with them: the total value of transactions with domestic and foreign government bonds was 98.2% (after 99.1% in Q1). At the same time, the volume of transactions with OZDP tripled compared to Q1, and its share - from 0.2% to 1.0% of the total volume of exchange trades.

Trade in municipal securities in April-June 2021, despite the reduction in the number of these instruments

on the stock exchanges, increased 11 times compared to Q1 (after a decrease of almost 24 times), to UAH 712 million. Thus, these instruments returned from the fourth to the second position in popularity among investors, where they were at the end of last year.

The volume of exchange transactions with all types of corporate securities and derivatives in Q2 2021 also increased significantly, albeit at least at a slower pace. In April-June, bond agreements amounted to UAH 635 million, which is 80.8% more than in the first three months of the year (after almost doubling during that period).

Trading in equities of Ukrainian residents and foreign enterprises and certificates and equities of local investment funds (CII) more than doubled in Q2, to UAH 191 million and UAH 8 million. At the same time, if the volume of stock trading only returned to the level of Q4 2020, the equities and certificates of CII - almost repeated the growth dynamics of the previous quarter, eventually increasing 4 times since the beginning of the year, albeit from a low base. In annual terms, the total value of transactions with equities, as well as with corporate bonds, increased more than 16 times in Q2.

The volume of trading in derivatives increased more than 2.5 times compared to the previous quarter, and from Q2 last year - decreased almost twice, to UAH 29 million.

2. Asset Management Industry

2.1. Number of AMCs, ANPFs, CIIs, NPFs and ICs with assets under AMC management

In Q2 2021, the sector of asset management of institutional investors and administration of pension funds in Ukraine continued to grow, in particular, in terms of the number of participants. At the end of June, there were one more operating asset management companies than in March - only 307 (Chart 2). During this quarter, according to UAIB, 9 new AMCs were created, and 8 - ceased operations.

The number of non-state pension fund administrators (ANPFs) did not change during this period: 19. Among them, as before, there were 6 companies that carried out exclusively NPF administration activities, the rest combined them with asset management.

In April-June 2021, 66 new CII were registered, as in the previous three months, of which 59 were also corporate funds, ie immediately after registration they

were established as having taken place. Also, among the new funds, 65 were venture funds.

The total number of formed CII, which reached the minimum asset ratio ("established"), grew for the 15th consecutive quarter and at the end of June 2021 amounted to 1,560 (+37 funds, or +2.4% for Q2). During the quarter, 60 funds reached the standards.

The number of private pension funds (NPFs) managed by AMC as of June 30, 2021, according to the submitted reports, was 54 (excluding the NBU corporate fund), including 45 open, three corporate and six professional. NPF assets were managed by 32 AMCs.

The number of insurance companies (ICs) that transferred their assets to AMC management did not change in April-June 2021, as did the number of AMCs that provided the following services: one such company managed the assets of two ICs.

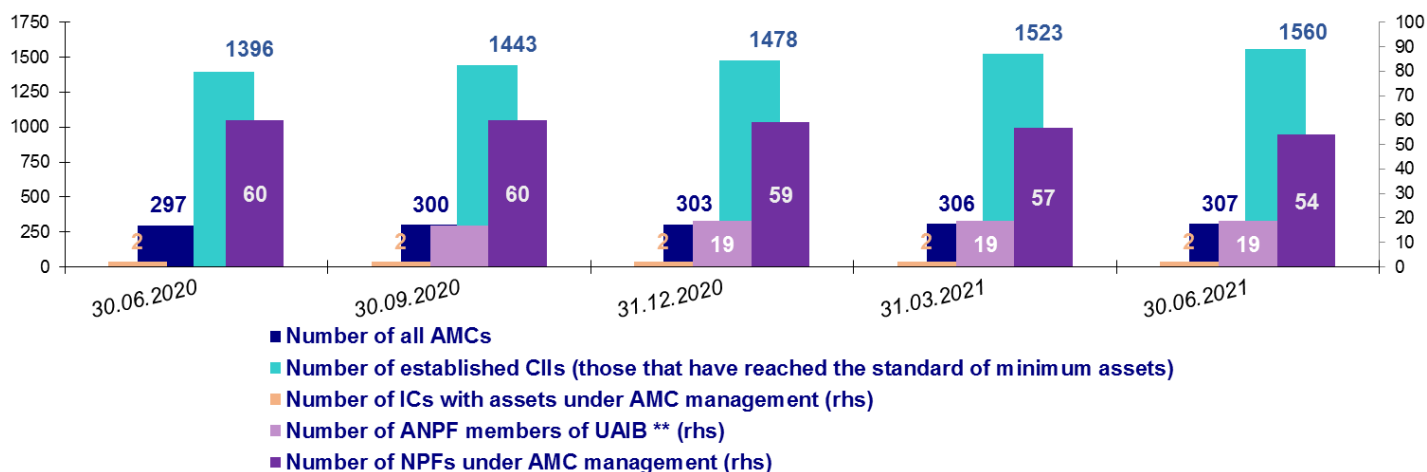


Chart 2. Dynamics of the number of AMCs, ANPFs, CIIs, NPFs and ICs with assets under AMC management in Q2 2020-2021

2.2. Assets under management, CII NAV and Net Flow of Capital in Open-Ended CII

The total assets of all institutional investors in AMC management accelerated growth in Q2 2021: in April-June they added 6.2% and reached UAH 477,350 million. From the beginning of the year, these assets grew by 12.4%, and for the last 12 months at the end of June - by 26.6% (after + 22.5% in March).

CII assets under management, including those that have not yet reached the minimum assets ratio, also grew by 6.2% in Q2 and by 26.6% in the last year. As of June 30, 2021, they amounted to UAH 475,122 million.

The total assets of existing CII, which were managed by AMC and reached the standards (formed, "established" CII), at the end of June 2021 reached UAH 467,861 million (Chart 3). In Q2, they grew by 6.0%, since the beginning of 2021 - by 13.0%, and in the last 12 months - by 26.1%.

Venture funds made more than three quarters of the value growth of the formed CII in terms of the absolute

growth of assets in April-June 2021, including due to the increase in their number. However, their contribution to the growth of CII assets was relatively smaller compared to the previous quarter. As of June 30, 2021, the total assets of venture CII amounted to UAH 444,028 million, which is 4.8% more than in March.

The assets of other closed-end fund sectors also increased, while the assets of open-ended CII decreased for the first time since Q4 2019 (-0.8%), which was due to the outflow of capital from this sector. However, its dynamics for the first half of 2021 and for the last 12 months remained extremely positive, with an increase of more than one and a half and almost twice, respectively. As of June 30, 2021, open-end CII had UAH 175 million in assets.

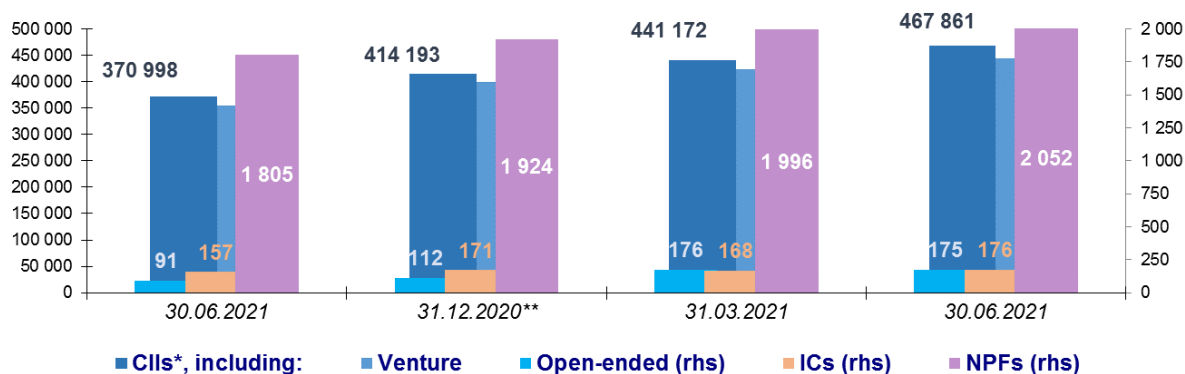


Chart 3. Dynamics of the value of assets under management in Q2 2020-2021, UAH M

In April-June, NPF assets managed by AMC slowed down quarterly growth to 2.8% and year-on-year to 13.7%. In the first half of 2021, they added 6.7% and as of June 30, 2021 reached UAH 2,052 million.

In Q2 2021, the assets of the IC under the management of AMC returned to growth: + 4.8%. From the beginning of the year they increased by 3.3%, and for the last 12 months - by 12.1% and as of the end of June amounted to UAH 176 million.

The value of net assets of CII formed at the end of June 2021 reached UAH 355,173 million. NAV of funds slowed down slightly: + 4.5% in Q2 and + 22.6% in the last 12 months, and added 10.3% in the first half of 2021. Factors in this slowdown include lower fund growth in the venture sector and, to a lesser extent, capital outflows and lower returns in open-ended and interval CII.

NAV of venture CII in Q2 2021 increased by 2.8%, from the beginning of the year - by 8.0%, and for the last 12 months - by 20.9% and at the end of June amounted to

UAH 332,050 million, or more than 93% of total CII net assets.

Open-ended CII, the number of which remained unchanged during April-June 2021, lost 2.9% of NAV during this period, but added 53.8% in the first half of the year. Annual growth slowed to 88.7% in June (from 102.8% in March). As of June 30, 2021, the net assets of the sector amounted to over UAH 170 million. The decrease in NAV was due to a significant net outflow of investors, which was almost twice as large, and was restrained mainly by the positive dynamics of the stock market during this period and the return on other components of the assets of these CII.

The total net movement of capital in open-ended CII in Q2 2021 for the first time since Q4 2019 was negative, but more than 6 times weaker than the inflow in the previous quarter: -UAH 9.6 million (Chart 4).

The annual inflow of capital to open-ended CII, respectively, at the end of June 2021 decreased compared to March: +UAH 63.8 million.

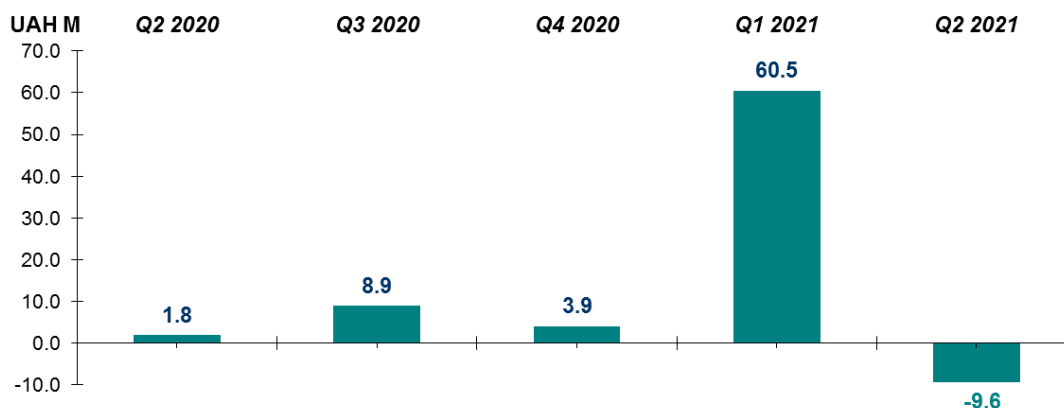


Chart 4. Net inflow/outflow of capital in open-ended CII in Q2 2020-2021

For more detailed information on the performance of asset management markets of CII, NPF and IC, see special UAIB reviews, which will be published on the website: http://www.uaib.com.ua/analituaib/publ_ici_quart.html

See additional and statistical information on the UAIB website:

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

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