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1. The Stock Market

At the start of 2012 most of global stock markets moved into growth phase. That was due to abating tension in the international markets relating to the debt crisis in Europe after the long-awaited provision of a package of financial assistance to Greece, which had been accompanied by lowering of the state's rating to pre-default level. To a certain extent, the long-term operations undertaken by the European Central Bank to support liquidity also comforted European investors and financial markets on the whole.

Gradual strengthening of the key US economic indicators, as well as mostly better than the initially forecasted financial results of the corporations, acted as an additional confidence growth factor. A confident growth was also demonstrated by the equities within US, well-developed Asian and European continental indexes, as well as Russian indicators, which sped up as rapid growth of prices on energy materials was observed.

In the meanwhile, the problems in the banking systems and sovereign finance continued getting more acute and spreading to a number of other Euro zone states, which, along with slowing down of the economic growth of China – the key exporter to Europe – was increasing the risk of another recession in the world. Furthermore, according to the official data publicized by Q1 2012 end, the GDP of Great Britain in Q4 2011 decreased by 0.3%, which was more than initially expected. Also, EU forecasts as to 2012 economic development dynamics impaired, as a similar GDP drop was predicted to take place over year, as well as an absence of growth in the EU on the whole.

During January-March 2012 major global equity indexes demonstrated between +2.9-3.5% in China and Great Britain and up to +18.5-19.3% in Russia and Japan.

Ukrainian stock indexes were the only among the indicators of well-developed and neighboring European markets that demonstrated decline (-0.5-2.5%) in Q1 2012 (Table 1, Chart 1).

Table 1.

National markets' stock indexes in Q1 2012, Q4 2011 and during the year*

Indexes	31.12.2011	31.03.2012	Q4 2011 change	Q1 2012 change	Annual
NIKKEI 225 (Japan)	8 455.35	10 083.56	-2.82%	19.26%	3.37%
RTS (Russia)	1 381.87	1 637.73	3.04%	18.52%	-19.88%
DAX (Germany)	5 898.35	6 946.83	7.20%	17.78%	-1.34%
S&P 500 (USA)	1 257.60	1 408.47	11.15%	12.00%	6.23%
HANG SENG (Hong Kong)	18 434.39	20 555.58	4.79%	11.51%	-12.63%
CAC 40 (France)	3 159.81	3 423.81	5.96%	8.35%	-14.17%
MICEX (Russia)	1 402.23	1 517.34	2.61%	8.21%	-16.34%
DJIA (USA)	12 217.56	13 212.04	11.95%	8.14%	7.24%
WSE WIG 20 (Poland)	2 144.48	2 286.53	-2.02%	6.62%	-18.83%
FTSE 100 (Great Britain)	5 572.28	5 768.45	8.65%	3.52%	-2.37%
SHANGHAI SE COMPOSITE (China)	2 199.42	2 262.79	-6.77%	2.88%	-22.72%
PFTS (Ukraine)	534.43	531.64	-4.96%	-0.52%	-51.63%
UX (Ukraine)	1 458.87	1 421.93	1.12%	-2.53%	-49.45%

* Based on the data of exchanges and Bloomberg Agency

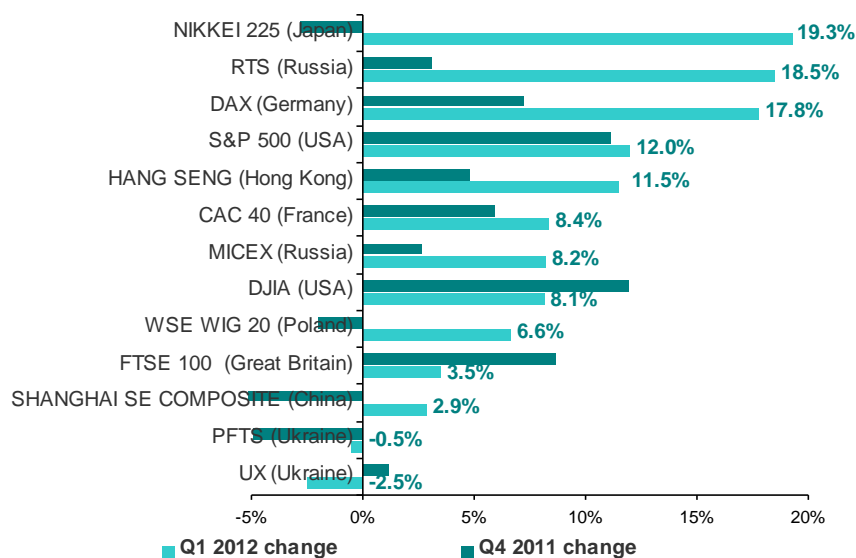


Chart 1. National markets' stock indexes' dynamics in Q1 2012 and Q4 2011 *

* Based on the data of exchanges and Bloomberg Agency

Therefore, the Ukrainian Exchange (UX) index, which, unlike PFTS index, in Q4 2011 had been positive, in Q1 2012 outperformed it in sinking. At that, by quarter end five out of fifteen equities were excluded from the UX index basket, which could affect its dynamics. PFTS index preserved its basket consisting of twenty securities.

During the quarter, the national stock market continued demonstrating significant volatility, as international markets remained turbulent and the investment attractiveness of Ukraine impaired both from the political and economic viewpoints in the expectations of a new wave of crisis. According to the results of Q1, Ukraine's balance of payments' current account deficit comprised USD 1 209M, though the financial account kept a debit balance (USD 601M), including direct and portfolio investments of USD 1 446M and USD 20M.

In the meantime, UX index fluctuations were in a somewhat narrower range compared to October-December (+/-8% since quarter beginning against +/-12%). Even more reserved was the activity of investors in the stock exchanges: in the UX the number of transactions both in the sector of equities and in the spot market on the whole decreased by 41%, and the total trades' volume – by 39% to UAH 3 857.8M (including in equities – by 39.5% to UAH 3 316.3M, and in corporate bonds – by 37.0% to UAH 486.4M). Compared to the previous quarter, 16.3% less transactions with CII equities were made in the exchange (-26.7% by the volume of trades that comprised UAH 25.6M).

An aggregate value of stock exchange transactions in PFTS grew more than 2,5 times - up to UAH 21 556.3M, and, although equity trading grew even faster – almost 4.5 times – its quarterly volume reached UAH 192.1M only. OVDP trading remained the key stock exchange sector, having considerably heated up in Q1 – with the value of transactions concluded growing more than three times (up to UAH 17 265.9). The CII securities sector in PFTS demonstrated a decline by 38.6% up to UAH 69.0M.

2. The Number of AMC and CII

Unlike during all four quarters of 2011, during the first three months of 2012, according to the UAIB data, the number of asset management companies in Ukraine increased (+3 AMC) and as of 31.03.2012 comprised 344 (Chart 2). Thus, it returned to one year-old number.

New participants continued entering the asset management market, and some participants were exiting this market. With six new AMC registered in Kyiv there were three AMC that left the market.

As of 31.03.2012, there were 1464 CII. The dynamics of CII number increase somewhat slowed down (+13 funds compared to +36 over Q4 2011). An average number of funds under management of one AMC remained unchanged – 4.26.

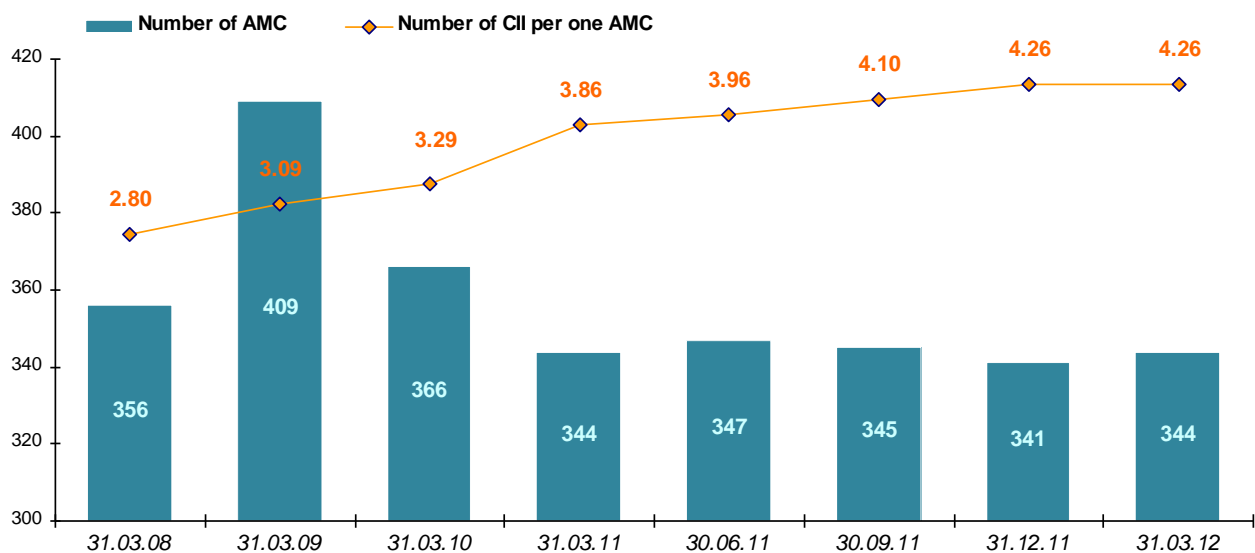


Chart 2. Dynamics of the number of AMC and CII per one AMC in Q1 2008-2012

In Q1 2012, a number of earlier established CII reached compliance with the normative on minimal asset volume, whilst a number of funds were either liquidated or made decision on liquidation. All in all, in Q1 the dynamics of the number of recognized funds sped up – there became 33 more of them (after -81 in Q4 2011), and as of 31.03.2012 the number CII in operation reached 1158, according to the UAIB data (Table 2).

Table 2. Dynamics of the number of CII that reached compliance with the standards in Q1 2012, Q4 2011 and over the year

	Total	PIF					CIF		
		O*	*	CD*	CNN*	CV*	*	CNN*	CV*
31.03.2011	1167	40	49	9	33	809	2	134	91
30.09.2011	1206	43	47	10	39	844	2	127	94
31.12.2011	1125	43	40	10	35	772	2	128	95
31.03.2012	1158	42	38	13	39	791	2	124	109
Q4 2011 change	-6.72%	0.00%	-14.89%	0.00%	-10.26%	-8.53%	0.00%	0.79%	1.06%
Q1 2012 change	2.93%	-2.33%	-5.00%	30.00%	11.43%	2.46%	0.00%	-3.13%	14.74%
Change over the year	-0.77%	5.00%	-22.45%	44.44%	18.18%	-2.22%	0.00%	-7.46%	19.78%

* O – open-ended CII, – interval, CD – closed-end diversified, CNN - closed-end non-diversified non-venture, CV - closed-end venture CII

In q1 2012, the sectors of venture PIF and CIF resumed their traditional expansion (+2.5% and +14.7%, respectively, +33 funds together), and growth was observed in the number of CII in closed-end PIF sector (diversified – +30.0%, non-diversified – +11.4%, +7 funds together).

Reduction continued in the sector of interval PIF (-2 funds, -5.0%), and this quarter was also registered in open-ended (-1 fund, -2.3%) and closed-end non-diversified CIF (-4 funds, -3.1%).

In Q1, in the sector of open-ended funds were still remaining two funds that had announced a start of liquidation. No newly established CII of this type were registered. The number of funds whose asset value was below the normative on the minimal asset volume once again increased since January 1, 2012, and as of 31.03.2012 went up from 13 to 14. That intensified pressure towards further sector narrowing and funds' consolidation.

All in all, by all types and kinds of CII, the number of registered CII under management that were yet to reach compliance with the standards, in Q1 once again declined – from 175 to 111 funds.



3. The Regional Distribution of AMC and CII

An increase of the total number of asset management companies in Ukraine in Q1 2012 occurred due to Kyiv and Kyiv region, where as of 31.03.2012 244 AMC were operating (Chart 3). Therefore, the share of Kyiv within the regional distribution of asset management business continued to grow – from 70.7% to 70.93%.



Chart 3. Regional distribution of AMC number as of 31.03.2012

The regional distribution of CII in Q1 also changed in favor of Kyiv region, and also Kharkiv region, whose respective shares within the total number of CII under management grew from 70.4% to 71.8% and from 6.5% to 6.8% accordingly (Chart 4).

The shares of the other TOP-5 regions by the number of funds narrowed, in particular, the one of Dnipropetrovsk – from 8.3% to 7.5%.

Within the regional distribution of CII assets under AMC management the share of Kyiv and region in Q1 narrowed by 1 p.p. which nearly brought it back to the level of Q3 2011 (72.4%). Narrowing also occurred in the share of Donetsk region (from 6.7% to 6.5%). At that, the share of Dnipropetrovsk increased from almost 10.0% to 11.1%, which more than made up for Q4 narrowing.

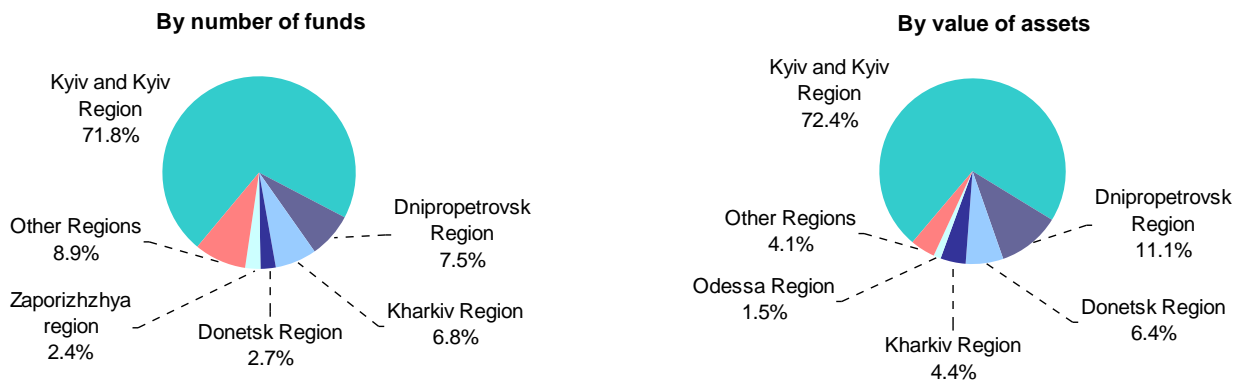


Chart 4. Regional distribution of CII by the number of CII and the value of their assets under management, as of 31.03.2012



4. The Asset and the Net Asset Value of CII. The Net Inflow/ Outflow of Open-ended CII

Despite stock market decline, as the number of recognized funds and reports filed increased, in Q1 2012 CII market asset growth continued – owing to closed-end CII, both venture and non-venture ones. As of 31.03.2012, an aggregate CII asset value reached UAH 131 158.81M (+UAH 4 369.21M, +3.5%), including non-venture ones’ – UAH 121 099.63M (+UAH 4 198.23M, +3.6%) (Chart 5).

After an allout asset decrease in all CII types in Q4 2011, with exception of venture ones, at the start of 2012 solely closed-end funds resumed growth, their assets increasing by UAH 192.27M up to UAH 664.19M.

Q1 calculation covered eight more closed-end non-venture CII, and by one CII less in the open-ended and interval CII sectors.

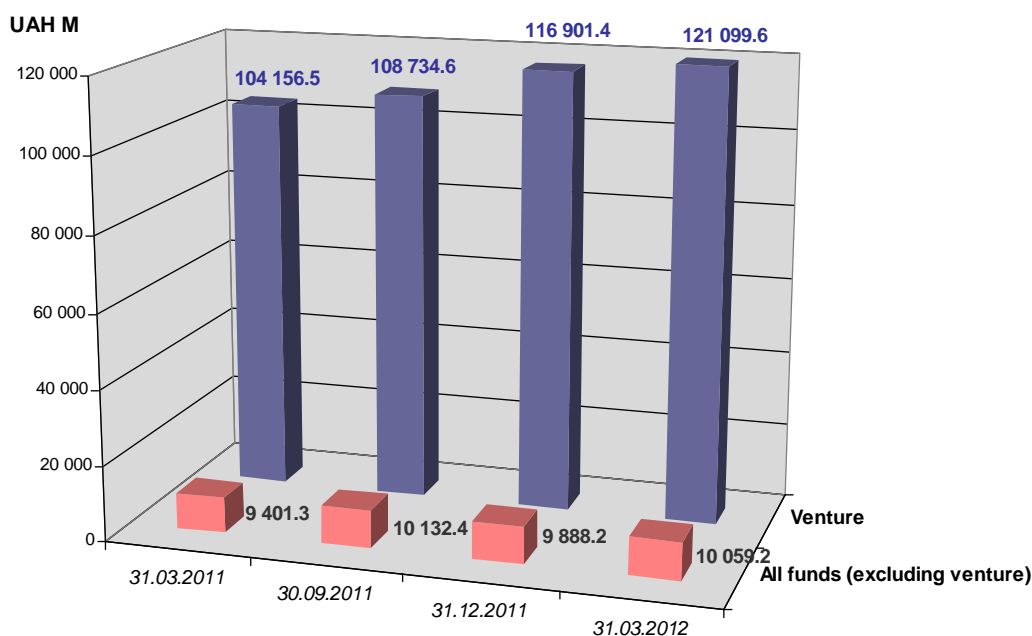


Chart 5. Dynamics of the asset value of CII in Q1 2012, Q4 2011 and over the year

The growth of **the net assets** in Q1 was not as rapid as the one of the total assets, but confirmed a stable uptrend. As of 31.03.2012, an aggregate CII NAV reached UAH 114 301.30M (+UAH 1 610.23M, +1.4%), including non-venture ones’ – UAH 104 928.54M (+UAH 1 271.63M, +1.2%).

Just as in the previous quarter, in January – March 2012 the NAV of open-ended and interval CII sectors decreased. The greatest losses were faced by open-ended funds, whose net assets dropped to UAH 206.40M (-UAH 20.61M, -9.1%).

The sector of interval CII narrowed to UAH 179.27M of NAV (-UAH 2.58M, -1.4%).

The net asset value of all non-venture CII in aggregate grew, owing to the funds of closed-end type, to UAH 9 372.76M (+UAH 338.60M, +3.8%) (Table 3).

Table 3.

Dynamics of CII NAV, by the types of funds in Q1 2012, Q4 2011 and over the year, UAH M

Funds	31.03.2011	31.12.2011	31.03.2012	Q4 2011 change	Q1 2012 change	Annual
Open-ended	305.65	227.01	206.40	-13.92%	-9.08%	-32.47%
Interval	255.71	181.85	179.27	-3.49%	-1.42%	-29.89%
Closed-end (excluding venture)	8 068.72	8 625.30	8 987.08	-4.31%	4.19%	11.38%
All funds (excluding venture)	8 630.09	9 034.16	9 372.76	-4.56%	3.75%	8.61%
Venture	92 991.08	103 656.91	104 928.54	9.32%	1.23%	12.84%
All funds (venture included)	101 621.17	112 691.07	114 301.30	8.06%	1.43%	12.48%



In Q1, just as before, an outflow of capital from *open-ended funds* reaching UAH 25.97M, was the key driver of their aggregate NAV decrease under conditions of long-term drawdown of indexes, which was lowering returns on the CII investments into stock market instruments.

In January – March, an aggregate outflow of investors' contributions intensified compared to December (up to UAH 7-10M per month), at that, 50%-70% of that outflow comprised losses of one fund only, and some other ones attracted additional investments from contributors according to the quarter results (Chart 6, Table 4).

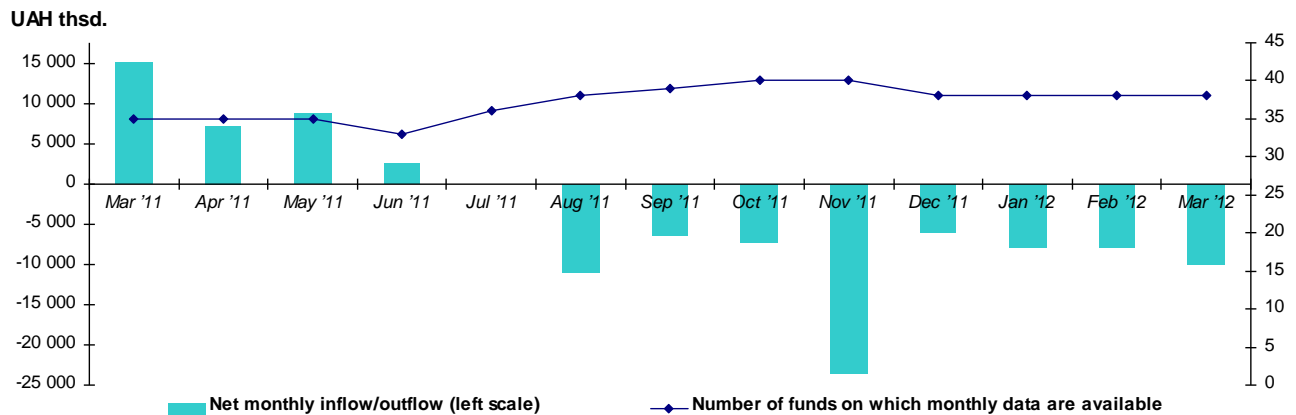


Chart 6. Monthly net inflow/outflow of capital in open-ended CII during the year (based on daily data)

Table 4. Monthly net inflow/outflow of capital in open-ended CII in March 2011-2012 (based on daily data), UAH thsd.

Month	Net monthly inflow/outflow	Number of funds on which monthly data are available
Mar '11	15 090.60	35
Apr '11	7 172.00	35
May '11	8 682.43	35
Jun '11	2 504.86	33
Jul '11	-43.50	36
Aug '11	-11 040.64	38
Sep '11	-6 343.15	39
Oct '11	-7 217.03	40
Nov '11	-23 654.55	40
Dec '11	-6 137.97	38
Jan '12	-7 987.14	38
Feb '12	-7 951.99	38
Mar '12	-10 031.73	38

January-March 2012 quarterly outflow was less compared to the one of October-December 2011, and was twice as much as the inflow for the respective period of 2011 (Chart 7), when national equity indexes had jumped 24-25% up.

During the year, open-ended funds lost over UAH 62M in the form of a net outflow of investments.

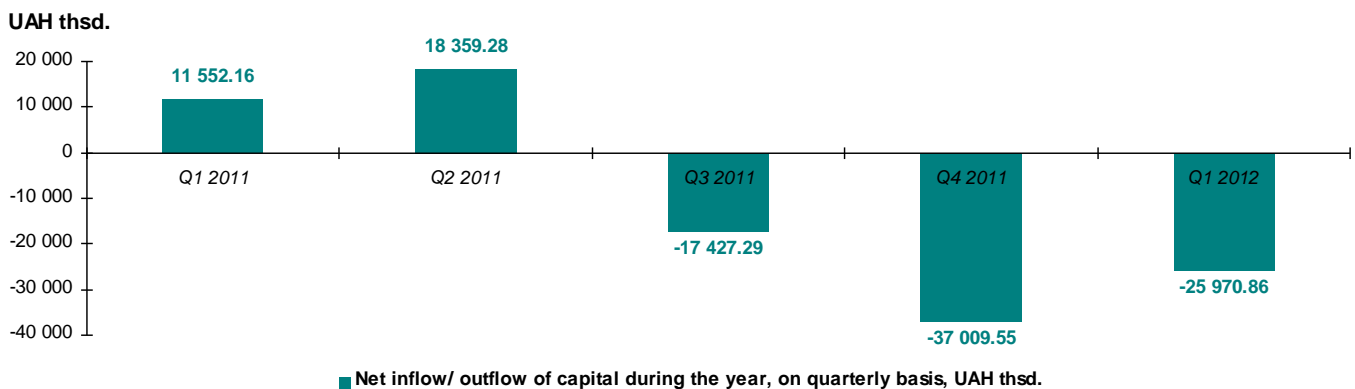


Chart 7. Net inflow/outflow of capital in open-ended CII in Q1 2011-2012



Continuing the trend of Q4 2011, in Q1 2012 the share of open-ended funds within the net assets of CII, with exception of venture ones, narrowed from 2.5% to 2.2% due to downward NAV dynamics. A decrease of the NAV of interval CII, as closed-end funds were increasing it, also resulted in narrowing the former's share from 2.0% to 1.9% and growing the latter's share from 95.5% to 95.9%.

During the year, the share of closed-end funds increased by 2.4 p.p., and of interval and closed-end funds – decreased more than 1,5 times (Chart 8).

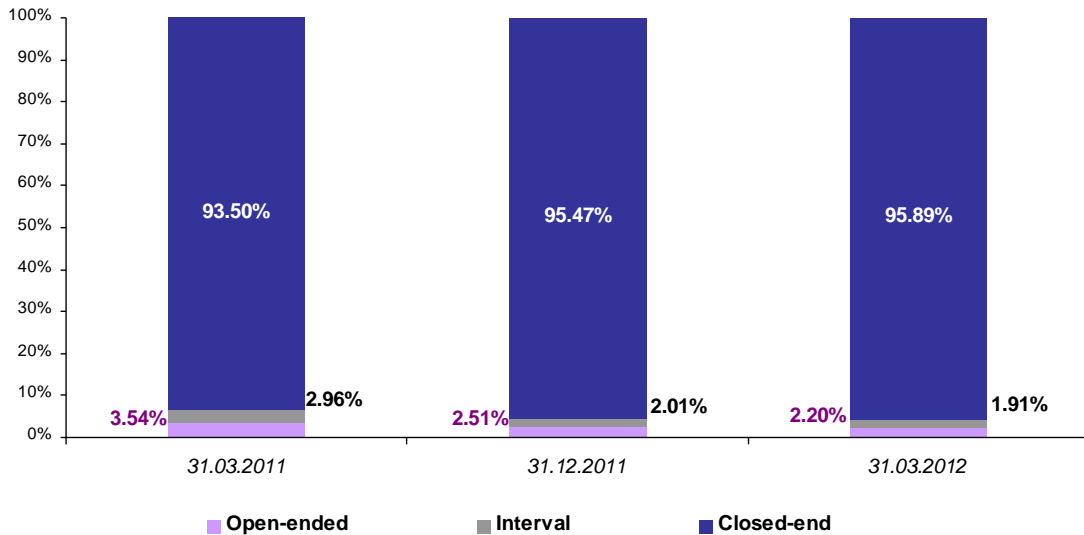


Chart 8. Dynamics of the non-venture CII NAV breakdown by the types of funds in Q1 2012 and Q4 2011

In Q1 venture funds, despite a significant net asset growth, narrowed their aggregate share of the market NAV (from almost 92.0% to 91.8%) due to a more active growth of other closed-end funds (+4.2% against +1.2%). Finally, the share of the latter within an aggregate net asset value of all CII increased from 7.7% to 7.9%.

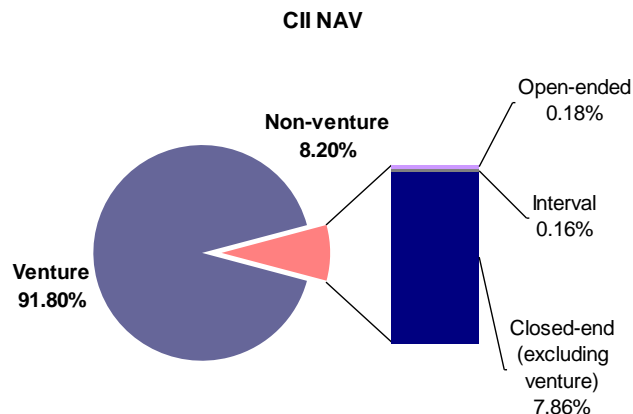


Chart 9. Breakdown of CII NAV by the types of funds as of 31.03.2012

5. CII NAV Breakdown by Investor Categories

National legal entities continued holding major stake within CII assets in Q1 2012. The share of Ukrainian companies, unlike in two preceding quarters, increased (from 81.0% to 81.4%) (Table 11). At that, these investors decreased their participation in open-ended funds only, though still remained second large category of participants therein.

Citizens of Ukraine during that period changed their behavior as to the investments into venture funds having cut their contributions. In other types of funds tendency towards decrease continued. At that, it



was happening in absolute value terms, as well as in relation to the other categories of participants. On the whole, the share of natural persons-residents within CII during the quarter narrowed from 4.2% to 3.5%, and, venture funds excluded, – from 26.0% to 24.3%.

Non-residents since the start of 2012 increased their participation in all types of funds, with exception of interval ones (unchanged) – from 14.8% to 15.2% in aggregate. Simultaneously, an aggregate value of investments belonging to foreigners decreased both in interval and open-ended CII.

Table 11.

CII NAV Breakdown by Investor Categories as of 31.03.2012, % of NAV

Funds	Legal entities		Natural persons	
	residents	non-residents	residents	non-residents
Open-ended	35.49%	14.53%	49.70%	0.28%
Interval	50.15%	2.12%	47.67%	0.07%
Closed-end (excluding venture)	66.87%	9.77%	23.23%	0.13%
All (excluding venture)	65.86%	9.73%	24.28%	0.13%
Venture	82.75%	15.50%	1.60%	0.15%
All (including venture)	81.36%	15.03%	3.46%	0.15%

In **open-ended CII** in Q1 2012 a decrease occurred in the contributions of nearly all investor categories. Change of different investor categories' shares within NAV was mainly predetermined by the different scale of their capital outflow, as lengthy stock market volatility with another splash in mid-quarter supported the trend towards exit from funds. Thus, the share of *natural persons-residents* narrowed from 50.4% to 49.7%. An aggregate value of these investors' contributions declined by UAH 11.9M, which, however, was three times less than in Q3 and Q4 2011.

Legal entities-residents, unlike in the preceding quarter, decreased their investments into open-ended CII by UAH 7.6M, which, accompanied by a moderate decline of the total NAV of this type of funds, resulted in narrowing their share from 35.6% to 35.5%.

The amount of moneys held by foreign companies and citizens in open-ended funds in aggregate decreased, though less than the total NAV of this CII type. At that, foreign citizens made minor additional contributions. Finally, all non-residents' share in these funds grew from 13.9% to 14.8%.

In **interval CII** those were *legal entities-residents* that became first by the volumes of contributions in March 2012, with their share continuing to grow – from 48.4% to 50.2%. Just as by the end of 2011, only this investor category was growing its contributions here (NAV belonging to it increased by UAH 2.4M).

The investments of *natural persons-residents* into these funds continued decreasing (from 49.4% to 47.7%, -UAH 3.8M).

In **closed-end non-venture CII** in Q1 2012 the major stake was held by *national legal entities* that ensured growth of an entire sector, as belonging to them NAV grew by UAH 366.1M. At that, their share within the aggregate net assets of closed-end funds broadened from 65.4% to 66.9%. Therefore, changes here were opposite to those of the preceding quarter.

In the meanwhile, the contributions of *citizens-residents of Ukraine* once again decreased – by UAH 55.7M, from 24.9% to 23.2%, and those of *non-residents* – increased, in particular, of legal entities – by UAH 53.3M, from 9.6% to 9.8%. The latter's share within all CII, with exception of venture ones, expanded from 9.5% to 9.7%.

In **venture CII** *legal entities-residents* increased their contributions from 82.5% to 82.8% of NAV, which was completely in line with Q3 2011 indicator. In terms of money value, this category's aggregate investments grew by UAH 1 331.6M.

The presence of *foreign citizens and companies* in venture CII also increased – both in absolute and relative value terms. In particular, *legal entities – non-residents* held UAH 509.7M more, and their share increased from 15.2% to 15.5%.

The volume of contributions of *the citizens of Ukraine* declined almost as much as it had grown in the preceding quarter (-UAH 704.6M), with their respective share finally narrowing from 2.3% to 1.6%.

Therefore, legal entities, in particular registered in Ukraine, in Q1 2012 were most active investors of CII. At that, they invested primarily into closed-end, in particular, venture funds. Open-ended funds were losing most of their investors – residents, in particular, citizens.



6. The Asset Structure of CII

In Q1 2012, changes within the structure of aggregate portfolios of different types of CII by the types of instruments were generally similar to the tendencies of the preceding quarter.

The share of *securities* within all types of funds, with exception of venture ones, grew by 1.4-1.8 p.p. and comprised between 61.5% in closed-end and 69.8% in interval CII, whilst in all non-venture CII – up to 61.7% (Chart 10).

In monetary terms, an aggregate value of investments into stock market instruments in open-ended, interval and closed-end funds, with exception of venture ones, in aggregate grew by UAH 193.14M, including in interval ones – by UAH 2.44M, whilst in closed-end ones it declined by UAH 9.39M.

In the meanwhile, the share of investments into *equities* in open-ended CII increased, just as in interval funds, although an aggregate value of investments into these securities in both funds' sectors somewhat decreased. In closed-end CII aggregate investments into equities declined (-UAH 36.17M), unlike into other securities, though less than "other assets"¹ (-UAH 152.46M), which also resulted in narrowing of their share in closed-end funds and non-venture CII on the whole (from 47.6% to 46.8%).

Corporate bonds decreased their presence solely in open-ended funds – in monetary terms (-UAH 4.35M), as well as in relative terms, and in interval and closed-end CII they were the most popular instrument, with investments thereto growing by UAH 2.50M and UAH 117.02M respectively.

Under conditions of a major outflow from open-ended CII, the assets in the form of *moneys* in these funds, just as in Q4 2011, decreased (-UAH 12.83M), whilst in closed-end funds they grew significantly (+UAH 58.90M).

Among other notable trends of portfolio structure, an increase of the amount and the share of "other assets" in open-ended and venture CII should be mentioned.

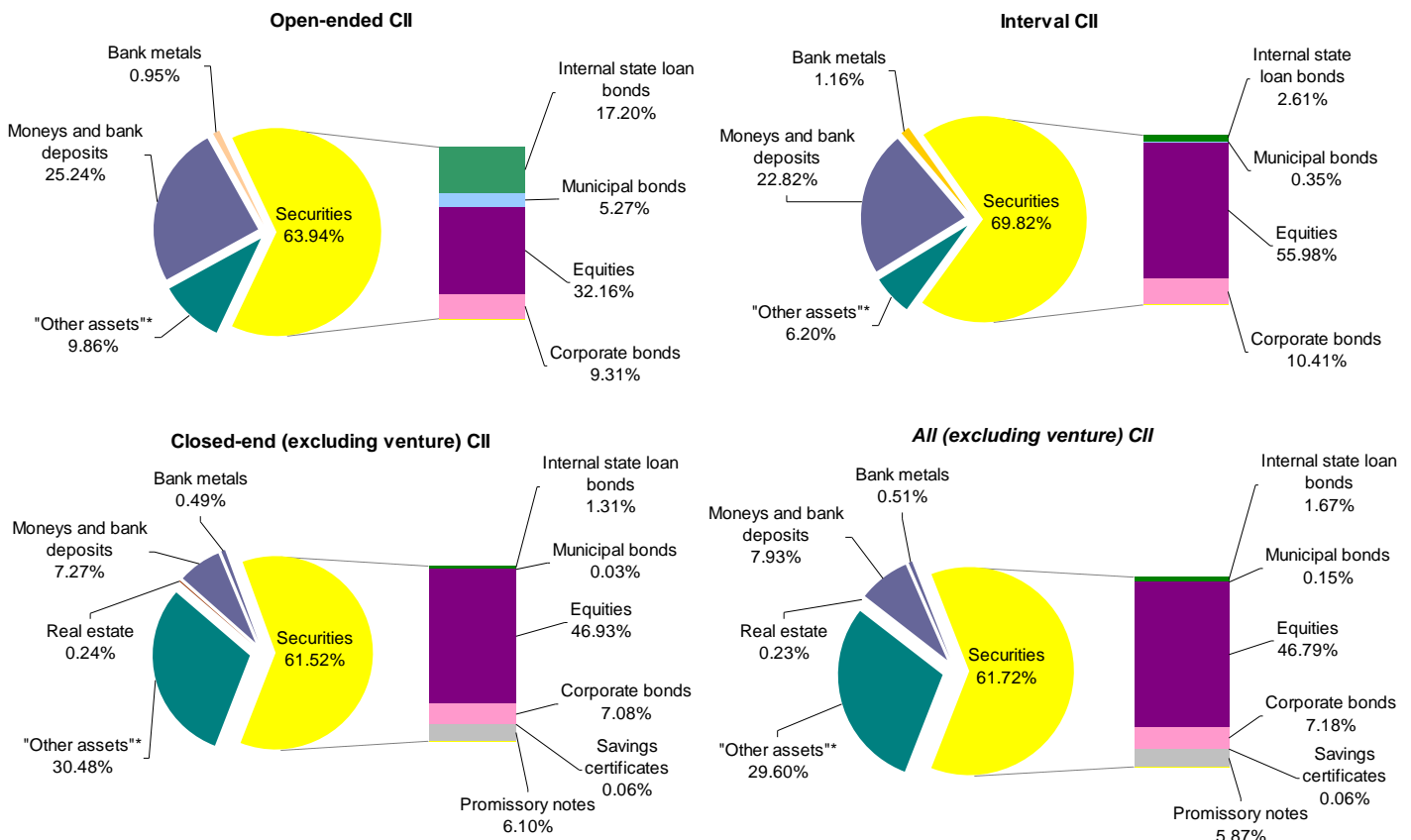


Chart 10. Non-venture CII asset structure, by the types of funds as of 31.03.2012

The key changes in the structure of aggregate CII portfolios by the types of funds in Q1 2012 are presented below.

¹ "Other assets" include accounts receivable as well as corporate rights in the forms other than securities and loans to the companies in the capital of which a stake is owned by the CII (for venture funds).

**Open-ended funds**

Increase of the value of investments into:

- equities – from 29.6% to 32.2%;
- “other assets” – from 8.2% to 9.9%;
- bank metals – from 0.7% to 1.0%;

Decrease:

- moneys and bank deposits – from 28.6% to 25.2%;
- corporate bonds – from 10.4% to 9.3%;
- local loan bonds – from 5.4% to 5.3%;

Interval funds

Increase:

- corporate bonds – from 9.0% to 10.4%;
- equities – from 55.8% to 56.0%;
- local loan bonds – from 0.2% to 0.4%;

Decrease:

- “other assets” – from 7.7% to 6.2%;
- moneys and bank deposits – from 23.1% to 22.8%;

Closed-end (non-venture) funds

Increase:

- corporate bonds – from 5.9% to 7.1%;
- internal state loan bonds – from 0.7% to 1.3%;
- moneys and bank deposits – from 6.7% to 7.3%;
- “other securities”² – from 5.6% to 6.1%, including promissory notes – from 5.6% to 6.1%;

Decrease:

- “other assets” – from 32.4% to 30.5%;
- equities – from 47.8% to 46.9%.

Therefore, the liquidity of open-ended and interval CII in Q1 2012 went on decreasing, as a net outflow of investments continued, and the share of an aggressive component of the aggregate portfolio grew solely owing to a greater decrease of the rest of its components. In the meanwhile, closed-end funds grew conservative instruments in the form of government and corporate bonds, as well as moneys on bank accounts.

The structure trends of the aggregate assets of **venture CII** this quarter only partially coincided with the dynamics of the other fund categories' portfolios. The *securities*' share continued to decrease, though at a notably slower pace (-0.1 p.p. after -3.8 p.p. in Q4 2011) – up to 31.2% (Chart 11), and an aggregate value of these assets dropped by UAH 1 233.84M.

The key driver behind venture CII asset growth was a traditional increase of contributions into “*other assets*” (+UAH 3 669.10M), as well as corporate bonds and equities (together almost UAH 1 bln.).

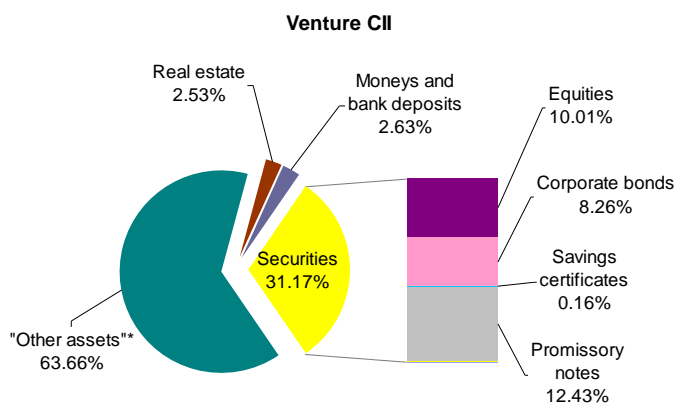


Chart 11. Venture CII asset structure as of 31.03.2012

² Among “other” securities there are external state loan bonds and derivatives (including option certificates).



The key changes in the structure of the aggregate **venture CII** portfolio:

Increase:

- “other assets” – from 62.6% to 63.7%;
- corporate bonds – from 8.0% to 8.3%;

Decrease:

- moneys and bank deposits – from 3.6% to 2.6%;
- “other securities” – from 13.0% to 12.7%;
- equities – from 10.1% to 10.0%.

In Q4 2012, promissory notes remained **the greatest, by an aggregate value, type of securities** into which all CII moneys were invested. The total amount of CII moneys invested thereto as of 31.03.2012 decreased (-UAH 68.61M) and reached UAH 17 445.48M, and their share within an aggregate CII securities portfolio narrowed from 39.5% to 38.5% (Table 5).

Equities remained second most popular stock market instrument with CII – as of Q1 end funds held UAH 16 535.94M (+UAH 213.63M) therein, which amounted to 36.5% (after 36.8% in preceding quarter).

Corporate bonds expanded their presence in funds most (+UAH 765.97M), with their respective share reaching 23.3%.

Table 5.

Value breakdown of CII aggregate securities portfolio, by the types of instruments, as of 31.03.2012

Security type	Aggregate value of the security in CII portfolios, UAH	Share in the aggregate CII securities portfolio
Promissory notes	17 445 481 423	38.53%
Equities	16 535 943 874	36.52%
Corporate bonds	10 549 613 100	23.30%
Mortgage securities	347 506 214	0.77%
Savings certificates	197 887 500	0.44%
Internal state loan bonds	180 301 669	0.40%
Municipal bonds	16 665 219	0.04%
Other	5 097 810	0.01%
Total	45 278 496 810	100.00%

Non-venture funds, just as before, as of 31.03.2012 held most of their assets in equities. An aggregate value of investments thereto again decreased – probably the only among all security types – to UAH 4 707.55M (-UAH 36.24M). As a result, the share of unit securities within the consolidated portfolio of open-ended, interval and closed-end non-venture funds narrowed from 78.9% to 75.8% (Table 6).

The share of corporate bonds expanded from 10.1% to 11.6%, as increase of the investments into this security type was greater compared to other types of instruments (+UAH 115.17M) and the value of investments into equities declined.

Table 6.

Value breakdown of non-venture CII aggregate securities portfolio, by the types of instruments, as of 31.03.2012

Security type	Aggregate value of the security in CII portfolios, UAH	Share in the aggregate CII securities portfolio
Equities	4 707 549 644	75.81%
Corporate bonds	722 692 532	11.64%
Promissory notes	590 058 819	9.50%
Internal state loan bonds	167 578 804	2.70%
Municipal bonds	14 959 034	0.24%
Savings certificates	5 887 500	0.09%
Other	807 775	0.01%
Total	6 209 534 108	100.00%



7. Rates of Return

Volatile dynamics of the Ukrainian stock market in Q1 2012, which continued for the second quarter in a row and finally resulted in the negative performance of equity indexes, was pressuring funds' returns. In the meanwhile, least successful among CII open-ended CII in Q4 2011 now appeared in the growth zone by an *average indicator of certificates' value change* (+0.8%). Interval and closed-end funds had on average -1.0% and -4.1% respectively. (Chart 12).

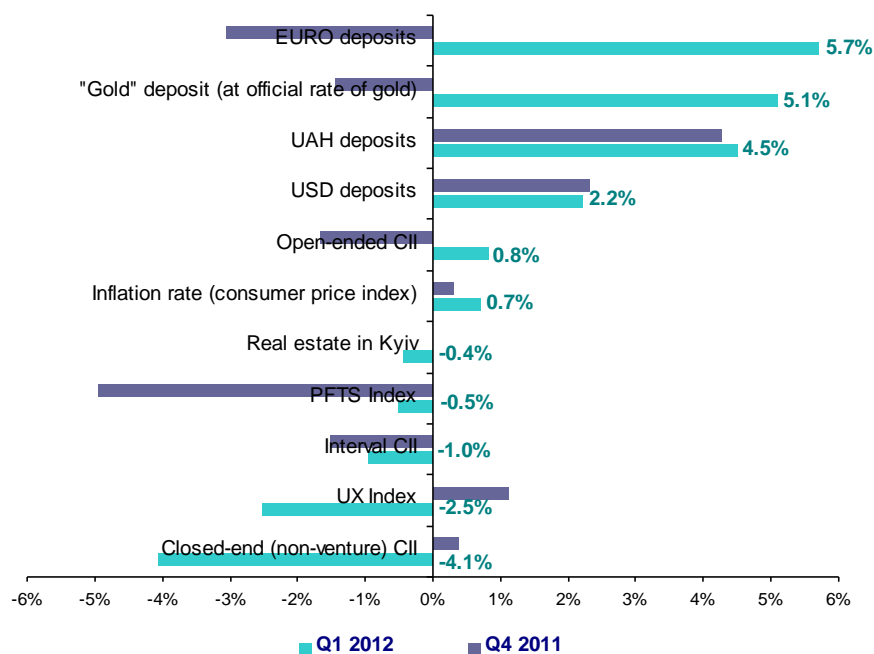


Chart 12. Average rates of return – non-venture CII, deposits, equity indexes and inflation rate in Q1 2012 and Q4 2011³

In Q1, the number of funds that generated positive performance results increased to 29 out of 40 (after 11 in the preceding quarter) among open-ended CII, 20 out of 34 (after 13 out of 36) interval CII, and among closed-end ones – decreased to 52 out of 144 (after 59 out of 140).

At that, the range of the rates of return in open-ended and interval fund sectors broadened, and in the latter also shifted downward. Closed-end funds demonstrated considerably more closely adjacent results than a quarter before. For instance, individual funds' rates of return were within the following limits: between -32.8% and +13.4% in open-ended, between -35.2% and +7.1% in interval, and between -55.6% and +9.2% in closed-end ones.

Gold deposits, which during three preceding months had been loss-making, now, as the prices on the precious metal went up once again in the conditions of a lengthy stock crisis, returned on the first place by rate of return (+5.1%). And Euro deposits became the leader by investment value increase in Q1 (+5.7%), which also made up for the losses of Q4.

One-year deposits in UAH and USD also outperformed CII by average rates of return (+4.5% and +2.2% respectively), though four open-ended funds provided for a greater increase of savings' value compared to UAH deposits, and twenty – compared to USD deposits. At that, it is necessary to take into consideration these funds' liquidity, which allows to exit from investments on any working day without losing returns, unlike in case of bank deposits, the prevailing majority of which envisage re-calculation of interest income in case of an early release of moneys based on the rate of return on current accounts (up to 3% per annum).

³ CII rates of return are calculated based on the reporting data for Q1 2012 (40 open-end, 34 interval and 144 close-end CII) and Q4 2011 (40 open-end, 36 interval and 140 close-end CII) - see Ranking of the rates of return of open-end, interval and close-end funds in 2011. The inflation rate provided is based on the State Statistics Committee data (Consumer price indexes – 2012). Return on real estate is calculated based on Kyiv real estate value index (Source: <http://www.blagovest.ua>).



8. Resume

Unlike in the last quarter of 2011, the situation in the stock market and in the collective investment area in Ukraine in Q1 2012 was developing differently than in the majority of well-developed European markets, where trend broke to growth.

With a powerful growth in the equity markets and all in all a more optimistic atmosphere in the EU, which was promoted by the above-mentioned steps taken by politicians and financial regulators fighting the threat of further defaults and recession, a total capital outflow from open-ended investment funds in EU states and Turkey (UCITS) was replaced with an even greater inflow. During the quarter it reached EUR 91 bln. (compared to EUR 50 bln. of outflow in Q4 2011)⁴. At that, additional investments were attracted by all categories of European funds – starting from money market and ending by equity ones, though the latter managed to attract only EUR 9 bln., and the inflow leaders were bond funds (EUR 49 bln.).

Among the key trends of Q1 2012 in the collective investments industry in Ukraine could be mentioned a preservation of mainly pessimistic moods and downtrends in the market of public investments, as national equity indexes were searching for bottom, and, contrary to that, a stable growth of the market of venture funds.

The number of AMC grew during the quarter for the first time since 2008. The number of registered CII also continued to increase, recognized funds (those that reached compliance with the normative on the minimal asset volume), mainly venture ones, were again entering the market. Simultaneously, the sectors of open-ended and interval funds have narrowed, and there are grounds for this trend to continue in several subsequent quarters.

The assets and NAV of CII again grew, but at a slower pace (+3.5% and 1.4% compared to +6.7% and 8.1% in the preceding quarter). This time other closed-end funds joined the traditionally growing venture segment, having outperformed the latter by NAV growth rate. Finally, as of 31.03.2012, an aggregate value of all CII assets reached UAH 131 159M, and of the net assets – UAH 114 301M, 91.8% of which belonged to venture ones.

An outflow of capital from open-ended funds in Q1 continued, but slowed down almost 1.5 times to UAH 26M. It therefore remained the key driver behind the sector's NAV decrease, which dropped by UAH 21M (-9.1%). The leading role of one fund in the aggregate capital movement of this type of CII also remained unchanged.

Among **CII investor categories** in Q1 2012 those were residents that continued to prevail, in particular, legal entities, and in open-ended funds – natural persons that have lost the leadership in interval funds. Compared to Q4 2011, an important change was a decrease of the investments of Ukrainian citizens into all categories of funds, and of national companies – into open-ended funds.

Despite a major outflow of investments from open-ended and interval funds accompanied by sinking of equity indexes, the equities' share within the **structure of the aggregate portfolios of these types of CII** increased, just as in the preceding quarter. That occurred owing to a more massive decrease of these funds' assets in the form of moneys, and in open-ended CII – also in the form of corporate and government bonds. At that, interval and closed-end (including venture) funds grew investments into debt securities, and "other assets" (mainly corporate rights and loans) remained the key object of venture CII investments.

All in all, as public bond funds were getting extremely popular in Europe in the conditions of careful investment behavior of investors, Ukrainian funds were notably growing assets in the form of debt securities. In the meanwhile, than was true of all CII sectors, with exception of open-ended ones.

The rate of return of funds in Q1 on the whole grew, even under conditions of the negative stock market dynamics. The only exception was the sector of closed-end funds where an average value of securities dropped.

All in all, open-ended CII were most successful with +0.8% of an average rate of return, and an increase in the number of funds with upward dynamics from 27.5% to 72.5%. Interval and closed-end CII generated -1.0% and -4.1% on average, and positive indicators were generated by almost 60% of interval and over 36% of closed-end funds.

⁴ See [European Quarterly Statistics \(Q1 2012 - Quarterly Statistical Release\) by EFAMA](#)



Additional information on CII in the UAIB website:

- Funds' Daily Data (publicly offered CII):
[Open-ended Funds](#)
[Interval Funds](#)
[Closed-end Funds](#)
- Analytical reports and statistics of publicly offered CII:
[Weekly](#)
[Monthly](#)
- [CII Rankings:](#)
CII – by the types of funds
CII – by the classes of funds