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1. Stock Markets: Ukraine and the World

The main global event that moved the markets in the 3-rd quarter of 2016 was Brexit - the decision of the national Great Britain's referendum on British withdrawal from the EU structure. It increased anxiety among investors because of uncertainty as to the date of the formal start of this exit and its terms, and of future development of the EU and the UK itself, as well as of international trade, redistribution of capital flows and financial centers in Europe, economic growth in the world.

At the same time, falling of the pound supported the key British index, as most companies of the index basket are exporters. Expectations of delay of the official decision on country's exit from the EU and correction after the initial shock also contributed to a rather high positive result.

Chinese equities rose on the background of gradual steps towards economic restructuring and liberalization of capital movements and access of foreign investors to Chinese assets. Approval of plans to launch the system "Shenzhen-Hong Kong Stock Connect" - in addition to the already existing "Shanghai Connect" - to combine opportunities of capital markets of the more liberal Hong Kong and "mainland" China, which is opened only partially was an important signal. Hong Kong's index rose the most

among key ones due to expansion of this cooperation with the largest emerging market in the world. Brazil, which recovered after the political crisis, was also among the world leaders of growth in the stock markets.

Japan, as well as Russia, showed moderate growth. Russian equities rose on the background of some success in stabilizing the RF's economy, despite the significant reduction of prices of oil in July, which returned to the original level by the end of the quarter. Successful return of Russia to the global capital markets was also noteworthy - Russia placed Eurobonds in the amount that corresponded to the level of international sanctions introduced against it because of its actions towards Ukraine.

For July-September, equity indexes in developed markets increased from 2.1-3.3% (USA) to 6.1-8.6% (the UK and Germany); in China and Hong Kong equities rose, respectively, by 2.6% and 12%, Russian indicators rose by 4.6-6.5%, and Brazil was the leader among emerging markets with +13.3%. Polish equities were outsiders (-2.4%, Table. 1, Chart 1).

*Table 1. Dynamics of Stock Indices of National Markets in Q3 2016**

Indexes	30.06.2016	30.09.2016	Q3 2016	YTD 2016	Annual
UX (Ukraine)	674.57	810.13	20.1%	18.1%	-7.1%
Ibovespa Sao Paulo SE Index (Brazil)	51 526.93	58 367.05	13.3%	34.6%	29.5%
HANG SENG (Hong Kong)	20 794.37	23 297.15	12.0%	6.5%	11.8%
PFTS (Ukraine)	220.87	239.87	8.6%	-0.3%	-20.3%
DAX (Germany)	9 680.09	10 511.02	8.6%	-2.2%	8.8%
RTS (Russia)	930.77	990.88	6.5%	30.9%	26.4%
FTSE 100 (Great Britain)	6 504.33	6 899.33	6.1%	10.0%	13.8%
NIKKEI 225 (Japan)	15 575.92	16 449.84	5.6%	-13.6%	-5.4%
CAC 40 (France)	4 237.48	4 448.26	5.0%	-4.9%	-0.2%
MICEX (Russia)	1 891.09	1 978.00	4.6%	12.3%	20.4%
S&P 500 (USA)	2 098.86	2 168.27	3.3%	5.1%	12.9%
S&P BSE SENSEX Index (Mumbai SE) (India)	26 999.72	27 865.96	3.2%	7.3%	6.5%
SHANGHAI SE COMPOSITE (China)	2 929.61	3 004.70	2.6%	-15.9%	-1.6%
DJIA (USA)	17 929.99	18 308.15	2.1%	4.0%	12.4%
Cyprus SE General Index (Cyprus)	65.53	66.16	1.0%	-2.1%	-11.2%
BIST 100 National Index (Turkey)	76 817.19	76 488.38	-0.4%	4.5%	3.1%
FTSE/JSE Africa All-Share Index (RSA)	52 217.72	51 949.83	-0.5%	2.3%	3.7%
WSE WIG 20 (Poland)	1 750.69	1 709.51	-2.4%	-8.0%	-17.3%

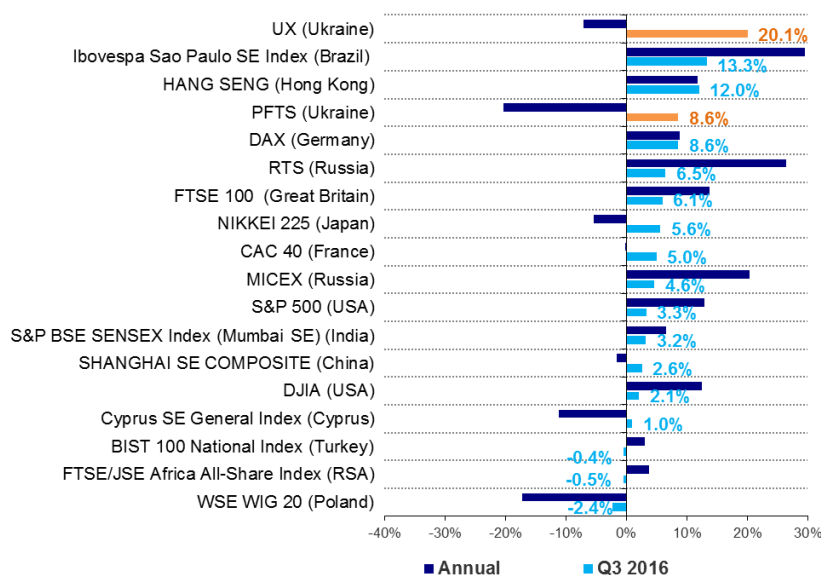


Chart 1. Dynamics of National Markets' Stock Indexes in Q3 2016

* Based on data of Exchanges and Bloomberg Agency

The Ukrainian stock market in Q3 2016 remained among the leaders of growth - by Ukrainian Exchange (UX) index. Ukrainian equities showed the rapid growth at the beginning of the quarter – together with the key global markets, which had absorbed and corrected the initial too sharp reaction on Brexit.

Then domestic equities moved by the lateral trend until the end of August, and throughout the whole September showed rapid growth (+15% for the month), with the minor corrections in the first and last decades. This remarkable positive result was accompanied by long-awaited news on the approval of the next tranche for Ukraine in the amount of USD 1 bln. by the IMF and decreasing of the discount rate by the NBU for the fifth time during this year - to 15%. All this happened against a background of further improving of the macroeconomic indicators of Ukraine, in particular, accelerating of the real GDP's growth in the 2nd quarter to 1.4% during the year and reducing of inflation to 8.4% in August.

Composition of the index basket of the Ukrainian equities' index was not changed during the quarter – 5 equities of enterprises in energy industry, engineering and banking sector remained there. PFTS index basket, where, in addition to the components of the UX index, another 5 companies (electric power industry, metallurgy, engineering and telecommunications) left, was also stable and will keep the stability till the end of the year.

Results of the 3-rd quarter for the both main Ukrainian indexes of equity were positive and this time much more close than in the 2nd quarter: **UX index rose by 20.1%, while the PFTS index - by 8.6%.**

Volume of the Ukrainian stock market in the 3rd quarter continued to decrease further: number of securities in the exchange lists decreased by another 10.4% (for the year - by 18.2%) and in the listing (the 1st and 2nd levels) - by 6%. Thus, narrowing of exchange lists accelerated, and of registers (listing) - slowed. However, the number of equities in the listing in the third quarter fell even faster than in the 2nd quarter - by 30.1% (for the year - by 85.5%, after -90.4% in the second quarter). Number of listed corporate bonds also dropped in accelerated pace - by 35.9% (for the year - by 80.8%, after 78.8% in the second quarter). Deposit certificates of NBU went out from the listing (they were 69 a year ago and one in the 2nd quarter). Besides constant 279 government bonds (OVDP), in exchanges' registers municipal bonds of only one issuer remained (a year ago - of two ones).

Trading volume decreased for the quarter by 3.9% (after growth by 28.2% in the 2nd quarter), including OVDP - by 6.2% (after +68.5%). *Value of transactions with all corporate securities*, however, increased: bonds - by 82.2%, equities - by 50.0%, investment certificates - by 12.1% (for the year – it fell, respectively, by 7.7%, 45.9% and 91.6%). The annual dynamics of the total trading volume was positive (+22.7%) still exclusively at the expense of government bonds (+47.2%, Table 2).

Table 2. Dynamics of the Ukrainian Stock Market in Q3 2016

Indicator/ Date (period)	30.09.2015 (Q3 2015)	30.06.2016 (Q2 2016)	30.09.2016 (Q3 2016)	Change for Q3 2016	Annual Change
Number of Securities in the listing of stock exchanges, including:	2199	2008	1800	-10.4%	-18.1%
Number of securities in the registers (listing) of stock exchanges, including:	578	334	314	-6.0%	-45.7%
OVDP	264	279	279	0.0%	5.7%
equities	62	13	9	-30.8%	-85.5%
corporate bonds	130	39	25	-35.9%	-80.8%
municipal bonds	2	1	1	x	-50.0%
NBU deposit certificates	69	1	0	-100.0%	-100.0%
Trading volume on the stock exchanges (total) for the period, UAH mln., including:	48 219.9	61 542.0	59 167.8	-3.9%	22.7%
OVDP	37 143.0	58 272.8	54 681.8	-6.2%	47.2%
equities	1 096.9	395.9	593.6	50.0%	-45.9%
corporate bonds	3 549.1	1 796.8	3 274.7	82.2%	-7.7%
NBU deposit certificates	4 650.0	626.4	0.0	-100.0%	x
investment certificates	314.2	23.5	26.4	12.1%	-91.6%
derivatives	1 274.2	263.3	396.7	50.7%	-68.9%

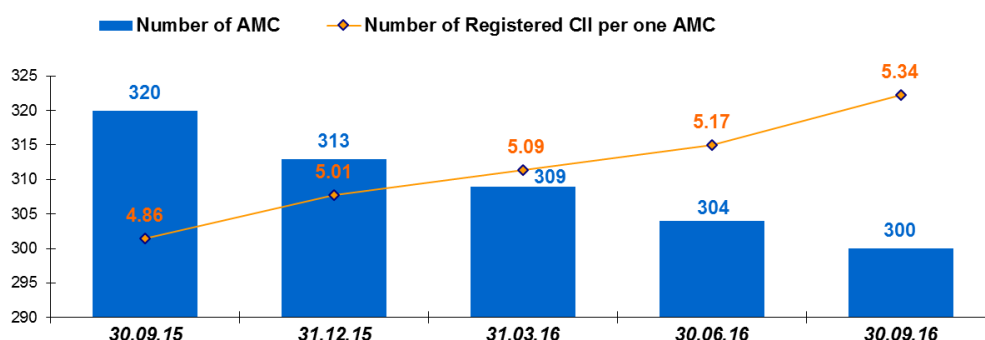
2. Number of AMC and CII

In the 3rd quarter of 2016 the number of asset management companies fell by another four. During July-September 6 AMC were closed and two new companies created. Thus, as at 30.09.2016 300 AMC operated in Ukraine.

The trend of reducing the number of asset management companies remained in conditions of strengthening requirements for capital and further reduction of the set of stock market's instruments, including those of them that could be used to meet these requirements. Taking into account the timing for reaching the compliance with prudential standards, the trend of

reduction of number of AMC may intensify by the end of the year.

According to UAIB data, 14 CII were registered in the 3rd quarter of 2016 (after 21 in the 2-nd quarter), at that, all of them were corporate ones (CIF). *The total number of registered CII* at the end of September increased to 1601. So, concentration on the CII asset management market continued to grow: as at 30.09.2016 one company managed an average of 5.3 funds (after 5.2 in the second quarter and 5.0 at the beginning of the year, Chart 2).


Chart 2. Dynamics of number of AMC and number of CII per one AMC in the 3-rd quarter of 2015-2016

Number of CII that reached compliance with norms for minimal assets value, also maintained a steady trend in its dynamics - in the 3rd quarter of 2016 it had been decreasing within the 11th consecutive quarter. "Recognized" funds became less by another 8 (after -6 in the 2nd quarter) - to 1127 at the end of September. The

annual reduction slowed to -24 funds, -2.1% (after -36 funds, -3.1% in Q2 2016).

In absolute terms the number of venture UIF decreased the most again (-14, -1.8%), and in relative terms, sectors of open-ended specialized UIF (-16.7%) and interval CIF, which completely left the market, narrowed the most, although in both cases only one fund

was closed – in the second one from the above mentioned sectors - it was the last acting fund. Also, open-ended UIF became even less: diversified (-2 funds, -11.8%) and specialized funds (-1, -16.7%) – for the first time since the beginning of registration of such CII under

the new version of the Law "On CII". Instead, the number of recognized and acting venture CIF grew during the 5th consecutive quarter - and accelerated its growth - (+8.4%, +17 funds) - to 219 (Table 3).

Table 3. Dynamics of the Number of CII that Reached Compliance with Standards, by Fund Types and Legal Forms, in Q3 2015 - 2016

Date/Period	Total	UIF*							CIF*		
		O*	Os*	I*	Is*	CD*	CNN*	CV*	I*	CNN*	CV*
30.09.2015	1151	21	5	23	2	9	31	823	2	67	168
31.12.2015	1147	21	5	22	2	9	31	803	2	63	189
31.03.2016	1141	20	6	22	3	9	32	792	1	62	194
30.06.2016	1135	17	6	22	3	6	32	785	1	61	202
30.09.2016	1127	15	5	21	3	6	29	771	0	58	219
Q3 2016 change	-8	-2	-1	-1	0	0	-3	-14	-1	-3	17
	-0.7%	-11.8%	-16.7%	-4.5%	0.0%	0.0%	-9.4%	-1.8%	-100.0%	-4.9%	8.4%
YTD 2016 Change	-20	-6	0	-1	1	-3	-2	-32	-2	-5	30
	-1.7%	-28.6%	0.0%	-4.5%	50.0%	-33.3%	-6.5%	-4.0%	-100.0%	-7.9%	15.9%
Annual change	-24	-6	0	-2	1	-3	-2	-52	-2	-9	51
	-2.1%	-28.6%	0.0%	-8.7%	50.0%	-33.3%	-6.5%	-6.3%	-100.0%	-13.4%	30.4%

*UIF - Unit Investment Funds, CIF - Corporate Investment Funds; O – open-ended diversified CII, Os – open-ended specialized CII (as of 30.09.2014 and before - open-ended diversified CII), I – interval diversified, Is - interval specialized (as of 30.09.2014 and before – interval diversified), CD – closed-end diversified, CNN - closed-end non-diversified non-venture, CV - closed-end non-diversified venture CII.

Reduction of the number of existing CII that had reached the standards, was braked due to appearance at the market of new funds – the same as in the second quarter, in the third one growth was observed both among venture CIF, as well as among UIF (8 newly recognized funds during the quarter). As a result of this further increasing of the total number of formed and acting venture funds and decreasing - of other sectors of

CII as at 30.09.2016, the share of first ones in the market increased from 87.0% to 87.8% (Chart 3), although the weight of venture UIF (771 Funds) further decreased - from 69.2% to 68.4%. Open-ended CII had market share of 1.8%.

Totally, there were 20 open-ended CII and 990 venture ones.

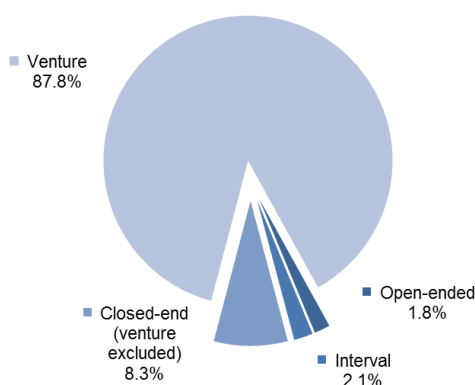


Chart 3. CII, that Reached Compliance with Standards, by Types of Funds, as at 30.09.2016

The number of funds that have not yet reached the normative for minimal volume of assets among all registered CII under AMC management in the 3rd quarter decreased from 46 to 44, and their share among all CII under management - to 3.8%.

In the process of liquidation, according to UAIB data, in the 3rd quarter, still were or just started it 1 open-ended and 3 interval diversified UIF, 1 closed-end non-diversified UIF and 3 of the same CIF, 53 venture UIF and 4 CIF. As a whole – they were 64 funds, or 5.7% of all recognized and acting CII.

Table 4. CII with Public Emission, as at 30.09.2016

CII Type and Class	Number		
	31.12.2015	30.06.2016	30.09.2016
Open-ended (total), including:	26	23	20
diversified:	21	17	15
specialized:	5	6	5
Interval(total), including:	25	25	23
diversified:	23	22	20
specialized:	2	3	3
Closed-end (total), including:	59	57	50
diversified:	3	3	3
specialized:	56	54	47
Total	110	105	93

Table 5. Dynamics of the Number of Diversified CII with Public Issue by Classes of Funds (in Accordance with Structure of Assets) in Q3 2015-2016

Date/Period	Total	Equity funds	Bond funds	Mixed funds*	Money market funds	Other funds
30.09.2015	38	5	1	19	0	13
31.12.2015	40	11	1	22	0	6
31.03.2016	34	4	4	17	0	9
30.06.2016	33	6	4	13	0	10
30.09.2016	33	4	5	14	0	10
Q3 2016 change	0 0.0%	-2 -33.3%	1 25.0%	1 7.7%	0 -	0 0.0%
YTD 2016 Change	-1 -2.9%	0 0.0%	1 25.0%	-3 -17.6%	0 -	1 11.1%
Annual change	-5 -13.2%	-1 -20.0%	4 400.0%	-5 -26.3%	0 -	-3 -23.1%

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

Thus, slowing of the creation of new funds compared to the 2nd quarter and almost the same number of those who have not yet reached the norms, will promote the conservation of the trend of reduction of the number of operating funds under other constant conditions.

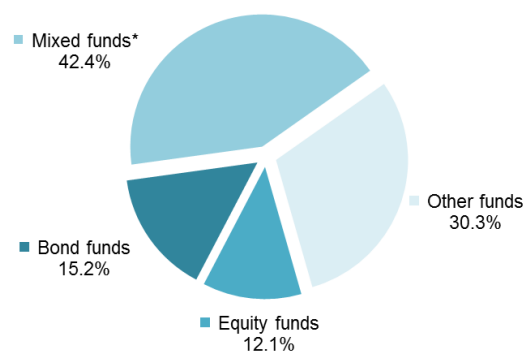
CII with public issue in the 3rd quarter of 2016 also kept the trend for reduction: for three months they became less by 8 funds (93). In contrast to the 2nd quarter, this was mainly due to closed-end funds (table 4).

Number of AMC managing public CII, decreased - from 47 to 42 as a whole and from 13 to 11 in the sector of open-ended CII.

Number of **diversified and specialized CII with public issue** in the 3rd quarter was not changed - 33, and the annual decline slowed to -5 funds (Table 5).

According to the classification based on the structure of assets¹, at the end of September there were 4 equity funds (3 open-ended, 1 interval CII). Thus, two funds – closed-end and interval - in Q3 2016 fell into other categories - mixed and "other" assets, respectively. Bond funds, by contrast, became more - by switching of one of open-ended funds from "other" class to this one in the 2nd quarter; totally in this class there were 4 open-ended and one interval CII. Number of *mixed investment (balanced) funds* increased by one - to 14 (3 open-ended, 10 interval and one closed-end CII) - at the expense of equity fund, according to the data of the 2nd quarter.

"Other assets" that did not meet the criteria for special classes of assets, were again 10 - 6 open-ended, 3 interval, 1 closed-end CII (Chart 4).



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

Chart 4. Diversified CII with Public Issue, by Classes of Funds, as at 30.09.2016

3. Regional Distribution of AMC and CII

In Kyiv and metropolitan area in the 3-rd quarter of 2016 the number of AMC decreased by 2 - to 214 companies (Chart 5). At that, the same as in the 2-nd quarter, two new AMC were created in Kyiv. Among other regions outside the top 5, the number of professional market participants decreased by two companies, so the market share of the capital region by the number of AMC increased from 71.1% to 71.3%.

In other leading regions the number of AMC was not changed: 21 companies functioned in Dnipro region; 18 - in Kharkiv area; in Lviv and Odessa regions – 9 in each one. The rest of Ukrainian regions all together had 29 AMC or 9.7% of the market.

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

4. Assets and Net Asset Value of CII

In Q3 2016 CII industry in Ukraine somewhat accelerated its growth: the aggregate total assets of acting investment funds, which reached the norm for minimum assets value, increased by **UAH 8,402.3 mln. (+3.4%, after +3.2% in the 2-nd quarter)**. Simultaneous increase of the assets in several sectors was a positive trend, including continued growth of *open-ended funds* (+7.5%) and - for the first time since the 1st quarter of 2014 - an increase of *interval CII* (+13.5%). At that, the number of funds that submitted information in these sectors did not change.

Both sectors of closed-end CII - *funds with public offer and ones with private issue* – showed the decrease in total assets (-18.7% and -4.9%, respectively), while almost unchanged number of funds. Thus, closed-end CII with public issue intensified narrowing of the sector since the beginning of the year to -32.6% (for the year - to -31.8%).

Closed-end CII all together decreased by volume of assets by UAH 937.6 mln. for the 3rd quarter (-9.7%, after -2.1% in the 2nd one) – to UAH 8,698.5 mln.

Total assets of CII (*except venture funds*) at the end of September, 2016 decreased by UAH 925.5 mln., to UAH 8,823.6 mln. (-9.5%).

Venture funds once again compensated for these losses and accelerated increase of their assets: +UAH 9,327.8 mln., +4.0% (after +3.4% in the 2-nd quarter), while increasing the number of venture funds that provided reports, by 1.3% (to 918).

As at 30.09.2016, **the total assets of acting CII that reached norms**, amounted to **UAH 253,608.6 mln., including venture CII – UAH 244,785.0 mln.** (Chart 7).

Since the beginning of the year 2016 the total assets of all CII increased by 7.4%, and for the year - by 11.5%.

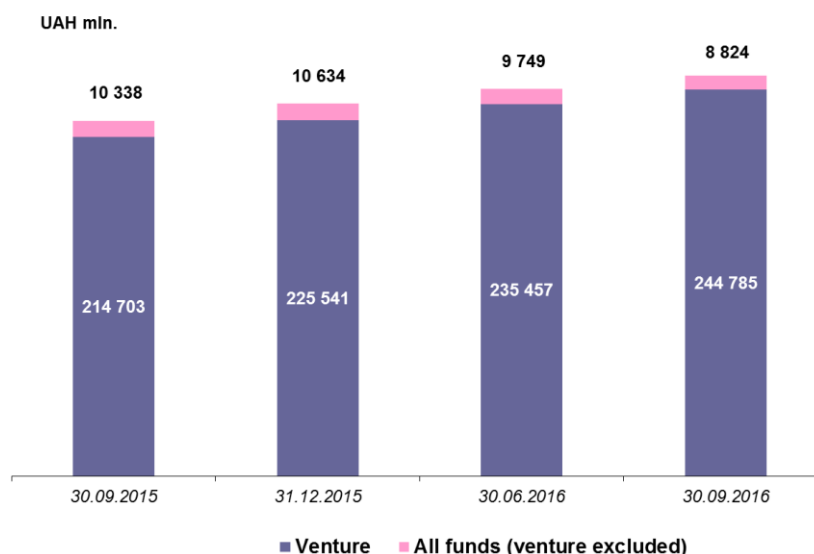


Chart 7. Dynamics of CII Assets Value in Q3 2015-2016

Total net asset value of CII in the 3-rd quarter of 2016 slowed its growth by half compared to the 2nd quarter: NAV of all funds increased by **UAH 2,704.3 mln. (+1.3%, after +3.5%)**. As at the end of September it was **UAH 212,406.6 mln.**

Thus, in the 3rd quarter industry's assets accrued mainly due to the leverage (liabilities) of funds.

Since the beginning of 2016 NAV of all CII increased by 6.3%, for the year - by 7.2%. Venture funds, which provided annual industry's growth by their increase by 9.4%, remained the main engine of industry's growth. At the same time, open-ended CII also shew growth of net assets since the beginning of 2016 (+5.9%, Table 6).

Table 6. Dynamics of CII NAV, by Types of Funds, in Q3 2015-2016, UAH mln.

Funds	30.09.2015	31.12.2015	30.06.2016	30.09.2016	Q3 2016 Change	YTD 2016 Change	Annual Change
Open-ended	59.3	54.9	54.2	58.2	7.4%	5.9%	-2.0%
Interval	90.5	87.9	57.8	63.7	10.2%	-27.5%	-29.6%
Closed-end (venture excluded), incl.	11 512.1	9 809.6	9 115.5	8 244.1	-9.6%	-16.0%	-28.4%
with public issue	3 563.1	3 663.0	3 252.2	2 698.5	-17.0%	-26.3%	-24.3%
with private issue	7 949.0	6 146.6	5 863.3	5 545.6	-5.4%	-9.8%	-30.2%
All funds (venture excluded)	11 661.9	9 952.5	9 227.5	8 366.0	-9.3%	-15.9%	-28.3%
Venture	186 562.3	189 908.7	200 474.9	204 040.7	1.8%	7.4%	9.4%
All funds	198 224.2	199 861.1	209 702.3	212 406.6	1.3%	6.3%	7.2%

* Acting CII that have reached compliance with the standard of minimum amount of assets (established funds), are managed by AMC and have provided reports for the respective period (as at the reporting date)

Among all sectors of CII, in the third quarter growth in NAV, as well as in total assets, was demonstrated by open-ended, interval and venture funds.

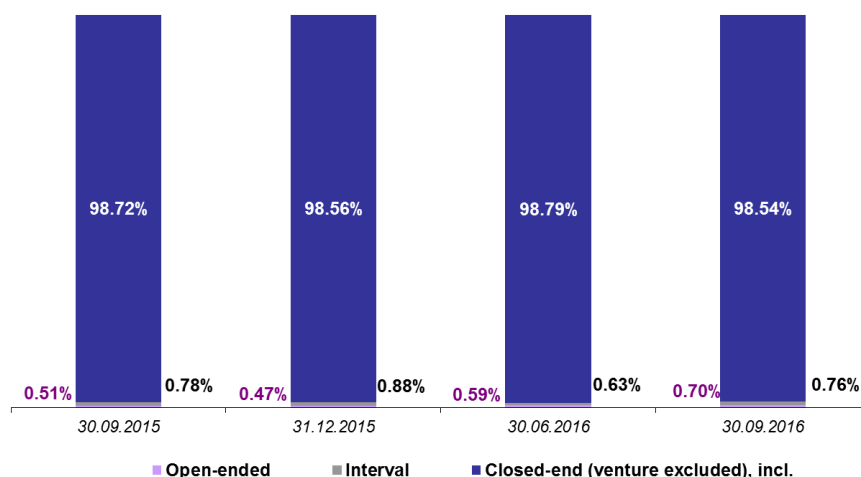
In open-ended CII it grew by 7.4% (after +1.3% in the 2nd quarter) - the second consecutive quarterly growth after 4 quarters of contraction. As at 30.09.2016 sector's NAV amounted to **UAH 58.4 mln.**

The net assets of *interval CII* grew more moderate than total ones - by 10.2%, against 13.5% to **UAH 63.7 mln.** Due to this growth they partly overcame losses for the 2nd quarter (-16.0%) and reduced the fall in NAV from the beginning of the year to -27.5%.

Net assets of *venture CII* increased by UAH 3,565.8 mln. (+1.8%, after +3.8%) and reached UAH **204,040.7 mln.** Increase in NAV of these funds amounted to slightly more than a third of their total assets' increase, so the last one rose, mainly, due to the leverage.

Closed-end CII - both with public and private issue - experienced lowering of the total NAV, which in the 3rd quarter accelerated to -UAH 871.4 mln. (-9.6%, after -3.4% in the 2nd quarter). As at 30.09.2016 their net assets amounted to **UAH 8,244.1 mln.** Closed-end funds *with public issue* decreased by UAH 553.7 mln. (-17.0%, after -1.0% in the 2-nd quarter).

Due to positive dynamics of the most liquid sectors (open-ended and interval funds) and opposite movement of closed-end ones, the weight of the first ones in NAV of all non-venture CII in the 3-rd quarter increased markedly: open-ended - from 0.59% to 0.70%, interval - from 0.63% to 0.76%. The share of closed-end CII declined by a quarter of the percentage point - up to 98.54% (Chart 8).


Chart 8. Dynamics of Non-Venture CII NAV Breakdown, by Types of Funds, in Q3 2015-2016

Venture funds, under conditions of relatively slow growth of NAV in the 3rd quarter, compared to the other sectors of CII, reduced slightly their market share: after 95.6% at the end of June, it dropped to 95.1% in

September. Open-ended and interval funds still, the same as before, had around 0.03% of aggregated NAV of CII industry (Chart 9).

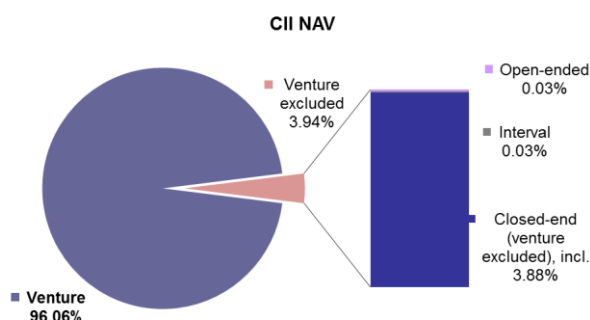


Chart 9. Breakdown of CII NAV, by Types of Funds, as at 30.09.2016

5. Net Capital Flow in Open-Ended CII

The outflow of capital from the open-ended CII in the 2-nd quarter of 2016 changed by net inflow in the 3-rd one, although for the month it was recorded only in July and August - against the background of recovery in the stock market at the beginning of the quarter, which quickly ended by the lateral trend; September brought a slight net outflow - fixing of profits, amid active rising movement of equity indexes during the month (Chart 10, Table 7). At that, the number of acting funds in the sector during the quarter was not changed, although reporting in July improved after May-June.

Number of open-ended CII that had net inflows during July-September, rose to 2-5 funds, and total quarterly result of 5 funds amounted to UAH 2.1 mln.

Net outflows during these three months had 8 funds under management of 6 AMC, although by the results of the 3-rd quarter there were only 5 funds with net outflow. Their total net outflows amounted to -UAH 1.1 mln.

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

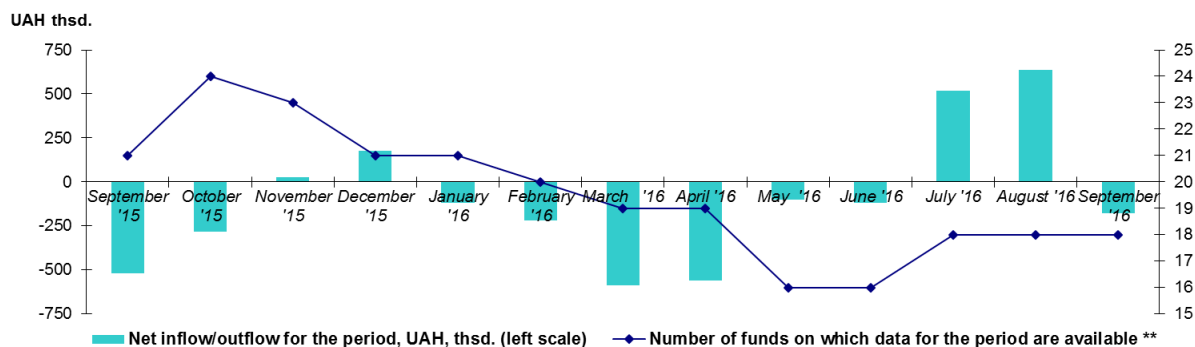


Chart 10. Monthly Net Flow of Capital in Open-Ended CII in September 2015-2016*

* Based on daily data

Table 7. Monthly Net Flow of Capital in Open-Ended CII in September 2015-2016*

Period	Net inflow/outflow for the period, UAH thsd.	Number of funds on which data for the period are available **
September '15	-520	21
October '15	-285	24
November '15	24	23
December '15	175	21
January '16	-119	21
February '16	-217	20
March '16	-590	19
April '16	-563	19
May '16	-99	16
June '16	-118	16
July '16	519	18
August '16	634	18
September '16	-177	18
For 12 months	-817	19

** For 12 months – an average

Overall, in Q3 2016 the total **net capital inflows to open-ended CII** was **almost UAH 1.0 mln.** (after – **UAH 0.78 mln.** in the 2-nd quarter, Chart 11). Thus, it was the first quarterly inflow to the industry for 5 years from the 2nd quarter of 2011.

Movement of capital in general contributed to the positive NAV dynamics of sector of open-ended funds,

although it was not its key factor: it provided 24% of increase.

Net outflow from open-ended CII **since the beginning of 2016** decreased to **–UAH 0.73 mln.** (-57% compared to the indicator in the 2nd quarter), and for the year (12 months which ended in September) - to **–UAH 0.81 mln.** (-75%).

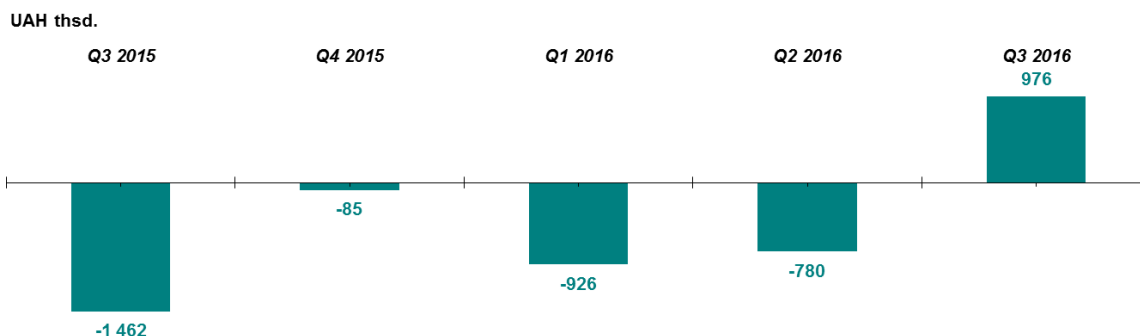


Chart 11. Net Flow of Capital in Open-Ended CII in Q3 2015-2016

The influx of capital **into the industry of investment funds of the European Union** in July-August 2016 returned to annual highs and for two months amounted to **EUR 121 bln.**², after EUR 131 bln. for the 2nd quarter of 2016 (EUR 117 bln. in April-May). It also reflected an increase compared to the 3-rd quarter of 2015 (EUR 81 bln.).

Thus, **the inflow to the industry since the beginning of 2016 until August accelerated and reached EUR 287 bln.**, but compared to the same period of 2015 it was still much smaller (in January-August of 2015 - +EUR 528 bln.).

Investors of **UCITS funds**³, which in July and August brought additionally EUR 49 and 51 bln., respectively (after outflow of EUR 10 bln. in June), were much more active.

During the first two months of the quarter, **they attracted "net" more than EUR 100 bln.** - after EUR 75 bln. during the entire 2nd quarter of 2016 and EUR 72 bln. in July-August of 2015. Thus, inflows continued to increase, but in weaker pace than in the 2-nd quarter. This took place in the conditions of strengthening the trend of increasing savings by Europeans, and bond funds had the most demand in conditions of investors' confidence in the

immutability of low rates and continued incentive policy of the ECB and national central banks, weak economic growth and high volatility in equity markets.

AIF⁴ funds in July and August 2016 received **a net inflow in the amount** of more than **EUR 20 bln.** (compared to EUR 29 bln. for the same period of 2015), at that 16 of them the sector received only in July.

Leaders among UCITS funds in terms of attracting additional capital in July and August 2016 were **bond funds** (+EUR 48 bln., after +EUR 45 bln. for the 2nd quarter). **Money market funds** were also popular at this time - their additional inflows rose to +EUR 42 bln. for the first two months of the quarter (after +EUR 28 bln. for the 2nd quarter). **Mixed investment funds** attracted in July-August +EUR 4 bln. of net inflow (after +EUR 13 bln. for the 2nd quarter). **Equity funds** returned to positive movement in August, but lost EUR 1 bln. for two months (after -EUR 19 bln. in April-June and negative dynamics practically almost every month in 2016); started from the beginning of 2016, this category remained in August with the result -EUR 24bln.

Among AIF funds more than half of net inflow in July and August of 2016 were obtained by "institutional" funds (special funds for institutional investors) - +EUR 11 bln. (last year - +EUR 15 bln.). By asset classes, the largest inflows among AIF funds were received by **equity funds** (+EUR 5 bln.), **"other" funds** (+EUR 11 bln.), and also **bond funds** (+EUR 4 bln.).

² Based on data of 28 countries, associations of which are members of EFAMA (24 states-members of the EU, and Liechtenstein, Norway, Switzerland and Turkey) - see. [EFAMA Investment Fund Industry Fact Sheet](http://www.efama.org) (August 2016) on website: <http://www.efama.org>. Inflow was calculated based on data for July-August 2016.

³ UCITS (Undertakings for Collective Investment in Transferable Securities) – institutions of collective investments in negotiable securities (those that are in circulation on regulated markets); are open-ended funds with public emission (offering) and strict requirements for composition, quality, liquidity and structure of assets. They are governed by corresponding Directive (Directive 2009/65 / EC of 13 July 2009, as amended pursuant to Directive 2014/91 / EU of 23 July 2014) and other legislative acts of the EU.

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

6. Investors of CII

In the 3-rd quarter of 2016 **legal entities-residents** continued to be *the biggest investors of CII*, but they also continued to lose their positions against decline of their investments and increase of such by other categories of investors.

The share of Ukrainian companies in the industry's NAV decreased from 72.4% to 71.3%, and their total assets in CII – by UAH 8.6 mln. (after -UAH 2,140.8 mln. in the 2nd quarter).

At that, investments decreased only *in closed-end CII* (-UAH 819.4 mln.), while *in venture funds* they increased, almost offsetting that reduction, and in open-ended and interval funds there was only symbolic growth.

Increase of these investors' total assets in the sector of *venture CII* in July-September restored almost half of reduction for the 2nd quarter (+UAH 810.3 mln., after -UAH 1,802.96 mln.).

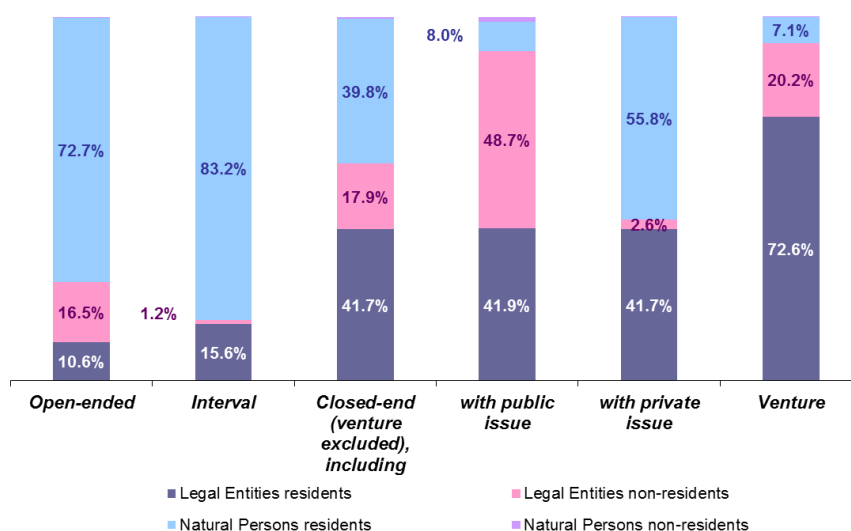


Chart 12. CII NAV Breakdown by Categories of Investors, as at 30.09.2016, Share in NAV

In open-ended CII the share of domestic corporate investors in the 3rd quarter decreased from 11.1% to 10.6%, *in interval CII* - from 16.1% to 15.6%, and *in closed-end CII (other than venture funds)* their weight decreased more and faster than in the 2nd quarter - from 46.3% to 41.7%. At that in CII with public issue it fell from 50.1% to 41.9%, with private issue - from 44% to 41.7% (Chart 12).⁵

For the year, the weight of residential enterprises in CII's assets declined by 4.6 p.p. (from 75.9%), while reduction of their total investments by UAH 1,429.1 mln. and significant increase of other categories of investors' presence in CII at this time.

Since the beginning of 2016 assets of Ukrainian enterprises in CII decreased nearly by UAH 1 bln., and their share in the aggregate industry's NAV - by 2.8 p. p.

Ukrainian retail investors (individuals-residents) in Q3 2016 increased their presence in all sectors of CII, at that their share in open-ended funds became almost the same as weight of domestic enterprises - in venture funds (72.7%). Weight of

Ukrainian citizens' assets in NAV of interval CII increased further - from 81.7% to 83.2%, in venture funds - from 7.0% to 7.1%.

The total value of these investors' investments in all CII in July-September rose by UAH 558.4 mln., and their share - from 8.4% to 8.5%. Assets of *interval and open-ended CII* increased relatively the most (+8.6% and +7.8%), and in absolute terms - in *venture funds* again (+UAH 524.7 mln., after +UAH 1,005.7 mln. in the 2nd quarter).

Foreign investors in CII in the 3-rd quarter slowed increasing of their investments - +UAH 2,405.3 mln. (after +UAH 3,434.93 mln. in the 2nd quarter). Assets belonging to this category in NAV of all funds, in September exceeded 20% (after 19.3% in June) - with growth in all sectors of CII.

While citizens - non-residents reduced their investments in closed-end CII (other than venture ones) - and in all CII as a whole (the share remained within 0.1%), **legal entities – non-residents** continued to increase them (+UAH 2,412.2 mln., at that UAH 2,479.6 mln. - in venture funds).

⁵ Excluding CII bearer securities.

In total investors - residents as at 30.09.2016 owned UAH 163.3 bln. in all CII, including UAH 156.2 bln. - in venture ones; **non-residents** – UAH 41.2 bln. in all CII, including over than UAH 39.7 bln. - in venture funds (respectively, +6.2% and +6.7% for the 3-rd quarter).

Number of investors in CII in the 3rd quarter of 2016 continued to decline (-155, -0.1%). Unlike the 2-nd quarter and for the first time within at least two years, the number of investors *in open-ended* funds increased (+3 retail investors - citizens of Ukraine). Besides, the number of investors increased – enterprises-residents in interval CII (+4), residential enterprises in closed-end CII with public issue (+2) and Ukrainian retail investors - in closed-end funds with private issue (+2) and in venture ones (+2).

Instead, outflow from *closed-end CII* was the main factor of the overall reduction in the number of investors of CII. They became less by 105 in funds of this type with public issue, including individuals-residents by 100 (totally -2.2%), and *in venture funds* – totally by 47 (-1.0%) and legal persons - by 51, including 32 domestic ones.

Dynamics of **individuals-residents'** participation in CII in general deteriorated in the 3-rd quarter (-97 persons, almost twice as much as in the 2nd quarter) - due to changes in the sector of closed-end funds, in particular, with public issue.

However, citizens of Ukraine retained the absolute primacy of the presence in CII with public issue - more than 95% of investors in such funds of closed-end type, more than 98.5% in open-ended and close to 100% - in interval funds. In closed-end CII with private issue they were 20.1%, and in venture funds - 9.7%, reflecting growth in comparison with other categories of investors in these sectors.

Number of **legal entities-residents** among investors of CII in the third quarter continued to decline – -34, -0.8% (after -50, -1.1% in the 2nd one). Most of them came from venture funds (-32, after -29 in the 2-nd quarter).

Foreign citizens, which became more in the 2-nd quarter, in the 3-rd one decreased by the same amount and in the same sector (-4 persons in *closed-end funds with public issue*, -36.4% in the sector and -9.5% in all CII). **Enterprises non-residents** as a whole also became less (-20 in all CII, -19 in venture ones - -3.7%).

As a whole, in CII, as at 30.09.2016, there were 261,550 investors. Consistently from the 2nd quarter, more than 95.6% of them remained in interval funds, 1.9% - in each of venture and other closed-end CII, including 1.8% - in ones with public issue (table 8).

Table 8. Investors of CII by Categories, Number and Share in the Total Number, as at 30.09.2016

Funds	Legal Entities				Natural Persons			
	residents		non-residents		residents		non-residents	
Open-ended	17	0.99%	7	0.41%	1 689	98.54%	1	0.06%
Interval	26	0.01%	2	0.00%	250 043	99.98%	19	0.01%
Closed-end (venture excluded), incl.:	424	8.66%	25	0.51%	4 438	90.66%	8	0.16%
with public issue	194	4.22%	18	0.39%	4 378	95.24%	7	0.15%
with private issue	230	77.18%	7	2.35%	60	20.13%	1	0.34%
All (venture excluded)	467	0.18%	34	0.01%	256 170	99.79%	28	0.01%
Venture	3 878	79.94%	491	10.12%	472	9.73%	10	0.21%
All Funds	4 345	1.66%	525	0.20%	256 642	98.12%	38	0.01%

7. Asset Structure of CII

In the 3rd quarter of 2016 in in asset structure of CII the following key changes, concerning existing **financial instruments**, took place:

continued growth of the total value of securities in all sectors of CII (except closed-end ones - along with decrease of their assets as a whole); at the same time – *reduction of their weight* in assets of all funds' sectors (other than venture ones); at that:

increase of the proportion of assets in government bonds in interval funds - with a significant increase of total

investments in them; reduction of government bonds' weight by open-ended and closed-end CII (except venture ones) - against the background of some increase in the value of these assets in open-ended and closed-end CII with private placement;

equities' share increasing in closed-end CII (both with public and private issue) - despite reduction of investments in them; opposite changes in open-ended and interval funds; synchronous reduction of value and weight of these tools - *in venture funds*;

contrary to equities, the dynamics of *corporate bonds* in all sectors (except interval, where it fell); assets in bonds increased significantly only in closed-end public CII, symbolically – also in open-ended ones;

increase of promissory notes' proportion in closed-end CII - despite reduction of their aggregate value in funds with private issue - and, in particular, in venture ones - together with a significant increase of these assets in the sector (table 9).

Table 9. Changes in the Structure of Aggregate Portfolios of CII, by Types of Funds, in Q3 2016

Asset Type / CII Type / Change over the quarter	Open-ended		Interval		Closed-end (ex. venture)		All funds (ex. venture)		Venture	
	p.p.	%	p.p.	%	p.p.	%	p.p.	%	p.p.	%
Other assets	-0.88	-14.0%	3.00	28.5%	-1.75	-3.4%	-1.81	-3.6%	0.05	0.1%
Real estate	-	-	-	-	0.01	5.7%	0.01	5.4%	-0.25	-9.9%
Cash and bank deposits	3.01	14.0%	-1.95	-13.4%	2.77	23.9%	2.75	23.6%	0.16	16.4%
Bank metals	-0.02	-1.8%	-	-	0.00	5.2%	0.00	6.5%	0.00	15.2%
OVDP	-1.54	-5.0%	4.83	16.7%	-1.75	-51.6%	-1.63	-44.1%	0.01	9.2%
Municipal bonds	-	-	-	-	-	-	-	-	-	-
Equities	-0.86	-2.1%	-5.10	-11.6%	1.01	5.1%	1.01	5.0%	-0.17	-1.5%
Corporate bonds	0.29	40.3%	-0.78	-35.8%	-0.54	-12.4%	-0.54	-12.5%	0.07	2.1%
Promissory notes	-	-	-	-	0.67	7.4%	0.64	7.2%	0.14	2.4%
Mortgage Notes	-	-	-	-	-	-	-	-	0.00	-15.1%
Other securities	-	-	-	-	-0.42	-100.00%	-0.42	-100.00%	0.00	4.7%
Securities	-0.02	-3.0%	-0.01	-1.4%	-0.01	-2.8%	-0.01	-2.5%	0.00	0.2%

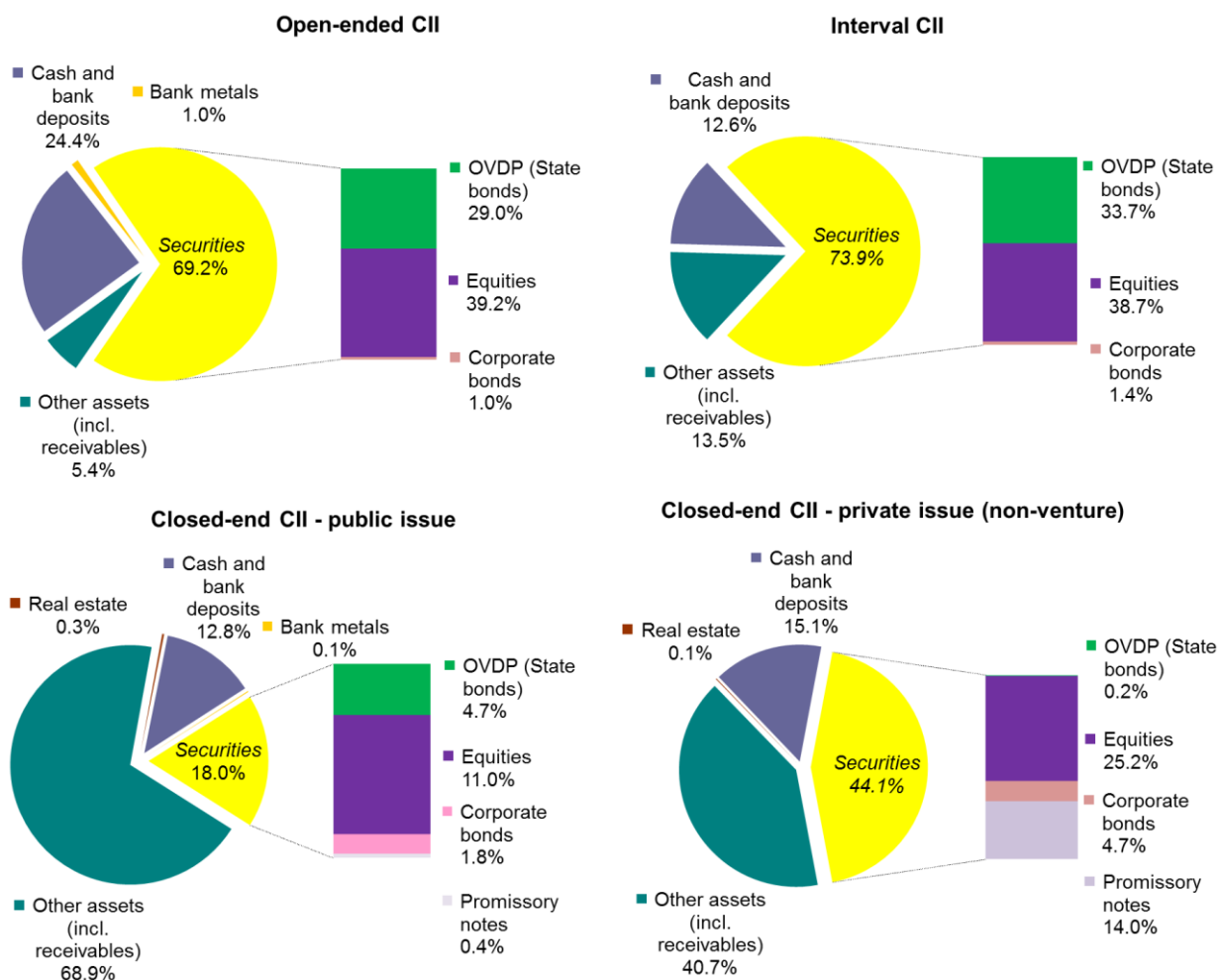


Chart 13. CII Assets Structure (Venture Funds Excluded), By Types of Funds, as at 30.09.2016

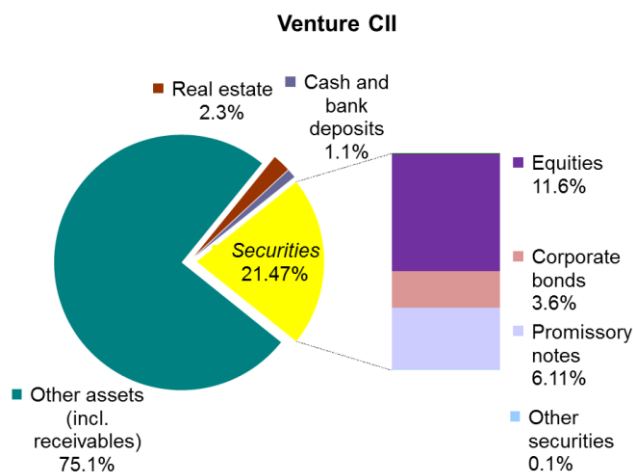


Chart 14. Asset Structure of Venture CII, as at 30.09.2016

As at 30.09.2016, **securities** further prevailed in assets of *open-ended and interval CII* (respectively, 69.2% and 73.9%). In *closed-end CII* they amounted to 35.9%, in *venture ones* - 21.5% (Chart 13, 14).

Increase of liquidity in most sectors of CII was also notable, in particular – in open-ended funds, where increase of **cash in banks** more than double outweighed growth of sector's consolidated packet of equities. Thus, their share in total assets here expanded from 21.4% to 24.4%, rising above the level of the beginning of the year.

"Other" assets⁶ in the 3rd quarter remained the biggest part of the *closed-end funds'* portfolio, in particular, of *venture ones*. In *closed-end CII* (other than *venture ones*), their amount and share in July-September further decreased (from 51.3% to 49.6%). A similar situation took place in open-ended CII (from 6.3% to 5.4%), and there was a sharp increase of "other" assets' weight (+3p.p.) in *interval funds* - due to higher receivables.

In *venture funds* at this period, the weight of "other" assets increased slightly - to about 75.2% (Chart 14), while in absolute terms their sum increased in the 3rd quarter even more than in the 2nd one (+UAH 7,816.3 mln.). At that, despite significant increase of assets in *equities* in the sector (+UAH 777.2 mln.), their weight slightly dropped here (from 11.8% to 11.6%). Value and weight of *venture CII's* assets in *corporate bonds, promissory notes and cash* increased, while of *real estate* - continued to decline.

Securities' portfolio of all CII in the 3-rd quarter of 2016 continued to grow, but at a slower pace -

+UAH 1,868.9 mln. (after +UAH 2,821.4 mln. in the 2nd quarter) and as at 30.09.2016 its total value reached UAH **55,805.7 mln.** (Table 10).

Equities reduced their weight - from 54.8% to 54.2% - together with growth of these assets' value by UAH 680.9 mln., due to *venture funds* – the same as in the case with *promissory notes* (totally +UAH 931.1 mln.), share of which, however, grew due to the biggest increase among types of securities (from 27.6% to 28.3%). The similar picture was also with *corporate bonds*, the aggregate value of which in *CII's* portfolios grew more than twice actively than in the 2nd quarter (+UAH 458.4 mln.), and weight - from 16.3% to 16.6%. The rest items of the consolidated stock *CII's* portfolio declined, and only the aggregate value of derivatives increased (+UAH 8.5 mln.), at that leaving derivatives at the level of per cent's quarter in portfolio.

Portfolio of CII (excluding venture funds) decreased for the 3rd quarter by UAH 428.9 mln. (after -UAH 69.8 mln. in the 2nd one) and as at 30.09.2016 amounted to UAH **3,208.7 mln.** Investments in *OVDP* decreased the most (-UAH 178.2 mln., that almost doubled reduced their share in the aggregate portfolio - to 5.7%).

More moderate decrease of assets in *equities* here provided weight gain of these tools/instruments from 53.6% to 57.8% of non-venture funds' stock portfolio.

Assets in *promissory notes* reduced in it least of all (-UAH 26.2 mln., after +UAH 739.93 mln. in the 2nd quarter), so their share increased further - from 23.8% to 26.2% (Table 11).

Diversified CII in Q3 2016 experienced more than double reduction of securities' portfolio – by UAH 125.4 mln. (after +UAH 18.4 in the 2nd) quarter). As at 30.09.2016 it was worth **UAH 119.1 mln.** (Table 12).

Over 90% of reduction occurred with equities, which in the second quarter were the engine of growth (-UAH 114.5 mln., after +UAH 17.9 mln.). Finally, their weight in portfolio of these instruments fell from 86.2% to 80.7%).

Only the total value of *OVDP* barely grew here (+UAH 0.07mln, after +UAH 10.42 mln.), but this was enough to strengthen the position of government securities from 8.6% to 17.7% in portfolio of diversified CII.

Corporate bonds and promissory notes further reduced their presence in the sector, the last ones - until the disappearance; the first ones lost weight from 4.3% to 1.6%.

⁶ "Other" assets include corporate rights, denominated in other, than securities, forms, and also accounts receivable, including loans to companies, in which CII have share of capital (for *venture funds*)

Table 10. Portfolio of Securities and Derivatives in CII, by Types of Instruments, as at 30.09.2016

Security Type	Aggregate Value of the Security in CII Portfolios, UAH	Share in the Aggregate CII Securities Portfolio	Q3 change, UAH.	Change, %
Equities	30 326 735 047	54.21%	680 882 470	2.3%
Promissory notes	15 847 704 563	28.33%	931 148 181	6.2%
Corporate bonds	9 277 768 293	16.58%	458 380 551	5.2%
Internal state loan bonds (OVDP)	338 933 711	0.61%	-158 959 751	-31.9%
Mortgage securities	14 586 686	0.03%	-1 870 600	-11.4%
External state loan bonds	0	0.00%	-40 676 304	-100.0%
Derivatives	137 778 313	0.25%	8 548 539	6.6%
Total	55 805 728 300	99.75%	1 868 904 546	3.5%

Table 11. Portfolio of Securities and Derivatives in CII (Venture Excluded) as at 30.09.2016

Security Type	Aggregate Value of the Security in CII Portfolios, UAH	Share in the Aggregate CII Securities Portfolio	Q3 change, UAH.	Change, %
Equities	1 853 118 675	57.75%	-96 310 436	-4.9%
Promissory notes	840 878 866	26.21%	-26 170 227	-3.0%
Corporate bonds	332 568 548	10.36%	-87 598 315	-20.8%
Internal state loan bonds (OVDP)	182 153 495	5.68%	-178 165 955	-49.4%
External state loan bonds	0	0.00%	-40 676 304	-100.0%
Total	3 208 719 583	100.00%	-428 921 237	-11.8%

Table 12. Portfolio of Securities and Derivatives in Diversified CII, as at 30.09.2016.

Security Type	Aggregate Value of the Security in CII Portfolios, UAH	Share in the Aggregate CII Securities Portfolio	Q3 change, UAH.	Change, %
Equities	96 147 039	80.71%	-114 493 553	-54.4%
OVDP	21 132 998	17.74%	67 247	0.3%
Corporate bonds	1 846 166	1.55%	-361 478	-16.4%
Promissory notes	0	0.00%	-10 570 448	-100.0%
Total	119 126 204	100.00%	-125 358 232	-51.3%

8. Rates of Return: CII and Other Financial Instruments

Rise of key Ukrainian stock index in the 3rd quarter of 2016 pushed up the yield of CII, in particular,

of equity funds, as well as of open-ended and closed-end funds with public issue (Chart 15).

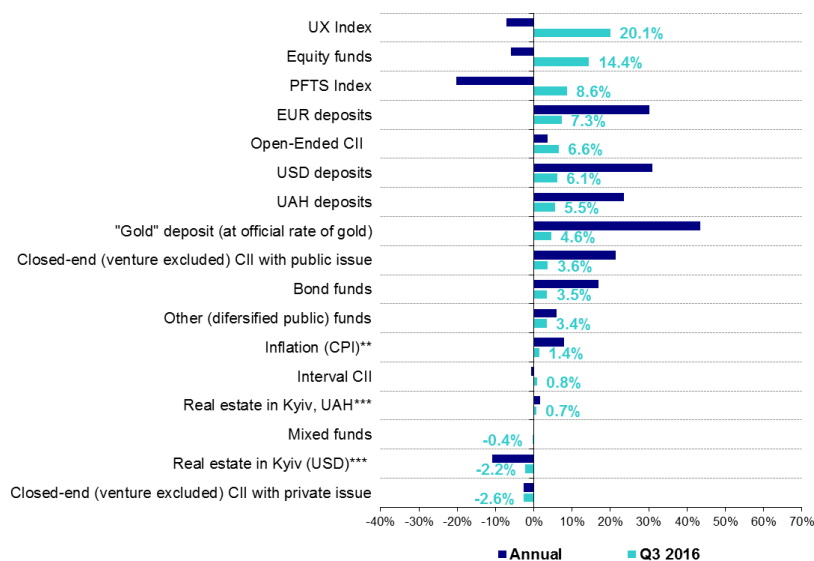


Chart 15. Rates of Return of CII, Deposits, Equity Indexes and Inflation Rate in Q3 2016⁷

⁷ CII' rates of return are calculated based on reporting data for Q3 2016 for 19 open-ended, 19 interval, 80 closed-end CII (including 47- with public issue and 35-with private issue) and on reporting data for the previous periods – see [Ренкінги: ІСІ за типами фондів та ІСІ \(диверсифіковані публічні\) - за класами фондів](#). Inflation rate is based on data of State Statistics Service of Ukraine (Consumer price indexes for goods and services in year 2016 (before the previous month)). Return on real estate in USA dollars is calculated as an average of data on values of residential real estate in Kyiv from web portals: <http://www.domik.net>, <http://100realty.ua>, <http://realty.ua>; in hryvnia – based on data from web portal: <http://100realty.ua>.

Among **various types of investment** in the 3-rd quarter, primacy by rates of return was held by Ukrainian equities - components of index UX - it grew by another 20.1%, after 23.4% in the 2nd quarter. Hryvnia's returning back to devaluation movement brought increased revenue to owners of *deposits in foreign currency* at this time - +7.3% on annual deposits in euros, which were leaders, and +6.1% in US dollars (after -3-5% in the 2-nd quarter)⁸. At that the average rates on deposits in these two currencies stood at level 7% per annum at the beginning of the quarter, and by the end - changed in different directions (in euros – they rose). *Deposits in banks in hryvnia and "gold"* also brought a modest return (+4.6-5.5%), the latter ones – due to increasing price of gold in conditions of increased volatility in markets and getaway of some investors into the "safe haven". From now onwards profitability of deposits in local currency will descend - rates dropped already during the 3rd quarter.

Residential real estate in Kyiv rose slightly - in local currency (+0.7%, after -8.5% in the 2-nd quarter), while in dollar terms, its value fell by another 2.2% (after -5.3%). Since the beginning of 2016 and for the year it decreased by 10-11% in dollars and in hryvnia - rose by 0.2-1.7%.

Among **CII by the types of assets, open-ended ones**, the number of which was the largest among equity funds, held the primacy in terms of quarterly rates of return, and proportion of equities in assets kept at the level about a third of sector's assets. The average increase in value of investments in open-ended CII in July-September of 2016 rose to **+6.6% (after +4.7%)**. Different funds shew from -3.1% to +19.9%, slightly narrowing the range of returns compared to the 2nd quarter (-6.4% to +21.5%). **16 out of 19 of these CII provided growth of investments (84%)**.

Thus, the leader among open-ended funds this time had a return which was almost at the level of the index UX, from 5 to 8 funds were more profitable than deposits in euros, dollars, hryvnia and gold, 16 - offset losses from inflation and were more profitable than the real estate in Kyiv (in hryvnia).

⁸ For adequate comparison of yield one must take into account liquidity of CII, in particular, of open-ended type, which allow to get out of investments at any working day without loss of yield, as opposed to fixed-term bank deposits, which mainly include recalculation of interest rate in case of early refund at the rate of deposits in current accounts (close to zero). At the same time, calculated CII's rates of return do not account for possible commissions and other expenses at the entrance/exit to/from funds, as well as taxation of investments' yield in case of exit from fund and taxation of deposits' interest rate.

Closed-end CII with public issue in the 3-rd quarter significantly increased rates of return - **+3.6%** (after +0.7% in the 2nd quarter). Different funds had growth between -6.4% and +44.3% (after -79.7% and +20.4%), so in general the situation with sector's yield improved significantly. *Even more of such CII provided growth of investments (27 funds, 57%)*.

Closed-end CII with private issue (other than venture funds) significantly narrowed the range of quarterly results - from -85.6% to +33.1% (after from -66.3% to +207.5% in the 2-nd quarter), while the average rate of return in the sector fell to **-2.6%** (after +2.5%). At that more funds showed gains of their securities - 13 (after 9), 38% of these CII.

In the sector **of interval CII** average quarterly yield moved into positive zone: **+0.8%**, after -4.1% in the 2-nd quarter. The range of performance of individual funds further narrowed - from -11.9% to +7.6% (from -59.4% to +15.7%). 12 funds from 19 showed growth - (53%, after 47% in the 2-nd quarter).

Among diversified CII with public issue by classes of assets and, as well as in the 2-nd quarter, among all CII as a whole, **equity funds** were leaders in yield in the 3rd quarter of 2016 (**+14.4%**, after 11.2%). One open-ended CII had the highest increase - at the level of index UX, and the lowest indicator for this class of assets was at the level of rates of return of deposits in gold and local currency.

Bond funds (almost all of them - open-ended ones) also increased the quarterly indicator - to +3.5% (after +1.3% in the 2-nd quarter), as well as **funds of mixed investments**, one of which played a key role in maintaining the negative result of this class of assets (**-0.4**, after -5.7% in the 2-nd quarter). **Other diversified funds with public issue** raised quarterly returns three times, to **+3.4%**.

From the beginning of 2016 CII (except venture funds) brought from **-2.9% (mixed investment funds** - the only sector with a negative index) to **+12.0% (open-ended CII)**. Among classes of assets leaders were **bond funds (+10.0%)**.

Closed-end funds with public issue became leaders **among CII by annual yield (+21.4%**, after +13.1% at the end of the 2nd quarter), **and equity funds** still remained with the lowest result (**-6.0%**, after -22.7% in the 2-nd quarter). Among classes of assets **bond funds** again were leaders **by annual growth of their securities' value (+16.9%**, after +17.1%).

9. Resume

During the 3rd quarter of 2016 international stock markets mostly recovered after the Great Britain's referendum on Brexit, which provoked the opposite trends in key equity indexes in Europe and initially in the USA, but did not prevent all of them from growth by the results of July-September.

Ukrainian indexes that continued to rise rapidly by double-digit growth rates in the optimistic environment, pushed up also the yield of CII, especially of funds of open-ended type and equity funds. This occurred in conditions of further narrowing of the stock market, but constant – for the first time during this year - regulatory environment for funds' and AMCs' activity.

At a time when inflows to investment funds in the EU increased, Ukrainian open-ended CII for the first time in over 5 years broke the negative trend of capital's flow and attracted additional funds from investors.

Key trends of Ukrainian co-investment industry in the Q3 2016 were the following:

- preserving of the rates of reduction of the number of AMC and increase of the number of newly registered and recognized CII – due to venture CIF; a slight acceleration of downsizing of the number of recognized acting funds under management;
- continued sustainable growth of the share of venture CII by the number and value of their assets - and preservation of the key role of these funds in increasing of industry's volume;
- strengthening, in contrast to the 2nd quarter, of Kyiv's positions not only by the value of CII assets under management, but also by the number of AMC and CII among the regions of Ukraine;
- increase of open-ended CII's NAV and the first inflow of net capital to these funds after 20 quarters of outflows, a sharp reduction of the outflow for the last year;
- growth of assets and NAV of interval CII for the first time within 10 quarters – in conditions of unchanged

number of these funds, the same as in the sector of open-ended CII;

- the same, as before - continuing decrease of the total number of investors in the industry, but a slight increase, albeit a symbolic of this number in open-ended funds for the first time, at least for two years;
- increasing of Ukrainian citizens' share in sector of closed-end CII with private issue and in venture funds;
- increasing of Ukrainian citizens' assets in all sectors of CII; at that in open-ended funds their share became equal to the share of enterprises- residents in NAV of venture funds, which had been decreasing during the quarter, despite increasing of investments to them;
- opposed to previous changes - reduction of securities' share in all sectors of CII (other than venture funds), at that - further increasing of their total value everywhere (except for the closed-end CII);
- further increase of profitability in almost all sectors of CII, the leaders among which were open-ended and equity funds; change of the yield's sign of interval CII and closed-end CII with private issue – respectively, positive and negative;
- regular increase of the number of funds with quarterly growth of value of their securities - in all sectors of CII.

The long term rise in the stock market which lasted in the 3-rd quarter of 2016, generally helped to increase profitability of CII and attract additional assets from investors by open-ended funds. Phases of rapid growth, that bordered with the short summer lateral trend of indexes, created attractive conditions also for fixing profits, and relatively stable at that time regulatory framework for conditions of funds' activity helped to end the quarter mostly with positive results for CII industry.

See additional and statistical information on the UAIB website:

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

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