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1. Institutional Investor Asset Management & Pension Fund Administration Industries. General Overview

Number of Market Participants

Asset Management Companies (AMCs)

In Q2 2021, the total number of asset management companies increased by one, to 307.

During April-June, 9 new AMCs were established and 8 ceased operations.

Of all AMCs, 287 managed between one and 66 funds, and more than 98% of such companies managed at least one venture CII.

Administrators of private pension funds (ANPFs)

The number of ANPFs in Q2 2021 did not change: 19. Among them, as before, there were 6 companies that carried out exclusively the activities of NPF administration, the rest - combined it with asset management.

Collective Investment Institutions (CIIs)

The total number of CII that reached the minimum assets (formed) ratio grew for the 15th consecutive quarter and at the end of June amounted to 1,560 (+ 2.4% for the quarter).

Non-State Pension Funds (NPFs)

The number of NPFs under management as of June 30, 2021 was 54 (excluding the corporate fund of the NBU), including 45 open, 3 corporate and 6 professional. A total of 32 AMCs managed NPF assets. There were 57 NPFs in the administration of 18 ANPF members of UAIB, including 47 open, 4 corporate and 6 professional.

Insurance Companies (ICs)

The number of insurance companies that transferred their assets to AMC management and the number of AMCs that provided such services did not change in Q2 2021: as of June 30, 2021, one such company continued to manage the assets of two insurance companies.

Assets under Management and NAV

All Institutional Investors

Total assets under AMC management accelerated growth in Q2 by 6.2% and as of June 30, 2021 reached UAH 477,350 million. Over the last 12 months of June, these assets grew by 26.6%.

Collective Investment Institutions (CIIs)

In Q2 2021, the total assets of all CII under management, including those that have not yet reached the standard, 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.

As of the end of June 2021, the assets of current CII, which reached the minimum assets (formed) ratio, reached UAH 467,861 million. In Q2 they grew by 6.0%, and in the last 12 months - by 26.1%.

The value of net assets of all formed CII as of the end of June 2021 reached UAH 355,173 million. In Q2 it added 4.5%, for the last year - 22.6%.

The total net movement of capital in open-ended CII in Q2 2021 for the first time since Q4 2019 was negative: - 9.6 million UAH. However, in the first half of the year it remained positive and significant - as well as the annual net inflow into the sector, which at the end of June amounted to UAH 63.8 million.

Non-State Pension Funds (NPFs)

In April-June 2021, NPF assets under AMC management grew by 2.8%, and by 13.7% over the year. As of June 30, 2021, they reached UAH 2,052 million. NPFs had UAH 2,060 million in assets administered by UAIB members.

Insurance Companies (ICs)

In Q2 2021, the assets of the IC under the management of AMC returned to growth: + 4.8%. Over the last 12 months, they grew by 12.1% and amounted to UAH 176 million at the end of June.

2. NPF Asset Management Market Results

2.1. Number of NPFs and AMCs managing their assets

The number of professional participants in the market of asset management of private pension funds, according to UAIB reporting, decreased slightly on 30.06.2021: there were 32 companies that managed the assets of NPFs, of which 30 AMC managed the assets of 45

open NPFs, three - assets of three corporate NPF and 6 - assets of 6 professional NPF. Thus, at the end of June 2021, there were a total of 54 pension funds under management¹ (Table 1). Thus, open NPFs accounted for more than 83% of the total number of pension funds under management.

Table 1. Number of NPFs under AMC management by fund types in Q2 2021

NPF Type	30.06.2020	31.12.2020	31.03.2021	30.06.2021	Q2 2021 change	YTD	Annual change
Open	48	47	47	45	-4.3%	-4.3%	-6.3%
Corporate	6	6	4	3	-25.0%	-50.0%	-50.0%
Professional	6	6	6	6	0.0%	0.0%	0.0%
Total	60	59	57	54	-5.3%	-8.5%	-10.0%

* Excluding NBU CNPF.

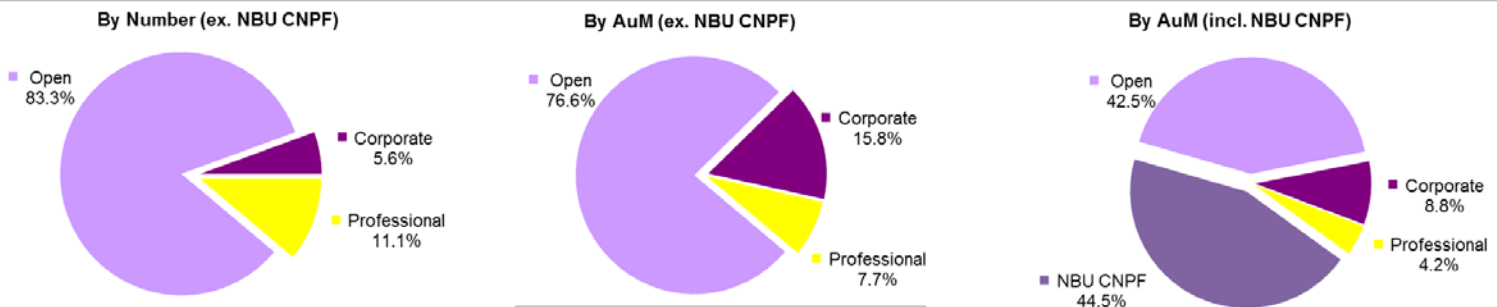


Chart 1. Breakdown of number of NPFs and their assets under AMC management by fund types as at 30.06.2021

2.2. NPF assets managed by AMC and total assets of pension funds

In Q2 2021, the NPF asset management industry continued to grow in the value of fund assets. The total assets of all NPFs, including the NBU NPF, according to UAIB and the corporate fund of the National Bank, increased to UAH 3,699 million, adding 1.9% in April-June and 4.8% since the beginning of 2021. Over the last 12 months, the growth slowed down from + 16.8% in March to + 9.7% in June.

The positive dynamics of the market was facilitated by a further increase in the number of NPF participants by 0.2% and depositors by 1.7%. In addition, the amount of investment income of NPFs grew by 3.1% in April-June. The growth rate of payments from funds continued to

exceed the growth rate of contributions to them - 1.7 times in Q2 2021 and 1.6 times in the annual period at the end of June: total pension payments increased by 4.0% for the quarter, and contributions - by 2.3 % (from 12 months - by 16.2% and 10.1%, respectively)². However, the absolute amount of contributions both in Q2 and for the last year as of the end of June still significantly exceeded the amount of payments, which also contributed to the growth of assets of the NPF industry.

In the total assets of pension funds, the share of the NBU's CPF in April-June 2021 continued to decrease - from 45.0% to 44.5% (Chart 1), as its assets grew more slowly (+ 0.8%) than other NPFs as a whole.

¹ Excluding the NBU corporate pension fund.

² According to NSSMC.



Assets of non-state pension funds managed by AMC in Q2 2021, according to UAIB, increased by 2.8% (after + 3.7% in Q1), and in the first half - by 6.7%. Growth over the last 12 months slowed down from + 20.7% in March to + 13.6% in June, when these assets exceeded UAH 2 billion for the first time and reached UAH 2,052 million. At the end of June 2021, the share of open NPFs in the value of assets under management, excluding the NBU CPF, was 76.6% (76.1% in March).

In Q2, as in the previous quarter, the assets of open NPFs grew relatively the most: + 3.5% (after + 4.7%). In the first 6 months of 2021, they added 8.4%, and in the last year in June - 16.0%, having slowed down from + 23.2% in March. However, such rates were many times higher than in other types of NPFs. Finally, as of June 30, 2021, the assets of open pension funds under management reached UAH 1,572 million. The number of funds reported in this sector in June was the same as in March.

In professional pension funds, assets under management were again second in the quarterly growth

rate: + 1.8% (after + 1.9% in Q1). From the beginning of 2021, they grew by 3.7%, and in terms of annual growth at the end of June, they became the second: + 7.0% (after + 9.9% in March). The volume of these funds as of June 30, 2021 amounted to UAH 157 million.

Corporate NPFs under AMC management (excluding the NBU CPF) grew by 0.3% in Q2 2021 (after + 0.1% in Q1), which actually increased in six months. Over the last 12 months, as of the end of June, the assets of these NPFs grew by 6.2%, having slowed down from 15.4% in March, and as of June 30, 2021, they amounted to almost UAH 324 million.

Thus, the largest in terms of average assets under management in June 2021 remained corporate NPFs, among which the notional average fund was three times larger than the average open NPF and four times higher than the average professional: UAH 107.9 million against UAH 34.9 million and UAH 26.2 million, respectively. . This gap was caused, in particular, by the fact that there were still the fewest operating corporate funds reported at the end of June - only three.

Table 2. NPF assets under AMC management by fund types in Q2 2021 and its change over the past year

NPF Type	30.06.2020		31.12.2020		31.03.2021		30.06.2021		Change of NPF AuM in Q2 2021, %	YTD, %	Annual change, %	Annual change, UAH M	The average size of a fund as at 30.06.2021, UAH M
	Assets, UAH M	Number of NPFs reported	Assets, UAH M	Number of NPFs reported	Assets, UAH M	Number of NPFs reported	Assets, UAH M	Number of NPFs reported					
Open	1354.6	48	1 450.1	46	1 518.7	45	1 571.6	45	3.5%	8.4%	16.0%	217.0	34.9
Corporate	304.9	4	322.6	3	322.9	3	323.7	3	0.3%	0.3%	6.2%	18.9	107.9
Professional	146.9	6	151.5	6	154.4	6	157.1	6	1.8%	3.7%	7.0%	10.3	26.2
Total*	1806.3	58	1 924.2	55	1 995.9	54	2 052.4	54	2.8%	6.7%	13.6%	246.1	38.0
NBU CNPF	1 566.7	1	1 605.8	1	1 632.3	1	1 646.1	1	0.8%	2.5%	5.1%	79.4	-
Total**	3 373.0	59	3 529.9	56	3 628.3	55	3 698.6	55	1.9%	4.8%	9.7%	325.5	67.2

* Excluding NBU CNPF.

** As at 30.06.2020 - according to the National Financial Services Commission of Ukraine, starting from 31.12.2020 - data of AMC reports on NPF under management and data of NBU CNPF.

3. NPF administration activity results

3.1. Number of participants, depositors, pension contracts

In Q2 2021, all 18 UAIB member administrators who had 57 pension funds under administration submitted data on the results of these NPFs to the Association.

The number of NPF participants at the end of June 2021 amounted to 875,601. In April-June, the number of participants in 55 funds, for which data are also available

at the beginning of the quarter, increased by 1,410 people (0.2%).

Among participants in all 57 NPFs in June, as in March, 57.8% were men and 42.2% were women. The largest subcategories were persons aged 25 to 50 years in each group, which together accounted for more than 54% of all participants in the NPF (Chart 2).

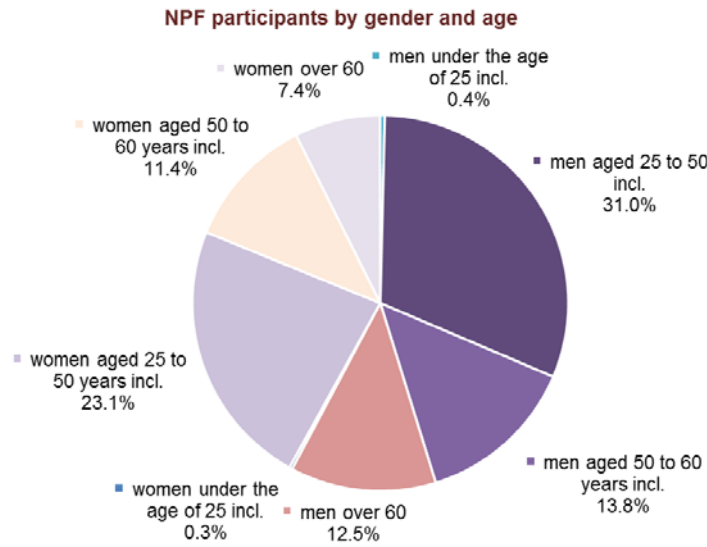


Chart 2. Number of NPF participants as at 30.06.2021

The number of NPF depositors (excluding the NBU NPF) at the end of Q2 2021 was 83,709. In April-June, the number of individual depositors increased by 1,689. In April-June, the number of depositors grew by 1,305 people (1.6%) in 55 funds, for which data are also available at the beginning of the quarter.

The total number of pension contracts of NPFs (excluding CNPF of the NBU) in June 2021 reached

89,763. As of June 30, 2021, 97.5% of NPF depositors in the administration of UAIB members are individuals with whom 92.4% of all pension contracts were concluded, ie 81,611 (Chart 3). In 55 funds, for which data are also available at the beginning of Q2, the number of contracts increased in April-June by 1,444 units. (1.7%).



Chart 3. Number of NPF depositors and number of concluded pension contracts as at 30.06.2021

3.2. Pension contributions & payments

Pension contributions, which in Q2 2021 were received by 57 NPFs in the administration of UAIB members, amounted to UAH 75.5 million. Of these, 58.1%

of contributions were in favor of men, 41.9% - in favor of women, and the largest two subcategories of both groups (25-50 years) provided more than 75% of quarterly

contributions (Chart 4). As of June 30, 2021, these funds received a total of UAH 1,485.0 million in pension contributions, of which 58.4% were from legal entities, the remaining 41.6% were paid by individuals or transferred to pension funds from other financial institutions.

In April-June, the amount of pension contributions in 55 funds, for which data are also available at the beginning of the quarter, increased by UAH 45.7 million or by 3.2%.

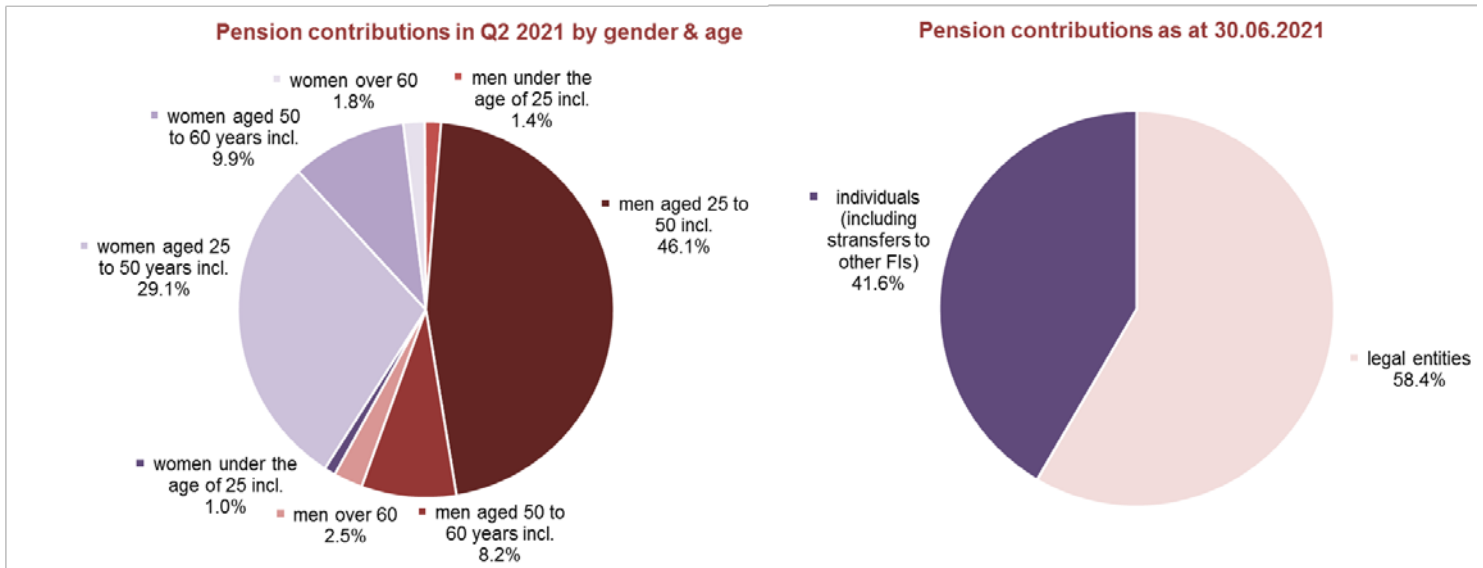


Chart 4. Pension contributions in Q2 2021

Pension payments from all funds (except for the NBU) for Q2 2021 amounted to almost UAH 32.3 million. Of these, 61.5% were one-time payments, 28.4% were fixed-term payments, and the remaining 10.1% were transfers to banks, insurers or other NPFs (Chart 5). As of June 30, 2021, these pension funds paid to their participants or transferred to their accounts in other financial institutions UAH 537.3 million, of which 69.3%

were one-time payments, 16.0% - fixed-term payments, and the remaining 14.6% - transfers to other financial institutions.

In April-June, the amount of pension payments for 55 funds, for which data are also available at the beginning of the quarter, increased by UAH 21.0 million or 4.1%.

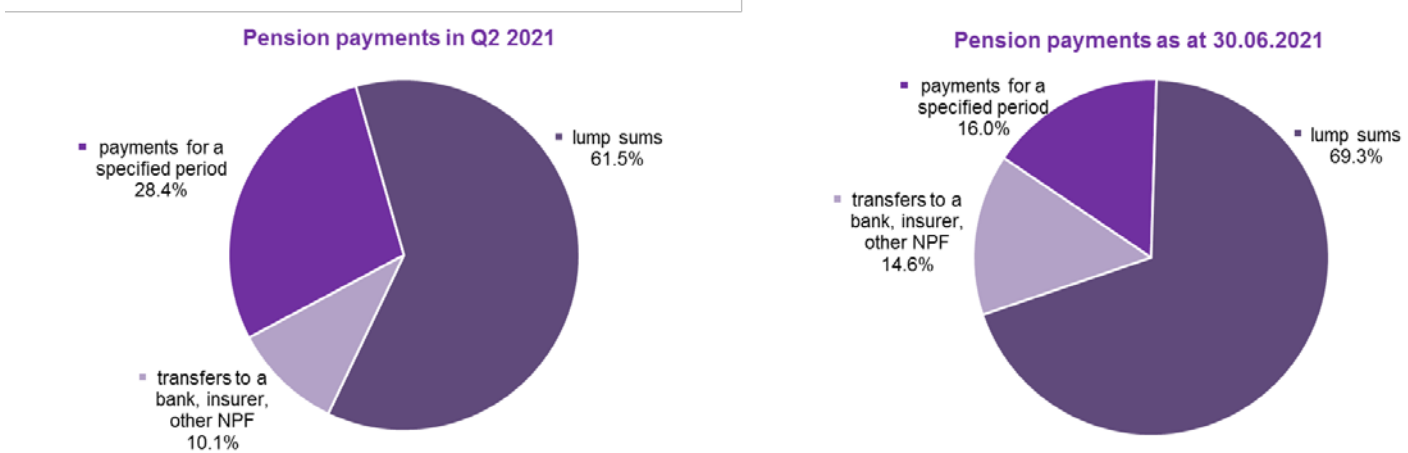


Chart 5. Pension payments out of NPFs in Q2 2021

The total amount of pension funds on the individual pension accounts of the participants, ie the net assets of all 57 NPFs in the administration of UAIB members as of June 30, 2021 amounted to UAH 2,060.3 million. In April-June, the NAV of 55 funds, for which data are also available at the beginning of the quarter, increased by UAH 55.9 million (2.8%).

The amount of profit from investing the assets of pension funds (excluding the NBU CNPF) at the end of June 2021 increased to UAH 1,112.9 million for the entire period of their activity. In April-June, the investment income of 55 funds, for which data are also available at the beginning of the quarter, increased by UAH 31.3 million (2.9%). Thus, more than half of the increase in the NAV of these NPFs for the quarter was due to an increase in the

value of portfolio investments of funds, and contributions in favor of participants accounted for a smaller share.

According to the Information on the state and development of private pension provision of Ukraine as of 30.06.2021, published by the NSSMC³, the weighted average change in the net asset value of pension assets for the year at the end of June was + 7.0% (after + 11.7% as of 31.03.2021). Thus, the average yield of NPFs in this period was lower compared to residential real estate (+ 14.7%), one-year OVDPs (+ 9.5%) and annual term deposits in hryvnia (+ 9.8%) and only partially covered inflation (9.5%) which temporarily increased, in particular, due to the effect of last year's low base. At the same time, it was significantly higher compared to deposits in foreign currency (+ 1.1-3.8% in euros and US dollars, respectively) and in gold (+ 4.6%)⁴.

3.3. Structure of NPF assets

In the structure of NPF assets in the administration of ANPF - UAIB members, the share of securities in Q2 2021, in contrast to Q1, increased from 61.6% to 64.9% in June (Chart 6). This was due both to an increase in the total value of pension funds' investments in capital market instruments by 8.5% and to a decrease in cash and

deposits in their assets. As of the end of June, the volume of investments in the stock instruments of NPFs in administration (excluding the CPF of the NBU) increased by 26.9% over the last 12 months, and their share in the assets of these funds increased by 6.3%.

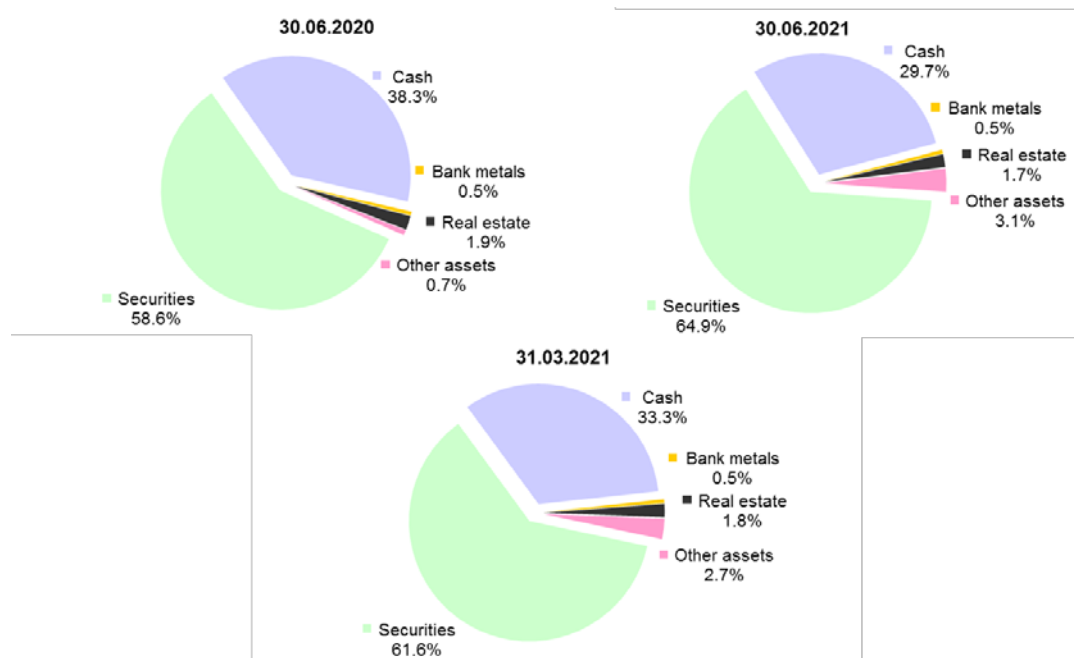


Chart 6. Dynamics of the structure of the aggregated portfolio of NPFs (excluding the NBU CNPF) in Q2 2021 and over the past year

3 https://www.nssmc.gov.ua/wp-content/uploads/2021/09/npf_2_kv-2021.doc
 4 Inflation is calculated according to the State Statistics Service of Ukraine, real estate yield in hryvnia - according to prices on the secondary market of residential

real estate in Ukraine on the portal "Minfin":
<https://index.minfin.com.ua/ua/economy/index/houseprice/>; return on deposits - according to banks, return on OVDPs - according to the NBU.

Table 3. Structure of NPF assets under AMC management by fund types as at 30.06.2021, UAH M

NPF type	Securities	Cash	Bank metals	Real estate	Other assets
Open	993.1	496.3	10.7	28.9	56.8
Corporate	227.4	95.4	0.0	0.0	1.6
Professional	121.8	23.0	0.0	7.0	4.7
Total	1 342.3	614.7	10.7	35.9	63.1

Funds in bank accounts (including deposit accounts) in Q2 2021 remained the second largest component of all NPF sectors. In April-June, the volume of funds in the administration of UAIB members decreased by 8.2%, while in corporate and professional funds the decrease was much more significant - by 16-17%. Finally, the share of money in the assets of pension funds (excluding the NBU) decreased from 33.3% in March 2021 to 29.7% in June, and for the last 12 months - by 8.6%

For the entire NPF industry, taking into account the corporate fund of the NBU, in Q2 2021 the weight of securities in assets also increased: from 57.9% to 59.3% (Chart 7). The volume of stock assets of all NPFs as a whole

increased by 4.4%, while total assets - only by 2.0%, against the background of a decrease in cash and deposits.

In April-June 2021, funds in banks decreased by 3.5%, so their weight in the assets of all NPFs decreased from 37.7% to 35.6%.

NPF real estate investments grew by 28.4% in Q2, but from a low base, so their share in the assets of the funds as a whole increased only from 2.5% to 3.1%.

Over the last year, in June, the total value of investments in securities in the assets of all NPFs increased by 14.3%, which against the background of the total growth of assets of funds in administration by 10.1% during this time increased the weight of stock instruments by 2.2 percent.

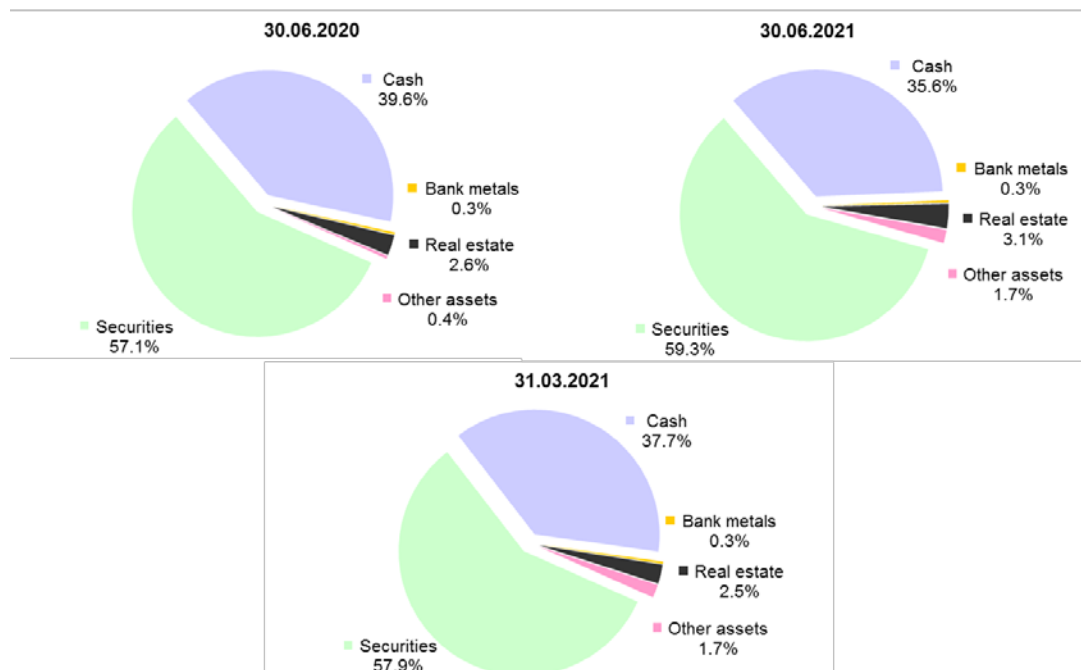


Chart 7. Dynamics of the structure of the aggregated portfolio of NPFs (including the NBU CNPF) in Q2 2021 and over the past year

As for certain investment instruments among securities in the assets of NPFs, the consolidated portfolio of NPFs in the administration of ANPF members of UAIB in government bonds (including OVDPs) in April-June

2021 increased by 1.2% (after + 0.7% for Q1), to almost UAH 929 million as of 30.06.2021. Their share in the assets of these NPFs, in conditions of growth of all their assets by 3.0%, decreased - from 45.7% in March to 44.9%

in June (Chart 8). Thus, government bonds in Q2 2021 remained the most popular financial instrument for pension funds, despite some decline in interest in them against the background of almost constant rates on them in this period of high inflation.

Municipal bonds were still in the assets of NPFs in June 2021, except for the NBU fund. In Q2, they were the only item in the stock portfolio that decreased by 12.5% (after + 1.5% in Q1) to UAH 92 million. Finally, their share in the assets of NPFs (excluding the NBU NPF) decreased again in the quarter, from 5.2% in March to 4.4% in June.

In April-June 2021, the consolidated portfolio of corporate bonds in the assets of these NPFs grew by 60.6%

(after +15.7% in Q1) to UAH 275 million, and its weight grew rapidly for the second consecutive quarter: from 8.5% to 13.3%.

Equities, which have traditionally been the least interesting instrument for NPFs, again added to the total value for the quarter – by 9.5% in April-June 2021 (after + 26.6% in January-March). This was facilitated, in particular, by the growth of Ukrainian stock indices by 2.7-4.6% over this period. At the end of June, the total assets of pension funds (excluding the NBU CPF) amounted to UAH 47 million, and their share increased from 2.1% in March to 2.3% in June.

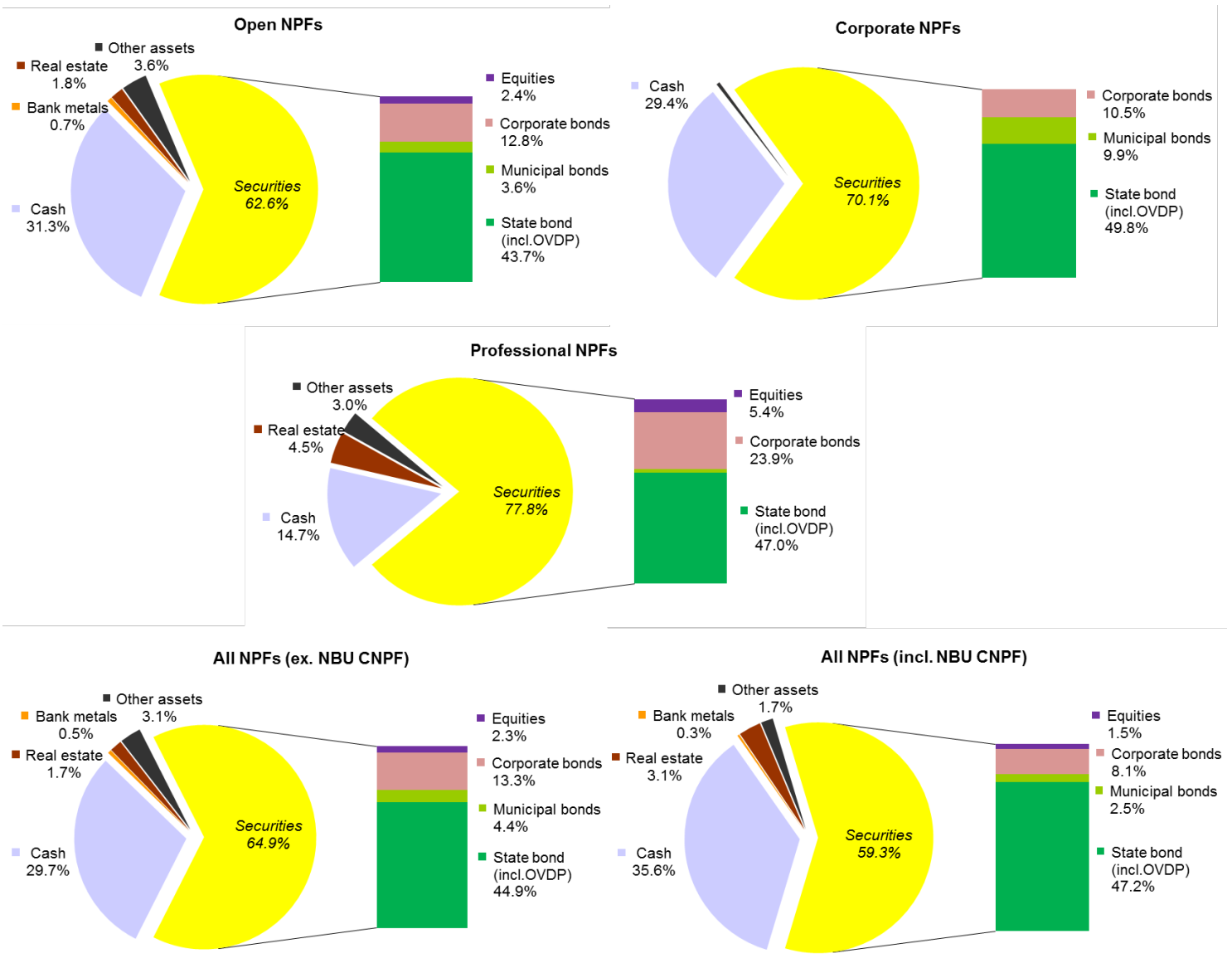


Chart 8. Structure of NPF assets by fund types as at 30.06.2021



As before, as of the end of June 2021, only open and professional NPFs had real estate in their assets, for the total amount of UAH 36 million. A further increase in real estate prices contributed to an increase in these NPF assets, but only by 1.0% in Q2 (after + 10.3% in Q1). This happened again at the expense of open funds, while in professional cases its total value remained unchanged (UAH 7 million). Finally, the share of real estate in the assets of all NPFs (except the NBU fund) decreased from 1.8% in March to

1.7% in June, and in open NPFs - from 1.9% to 1.8%, while in professional - did not change (4.5%).

Also, as of June 30, 2021, bank metals were still in the assets of only open NPFs, where their total value increased by 2.2% in Q2 (after -4.8% in Q1), against the background of rising gold prices in this period. In general, the assets of NPFs in banking metals in June 2021 amounted to less than UAH 11 million, and their weight remained at 0.7% in open funds and 0.5% in the assets of all NPFs as a whole (except for the NBU CPF).

See additional and statistical information on the UAIB website:

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