



Contents

<i>1. Asset Management Industry. General Overview</i>	<i>2</i>
<i>2. CII Asset Management Market Results</i>	<i>3</i>
<i>2.1. Number of AMCs and CIIs</i>	<i>3</i>
<i>2.2. Regional Breakdown of AMCs and CIIs</i>	<i>5</i>
<i>2.3. Assets and Net Assets of CIIs</i>	<i>7</i>
<i>2.4. Net Capital Flow in Open-Ended CIIs</i>	<i>9</i>
<i>2.5. CII Investors</i>	<i>11</i>
<i>2.6. CII Asset Structure</i>	<i>13</i>
<i>2.7. Rates of Return: CIIs and Other Areas of Investment</i>	<i>16</i>
<i>3. Summary</i>	<i>18</i>



1. Asset Management Industry. General Overview

Number of Market Participants

Asset Management Companies (AMCs)

In Q3 2019, the **number of asset management companies** decreased from 295 to **294** - more than they were created by exiting the market for one Kyiv company.

Of all AMCs in operation, as of end of June, 282 companies had one to 45 CIIs under management, and almost 99% of all such AMCs managed at least one venture fund.

Collective Investment Institutions (CIIs)

In July-September 2019, 33 new CIIs were registered. Given the funds closed during Q3, as of September 30, 2019, the **number of existing registered CIIs**, according to UAIB, increased to **1848** (+ 1.4% for Q3).

In Q3 2019, the **number of CII that reached the minimum assets ratio (formed ones)** accelerated its growth and reached **1284** (+25 funds or + 2.0%) by the end of September.

Non-State Pension Funds (NPFs)

The **number of NPFs** under management as of 30.09.2019 increased from 58 to **60** (excluding the NBU corporate fund) - including 47 open, 7 corporate and 6 professional ones. Total assets of the NPF were still managed by 33 AMCs.

Insurance Companies (ICs)

The **number of ICs that transferred their assets to AMC management** as well as AMC providing such services remained unchanged during July-September 2019 - there were **2** such insurance companies as at September 30, 2019, and AMC alone.

Assets under Management and NAV

All Institutional Investors

The **aggregate total assets under the management of AMC** in Q3 accelerated its growth to + 3.3% and as of 30.09.2019 reached **UAH 349 965.9 M**. On an annual basis, since September 2018, they have continued to slow down (+ 16.4%).

Collective Investment Institutions (CII)

Total CII assets under management, including those that have not yet reached the minimum asset ratio, also increased by 3.3% in Q3 2019 and by 16.4% for the year (from the beginning of the year amounted to 11.2%), to **UAH 348 304.6 M**

Assets of operating CIIs that reached the minimum assets ratio ("recognized", formed CIIs) experienced a similar increase (+3.3) in Q3, grew by 14.5% in the 9 months of 2019, and decelerated to + 15.8%. As of 30.09.2019 they amounted to **UAH 339 921.7 M**. Quarterly growth was due to venture funds, whose number continued to increase. During this period, interval CII also increased (the value of their portfolio investments, while the number of these funds did not change). Other sectors, including open-ended funds, experienced a decline in assets amid a further decline in stock indices in Q3.

In July-September 2019, the **net asset value of the formed CII** accelerated quarterly growth to 3.7% and decelerated to + 13.6% in September 2018 (from the beginning of the year, added 12.1%). As of September 30, 2019, CII NAV reached **UAH 264 302.1 M**.

Non-State Pension Funds (NPFs)

NPF assets in the management of AMC in Q3 2019 slowed quarterly and year-on-year growth - to 3.0% and 16.6%, respectively, and for the first 9 months of the year - added 13.6%. As of September 30, 2019, they reached **UAH 1 550.3 M**.

Insurance Companies (IC)

Assets of IC in the management of AMC in Q3 2019 accelerated to 5.4%, and since the beginning of the year increased by 22.4%, which continued slowing their annual fall to -13.2% in September. As of September 30, 2019, these assets amounted to **UAH 97.7 M**.

2. CII Asset Management Market Results

2.1. Number of AMCs and CIIs

In Q3 2019, the Ukrainian CII asset management industry continued to grow quantitatively and costlly. According to UAIB, two new AMCs were created during the quarter, but three were closed, so the **number of asset management companies** decreased from 295 in June to 294 in September 2019 (Chart 1).

AMCs with funds under management increased by two to 282 in July-September 2019, and the largest number of funds under management increased from 36 in June to 45 in September. Almost 99% of all AMCs have managed at least one venture CII.

During July-September 2019, 33 new CIIs were registered, including venture ones - 31 (after 30 in Q2; all - venture). Considering the funds closed during Q3, as of September 30, 2019, the **number of active registered CII**, according to UAIB, increased to 1848 (+ 1.4% for Q3, after + 1.6% in Q2).

At the end of September, the **number of CII that reached the minimum assets ratio (formed, "recognized")** reached 1284 (+25 funds, or + 2.0%, after + 1.4%). Thus, in Q3 of 2019, the dynamics of new fund creation remained positive for the 16th quarter in a row and continued to accelerate growth.

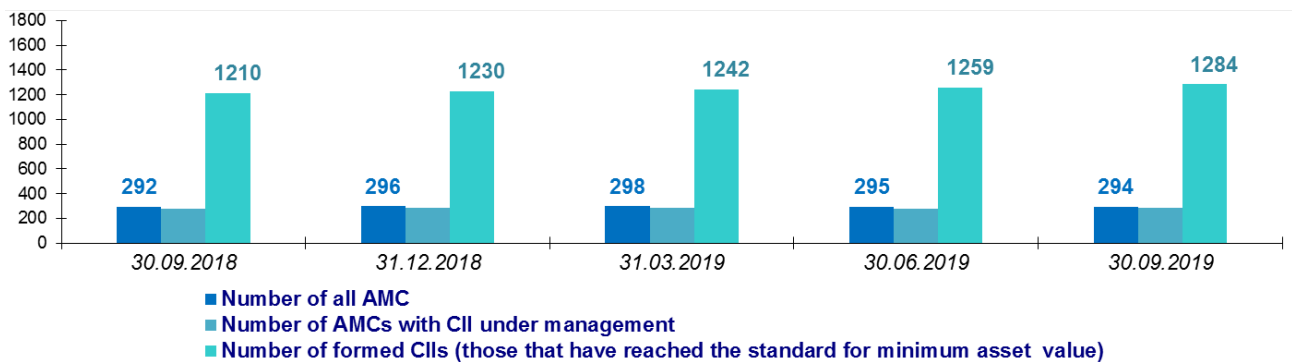


Chart 1. Dynamics of number of AMC and CII in Q3 2018-2019

Positive and even accelerated dynamics of the number of funds were maintained by the demand for venture CIFs, which only increased during this period: 29 of the 33 newly created CII during July-September and of the 35 that reached the standards during this time were corporate funds (recognized those who have reached the standards at the same time as registration as CII), 28 of which are venture CIFs. Instead, in Q3 of 2019, unit trusts were recognized, 6 of which 5 were venture funds.

Considering the funds that left the market during Q3, the number of established and operating VIFs increased by 6.6% (after + 6.2% in Q2; from the beginning of 2019 - + 15.4%, for the year - + 22.2%). At the same time, the number of recognized venture UIFs again increased by only one quarter - to 744 (+ 0.1%, Table 1). Thus, the share of venture funds in all recognized CIIs continued to grow - from 90.2% to 90.6%. In September 2019, venture CII totaled 1,163 (+ 2.4% for Q3 and + 7.4% for the year).

Notable in July-September was the entry into the market of one closed qualifying mixed fund and the same CIF, which increased the total number of recognized funds

in these categories twice - to 4 qualifying funds in total - for the first time since the introduction of this new category of CII in accordance with the law "On CII", which came into force in 2014.

Closed-end non-diversified CIFs (non-venture ones) fell by two (-4.1%) to 47 in Q3; also, another interval diversified and one closed-end non-diversified mixed fund (-5.6% and -3.6% respectively) came out of the market.

The number of CIIs that have not yet reached the minimum asset ratio among all funds managed by AMC as of 30.09.2019 decreased to 48, or 3.6% of all CII under management (from 52, or 4.0% in June).

According to UAIB, the share of funds in the process of liquidation in all recognized and active CIIs also decreased in Q3 (from 6.9% in June to 6.2% in September), and the number of such CIIs decreased from 87 to 80 funds. These were two open, three interval and three closed-end diversified UIFs, 8 closed-end non-diversified UIFs and 5 similar CIFs, 58 venture UIFs and one such CIF.

Table 1. Dynamics of number of CII that have reached compliance with standards, by types and legal forms in Q3 2018-2019

Date/Period	Total	UIF*									CIF*		
		O*	Os*	I*	Is*	CD*	CNN*	Cs*	Cq*	CV*	I*	CNN*	Cq*
30.09.2018	1210	13	6	19	3	3	28	1	1	740	52	1	343
31.12.2018	1230	13	6	19	3	3	27	1	1	742	51	1	363
31.03.2019	1242	12	7	19	3	3	28	1	1	742	51	1	374
30.06.2019	1259	12	7	18	3	3	28	1	1	743	49	1	393
30.09.2019	1284	12	7	17	3	3	27	1	2	744	47	2	419
Q3 2019 Change	25	0	0	-1	0	0	-1	0	1	1	-2	1	26
	2.0%	0.0%	0.0%	-5.6%	0.0%	0.0%	-3.6%	0.0%	100.0%	0.1%	-4.1%	100.0%	6.6%
YTD Change	54	-1	1	-2	0	0	0	0	1	2	-4	1	56
	4.4%	-7.7%	16.7%	-10.5%	0.0%	0.0%	0.0%	0.0%	100.0%	0.3%	-7.8%	100.0%	15.4%
Annual Change	74	-1	1	-2	0	0	-1	0	1	4	-5	1	76
	6.1%	-7.7%	16.7%	-10.5%	0.0%	0.0%	-3.6%	0.0%	100.0%	0.5%	-9.6%	100.0%	22.2%

*UIF - Unit Investment Fund, CIF - Corporate Investment Fund; O – open-ended diversified, Os – open-ended specialized, I – interval diversified, Is - interval specialized, CD – closed-end diversified, CNN - closed-end non-diversified non-venture, Cs - closed-end specialized, Cq – closed-end qualified, CV - closed-end non-diversified venture CII.

Note: data on closed diversified MFIs were adjusted as of 31.03.2019 from 27, for venture CIFs and the total number of recognized CIIs adjusted for all previous dates (CIFs, respectively, from 342, 361 and 370; total - from 1209, 1228 and 1237). The increase in the number of funds by category is determined by taking into account new funds that have reached the norms as well as funds which have been closed down during the period, and may depend on a slight change in the completeness and regularity of reporting on funds.

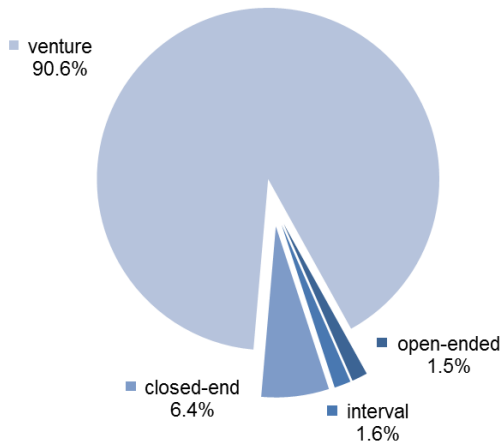


Chart 2. CII that have reached compliance with standards, by fund types as at 30.09.2019

The number of CIIs with public issue in July-September 2019 decreased by two, to 84 - as a result of the exit of the diversified and closed-end non-diversified funds with this type of issue (Table 2).

The number of AMCs managing CII with public placement decreased from 37 to 35 in Q3 (incl. 11 - unchanged, in the sector of open-ended CII, and excluding AMC of liquidated funds - 10).

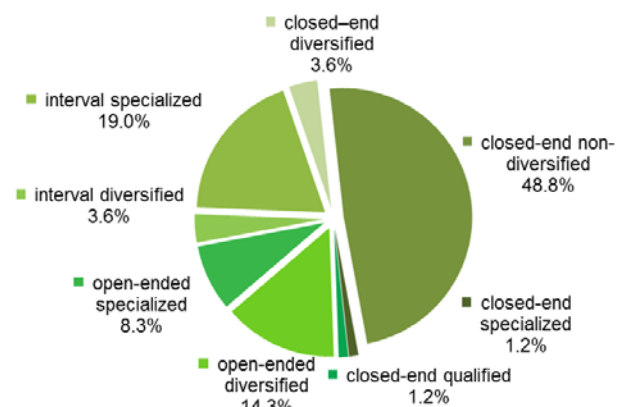


Chart 3. CII with public issue as at 30.09.2019

Table 2. Dynamics of number of CII with public issue in Q3 2018-2019

CII Type	Total	Open-ended			Interval			Closed-end				
		D*	S*	Total	D*	S*	Total	D*	N*	Q*	S*	Total
30.09.2018	91	13	6	19	18	3	21	3	46	1	1	51
31.12.2018	89	13	6	19	18	3	21	3	44	1	1	49
31.03.2019	89	12	7	19	18	3	21	3	44	1	1	49
30.06.2019	86	12	7	19	17	3	20	3	42	1	1	47
30.09.2019	84	12	7	19	3	16	19	3	41	1	1	46
Q3 2019 Change	-2	0	0	0	-14	13	-1	0	-1	0	0	-1
	-2.3%	0.0%	0.0%	0.0%	-82.4%	433.3%	-5.0%	0.0%	-2.4%	0.0%	0.0%	-2.1%
YTD Change	-5	-1	1	0	-15	13	-2	0	-3	0	0	-3
	-5.6%	-7.7%	16.7%	0.0%	-83.3%	433.3%	-9.5%	0.0%	-6.8%	0.0%	0.0%	-6.1%
Annual Change	-7	-1	1	0	-15	13	-2	0	-5	0	0	-5
	-7.7%	-7.7%	16.7%	0.0%	-83.3%	433.3%	-9.5%	0.0%	-10.9%	-	0.0%	-9.8%

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

There were **33 diversified and specialized CII with public issue** reporting in Q3 2019 (Table 3).

There were 5 equity funds at the end of September 2019: four of those in this class and in June, and one fund belonging to the class of mixed investments by assets structure in Q2. Among the equity funds in September, respectively, there was one open-ended and 4 interval CII. Together, they accounted for the same 15.2% of all publicly diversified and specialized CII in June (Chart 4).

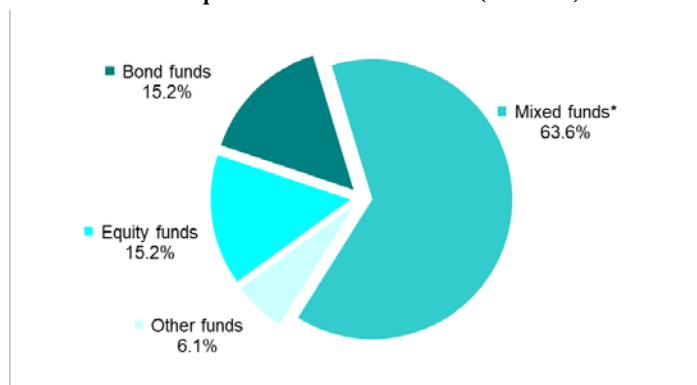


Chart 4. Diversified CII with public issue by fund types as at 30.09.2019

Table 3. Dynamics of diversified CII with public issue by fund types (according to asset structure) in Q3 2018-2019

Date/Period	Total	Equity funds	Bond funds	Mixed funds*	Money market funds	Other funds
30.09.2018	32	8	3	18	0	3
31.12.2018	33	9	3	18	0	3
31.03.2019	33	7	3	20	0	3
30.06.2019	33	5	3	22	0	3
30.09.2019	33	5	5	21	0	2
Q3 2019 Change	0	0	2	-1	0	-1
	0.0%	0.0%	66.7%	-4.5%	-	-33.3%
YTD Change	0	-4	2	3	0	-1
	0.0%	-44.4%	66.7%	16.7%	-	-33.3%
Annual Change	1	-3	2	3	0	-1
	3.1%	-37.5%	66.7%	16.7%	-	-33.3%

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

Bond funds in Q3 were supplemented by two funds, which in Q2 belonged to the class of mixed investments. In total, there were four open-ended and one interval CII, which together accounted for 15.2% (after 9.1%) of all publicly diversified and specialized CII.

There were 21 mixed funds in September 2019 - a stock fund and an "other" fund were added, which were the same in June, and three funds were transferred to other classes (one - stocks, two - bonds). Thus, as of September 30, 2019, mixed funds were owned by 11 open-ended, 8

interval and two closed-end CII, and their total share was 63.6% of all diversified and specialized publicly traded CII.

As of September 30, 2019, the "other funds" according to the asset structure classification¹ remained the same interval and one of the two open-end CII as in June, while the other one fell into the mixed investment class this time.

2.2. Regional Breakdown of AMCs & CII

The decrease in the total **number of operating AMCs** in Ukraine in Q3 2019 by one company was caused by the exit from the market during this period by three companies in Kyiv and the capital region, with the creation of two new ones. Thus, as of 30.09.2019 in this region, the number of AMC decreased to 208 (Chart 5). This is more than a year ago (207) but less than at the beginning of the year (210). With the unchanged number of companies in other regions of Ukraine, the market share of Kyiv and metropolitan regions by AMC continued to decline in Q3 - from 70.9% to 70.8%.

In the rest of the regions, the number of AMCs has been constant for six months: in Dnipropetrovsk and Kharkiv regions - 19 companies, in Lviv - 10, in Odessa - 7 and in all other regions of Ukraine together - 31. The share of TOP-5 regions, respectively, decreased by Q3 and smaller ones increased (within 10.5%).

In Q3 2019, the **number of CII under management** in Kyiv and the region again increased the most among all regions - by 22 funds, or by 2.4% (after + 1.3% in Q2), to 958 funds, while the total in Ukraine it increased by 2.1%. Accordingly, the weight of Kyiv and the region continued to rise from 71.5% to 71.7% in Q3 (Chart 6).

Lviv's share also increased again from the quarter - from 5.6% to 5.7% - due to the launch of three other local funds (+ 4.1%, after + 4.3% in Q2). The number of CII in management in Dnipro and Ivano-Frankivsk did not change, and their weight dropped from 7.0% to 6.8% and from 3.1% to 3.0%. The share of Kharkiv funds also decreased - from 6.2% to 6.0% - against a one-off decrease in the number of funds managed in this region. The rest of the regions of Ukraine, where the number of operating CII in management increased by three (+ 3.4%), increased their weight from 6.7% to 6.8%.

In Q3 2019, in the distribution of **CII assets under management by region**, the share of the TOP-5 regions

¹ See [Rankings of Collective Investment Institutions \(CII\) - by fund class](http://www.uaib.com.ua) at the UAIB website: <http://www.uaib.com.ua>.

increased slightly, but Kyiv continued to lose weight - from 81.0% to 80.8%, although it remained above the level of the beginning of the year (80.7%). The volume of assets under management in the capital region increased by more than UAH 9 bn in Q3 (+ 3.4%, after -0.9% in Q1), but this was relatively less than in some other regions.

Thus, CII assets under management in Lviv grew by 31.4% in Q3, which increased the region's weight from

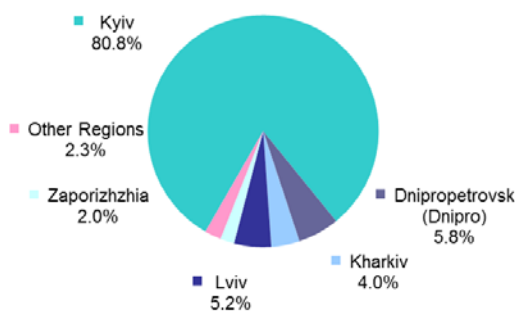
4.1% to 5.2%. In the other leading regions, assets under management grew at a much slower pace (Zaporizhzhya) or decreased (Dnipro, Kharkiv), so the market share of each of them fell by this parameter in July-September.

Other regions of Ukraine at the end of September 2019 increased CII assets under management by UAH 0.5 bn. (+ 7.3%), which increased their weight from 2.2% to 2.3% of all CII assets under AMC management.

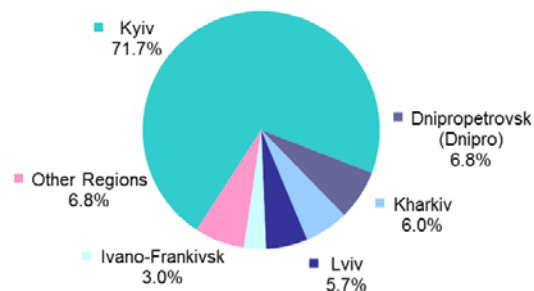


Chart 5. Regional distribution of number of AMC as at 30.09.2019

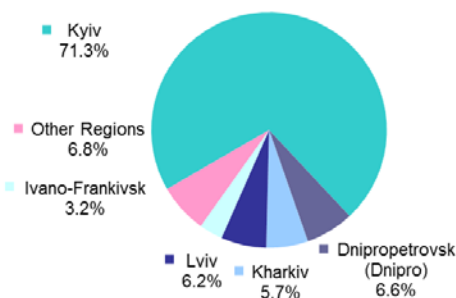
Share by AuM



Share by number of CII (all)



Share by number of venture CII



Share by number of non-venture CII

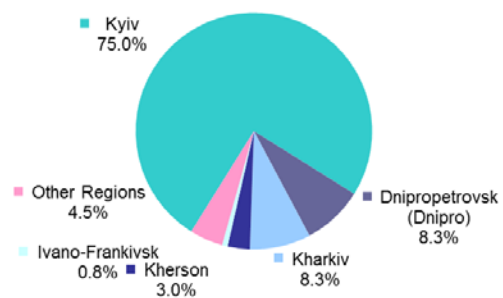


Chart 6. Regional distribution of CII by number and value of their assets under management as at 30.09.2019

2.3. Assets and Net Assets of CIIs

The aggregate total assets of all institutional investors in the management of AMC in Q3 2019 accelerated to + 3.3% (from + 0.4% in Q2) and reached **UAH 349 965.9 M** as of September 30, 2019. Over the 9 months since the beginning of the year, they have increased by 11.2% and have continued to grow, albeit at a slower pace, since September 2018 (+ 16.4%, after + 17.1% in June).

Total CII assets under management, including those that have not yet reached the minimum asset ratio, showed similar changes: they increased by 3.3% in Q3, by

11.2% since the beginning of 2019 and by 16.4% for the year. As of 30.09.2019, they amounted to **UAH 348 304.6 M**.

Total assets of operating CII managed by AMC and having reached the standards (“recognized” CII) amounted to **UAH 339 921.7 M** as of 30.09.2019. (Chart 7). In Q3 2019 they had a similar increase - 3.3% (after + 3.7% in Q2), in the 9 months from the beginning of 2019 they added 14.5%, and in the last year - slowed down to + 15.8% at the end of September (from 17.3% in June).

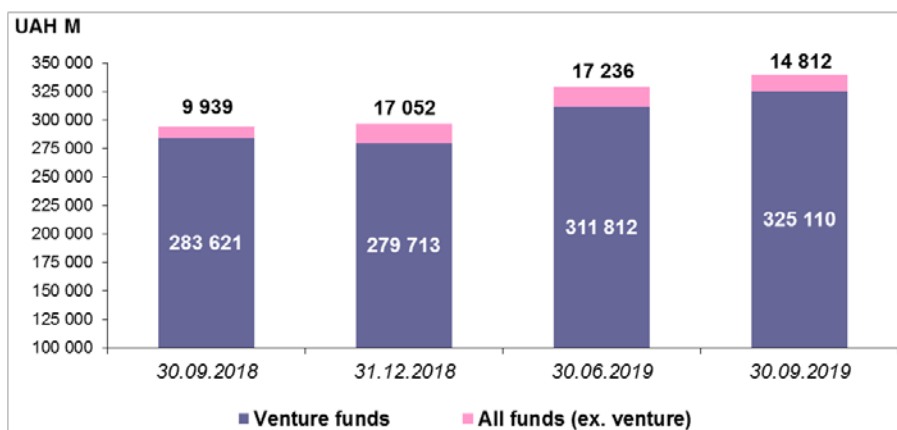


Chart 7. Dynamics of assets of formed CIIs in Q3 2018-2019

Quarterly growth occurred almost exclusively at the expense of venture capital funds, whose number continued to increase, although interval CIIs also increased during this period (the number did not change, but the value of portfolio investments of these CIIs increased overall). Other sectors, including open-ended funds, saw a decline in assets in Q3 2019 amid further declines in stock indices. At the end of September, the assets of the venture sector amounted to UAH 325 109.9 M. (+ 4.3% for Q3, + 16.2% YTD, + 14.6% annual).

The value of net assets (NAVs) of the formed CII, which reached the standards, in Q3 2019 accelerated its growth to 3.7% (after + 3.3% in Q2) and as of 30.09.2019 reached UAH 264 302.1 M. From the beginning of the year to the end of September the NAV of the industry grew by 12.1%, and in the year from September 2018 - slowed down to + 13.6% (from 14.1% in June).

Thus, in contrast to Q2, in Q3, the net assets growth of the CII industry was dominated by an increase in its total assets, that is, an increase in assets occurred with a decrease in total leverage and reduced share of liabilities (venture) funds in total assets of recognized CII.

Venture CII in Q3 2019 increased their NAV by 4.7% (after + 3.7% in Q2) to UAH 250 988.3 M. Since the beginning of the year, this sector grew by 13.9% on net assets, and in September - by 11.8% (after + 11.4% in June).

Open-end CII (the same 17 existing funds as in 2019) had almost unchanged net assets value (-0.2%, after -1.5% in Q2). Along with the slight but mostly positive capital movement in open-ended funds during July-September, which offset the factor of net outflow as a key in the NAV dynamics of the sector (it was characteristic in the previous quarters), such slowdown in the decrease in its net assets also contributed to the modest impact of the declining market in Q3 (-3-6% by PFTS and UX indexes), in conditions where more than a third of the assets of these CII were invested in stocks.

Over the 9 months of 2019, NAV of open-ended funds decreased by 1.8%, and by 1.9% at the end of September (after + 4.1% in June), which correlated with the dynamics of stock indices (-2.4-5.8% for the year) the extent was driven by the net capital outflows from these CII, which was twice the reduction in their net assets

during the period. As of September 30, 2019, NAV of open-ended funds equaled UAH 85.8 M.

NAV of closed-end CII with public issue in July-September 2019 decreased by 4.7% (after + 0.2% in April-June), and despite maintaining positive dynamics since the beginning of the year (+ 4.4%), in the last year as of the end of September decreased by 6.9% (after -2.1% in June). This was influenced by a decrease in the number of existing funds in the sector by one in Q3 (-3.1%) and by 9

(-22.5%) in the year. Against the backdrop of a sharper reduction in NAV of closed-end private placement funds (excluding venture ones), which lost 13.6% (with a 5.4% decrease in the number of operating funds in this sector), by the end of September 2019 the weight of the first non-venture CII net assets increased to 19.4% (from 17.9% in June). Overall, the share of closed-end CIIs declined from almost 99% to less than 98% in Q3 (Chart 8).

Table 4. Dynamics of CII NAV, by fund type, in Q3 2019 and over the year, UAH M

Funds	30.09.2018	31.12.2018	30.06.2019	30.09.2019	Q3 2019 change	YTD change	Annual change
Open-ended	87.5	87.4	86.0	85.8	-0.2%	-1.8%	-1.9%
Interval	84.5	81.6	73.2	77.1	5.4%	-5.4%	-8.7%
Closed-end (ex.venture)	8 047.6	15 226.1	14 945.3	13 150.9	-12.0%	-13.6%	63.4%
with public issue	2 772.1	2 471.0	2 707.1	2 579.4	-4.7%	4.4%	-6.9%
with private issue	5 275.5	12 755.2	12 238.2	10 571.5	-13.6%	-17.1%	100.4%
All funds (ex. venture)	8 219.6	15 395.0	15 104.4	13 313.8	-11.9%	-13.5%	62.0%
Venture funds	224 406.8	220 438.1	239 679.7	250 988.3	4.7%	13.9%	11.8%
All funds	232 626.4	235 833.2	254 784.1	264 302.1	3.7%	12.1%	13.6%

* Acting CIIs that have reached the norms for minimal asset value (were recognized as valid), are managed by AMC and provided reports for the relevant period (as at the reporting date).

Interval CII, owing to the significant increase in NAV at a constant number of these funds in Q3, increased their weight in the net assets of non-venture CII from 0.5%

to 0.6%. The share of open-ended ones increased slightly (at 0.6%).

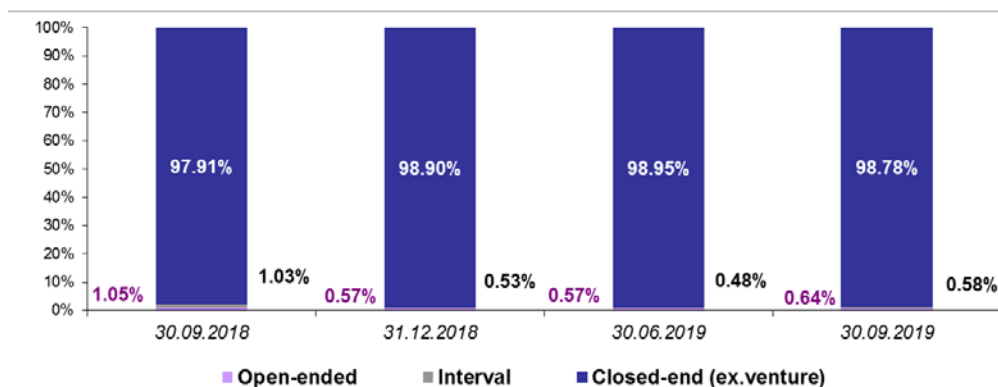


Chart 8. Dynamics of non-venture CIIs' NAV breakdown, by fund types in Q3 2019 and for the year

As a result of the rapid growth in the NAV of the venture funds sector compared to all current CII in general (with a negative change in net assets in almost all other sectors), its share in the total net assets of the industry increased again - from 94.1% at the end of June to 95.0% in September 2019. (Chart 9).

Under these conditions, exacerbated by a 12% decrease in net assets of closed-end CII (excluding venture funds), their share in NAV of all CII declined from 5.9% to 5.0% in Q3. The weight of open-ended and interval intervals remained at 0.03%.

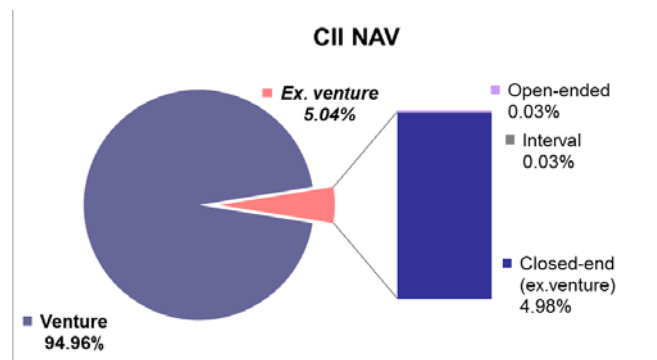


Chart 9. Distribution of CII NAV by fund types as at 30.09.2019

2.4. Net Capital Flow in Open-Ended CII

In July-September 2019, for the first time in 5 quarters, the movement of capital in Ukrainian open-end CII was overwhelmingly positive and eventually led to a negligible net inflow as of Q3.

Of the 17 operating funds that reported daily during the quarter, 7 had significant inflows or capital outflows that eventually offset each other quarterly for the open-ended CII sector.

In contrast to Q2, in Q3 continuation of the downward dynamics of the Ukrainian stock indices (-3-6%) did not prevent several funds to attract additional investments from investors. At the same time, funds that had the largest net outflow in Q2 (equity funds) continued to suffer losses in the form of net outflows and in Q3.

In terms of participation of different categories of investors in open-end CII, in Q3 their total quantity continued to decrease and this time it happened again at the expense of resident retail investors. The aggregate value of their investments in these funds declined most and four times faster than the aggregate NAV of the sector, although the funds of foreign enterprises in these CII declined relatively substantially (more detail in the next

section). The positive result of attracting funds from investors to open-ended funds in Q3 2019 was facilitated by the increase of investments in them by Ukrainian legal entities, which showed a demand for mixed-funds funds.

In terms of monthly dynamics, net outflows were observed only in August, and in July the first net inflow to the sector (UAH 0.5 M) was registered in July, which recovered in September (UAH 0.3 M, Chart 10).

During July-September, 6 funds had a net capital outflow (after 8 in Q2) and 3 funds - a net inflow (after 2).

Funds that had a net outflow total lost almost UAH 1.27 M from the investors' exit in Q3. (after -1.54 mln. for the funds with losses in Q2). Again, 40% of this amount was caused by capital movements in one fund, another 16% - in another (in Q2 - 26%).

Funds with a net inflow received UAH 1.32 M. additional revenues for Q3 (after +0.04 mln. for two funds in Q2).

During Q3 2019, the number of funds with a net inflow increased: it ranged from 5 in July to 2 or 3 in August and September; net outflow funds ranged from three in July to 7 in September (as in June).

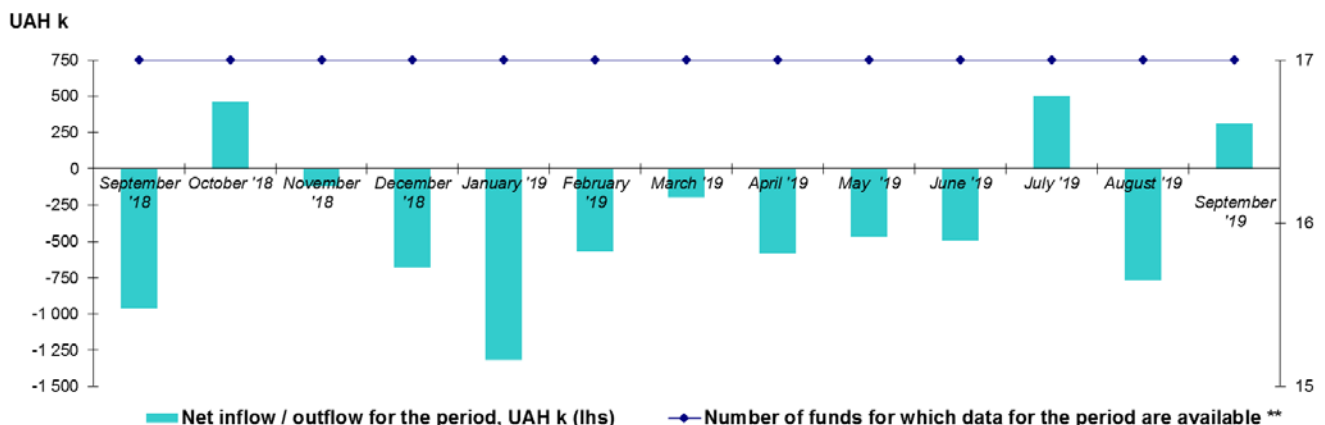


Chart 10. Monthly net flow of capital of open-ended CII in September Of 2018-19 (based on daily data)

The total net inflow of capital to open-end CII in Q3 2019 equaled UAH 0.05 M and changed the outflow to UAH 1.5 M in Q2 (Chart 11). This was the first positive quarter for the sector from Q2 2018.

The annual capital movement in open-end CII in September 2019 remained negative but decelerated to UAH -3.9 M (from UAH -5.4 M in June).

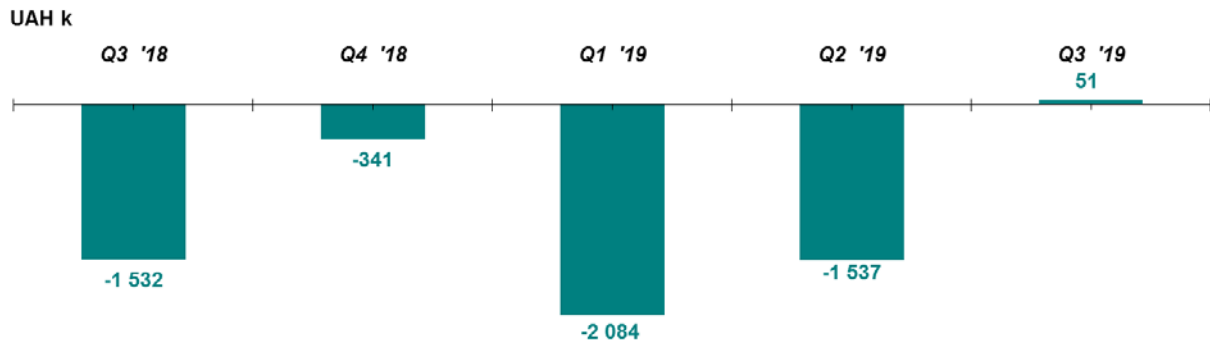


Chart 11. Net flow of capital of open-ended CII in Q3 2018-19, quarterly

In Q3 2019, the international markets, in particular the European Union, also experienced a major outflow of capital from equity funds, and in September, in particular, from money market funds, which was associated with declining rates of the world's leading central banks and, at the same time, with increased volatility in the stock markets during the quarter. However, after a massive outflow in August and a total of seven consecutive months of net outflows of equity funds, investors returned to the capital markets and equity funds in September, when UCITS² net sales with such strategies became positive again. Further weakening of monetary policy in the EU and the US contributed to this - as did the demand for bond funds. Overall, according to EFAMA, **the EU investment fund industry** experienced an increase in net capital inflows in Q3 2019 - around EUR 190 bn³ (after EUR 87 bn in Q2 and compared to EUR 40 bn in Q3 2018).

UCITS posted a net inflow of 157 bn euros in Q3 (after 39 bn euros in Q2 and only 3 bn a year ago).

The most popular UCITS among investors were bond funds, with net revenues rising to EUR 85 bn in Q3 2019 (from EUR 76 bn in Q2).

Money market funds of this type also received significant net inflows, but only at the expense of July-August, as they experienced a net outflow of € 18 bn in September (compared to -12 bn in June) as a result of their

traditional cyclicity. These funds eventually received an additional € 72 bn in Q3 (after € 4 bn in Q2).

On the contrary, in July-August 2019 UCITS stock funds still had a negative capital movement, and in September attracted an additional EUR 4 bn, which allowed to contain a quarterly net outflow of EUR 13 bn (after -32 bn Euro in Q2). A year ago, in Q3 2018, such funds were +27 bn euros.

UCITS mixed-funds funds experienced an accelerated capital inflow in Q3 2019 - an additional EUR 17 bn (after EUR 2 bn in Q2).

Since the start of 2019, all UCITS have attracted additional investor investments of € 247 bn (against € 189 bn over 9 months of 2018), with bond funds of this category receiving € 240 bn (against € 19 bn a year ago) and equities funds - lost 72 bn euros (against +115 bn euros).

Net inflow to AIF⁴ in Q3 2019 decelerated to EUR 33 bn (down from EUR 48 bn in Q2). It is noteworthy that positive net sales had all classes of AIF funds, except for bond funds, which experienced a total of -EUR 4 bn in Q3 (after +EUR 5 bn in Q2) - due to negative net capital movements at the beginning quarter, which had already changed in September with a small inflow.

In July-September, the most popular AIF among investors were "other" funds (+EUR 16 bn, after +EUR 24

² In this context, long-term UCITS funds are all UCITS classes except money market funds. UCITS (Undertakings for Collective Investment in Transferable Securities) - undertakings for collective (joint) investment in circulating securities (those that are circulating in regulated markets) are open-ended funds with a public placement of stringent requirements for the composition, quality, liquidity and structure of assets. They are governed by the relevant Directive (Directive 2009/65 / EC of 13 July 2009, as amended by Directive 2014/91 / EU of 23 July 2014) and other relevant acts of EU law.

³ According to available data on the 28 EFAMA member associations (24 EU Member States, including Poland (former EFAMA Member) and Liechtenstein, Norway, Switzerland and Turkey) - see. [EFAMA Quarterly Statistical Release \(Q3 2019\)](http://www.efama.org) at: <http://www.efama.org>.

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

bn in April-June) and mixed assets (+EUR 13 bn, after +EUR 11 bn).

Real estate funds received slightly increased inflows (+EUR 7 bn, after +EUR 6 bn), as did AIF equity funds, which again, in contrast to their UCITS counterparts, received net inflows (+EUR 2 bn, after +EUR 0.4 bn). The AIF money market additionally attracted less than EUR 1 bn in Q3 (after EUR 2 bn in Q2).

Since the beginning of 2019, all AIFs have received a net inflow of EUR 109 bn (EUR 104 bn in the first 9 months of 2018), of which 86 are “other” funds. At the same time, according to the BVI, during this period, the German fund industry attracted EUR 68 bn in net capital inflows (6% more than in 2018).

2.5. CII Investors

In July-September 2019, the share in the net assets of the largest CII of the largest category of investors, **legal entities-residents** decreased from 61.0% to 60.7% in general and from 63.4% to 62.7% in venture funds (Chart 12). Also, such investors lost weight in NAV in the sectors of interval CII and closed-end ones - with public issue (from 27.0% to 24.5% and from 69.2% to 68.5% respectively).

At the end of September 2019, open-end CII owned approximately the same 10% as in June (an increase of 0.5 percentage points over Q3), and in closed-end privately owned enterprises (except venture) their share increased

The assets of the German so-called special funds (Spezialfonds) reached EUR 1.8 tn., and UCITS open-end funds - nearly EUR 1.1 tn, showing double-digit gains since the start of 2019 as global stock markets grow, while net real estate assets in Germany rose from EUR 188 bn to EUR 213 bn by the end of September 2019 as international investment firms and groups increase their focus in Germany in the context of Brexit.

Overall, since early 2019, the EU fund industry has received a net capital inflow of EUR 356 bn (against EUR 293 bn in the same period in 2018).

In Q3 2019, the **total NAV of the EU funds industry** grew by 3.8% (after + 1.7% in Q2) and reached EUR 17.2 tn as of 30.09.2019. At the same time, UCITS net assets added 3.9% in Q3 (after 1.4% in Q2).

from 11.9% to 12.7%. At the same time, the aggregate investments of local enterprises for Q3 increased in both open-ended and venture funds (but here - relatively much less than the next category of investors).

Resident individuals in Q3 2019 increased their total investment in venture funds by almost 19%, increasing their weight in net assets of the sector even more - from 12.5% to 14.1%. In interval CII, these investors' funds also increased significantly in Q3, raising their weight from 71.0% in June to almost 74% in September.

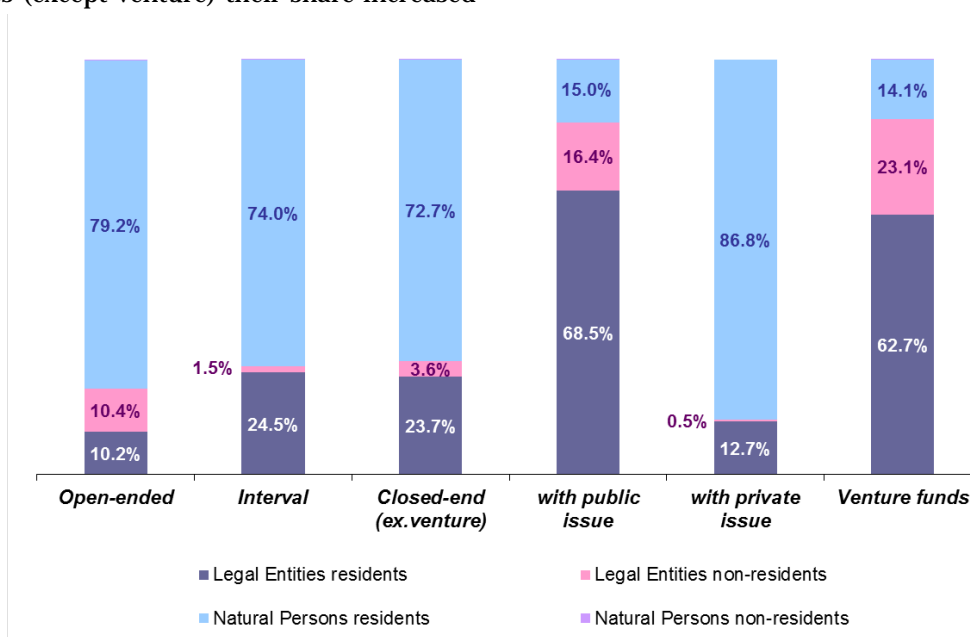


Chart 12. Investments in CII by category of investors as at 30.09.2019, share in NAV⁵

⁵ Excluding funds' bearer securities which are in circulation.

In open-ended funds, the aggregate investments of local retail investors, as in Q2, declined the most among all categories of investors in absolute terms, but were relatively ahead of non-resident enterprises. However, the share of the first NAVs in this sector has decreased slightly (from 79.6% to 79.2%). In closed-end funds (except venture) their total investments continued to decline in Q3, as did their share in net assets of the sector (from 74.6% to 72.7%). This time, negative dynamics were observed in both private equity funds (from 87.7% to 86.8%) and public ones (from 15.4% to 15.0%), where their total funds decreased by 14.5% and 7.6% respectively, together with reducing the number of active CII in these sectors by two and one respectively.

In general, the share of retail resident investors in NAV of all CII in Ukraine continued to grow in Q3 2019 - from 16.2% to 17.1%.

The aggregate value of **foreign investors'** investments in CII continued to grow during this period (+ 0.8%, after + 5.5% in Q2) - still mainly due to venture CII. Also, in Q3, non-residents' assets in closed-end funds with public placement, and non-resident individuals, also in open-ended and interval funds.

Nevertheless, due to a more active increase of funds of other categories of investors in these CII sectors, the weight of non-resident legal entities in open-ended funds dropped from 10.5% to 10.4%, in intervals - from 2.0% to 1.5%, and in venture ones - from 24.0% to 23.1%. The share of all non-residents decreased in open-ended CII from 10.7% to 10.6%, in venture ones - from 24.1% to 23.2%, and in general in all CII - from 22.9% to 22.2%.

Table 5. Investors of CII by categories, number and share of the total number as at 30.09.2019

Funds	Legal Entities				Natural Persons				TOTAL
	residents		non-residents		residents		non-residents		
Open-ended	20	1.2%	3	0.2%	1 618	98.5%	1	0.1%	1 642
Interval	18	0.0%	1	0.0%	249 796	100.0%	18	0.0%	249 833
Closed-end (ex.venture)	342	9.2%	17	0.5%	3 351	90.1%	8	0.2%	3 718
with public issue	156	4.5%	12	0.3%	3 305	94.9%	8	0.2%	3 481
with private issue	186	78.5%	5	2.1%	46	19.4%	0	0.0%	237
All funds (ex. venture)	380	0.1%	21	0.0%	254 765	99.8%	27	0.0%	255 193
Venture funds	2 711	71.2%	379	9.9%	710	18.6%	10	0.3%	3 810
All funds	3 091	1.2%	400	0.2%	255 475	98.6%	37	0.0%	259 003

The number of CII investors as of September 30, 2019 was 259,003 (Table 5), of which more than 98.6% remained individuals - residents of Ukraine, 96.5% were participants of interval funds⁶, 0.6% - open, 1.5% - venture.

It declined slightly over Q3 (-95 participants, or - 0.04%, after -0.01% in Q2). This happened mainly again at the expense of resident legal entities, which in general decreased in CII by 117 (after -41), and non-resident enterprises - by 18 (after +5), while resident individuals - increased by 40 (after +5).

In venture CII, the total number of participants decreased to 3 810 (-65, -1.7%) - mostly due to resident enterprises (-108, -3.8%, after -1.0% in Q2). Resident individual investors in this sector continued to increase (+58, + 8.9%, after + 6.7% in Q2).

In open-end CII, participants decreased by 14 (- 0.8% as in Q2) during Q3 - at the expense of resident individuals (-14, -0.9% - also similar to Q2). At the end of

September 2019, there were 1 618 in this sector. A total of 1,642 investors had these CII.

And only in interval CII did the number of investors increase in July-June 2019, albeit not insignificantly, given the traditionally large total number of participants in these funds (+5 individuals - residents, + 0.002%, after a similar decrease in April-June). Thus, as of September 30, 2019, there were 249,833, including 249,796 - local retail depositors.

Resident legal entities in Q3 2019 again reduced their presence in CII in absolute terms (-117, -3.6%, after - 1.3% in Q2). In addition to venture funds, the number of local enterprises also decreased in other sectors of closed-end CII, including those with public issue - by 6 (-3.7%, after -5.8% in Q2), with private ones - by 4 (-2.1%, after - 1.0%).

As of September 30, 2019, these investors were the largest in venture funds (2 711), where they accounted for 71.2% of all investors (after 72.7 in June). In closed-end

⁶ This is due to the activities of several such funds, which from former UIFs were reorganized into interval CIIs and which have relatively many "small" participants.

CII with private placement (except venture), their share continued to grow - from 75.1% in June to 78.5% in September. About 1.2% of all participants remained in open-ended funds.

Corporate non-resident investors in Q3 2019, again changing the trend, reduced their presence in CII (-18, -4.3%, after +1.2% in Q2) to 400. This was mainly due to a decrease in the number of these investors in venture funds (-15, -3.8%, after +2.1%), as well as in closed-end CII with private placement (-3, -37.5%).

2.6. CII Asset Structure

Securities in the structure of CII assets in Q3 2019 lost weight only in open-end CII, while in closed-end CII with public placement they increased the most, in contrast to the dynamics of the previous quarter (Table 6). At the same time, the total value of investments in the stock market instruments during this period decreased, except in the sector of open-ended funds, also in closed-end ones with private placement (except venture ones). However, the share of securities in this sector has grown as other components of its aggregate assets have shrunk more.

The following key changes took place in Q3 of the following types of securities in CII assets:

increase in the aggregate value of government bonds (including OVDPs) and their share in the assets of all CII sectors by type of funds and types of placement;

The number of non-resident companies and individuals among CII investor categories decreased slightly (by 0.2%), according to Q3 results. By sector by type of CII, this occurred in all closed-end and interval CII, while in open-ended CII it increased insignificantly. Unlike in Q2, the share of non-resident funds in non-resident funds decreased (from 10.4% to 10.2%).

The total number of non-residents in all CII in July-September 2019 decreased by 4.0% (after +1.1% in Q2) to 437.

decrease in the value of equities in the assets of all CII sectors except venture and their weight in all but privately held venture and other closed-end CII;

preferentially reducing the value of corporate bond packages in the assets of different CII sectors and reducing their weight in all but closed-end private ones.

The prevailing decrease in the share of **equities** in the fund portfolios in July-September was largely due to the downward dynamics of the stock market during this period. Despite this, the share of stocks and securities as a whole in the assets of open-ended and interval CII remained very significant. In the former, the weight of the stock instruments in general decreased from 68% to 66% in Q3, and in Q2 - increased from 85% to 87% (Chart 13).

Table 6. Changes in the structure of aggregated CII portfolios by fund types in Q3 2019

Asset Type / CII Type / Quaterly Change	Open-ended		Interval		Closed-end- with public issue		Closed-end- with private issue		Venture	
	p.p.	%	p.p.	%	p.p.	%	p.p.	%	p.p.	%
Other assets (Incl. R and CR)	0.34	7.1%	-0.64	-12.3%	-0.98	-1.3%	2.81	3.4%	0.16	0.2%
Real estate	-	-	-	-	0.01	8.2%	0.80	489.1%	-0.20	-6.0%
Cash and bank deposits	1.80	6.9%	-1.34	-13.7%	-2.78	-47.6%	-4.87	-63.6%	-0.09	-7.9%
Bank metals	-0.02	-1.9%	-	-	0.00	5.9%	-	-	0.00	-6.1%
State bonds (OVDP)	0.22	0.8%	7.67	19.2%	4.32	55.2%	0.12	20.6%	0.04	43.2%
Equities	-2.23	-5.5%	-5.67	-12.7%	-0.38	-4.5%	0.76	12.1%	0.28	8.5%
Corporate bonds	-0.10	-14.1%	-0.02	-4.7%	-0.24	-47.3%	0.38	15.6%	-0.08	-2.6%
Promissory notes	-	-	-	-	0.04	8.2%	0.01	1.3%	-0.12	-4.5%
Mortgage Notes	-	-	-	-	-	-	-	-	0.00	-100.0%
Other securities	-	-	-	-	-	-	-	-	0.01	3.5%
Securities	-2.11	-3.1%	1.98	2.3%	3.75	21.8%	1.27	13.0%	0.13	1.4%

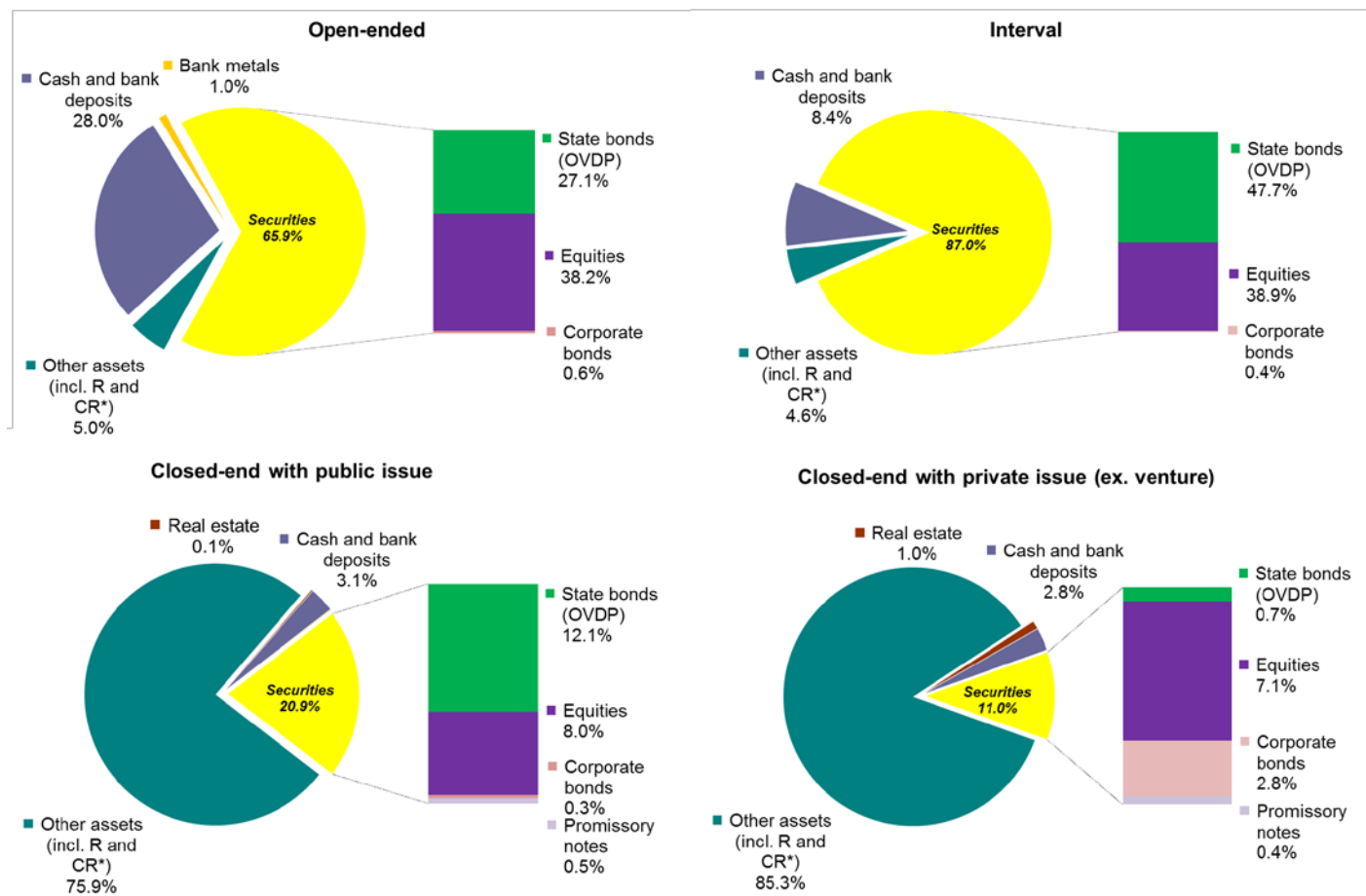


Chart 13. CII asset structure by fund types as at 30.09.2019

* R and CR - receivables and corporate rights (shares in capital other than equities).

In closed-end CII with public placement, the weight of securities recovered in Q3 (and even rose slightly above the end of Q1) - from 17.2% in June to 20.9% in September. This was due to the increase in investments in government bonds and the reduction of all other components of CII assets in the sector. In closed-end CII with private placement (except venture), the dynamics in Q3 were similar, although, in addition to government bonds, the cost of non-liquidity also increased. The weight of the stock instruments in the assets of these funds increased from 9.7% to almost 11.0%.

As of September 30, 2019, the equities held the largest share among the types of securities in the assets of open-ended funds (over 38%), as well as closed-end CII with private issue (over 7%), including venture (3.5%), but in intervals (almost 39%) and closed-end with public placement (8%) - by the end of September the government bonds were already inferior.

Government bonds (OVDP) in Q3 2019 were in even greater demand for asset managers of CII, with the increase in their weight in the assets of the funds being compounded by a decrease in the aggregate value of the

block of equities. In particular, in July-September, in open-ended funds, the share of government bonds increased from 26.9% to 27.1%, in interval CII - from 40.0% to 47.7%, taking the first position; in closed-end CII with public placement - from 7.8% to 12.1% (most of the types of securities).

In closed-end CII with private placement (except venture), **corporate bonds** held the position after the equities, whose volume in this sector declined in Q3 2019, but less than the equities and some components of their assets, so in the end, the weight of corporate bonds is somewhat increased from 2.4% to 2.8%.

In Q3, liquidity in assets increased only in open-end CII, which is most relevant to their nature. Both the volume and weight of **cash** increased here (from 26.2% to 28.0%), which is already higher than the share of government bonds.

In interval funds, the aggregate value of cash and funds in bank accounts and their weight has decreased again.

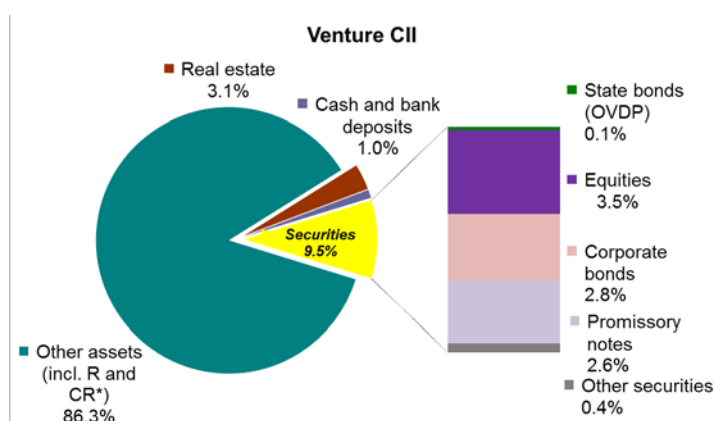


Chart 14. Structure of venture CII assets as at 30.06.2019

* R and CR - receivables (including loans) and corporate rights

“Other” assets⁷, which retained the largest share in closed-end CII assets, including venture, made up 86.3%⁸ at the end of September 2019 (Chart 14) - after 86.2% in June. Venture funds accelerated somewhat in Q3 of these assets, whose aggregate value increased by 4.5% (after + 4.3% in Q2). As of September 30, 2019, they were UAH 280.8 bn. in this sector.

The aggregate value of **real estate** in venture funds continued to decline (-2.0%), together with its share in the assets of the sector (from 3.3% to 3.1%).

Venture CII assets in the **stock market instruments** in Q3 2019 also accelerated by 5.8% (UAH +1.7 bn), after + 3.4% in Q2, which increased their weight in total assets of the sector from 9.4 % to 9.5%. The largest increase in absolute value of these funds was in equity (UAH +1.3 bn), and in relative terms - in government bonds (+ 4.9%), while mortgages had already completely disappeared from their assets (as early as June they accounted for a meager share). Thus, the equities strengthened their leading position among securities in

venture CII at the end of September 2019 - 3.5% (after 3.3% in June). Corporate bonds rose slightly in Q3 as well, but lost weight (2.8%, after 2.9%), and the consolidated package of promissory notes in the sector decreased both in value and in proportion (from 2.6% to 2.6%).

The portfolio of securities and derivatives of all CIIs, together with the above described changes, in Q3 2019 increased positive dynamics, having increased by 5.4% (after + 2.3% in Q2) and as of 30.09.2019 stood at UAH 32 975.1 M. (Table 7).

The increase was due to venture funds, as well as interval and closed-end public placement, to be more precise, due to an increase in assets in stocks (in venture) and in government bonds (in all sectors). The weight of the equities in the CII consolidated portfolio, respectively, rose during Q3 from 36.5% to 38.4%. Government bonds increased from 2.2% to 2.9% in the CII portfolio, more than offsetting the reductions in Q2.

Corporate bonds in Q3 2019 retained their second position in the CII consolidated stock portfolio, despite a decrease in their total value, and by the end of September their weight decreased from 30.2% to 29.0% (but still higher than in March).

Promissory notes, whose total value also declined in Q3, decreased their share in the aggregate portfolio of equity instruments in CII assets from 27.6% in June to 26.1% in September.

Over the past year, the portfolio of securities held by all CIIs together has decreased in aggregate value by 6.4% (after -7.2% in June), including a block of equities - by 10.7% (after -13.9%), while corporate bonds - increased by 6.0% (+ 8.8%), and government bonds, which almost reached UAH 1 bn, by 56.0% (+ 34.8%).

Table 7. Aggregate CII portfolio of securities and derivatives, as at 30.09.2019

Security Type	Aggregate value of securities in CIIs' portfolios, UAH M	Share in the aggregate portfolio of CIIs' securities	Q3 2019 change, UAH M	Quarterly change, %	Annual change %
Equities	12 651.4	38.4%	1 249.4	11.0%	-10.7%
Corporate bonds	9 559.2	29.0%	128.0	1.4%	6.0%
Promissory notes	8 607.5	26.1%	-39.0	-0.5%	-17.8%
State bonds	959.5	2.9%	268.6	38.9%	56.0%
Derivatives	1 197.6	3.6%	88.5	8.0%	23.6%
TOTAL	32 975.1	100.0%	1 695.3	5.4%	-6.4%

⁷ “Other assets” include corporate rights in other forms than securities, as well as receivables, including loans to companies, where CIIs own a stake in the capital (for venture funds).

⁸ “Other” assets include corporate rights expressed in forms other than securities, as well as receivables, including loans to companies in which CII hold equity interests (for venture funds).

The securities and derivatives portfolio of CIIs, excluding venture, after a sharp decline in Q2 2019, slightly increased in Q3 - by 0.6% (after -10.3%) to UAH 2 051.6 M. (Table 8). This was exclusively due to government bonds (+ 31.5%, after -22.8%), while the consolidated block of equities of these funds declined again (-7.3%, after -10.4%).

Finally, the latter, though holding the first position in the consolidated portfolio of non-venture CII securities, dropped from almost 60% to 55%. Government bonds also raised it from less than 20% to almost 26% (above the March level).

The volume of corporate bonds in non-venture fund assets decreased by 5.2% in July-September (after + 1.7% in April-June) and its share in the portfolio of equity instruments - from 17.0% to 16.1%.

Promissory notes decreased the most in the aggregate value in the consolidated portfolio of non-venture CII (-11.3%, after + 37.9%). Their share decreased from 3.5% to 3.1%.

During the year, the stock of CII, except venture, decreased by 10.4% at the end of September (after -13.8% in June) - mainly due to equities (-23.5%, after -17.6%), while the volume of OVDPs increased by 34.0%.

Table 8. Aggregate portfolio of securities and derivatives of CII, excluding venture ones, as at 30.09.2019

Security Type	Aggregate value of securities in CIIs' portfolios, UAH M	Share in the aggregate portfolio of CIIs' securities	Q3 2019 change, UAH M	Quarterly change, %	Annual change %
Equities	1 126.2	54.9%	-88.1	-7.3%	-23.5%
State bonds	532.2	25.9%	127.3	31.5%	34.0%
Corporate bonds	329.3	16.1%	-18.2	-5.2%	-3.6%
Promissory notes	63.9	3.1%	-8.1	-11.3%	-17.1%
TOTAL	2 051.6	100.0%	13.0	0.6%	-10.4%

In Q3 2019, **diversified CIIs** continued to see a 2.1% decrease in the value of their consolidated securities portfolio (after -2.5%). As of September 30, 2019, it was worth UAH 74.1 M. (Table 9).

The decrease in the portfolio was solely the result of a decrease in the total investment value of these funds in equities (-8.6%, after -5.8% in Q2). Finally, they blended

in weight in the stock portfolio of these CII from 66.8% to 62.3%.

Government bonds, on the contrary, accelerated growth in Q3 to + 11.4% (from + 5.0% in Q2), adding up from 30.2% to 32.5%.

The corporate bond package again almost remained unchanged in the value of the diversified portfolio in the quarter and its share remained within 0.7%.

Table 9. Aggregate portfolio of securities and derivatives of diversified CII as at 30.09.2019

Security Type	Aggregate value of securities in CIIs' portfolios, UAH M	Share in the aggregate portfolio of CIIs' securities	Q3 2019 change, UAH M	Quarterly change, %	Annual change %
Equities	46.2	62.3%	-4.4	-8.6%	-23.5%
State bonds	27.4	37.0%	2.8	11.4%	20.7%
Corporate bonds	0.5	0.7%	0.0	0.1%	50.1%
TOTAL	74.1	100.0%	-1.6	-2.1%	-11.2%

2.7. Rates of Return: CIIs and Other Areas of Investment

Further negative dynamics of Ukrainian stock indices in Q3 2019 put a downward pressure on the profitability of CII investing in stock market instruments - it decreased in 5 out of 8 categories of such CII by type of funds and methods of placement, as well as by asset classes (all CII sectors except venture). In another sector, where yields have increased somewhat, they have remained

negative. However, this is a more positive picture than in Q2, when average deterioration was observed in 7 sectors. In addition, quarterly profitability was already positive in 2 sectors (after one in Q2).

Rates on term annual bank deposits in hryvnia in the beginning of Q3 increased slightly, which pushed their average yield to almost 4.2% (from 4.0%). Revaluation of

the hryvnia against foreign currencies accelerated further and worsened the negative yield on US dollar deposits in hryvnia terms (-7.5% in Q3, after -2.9% in Q2) and the euro (-10.9%, after -2.1%). For gold, in contrast to Q2, Q3 was marked by a decrease in value, which outweighed the income on the bank deposits in it and eventually led to a negative profitability (-1.5%, after + 4.0% in Q2). Residential real estate in Kiev fell by 1.1% in hryvnia (after + 0.9% in Q2) during this period.

Among all CII categories as a whole and among CII by fund type, closed-end funds with private placement (ex. venture) were leaders by rates of return, which had the lowest yield among CII by type of fund in Q2 and was the leader in Q1. In July-September they averaged + 2.6% (after -1.3% in April-June, Chart 15). The range of quarterly results of individual funds in this sector expanded significantly and rose higher in the positive zone (from -16.5% to + 77.5%), and out of 32 such funds, the value of their securities ensured 12 (38%, after 24% in Q2)⁹.

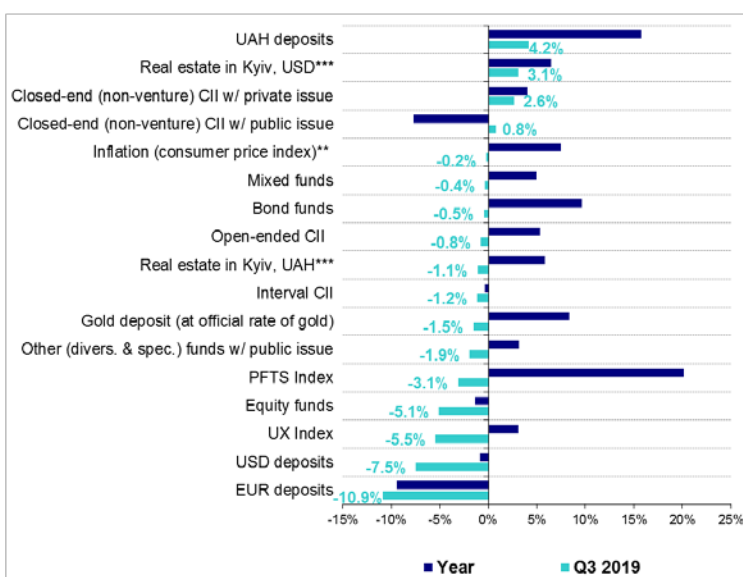


Chart 15. Rates of return – CII, deposits, equity indexes and inflation rates in Q2 2019 and for the year¹⁰

⁹ In order to compare adequately the returns of different investment areas (asset types), it is necessary to take into account liquidity of CII, in particular, ones of the open-ended type, which allow to withdraw from investments on any working day without loss of profit, in contrast to fixed-term bank deposits, which, predominantly, presuppose recalculation of interest income on early repayment of assets at deposit rate on current accounts (which is close to zero). At the same time, the calculated return of CII does not take into account possible commissions and other costs when entering /leaving the funds. Also, taxation of investment profits when leaving the fund and taxation of interest on deposits are not taken into account.

¹⁰ CIIs' rates of return are calculated based on the reporting data for Q2 2019 for 17 open-ended, 15 interval, 64 closed-end CII (including 31 funds with public issue and 33 funds with private issue), and according to the reporting data for previous periods. Inflation is calculated based on data of the State Statistics Service of Ukraine (before the previous month). Rates of return for real estate in USA dollars

Closed-end CII with public placement in Q3 also increased the average yield and moved it to the positive zone: + 0.8% (after -1.1% in Q2). The range of indicators of various funds in the sector has expanded significantly (from -67.1% to + 91.3%), but again from 31 such CII, 13 funds (42%, as in Q2) provided investment growth.

Open-ended funds in Q3 had a slight decrease in the average rate of return - to -0.8% (from -0.5% in Q2). The range of results of individual funds of this type hardly shifted and remained mostly in the negative zone: -7.5% to + 4.3%. At the same time, 5 out of 17 funds in the sector had positive returns (29%, after 53% in Q3). One open-ended fund in July-September was more profitable than bank deposits in hryvnias, 9 compared to residential real estate in the capital (in hryvnia values), 12 yielded or less losses than gold deposits, 14 outstripped the PFTS index, 16 - UX index, and all 17 were more successful than US dollar and euro deposits¹¹.

In Q3 2019, interval funds had the lowest average yield among sectors by type of CII in Q3 2019, with the average quarterly result having decreased slightly - from -1.0% to -1.2%. The range of indicators of individual funds in this sector has also significantly expanded and dropped slightly (ranging from -18.5% to + 7.5%). The increase in the value of certificates was demonstrated by 6 of the 15 such funds (40%, after 33% in Q2).

Among the diversified and specialized publicly traded funds by asset classes, in Q3 2019, mixed funds were the leaders, which in September was supplemented by one CII of the share class and one "other" fund (by the end of June). In July-September 2019, they showed an average of -0.4% (after -0.6% in April-June). The performance of individual funds slightly widened and rose and was symmetric about zero (-7.5% to + 7.5%), but most of the results of individual funds were negative: positive indicators were equal to one third of mixed funds (after 50% in Q2). Again, two such funds were again more profitable in Q3 than deposits in UAH, 13 - more profitable or less unprofitable for residential real estate in the capital (in UAH), 16 - for "golden" deposits,

is calculated as the average of data on value of residential real estate in Kyiv from portals: <http://www.domik.net>, <http://100realty.ua>, <http://realt.ua>; in hryvnia - according to the portal: <http://100realty.ua> (RoR in USD is given indicatively, because for correct comparison with other directions of investing it is appropriate to consider only the figure in UAH).

¹¹ In order to adequately compare rates of return of different types of investment (types of assets), it is necessary to consider liquidity of CII, in particular, open-ended ones, which allow to exit investments on any working day without loss of profitability, as opposed to fixed-term bank deposits, which mainly involve the conversion of interest. income at early repayment of deposits at current accounts (close to zero). At the same time, the calculated profitability of the CII does not take into account the possible commissions and other expenses when entering / leaving the funds. It also does not include taxation of investment income when leaving the fund and taxation of interest on deposits.



18 - outperformed the PFTS index, 20 - UX index and all 21 were more profitable or less unprofitable than bank annual term deposits in USD and EUR.

Bond funds, which led the way in yields across all CII sectors during the first two quarters of 2019, fell into the negative zone in Q3, down to -0.5% (from + 1.5% in Q2). Three out of five such CII had positive results in July-September, which were slightly behind the income on UAH deposits, and again had better results compared to foreign currency deposits.

Equity funds, whose composition changed slightly in Q3 2019 (one was eliminated, and another former mixed fund was added, with only 5 remaining), experienced a decrease in the average return more than twice – to -5.1% (from -2.4% in Q2). All the 5 such funds showed a decrease in the value of their certificates in Q3 (after 20% with an increase in Q2). However, one fund showed lower losses than it did on residential real estate in

Kyiv and gold deposits, and four funds performed better than those on UX and PFTS indices and on foreign currency deposits with banks. But "other" diversified and specialized funds with public issue, which fell by one in Q3 2019 (only two - unchanged since the beginning of the year – open-ended and interval CII), showed an average of -1.9% during this time (after -1.2% in Q2) and thus outperformed equity funds.

Over the 9 months of 2019, bond funds (+ 2.7%) and open-ended CII (+ 1.1%) remained the leaders in average yields among the various CII sectors, while the lowest yields were held by equity funds (-5.3%) and interval CII (-2.1%).

During the year as of the end of September 2019, the least of all CII sectors brought closed-end CII with public placement (-7.7%) and equity funds (-1.4%) to their investors, and most of all - bond funds (+ 9.6%) and open-ended CII (+ 5.4%).

3. Summary

In July-September 2019 Ukrainian CII assets management industry continued to grow quantitatively and costly, although some negative changes occurred in some indicators.

Key trends in the asset management industry in Ukraine in Q3 2019 were:

- Decrease in the number of AMCs for the second quarter in a row, but only for one company (in Kyiv);
- Continued, albeit somewhat slow, growth in the number of registered CIIs and acceleration - the number of formed ("recognized") CIIs is almost exclusively due to venture funds; also, in contrast to Q2, a decrease in both the number of CII undergoing liquidation at the end of September and new funds that have not yet reached the norms;
- Slight slowdown in the growth of the total value of CII assets and the acceleration of net assets; positive dynamics - again almost entirely due to the venture and interval sectors, while other sectors experienced a decline in net assets; at the same time:
- Again, almost imperceptible decrease in NAV of open-ended CII for the quarter and more significant - from the beginning of 2019 and the last year; quarterly dynamics were driven mainly by the dynamics of the domestic stock market during this period, and the annual one was driven more by the net outflow of capital from these CII, which was twice the reduction of their net assets a year;

- Continuation of almost all the previous quarter's trends regarding the number of CII investors and the volume of investments in them belonging to different categories of investors in absolute terms and relative to the total NAV of the CII sectors, in particular:

- a slight decrease in the number of CII investors - again mainly at the expense of resident legal entities, while the number of resident individuals among CII investors increased;
- the rapid increase in the aggregate funds of retail investors - residents of Ukraine and, consequently, their weight in the total NAV of venture funds and CII as a whole; at the same time, further reducing these investors' funds in open-ended funds;
- reduction of weight of enterprises resident in NAV of venture CII and all CII, despite reduction of their total investments only in closed-end (except venture) and interval funds;
- increase in total funds of non-resident individuals in all sectors of publicly traded funds, and non-resident investors in general - in venture and CII as a whole; however, unlike Q2, there was a slight decrease in their weight in CII net assets, due to a more active increase in funds of other categories of investors;



- Increase in the share of securities (in particular OVDP) in the assets of CII as a whole and in all sectors by types of funds and types of placement, except for open-ended ones; at the same time - an increase in the total value of investments in equity instruments in venture funds, as well as in closed-end CIIs with public placement and at intervals;
- Further decline in the quarterly rate of return of the various CII sectors by type of fund, placement and asset class as a whole, but an increase in the number of sectors with positive averages and individual

funds that provided value for their certificates or shares and were more profitable or less profitable than foreign exchange and gold deposits, real estate and equity indexes.

Overall, in Q3 2019, investors' demand for CIF venture funds continued to increase, confirming the effectiveness of this mechanism of private financing of projects and enterprises in Ukraine, and government bonds were increasingly popular among CII investing mainly in stock market instruments.

See additional and statistical information on the UAIB website:

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

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