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**1. Stock Markets: Ukraine and the World**

The beginning of the 2-nd quarter of 2017 was a period of increasing volatility in **leading global stock markets**, against the backdrop of increasing domestic and geopolitical risks in the United States and Europe, along with mixed data on economic growth.

April was turbulent, but already by the end of the month the markets had resumed. In particular, preservation of power by a government party in the Netherlands, election of Mr. Macron in the presidential elections in *France* contributed to it; this was perceived by investors positively, because at least it reduces political uncertainty in Europe. Support was also provided by some strengthening of economic growth in the EU.

The further movement of indices during the quarter had mainly a lateral trend. Markets remained concerned about the course and expected implications of negotiations on the *Great Britain's* withdrawal from the EU, as no clear agreement has been reached yet, and the risks to the economies of both - the country itself and the remaining without it EU - are rather high, especially for the London's

industry of financial services. Finally, the pound continued to lose value, and the key UK stock index fell symbolically down by 0.1% for the quarter (Chart 1, Table 1).

The largest markets of the continental EU - *France and Germany* – by the results of the 2nd quarter showed a very weak increase (0-0.1%). At the same time, by the rates of return since the beginning of 2017, French and German indices have come nearer to the American ones, and by the year's yield they outstripped them.

Although political battles concerning activities of the new president took place in the United States, but markets mostly tended to be upward: US equity indices added 2.6% - 3.3% for the quarter. Since the beginning of the year, they have risen by at least 8%, for the year - by 16-19%.

*Japanese* equities quickly adjusted after a turbulent beginning of April, and strengthened the growth, withholding it by the end of June: +5.9% for the quarter.

*Hong Kong's* index (+6.9%) had the highest quarterly gain among developed markets, though it weakened compared to the 1-st quarter.

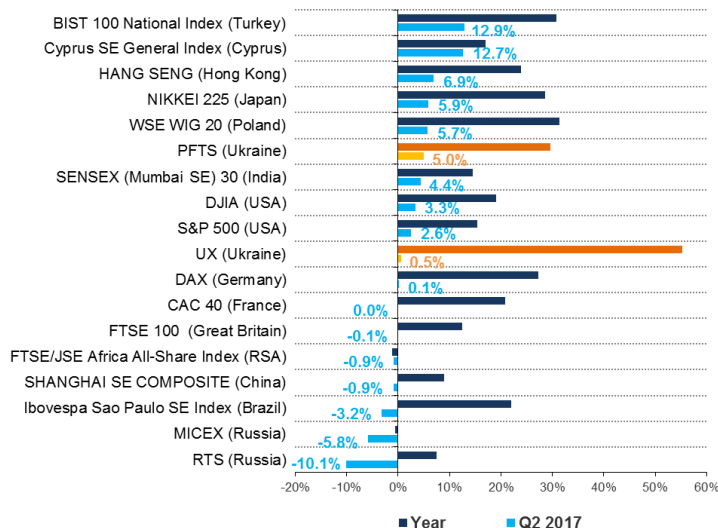


Chart 1. Dynamics of World Stock Indices in Q2 2017

*Table 1. Dynamics of World Stock Indices in Q2 2017\**

Indexes	30.06.2016	31.03.2017	30.06.2017	Q2 2017	Year
BIST 100 National Index (Turkey)	76 817.19	88 947.40	100 440.40	12.9%	30.8%
Cyprus SE General Index (Cyprus)	65.53	68.08	76.71	12.7%	17.1%
HANG SENG (Hong Kong)	20 794.37	24 111.59	25 764.58	6.9%	23.9%
NIKKEI 225 (Japan)	15 575.92	18 909.26	20 033.43	5.9%	28.6%
WSE WIG 20 (Poland)	1 750.69	2 175.96	2 299.80	5.7%	31.4%
PFTS (Ukraine)	220.87	272.49	286.24	5.0%	29.6%
SENSEX (Mumbai SE) 30 (India)	26 999.72	29 620.50	30 921.61	4.4%	14.5%
DJIA (USA)	17 929.99	20 663.22	21 349.63	3.3%	19.1%
S&P 500 (USA)	2 098.86	2 362.72	2 423.41	2.6%	15.5%
UX (Ukraine)	674.57	1 042.06	1 047.78	0.5%	55.3%
DAX (Germany)	9 680.09	12 312.87	12 325.12	0.1%	27.3%
CAC 40 (France)	4 237.48	5 122.51	5 120.68	0.0%	20.8%
FTSE 100 (Great Britain)	6 504.33	7 322.92	7 312.72	-0.1%	12.4%
FTSE/JSE Africa All-Share Index (RSA)	52 217.72	52 056.06	51 611.01	-0.9%	-1.2%
SHANGHAI SE COMPOSITE (China)	2 929.61	3 222.51	3 192.43	-0.9%	9.0%
Ibovespa Sao Paulo SE Index (Brazil)	51 526.93	64 984.07	62 899.97	-3.2%	22.1%
MICEX (Russia)	1 891.09	1 995.90	1 879.50	-5.8%	-0.6%
RTS (Russia)	930.77	1 113.76	1 000.96	-10.1%	7.5%

\* Based on data of Exchanges and Bloomberg Agency.

Chinese equities (by the Shanghai Stock Exchange index) dropped by almost 1% during the second quarter of 2017. This reduced the growth “from the beginning of the year” to +2.9%, but the annualized one rose to +9%.

For the second time in a row, the leader among emerging markets was *Turkey* with double-digit growth (+12.9%). *The Cypriot* market also had approximately the same indicator (+12.7%), while *Brazilian* equities corrected after a rapid growth in Q1 2017 (-3.2%, after +7.9%). *Polish* key index slowed down its dynamics, but had an increase (+5.7%, after +11.7%). *Russian* equities again were outsiders of the quarter (-5.8% -10.1%), deepening the decline from the beginning of the year to -13.1% -15.8% and lowering annual results to -0.6% and +7.5% (MICEX and RTS indexes, respectively).

**Ukrainian stock market** passed the 2nd quarter of 2017 also with higher volatility, which replaced the rise in the beginning of the year: fluctuating between -10% and +5%, **the Ukrainian Stock Exchange index (UX) eventually added 0.5%** (after +30.9% in the 1-st quarter). The PFTS index, on the contrary, accelerated quarterly growth from +2.8% in January-March to +5.0% in April-June.

Index of Ukrainian equities (UX) moved down to mid-May. “Motor Sich”, “Ukrnafta” and “Raiffeisen Bank Aval” promoted the main influence on the subsidence of the index. Then the index was restored by the end of June.

Composition of the index basket of UX index still remained unchanged during the year and consisted of 5 equities: 3 energy companies, one - machine-building enterprise and one bank. The index basket of the PFTS index was reduced by one equity – “Alchevskiyi Metalurgiyni Combinat” and at the end of the quarter

included 9 enterprises: all 5 components of the UX index, 2 - electricity companies, one mechanical engineering and one telecommunication enterprises.

There were a number of changes in the legislative field and in market conditions in Ukraine during this period, which were ambiguous and, accordingly, had in general restrained influence on the dynamics of the stock market.

Thus, the annual rate of inflation dropped in April, but already accelerated in May-June. At the same time, annual GDP growth slowed down to 2.4% in the second quarter, and Ukraine's balance of payments in April and May was surplus. At that, the National Bank two times reduced its discount rate (to 12.5%). It also made several steps towards liberalization of currency as well as to the implementation of the BEPS action plan in Ukraine.

The Parliament also passed the law concerning reducing of barriers for attracting foreign investments, which, in particular, abolished the need for foreign investments' registration, while the Government supported the initiative to join the Global Register of Beneficiary Owners.

In addition, at the end of May, the Ukrainian NJSC “Naftogaz” won a case against Russia's “Gazprom” in the Stockholm Arbitration, that actually saved it from default and liquidation - and from a significant increase of Ukraine's state debt.

The stock market regulator (NSSMC) has announced preparations for transition of the Ukrainian stock market to international standards in the field of communication on the market and with regulators, data formats, etc. Approximation of the regulatory framework of professional participants' activities on the Ukrainian stock market to the EU law in this area also continued.

**Volume of Ukrainian exchange stock market in the 2nd quarter of 2017 decreased further:** the number of securities in stock exchanges' lists decreased by another 17.6% (by 40.1% for the year), including in the 1st and 2nd levels of listing - by 2.9% (for the year - by 9.0%). The quarterly decrease in listing was for the first time due to *government bonds (OVDP)*, number of which fell by 3.6% (the same as for the year).

Number of *equities* in the listing, after a prolonged decline, in the 2nd quarter of 2017 stabilized at the level of 6, but its annual drop remained more than double (-53.8%).

Number of *corporate bonds* during the quarter increased for the first time at least since 2014 (+4.5%), but the annual dynamics was still negative (-41.0%, after -62.1% in the 1st quarter).

*Municipal bonds* did not appear in the registers ('listing') of the stock exchanges in the 2nd quarter.

**Total trading volume of all stock exchanges decreased by 31.2%** in the 2nd quarter

(after -14.0% in Q1 2017). The accelerated decline of the total volume was mainly due to the fall of *OVDPs'* volume of trading (-33.5%, after 10.7%), while the aggregate value of transactions with *equities* decreased by only 3.1% (after -34.8%).

By contrast, the volume of trading in *corporate bonds* increased by 61.8% (after -78.9%), in *investment certificates* - more than 2.5 times (+157.6%, after -75.1%), in *derivatives* - by one and a half times (+54.0%, after +101.0%)

Annual dynamics of trading on the stock exchanges by results of the 2nd quarter has changed to negative one (-34.3%, after +22.3% in Q1 2017). The decisive factor was the reduction of trading in *OVDP* (-35.1%, after +64.5%). Increase in deals with *equities* for the year could be treated as modest positive change (+4.1%, after -21.1% as at the end of March).

Volume of trades in *derivatives*, including optional certificates (+167.2%, Table 2), also rapidly increased for the year.

Table 2. Dynamics of the Ukrainian Stock Exchange Market in Q2 2017

Indicator/ Date	30.06.2016 (Q2 2016)	31.03.2017 (Q1 2017)	30.06.2017 (Q2 2017)	Change for Q2 2017	Annual Change
<b>Number of Securities in the listing of stock exchanges including:</b>	<b>2008</b>	<b>1459</b>	<b>1202</b>	<b>-17.6%</b>	<b>-40.1%</b>
<b>Number of securities in the registers (listing) of stock exchanges, including:</b>	<b>334</b>	<b>313</b>	<b>304</b>	<b>-2.9%</b>	<b>-9.0%</b>
state bonds (OVDP)	279	279	269	-3.6%	-3.6%
equities*	13	6	6	0.0%	-53.8%
corporate bonds	39	22	23	4.5%	-41.0%
municipal bonds	1	0	0	x	x
NBU deposit certificates	1	0	0	x	-100.0%
<b>Trading volume on the stock exchanges (total) per year, UAH mln, including:</b>	<b>61 542.0</b>	<b>58 711.9</b>	<b>40 416.4</b>	<b>-31.2%</b>	<b>-34.3%</b>
state bonds (OVDP)	58 272.8	56 900.3	37 813.9	-33.5%	-35.1%
equities	395.89	425.1	412.06	-3.1%	4.1%
corporate bonds	1 796.8	641.0	1 037.3	61.8%	-42.3%
municipal bonds	0.0	0.0	0.0	x	x
NBU deposit certificates	626.4	0.0	0.0	x	-100.0%
investment certificates	23.5	5.4	13.8	157.6%	-41.4%
derivatives (without state derivatives)	263.3	379.6	1 139.8	54.0%	167.2%
option certificates	163.3	360.6	x	x	x

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

\* Including MHP S.A. depositary receipts. Excluding CIF equities and investment certificates (as at June 30, 2017 there were 6 in the 2nd level of listing - five CIF equities and one IC UIF). \*\* As at June 30, 2017 (for the 2nd quarter of 2017), option certificates are included in the composition of derivatives.

## **2. Number of AMC and CII**

In the 2nd quarter of 2017, the number of asset management companies increased for the first time within 15 quarters (from the 3-rd quarter of 2013) to 299.

According to the UAIB data, 2 AMCs were closed during April-June, and 6 were created. During the 2nd quarter, 16 new CIIs were registered (after 28 in the 1<sup>st</sup> one), 12 of which were corporate venture funds (CIF), 2-unit venture (UIF), and 2 more - closed-end non-diversified CIF. Taking into account funds which were

closed during the quarter, as at June 30, 2017, the total number of registered CII increased to 1,661.

Growth of the number of AMC in this period, which was somewhat faster compared to the dynamics of the number of CII, virtually halted the steady tendency to increase concentration on the CII asset management market. Thus, by the end of June 2017, one AMC accounted for an average the same 5.6 funds (the indicator fell only in the hundredths, Chart 2).

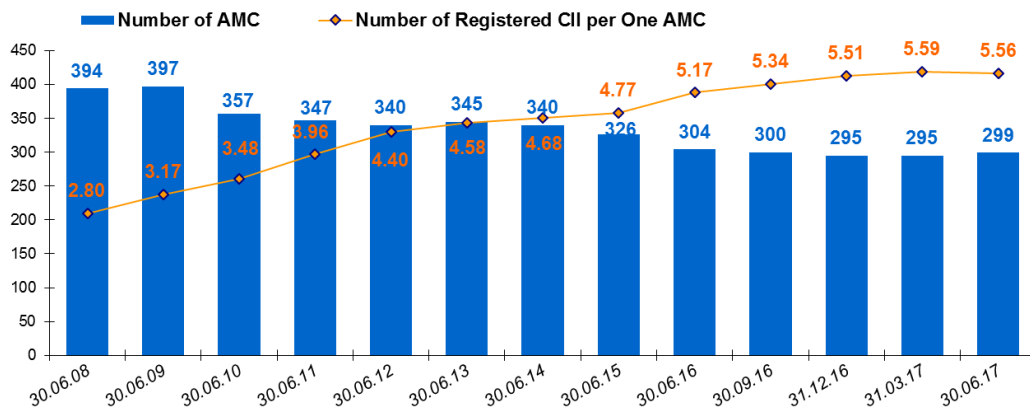


Chart 2. Dynamics of the Number of AMC and CII per One AMC in Q2 2016-2017

Number of CII that have reached compliance with norms for minimum assets volume also increased - for the third consecutive quarter - to 1,157. 18 out of 25 new formed during the 2nd quarter CII, were corporative funds (CIF), that is, they reached the norm at the same time as the fund's registration.

Annual ascending dynamics intensified - the number of "recognized" CII became by 23 more over the last year (+2.0%, after +0.3% in the 1-st quarter). Since the beginning of 2017, their number has increased by 27 (+2.4%).

Venture CIF remained the most numerous category in the 2nd quarter among the newly formed funds (again +11, +4.5% for the quarter and +50, +26.2% for the year).

Number of venture UIF increased again (+5, +0.7%), and although their number was still less than a year ago (-12, -1.5%), they remained to be the largest sector (773 funds).

Number of closed-end non-diversified CIF decreased during this quarter (-3, -5.5% for the quarter and from the beginning of 2017).

Number of acting open-ended CIIs, as well as of other diversified and specialized UIF, remained unchanged for the quarter.

During the year, number of funds decreased in almost all sectors of CII, except for venture ones. In particular, number of acting closed-end diversified UIF became less by 2 (-33.3%), of open-ended UIF - by 4, including by one specialized fund (-16.7%, table 3).

Further expansion of the sector of acting venture CII in the 2nd quarter of 2017 increased their market share by number of funds from 88.5% to 88.9% (Chart 3). At that, weight of venture UIF continued to decline - from 67.2% to 66.8%, as well as of open-ended CII - from 1.7% to 1.6% for the quarter.

Table 3. Dynamics of Number of CII that Have Reached Compliance with the Standards, by Types and Legal Forms of Funds, in Q2 2016 - 2017

Date/Period	Total	UIF*								CIF*		
		O*	Os*	I*	Is*	CD*	CNN*	Cs*	CV*	I*	CNN*	CV*
30.06.2016	1134	17	6	22	3	6	30	1	785	1	61	202
30.09.2016	1127	15	5	21	3	6	28	1	771	0	58	219
31.12.2016	1130	15	5	21	3	4	28	1	765	0	55	233
31.03.2017	1143	14	5	21	3	4	28	1	768	0	55	244
30.06.2017	1157	14	5	21	3	4	29	1	773	0	52	255
Q2 2017 change	14	0	0	0	0	0	1	0	5	0	-3	11
	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	3.6%	0.0%	0.7%	-	-5.5%	4.5%
YTD Change	27	-1	0	0	0	0	1	0	8	0	-3	22
	2.4%	-6.7%	0.0%	0.0%	0.0%	0.0%	3.6%	0.0%	1.0%	-	-5.5%	9.4%
Annual change	23	-3	-1	-1	0	-2	-1	0	-12	-1	-9	53
	2.0%	-17.6%	-16.7%	-4.5%	0.0%	-33.3%	-3.3%	0.0%	-1.5%	-100.0%	-14.8%	26.2%

\*UIF - Unit Investment Funds, CIF - Corporate Investment Funds; O – open-ended diversified CII, Os – open-ended specialized CII, I – interval diversified, Is - interval specialized, CD – closed-end diversified, CNN - closed-end non-diversified non-venture, CV - venture CII (closed-end non-diversified, with private issue).

Table 4. CII with Public Issue, as at 30.06.2017

CII Type and Class	Number of funds			
	30.06.2016	31.12.2016	31.03.2017	30.06.2017
<b>Open-ended (total), including:</b>	<b>23</b>	<b>19</b>	<b>19</b>	<b>19</b>
diversified	17	14	14	14
specialized	6	5	5	5
<b>Interval (total), including:</b>	<b>25</b>	<b>23</b>	<b>23</b>	<b>23</b>
diversified	22	20	20	20
specialized	3	3	3	3
<b>Closed-end (total), including:</b>	<b>57</b>	<b>50</b>	<b>50</b>	<b>51</b>
diversified	3	3	3	3
non-diversified	53	46	46	47
specialized	1	1	1	1
<b>Total</b>	<b>105</b>	<b>92</b>	<b>92</b>	<b>93</b>

Table 5. Dynamics of the Number of Diversified CII with Public Issue by Classes of Funds (in Accordance with Asset Structure) in Q2 2016-2017

Date/Period	Total	Equity funds	Bond funds	Mixed funds*	Money market funds	Other funds
30.06.2016	33	6	4	13	0	10
30.09.2016	33	4	5	14	0	10
31.12.2016	34	4	2	27	0	1
31.03.2017	36	8	5	16	0	7
30.06.2017	38	6	6	19	0	7
Q2 2017 change	2	-2	1	3	0	0
	5.6%	-25.0%	20.0%	18.8%	-	0.0%
YTD Change	4	200.0%	4	-8	0	6
	11.8%	50.0%	200.0%	-29.6%	-	600.0%
Annual change	5	0	2	6	0	-3
	15.2%	0.0%	50.0%	46.2%	-	-30.0%

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

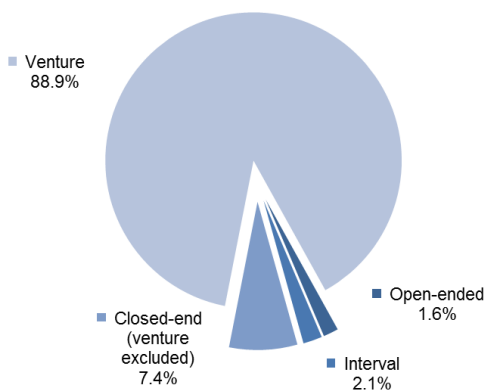


Chart 3. CII that Reached the Standards by Types of Funds as at 30.06.2017

Total number of "recognized" and acting open-ended CII remained 19 at the end of June, and of venture funds – 1,028.

Number of funds that have not yet reached the normative for minimal volume of assets, among all registered CII under AMC management has not changed (62, 5.1% of all CII under management).

According to UAIB data, 71 funds in the 2-nd quarter were still in the process of liquidation or had just started it (6.1% of all recognized and acting CII). Among them there were one open-ended diversified UIF, 3 interval and one closed-end funds, 3 closed-end non-diversified UIF and 4 of the same CIF, 55 venture UIF and 4 CIF. Also, liquidation of the new interval qualified UIF, which failed to meet the standards, was started.

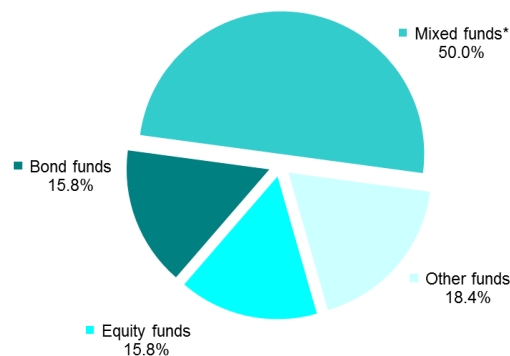
Thus, the number of funds that prepared to enter the market in the 2nd quarter, was somewhat lower than that of closing ones, so we can expect some further slowing of the dynamics of growth of the total number of recognized CII.

**Number of CII with public issue (offering)** in the 2nd quarter of 2017 for the first time since at least

the 4th quarter of 2015 became larger: one closed-end non-diversified UIF which was set up at the beginning of the year, had reached the normatives. So, at the end of June, the number of funds in the sector was already 93 (Table 4).

Number of AMC, which manage such CII, decreased to 38, and in the sector of open-ended CII – 11.

**There were 38 diversified and specialized CII with public issue** in the 2nd quarter (Table 5). Number of equity funds became less by two – they included 3 open-ended and 3 interval CII. There were 6 bond funds– 4 open-ended and 2 interval, 19 – mixed funds, including 6 open-ended, 11 interval and 2 closed-end CII. The latter were the largest category by assets types (Chart 4). Five open-ended and 2 interval CII were "other assets" in accordance with classification based on the structure of assets<sup>1</sup>.



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

Chart 4. Diversified CII with Public Issue, by Classes of Funds, as at 30.06.2017

<sup>1</sup> See Ренкінги «ІСІ (диверсифіковані публічні) - за класами фондів» and Методику ренкінгування КУА та ІСІ за результатами їхньої діяльності on UAIB website: <http://www.uaib.com.ua>.

**3. Regional Distribution of AMC and CII**

In Kyiv and metropolitan area in the 2nd quarter of 2017, the number of acting AMCs increased again - by 5, to 217 (Chart 5). However, one AMC was closed here.

Accordingly, the market share of the Kyiv region by the number of AMCs increased for the quarter from 71.9% to 72.6% (at the beginning of 2017 it was 71.5%).

Among other TOP-5 regions, number of companies in Lviv became only by one less, and in other regions number of acting AMC was not changed.

Totally, in the regions-leaders by the number of AMC, at the end of March 2017 there were acting: in Dnipropetrovsk region- 20 companies, in Kharkiv region - 19, in Odessa region - 9, and in Lviv region - 7.

The other regions of Ukraine had together 27 AMC, or about 9.0% of the market.

Number of CII under management in Kyiv and its region continued to grow in the 2nd quarter of 2017 - by 14 (+1.6%), while in Ukraine as a whole, by 16 (+1.3%). Finally, the weight of Kyiv by this indicator rose for the quarter from 72.6% to 72.8% (Chart 6).

In Dnipro, the number of CII in June was by 3 more than in March, so the share of the city and its region increased from almost 7.5% to more than 7.6%.

At the same time, number of CII under management in Kharkiv, Lviv and Zaporizhzhia, was not changed or insignificantly decreased; this contributed to a decrease of weight of these regions by the corresponding indicator.

The aggregate share of other regions of Ukraine by the number of CII under management was almost unchanged for the quarter (7.2%, after 7.5% at the beginning of 2017). Thus, **the regional concentration of AMC and CII in this period, in contrast to the 1-st quarter of the year, increased in favor of the Kyiv region.**

Within the breakdown of CII assets under management by regions concentration in the 2nd quarter generally continued to decline with a decrease in the aggregate weight of the leading regions, Kyiv in particular. The more rapid reduction of AuM in Kyiv, in comparison with the whole market, reduced the share of the capital from 81.5% to 81.0%.

Under these conditions, growth of assets in Dnipro and Lviv pushed their weight to 7.5% and 2.2%, respectively. Another almost 2.2% of CII assets (after 2.1% in the 1-st quarter) were in funds, which were registered in the remaining regions of Ukraine (except for Zaporizhzhya, whose weight was almost constant - 3.0%, Chart 6).



Chart 5. Regional Distribution of AMC Number, as at 30.06.2017

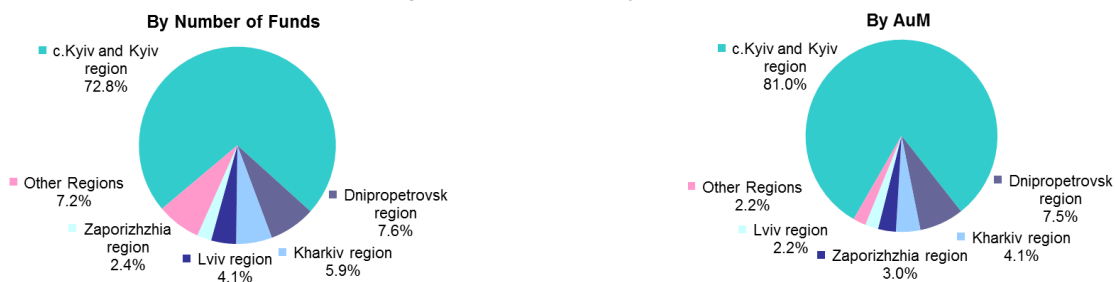


Chart 6. Regional Distribution of CII by Number and AuM, as at 30.06.2017

**4. Assets and Net Asset Value of CII**

In the 2nd quarter of 2017, **total aggregate assets of acting CII, which have reached the norm for minimal asset volume, decreased by UAH 4,910.6 mln. (-2.0%, after +7.3% in the 1st quarter), to UAH 242,027.5 mln.** (Chart 7).

Growth continued only in the sectors of *open-ended* (+4.6%, after +6.2%) and *interval funds* (+1.4%, after +2.5%).

Assets of *venture CII* decreased by UAH 4,252.2 mln. (-1.8 %, after +7.4%) to UAH 234,376.6 mln. This happened against the backdrop of almost unchanged number of venture funds that have provided quarterly information (-0.1%), taking into account closure of several funds in the sector and entry of new ones to it.

Value of assets of *closed-end CII with a public offering* decreased relatively the most- by 12.3%. At that, the number of funds submitting data in the sector was stable - one CII left the market, while another one stepped into it.

All closed-end CII together for the 2nd quarter reduced their volume of assets by 8.1% (after +3.2 in the 1st one) - to UAH 7,515.6 mln.

Total assets of CII (*ex. venture*) at the end of June 2017 amounted to UAH 7,650.9 mln. (-7.9%, after +3.2%).

**Since the beginning of 2017, total assets of all CII have grown by UAH 11,839.5 mln. (+5.1%), and for the year - decreased by UAH 3,178.9 mln. (-1.3%)** - with a slight increase in the number of acting funds.

At the same time sectors of *open-ended* and *interval CII* showed an increase, both for the six months and for the year (annual - by 19-20%). It was accompanied by increase of stock indexes (by 30-55% for the year).

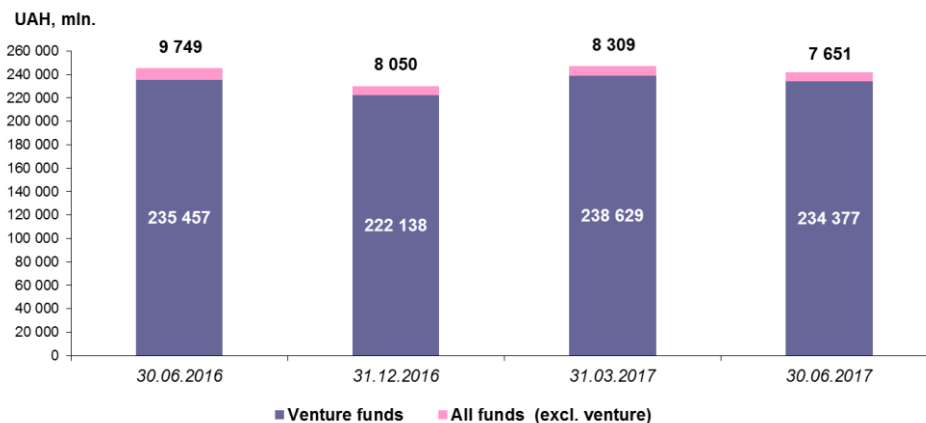


Chart 7. Dynamics of CII Asset Value in Q2 2016 -2017

**Net asset value of formed CII** (acting funds that have reached the norms) in the 2nd quarter of 2017 decreased also - by **UAH 5,443.0 mln. (-2.7%, after +8.3% in the 1-st quarter)**. As at June 30, 2017 it amounted to **UAH 199,086.6 mln.** (Table 6).

All sectors of closed-end CII (including venture funds) experienced quarterly reductions, this concerned also total assets.

NAV of *venture CII* decreased by 2.5% (after +8.8% in the 1-st quarter), of *closed-end CII with a public issue* - by 12.5% (after +1.0%), while of *open-ended ones* - increased by 4.8% (after +5.8%), of *interval CII* - by +0.9% (after +2.1%).

Since the beginning of 2017 growth of net assets was also recorded in sectors of *closed-end CII with*

*private issue* (including venture funds). Total NAV of all CII for half a year increased in 2017 by **UAH 10,755.1 mln. (+5.7%), and for the year - decreased by UAH 10,615.7 mln. (-5.1%).**

NAV of *open-ended CII* increased by 10.9% for half a year, by 18.2% for the year, despite of withdrawal from the market of one fund of this type at the end of 2016.

*Interval CII* also showed a steady upward trend, albeit at a more moderate pace – sector’s NAV rose by 3.1% year-to-date and by 15.9% for the past year.

As at June 30, 2017, NAV of **open-ended CII** amounted to **UAH 64.0 mln., interval - UAH 67.0 mln., closed-end CII with a public offer – UAH 2,396.4 mln.**

Table 6. Dynamics of CII NAV, by Types of Funds, in Q2 2016-2017, UAH mln.

Funds	30.06.2016	31.12.2016	31.03.2017	30.06.2017	Q2 2017 Change	YTD 2017 Change	Annual Change
Venture funds	54.2	57.7	61.0	64.0	4.8%	10.8%	18.2%
Open-ended	57.8	65.0	66.4	67.0	0.9%	3.1%	15.9%
Interval	9 115.5	7 546.2	7 810.6	7 365.2	-5.7%	-2.4%	-19.2%
Closed-end (excl. venture), incl.	3 252.2	2 712.6	2 739.0	2 396.4	-12.5%	-11.7%	-26.3%
with public issue	5 863.3	4 833.6	5 071.6	4 968.8	-2.0%	2.8%	-15.3%
with private issue	<b>9 227.5</b>	<b>7 668.9</b>	<b>7 938.1</b>	<b>7 496.2</b>	<b>-5.6%</b>	<b>-2.3%</b>	<b>-18.8%</b>
<b>All funds (excl. venture)</b>	200 474.9	180 662.6	196 591.5	191 590.4	-2.5%	6.0%	-4.4%
<b>All funds</b>	<b>209 702.3</b>	<b>188 331.6</b>	<b>204 529.6</b>	<b>199 086.6</b>	<b>-2.7%</b>	<b>5.7%</b>	<b>-5.1%</b>

\* Acting CII that have reached the norm for minimum amount of assets (were recognized as valid), are managed by AMC and provided statements for the relevant period (on the reporting date)

Positive dynamics of *open-ended funds*’ NAV, which even more was ahead of increase of interval ones, against the background of decline in net assets of other CII sectors, allowed them to increase further their share of CII market (excluding venture funds) from 0.77% to

0.89%. At that, the weight of closed-end funds dropped only to 98.25% (Chart 8). Of these, funds with public issue amounted to almost 32% (after 34.5% in the 1-st quarter).

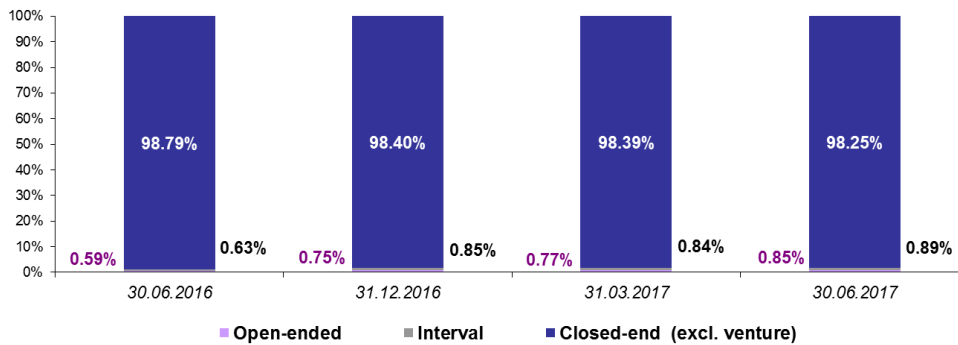


Chart 8. Dynamics of Non-Venture CII NAV Breakdown by Fund Types in Q2 2016-2017

*Venture CII*, due to a less sharp decline in net assets compared to the rest of sectors, increased their weight in NAV of the whole CII industry in the 2nd quarter of 2017 from 96.1% to 96.2% (Chart 9).

*Shares of open-ended and interval funds* remained within 0.03% of the aggregate NAV of all CII.

*Closed-end CII (ex. venture)*, further reduced their weight from 3.8% to 3.7%, including *funds with public issue* - from 1.3% to 1.2%.

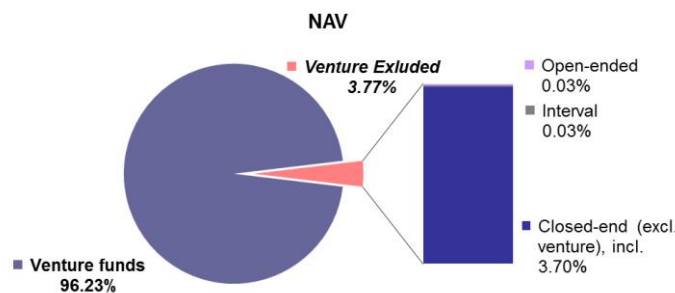


Chart 9. Distribution of CII NAV by Fund Types as at 30.06.2017



**5. Net Capital Flow in Open-Ended CII**

In the 2nd quarter of 2017, the outflow of capital from open-ended CII for the second time in the past year has been replaced by an inflow.

Net income to the sector was insignificant, but positive movement of capital was observed during April-June monthly, at that with it increased sharply in the last month (Chart 10, Table 7). The Ukrainian stock index (UX), whose dynamics often correlates with inflow-outflow in open-ended funds, moved down during the first half of the quarter, and then it returned to the level of the beginning of the quarter by the end of June.

Additional investments came mainly from local retail investors, although their total number in the sector decreased for the quarter.

There were 2-4 of open-ended CII, which had net inflows during April-June 2017 monthly – the same as in January-March (out of 18 acting funds). The aggregate quarterly result of such funds amounted to +UAH 1.3 mln. (after +UAH 0.4 mln. in the 1st quarter).

3-6 funds had net outflow during the 2nd quarter (after 4-9 in the first one), which together lost UAH 0.4 mln. (UAH 1.9 mln. in Q1 2017).

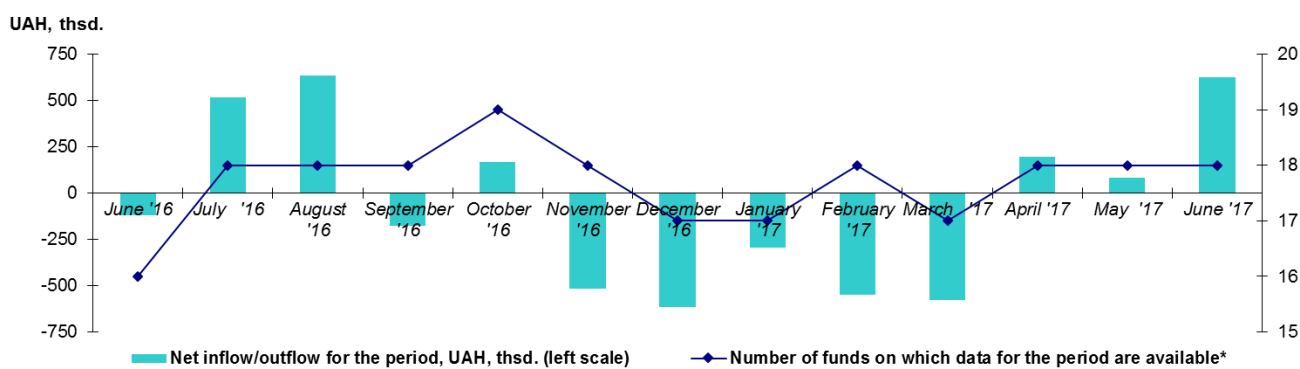


Chart 10. Monthly Net Capital Flow in Open-Ended CII in June 2016-2017\*  
\* Based on daily data

Overall, for the 2nd quarter of 2017, **the total net inflow of capital into open-ended CII** amounted to UAH 0.9 mln. (after the outflow of UAH 1.4 mln. in the 1st quarter, Chart 11).

Capital flow again was not a key factor in the growth of open-ended funds' NAV (it provided 31% of growth) - their portfolio investments' rate of return in a greater measure contributed to the sector's growth.

**Annual net outflow (for 12 months, which ended in June 2017) from open-end CII** fell by 4 times in the 2nd quarter (-77%), to **-UAH 0.5 mln.** This happened against the background of the stock market's growth during this time by 55% (by the UX index).

Table 7. Monthly Net Capital Flow in Open-Ended CII in June 2016-2017\* \*

Period	Net inflow/outflow for the period, UAH, thsd	Number of funds on which data for the period are available*
June '16	-118	16
July '16	519	18
August '16	634	18
September '16	-177	18
October '16	167	19
November '16	-515	18
December '16	-618	17
January '17	-296	17
February '17	-551	18
March '17	-577	17
April '17	198	18
May '17	80	18
June '17	626	18
<b>For 12 months</b>	<b>-510</b>	<b>18</b>

\* For 12 months – the average.

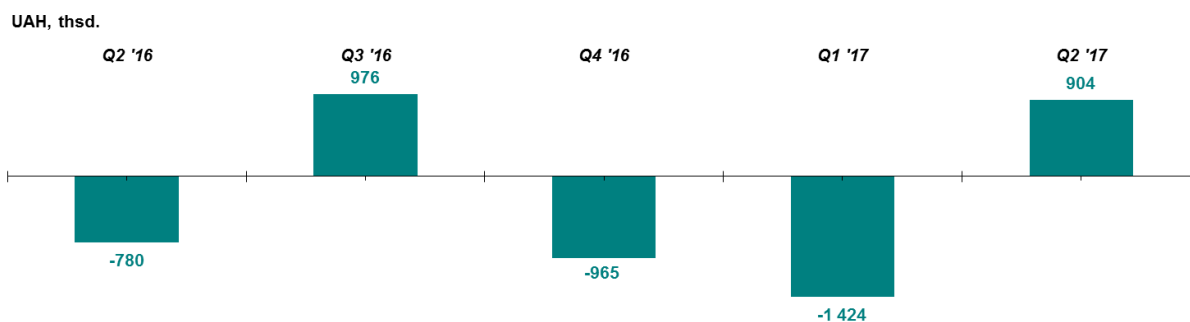


Chart 11. Net Inflow/Outflow of Capital in Open-Ended CII in Q2 2016-2017

The inflow of capital **into the investment funds industry of the European Union** in April-June of 2017 continued and remained large: the net inflow of capital to all funds as a whole increased to **EUR 243 bln.**<sup>2</sup> (compared with EUR 131 bln. for Q2 2016), although somewhat lower than EUR 261 bln. in January-March 2017.

Acceleration of inflow into the funds in May was due to a certain increase of economic growth and relative political stabilization in the EU, connected with the results of the presidential election in France.

**UCITS funds**<sup>3</sup> were the main object of additional investments increase: they **attracted EUR 174 bln. during this period** (compared with EUR 75 bln. in Q2 2016 and after EUR 202 bln. in January-March 2017).

Demand for investment funds, in particular UCITS, pushed net assets of the industry for the first time above the level of EUR 15 trln. already in the beginning of the quarter, although lowered to EUR 14,964 mln by its end, which is by 5.8% higher than at the beginning of the year. At that, UCITS' NAV increased to EUR 9, 235 bln.

**Bond funds were the most popular among UCITS in April-June 2017**, the same as at the beginning of the year (EUR 92 bln., after EUR 74 bln. in January-March and EUR 45 bln. a year ago), as well as **mixed funds** (EUR 51 bln., after EUR 36 bln. in January-March and EUR 13 bln. a year ago).

**Equity funds** at that time also received bigger net capital inflows - EUR 35 bln. - compared with EUR 29 bln. in January-March and the outflow of EUR 19 bln. a year ago.

**Money market funds** had a big outflow in June, so for the Q2 2017, they had a net inflow of EUR 14 bln., after net sales of EUR 51 bln. in Q1 and EUR 28 bln. a year ago).

**AIF funds**<sup>4</sup> during the first two months of the second quarter of 2017 **received a net inflow** that was lower than at the beginning of the year – **EUR 70 bln.** (compared with EUR 59 bln. in January-March, after EUR 56 bln. a year ago). The sector received the biggest monthly sales in May (EUR 33 bln).

**“Other funds”**, which received net EUR 39 bln. (after EUR 35 bln. in January-March and EUR 25 bln. in Q2 2016) were **the most popular in terms of attracting additional capital among AIF funds in Q2 2017**.

**Mixed funds** also remained popular among AIF at this time (with net sales of EUR 13 bln. – just like in January-March, and after EUR 15 bln. a year ago.) as well as **bond funds** (EUR 10 bln., after EUR 11 bln. in January-March and EUR 8 bln. a year ago).

**Equity funds** improved their dynamics in April-June and returned to the “positive zone” with net inflow of EUR 7 bln. (after the outflow of EUR 8 bln. in January-March and compared to the inflow of EUR 4 bln. in Q2 2016).

Meanwhile, **real estate funds** had reduced net sales of EUR 6 bln. (after EUR 7 bln. in January-March 2017), but on an annual basis they grew by a factor of two (from EUR 3 bln. in January-March 2016).

<sup>2</sup> Based on available data on 28 countries, associations of which are members of EFAMA (24 of EU member states, as well as Liechtenstein, Norway, Switzerland and Turkey) and Poland – the former member of EFAMA - see. EFAMA [Investment Fund Industry Fact Sheet May 2017](http://www.efama.org) on website: <http://www.efama.org>.

<sup>3</sup> UCITS (Undertakings for Collective Investment in Transferable Securities) – institutions of collective investments in negotiable securities (those that are traded on regulated markets); are open funds with public issue (offering) and strict requirements for composition, quality, liquidity and structure of assets. They are governed by corresponded Directive (Directive 2009/65 / EC of 13 July 2009), amended in accordance with Directive 2014/91/ EU of 23 July 2014) and other legislative acts of the EU.

<sup>4</sup> AIF (Alternative Investment Funds) - Alternative Investment Funds; in fact, 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 2nd quarter of 2017, **legal entities-residents** reduced their aggregate funds in CII, that, in conditions of increased investments of other categories of CII participants, reduced their weight in funds' assets.

However, they remained to be *the largest CII investors*: their share in NAV amounted to 67.7% (after 69.1% at the end of March 2017). Total assets of domestic enterprises in CII decreased by UAH 4.1 bln. (after +UAH 12.3 bln. in the 1-st quarter).

By the sectors of CII, reduction of these investors' investments - and of their weight in the sector - touched closed-end CII. The main share of this reduction was in venture CII (-UAH 3.8 bln., after +UAH 12.3 bln. in the 1-st quarter). Their weight in the sector's NAV fell from 70.7% to 69.3% for the quarter.

In open-ended CII, the amount of investments of domestic corporate investors in the 2nd quarter of 2017 increased symbolically, that allowed them to increase their share from 10.2% to 10.4%.

*In interval CII*, assets of this category of investors grew more significantly, that, along with a reduction of individuals' investments, increased their weight from 14.9% to 17.4%.

*In closed-end CII (ex. venture)* as a whole, the share of legal entities-residents' assets continued to decrease - from 32.0% to 29.1%, including in *funds with private issue (ex. venture)* - from 28.1% to 22.9%. At the same time, in *closed-end CII with public issue*, it increased in the 2nd quarter from 39.3% to 41.8%, in contrast to the dynamics of Q1 2017 (Chart 12)<sup>5</sup>.

*From the beginning of 2017*, the share of resident enterprises in the CII NAV fell by 0.6 p.p. (from 68.4%), and for the year - by 4.6% p.p. (from 72.4%). At that, their aggregate investments increased, respectively, by UAH 8.1 bln. and decreased by UAH 14.5 bln., while assets of other categories of investors increased by UAH 5.5 bln. during six months, and by UAH 6.9 bln. for the year.

**Ukrainian retail investors (individuals-residents)** in the 2nd quarter of 2017 increased their aggregate investments in all sectors of CII, except *interval funds*.

In the latter, the distribution between categories of investors has shifted even more in favor of corporate participants (both domestic and foreign enterprises). Nevertheless, local retail investors accounted for more

than 80% in NAV of *interval CII* (after 82.7% in the 1st quarter).

In open-ended funds, this category of investors in the second quarter increased its total investment in monetary terms the most among other categories, but did it by relatively lower pace, therefore its weight in the sector decreased from 73.3% to 72.6%.

*In venture CII*, assets of these investors increased significantly for the 2nd quarter, that provided an increase of their share here from 8.4% to 8.9%.

*In all CII*, their aggregate investments grew even more rapidly - as the result, their weight rose from 10.1% to 10.7%.

**Foreign investors** in the 2nd quarter of 2017 increased their investments in CII even more, i.e. +UAH 1.1 bln. (after +UAH 2.0 bln.). Among the CII sectors, aggregate assets of this category were reduced only in closed-end funds (except venture ones).

Investments from *legal entities-non-residents* grew the most (95% of total growth). Their assets in the NAV of all CII at the end of the second quarter of 2017 amounted to 21.4% (after 20.7% at the beginning), so their dynamics was the opposite to the one of Q1 2017.

*Foreign citizens* increased their aggregate assets in all CII sectors, except for interval ones, where the latter decreased insignificantly. However, the share of these investors in the aggregate CII NAV did not exceed 0.1%.

As at June 30, 2017, *all investors -non-residents* owned approximately about UAH 41.8 bln. in all CII, including UAH 40.7 bln. - in venture funds (respectively, +2.7% and +3.5% for the quarter).

**Number of CII investors** as a whole in the 2nd quarter of 2017 changed insignificantly (-116 participants, -0.04%, after +1.1% in the 1-st quarter <sup>6</sup>).

For the year it increased by 2,343 (+0.9%). This was due to the rapid increase in the number of investors in *closed-end funds with private issue (ex. venture)* for this quarter (+2,495, +126.6%) – along with reduction of the number of these CII themselves in this sector.

*Closed-end CII with public issue* lost 240 participants in the second quarter (-5.9%). This happened despite the closure of several of such funds and entry to the market of a new one.

*In open-ended funds*, the number of investors continued to decrease slowly (-4, -0.2%, after -7, -0.4% in the 1-st quarter). Since the beginning of 2017, it decreased by 11 (-0.7%), for the year - by 28 (-1.6%),

<sup>5</sup> Excluding CII bearer securities.

<sup>6</sup> According to the updated data on the number of investors in the 1 st quarter.

however, the pace of annual reduction has fallen more than doubled (from -3.3% in the 1-st quarter).

Also, number of investors decreased in April-June - *in interval and venture CII* - in contrast to changes in January-March - by 1,729 (-0.7%) and by 638 (-13.7%), respectively.

**Overall, as at June 30, 2017, there were 264,048 investors in CII**, 98.5% of which were retail investors - residents of Ukraine, 94.7% were participants of interval funds, 0.6% - of open-ended ones, 3.4% - of closed-end CII (except venture), including 1.5% - with public issue, and 1.5% - venture funds.

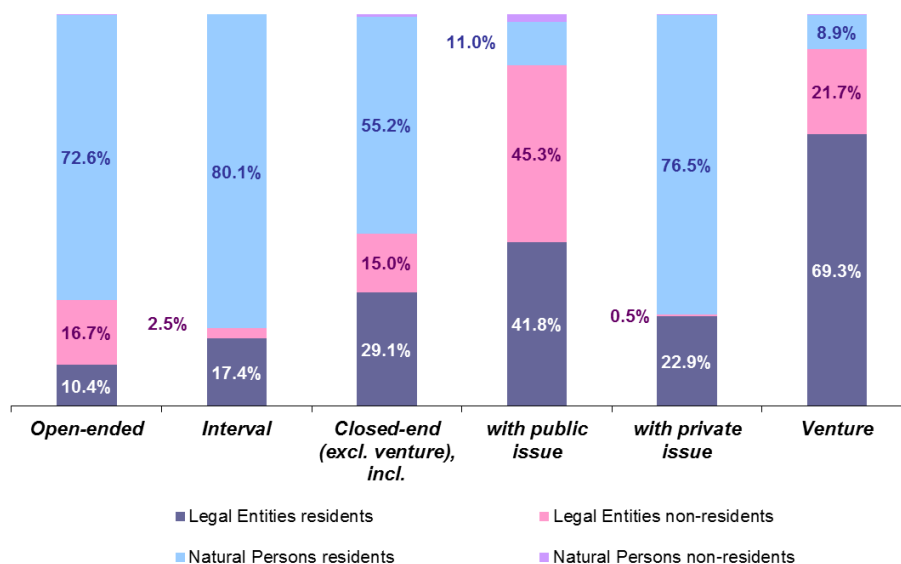


Chart 12. CII NAV Breakdown by Categories of Investors as at 30.06.2017, Share of NAV

Funds	Legal Entities				Natural Persons				TOTAL
	residents		non-residents		residents		non-residents		
Open-ended	16	0.95%	8	0.48%	1 658	98.51%	1	0.06%	1 683
Interval	20	0.01%	3	0.00%	250 029	99.98%	18	0.01%	250 070
Closed-end (excl. venture), incl.	357	4.31%	23	0.28%	7 898	95.29%	10	0.12%	8 288
with public issue	197	5.15%	16	0.42%	3 602	94.24%	7	0.18%	3 822
with private issue	160	3.58%	7	0.16%	4 296	96.19%	3	0.07%	4 466
<b>All funds (excl. venture)</b>	<b>393</b>	<b>0.15%</b>	<b>34</b>	<b>0.01%</b>	<b>259 585</b>	<b>99.82%</b>	<b>29</b>	<b>0.01%</b>	<b>260 041</b>
Venture	3 135	78.24%	406	10.13%	458	11.43%	8	0.20%	4 007
<b>All funds</b>	<b>3 528</b>	<b>1.34%</b>	<b>440</b>	<b>0.17%</b>	<b>260 043</b>	<b>98.48%</b>	<b>37</b>	<b>0.01%</b>	<b>264 048</b>

Table 8. Investors of CII by Categories, Number and Share of the Total Number, as at 30.06.2017

**Dynamics of individuals- residents'** participation in CII in the 2nd quarter of 2017 as a whole was positive (+624 participants, +0.2%). This was due to expansion of investors' base of *closed-end funds with private issue* (ex. venture funds), where their number increased by 2.5 times (+2,564 persons, +148%). The share of these investors increased further here - from 87.9% to 96.2%.

In open-ended CII the indicator was at the level of 98.5%. During the quarter the number of retail investors again decreased by 6, while one legal entity - resident and one legal entity - non-resident entered them.

*In interval CII*, in contrast to the inflow of these depositors in the 1-st quarter, in the second quarter their number decreased by almost the same amount (-1,674 persons, -0.7%), but their numerical weight remained close to 100%.

Ukrainian citizens - despite further reduction of their presence in the sector of *closed-end CII with public issue* - and in public CII as a whole - accounted for 94.2% of investors in the first ones (and almost 99.9% in CII with public issue).

At the end of June, they held 11.4% in *venture funds* (after 10.1% in March), despite decrease of their number by 2.8% in this sector for the quarter.

**Number of legal entities-residents** among investors of CII as a whole decreased in the 2nd quarter by 655 (-15.7%), in particular, *in venture funds* by 595 (-16.0%). In other *closed-end CII with private issue*, their number also decreased markedly (-67, -29.5%), and in ones with the public issue - it increased (+9, +4.8%). Also, the symbolic increase was in number of *open-ended CII* (+1, +6.7%).

**Enterprises-non-residents** decreased their presence in all CII sectors, except for *open-ended ones* (+1, +14.3%). Totally, for the second quarter of 2017, they became less in all CII by 84 (-16.0%), at that the main decrease took place in interval funds (-52, -94.5%). In venture CII they were also by 29 less at the end of June (-6.7%)

## 7. Asset Structure of CII

In the 2nd quarter of 2017, the following key changes took place in asset structure of CII with **usage of stock market's instruments**:

further increase of the **securities' weight** in assets of interval CII and reducing it- in all other sectors of funds (Table 9);

further increase of *their aggregate value* in all sectors of closed-end CII and decrease - in open-ended and interval ones; at that:

reduction of aggregate investments *in government bonds* and of their share in NAV of open-ended CII and closed-end CII with public issue, along with their growth - in other sectors;

significant decrease in value of packages of *equities* - in closed-end CII with private issue (including venture funds) and less significant - in public closed-end funds, along with growth - in open-ended and interval CII; at that - increase of equities' weight only in closed-end CII with public issue;

growth of aggregate investments *in corporate bonds* in all sectors of funds with public issue and

reduction - in CII with private issue; increase of their weight everywhere, except for open-ended and venture funds;

reduction of assets *in promissory notes* and of their share in NAV of venture CII and of other sectors of closed-end funds.

**Securities** retained the most significant share in assets of *open-ended and interval CII*: as at June 30, 2017, it amounted to 67.0% and 75.8%, respectively (after 68.9% and 75.2% in Q1 2017). *In closed-end CII with public offer*, stock instruments accounted for 22.6% (after 28.1%), *with private issue* (except venture) - 30.4% (after 30.6%), *in venture funds* - 19.0% (after 20.7%, Chart 13, 14).

Despite increase of aggregate **cash in banks** in assets of open-ended and closed-end CII (except venture), their weight rose only in the first ones (from 24.5% to 25.6%,). In the rest sectors of funds, the most liquid assets declined both in absolute terms and as a fraction of their aggregate assets.

Table 9. Changes in the Structure of Aggregate Portfolios of CII by Fund Types in Q2 2017

Asset Type / CII Type /Change per quarter	Open-ended		Interval		Closed-end, public issue		Closed-end, private issue		Venture	
	p.p.	%	p.p.	%	p.p.	%	p.p.	%	p.p.	%
<b>Other assets (including AR*)</b>	0.71	12.4%	0.28	2.5%	3.53	5.2%	-1.60	-3.0%	1.73	2.3%
Real estate	-	-	-	-	-0.24	-93.0%	0.00	6.3%	-0.03	-1.1%
Cash and bank deposits	1.15	4.7%	-0.92	-6.8%	2.16	61.0%	1.83	12.2%	-0.06	-4.8%
Bank metals	0.01	0.9%	-	-	0.02	18.0%	-	-	0.00	67.7%
<b>State bonds (OVDP)</b>	-1.56	-5.9%	0.85	2.5%	-6.25	-36.8%	0.27	16.2%	0.01	10.1%
<b>Equities</b>	-0.28	-0.7%	-0.36	-0.9%	0.93	8.9%	-0.51	-2.2%	-1.35	-11.8%
<b>Corporate bonds</b>	-0.02	-2.3%	0.16	16.2%	0.23	69.0%	0.09	1.8%	-0.15	-4.5%
Promissory notes	-	-	-	-	-0.39	-100.0%	-0.09	-15.5%	-0.16	-3.0%
Mortgage	-	-	-	-	-	-	-	-	0.00	-9.5%
Other securities	-	-	-	-	-	-	-	-	0.03	15.3%
<b>Securities</b>	-1.86	-2.7%	0.64	0.9%	-5.47	-19.5%	-0.23	-0.8%	-1.63	-7.9%

\* AR - accounts receivable.

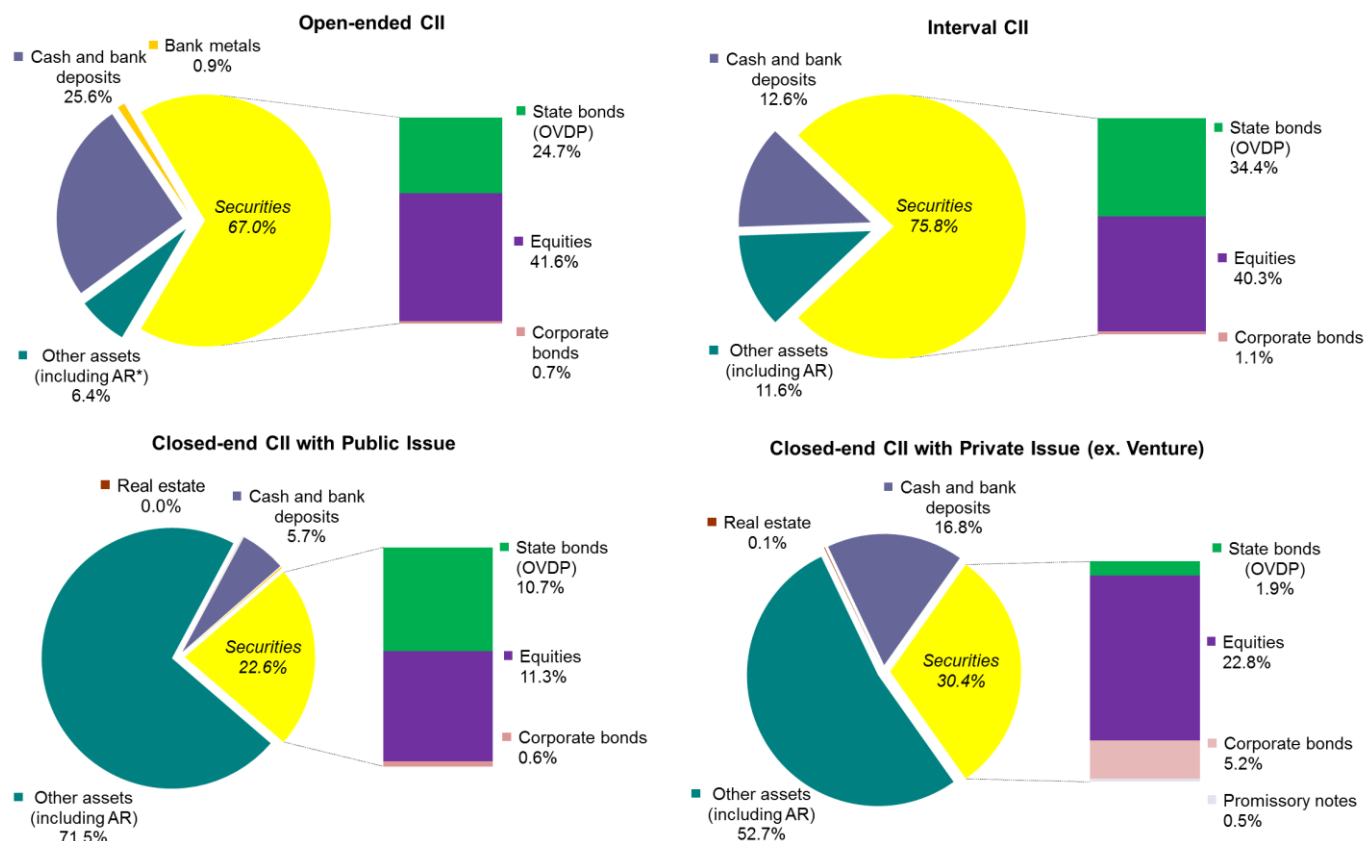


Chart 13. CII Assets Structure, Venture Funds Excluded, by Fund Types as at 30.06.2017

Reduction of the share of cash in banks **in venture CII** was insignificant - it remained within the range of 1.3%.

The largest component of venture CIIs' assets - "**other**" assets<sup>7</sup> – grew in the 2nd quarter of 2017 from 74.9% to 76.6% (Chart 14).

This was a consequence of a further, albeit by an order of magnitude smaller, increase of these assets in the sector (+UAH 1.5 bln., after –UAH 13.6 bln. in the 1-st quarter).

The aggregate investments of venture funds **in real estate** somewhat decreased (–UAH 0.2 bln., after +UAH 1.1 bln. for the previous quarter). This practically did not change their weight in the sector (3.1%).

Among the securities, *only government bonds and other securities (derivatives)* increased slightly their value in these CIIs' assets, although against the background of significantly more active growth of "other" assets, the weight of the first ones fell by 0.4% and was less than 0.1%. The share of derivatives in venture funds

increased by 15.3% during the quarter, but only to 0.2% of the sector's assets.

Value of total investments in other instruments of the stock market, and, accordingly of their weight in sector's assets - decreased.

Thus, *equities* had already 10.1% (after 11.5% in the 1-st quarter), *corporate bonds* - 3.2% (after 3.3%), *promissory notes* – reduced from 5.5% to 5.4%.

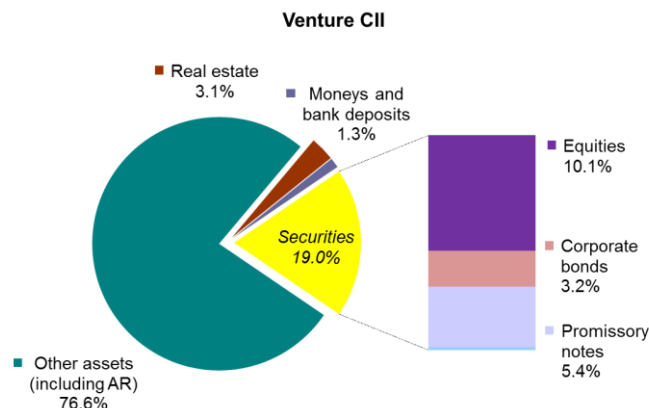


Chart 14. Asset Structure of Venture CII as at 30.06.2017

<sup>7</sup> "Other" assets include corporate rights, denominated in other forms than securities, as well as accounts receivable, including loans to companies in which CII own share of capital (for venture funds).

**Securities' portfolio of all CII** in the 2nd quarter of 2017 changed its dynamics again - this time it decreased by UAH 4,885.2 mln. (after +1,788.9 mln. in the 1-st quarter). As at June 30, 2017, its aggregate value was equal to **UAH 46,923.3 mln.**

Total investments in all instruments, except derivatives were reduced (Table 10).

*Equities* demonstrated - mostly at the expense of venture funds - an order of magnitude more reduction compared with other major types of securities invested by CII (-UAH 3,695.4 mln., after +UAH 843.6 mln.). Their weight in the consolidated CII portfolio fell from 56.0% to 54.0%.

Reduction of investments *in corporate bonds* by UAH 476.2 mln. and of promissory notes by UAH 593.0 mln. did not prevent growth of their weight in the portfolio, respectively, from 16.0% to 16.6% and from 25.6% to 27.0%.

OVDP diminished relatively the most, so reduction of their package by UAH 189.3 mln. led to a decrease of their weight from 1.5% to 1.2%.

*Derivatives*, which mainly are used by venture CII, increased in total value for the 2nd quarter by UAH 70.0 mln. (after +UAH 270.6 mln. for Q1 2017). Their share in the aggregate portfolio of CII's stock instruments has increased from 1% to over 1.2%.

**Portfolio of CII, except venture funds**, also decreased for April-June 2017 - by UAH 338.3 mln.. (after +UAH 277.8 mln. in January-March), to **UAH 2,190.5 mln.**

Reduction related to all instruments. Total investments *in OVDP* fell by one third (-UAH 202.1 mln., after +UAH 323.1 mln. for the 1st quarter) - at the expense of closed-end funds with public issue. As a result, their weight in the portfolio of non-venture CII dropped from 23.8% to 18.2%.

*Equities* (-UAH 112.2 mln.) and *corporate bonds* (-UAH 7.1 mln.) in these conditions gained increase of weight - respectively, from 63.2% to 67.9% and from 11.4% to 12.9% (Table 11).

**Diversified CII** in the 2nd quarter of 2017 reduced their portfolio of securities by UAH 3.7 mln. (after +UAH 6.0 mln. in the 1-st quarter), to **UAH 117.4 mln.** (Table 12).

At that, only investments *in corporate bonds* increased symbolically - due to closed-end funds with public issue (+UAH 0.1 mln.), they held less than 1% in the consolidated stock portfolio of these CII at the end of June.

Packages of *equities and OVDP* decreased here by UAH 2 mln. each, but the weight of the first ones increased again - from 81.9% to 83.0%, while of others - fell from 17.2% to 16.0%.

Table 10. Portfolio of Securities and Derivatives in CII by Types of Instruments, as at 30.06.2017

Security Type	Aggregate Value of the Securities in CII Portfolios, UAH	Share in the Aggregate CII Securities Portfolio	Q2 2017 Change	Change, %
Equities	25 325 808 857	53.97%	-3 695 393 299	-12.7%
Promissory notes	12 655 060 588	26.97%	-592 999 158	-4.5%
Corporate bonds	7 787 710 050	16.60%	-476 223 548	-5.8%
State bonds (OVDP)	562 049 288	1.20%	-189 341 624	-25.2%
Mortgage securities	10 141 589	0.02%	-1 227 378	-10.8%
Derivatives	582 549 145	1.24%	69 957 063	13.6%
<b>TOTAL</b>	<b>46 923 319 517</b>	<b>100.00%</b>	<b>-4 885 227 944</b>	<b>-9.4%</b>

Table 11. Portfolio of Securities and Derivatives in CII (Venture Excluded), as at 30.06.2017

Security Type	Aggregate Value of the Securities in CII Portfolios, UAH	Share in the Aggregate CII Securities Portfolio	Q2 2017 Change	Change, %
Equities	1 486 464 883	67.86%	-112 229 567	-7.0%
State bonds (OVDP)	398 769 602	18.20%	-202 074 348	-33.6%
Corporate bonds	281 425 469	12.85%	-7 056 054	-2.4%
Promissory notes	23 794 505	1.09%	-16 984 774	-41.7%
<b>Total</b>	<b>2 190 454 458</b>	<b>100.00%</b>	<b>-338 344 743</b>	<b>-13.4%</b>

Table 12. Portfolio of Securities and Derivatives in Diversified CII, as at 30.06.2017

Security Type	Aggregate Value of the Securities in CII Portfolios, UAH	Share in the Aggregate CII Securities Portfolio	Q2 2017 Change	Change, %
Equities	97 506 197	83.02%	-1 737 179	-1.8%
State bonds (OVDP)	18 791 987	16.00%	-2 030 028	-9.7%
Corporate bonds	1 145 999	0.98%	99 181	9.5%
Others	2	0.00%	0	0.0%
<b>Total</b>	<b>117 444 185</b>	<b>100.00%</b>	<b>-3 668 026</b>	<b>-3.0%</b>

## 8. Rates of Return: CII and Other Financial Instruments

Significant decline of the stock market in the first half of Q2 2017 substantially pressed CIIs' rates of return, which in result were eventually lower than in January-March Half of the CIIs' sectors (except venture funds) showed positive change in value of investments during this time, including diversified equity funds with public issue and open-ended CII - the same as in the 1-st quarter - and also *closed-end CII with private issue (ex. venture funds)*, which became leaders of the 2nd quarter not **only among all sectors of CII**, but also among **all the investigated areas of investments** (Chart 15).

Ukrainian equities, according to PFTS index, grew by 5.0% for the quarter, and by the UX index - by 0.5% (after +2.8% and +30.9, respectively in the 1 st quarter).

During this period, rates of deposits continued to decline, as well as weakening of hryvnia against the euro, but national currency strengthened against the dollar in the 2nd quarter. Hence, rates of return *on deposits in hryvnia* in April-June of 2017 remained the highest among banks' fixed-term deposits (+3.7%, after +4.4% in January-March), although deposits in euro had a similar result (+3.6%, after +4.6% ). *Deposits in dollar* brought losses at the level of -1.8% (after +2.1% in the 1-st quarter).

Rates of return of deposits *in gold*, against the backdrop of falling of its rate, in particular in June, were also unprofitable in the 2nd quarter (-3.1%, after +11.0% in Q1 2017)<sup>8</sup>.

*Residential real estate* in Kyiv continued to become cheaper (in terms of national currency - by 5.1% for the 2nd quarter, after -1.8% in the 1-st one).

**Among CII by the types of assets, closed-end CII with private issue (other than venture funds)** provided an increase in value of investments by an average of 6.8% for the 2nd quarter of 2017 (after -3.2% for the 1<sup>st</sup> quarter).

The range of these funds' quarterly results expanded and shifted up from -12.4% to +205.8%.

*Number of funds that showed an increase in the value of their securities decreased to 6 (21%, after 7, or 23%, in the 1 st quarter).*

**Open-ended CII**, which were leaders by rates of return in January-March yielded an average of **+2.7%** (after +10.2%) over the next three months.

Results of separate funds of this type varied from -7.0% to 11.5%, thus shifting the narrowed range of results down.

At that, three funds in the sector had negative results - *15 out of 18 of these CII provided increase of investments* (83%, after 94% in the 1 st quarter).

17 open-ended CIIs were more profitable than real estate and deposits in gold, 15 - than deposits in US dollars, 14 outstripped the UX index, 5 gave an increase in investment higher than yield of deposits in hryvnia and euro, and 4 at least compensated for losses from inflation.

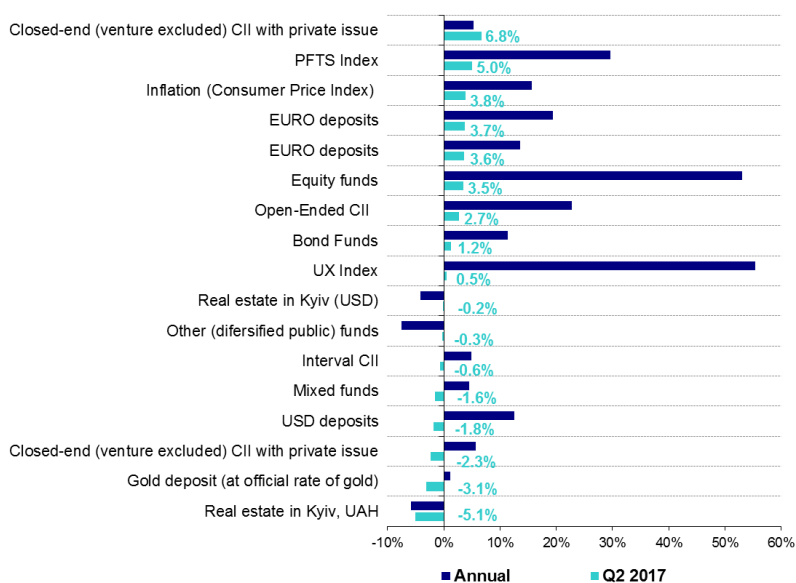


Chart 15. Rates of Return of CII, Deposits, Equity Indexes and Inflation Rate in Q1 2017<sup>9</sup>

<sup>8</sup> For adequate comparison of rates of return it is necessary to take into account liquidity of CII, in particular, of open-ended type, which allow to withdraw from investments on any working day without loss of yield, in contrast 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 CIIs' rates of return do not account for possible commissions and other expenses at the entrance/exit to/from fund, as well as taxation of investments' yield in case of exit from fund and taxation of deposits' interest rate.

<sup>9</sup> CII' rates of return are calculated based on reporting data for Q2 2017 for 18 open-ended, 19 interval, 70 closed-end CII (including 42 funds with public issue and 28 ones - with private placement) and on reporting data for the previous periods – see [Ренкінги: ІСІ за типами фондів та ІСІ \(диверсифіковані публічні\) - за класами фондів](#). Inflation rate is calculated based on data of the Ukrainian State Statistics Service (indexes of consumer prices for goods and services in 2017 (till to the previous month). Return on real estate in USA dollars is calculated as an average of data on residential property's values in Kyiv from web portals: <http://www.domik.net>, <http://100realty.ua>, <http://realt.ua>; in Hryvnia – based on data from web portal <http://100realty.ua>.





**Interval funds** in the 2nd quarter were significantly behind by the average yield, falling to the negative zone, **to -0.6%** (after +5.3% in the 1<sup>st</sup> quarter).

The range of individual funds' indicators also narrowed and moved down - from -10.6% to +11.2%.

*7 funds out of 19 demonstrated growth (37%, after 79% in the 1<sup>st</sup> quarter).*

**Closed-end CII with public issue** in the 2nd quarter of 2017 showed decrease in value of their securities an average **by 2.3%** (after 4.4% in the 1<sup>st</sup> quarter).

Range of indicators remained moderately broad and dropped to the limits from -70.4% to +10.4%.

*Growth of investments was provided by 19 of these CII (45%, after 59% in the 1<sup>st</sup> quarter).*

**Among diversified CIIs with public issue by asset classes, equity funds** were again leading by rates of return (+3.5%, after +15.7%), although in the 2nd quarter they lost the championship among various categories of CII and areas of investments, which they kept over the year. Only three equity funds were of open-ended type.

Half of equity funds showed the yield that covered inflation and exceeded the growth of equity indices, as well as of deposit income - two open-ended and one interval fund. Two interval funds had quarterly losses.

**Bond funds** (4 out of 6 are open-ended ones) in the 2nd quarter were on the second place among classes

of funds by rates of return, which, however, dropped to **+1.2%** (from +1.7%). Almost all funds, with the exception of one, showed increase.

Quarterly rates of **return of mixed funds** were 1.6% (after +6.3% in the 1<sup>st</sup> quarter). With some increase in the number of CII in this class (from 16 to 19), there were less funds with positive indicators (37%, after 69%).

**Other diversified funds with public issue** brought **-0.3%** (after +8.1% in the 1<sup>st</sup> quarter). Of these, 5 funds, including 4 open-ended ones, had moderate positive results (up to +3.5%).

**Since the beginning of 2017**, all sectors of CII have shown positive returns. **Equity funds (+19.7%) and open-ended CII (+13.1%)** showed the largest increase in the value of investments among all CII, while bond funds (+2.9%) and closed-end CII with public issue (+2.0%) showed the lowest rates of return.

**In terms of annual returns**, based on the results of the second quarter, **equity funds** (+53.1%, after +64.6% in the 1<sup>st</sup> quarter), which insignificantly inferior to the UX index (+ 55.3%), kept their leadership, as well as **open-ended CII** (+22.7%, after +25.1%).

## 9. NPF Asset Management Market Performance

Management of assets of non-governmental pension funds<sup>10</sup> in the 2nd quarter of 2017 provided an increase of their volume, albeit at a slower pace than in the 1<sup>st</sup> quarter. This was accompanied by decrease in the number of NPF and AMC, which managed their assets.

**Number of pension funds under management**, as at June 30, 2017 was **58** (except corporate fund of NBU), which was by 6.5% less than in the beginning of the quarter (**-10.8%** for the year). There were 46 open, 6 corporate and 6 professional NPF under management of 37 AMC (-2 for the quarter) (Table 13).

Share of NPF of open type increased from 77.4% to 79.3% (Chart 16).

**Value of NPF assets under AMC management for the quarter increased in the second quarter of 2017 by 1.4%** (after +5.8% in the 1<sup>st</sup>

quarter), and by 13.2% for the year, **to UAH 1,111.8 mln.** (Table 14).

**Assets of open NPF** under management accounted for 72.0% of the market (after 72.3% in March) - had a moderate growth for the quarter - 0.9% (after +6.6%) to **UAH 800.4 mln.** The annual growth somewhat slowed - from +12.5% in Q1 2017 to +12.3% in the 2<sup>nd</sup> quarter.

**Assets of corporate NPF** under management once again showed the fastest quarterly growth - by 4.2% (after +4.7%), and reached **UAH 192.2 mln.** During the year, the growth also slowed insignificantly - to +21.1% (after +23.0%).

**Professional NPF** had the weakest growth in the 2nd quarter and for the year - +0.2% (after +2.3%) and +7.4% (after +8.5%), respectively. As at June 30, 2017 they amounted to **UAH 119.2 mln.**

**Corporate NPF** remained **the largest by average volume of assets under management** in

<sup>10</sup> Excluding corporate pension fund of NBU.

June 2017 (UAH 38.4 mln., after UAH 28.3 mln. in March).

*Professional NPF* insignificantly increased the average size of the fund - from UAH 19.8 mln. to UAH 19.9 mln.

Average volume of *open NPFs'* assets under management remained the smallest at the end of the 2nd quarter, but it increased to UAH 17.4 mln. (from UAH 16.5 mln.)

Table 13. Number of NPF under AMC management, by Fund Types in Q2 2017 and for the Year

NPF type	30.06.2016	31.03.2017	30.06.2017	Q2 2017 Change	Annual Change
Open	52	48	46	-4.2%	-11.5%
Corporate	7	8	6	-25.0%	-14.3%
Professional	6	6	6	0.0%	0.0%
Total	65	62	58	-6.5%	-10.8%

\* Excluding NBU corporate pension fund.

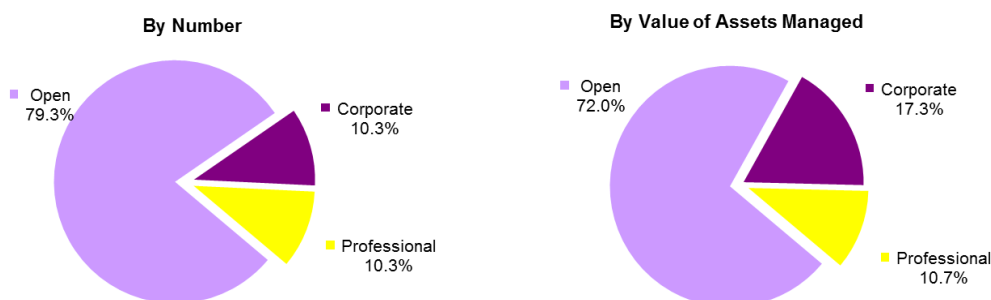


Chart 16. Breakdown of Number of NPF and Value of Their Assets under AMC Management, by Fund Types, as at 30.06.2017

Table 14. Value of NPF Assets under AMC Management by Fund Types in Q2 2017 and for the Year

NPF type	30.06.2016		31.03.2017		30.06.2017		NPF Assets under Management Change for Q2 2017	Annual Change, %	Annual Change, UAH
	Assets, UAH	Number of NPF reported	Assets, UAH	Number of NPF reported	Assets, UAH	Number of NPF reported			
Open	712 511 343	52	793 242 371	48	800 380 221	46	0.9%	12.3%	87 868 877
Corporate	158 788 765	6	184 427 310	7	192 228 616	5	4.2%	21.1%	33 439 851
Professional	111 008 427	6	118 911 163	6	119 191 880	6	0.2%	7.4%	8 183 453
Total	982 308 536	64	1 096 580 844	61	1 111 800 717	57	1.4%	13.2%	129 492 181

**Share of securities in the structure of NPF assets in the 2nd quarter** of 2017 declined to a level lower than at the beginning of the year - from 50.9% to **50.0%** (for the year - it decreased from 52.3%, Chart 17).

Funds' assets of NPF decreased for the 2nd quarter by UAH 1.6 mln. (-0.3%, after +6.9% in the 1-st one), and for the year - they slowed growth to +8.2% (from +9.7%).

This happened at the *expense of open NPF*, where these assets became less for the quarter by UAH 7.6 mln. (-2.0%). At that, during the year they grew by UAH 16.2 mln. (+4.6%). Securities here, by the results of the quarter, gave up the largest share among the types of assets to assets in banks (Table 15, Chart 18).

*Corporate NPF* in the second quarter again relatively the most increased total investments in funds' assets - by UAH 3.9 mln. (+3.8%, after +13.2%). Their annual growth accelerated to +UAH 23.6 mln. (+ 28.8%, after +22.2% in the 1st quarter). Weight of securities in consolidated assets of these funds under management, however, dropped from 55.1% to 54.8% - assets in banks grew more rapidly.

*Professional funds*, the same as before, still had the largest share of assets in securities among the NPFs' types - 66.8% (after 65.1% in the 1st quarter). It has declined due to negative dynamics of aggregate investments in stock instruments and increase of aggregate cash assets of these funds.

**Cash in banks** remained the second largest component of all NPFs' assets under management as a

whole - **44.7%** (after 43.9% in the 1st quarter), as well as in all sectors by NPF type in particular. They increased for the 2nd quarter by UAH 15.4 mln. (+3.2%, after +5.0% in the 1st one), for the year - by UAH 80.8 mln. (+19.4%).

*Corporate and professional NPF* showed again multi-directional dynamics of these assets, at that it was opposite to the 1-st quarter (in first ones their volume increased by 4.8%, while in latter - it decreased by 5.9%).

The aggregate quarterly growth in the second quarter was again provided mostly by *open NPF* (+UAH

13.4 mln., +3.6%). By the results of the quarter, these funds most actively increased assets in banks also for the year - by UAH 63.3 mln. (+20.0%).

**Real estate**, as well as before, was only in assets of *open and professional NPF*, and **precious metals** - only in *open ones*. Weight of the first ones in assets of all NPF under management increased slightly for the second quarter, while of others - declined - in accordance with dynamics of aggregate value of corresponding NPFs' investments.

Table 15. Structure of NPF Assets under AMC Management, by Fund Types, as at 30.06.2017, UAH

NPF type	Securities	Cash and bank deposits	Bank metals	Real estate	Other assets
Open	371 301 105	379 577 268	9 108 892	31 594 032	8 798 923
Corporate	105 406 123	86 822 493	0	0	0
Professional	79 623 800	30 872 708	0	5 050 939	3 644 434
<b>Total</b>	<b>556 331 028</b>	<b>497 272 469</b>	<b>9 108 892</b>	<b>36 644 971</b>	<b>12 443 358</b>

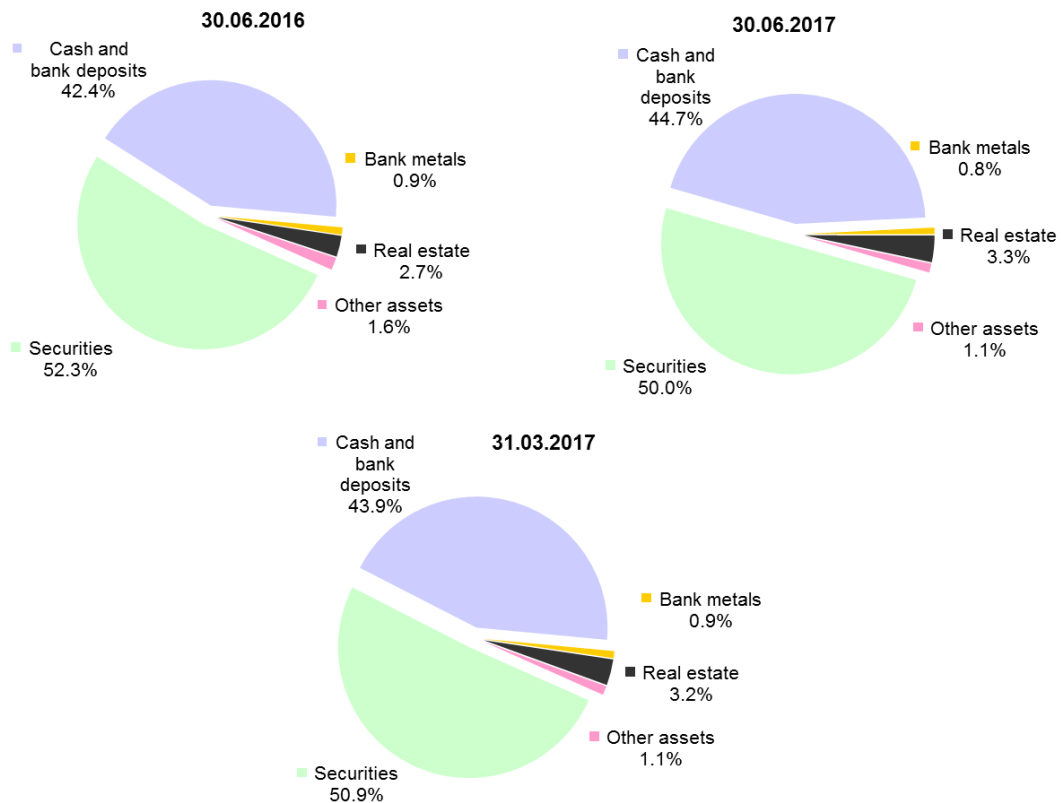


Chart 17. Dynamics of NPF Aggregate Portfolio Structure in Q2 2017 and for the Year

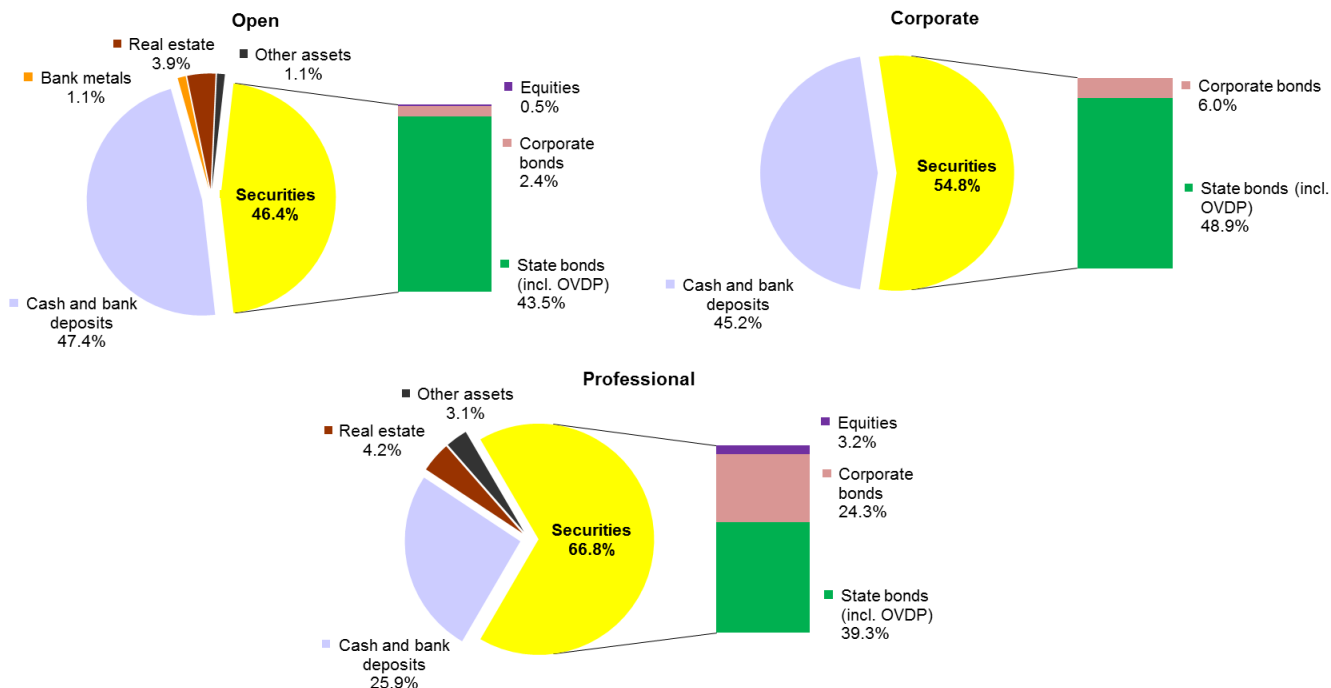


Chart 18. NPF Assets Structure by Fund Types as at 30.06.2017

### 10. Insurance Companies' Asset Management Performance

In the 2nd quarter of 2017, assets of insurance companies (IC) under management kept the uptrend, despite decrease in the number of market participants - both of the IC themselves and of AMC which managed their assets.

**Number of IC that transferred their assets under management** fell from 7 to **6**, and of **AMC** that rendered such services - from 3 to **2** (Chart 22).

**ICs' assets under management** for the 2nd quarter increased **by 20.5%** (after +27.3 for the 1st quarter), and since the beginning of the year - more than one and a half times (+53.4%), and for the year - by 71.9% (Table 13). As at June 30, 2017 they reached **UAH 83.3 mln.**

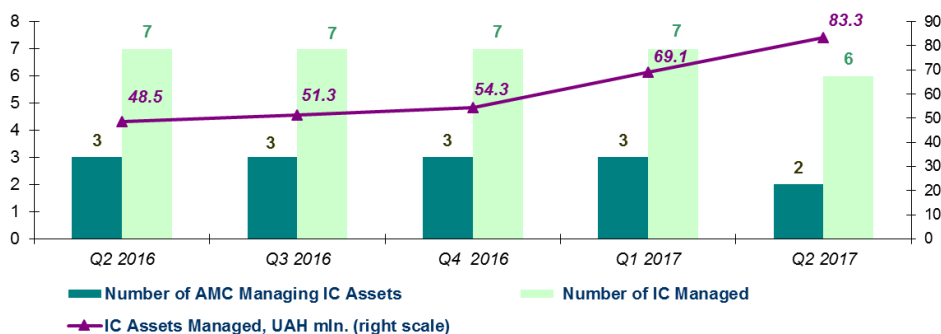


Chart 19. Dynamics of IC Asset Management in Q2 2016-2017

Table 16. IC Assets under AMC Management in Q2 2016-17

	Number of AMC Managing IC Assets	Number of IC Managed	IC Assets Managed, UAH mln.	Change of IC Asset under management		
				Q2 2017	YTD 2017	annual
Q2 2016	3	7	48.5	44.7%	47.9%	72.3%
Q3 2016	3	7	51.3	5.8%	56.4%	69.0%
Q4 2016	3	7	54.3	6.0%	65.7%	65.7%
Q1 2017	3	7	69.1	27.3%	27.3%	106.4%
Q2 2017	2	6	83.3	20.5%	53.4%	71.9%

## **11. Resume**

Against the background of increased volatility and weakened growth of leading stock markets in the 2nd quarter of 2017, the influx to the investment funds in the world and in particular in the EU continued.

Ukrainian equities also mostly increased during this time, albeit at a slow pace, and together with them also a number of collective investment institutions had positive results. Also, open-ended CII in the 2nd quarter for the first time during this year and for the second time for the year received an additional inflow of capital, which drastically reduced the annual outflow.

### **Key trends of the asset management industry in Ukraine in the 2nd quarter of 2017 were:**

- growth of AMC number – for the first time since the 3rd quarter of 2013; further increase in the number of registered and recognized CII - again mainly due to venture funds, in particular CIF;
- reduction of total industry's assets - at the expense of venture CII - together with increased share of the latter in market's NAV;
- growth of Kyiv and metropolitan area's weight by the number of AMC and CII under management and, at the same time, its reduction in terms of CIIs' assets under management, against the background of reductions of assets in Kyiv and its area;
- increasing NAV of open-ended CII for the fifth consecutive quarter, in the context of net inflow of capital to the sector;
- increasing NAV of interval CII for the third consecutive quarter; change of net asset value's dynamics by downward one for closed-end CII with public issue - with unchanged number of recognized and acting funds of this category;
- reduction of the number of investors in industry, although insignificant; in open-ended funds it continued to decrease slowly; and at the same time...
- continued increase of Ukrainian citizens' assets - for the fourth consecutive quarter for all sectors of CII, except for interval funds, where the first ones reduced for this quarter; in open-ended CII – reduction of their weight due to more active dynamics of raising funds of other categories of investors;
- reduction of aggregate investments of enterprises-residents and of their weight in NAV of venture CII;
- reduction of securities' weight in assets of all sectors of CII, except for interval ones, where it continued to grow; at that - reduction of their aggregate value in interval CII, as well as in open-ended funds, and its further growth in all sectors of closed-end CII;
- continued growth of usage of derivatives by venture CII;
- decreased rates of return in all CII sectors, with the exception of closed-end non-venture CII with private issue; at that, half of the CIIs' sectors (except venture ones) showed positive changes in value of investments, and the largest number of funds with positive indicators in the 2nd quarter were among CII with public issue, in particular among open-ended CII and equity funds that retained leadership by rates of return since the beginning of the year and for the year;
- In *pension funds'* asset management market, as well as in *insurance companies'* asset management market - further growth of NPFs' and ICs' assets under management, despite decrease in the number of market participants (AMC and funds/companies with assets under AMC management).

Thus, the demand for CII in the 2nd quarter of 2017 was somewhat weakened, however, in some sectors, particularly in open-ended funds, there was a capital inflow, and in closed-end CII with private issue – increase in the number of investors took place.

Preserving of mainly upward dynamics of the stock market at that time supported profitability of many CII. In open-ended and interval funds the share of equities was the largest among CII sectors and among different types of assets within each sector. Nevertheless, among non-venture CII only open-ended funds as a whole showed positive returns for the 2nd quarter, as well as competitive returns in comparison with deposits in national currency – for the year.



**See additional information and statistical data 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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