



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS

Analytical Review of the Asset Management Market in Ukraine

Q4 2015 and the Full Year 2015 Results

Contents

1. Stock Markets: Ukraine and the World.....	1
2. CII Market Performance.....	3
2.1. Number of AMC, CII and Regional Distribution of Market Participants	4
2.2. Assets and Net Assets of CII.....	7
2.3. Net Flow of Capital in Open-Ended CII.....	10
2.4. Investors of CII	12
2.5. Asset Structure of CII	14
2.6. CII Rates of Return.....	16
3. NPF Aset Management Market Performance	18
4. Insuarance Companies' Asset Management Performance.....	21
5. Problematic Aspects of the Asset Management in 2015.....	22
6. Resume and Next Year Prospects	24

1. Stock Markets: Ukraine and the World

In 2015, world stock markets showed multidirectional dynamics (Chart 1). The main driver of indices on international stock markets was China, structural decline in GDP growth in which frightened global investors more and more during the year. Markets' attention was focused also on the monetary policy of the central banks of leading economies, including the long-awaited USA Fed's increase of rate, which finally took place in December and led to increased volatility in the markets at the end of the year.

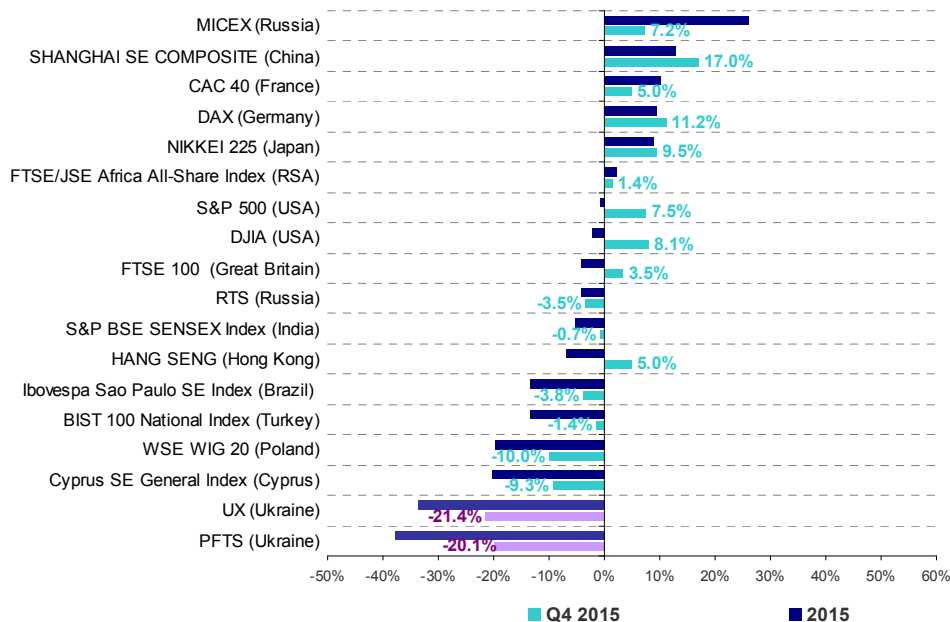


Chart 1. National markets' stock indexes' dynamics in Q4 2015 and 2015*

*Based on the data of exchanges and Bloomberg Agency. Ranking is based on annual indicator, values are given for Q4 2015

Overall, there were several significant falls which took place in international stock markets in 2015, that were crucial for the results of the year. The Chinese market dipped in June, and in August – it plummeted amid speculations about weak economic growth and panic among retail investors. Because of this indexes in the USA failed also and most international markets fevered in August and September. In Europe, the ECB, which introduced still in 2014 negative interest rates on deposits to fight deflation, since the beginning of 2015 launched an ambitious policy of "quantitative easing" - all to stimulate economic growth in the euro area. Further similar actions were carried out also by other central banks of the



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

European countries (aside from Switzerland, Sweden and of Denmark which had done it earlier) that led to the fact that in some countries (in particular, in Germany) interest rates moved to the negative zone. Already at the beginning of the second quarter of 2015 over a quarter of the state debt of countries – members of the eurozone had negative rates of return. This was an additional factor of turbulence in the European markets, enhanced by Greek referendum on the terms of a financial rescue from the EU at the beginning of the epмкв quarter. Also, investors' mood in the markets of capital was affected, at least not less than last year, by geopolitical conflict and dynamics of oil and energy prices, the deflationary impact of which on other sectors of the world economy and the whole countries in 2015 increased significantly. Oil became cheaper steadily only since the second half of the year, but lost more than one third of the cost for the year.

Ukrainian stock market, after rising in 2014, in 2015 returned to the downward trend of previous years. Equities of ten domestic blue chips lost 34% (after +13.5% in 2014 by UX index), being among the outsiders in the world. At the same time at the end of the year 40% of the components of the index still consisted of ventures in the area of ATO in eastern Ukraine, constituting 16.23% of the weight of the index (decrease from 19.10% at the beginning of the year).

Besides the turbulence in the global capital markets, which reduced interest in high-risk markets, the difficult socio-economic situation in Ukraine, in terms of absence of an expected significant effect of the economy and public administration reforming, which was restrained, remained the cause of the downward movement. Although economy's fall was able to be stabilized, and in the third quarter the economy came out of the 1.5-year recession. Relatively positive was achievement of the agreement with international creditors on restructuring of the state debt. Political and military conflict in the east of Ukraine, which lasted actually, remained a negative background.

Dynamics of the domestic market in the first quarter of 2015 was volatile, and then had the lateral trend - until mid-September, when the market began a sharp decline till the end of the year. Global market factors were among its reasons, as well as domestic economical and political-legislative ones, including the absence of the expected introduction of effective incentives and tools for growth. For the fourth quarter Ukrainian blue chips lost more than 21%.

In 2015, the number of securities admitted to trading on stock markets of Ukraine, as well as activity on trading them (except state bonds – OVDP) reduced sharply. This was primarily due to active action of the market regulator concerning recognizing of a number of securities and their issuers as such that have signs of fictitious, and stopped circulation of securities.

Listings of securities on all stock exchanges of Ukraine in 2015, as a whole, fell by 13%. Listing (1st and 2nd lists) decreased by 23% overall, but only thanks to OVDP and NBU savings certificates, while the equities' listing reduced fourfold (-75%) over the year, corporate bonds – more than twice (-59%) and municipal bonds disappeared from the listing altogether (Table 1.). Number of equities which were in the 1st level of listing of stock exchanges remained minimal for the whole year - 1. The volume of trade in equities fell by over 4.5 times (-78%) in the year, in corporate bonds - by 2.5 times (-60%), and OVDP - as well as the total volume of trading on the stock exchanges, - by half (-54%).

Table 1. Dynamics of the Ukrainian Stock Market in 2015

Indicator/ Date	31.12.2014 (2014)	31.12.2015 (2015)	Annual Change (YoY)
Number of Securities (CB) in the listing of stock exchanges including:	2594	2247	-13.4%
Number of Securities in the registers (listing) of stock exchanges, including:	729	562	-22.9%
OVDP (state bonds)	263	265	0.8%
equities	126	31	-75.4%
corporate bonds	224	91	-59.4%
municipal bonds	4	0	-100.0%
NBU deposit (savings) certificates	1	141	14000.0%
Trading volume on the stock exchanges (total) per year, UAH mln, including:	629 429.4	290 771.0	-53.8%
OVDP (state bonds)	553 291.3	253 319.7	-54.2%
equities	26 597.1	5 810.9	-78.2%
corporate bonds	33 804.4	13 604.1	-59.8%
NBU deposit (savings) certificates	1 000.3	8 714.5	x



2. CII Market Performance

European context

Year 2015 was a record one for the European investment funds industry, in particular for the **UCITS¹ funds**, which are regulated by the relevant Directives and other legislative acts of the EU. The net inflow of capital raised by European funds in 2015 rose to its historic high, the same as their assets.

Among the key factors of increasing of investors' confidence and attractiveness of funds this year there was introduction of the program of "quantitative easing" by the European Central Bank in January and expectations for increasing of economic growth and preservation of low rates in the financial markets, that was especially favorable for long-term UCITS funds (all classes, except money market funds). Rising volatility in equity markets and a somewhat unexpected increase in rates of return in bond markets during the year temporarily reduced investors' interest in funds and their appetite for risk, but only in August, when world markets fevered because of news from China, there was a slight net outflow from long-term funds.

Overall, **net inflows to UCITS and other funds managed by the European AMC (AIF, former «non-UCITS»²) in 2015 amounted to EUR 725 bln.** (after EUR 634 bln. in 2014), including to UCITS – EUR 573 bln. (after EUR 472. bln), while their total assets grew by 11.3% for the year to over EUR 12, 581 bln. **Net assets of UCITS increased to EUR 8,168 bln., and AIF - to EUR 4,412 bln., ie by 13.0% and 8.3%**, respectively³.

The most popular among the **UCITS** funds in 2015 were mixed *funds (balanced)* – EUR 236 bln of net inflow (+EUR 186 bln. in the previous year). Leaders of the last year by net income, *bond funds*, in Q4 2015 lost through the outflow EUR 9 bln., but for the whole year - attracted additional EUR 83 bln. (after EUR 190 bln. in 2014).

In the fourth quarter, the largest amount of additional capital – EUR 56 bln. – were attracted by *equity funds*, while all UCITS received EUR 122 bln. of net inflows during this period. Annual inflows to the first ones amounted to EUR 134 bln. (after EUR 61 bln. in 2014).

Outsiders of the previous years, *money market funds*, in 2015 had a net inflow of EUR 77 bln. (after -EUR 5 bln. in 2014, and -EUR 84 bln. in 2013). At that, quarterly outflow was recorded only by the results of April-June, and in October-December these funds attracted EUR 39 bln.

Net inflows to **AIF** funds in the 4th quarter of 2015 amounted to EUR 47 bln., and for the year – EUR 152 bln. About half of these funds (55% by assets and 39% by number) at the end of the year were classified as "*institutional*" (special funds for institutional investors), assets of which reached EUR 2, 422 bln. at the end of the year (+13.3% in 2015).

By asset classes, *mixed funds* had a significant share of AIF market (29% by assets and 31% by number), as well as "*other*" *funds* (33% by assets and 34% by number), which in 2015 rose, respectively, by 12.1 % and 13.3%.

¹ UCITS (Undertakings for Collective Investment in Transferable Securities) - collective (joint) investment institutions in negotiable securities (securities traded on regulated markets); funds are open-ended with public issue and stringent requirements for quality, liquidity and asset structure.

² AIF (Alternative Investment Funds); alternative investment funds; in fact include all other regulated funds, other than UCITS ones. Companies that manage such funds are regulated by AIFMD's Directive.

³ According to data of 28 countries, associations of which are members of EFAMA (24 EU member states, Norway, Switzerland, Liechtenstein and Turkey) - see. [EFAMA's Quarterly Statistical Release \(Trends in the European Investment Fund Industry in the Fourth Quarter of 2015 & Results for the Full Year of 2015\)](http://www.efama.org) on website <http://www.efama.org>.



Ukrainian Realities

2.1. Number of AMC, CII and Regional Distribution of Market Participants

In 2015, in Ukrainian institutional investors' asset management industry most trends of the last year remained: continued complication of conditions for activity on the market and reduction of the number of participants, while also steady growth of the market's volume.

As of 31.12.2015 p. there were 313 asset management companies in Ukraine. During the year, the number of AMC declined, at that with more and more higher rates closer to the end of the year (Chart 2). In the 4th quarter the total number of companies decreased by 7, at that in October-December 10 AMC were eliminated. New companies entered the market during the year, but their amount was smaller than of those that were closed.

Quantitatively industry of institutional investors' asset management in 2015 declined by more than 6.8%, or by 23 AMC (in 2014 – by 11).

At the end of 2015 almost 95% of all AMC managed at least one venture fund (a year ago - 96%, the number decreased from 310 to 296 of these companies).

Number of registered collective investment institutions in 2015 continued to decline, but in a much slower pace: during the year they became less by two funds (after -35 in 2014), at that in the 4th quarter their number increased from 1556 to 1567.

Reduction in the number of AMC, the same as before, was still ahead of reduction in the number of CII, so concentration of CII asset management continued to grow slowly (Chart 2).

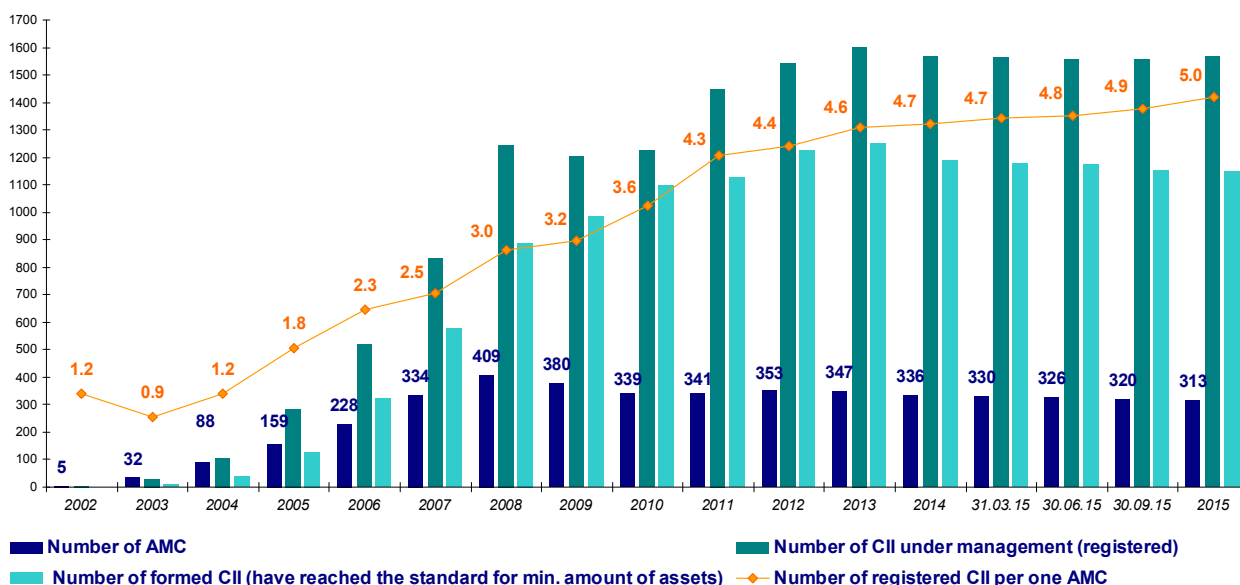


Chart 2. Dynamics of the number of AMC and CII per one AMC in 2002-2015

Decrease in the total number of **CII that reached compliance with minimum asset volume standard** was more moderate in 2015, compared to 2014: -3.5% (-41 fund, after -5%, -62 funds a year ago). In the 4th quarter reduction was generally negligible (-0.3%, -4 funds) - from 1151 to 1147 (Table 2). At that, 62 CII were recognized as valid during the year.

Thus, the downward trend of the number of recognized and acting CII remained the second consecutive year, after constant growth from the early history of the industry.

Venture funds, along with other closed-end CII, in 2015 continued to determine the dynamics of the industry as a whole, and in quantitative aspect sector narrowed again: the number of funds which were liquidated during the year exceeded the number of newly established funds. Totally, the number of CII of



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

this category, that achieved standards and were operating at the end of 2015, was 14 less (- 1.4%, after - 0.8% in 2014) – **992 (including 803 UIF)**.

So, one-third of the quantitative industry's reduction occurred in the field of venture capital sector (in 2014 - a half). At the same time, 57 venture funds were recognized as valid during 2015 (after 4 in 2014), and the number of venture CIF increased for the year by 29, including 21 - for the 4th quarter.

Table 2. Dynamics of the number of CII that reached compliance with standards, by types and legal forms, in Q4 2015 and 2015

Date/Period	Total	UIF*							CIF*		
		O*	Os*	I*	Is*	CD*	CNN*	CV*	I*	CNN*	CV*
31.12.2014	1188	26	4	29	1	10	35	846	2	75	160
31.03.2015	1177	22	5	28	2	10	32	847	2	72	157
30.06.2015	1171	21	5	26	2	8	37	837	2	70	163
30.09.2015	1151	21	5	23	2	9	31	823	2	67	168
31.12.2015	1147	21	5	22	2	9	31	803	2	63	189
Q4 2015 change	-4	0	0	-1	0	0	0	-20	0	-4	21
	-0.3%	0.0%	0.0%	-4.3%	0.0%	0.0%	0.0%	-2.4%	0.0%	-6.0%	12.5%
2015 change	-41	-5	1	-7	1	-1	-4	-43	0	-12	29
	-3.5%	-19.2%	25.0%	-24.1%	100.0%	-10.0%	-11.4%	-5.1%	0.0%	-16.0%	18.1%

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

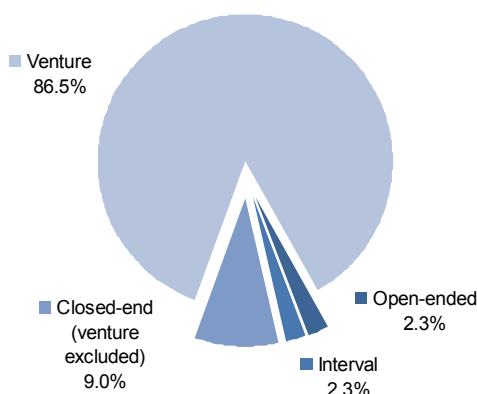


Chart 3. CII that reached compliance with standards, by types of funds, as of 31.12.2015

Number of **closed-end CII** decreased most notable in 2015 (-17, -14.2%) - mainly due to non-diversified CIF (-12, -16.0%). Number of closed-end diversified and non-diversified UIF decreased also - by 1 and 4, respectively. In the fourth quarter changes occurred only in the sector of CIF - these funds became 4 less in October-December.

Sectors of open-ended and interval UIF continued to narrow: taking into account specialized funds that were reorganized from the existed open-ended and interval ones in accordance with the Law of Ukraine "On Collective Investment Institutions", which came into force since 01.01.2014, in these sectors, there were, based on the results of 2015, respectively, 4 and 6 funds less, while in the 4-th quarter only one interval UIF was closed.

The number of *corporate interval funds* (CIF) remained unchanged (2).

In 2015, one closed-end specialized fund of bank metals reached compliance with standards (UIF). Also, one of the open-ended funds and one of the interval ones were transformed this year (in the first quarter) from diversified to specialized ones (both of them were equity funds). Finally, the number of open-ended diversified UIF for the year decreased by 19.2%, interval ones - by 24.1%

As before, in 2015 situation on the domestic stock market and in the economy of Ukraine affected particularly painfully **the sector of public CII** (Table 3), where the number of funds and AMC which managed them, and also the amount of assets under management, continued to decline.



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

Table 3. CII with public issue, as of 31.12.2015

CII Type and Class	Number
Open-ended (total), including:	26
diversified	21
specialized	5
Interval (total), including:	25
diversified	23
specialized	2
Closed-end (total), including:	59
diversified	3
specialized	56
Total	110

Table 4. Dynamics of the number of diversified CII with public issue, by types of funds (in accordance with assets structure) in Q4 2015 and 2015

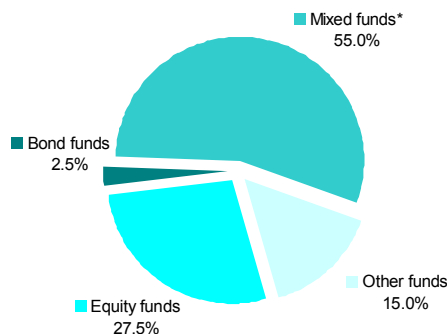
Date/Period	Total	Equity funds	Bond funds	Mixed funds*	Money market funds	Other funds
31.12.2014	46	6	3	27	0	10
31.03.2015	40	6	2	18	0	14
30.06.2015	40	7	1	19	0	13
30.09.2015	38	5	1	19	0	13
31.12.2015	40	11	1	22	0	6
Q4 2015 change	2	6	0	3	0	-7
	5.3%	120.0%	0.0%	15.8%	-	-53.8%
2015 change	-6	5	-2	-5	0	-4
	-13.0%	83.3%	-66.7%	-18.5%	-	-40.0%

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

Number of **diversified CII with public issue** in the 4-th quarter declined from 38 to 37 funds since the beginning of the year, after -16 in 2014) (Table 4). According to the classification based on the assets structure⁴, at the end of 2015 there were *11 equity funds* (3 open-ended, 7 interval and 1 closed-end diversified CII), i.e. by 5 funds more than at the beginning of the year.

As of 31.12.2015, there was only *one bond fund* remained (at the beginning of the year there were 3 of this type); there were *22 of mixed funds (assets)*, and during the year their number varied from 27 early in the year to 18-19 in the 1-3 quarters, so growth in the 4-th quarter slightly offset reduction from the beginning of the year. At the end of the year these funds covered about 60% of the sector of diversified CII with public issue (Chart 4).

According to the established criteria for assets structure, there were no money market funds for ten consecutive quarters. And the number of *"other funds"*, i.e. those that did not meet the criteria for classes of equity, bond and mixed investment funds, in 2015 decreased from 10 to 6 – some funds at year-end found themselves in the classes of equities or mixed funds. In the 4th quarter, "other funds" became less by 7, and the most number of them was in the 1st quarter (14).



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

Chart 4. Diversified CII with public issue, by funds types, as of 31.12.2015

Within the breakdown of AMC by regions (Chart 5), the share of Kyiv and region in 2015 increased slightly, from 70.8% to 71.6%, with a decrease in the number of companies in the region from 238 at the beginning of the year to 224 at the year-end (after -7 in 2014). Shares of Kharkiv (5.8%) and Dnipropetrovsk (6.7%) rose, though in the first one the number of companies decreased by 1 for the year and in the second one this number did not change (18 and 21, respectively). Shares of Odessa and Lviv regions grew due to the registration of new companies; these regions shared the 4th position with 9 AMC (2.9% of market share): in each of them one new company was added. The rest of the regions of Ukraine, outside of TOP-5, covered 10.2% of the total number of companies (in 2014 – 10.4%) – 32 AMC, after 35 in 2014.

⁴ See Rankings "Diversified Public CII – by Asset Classes" and *Methodology for Ranking AMC and CII, Based on Their Performance Results* (in Ukr) on UAIB website: <http://www.uaib.com.ua>.



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

Number of AMC, registered in *Donetsk region*, in 2015 declined by three times (from 15). Instead, in *Poltava region* one new asset management company appeared, and in *Zaporizhzhia region* – one AMC was closed, that finally provided 1.6% of the total market for each of three above mentioned regions, with 5 AMC in each of them.

Thus, the regional concentration of the industry in 2015 increased for the benefit of Kiev in the quantitative aspect, but slightly decreased in sense of value. In general, movement continued in the direction of balancing the development of the industry in the eastern and western regions, with a decreasing roles of eastern regions and increasing roles of western ones.



Chart 5. Regional distribution of AMC number as of 31.12.2015 p.

Within the breakdown of AMC by regions (Chart 5) in 2015, the share of *Kyiv and Kyiv region* increased slightly, from 70.8% to 71.6%, with a decrease in the number of companies in the region from 238 at the beginning of the year to 224 at the year-end (-7 after 2014). *Shares of Kharkiv (5.8%) and Dnipropetrovsk (6.7%)* rose, while in the first one the number of companies decreased for the year, and in the second one this number did not change (18 and 21, respectively). Due to registration of new companies, *weights of Odesa and Lviv regions* increased, they shared the 4th position with 9 AMC (2.9% of market share), in both of them one new company was added. The rest of the regions of Ukraine, outside the Top -5, covered 10.2% of the total number of companies (in 2014 - 10.4%) - 32 ACM, after 35 in 2014.

Among other regions-leaders, main changes in CII breakdown in 2015 took place in *Donetsk* (decrease from 2.3% to 1.3%) and *Lviv* (an increase of 1.9% to 2.7%) areas. Share of *Donetsk* by assets under management for the year fell from 1.7% to 1.0%, and *Lviv's one* - grew from 1.0% to almost 1.6%, that led to a "reshuffle" of these regions' positions in the Top- 5 and beyond (Chart 6).

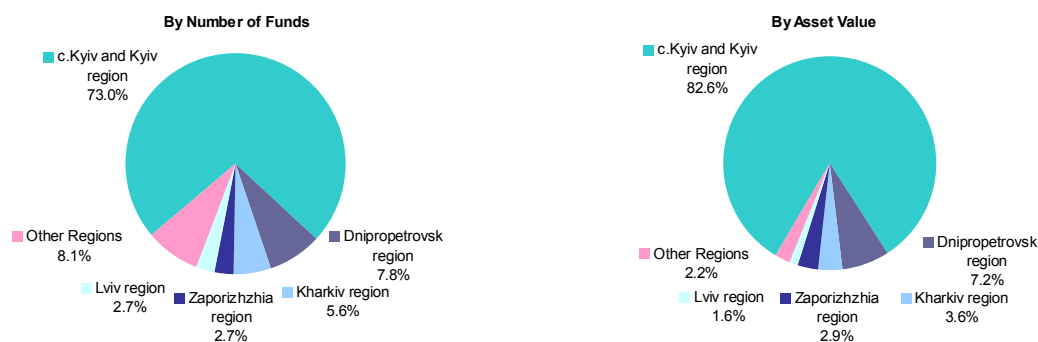


Chart 6. Regional distribution of CII by the number of CII and value of their AuM as of 31.12.2015



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

2.2. Assets and Net Assets of CII

The aggregate total assets of CII that were under AMC management and achieved standards, as 31.12.2015 amounted to UAH 236.18 bln. (Chart 7). In 2015, they **grew by 14.4%** (after +16.2% in 2014). Thus, compared to the previous year, the growth rate of CII industry slightly weakened, but was higher than in 2013 (+12.9%).

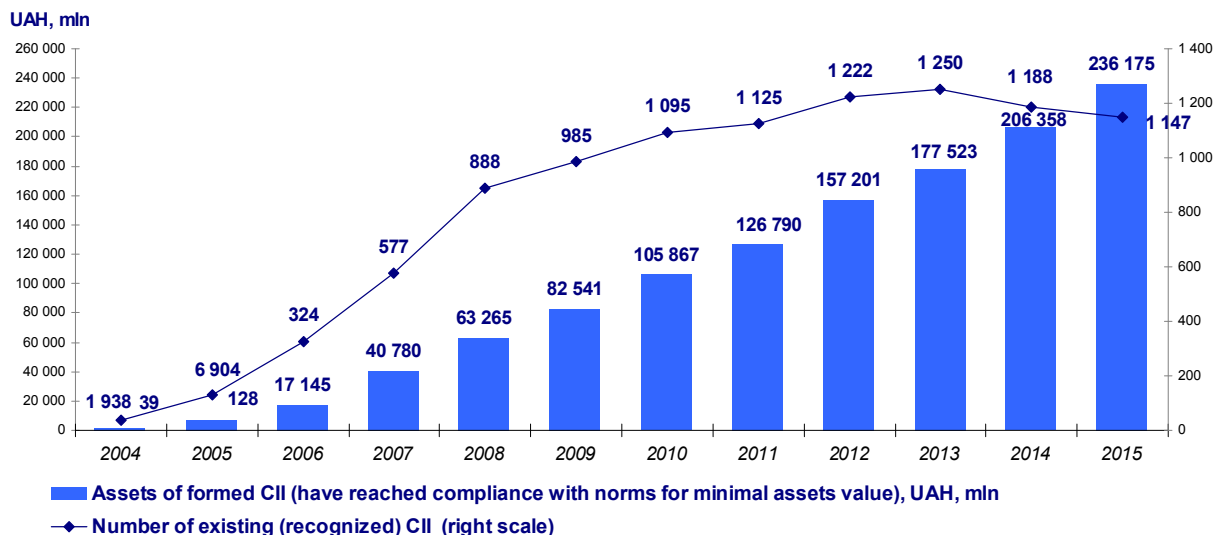


Chart 7. Dynamics of CII asset management market in 2004-2015.

For the first time since 2011 **ratio of CII assets to GDP in 2015 decreased** – the second one nominally increased more than the first ones (+24.7%). However, the volume of CII assets remained at the level over 10% and **amounted to almost 12% of Ukraine's GDP** (Chart 7). Potential for growth is still significant: assets of European investment funds exceeded 86% of EU's GDP in 2015 (in 2014 - 79%).

At the same time, **the ratio of CII assets and assets of Ukrainian banks in 2015** continued to grow, at that, against the backdrop of a sharp reduction in the banking system, with the accelerated rates - from 15.7% to 18.8%. Thus, the relative weight of CII in comparison with banks increased by almost 2.8 times from 2007, when it amounted to 6.8%.

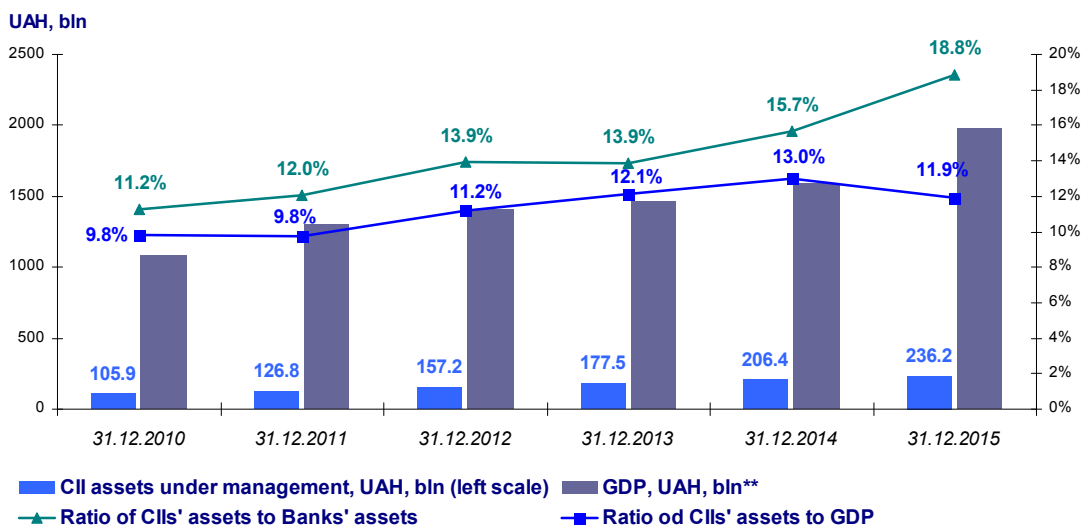


Chart 8. CII against GDP and Bank sector of Ukraine



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

During 2015, against the lateral trend of stock indices in Ukraine, which continued almost three first quarters and fall by 30% from mid-September to the end of the year, *CII with public issue* continued to lose their attractiveness for investors. This negative pressure led to double-digit relative indicators of reduction in the number of open-ended, interval and closed-end (except venture) funds, capital outflows and the consequent decrease of assets in these sectors.

At the same time, assets of *venture funds* continued to grow, although their dynamics during the year changed dramatically, in particular, slight subsidence was recorded in the first quarter.

Overall, in 2015 **the sector of venture funds increased by UAH 30,107.65 mln. (+15.4%, after 16.2% in 2014) to UAH 225,540.89 mln.** More than one third of annual growth was obtained in the 4th quarter (+UAH 10,837.87 mln., +5.1%).

Assets of closed-end funds (venture excluded) also increased in October-December 2015 - by UAH 302.64 mln. (+3.0%), that, in conditions of reductions in sectors of open-ended and interval CII at the same time, provided growth of *non-venture CII* assets at a level of 2.9% (+UAH 296.24 mln.) - up to UAH 10,634.11 mln. (Chart 9). However, substantial reduction in closed-end funds in the 3rd quarter led to a negative annual result: all CII, except venture ones, lost for the year 2.7% of assets (after +17.0% in 2014).

Open-ended and interval CII in Q4 2015 continued to decline (-7.0% and -2.5%, respectively, after -4.4% and -5.3% in the third quarter). For the year these sectors narrowed by 8.3% and 21.0%, respectively (after -42.1% and -11.3% in 2014).

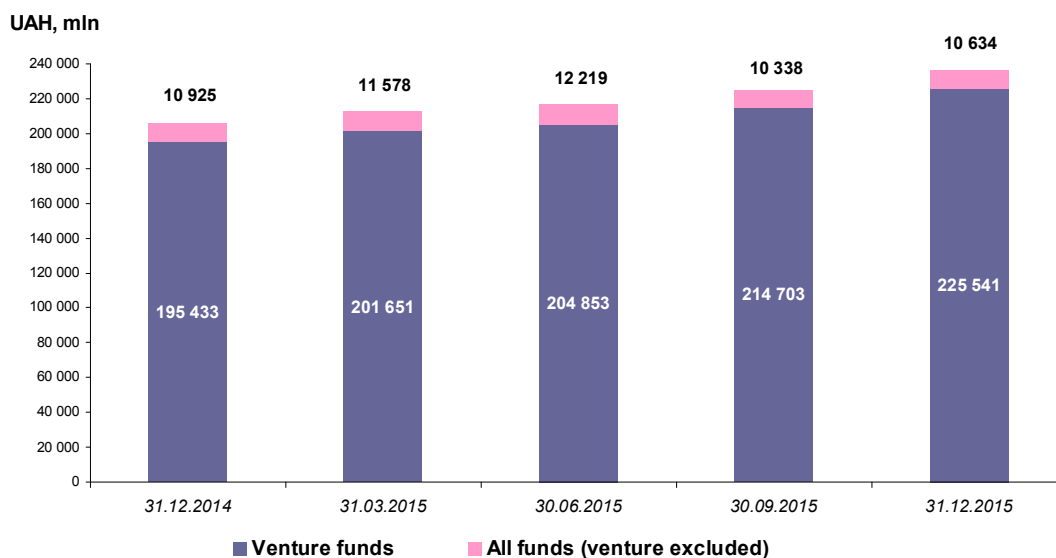


Chart 9. Dynamics of CII asset value in Q4 2015 and 2015

Net asset value of CII in 2015 increased from UAH 180,404.7 mln. to **UAH 199,861.1 mln. (+10.8%, in 2014 - +13.9%)** (Table 5). At that the number of acting funds, that have submitted reports, continued to decline (from 1067 to 1047, including venture ones- from 921 to 916).

Over the fourth quarter of 2015 net assets of the industry grew by 1.9%.

Table 5. Dynamics of CII NAV by Fund Types in Q4 2015 and 2015, UAH, mln.

Funds	31.12.2014	31.03.2015	30.06.2015	30.09.2015	31.12.2015	Q4 2015 change	Annual change
Open-ended	60.2	63.1	62.0	59.3	54.9	-7.4%	-8.7%
Interval	107.8	107.2	93.8	90.5	87.9	-2.9%	-18.4%
Closed-end (venture excluded)	10 198.7	10 854.8	11 007.0	9 339.1	9 809.6	5.0%	-3.8%
All funds (venture excluded)	10 366.7	11 025.1	11 162.8	9 488.9	9 952.5	4.9%	-4.0%
Venture	170 038.1	174 403.1	177 602.6	186 562.3	189 908.7	1.8%	11.7%
All funds	180 404.7	185 428.2	188 765.4	196 051.2	199 861.1	1.9%	10.8%

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



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

The aggregate NAV of CII, as well as of total CII assets under management, in 2015 increased only **at expense of venture CII**: net assets of these CII the third consecutive year added about UAH 20 bln. (+11.7%, after +13.5% in 2014), that greatly exceeded the fall of NAV in other sectors.

NAV of the other CII of closed-end type rose to UAH 9,809.62 mln. (+UAH 470.56 mln., +5.0% in the fourth quarter), but the annual result for the sector was negative (-UAH 389.04 mln., -3.8%, after +22.6% in 2014). Such dynamics led to a decrease in market share for closed-end CII, in particular, and for non-venture CII as a whole: from 5.65% to 4.91% and from 5.75% to 4.98%, respectively. Share of venture CII exceeded 95% (Chart 10).

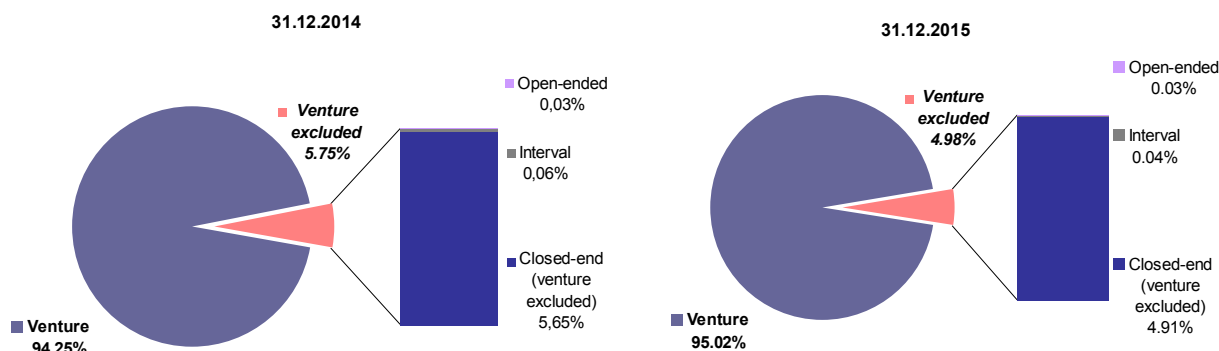


Chart 10. CII NAV Breakdown, by Fund Types, at the beginning and at the end of 2015

NAV of open-ended funds for the year decreased from UAH 60.20 mln. **to UAH 54.93 mln.**, ie by 8.7% (after 41.7% in 2014 and -36% in 2013); **NAV of interval funds** - from UAH 107.78 mln. **to UAH 87.92 mln.** (-18.4%, after -11.9% in 2014).

If for the open-ended CII the bulk of annual reduction occurred in Q4 2015 (-7.4%), than for the interval CII falling slowed down significantly at the end of the year (-2.9%). However, the share of the latter in CII market (venture excluded) decreased in the fourth quarter from 0.95% to 0.88%. The share of open-ended funds in CII NAV (venture excluded) fell from 0.58% at the beginning of the year and 0.63% - at the beginning of the 4th quarter to 0.55% at end of 2015 (Chart 11).

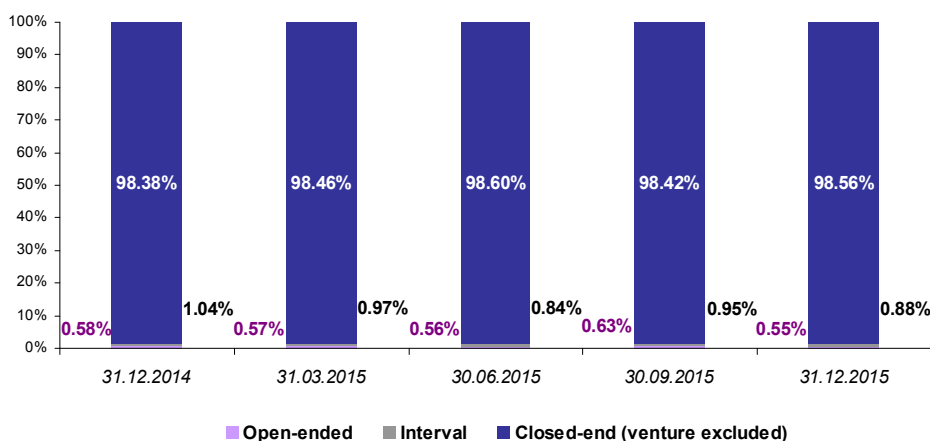


Chart 11. Dynamics of Non-Venture CII NAV Breakdown, by Fund Types in Q4 2015 and 2015

2.3. Net Flow of Capital in Open-Ended CII

Volatility in international markets of capital strengthened during 2015, and outflows of capital from many emerging markets increased. Ukrainian stock market, which is sometimes referred to as the “Frontier Market”, in conditions of unfavorable internal political and economic situation and geopolitical vicissitudes



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

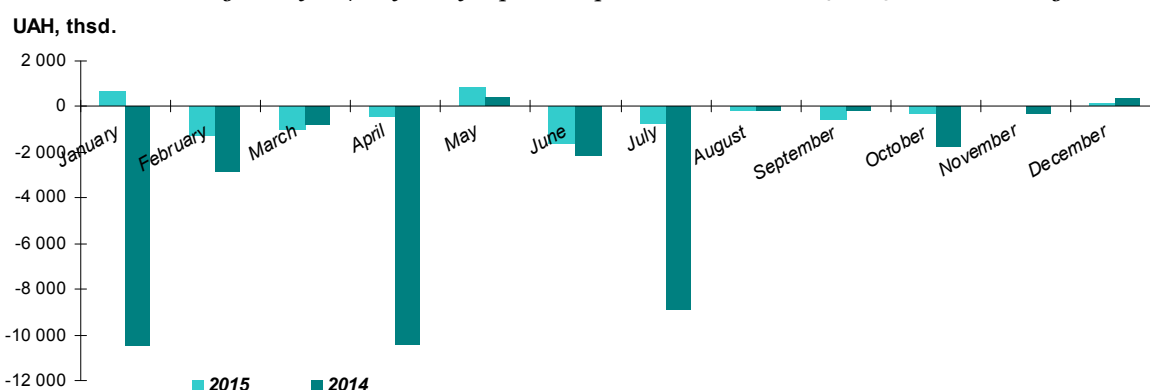
of this year, continued the downward movement. Outflows of capital lasted also from the funds with public issue, in particular, from open-ended funds.

Net outflow in 2015 remained the key factor in reducing the value of net assets of open-ended CII (82% decrease in NAV was due to it, after 86% in 2014). Outflow accelerated also the process of closing funds in the sector, that was also the result of negative dynamics of the stock market.

The annual outflow of capital from open-ended CII in 2015 decreased sharply (-88%), from -UAH 37.18 mln. in 2014 **to -UAH 4.32 mln.** Thus, it continued to decline for the third year in a row (-23% in 2014 and -11% in 2013), and lasted for 4.5 years. At that, the average number of funds, which were operating in 2015, decreased by 5 (the same as in 2014), ie by 18.7%.

Some positive movement of capital in the sector of open-ended CII during 2015 was recorded based on results of 4 months (in 2014 - based on results of two months) – besides May and December, it took place also in January and November (Chart 12, Table 6).

Chart 12. Monthly net inflow/outflow of capital in open-ended CII in 2014-2015 (based on daily data)



*Table 6. Monthly net inflow/outflow of capital in open-ended CII in 2011 -2015**

Period	Net inflow/outflow					Number of funds on which data for the period are available *				
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
January	-448.5	-7 987.1	-362.8	-10 445.9	680.0	31	38	41	29	24
February	-3 089.9	-7 952.0	-1 391.7	-2 843.8	-1 271.3	34	38	41	30	24
March	15 090.6	-10 031.7	1 297.1	-803.8	-978.0	35	38	41	30	24
April	7 172.0	-4 747.9	-3 870.1	-10 437.3	-412.8	35	36	42	29	23
May	8 682.4	-3 322.5	-70.3	397.6	839.8	35	38	39	29	23
June	2 504.9	-2 579.4	-8 467.5	-2 130.1	-1 626.3	33	40	39	31	24
July	-43.5	-2 690.1	-5 268.5	-8 861.0	-766.8	36	40	38	27	23
August	-11 040.6	-3 024.8	-15 623.2	-164.7	-175.9	38	40	36	27	20
September	-6 343.1	-1 872.9	-2 359.8	-144.2	-519.8	39	40	35	28	21
October	-7 217.0	-3 333.3	-8 137.0	-1 752.6	-284.6	40	40	33	27	24
November	-23 654.6	-3 962.7	-2 444.7	-322.0	24.1	40	40	31	25	23
December	-6 138.0	-2 531.9	-1 508.2	328.9	175.1	38	40	31	25	21
Year	-24 525.4	-54 036.5	-48 206.7	-37 178.8	-4 316.5	36	39	37	28	23

* Based on daily data.

** For the year - the average for 12 months.

Among open-ended CII, the same as in previous years, there were some funds which lost capital each month or attracted it more actively than others, and in 2015 the number of such funds increased, and impact of some of them on the aggregate indicator of net capital flows in the sector, accordingly, decreased.

Symbolically small, but positive, result in November - December was provided, mainly, by two funds managed by one AMC. In December, they together received additionally almost UAH 1 mln. of investors' contributions, while 10 other funds suffered outflows at this time totally UAH 0.78 mln.

Number of open-ended CII that had net outflows increased from 4-9 in July-September to 6-10 in October-December 2015. At the same time, number of funds that received net inflows, also increased - from two each month to 2-4, and these funds attracted additionally more than UAH 1.62 mln. over the past three months of the year (after +UAH 0.22 mln. in July-September).



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

In the 4th quarter of 2015 total net capital outflow from open-ended CII fell virtually to zero (-UAH 0.09 mln., after -UAH 1.46 mln. in the 3rd quarter), that constituted only 2% of quarterly decrease in NAV (after 54% in the third quarter).

The largest quarterly outflow in 2015, the same as in 2014, took place in the first quarter, but even then it slowed down compared to the previous quarter. The 3rd quarter brought a slight strengthening of the outflow, which was accompanied by a decrease in the number of funds (Chart 13, 14).

For 18 quarters (from the 3rd quarter of 2011), the net outflow from open-ended CII amounted to UAH 198.18 mln.; this is 79% of decrease in sector's NAV during this period (without taking into account changes in the value of money over time).



Chart 13. Net inflow/outflow of capital in open-ended CII in 2014-2015, quarterly

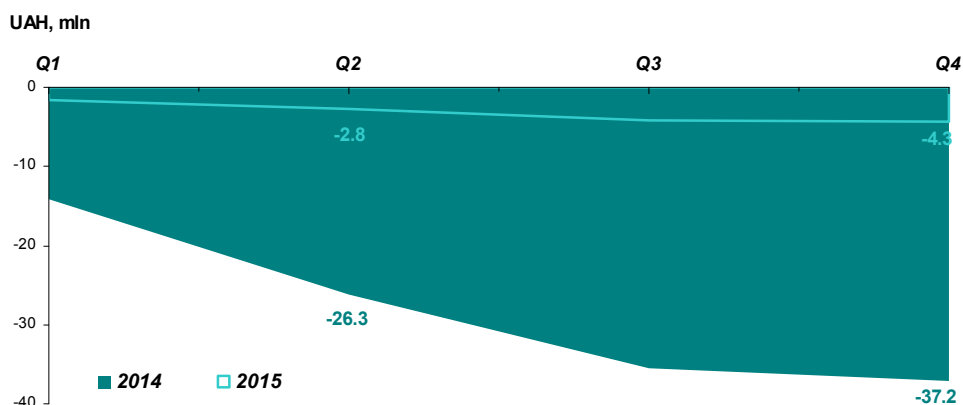


Chart 14. Net inflow/outflow of capital in open-ended CII in 2014-2015, quarterly, accumulated

2.4. Investors of CII

Legal persons-residents remained the main investors of CII at the end of 2015, total amount of aggregate assets in funds increased by UAH 10.66 bln. (after UAH 14.95 bln. in 2014), although they decreased by UAH 0.44 bln. in the 4th quarter.

The tendency of reduction of these investors' share in CII NAV this year was also preserved: in all funds it decreased from 76.2% to 74.1%, and in *venture ones* - from 77.2% to 75.3% (Chart 15).

In open-ended CII investments of Ukrainian companies mostly declined during 2015, especially in the 1st and the 4th quarters (-UAH 2.68 mln. for the year, -UAH 1.48 mln. in the 4th quarter). It supported the steady trend of reducing the proportion of those investors' assets in the funds, that, however, was far less significant than in 2014 - from 14.4% to 11.0% (after 47.6% in 2013).

In NAV of *interval CII* weight of domestic investors - legal entities in 2015 increased - from 50.5% to 52.3%, although their assets in these funds decreased by UAH 8.42 mln. (including by UAH 0.79 mln. in the 4th quarter). Increasing of this category of investors share was promoted sharp decline of Ukrainian citizens' investments in the sector.



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

In closed-end non-venture funds share of Ukrainian legal entities this year fell much more than in the previous one - from 60.2% to 51.8% (after 63.1% in 2014). The annual reduction was due to a decrease of those investors' assets in the sector by UAH 1,011.31 mln. - against increasing of other investors' presence here, in particular, citizens of Ukraine (+UAH 479.30 mln.) and foreign legal entities (+UAH 211.54 mln.).

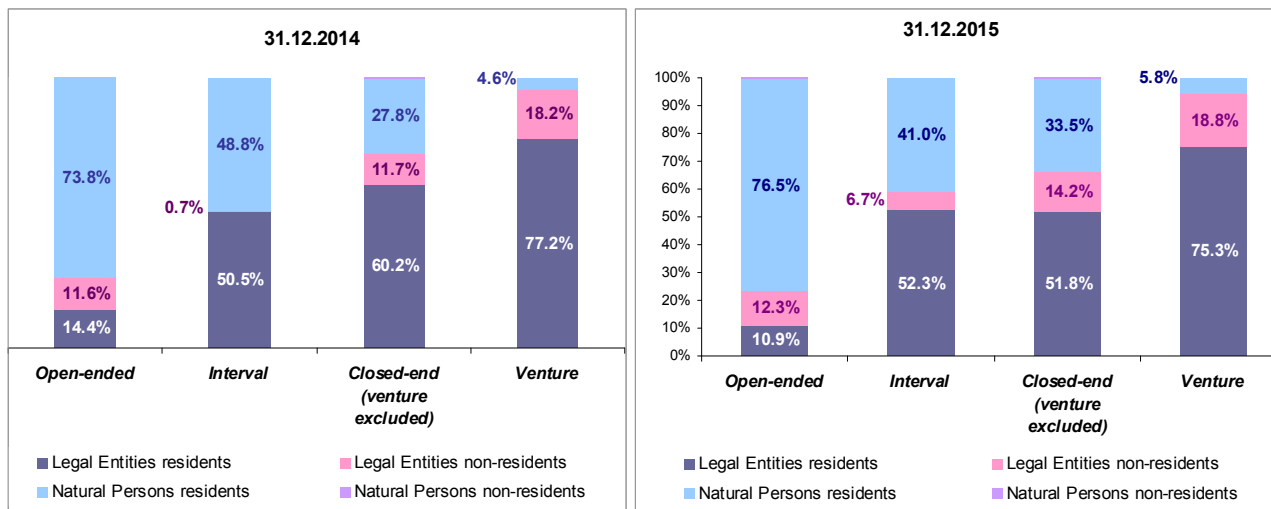


Chart 15. Investments into CII by categories of investors at the beginning and at the end of 2015, share in NAV⁵

Natural persons-residents in 2015 accelerated the increase of investments in CII: their total assets in all funds for the year increased by UAH 3,722.06 mln. (after +UAH 2,629.09 mln. in 2014), at that UAH 2,175.99 mln. of them - in the 4th quarter.

The same as last year, *closed-ended CII* remained the main object of interest, in particular, *venture ones* (+UAH 3,261.67 mln., including +UAH 1,978.87 mln. - in the 4th quarter). The share of individual investors in venture funds increased for the year from 4.6% to 5.8%.

The value of the total investments of the Ukrainian retail investors in open-ended CII in 2015 decreased by UAH 2.44 mln. (after -UAH 4.58 mln. in 2014), at that such result was achieved due to growth in the first quarter by more than UAH 3 mln., while in the fourth quarter assets of these investors decreased by UAH 2.48 mln. However, due to the relatively more reduction of domestic enterprises' assets, the weight of citizens in the sector increased during the year from 73.8% to 76.5% (from 75.1% in Q3 2015).

Among significant changes in 2015 there was also further increasing of the amount and proportion of investments in CII **of foreign investors, in particular, legal entities** - in closed-end funds, and especially - in venture ones (+UAH 4,767.23 mln., including UAH 2, 44 82 mln. - in the 4th quarter), and to a less extent - in the interval CII. Unlike 2014, in open-ended funds assets of non-residents decreased for the year, but not significantly (-UAH 0.26 mln.).

In all CII together assets of foreign investors – legal entities increased in 2015 increased by UAH 4,983.58 mln. (last year -by UAH 4,573.02 mln.), including UAH 2,245.92 mln. - in the 4th quarter. As of 31.12.2015, these investors increased their shares in the NAV of CII: to 6.7% in the interval funds (after 0.7% in 2014), 12.3% - in open-ended and 14.2% in closed-end funds (venture excluded), and to 18.8% in venture funds.

Foreign citizens significantly increased their investments in 2015 only in closed-end non-venture funds - to UAH 20.74 mln. (after +UAH 9.94 mln. in 2014), although in the fourth quarter their assets decreased by UAH 8.66 mln. Assets of this category of investors also increased symbolically in open-ended and venture CII.

Totally investors-residents, as of 31.12.2015, had UAH 161,282.05 mln. in all CII, including UAH 152,710.35 mln. in venture ones; **non-residents** – UAH 36,879.05 mln. in all CII, including UAH 35,408.97 – in venture funds.

⁵ Without taking into account CII bearer securities in circulation.



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

In contrast to the growth of CII assets in 2015, there was also reduction continued in the **number of their investors**. For the Q4, as well as for the year as a whole, it declined in all sectors of CII (Table 7).

In the 4th quarter **retail investors - citizens of Ukraine** the most actively went out from funds (other than venture). In *open-end funds* they became less by 117 (for the year by 195, totally – 2,625 persons at the end of the year); in *closed-end funds* – by 3,047 (for the year – by 3,360, totally – 1,428 persons). In *interval funds* their number also decreased significantly - by 32,422 in the quarter and by 605,427 for the year - to 217,845 persons. This level of numbers was associated with a large amount of small investors in several funds, which were created during the process of privatization and liquidated during 2015.

At the same time, the number of individual investors in *venture CII* increased (+27 per quarter, +136 per year, totally - 464 persons at the end of the year). This took place against the exit of **investors – legal entities** from these funds (-633 in the 4 th quarter, -575 for 2015). Totally, in all CII the number of investors - domestic enterprises for the year decreased by 704, and in the 4th quarter - by 751 (increase occurred in the 1st and 3rd quarters).

Number of **investors - non-residents** both in the fourth quarter and in 2015 as a whole, decreased: by 50 and 64, respectively, at that in venture CII – by 43 and 45, respectively.

Table 7. Investors of CII, by categories, as of 31.12.2016, number and share in the total amount

Funds	Legal Entities				Natural Persons			
	residents		non-residents		residents		non-residents	
Open-ended	23	0.87%	7	0.26%	2 625	98.83%	1	0.04%
Interval	38	0.02%	3	0.00%	217 845	99.97%	20	0.01%
Closed-end (venture excluded)	368	20.15%	25	1.37%	1 428	78.20%	5	0.27%
All (venture excluded)	429	0.19%	35	0.02%	221 898	99.78%	26	0.01%
Venture	4 077	80.81%	494	9.79%	464	9.20%	10	0.20%
All Funds	4 506	1.98%	529	0.23%	222 362	97.77%	36	0.02%

2.5. Asset Structure of CII

Securities in 2015 lost their weight in assets of all sectors of CII, but in open-ended and interval ones they remained the main component (65.0% and 70.6%, respectively). **"Other" assets**⁶, the same as before, were the largest item in the assets of venture and other closed-end funds - their weight increased to 75.7% and 56.3%, respectively. **Cash in banks' accounts** also kept a significant share (23.6%, Chart 16) in the aggregate portfolio of *open-ended CII*.

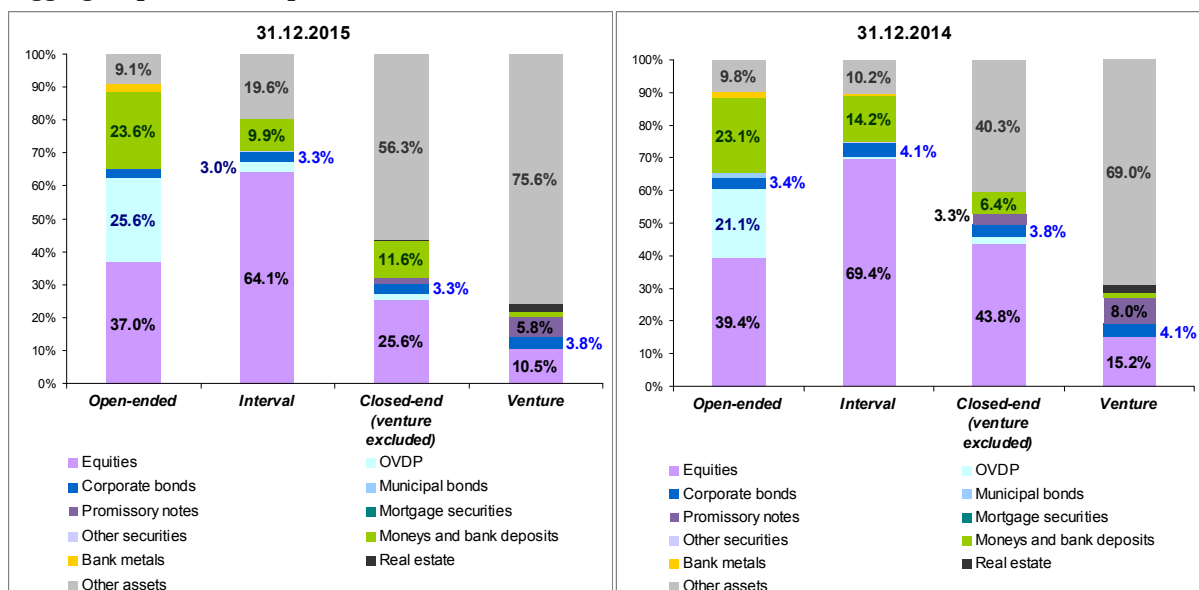


Chart 16. CII Asset Structure by Fund Types at the beginning and at the end of 2015

⁶ "Other assets" include receivables, corporate rights in other forms than securities, as well as loans to the companies, a stake in the capital of which belongs to the CII (for venture funds).



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

Reduction of assets in securities and decreasing of their weight in CII portfolios was stimulated by decline in the stock market in the 4th quarter of 2015: the total value of these assets decreased over this period by types in all sectors of CII, except closed-end ones. At the same time, the proportion of financial instruments in assets increased in the fourth quarter in open-ended and closed-end CII: in the first of them due to increasing of investments in OVDP and more dynamic reduction of "other" assets; in the second ones – due to the growth of the aggregate value of equities.

Equities in 2015 retained the leadership among the types of securities by volume of investments in all sectors of CII by fund types (the 4th year running). However, the proportion of equities in the assets, as opposed to 2014, in 2015 decreased in all sectors - to 37.0%, 64.1% and 25.6% in *open-ended, interval and closed-end non-venture CII*, respectively. Only in the 4th quarter it increased in *closed-end funds, in particular, venture ones* (from 10.0% to 10.5%), where these investments increased by more than UAH2 bln.

An aggregate value of all equities in assets of all CII for the year decreased and as of 31.12.2015 amounted to UAH 26,223.63 mln. (-UAH 8,189.58 mln., after UAH 11,817.73 mln. in 2014). Reduction was somewhat restrained by growth in the 4-th quarter (+UAH 2,709.24 mln.) (Table 8).

Value of equities in sectors of *open-ended and interval* funds decreased both in the 4-th quarter and in 2015 as a whole (respectively, -UAH 3.31 mln. and -UAH 16.72 mln. for the year). In *closed-end non-venture CII* growth for the fourth quarter (+UAH 670.23 mln.) did not exceed the decrease in previous quarters, so for the year package of equities fell in this sector too (-UAH 2,663.97 mln.).

Assets in **government bonds (OVDP)** in 2015 increased in open-ended, interval and venture CII. In Q4 2015 growth was observed in all sectors (including closed-end non-venture ones). Accordingly weight of these assets changed in each sector, in particular, in *open-ended funds* it increased to 25.6% at the end of 2015 - OVDP in these CII increased by UAH 0.90 mln. for the 4th quarter and by UAH 1.43 mln. for the year, making this securities the second largest asset of open-ended funds.

In *closed-end CII* assets in OVDP increased in the 4-th quarter by UAH 85.45 mln., and for the year - fell by UAH 139.82 mln., and their share - from 2.1% at the beginning of the year to 1.7% at year-end (in the 3rd quarter - 0.9%).

Venture funds in 2015 continued to increase **"other" assets** (+UAH 34,859.45 mln. after UAH 22,780.96 mln. in 2014). More than one third of annual growth occurred in the 4th quarter (+UAH 12,034.98 mln.). Finally, the weight of the "other" assets in the sector increased from 69.0% at the beginning of the year to 75.5% (in the third quarter - 73.5%).

Assets on current and deposit accounts in banks gave way to OVDP by volume at the end of 2015 and were the third largest part of assets in *open-ended CII*. Their share in the assets of the sector increased both in the 4-th quarter and for the year as a whole (from 23.1% at the beginning of the year to 23.6% at the end). The only reason for that was more active reduction of other positions, in particular, equities and "other" assets, as sector of open-ended CII had assets in banks in the 4-th quarter by UAH 2.18 mln. less than in the previous quarter, and since the beginning of the year they decreased by UAH 0.93 mln.

In the **aggregate securities portfolio of all CII** at the end of 2015 **equities** decreased their weight from 58.2% to 53.8% (in the third quarter - 46.0%). Some recovery of positions in the fourth quarter was provided mainly by venture funds.

Promissory notes, by contrast, in the 4th quarter became less in venture CII by UAH 4,781.65 mln. For 2015, as a whole, their total value reduced by UAH 2,482.24 mln., but their proportion in securities portfolio of CII - increased from 26.9% to 27.1% (in the 3-rd quarter - 35.5%).

Corporate Bonds for the year increased their value within CII assets (+UAH 517.34 mln.), although in Q4 2015 their reduction was observed (-UAH 362.63 mln.). In terms of negative dynamics of other components of the portfolio, this led to a noticeable increase of their weight in the aggregate securities portfolio of CII - from 14.2% to 18.3% for 2015.



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

Table 8. CII Aggregate Securities Portfolio, by Instrument Types in 2015

Security type	Aggregate value of the security in CII portfolios, UAH		2015 change		Share in the aggregate CII securities portfolio	
	31.12.2014	31.12.2015	UAH	%	31.12.2014	31.12.2015
	Equities	34 413 210 916	26 223 626 778	-8 189 584 138	-23.80%	58.19%
Promissory notes	15 909 514 153	13 206 033 533	-2 703 480 620	-16.99%	26.90%	27.11%
Corporate bonds	8 382 438 085	8 899 776 141	517 338 056	6.17%	14.17%	18.27%
Internal state loan bonds (OVDP)	330 909 562	292 315 680	-38 593 882	-11.66%	0.56%	0.60%
Derivatives	78 036 168	72 359 610	-5 676 558	-7.27%	0.13%	0.15%
Mortgage securities	21 941 364	20 227 413	-1 713 952	-7.81%	0.04%	0.04%
Municipal bonds	820 317	0	-820 317	-100.00%	0.00%	0.00%
Total	59 136 870 564	48 714 339 155	-10 422 531 409	-17.62%	100.00%	100.00%

In assets portfolio of CII (except venture) in 2015, equities weakened their position - their share declined from 82.6% to 80.4% (although in the 4th quarter it increased from 72.7% in the 3rd quarter). These annual changes were caused, mainly, by reducing the cost of these funds' aggregate package of equities by UAH 2,018.20 mln. since the beginning of 2015 (after +UAH 1,509.22 mln. in 2014). They contributed to increasing of the corporate bonds' share in non-venture CII from 7.1% to 10.2%.

Total value *of promissory notes* in non-venture funds decreased for the year by UAH 221.24 mln., that moved these securities to the position below *OVDP* - 3.9% and 5.5%, respectively (Table 9).

Table 9. Aggregate Securities Portfolio of CII (venture excluded), by Instrument Types in 2015

Security type	Aggregate value of the security in CII portfolios, UAH		2015 change		Share in the aggregate CII securities portfolio	
	31.12.2014	31.12.2015	UAH	%	31.12.2014	31.12.2015
	Equities	4 781 648 278	2 763 445 840	-2 018 202 438	-42.21%	82.56%
Corporate bonds	413 526 834	350 308 535	-63 218 299	-15.29%	7.14%	10.19%
OVDP	241 706 418	190 178 156	-51 528 262	-21.32%	4.17%	5.53%
Promissory notes	354 042 254	132 804 823	-221 237 432	-62.49%	6.11%	3.86%
Municipal bonds	820 317	0	-820 317	-100.00%	0.01%	0.00%
Total	5 791 744 101	3 436 737 354	-2 355 006 747	-40.66%	100.00%	100.00%

Diversified CII in 2015 reduced the portfolio of securities by almost 4-fold, to UAH 252.03 mln. (-UAH 643.44 mln). *Equities* topped again among securities types (86.9%, after 86.2% in 2014, 79.0% in Q3 2015). *OVDP were ahead of promissory notes* - as in the 4th quarter and for the year as a whole, their aggregate value in the portfolio of diversified CII grew, that, despite the reduction of all other components of the portfolio, accelerated the increase of government securities' share (from 2.0% at the beginning of the year and 2.5% in the 3- quarter to 6.8% at end-2015 (table 10).

Table 10. Aggregate Securities Portfolio of Diversified CII, by Instrument Types in 2015

Security type	Aggregate value of the security in CII portfolios, UAH		2015 change		Share in the aggregate CII securities portfolio	
	31.12.2014	31.12.2015	UAH	%	31.12.2014	31.12.2015
	Equities	862 543 789	219 100 725	-643 443 064	-74.60%	86.23%
OVDP	12 831 242	17 242 242	4 411 000	34.38%	1.28%	6.84%
Promissory notes	116 604 689	10 698 938	-105 905 751	-90.82%	11.66%	4.25%
Corporate bonds	7 491 641	4 988 440	-2 503 201	-33.41%	0.75%	1.98%
Municipal bonds	820 317	0	-820 317	-100.00%	0.08%	0.00%
Total	1 000 291 677	252 030 345	-748 261 332	-74.80%	100.00%	100.00%

2.6. CII Rates of Return

Dynamics of the stock market of Ukraine in 2015, especially in the second half of the year, along with other factors, adversely affected profitability of CII, in particular, of open-ended and other funds with public issue. At that, some funds demonstrated much larger growth in the value of their portfolios than the average market indicators in the corresponding sectors of CII.



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

In the 4-th quarter stock indexes accelerated their fall to 20-21%, and in 2015 they lost 34-38%, and results of CII, including equity funds, mostly were higher.

Among various areas of investment in 2015, as in the previous year, deposits *in foreign currency and in gold* led by rates of return, which was due, above all, by continuation of the significant devaluation of Hryvnia. Deposits in US dollars and in euros brought for the year 67% and 48%, respectively (after +113.6% and +104.9% in 2014), in gold - +39% (after +100.2%)⁷.

The average yield of **open-ended CII** in Q4 2015 decreased to -7.5% (from -2.6% in the 3rd-quarter), at that separate funds demonstrated from -92.8% to +8.5% (Chart 17).

The range of rates of return in 2015⁸ fell and varied between -93.0% to +28.5% (-15.2% to +58.6% in 2014). The average **annual rate of return** in the sector fell from +14.2% in 2014 to **-3.0% in 2015** (respectively, for 24 and 22 funds that worked all the year). Based on quarterly reports, annual yield decreased from +12.0% to **-4.1%**.

Nearly half of open-ended CII provided increase of investments for the year (46%, after two thirds in 2014), at that 8 funds had double-digit indicators of growth rates. One third of funds of this type (8) were more profitable than deposits in euros and US dollars, 10 - compared with deposits in local currency and gold, and real estate (in Hryvnia) and were able to compensate the inflation; 18 out of 22 - had smaller losses than UX index (in 2014 - 11 out of 24 were ahead of it).

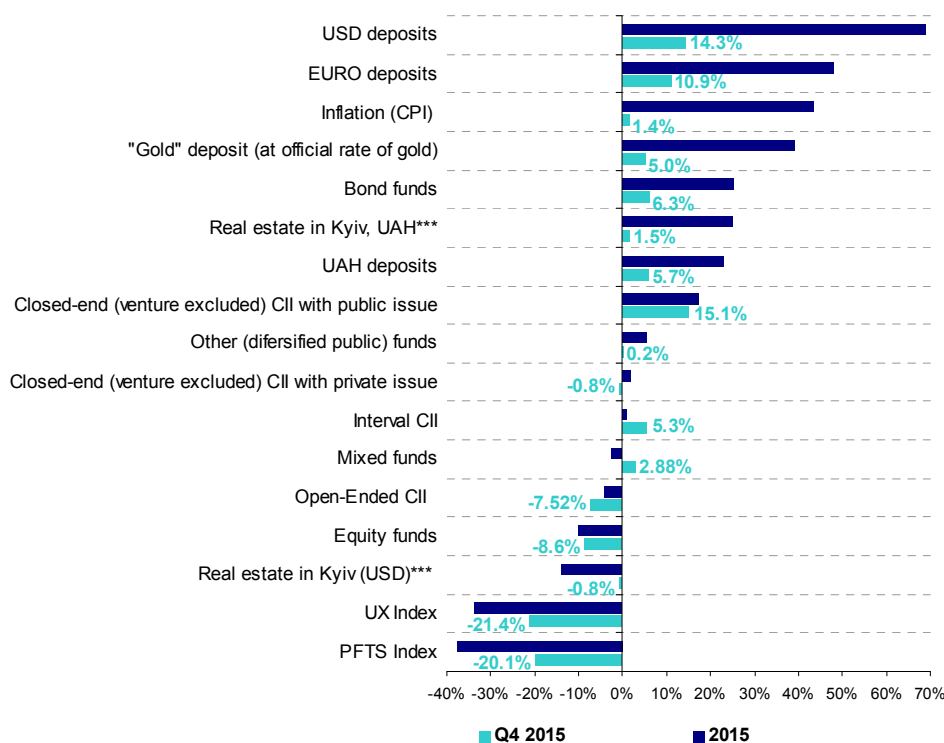


Chart 17. Rates of return – CII, deposits, equity indexes and inflation rates in Q4 2015 and 2015⁹
Ranking by the annual rate (2015), figures are given for the Q4 2015.

In the sector of **interval CII** average increase in value of investments in Q4 2015 amounted to +5.3% (after -3.5% in Q3 2015), and range of results was between -26.7% and +191.1%. **Annual average**

⁷ For an adequate comparison of rates of return it is necessary to take into consideration the liquidity of CII, in particular, of open-ended type, which allow to exit from investments on any working day without losing returns, unlike in case of bank deposits, the prevailing majority of which envisage re-calculation of interest income in case of an early release of moneys based on the rate of return on current accounts (on average 2.8% annum). In the meantime, the rates of return calculated do not take into account possible commissions, other costs incurred at entry to/ exit from funds, as well as investment profit taxation.

⁸ CII rates of return is calculated based on the reported annual data; as of 31.12.2015 data are available for 22 open-ended, 22 interval, 80 closed-end CII (including 44 with public issue and 36 with private issue) See. CII R and CII (public diversified by the Classes of Funds

⁹ Inflation is provided according to the State Statistics Service of Ukraine (consumer price index for goods and services in 2014 (till December of the previous year)). Rates of return for real estate in the US dollars is calculated as the average of data on the value of real estate in Kiev portals: <http://www.domik.net>, <http://100realty.ua>, <http://realt.ua>; in Hryvnia – based on data from portal: <http://100realty.ua>.



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

income fell to **+0.5%** for 22 funds that worked throughout the year (+0.7% based on quarterly data, after +1.6% in 2014), and some of the results were within the range of -46.3% to +165.3% (from -20.0% to +44.7% in 2014). Positive results were provided by 5 funds out of 22 (23%, after 10 out of 24, 42% in 2014).

Closed-end CII with public issue in Q4 2015 showed an average increase in value of their securities at level +15.1% (after -3.4% in the third quarter), **with private issue** (except venture) - a decline by 0.8% (after -1.0% in the third quarter). **In 2015**, closed-end CII (except venture) yielded an average of **+9.2%** (80 funds that have worked throughout the year, after +26.6% in 2014 for 84 funds), **including funds with public issue - +17.3%, with private issue - + 2.0%**. Growth of investments was provided by 29 closed-end funds, ie 36% (in 2014 - 52%).

Among **diversified CII with public issue, by asset classes**, leaders by rates of return in **2015 were bond funds (+25.4%)**, which in the fourth quarter brought +6.3% (were the most profitable also in the Q4 2014 - + 7.1%).

Equity funds, which took priority last year, showed a quarterly result of -8.6%, and an **annual** one was **-10.0%** (after +6.4% in 2014). **Mixed funds** in the fourth quarter reduced annual decrease: +2.9% and **-2.6%**, respectively (after +3.2% in 2014). **Other funds** showed an average yield for the year of **+5.3%** (after +7.5% in 2014).

3. NPF Aset Management Market Performance

Industry of NPF Assets Management¹⁰ in 2015 demonstrated growth again - despite the failure of the stock market in the second half of the year and in terms of banking crisis in Ukraine.

Reduction in number of pension funds under management continued - by 4.1% for the year (after -2.3% in 2014) – from 74 to **71 NPF**. Two open funds and 1 professional one were eliminated.

As of 31.12.2015, there were 57 open, 8 corporate and 6 professional NPF under AMC management (table 11, Chart 18). At the same time, the number of companies that manage NPF in 2015 increased from 43 to 44.

Table 11.

NPF type	31.12.2014	30.09.2015	31.12.2015	Q4 2015 change	2015 change
Open	59	57	57	0.0%	-3.4%
Corporate	8	8	8	0.0%	0.0%
Professional	7	6	6	0.0%	-14.3%
Total	74	71	71	0.0%	-4.1%

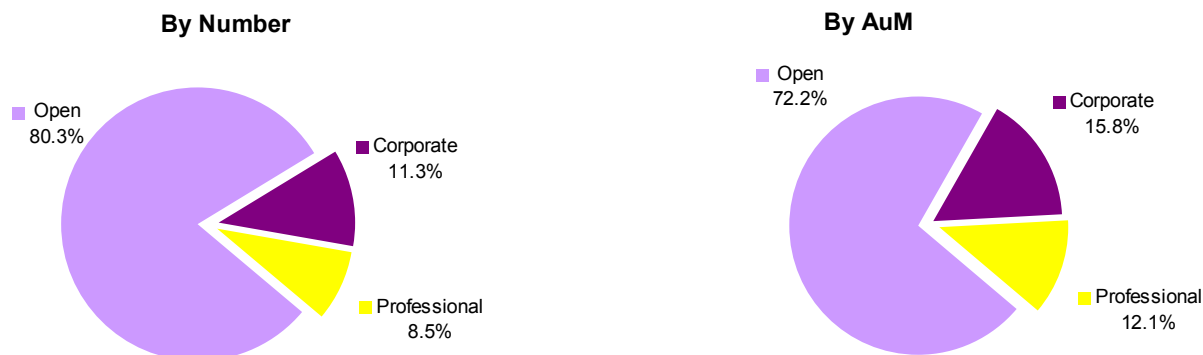


Chart 18. Breakdown of NPF number and their asset value under AMC management, by Fund Types, as of 31.12.2015

¹⁰ Without taking into account the corporate pension fund of NBU.



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

Value of NPF assets under AMC management in 2015 increased by 10.6% (after +15.6% in 2014) - from UAH 838.84 mln. to UAH **928.15 mln.** (Chart 19).

For the fourth quarter of 2015 it increased by **6.1%** (Table 12).

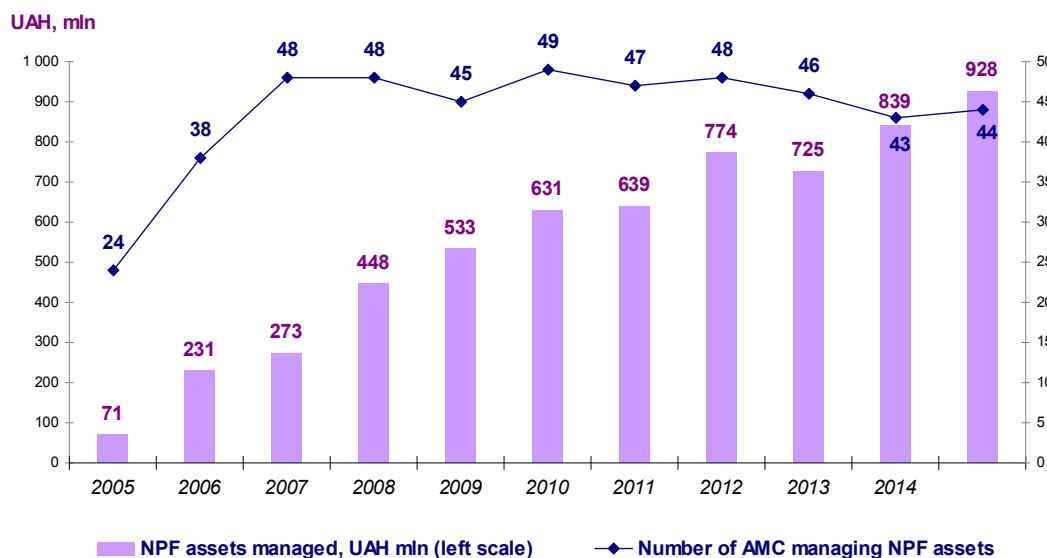


Chart 19. Dynamics of the NPF asset management market in 2005-2015

Table 12. Value of NPF assets under AMC management, by Fund Types in Q4 2015 and 2015

NPF type	31.12.2014		30.09.2015		31.12.2015		Q4 2015 change	2015 change	2015 change, UAH
	Assets, UAH	Number of NPF reported	Assets, UAH	Number of NPF reported	Assets, UAH	Number of NPF reported			
Open	591 982 424	58	624 842 834	57	669 926 537	56	7.2%	13.2%	77 944 113
Corporate	138 107 602	7	139 456 488	8	146 317 665	8	4.9%	5.9%	8 210 063
Professional	108 750 786	7	110 440 016	6	111 908 733	6	1.3%	2.9%	3 157 947
Total	838 840 812	72	874 739 339	71	928 152 935	70	6.1%	10.6%	89 312 123

The largest sector - **open NPF** – grew the most in 2015 both in absolute and relative terms (+UAH **77.94 mln.**, +**13.2%**, after 16.7% in 2014). With total assets of **UAH 669.93 mln.** at the end of 2015 they covered 72.2% of all NPF assets under management.

Reduction in the number of these funds did not led to reduction of their market’s share: in 2015 already more than 80% of the NPF were open.

Asset growth of **corporate NPF**, that reached **UAH 146.32 mln.** was less active (+**5.9%**, after +13.9% in 2014).

Professional NPF demonstrated even twice smaller growth compared to corporate NPF (+2.9%, after +12.4% a year ago) and reached the level of **UAH 111.91 mln.**

Professional NPF **were the largest by average volume of assets** under management in **2015**, an average fund’s volume, as of 31.12.2015, increased significantly - up to UAH 18.65 mln. (from UAH 15.54 mln. a year ago). But former leaders, **corporate NPF**, had the similar level – UAH 18.29 mln. (UAH 19.73 mln. a year ago). An average volume of assets under management of open NPF at the end of 2015 was again the leastone, but continued to grow - from UAH 10.21 mln to UAH 11.96 mln.

In the structure of NPF assets in 2015 the share of **securities** decreased from 57.0% to **55.5%** (but increased from 54.0% in the 3-rd quarter, Chart 20).



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

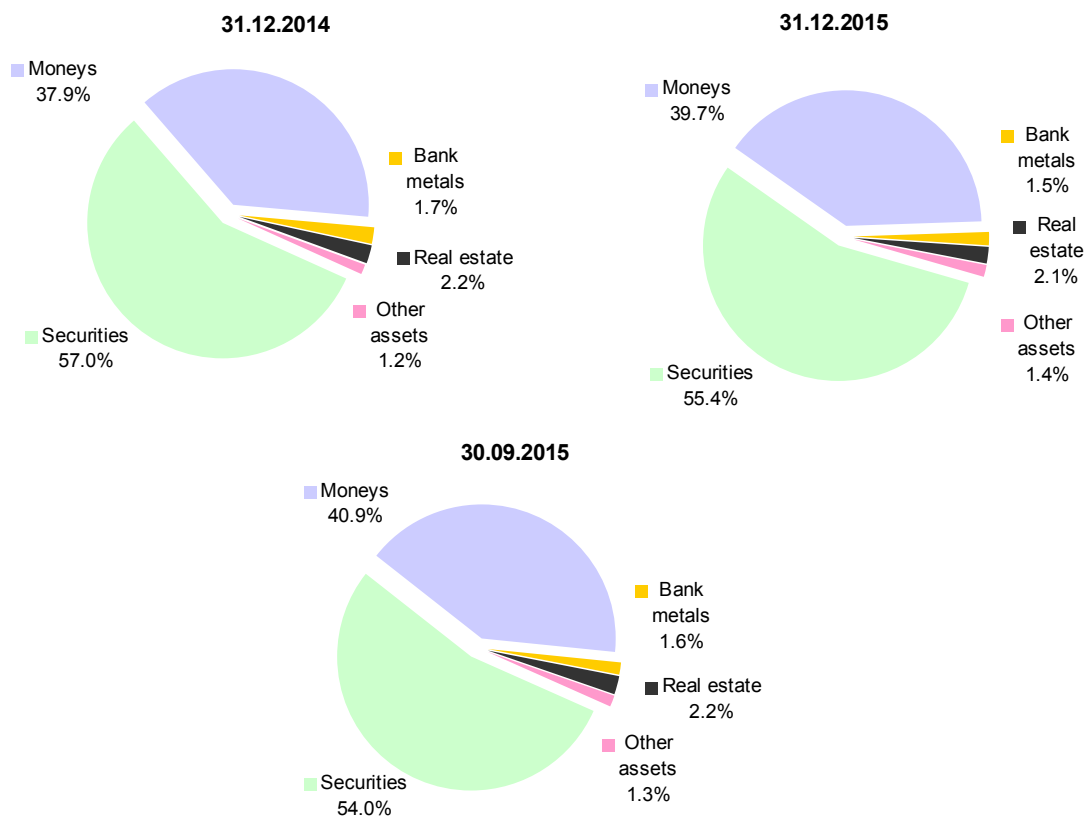


Chart 20. Dynamics of NPF aggregate portfolio structure in Q4 2015 and 2015

NPF assets in securities increased for the year by UAH 36,399.70 mln., or by 7.6% (after +UAH 120.67 mln. in 2014), at that in the 4-th quarter their growth was higher (+UAH 41.72 mln.). Sector of *open NPF* again had the largest absolute growth of funds' assets – by UAH 25.83 mln. for the year and by UAH 40.01 mln. in the 4- th quarter, to UAH 356.20 mln. (Table 13). In relative terms it were *corporate funds* that increased their assets in securities for the year the most (+15.3%).

Reduction of securities' share in the asset structure of NPF was caused by more active growth of **moneys in banks** - by 16.0% (UAH 50.91 mln., including UAH 10.83 mln. in the 4th quarter). At that, in *open NPF* assets increased by 20.9% (UAH 47.91 mln., including UAH 4.16 mln. in the 4th quarter).

Moneys at banks' accounts increased also in *professional NPF* (+UAH 2.98 mln., +14.4%, including +UAH 1.11 mln. in the 4th quarter). *Corporate NPF* in the 4-th quarter offset the reduction of assets in 1-3 quarters (+UAH 5.56 mln.), and for the year they showed a minor increase of these assets.

Share of moneys at banks in assets of all NPF under management at last in 2015 increased from 37.9% to **39.7%**.

There were no **real estate** in corporate NPF, and **bank metals** were absent also in professional ones. Overall, these assets together with other assets covered about 5% of all NPF assets under management at the end of 2015.

Table 13. NPF AuM structure, by Fund Types, as of 31.12.2015, UAH

NPF type	Securities	Moneys	Bank metals	Real estate	Other assets
Open	356 197 398	277 460 994	13 488 663	14 464 460	8 315 023
Corporate	78 545 257	67 351 712	0	0	420 696
Professional	79 388 377	23 617 930	0	5 050 939	3 851 487
Total	514 131 032	368 430 636	13 488 663	19 515 399	12 587 206



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

Significant increase of assets at banks by *open NPF* for 2015, that more than twice exceeded the growth of package of securities in the sector, increased the share of the first ones with 38.8% to 41.4% and reduced the share of the second ones - from 55.8% to 51.4% (Chart 21).

Share of securities *in corporate NPF* for the year rose sharply - from 49.3% to 57.5%, this was promoted not only by growth of funds' investments, but also by withdrawal of bank metals from assets of these NPF (-UAH 1.97 mln.).

A double-digit increase of assets at banks by *professional NPF*, together with almost no increase in the assets of these funds in securities, led to the fact that share of these assets in the sector's aggregate portfolio increased from 19.0% to 21.1%. Share of fund's assets, respectively, decreased from 72.9% to 71.9%.

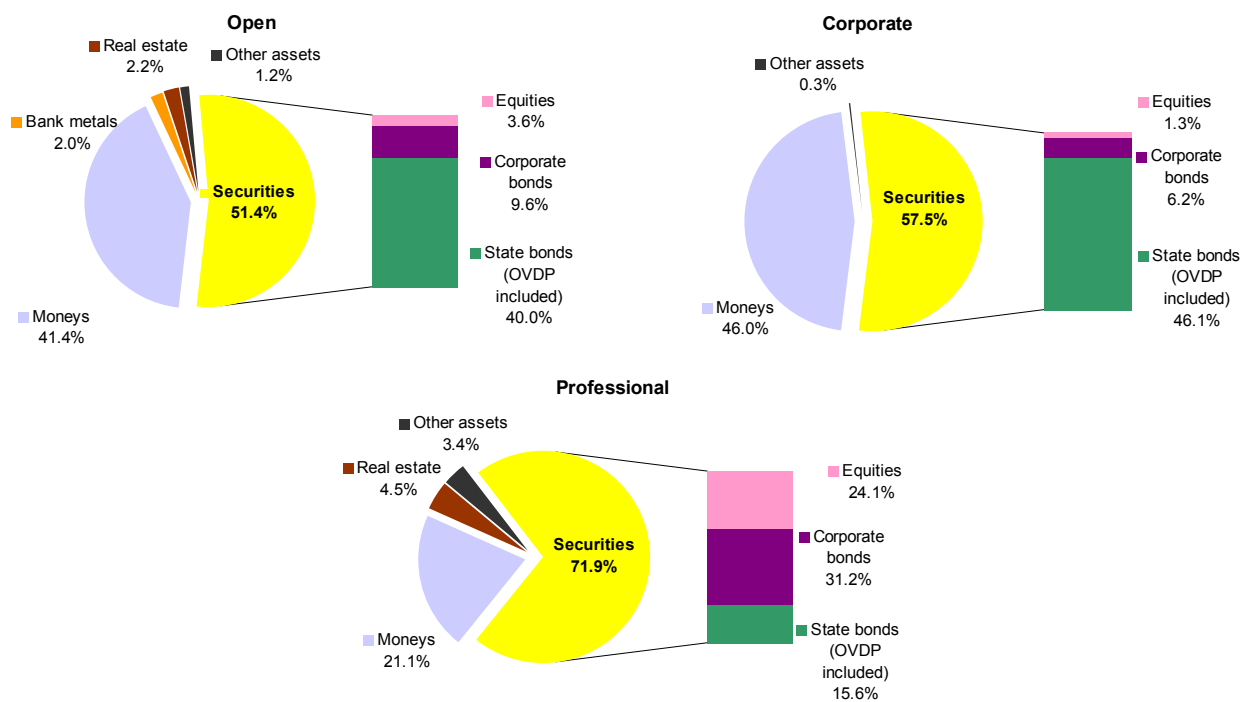


Chart 21. NPF AuM structure, by Fund Types as of 31.12.2015

4. Insurance Companies' Asset Management Performance

In 2015, slight multidirectional changes took place in asset management of insurance companies (IC).

The number of IC that transferred their assets under management, during the year decreased from 7 to 5 (the level of 2013), and the number of **AMC** that provided such services for IC - from 4 to 3 (Table 14).

Table 14. IC Assets under AMC management as of 31.12.2015

	Number of AMC managing IC assets	Number of IC managed	IC AuM, UAH mln (left scale)	Change of IC AuM for the year	Change of IC AuM since the beginning of 2015	Change of IC AuM for the year
2009	1	1	3.0	-	-	-
2010	2	2	14.7	-	-	392.8%
2011	4	3	51.3	-	-	248.4%
2012	5	6	60.7	-	-	18.3%
2013	4	5	19.9	-	-	-67.2%
2014	4	7	30.5	-	-	53.2%
Q1 2015	4	7	33.2	8.9%	8.9%	28.8%
Q2 2015	3	6	28.1	-15.2%	-7.7%	-6.9%
Q3 2015	3	5	30.3	7.8%	-0.5%	-4.6%
Q4 2015 / 2015	3	5	32.8	8.0%	7.5%	7.5%



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

At that, **IC assets under management grew for the year by 7.52%** (after +53.2% in 2014), and as of 31.12.2015 amounted to **UAH 32.8 mln.** The annual increase was smaller than of indicator for the 4th quarter (+8.0%), that was associated with a significant reduction of IC assets under management in the second quarter (Table. 14, Chart 22).

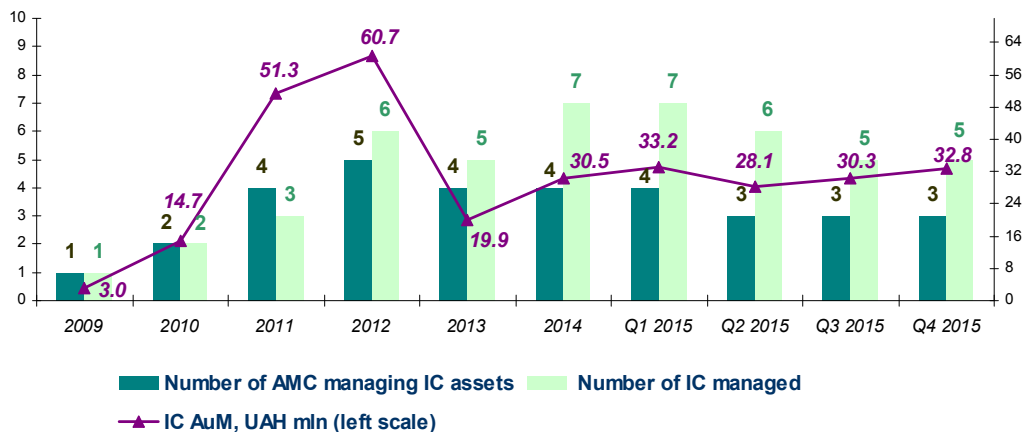


Chart 22. Dynamics of the IC asset management in 2009-2015

5. Problematic Aspects of the Asset Management in 2015

2015 became another year of tests for Ukrainian industry of institutional investors' assets management: the market in general grew not because of "due to" but "in contrary". Among **the key problems, that affected the industry in 2015**, it is worth noting, in particular, the following:

- force majeure circumstances related to military operations in eastern Ukraine and annexation of the Crimea;
- sharp drop of the economy – and, consequently, - of the welfare of population, together with reduction of opportunities to accumulate savings in terms of very high inflation;
- mass closure of banks, rigid currency regulation and other problems in the banking system;
- continuation, although at a significantly slower pace, of capital's outflow from the sector of public (open-ended) collective investment institutions (CII) - along with almost constant decline in the stock market and its sank in the second half of 2015;
- significant actual reduction of available for investments instruments on stock market, in particular, listing, and expected their further substantial reduction in connection with the adopted in 2015 amendments to tax regulations, that came into force since the beginning of 2016, and significantly increased the requirements for securities for their presenting in listing on stock exchanges;
- contradictory and unsystematic steps of the regulator (SSMNC), concerning increasing requirements for securities, issuers and professional participants (including in context of fighting against falsifications and manipulations on the market, and also introduction of new stringent requirements in the context of prudential supervision).

All of this increased greatly risks of activity on institutional investors' asset management (and its cost) and reduced profitability and feasibility of doing business for many AMC. Negative changes of market's situation and strengthening regulation were perceived not as just current difficulties, but as a long-term trend, lasting for almost two years. Finally, the number of asset management companies decreased during the year: as in previous years, the number of companies that left the market exceeded the number of its new participants.

In 2015, **the volume of assets which were registered (located) in the area of ATO, in portfolios of CII and NPF generally decreased by 58%** (in NPF - more than in three times) - to **UAH 22.16 mln.** (including UAH 20.62 mln. in CII) (Table 15). At that, the number of issuers and issues



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

of securities with "residence" in ATO area in funds' portfolios decreased this year, respectively, by 9% and 28% (to 31 issuer and 34 issues), after 2014, when it practically did not change.

Table 15. Assets, registered in ATO area, in portfolios of CII and NPF in 2014-2015

Assets/Date	31.12.2013	31.12.2014	31.12.2015	2014 change	2015 change	2014-15 change
CII, UAH	147 415 819	47 566 286	20 616 898	-67.7%	-56.7%	-86.0%
NPF, UAH	5 689 316	5 093 134	1 541 865	-10.5%	-69.7%	-72.9%
Total CII and NPF, UAH	153 105 135	52 659 421	22 158 763	-65.6%	-57.9%	-85.5%

As of 31.12.2015, in **assets at the accounts and financial instruments of banks, which were deemed insolvent** by National Bank of Ukraine, CII and NPF hold assets, which totally amounted to **UAH 2.36 mln.**, including UAH 1.30 mln. in deposits, UAH 0.79 mln. – in current accounts and UAH 0.17 mln. in bank equities (Table 16). 99.9% of these assets were owned by CII, including 95.5% of them – by venture ones, in particular, 55% were in deposits of these funds, 33% - in their current accounts.

The number of insolvent banks, according to the NBU data, in 2015 doubled - from 33 to 66, at that, **assets of CII and NPF in such banks for the year decreased by 97% (from UAH 79.10 mln.)**. At that, NPF deposits in insolvent banks, as of 31.12.2015, decreased by 40% (to UAH 2.7 thsd.), assets in equities - by 75% - almost to zero in absolute terms.

This was due, mainly, to active actions of AMC connecting with transfer of NPF' and CII' assets from banks which had signs of problems in those ones that worked properly, as it happened against the background of a significant increase of the aggregate value of funds in all banks in assets of both CII, as well as of NPF. Thus, in general, AMC successfully managed funds' assets in banks.

Table 16. CII assets in insolvent banks, as of 31.12.2015¹¹

Funds / Types of Assets, UAH	Bank deposits	Bank current accounts	Bank bonds	Bank equities	Bank Metals	Total
As of 31.12.2015						
Open-ended	0	0	0	6 306	0	6 306
Interval	0	648	0	0	0	648
Closed-end (venture excluded)	0	1 436	95 507	0	0	96 943
<i>ALL CII (venture excluded)</i>	<i>0</i>	<i>2 084</i>	<i>95 507</i>	<i>6 306</i>	<i>0</i>	<i>103 897</i>
Venture	1 299 605	787 686	0	166 617	0	2 253 909
<i>ALL CII (venture included)</i>	<i>1 299 605</i>	<i>789 770</i>	<i>95 507</i>	<i>172 924</i>	<i>0</i>	<i>2 357 806</i>
NPF	2 710	0	0	28	0	2 738
Total CII and NPF	1 302 315	789 770	95 507	172 952	0	2 360 544
As of 31.12.2014						
Open-ended	0	0	0	6 306	0	6 306
Interval	36 000	21 559	0	0	0	57 559
Closed-end (venture excluded)	0	7 132	95 507	52 839	0	155 479
<i>ALL CII (venture excluded)</i>	<i>36 000</i>	<i>28 692</i>	<i>95 507</i>	<i>59 145</i>	<i>0</i>	<i>219 344</i>
Venture	59 772 400	13 506 220	0	5 598 197	0	78 876 817
<i>ALL CII (venture included)</i>	<i>59 808 400</i>	<i>13 534 912</i>	<i>95 507</i>	<i>5 657 342</i>	<i>0</i>	<i>79 096 161</i>
NPF	4 514	0	0	113	0	4 627
Total CII and NPF	59 812 915	13 534 912	95 507	5 657 455	0	79 100 789
As of 31.12.2014 - by the list of insolvent banks as of 31.12.2015						
Open-ended	25 196	1 073	0	10 056	0	36 325
Interval	1 235 350	45 137	0	0	0	1 280 487
Closed-end (venture excluded)	55 061 252	187 216	95 507	428 210	0	55 772 185
<i>ALL CII (venture excluded)</i>	<i>56 321 798</i>	<i>233 426</i>	<i>95 507</i>	<i>438 267</i>	<i>0</i>	<i>57 088 998</i>
Venture	285 772 711	211 994 881	991 855	5 994 742	0	504 754 188
<i>ALL CII (venture included)</i>	<i>342 094 509</i>	<i>212 228 307</i>	<i>1 087 362</i>	<i>6 433 008</i>	<i>0</i>	<i>561 843 186</i>
NPF	7 433 475	0	0	113	0	7 433 588
Total CII and NPF	349 527 984	212 228 307	1 087 362	6 433 121	0	569 276 774

¹¹ Based on the NBU data on banks in the process of reorganization and liquidation, as of 31.12.2015 – there were 66 banks, as of 31.12.2014 - 33 banks: http://bank.gov.ua/control/uk/publish/article?art_id=75535&cat_id=17823466



Also, reduction of CII' and NPF' assets value in troubled banks to some extent was influenced by write off of their value according to the rules of their evaluation and accounting, as well as the closure of a number of funds during the year. Thus, assets in deposits, current accounts and equities in banks, which were recognized as insolvent, as of the beginning and the end of 2015, decreased by 98%, 94% and 97%, respectively.

At the beginning of the year, CII and NPF owned in equities and bonds of 66 banks, which at the end of 2015 were classified as insolvent, **UAH 569.28 mln.** (99% - in CII, 89% - in venture funds, about 50% - in deposits of these CII).

Overall assets of investment and pension funds in the banking system in 2015 increased by 17% and exceeded UAH 4.7 bln.

6. Resume and Next Year Prospects

Reduction in the total number of participants in the market of asset management industry in Ukraine - both AMC, as well as funds under management and their investors, continued the second year in row. And despite all the difficulties, in 2015 the industry continued to grow.

The number of asset management companies in 2015 decreased from 336 to 313.

The number of collective investment institutions - as those, that reached compliance with the minimum asset value, as well as registered ones (presenting in USRJII) –decreased, so the trend of last year was preserved. In 2015, the reduction affected not only the sectors of open-ended (the 4th year running), interval and closed-end CII (the 5th consecutive year), and all public CII in general, but also venture funds (at that, the number of venture CIF increased significantly).

The total assets under management and net assets of CII in 2015 showed rates of growth similar to those in 2014 - this time only at expense of venture funds. Absolute growth of assets increased in 2015 almost by 1.5, NAV's - was the same, but relative growth for both indicators decreased slightly due to a larger base for comparison, but, however, remained double -digit (over 10%). As of 12.31.2015, assets of the industry exceeded UAH 236 bln., net assets - were nearly UAH 200 bln.

CII with public issue, in particular, open-ended and equity funds, continued to suffer losses from the stock market's decline and capital's outflows. In the sector of open-ended CII the latter lasted for 4.5 years, although in 2015 it weakened significantly and was virtually absent at the end of the year. Some more open-ended funds left the market during the year, and a new CII of this type was created last time back in 2012. One new specialized fund (bank metals) with public issue entered the market in 2015.

At the same time, trend of increasing assets of venture CII was also kept, though their number as a whole decreased in 2015, despite the emergence of a number of new funds in this category. Therefore, the concentration of the market continued to grow. Absolute growth of sector's assets was equal to the indicators of 2013-14.

Investors reduced their presence in CII during 2015 - their number decreased significantly in all sectors, except for the individual investors in venture CII, whose number increased in the 4th quarter and for the year as a whole.

At the same time, investors' inputs in CII in 2015 increased - primarily due to domestic enterprises, which provided half of the increase, as well as to citizens of Ukraine and foreign investors – legal entities. Investors of different categories focused their attention mainly on venture funds and other closed-end CII (except for legal entities-residents). Foreign enterprises also increased the amount of their assets in interval funds.

Share in CII assets, which was owned by non-residents (mostly legal persons) in 2015 increased to 18.6%, and their total investments increased more than in 2014 .

CII rates of return in 2015 generally decreased: for open-ended CII an average indicator found itself in the negative zone (after double-digit growth in 2014); for interval - remained above zero, but decreased more than double; for closed-end - in 2.5 times, at that, closed-end funds with public issue showed an average significantly better results than funds with private issue.



UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS
Analytical Review of the Asset Management Market in Ukraine
Q4 2015 and the Full Year 2015 Results

Almost half of funds among open-ended CII provided growth in the value of investors' investments in 2015. Almost all open-ended CII had rates of return for 2015 above the UX index, and almost a quarter - more than the deposits in Hryvnia.

Among diversified CII with public issue positive results this year were obtained, in particular, by bond funds, which also made competition by yield for deposits in local currency. Although the average rate of return of equity funds was negative in 2015, but decrease in the value of their securities was more than by tripled restrained than the UX index.

Private pension funds' asset management in 2015 continued to grow in terms of volumes of NPF assets under management, while the number of funds decreased. Open NPF remained the largest segment in aspects of value and quantity, their share even slightly increased for the year. NPF assets, the same as before, were invested mostly in securities (mainly in OVDP, while assets of professional NPF - in corporate bonds and equities) and in deposits at banks. Despite of securities' volume increase in each of three sectors of pension funds, the weight of stock instruments in assets increased only in the corporate NPF.

Number of insurance companies with assets under management in 2015, unlike the previous year, became fewer – the same as for AMC which managed such assets. The total value of IC assets under management in annual volume continued to grow, but more slowly than a year ago.

In view of above mentioned difficulties, that befell participants of the securities' market and asset management industry in 2015, among which, in particular, there was introduction of new, significantly more stringent requirements as for issuers, as well as for professional participants, including AMC, for further it is possible the substantial reduction of their number and assets under their management in 2016. Industry's participants expect that business environment will be even more complicated both in 2016, and in the medium term.

Among the expected changes in the regulations of the market – there is further activation of introducing norms of European law by regulator in the context of implementation of the Agreement on Association with the EU, in part of financial markets, including requirements for securities and issuers, stock exchanges (regulated markets) and professional participants (listing and prudance supervision), in particular, for AMC. The most painful this process will be for CII with public issue, and also for NPF. However, market participants hope that the regulator will take into account the Ukrainian realities and will strengthen requirements for capital and activity of market participants gradually (over several years), as it is envisaged by European practice.

Industry of asset management counts also on enlarging of the range of high-quality securities and derivatives in the market, available for investments institutional investors, implementation of legally provided opportunity to invest in foreign assets through corporate and sovereign instruments, as well as on needed for that liberalization of stock and currency markets, providing mechanisms for risks hedging, and improving the infrastructure of the stock market.

See additional and statistical information on the UAIB website:

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

For more information about UAIB please visit UAIB website.