



Analytical Review of the Collective Investments Market In The Second Quarter 2009

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1. Ukrainian Stock Market

The second quarter 2009 was marked by positive macroeconomic indexes and a certain, though not significant, stabilization of the economy. That stabilization occurred as a result of actions taken by Ukrainian enterprises on implementation of new strategy, transition to in-kind settlements, search for new markets for their products, and of a favorable market situation as to the prices on Ukrainian export goods. Negative consequences of recession in the financial sector of the country somewhat slowed down. At the same time, companies faced a further decline of the population's purchasing power and increasing tax pressure.

Similar tendencies were observed in many countries around the globe. However, positive macroeconomic indexes of the USA and Europe conditioned an upward movement in the stock markets indexes of the developed countries (Table 1). In the meanwhile, investors' moods changing to optimistic conditioned an inflow of capital to emerging markets, in particular, to Ukraine. During the second quarter 2009, PFTS index went up by 80,82% and at quarter end reached 411,08 points.

Table 1. National stock markets indexes in the second quarter 2009

Index	01.01.2009	01.03.2009	01.07.2009	Return for the second quarter 2009	Return since year beginning
PFTS (Ukraine)	301,91	227,34	411,08	80,82%	36,16%
RTS (Russia)	626,85	689,63	977,94	41,81%	56,01%
HANG SENG (China)	15042,81	13576,02	18 378,73	35,38%	22,18%
WSE WIG (Poland)	28331,881	21769,85	30688,731	40,97%	8,32%
DAX (Germany)	4973,07	4084,76	4905,44	20,09%	-1,36%
S&P 500 (USA)	931,8	797,87	923,33	15,72%	-0,91%
FTSE 100 (Great Britain)	4638,92	3926,14	4340,71	10,56%	-6,43%
NIKKEI 225 (Japan)	9043,12	8109,53	9939,93	22,57%	9,92%

The situation in the stock market, which is the key place of investments of non-venture CII, led to a growth in the collective investments market both by the volumes of moneys under AMC management and the profitability of CII under their management.



2. Number of AMC and CII

According to the UAIB data, in the second quarter 2009, the number of companies in Ukraine went down to 397, and the number of registered CII reached 1259 funds. Due to a decrease in the number of companies, an average number of CII per one AMC grew by 0,1 and was equal to 3,2 funds (Chart 1).

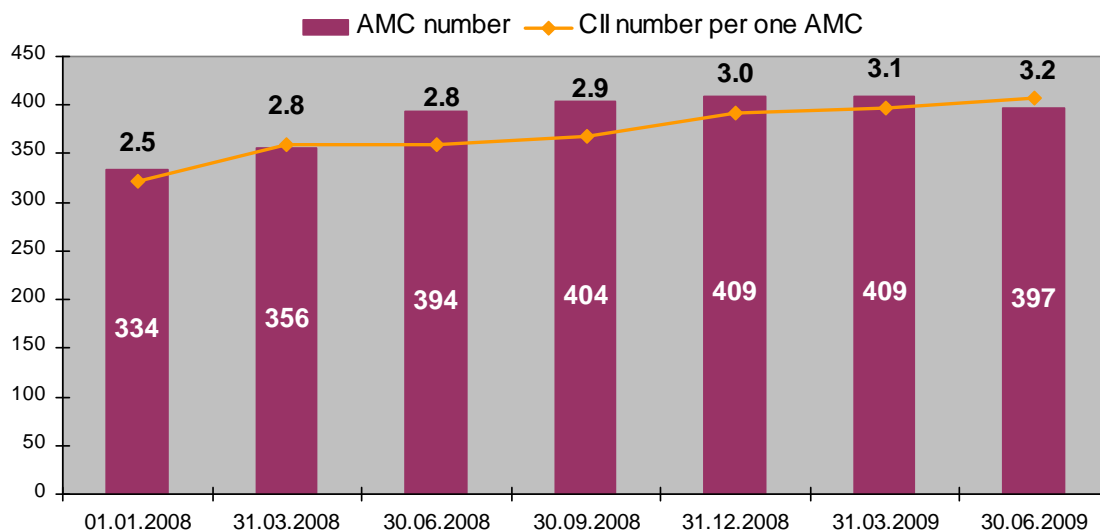


Chart 1. AMC and CII number dynamics per on AMC since 01.01.2008 through 30.06.2009

The number of CII that reached compliance with the standards as of the end of the second quarter 2009 attained 964 funds (Table 2). Quarterly growth comprised 4,6%. The growth was mainly due to an increase in the number of venture funds that reached compliance with the standards (+26 during quarter). At quarter end there were 678 venture CII (70,33% of the total number).

Table 2. Dynamics of the number of CII that reached compliance with the standards, by the types of CII in 2009

Date / Period	Total	UIF					CIF		
		Open-end	Interval	Close-end diversified	Close-end non-diversified	Venture	Interval	Close-end non-diversified	Venture
01.01.2009	888	32	41	4	22	636	1	107	45
31.03.2009	922	32	44	4	23	652	1	121	45
30.06.2009	964	33	46	5	23	678	2	128	49
Growth over the second quarter	4,6%	3,1%	4,5%	25,0%	0,0%	4,0%	100,0%	5,8%	8,9%
Growth since year beginning	8,6%	3,1%	12,2%	25,0%	4,5%	6,6%	100,0%	19,6%	8,9%

Negative macroeconomic forecasts and the forecasts on the country's economic development caused establishment of a very small number of new funds. Until the national companies complete re-orientation of their activities at a new circle of investors and new markets, only insignificant increase in the number of funds can be expected.



3. Regional Distribution of AMC and CII

Among the regions, just as previously, those were Kyiv and Kyiv Region that led both by the number of AMC and funds and by the total value of assets under AMC management, where 282 AMC (Chart 2) and 70,69% of funds, whose assets comprised 74,31% of the total asset volume of non-venture funds (Chart 3), were located.

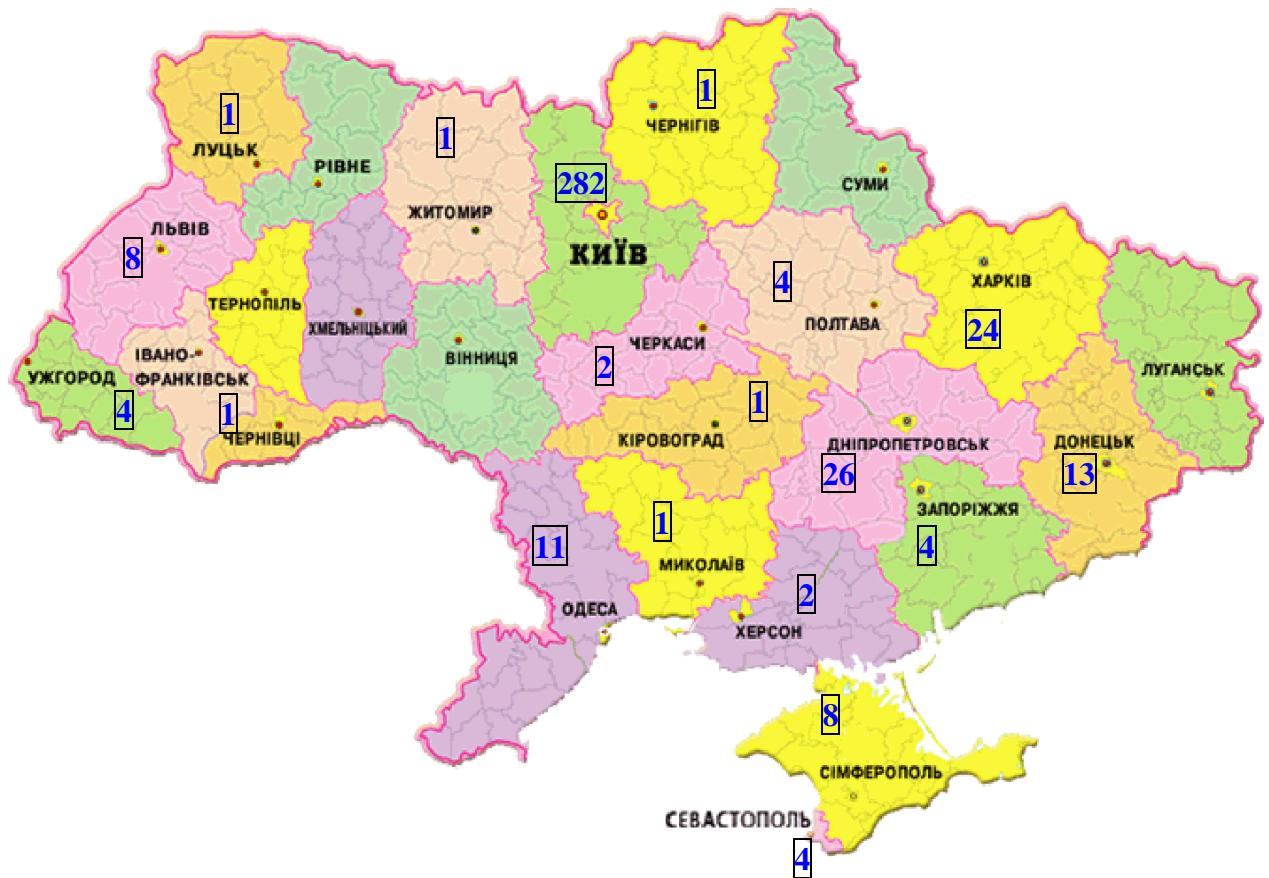


Chart 2. Regional distribution of AMC as of 30.06.2009

Second place, just as previously, went to Dnipropetrovsk Region (8,34% of CII and 9,27% of assets), and the third one - to Kharkiv Region (6,75% of CII and 7,63% of assets).

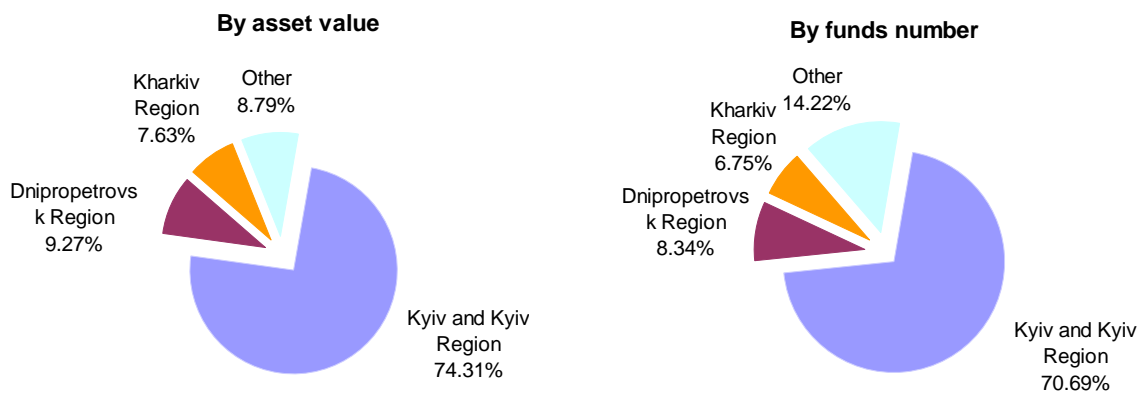


Chart 3. Regional distribution of CII by the number of non-venture funds and the value of non-venture assets under management, as of 30.06.2009



4. Non-venture CII Asset Value

During the second quarter, non-venture funds' asset value increased; at quarter end it amounted to UAH 5481,07M (+27,89% since year beginning and +16,44% over the quarter) (Chart 4). The negative tendencies started by the end of 2008 continued, which resulted in a decrease in the value of non-venture CII assets and the number of investors into non-venture CII.

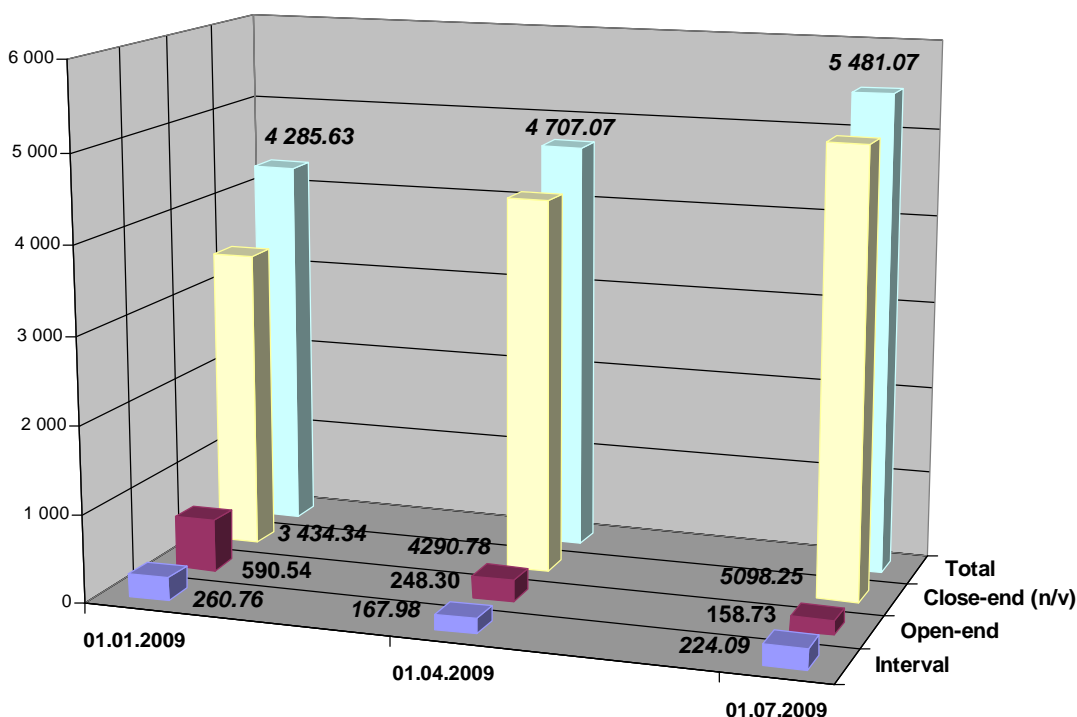


Chart 4. Non-venture CII asset value dynamics in 2009, UAH M

In the second quarter, open-end and close-end funds increased their asset value (+33,04% and +18,82% accordingly). The decrease of interval CII value that started since year beginning continued during the second quarter. Their asset value went down by 36,07% (-20,91% during the first quarter 2009) and at quarter end reached UAH 158,73M (Table 3).

Table 3. Non-venture CII asset value dynamics in 2009, by the types of funds

Funds	NAV as of 01.01.2009, UAH M	NAV as of 01.04.2009, UAH M	NAV as of 01.07.2009, UAH M	Growth for the second quarter	Growth since year beginning
Open-end	260,76	167,98	224,09	33,40%	-14,06%
Interval	590,54	248,30	158,73	-36,07%	-73,12%
Close-end	3 434,34	4 290,78	5 098,25	18,82%	48,45%
Total	4 285,63	4 707,07	5 481,07	16,44%	27,89%

Due to the unevenness of non-venture CII asset value changes by the types of funds, their proportion by asset value changed (Chart 5). For instance, open-end funds' share comprised 2,90% against 5,28% of the preceding quarter, and interval funds' one – 4,09% instead of 3,57%. Just as previously, the greatest share – 93,02% (91,16% in the first quarter)– was the one of close-end funds.

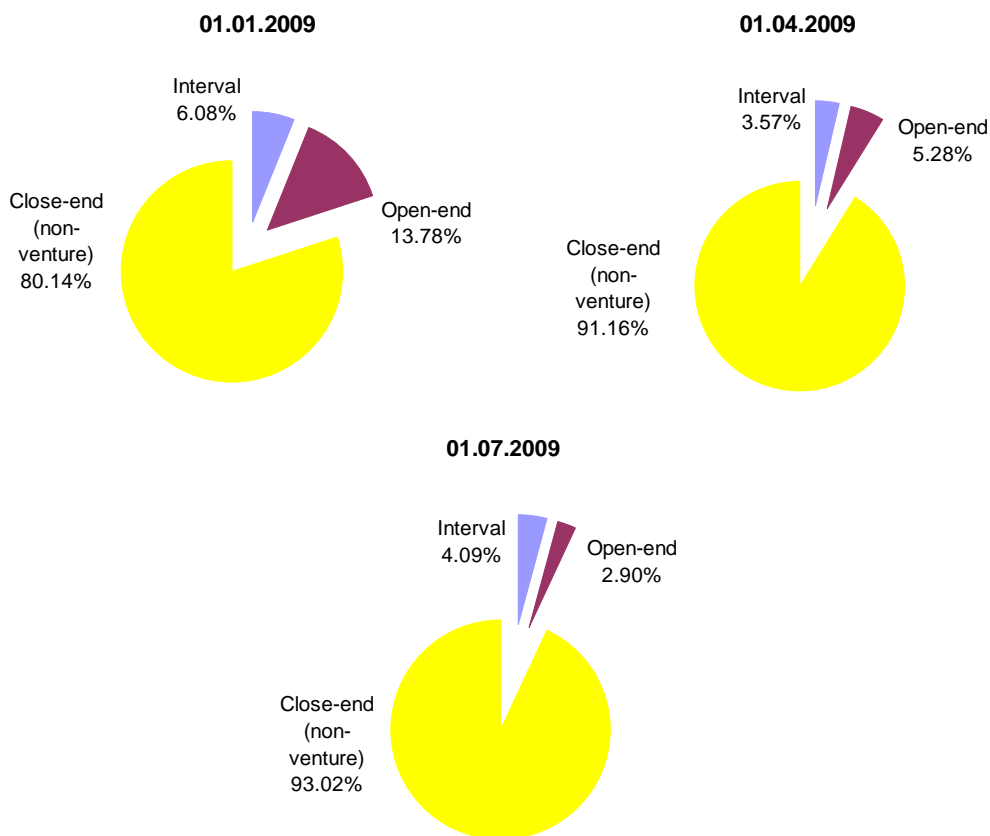


Chart. 5. Non-venture CII asset value structure, by the types of funds in 2009

Total net asset value of non-venture funds also increased: from UAH 4225,67 M at quarter beginning to UAH 4926,07 M (+16,57%) – at quarter end (Table 4). That happened due to open-end (+31,12%) and close-end (+19,32%) CII, whilst the NAV of internal declined by 35,79%.

Table 4. Non-venture CII net asset value dynamics in 2009, by the types of funds

Funds	NAV as of 01.01.2009, UAH M	NAV as of 01.04.2009, UAH M	NAV as of 01.07.2009, UAH M	Growth for the second quarter	Growth since year beginning
Open-end	182,84	167,17	219,20	31,12%	19,88%
Interval	503,25	246,56	158,31	-35,79%	-68,54%
Close-end	3 381,99	3811,94	4548,56	19,32%	34,49%
Total	4 068,09	4 225,67	4 926,07	16,57%	21,09%

5. Non-venture CII Asset Structure

Just as during previous periods, the asset structure of open-end and interval funds was fairly similar. The stake of moneys and bank deposits within an aggregate portfolio of those types of funds comprised 31,0% and 27,74% accordingly, and of securities – 68,87% and 72,17%. The structure of an aggregate portfolio of close-end CII, just as before, contained a smaller stake of moneys and bank deposits - 7,21%, and a greater stake of securities – 83,20%.

The key changes in the structure of open-end CII assets over the quarter consisted in a decrease of the stakes of: other assets – by 0,99 percentage points and municipal bonds – by 0,24 percentage points, and in an increase of the stakes of: moneys and bank deposits – by 0,36



percentage points, OVDP – by 0,45 percentage points, shares – by 0,17 percentage points, municipal bonds – by 0,71 percentage points, and other securities – by 0,72 percentage points.

Changes in the structure of interval CII assets were somewhat different. In particular, a decrease was observed in the stakes of: other assets – by 0,99 percentage points, moneys and bank deposits – by 0,03 percentage points, OVDP – by 0,43 percentage points, municipal bonds – by 0,23 percentage points, and corporate bonds – by 0,19 percentage points; whilst an increase took place in the stakes of: shares – by 0,56 percentage points and other securities – by 3,19 percentage points.

Those changes could be explained by the growth of Ukrainian stock exchange indexes and CII assets value in their portfolios, an outflow of investors from CII, an increase in the rate of return on OVDP due to their sale by non-residents, and continuing crisis in the banking and industrial sectors.

The said tendencies were also observed in close-end funds, the following stakes in which decreased: other assets – by 0,56 percentage points, moneys and bank deposits – by 0,04 percentage points, OVDP – by 0,31 percentage points, savings certificates – by 0,12 percentage points, and other securities – by 0,37 percentage points. In the meanwhile, an increase was observed in the stakes of: real estate – by 0,22 percentage points, municipal bonds – by 0,10 percentage points, shares – by 0,24 percentage points, and corporate bonds – by 0,10 percentage points.

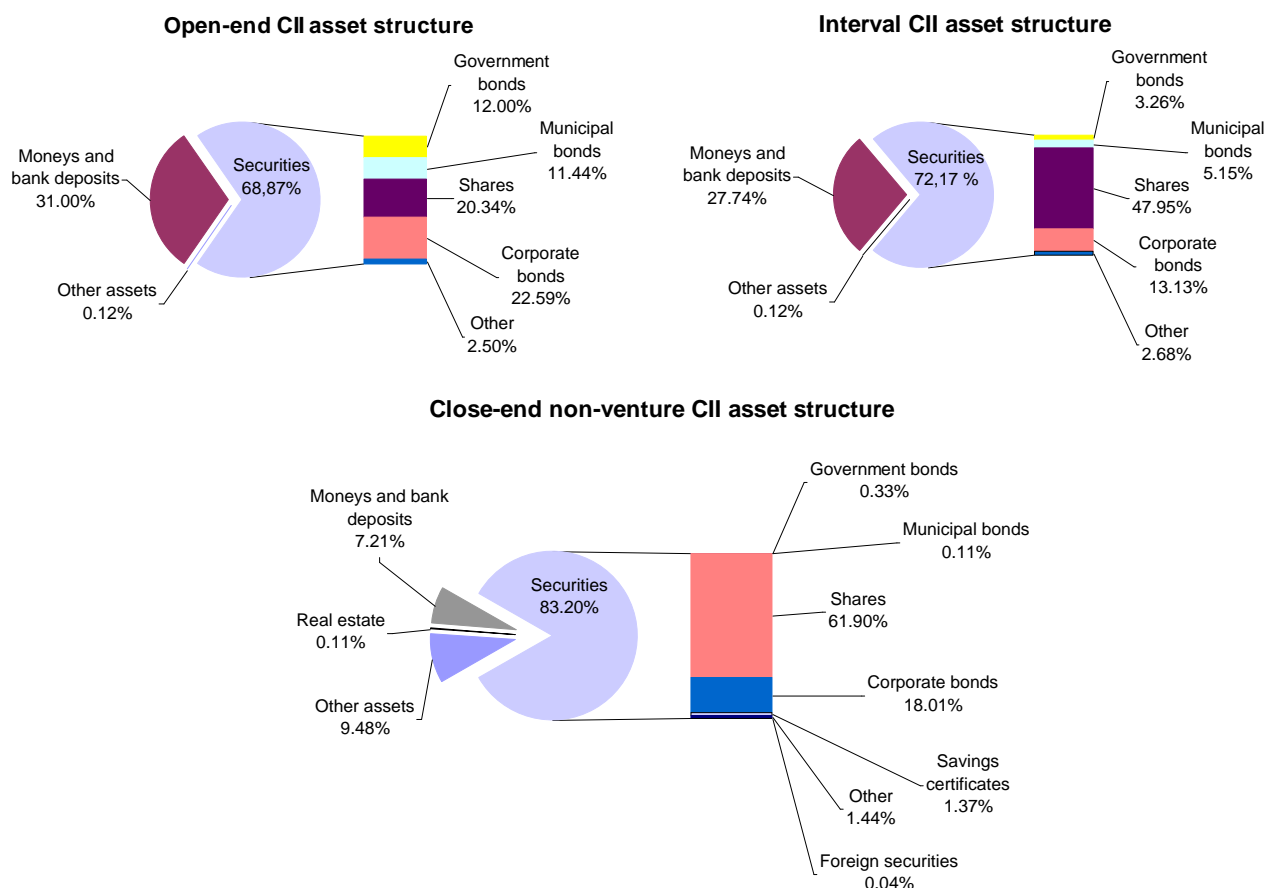


Chart 6. Non-venture CII asset structure in different types of funds as of 30.06.2009

As to the structure of consolidated CII securities portfolio by investment industries, from Chart 7 we can see that as of 30.06.2009, the key sectors into which the moneys of non-venture CII had been invested were finance (26,04% +0,24 percentage points) and mixed (23,52% +0,20 percentage points). Compared to year beginning, the greatest decline was observed in consumer services sector (2,99%, -0,63 percentage points), which was probably due to continuing fall of citizens' incomes.

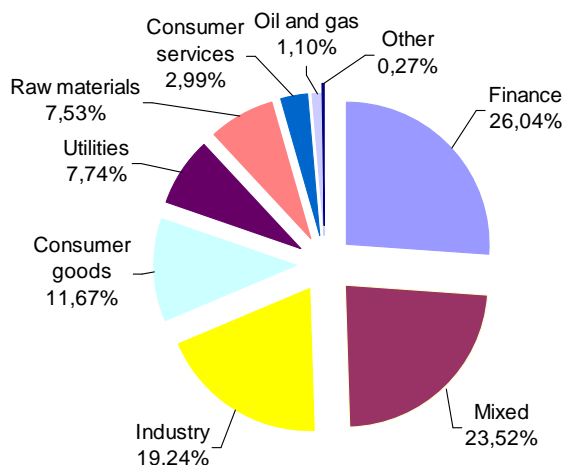


Chart 7. Consolidated non-venture CII securities portfolio structure, by investment industries, as of 30.06.2009¹

According to June 2009 PFTS equity securities rating, Ukrainian stock market blue chips remained most popular by the presence in non-venture CII portfolios (Table 5). Azovstal Metallurgical Works (AZST), whose shares were present in the portfolios of 97 funds (88 at quarter beginning), became the leader, and government bonds (OVDP) present in the portfolios of 81 funds (89 at quarter beginning) became second by popularity.

Compared to quarter beginning², the shares of OJSC Lutsky Automobile Works left the top ten, and the shares of OJSC Poltavsky Ore-Enrichment Works joined the top ten, whilst the rest of the leaders did not change.

Table 5. Most popular securities – by presence in non-venture CII portfolios as of 30.06.2009

	Security type	Category	Issuer	Number of CII that have respective securities in their portfolios
1	Shares	Common registered	OJSC Azovstal Metallurgical Works	97
2	Government bonds, internal	Interest-bearing, bearer	Ministry of Finance of Ukraine	81
3	Shares	Common registered	OJSC DEK Tsentrenergo	77
4	Shares	Common registered	OJSC MOTOR SICH	71
5	Shares	Common registered	OJSC Yenakyivsky Metallurgical Works	70
6	Shares	Common registered	OJSC Ukrnafta	67
7	Shares	Common registered	OJSC Mariupol Heavy Engineering Works AZOV	65
8	Shares	Common registered	OJSC Alchevsky Metallurgical Works	64
9	Shares	Common registered	OJSC Poltavsky Ore-Enrichment Works	61
10	Shares	Common registered	OJSC DAEK Zakhidenergo	56

Just as at quarter beginning, the leaders by an aggregate value in CII portfolios as of 30.06.2009 were assets not represented in Table 5. In other words, the greatest by volume within CII assets were securities purchased in large blocks by a small number of CII, in particular, by one CII. Compared to quarter beginning, an aggregate value of securities on the top ten increased by UAH 170,77 M – from UAH 889,99M to UAH 1 060,76M.

Shares of two issuers and bonds of one issuer became new positions in the top-ten. The first trio by value looked as follows: OJSC Avangardinvest (1st place, UAH 188,5 M), Grad Invest LLC (2nd place, UAH 161,37M) and OJSC Granite Construction Materials (3rd place, UAH 114,23M) (Table 6).

¹ According to PFTS industry classification.

² See: «Analytical Review of the Collective Investments Market in the First Quarter 2009», http://www.uaib.com.ua/files/articles/1051/65_4.pdf



able 6. Most popular securities – by aggregate value in CII portfolios as of 30.06.2009

	Security type	Category	Issuer	Value of securities purchased by CII, UAH
1	Shares	Common registered	OJSC Avangardinvest	188 496 500,00
2	Corporate bonds	Common registered	Grad Invest LLC	161 366 910,40
3	Shares	Common registered	OJSC Granite Construction Materials	114 234 007,78
4	Corporate bonds	Non-interest bearing, registered	Creditprombank	100 254 576,08
5	Shares	Common registered	OJSC Ukrainian Industrial Investments	89 616 391,20
6	Shares	Common registered	OJSC Invest Capital Real Estate	87 302 752,80
7	Corporate bonds	Common registered	Vyrobnychy Viector LLC	85 353 586,33
8	Shares	Common registered	OJSC Leninska Kuznia Plant	78 898 095,09
9	Shares	Common registered	OJSC Darnytsky Reinforced Concrete Constructions Plant (ZBK)	78 339 233,60
10	Shares	Common registered	OJSC Noviewenergo	76 896 499,68

6. Non-venture CII Return

Stock market growth in the second quarter 2009 resulted in increase of CII returns. Quarterly performance of all CII demonstrated growing returns. Just as in the preceding quarter, the greatest average return was earned by close-end non-venture CII– 17,85% (Chart 8).

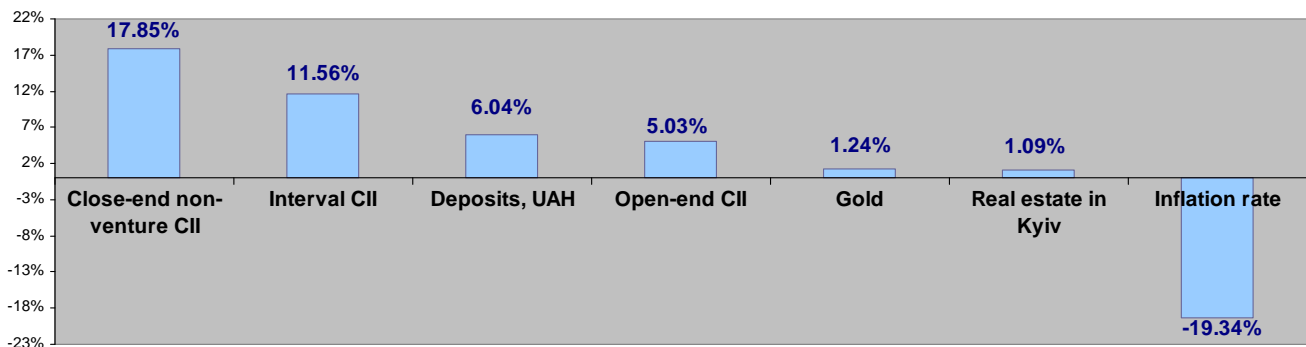


Chart 8. Average return - different types of CII, gold, deposits and inflation rate in the 2nd quarter 2009³

Interval CII became second by returns earned (+11,56% for the quarter). The worst results were demonstrated by open-end funds (+5,03% for the quarter). For the most part, that was due to investors' exit from the funds. Regulation as to the daily buyout of certificates by such funds requires from them a very objective revaluation of assets, which makes them the most reliable indicator of the collective investments market situation. Their efficiency is somewhat reduced by currently existing requirements to open-end funds' asset diversification, as well as by their being most affected by capital outflow.

For the first time during 2009, positive return (+1,09% for the quarter) was earned by investments into real estate. In the situation of unstable US dollar – euro exchange rate and commodity markets' decline, gold strengthened its position (+1,24% for the quarter).

Third place by return went to deposits in the national currency (+6,04% for the quarter), the rates on which somewhat increased in the conditions of liquidity crisis (+0,02 percentage points for the quarter) and significantly exceeded quarterly inflation rate (19,34%, calculated based on the level of return on investments).

³ The inflation rate provided is based on the State Statistics Committee data. The Source for return on real estate is calculated based on Kyiv real estate value index: <http://www.domik.net/mod/main/indexes/>.



7. Non-venture CII Certificates' Ownership Structure

In the second quarter 2009, just as during the preceding quarter, legal entities – residents remained the key investors of non-venture CII. As of 30.06.2009, the share of such investors reached 87,76% (+0,03 percentage points) of an aggregate NAV (84,94% – at year beginning). An increase in the share of moneys of legal entities – residents occurred due to an increase of those investors' moneys in interval CII from 7,11% of the NAV at quarter beginning to 59,36% – at the end (+7,35 percentage points). Such an increase was in the first turn due to replacement of investors – by legal entities-residents – in the funds where a significant drop in asset value was observed.

The second place was taken by legal entities – non-residents, whose investments slightly decreased from 8,84% of an aggregate NAV of non-venture CII at 2nd quarter beginning to 8,49% (-0,04 percentage points) at the end. The greatest share of such investments (59,34%) was in open-end funds. Growth of those investments occurred in open-end and close-end funds – by +0,11 percentage points in both types of funds. The third place was taken by natural persons – residents (3,72% of an aggregate NAV of non-venture CII (6,00% – at quarter beginning) who were present mainly in open-end and interval CII (36,52% and 40,34% of those funds' NAV respectively).

Table 7. Non-venture CII certificates' ownership structure as of 30.06.2009, % of NAV

Funds	Legal entities-residents	Legal entities non-residents	Natural persons-residents	Natural persons - non-residents
Open-end	3,08%	59,34%	36,52%	1,06%
Interval	59,39%	0,26%	40,34%	0,00%
Close-end	91,98%	7,16%	0,86%	0,00%
Total	87,76%	8,49%	3,72%	0,03%

8. Resume

The second quarter 2009 was characterized by cessation of the negative consequences of the financial crisis, which was also affecting economic processes. National stock market decline, that had started in 2008, stopped, and growth finally started. However, majority of funds so far did not manage to “outperform” stock indexes' growth and make up for the downfall that had occurred.

Volumes of attracted investments remained low, although risk investors were rushing to enter the stock market until its growth to the level of 2007 started.

Now, it is common to speak about political crisis and absence of efficient anti-crisis measures taken by government bodies, but those remain important prerequisites for coping with the crisis by the country and investors' return to the stock market.

Just as it had been forecasted in the analytical review for the first quarter 2009, asset managing companies were decreasing the number of public funds and re-orienting at private equity funds and money market funds. Due to a further decline of companies' liquidity, funds portfolios' makeup was changing towards more shares and fewer bonds.

Now it remains to wait until positive changes in the political situation occur, which would lead to a probable stock market growth.