

Non-venture Investment Funds: Performance in Q1 2007

Overview of the situation in the CII services market

Collective investment market growth continued in January–March 2007 (charts 1, 2, 4). The number of companies (AMC) that obtained licenses for asset management reached 251.

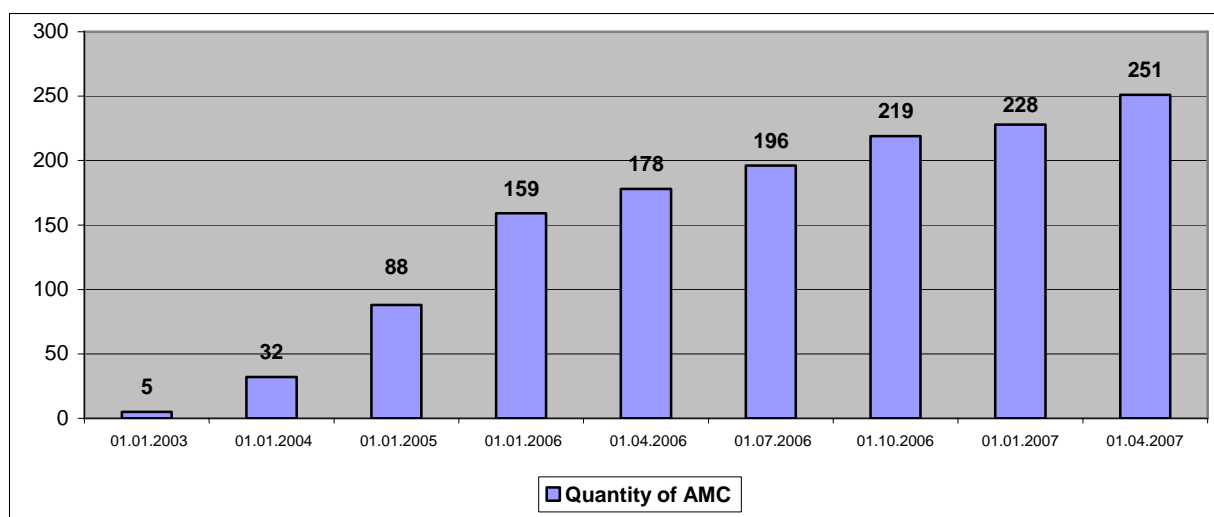


Chart 1. Dynamics of asset management companies' creation

The growth of investment funds was even more dynamic: in the first quarter of 2007 the number of collective investment institutions increased by 55, which resulted in operation of 574 investment funds as of end March 2007 (table 1). The breakdown of funds by types remained practically the same: the prevailing majority of CII are those of venture type (79.3% of the total number of registered funds).

Table 1

Dynamics of collective investment institutions' development by types

Date	Total	UIF					CIF	
		Open-end	Interval	Close-end diversified	Close-end non-diversified	Venture	Close-end non-diversified	Venture
04.01.2003	6		2			3		1
01.01.2004	29		6			20	1	2
01.01.2005	105	1	17	1	6	68	4	8
12.31.2005	284	4	19	3	20	199	20	19
03.31.2006	328	4	19	2	22	229	29	23
06.30.2006	383	5	21	2	26	274	29	26
09.30.2006	462	8	28	3	27	331	37	28
12.31.2006	519	10	25	3	29	377	42	33
03.31.2007	574	10	29	2	28	417	50	38

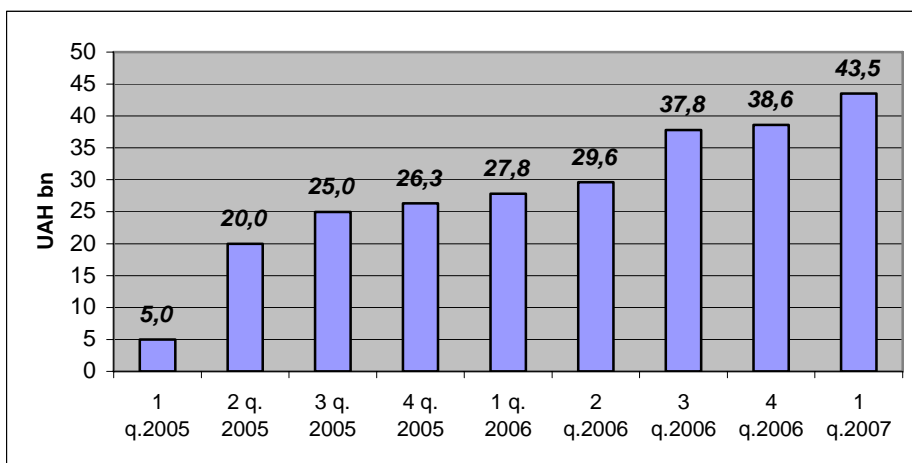


Chart 2. Dynamics of registered issuance volumes

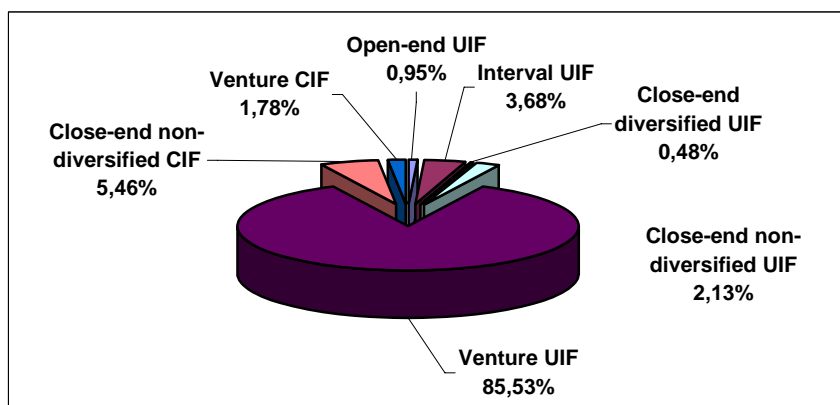


Chart 3. Structure of the announced issuance of investment funds, by CII types as of the end of Q1 2007

Venture funds also lead in terms of value indicators: in the volumes of registered issuances the venture funds' share is 88%, and within the volumes of assets – 90.7%, respectively.

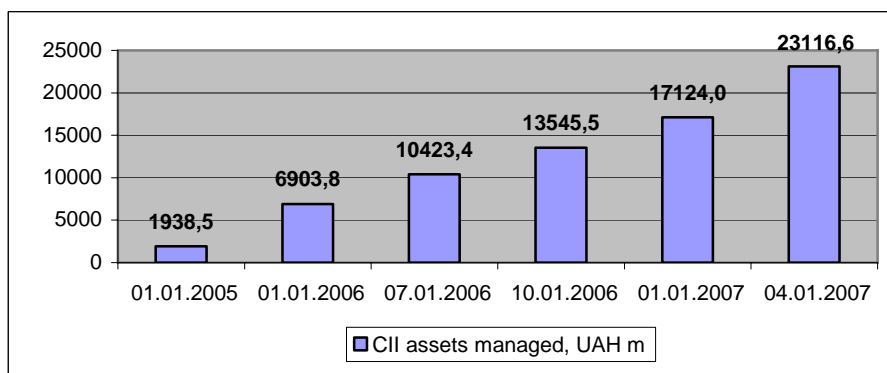


Chart 4. CII asset growth dynamics

Table 2

CII asset volume by fund type, as of 01.04.2007

Funds	Assets, UAH m	Growth, UAH m	Growth, %
Open-end	113.26	51.23	82.58%
interval	94.85	57.07	151.05%
Close-end (non-venture)	1 939.28	665.69	52.27%
Venture	20 969.21	5 197.4	32.95%
Total	23 116.61	5 971.39	34.83%

Analysis of the operations of non-venture funds in Q1 2007

Keeping up with an overall growth of CII market, non-venture funds demonstrated positive results.

As of the end of March 2007, 107 non-venture funds were operating in Ukraine. Of them, as of 31.03.2007, 80 CII met norms and filed reports with the UAIB. Among them were:

- 8 open-end CII;
- 19 interval CII; and
- 53 close-end non-venture CII.

The total value of the net assets of non-venture funds as of March end comprised UAH 1,741.02 million, having grown by UAH 564 million, or 48%, over the quarter (chart 5). Within the structure of non-venture funds' net assets, the lion's share belongs to close-end funds (89.34%), although a tendency towards decrease of the share of that CII type is gradually developing (chart 6).

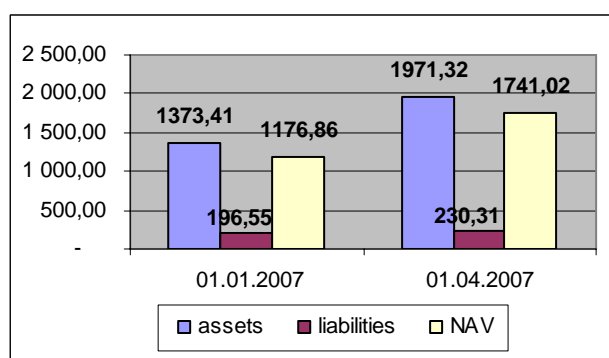


Chart 5. CII assets, liabilities and net assets' growth dynamics over the first quarter of 2007

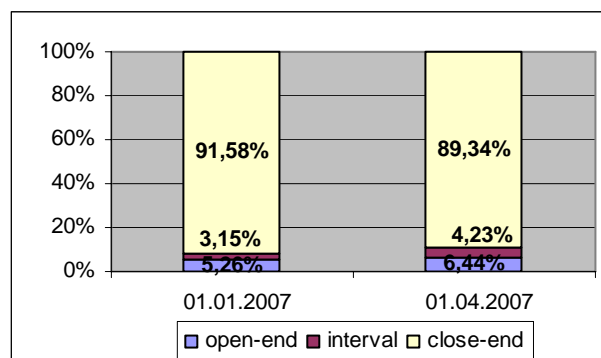


Chart 6. NAV structure by CII types as of 01.01.07 and 01.04.2007

Analysis of the first quarter results demonstrates a stable interest on the part of the population towards investment funds' activities: over January–March 2007 CII attracted UAH 175 million from the population. The growth comprised 44.79%, which, compared to bank deposits' growth (9.74% over Q1 2007), makes a rather convincing argument as to the interest of the population in CII services (table 3).

Table 3

Growth dynamics of the net assets of investment funds, NAV belonging to the population, and natural persons' deposits over the first quarter of 2007

Date	CII NAV, UAH m	CII NAV - belonging to the population, UAH m	Share of CII NAV - belonging to the population - within the total net assets' value	Deposits of the population, UAH m	Share of the population's investments into CII within the amount of deposits, %	Excess of deposits over CII contributions, times
01.01.2007	1 176.858	389.132	33.07%	106 885	0.36%	275
01.04.2007	1 741.018	563.417	32.36%	117 300	0.48%	208
Growth rate	47.94%	44.79%		9.74%		

On the whole, natural persons' investments into CII amount to 32.4% of the total investments (chart 7). Just as during relevant periods of the last year, most of monetary funds of the population were invested into close-end CII – UAH 454.8 m, and least of monetary funds – into open-end funds – UAH 53.6 m.

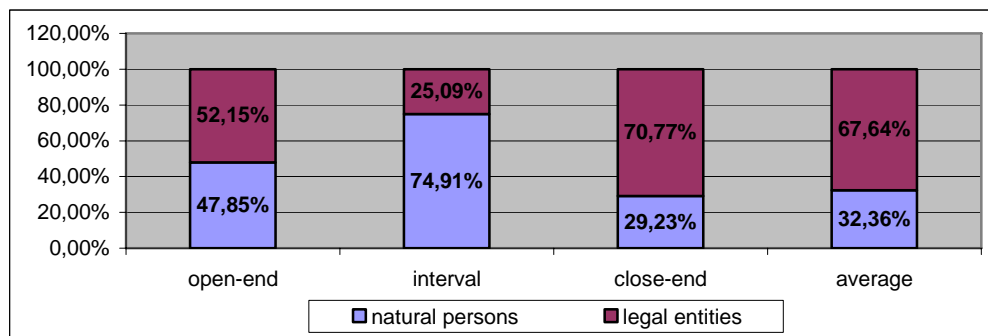


Chart 7. Breakdown of the NAV of investment funds among natural persons and legal entities as of 31.03.2007

However, by the quality of management based on aggregate indicators, open-end funds rank first: over three months they demonstrated the highest average rate of return among non-venture CII– 21.9% (chart 8). Close-end funds have the lowest average market indicators – their rate of return is 15.62%. However, these numbers are considerably higher compared to those demonstrated by alternative investments, such as, for instance, bank deposits.

Note: when choosing a fund, one should not look at average market indicators – it is necessary to take into account the performance of specific funds. For example, these are close-end funds that have the highest rates of return among all non-venture CII, although the average annual rate of return of close-end funds is the lowest one due to a great number of close-end funds with low rate of return, which have a significant influence on the average close-end funds’ rate of return.

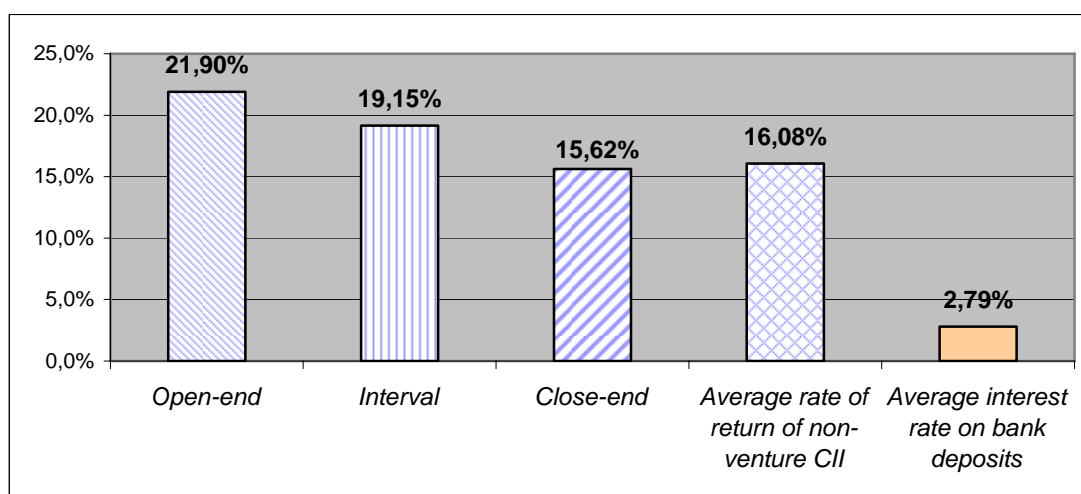


Chart 8. Average rate of return of non-venture CII and average interest rate on bank deposits over Q1 2007

The structure of funds’ investment portfolio was gradually improving. As of the end of March 2007, most of investments were performed into securities (most profitable financial instruments) – UAH 1.23 billion or 62.62% of the total amount of assets (table 4). For comparison: last year the investments into securities comprised only 47.54% (table 9).

Table 4

Structure of the assets of non-venture CII by the type of funds as of 31.03.2007, UAH

Types of CII	Monetary funds	Securities	Other assets	Total
Open-end	31 683 407.16	78 204 427.01	1 879 041.76	111 766 875.93
Interval	10 983 279.09	54 287 717.61	3 036 173.80	68 307 170.50
Close-end	355 769 386.13	1 095 520 995.97	329 586 011.65	1 780 876 393.75
Total	398 436 072.38	1 228 013 140.59	334 501 227.21	1 960 950 440.18

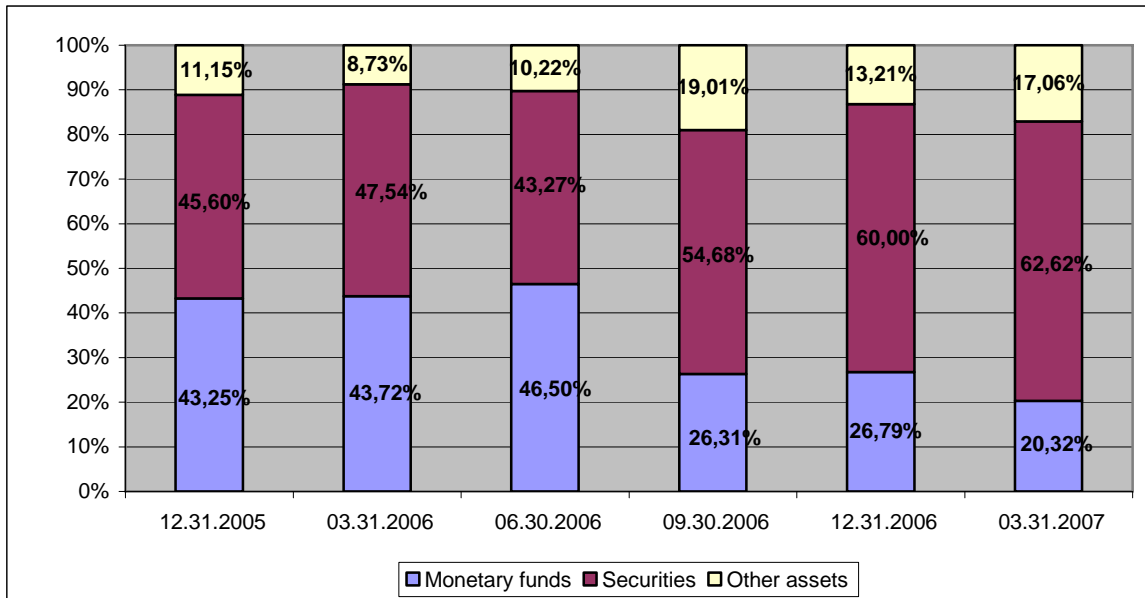


Chart 9. Changes in the structure of assets of non-venture CII over period 12.31.05 through 31.03.2007

Within securities, these are shares that funds prefer most – they comprise 57.6% of the securities portfolio value or 36.1% of the funds’ asset amount.

Table 5

Structure of the securities portfolio of non-venture CII, by the type of funds as of 03.31.07, UAH million

<i>Types of CII</i>	<i>Shares</i>	<i>Promissory notes</i>	<i>Government bonds, internal</i>	<i>Local loan bonds</i>	<i>Corporate bonds</i>	<i>Savings certificates</i>	<i>Total</i>
Open-end	47.32	2.14	2.40	5.32	21.02	0	78.20
Interval	38.64	0.09	127	2.87	11.42	0	54.29
Close-end	621.37	37.06	0	0	419.10	18	1 095.52
Total	707.33	39.29	3.66	8.19	451.54	18	1 228.01

Comparing different types of funds, it should be noted that shares comprise the major part in the investment portfolios of interval funds – over 55% of the portfolio value, when average market value is 36.1%.