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1. Asset Management Industry. General Overview

Number of Market Participants

Asset Management Companies (AMCs)

In the 1st quarter of 2019, the **number of asset management companies** increased by two, **to 298**, due to the newly established companies in Kyiv in January-March.

Of all operating AMCs, as at the end of March, 283 companies managed from one to 34 funds, and almost 99% of all such AMCs managed at least one venture fund.

Collective Investment Institutions (CII)

In January-March of 2019, **19 new CIIs were registered**. Taking into account the funds closed during the 1-st quarter, as at March 31, 2019, **the number of acting registered CII**, according to the UAIB, increased to **1,794** (+0.6% for Q1 2019).

Number of CII, which have reached norms for minimum asset value (formed ones), steadily grew and by the end of March of 2019 reached **1,237** (+9 funds, or +0.7% for the first quarter of 2019).

Non-State Pension Funds (NPFs)

The number **of NPFs under management** as at 31.03.2019 remained at the level of **58** (excluding the NBU corporate fund), including 45 open, 7 corporate and 6 professional ones. In total, 34 AMCs managed NPFs' assets.

Insurance Companies (IC)

Number of IC that transferred their assets under AMC management, as well as number of AMCs that provided such services, remained unchanged during January-March of 2019 – there were **2** of such insurance companies, and AMC, as at 31.03.2019, was the only one.

Assets under Management and NAV

All Institutional Investors

The **aggregate assets under AMC management** increased by 6.9% in the first quarter of 2019 and as at 31.03.2019 amounted to **UAH 336,435.1 M**. On an annual basis, since March of 2018, they have increased by 21.5%.

Collective Investment Institutions (CII)

The total assets of CII under management, including those that have not yet reached the norms for minimum asset value, in the first quarter of 2019 grew by 6.9% and for the year - by 21.6% to **UAH 334,882.4 M**.

Assets of acting CII that reached the norms for minimum asset value ("recognized" CII) grew in the first quarter of 2019 by 7.0%, and in the last 12 months - by 15.7% and as at 31.03.2019 amounted to **UAH 317 437.5 M**. The growth of CII assets was mainly due to the further increase of the number of funds and expanding of project activities by them (at the expense of venture CII), while growth in the stock market was weak and sectors of CII with public placement did not change quantitatively.

Value of net assets of formed CII ("recognized" ones) in January-March of 2019 accelerated growth to 4.6% for the first quarter and to 12.1% in annual terms. As at 31.03.2019, it reached **UAH 246,749.5 M**.

Non-State Pension Funds (NPFs)

NPF assets under AMC management in the 1-st quarter of 2019 also accelerated quarterly and annual growth - up to 4.4% and 17.1%, respectively. As at 31.03.2019, they reached **UAH 1,424.7 M**.

Insurance Companies (IC)

ICs' assets under AMC management for the first quarter of 2019 increased by 12.0%, and thus reduced the annual decline to -15.9%. As at 31.03.2019, these assets amounted to **UAH 89.6 M**.

2. CII Asset Management Market Results

2.1. Number of AMCs and CIIs

In the 1-st quarter of 2019, the Ukrainian asset management industry continued to grow in quantitative and value terms, at that the number of funds (CII) increased as well as the number of **operating asset management companies**, which were **298** as at 31.03.2019 (Chart1). According to the UAIB, two new AMCs were created during the quarter.

There were 283 companies with funds under management in March of 2019, the same as at the beginning of the year, at that they had from one to 34 funds under management, and almost 99% of all AMCs managed by at least one venture CII.

19 new CIIs were registered in January-March of 2019. Taking into account funds which were closed during the 1-st quarter, as at 31.03.2019, **the number of acting registered CII**, according to the UAIB, increased to

1,794 (+0.6% for Q1 2019, after 1.1% in the previous quarter). Thus, it increased for the 14th quarter in a row (starting from Q4 2015).

Number of formed CIIs which have reached the norms for minimum asset value (“established”, or “recognized” ones) steadily increased and by the end of March of 2019 reached **1,237** (+9 funds, or +0.7% for the first quarter of 2019, after +1.6% for Q4 2018).

Dynamics of entering the market by new funds slowed down compared to the 4th quarter of 2018: during January-March, *the number of recognized CII was in two times less than the number of such CIIs in the Q4 - 18 (all of them were venture funds, including 5 UIFs, and the rest ones - CIFs, which were recognized as those that have reached norms simultaneously with registration as CII).*



Chart 1. Dynamics of number of AMC and CII in Q1 2018-2019

According to the results of the first quarter of 2019, taking into account funds which left the market, the number of formed operating funds among *venture CIFs* increased by 9 funds (+2.5%), whereas the number of venture UIFs remained unchanged (Table 1).

Finally, the share of venture UIFs among all CIIs continued to decline, from 60.4% to 60.0%, although the share of venture funds as a whole increased insignificantly (from 89.8% to 89.9%). In March of 2019, there were totally 1,112 venture CII (+0.8% for the first quarter and +4.9% for the year).

Besides, in the sector of *open-ended CII*, one fund changed its type from diversified to specialized one, thus as at the end of March there were 12 of first ones, and 7 of the latter ones. In the past year two similar changes occurred among CIIs of this type.

There were no changes in other sectors in the 1-st quarter of 2019, and over the last year, the number of diversified UIFs of interval and closed-end types declined

by one in each case, and number of closed-end non-diversified CIF (non-venture one) also decreased by one, while the number of venture UIF decreased the most in absolute terms over the year (-15, or -2.0%).

As at 31.03.2019, the number of CII that have not yet reached the norms for minimum assets value among all funds under AMC management increased from 48 in the beginning of the year 2019 to 52 in March (4.0% of all CII under management), so during this period a reserve for the further growth of the CII industry in terms of formed funds increased.

At the same time, the backward trend also continued: at the end of March, according to the UAIB, 85 funds remained *in the process of liquidation or had started it* (after 83 at the beginning of the year), or 6.9% of all recognized and operating CII. Among them there were two open-ended, 5 interval and three closed-end diversified UIFs, 5 closed-end non-diversified UIFs and 8 of such CIFs, 58 venture UIF and 4 CIF.

Table 1. Dynamics of number of CII that have reached compliance with standards, by types and legal forms in Q1 2018-2019

Date/Period	Total	UIF*									CIF*		
		O*	Os*	I*	Is*	CD*	CNN*	Cs*	Cq*	CV*	I*	CNN*	Cq*
31.03.2018	1190	14	5	20	3	4	30	1	1	757	52	0	303
30.06.2018	1203	14	5	19	3	3	29	1	1	743	52	1	332
30.09.2018	1209	13	6	19	3	3	28	1	1	740	52	1	342
31.12.2018	1228	13	6	19	3	3	27	1	1	742	51	1	361
31.03.2019	1237	12	7	19	3	3	27	1	1	742	51	1	370
Q1 2019 Change	9	-1	1	0	0	0	0	0	0	0	0	0	9
	0.7%	-7.7%	16.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%
Annual Change	47	-2	2	-1	0	-1	-3	0	0	-15	-1	1	67
	3.9%	-14.3%	40.0%	-5.0%	0.0%	-25.0%	-10.0%	0.0%	0.0%	-2.0%	-1.9%	-	22.1%

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

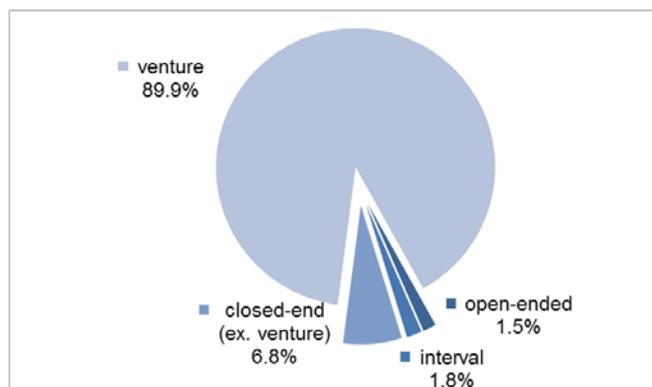


Chart 2. CII that have reached compliance with standards, by fund types as at 31.03.2019

There were **89 CII with public issue (placement)** in March of 2019, the same as in the beginning of the year (Table 2). The number of AMC's

managing CII with public placement for the 1-st quarter also did not change and as at 31.03.2019 it was 37. In the sector of open-ended CII, there were 11 of them (excluding the AMC of liquidated funds - 10).

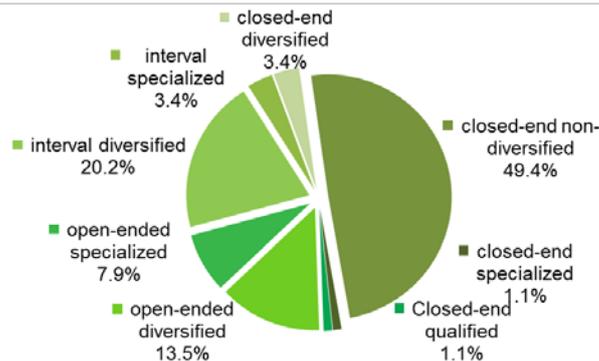


Chart 3. CII with public issue as at 31.03.2019

Table 2. Dynamics of number of CII with public issue in Q1 2018-2019

CII Type	Total	Open-ended			Interval			Closed-end				
		D*	S*	Total	D*	S*	Total	D*	N*	Q*	S*	Total
31.03.2018	95	14	5	19	19	3	22	3	49	1	1	54
30.06.2018	92	14	5	19	18	3	21	3	47	1	1	52
30.09.2018	91	13	6	19	18	3	21	3	46	1	1	51
31.12.2018	89	13	6	19	18	3	21	3	44	1	1	49
31.03.2019	89	12	7	19	18	3	21	3	44	1	1	49
Q1 2019 Change	0	-1	1	0	0	0	0	0	0	0	0	0
	0.0%	-7.7%	16.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Annual Change	-6	-2	2	0	-1	0	-1	0	-5	0	0	-5
	-6.3%	-14.3%	40.0%	0.0%	-5.3%	0.0%	-4.5%	0.0%	-10.2%	-	0.0%	-9.3%

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

There were **33 diversified and specialized CII with public issue** remained that submitted reports throughout the first quarter of 2019 (Table 3).

At the end of March of 2019 there were the same 7 equity funds as at the beginning of the year, except for two ones, which transferred to other classes according to the structure of assets in the 1-st quarter.

There were 3 open-ended and 4 interval CII among these funds as at the end of Q1 2019. Together they accounted for 21.2% of all diversified and specialized CII's with public placement (Chart 4).

Bond funds in March were the same 3 ones, which acted during at least the last six months - two open-ended

and one interval CII, which together formed 9.1% of all diversified and specialized CII with public issue.

There were 20 *mixed funds* in March of 2019 - they were added by one fund which at the beginning of the year belonged to the class of equity funds, and by two funds which were "other" ones at that time. As at 31.03.2019, 10 open-ended, 8 interval and 2 closed-end CII belonged to mixed funds, and their aggregate share amounted to 60.6% of all diversified and specialized CII with public placement.

"*Other funds*", according to the classification based on the structure of assets¹, as at 31.03.2019 were two open-ended funds, one of which went into this category from a class of mixed funds, and one interval CII that belonged to equity funds at the beginning of the year.

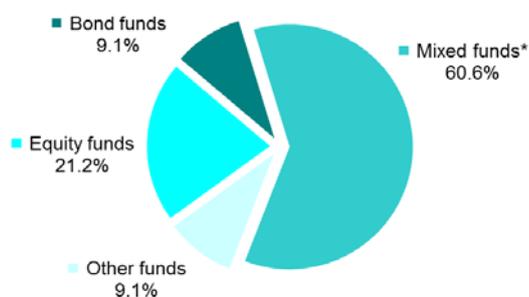


Chart 4. Diversified CII with public issue by fund types as at 31.03.2019

Table 3. Dynamics of diversified CII with public issue by fund types (according to asset structure) in Q1 2018-2019

Date/Period	Total	Equity funds	Bond funds	Mixed funds*	Money market funds	Other funds
31.03.2018	34	8	2	22	0	2
30.06.2018	31	7	2	20	0	2
30.09.2018	32	8	3	18	0	3
31.12.2018	33	9	3	18	0	3
31.03.2019	33	7	3	20	0	3
Q1 2019 Change	0	-2	0	2	0	0
	0.0%	-22.2%	0.0%	11.1%	-	0.0%
Annual Change	-1	-1	1	-2	0	1
	-2.9%	-12.5%	50.0%	-9.1%	-	50.0%

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

2.2. Regional Breakdown of AMCs & CIIs

In January-March of 2019, in Kyiv and the metropolitan area, the **total number of acting AMCs** increased by two companies and as at 31.03.2019 amounted to 212 (Chart 5). Here just two new AMCs were

created, no one was closed during this period. Market's share of Kyiv and the metropolitan area in terms of number of AMCs increased from less than 71% to over 71.1% for the first quarter.

In the rest of the TOP-5 regions by the number of AMCs at the end of March, the number of AMCs did not change compared to the beginning of the year: in Sicheslavaska region (former Dnipropetrovsk, main city – still Dnipro) and Kharkiv region there were 19 companies, in Lviv region - 10, in Odessa region - 7. Situation with the number of AMCs in other regions of Ukraine was similarly stable – totally they remained 31, although their share in the total number of AMCs has decreased symbolically from the beginning of the year from 10.5% to 10.4%, against the backdrop of growth in the metropolitan area.

The number of CII under management in Kyiv and region remained almost unchanged in the first quarter of 2019 (+1 fund, or +0.1%) and amounted to 924, while in Ukraine as a whole it grew by 0.5% (6 funds). Accordingly, the weight of Kyiv and the region by this indicator fell for the first quarter from 71.7% to 71.5% (Chart 6). Also, the share of Dnipro has decreased somewhat since the beginning of the year, with a reduction of the number of funds under management in city and its region by one - from 7.3% to 7.2%. The weight of Lviv has increased the most significantly - due to an increase of number of funds here by 4.5% - from 5.2% to 5.4%, while the share of Kharkiv fluctuated within 6.1-6.2%, in conditions of the increased total number of funds under management in this region by one for the first quarter of 2019. Other regions of Ukraine, where the number of CII increased by only two, expanded their share from 6.5% to 6.6%.

By number of venture CII under management, as well as by the number of all CII, Kyiv, in contrast to the 4th quarter of 2018, in Q1 2019 insignificantly lost its positions. Its share, despite the increase of the number of venture CIIs here by two, has fallen from almost 71% again to 70.9%. Dnipro, where the number of these funds became less by only one, lost relatively the most by this indicator (from over 7.3% to less than 7.2%). And the share of Lviv grew the most, from 5.9% to 6.1%, at the expense of two additional venture funds, that corresponded to a greater relative increase for this region than for Kyiv. The share of regions outside the TOP-5 by the number of venture funds remained at the level of 6.4%.

By number of CII under management, excluding venture ones, Kyiv significantly lost its weight in the 1st quarter of 2019 (from 77.3% to 75.6%, Chart 6). The

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

number of such funds here has decreased by one, but in the other regions outside the TOP-5 – it has increased by three, that rose their weight from 3.9% to 5.8%.

In distribution of CII assets under management by regions in the 1-st quarter of 2019, the share of TOP-5 regions remained virtually unchanged, but Kyiv increased its share from 80.7% to 81.8%. The volume of assets under management in the metropolitan area increased by 8.5%, that exceeded the overall Ukrainian indicator, but in Lviv and Kharkiv assets under management grew even more rapidly (+11.0% and +9.7%, respectively). This enlarged their shares, respectively, from 4.1% to 4.4% and from 3.8% to 3.9%. At the same

time, the weight of Dnipro, where assets decreased by 3.2%, fell from 6.7% to 6.0%, but in Zaporizhzhia region assets under management reduced the most (-16.9%), that decreased their weight from 2.6% to 2.0% (Chart 6). The weight of the regions outside the TOP-5 by assets of CII under management remained within 2.0%.

Thus, in the 1-st quarter of 2019, reduction of regional concentration of the industry by the number of CII under management continued, while by the number of AMC and by the volume of assets under management the role of Kyiv and of other major regions somewhat increased during this period.



Chart 5. Regional distribution of number of AMC as at 31.03.2019

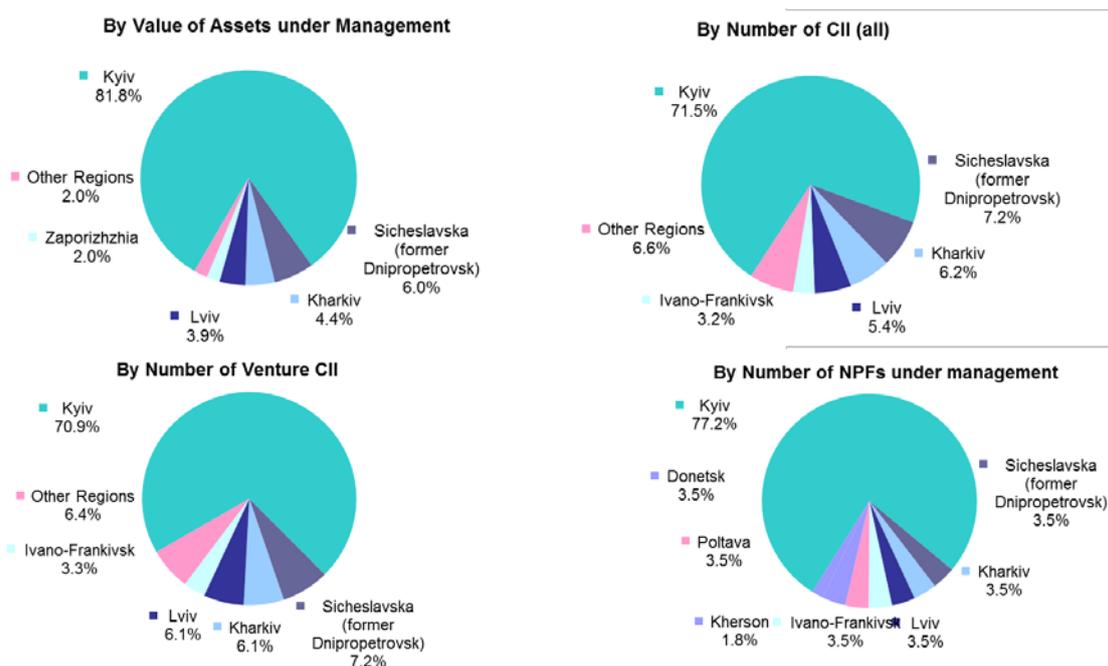


Chart 6. Regional distribution of CII by number and value of their assets under management as at 31.03.2019

2.3. Assets and Net Assets of CIIs

The aggregate total assets of all institutional investors under AMC management increased in the first quarter of 2019 by 6.9% (after 4.7% in the 4th quarter of 2018) and as at March 31, 2019 amounted to **UAH 336,435.1 M.** On an annualized basis, since March of 2018, they have increased by 21.5% (after 18.7% by results of year 2018).

The total assets of CII under management, including those that have not yet reached the norms for minimum asset value, also increased by 6.9% in the first quarter and by 21.6% for the year (after +18.8% in the year 2018) to **UAH 334,882.4 M.**

The total assets of the acting CII, which were managed by AMC and reached the standards ("recognized" CII), as at 31.03.2019 amounted to **UAH 317,437.5 M.** (Chart 7). For the 1-st quarter of 2019, they added 7.0% (after +1.1% in the 4th quarter of 2018) and 15.7% for the last 12 months (after +7.7% in the year 2018).

At that, assets of venture CII increased by 7.3% in January-March of 2019 (after -1.4% in October-December of 2018) and at the end of the 1-st quarter amounted to **UAH 300,241.7 M.** (+13.0% for the year).

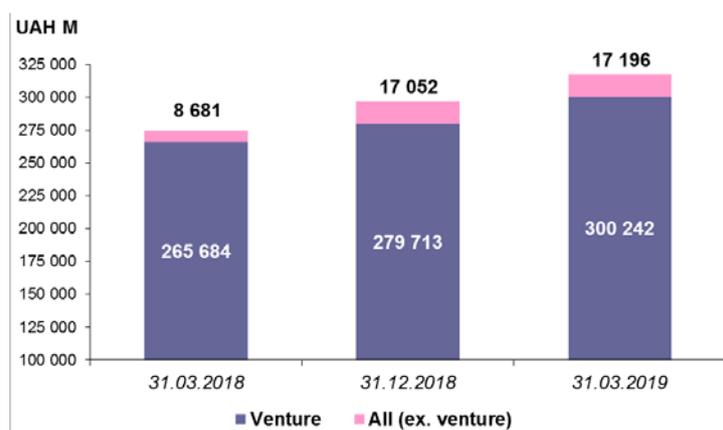


Chart 7. Dynamics of asset value of "recognized" CII under management in Q1 2018-2019

The growth of CII assets was mainly due to a further increase of the number of operating funds and expanding of their project activity (at the expense of venture CII), as during this period, the growth in the stock market was weak, and the sectors of CII with public placement did not change quantitatively.

Assets of open-ended and interval funds in the first quarter of 2019 fell slightly again (of open-ended ones - very insignificantly), but closed-end funds with public placement recovered after subsiding at the end of the year 2018, partly due to the dynamics of Ukrainian stock indices.

The net asset value of operating CII, which have reached the norms, as at 31.03.2019, amounted to **UAH 246,749.5 M.** (Table 4). In Q1 2019, it increased by 4.6% (after +1.4% in Q4 2018) and accelerated also the annual dynamics in March to +12.1% (from +5.7% in December of 2018). The slower growth of NAV compared to the total assets of the industry was due to a partial increase of the latter ones due to the leverage.

Venture CII increased their NAV by 4.8% in the first quarter of 2019 (after -1.8% in Q4 2018)) to **UAH 231,088.8 M.** Its annual growth accelerated to 9.1% by the end of March of 2019 (from +2.6% by results of the year 2018). Thus, its share in the total net assets of all acting CIIs increased from 93.5% in early 2019 to 93.7% in March.

The open-ended CII (invariable 17 funds) in the first quarter of 2019 again experienced a symbolic decline of net assets by 0.1%, and their annual growth dropped from 16.7% in December of 2018 to 5.3% in March of 2019. As at 31.03.2019, NAV of the sector amounted to **UAH 87.2 M.** Insignificant quarterly decline of open-ended funds' net assets was driven almost exclusively by the net outflow that occurred against the background of the transition from volatile stock market's dynamics at the end of the year 2018 to the lateral trend in early of the year 2019. Optimistic for the Ukrainian indices ending of the 1-st quarter contributed both to the increase of the value of investment portfolios of these CII and restrained deeper sinking of sector's NAV.

Table 4. Dynamics of CII NAV, by fund type, in Q1 2019 and over the year, UAH M

Funds	31.03.2018	31.12.2018	31.03.2019	Q1 2019 change	Annual change
Open-ended	82.9	87.4	87.2	-0.1%	5.3%
Interval	80.8	81.6	76.3	-6.5%	-5.6%
Closed-end (ex.venture)	8 146.2	15 226.1	15 497.3	1.8%	90.2%
with public issue	3 028.8	2 471.0	2 701.6	9.3%	-10.8%
with private issue	5 117.5	12 755.2	12 795.7	0.3%	150.0%
All (ex. venture)	8 309.9	15 395.0	15 660.8	1.7%	88.5%
Venture	211 726.4	220 438.1	231 088.8	4.8%	9.1%
All	220 036.3	235 833.2	246 749.5	4.6%	12.1%

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

NAV of closed-end CII with public placement in January-March of 2019 virtually recovered after a rather significant decline in Q4 2018, adding 9.3% for the first quarter. At the end of March of 2019, these funds accounted for 17.3% of net assets of CII, excluding venture funds (after 16.1% at the beginning of the year). This contributed to a further increase of the weight of closed-

end CII in net assets of non-venture CII - from 98.9% at the beginning of the year to almost 99% by the end of March (Chart 8).

Sectors of open-ended and interval CII, NAV of which in the first quarter of 2019 retained negative dynamics, held a share of about 0.5% each.

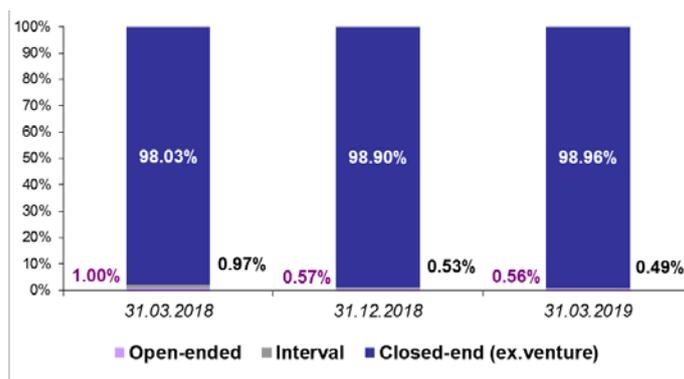


Chart 8. Dynamics of non-venture CII's NAV breakdown, by fund types in Q1 2019 and for the year

Venture CII, whose net assets in the first quarter of 2019 outpaced by increment the rest of the sectors all together, somewhat regained their weight in the aggregate NAV of the entire industry from 93.5% to 93.7% for this quarter.

The share of closed-end CII (excluding venture ones), according to the slower growth of their NAV compared with venture funds, declined from 6.5% to 6.3% in the first quarter of 2019 (Chart 9).

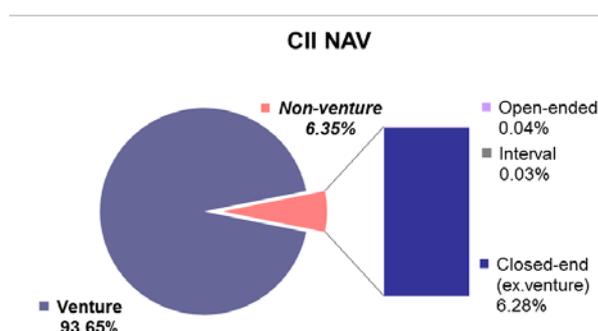


Chart 9. Distribution of CII NAV by fund types as at 31.03.2019

2.4. Net Capital Flow in Open-Ended CII

In the first quarter of 2019, the flow of capital in Ukrainian open-ended CII remained negative for the third consecutive quarter and deepened, however, it was mainly due to the dynamics of only one of 17 funds of this type, which accounted for more than 75% of the quarterly outflow. At that, the number of non-resident investors in this sector of the CII decreased in the 1-st quarter.

In terms of monthly dynamics, each month of the 1-st quarter recorded a net outflow, so in March, the negative trend remained for the 5th month in a row. At the same time, the outflow from January to March decreased to a slight UAH 0.2 M. For the last month of the quarter (Chart 10). This happened against the backdrop of the diverse dynamics of Ukrainian stock indices, which slightly increased only in March and both entered the positive zone in terms of quarterly dynamics.

Out of 17 open-ended CIIs reporting for the first quarter of 2019, 11 funds had a net outflow of capital (after 10 in the 4th quarter of 2018), and one had a slight net inflow (there were 4 of such funds in Q4 2018).

Funds that had a net outflow, as a whole, lost more than UAH 2.1 M. from the investors' exit in Q1 2019. Almost 75% of this amount was caused by the flow of capital in one fund, which had had a slight outflow in the 4th quarter of 2018, and in the Q3 2018 it had been responsible for 2/3 of the net outflow from the sector.

The fund, which had a net inflow, received UAH 0.02 M. of additional income for the first quarter of 2019 (after +UAH 0.7 M. for 4 funds in the previous quarter).

During the first quarter of 2019, the number of funds with net inflow varied from one in January to two in March (there were no such funds in February), and number of funds with a net outflow varied from 6 in January to 9 in February.

Practically only local retail investors increased their investments into open-ended funds in the 1-st quarter; their number increased in the sector during this period, and along with it the number of all investors as a whole also increased in the sector.

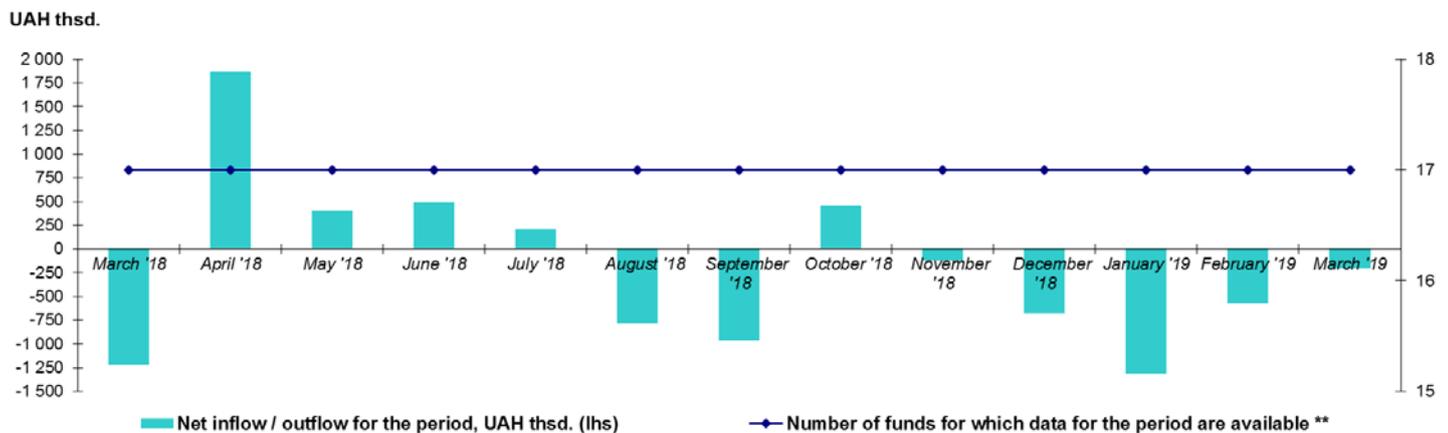


Chart 10. Monthly net flow of capital of open-ended CII in March Of 2018-19 (based on daily data)

The total net outflow of capital from open-ended CII in the first quarter of 2019 increased to -UAH 2.1 M. (from -UAH 0.3 M. in Q4 2018, see Chart 11).

The annual flow of capital in open-ended CII in the first quarter of 2019 for the first time since the 2nd quarter of 2017 was negative at **-UAH 1.2 M.** (after +UAH 3.0 M. in the 4th quarter of 2018).

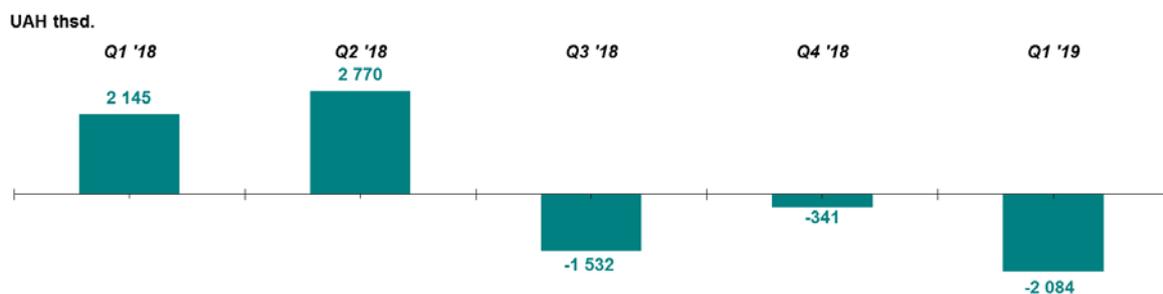


Chart 11. Net flow of capital of open-ended CII in Q1 2018-19, quarterly

At that moment in the international markets, in particular in the European Union, the inflow of capital into open-ended funds with a public placement at the beginning of the year, in a context of positive correction of markets, has risen sharply, but by the end of March it also declined. As a whole, UCITS²- funds had a net inflow for each month in the first quarter of 2019, although some sectors of these funds suffered losses in January-March. But the outflow from the major categories of AIF³-funds in March outpaced the inflow to the rest of their sectors, that led to a negative overall result for such funds and significantly reduced the total net sales of European investment funds at the end of the quarter.

According to EFAMA, **the EU investment funds industry** in the first quarter of 2019 received a net inflow of capital: all funds together raised **EUR 79 bln.**⁴ (after EUR 48 bln. of outflow in Q4 2018), that was significantly less compared to the first quarter of the last year (EUR 214 bln.).

UCITS received the net inflow of EUR 52 bln. in the first quarter of 2019 (after an outflow of EUR 71 bln. in Q4 2018).

The most popular funds among UCITS for investors were again outsiders of the previous quarter – in January-March of 2019 they were *bond funds*, which regained investors' confidence against the backdrop of a change in expectations regarding monetary policy of central banks (in particular, of the USA Federal Reserve) at the turn of years 2018-2019, which concerned the abolition of plans to raise key rates. Finally, these funds attracted net EUR 77 bln. (after –EUR 46 bln. for the 4th quarter of 2018). On the contrary, *equity funds* in these conditions experienced the largest outflow among UCITS in the first quarter of 2019 (–EUR 26 bln., after –EUR 6 bln.

2.5. CII Investors

In March of 2019, **legal entities-residents** still were the largest investors of CII: mainly due to their overwhelming presence in venture CII, they had 61.7% of net assets of all CII as a whole (after 62.3% at the beginning of the year) and from 9% to 70% in the NAV

in Q4 2018). *Mixed* funds also lost EUR 2 bln. (after –EUR 17 bln.). *Money market* funds also recorded a net inflow of EUR 11 bln. (after EUR 23 bln.), but only due to the incomes in January, while during February-March they suffered losses that reduced the quarterly inflow.

The net inflow to the AIF in the first quarter of 2019 accelerated to EUR 27 bln. (from EUR 23 bln. for the 4th quarter of 2018).

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The most popular for investors among AIF funds at that time were "other" funds⁵ (+EUR 46 bln., after +EUR 8 bln). *Real estate* funds had a relatively stable inflow (+EUR 6 bln. after +EUR 7 bln.) and *mixed funds* (+EUR 6 bln., after +EUR 10 bln.). *Equity funds* among AIF, as well as among UCITS, had an outflow in the first quarter of 2019, which leveled the positive flow of capital into them at the end of the year 2018 (–EUR 11 bln., after +EUR 4 bln). However, the AIFs of *money market* experienced the quarterly outflow which was in two times more, and if in January they lost almost the same amount as was received by UCITS funds of this type (EUR 17 bln.), then further till the end of Q1 2019 the outflow was observed from both sectors of the money market funds, albeit it took place with the falling pace.

The aggregate NAV of the fund industry in the EU in the 1-st quarter of 2019 increased by 7.2% (after decrease by 5.5% in Q4 2018) and as at 31.03.2019 it again exceeded EUR 16 trln., reaching EUR 16,308 bln. At that, *net assets* of UCITS added 7.7% for the quarter (after 6.9%), also passing an important threshold of EUR 10,056 bln.

² In this context, long-term UCITS funds are all UCITS classes, excluding money market funds. UCITS (Undertakings for Collective Investment in Transferable Securities) are enterprises for collective (joint) investing in negotiable securities (which are in circulation in regulated markets); they are open-ended funds with public placement and stringent requirements to composition, quality, liquidity and structure of assets. They are regulated by the relevant Directive (Directive 2009/65 /EU of 13 July of 2009, and amended by Directive 2014/91/EU of 23 July of 2014) and other related legislation of the EU.

³ AIF (Alternative Investment Funds) are Alternative Investment Funds; actually they include all other non-UCITS regulated funds. The companies that manage

such funds are regulated by the AIFMD Directive (Directive 2011/61 /EU of 8 June of 2011).

⁴ According to the available data for 28 countries, associations of which are members of EFAMA (24 EU Member States, including Poland (former EFAMA member), as well as Liechtenstein, Norway, Switzerland and Turkey) - see [EFAMA Investment Fund Industry Fact Sheet \(March 2019\)](http://www.efama.org) at website: <http://www.efama.org>.

⁵ This category of AIF includes equity, bond and mixed funds in Ireland due to the lack of data on their distribution across these sectors.

with public placement the share of these investors during this period, has increased in varying degrees.

In venture CII, aggregate investments of local enterprises increased by 3.2% in January-March, which was the weakest gain in comparison with other major categories of investors of these CII, thus the weight of the first ones in this sector fell from 65.6% in the beginning of the year to 64.5% in March.

In closed-end funds (excluding venture ones), aggregate investments of enterprises-residents in the 1-st quarter of 2019 also increased, with the unchanged amount of such CII. In funds *with public placement*, assets of these investors grew the most (almost in two times - due to structural changes in one of the funds), and their share in these CII expanded from 39.9% to 69.7%. In funds with

private issue in the 1-st quarter, assets of Ukrainian legal entities declined again, and this, along with the growth of investments of other categories of participants of these CII, diminished their weight from 10.8% to 10.6%.

In interval CII, assets of domestic corporate investors, as opposed to the 4th quarter of 2018, increased significantly in the first quarter of 2019, at that against the weaker growth of other categories of investors, which was at least by the order less, their weight in the sector increased for the quarter from 12.8 % to 14.9%.

In open-ended CII, aggregate investments of enterprises-residents in the 1-st quarter increased again insignificantly, and their weight in NAV practically did not change for the quarter (9.4%).

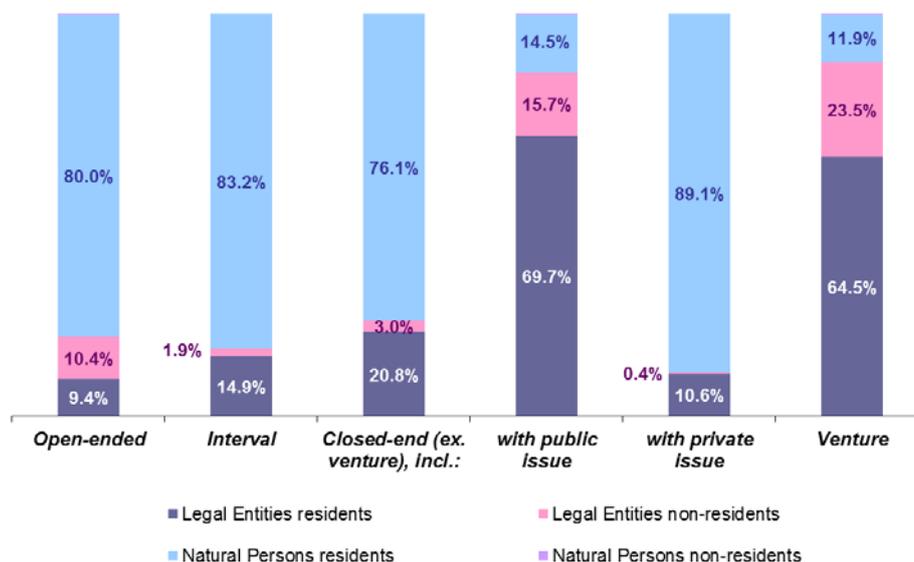


Chart 12. Investments in CII by category of investors as at 31.03.2019, share in NAV⁶

Natural persons-residents in the 1-st quarter of 2019 continued to increase their assets in all sectors of CII, excluding interval ones.

In open-ended funds, aggregate investments of these investors rose again amongst all categories of depositors in absolute terms, that allowed them to increase their weight in net assets of the sector from 77.8% to 80.0% for the quarter.

In interval CII, their assets decreased significantly for the first quarter, and their weight fell from 85.3% in the beginning of the year to 83.2% in March.

In closed-end non-venture funds, both with public and private placement (excluding venture ones), their aggregate investments increased in the first quarter of 2019, that eventually led to a further increase of their share

in these sectors. Thus, in *funds with public placement*, it increased from 13.7% to 14.5%, and in *funds with private placement* - from 88.9% to 89.1%.

In venture CII in the first quarter of 2019, the aggregate assets of individuals-residents continued to increase, at that it took place with the highest pace compared to other categories of investors, so their weight increased from 10.9% to 11.9%.

In total, the share of retail investors-residents in the NAV of all CII increased from 15.2% to 16.0% in the first quarter of 2019.

The aggregate value of **foreign investors'** contributions in CII as a whole increased in the 1 st quarter of 2019– at the expense of venture CII. At that, assets of **individuals - non-residents** in *open-ended and*

⁶ Excluding funds' bearer securities which are in circulation.

closed-end funds with public placement also somewhat increased. At the same time, assets of non-residents as a whole in these sectors of CII decreased during this period at the expense of enterprises - non-residents.

Finally, from the beginning of 2019 to the end of March, the weight of **legal entities - non-residents** in open-ended funds fell from 12.7% to 10.4% (share of all

non-residents - from 12.9% to 10.7%), in closed-end funds with public placement - from 46.3% to 15.7%.

In venture funds, the share of enterprises - non-residents increased from 23.3% to 23.5% (together with individual investors - non-residents - from 23.5% to 23.7%). However, this did not prevent a reduction of the weight of non-residents in CII as a whole - from 22.5% to 22.4%.

Table 5. Investors of CII by categories, number and share of the total number as at 31.03.2019

Funds	Legal Entities				Natural Persons				TOTAL
	residents		non-residents		residents		non-residents		
Open-ended	19	1.1%	3	0.2%	1 646	98.6%	1	0.1%	1 669
Interval	17	0.0%	1	0.0%	249 797	100.0%	18	0.0%	249 833
Closed-end (ex. venture), incl.:	366	9.7%	23	0.6%	3 376	89.5%	8	0.2%	3 773
with public issue	172	4.9%	15	0.4%	3 316	94.4%	8	0.2%	3 511
with private issue	194	74.0%	8	3.1%	60	22.9%	0	0.0%	262
All (ex. venture)	402	0.2%	27	0.0%	254 819	99.8%	27	0.0%	255 275
Venture	2 847	73.9%	386	10.0%	611	15.9%	10	0.3%	3 854
All	3 249	1.3%	413	0.2%	255 430	98.6%	37	0.0%	259 129

Number of investors of CII as at 31.03.2019 amounted to **259,129** (Table 5), of which, the same as at the beginning of the year, 98.6% were natural persons - residents of Ukraine, 96.4% - participants of interval funds⁷, 0.6% - participants of open-ended CII, 1.5% - of venture ones.

The total number of CII investors in the 1-st quarter of 2019 decreased by 419, or by 0.2% (after -0.1% for the 4th quarter of 2018), including **380 individuals-residents**.

It was namely the exit of a number of retail investors-residents from interval CII and, especially, from closed-end CII with public issue in the first quarter of 2019, that determined the negative dynamics of the total number of participants of these sectors, and – when it comes to the closed-end funds – also of the total number of investors of all CIIs over this period.

Thus, in closed-end CII with the public issue number of participants decreased totally by 411 (-10.5%, after -0.6% in the 4th quarter of 2018) to 3,511, while number of individuals-residents decreased by 419 (-11.2%), to 3,316, that accounted for 94.5% of all investors in the sector.

In interval CII, which at the end of March of 2019 had 249,833 participants, including 249,797 of local retail investors, the number of investors for the 1-st quarter decreased by 26 (-0.01%, similar to the 4th quarter of 2018), including individuals-residents - by 25 (-0.01%).

Instead, in venture CII, the number of participants decreased to 3,854 (-3, or -0.1%, after -2.5% for the 4th quarter of 2018) at the expense of exit of legal entities-residents, while the number of individual participants of these funds increased by 39 (+6.8%, after +1.4% in the 4th quarter of 2018) and accounted for 15.9% of all investors in the sector.

It was the number of participants in open-ended CII which increased in the first quarter of 2019 (+19, or +1.2%, after -4.5% in the 4th quarter of 2018). In total, they were 1,669 at the end of March, including 1,646 of retail investors-resident (+24, or +1.5% for the first quarter of 2019, after -4.6% for the 4th quarter of 2018).

Also generally positive dynamics of the number of investors in January-March of 2019 was also in closed-end CII with private placement (excluding venture funds), where the number of participants increased by only 2 (+0.8%, after +4.4% in the 4th quarter of 2018) - up to 262, including 60 physical persons-residents.

Legal entities-residents in CII in the 1-st quarter of 2019 were again the second ones by decrease of their number in absolute terms (-34, -1.0%, after -2.8% in the 4th quarter of 2018). At that, in venture funds, they became less by 43 (-1.5%, after -3.3%), in interval funds – by 1 (-5.6%), while in the rest of the closed-end CII (excluding venture ones) their number increased slightly, and in the open-ended funds it was not changed. The largest number of these investors in March of 2019

⁷ This is due to the activity of several funds, which have been reorganized from the former mutual funds into interval CII and have relatively large number of small participants

remained in *venture funds* (2,847), where they accounted for 73.9% of all investors. They also had about 74% in terms of number in *closed-end CII with private placement (excluding venture funds)*.

Foreign corporate investors in the 1-st quarter of 2019 continued to reduce their presence in CII (-1.4%, similarly to Q4 2018). This happened due to the exit of 5 enterprises-non-residents *from open-ended CII* (-62.5% for the first quarter for this category of investors).

This led to a decrease of their total number of non-residents in all CII by 1.1% for the quarter (after -1.9% in the 4th quarter of 2018), to 450 (an insignificant impact

was also given by a slight decrease of the number of non-resident enterprises by one in *closed-end non-venture CII with private placement*). At that, in *venture CII* in the first quarter of 2019 one individual non-resident investor was added (+11.1%, after -18.2% in the 4th quarter of 2018).

Finally, the numerical weight of **companies and individuals-non-residents** increased from almost 10.2% to 10.3% *in venture CII*, and in all funds as a whole it declined lightly within 0.2%. *In open-ended CII*, it dropped for the first quarter from almost 0.6% to over 0.2% (including fall of the share of non-resident enterprises from 0.48% to 0.18%).

2.6. CII Asset Structure

Securities in the structure of CII assets in the first quarter of 2019, unlike in the previous quarter, increased **by weight** only in *closed-end CII with private placement (excluding venture ones)*, where **the total value** of investments in them during this period increased. This happened, in particular, at the expense of corporate bonds. In the rest sectors of CII, the share of stock market instruments in assets decreased (Table 6), although aggregate investment in them in January-March also increased in *closed-end funds with public placement*.

The following key changes took place in the first quarter of 2019 for certain types of securities in CII assets:

reduction of the share **of state bonds** in the assets of *interval CII*, with a significant reduction of this sector's investments in them; an increase of their *share in open-ended and closed-end CII with private placement (excluding venture funds)* - together with an increase of

aggregate investments in these instruments in these sectors (they also grew in *closed-end CII with public placement*, but their weight in this sector decreased against the background of other components of sector's assets);

reduction of the total value of investments in **equities** and of their share in assets *in open-ended and venture CII*; an increase of their share, despite the reduction of investments in them, in *interval funds* and the reverse *dynamics in closed-end funds with public placement*, that was associated with sharper changes of volumes of investments in other instruments (OVDPs) and types of assets in these sectors;

reduction of the package and of the weight in the assets of **corporate bonds** *in closed-end CII with public placement* and opposite changes - in *funds of this type with private placement (including also venture ones)*.

Table 6. Changes in the structure of aggregated CII portfolios by fund types in Q1 2019

Asset Type/CII Type/Quarterly Change	Open-ended		Interval		Closed-end- with public issue		Closed-end- with private issue		Venture	
	p.p.	%	p.p.	%	p.p.	%	p.p.	%	p.p.	%
Other assets (Incl. R and CR)	0.11	2.7%	0.28	6.6%	1.42	1.9%	-0.08	-0.1%	1.05	1.2%
Real estate	-	-	-	-	-0.01	-10.5%	0.00	1.4%	0.21	6.5%
Cash and bank deposits	0.43	1.7%	0.53	5.8%	0.20	13.8%	-0.56	-6.7%	0.05	4.3%
Bank metals	0.01	0.8%	-	-	-0.01	-10.3%	-	-	-	-
State bonds (OVDP)	0.96	3.9%	-3.19	-7.6%	-0.29	-2.5%	0.05	9.4%	-0.01	-15.2%
Equities	-1.70	-3.8%	2.35	5.3%	-0.78	-8.5%	0.14	2.0%	-0.74	-18.0%
Corporate bonds	0.19	36.1%	0.03	6.8%	-0.14	-18.6%	0.43	22.4%	0.05	1.7%
Promissory notes	-	-	-	-	-0.40	-70.2%	0.00	1.4%	-0.56	-17.1%
Mortgage Notes	-	-	-	-	-	-	-	-	0.00	-6.9%
Other securities	-	-	-	-	-	-	-	-	-0.05	-9.9%
Securities	-0.55	-0.8%	-0.81	-0.9%	-1.60	-7.3%	0.63	6.4%	-1.32	-12.3%

Despite the negative quarterly dynamics, as at the end of March of 2019, securities remained a key

component of assets *in open-ended and interval CII* (over 69% and almost 86%, respectively), among which equities

still prevailed, and also state bonds had a significant share (Chart 13).

In closed-end CII with public placement, the weight of securities fell from almost 22% in the beginning of the year to 20.4% in March, which was mainly due to the sharp, by the order of magnitude, increase of "other" assets

here. At that, in assets of *all closed-end CII (excluding venture ones)* with both types of placement aggregate investments in stock instruments and their weight in assets for the first quarter of 2019 increased (from 12.2% to 12.6%).



Chart 13. CII asset structure by fund types as at 31.03.2019

* R - receivables.

In the 1-st quarter of 2019, **state bonds (OVDP)** in general declined in popularity among managers of CII assets, including those of funds with *public placement*, although in some sectors their packages somewhat increased. Thus, in *open-ended* funds, the share of state bonds increased from 24.5% to 25.5%, against the background of a slight increase of the aggregate value of the OVDPs' package; in interval CII it fell from 42.1% to 39.0%, against the backdrop of a sharp decline of investments in them, and in *closed-end funds with public placement* it fell from 11.5% to 11.2% - despite some increase of such investments.

As at March 31, 2019 **equities** had the largest share among the stock instruments in assets of all sectors of CII. In open-ended and interval funds they accounted

for 43% and 47%, respectively, although in both of these sectors aggregate investments in these instruments decreased in the first quarter of 2019, and in open-ended funds their share also decreased.

In all CII sectors, excluding *closed-end CII with private placement (excluding venture funds)*, in Q1 2019, the share of **cash and bank deposits** in assets increased, although their aggregate value increased only in *open-ended, closed-end with public placement and venture CII* (in interval funds, their weight somewhat increased, because the pace of their reduction was significantly inferior to the one of stock market instruments, in particular, of OVDP in their assets).

Despite the increase of weight from 24.9% to 25.4% in the 1-st quarter, cash and bank deposits gave way

for OVDP to the second position by the share in assets of open-ended CII.

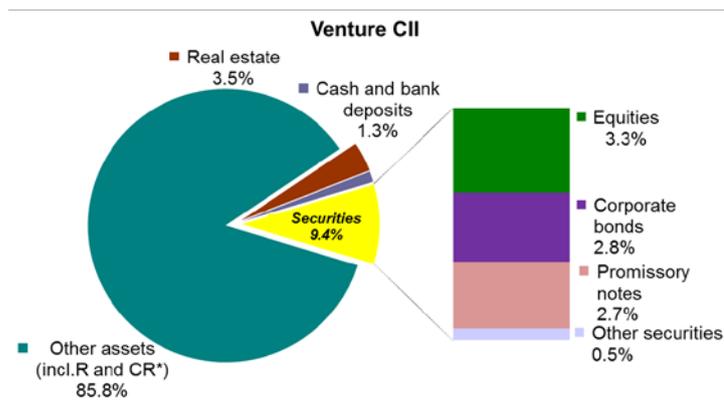


Chart 14. Structure of venture CII assets as at March 31, 2019

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

"Other" assets⁸ remained the largest component of venture CII's assets, as well as of the assets of other closed-end CII, both with public and private placement (Chart 14).

In venture CII, along with an increase by 8.7% in the first quarter of 2019, their share increased from 84.8% in early January to 85.8% as at the end of March (UAH 258 bln.).

Venture CII's assets in **stock market instruments** declined significantly in the first quarter of 2019, and together with it, their weight in the sector's assets decreased too. This, the same as in the previous quarter, took place due to a decrease of aggregate investments in *equities and promissory notes*. Finally, the

weight of the first ones dropped from 4.1% in early 2019 to 3.3% in March; of latter - from 3.3% to 2.7%, respectively.

The aggregate value of **real estate** portfolio in venture funds in the 1-st quarter of 2019, unlike the dynamics in the previous quarter, increased, at that it was relatively faster than growth of "other" assets, so the share of real estate in assets of these CII increased from 3.3% to 3.5%.

Portfolio of securities and derivatives of all CII as a whole continued to decline in the first quarter of 2019 (-5.1%, after -8.6% in the 4th quarter of 2018) and as at March 31, 2019 its value was **UAH 30,564.9 M.** (Table 7).

As noted above, investments in *equities and promissory notes* in assets of venture funds significantly decreased, which were the main factor of reducing of the aggregate stock portfolio of all CII in January-March of 2019 (about -11% for both equities and promissory notes in assets of all CII as a whole). Accordingly, *equities* lost weight in the consolidated financial portfolio of CII from 39.6% to 37.3% for the first quarter, and *promissory notes* fell from 28.6% to 26.8%.

Portfolio of *corporate bonds*, in contrast to the 4th quarter of 2018, grew by 9.5%, largely restoring previous losses, in the first quarter of 2019, and by the end of March exceeded *promissory notes* by aggregate value in the consolidated CII portfolio (28.7%).

State bonds (OVDP) increased somewhat in aggregate value of CII's assets as a whole, that increased their weight in the consolidated portfolio of all funds for the 1-st quarter from 2.3% to 2.5%.

Table 7. Portfolio of CII securities and derivatives, as at 31.03.2019

Security Type	Aggregate value of securities in CII's portfolios, UAH M	Share in the aggregate portfolio of CII's securities	Q1 2019 change, UAH M	Change, %
Equities	11 412.3	37.3%	-1 355.4	-10.6%
Corporate bonds	8 779.2	28.7%	761.9	9.5%
Promissory notes	8 185.0	26.8%	-1 020.3	-11.1%
State bonds	767.0	2.5%	10.2	1.4%
Mortgages	0.2	0.0%	0.0	0.0%
Derivatives	1 421.2	4.6%	-48.1	-3.3%
TOTAL	30 564.9	100.0%	-1 651.6	-5.1%

Portfolio of CII, excluding venture funds, in the first quarter of 2019 restored losses for the year 2018, adding 3.9% by value to **UAH 2,273.6 M.** (Table 8). This

took place at the expense of *corporate bonds*, the volume of which in these funds increased by 18.4%, and also of OVDPs (+7.0%). The share of *corporate bonds*,

⁸ "Other assets" include corporate rights in other forms than securities, as well as receivables, including loans to companies, where CII own a stake in the capital (for venture funds).

respectively, grew the most - from 13.2% in early of the year 2019 to 15.0% in March, and the weight of *OVDP* rose from 22.4% to 23.1%.

The aggregate package of *equities* in non-venture funds also increased, although insignificantly (+0.7%), but still amounted to almost 60% of the consolidated portfolio of securities of such CII (after 61.5% in early 2019).

Only the package of *promissory notes* decreased again in the 1-st quarter in assets of all CII, excluding venture ones (-18.3%). Their share in the portfolio of financial instruments of non-venture CII decreased from 2.9% to 2.3%.

Table 8. Portfolio of securities and derivatives of CII, excluding venture ones, as at 31.03.2019

Security Type	Aggregate value of securities in CII's portfolios, UAH M	Share in the aggregate portfolio of CII's securities	Q1 2019 change, UAH M	Change, %
Equities	1 355.1	59.6%	9.9	0.7%
State bonds	524.5	23.1%	34.1	7.0%
Corporate bonds	341.8	15.0%	53.1	18.4%
Promissory notes	52.2	2.3%	-11.7	-18.3%
TOTAL	2 273.6	100.0%	85.4	3.9%

Diversified CII in Q1 2019 also recovered losses of the fourth quarter of 2018, but only partially, adding 3.8% (after -10.4%) of value in the consolidated portfolio of securities. As at 31.03.2019 it amounted to **UAH 77.6 M.** (Table 9).

Although the aggregate package of *corporate bonds* in these funds increased relatively the most - in 1.5 times, the increase of the value of their consolidated

financial portfolio took place mainly at the expense of *equities* (+3.0%, after -13.7% in the 4th quarter of 2018). Nevertheless, this growth was relatively the weakest among types of instruments in the portfolio of diversified CII, so equities decreased here their weight from 69.7% to 69.2%, while *state bonds*, package of which in this sector of funds increased by 4.9% (after -1.6% for the 4- th quarter of 2018), added somewhat - within 30%.

Table 9. Portfolio of securities and derivatives of diversified CII as at 31.03.2019

Security Type	Aggregate value of securities in CII's portfolios, UAH M	Share in the aggregate portfolio of CII's securities	Q1 2019 change, UAH M	Change, %
Equities	53.7	69.2%	1.6	3.0%
State bonds	23.4	30.2%	1.1	4.9%
Corporate bonds	0.5	0.6%	0.2	50.3%
TOTAL	77.6	100.0%	2.8	3.8%

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

Predominantly lateral trend of the Ukrainian stock market during the first quarter and slowdown of the quarterly growth of indices by results of January-March of 2019 almost in two times compared with October-December of 2018, had a negative impact on return on investment of those CII, which invest in stock market instruments, in particular in equities. However, in majority of CII sectors by type of funds and asset classes, quarterly results improved, although they remained negative in almost half of them.

Increase of rates for year-term *bank deposits in hryvnia* at the end of the year 2018 provided a rise of their returns in the first quarter of 2019 from 3.5% to +3.7%, while slowing of hryvnia's appreciation against foreign currencies provided returns for deposits in the USA dollars and euro in hryvnia terms (respectively, from -2.0% to +0.2% and from -5.1% to -1.5%).

Growth of the price of *gold* in January-March of 2019 also slowed down, reducing the yield on bank deposits in it from +3.7% in the 4th quarter of 2018 to +2.6% in Q1 2019.

Residential real estate in Kyiv during this period fell in hryvnia terms (-1.3%, after +0.4% in the 4th quarter of 2018).

Among all categories of CII as a whole and among diversified and specialized funds with public issue by asset classes in particular, bond funds in the 1-st quarter of 2019 became the leaders by rates of return; they raised their average result in 2.5 times (after a 4-fold fall in the 4- th quarter of 2018) - from +1.3% to + **3.2%** (Chart15). At that, all three of such CIIs showed positive returns during this period, one of them outstripped bank year-term deposits in hryvnia, two brought more than "gold" deposits and offset losses from inflation, and in comparison with deposits in foreign currency, all three funds were more profitable⁹.

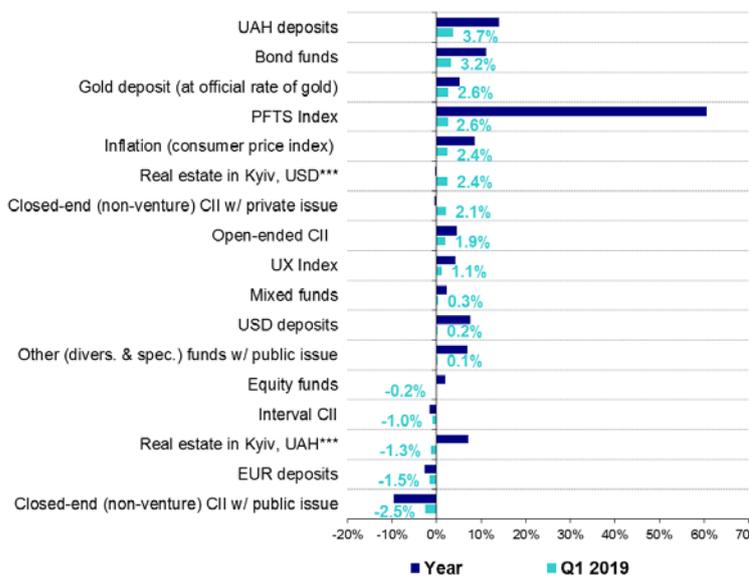


Chart 15. Rates of return – CII, deposits, equity indexes and inflation rates in Q1 2019 and for the year¹⁰

Mixed funds, leading in the 4th quarter of 2018 with a yield of +3.4%, in January-March of 2019 somewhat changed their composition and showed a lower average result at the level of +**0.3%**. At that, the extreme indicators of individual funds differed significantly from the rest ones (range limits were from -26.4% to + 11.1%), and without taking them into account, the average yield of this class of funds was +1.2% (it increased from +0.5% in

the 4th quarter for funds of this class without taking into account the extreme values). In total, **14 out of 20 mixed funds had positive indicators (70%, after 61% in the 4th quarter of 2018)**. Among them, three of such funds were in the 1-st quarter of 2019 more profitable than deposits in hryvnia, 7 - than deposits in gold and than the PFTS index, and also covered inflation, half of them (10) outstripped the UX index, and from 14 to 17 funds were more profitable than deposits in currency and than real estate (in hryvnia terms).

Equity funds, number of which in the 1-st quarter of 2019 became less by two, increased the average return from -2.9% to **-0.2%**. **4 out of 7 of these funds provided increase of value of investments for their participants for the quarter (57%, after 33% in Q4 2018)**, and three funds were more profitable than the UX index.

"Other" diversified and specialized funds with public issue, composition of which was changed by two thirds in the 1-st quarter compared with the 4th quarter of 2018, for January-March showed **+0.1%** (after +1.4%)¹¹.

Among CII according to the types of funds, the leaders in terms of return on investment in the 1st quarter of 2019 were **closed-end CII with private placement (excluding venture ones)** that went out from the negative zone and brought an average **of +2.1%** (after -2.6% in Q4 2018). At that, only the upper limit of the range of quarterly results of individual funds in this sector rose slightly (from -39.0% to +70.6%), **and 12 out of 33 of such funds provided an increase of the value of their securities (36%, after 9% in the 4th quarter of 2018)**.

Open-ended funds were the second by returns among sectors by types of CII in this quarter; they raised the average indicator almost fourfold - to **+1.9%** (after +0.5% in Q4 2018). **At that 13 out of 17 funds in the sector had positive returns in the 1-st quarter of 2019 (76%, after 65% in the 4th quarter of 2018)**. Three open-ended funds in this period were more profitable than bank deposits in hryvnia, 8 - more than gold deposits and PFTS index, and compensated inflation losses, 11 - outstripped the UX index and at least 70% were more profitable than deposits in foreign currency and residential real estate. The range of results of individual funds of this type in the 1-st quarter

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

¹⁰ CIIs' rates of return are calculated based on the reporting data for Q1 2019 for 17 open-ended, 15 interval, 68 closed-end CII (including 35 funds with public issue and 33 funds with private issue), and according to the reporting data for previous periods. Inflation is calculated based on data of the State Statistics Service of Ukraine (before the previous month). Rates of return for real estate in USA dollars is calculated as the average of data on value of residential real estate in Kyiv from portals: <http://www.domik.net>, <http://100realty.ua>, <http://realt.ua>; in hryvnia - according to the portal: <http://100realty.ua>.

¹¹ The Q1 2019 figure has been corrected; the previous version mistakenly stated it as -1.6% because its calculation did not include one of the three funds in this class.



of 2019 continued to narrow and rose in comparison with the previous quarter: it ranged from -4.2% to +7.8%.

Interval funds in the first quarter of 2019 remained in the negative zone of returns, but improved the average rate **to -1.0%** (after -1.7%). The range of indicators for individual funds in this sector continued to expand - in both directions (varying from -26.4% to +11.1%). *9 out of 15 funds had the growth of certificates' value* (60%, after 40% in the 4th quarter of 2018).

3. Summary

In the 1-st quarter of 2019, the growth of the Ukrainian asset management industry for institutional investors continued in both quantitative and value terms. At that, the number of collective investment institutions, which expected entering the market, increased as well as the number of those CII, that planned to exit from it.

The key trends of the asset management industry in Ukraine in the 1-st quarter of 2019 were:

- Further increase of the *number of AMCs* - by two companies in Kyiv;
- Continued growth of the *number of registered CIIs and of the number of formed ("recognized") CIIs* mainly at the expense of venture CIFs;
- Accelerating of the growth of *aggregate value of assets and net assets of the industry*, with positive quarterly dynamics of NAV only in the sectors of closed-end CII (both with public and private placement, including venture funds); at that:
- Another minor decrease of *NAV of open-ended CII* and reduction of its annual growth - mainly due to the net outflow of capital from one large fund in this sector;
- A further minor decrease of *the number of investors in CII* - mainly due to the exit of retail investors-residents from closed-end CII with public issue and from interval CII; at the same time - an increase of the number of participants in open-ended CII and closed-end CII with private placement (excluding venture ones);
- Continued increase of *aggregate assets of Ukrainian citizens in CII* and of their weight in the aggregate NAV (by individual sectors - in all, excluding interval funds);

Outsiders by rates of return in January-March of 2019 for the third consecutive quarter were **closed-end CII with public placement**, which averaged **-2.5%** (after -6.5% in Q4 2018, and without taking into account the extreme values, the result for the 31 fund was -0.8%). The range of indicators for various funds in the sector has narrowed considerably, *and 18 funds out of 35 of these CII, provided growth of their investments* (51%, after 40% in the 4th quarter of 2018).

- Further decrease of the *weight of enterprises-residents in NAV of all CII as a whole*, due to the relatively weaker growth of their aggregate investments compared with other categories of investors; at the same time - some increase of their weight in CIIs' sectors with public placement;
- Growth of *aggregate funds of non-resident investors* in net assets of CII as a whole - at the expense of venture funds - and their reduction in open-ended and closed-end CII with public placement, that led to a reduction of the non-residents' weight in the NAV of these sectors and of CII as a whole;
- Reduction of *the weight of securities* in CII assets as a whole and in all sectors of funds, excluding closed-end CII with private placement (excluding venture funds); along with this - the growth of the *aggregate value* of investments in stock instruments also in closed-end funds with public placement;
- Increase of quarterly *returns* in most CII sectors by type of funds and asset classes, and, at the same time, maintaining of negative average indicators in half of them.

Growth of returns of market CII with a significant share of assets in financial instruments, in particular in equities, in January-March of 2019 was restrained by a lateral trend in the domestic stock market, which only during the last week of March demonstrated the hasty growth which at least in two times surpassed the growth of indices for the whole quarter. For open-ended funds, a net outflow of capital was also a negative factor, which determined the maintenance of the moderately downward dynamics of net assets of the sector during this period. In the sector of venture CII corporate funds continued to grow in popularity, and among instruments in assets the



most popular were direct loans and shared financing of various sectors of Ukrainian economy, that prompted

acceleration of the industry's growth in the first quarter of 2019.

See additional and statistical information on the UAIB website:

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

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