

Performance Analysis – Collective Investment Institutions, VIth Quarter of 2007

Despite the fall of a prevailing majority of the stock indices of developed markets, Ukrainian stock market in the IVth quarter of 2007 demonstrated growth, although at a slower rate than during previous quarters (Table 1). For instance, over the IVth quarter PFTS index went up only by 13.5%, whilst its annual growth comprised 135.34%.

Table 1

National markets' stock indices in 2007

<i>Index</i>	<i>01.01.2007</i>	<i>30.09.2007</i>	<i>31.12.2007</i>	<i>Quarterly rate of return (IVth quarter)</i>	<i>Annual rate of return</i>
PFTS (Ukraine)	498,86	1034,38	1174,02	13,50%	135,34%
RTS (Russia)	1921,92	2071,8	3169,23	52,97%	64,90%
HANG SENG (China)	19964,72	27142,47	27812,65	2,47%	39,31%
WSE WIG (Poland)	50411,82	60368,92	55702,46	-7,73%	10,49%
DAX (Germany)	6596,92	7861,51	8067,32	2,62%	22,29%
S&P 500 (USA)	1416,63	1532,03	1449,89	-5,36%	2,35%
FTSE 100 (UK)	6220,8	6466,8	6456,9	-0,15%	3,80%
NIKKEI 225 (Japan)	17225,83	16785,68	15307,78	-8,80%	-11,13%

Asset value of non-venture CII, which invest mainly into domestic securities, went up by 27% and comprised UAH 3553,45M, which can be explained by successful operations of the funds during the previous quarters. Aggregate CII asset value went up by 39.5% during the IVth quarter and amounted to UAH 40 780,38M (Chart 1). Annual growth – 137.85%.

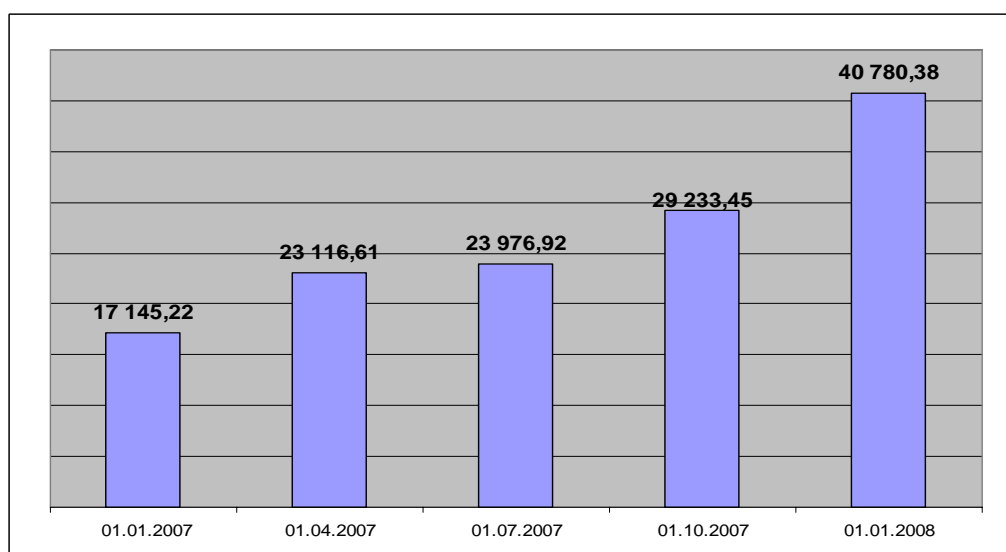


Chart 1. CII asset value dynamics in 2007, UAH M

In the IVth quarter, CII growth rate continued going down (Table 2). Open-end CII, which grew by 50% over the VIth quarter (170% per annum), became the only exception.

As of year end, there were already 27 such funds, which demonstrated their great potential and became an evidence of the need in such CII.

Table 2

CII number dynamics over 2007, by CII types

Date / Period	Total	Share investment funds (SIF)					Corporate investment funds (CIF)	
		Open-end	Interval	Close-end diversified	Close-end non-diversified	Venture	Close-end non-diversified	Venture
31.12.2006	519	10	25	3	29	377	42	33
30.09.2007	745	18	35	3	28	553	70	38
31.12.2007	834	27	35	4	30	603	88	47
Quarterly growth	12%	50%	0%	33%	7%	9%	26%	24%
Annual growth	61%	170%	40%	33%	3%	60%	110%	42%

Growth of AMC number was more even. In the VIth quarter the number of AMC grew by 11% (40% per annum) and went up to 321 companies. At that, an average number of CII per one AMC remained unchanged compared to the previous quarter – 2.6, and an average value of assets managed by one AMC grew by 26.4% in the IVth quarter (69,4% per annum) and amounted to UAH 127.4 M. An average fund size grew by 24.7% and comprised in 48.9 M in the IVth quarter.

The said indicators are of indicative nature only, as far as their breakdown by funds and companies is extremely uneven.

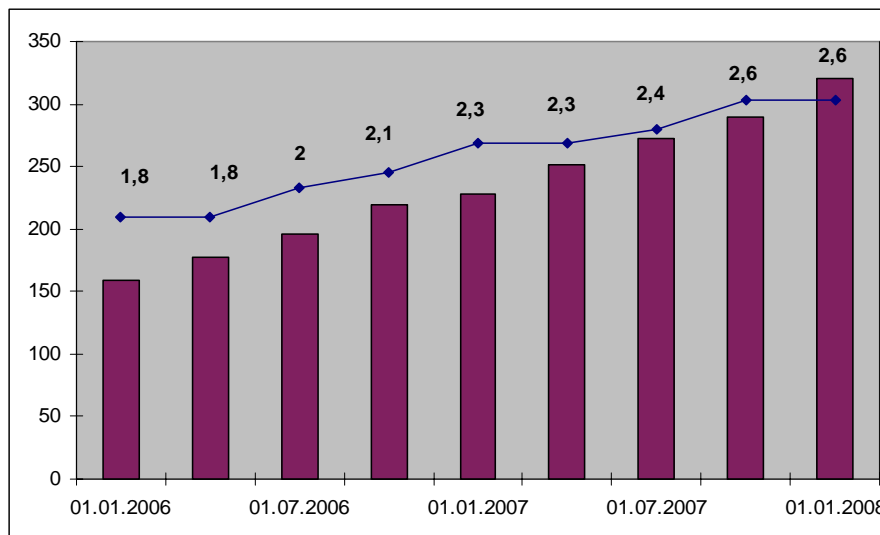


Chart 2. Dynamics of AMC and CII number under management of one AMC (average) in 2006-2007

As per regional distribution, these are Kyiv and Kyiv Region that lead by the number of AMC and CII, as well as by the total amount of assets under their management. Here,

69.25% funds are located (Chart 3), the assets of which amount to 74.99% of the total assets of the Ukrainian CII (Chart 4).

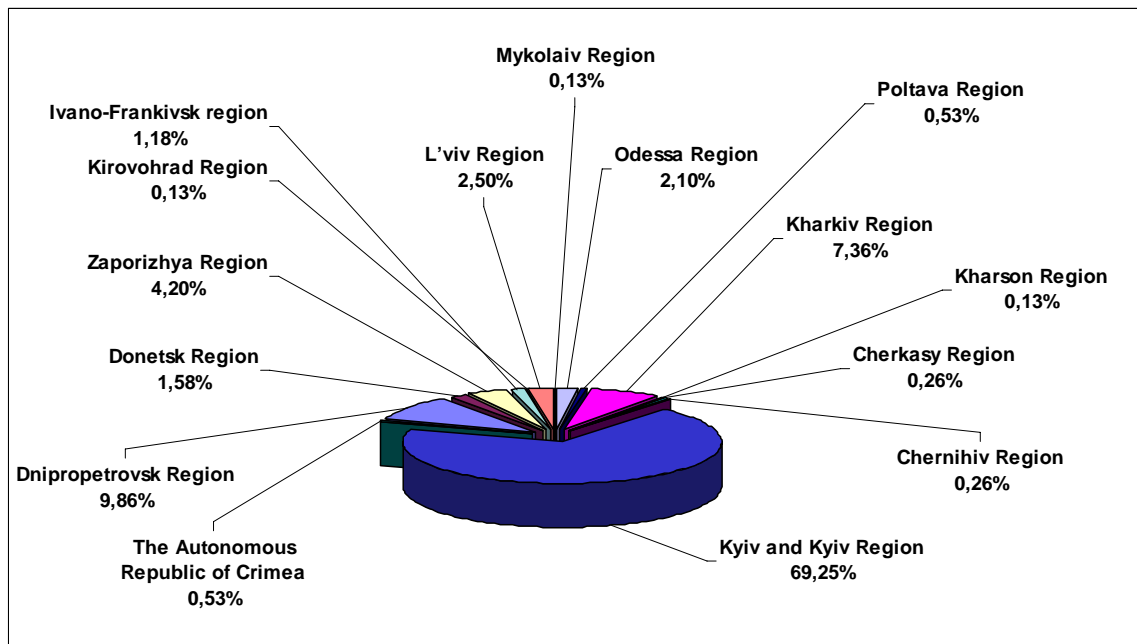


Chart 3. Breakdown of the number of CII by the regions of Ukraine as of 31.12.2007

Kharkiv region comes second by asset value (7.36% of CII and 8.97% of assets), and Dnipropetrovsk Region – by CII number (9.86% of CII and 6.22% of assets).

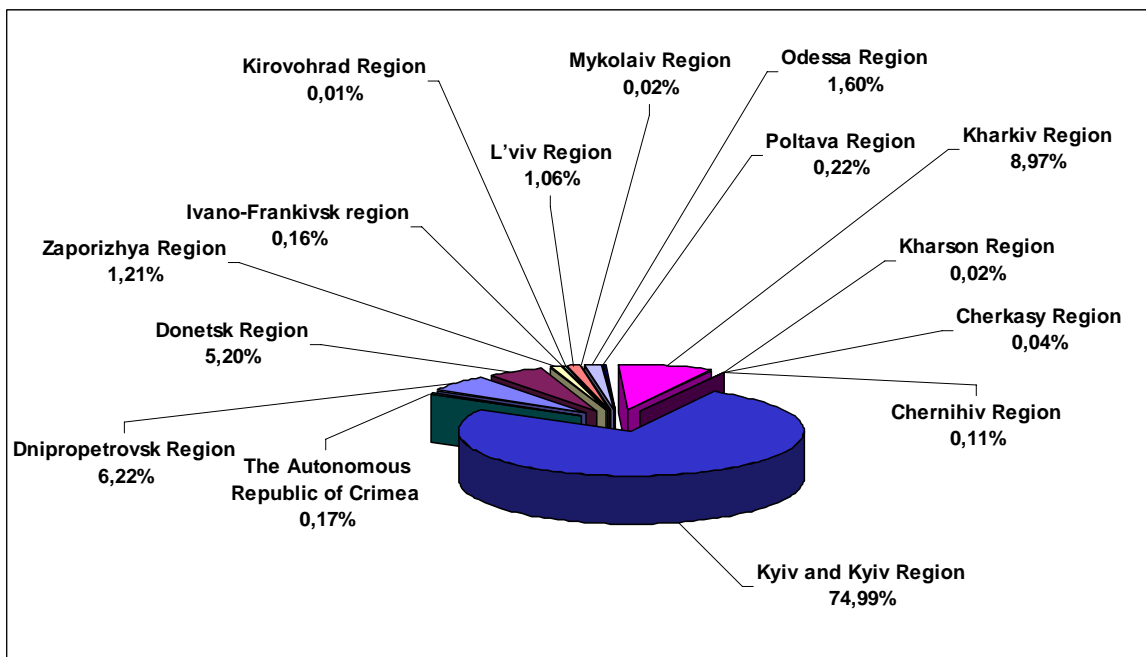


Chart 4. Breakdown of CII assets by the regions of Ukraine as of 31.12.2007

Just as during three preceding quarters, in the IVth quarter of 2007 the greatest asset value growth (120.44% per quarter and 951.93% per annum) was experienced by open-end CII (Table 3). Their asset value as of year end amounted to UAH 590.54 M. At the same

time, the growth of venture funds' assets went down to 38.05% (231.39% per annum) and comprised UAH 36 494.75 M.

Table 3

CII asset value dynamics, by fund types in 2007

<i>Funds</i>	<i>01.01.2007, UAH M</i>	<i>01.10.2007, UAH M</i>	<i>31.12.2007, UAH M</i>	<i>Quarterly growth</i>	<i>Annual growth</i>
Open-end	62,04	267,89	590,54	120,44%	951,93%
Interval	37,78	134,44	260,76	93,96%	690,16%
Close-end (non-venture)	1 273,59	2 396,11	3 434,34	43,33%	269,66%
Venture	15 771,81	26 435,01	36 494,75	38,05%	231,39%
Total	17 145,22	29 233,45	40 780,38	39,50%	237,85%

On the background of above-mentioned trends, the correlation of asset value of different types of funds continued changing (Chart 5). Just as before, the lion's share of asset value belonged to venture funds, though during 2007 it decreased from 91.99% to 89.49%.

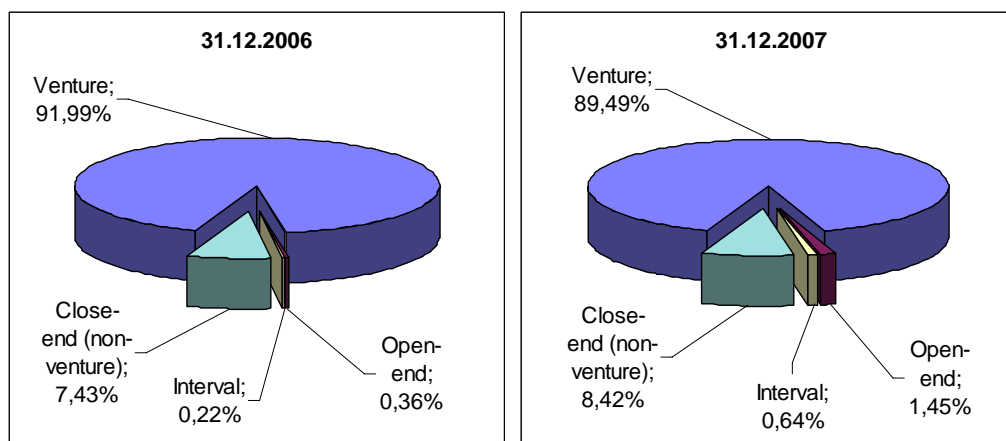


Chart 5. Shares of asset value of different fund types within an aggregate asset value as of the beginning and end of 2007

Despite a low value of assets of non-venture funds compared to the one of venture funds, the former require a more detailed analysis, as far as differ from the latter by the essence of activity, which requires considerably greater publicity.

2007 was one of the most successful years for non-venture CII both from the viewpoint of moneys attracted (Table 4) and from the viewpoint of return generated from their placement (Chart 6). An aggregate net asset value of non-venture CII in the VIth quarter went up by 24.97% (165.11% per annum) and comprised UAH 3 119,9 M. The said growth occurred primarily due to an increase in the NAV of open-end funds (+73.63% per quarter and +647.55% per annum) and interval funds (+82.91% per quarter and

+552.33% per annum), despite comparatively small share of the NAV of those funds (8.4%) compared to the NAV of close-end CII (91.6%).

Table 4

Non-venture CII net asset value dynamics, by fund types in 2007

<i>Funds</i>	<i>NAV as of 31.12.2006, UAH M</i>	<i>NAV as of 30.09.2007, UAH M</i>	<i>NAV as of 31.12.2007, UAH M</i>	<i>Quarterly growth, %</i>	<i>Annual growth, %</i>
Open-end	61,96	266,76	463,18	73,63%	647,55%
Interval	37,07	132,21	241,82	82,91%	552,33%
Close-end	1077,82	2097,54	2414,9	15,13%	124,05%
Total	1176,85	2496,51	3119,9	24,97%	165,11%

Such growth could be explained by an increase of the citizens' income in 2007 and a growing interest to CII market, which had demonstrated very high rate of return during preceding quarters (Chart 6). Preference was given to open-end CII, insofar as they have higher liquidity, lower risk level and, at that, during preceding quarters had been not much less profitable than close-end funds.

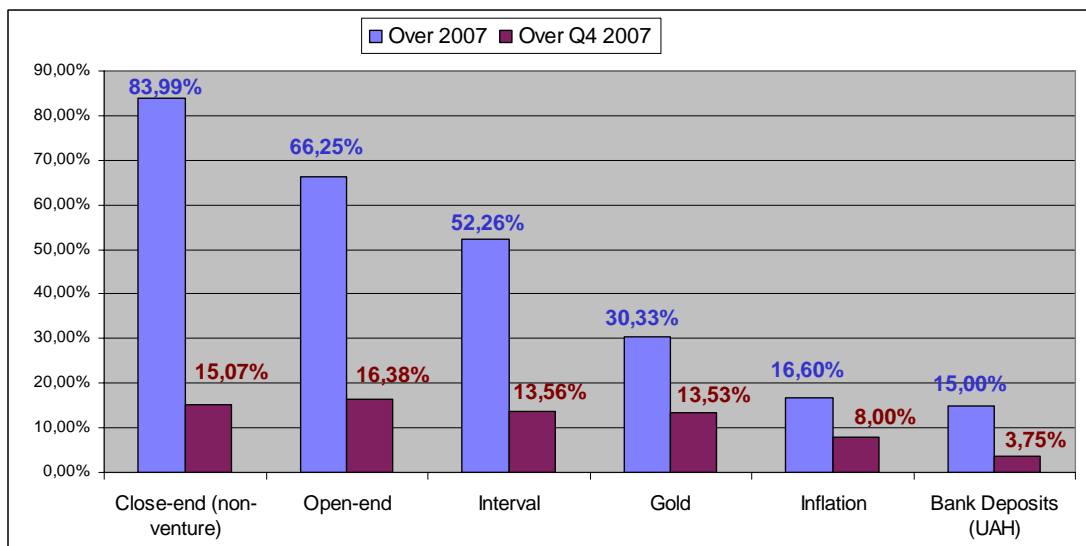


Chart 6. Average rate of return in 2007: different types of funds, gold and bank deposits

For instance, an average rate of return of close-end funds amounted to 84% per annum, of open-end – 66.2% per annum, and of interval – 52.3% per annum, whilst an average rate of return on deposits (15%) was lower than the inflation level – 16.6%. In the IVth quarter, CII rate of return indicators somewhat decreased and turned out to be lower than the average quarterly ones. In particular, the rate of return of close-end funds comprised 15.1%, of open-end ones – 16.4%, and of interval ones – 13.6%. Therefore, CII asset growth rate is very likely to go down in 2008.