



Contents

1. Stock Markets: Ukraine and the World	1
2. Number of AMC and CII.....	3
3. Regional Distribution of AMC and CII	5
4. Asset and Net Asset Value of CII	6
5. Net Capital Flow in Open-Ended CII	8
6. Investors of CII.....	10
7. Asset Structure of CII.....	12
8. Rates of Return: CII and Other Financial Instruments	15
9. Resume.....	16

1. Stock Markets: Ukraine and the World

During the 1st quarter of 2016 international stock markets passed a zone of turbulence in adverse global macroeconomic and monetary conditions, which became considerably complicated. Data on further slowdown in Chinese economy, along with demand and inflation, as well as monetary policy of the People's Bank of China, which disappointed international investors even more after a massive capital outflow from the country over past six months, on background of a quasi-liberalization of currency rate and regulation of capital's movement, and an extraordinary increase of debts served as a reason for sharp pessimism. Chinese market fell for the 1st quarter of 2016 by 16% (Hong Kong's market – by 5%, Table. 1).

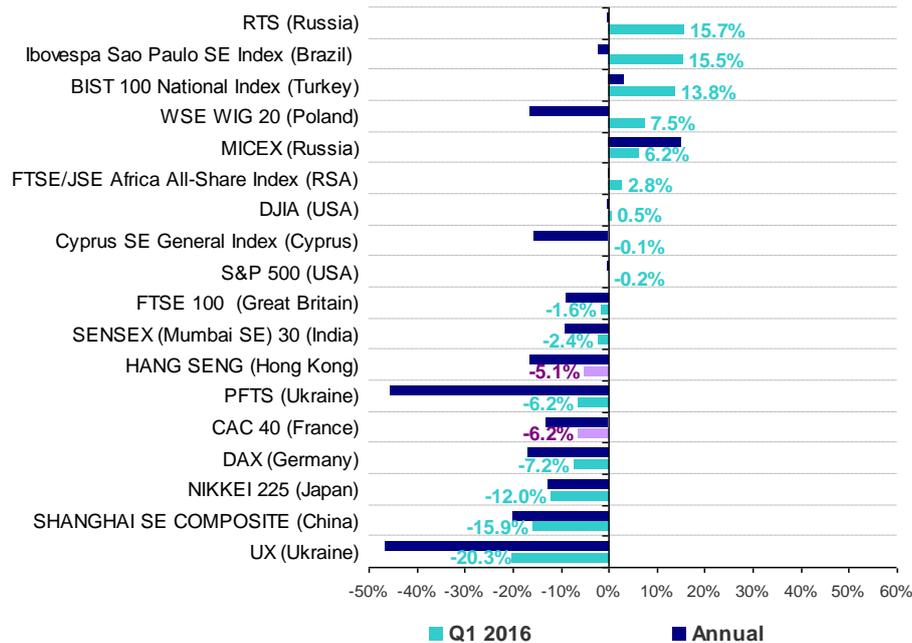
Indices in the USA, along with indicators of other key markets, rapidly declined almost to mid-February, with some intermediate correction in late January. Further right up to the end of the quarter, mood of investors became better, and a significant drop became a prerequisite of a similar growth - almost to the level of the beginning of the year, so the quarterly result was close to zero. Restrained optimism about the USA market in early 2016 was stipulated by cautious policy on further FED's moves towards raising of rates.

European leading markets in the 1-st quarter of 2016 moved almost in unison, but were under additional downward pressure of regional problems, in particular, of weak economic growth in the euro area, disinflation and negative rates, that led to quarterly losses of equity indexes (-2-7%).

At the same time, some large emerging markets had a positive trend. Russian indices raised along with increase of energy prices in the second half of the quarter and some easing of geopolitical pressure (RTS +16%, MICEX +6%). Markets of two other BRICS' countries also increased significantly, in particular, those ones in Brazil - on background of beginning of resolution of the protracted political crisis (+15.5%). Turkish index also increased significantly (+14%).

Table 1. Dynamics of Stock Indices of National Markets in Q1 2016*

Indexes	31.03.2016	Q1 2016	Annual
RTS (Russia)	876.20 ¹	15.7%	-0.5%
Ibovespa Sao Paulo SE Index (Brazil)	50 055.27 ²	15.5%	-2.1%
BIST 100 National Index (Turkey)	83 268.04 ³	13.8%	3.0%
WSE WIG 20 (Poland)	1 997.69 ⁴	7.5%	-16.6%
MICEX (Russia)	1 871.15 ⁵	6.2%	15.1%
FTSE/JSE Africa All-Share Index (RSA)	52 250.28 ⁶	2.8%	0.1%
DJIA (USA)	17 685.09 ⁷	0.5%	-0.5%
Cyprus SE General Index (Cyprus)	67.50 ⁸	-0.1%	-15.5%
S&P 500 (USA)	2 059.74 ⁹	-0.2%	-0.4%
FTSE 100 (Great Britain)	6 174.90 ¹⁰	-1.6%	-8.8%
SENSEX (Mumbai SE) 30 (India)	25 341.86 ¹¹	-2.4%	-9.4%
HANG SENG (Hong Kong)	20 776.70 ¹²	-5.1%	-16.6%
PFTS (Ukraine)	225.71 ¹³	-6.2%	-45.5%
CAC 40 (France)	4 385.06 ¹⁴	-6.2%	-12.9%
DAX (Germany)	9 965.51 ¹⁵	-7.2%	-16.7%
NIKKEI 225 (Japan)	16 758.67 ¹⁶	-12.0%	-12.7%
SHANGHAI SE COMPOSITE (China)	3 003.92 ¹⁷	-15.9%	-19.9%
UX (Ukraine)	546.67 ¹⁸	-20.3%	-46.6%



* Based on data of the Exchanges and Bloomberg Agency.

Chart 1. Dynamics of National Markets' Stock Indexes in Q1 2016

Ukrainian stock market in the 1st quarter of 2016 was among the world's outsiders, although two key indicators of equity market showed different dynamics: Ukrainian Stock Exchange index (UX) fell by 20.3% for the quarter, while the PFTS index - by 6.2%.

From the beginning of the year much more stringent conditions for listing of securities on the stock exchanges came into force, that led to maintaining of a downward trend until mid-March. Then there was another market collapse almost to the end of the quarter, when UX index lost three out of 10 components of the basket and was under threat of further cuts. It was triggered by enterprises - blue chips' consideration on making transition from public corporations to private ones because of their failure to comply with new conditions of listing - and adoption of such decisions by several of them.

This also happened in the face of deteriorating of domestic political situation, which hampered the continuation of the program of financial support for Ukraine by the IMF.

During the 1-st quarter volume of Ukrainian exchange market reduced significantly - both by parameters of number of securities in the stock exchange's listing (-22% as a whole, -86% equities in the listing), as well as by volume of trading (-56% as a whole, and -77% in equities for the year). Exceptions were, already traditionally, government bonds, the number of issues of which in January-March rose, though trading volume in them dropped 3-fold for the year (Table. 2).

Table 2. Dynamics of the Ukrainian Stock Market in Q1 2016

Indicator/ Date	31.03.2015 (Q1 2015)	31.12.2015 (2015)	31.03.2016 (Q1 2016)	Change for Q1 2016	Annual Change
Number of Securities in the listing of stock exchanges including:	2452¹	2247¹	2178¹	-3.1%¹	-11.2%¹
Number of securities in the registers (listing) of stock exchanges, including:	696¹	562¹	441¹	-21.5%¹	-36.6%¹
OVDP	266 ¹	265 ¹	272 ¹	2.6% ¹	2.3% ¹
equities	224 ¹	65 ¹	9 ¹	-86.2% ¹	-96.0% ¹
corporate bonds	202 ¹	91 ¹	49 ¹	-46.2% ¹	-75.7% ¹
municipal bonds	4 ¹	0 ¹	0 ¹	x ¹	-100.0% ¹
NBU deposit certificates	0 ¹	141 ¹	111 ¹	-21.3% ¹	x ¹
Trading volume on the stock exchanges (total) per period, UAH mln, including:	109 328.1¹	290 771.0¹	48 010.9¹	x¹	-56.1%¹
OVDP	101 150.9 ¹	253 319.7 ¹	34 585.5 ¹	x ¹	-65.8% ¹
equities	2 317.7 ¹	5 810.9 ¹	538.6 ¹	x ¹	-76.8% ¹
corporate bonds	2 686.4 ¹	13 604.1 ¹	1 330.0 ¹	x ¹	-50.5% ¹
NBU deposit certificates	0.0 ¹	8 714.5 ¹	10 733.8 ¹	x ¹	x ¹
investment certificates	1 024.8 ¹	2 170.2 ¹	323.9 ¹	x ¹	-68.4% ¹
derivatives	2 062.7 ¹	6 516.5 ¹	341.5 ¹	x ¹	-83.4% ¹



2. Number of AMC and CII

In the 1st quarter of 2016 the number of asset management companies continued to decrease. 6 AMC were closed during January-March. At the same time one new company was created in Kiev. Totally, as of 31.03.2016, 309 AMC acted in Ukraine (Chart 2). A negative factor that influenced the number of market's participants, was introduction of new prudential regulations, which came into effect from the beginning of the year and significantly increased requirements for AMC' composition and structure of capital.

At the same time, according to UAIB, 7 CII were registered during the quarter (after 13 in Q4 2015). The total number of registered CII at the end of March 2016 increased from 1567 to 1572 (at the expense of venture funds). This helped to preserve the trend of increasing of concentration in asset management market: as of 31.03.2016, one company managed on average assets of 5.1 fund (after 5.0 in Q4 2015).

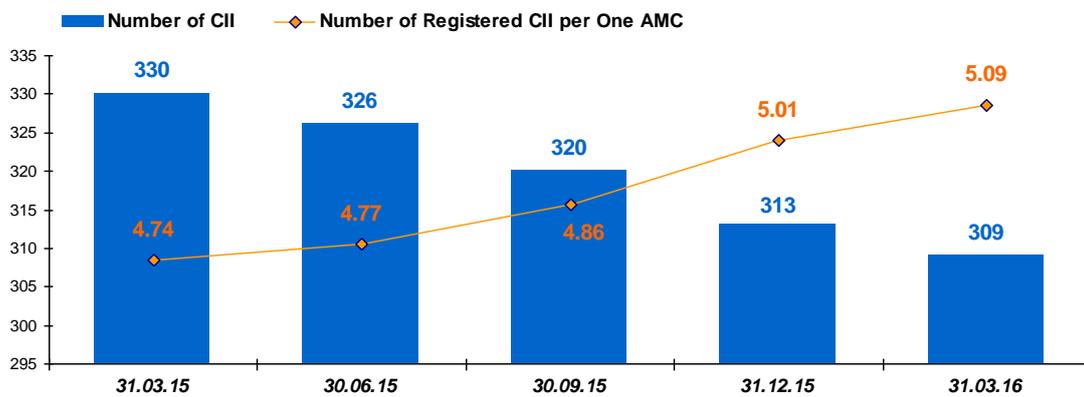


Chart 2. Dynamics of the Number of AMC and CII per One AMC in Q1 2015-2016

Number of CII that reached compliance with norms for minimal assets value, in the 1st quarter of 2016 decreased further: such funds became else less by 6 for the quarter (after -4 in the preceding quarter), namely - 1141. During the year, the number of recognized and active CII decreased by 36 funds (-3.1%).

In absolute terms the number of such funds declined the most during the quarter in the sector of venture UIF (-11, -1.4%), and sector of interval CIF narrowed the most in relative terms (-50.0%, -1 fund). Also a decrease was recorded among open-ended UIF (-4.8%, -1) and closed-end non-diversified CIF (-1.6%, -1).

In other sectors changes were positive or absent. Number of venture CIF increased noticeably (+2.6%, +5 funds). Specialized funds also became more: one previously diversified open-ended CII changed its type, and also one new specialized interval UIF was established (Table 3).

Table 3. Dynamics of the Number of CII that Reached Compliance with Standards, by Types and Legal Forms, in Q1 2015 - 2016

Date/Period	Total	UIF*							CIF*		
		O*	Os*	I*	Is*	CD*	CNN*	CV*	I*	CNN*	CV*
31.03.2015	1177	22	5	28	2	10	32	847	2	72	157
30.06.2015	1171	21	5	26	2	8	37	837	2	70	163
30.09.2015	1151	21	5	23	2	9	31	823	2	67	168
31.12.2015	1147	21	5	22	2	9	31	803	2	63	189
31.03.2016	1141	20	6	22	3	9	32	792	1	62	194
Q1 2016 change	-6	-1	1	0	1	0	1	-11	-1	-1	5
	-0.5%	-4.8%	20.0%	0.0%	50.0%	0.0%	3.2%	-1.4%	-50.0%	-1.6%	2.6%
Annual change	-36	-2	1	-6	1	-1	0	-55	-1	-10	37
	-3.1%	-9.1%	20.0%	-21.4%	50.0%	-10.0%	0.0%	-6.5%	-50.0%	-13.9%	23.6%

* UIF - Unit Investment Funds, CIF - Corporate Investment Funds;

O – open-ended diversified CII, Os – open-ended specialized CII (as at 30.09.2014 and before - open-ended diversified CII), I – interval diversified, Is - interval specialized (as at 30.09.2014 and before – interval diversified), CD – closed-end diversified, CNN - closed-end non-diversified non-venture, CV - closed-end non-diversified venture CII.



The share of venture CII in the total number of formed operating funds remained almost unchanged for the quarter (86.4%), although the number of such CII decreased from 992 to 986 funds (Chart 3). At that, the weight of venture UIF continued to decline - from 70.0% to 69.4% (792 funds).

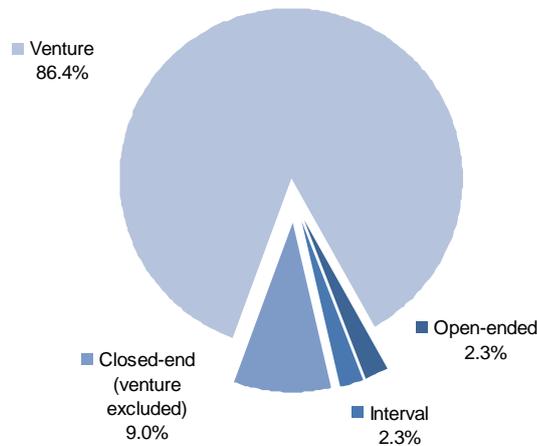


Chart 3. CII, that Reached Compliance with Standards, by Types of Funds, as at 31.03.2016

In the 1-st quarter of 2016, according to UAIB, in the process of liquidation still were or just started it 4 open-ended and 3 interval diversified UIF, 1 closed-end diversified UIF, 4 closed-end non-diversified UIF and 5 of the same CIF, 43 venture UIF and 4 CIF. As a whole – they were 64 funds, or 5.6% of all recognized CII.

The number of funds that have not yet reached the normative for minimal volume of assets, among all registered CII under AMC management in the 1st quarter of 2016 decreased from 46 to 44, and their share among all CII under management - from 3.9% to 3.7%. So, taking into account the increasing number of registered funds, expectations regarding possible market's recovery in the short- and medium term perspective remain mixed.

Sector of public CII continued to reduce (Table 4) - both in terms of number of funds and AMC that managed them, as well as in terms of these CIIs' assets under management and NAV.

Number of **diversified CII with public emission** in Q1 2016 decreased from 40 to 34 funds (also -6 funds over the year) (Table 5). According to classification based on the structure of assets¹, at the end of March there were 4 equity funds (1 open-ended and 3 interval diversified CII), i.e. by 7 funds less than at the end of 2015, and by two funds less than a year ago. Instead, there were 4 bond funds for the first time since the 3rd quarter of 2014 (3 open-ended and 1 interval CII).

Table 4. CII with Public Issue (Offering), as at 31.03.2016

CII Type and Class	Number	
	31.12.2015	31.03.2016
Open-ended (total), including:	26	26
diversified	21	20
specialized	5	6
Interval (total), including:	25	25
diversified	23	22
specialized	2	3
Closed-end (total), including:	59	58
diversified	3	3
specialized	56	55
Total	110	109

Table 5. Dynamics of the Number of Diversified CII with Public Issue by Classes of Funds (in Accordance with Assets Structure) in Q1 2015-2016

Date / Period	Total	Equity funds	Bond funds	Mixed funds**	Money market funds	Other funds
31.03.2015	40	6	2	18	0	14
30.06.2015	40	7	1	19	0	13
30.09.2015	38	5	1	19	0	13
31.12.2015	40	11	1	22	0	6
31.03.2016	34	4	4	17	0	9
Q1 2016 change	-6	-7	3	-5	0	3
	-15.0%	-63.6%	300.0%	-22.7%	-	50.0%
Annual change	-6	-2	2	-1	0	-5
	-15.0%	-33.3%	100.0%	-5.6%	-	-35.7%

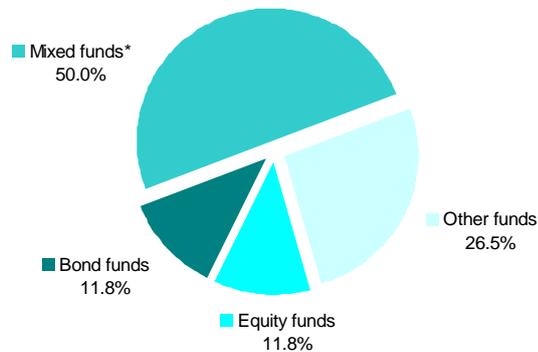
* Funds that have equities, and bonds, and cash in their portfolios.

¹ See [Rankings: Collective Investment Institutions \(CII\) - by fund class](#), Methodology for Ranking AMC and CII, Based on Their Performance Results (in Ukr) on UAIB website: <http://www.uaib.com.ua>.



Number of mixed investment funds (balanced) decreased for the quarter from 22 to 17, among which there were 5 open-ended, 11 interval and one closed-end CII. Thus, half of the diversified funds with public issue had mixed assets (Chart 4).

Money market funds, according to established parameters, were absent again, and "other", ie those that did not meet the criteria to classes of equity, bond and mixed investments funds, were 9 (6 open-ended, 2 interval and one closed-end CII).



* They have equities, and bonds, and moneys in their portfolios.

Chart 4. Diversified CII with Public Emission, by Classes of Funds, as at 31.03.2016

3. Regional Distribution of AMC and CII

In Kiev and metropolitan area in the 1-st quarter of 2016 the number of AMC decreased by 4 - to 221 companies. Number of registered CII reduced also in Simferopol and Zaporizhzhia (by one in each of them, Chart 5). Among five leading regions by number of AMC, except for Kyiv, there were no changes over this period: 21 AMC acted in Dnipropetrovsk region, 18 -in Kharkiv area, 9 in Lviv region and 9 in Odessa region. The rest of Ukrainian regions all together had 31 AMC, or 10 % of market.

Despite the closure of several companies in the capital during the quarter, its the largest market share by number of AMC did not change and amounted to more than 71.5% (after almost 71.6% in Q4 2015, and more than a year ago).



Chart 5. Regional Distribution of AMC Number, as at 31.03.2016



The number of CII under management in Kyiv and its region in the 1-st quarter of 2016 decreased, while in other regions, it mainly grew. Finally, the weight of Kyiv by the number of CII decreased from 73.1% to 72.6% (Chart 6).

Symbolic increase of the number of funds (+1) made Dnipropetrovsk region closer to 8% in the regional distribution of market by this indicator (after 7.8% in Q4 2015). Proportion of Kharkiv increased also (from 5.6% to 5.9%), and the same was for Lviv (from 2.7% to 2.8%), which surpassed Zaporizhzhia (decrease from 2.7% to 2.6% on background of closure of several CII).

All other parts of Ukraine, as of 31.03.2016, accounted for 8.2% of funds under management (virtually unchanged for the quarter). Thus, the regional concentration of assets under management decreased – at expense of capital's region and for benefit of other leading areas.

In distribution of assets under management by regions in the first quarter Kyiv also slightly lost its positions, due to a significant reduction here of total assets under management. Kyiv's share fell from 82.6% to 81.2%. Other regions of the top–5 by assets of CII increased them, that also helped to increase their weights: Dnipropetrovsk area- from 7.2% to 7.6%, Kharkiv area - from 3.6% to 4.3%, Zaporizhzhia area - from 2.87% to 2.93% and Lviv area - from 1.56% to 1.64% (Chart 6).

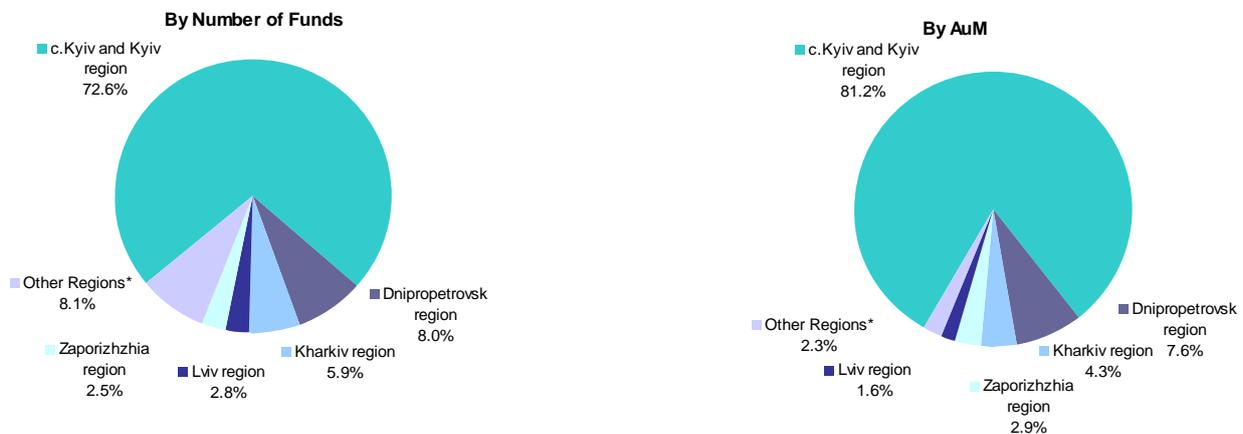


Chart 6. Regional Distribution of CII by Number and Value of Their Assets under Management, as at 31.03.2016

4. Asset and Net Asset Value of CII

In Q1 2016 aggregate assets of CII continued to grow, although much more slowly compared with the 4th quarter of 2015. Thus, the total assets of the recognized and acting investment funds **increased by UAH 1,411.91 mln. (+0.6%, after +5.0%)**.

In this quarter venture funds once again were the only one engine of growth, increase of their assets compensated decrease of other sectors (+UAH 2,075.52 mln., +0.9%), although it was 5 times lower than in the previous three months (+UAH 10,837.87 mln., +5.1%).

As of 31.03.2016, **the total assets of CII that reached norms, amounted to UAH 238,137.06 mln.**, including *venture CII* - UAH 227, 616.41 mln.

Reduction of *open-ended CII* assets in the 1-st quarter moderated to –UAH 1.68 mln. (-3.0%, after -7.0% in Q4 2015).

In the sector of *interval funds*, by contrast, reduce of assets accelerated sharply - to –UAH 19.02 mln. (-21.4%, after -2.5%).

Closed-ended CII also experienced a decrease – by UAH 744.25 mln. (-6.1%, after +3.0%) - up to UAH 9,846.97 mln. As a result, total assets of CII (except venture ones) in January-March of 2016 decreased by UAH 663.62 mln. (-6.2%), to UAH 9,970.49 mln. (Chart 7).

This occurred on the background of reducing the number of acting funds, which filed reports, in sectors of *open-ended and interval CII*, as well as of venture ones - from 916 to 911 (in total, from 1047 to 1039).

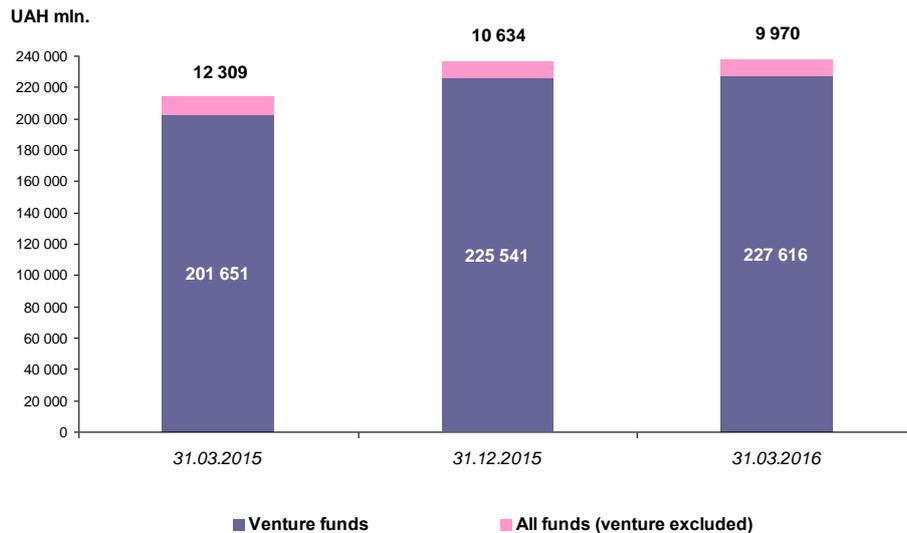


Chart 7. Dynamics of CII Assets Value in Q1 2015-2016

The net asset value of CII in Q1 2016 increased, at that more than the total assets – by UAH 2,857.32 mln. (+1.4%) to UAH 202,718.46 mln. (after +1.9% in the fourth quarter of 2015, Table 6).

Table 6. Dynamics of CII NAV, by Types of Funds, in Q1 2015-2016, UAH, mln.

Funds	31.03.2015	31.12.2015	31.03.2016	Q1 2016 Change	Annual Change
Open-ended	63.1	54.9	53.5	-2.7%	-15.3%
Interval	107.2	87.9	68.8	-21.7%	-35.8%
Closed-end (venture excluded)	11 498.3	9 809.6	9 437.9	-3.8%	-17.9%
with public issue	3 613.9	3 663.0	3 284.6	-10.3%	-9.1%
with private issue	7 884.4	6 146.6	6 153.3	0.1%	-22.0%
All funds (venture excluded)	11 668.6	9 952.5	9 560.1	-3.9%	-18.1%
Venture	174 403.1	189 908.7	193 158.3	1.7%	10.8%
All funds	185 428.2	199 861.1	202 718.5	1.4%	9.3%

* Acting CII that have reached compliance with the standard of minimum amount of assets (established funds), are managed by AMC and have provided reports for the respective period (as at the reporting date)

Net assets of CII, the same as in the previous quarter, for the 1st quarter of 2016 increased also due to rising dynamics in the sector of **venture capital funds**: NAV increased here by UAH 3,249.67 mln. (+1.7%) to **UAH 193,158.33 mln.** (after +1.8% in Q4 2015).

NAV of other **closed-end CII** declined less than their total assets (total liabilities of the sector decreased deeper than assets) - by UAH 378.79 mln (-3.8%) to **UAH 9,437.85 mln.**

NAV of **open-ended funds** decreased by UAH 1.46 mln. (-2.7%, after -7.4% in Q4 2015) to **UAH 53.47 mln.; interval ones** – by UAH 19.11 mln. (-21.7%, after -2.9%) to **UAH 68.81 mln.**

Ten times more intense reduction of the sector of interval funds led to a drop of its weight in the NAV of CII (except venture funds) in the 1-st quarter from 0.88% to 0.72%, while the share of open-ended CII increased slightly from 0.55% to 0.56%, and of closed–end ones - from 98.56% to 98.72% (Chart 8).

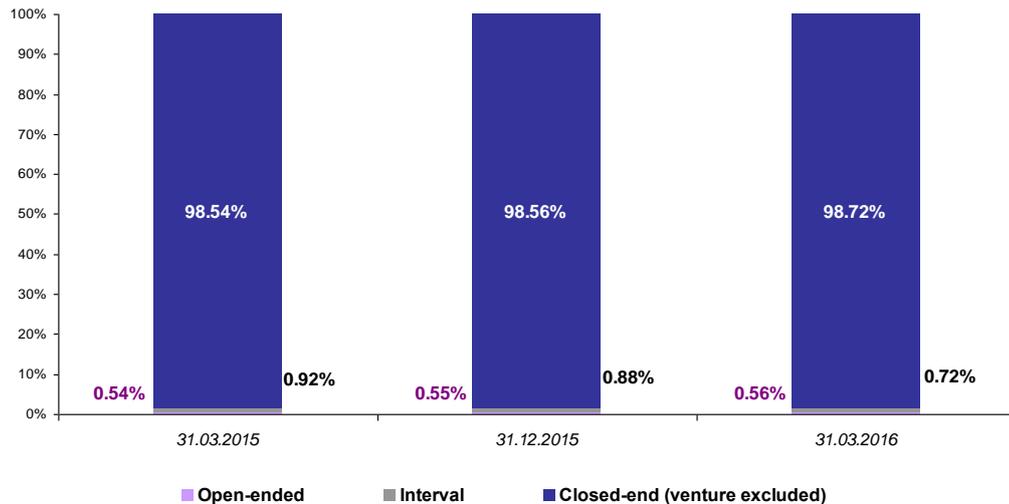


Chart 8. Dynamics of Non-Venture CII NAV Breakdown, by Types of Funds, in Q1 2015-2016

Venture funds in the first quarter continued to increase their market share by net assets' value, that was aided by opposite dynamics of NAV in this and other sectors of CII. Thus, the weight of venture capital funds in total net assets of CII at the end of March 2016 was approximately 95.3%, after 95.0% at the end of 2015 (Chart 9).

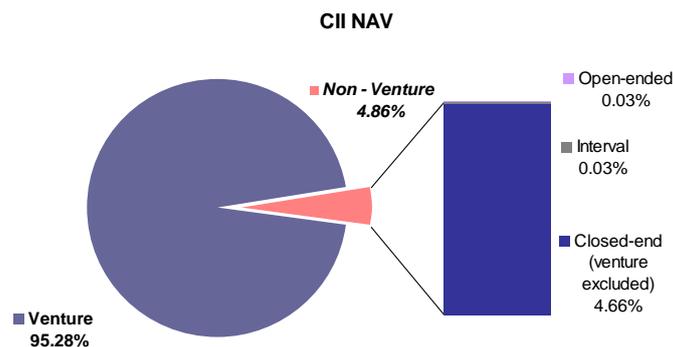


Chart 9. Breakdown of CII NAV, by Types of Funds, as of 31.03.2016

5. Net Capital Flow in Open-Ended CII

Outflow of capital from open-ended CII in January-March 2016 increased slightly, but it was lower than at the same period of the last year. Both of these trends were associated with a reduction in the number of funds in the sector and with a decrease in the stock market, which accelerated at the end of the first quarter.

Net outflow from the sector was observed throughout all of the first three months of 2016, and cumulative result each time was determined, as before, by only a few funds (Chart 10, Table 7).

Number of open-ended CII, which had net outflows in January-March, amounted to 5-7 (in October-December 2015 - 6-10), and the average number of acting open-ended CII decreased from 23 to 20. Totally, 11 funds under management of 6 AMC experienced outflows for these three months, totaling UAH 1.31 mln.

At the same time, there were 1-5 funds that received net inflows in January-March (after 2-4 in October-December of 2015), and amount of additionally attracted capital of such funds decreased to UAH 0.36 mln. (after UAH 1.62 mln.).

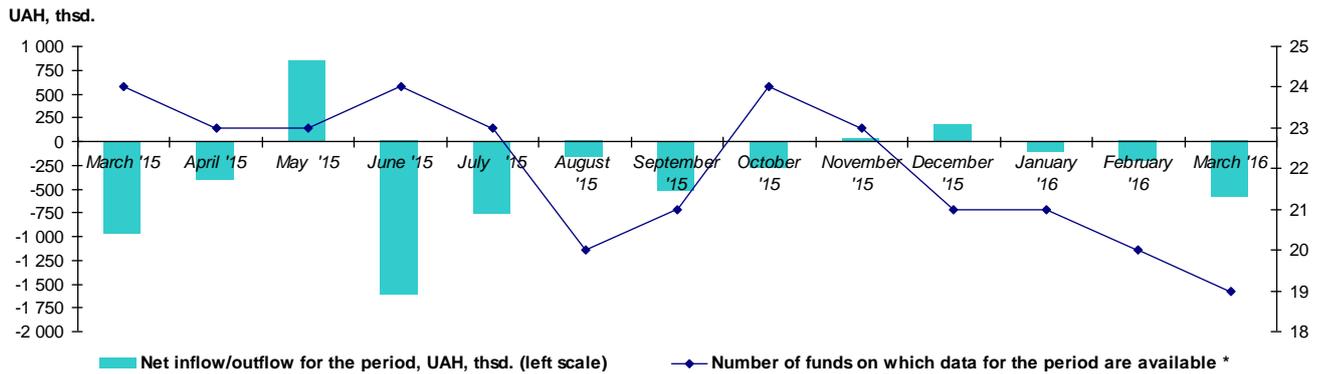


Chart 10. Monthly Net Flow of Capital in Open-Ended CII in March 2015-2016*

* Based on daily data (in January-March 2015– also on data as of the end of the month (quarter))

Table 7. Monthly Net Flow of Capital in Open-Ended CII in March 2015-2016*

Period	Net inflow/outflow for the period, UAH, thsd.	Number of funds on which data for the period are available*
March '15	-978	24
April '15	-413	23
May '15	840	23
June '15	-1 626	24
July '15	-767	23
August '15	-176	20
September '15	-520	21
October '15	-285	24
November '15	24	23
December '15	175	21
January '16	-119	21
February '16	-217	20
March '16	-590	19
For 12 months	-3 673	22

* For quarterly data - the average based on monthly data. For the year - the average for 12 months.

In the 1-st quarter of 2016 **total net capital outflow from open-ended CII** accelerated to - UAH 0.93 mln. (after –UAH 0.09 mln. in Q4 2015), but it was one and a half times less than a year ago, so, consequently, annual outflow continued to decrease (Chart 11).

Weight of capital flow in sector's NAV dynamics, accordingly, increased in the 1st quarter from 2% to more traditional 63%.

For 19 consecutive quarters (from the 3rd quarter of 2011), the net outflow from open-ended CII amounted to UAH 199.66 mln., that, as in the previous quarter, was consistent to 79% decrease in sector's NAV during this period (without taking into account changes in the value of money over time).

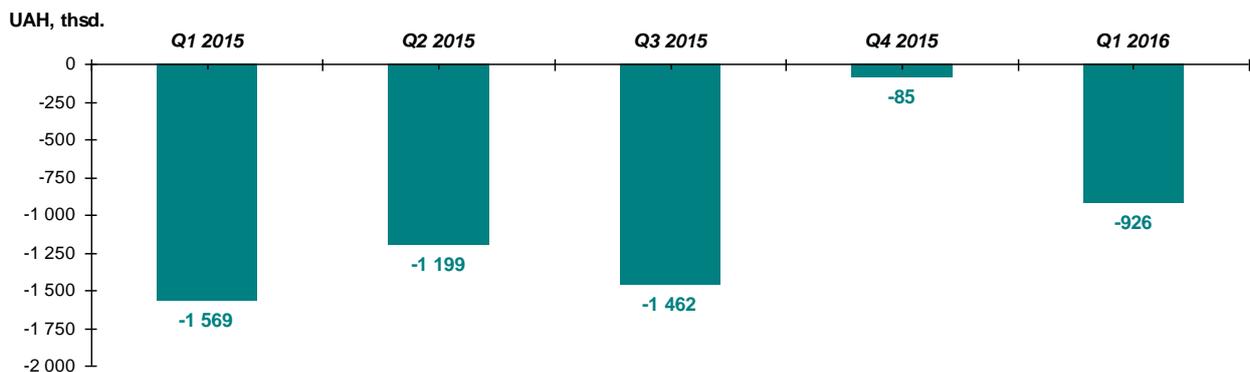


Chart 11. Net Flow of Capital in Open-Ended CII in Q1 2015-2016



During this period, capital's inflow continued **in the EU investment funds' industry**, although it slowed considerably compared with the 4th quarter of 2015.

Additional incomes to **all UCITS funds**² were recorded only by results of March, whereas in January there was a significant outflow, caused by turbulence in global capital markets and weak economic growth in the EU, and in February net capital's flow in these funds was close to zero. In the first three months of 2016 **UCITS funds suffered a net outflow of capital in the amount of EUR 6.8 bln.**³ (after net inflow of EUR 122 bln. in Q4 2015).

In contrast, **AIF funds**⁴, received a **net inflow** in the amount of **EUR 43 bln.** (after EUR 47 bln. in the previous quarter).

Thus, the overall result of investment funds in the EU (UCITS and AIF) for the 1st quarter of 2016 was the following - **a net inflow of EUR 36 bln.**

This, however, was not enough to provide constant increase of net assets of European industry of funds. At the end of March 2016 the **total assets of UCITS and AIF managed by AMC in the EU** as a whole decreased to EUR 13,038 bln., ie by 2.1% for the quarter. At that, **net assets of UCITS decreased by 2.9%, to EUR 7,965 bln., of AIF - by 0.8%, to EUR 5,073 bln.**

Leaders in terms of attracting additional capital in the 1-st quarter of 2016 **among UCITS funds** were funds with mixed investments - the only category that received a net inflow during this time (+EUR 5 bln., after +EUR 31 bln. in Q4 2015), besides "other" funds (+EUR 4 bln.).

Equity funds - the most popular ones during the previous quarter, in January-March 2016 had the result -EUR 3 bln. (after +EUR 56 bln.). **Money market funds** also showed losses - -EUR 3 bln. (after +EUR 39 bln.). However, outsiders in Q1 2016 were **bond funds**, which lost EUR 10 bln. (after -EUR 9 bln.).

Among AIF funds "institutional" funds (special funds for institutional investors) received the largest net inflow in Q1 2016 -+EUR 32 bln. (after +EUR 51 bln.). By asset classes, **mixed funds** received the largest inflow among AIF funds (EUR +20 bln., after EUR +15bln.). Inflow to **real estate funds** was also significant (+EUR 7 bln. - almost similar to the 4th quarter of 2015), as well as to "other" funds (+EUR 12 bln., after +EUR 20 bln.).

6. Investors of CII

In the first quarter of 2016 **legal entities-residents** remained the **main category of CII investors in terms of assets' volume**. Their total investments increased (+UAH 1,160.30 mln., after -UAH 0.44 mln. in Q4 2015), as well as their share in NAV of all CII - from 74.1% to 74.2%.

At that growth of investments of these participants in venture funds in the 1-st quarter again surpassed reduction of their assets in other sectors of CII (+UAH 1,565.14 mln., after -UAH 404.84 mln., respectively, and after -UAH 803.69 mln. in Q4 2015).

During the year, the weight of Ukrainian enterprises in CII assets decreased significantly (from 76.0%) - due to relatively more strong growth of investments from other categories of investors.

In open-ended CII volume of assets of domestic corporate investors in the 1-st quarter of 2016 decreased again, however slightly (-UAH 0.06 mln., after -UAH 1.48 mln. in Q4 2015). Meanwhile, the share of these investors in the sector, although slightly, but increased - from almost 11% to over 11.1%, that was due to a much faster reduction of Ukrainian citizens' assets here (Chart 12)⁵.

² UCITS (Undertakings for Collective Investment in Transferable Securities) – institutions of collective investments in negotiable securities (those that are in circulation on regulated markets); are open-ended funds with public emission (offering) and strict requirements for composition, quality, liquidity and structure of assets. They are governed by Directive (Directive 2009/65 / EC of 13 July 2009) and other legislative acts of the EU.

³ Based on data of 26 countries, associations of which are members of EFAMA (23 states- members of the EU, Norway, Switzerland and Turkey) - see. **EFAMA Investment Fund Industry Fact Sheet** (March 2016) on website: <http://www.efama.org>. Inflow for the 1-st quarter was calculated based on data for January-March 2016. See also: **Trends in the European Investment Fund Industry in the First Quarter of 2016**.

⁴ AIF (Alternative Investment Funds) - Alternative Investment Funds; factually include all other regulated funds, which are non-UCITS. Companies that manage such funds are regulated by Directive AIFMD (Directive 2011/61 / EU of 8 June 2011).

⁵ Excluding CII bearer securities.



In NAV of interval CII assets of Ukrainian enterprises decreased sharply (-UAH 36.0 mln., after -UAH 0.79 mln. in Q4 2015), that, amid much more moderate reduction in investments of retail investors and some growth of non-residents' assets, led to decrease of this category's weight from 52.3% to 29.7%.

In closed-end CII (venture excluded) the similar picture, amplified by increasing of Ukrainian citizens' assets, caused reducing of Ukrainian legal entities' share in the first quarter - from 51.8% to 48.8%.

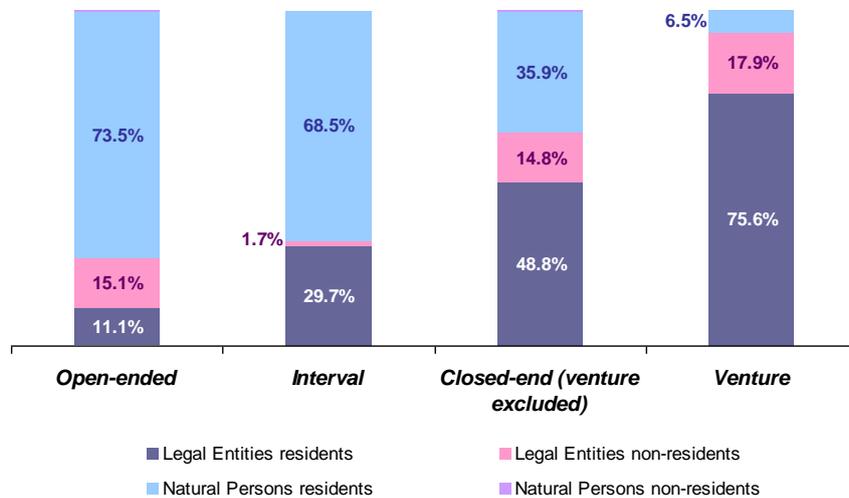


Chart 12. CII NAV Breakdown by Categories of Investors, as at 31.03.2016, share in NAV

Ukrainian retail investors (individuals - residents) in Q1 2016 continued to increase their assets in CII, although at a slower pace (+UAH 1,583.74 mln., after UAH 2,175.99 mln. in Q4 2015). The largest amount was in *venture capital funds* (+UAH 1,395.05 mln., after UAH 1,978.87 mln.). The proportion of Ukrainian citizens' assets in CII increased from 7.3% to 8.0%, in venture funds - from 5.8% to 6.5%.

Assets of retail investors-residents in *interval and closed-end CII* in this period also increased, the same as their share in the relevant sectors - from 41.0% to 68.5% and from 33.5% to 35.9%, respectively.

At the same time, the amount of Ukrainian individual investors' investments in *open-ended CII* in the first quarter decreased by UAH 2.73 mln. (after -UAH 2.48 mln. in Q4 2015). Along with mainly positive dynamics of investments of other categories of investors, this resulted in decrease of these participants' weight in sector's NAV for the quarter from 76.5% to 73.5%.

Funds owned by **foreign investors in CII**, in Q1 2016 decreased significantly (-UAH 1,459.68 mln., after +UAH 2,239.89 mln. in the fourth quarter of 2015), as well as their share in NAV (from 18.6% to 17.8%).

Legal entities - non-residents reduced the amount of total investments in *interval funds* (-UAH 4.67 mln.) and - especially - in *venture capital ones* (-UAH 1,489.65 mln., after +UAH 2,244.82 mln.), that became a reason of reducing of foreign investors' presence in all CII.

Such decline was not offset even by a slight increase of enterprises -non-residents' amount of investments in *open-ended and closed-end funds (excluding venture capital ones)* - by UAH 1.32 mln. and UAH 39.04 mln., accordingly. For the quarter, these investors increased their share in first ones from 12.5% to 15.3%, in the second ones- from 14.2% to 15.4%.

Foreign citizens, as opposed to the previous quarter, reduced their assets in venture funds and, as a consequence, almost in all CII (except for a slight increase in open-ended ones and virtually absent dynamics in interval and closed-end non-venture funds). Thus, their total investments in venture CII decreased by UAH 5.58 mln., and in all CII as a whole - by UAH 5.73 mln., at that the weight of these investors in assets of different sectors and in all CII as a whole, remained almost unchanged.

In total, investors-residents owned more than UAH 164 bln. in all CII as at 31.03.2016, including about UAH 156 bln. - in venture ones; **non-residents** - more than UAH 35 bln. in all CII, including UAH 34 bln. - in venture ones.



Number of CIIs' investors in Q1 2016 decreased in all sectors of CII, except interval and closed-end funds, but in latter's growth was conditional⁶. The most significant reduction occurred among *open-ended CII* - by 34.3% (-911 investors, including -905 retailers).

In *venture funds* Ukrainian investors reduced their presence (-141), mainly they were legal entities (-138, -3.4%), that generally resulted in reduction of the number of these CIIs' members by 2.3% (-117) for the quarter, to 4 928, among which almost 89% (3 939) – national companies (Table 8).

As a whole, in CII, as of 31.03.2016, there were 261,817 investors, 95% of which - in interval funds, almost 2% - in venture capital ones and in other closed-end CII.

Table 8. Investors of CII by Categories, as at 31.03.2016, Number and Share in the Total Number

Funds	Legal Entities				Natural Persons			
	residents		non-residents		residents		non-residents	
Open-ended	18	1.03%	6	0.34%	1 720	98.57%	1	0.06%
Interval	29	0.01%	3	0.00%	250 062	99.98%	19	0.01%
Closed-end (venture excluded)	443	8.81%	31	0.62%	4 549	90.42%	8	0.16%
All (venture excluded)	490	0.19%	40	0.02%	256 331	99.78%	28	0.01%
Venture	3 939	79.93%	518	10.51%	461	9.35%	10	0.20%
All Funds	4 429	1.69%	558	0.21%	256 792	98.08%	38	0.01%

7. Asset Structure of CII

In asset structure of CII in Q1 2016 the following key changes, concerning existing **financial instruments**, took place, that mainly reflected continuation of previous trends:

further increase of total value and weight of **securities** in open-ended and closed-end CII (this time also in venture ones) and reduction of them - in interval funds; in particular, increase of investments in *government bonds and growth* of their weight continued in open-ended, interval and closed-end CII, however, decrease took place, unlike the 4- th quarter of 2015, - in venture capital funds;

further reduction of *corporate bonds*' share - in all sectors, except closed-end non-venture CII, where the total value of these assets increased;

further decrease of *equities*' share in interval CII and change of its dynamics in open-ended ones (growth) and closed-end non-venture CII (decrease); at that, the total value and share of these securities increased only in venture funds (Table 9).

Table 9. Changes in the Structure of Aggregate Portfolios of CII, by Types of Funds, in Q1 2016

Asset Type / CII Type / Change per quarter	Open-ended		Interval		Closed-end (venture excl.)		All (venture excl.)		Venture	
	p.p.	%	p.p.	%	p.p.	%	p.p.	%	p.p.	%
Other assets	-2.80	-31.0%	-1.75	-8.9%	-1.97	-3.5%	-1.91	-3.4%	-0.54	-0.7%
Real estate	-	-	-	-	-0.01	-6.10%	-0.01	-5.92%	-0.13	-4.6%
Moneys and bank deposits	-0.03	-0.1%	2.45	24.8%	-1.03	-8.9%	-1.00	-8.6%	-0.12	-8.1%
Bank metals	0.05	2.0%	-9.90	-100.00%	-0.0004	-1.5%	-0.0004	-0.9%	0.0010	43.9%
OVDP	4.54	17.7%	21.09	709.2%	2.29	138.8%	2.42	135.6%	-0.0012	-2.6%
Municipal bonds	-	-	-	-	-	-	-	-	-	-
Equities	0.09	0.3%	-19.82	-30.9%	-0.45	-1.7%	-0.64	-2.5%	0.63	6.0%
Corporate bonds	-1.84	-77.4%	-1.94	-58.4%	1.21	36.8%	1.18	35.7%	-0.23	-5.9%
Promissory notes	-	-	-	-	-0.04	-3.4%	-0.04	-3.3%	0.37	6.4%
Mortgage Notes	-	-	-	-	-	-	-	-	-0.0011	-11.9%
Other securities	-	-	-0.04	-20.89%	-	-	-0.0005	-37.15%	0.01	18.4%
Securities	0.03	4.3%	-0.01	-1.0%	0.03	9.5%	0.03	9.0%	0.01	3.9%

⁶ This is due to inclusion in the 1-st quarter of 2016 data on investors of 2 closed-end funds, which acted also before, but data on which were not available in the 4-th quarter of 2015.



"Other" assets⁷ remained the largest item in the assets of closed-end funds, in particular, in venture ones. In closed-end CII (except venture ones), both value of total "other" assets, as well as their share, decreased in the first quarter (from 56.3% to 54.4%).

Moneys on current and deposit banks' accounts kept the significant share in consolidated assets of open-ended CII, which was the third largest after equities and OVDP (23.6% - almost unchanged for the quarter).

Totally, as of 31.03.2016, securities still dominated in assets' structure of open-ended and interval CII (respectively, 67.8% and 69.9%), while in closed-end CII they covered 34.8%, and in venture capital funds - almost 21% (Chart 13, 14).

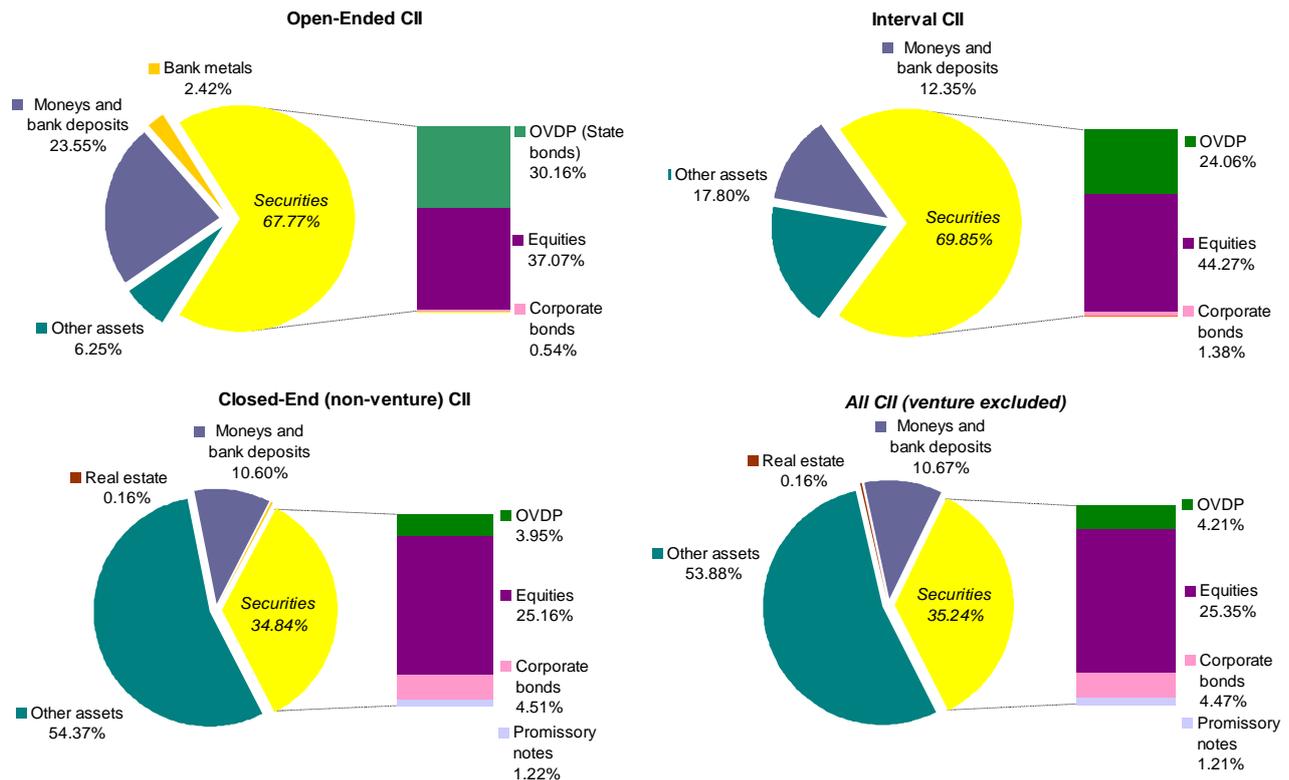


Chart 13. CII Assets Structure (Venture Funds Excluded), By Types of Funds, as at 31.03.2016

In venture funds during this period, the weight of "other" assets decreased from 75.7% to 75.1%, despite the increase of their value, in conditions of more significant increase of assets in equities and promissory notes. The shares of latter rose, respectively, from 10.5% to 11.1%, and from 5.8% to 6.2%. At that, volume and share of corporate bonds and real estate in assets reduced (Chart 14).

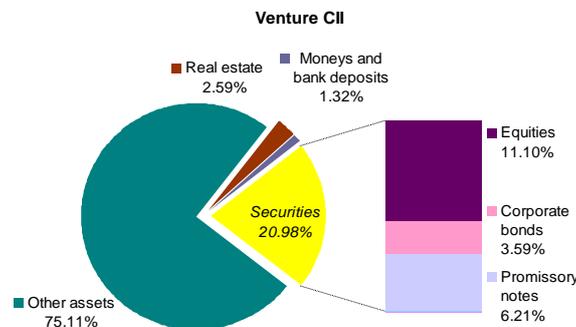


Chart 14. Asset Structure of Venture CII, as at 31.03.2016

⁷ "Other" assets include corporate rights, denominated in the forms other than securities; accounts receivable, including loans to companies, in which CII have a share of capital of min. 10% (for venture funds)



Securities' portfolio of all CII in Q1 2016 increased by UAH 2,527.20 mln. (after reduction by UAH 2,530.85 mln. in Q4 2015) and as of 31.03.2016 was worth **UAH 51,241.54 mln.** (Table 10).

Equities gained weight in the aggregate portfolio - from 53.8% to 54.3% - along with growth of these assets' value by UAH 1,580.86 mln. (due to venture capital funds). **Promissory notes** also increased their presence by value and weight in the portfolio – by UAH 982.50 mln., and from 27.1% to 27.7%.

And CIIs' assets in **OVDP** grew most actively: the total value of government securities in aggregate portfolio of CII increased during the quarter by UAH 251.50 mln. , and their share - from 0.6% to 1.1%.

Corporate bonds in the first quarter were the only class of securities which suffered reduction in CIIs' portfolio: reduction of the total value by UAH 299.71 mln. (after UAH-362.63 mln. in Q4 2015), and of their share - from 18.3% to 16.8%.

Table 10. Portfolio of CII' Securities, by Types of Instruments, as at 31.03.2016

Security Type	Aggregate Value of the Security in CII Portfolios, UAH	Share in the Aggregate CII Securities Portfolio
Equities	27 804 482 183	54.26%
Promissory notes	14 188 535 241	27.69%
Corporate bonds	8 600 068 543	16.78%
Internal state loan bonds (OVDP)	543 818 764	1.06%
Mortgage securities	18 016 826	0.04%
Derivatives	86 621 782	0.17%
Total	51 241 543 339	100.00%

Portfolio of CII (excluding venture capital funds) in this quarter amounted to **UAH 3,707.39 mln.** **Equities** kept championship in it, although reduction of assets in them (-UAH 96.72 mln.), along with an increase - in other securities, led to a sharp drop in their weight (from 80.4% to 71.9%). Total value of **promissory notes** in non-venture funds also declined during the quarter, though more moderately (by UAH 5.69 mln.), that was accompanied by a decrease in their weight from 3.9% to 3.4% (table 11).

Investments of these CII **in corporate bonds**, in contrast, increased (due to closed-end CII) by UAH 119.98 mln., and their share in the securities' portfolio - from 10.2% to 12.7%.

Table 11. Portfolio of Non-Venture CII' Securities, by Types of Instruments, as at 31.03.2016

Security Type	Aggregate Value of the Security in CII Portfolios, UAH	Share in the Aggregate CII Securities Portfolio
Equities	2 666 729 296	71.93%
Corporate bonds	470 290 959	12.69%
Promissory notes	127 114 498	3.43%
OVDP	443 256 152	11.96%
Total	3 707 390 904	100.00%

Assets in **OVDP** of non-venture funds increased by UAH 253.08 mln., that sharply increased their weight in portfolio of financial instruments of these funds – from 5.5% to almost 12%.

Diversified CII in the 1st quarter of 2016 showed a decrease of the securities' portfolio by UAH 25.92 mln., to **UAH 226.11 mln.**

Equities traditionally topped among these funds (85.3%, after 86.9% in Q4 2015) - despite reduction of their total value more than that of the entire financial portfolio as a whole (-UAH 26.33 mln.). Value of **corporate bonds** and **promissory notes** also declined, and **OVDP** strengthened their second position in the portfolio (8.9%, after 6.8%) due to escalating of investments in them by UAH 2.97 mln. (Table 12).

Table 12. Portfolio of Diversified CII' Securities, by Types of Instruments, as at 31.03.2016

Security Type	Aggregate Value of the Security in CII Portfolios, UAH	Share in the Aggregate CII Securities Portfolio
Equities	192 774 292	85.26%
OVDP	20 215 283	8.94%
Promissory notes	10 645 009	4.71%
Corporate bonds	2 476 155	1.10%
Total	226 110 740	100.00%



8. Rates of Return: CII and Other Financial Instruments

Results of investment funds' activity in the first quarter of 2016 were suppressed by downward dynamics of Ukrainian stock market, and especially – by rapid decline in March, when UX index lost about a third of its basket. Among CII by classes of assets, equity funds, naturally, suffered the most, and interval CII suffered the most by types of funds, share of equities in assets of which was the largest and decreased during the quarter by almost a third (from 64% to 44%) (Chart 15).

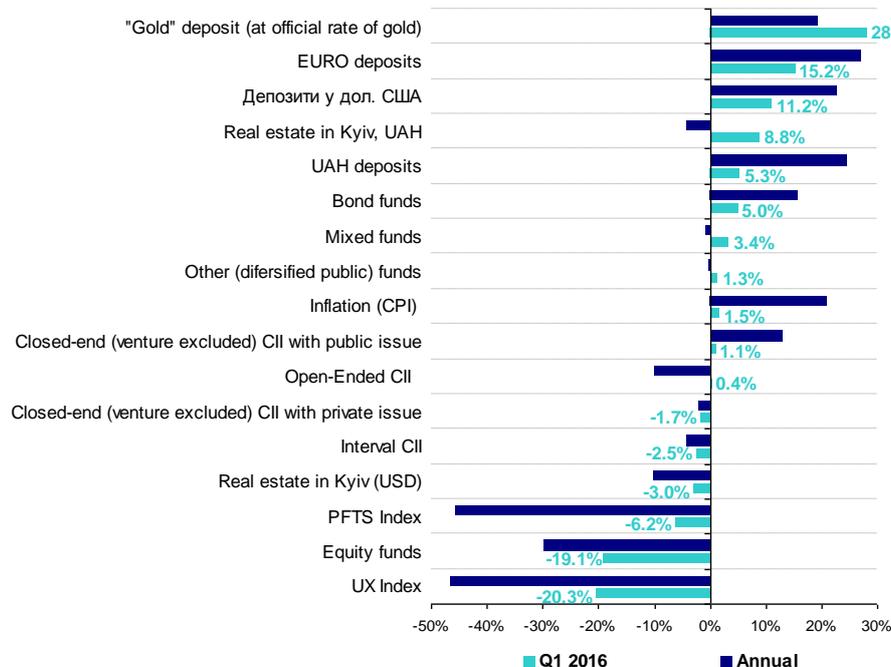


Chart 15. Rates of Return of CII and Other Assets, Inflation Rate in Q1 2016⁸

Among various areas of investments in the 1st quarter *deposits in gold, foreign currency and residential real estate in Kyiv (in Hryvnia)* continued to keep the leadership by rates of return, as price of gold, as a "safe harbor" among assets, rose sharply, and devaluation of hryvnia lasted about at the same pace as at the end of 2015. "Golden" deposits in banks brought in January-March 2016 an average of +28.2% (after +5.0% in October-December 2015), in euros and in US dollars - 15.2% and 11.2%, respectively (after +10.9% and +14.3% in Q4 2015)⁹.

Among CII, by types of funds, closed-end CII with public issue showed the highest average yield for the quarter - +1.1% (after +15.1% in the previous one). At the same time funds of this type **with private issue (venture excluded)** again had negative average quarterly index (-1.7%, after -0.8%).

The range of rates of return of funds with public emission was in boundaries of approximately -100% to +155.2%, and 21 of such funds provided growth of investments, that was almost half of them (48%). Closed-end private funds had from -28.0% to +6.8% (11 funds provided growth, 30%).

⁸ CII' rates of return are calculated based on reporting data for Q1 2016 for 19 open-ended, 20 interval, 83 closed-end CII (including 46- with public issue and 37- with private issue) and on reporting data for the previous periods – see [Рейтинги: ІСІ за типами фондів та ІСІ \(диверсифіковані публічні\) - за класами фондів](#). Inflation rate is based on data of State Statistics Service of Ukraine (Consumer price indexes for goods and services in year 2016 (before the previous month). Return on real estate in USA dollars is calculated as an average of data on values of residential real estate in Kyiv from web portals: <http://www.domik.net>, <http://100realty.ua>, <http://realt.ua>; in hryvnia – based on data from web portal: <http://100realty.ua>.

⁹ For adequate comparison of rates of return one must take into account liquidity of CII, in particular, of open-ended type, which allow to go out with investments at any working day without loss of yield, unlike term bank deposits, which mainly include recalculation of interest rate in case of early refund at the rate of deposits in current accounts (close to zero). At the same time, calculated CII' rates of return does not account for possible commissions and other costs at the entrance/exit to/from funds, as well as taxation of investments' yield in case of exit from fund and taxation of deposits' interest rate.



The average rate of return of **open-ended CII** in Q1 2016 moved into positive zone and was at level of **+0.4%** (after -7.5%), at that different funds demonstrated from -20.7% to +10.7%. So, the range moved up, and **12 out of 19 of these CII provided growth of investments** (63%).

One fund that had double-digit rate of growth was more profitable than real estate in hryvnia (+8.8%), 5 funds - compared with deposits in national currency, 8 offset losses from inflation and almost all of them showed better results than equity indexes.

In the sector of interval CII the average indicator of changes in the value of its securities in Q1 2016 amounted to **-2.5%** (after +5.3% in Q4 2015). The range of results went down and was in between of -68.4% to +48.5%. At the same time, **9 funds out of 20 demonstrated growth** (45%, after 23% in the previous quarter).

Among diversified CII with public emission by classes of assets in the 1st quarter of 2016 **bond funds** remained leaders by quarterly yield (**+5.0%**); they were 4 at the end of March (after 1 in the 4th quarter of 2015, which brought then +6.3 %). For the year these funds yielded an average of +15.9% and thus were the only class with a positive annual yield.

While fall of the Ukrainian equity index by 20% for Q1 2016 (similar to the indicator of Q4 2015), **equity funds** were among outsiders (**-19.1%**, after -8.6% in Q4 2015), though one of them had a quarterly rate of return +4.1%, while the another one- -68.4%.

Mixed investment funds also showed a significant variation of results for the 1st quarter: from -14.9% to +48.5%, and an average quarterly revenue among them was **+3.4%** (after +2.9% in the previous quarter).

Other funds increased their average yield in this quarter to **+1.3%** (after +0.2%).

Bond funds were leaders among CII (except venture ones) by annual yield (**+15.8%**) –mainly open-ended funds **and also closed-end CII with public issue (+13.1%)**.

9. Resume

The first three months of 2016 became a period of tests for global stock markets, and international industry of investment funds suffered some losses during this period. But in Ukraine, dynamics of industry of collective investment institutions continued to be determined mainly by domestic factors. Growth, in general, continued, but much less actively, than in the previous quarter and a year ago.

Key trends of Ukrainian industry of collective investments in Q1 2016 changed virtually and were as follows:

- reduction in the number of AMC and funds under management; only the number of registered CII increased slightly due to venture capital funds;
- increasing of the share of venture CII both by the number, as well as by value of funds' assets; the leading role of these CII in industry's growth;
- slight increasing of quarterly capital's outflow from open-ended CII, along with continuation of reducing the number of existing funds in the sector; at the same time - further decreasing of annual outflow;
- reduction of the number of investors in the market of open-ended and venture CII, along with a slight increase of them in other closed-end funds, and also in interval ones;
- active increasing of Ukrainian citizens' assets in CII, along with a change in the behavior of companies-residents and non-residents ones (increasing and reduction, respectively);
- increasing volume and share of assets in securities (in particular, in OVDP) in all sectors by types of CII, except interval ones; increasing of assets in equities by venture CII;
- against the background of fall of equity indexes - a slight decrease of profitability in all sectors of CII by types and classes of funds, other than equity funds; maintaining of positive yield by bond funds and mixed funds (diversified, with public issue);



- presence of significant number of funds, that provided gains of investments over the quarter for their participants, in all sectors of CII.

Further dramatic complication of regulatory and market conditions of activity, on the background of political turbulence during the 1-st quarter of 2016, had significant negative impact on the industry. However, its growth by indicators of value continued, confirming the important role of CII in modern conditions of Ukrainian economy's functioning.

See additional and statistical information on the UAIB website:

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