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## 1. Asset Management Industry. General Overview

### Number of Market Participants

#### Asset Management Companies (AMCs)

In Q3 2019, the **number of asset management companies** decreased from 295 to **294** - more than they were created by exiting the market for one Kyiv company.

Of all AMCs in operation, as of end of June, 282 companies had one to 45 CIIs under management, and almost 99% of all such AMCs managed at least one venture fund.

#### Collective Investment Institutions (CIIs)

In July-September 2019, 33 new CIIs were registered. Given the funds closed during Q3, as of September 30, 2019, the **number of existing registered CIIs**, according to UAIB, increased to **1848** (+ 1.4% for Q3).

In Q3 2019, the **number of CII that reached the minimum assets ratio (formed ones)** accelerated its growth and reached **1284** (+25 funds or + 2.0%) by the end of September.

#### Non-State Pension Funds (NPFs)

The **number of NPFs** under management as of 30.09.2019 increased from 58 to **60** (excluding the NBU corporate fund) - including 47 open, 7 corporate and 6 professional ones. Total assets of the NPF were still managed by 33 AMCs.

#### Insurance Companies (ICs)

The **number of ICs that transferred their assets to AMC management** as well as AMC providing such services remained unchanged during July-September 2019 - there were **2** such insurance companies as at September 30, 2019, and AMC alone.

### Assets under Management and NAV

#### All Institutional Investors

The **aggregate total assets under the management of AMC** in Q3 accelerated its growth to + 3.3% and as of 30.09.2019 reached **UAH 349 965.9 M**. On an annual basis, since September 2018, they have continued to slow down (+ 16.4%).

#### Collective Investment Institutions (CII)

**Total CII assets under management**, including those that have not yet reached the minimum asset ratio, also increased by 3.3% in Q3 2019 and by 16.4% for the year (from the beginning of the year amounted to 11.2%), to **UAH 348 304.6 M**

**Assets of operating CIIs that reached the minimum assets ratio ("recognized", formed CIIs)** experienced a similar increase (+3.3) in Q3, grew by 14.5% in the 9 months of 2019, and decelerated to + 15.8%. As of 30.09.2019 they amounted to **UAH 339 921.7 M**. Quarterly growth was due to venture funds, whose number continued to increase. During this period, interval CII also increased (the value of their portfolio investments, while the number of these funds did not change). Other sectors, including open-ended funds, experienced a decline in assets amid a further decline in stock indices in Q3.

In July-September 2019, the **net asset value of the formed CII** accelerated quarterly growth to 3.7% and decelerated to + 13.6% in September 2018 (from the beginning of the year, added 12.1%). As of September 30, 2019, CII NAV reached **UAH 264 302.1 M**.

#### Non-State Pension Funds (NPFs)

**NPF assets in the management of AMC** in Q3 2019 slowed quarterly and year-on-year growth - to 3.0% and 16.6%, respectively, and for the first 9 months of the year - added 13.6%. As of September 30, 2019, they reached **UAH 1 550.3 M**.

#### Insurance Companies (IC)

**Assets of IC in the management of AMC** in Q3 2019 accelerated to 5.4%, and since the beginning of the year increased by 22.4%, which continued slowing their annual fall to -13.2% in September. As of September 30, 2019, these assets amounted to **UAH 97.7 M**.

## 2. NPFs Asset Management Market Results

In Q3 2019, according to UAIB, the assets of non-state pension funds under management of AMCs continued to grow.

The **number of AMCs** managing the assets of the NPF remained at **33**, and the **number of the funds** themselves increased from 58 to **60** according to the

number of reports provided by UAIB at 30.09.2019: 31 AMC managed the assets of 47 open NPFs, 6 - assets of 7 Corporate NPFs and 6 - assets of 6 professional NPFs (excluding NBU corporate fund, Table 1). Open NPFs remained the largest sector with a share of the market in the number of funds managed by AMC 78.3% (Chart 1).

Table 1. Number of NPFs under AMC management by fund types in Q3 2019

NPF type	30.09.2018	31.12.2018	30.06.2019	30.09.2019	Q3 2019 change	YTD change	Annual change
Open	45	45	45	47	4.4%	4.4%	4.4%
Corporate	7	7	7	7	0.0%	0.0%	0.0%
Professional	6	6	6	6	0.0%	0.0%	0.0%
Total	58	58	58	60	3.4%	3.4%	3.4%

\* Excluding the corporate pension fund of NBU.

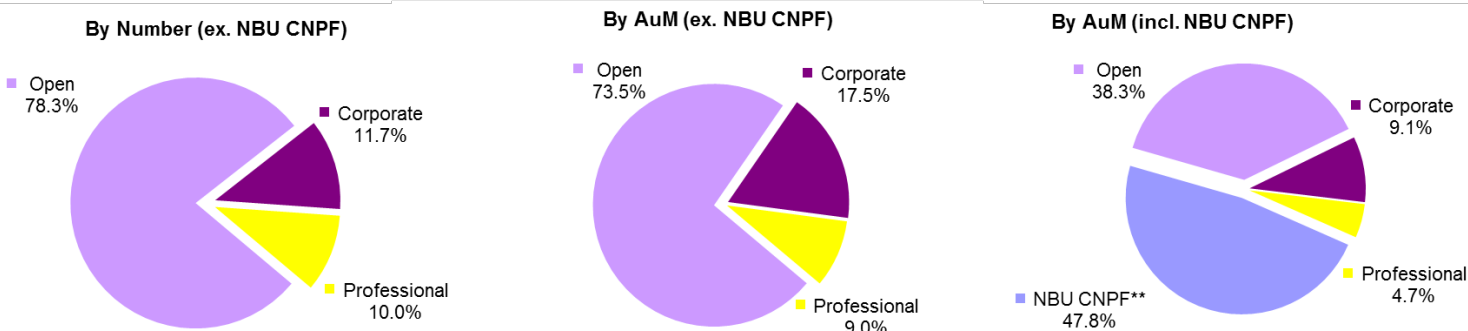


Chart 1. Distribution of number of NPFs and of value of their assets under AMC management by fund types as at 30.09.2019

**The aggregate assets of all NPFs, including the Corporate pension fund of the National Bank of Ukraine (NBU CNPF), grew by 2.8% in Q3 2019 to UAH 2,972.7 M (after + 2.2% for Q2, Table 2).**

The acceleration of growth in Q3 2019 was due to the increase in the number of NPF participants by 0.9% (after + 0.3% in the 2nd) and the amount of investment income - by 4.8% (after + 4.3%)<sup>1</sup>. This was not hampered by some slowdown in the further increase in the number of depositors (+ 3.1% in Q3, after + 3.4% in Q2) and the number of pension contracts (+ 2.8%, after + 3.3%). The growth factor in pension payments compared to contributions continued to be a deterrent, but this gap narrowed in the third quarter (+ 3.9% versus 2.0%, after +

4.3% versus + 1.7% in the 2nd). This stopped the negative tendency of widening this gap in the previous quarters.

As a result of the slower growth of the NBPf NBU's assets in the 3rd quarter of 2019 compared to the total assets of all NPFs (+ 2.5%, after -1.2% in the 2nd)<sup>2</sup> this fund's share in total pension assets continued to decrease slightly (from 48.0% to 47.8%, Chart 1).

**The value of NPF assets under the management of AMC in Q3 2019 slowed its growth to + 3.0%** (from + 5.6% in Q2). As of September 30, 2019, pension assets under the management of AMC reached **UAH 1 550.3 M**. Over the 9 months since the beginning of 2019, they have increased by 13.6%, while annual growth slowed from 19.0% in June to 16.6% in September.

<sup>1</sup> According to the National Financial Services Commission

<sup>2</sup> According to the National Financial Services Commission data on the total value of pension assets of all NPFs, minus UAIB data on NPFs under the management of AMC.

Relatively fastest, in Q3 2019, **corporate NPFs** assets under management of AMC (excluding the NBU CNPF) grew by 4.8% (after + 3.5% in Q2). At the end of September 2019, they reached **UAH 270.7 M**.

**Open-end NPFs**, which used to be the traditional locomotive for the growth of the NPF industry, gave way to growth of assets under management in Q3, although in absolute terms it was still the largest (+ UAH 31.0 M, + 2.8%, after + 6.6% in Q2). As of the end of September 2019, the share of this market sector in pension assets under management (excluding the NBU NBU) decreased from 73.7% to 73.5%. As of 30.09.2019, they reached **UAH 1 139.8 M**.

Assets of **professional NPFs** under management have already grown steadily slowest and in the third quarter - added 1.3% (after + 2.0%), and their volume at the end of September 2019 amounted to **UAH 139.7 M**.

As of September 30, 2019, **the largest assets under management remained corporate NPFs**, the average AuM among which grew from UAH 43.0 M to UAH 45.1 M, widening the gap from other categories. Open NPFs had an average of UAH 24.3 M at the end of September 2019 (after UAH 24.6 M in June), while the professional ones remained the smallest, although the average fund increased slightly in July-September (from UAH 23.0 M to UAH 23.3 M).

*Table 2. Value of NPF assets under AMC management by fund types in Q3 2019 and its change over the year*

NPF type	30.09.2018		31.12.2018		30.06.2019		30.09.2019		Change in NPF assets under management			
	Assets, UAH M	Number of NPFs reported	Assets, UAH M	Number of NPFs reported	Assets, UAH M	Number of NPFs reported	Assets, UAH M	Number of NPFs reported	Q3 2019 change, %	YTD change, %	Annual change, %	Annual change, UAH M
Open	961.1	45	991.5	44	1 108.8	45	1 139.8	47	2.8%	15.0%	18.6%	178.7
Corporate	237.8	6	239.9	6	258.3	6	270.7	6	4.8%	12.9%	13.8%	32.9
Professional	130.2	6	132.7	6	138.0	6	139.7	6	1.3%	5.3%	7.3%	9.6
<b>Total*</b>	<b>1 329.1</b>	<b>57</b>	<b>1 364.1</b>	<b>56</b>	<b>1 505.1</b>	<b>57</b>	<b>1 550.3</b>	<b>59</b>	<b>3.0%</b>	<b>13.6%</b>	<b>16.6%</b>	<b>221.1</b>
NBU CNPF**	1 322.2	1	1 381.1	1	1 387.8	1	1 422.4	1	2.5%	3.0%	7.6%	100.3
<b>Total</b>	<b>2 651.3</b>	<b>58</b>	<b>2 745.2</b>	<b>57</b>	<b>2 892.9</b>	<b>58</b>	<b>2 972.7</b>	<b>60</b>	<b>2.8%</b>	<b>8.3%</b>	<b>12.1%</b>	<b>321.4</b>

\* Excluding the NBU corporate pension fund.

\*\* According to National Financial Services Commission (minus UAIB data on NPFs under AMC management).

**In the structure of NPF assets under AMC management, the share of securities in Q3 2019 decreased for the second time in a row** - from 56.0% in June to 54.8% in September, which was also significantly less than a year ago (56.4%, Chart 2).

At the same time, the aggregate value of pension funds' investments in the securities market instruments increased during the quarter, however, the decline in their weight in NPF assets was almost due to their slightly lower overall growth compared to the funds in bank accounts (+

7.4% versus + 40.7%). In addition, in professional funds, stock assets have even declined during this time (and funds in banks have increased, as in other sectors).

Funds in bank accounts (including deposit accounts) of NPFs managed by AMC in July-September 2019 increased from 3.8% in corporate and 6.9% in open to 14.6% in professional funds. Therefore, the share of money in NPF assets under AMC management increased from 40.5% in June to 42.0% in September.

*Table 3. Structure of NPF assets under AMC management by fund types as at 30.09.2019, UAH M*

NPF type	Securities	Cash	Bank metals	Real estate	Other assets
Open	620.1	480.6	5.0	24.4	9.7
Corporate	137.5	133.2	0.0	0.0	0.0
Professional	92.1	36.8	0.0	7.1	3.8
<b>Total</b>	<b>849.7</b>	<b>650.5</b>	<b>5.0</b>	<b>31.5</b>	<b>13.5</b>

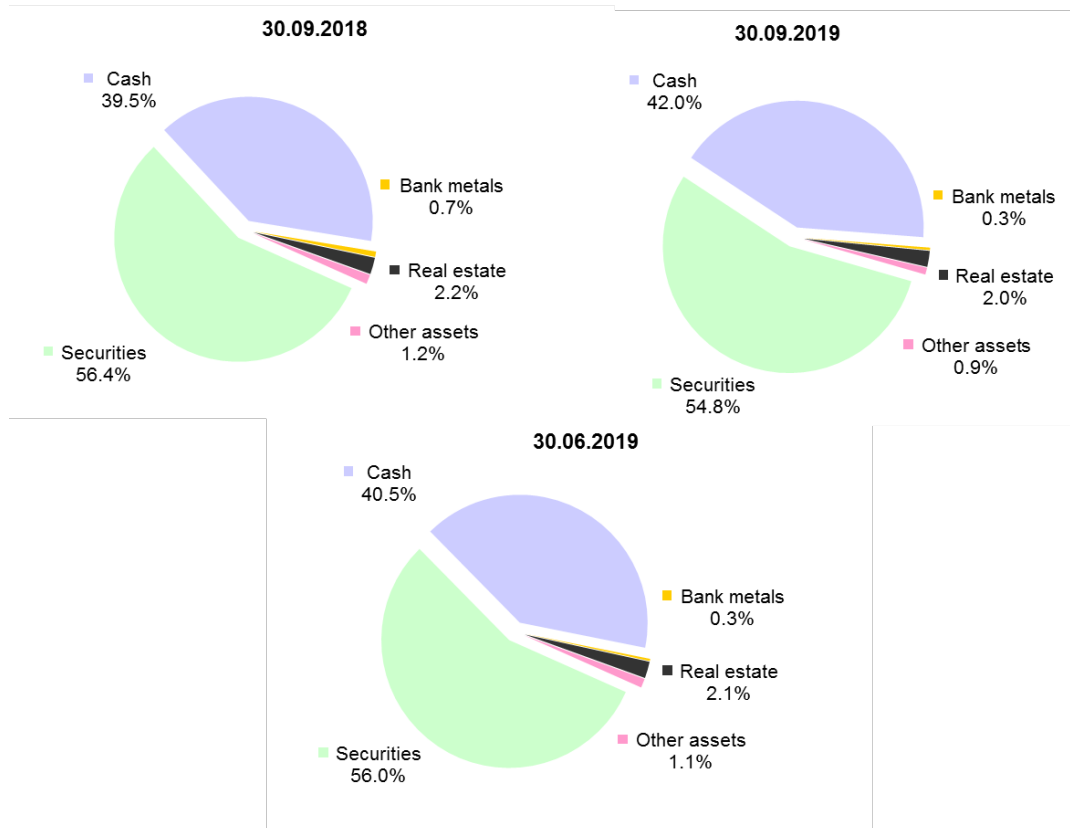


Chart 2. Dynamics of the structure of the aggregated portfolio of NPFs (excluding the NBU CNPF) in Q3 2019 and for the year

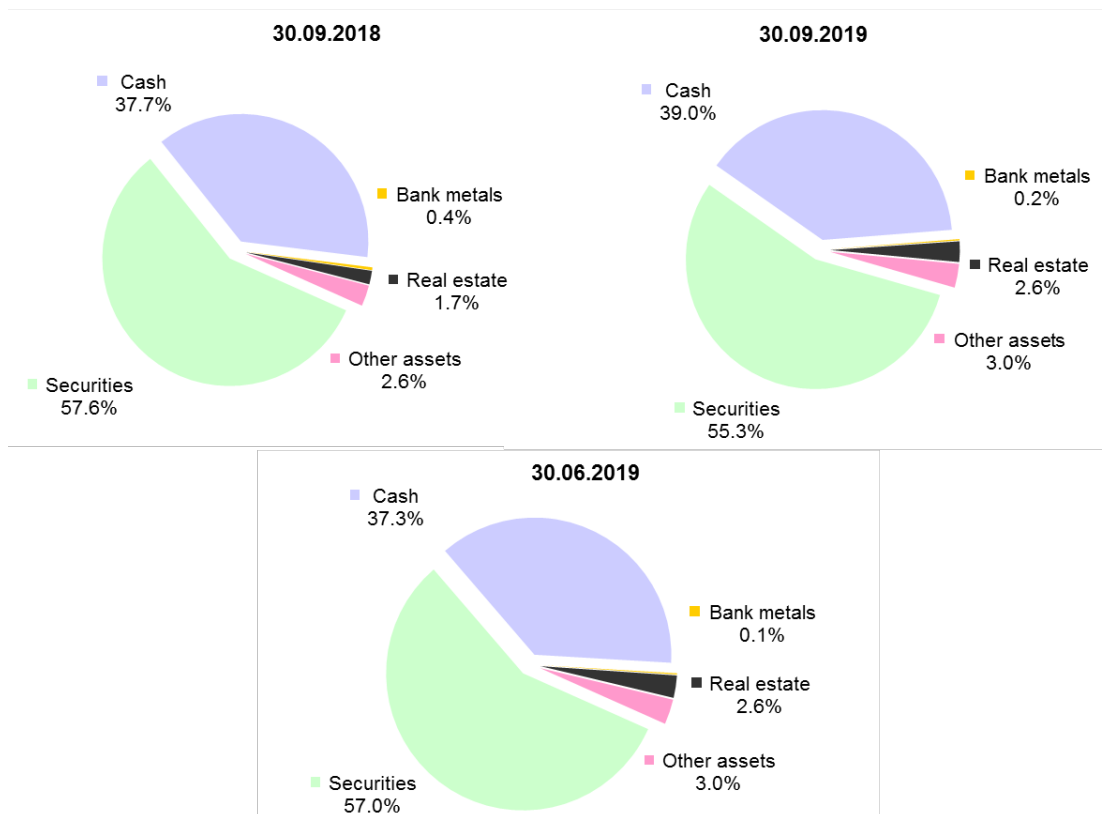


Chart 3. Dynamics of the structure of the aggregated portfolio of NPFs (including the NBU CNPF) in Q3 2019 and for the year

For the entire NPF industry, taking into account the NBU corporate fund, the weight of **securities fell further** - from 57.0% in June to 55.3% in September, which was also less than a year ago (Chart 3). This was due, in particular, to a decrease in the stock of NPFs by 0.4% (after -1.4% in Q2), together with an increase in their aggregate **cash in banks** by 7.6% (after + 7.7%), as well as in precious metals (+ 19.0%) and in "other" assets (+ 3.2%).

Total value of assets in **securities** in open funds continued to slow its growth in Q3 2019, up to + 0.4% (from + 1.1% in Q2). This was due in particular to a decline in the aggregate value of their stock investments (-0.9%, after -10%), while the consolidated portfolio of corporate

bonds in the sector's assets increased this time (+ 3.6%, after -30.8%). The portfolio of government bond investments (in particular OVDP) remained an order of magnitude larger than corporate bonds (over UAH 500 M) and increased slightly in Q3, but not significantly (+ 0.1%, after + 6.0%). The municipal bond package in open NPF assets was two orders of magnitude smaller and also increased slightly (+ 0.2%, after the appearance of funds in the assets of funds in Q2 for the first time in a long time). In general, in the continuation of the trend of the previous quarter, in July-September 2019 the share of securities in the assets of this sector of NPF decreased (their funds in banks increased 20 times stronger) - from 55.7% to 54.4% (Chart 4).

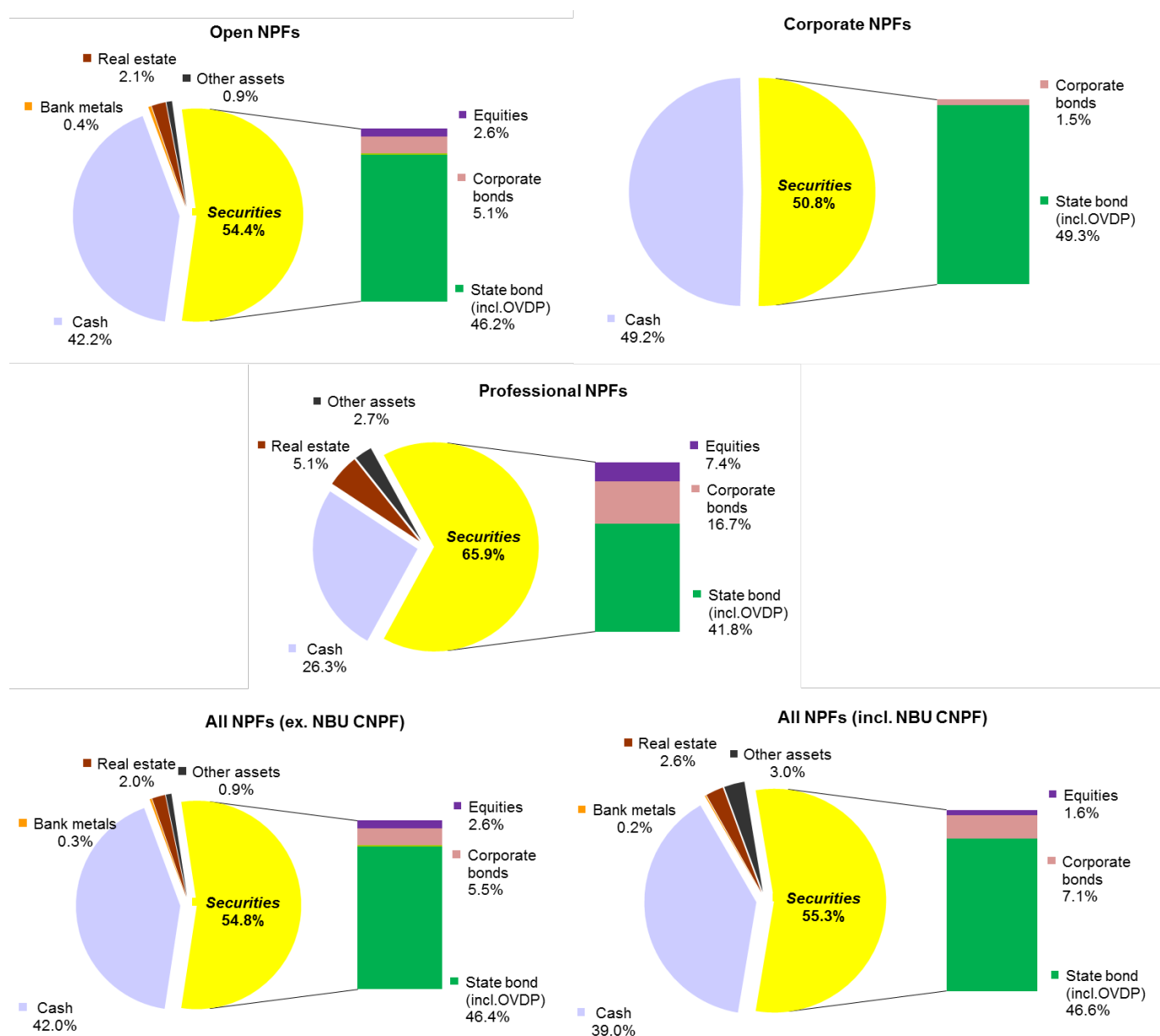


Chart 4. Structure of NPF assets by fund types as at 30.09.2019



*Corporate NPFs* practically recovered the value of their consolidated portfolio of stock market instruments in Q3 2019, which was lost in Q2: it increased by 5.8% in July-September, after a decrease of 5.5% in April-June. This happened, for the most part, at the expense of assets in the corporate bonds whose weight in the sector has partially recovered - to 1.5% in September (from 0.1% in June). The volume of investments of these funds in government securities also increased - by 2.9% (after + 2.4% in Q2), but its weight dropped further - from 50.2% to 49.3%. The growth of the corporate portfolio of corporate NPFs during this period reduced the total value of the stock portfolio (-55.2%, after -6% in Q2), which went to zero. In general, the share of securities in the assets of this sector of NPF in Q3, in contrast to the changes in Q2, increased - from 50.3% to 50.8%.

*Professional NPFs* this time were the only sector where the aggregate value of the securities portfolio decreased (-2.4% in Q3, after + 1.4% in Q2). Nevertheless, their weight remained the highest, including in comparison with other sectors of NPF (65.9% in September, after 68.4% in June). Contrary to trends in other fund sectors, professional funds showed a decrease in total investments in government bonds (-3.9%, after + 5.9% in Q2). Investment in this sector declined only by 0.4% (after -4.7%), while for the first time in corporate bonds it increased for the first time (+ 0.7%, after -6.3%). Finally, the weight of government bonds in the retirement assets of professional NPFs fell from 44.1% to 41.8% in Q3, which was above the March level (42.5%) but above the level at the beginning of the year (39.2%).

At the end of September 2019, **cash in banks** remained the second largest component of all sectors of NPFs under management and grew in each of them for Q3, as mentioned above, and only in corporate NPFs did their growth give way to an increase in the total value of the securities portfolio in these funds. In open NPFs, cash, current accounts and deposits grew by 6.9 % in Q3 2019 (after + 15.2% in Q2) and further increased their weight - from 40.5% to 42.2%. In the professional sector, banks' funds grew the most - by 14.6% (after + 2.3%), and its share in assets in this sector rose from 23.2% to 26.3% of its managed pension assets. In corporate NPFs, the volume of cash increased by 3.8% (after + 14.5%), but their weight dropped from 49.7% to 49.2%.

**Real estate** as of the end of September 2019 was still in the assets of open and professional NPFs. Its aggregate value slightly changed in Q3 again only in the assets of the first (-0.4%, after -0.5% in Q2). Accordingly, as a result of the growth of other components of the pension assets of these NPF sectors, the share of real estate in open funds decreased further - from 2.2% to 2.1%, and in professional ones - remained within 5.1%.

**Bank metals** as of September 30, 2019 were in the assets of only open NPFs under management. The decrease in the price of gold by more than 2% in July-September did not prevent the further increase of the aggregate value of its investments in the assets of these NPFs by 20.3% - partly due to the larger number of NPFs that submitted their reports (after + 13.0% in Q2). This increased the weight of precious metals in the assets of open NPFs, but it still remained within 0.4%.

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