Contents

1. Stock Markets: Ukraine and the World

During 2012, global stock markets experienced a number of shocks, just as during the preceding year, though an overall trend in developing countries, as well as in well-developed countries, was an upward one.

Year beginning, just as the end, turned out to be extremely active. Some markets' Q1 growth was almost equal to their annual result. Among the reasons for that – a partial "extinguishment of fire" of Greek government debts by the trio of creditors (European Commission, ECB, IMF) and mainly positive macro- and corporate signals from the USA. In the meanwhile, growth was constrained by China economics slowing down its development, British GDP decrease, and similar threats for the Eurozone and EU on the whole. These drivers were in effect during Q2, whilst by mid-year international capital market synchronously sank.

In the second half year investors' demand in well-development markets shifted towards Europe and the USA, where equity indexes were more confidently moving upwards and were reaching their 1,5-5 year highs. The ECB approved and started implementing, and the FRS continued filling the economy with cheap liquidity. These markets suffered periodic adjustments provoked by unfavorable current macro indicators, lowering of some sovereign and corporate ratings in the EU, and a threat of "fiscal fall" in the US.

The Central banks of China and Japan were also conducting extremely mild monetary politics, though starting from Q3 Asian markets moved slower. The key drivers at that time were slowing down of China economic growth that had continued over last two years, as well as the territorial conflict with Japan. However, by year end, eastern markets resumed growth and one again became growth leaders – both due to the activity within the EU, as well as due to an intended yen devaluation in Japan and coping with deflation by way of massive financial injections into the economy.

During 2012, the key stock indexes demonstrated between +1.5% in China and up to +29.1% in Germany, with Turkey becoming a world leader with its key index growth by 59.2%. Russian equities added between 5.2 and 10.5%, having restored less than by half after 20111 downfall. Polish key index grew by 20.5%, but also failed to reach its previous year end value (Chart 1).

In the Ukrainian stock market, downtrend continued though 2012: equities' prices were going down almost at the same pace for the second year in a row (by 40-45% in 2011), and annual losses by the two main indexes comprised 35-39%, with only Cyprus performance being worse than that (-61%).

Over 2011-2012, national equities became almost three times cheaper, having gone down to the level of mid-2009. A certain animation, in unison with global markets, was observed only in the middle of Q1 and Q3. At that, due to long-term political turbulence in the state, as well as an unfavorable business environment, investors' activity slumped, particularly as regards equities. To illustrate, trade volumes on the Ukrainian exchange over year declined by 72.7%, and the number of transactions – by 42.9%, in equities in particular – by 73.4% and 43.7% respectively.

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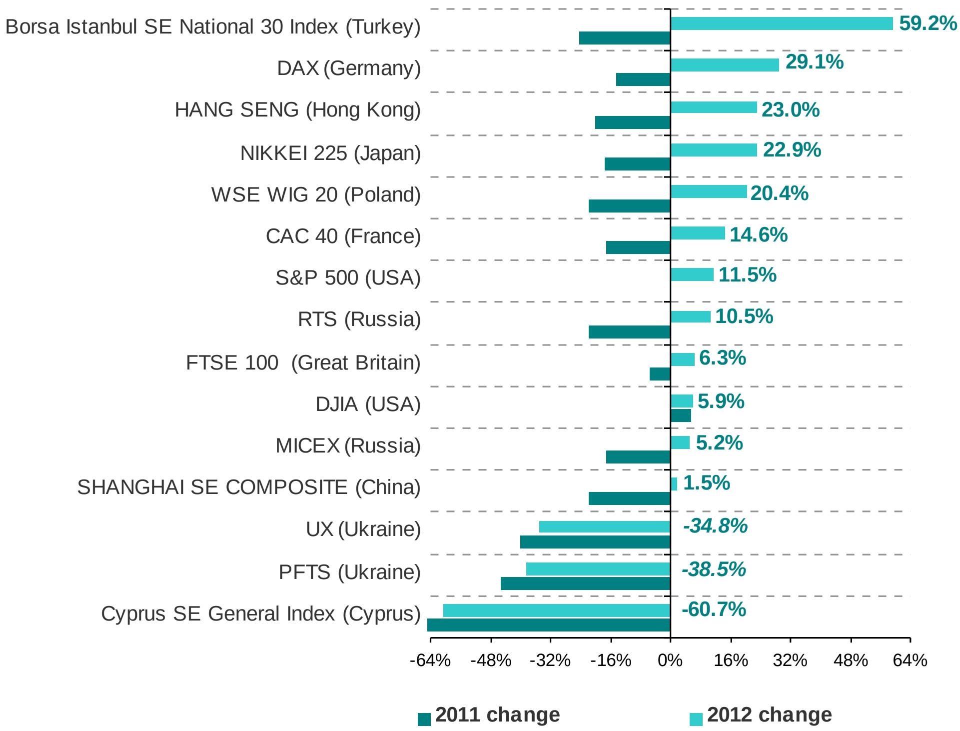

*Chart 1. National markets' stock indexes' dynamics in 2011-2012**
**Based on the data of exchanges and Bloomberg Agency*

2. CII Market Performance

The securities market dynamics and the economic policy in financial area undoubtedly affected the investment funds' industry. In the EU UCITS funds[1] in 2012 generated EUR 201 bln. of net inflow (after EUR 97 bln. of outflow in 2011), at that, long-term funds – EUR 239 bln. (-EUR 64 bln. a year ago), of which bond funds – EUR 203 bln. (-16). Those were only money market funds that experienced net outflow of EUR 39 bln. (-33) due to close to zero rates in the money market resulting from massive liquidity injections and a record-breaking low ECB rate[2]. Peak investments were also registered in mutual funds, in particular, equity finds in the USA.

In contrast with the leading markets, where optimistic moods prevailed and, accordingly, an inflow of investments into funds intensified, within the country the situation in 2012 remained unfavorable for the collective investments market, as a result of which CII in Ukraine continued experiencing losses relating to capital attraction and investment performance. In the meanwhile, the market went on growing quantitatively.

2.1. Number and regional distribution of CII market participants

The dynamics of the *number of asset management companies* in 2012 on the whole followed the tendencies of 2011, though the process of exiting from the business by some AMC and opening other AMC even intensified. Most notable expansion of the asset management market owing to new players took place by year end – on the eve of changes in the regulation of their operations. All in all, the number of AMC grew for the second year in a row (+12 in 2012 after +2 in 2011) and as of 31.12.2012, according to the UAIB data, reached 353 companies.

The number of registered collective investment institutions grew from 1451 to 1544 over year, in other words, slower than in 2011 (from 1226 in 2010). Finally, concentration of the activity on CII asset management continued to increase (Chart 2).

[1] The UCITS - Uundertakings for Collective Investment in Ttransferable Securities.
[2] The ECB – European Central Bank, for more information please see EFAMA's Quarterly Statistical Release (Q4 2012 & Full Year 2012).

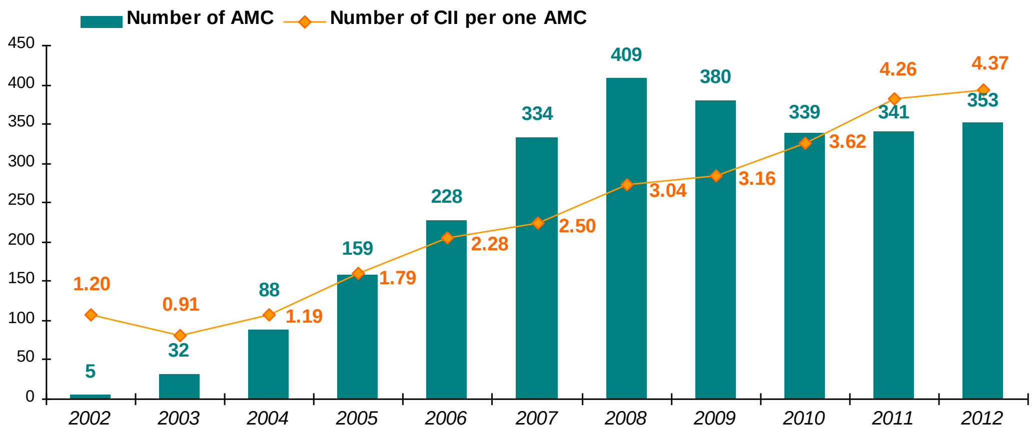

Chart 2. Dynamics of the number of AMC and CII per one AMC in 2002-2012

The number of CII that reached compliance with the minimal asset volume standard grew from 1125 to 1222 (Table 1). At that, a significant expansion occurred only in the sectors of venture funds (+49 or + 52.6% of corporate and +57 or +7.4% of unit ones), as well as closed-end non-diversified PIF (+10 or +28.6% of funds). In the meanwhile, open-ended and interval unit CII sectors narrowed (-2 funds per sector). The sector of closed-end non-diversified CIF narrowed most (-18 or -14.1%).

Table 1. Dynamics of the number of CII that reached compliance with the standards in 2008-2012

	Total	UIF					CIF		
		O*	I*	CD*	CNN*	CV*	I*	CNN*	CV*
2008	**888**	32	41	4	22	636	1	107	45
2009	**985**	32	47	8	26	690	2	130	50
2010	**1095**	36	48	9	32	755	2	141	72
2011	**1125**	43	40	10	35	772	2	128	95
2012	**1222**	41	38	13	45	829	2	110	144
2011 change, %	**2.74%**	19.44%	-16.67%	11.11%	9.38%	2.25%	0.00%	-9.22%	31.94%
2012 change, %	**8.62%**	-4.65%	-5.00%	30.00%	28.57%	7.38%	0.00%	-14.06%	51.58%

UIF - Unit Investment Funds, CIF - Corporate Investment Funds; O – open-ended, I – interval, CD – closed-end diversified, CNN - closed-end non-diversified non-venture, CV - closed-end venture funds.

Within *the breakdown of AMC by regions,* in 2012 the share of Kyiv and region, unlike during the preceding year, narrowed from 70.7% to 70.0%, though the number of AMC once again grew (+6, up to 247). Decentralization of business also manifested itself in increase of the share of other regions (beyond the TOP-5), which grew from 9.4% to 10.2% (from 32 to 36 companies). Among the rest of the regions – leaders, the number of AMC and the respective shares of Kharkiv, Donetsk and Odessa regions increased (+1 company per region) (Chart 3).

Within CII breakdown by the number of funds Kyiv region also recoiled a little (from 70.4% to 70.2%), and by *the assets managed* – continued growing its share (from 73.4% to 74.4%).

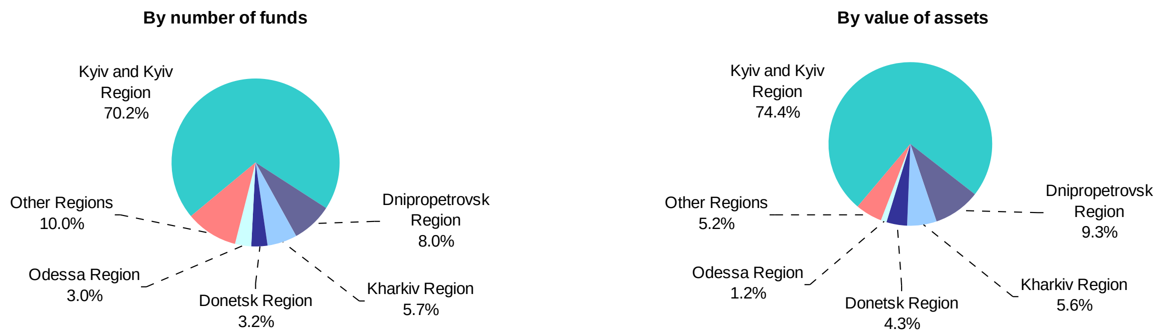

Chart 3. Regional distribution of CII by the number and the value of their assets under management, as of 31.12.2012

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2.2. Assets and net assets of CII. Net inflow/ outflow of open-ended CII

In 2012, a stable trend of CII market asset growth remained unchanged. ***The total value of CII assets*** under management grew from UAH 126 789.6 mln. to UAH 157 201.1 mln. over year (Chart 4).

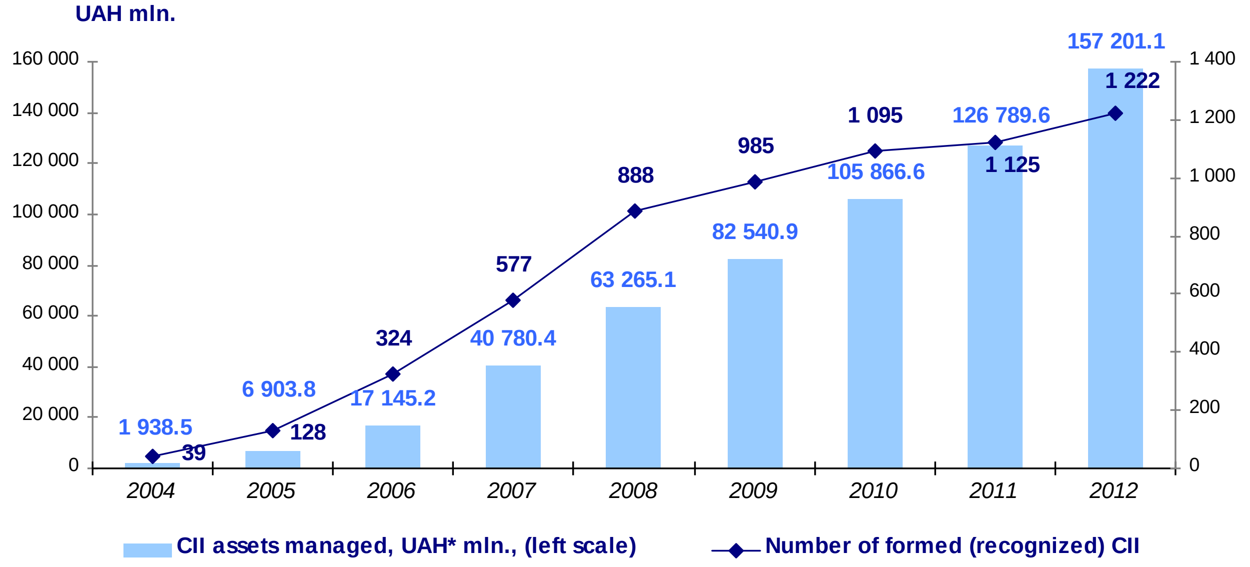

Chart 4. CII asset management market dynamics in 2004-2012

CII assets' growth pace in 2012 even accelerated, mainly owing to venture funds (from UAH 116 901.4 mln. to UAH 145 912.3 mln., +24.8%), though growth sped up in the sector of other closed-end CII as well (+15.7%) (Chart 5).

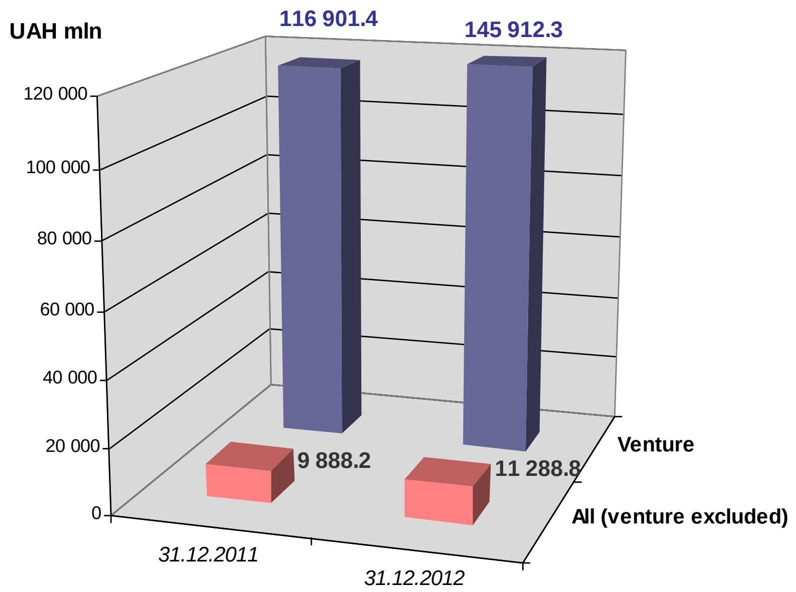

Chart 5. Asset value dynamics – venture and non-venture CII in 2012

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The net asset value of all CII in 2012 went up from UAH 112 691.1 mln. to UAH 129 498.4 mln. (+23.6%) (Table 2). At that, the number of funds that filed reports and were taken into account during calculations grew from 1036 to 1147, including venture ones – from 815 to 973.

Table 2. CII NAV dynamics, by the types of funds in 2012, UAH mln.

Funds	31.12.2011	31.12.2012	2012 change, UAH mln	2012 change, %
Open-ended	227.01	160.54	-66.47	-29.28%
Interval	181.85	156.00	-25.85	-14.22%
Closed-end (venture excluded)	8 625.30	9 445.63	820.33	9.51%
All (venture excluded)	*9 034.16*	*9 762.16*	*728.01*	*8.06%*
Venture	103 656.91	129 498.42	25 841.51	24.93%
All (venture included)	**112 691.07**	**139 260.58**	**26 569.51**	**23.58%**

The venture segment, as its NAV increased by UAH 25 841.5 mln. (+24.9%), broadened its share within the aggregate NAV from 92.0% to 93.0% (Chart 6).

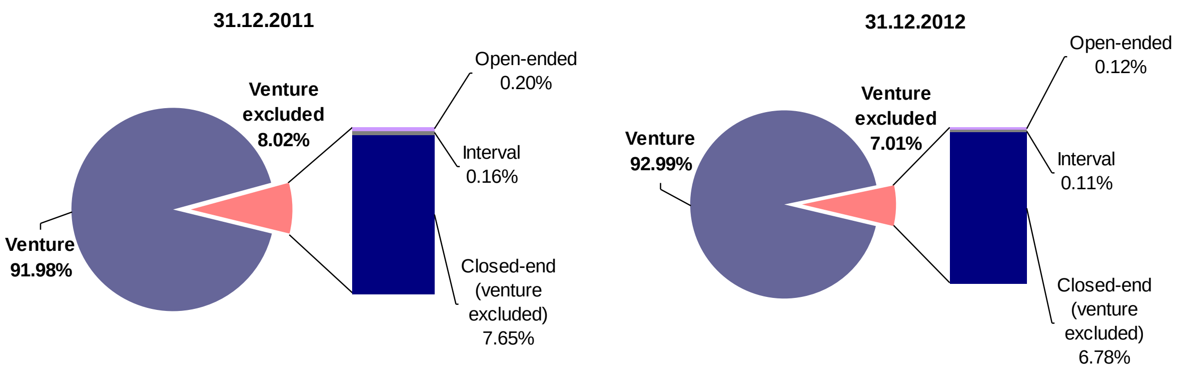

Chart 6. CII NAV breakdown, by the types of funds, as of the beginning and end of 2012

In 2012, the tendency towards CII market (venture CII excluded) redistribution to the benefit of closed-end funds continued. Just as in the preceding year, the NAV of open-ended and interval decreased sharply (by 29% and 14% accordingly), which, as the sector of closed-end funds grew rapidly, notably decreased the share of the most liquid CII – from 2.5% to 1.6% in open-ended and from 2.0% to 1.6% in interval ones (Chart 7).

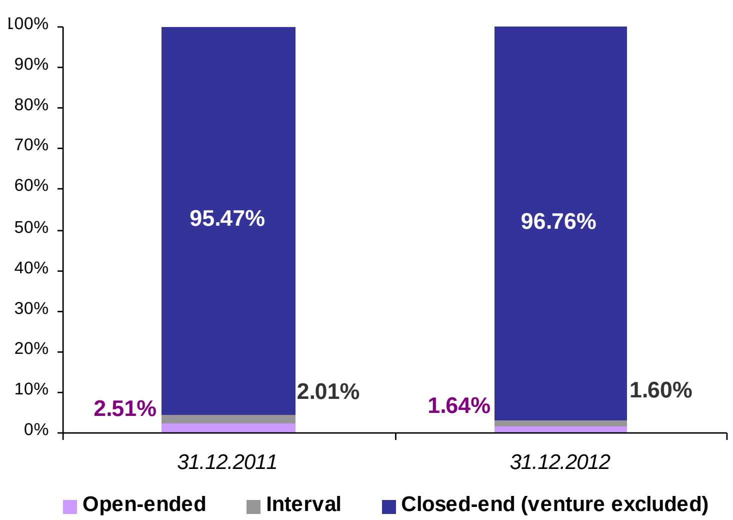

Chart 7. Non-venture CII NAV breakdown by the types of funds, as of the beginning and end of 2012

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Throughout twelve months of 2012 ***capital outflow*** from public CII continued. During 2012, no massive outflow, like the one of November 2011, was observed, though the downtrend that had started in July-August last year, went on throughout 2012 (Chart 8). Finally, it made up to 81% of open-ended CII NAV decline in 2012.

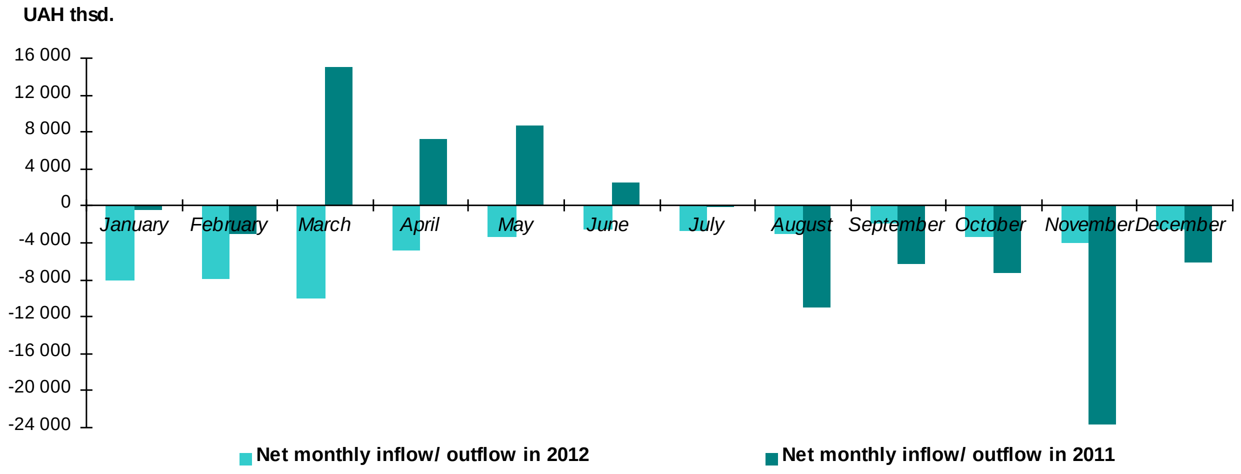

Chart 8. Monthly net inflow/ outflow of capital in open-ended CII in 2011-2012 (based on daily data)

That resulted in *annual net outflow* that nearly doubled compared to 2011 – from UAH 24.5 mln. to UAH 54.0 mln. (Table 3, Chart 9). At that, an average number of funds calculated on the basis of the data as of each month end increased from 36 to 39.

During an entire year 2012, with exception of December, one fund accounted for a significant share of the aggregate outflow, at that, such leadership varied periodically. The share of the fund, which most often experienced maximum losses, comprised 37% of the annual outflow from the sector.

Table 3. Net inflow/ outflow of capital in open-ended CII in 2012 (based on daily data), UAH thsd.

	Net monthly inflow/ outflow in 2011	**Number of funds on which data are available**	**Net monthly inflow/ outflow in 2012**	**Number of funds on which data are available**
January	-448.5	31	-7 987.1	38
February	-3 089.9	34	-7 952.0	38
March	15 090.6	35	-10 031.7	38
April	7 172.0	35	-4 747.9	36
May	8 682.4	35	-3 322.5	38
June	2 504.9	33	-2 579.4	40
July	-43.5	36	-2 690.1	40
August	-11 040.6	38	-3 024.8	40
September	-6 343.1	39	-1 872.9	40
October	-7 217.0	40	-3 333.3	40
November	-23 654.6	40	-3 962.7	40
December	-6 138.0	38	-2 531.9	40
Annual	**-24 525.4**	**-**	**-54 036.5**	**-**

If regarded on quarterly basis, open-ended funds were losing investors six quarters in a row, the aggregate losses over the said period reaching UAH 108.5 mln. (Chart 9).

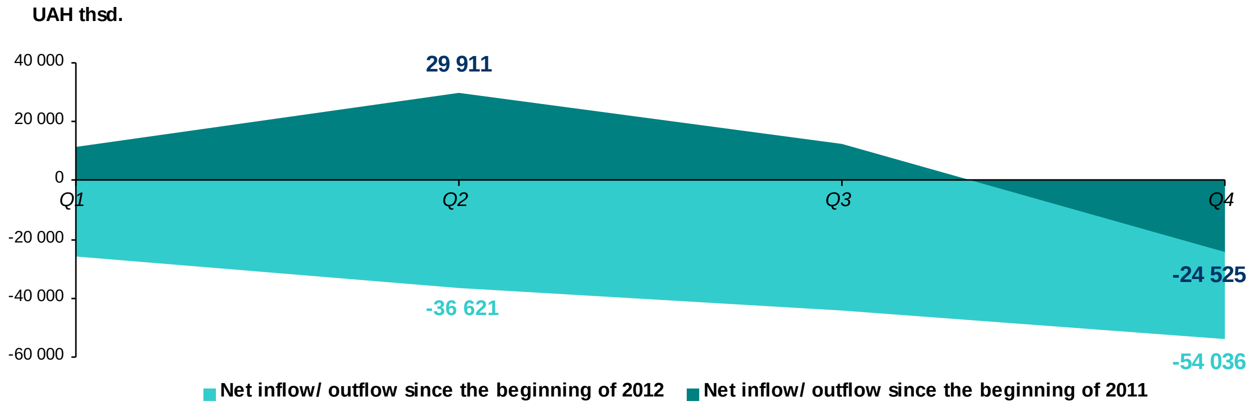

Chart 9. Net inflow/ outflow of capital in open-ended CII in 2011-2012 (cumulatively)

2.3. Asset Structure of CII

In 2012, just as previously, CII moneys were mostly concentrated in ***securities*** (between 58.2% in closed-end and 74.8% in interval funds) and ***other assets***[3] (34.4% in closed-end and 64.1% in venture funds). However, this year, under conditions of stock market decline, the share of stock market instruments narrowed in all CII sectors, with exception of venture ones, and most significantly – in open-ended ones (Chart 10).

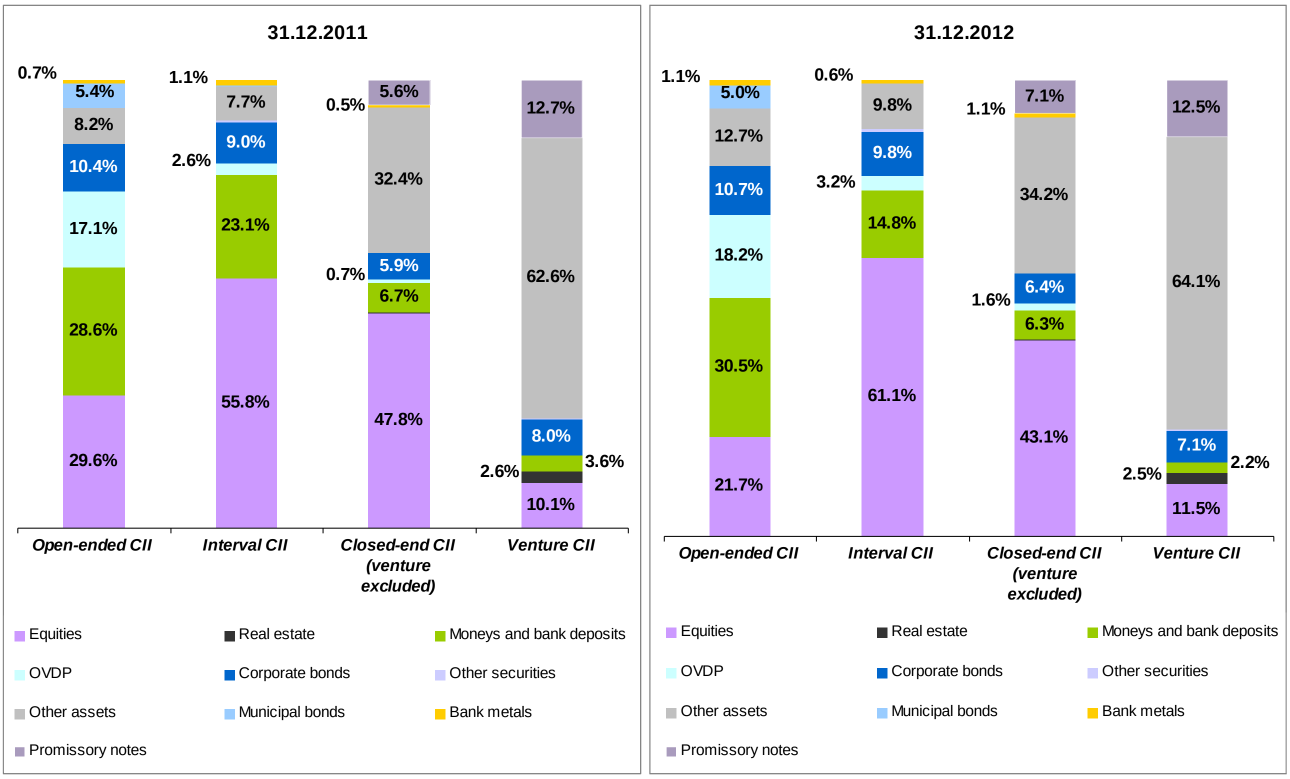

Chart 10. CII asset structure, by the types of funds, as of the beginning and end of 2012

Among the security types by CII (except venture ones) investment volumes, those were ***equities*** that preserved leadership. Despite the most sharp decrease of their presence in the sector of open-ended funds (by UAH 32.7 mln.), equities still made up for 21.8% (after 29.6% in 2011) therein. In *interval* CII, where the investments into equities declined by UAH 3.7 mln., their respective share expanded from 55.8%

[3] "Other assets" include receivables, corporate rights in other forms than securities, as well as loans to the companies, a stake in the capital of which belongs to the CII (for venture funds).

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to 61.1%. *Closed-end* funds grew their investments into equities (+UAH 149.5 mln.), but, against the background of the dynamics of investments into other securities and asset categories, the share of equities in these CII all in all narrowed. The *venture sector* in 2012 paid most of attention particularly to equities (+UAH 4 987.3 mln.), as a result, their respective share broadened.

Moneys and bank deposits became leaders in open-ended CII (30.5%), though an aggregate value of most liquid assets in this sector over year decreased by UAH 16 mln. In interval CII, the amount of moneys decreased by UAH 18.8 mln., however, moneys remained second major category of these funds' investments (14.8%).

In 2012, the share of ***government bonds*** broadened in all CII sectors, and comprised between 0.04% in venture and up to 18.2% in open-ended funds, though in the latter the assets in OVDP decreased (-UAH 9.5 mln.).

The venture sector increased its investments into ***"other assets"*** most (+UAH 20 573.1 mln.), which once again broadened their share within these CII portfolio – from 62.6% to 64.1%.

Unlike in 2011, in 2012 equities remained the leader by the value of investments within the aggregate portfolio of CII securities, as their share increased from 36.8% to 41.5% due to a shift in the investment priorities of venture funds. Thus, although the investments of these CII into promissory notes once again increased, their share within the financial instruments of all funds narrowed (from 39.5% to 36.4%) (Table 4).

Table 4. Aggregate CII securities portfolio, by the types of instruments, in 2011-2012

Security type	Aggregate value of the security in CII portfolios, UAH		Share in the aggregate CII securities portfolio	
	31.12.2011	31.12.2012	31.12.2011	31.12.2012
Equities	16 322 316 353	21 422 944 548	36.83%	41.50%
Promissory notes	17 514 090 602	18 784 011 944	39.52%	36.39%
Corporate bonds	9 783 641 301	10 951 497 658	22.07%	21.22%
Internal state loan bonds (OVDP)	120 966 788	273 039 340	0.27%	0.53%
Mortgage securities	336 018 325	151 525 789	0.76%	0.29%
Treasury bonds	0	14 996 294	0.00%	0.03%
Municipal bonds	40 630 293	12 398 209	0.09%	0.02%
Savings certificates	197 887 500	0	0.45%	0.00%
Other	*5 496 590*	*5 457 535*	*0.01%*	*0.01%*
Total	**44 321 047 751**	**51 615 871 319**	**100.00%**	**100.00%**

Equities remained the leader within the consolidated portfolio of non-venture CII in 2012, though, unlike in the preceding year, significantly decreased their share (from 78.9% to 73.7%). Owing to closed-end funds, promissory notes became second (from 8.9% to 11.9%), having shifted corporate bonds down (Table 5).

Table 5. Aggregate CII securities portfolio, venture excluded, by the types of instruments, in 2011-2012

Security type	Aggregate value of the security in CII portfolios, UAH		Share in the aggregate CII securities portfolio	
	31.12.2011	31.12.2012	31.12.2011	31.12.2012
Equities	4 743 787 437	4 856 911 294	78.86%	73.72%
Promissory notes	533 819 446	781 129 868	8.87%	11.86%
Corporate bonds	607 517 901	730 035 822	10.10%	11.08%
Internal state loan bonds (OVDP)	107 648 248	210 808 978	1.79%	3.20%
Municipal bonds	16 056 001	8 712 316	0.27%	0.13%
Savings certificates	5 887 500	0	0.10%	0.00%
Other	*794 570*	*796 486*	*0.01%*	*0.01%*
Total	**6 015 511 103**	**6 588 394 765**	**100.00%**	**100.00%**

Diversified CII in 2012 kept the proportion of investments into different security types similar to the one of other non-venture funds, therefore, the share of promissory notes therein notably grew and made these securities second by the volume of investments thereto (from 4.9% to 12.3%). Equities, also owing to closed-end funds, even strengthened their leadership (from 79.8% to 80.6%) (Table 6).

Table 6. Aggregate securities portfolio of diversified CII, by the types of instruments, in 2011-2012

Security type	Aggregate value of the security in CII portfolios, UAH		Share in the aggregate CII securities portfolio	
	31.12.2011	31.12.2012	31.12.2011	31.12.2012
Equities	1 280 605 987	1 102 086 915	79.80%	80.61%
Promissory notes	79 066 939	167 709 244	4.93%	12.27%
Corporate bonds	108 811 295	53 248 426	6.78%	3.89%
Internal state loan bonds (OVDP)	44 198 082	35 401 715	2.75%	2.59%
Municipal bonds	12 962 926	8 712 316	0.81%	0.64%
Other	*79 066 939*	*0*	*4.93%*	*0.00%*
Total	**1 604 712 167**	**1 367 158 617**	**100.00%**	**100.00%**

2.4. Rates of return – CII and other investment instruments

In the conditions of a lengthy national stock market decline, which in 2012 sank by 35-39%, Ukrainian CII continued incurring losses, which, however, were at least three times smaller compared to the blue chips' downfall, and decreased compared to 2011 indicators (Chart 11).

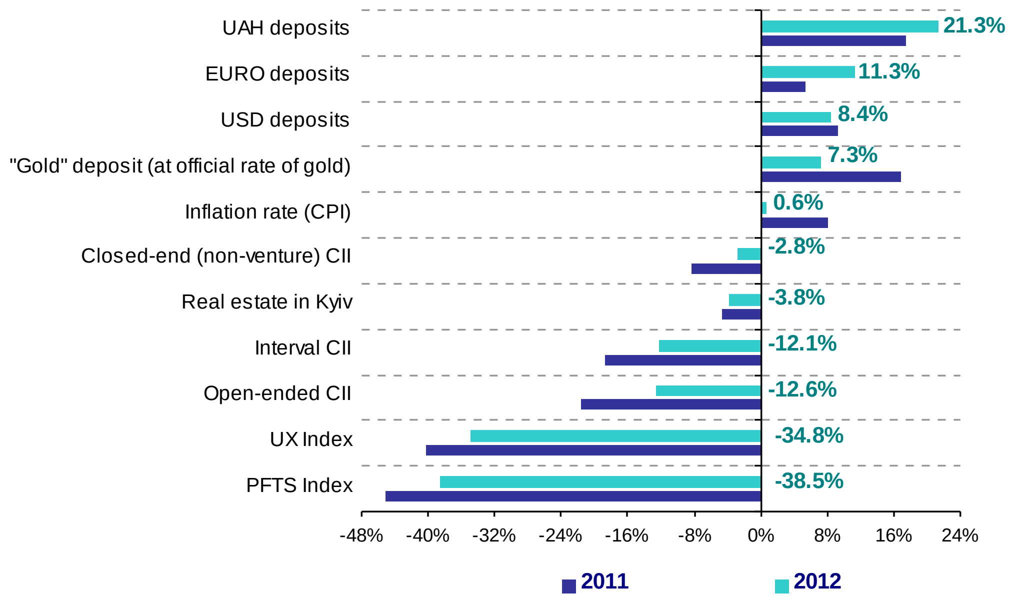

Chart 11. Average rates of return – non-venture CII, deposits, equity indexes and inflation rate in 2011-2012 [4]

A significant capital outflow from open-ended CII continued exercising pressure on funds' rates of return, which in 2012, just as a year before, were on average the lowest ones among all CII types *(-12.6%),* but considerably grew over the year (-21.5% in 2011). Individual funds demonstrated between 56.3% and +14.9%, which only a little differed from the last year range. 9 out of 40 funds ensured an increase of investments' value.

[4] CII rates of return are calculated based on the reporting data for Q1-4 2011-2012. The inflation rate provided is based on the State Statistics Committee data (Consumer price indexes – 2002-2012). Return on real estate is calculated as an average based on the data on real estate value in Kyiv from portals: http://www.domik.net, http://100realty.ua, http://realt.ua.

Interval CII incurred almost the same losses – investments thereto got cheaper by *12.1% on average* (after -18.7% in 2011). In closed-end funds an average rate of return in 2012 was at the level of -*2.8%* (after -8.3% a year ago).

The rate of return on deposits in gold in 2012 slumped as the price dynamics of the metal slowed down (+7.3%), and the greatest rate of return was generated by the deposits in Hryvnia (+21.3%)[5], the rates on which were higher compared to the previous year, though in the second half year they started going down.

Therefore, in 2012 diversified public CII went on incurring losses in the conditions of down phase of the securities market. At that, the greatest losses were experienced not only by funds with aggressive strategies, but by some balanced and conservative CII as well.

2.5. Investors of CII

Legal entities-residents in 2012 remained major owners of investments into CII, though over the year their share within funds on the whole narrowed from 81.0% to 80.0%, and in venture ones - from 82.5% to 80.8% (Chart 12). In the rest of CII sectors, presence of Ukrainian companies increased and as of 31.12.2012 comprised between 42.5% in open-ended and up to 69.9% in closed-end non-venture funds. In open-ended and interval funds that was primarily due to an exit of natural persons, and in closed-end funds – owing to a change of the make-up of funds included into the calculation, as well as an increase of investments of this category of investors.

Nevertheless, in *open-ended* and *interval funds* natural persons-residents held the greatest share of NAV – 46.4% and 44.6% respectively (after 50.4% and 49.4% in 2011).

In venture CII during 2012 the participation of investors-citizens of Ukraine varied significantly. Their aggregate investments in these funds sharply decreased in Q1, but in Q3 started growing, and, having increased by UAH 655.5 mln. over the year, restored their share to the level of 2011 end (2.3%).

As of 31.12.1012, foreign investors held between 0.9% in interval CII and up to 11.2% in open-ended and 16.8% in venture CII, which were the only CII sector where the non-residents' share grew. All in all, foreign legal entities and natural persons held 16.1% of CII NAV (after 14.8% in 2011).

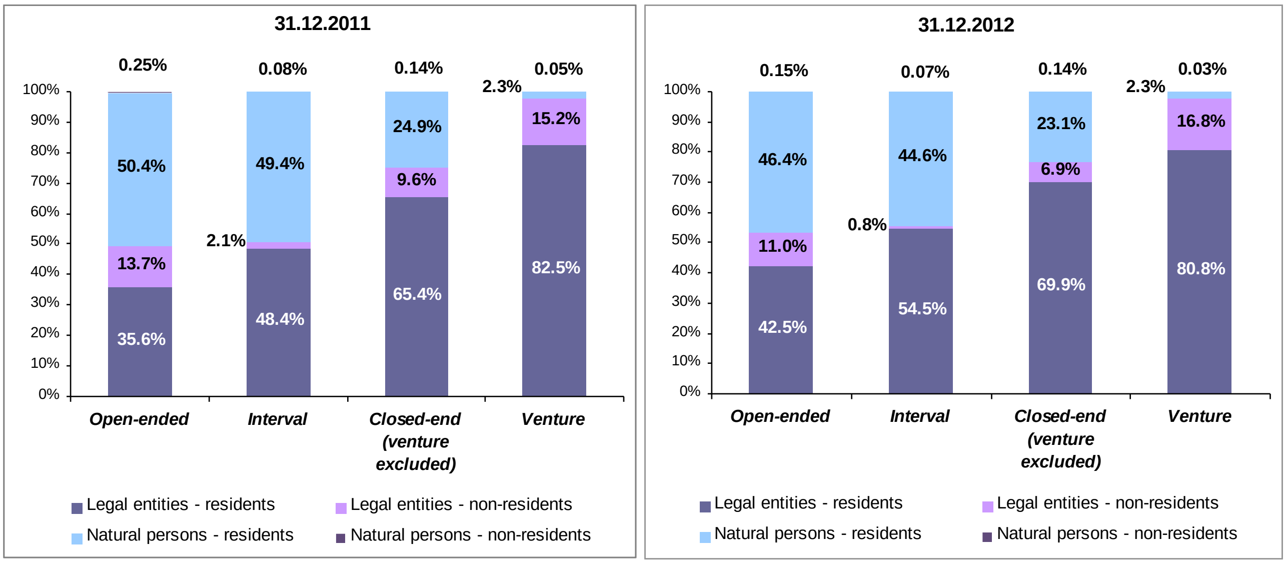

Chart 12. Investments into CII by investor categories in 2011-2012, share within NAV

[5] It is necessary to take into consideration the liquidity of CII, in particular, of open-ended type, which allows to exit from investments on any working day without losing returns, unlike in case of bank deposits, the prevailing majority of which envisage re-calculation of interest income in case of an early release of moneys based on the rate of return on current accounts (up to 3% per annum). In the meantime, the rates of return calculated do not take into account possible commissions, other costs incurred at entry to/ exit from funds, as well as investment profit taxation.

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3. Performance of NPF Asset Management Market

In 2012, the quantity of asset management companies that had contracts for management of NPF assets increased from 47 to 48, and the value of pension funds' assets being serviced – from UAH 639 mln. to UAH 774 mln. (+21.12%) based on the data of the funds that filed reports. In the meanwhile, compared to 2011, the quantity of NPF under management decreased from 85 to 83 funds (Chart13).

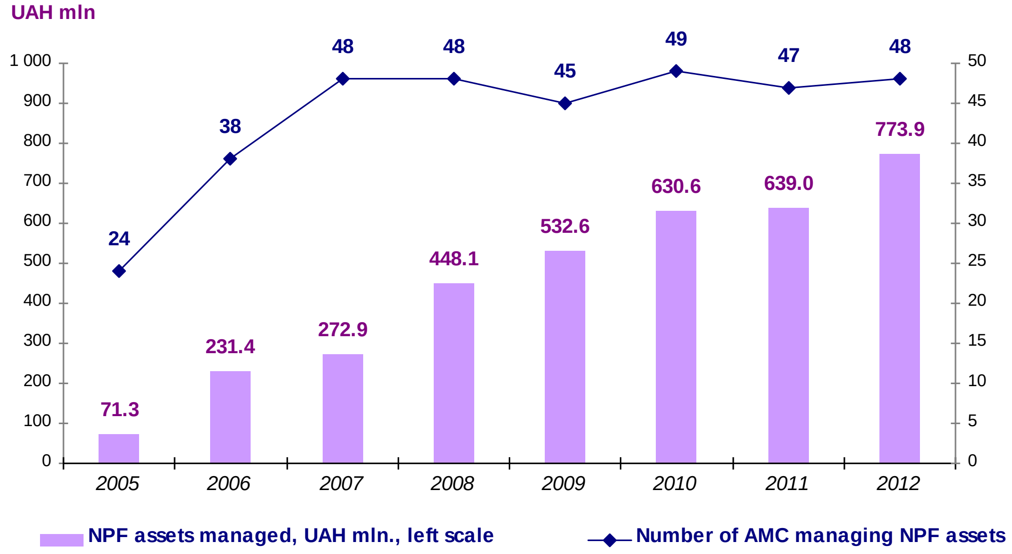

Chart 13. Dynamics of NPF asset management market in 2005-2012

In 2012, just as before, the number of funds in the greatest NPF sector – open one – decreased from 68 to 66 funds (Table 7). However, its growth once again acted as a key growth driver of the pension assets management market. And, although an average open NPF remained smaller than a corporate one, the share of open funds within the total NPF assets under management grew from 75.1% in 2011 to 77.3% in 2012 (Chart 14). Professional pension funds were the smallest ones. All in all, as of 31.12.2012, 8 corporate and 9 professional NPF remained under AMC management, with their number remaining unchanged during the year.

Table 7.Quantity of NPF under AMC management, by the types of funds, in 2011-2012

NPF type	31.12.2011	31.12.2012	2012 change
Open	68	66	-2.94%
Corporate	8	8	0.00%
Professional	9	9	0.00%
Total	*85*	*83*	*-2.35%*

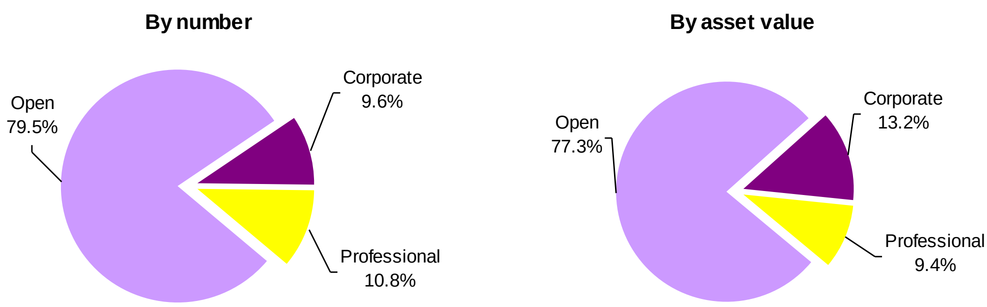

Chart. 14. Breakdown of NPF quantity and their asset value under AMC management, by the types of funds, as of 31.12.2012

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An increase of the share of open NPF within the industry aggregate assets in 2012 took place due to the sector growth by 24.7%, from UAH 480.0 mln. to UAH 598.3 mln. (based on the data of 64 and 65 funds respectively). The asset value of corporate funds also increased notably – by 16.6%, from UAH 87.9 mln. to UAH 102.5 mln., and of professional ones – by 2.8%, from UAH 71.1 mln. to UAH 73.1 mln. respectively (Table 8). Thus, in 2012 this market significantly sped up growth, particularly in the sectors of open and corporate NPF, where in 2012 growth had comprised 1.3% and 3.5% accordingly.

Table 8.Value of NPF assets under AMC management, by the types of funds, in 2011-2012

NPF type	31.12.2011			31.12.2012			Asset change in 2012	Number of NPF reported change in 2012
	AuM, UAH mln	Number of NPF reported	Number of NPF managed	AuM, UAH mln	Number of NPF reported	Number of NPF managed		
Open	480.0	64	68	598.3	65	66	24.66%	1.56%
Corporate	87.9	8	8	102.5	8	8	16.63%	0.00%
Professional	71.1	8	9	73.1	9	9	2.78%	12.50%
Total	639.0	80	*85*	773.9	82	*83*	*21.12%*	*2.50%*

Growth of the assets in securities in all NPF in aggregate in 2012, just as in the preceding year, was faster than the dynamics of funds' investments into other instruments, as a result, the share of stock market instruments within the aggregate NPF portfolio once again increased – from 52.6% to 54.4% (Chart 15).

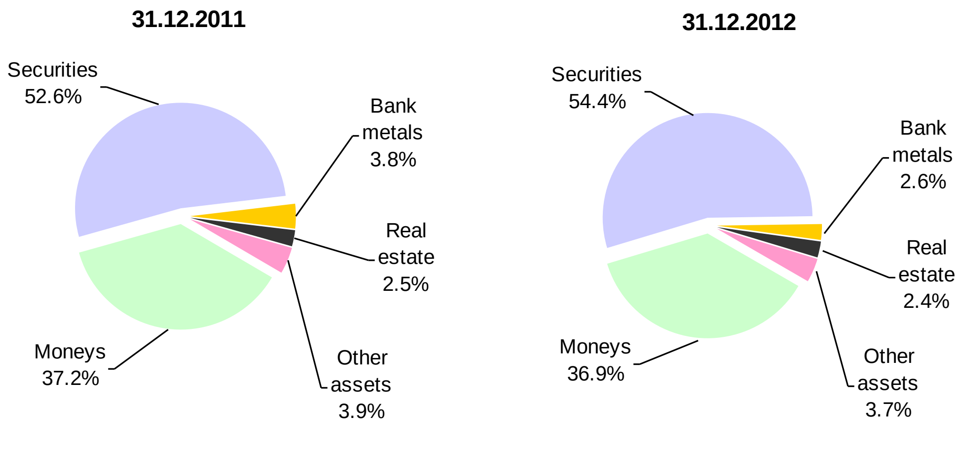

Chart. 15. Dynamics of NPF aggregate portfolio structure in 2011-2012

A most notable increase in the investments into securities in 2012 occurred in open NPF – from UAH 215.4 mln. to UAH 304.6 mln., whilst in professional it decreased from UAH 69.5 mln. to UAH 54.0 mln. Despite a decrease, due to the above, of the share of moneys on bank accounts within NPF aggregate assets, they grew within the portfolios of all types of funds (from UAH 202.5 mln. to UAH 233.3 mln. in open-ended, from UAH 33.5 mln. to UAH 36.7 mln. in corporate, and from UAH 1.3 mln. to UAH 15.4 mln. in professional ones).

As a trend of 2012, an appearance of real estate within professional NPF assets should be mentioned, though its volume was a minor one (UAH 56.3 thsd.). In open funds investments into real estate grew from UAH 15.7 mnl. to UAH 18.5 mln. Investments into other asset types significantly changed only in corporate and professional funds: in the former increased from UAH 1.3 mln. to UAH 2.1 mln., and in the latter – from UAH 0.2 mln. to UAH 3.6 mln. (Table 9).

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Table 9.Structure of NPF assets under AMC management, by the types of funds, as of 31.12.2012, UAH mln

NPF type	Moneys	Securities	Bank metals	Real estate	Other assets
Open	233.4	304.7	18.6	18.5	23.1
Corporate	36.7	62.5	1.1	-	2.1
Professional	15.4	54.0	-	0.1	3.6
Total	*285.5*	*421.2*	*19.8*	*18.6*	*28.9*

On the whole, securities comprised between 50.9% in open and 73.8% in professional NPF, and moneys – between 21.1% in professional and 39.0% in open ones (Chart 16).

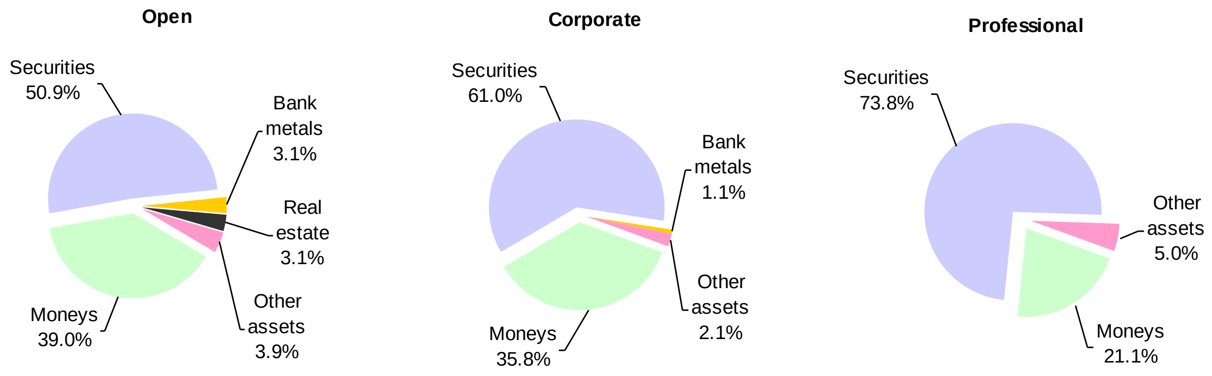

Chart 16. Structure of NPF assets, by the types of funds, as of 31.12.2012

4. Performance Results of the Market of Insurance Companies' Asset Management

The UAIB for the first time publicizes data on the market of asset management of insurance companies serviced by AMC, possessing such statistics since 2009 and having noted a stable growth in this so far tiny sector.

According to the performance results of 2012, the number of AMC to which insurance companies transferred their assets into management, increased form 4 to 5. The number of insurance companies, whose assets have been transferred into management, also increased from 3 to 6, just as the volumes of their assets managed by AMC – from UAH 51.3 mln. to UAH 60.7 mln. Thus, since 2009, IC assets managed increased more than 20 times (Chart 17).

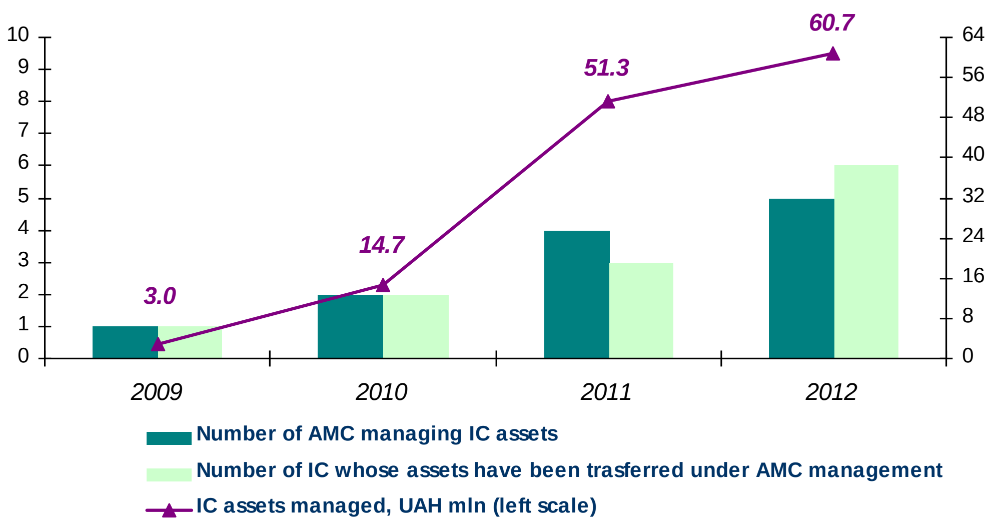

Chart 17.Dynamics of the market of IC asset management in 2009-2012

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5. Resume and Next Year Prospects

Unlike the leading global markets, the Ukrainian stock market, together with the asset management industry, was facing hard times in 2012. The events developing in the international markets, even though being in uptrend on the whole, did not promote growth of national indexes. The positive effect of the passage of the long-awaited Law "On Collective Investment Institutions" was leveled off by introduction of a new excise tax on securities transactions. All the above, along with economic stagnation, investment climate impairment, absence of clear and stable rules, deficit of reliable financial instruments, strict regulatory requirements resulted in national stock indexes losing more than 35%.

A common trend of the national ***asset management*** industry in 2012 was continuing quantitative growth owing to new participants. Returns on investments, particularly into public investment funds, were not that attractive.

During 2012, the process of exiting business by AMC and opening new ones continued. It accelerated by year end, on the eve of an introduction of the regulatory changes as regards their activities in 2013. The situation with collective investment institutions was developing similarly. Finally, over the year, the total number of asset management companies, just as of collective investment institutions, grew. At that, traditionally most active sector of venture funds in 2012 accelerated growth pace even more. A decrease occurred in the sectors of open-ended and interval PIF, as well as closed-end non-diversified CIF.

Market growth in terms of assets was also stable. Aggregate net assets of all CII in 2012 accelerated growth, at that, mainly owing to venture funds.

During the year, an aggregate net capital outflow from open-ended CII was observed each and every month and, finally, 2012 indicator exceeded last year indicator more than twice and accounted for the lion's share of sector NAV decrease. The greatest losses from investors' exit were experienced by balanced funds and money market funds.

Conservative CII were also among those whose rates of return dropped most in connection with depreciation of the securities inside their portfolios. However, among them equity funds naturally prevailed. CII performance as regards rates of return in 2012 was generally negative, though significantly increased compared to the preceding year.

In the market of ***non-state pension funds' asset management*** both uptrends and downtrends were registered. The number of AMC that managed NPF assets, just as the value of non-state pension funds' assets under management, increased. Simultaneously, the number of NPF under company management continued to decrease.

Open NPF remained the greatest segment with 66 funds therein. AMC also managed assets of 8 corporate and 9 professional NPF.

The market of ***insurance companies' asset management*** that for the first time had started growing actively back in 2011, in 2012 continued the said trend.

In 2013, the asset management market does not expect any cardinal improvements. Most likely, this year will become a period of living off scraps and active work in the area of legislative drafting necessary for the enactment in 2014 of the new law "On CII" on which market participants lay their hopes.

For more details on AMC and CII performance in 2012 please also see *Analytical Review of the Collective Investments Market in Q4 2012*[6].

[6] http://www.uaib.com.ua/analituaib/publ_ici_quart/181712.html

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