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1. Asset Management Industry. General Overview

Number of Market Participants

Asset Management Companies (AMCs)

In Q1 2020, according to UAIB, the number of asset management companies increased by 4 up to **297**. In total, 6 new AMCs were created during this period.

At the end of March, 279 AMCs managed between one and 53 funds, and almost 99% of all such AMCs managed at least one venture CII.

Collective Investment Institutions (CII)

In January-March 2020, 40 new CII were registered. Considering the closed funds, as of March 31, 2020, the total number of **registered CII** increased up to **1926**, by 1.9% since the beginning of the year.

The number of **CII that reached the minimum assets standard (formed, "established" CII)** grew for the 10th consecutive quarter - to **1357** (+ 2.3% for the quarter).

Non-State Pension Funds (NPFs)

The number of NPFs under management as of March 31, 2020 was **60** (excluding the NBU corporate fund), including 48 open, 6 corporate and 6 professional funds. A total of 34 AMCs managed NPFs assets.

Insurance Companies (IC)

The number of insurance companies that transferred their assets to AMC management has not changed since the beginning of 2020, as well as the number of AMCs that provided the following services: as of March 31, 2020, one such company managed the assets of **two** insurance companies.

Assets under Management and NAV

All Institutional Investors

Total total assets under AMC management **grew by 3.3%** in Q1 2020 (by 9.0% over the last 12 months) and reached **UAH 366,825 million** at the end of March.

Collective Investment Institutions (CII)

In Q1 2020, the **total assets of all CII under management**, including those that have not yet reached the standard, also **increased by 3.3%** and 9.0% over the year, to **UAH 364,995 million**.

As of March 31, 2020, the assets of **acting CII that reached the minimum assets standard ("established" CII)**, amounted to **UAH 356,884 million**. In Q1 2020, they grew by 5.2%¹, and in the last year - by 12.4%. As before, the lion's share of the growth of CII assets was provided by venture funds, the number of reports for the quarter of which grew by 6.3%.

The total **NAV the "established" CII** as of March 31, 2020 reached **UAH 274,322 million**. In Q1, it grew by 5.0% (see above footnote on total assets), and in the last 12 months by 11.2%.

Non-State Pension Funds (NPFs)

NPF assets managed by AMC in Q1 2020 had a slightly slowed-down **growth to 3.1%** (up to 16.1% over the year). As of March 31, 2020, they reached **UAH 1,653 million**.

Insurance Companies (IC)

The assets of the IC under the management of AMC increased rapidly at the end of March, at **+35.7%** since the beginning of 2020 (+46.4% on an annual basis). As of March 31, 2020, these assets amounted to **UAH 131 million**.

¹ Partly due to the relatively complete reporting for Q1 2020 compared to the reporting for Q4 2019 and annual report due to the restrictive measures introduced

in March 2020 to counter the spread of the COVID-19 pandemic and the corresponding extension of these reporting deadlines.

2. NPFs Asset Management Market Results

Assets of non-state pension funds managed by AMC in Q1 2020, according to UAIB, continued to grow. The number of companies that managed the assets of NPFs on 31.03.2020 returned to the level of **34 AMCs**, which managed assets of **60 pension funds**². Of these, 32 AMCs managed the assets of 48 open NPFs, 5 - the assets of 6

corporate NPFs and 6 - the assets of 6 professional NPFs (Table 1).

The share of open NPFs in the number of funds under management, excluding the NBU's NPF, in March 2020 was 79.3% (Chart 1).

Table 1. Number of NPFs under AMC management by fund types in Q1 2020

NPF Type	31.03.2019	31.12.2019**	31.03.2020	Q1 2020 change	Annual change
Open	45	46	48	4.3%	6.7%
Corporate	7	6	6	0.0%	-14.3%
Professional	6	6	6	0.0%	0.0%
Total	58	58	60	3.4%	3.4%

* Excluding the corporate pension fund of NBU ** Data include those AMCs that submitted the relevant annual report for 2019 at the time of preparation of these statistics.

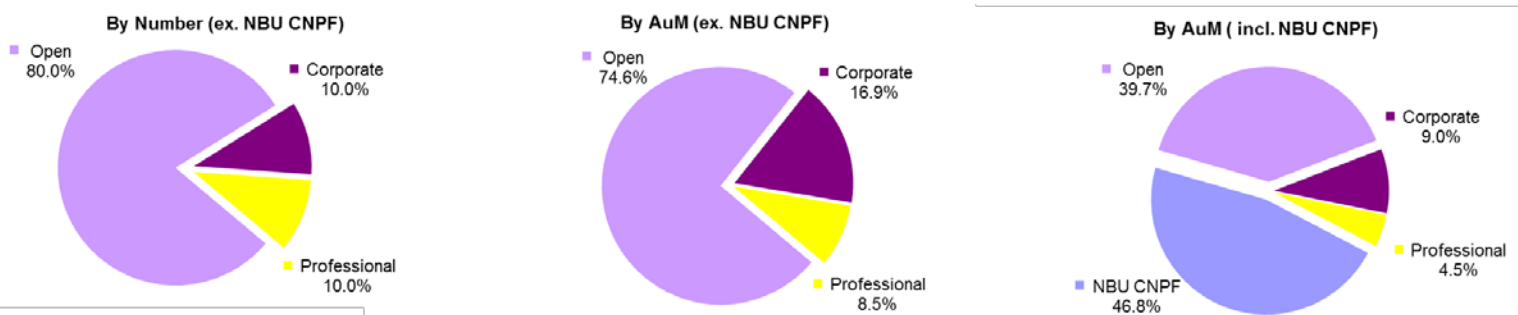


Chart 1. Distribution of number of NPFs and of value of their assets under AMC management by fund types as at 31.03.2020

The total assets of all NPFs, including the NBU NPF, for the first time in a long time decreased by 1.2% (after + 5.7% in Q4 2019) to **UAH 3,107 million** in Q1 2020.

The quarterly decline in assets took place in the context of a decrease in the total value of the government bond package by 7.6% and corporate bonds by 20.9%. The number of NPF participants also decreased - by 0.4% (after + 0.7% in Q4 2019), as did the number of depositors - by 3.8% (after + 15.8%) and the number of concluded pension contracts - by 3.1% (after + 3.2 %).

At the same time, the amount of investment income continued to grow, albeit at a slower pace than in the previous quarter, by 1.6% (after + 7.9%). Also, pension contributions decreased, but their reduction was smaller than payments (-2.6% vs. -4.0%), which had some positive

impact on the dynamics of pension assets, although insufficient.

Over the year, the increase in payments still outpaced the increase in contributions, although the number of depositors, pension contracts and NPF participants increased. Finally, the annual dynamics of total pension assets slowed down, but remained positive: + 9.8% at the end of March, after + 14.1% at the beginning of the year.

The negative dynamics since the beginning of 2020 was largely determined by changes in the NBU's NPF, whose pension assets decreased by 5.7% (after + 8.3% in Q4 2019), which reduced the weight of this fund in the total assets of all NPFs from 49.0% at the beginning of January to 46.8% at the end of March (Chart 1).

² Excluding the corporate pension fund of NBU. Data include those AMCs that submitted the relevant annual report for 2019 at the time of preparation of these statistics.

The value of NPF assets managed by AMC in Q1 2020 increased by 3.1% (after + 3.4% in Q4 2019) and as of March 31, 2020 reached **UAH 1,653 million**. Over the last 12 months in March 2020, it slowed down to 16.1% (from + 17.5% in December 2019).

This growth was due exclusively to open NPFs, whose assets in AMC management added 4.5% in January-March 2020 (after + 3.6% in Q4 2019). The share of this sector of the market in pension assets under management (excluding the NBU CPF) increased from 73.6% at the beginning of the year to 74.6% in March. As of March 31, 2020, its assets under management reached UAH 1,233 million.

Corporate NPFs managed by AMC (excluding the NBU CPF) experienced a slight decrease in assets under management in Q1 2020 - by 0.5% (after + 3.9% in Q4 2019). At the end of March, they amounted to UAH 280 million.

Assets of professional pension funds in management again had the weakest dynamics, decreasing by 0.6% since the beginning of 2020 (after + 1.2% in Q4 2019), and their volume at the end of March amounted to UAH 140 million.

As of March 31, 2020, corporate NPFs remained the largest in terms of average assets under management, among which the notional average fund had about UAH 70 million, as at the beginning of the year (with the number of reports of these NPFs equal to 4).

At the end of March, open NPFs, the number of reports of which increased by one in Q1 2020, up to 45, which still included two funds with zero assets, averaged UAH 26.8 million. (after UAH 26.2 million at the beginning of the year).

Professional NPFs remained the smallest: with the same number during Q1 (6), the average such fund decreased slightly from UAH 23.6 million at the beginning of 2020 to UAH 23.4 million in March.

Table 2. Value of NPF assets under AMC management by fund types in Q1 2020 and its change over the past year

NPF type	31.03.2019		31.12.2019*		31.03.2020		Assets change in Q1 2020, %	Annual change, %	Annual change, UAH M	Average volume of the fund as at 31.03.2020, UAH M
	Assets, UAH M	Number of NPFs reported	Assets, UAH M	Number of NPFs reported	Assets, UAH M	Number of NPFs reported				
Open	1 039.8	44	1 180.4	45	1 233.1	46	4.5%	18.6%	193.3	26.8
Corporate	249.6	6	281.4	4	279.9	4	-0.5%	12.1%	30.3	70.0
Professional	135.3	6	141.4	6	140.5	6	-0.6%	3.8%	5.1	23.4
Total**	1 424.7	56	1 603.2	55	1 653.4	56	3.1%	16.1%	228.7	29.5
NBU CNPF	1 405.1	1	1 540.1	1	1 453.1	1	-5.7%	3.4%	48.0	-
Total***	2 829.8	57	3 143.3	56	3 106.5	57	-1.2%	9.8%	276.7	54.5

* The data as of December 31, 2019 have been updated, taking into account municipal bonds in the amount of UAH 11.6 million.

**Excluding the corporate pension fund of NBU ** Data include those AMCs that submitted the relevant annual report for 2019 at the time of preparation of these statistics.

*** According to National Financial Services Commission.

In the **structure of NPF assets under AMC management**, the share of securities in Q1 2020 decreased from 55.4% to 54.7% (Chart 2). In January-March, the total value of pension funds' investments in stock instruments grew by 1.9%, ie to a lesser extent than the assets of the funds (due to a faster growth of cash). Positive dynamics of the value of investments in securities was observed in the sectors of open (+ 2.7%) and professional (+ 0.9%) NPFs. In corporate funds, total assets in financial instruments decreased (-1.0%), which

was due to a decrease in investments in government bonds, which was more significant than new investments in municipal bonds.

In January-March 2020, funds on bank accounts (including deposit accounts) of NPFs managed by AMC increased by a total of 5.1% - only due to open funds (+ 7.2%), while corporate and professional funds decreased. Finally, the weight of money in NPF assets managed by AMC increased from 41.3% at the beginning of the year to 42.1% in March.

Table 3. Structure of NPF assets under AMC management by fund types as at 31.03.2020, UAH M

NPF type	Securities	Cash	Bank metals	Real estate	Other assets
Open	667	524	5	27	9
Corporate	142	137	0	0	0
Professional	95	34	0	7	4
Total	904	696	5	34	13

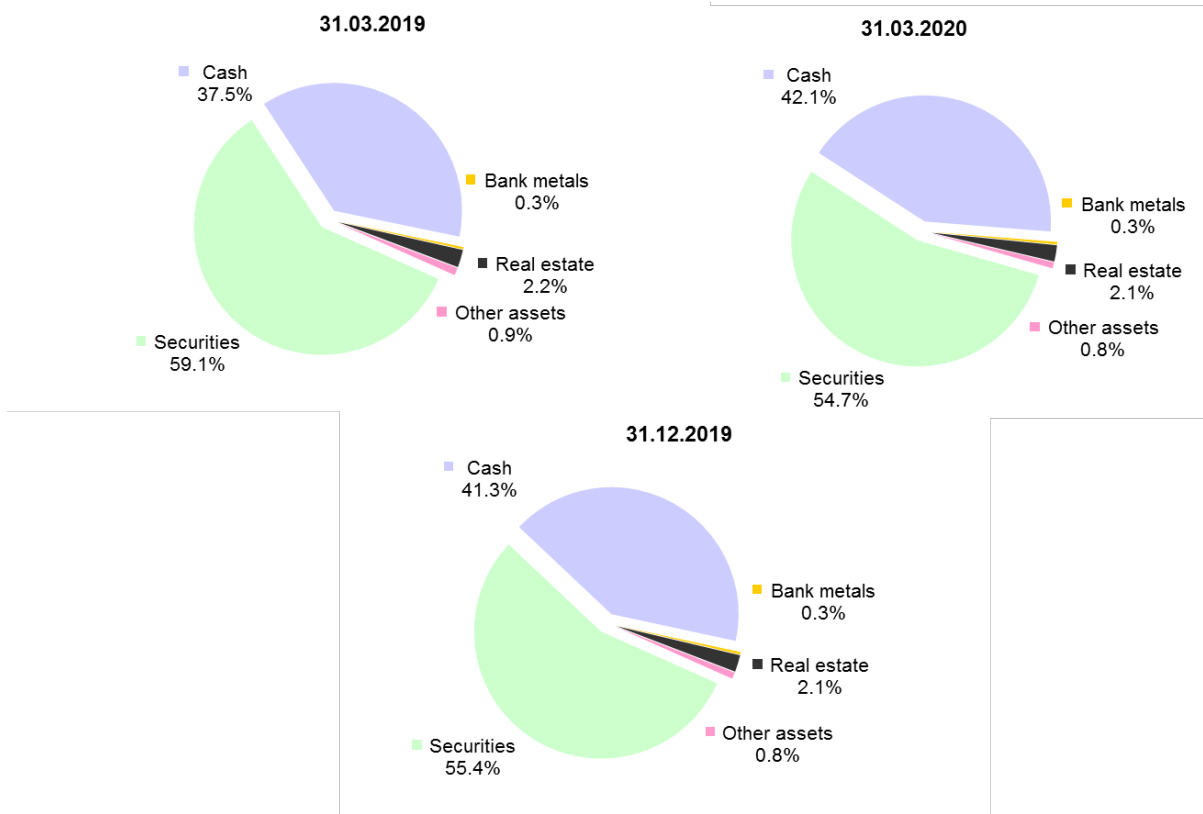


Chart 2. Dynamics of the structure of the aggregated portfolio of NPFs (excluding the NBU CNPF) in Q1 2020 and over the past year

For the entire NPF industry, including the NBU's corporate fund, the weight of securities continued to decline - from 55.3% at the beginning of 2020 to 51.4% in March, which was also significantly less than a year ago (59.1%). This was due to a decrease in the volume of assets in stock market instruments (-8.1%, after + 5.7% in Q4 2019), while all other types of pension assets of all NPFs in general increased, including funds in bank accounts - by 7.6%, real estate - by 2.0%, "other" assets - by 7.0%, as well as bank metals - by 52% (from a very low base and with a small share even after this growth - Chart 3).

As for the dynamics of various components of assets in securities by type of NPF, in open funds Q1 2020, their total value continued to grow, adding 2.7% (after + 4.7% in Q4 2019). The largest contribution to this increase in

absolute terms was again made by investments in **corporate bonds** (+ UAH 22 million, or + 28.8%, after + 32.1%) and in relative terms - in **municipal bonds** (+ UAH 5 million, or + 41.5%). , after + 121.3%). The total value of **equities** in the assets of this NPF sector also increased, in contrast to the previous quarter, by 6.6% (after -3.6%), which was significantly ahead of the dynamics of key stock market indices in Q1. The consolidated portfolio of **government bonds** (mostly OVDPs) in the assets of these NPFs remained 5-8 times larger than in other sectors of pension funds (UAH 520 million), but from the beginning of 2020 to the end of March it decreased by 2.2% (after + 1.0% for the last three months of 2019).

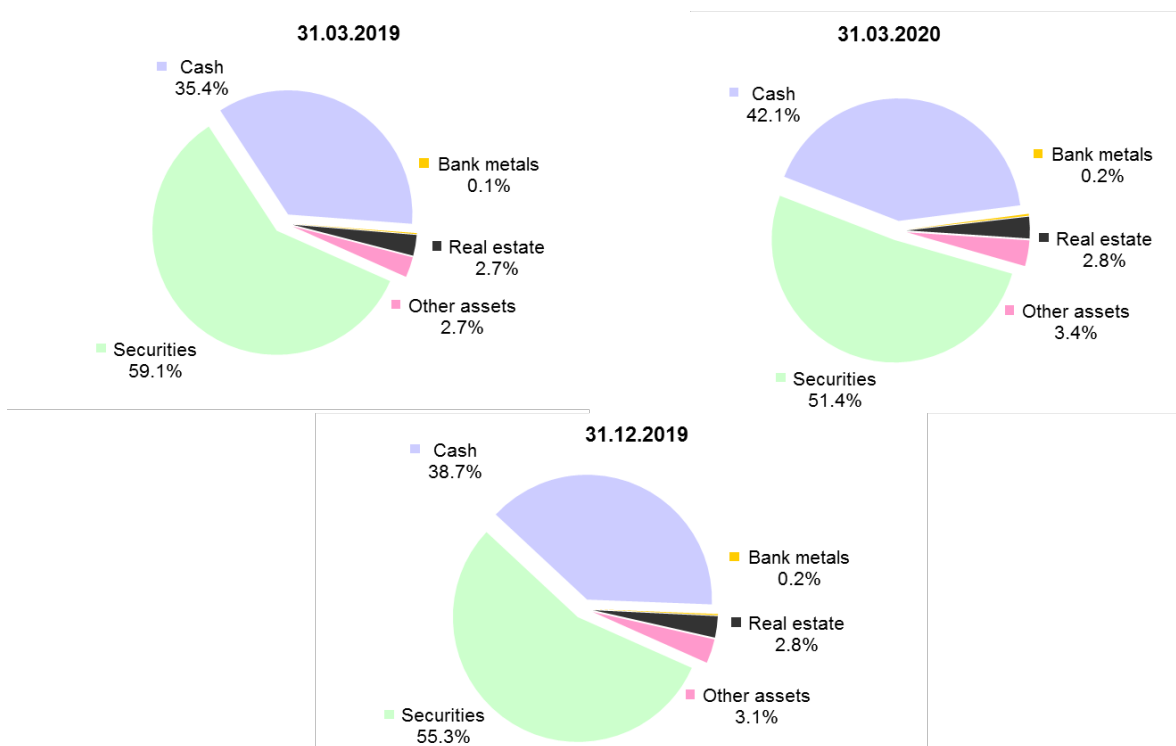


Chart 3. Dynamics of the structure of the aggregated portfolio of NPFs (including the NBU CNPF) in Q1 2019 and for the year

The attractiveness of OVDPs decreased somewhat during this period, after a significant reduction in interest rates last year and their stabilization in early 2020, although at the end of Q1 they began to rise again. Finally, its share in March was 42.2%. In general, due to the relatively slower growth of assets in securities in open NPFs compared to cash, as of March 31, 2020, the share of the former in the assets of this sector decreased from 55.0% to 54.1% (Chart 4).

Also, in Q1 2020, total investments in stock instruments in professional pension funds increased: + 0.9% (after + 2.4% in October-December 2019). At the same time, investments in all instruments available in the assets of this NPF sector increased, namely: + 1.8% in corporate bonds (after -2.3%), + 1.4% in equities (after - 7.0%), + 0.5% in OVDPs (after + 5.9%). Finally, the weight of government bonds in the pension assets of professional funds decreased to 44.3%, and that of securities in general rose from 66.7% to 67.8%.

Investments in securities in the assets of corporate NPFs in January-March 2020 decreased by 1.0% (after +

4.7% in Q4 2019). This was due to a further reduction in the OVDPs package in this sector by 11.1% (after -2.9%). As a result, the weight of government bonds in the assets of these NPFs fell from 46.1% at the beginning of the year to 41.2% in March. At the same time, the corporate bond package grew insignificantly (+ 0.7%, after + 259.1% in the previous quarter), and the portfolio of municipal bonds first appeared in the assets of this sector of NPFs under management and at the end of March 2020 lagged behind corporate (UAH 13 million, or 4.6% of assets, against 5.1%, respectively). Instead, the stake in the pension assets of corporate funds remained meager and has not changed since the beginning of the year. In general, the share of securities in the assets of this sector in Q1 2020 decreased from 51.1% to 50.9%.

Cash and deposits in banks in March 2020 was still the second largest component of all NPF sectors under AMC management, and their volume increased in Q1 in open funds and in all NPFs.

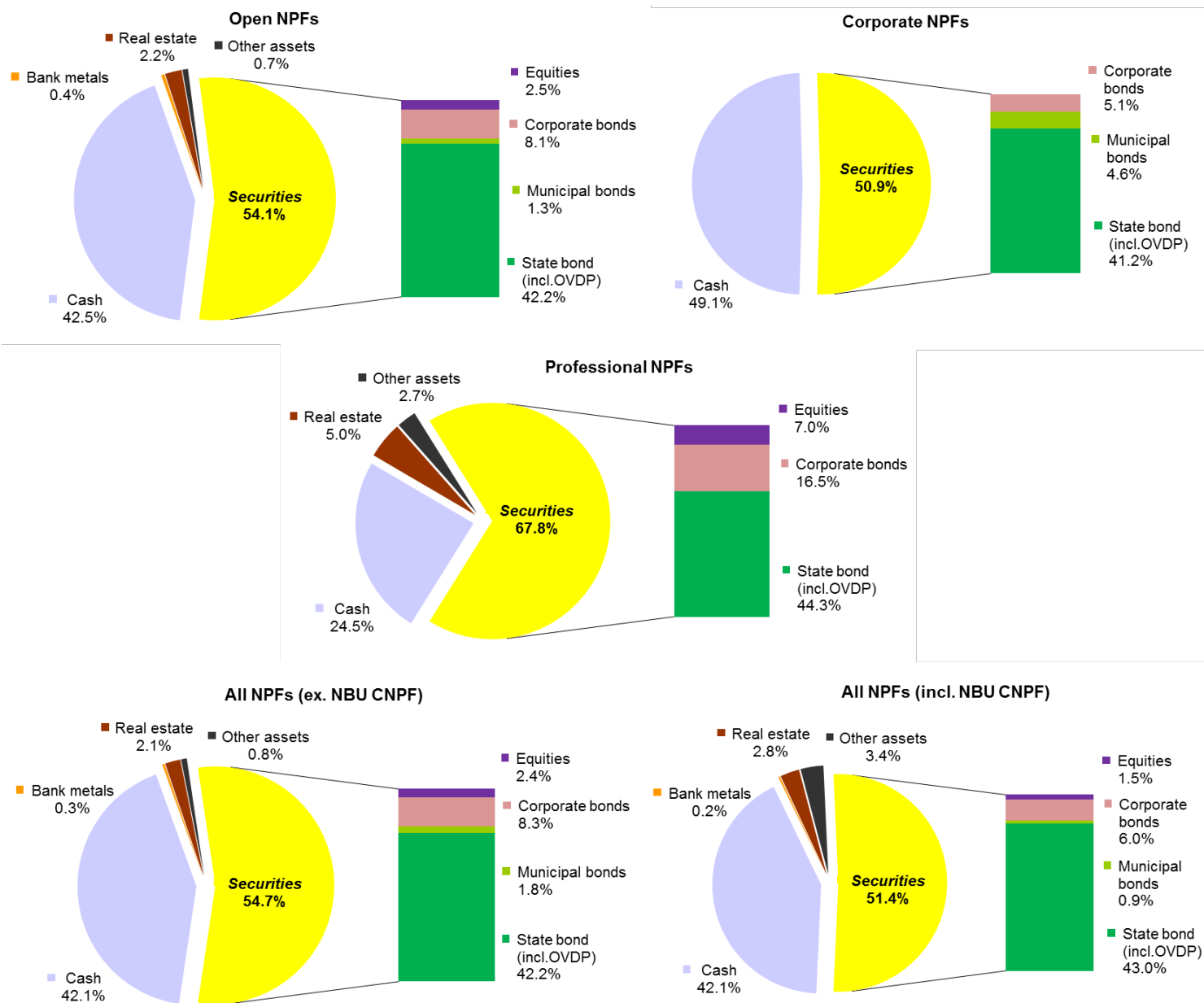


Chart 4. Structure of NPF assets by fund types as at 31.03.2020

In open NPFs, cash, current accounts and deposits grew by 7.2 % after the beginning of the year (after + 1.8% in the previous quarter). Thus, to change the dynamics of October-December 2019, in January-March 2020, the growth rate of these NPFs in bank accounts outpaced the growth of the portfolio of securities in their assets. Finally, the weight of money here increased from 41.4% at the beginning of the year to 42.5% in March.

In corporate NPFs, total funds in banks decreased by 0.1% (after + 3.2%), but it was an order

of magnitude smaller than the decrease in the assets of these funds in securities, so their share increased from 48.9% at the beginning of the year to 49.1% in March.

In professional NPFs, the amount of money in Q1 2020 decreased again - by 4.7% (after -1.6% in Q4 2019). Finally, the share of money in the assets of this sector of pension funds decreased by 25.6% to 24.5% of its assets under management.

At the end of March 2020, only open and professional NPFs still had **real estate** in their assets. Its total value changed, also traditionally, only in the



assets of the former: + 0.4% (after + 11.7% in Q4 2019). Due to a more significant increase in the total value of other types of assets, the share of real estate in open funds decreased from 2.3% at the beginning of the year to 2.2% in March. In professional NPFs, it grew by 5.0% against the background of an insignificant decrease in the total pension assets of this sector.

Bank metals during Q1 2020 were still in the assets of only open NPFs under management. The

sharp rise in gold prices by almost 27% since the beginning of the year due to the sharp failure of international stock markets in March and, consequently, the shift of investment strategies towards assets perceived as "safe havens", helped increase the total value of investments in these funds 6.8% (after -0.6% in Q4 2019). Finally, the weight of bank metals increased slightly here, but remained insignificant, within 0.4%.

See additional and statistical information on the UAIB website:

- [The Ukrainian Fund Market in Figures](#)