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Financial markets & investment strategy of OTP Capital

First month of 2009 was marked by important political and economic news: gas conflict between Russia and Ukraine, war actions in sector Gaza, inauguration of the new president of the USA and World Economic Forum in Davos. Impacted by various news and waited for quarter reporting the world financial markets closed January with decline. Signs of recession are observed in economy of the majority of the countries.

Emerging markets are mired in a recession in spite previously said speculation that the recession in developed economies could be offset by strong potential of the BRIC countries. BRIC economies have been impacted negatively by significant reduction of export volume which depends on decreased demand in the USA and the Europe. Manufacturing falls and unemployment level grows in that countries as their export-oriented industries could not be buoyed by weak domestic demand.

Also in Europe the volume of manufacturing (in particular in automobile industry) has continued to fall. The efficiency of stimulus packages provided by the European governments is worse than expected. In spite of this some countries approve new stimulus measures aimed to support their domestic producers. The government of Germany has approved the largest in history of the country stabilization package in amount of EUR 50 billion. It includes investments in infrastructure in amount of EUR 14 billion aimed to create a number of vacancies as well as pouring EUR 1,5 billion into German automobile industry. France declared intention to provide additional support to domestic automobile manufacturers too.

Taking into account that anti-crisis actions provided by separate countries have no positive effect during such long time the idea of mutual consolidated efforts is discussed in European Parliament more and more actively. The Chairman of European Commission Zhose Manuel Barrozu has addressed the governments of the EU countries with proposal to approve the two-year mutual stimulus plan which requires financing in amount EUR 200 billion (about 1,5% of GDP of the EU countries).

Also the issue of associated efforts aimed to revive global economy was raised at the World Economic Forum in Davos. The Federal Chancellor of Germany Angela Merkel proposed to create the International UN Economic Council (by analogy to UN Security Council), Russian Prime Minister Vladimir Putin spoke about necessity to reorganize world financial system and build socially focused economy, the Prime Minister of the Great Britain Gordon Brown told about necessity to reconsider out-of-date mandates of the IMF and World Bank.

In Ukraine beginning of 2009 was marked by escalation of the gas conflict with Russia which was based mostly on political than economic reasons by estimations of experts. Additional difficult was created by confrontation between leaders of the country that caused uncertainty regarding result of negotiation with Gasprom until the final protocol was signed. Moreover, differences between the President and the Prime Minister have not been eliminated after the completion of negotiation process. The state budget became an object of new conflict. Despite the Cabinet of Ministry reported about fulfillment of the budget in January, the President as well as parliamentary opposition speak about threat of default and necessity to revise the early approved budget. Accrued crisis in banking system and instability of currency rates gave grounds to doubt in competence of a management of NBU. The intense political situation and absence of unified state anti-crisis strategy as well as increasing economic problems practically paralyze work of Ukrainian Stock Market. In January the stock exchange showed low trading volumes with small sizes of deals. PFTS-index lost 9% to 274.59 points last month.

OTP Classic

Assets of an open-ended fund achieved UAH 1.35 million to the end of January. OTP Classic demonstrated positive yield continuing December tendency until the 29th of Jan when securities of OJSC "Stakhanovsky car-building plant" were added to the 2nd tier of PFTS Exchange register and

reassessed at the price of last transaction. As their weight made 5.8% of the portfolio, final yield of OTP Classic achieved -4.46% to the end of January. Portfolio structure of the fund did not changed significantly to the end of last month: the weight of deposits added 5% to 35% of NAV of OTP Classic, equities' component increased up to 21% of NAV. In industry structure of portfolio the most significant positions were held by to securities of machine-building companies, retailers and chemical industry.

OTP Balanced

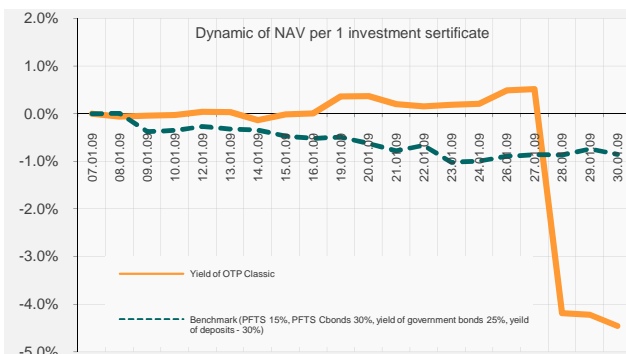
Interval investment fund OTP Balanced closed January showing UAH 2.57 million value of assets. As well as assets of open-ended fund assets of OTP Balanced suffered 4.18% decline in January due to reassessment of securities of OJSC "Stakhanovsky car-building plant". Portfolio structure of the fund was being corrected modestly during January. The weight of equities rose 3% up to 29 % of NAV of OTP Balanced while bonds' component was being reduced by 6% to 43% of NAV of the fund. Industry structure of investments of OTP Balanced was similar to the structure of OTP Classic. Securities of machine-building and chemical companies held the most considerable weight in fund's portfolio as well as securities of telecommunication industry.

OTP Dynamic

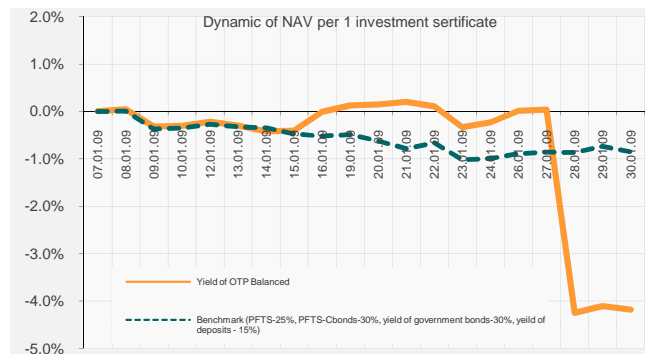
Assets of a close-end fund achieved UAH 951 thousand to the end of January. As equities make the most significant weight in the fund's portfolio yield of OTP Dynamic slightly decreased in January due to decline of Stock Market. Due to aggressive long-term investment strategy of OTP Dynamic portfolio structure of the fund was continuing to be corrected in favour of equities. At the end of January the most significant weight in fund's assets held securities of machine-building industry, fuel-energy complex and telecommunication companies.

Securities of close-end investment fund OTP Dynamic are purchased at nominal value UAH 1000 per equity. Minimal investment into the fund is 50 equities.

OTP Classic



OTP Balanced



Monthly Investment View

January 2008



Stocks

Ukrainian Stock Market didn't demonstrate new tendencies in January. Total quantity of trading transactions registered on PFTS Exchange was 1 973 and total trading volume achieved over UAH 2 billion that corresponds to December figures. Market players (both buyers and sellers) were demonstrating low activity. Consequently it was difficult to find large blocks of shares. The total volume of demand on PFTS Exchange achieved UAH 2.03 billion, including UAH 707 million demand on equities. Due to unwillingness of securities' holders to sell securities at so low prices total supply volume made UAH 3.37 billion including UAH 1.12 million on equities.

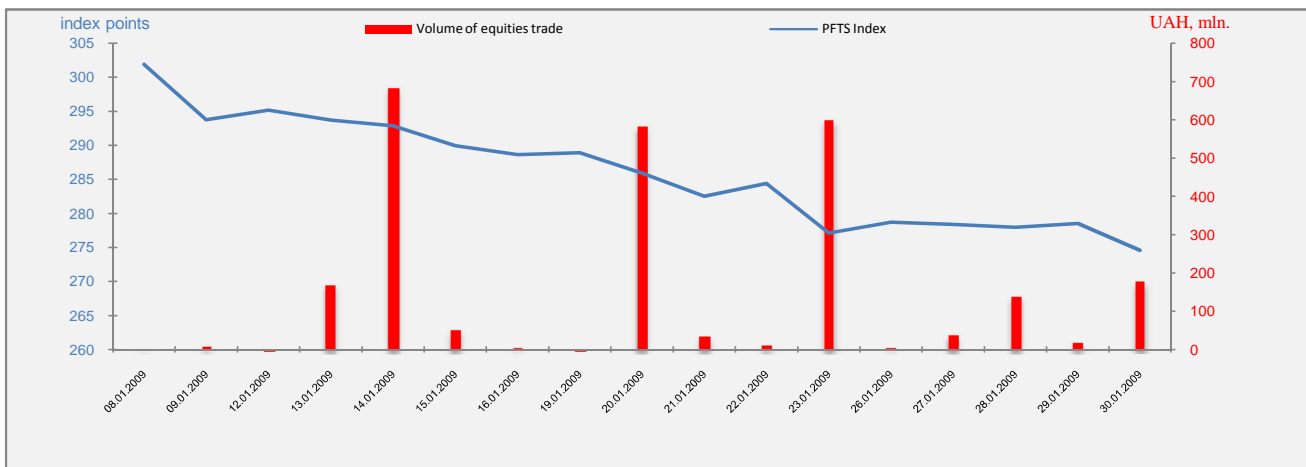
The basic PFTS indicator lost 9% to 274.59 points in January. According to opinion of market participants dynamic of Ukrainian Stock Market could have been better if political situation had been more positive in the country.

As before technical transactions with illiquid securities take place sometimes. Purchase transaction with securities of OJSC "Poltavakhimmash" included into zero tier of exchange register was provided last month on amount of UAH 560 million. It was the biggest trading transaction in January. Also securities of OJSC "Avdejevsky chemical-recovery plant" were generating some interest of market players.

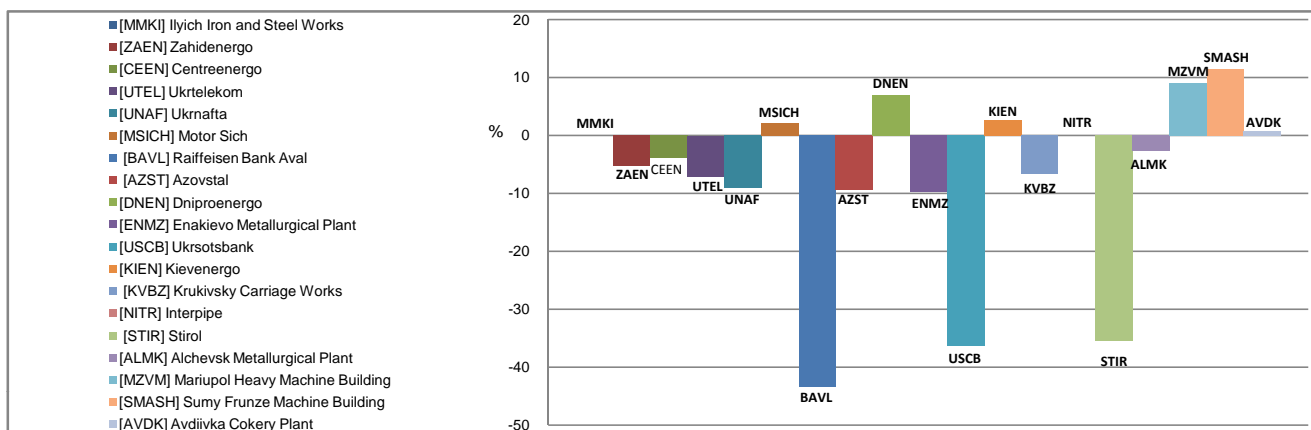
22 purchase transactions in total amount of UAH 343 million have been concluded with securities of that issuer. Securities of OJSC "Azovstal" were traded in January in amount UAH 196 million (63 purchase transactions).

Among representatives of an index basket the most significant fall demonstrated securities of OJSC "Raiffeisen Bank Aval" closed January with decline 44% unlike securities of OJSC "Sumy Frunze Machine-Building Science and Production Association" that rose 11%.

Dynamic of PFTS Index*



Monthly dynamic of quotations on the purchase (best Bid) of stocks of enterprises, included in index basket of PFTS last month.*



* - chart based on data from www.pfts.com

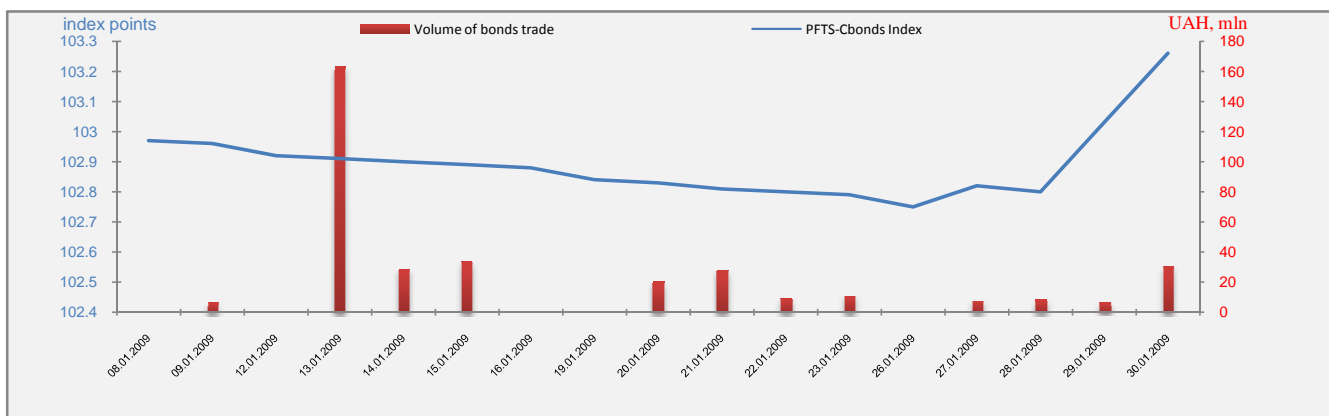
Bonds and Deposits

Crisis processes on resource market continue to expand. Many Ukrainian banks faced problems due to lack of liquidity, funding shortfall and negative consequences of the policy provided by NBU regarding some banks. Interbank interest rates rose up to 40-70% to the end of January. One of the most serious threat for Ukrainian banking system today is speeding withdrawal of money from deposits. Taking into account that depositors of some big banks couldn't recover their money for some months level of trust to banking system slumped considerably. High interest rates are not

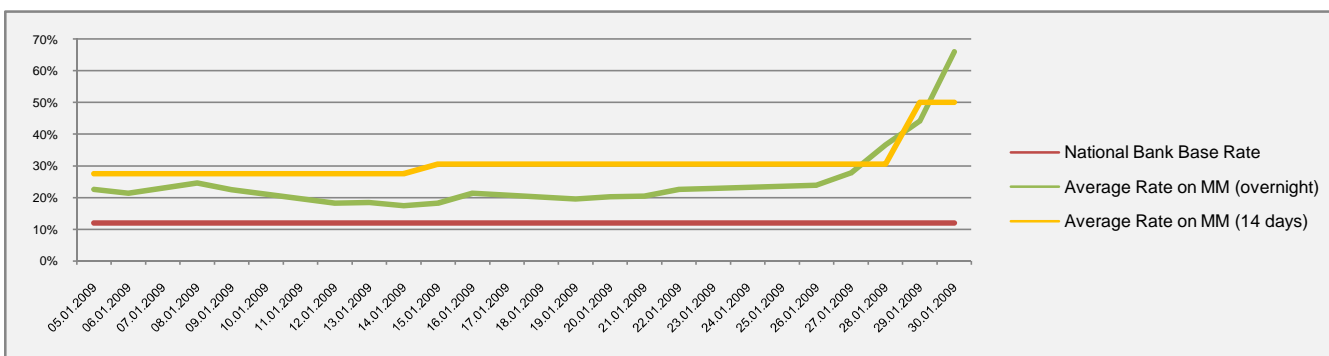
working any more. Also concerns regarding further devaluation of hryvna increase anxiety among population enforcing people to withdraw savings in UAH and change it to foreign currency. Situation on the bond market is impacted by concerns regarding threat of default and inability of some issuers to pay off their liabilities. In January market demonstrated inert trading process with discrete transactions and increased yield of debt securities (28-32%). Market players show low interest to bonds. They understanding that while issuers can't obtain credit money from the banks

there is risk of new defaults. Some issuers are continuing to adjust with investors restructuring of debts. Non-stable currency exchange rates also influenced situation in banking sector. Substantial decrease of income of Ukrainian people due to strong devaluation of hryvna as well as risen level of unemployment caused growth of problem credits in banks. Both borrowers and creditors depend on actions of Ukrainian politicians, government and NBU which unfortunately still didn't adjust anti-crisis action plan.

Dynamic of PFTS-Cbonds Index*



Dynamic of Rates on Money Market**



* - chart based on data from www.pfts.com

** - chart based on data from www.finance.ua