



 **otp** *Capital*
member of otp group

Financial markets & investment strategy of OTP Capital

Basic stock indexes fell down in February. In USA first half of month was marked by negative macroeconomic news: unemployment is continuing to grow, consumer demand is decreasing, ordering of durable goods, industrial production and volume of building are continuing to decline as well. In the second half of February American investors were actively selling securities, being under pressure of the following news: increased probability of nationalization of some American banks supported by information, that conversion of preferred stocks of Citigroup, which belongs to USA Government, to ordinary stocks will increase state's share to 36%, significant losses of AIG expected by analysts and publication of poor macroeconomic figures for Q4 2008. In the end of February, Senate approved the anti-crisis plan proposed by the Government of Barack Obama which requires USD 838 bn financing and includes creation of a government-backed "bad bank" aimed to concentrate illiquid assets of other financial institutes. In spite of optimistic statement of Bernard Bernanke, regarding the probability of completion of the crisis in the current year, approval of the plan didn't make a positive influence on financial markets. Disappointed by low effectiveness of previous anti-crisis plans investors are waiting rather for more concrete and consistent action plan instead of big amounts of financing.

European financial markets also fell down in February. Declining macroeconomic data, as well as disappointing corporate reports, stimulated investors to sell securities. Considerable concerns were caused by automobile producers (after decreasing of Moody's ratings of Renault, Peugeot and Fiat) and financial companies (after appeal of Spanish bank Santander to government with proposition to "freeze" payments to the biggest in country investment fund - Santander Banif Inmobiliario FII, in order to avoid 80% redemption and information about negative decision of Fortis shareholders regarding selling to BNP Paribas). Stabilized efforts of European governments were applied firstly to banking sector (Sweden and Germany) and automobile industry in February. Government of France which has one of the highest unemployment in EU intends to provide EUR 6 bn to

Renault and Peugeot in exchange for saving of employment level.

In China volume of export is continuing to fall buoyed by decreased demand on the US and EU markets. Supporting domestic producers Chinese government approved plan aimed to stimulate oil and petrochemical industries in amount USD 260 bn. Also Japanese economy is suffered by world financial crisis. Reports of Japanese corporations published in February shows significant losses caused by decrease of sales volumes and results of activity on the stock market. However, the government of Japan provides financial support to international organizations, in particular to IMF which received USD 100 bn credit from Japan.

Co-operation with IMF was key theme in Ukraine in February. Everybody had waited for the results of visit of IMF mission aimed to check fulfillment of conditions of "stand-by" agreement and give conclusion whether it is possible to provide second tranche. Unfortunately issue of providing next part of credit was postponed until some requirements of IMF will satisfied, including reconsideration of the state budget, elimination of political conflict and renewal of normal functioning of main financial regulators: Ministry of finance and National Bank of Ukraine. Government of Ukraine address 14 countries, including Russia, requiring for credit aimed to cover budget deficit that caused very negative reaction of the President. Contradictions between country leaders keep investors nervous. Ukrainian stock market decline 23% previous month. Introducing of provisional administrations in 9 Ukrainian banks buoyed panic mood. Delay in return of deposits, impossibility to withdraw cash as well as pay by cards of some of the banks caused very difficult financial situation for many families. This situation influence investment funds market as some investors are forced to fix losses withdrawing money from the funds with propose to cover urgent personal costs.

OTP Classic

Providing conservative investment strategy assets of the open-ended fund are investing in fixed income instruments in particular in short-term deposits.

As of the 1st of March, NAV of OTP Classic achieved UAH 1.2 mln. Share of bonds was increased to 50% in fund's portfolio. Equities at the end of the month formed 13% of portfolio. Selling of stocks of OJSC "Motor Sich" decreased weight of securities of machine-building industry to 8% in the portfolio of OTP Classic. Providing high liquidity, supported by OTP Classic investment strategy, and waiting for more favourable market conditions, portfolio managers disposed 37% of fund's assets in cash at the end of February, as interest rates showed some decline. Industry structure didn't change in February. As before, securities of the representatives of machine-building, retailers and chemical companies take the most significant part of fund's portfolio.

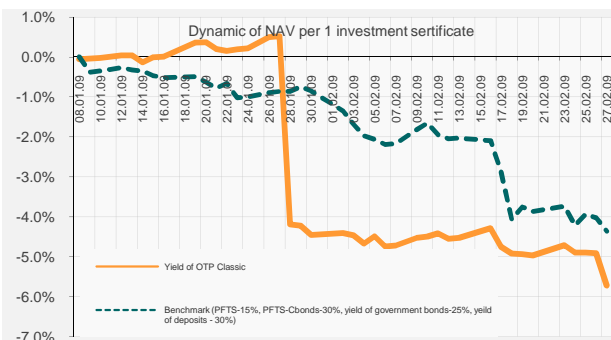
OTP Balanced

Third redemption interval of OTP Balanced took place since 15th till 20th of February. During this period only 6 investors applied for withdrawal of invested money. As of the 1st of March, NAV of OTP Balanced achieved UAH 2.4 mln. Preparing to interval, portfolio managers reallocated some assets into cash and short-term deposits with good interest rates. Thanks to short-term deposits and bonds (which formed 48% of the NAV of OTP Balanced) fund's portfolio, which included also 25% of equities, showed -0.76% performance in February while PFTS-index declined 23%. In industry structure, as well as in structure of OTP Classic, securities of machine-building and chemical companies and retailers are leading.

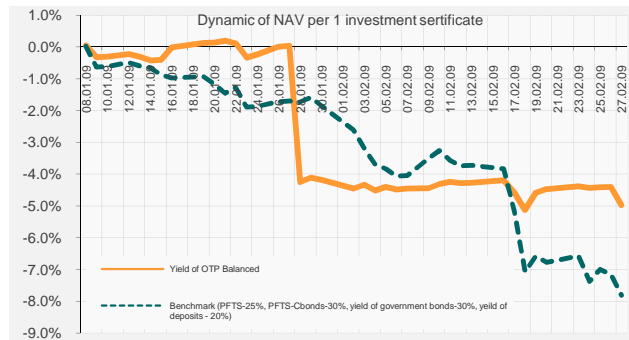
OTP Dynamic

Number of purchased securities of OTP Dynamic increased to 1491 in February. Taking into account a strong drop of stock market, 43% of NAV of the fund were disposed in bonds to offset poor performance of equity component. However during the February OTP Dynamic portfolio, in which more than half of assets is invested in equities, suffered some decline as stock market lost 23%. Industry structure of the fund didn't change significantly: securities of machine-building and telecommunication companies made the highest weight in fund's portfolio. Equities of OTP Dynamic are purchased by nominal value UAH 1000.

OTP Classic



OTP Balanced



Monthly Investment View

February 2009



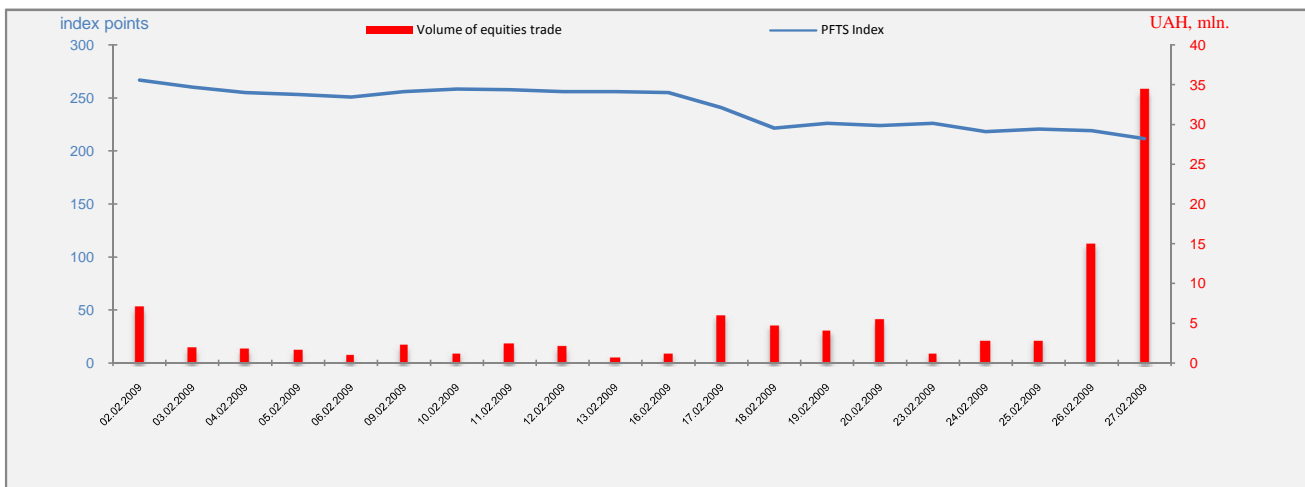
Stocks

February was a difficult month for Ukrainian stock market. Under pressure of negative news from foreign financial markets as well as stressed domestic political and economic situation, PFTS-index dropped 23% to 211.5 points. Twice during the February trade was stopped because of slump of the exchange index. Daily trading volume wasn't changing significantly during the month, also big technical deals which took place in last periods were not provided during the February.

The total trading volume in February achieved UAH 265 mln including deals with equities in amount of UAH 100 mln, 50% of which was concluded in last two days of the month. Correlation between demand and supply on PFTS stock exchange came to 0.7. Market players demonstrated the most significant interest in regard to securities of power-industry companies. The biggest trading volume was fixed with securities of the following issuers: OJSC "Dniproenergo" – UAH

19.5 mln (27 deals), OJSC "Zahidenergo" (UAH 15.3 mln, 106 deals) and OJSC "Ukrnafta" (UAH 10 mln, 91 deals). As for representatives of index basket, only securities of OJSC "Kievenergo" showed increase of quotations in February by almost 22%. Securities of big Ukrainian banks such as "Ukrsotsbank" and "Raiffeisen Bank Aval" felt significantly (-56%) under pressure of crisis in Ukrainian banking system.

Dynamic of PFTS Index*



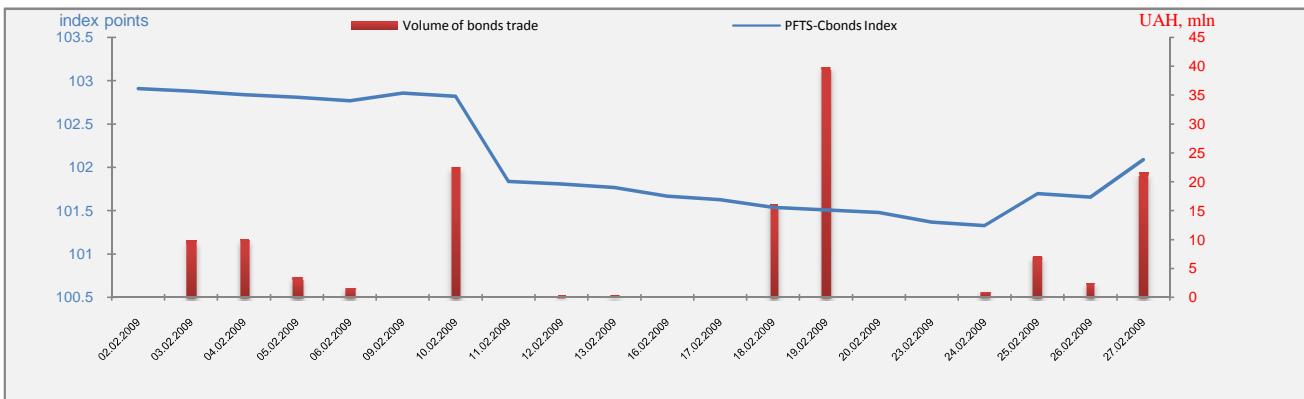
Bonds and Deposits

According to the PFTS data, trading volume of deals with government bonds in February achieved UAH 19.7 mln (50% of January figure). Similar reduction was observed in regard to corporate bonds which demonstrated 53% decrease of trading volume in compare to previous month and came to UAH 135.7 mln. Market players show increasing discretion, concerning debt securities as expanded recession in economy, aggravated by tight political situation complicates forecast of risk level regarding any domestic issuer including the state. Because of the crisis in banking system renewal of crediting which is necessary for normal functioning of economy is postponed for uncertain term.

As before, banks suffer from the shortage of liquidity and interest rates at interbank credit market achieved 65-67% in February. Also issue of withdrawal money from deposits stays one of the biggest problems for all Ukrainian banks. Population continue to transfer savings into cash. According to NBU data, volume of money withdrawn from bank deposits during last month, achieved USD 811.2 mln. Clients demonstrate decreasing level of trust to the banks because of: scandals with unreturned deposits, absence of cash in the bank desks and cash dispensers, illegal actions of collection companies. As of the end of February, provisional administration and moratorium to solve a queries of creditors were

in 9 Ukrainian banks. Population reacting on the situation creates spontaneous, so called "credit-deposit" exchanges which brings banking system to the initial meaning of the word "market". On 24 th of February NBU published on it's official site letter which explains interest rates policy of the central bank during the period of withdrawal of money from deposits and significant pressure on exchange rate of hryvna. We want to believe that this document confirmed that the National bank got down to development of clear and consistent stimulus plan aimed to stabilize Ukrainian banking system.

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