



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

Monthly investment view

March 2010



Financial markets & investment strategy of OTP Capital

All global markets continue strong growth in March 2010. American indexes increased without significant correction and continue to set annual records. Last month, Dow Jones gained 5.1%, S&P rose by 5.7% and the NASDAQ rose by 6.6%. Trading was more volatile in Europe, FTSE increased by 6%. Japanese market showed more significant growth. NIKKEI 225 Index rose by 9.4%.

Among major news of financial markets in March were the followings: consumer spending increased by 0.5% and retail sales by 0.3% in January 2010 compared with the previous month, U.S. business activity index (services) increased by 2.5 points in February, reduction of benefits and unemployment level in the U.S., productivity growth in the agricultural sectors of the U.S. by 6.9%. The main news in the United States was that the Congress approved health reform proposed by President Barack Obama. The reform provides a number of benefits for the middle class and small businesses, as well as provision of 31 million residents with health insurance. There were data on the growth of U.S. GDP in the IV quarter of 2009, which amounted to 5.9% and was the most significant since 2003. On 10 of March there was a 1 year anniversary since index S&P showed the minimum crisis level, after which rapid growth begun until the end of 2009. Unemployment rate in Japan also decreased by 0.3% on January 2010, while industrial prices fell by 1.5% over the same period last year.

"OTP Classic"

On April 1, 2010 value of "OTP Classic" fund unit was 1,072.66 UAH. Last month, fund gave to investors 3.08% yield, which is 36.96% APR. The structure of the fund's portfolio remains roughly unchanged - about half of the assets in deposits, the other half - in bonds, most of them are Government Bonds. Redemption fee was canceled for "OTP Classic" fund, starting from 1 of April

"OTP Balanced"

Fund continued to show rapid growth in March. Last month the price per fund unit increased by 17.15% (which is similar to 205.8% APR) and on April 1 amounted UAH 1,344.95. Proportion of shares in the investment portfolio structure of the fund is 48.18%. Deposits and cash assets up to 20.75% of total assets. The remaining assets (about 31%) are in bonds. Most of the assets are in the enterprises of metallurgical sector, mechanical engineering, chemical and energy industries.

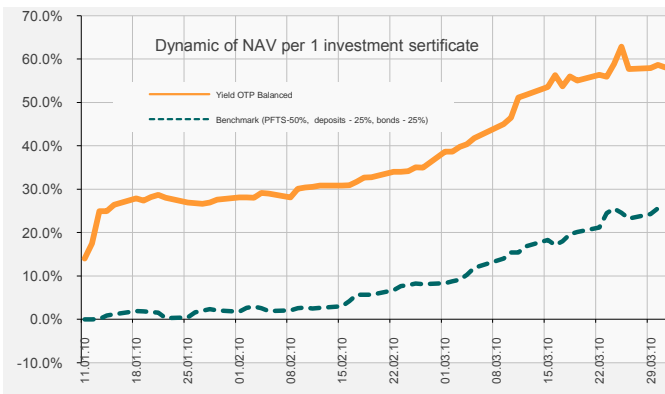
"OTP Dynamic"

Close-ended corporate fund "OTP Dynamic" continues to show the greatest income due to active strategy and invest in shares of Ukrainian companies. Last month income of the fund amounted to 26.38% (equivalent to 316.56% APR). Price per share amounted to UAH 1,412.68 as of 1 of April. Minimum investment for the fund was changed from 50 to 1 share.

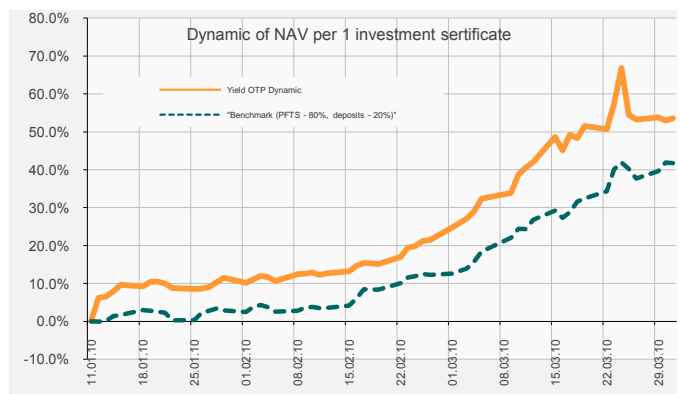
"OTP Equity Fund"

registration processes of new Open-ended diversified mutual investment fund "OTP Equity Fund" was completed in March. The minimum investment in this fund is 500 investment certificates, which at face value equal to 500 UAH. Up to 70% of fund assets will be invested into equities which will bring return based on potential of national stock market.

OTP Balanced



OTP Dynamic



Stocks

Ukrainian fund market keeps holding leading positions in terms of grows volume. At the same time when American and European indexes grew only at 5%- 6%, index "Ukrainian stock exchanges" grew 30,9%, index "PFTS" at 33,4% as for March 2010. On 31 of March indexes were quoted 2,353.9 and 940.22 points correspondently.

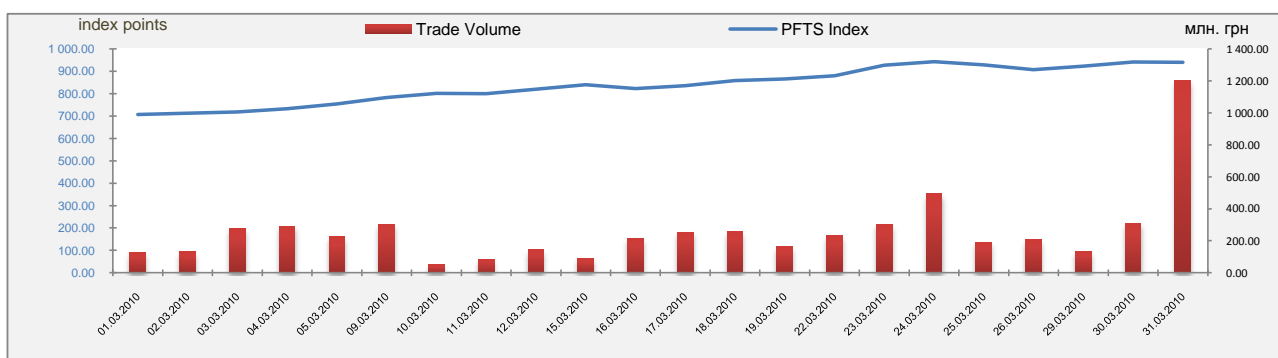
At the beginning of the month trading was done with small volumes, activity increased after new prime minister of Ukraine was appointed. With political stabilization and Ukrainian sovereign rating increased by S&P, shares quotes of blue chips soared. Main sectors of economy which supplemented to the overall growth are iron mining,

engineering, power and chemical industries. There was increase of some companies share quotes due to corporate news and speeches of new political authorities.

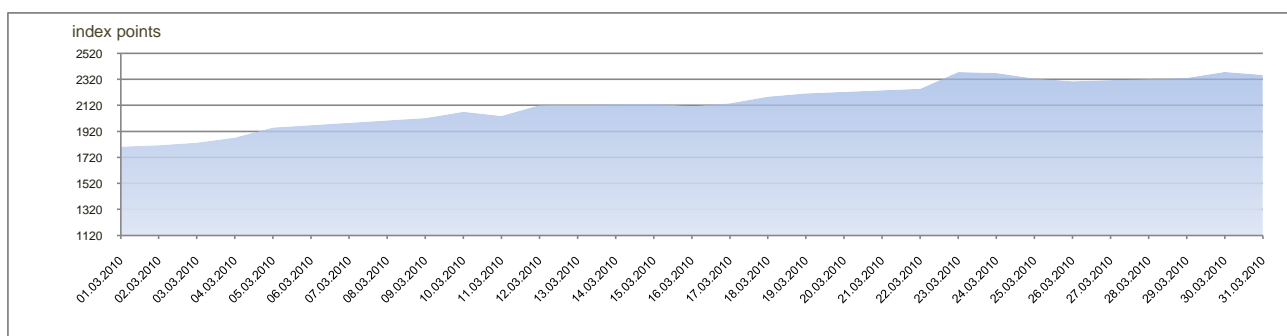
Share prices of Oblenergo companies soared. For instance, share price of Ternopoloblenergo during one month increased on 530%. Maximum trading volume on Ukrainian stock exchange was 103.68 mln. uah registered on 12 of March.

Equity market will continue to grow in case of improving of financial condition and further price growing for goods produced by company's shares of which traded on stock exchange. Growth will be supported by maintenance of soft monetary policy by developed countries and fist of all by United States of America. Ukrainian assets prices are influenced by governmental authority's policy- by President, Parliament, National Bank of Ukraine.

Dynamic of PFTS Index*



Dynamic of UX Index**



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

** - chart based on data from www.ux.com.ua

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Bonds & Deposits

On March 2010 spread of EMBI+Ukraine index (which shows the difference in yield between Ukrainian and USA bonds) continue to decrease and is 486 points as on 31.03.2010. This index was 701 points at the beginning of the month. Thereby spread is at the same level as it was in the middle of year 2008. This fact reveals positive dynamics for Ukrainian economy recovery.

There were seven auctions conducted by the Ministry of Finance of Ukraine in March. Yield of the government bonds dropped from

21%-23% in the beginning of the month to 11%-13% at the end. Last placement in March was done with 14%-15% yield. Total of 8.61 bln. uah was attracted by government bonds placing, where 465 applications were submitted and only 144 were fulfilled.

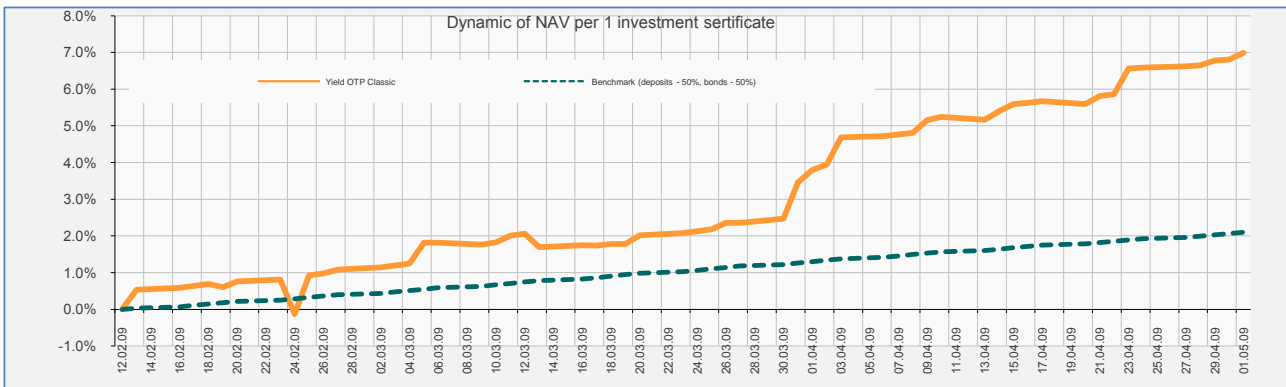
5 year default swaps of Ukraine (CDS 5Y) were traded on minimum level, dropping up to 600 points at the end of the month. Balances on loro accounts of the banks were smoothly increasing during whole month. On the other hand KIEBID overnight rate

decreased from 0,7% to 0,2%, and at the last day of the month increased to 0,9%.

According to the National Bank of Ukraine data, on March average deposit rate is 13.27%.

Rates on interbank market were decreasing during whole month. 7 day loan rate decreased from 4.38% at the beginning of the month to 3,25% at the end, as for 30 day loan – from 14.25% to 7.75%.

OTP Classic



Dynamic of Rates on Money Market



* - chart based on data from www.bank.gov.ua

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