



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

## Financial markets & investment strategy of OTP Capital

This month U.S. markets began grow and showed high volatility at the end of the month. Following months Dow Jones and S & P indexes rose by only 0.7%, NASDAQ rose 2.4%. In Europe and Asia overall picture was quite similar. At the end of April, stocks fell and showed the following results: CAC 40 -5.3%, FTSE -5.8%, DAX and NIKKEI 225 -1.6%.

The main news of April which affected the course of trading in the world markets were:

- Growth of index of industrial business activity in the U.S. to 59.6 points (forecast - 56.8 points) and in services to 55.4 points (forecast - 54 points)
- A series of positive quarterly corporate reporting from US companies
- Reduction of budget deficit to 65.4 billion U.S. dollars in March 2010 compared with 191.6 billion dollars in March of last year, but the trade deficit in February 2010 increased compared with January to 39.7 billion dollars that roughly corresponds to forecasts. In France, the deficit amounted to 3.6 billion euro, which was poorer result than expected by analysts
- Retail sales in the U.S. in March grew by 1.6%, while import prices increased by 0.7% compared to the previous month. Industrial production grew by only 0.1%
- Eurostat issued report, according to which GDP in the Euro zone in the IV quarter of 2009, unchanged from the previous quarter
- Negative incident with mortgage bonds of Goldman Sachs
- Bank of England and European Central Bank left interest rates unchanged

Movement of volatile markets at the end of the month was linked with news from Greece. Euro zone authorities have agreed to provide in the current year "loan window" to Greece and other troubled regions in around \$ 1 trillion. The Prime Minister of Greece, George PAPACONSTANTINOUS said, that the purpose of Athens today is to continue borrowing from external markets without activation mechanisms of financial assistance from the European Union. However, after ten days he asked for financial assistance from the EU and The IMF, whose volume of support in the nearest future could reach 45 billion euros.

### "OTP Classic"

On May 5th price of unit was UAH 1,082.9, Yield for April was 0.96%. Investment strategy of Money Market Fund seeks to maximize the protection of capital with a steady income, despite the volatility and correction in the stock market. The structure of the portfolio remains unchanged - about 50% is in bonds and 50% - in bank deposits and current accounts.

### "OTP Balanced"

Fund unit's price of "OTP Balanced" as of 5th May was UAH 1,365.56. Change of value in April was flat, the yield for the month amounted to 1.53%. Yield over the last year is 70.6%. The share of stocks in the portfolio declined slightly, due to the increase in remittances to the fund by investors. The share of stocks in the portfolio is 36.8%, Bonds - 10.6%, deposits - 33.9%. The share of money as of end of the month is 18.6%.

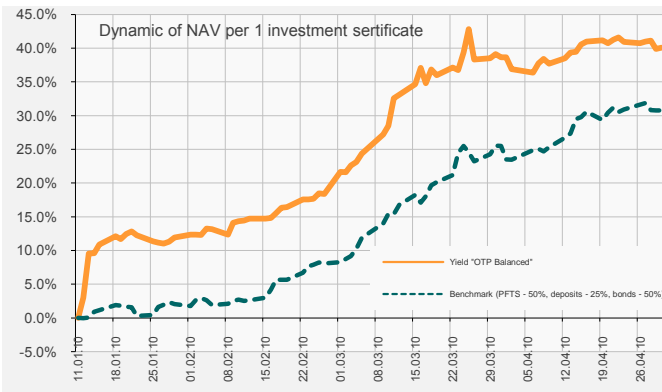
### "OTP Dynamic"

In April Fund brought investors a profit of 3.36%. For 1-year return was 149.52%. Despite a short-term decline in yield, the fund still remains good investment in the long term. Share price as of 5 May was UAH 1,460.11. In the structure of the portfolio equity share was fixed at 65% bonds - 11.3%, deposits - 23%.

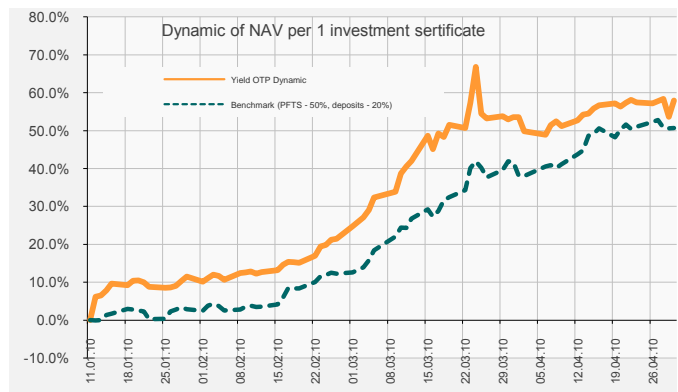
### "OTP Equity Fund"

Sale of "OTP Equity Fund" units started from 1st of April. Face value of one unit is UAH 1. The minimum investment in this fund is 500 investment certificates. Amount of issue – UAH 70 mln. Fund's investment strategy involves up to 70% of assets in equities of Ukrainian companies. The money is gradually invested in equities at the most favorable moments.

OTP Balanced



OTP Dynamic



## Stocks

Ukrainian stock market has shown a strong rally, as compared with the leading indexes in Europe, Asia and the U.S., but growth was not as significant as in previous months. PFTS index grew in April at 11.2%, UX index - to 10.9%. Index values at 30 April were 1,012.21 and 2,551.72 points respectively. The greatest volume of trading on the Ukrainian stock exchange was recorded on April 19 and made 100 million UAH.

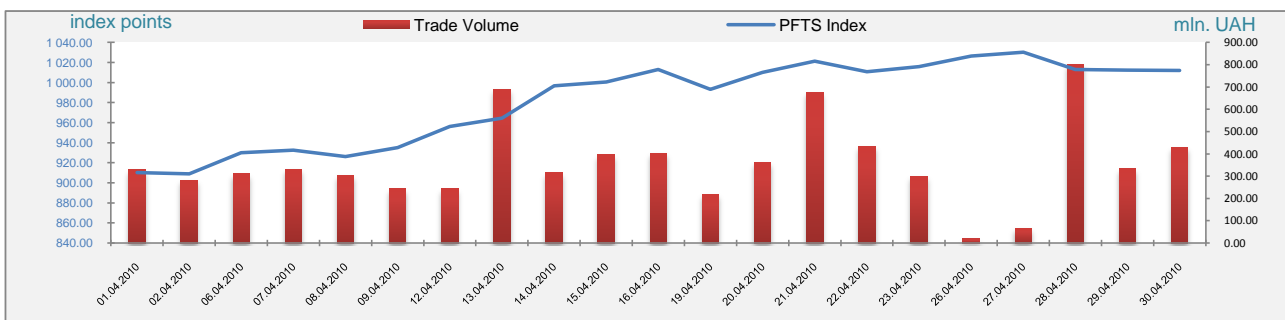
The market had been quite volatile due to expected correction and controversial macroeconomic background. Growth was restrained by several factors: the domestic stock market overbought in comparison with world prices, negative news from Greece, as well as the correction in global stock markets. On the other hand a number of positive news helped to purchase, and as a consequence contributed to growth of stock indices.

The main news in April were: the Prime Minister of Russia Vladimir Putin to abolish quotas on import of Ukrainian pipes to Russia, reducing gas prices, the adoption of the State Budget for 2010, possible privatization of strategic enterprises of fuel and energy complex and the World Bank's readiness to provide Ukraine more than \$ 1 billion investment in 2010, as well as planned talks with the IMF to allocate the first tranche in June of this year.

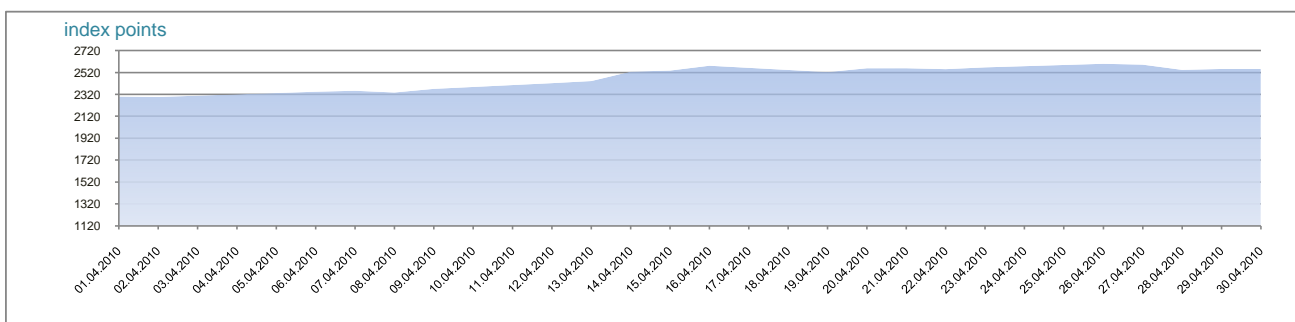
Leaders of growth in April were the following companies: Ukrainian graphite, Donetsk Metal Rolling Plant, Stakhanov Wagon Factory, Zaporozheoblenergo, Zaporozhstal, Central GOK.

We expect continued high volatility on the Ukrainian stock market. Activity in the market is very low, buying accrued only in the mining sector and in energy. In our opinion the market will be highly dependent on external factors, such as solving problems of sovereign debt in the Euro zone countries and the effects of measures taken by developed countries in order to provide financial assistance to troubled areas. Despite the traditional summer slowdown in the stock market by a substantial drop it will keep maintaining low interest rates by governments of developed countries, as well as the presence of high liquidity in the market. Signing agreements with the IMF on the allocation of new tranches can become support for the market. Another significant factor that can positively influence over the Ukrainian stock market may be to privatization, especially in the energy sector.

Dynamic of PFTS Index\*



Dynamic of UX Index\*\*



\* - chart based on data from [www.pfts.com](http://www.pfts.com)

\*\* - chart based on data from [www.ux.com.ua](http://www.ux.com.ua)

## Bonds & Deposits

In April 2010 spread of index EMBI + Ukraine continued its decline, dropping in 19th of April to its minimal level at 379 points, then rose again towards the end of the month up to 460 points.

There were 4 auctions on placement of internal state loan bonds in April. These auctions have been allocated bonds totaling 4.4 billion UAH. Interest Rates were at 11.5% - 15%, decreasing by the end of the month.

The index of five-year credit default swaps Ukraine (CDS 5Y) also continued to decline, dropping early in the second decade of the month below 500 points, followed by resumed growth. However, the level of 600 points, as

it was in the beginning of the month, the index has not reached. The index shows creditworthiness of the country - the lower the index value, the lower the probability of default.

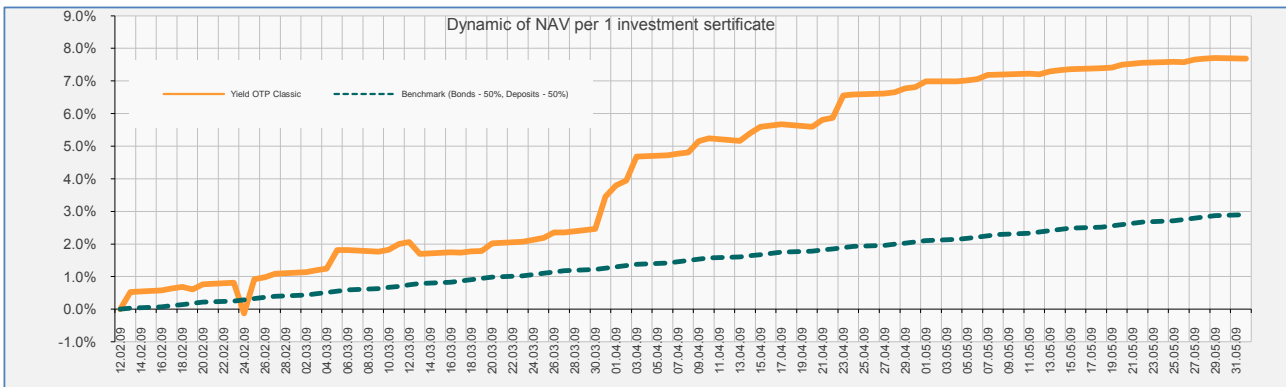
Balances on correspondent accounts in April I was not much going down from UAH 20 billion down to 16 billion and then again increased to UAH 20 billion. KIEBID overnight was at a level of 0.25% - 0.55%.

According to the National Bank of Ukraine, the average rate on deposits in national currency in April was 14.74%.

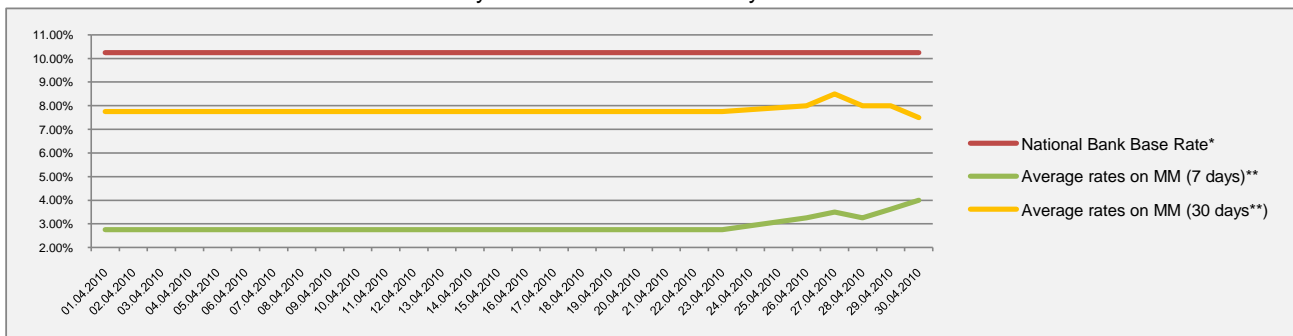
The rates on the interbank loan market were virtually unchanged during the first two

decades of April. After this 7-day rates increased from 2.75% to 4%, and 30-day to 7.75%, first rose to 8.5%, and then decreased to 7.5%.

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### Dynamic of Rates on Money Market



\* - chart based on data from [www.bank.gov.ua](http://www.bank.gov.ua)

\*\* - chart based on data from [www.finance.ua](http://www.finance.ua)