



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

Financial markets & investment strategy of OTP Capital

Due to movements of world indexes in different way during August, investors thought that correction has really begun. Nevertheless, on monthly basis all leading indexes have shown insignificant plus. American Dow Jones Industrial Average and S&P 500 could strengthen 3.5% and 3.4% respectively. And the index which shows position of the hi-tech companies – Nasdaq – against uncertain demand for the goods of this sector has shown growth only 1.5%.

In Europe investors were more inclined to risk, and stocks indicators of Great Britain and France shown one of the best results: 6.5% and 6.6% of growth respectively. At the same time, after rapid growth (+11%) in the last month, the German fund market could strengthen only 2.5% in August.

Against growth of market indexes attractiveness of gold has slightly decreased, because investors prefer to use it as "smooth water", but not as an instrument for earnings. On August results cost of troy gold ounce has fallen 0.2% to a mark of \$951.7 at the NYSE auctions.

Oil actively tested a mark in \$70 for barrel in August; nevertheless, against weak macroeconomic indicators worldwide and insignificant correction on the Chinese stock market, decrease of oil futures 2.9% became a result of month.

Despite of decrease in oil quotations, the Russian market has shown a positive result under the influence of growth of cost of metals and general positive news background at the end of month. The Russian indexes of the Moscow Interbank Stock Exchange and RTS have grown 3.7% and 4.8% respectively at the

end of the month.

As of August, 31st pair EUR/USD constituted 1.425.

The Ukrainian fund market enjoyed investors in August with a ten-percent rise at substantial growth of trade volume. Also, for the first time from the foundation of the Ukrainian exchange (UX), the month volume of trades with equities on PFTS was less, than at a new exchange. The majority of investors indicate narrow spreads as a main advantage of the UX.

OTP Classic

Assets of the open-end OTP Classic Fund have constituted UAH 518 thousand for the end of August. Growth of cost of unit has constituted 2.1% for the month that is equivalent to 25.2% in annual expression. Thus fund assets are invested only in instruments with fixed income, such as deposits and various bonds. Possibility of submission of application in any working day and reception of all accrued income makes this fund the best instrument both for long-term investments, and for favorable placing available assets in short-term. As of September, 1st leading positions in assets funds are occupied by government and corporate bonds: off at 35% from NAV. For maintenance of duly payments to investors 10% from assets are placed on demand deposits and savings accounts. One more instrument with high level of reliability is municipal bonds. Their share in OTP Classic fund assets constitutes 13%.

The leading positions in the industry structure were occupied by bonds and securities of the retail business representatives.

OTP Balanced

In August was the next interval during which investors of OTP Balanced Fund could submit applications for redemption. For this time only two clients have expressed such desire. Fund managers beforehand have prepared money for paying off with investors, therefore the repayment interval has not affected for fund yield.

For the month investment certificate cost has grown from UAH 860.86 to UAH 897.22. That in relative expression constitutes 4.2%, and more than 50% in annual equivalent.

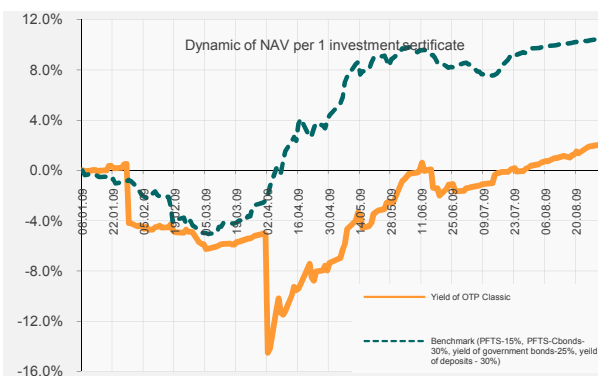
Such yield was possible due to a correct choice of equities and their duly purchase. Because of revaluation of assets and acquisition of new securities, in August the part of equities in an OTP Balanced portfolio has increased to 16.3%. The Fund bought equities of Yasinivska cokery plant, also was closed the deal on Motor Sich equities. The stabilising assets in the fund portfolio are the G-bonds which as of August, 31st constituted 28% of portfolio.

Next month is planned the further increase of quantity of equities to 50% from NAV.

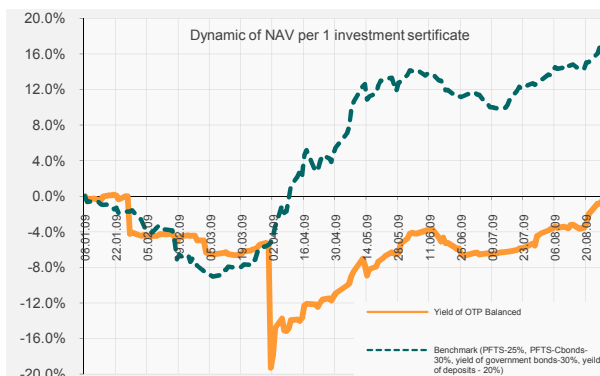
OTP Dynamic

Assets of the closed-end OTP Dynamic Fund continue to grow. As of August, 31st Fund NAV constituted UAH 1.08 million. The growth of assets became possible thanks to duly increase of equities part in the portfolio. During August equities of such issuers as Motor Sich, Azovstal, Yasinivska cokery plant and Stirol were added into Fund's portfolio. Thus, the equity part constituted 46% for the beginning of September. It is planned further to increase equity part in the closed-ended OTP Dynamic Fund.

OTP Classic



OTP Balanced



Stocks

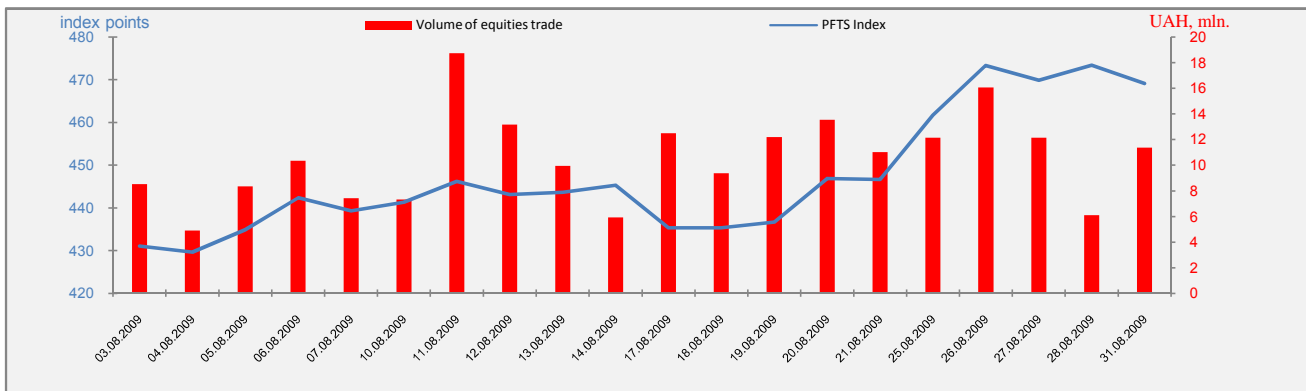
Despite the holiday period, the Ukrainian share market has shown enough confident growth in the last month of summer. The UX-index for August managed to grow 10.3% whereas PFTS-index has become stronger on 10.9% for the same period. Growth of exchange indicators has occurred as under the influence of positive news background from abroad that was seen in the first week of the month, as well as under the influence of internal factors. So, for example, upcoming shareholder's meeting of Ukrnafta has caused speculative splash of activity on the market, and after information on general meeting failure, Ukrnafta stock value has considerably decreased, returning to fair for today price levels.

Signing contracts by Motor Sich at annual exhibition MAKS2009 has allowed its equities quotations to become stronger on monthly results. According to the information of the UX, growth of this paper has constituted 32.9%. Second half of month was characterized by decrease of exchange indicators worldwide as well as domestic indexes.

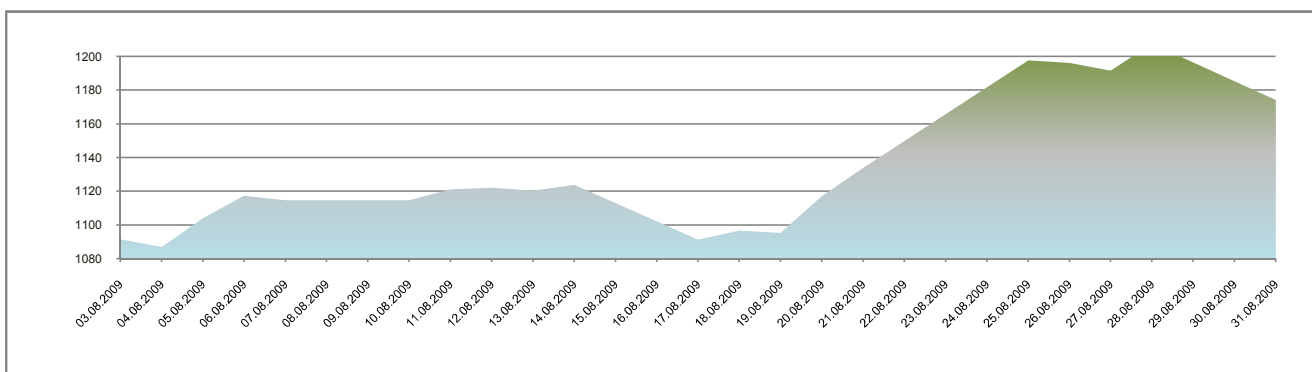
Despite movements of stocks in different ways during August Ukrainian trading platforms have managed on increase of trade volumes in comparison with the previous months. Especially it concerns the Ukrainian exchange where this indicator has grown almost twice and has constituted UAH 326 million in August. Thus Ukrnafta papers (UAH

75 million) were the most traded, as well as papers of metallurgical sector representatives: Enakievo Metallurgical Plant (UAH 42 million) and Azovstal (UAH 32 million). Despite significant volumes of trades during the month, the above-mentioned issuers could not strengthen their position significantly. August leaders of growth were presented by equities of Krasnoarmiyska-Zahidna №1 Coal Mine which have increased up 82.5%. On the second place on growth were papers of LuAZ which have grown in the price up 52%. At the same time, papers of the financial sector have felt the greatest pressure in August. So quotations Raiffeisen Bank Aval have lost 9.5%, and papers of Forum Bank have decreased 8.1%.

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

Bonds and Deposits

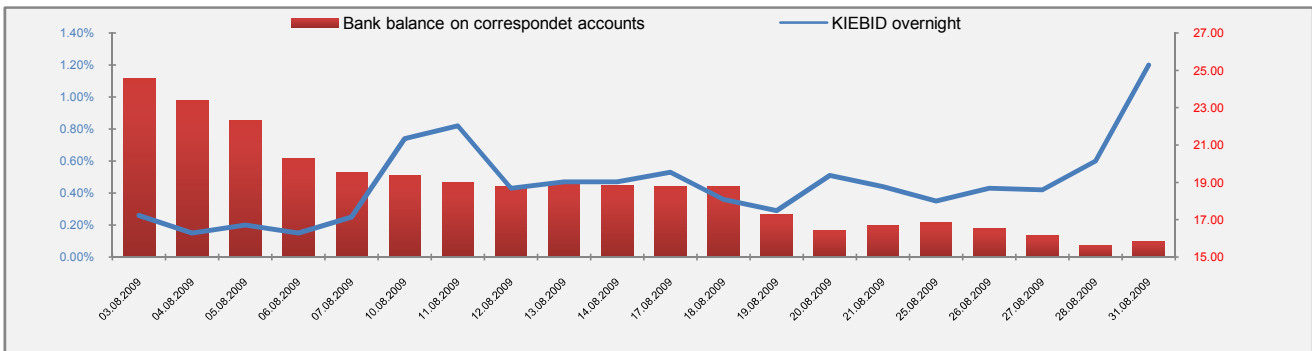
The last month of summer was quite calm for the Ukrainian market of debt instruments. At the same time, some pressure was seen on a money-market. Despite growth of deposits of private individuals which have increased in August by 1.3%, from beginning of the year is still marked decrease in quantity of deposits (-5.4%). According to the National bank, the gain of investments last month became possible only due to increase of deposits quantity in foreign currencies. The continuing negative tendency is decreasing volume of deposits of enterprises what indicates their low profitability. The tough monetary policy of the National bank, especially new norms on obligatory

reservation for commercial banks, have led to that in August the volume of correspondent accounts has decreased 40% - to UAH 14.7 billion. That has led to certain growth of rates on an inter-bank market. Among other new rules it is necessary to highlight decrease of NBU base rate to level of 10.25% since August, 12th. However, we are inclined to consider that this rate will positively influence on national economy which requires inflow of financial resources.

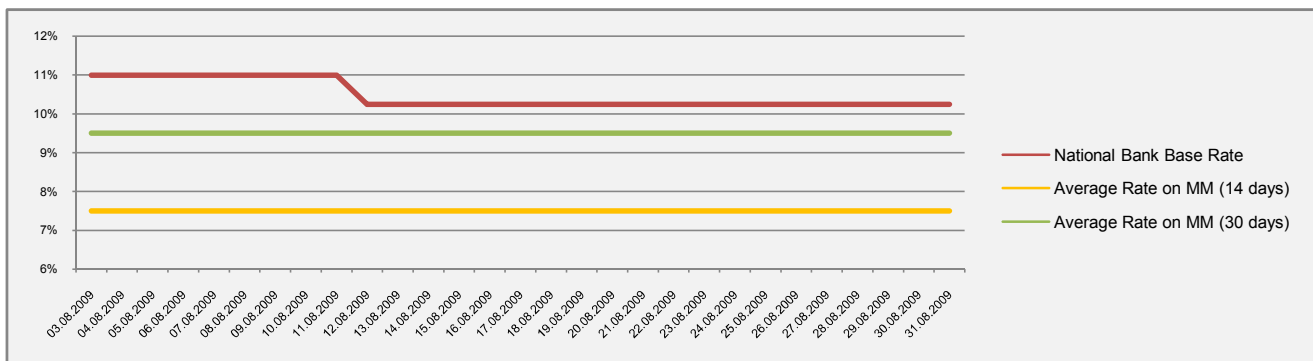
The NBU board has noticed that since September procedure of currency sale on the inter-bank market will be changed. NBU will return procedure of sales through auction where demands with the best bid price will be

satisfied. Throughout August placing G-bonds interstate has proceeded. During the month it has been placed G-bonds for UAH 18.9 billion, includes bonds issued by the government for banks recapitalization. The average yield of the G-bonds placed in August, disregarding bonds for recapitalization, has constituted 23.5% annual. At PFTS-exchange there was an appreciable revival in comparison with previous month. Volumes of the auctions with G-bonds on a secondary market have grown in 15 times to UAH 220.5 million in August, the sector of corporate bonds has increased not so considerably: from UAH 41 million in July to UAH 108 million in August.

Dynamic of bank balance and overnight rate*



Dynamic of Rates on Money Market**



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

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