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member of otp group

Financial markets & investment strategy of OTP Capital

Optimism supported by unusual for summer month's activity reigned over world stock exchanges in July.

It is possible to name the main cause which moved world market indexes upwards - a series of positive corporate reports worldwide, both in financial and "real" sectors of economy. Following the results of July the American stock indexes have shown confident growth. Dow Jones Industrial Average, which includes 30 largest industrial enterprises of the USA, has acted as a leader. This index managed to grow by 8.6% during a month. S&P 500 index, which includes 500 most developed companies has grown by 7.4%.

Inspired by growth behind the ocean the European investors also actively purchased stocks, and favorable reports of the European corporations only strengthened their interest. On monthly results the European indexes have grown even more than «colleagues» from the USA. The greatest growth was noted on a German stock market where Porsche and Volkswagen merged. The index of Frankfurt exchange DAX has jumped up for a month by 10.9%.

Asian index Nikkei managed to update a ten-month maximum, having added 4% for a month.

The positive corporate reports allowed oil traders to hope for fast restoration of global economy and increase in consumption of oil. By results of July Brent oil on the London commodity exchange has grown by 3.5%.

European currency has also strengthened in relation to the American dollar (+1.48%) in July. The value of pair as of July 31st, was 1.4251.

The domestic stock market behaved easy enough throughout all month. PFTS-index has added 2.9% for an accounting period and the index of the Ukrainian shares has grown by 5.8%.

OTP Classic

As of August, 1st assets of open-ended fund «OTP Classic» totaled UAH 559 thousand. IC price has increased from UAH 911.70 to UAH 929.49 during a month. That in relative expression means growth by 1.95% per month. The first month of fund's work with Money-market instruments (bonds and deposits) shows correctness of the chosen strategy and necessity of such product for young and unpredictable Ukrainian market. Maintaining fund yield on the level of term deposits yield and providing daily liquidity is achieved by ensuring competent asset diversification between different deposits with various terms and bonds. Bond part in portfolio constituted 75% at the end of the month.

Call deposits formed 10% of NAV. The remaining 15% is placed in short term deposits.

OTP Balanced

Assets of interval fund «OTP Balanced» have grown in July up to UAH 2.4 million. Growth of assets and IC price occurred thanks to revaluation of assets in a fund portfolio. Investment certificate price has increased from UAH 840.34 to UAH 860.86. Growth in July has constituted 2.44% per month. «OTP Balanced» showed yield higher than open-ended fund thanks to presence of equities in a portfolio. In particular active work was done

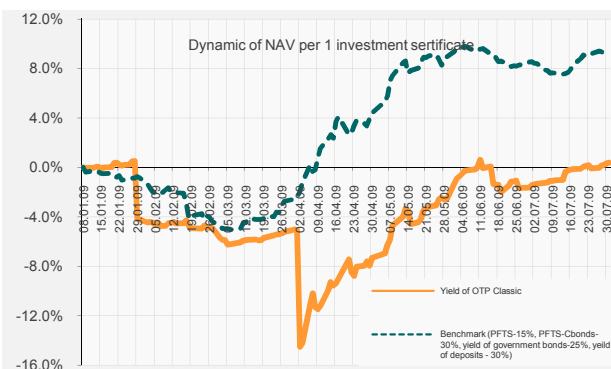
with a subportfolio of these instruments in July: equities of OJSC «Dniprospectal» were sold after grows 47% and achievement of the theoretical price.

During the month asset managers decided to buy equities of OJSC «Donbassenergo». As of July, 31st deal with securities of OJSC «MotorSich» was opened. Thanks to order book of this issuer, we expect the further improvement of results of its activity. Thus, on the beginning of August the equity part in a fund portfolio constituted 10%. More than half of assets of fund were in bonds. In the same time, for some uncertainty on stock market 40% of assets have been placed on call deposits and savings accounts, and also on middle term deposits. Such structure of assets allows to react operatively on stock market changes and to fill fund portfolio with strong shares with the comprehensible prices. We will remind that according to investment strategy of fund, about 50% of fund assets will be placed in equities.

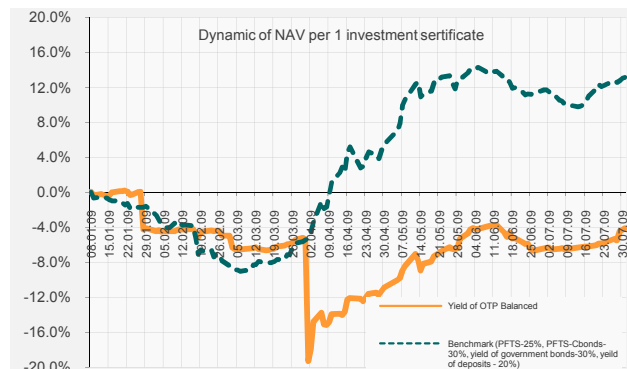
OTP Dynamic

Assets of closed fund in July increased up to UAH 1.01 million. The main yield of fund was generated by instruments with the fixed yield which formed 75% of NAV on the beginning of August. In the same time, there was a gradual increase of equities in a fund portfolio during the month and, as of August, 1st their weight was 25% of NAV. Equities of OJSC «Donbassenergo» have been bought to fund's portfolio in July. We plan to increase position in the most liquid equities soon, according to strategy of fund which assumes allocation of assets in equities. We remind that fund's securities are placed by nominal value UAH 1000.

OTP Classic



OTP Balanced



Stocks

The Ukrainian share market has demonstrated mixed dynamics in July. The first half of the month passed under the pressure of negative news from abroad as a result of what domestic indexes were moving down. However, as we have also predicted, after the beginning of publications of the first corporate reports in the USA and positive reaction of the world indexes, the Ukrainian traders have also joined the purchases.

By the results of the month it is possible to mark a significant revival of the trades. So, at PFTS exchange the total sum of the contracts with shares amounted to UAH 177.3 million, whereas in June the indicator was at the level of UAH 138.3 million. The most part of deals, according to the PFTS information, were signed with OJSC «Alchevsk Metallurgical

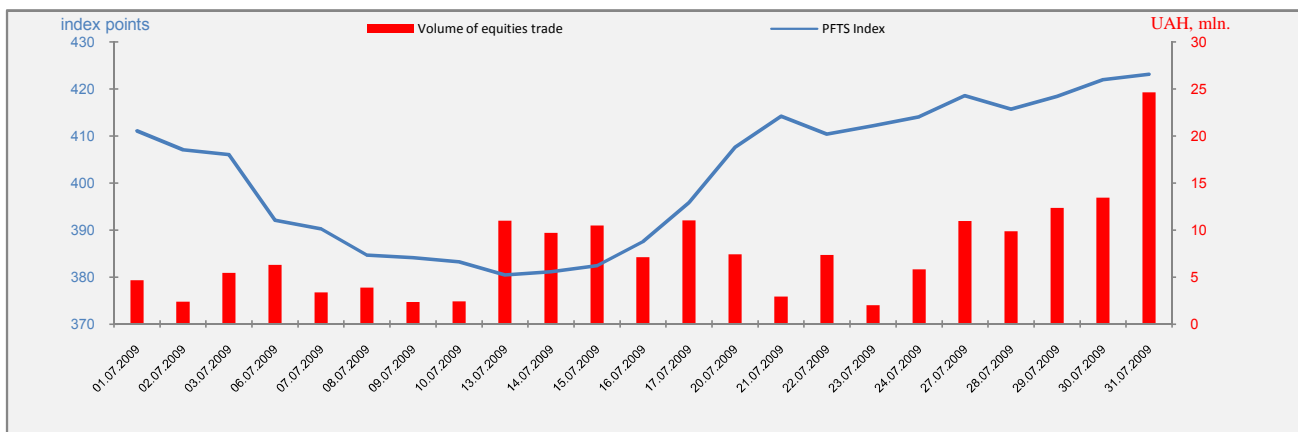
Plant», «Alchevsk Metallurgical Plant», OJSC «Ukrnafta» and OJSC «Enakievo Metallurgical Plant». In general it is necessary to mark the increase of interest to the shares of the metallurgical enterprises and mountain-concentrating industrial complexes. On monthly results PFTS index has grown 2.9%.

During the current month the situation at the Ukrainian exchange was developing under the similar scenario. The number of traders has continued to increase and the volume of operations with shares has grown from UAH 111 million in June to UAH 173 million in July. The index of the Ukrainian shares (UX) by the results of the month has grown 5.8%. Leaders of growth became shares of the OJSC «Megabank» which have zoomed up during the month for 40%, not less impressive growth

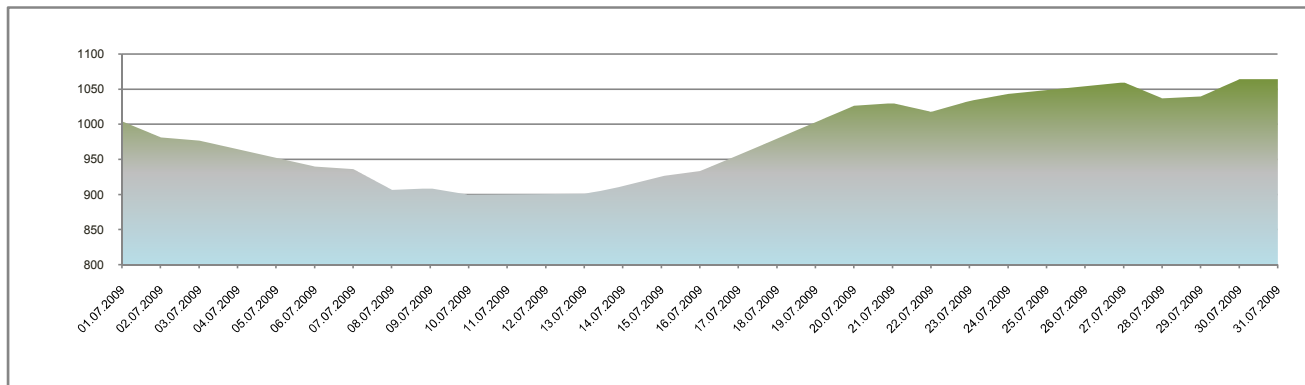
(+20%) was demonstrated by the shares of the OJSC «Krukivsky Carriage Works» and the OJSC «Interpipe». The OJSC «Mine «Krasnoarmeiska-zahidna №1» papers, which have crashed down during the month for 39%, became the leaders of falling.

Optimism on the share markets in the last month was based on positive companies' quarter results and, as consequence, a number of statements that recession is probably stopped. However there is still no unique sureness that economy has moved into a stage of growth. Besides already traditional lag in the Ukrainian economic tendencies assumes that we can see change of the situation in the majority of sectors of economic at the end of 3rd quarter or by results of the year.

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

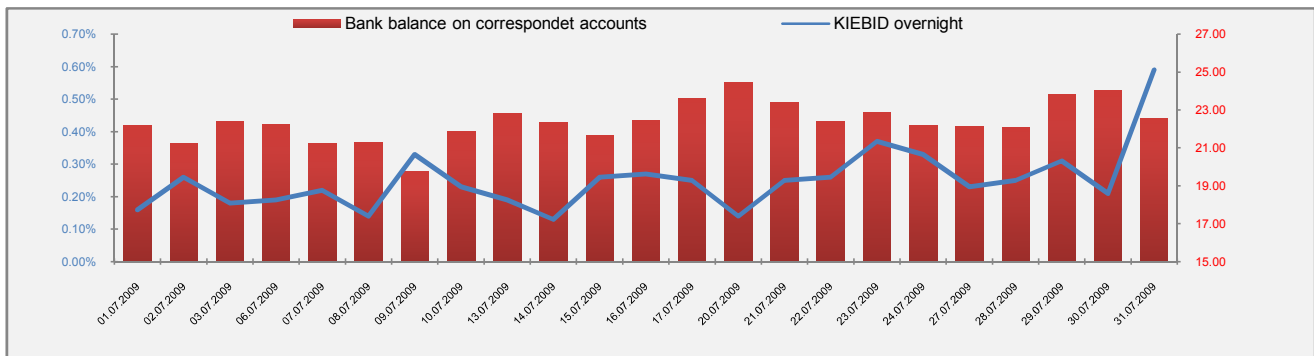
Bonds and Deposits

July was marked for Ukraine by the tentative agreement from the IMF Council on granting the next tranche within stand by program. As the prime minister of Ukraine Y. Timoshenko said, funds were granted under 4%. Successful cooperation of the Ukrainian government with the international organizations caused a revision of the forecast on a sovereign rating of Ukraine to the level "positive" by rating agency Standard and Poor's. As a result, growth of value and yield decrease took place not only in the sector of sovereign bonds, but also in the debt papers of Ukreximbank, bank Forum and UkrSibbank.

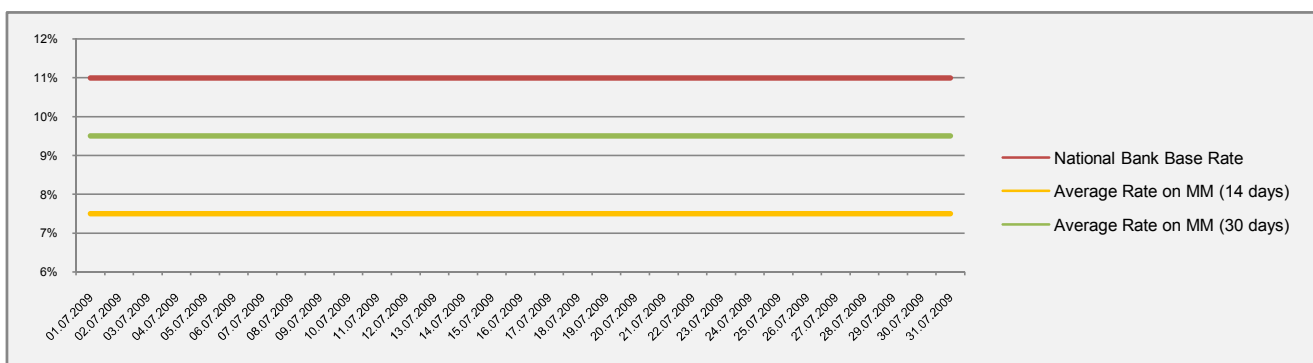
Decrease of five-year¹ CDS on Ukrainian sovereign bonds to 1430 points from 1700 in the beginning of months became one more confirmation of increase of trust to Ukraine at the international level. The banks' rests on the corresponding accounts in the current month have slightly decreased and as for the 31st of July amounted to UAH 22.5 billion. Beside it practically there were no changes in the interest rates on operations on an inter-bank market on overnight operations. For the longer terms (up to 30 days) rates also remained at the level of the last month.

At PFTS exchange much less deals, comparing with the last month, were signed with bonds. In the sector of corporate loans contracts for a total sum of UAH 41.1 million were concluded. The volume of trades with the state securities also has decreased to UAH 14.7 million. At the Ukrainian exchange in the current month was actively developed the REPO operations procedure, and at the beginning of August was officially declared a possibility of REPO deals on this exchange. We hope that this innovation will add liquidities on the bond market and, in the following, trades with debt obligations will go more actively.

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