



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

## Financial markets & investment strategy of OTP Capital

May was a good month for investors all over the world. Leading fund indexes grew on expectations of the real improvement of global economy. So, the American markets added averagely more than 4%, indexes in Europe grew a bit less. The index of the Tokyo stock exchange Nikkei grew by 7.9% driven by positive corporate reports. The results of stress-tests were published in the USA at the beginning of the month, which however, coincided with the prognoses of analysts. Indeed, 10 from 19 largest banks need additional capital. Nevertheless, during the month some financial institutions were able to quickly increase capitalizations to the level necessary for maintaining stable work in the case of aggravating economic situation.

Not so well was the situation with the largest producer of cars – the General Motors corporation. The motor-car giant submitted a statement about beginning of procedure of bankruptcy to the court on June, 1st. However, the American market had been ready for it, and this information did not seriously influence the moods of investors. The carefulness of investors in regard to the American economy resulted in weakening of the American dollar to common European currency by 7% in May. A value of USD/EUR pair on the end of month was 1.41. In the same time, such factor as appreciation of value of oil became a signal of strengthening of the world economy, although it is necessary to keep the seasonality factor in mind here. Growth of oil quotations positively affected the Russian fund market and its indicators - MMVB and RTS indexes were able to confidently pass the mark in 1000 points. The domestic market was influenced in May by the following events: Granting of the next tranche of the loan by IMF, cancelling of the edict, in which the President of Ukraine stopped privatization of row of generating companies in Ukraine, and also OJS «Turboatom» at December last year. Renewal of investments from abroad would render a substantial support to the present growth, however, such actions of state apparatus, as

postponement of publication of the real GDP for indefinite term and the waiver of revision of present year budget will restrain foreign investments into Ukraine.

Performance of the funds during the period since the 2nd of April till the 1st of May to performance of the funds during the period since the 2nd of April till the 1st of May (+8.8% on OTP Classic securities and +10.4% on OTP Balanced certificates) we expect to compensate this downfall quickly on the extremely growing market. Providing new order of securities' estimation, which is based on daily recalculation of their real price, the Commission intends to make IF market more transparent and OTP Capital fully supports this initiative.

### OTP Classic

Assets of OTP Classic continued to grow in May. As of the 1st of June, the net asset value achieved UAH 1.24 mln. Thus the value of ICs increased to 6.6% during the month. Following the conservative strategy of fund, investment managers sold the equities of OJS «Centrengo» from the fund's portfolio in May, shortening, thus, part of instruments with the high level of risk to 6.6% of the NAV. Rest of assets were invested in instruments with the fixed income.

Changes also affected the branch structure of the fund investments. As a result of equities sale and fund assets revaluation, the following branch structure was established (in decreasing order): securities representing retail business, securities of machine-building industry, securities of mining industry representatives.

We are planning to transform OTP Classic into the money-market fund in the nearest month, according to changes, introduced in the fund's investment declaration on April, 28. We plan to reduce the equities part in this fund and concentrate on instruments, supposing the highest liquidity.

Offer on prior redemption of bonds of OJS «Lutsk motor-car factory» comes in June.

We expect the suggestion about restructuring of bonds of series «A» as previously with the series «B» and increasing coupon rate to 22%.

### OTP Balanced

This year the second interval of repurchasing ICs of OTP Balanced passed in May. Only three investors applied for withdrawal of invested money during this time. Because funds for investors were deposited on current accounts in advance, an interval did not affect the fund profitability in any way.

The investment certificate of fund increased in its price by 6.7% during the month. And the net asset value increased by 5.6%, taking into account the redemption of investors.

After stable growth in May and achievement of fair value by equities of OJS «Ukrtelekom» managers decides to sell them from the fund's portfolio. Revenues were placed on saving accounts in a slack season on the equity market. However, at the first sign of revival of situation, part of equities in fund's portfolio will be increased in accordance with the accepted investment strategy.

Leading positions in branch structure on the beginning of June were occupied by the securities representing retail business and machine-building branch.

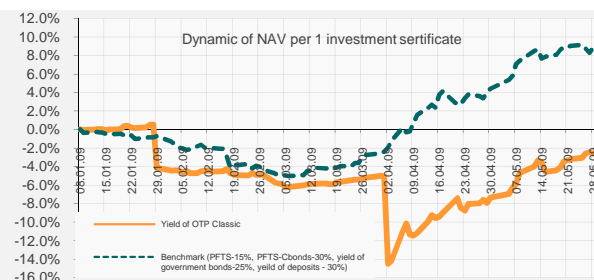
### OTP Dynamic

Due to optimal balance of equities of Ukrainian enterprises and instruments with fixed income in the fund's portfolio, its assets grew by more than 16% in May. As of the 1st of June, the net asset value of the fund achieved UAH 1.01 mln.

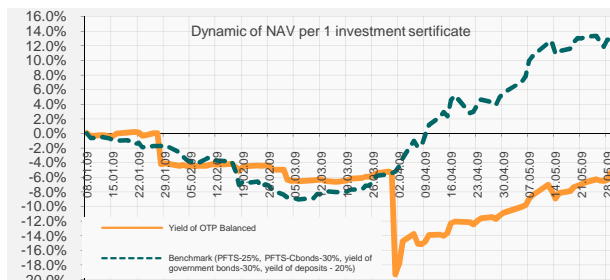
15% of NAV are invested in equities of domestic emitters on which we expect continuation of growth in a nearest period. 33% of assets are invested in corporate bonds, remaining assets are placed on medium-term deposits and saving accounts.

We remind that OTP Dynamic is a closed-end fund with maturity of 5 years, established for investors expecting high profitability in a long-term period.

OTP Classic



OTP Balanced



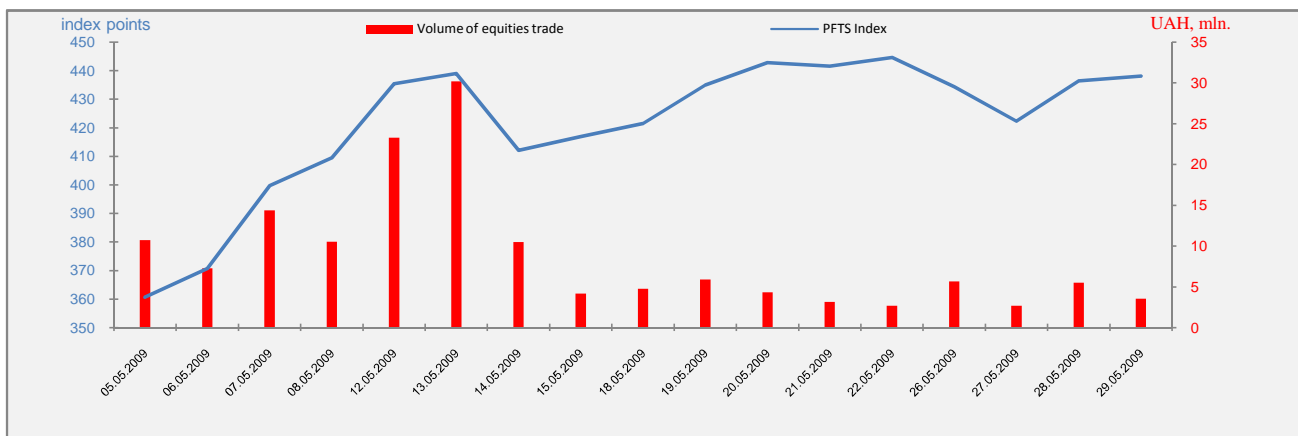
### Stocks

Due to a favourable news background during the month, positive dynamics was saved on PFTS stock exchange in May. At the same time, it should be marked that plenty of participants of trades turned to the Ukrainian stock exchange, where the volume of trades had already began to exceed analogical indicator on the PFTS stock exchange. So, on a «senior» stock exchange 2761 deals with equities were closed on total sum of UAH 152 mln. in May, that is less than the last month's result by UAH 2.7 mln. Nevertheless, the PFTS index grew by 28.9% and reached the mark of 438 index points in May, and the YTD growth is more than 45%. At the same time, according to the Ukrainian Exchange press-

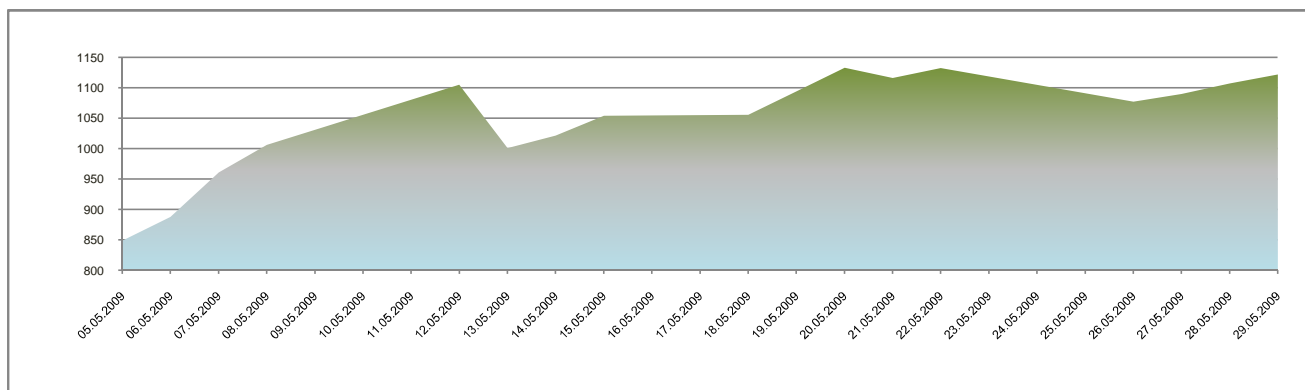
release the trade volumes and transactions amount increased: 4899 deals were closed on a total sum of UAH 111.5 mln. During the last trading sessions the PFTS index began to lose its rising dynamics, acquiring horizontal direction. We consider that in spite of domestic indexes growth, it is too early to talk about returning of important institutional investors on the Ukrainian market yet. Back on market statistics, one can mark returning of investor's interest to the companies of power-generating sector. So, the equities of OJS «Centrengo» became most traded among the representatives of the first level of listing on the PFTS stock exchange in May.

The biggest trades were fixed with OJS «Enakievskiy metallurgical plant» among the shares of the second level of listing in May. OJS «Raiffeizen Bank Aval» and OJS «Ukrsotsbank», which grew more than in two times, became the leaders of growth among the representatives of the PFTS index basket in May. Neither of the shares of the PFTS index basket lost in price in May. Besides other news of month, continuation of modernization of the PFTS stock exchange can be marked. So, since May, 15 PFTS-index has been calculated and published on the real-time basis. We remind that similar service had already been presented on the Ukrainian stock exchange.

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

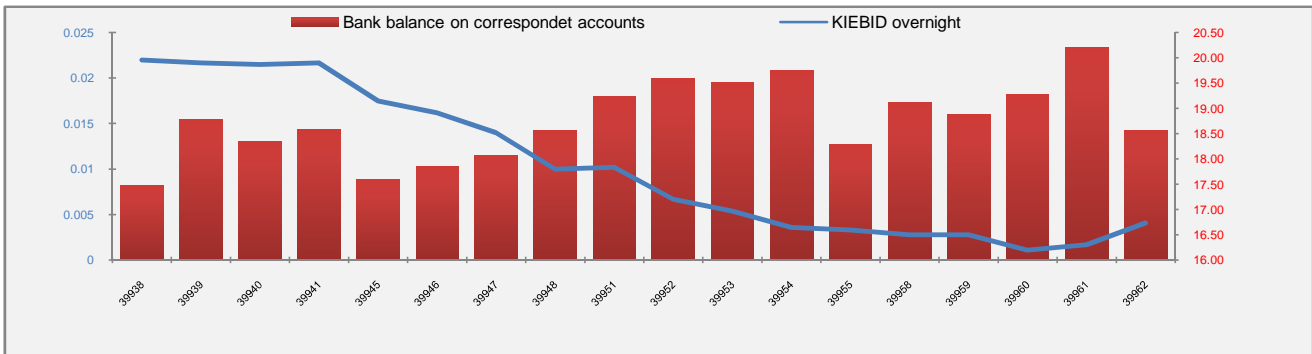
## Bonds and Deposits

A sign event for Ukraine happened in May: the next tranche of stand by agreement program in size of \$2.8 bn was granted to our state by IMF. Before a final IMF's decision we were able to see, that a structural dialog between representatives of authorities is quite real. However, after transactions of facilities on the state accounts, co-ordination of actions made off. So, the amount of banks, applying for recapitalization by means of state facilities, was abbreviated from seven to three. The unwillingness of banks proprietors to pass the large shareholdings to the government in an exchange for help served as the official reason of refusal. In obedience to the decision of NBU from May, 30, «Ukrzazbank», «Rodovid Bank» and «Kiev» must be recapitalized in August. A total sum which will be expended to increasing of capitals will reach UAH 9 bn.

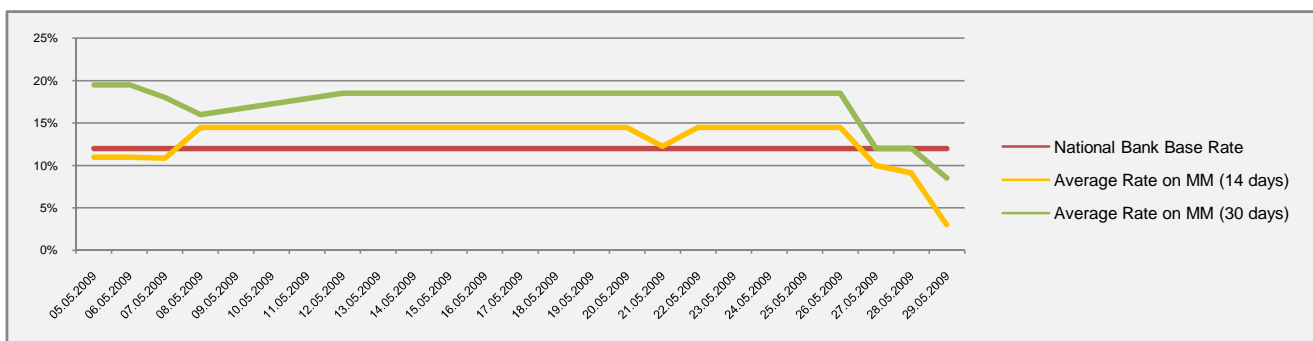
One more interesting moment happened in May the National Bank moratorium on the advance withdrawal of deposits was abolished. Despite this fact, most of commercial banks marked insignificant influx of deposit facilities. In the same time, course of the US dollar in relation to the Ukrainian hryvnya has been stable. NBU conducted 8 currency auctions during the month, on four from which banks were able to purchase the US dollars. Information about weakening of dollar in relation to world currencies and regularity of auctions resulted in a decrease of demand for dollars among a population in May. There was an increase of liquidity in the banking sector during the month, and total balance of corresponded accounts of commercial banks increased.

Such situation substantially reduced rates at the interbank credit market. So, for example, on May, 29, KIEBID overnight rate went down to 0.53%. Bonds were rarely traded on PFTS stock exchange in May. Though total sum of transactions with bonds had reached UAH 120 mln in April, this index did not manage to overcome UAH 30 mln in May. A single transaction took a place with securities of municipalities during the month, and with government bonds 3 transactions were passed on a total sum of UAH 286 thousands, thus maturity of all G-bonds comes this year. In the same time, 30 transactions were fixed with corporate bonds on the amount of UAH 28 mln last month.

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