



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

Financial markets & investment strategy of OTP Capital

The world market of equities still has not found balance between desire to fix profit and expectation of the further rapid growth. Following the results of September which traditionally is considered month of correction, the American SE indicators could become stronger. The highest growth was showed by index of highly technological companies Nasdaq: +5.6%, whereas industrial Dow Jones Industrial Average grows only on 0.1%. The European investors, as well as last month, looked more risk-prone. Confirmation of that was average growth of EU indexes on 4%.

Fears of investors concerning consequences of scale monetary injections, inflation in particular, many of them have paid the attention on gold. For a month this asset has grown on 5.9%, and has exceeded a mark of \$1000 for troy ounce.

Against uncertain movement of SE-indexes in September price of oil contracts on London commodity exchange fluctuated in a corridor \$68 - \$72 for barrel. Depreciation of Brent oil on 0.7% to a mark of \$69 for barrel became a result of month.

The Russian indexes, despite different movement on an oil market, have shown a considerable growth. So, the Moscow Interbank Stock Exchange index has grown on 9.6%, and RTS index has flined up on 17.6% for a month. Positive effect on the Russian market was rendered by growth both industrial metals, and gold.

The Euro continues to become stronger in relation to the American dollar. During September the EUR/USD punched significance 1.48. However, the applications of the American authorities, rather strictly control over a rate of inflation and volumes of withdrawal of "hot" money, have a little weakened pressure on the American currency.

The stock market of Ukraine has continued ascending dynamics, reacting to news from the Russian platforms, than on the foreign macroeconomic statistics more sensitively. On monthly results the index of the Ukrainian equities (UX) has grown on 16.3%, and PFTS index on 17.9%.

OTP Classic

Assets of open-ended OTP Classic Fund have grown in September to UAH 523 thousand. During the month fund's portfolio has been a little transformed. So bonds of Ukrainian retailer Amstor "A" series have been restructured. In particular, yield has been increased to 27% annual, with quarterly payments and possibility to the repayment in September, 2010. Also part of these papers in fund has been decreased to 5%. Assets obtained from sale of papers, have been directed on deposits. Part of deposits and money resources in September has been increased to 32%, and volume of corporate loans has decreased to 21%. The volume of G-bonds remained at previous level. As equals there are deposits and G-bonds in branch structure, and then representatives of machine-building branch are following. Decrease in quantity of corporate bonds, and also payments by fund for irregular publications have led to that yield for September was 1%. However, current dynamics of rates on a money-market allows us to say that next month we expect to receive higher yield.

Resulted in termination of the publication of PFTS-Cbonds index, and also change of investment strategy of the funds connected with updating of the legislation, company OTP Capital has revised benchmarks for OTP Classic and OTP Balanced Funds since June, 19th (date of publication about new investment strategy).

OTP Balanced

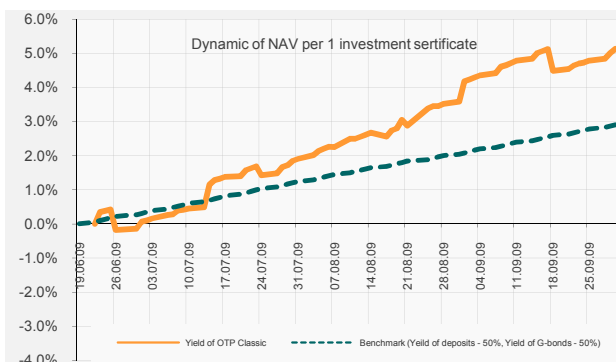
Unit price of interval OTP Balanced Fund has grown from UAH 897.2 to UAH 1013.18, having exceeded, thus, a nominal value. Yield for last month was 12.9%. Thanks to revaluation of assets in fund's portfolio NAV has also increased. So, as of October, 1st fund's NAV constituted UAH 2.7 mln. The yield comparable to growth of stock-indexes has been shown thanks to duly increase in an equity part in portfolio, and also to a competent choice of issuers. So, following the results of September the equity's part has increased to 41% of NAV, and the quantity of issuers, in a subportfolio of equities has reached 12. Among new issuers it is necessary to note Azovstal, Stirol and Enakievo Metallurgical Plant. Papers of all these issuers have grown in September and have positive influents on unit price of OTP Balanced Fund. Increasing of equities in fund's portfolio became possible thanks to settlement by the Ukraine's Treasury series of G-bonds. Thus, part of G-bonds was decreased to 7.8% of NAV.

Money on term deposits and current accounts was saved on last month level. On similar conditions with OTP Classic Fund bonds of Amstor has been restructured. In branch structure leading positions were occupied by representatives of machine-building branch, metallurgical and chemical sector.

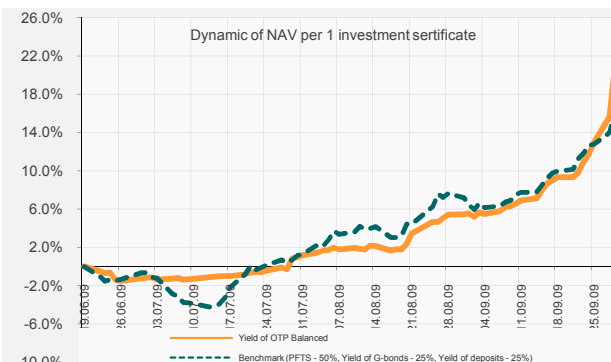
OTP Dynamic

Assets of OTP Dynamic Fund in September have increased more, than on 20% and as of October, 1st have constituted UAH 1.3 mln. Throughout a month the part of equities in a fund's portfolio has been increased to 64% of NAV. As soon as possible, the quantity of equities will be increased to 70% of NAV that will allow to realise full potential of a domestic stock market and to increase capitals of investors in long-term period.

OTP Classic



OTP Balanced



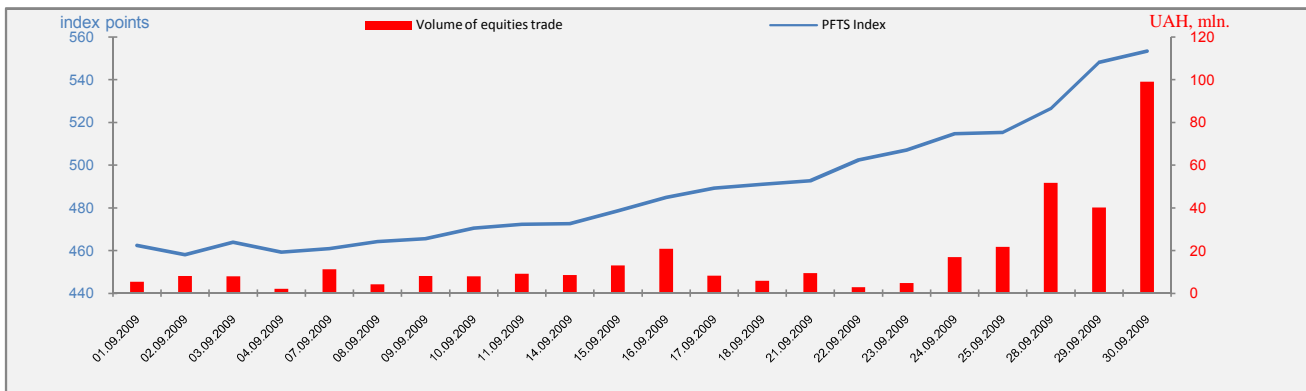
Stocks

In September the Ukrainian stock market has shown that there is no need in foreign capital to create a growth. At an external neutral news background it is possible to explain vigorous growth of exchange indicators by a flow of "fresh" money which, most likely, has moved here from the currency market. During the month we were able to see the "acceleration" of equities of leading representatives of such branches as: metallurgy, coke, and the trumpet industry. The swings of quotations of separate emitters were also noticeable. Thus, for example, on expectations about privatization of Odessa Portside, Stiroll shares have essentially become stronger. During September Ukrainian index has grown

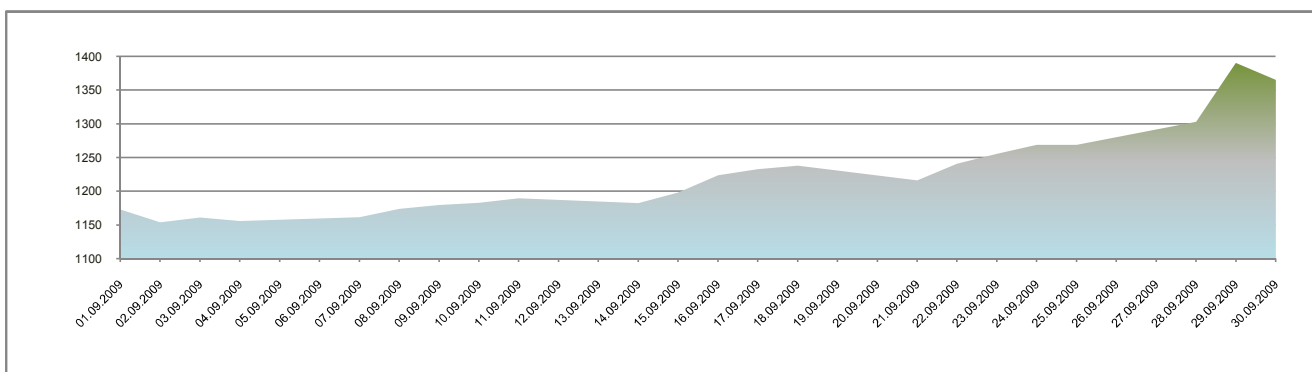
by 16%, and the volume of trades with equities has increased on 47% during the month up to UAH 479 million. PFTS index has also grown in September: without a doubt shade the 500 points mark has been passed there, and the growth was shown for the last 17 trading sessions successively. Nevertheless, the volume of trades with equities was much lower: UAH 362 million, but there is a point of view that a lot of deals were not in market and have been set for «winding» of volume of trades only. AvtoKraz equities have shown the biggest growth at the Ukrainian stock exchange during the month – their value doubled. Ilyich Iron and Steel Works equities have grown a little less – for 92%.

And the third place is taken by Alchevsk Cokery Plant equities: +79.4%. At the same time, the low yield rate on sovereign debt papers is an additional motive for increase in equity investment of the Ukrainian issuers. Thus, the growth of PFTS index has achieved 83.6% from the beginning of the year. However, despite the similar dynamics, the Ukrainian market is still underestimated in comparison with analogues. Thus, the P/E indicator of PFTS index is 3.78, and P/S indicator: 0.3. For comparison similar indicators for the Russian index of the Moscow Interbank Stock Exchange are 11 and 1.21, for Hungarian BUX - 12.49 and 0.97, and for an index of developing countries MSCI EM - 14.88 and 1.26 accordingly.

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

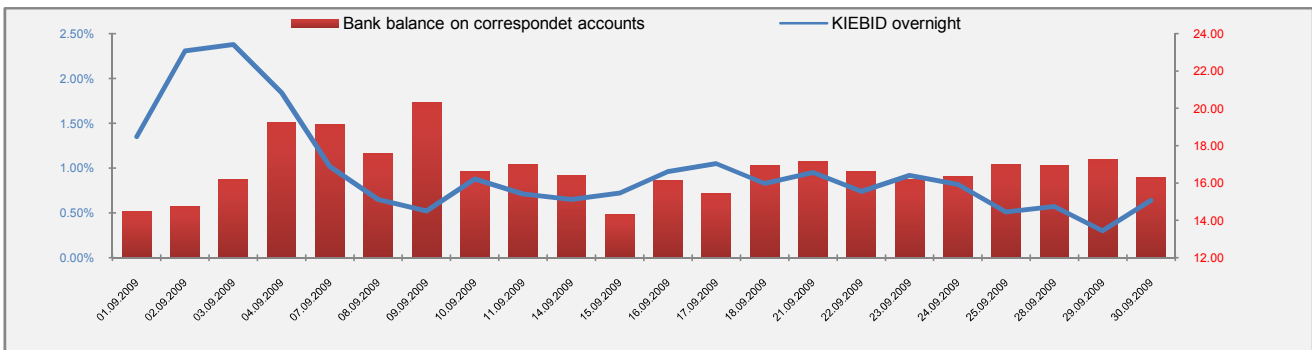
Bonds and Deposits

September was quite simple month for a money-market of Ukraine. The only question disturbing the market was the settlement of Eurobonds of NJSC «Naftogaz of Ukraine» for \$500 million, planned for September, 30th. In the middle of the month it became clear that the bond holders were offered to restructure the indebtedness by changing old bonds for new ones with the yield rate of 9.5% and with the settlement in 2014. In spite of the fact that the offer about restructure was expected, a lot of people thought that the rate of the coupon under the new bonds would be higher. The fact that obligations on repayment of the loan of the state company were overdue had negative influence on quotations of both sovereign and corporate bonds.

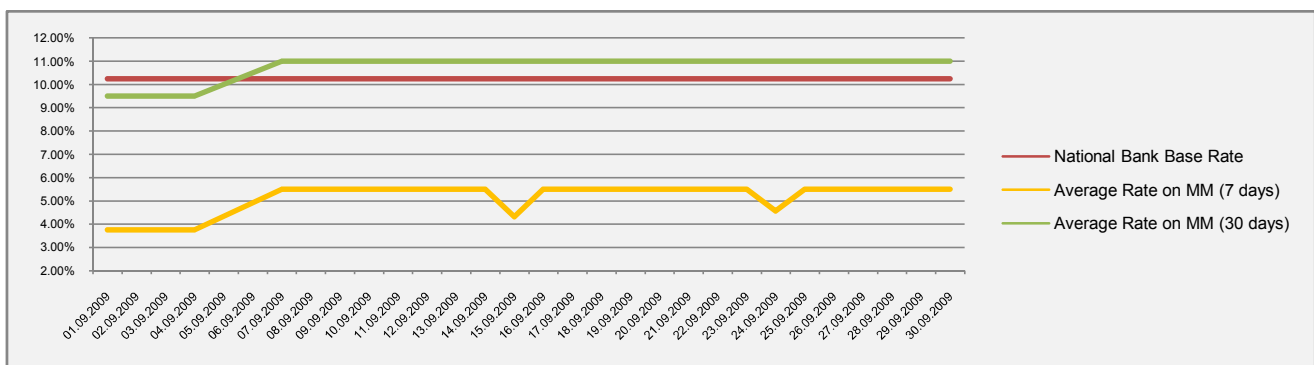
Thus the 5-year CDS has grown from 1143.24 to 1193.64 during the last week of the month. The National bank of Ukraine in September noted an increase in demand for foreign currency from importers and decrease in volumes of foreign exchange earnings from exporters. Nevertheless, the regulator's press-service declares that during the month they managed to lower the official rate of dollar to national currency. At the end of the month the similar situation has been and on the cash market. The placing of bonds of an interstate loan has continued in September. In such way UAH 1.1 billion has been involved during the month. The remains on correspondent accounts in banks increased by 3% in September and achieved UAH 16.3 billion at the end of the

month. The increase in liquidity in the bank sector has led to gradual decrease in rates for short resources. At the same time longer resources for 30 days and more, increased in prices in the beginning of the month. There was a noticeable revival at the PFTS stock exchange in comparison with the last month. The volumes of the trades with G-bonds on a secondary market have decreased to UAH 172 million in September, at the same time the corporate sector has increased to UAH 347 million during the month. However it is necessary to notice that UAH 332 million from them was a transaction with bonds of Budsocservice.

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