

Buyer's Strategy, Managing Investment in Hryvna Denominated Bonds

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Sovereign Eurobonds – Potential Exhausted?

- The outlook for US Interest rates: clearly to raise
- Eurobonds (mostly USD denominated) have become strongly correlated with US Treasuries
- High degree of volatility (rally-plunge-rally)
- Short Duration, Long credit, High Yield



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- Exotic terms and lack of standard rules and regulation
- Under-developed investor base
- Small size of the market and of the issues, lack of liquidity
- Consensus valuation methods, lack of benchmarks
- Insufficient information, no minimal standard disclosure.



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➤ **Discorelation**

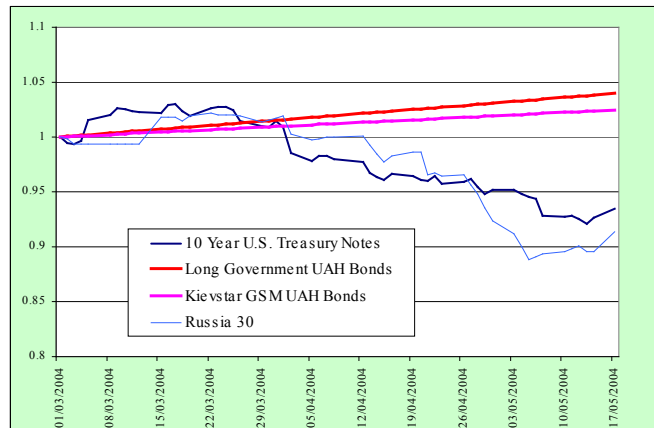
➤ **High Yield**

➤ **Short Duration**



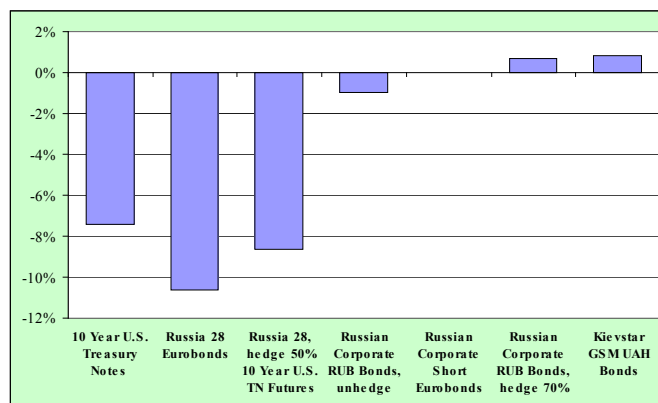
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Ukrainian Local Currency Bonds Price Index Vs. US Treasures & Russian Eurobonds



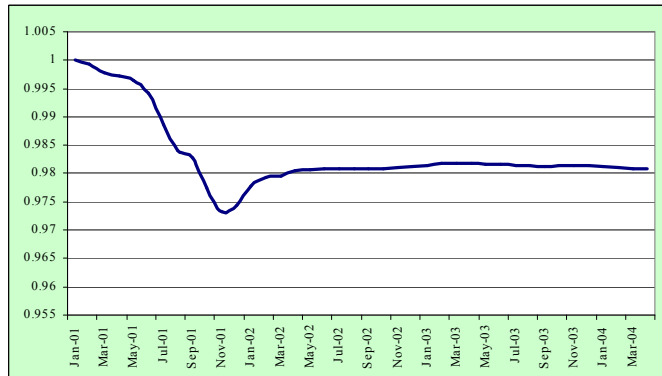
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Assets Growth vs. 10 years US T-Notes, April 2004



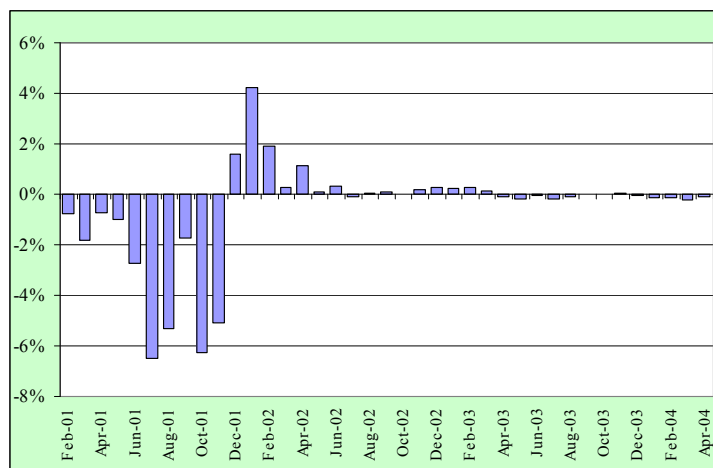
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UAH/USD Rate Index



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UAH Devaluation per month, % p.a.



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Allocation Change April-May

Sell Duration - Buy Yeild

