

SECTOR OF VOLUNTARY PENSION FUNDS IN SERBIA

Report on the first quarter 2009

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1. FOREWORD

The voluntary pension funds in Serbia – ten of them – and nine of their management companies, operated in the first quarter of 2009, like in 2008, under strong negative impact of the changes both in the neighboring and in this country.

Consumer price index (CPI) at March-end 2009 compared to the same period last year scored growth of 9.4%.

The beginning of 2009 was characterized by a drop in gross domestic products (in 2008 the growth of GDP was 5.4%) and in industrial output.

The downward trend of most liquid shares of the Belgrade Exchange BELEX15 continued in the first quarter 2009. In the first three month 2009 the index dropped by 33% and reached its historical minimum in March. The value of shares traded at the Belgrade Exchange went down compared to the preceding quarter from RSD 9.7 Mio to 4.24 Mio. The conservative investment policies of management companies resulted in additional passive ¹ drop of the participation of shares in the funds' portfolios, so that as at 31 March 2009 the total investment in shares amounted to 4.8% of the funds' assets.

The EUR exchange rate to RSD went up by almost 7% compared to end 2008. The highest growth was recorded during January 2009, when the maximum value of EUR was RSD 96.3388. Afterwards the exchange rate stabilized and ranged within RSD 93 and 95 for 1 EUR. The largest part of assets, under the pressure of the exchange rate was composed of frozen savings bonds. Their share is steady and ranges around 35%.

NBS lowered the reference interest rate in January from 17.75% to 16.50%. The interest rate changes influenced the level of interest rates earned by the companies on term deposits and assets in custody accounts.

The first quarter of 2009 was characterized by appearance of a new financial instrument, relevant for the voluntary pension funds. They are three-month treasury bills, with on average higher interest rate than the one obtained by the companies on the assets in transaction accounts and lower investment risk level. In the first quarter, seven issues were completed at the discount rate of 16.50%. Due to the issues of Treasury bills during the first quarter the share of transaction accounts in the total assets of the funds dropped from 54% to 35%.

At the end of the first quarter 2009, the total of only 1.5% of the funds' assets was invested in real estate; hence, any possible shock at the mortgage

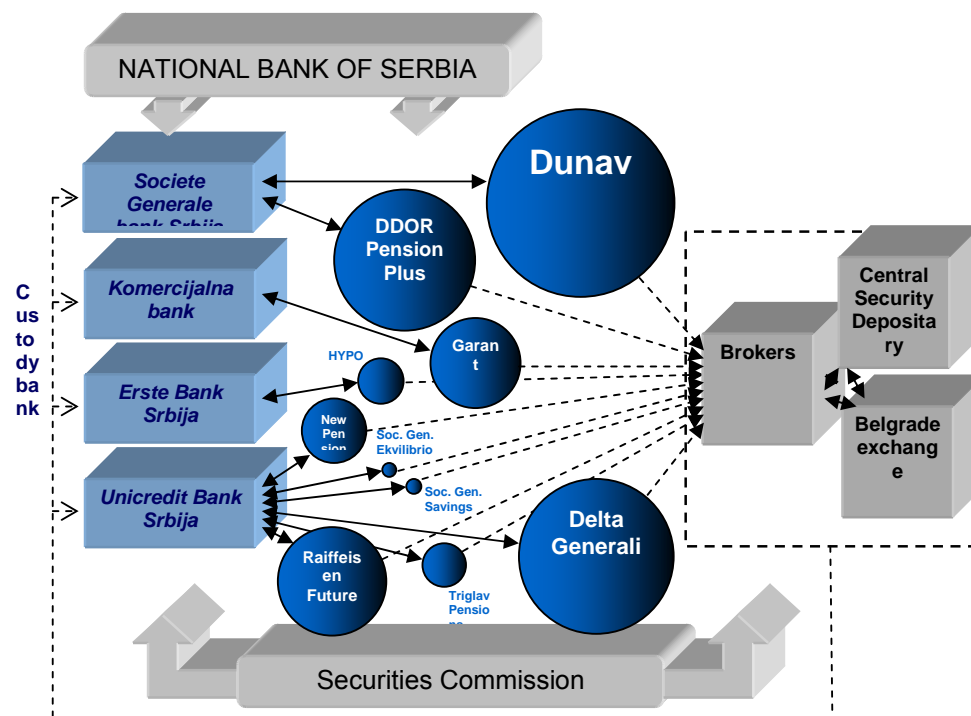
¹ A drop in the proportion of shares in the structure of the portfolio was due to the rise in the total assets of the funds unaccompanied by growth of the share portion. VPFs sold no shares but were hesitant in additional purchases.

market at the current investment structure would have no major consequences. The previous year will be remembered by, frankly, modest but initial investment of assets of the voluntary pension funds into real estate.

Despite negative trends of the key economic indicators, net assets of the voluntary pension funds at the first quarter end 2009 had a growth of 12.2% compared to the end of 2008, even by 63.8% above the same period last year. Although the said growth of net assets was generated mainly by payments of pension contributions, this figure pointed, beyond any doubt, to the fact that there was interest in this type of financial products.

2. MANAGEMENT COMPANIES OPERATIONS

Voluntary pension funds market participants



Currently, nine management companies were participating in the market of voluntary pension funds, which were managing the assets of ten voluntary pension funds, four custody bank, 110 physical person, and 5 bank-mediators.

When buying and selling securities the management companies were cooperating with seventeen brokerage houses, while at the end of previous quarter their number was fifteen.

Ownership structure of management companies

The qualified owners of management companies are the insurance houses, banks and pension funds. The structure of qualified owners of management companies, by their respective activities, is presented in Table 1.

Table 1: Ownership structure by the founder's activity

Management Company	Qualified owner	
	Name	Core activity
Delta Generali	Delta Generali Osiguranje, Beograd	Insurance
Raiffeisen Future	Raiffeisen Bank, Beograd	Banking
Garant Pension Company	Skupina Rrva, Ljubljana	Insurance
DDOR Pension Plus	DDOR Osiguranje, Novi Sad	Insurance
Dunav	Dunav Insurance, Beograd	Insurance
NLB New Pension	NLB bank, Beograd	Banking
	Nova Ljubljanska bank, Ljubljana	Banking
	Skupna pokojinska družba, Ljubljana	Pension fund
Triglav Pension Fuds	Zavarovalnica Triglav, Ljubljana	Insurance
	Triglav, družba za upravljanje, Ljubljana	Pension fund
Societe Generale Penzije	Societe Generale Banka Srbija, Beograd	Banking
	SOGECAP, Societe anonyme d'assurance sur la vie et de capitalisation, Paris	Insurance
HYPO	Hypo Alpe-Adria-Bank, Beograd	Banking

Organizational network of management companies

The organizational network of management companies did not change much in 2009 and covered 30 business units, branches and branch offices. Most of the business units belong to one and the same management company.

Most of the companies, for the time being have head offices, only. At the end of the first quarter 2009, there were five banks² mediators, engaged by five management companies and they indirectly expanded the network. As expected, two newly established management companies engaged their founders – bank *Societe Generale* and *Hypo Alpe-Adria* – as mediators. In addition and during the first quarter 2009, the National Bank of Serbia issued additional 16 licenses to physical persons to disseminate information about pension funds; thus 205 persons are licenses now of whom 110 engaged.

Without major changes compared to the previous quarter (3 employees less compared to end-2008), the total stuff of management companies was 215, which represents a growth of about 7.5% over the same period last year. Most

² NLB bank a.d. Beograd, Raiffeisen bank a.d. Beograd, Volksbank a.d. Beograd, Hypo Alpe-Adria-Bank a.d. Beograd and Société Générale Bank Srbija a.d. Beograd

of the staff was engaged in sales and marketing. Net assets of all the funds per employee were on the upward trend and at the first quarter of 2009 amounted to some RSD 24.2 Mio.

Table 2: Net assets per employee at quarter end

				<i>In RSD Mio</i>
First Quarter 2008	Second Quarter 2008	Third Quarter 2008	Fourth Quarter 2008	First Quarter 2009
15.9	18.6	18.2	21.3	24.2

Fees and charges by the companies

Stronger competition on the market resulted in lowering charges payable on pension contributions. Although the companies may charge maximum 3% of the value of payments made, in the first quarter of 2009, the average charge at the level of the industry was 2.45%.

The fund management fee may be charged maximum 2% p.a. of the value of the fund assets. It is calculated daily, and the assets of the fund are not diminished by the calculated amount. This is the cost, which the members cannot not see practically but it directly affects the value of the investment unit. All the management companies collect this charge in the amount of the statutory maximum.

Charges payable by members of the fund are as follows:

- *Charge on payment of contribution (up to 3% of the amount)*
- *Charge for fund management (up to 2% p.a. of the fund assets)*
- *Charge for account transfer (depending on actual transfer costs).*

The percentage amount of charges collected by the company from a member must be published in the prospectus and on the site of the management company

The total amount of charges collected by the companies in the first quarter 2009 was RSD 36.7 Mio. As in the previous quarter, the total amount of management charges was higher than the amount at the time of payment of contributions. The charges at the time of payment of contributions amounted to totally RSD 12.37 Mio, which represented 33.7% of the totally collected charges, while the management charges amounted to RSD 24.31 Mio or 66.2% of the collected charges. Account transfer charge (according to actual cost of transfer) accounted for RSD 0.01 Mio, or 0.04% of the total charges.

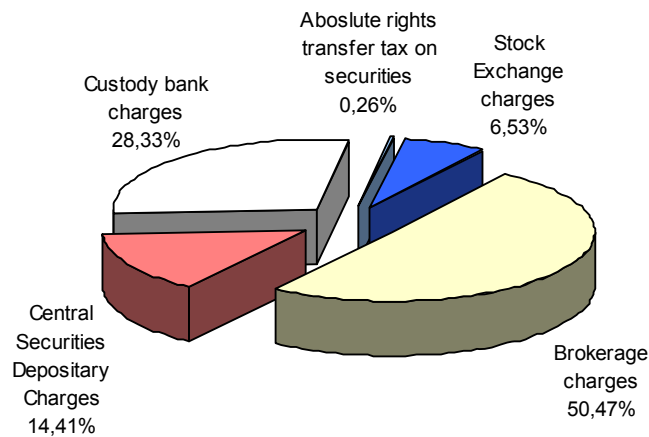
Transaction costs

In the first quarter 2009, the transaction costs amounted to some RSD 1.64 Mio. The major part in their structure still accounted for brokerage charges - 50% of the total transaction costs. As in the preceding quarter, the second ranking were charges by custody banks, about 28%, while the charges of the Central Security Depository about 14%.

The transaction costs were charged to the management companies and in this quarter they amounted to about 4.5% of the amount collected on account of

charges for management company services, representing 0.5 percentage points more than in the preceding quarter.

Graph 1: Structure of transaction costs in the first quarter 2009



3. OPERATIONS OF VOLUNTARY PENSION FUNDS

Net assets of voluntary pension funds

Table 3: Net assets in the sector at quarter-end

<i>In RSD Mio</i>				
First Quarter 2008	Second Quarter 2008	Third Quarter 2008	Fourth Quarter 2008	First Quarter 2009
3,177.11	3,719.00	3,976.30	4,640.61	5,204.42

Growth of assets was largely generated by payments of members, which in the first quarter amounted to RSD 506 Mio. The achieved growth of net assets in this period compared to the preceding quarter was 12.15%, while compared to the same period preceding year the growth was over 60%.

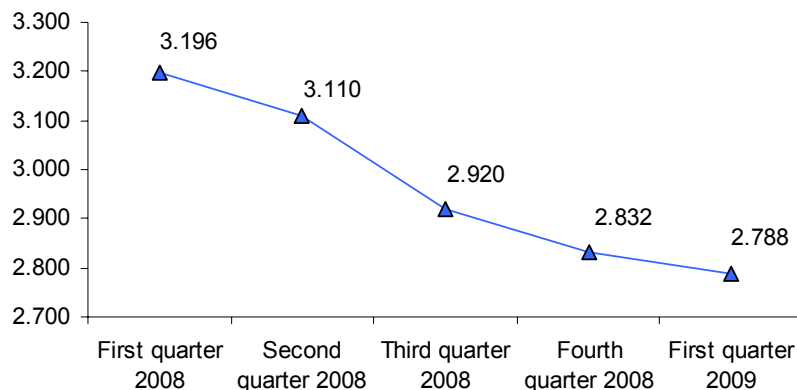
In addition to the growth in paid contributions, the growth of net assets compared to the fourth quarter 2008 was influenced by the yield on the funds. FONDex in the first quarter recorded growth in value by 3.66%³.

The value of market concentration index in the sector of voluntary pension funds in the period of two years dropped from 10,000 at the time of existence of only one fund, to 2,788. Drop of index was caused by the entry of new funds

³ Year-to-date (YTD). Yield achieved from the year beginning till the first quarter-end

and increased share of funds which did not transfer the assets from insurance. Constant lowering of the value of indicators showed the strengthening of competition on the market of voluntary pension funds, but nevertheless its value suggested that the market was still highly concentrated.

Graph 2: Concentration in the sector at the quarter-end



According to the share in the total net assets the funds were classified in three groups. No changes occurred relative to the preceding quarter.

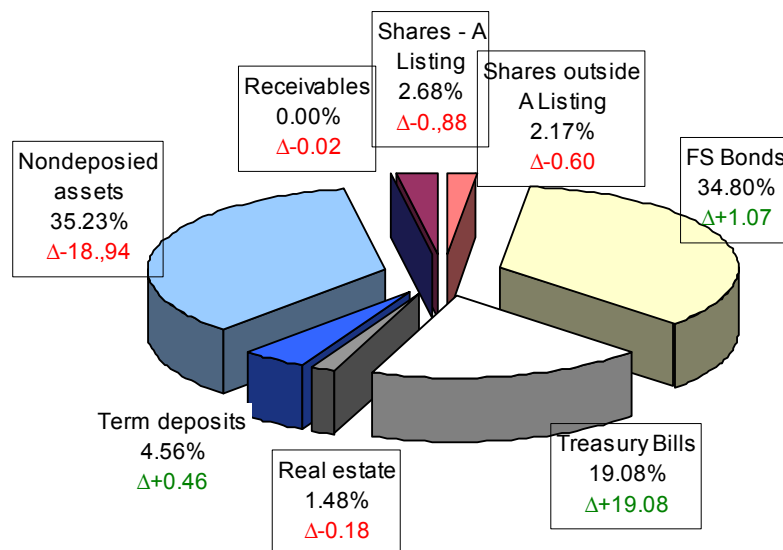
Table 3: Market share by scale

Share in net assets (%)	Number of voluntary pension funds				
	Fist Quarter 2008	Second Quarter 2008	Third Quarter 2008	Fourth Quarter 2008	First Quarter 2009
Large (20 and more)	3	3	2	2	2
Medium (5 -19.99)	0	1	2	2	2
Small (0 - 4.99)	4	3	4	6	6

Structure of assets of voluntary pension funds

The structure of assets during the first quarter underwent significant change because of reduced participation of shares and significant increase of government securities. The frozen foreign exchange frozen bonds went up and three-month Treasury bonds of RS were introduced. The drop of shares portion and rise of bonds share were mostly the consequence of negative trends on financial markets, drop in prices at the Belgrade Exchange and appreciation of exchange rate but also the growth of the total assets of the funds.

Graph 3: Structure of total assets of the funds at the first quarter-end⁴



The percentage of shares off listing A, and the shares on listing A of the Belgrade Exchange in the total assets of the funds dropped by 0.6 and 0.9 percentage points, respectively, compared to the preceding quarter.

In foreign currency, for the time being EUR only, almost RSD 2 billion were held, or about 38% of assets, while more than 3 Mio in the local currency, or 62% of the total assets. The assets in EUR were mostly bonds of the frozen foreign savings. That ratio is historical at the system level and has not changed significantly.

The most part of the total assets of the funds accounted for debt securities or 53.9%, of which the frozen savings bonds 34.8% and Treasury Bills 19.1%, as well as non deposited assets accounting for 35.2%. They are following by 4.8% of shares and termed deposits by 4.6%. Such a trend continued in the second quarter 2009. The share of transaction accounts diminished in favor of Treasury Bills.

Compared to the same period last year, the exposure of parts of the assets of the funds was considerably changed to individual market risks.⁵ In early 2009, due to significantly lower investments in shares, the exposure of fund assets to the change in securities prices risk diminished. The exposure to price risk of real estate is low, due to a small share of real estate in the total assets of the

⁴ The changes were presented in percentage point compared to the end-2008

⁵ For some parts of assets types of risks those affecting them most directly were examined

funds. Some 38% of the fund assets were exposed to the foreign exchange risk, somewhat less than last year. The most part of assets directly affected by foreign exchange rate changes are the frozen savings bonds. The interest rate risk exposure affected the largest portion of those assets. The risk was predominating in frozen savings bonds, where a change in the interest rate directly affected the price changes.

Table 5. Exposure of fund assets to market risk

	Risk of securities price change	Risk of real estate price change	Exchange rate risk	Interest rate risk	First Quarter 2008	Second Quarter 2008	Third Quarter 2008	Fourth Quarter 2008	First Quarter 2009
Shares	✓				19.5%	17.3%	11,3%	6.3%	4.8%
Frozen savings bonds	✓		✓	✓	39.9%	29.9%	29.1%	33.7%	34.8%
Treasury Bills				✓	0.7%	0.0%	0.1%	0.0%	19.1%
Real estate		✓	✓		0.0%	1.8%	1.7%	1,7%	1.5%
Term deposits				✓	4.7%	4.3%	4.5%	4.1%	4.6%
Non-term assets on RSD accounts				✓ ⁶	34.9%	40.4%	49.5%	53.3%	33.7%
Non-term assets on foreign exchange accounts			✓		0.2%	6.2%	3.7%	0.9%	1.5%

Volume of securities traded by pension funds

The volume of trading of voluntary pension funds in the first quarter 2009 increased considerably compared to the fourth quarter 2008. That increase was a consequence of issuance of three-month Treasury Bills of the Republic of Serbia. Out of the total volume of trading some 80% accounted for purchase of Treasury Bills. The volume of trading in frozen savings bonds at the Belgrade Exchange was by more than 50% below the preceding quarter, while at the same time the total turnover at the Belgrade Exchange, as well as over the counter trading recorded another drop, so the share of voluntary pension funds in the stock exchange turnover in the first quarter current year was still somewhat above 2%.

⁶ Interest rate risk, strictly taken, referred to sight deposits; however its presence was evident due to the big share of such assets in the total, while affecting considerably the value of the assets of the funds and the yield.

Table 6: Securities trading by the voluntary pension funds

In RSD Mio

	First Quarter 2008	Second Quarter 2008	Third Quarter 2008	Fourth Quarter 2008	First Quarter 2009
Volume of trading in securities	490.9	160.9	298.8	475.4	1,174.2
Purchases	351.4	107.5	234.8	342.4	1,112.1
Belgrade Exchange	250.3	86.9	205.2	211.1	112.9
Over-the-counter trade	77.9	18.9	23.7	131.3	65.8
Auctions of government securities	23.1	1.8	5.9	-	933.4
Sales	139.6	53.3	64.0	133.0	62.1
Belgrade Exchange	24.3	30.7	4.0	32.9	2.5
Over-the-counter- trade	115.2	22.6	60.0	100.1	59.6
Ratio of purchase to sales	2.5	2.0	3.7	2.6	17.9
Share in the total turnover at the Belgrade Exchange	1.58%	0.40%	1.53%	2.19%	2.01%

Compared to the preceding quarter, the turnover value at the Belgrade Exchange dropped by more than 56%, while the number of transactions decreased by over 47%. The turnover in frozen savings bonds went up by more than 2%, while the number of transactions increased by around 7%.

Unlike previous quarters when the funds traded securities in a considerably higher volume at the Belgrade Exchange, the ratio of exchange to over-the-counter trading was rather the same in the last quarter 2008 – almost 49% of the total turnover accounted for over-the counter trading. The funds were again at the demand side, and ratio of purchase to sales 2.57.

Number and structure of beneficiaries of the voluntary pension funds

At the end of the first quarter 2009, the total number of beneficiaries⁷ was 158,270 - an increase of 1.5% compared to end-2008, while the total number of membership contracts⁸ in the same period went up by about 0.9% and reached 203,511. At the same time decreased the number and relative share in the total number of users-members of several funds. At the end of the first quarter 2009,

⁷ The number of beneficiaries is the number of persons who are members of the voluntary pension fund (or funds). This number is lower relative to membership (membership contracts), since a considerable number of individuals have more than one membership contract with the same or different funds.

⁸ The number of membership contracts that is the number of members is a sum of the number of individual membership contracts and the number of members of all pension plans.

that number was 24,548 namely 15.5% of the total beneficiaries. An average amount of accumulated assets by beneficiary was RSD 32,883 that was RSD 38,391 excepting the beneficiaries who never paid their contributions.

Table 7: Number of beneficiaries per funds they joined

No. of funds	No. of beneficiaries
1	133,722
2	16,151
3	8,366
4	31

Table 8: Number of beneficiaries who concluded membership contracts

No. of contracts	No. of beneficiaries
1	124,677
2	24,114
3	7,820
4	1,189
5	431
6	38
7	1

The number of beneficiaries who paid the contribution at least once (active beneficiaries) in the first quarter 2009 was 64,082, or 40.49% of the total number of beneficiaries at the quarter end, which represents about 7 percentage points less than in the last quarter 2008. In the last month of the first quarter 54,147 participants were active, or 34.21% of the total. That percentage is similar as in the first two months of the quarter.

Table 9: Breakdown of beneficiaries according to the payment timing

Active beneficiaries	Period	No. of beneficiaries	Share (%)
	1 month	54,47	34.1%
	3 months	64,82	40.9%
	6 months	77,12	48.6%
	12 months	83,77	53.6%
	After entry (1)	135,65	85.5%
Without money on accounts(2)		22,05	14.5%
Total (1+2)		158,70	100%

Table 10: Share of funds in the total number of beneficiaries, according to scale

Share in the number of beneficiaries (%)	Number of voluntary pension funds				
	First quarter 2008	Second quarter 2008	Third quarter 2008	Fourth quarter 2008	First quarter 2009
Large (20 and more)	N/A	2	2	2	2
Medium (5 -19.99)	N/A	3	3	3	3
Small (0 - 4.99)	N/A	2	3	5	5

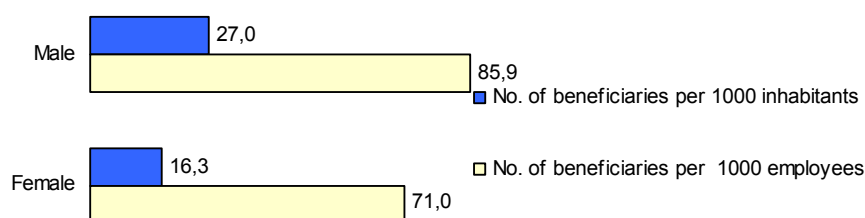
A vast majority of the voluntary pension fund beneficiaries in Serbia are residents, while at the end of the first quarter there were 25 beneficiaries who are non residents, which is 0.02% of the total. On the other hand, non residents have a share in the assets of the funds of 0.07%, because of considerably higher average amounts in their individual accounts.

In terms of gender breakdown, at the end of the first quarter 2009, the share of males in the total beneficiaries was 61%, holding 58.9% in net assets of the funds. Females continued record higher percentage as active beneficiaries and have higher amounts of their individual accounts, on average.

Table 11: Breakdown of beneficiaries and assets by gender⁹

Gender	No. of beneficiaries	Share (%)	Amount of assets (u Mio RSD)	Share (%)	Average assets ¹⁰ (in RSD)
Male	96,512	60.99%	3,061.98	58.88%	31,726
Female	61,733	30.01%	2,138.61	41.12%	34,643

Graph 4: Ratio of beneficiaries to number of inhabitants /employees¹¹, by gender



The average age of the beneficiaries of voluntary pensions funds dropped compared to the end 2008 and was 43.2 years, while most beneficiaries are still at the age of 48. The number of beneficiaries who met the age requirement of withdrawal of assets remained unchanged and account for 19.2% of the total.

⁹ Data did not cover non residents

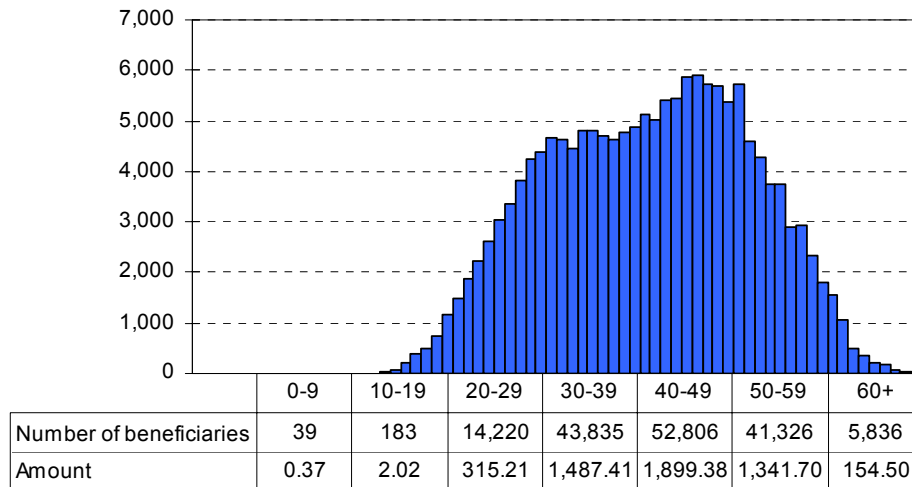
¹⁰ This amount excluded unappropriated assets – assets paid into the fund but at the time under review were still at the special account, since there was no sufficient information to apportion them to individual members accounts

¹¹ Official data of the Republic Statistic Bureau were used for the number of number of inhabitants/employees, the total and by gender/district, the latest available at the time of compilation of this report

Table 12: Age break down of beneficiaries and assets¹²

Age	No. of Beneficiaries	Share (%)	Amount (in Mio RSD)	Share (%)	Average assets (in RSD)
0-19	222	0.14%	2.39	0.05%	10,772
20-29	14,220	8.99%	315.21	6.06%	22,167
30-39	43,835	27.70%	1,487.41	28.60%	33,932
40-49	52,806	33.37%	1,899.38	36.52%	35,969
50+	47,162	29.80%	1,496.19	28.77%	31,725
50	5,700	3.60%	204.90	3.94%	35,947
51	5,378	3.40%	194.04	3.73%	36,080
52	5,731	3.62%	206.47	3.97%	36,028
53+	30,353	19.18%	890.78	17.13%	29,347
Total	158,45	100%	5,200.59	100%	

Graph 5: Breakdoan of beneficiaries by age



The regional structure of beneficiaries and accumulated assets were shown in Table 13. Changes in classification of beneficiaries and assets by regions

¹² The data include no non residents

relative to the end-2008 were partly the consequence of improved reporting system. That is why this time no comparison was made to the preceding reporting period. The highest percentage of active beneficiaries, more than 50% in the first quarter 2009 was in the district of Pirot, North Bačka and the City of Belgrade, and the lowest, below 20%, in Rasinski and Pomoravlje districts.

Table 13: Regional structure of beneficiaries and assets¹³

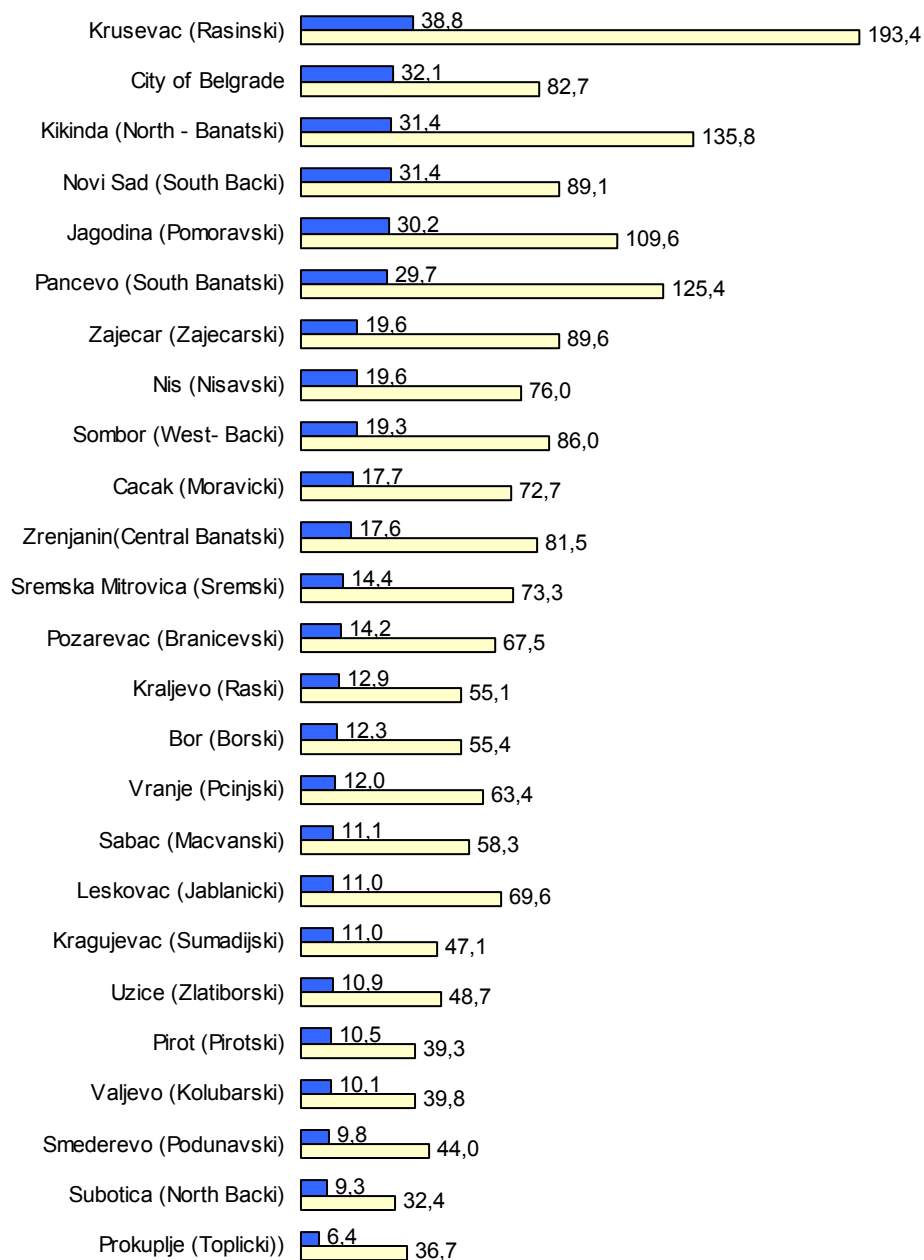
City (district)	No. of Beneficiaries	Share (%)	Amount (in RSD Mio)	Share (%)	Average assets (in RSD)	Ratio of average assets to gross earnings ¹⁴
City of Beograd	52,109	32.93%	1,995.06	38.37%	38,286	0.72
Novi Sad (South-Bački)	19,012	12.02%	696.25	13.39%	36,621	0.83
Kruševac (Rasinski)	9,576	6.05%	97.59	1.88%	10,191	0.31
Pančevo (South-Banatski)	9,013	5.70%	387.88	7.46%	43,036	1.00
Niš (Nišavski)	7,345	4.64%	361.32	6.95%	49,193	1.44
Jagodina (Morava valley)	6,577	4.16%	84.69	1.63%	12,876	0.37
Kikinda (North-Banatski)	4,886	3.09%	134.95	2.60%	27,620	0.72
Sremska Mitrovica (Sremski)	4,734	2.99%	137.96	2.65%	29,141	0.77
Kraljevo (Raški)	3,849	2.43%	98.45	1.89%	25,577	0.75
Čačak (Moravički)	3,835	2.42%	121.80	2.34%	31,759	0.91
Sombor (Western-Bački)	3,827	2.42%	92.25	1.77%	24,104	0.62
Šabac (Mačva)	3,497	2.21%	75.10	1.44%	21,474	0.63
Zrenjanin (Central Banatski)	3,434	2.17%	152.82	2.94%	44,501	1.12
Užice (Zlatiborski)	3,254	2.06%	105.55	2.03%	32,437	0.93
Kragujevac (Šumadijski)	3,190	2.02%	83.80	1.61%	26,269	0.72
Vranje (Pčinjski)	2,749	1.74%	80.67	1.55%	29,344	0.90
Požarevac (Braničevski)	2,722	1.72%	74.85	1.44%	27,498	0.64
Leskovac (Jablanički)	2,525	1.60%	79.62	1.53%	31,533	1.02
Zaječar (Zaječarski)	2,471	1.56%	51.87	1.00%	20,990	0.64
Smederevo (Podunavski)	1,998	1.26%	51.86	1.00%	25,956	0.67
Valjevo (Kolubarski)	1,837	1.16%	41.42	0.80%	22,546	0.65
Subotica (Northern-Bački)	1,807	1.14%	77.77	1.50%	43,040	1.11
Bor (Borski)	1,654	1.05%	39.19	0.75%	23,695	0.63
Pirot (Pirotski)	1,021	0.65%	30.21	0.58%	29,588	0.98
Kosovo i Metohija	688	0.43%	24.78	0.48%	36,014	N/A
Prokuplje (Toplički)	609	0.38%	22.03	0.42%	36,179	1.27
Total	158,219	100%	5,199.71	100%		

¹³ Regions are administrative districts in the Republic of Serbia, except Kosovo and Metohia where the data were concentrated. The data in the table relate to the entire regions, rather than quoted cities.

The data did not cover the beneficiaries residing outside the territory of the Republic of Serbia, or who cannot be classified into any of the regions on the basis of data available.

¹⁴ The source of data on average gross earnings by districts was the official release by the Republic Statistic Bureau of Serbia, where the average for the first three months 2009 was taken

Graph 6: Ranking of regions according to relative number of beneficiaries to the number of inhabitants and concentration of beneficiaries by regions



■ No. of beneficiaries per 1000 inhabitants

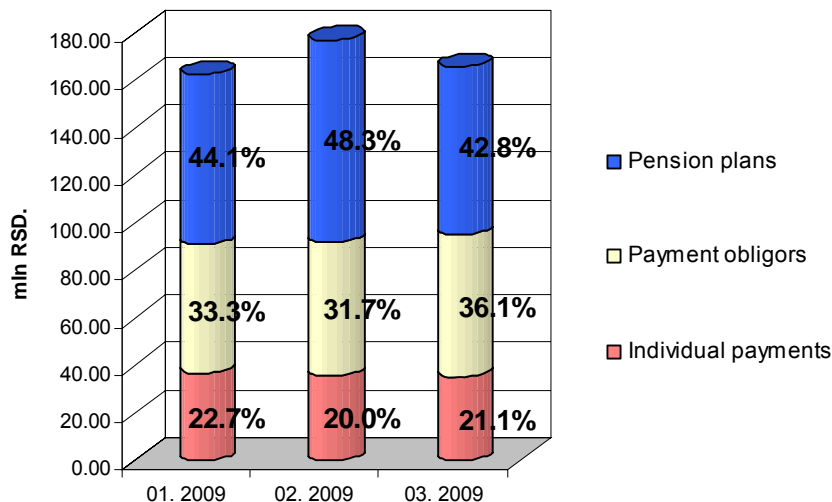
□ No. of users per 1000 employees

Contributions paid in, assets paid out and transfers between funds

The total contribution of the beneficiaries of voluntary pension funds in the first quarter 2009 amounted to RSD 505.8 Mio, which was less than in the preceding quarter when the total contributions amounted to RSD 614 Mio. Even the average contribution of the beneficiaries in the first quarter was lower than in the last quarter of 2008 and amounted to RSD 3,097.

Of the total paid in money, the individuals accounted for 21.2%, the employers as obligors on behalf of their employees' pension 33.7%, while in this quarter again the part of total payment, with the share of 45.1%, accounted to the payments via pension plans.

Graph 7: Volume and structure of total paid-in amount



Withdrawal of funds increased relative to the fourth quarter of 2008 by 38%. The total payouts were about RSD 98 Mio. They were mostly flat withdrawals of money while, the scheduled payments accounted for a small percentage.

The transfers between funds dropped compared to the preceding quarter. The transfer from one to another fund was subject to charges of actual transfer costs only, that is payment transactions costs and that amount was charged against the assets of the fund's beneficiary. Since such costs were negligible, they constituted no obstacle for a member to transfer its money to another fund.

Table 14: Transfers between funds and final withdrawals

In RSD Mio

	Transfers between funds	Withdrawals
First quarter 2008	58.32	202.12
Second quarter 2008	72.24	61.19
Third quarter 2008	74.03	50.93
Fourth quarter 2008	30.51	70.35
First quarter 2009	24.95	97.56

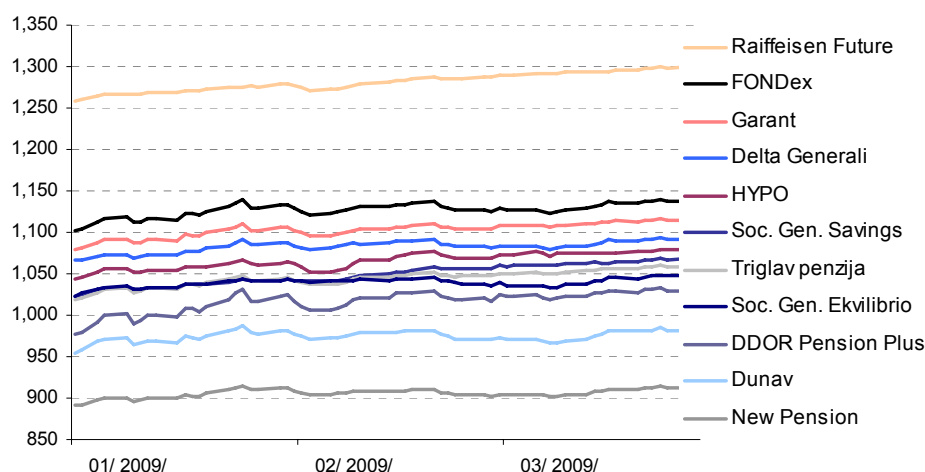
Values of investment units and yields

The values of investment units of all the voluntary pension funds went up in the first quarter.

Table 15: Value of investment units and FONDEX in the first quarter 2009

		At quarter beginning	At quarter end	Maximum value	Minimum value
Values of investment units	Delta Generali	1,065.98	1,090.35	1,093.81	1,065.98
	Raiffeisen Future	1,257.57	1,300.12	1,300.12	1,257.57
	Garant	1,078.95	1,115.24	1,116.61	1,078.95
	DDOR Pension Plus	977.59	1,029.33	1,034.14	977.59
	Dunav	954.59	981.56	987.19	954.59
	New pension	890.73	911.97	915.02	890.73
	Triglav Pension	1,018.83	1,059.08	1,060.50	1,018.83
	HYPO	1,043.37	1,079.75	1,079.75	1,043.37
	Societe Generale Savings	1,021.88	1,068.16	1,068.16	1,021.88
	Societe Generale Ekvilibrio	1,023.62	1,046.93	1,048.53	1,023.62
FONDex		1,101.58	1,137.29	1,140.62	1,101.58

The investment units of all pension funds went up over the preceding quarter. This trend is the consequence of the drop in percentage of shares in the total fund assets and higher exchange rate. The negative trends at the Belgrade Exchange continued. Index of the most liquid shares, BELEX15, lost some 33% of its value compared to the preceding quarter. Such a share price trend at the Exchange affected the value of investment unit; however, in view of the fact of reduced percentage of shares in the asset structure of the funds, the changes mentioned did not have major effect on the reduction of the value of investment units. In the same period RSD weakened by some 7%. The RSD exchange rate for EUR standing at the beginning at RSD 88.60 picked up to 94.78 at the end period which positively influenced the growth of assets denominated in foreign currency. FONDEX, the average weighted value of investment units of all the funds, recorded a rise of some 3%.

Graph 8: Trend of investment units value and FONDEX in the first quarter 2009

At the end of the first quarter 2009, seven funds operating for more than a year were obliged to publish the yield in the last year and yield since the outset of their operations till 31 December 2008.

Table 16: FONDEX yield

Since onset of operations ¹⁵	In the last year				
	31.03.2008	30.06.2008	30.09.2008	31.12.2008	31.03.2009
5.6%	-3.3%	-2.5%	-11.9%	-7.0%	0.4%

The purpose of investing voluntary pension fund assets was to increase the value of invested assets at a minimum risk. Although the companies aspired at higher yields in favor of the funds' members, the investment risk has not been completely eliminated; there was a possibility if a negative yield on investment, too. The yield gained by the fund is appropriated to individual accounts of all the members.

4. CONCLUSION

The initial difficulties faced by VPF Sector, which have been successfully tackled, will not be the future of voluntary pension funds in Serbia. The future development of pension funds will depend on both external factors as: growth of gross social products, macro economic and financial stability,

¹⁵ FONDEX yield since the outset of operations was provided on an annual level. Nominal yield in the same period was 13.7%

confidence in the financial institutions and financial mindedness of the population, and internal ones such as: competition between the funds measured by the results, successful diversification and safety of collected assets, plus operative efficiency of management companies, successful development of sales network and care of the beneficiaries.

However, those factors influence primarily gradual, evolutionary development of pension funds. Enhanced development of the voluntary pension fund industry requires facing financial consequences yet to come in the implementation of social reform in observance of evident demographic changes (aging population), but committed elimination of one of the major obstacles to development that is underdeveloped capital market.

Finally, voluntary pension funds in Serbia are new on the financial market, they enabled individual pension accounts, strengthened the links between the responsibility of individual (and his/her employer) and expected pensions and very high level of transparency from the day one of pension funds operations. Set up of pension funds is one of the mechanisms for management of one part of the assets of the population, which should dominantly depend on and impact the capital market, and so established system should ensure synergy between the capital market and social policy.

Outsourced translation