

## Evolution of the Mutual Funds from Alpha Bank

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**Abstract.** In this article we highlighted the evolution of the mutual funds from Alpha Bank. The mutual funds offer the possibility of collective investment in various instruments of the banking and financial markets and of capital, in order to obtain earnings higher than those from the interests from deposits, on medium or long term, in the conditions of assuming the eventual risks by the investors. The research method is based on the information with which help we could achieve a rigorous analysis and evolution of the mutual funds from the bank. The modality of investment into a mutual fund is buying the units from the fund. The value of the funds units is calculated daily and is published in press, in our case daily on the newspaper called Exchange. The range offered by Alpha Asset Management A.E.D.A.K. allows the investors to allocate their funds that they wish to invest after their own preference, opting to participate at different Alpha Mutual Funds, depending on the timing horizon and risk degree that they are willing to assume. The Alpha Asset Management A.E.D.A.K, having a long experience in the mutual funds, achieves strong performances of the portfolio, with low investment risk, accumulating high yields on long term. In conclusions, the portfolio owned by the Alpha Asset Management A.E.D.A.K allows to choose from a wide range of mutual funds: of shares, diversified, of bund and Funds of Funds. The diversified funds invest both in shares and in bonds (government securities), in different proportions and carefully balanced.

**Keywords:** market, fund, management, investor, investment, share

### INTRODUCTION

The Administration Society with the name “Alpha Asset Management A.E.D.A.K”, division of administration of the investments of the Alpha Bank Group, with the headquarters in Athens, is one of the largest management societies of mutual funds from Greece. The Alpha Bank Romania distributes the managed mutual funds by the Alpha Asset Management A.E.D.A.K, offering access to the international financial markets, through financial instruments on long and medium term. (Tureac C., Andronic B.,Puscaciu RM 2010)

The administrative exercise of M.F. (Mutual Funds) coincides with the calendar year Alpha Asset Management A.E.D.A.K, maintains the administration accounts of M.F. At the end of the first quarter of each calendar year, the Alpha Asset Management A.E.D.A.K elaborates the reports required by law for M.F., which are checked by the expert accountants appointed by the Alpha Asset Management A.E.D.A.K. The above mentioned reports are available to investors at the selling points of the fund units. (Tureac, 2009)

The participation of M.F. is proofed through a normal title in written form, issued by the Asset Management A.E.D.A.K, countersigned by the tutelary (title of fund unit). The title is issued for one or more units of fund or fractions of fund. The Asset Management A.E.D.A.K has the right not to issue title of fund unit, if the investor does not agrees in this sense. In this situation, are registered the units of funds within a special register of the

investors, which it keeps in format of electronic archive, granting to the investor (holder of fund units) a certificate in which are stating all the facts.

The Asset Management A.E.D.A.K can, in exceptional situations, if this is required by the situation, and if it is in the interest of the owners of fund units, at request, and as a result of the authorization granted by the Commission for the Capital Market Commission, suspends the redemption of fund units for a period of 3 months, this period can be extended further again, with another maximum 3 months.

This suspension of the redemption of fund units, as well as and the expiration or its revocation, there will be published in two newspapers with political content and in two newspapers with economic content from Athens. In the communication of suspending the redemption is specified and the expiration period of the respective period. (Nicula, 2007) During the suspension of redemption the fund units it is not allowed the submission of requests of redemption by the holders of fund units.

## MATERIALS AND METHODS

The range offered by Alpha Asset Management A.E.D.A.K. allows the investors to allocate their funds that they wish to invest after their own preference, opting to participate at different Alpha Mutual Funds, depending on the timing horizon and risk degree that they are willing to assume. The Alpha Asset Management A.E.D.A.K, having a long experience in the mutual funds, achieves strong performances of the portfolio, with low investment risk, accumulating high yields on long term.

The Alpha Asset Management A.E.D.A.K has the obligation to pay tax in percentage of 3 ‰ annually, on behalf and in the account of M.F., which is applied to the quarter average of the net assets of M.F. Through the payment of this tax is paid in full the tax liability of M.F. and its investors. (Dragomir, 2009)

The main purpose of the investment policy of FM is to give to the investor a return of the investment (profit) close to the one of the General Index of Athens Stock Exchange. The objective of the fund is the reproduction of the performance of the General Index of Athens Stock Exchange. It is addressed to the investors with a distant horizon, who trust in the capacity of the societies which compose the respective index, and want to obtain large profits by accepting the recorded variations on the capital market, as well as an substantial risk of capital loss. (Dragomir, 2007)

In the context of its purpose, the Asset Management A.E.D.A.K uses procedures of risk management which enables it to calculate in any moment the risks of M.F. portfolio, as well as and their effect on its investment policy. It ensures that the total risk at which is exposed the M.F. portfolio does not exceed its net assets. The exposure to risk is calculated based on the current value of M.F. assets subject to analysis, of the risk of the other contracting party, of the future market movement and trends, and of the available time to liquidate positions. (Dragomir, 2005)

In the case study we have exemplified 2 implications in different regions with different portfolios and of course different risks as follows: Alpha Athens Index Fund, Alpha Select South-East Europe, and Romania Joint External Alpha.

## RESULTS AND DISCUSSION

### Alpha Athens Index Fund Internal Participation

It is a mutual fund with participation which offers performance close to that of the General Index of Athens Stock Exchange. It is addressed to the investors with a wider horizon, ready to expound on the stock market from Greece, accepting the risk of some negative returns in the downturn periods of the market.

Objective of the investment

It is a mutual fund with passive management which aims to reproduce the performance of the Stock Exchange General Index of Athens. The exposure to the ordinary shares from Greece cannot be less than 95 % of the total assets.

It aims the investors who are willing to expose to the risk on the market of ordinary shares from Greece, anticipating positive results regarding the earnings from the societies of Greece on long term, accepting also the risk of some negative returns in the declining periods of the valuable titles market. Below we have the breakdown of the heritage Alpha Athens Index Fund (Tab. 1)

Tab. 1

The breakdown of the heritage Alpha Athens Index Fund

The most important heritages	
National Bank of Greece	19,1%
Coca Cola	8,5%
EFG. EuroeBank Ergasias	7,4%
Opap	7,2%
Hellenic Telecom	7,1%

The third quarter of the year was characterized through a string recovery of the global market share, due to the continuous improvement of the macroeconomic environment at global level, while it became a consensus that the recession period ended. The corporatist results afferent to the previous quarter have also managed to exceed the analysts' expectations in most cases (as result of the initiatives of drastic reduction of the costs) giving further support to the impulse of the market. Along the way, the investment community will focus on the global economy's ability to record a positive growth without the intervention (through fiscal and monetary stimulus) of the governments with a strong economy around the world, this representing thus the foundation of the investors' expectations. During the third quarter of the year, the General Index of Athens Stock Exchange rose at 20.4%, moving in line with the developed European primary markets.

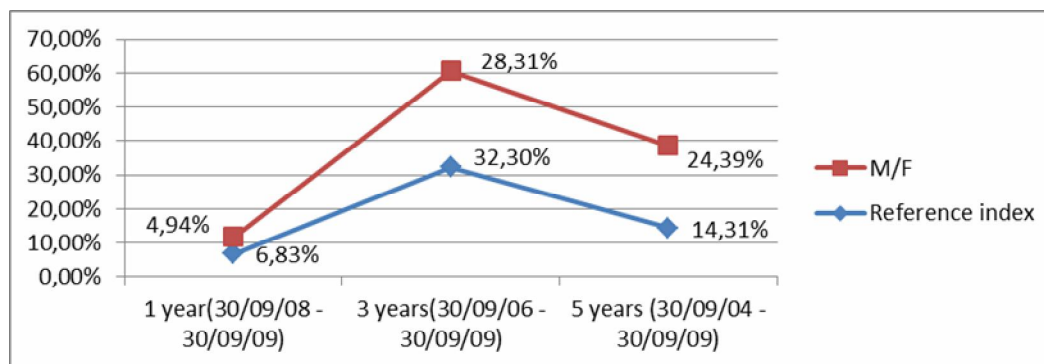


Fig. 1. Reference indexes according to the investment period of Mutual Funds

The foreign institutional investors have bought more than they sold in that period (inflows of 1.1 billion Euros) as they increased their exposure on the market. The return of the fund for this period reached 20.12% close to the reference index. Above in the graph we have expressed the reference indexes according to the investment period. In one year the index is situated at 6.83%, in 3 years at 32.20% and in 5 years at 14.31%.

#### **Alpha aggressive strategy of internal participation**

The goal: is an internal mutual fund that aims to provide to the investor profit from plus of value from the titles as well as and from the incomes like dividends of these. The reference index is the General Index of Prices at the Stock Exchange from Athens. The investment policy of the mutual fund focuses on following by close the markets, in the purpose of identifying a range of investment opportunities, especially in share of the societies that have development and dynamic perspectives, and which is negotiated at the Athens Stock Exchange. The strategic objective of the mutual fund is the obtaining of superior yields, as a consequence of greater investment risk-taking. The strategy in composition and the structure of the fund asset is materialized through the exploitation of the trend on short term of the market, with frequent variations of the asset elements, with a quick change of placements on branches and using the derived instruments. The mutual fund, can in accordance with those specified by the Committee for the Capital Market, to use means and techniques related to securities, by the means from the financial market and the derived financial instruments, in the purpose of efficient administration, or even of the balancing the elements of net asset.

The fund invests mainly in the shares of capital from Greece. The portfolio is broadly diversified, consisting largely of companies with a strong capitalization and shares of the growing companies. The fund will profit also by the speculative opportunities, to obtain capital earnings on short term from the volatility of the markets. Below we have exemplified in a chart the form of the sales and their proportion: 12% Cash and Equivalent in cash and the majority share have the Shares with a share of 88%.

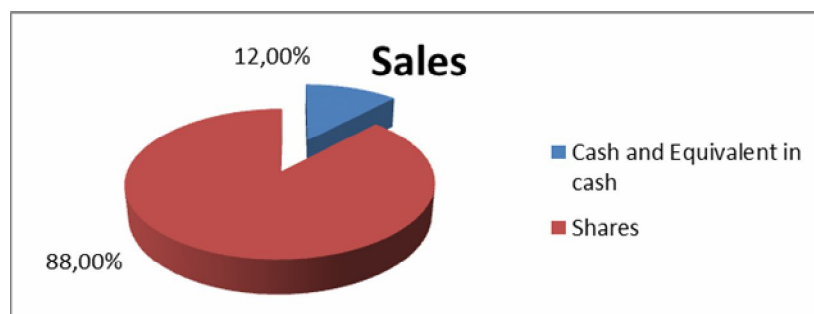


Fig. 2. The form of the sales and their proportion

#### **Quarterly Analysis of Alpha Athens Index Fund**

The third quarter of the year was characterized through a strong recovery of the capital markets at global level, due to the continuous improvement of the global macroeconomic environment, all these aspects leading to a single conclusion, namely that the recession period would end. The corporatist results afferent to the previous quarter have also managed to exceed the analysts' expectations in most cases (as result of the initiatives of drastic reduction of the costs) giving further support to the impulse of the market.

Along the way, the investment community will focus on the global economy's ability to record a positive growth without the intervention (through fiscal and monetary stimulus) of

the governments with a strong economy around the world, this representing thus the foundation of the investors' expectations. During the third quarter of the year, the General Index of Athens Stock Exchange rose at 20.4%, moving in line with the developed European primary markets. The foreign institutional investors have bought more than they sold in that period (inflows of 1.1 billion Euros) as they increased their exposure on the market. The yield of the fund for this period reached 16.47% recording a sub performance compared to the reference index with 3.96%.

Tab.2

The Alternation Index Portfolio and Total Expenditure Index in 2009

	2009
I.A.P. (Alternation Index Portfolio)	387,820%
I.C.T. (Total Expenditure Index)	2,691%

Taking into account by the gradations of the indexes from the above table, the risks are the following: The risks of the derived instruments:

- Credit risk: null
- Market risk: high
- Liquidity risk: low
- The risk of the other contracting party: low

Is addressing to the investors with a broader horizon, which aim to obtain substantial profits from a portfolio of participating titles, as well as and the significant risk of suffering capital losses.

#### **Alpha Select South-East Europe External Participation**

The goal: is a mutual fund in external participation, which aims to provide the investor profit from the plus of the value of company's shares which is carrying out its activity mainly on the developing markets from the South East Europe, as well as and from the incomes type dividends of those. The reference index is composed of 35% XU 100 (Turkey), 15% RDX (Russia ADR Index), 15% BBETINRM (Romania), 5% SOFIX (Bulgaria), 5% COREMI (Croatia), 10 % CYSMMAPA (Cyprus), 15% ASE INDEX (Greece). The investment policy of the fund focuses on achieving growths of capital, investing in titles of societies with high capitalization degree, with the close watch of the markets of some countries as Romania, Bulgaria, Turkey, Cyprus, Serbia, Croatia, Ukraine, Russia, as well as of the societies from Greece which activates in the Balkan countries, in order to identify a range of investment options, which to offer plus to the value, degree of dispersion and limit the risk.

The mutual fund may, in accordance with the provisions of the Capital Market Commission, to use tools and techniques related to the securities, by the financial market means and by derived financial instruments, in order to administrate more efficient or even the equilibration of the elements of the net asset. Is addressing to the investors with a broad time horizon, which, in the context of the structure of a portfolio, wish to place a percentage of the capital that they hold on the markets which they have the possibility to offer increased profits, accepting substantial variations of the respective financial markets, as well as the significant risk of suffering capital losses. In addition, given the mutual funds on the emerging markets, will have, at the moment of making the investment, to be taken into account the social and political instability, diplomatic evolutions, the market area which can influence the prices and liquidities, as well as and the variations of the currency quotes. The most important heritages owned are: Marfin Bank with 3.5%, Gazprom with 3.6%, Cyprus Bank having a share of 4.5% and the largest share is having BRD with 4.8%.

The breakdown by region within the Alpha Select Southern-East Europe External Participation is: Cyprus having 8%, Romania holding 15.7%, Turkey 27.6% and Greece 16.6%. The Fund also seeks such opportunities related to the actions of the selected emerging companies more extended, in states like Ukraine. This is a portfolio of shares with high risk and yield which has the purpose to collect the growth potential of the economies from the above states in the future years. Due to the nature of emerging market which characterizes these markets makes the object of a very high potential currency and price fluctuations of these investments.

### **Quarterly Analysis of Alpha Select South-East Europe External Participation**

During the third quarter of the year, the emerging markets from the east of Europe have continued their positive reaction to the lower levels from March, confirming the upward direction on medium term. The performance of the market was based on the improvement of the macro indicators of China's economy, stabilization of real estate market from U.S and Europe, the increasing of the demand form material and raw materials, continuing granting the packages of high economic stimulation and liquidity of the financial system.

The Turkish market was the one who recorded one of the best performances during the analyzed quarter. Firstly, the market has focused on improved results from the banking system and the positive perspectives concerning the inflation, but did not take into account the increase of the unemployment and deterioration of the GDP values. The Russian market has also continued, its accession sustained by the market dynamics. The indexes RTSI \$ and RDX have increased with 21.98% and 17.24% from the perspective of the local currency and, respectively from the perspective of euro currency. For the Romanian market, the attention was concentrated towards the structural changes referring at SIFs.

### **Alpha Romania Joint Extern**

The purpose: is an external joint mutual fund which has as purpose to provide the investor a satisfying yield, mainly through the addition to the capital value of the investments which they make, yet and of the incomes that they receive. The reference index: 50% Bucharest Se General Index (Bloomberg: BET), 50% Bucharest Interbank Rate 1 Month (BID).

The investment policy: Alpha Romania External Joint invests in a well differentiated portfolio consisted of shares, bonds, deposits and financial instruments of the issuers, which are located mainly in Romania, and in secondary plan in Balkan countries (Serbia, Bulgaria, Ukraine). The investments have primarily as objective creating a portfolio of units of funds which collaborates a good commercialization degree with tempting indicators of base. It is given importance to the economic and financial (banks, societies of investment), as well as and the producing and processing branches of oil and real estate. In addition, the mutual fund will participate to the access of new societies to the Bucharest Stock Exchange (IPO's) and at fund units negotiated at the regional stock exchange and have direct or indirect participation at leading companies from the Romanian market.

The investment in bonds of the mutual fund is limited to titles of short-term, with fixed or variable interest. It is addressed to the investors with a medium-long term horizon that follow an important added value of the invested capital, accepting the variations which are presenting the financial markets of Romania and the rest of Balkan area, as well as and the currency markets, are supposed to a pretty big investment risk and the danger to suffer capital losses.

Tab.3

## The most important heritages

The most important heritages	
Romania GOVT BOND 6,5% 5/3/2012	9,9%
Romania GOVT BOND 6,0% 25/10/2010	9,7%
Petrom	5,0%
Transgaz	4,3%
Transelectrica	3,9%

According to the table above, within the Alpha Romania Joint External the most important heritages in ascending order are: Transelectrica holding a share of 3.9%, Trans Gaz of 4.3%, Petrom 5%, Romania GOVT Bond 6% has a share of 9.7% and Romania GOVT Bond 9.9%. The incomes of the M.F. from interests, dividends and earnings from drawing to round, can be distributed annually to the holders of the fund units, after the deduction, in advance, , of the total of the afferent expenditure of the financial exercise. The profit obtained after selling the actives M.F. is divided to the holders of fund units at the election of the Alpha Asset Management A.E.D.A.K and to the extent in which is not compensated through the capital losses that have occurred by the end of the financial year. The profit distribution by the beneficiaries will be made in within three months from the ending of each financial exercise, it will be invested in fund units of M.F., and it will be made the communication in this sense in the media. The distribution is done by all those who held fund units from the last day of the financial exercise of which the profit has resulted.

The holders of fund units which represent at least 1/10 of the total of current assets of the M.F. have the right to request the convening Assembly of the Fund Unit Holders. The application is submitted at Alpha Asset Management A.E.D.A.K which has the obligation to convene the Assembly of the Fund Unit Holders in Athens, within 30 days from the reception of the request. The request will include the topics on the agenda, which may relate to the provision of information by the Alpha Management A.E.D.A.K. or at any other problem relating directly or indirectly by the administration of the M.F.

Tab. 4

## The Alternation Index Portfolio and Total Expenditure Index in 2009

	2009
I.A.P. (Alternation Index Portfolio)	300,190%
I.C.T. (Total Expenditure Index)	2,407%

The risks of the derived instruments are the following:

- Credit risk: null
- Market risk: high
- Liquidity Risks: low
- Risk of the other contracting part: average

The Romanian capital market has continued the accession during the third quarter of 2009, the investors, increasing their positions in the banking sector and in the closed investment funds (SIFs). At macro level, although it is obvious that the current economic crisis is the worst in the last decade, there appeared the first signs of stabilizations concerning the industrial production and private consumption. In the same time, the improvement of the deficit of current account (at approximately 5.5% of GDP) and the help granted by IMF, has stabilized the exchange rate Ron/Euro in the range 4.2 – 4.3, which itself it is a important factor in attracting new FDI (Foreign Direct Investments) on medium and long term

stabilizing the banking sector. In the same period, the fund has increased its VAN with 9.74%, while the cash remained at a high level of 20% from VAN, gradually reducing the position in other peripheral markets as Greece and Serbia.

## CONCLUSIONS

The mutual funds offer the possibility of collective investment in various instruments of the banking and financial markets and of capital, in order to obtain earnings higher than those from the interests from deposits, on medium or long term, in the conditions of assuming the eventual risks by the investors. The mutual funds are suitable instruments of investments on medium and long term. If an investor remains in the domain the mutual funds for a short period of time it is possible that due to the redemption commissions of the fund units and of the price fluctuations, to receive a smaller amount than the initial investment. The modality of investment into a mutual fund is buying the units from the fund. The value of the funds units is calculated daily and is published in press, in our case daily on the newspaper called Exchange. The fund units can be redeemed at any time to obtain their value in money. The investor's earnings in mutual funds come from the difference of price obtained at the return of the fund units beside the amount paid to purchase.

The range offered by Alpha Asset Management A.E.D.A.K. allows the investors to allocate their funds that they wish to invest after their own preference, opting to participate at different Alpha Mutual Funds, depending on the timing horizon and risk degree that they are willing to assume. The Alpha Asset Management A.E.D.A.K, having a long experience in the mutual funds, achieves strong performances of the portfolio, with low investment risk, accumulating high yields on long term. The portfolio owned by the Alpha Asset Management A.E.D.A.K allows choosing from a wide range of mutual funds: of shares, diversified, of bond and Funds of Funds. The share funds invest mainly in shares (participation) of the listed companies at the Exchange. The diversified funds invest both in shares and in bonds (government securities), in different proportions and carefully balanced. The bonds funds are the funds which invest mainly in bonds (state or corporative titles). Funds of Funds are the mutual funds which invest in other mutual funds.

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