

Having It All

An Interview with Oksana S. Markarova,
President, ITT Investment Group, Kiev, Ukraine



Oksana S. Markarova

EDITORS' NOTE *The recipient of an M.P.A. in international public finance and trade from Indiana University's School of Public and Environmental Affairs and an M.S. and B.S. from the National University of Kiev-Mohyla Academy, Oksana Markarova assumed her current post in 2003. She has also served as the External and Corporate Relations Manager for Western NIS Enterprise Fund and as a consultant for the World Bank Group's Development Gateway.*

COMPANY BRIEF *Founded in 1995, ITT Investment Group (www.itt-group.com) provides brokerage and investment services to Ukrainian business entities, private citizens, and foreign investors. The group also offers asset management, private equity, corporate governance, and investment consulting services.*

What distinguishes ITT Investment Group among Ukrainian financial services firms?

There are a number of highly professional companies in Ukraine that specialize in brokerage, private equity, or asset management. Our competitive advantage is having it all. There is hardly a service we cannot offer in the financial area, from consulting, to M&A, to representing a client on the organized market, or helping to structure a deal. We believe that having all of these services under one roof and having a dynamic, creative team of experts enables us to serve our clients better, and truly offer them a unique solution tailored to their specific needs.

Secondly, from its founding, the company has been transparent and adhered to high moral standards in our business practices and partner relations. Our partners and clients know they can trust us with their money and businesses. Thirdly, if you enter our office, you'll see many beautiful paintings – famous Ukrainian masterpieces from our shareholder Danylo Volynets' private collection. They inspire us and we think they differentiate us from other companies.

What services does ITT Investment Group offer?

ITT-Invest Investment Company has been one of the most active professional market operators in Ukraine since its foundation in 1995. It provides a full range of brokerage, dealer, and other investment services in organized and non-organized markets in Ukraine. These services include M&A, underwriting, and IPOs for institutional and strategic investors. ITT-Invest Private Equity Department was created in 1999 to increase the value of Ukrainian companies through investment and active post-investment management. Our private equity investments focus on construction materials manufacturing, commercial real estate, and hotels. It is rewarding to know that our investments and management created several market leaders in Ukraine in autoclaved cellular concrete production, ready-mix concrete, reinforced concrete, granite stones, and many other sectors. Our asset management firm ITT-Management provides its clients with management services, offering a wide spectrum of funds and instruments for corporate entities and private individuals who seek alternative investments, and understand the advantages of professional capital management. Our investment consulting department was created to meet Ukrainian small and medium-sized enterprises' demand for professional consulting and advisory services. It provides organizational, financial, business, and legal consulting services.

You've noted that there are big investment opportunities in Ukraine, and that the potential returns are unbelievable.

In spite of some political tensions, the Ukrainian economy has shown great performance since 2000. Industry showed unprecedented growth in the first quarter of 2007, rising another 12 percent. Inflation is less than moderate, and the local currency is stable. In addition to macroeconomic stability and growth, consumer purchasing power continuously increases, driving the demand for goods and services. At

the same time, our professional investment team knows how to minimize emerging market risks in Ukraine, enabling us to generate superior returns on investments – in excess of 30 percent. For example, our combined internal rate of return on realized private equity deals since 1998 totals 27 percent, with 212 percent cash-on-cash return.

What funds does ITT's management arm offer investors?

In 2007, ITT-Management introduced three new funds, which we will actively market in September. ITT-Capital II is a private equity/buy-out fund with a 10-year life and an investment focus on medium-sized companies in the fast-growing sectors in Ukraine. It is a moderate to high-risk fund with an expected IRR of 30 percent. ITT-Real Estate is a real estate investment trust that will focus on income generating real estate, such as parking, office space, medical offices, hotels and logistics parks, and storage. It is a moderate-risk fund with 30 percent expected IRR. ITT-Finance is a fixed-income instruments fund that will invest in governmental, municipal, corporate, and mortgage bonds, and deposit certificates of the top 40 Ukrainian banks with over B+ ratings. This is a low-risk fund with 12 percent IRR, and the primary target is foreign investors.

You were recently elected Chairman of the Board of Directors of the newly organized Stock Market Supermarkets Company. What exactly is this new endeavor?

This is a new project, which I believe will be revolutionary in Ukraine. Mutual and investment funds have been developing rapidly in Ukraine since 2003. The Ukrainian population's rapidly growing purchasing power resulted in the need for alternative investments, and access to opportunities that a developing stock market presents. The number of people interested in investing in mutual funds is increasing; but people do not have enough information about the investment process, their rights, industry standards, and the risk associated with such investment. So ITT-Management joined forces with three other leading financial companies – Kinto, TEKT, and Ineko – to create a network of sales points, where people can get information and education and make informed investments. We are positive that this project will be not only a good investment for ITT, but also a contribution to the financial market infrastructure. This is a continuation of ITT's tradition. We were also founders of the National Depository and MFS Depository, as well as several exchanges in Ukraine. ●