

INFORMATION ON INVESTMENT MANAGEMENT OF PENSION ASSETS OF UAPF JSC

As of August 1, 2023, UAPF pension assets (hereinafter referred to as PA) held in trust by the National Bank of the Republic of Kazakhstan (hereinafter referred to as the NBRK) amounted to KZT16,366.61 bln¹.

The structure of the investment portfolio of financial instruments, formed at the expense of UAPF pension assets, is presented in Table 1.

Table 1. Structure of the investment portfolio of UAPF PAs held in trust by the NBRK, by financial instruments

KZT bln

Description	Current Value as of 01.01.2023	Share as of 01.01.2023	Current Value as of 01.08.2023	Share as of 01.08.2023	Increase/Decrease from the beginning of the year
GS MF RK	7,270.16	49.72%	8,042.91	49.14%	10.63%
Foreign GS	812.16	5.55%	728.61	4.45%	-10.29%
IFO	370.94	2.54%	370.04	2.26%	-0.24%
Corporate bonds of RK issuers	16.25	0.11%	16.04	0.10%	-1.33%
Bonds of quasi-public organizations of RK	1,666.98	11.40%	1,705.09	10.42%	2.29%
Bonds of second tier banks of RK	945.94	6.47%	873.95	5.34%	-7.61%
Corporate bonds of foreign issuers	5.51	0.04%	4.54	0.03%	-17.49%
PPN	9.47	0.06%	6.98	0.04%	-26.33%
Shares and depository receipts of RK issuers	246.54	1.69%	247.54	1.51%	0.41%
Deposits	200.39	1.37%	201.15	1.23%	0.38%
NBRK Deposits	80.34	0.55%	170.21	1.04%	111.87%
Cash in investment accounts	22.69	0.16%	69.91	0.43%	
REPO	-	-	200.11	1.22%	100%
Other assets (accounts receivable, arrears, provisions)	2.06	0.01%	-	-	-
Index asset management, including:	2,972.49	20.33%	3,729.55	22.79%	25.47%
Government securities of developed countries	1,069.24	7.31%	1,215.75	7.43%	13.70%
Government securities of developing countries	547.83	3.75%	759.04	4.64%	38.55%
Assets under external management	1,355.43	9.27%	1,754.76	10.72%	29.46%
Total PA under fiduciary management of NBRK	14,621.89	100.00%	16,366.61	100.00%	11.93%
Cash on contribution and benefit payment accounts	37.07		4.43		
Total Pension Assets	14,658.96		16,371.04		11.68%

As of August 01, 2023 the weighted average yield to maturity (YTM) of debt financial instruments in the investment portfolio of UAPF PA was 10.8% per annum, including 12.4% per annum on those denominated in tenge and 5.1% per annum in foreign currency.

¹ excluding money in the accounts of pension contributions and benefits.

Government securities of the Ministry of Finance of the Republic of Kazakhstan

The main share in the UAPF PA portfolio is occupied by government securities (GS) of the Ministry of Finance of the Republic of Kazakhstan, the current value of which for the reporting month increased by KZT342.72 billion and amounted to KZT8,042.91 billion. Their share in the portfolio was 49.14%.

In the reporting period, GS of the Ministry of Finance of the RK were redeemed in the amount of KZT30.68 billion.

In the period under review, GS of the Ministry of Finance of the RK were purchased in the amount of KZT300.00 billion at a nominal value with a weighted average yield of 13.18% per annum. There were no sales of GS of the Ministry of Finance of the RK.

As of the reporting date, the weighted average yield to maturity on GS of the Ministry of Finance of the RK, denominated in tenge, amounted to 12.6% per annum, in US dollars - 3.4% per annum.

Government securities of foreign countries in the liquidity sub-portfolio

The current value of government securities of foreign states in the liquidity sub-portfolio for the reporting month increased by KZT36.57 billion and amounted to KZT728.61 billion. Their share in the portfolio was 4.45%.

In the reporting period, US government securities were redeemed in the amount of KZT261.27 billion.

In the period under review, government securities of foreign states were purchased in the total volume of KZT295.49 billion with an average weighted yield of 5.41% per annum. There were no sales of foreign government securities.

The weighted average yield to maturity of government securities of foreign states in the liquidity sub-portfolio of the currency portfolio of UAPF PA as of the reporting date was 6.0% per annum.

International financial organizations bonds

The current value of bonds of international financial organizations for the reporting month increased by KZT1.87 billion and amounted to KZT370.04 billion. Their share in the portfolio was 2.26%.

There were no purchases, redemptions and sales of securities of international financial organizations in the period under review.

The weighted average yield to maturity on bonds of international financial organizations denominated in tenge with a fixed interest rate was 9.4% per annum, with an indexed interest rate - inflation and premium.

Deposits in second-tier banks of the Republic of Kazakhstan

The current value of deposits in second-tier banks (STBs) of the Republic of Kazakhstan with a weighted average maturity of 1.11 years increased by KZT0.80 billion during the reporting month and amounted to KZT201.15 billion. Their share in the portfolio was 1.23%.

There were no placements and repayments of deposits of STBs of the Republic of Kazakhstan.

The weighted average yield to maturity of deposits of STBs of the Republic of Kazakhstan as of the reporting date was 9.1% per annum.

Deposits in the National Bank of the Republic of Kazakhstan

The current value of deposits in the National Bank of the Republic of Kazakhstan as of the reporting date amounted to KZT170.21 billion. Their share in the portfolio was 1.04%.

In the reporting month, within the framework of current liquidity management in order to maintain return on pension assets, investments were made in deposits of the National Bank of the Republic of Kazakhstan. The average volume of transactions amounted to KZT156.55 billion with an average weighted yield of 15.86% per annum.

Corporate bonds of issuers of the Republic of Kazakhstan

The current value of corporate bonds of RK issuers for the reporting month decreased by KZT0.03 billion and amounted to KZT16.04 billion. Their share in the portfolio was 0.10%.

There were no purchases, sales and redemptions of corporate bonds of RK issuers in the period under review.

Bonds of quasi-public organizations of the Republic of Kazakhstan

The current value of bonds of quasi-public organizations of the Republic of Kazakhstan for the reporting month increased by KZT6.56 billion and amounted to KZT1,705.09 billion. Their share in the portfolio was 10.42%.

There were no purchases, redemptions and sales of securities of quasi-public organizations of the Republic of Kazakhstan.

As of the reporting date, the weighted average yield to maturity on bonds of quasi-public organizations of the Republic of Kazakhstan, denominated in tenge, was 11.3% per annum, in US dollars - 5.5% per annum.

Bonds of second-tier banks of the Republic of Kazakhstan

The current value of bonds of second-tier banks of the Republic of Kazakhstan for the reporting month increased by KZT2.53 billion and amounted to KZT873.95 billion. Their share in the portfolio was 5.34%.

In the period under review, there were no purchases, redemptions and sales of bonds of second-tier banks of the Republic of Kazakhstan.

As of the reporting date, the weighted average yield to maturity on bonds of second-tier banks of the Republic of Kazakhstan amounted to 10.6% per annum.

Corporate bonds of foreign issuers in the liquidity sub-portfolio

The current value of corporate bonds of foreign issuers amounted to KZT4.54 billion. Their share in the portfolio was 0.03%.

There were no purchases, sales or redemptions of corporate bonds of foreign issuers.

The weighted average yield to maturity of corporate bonds of foreign issuers in the UAPF PA portfolio as of the reporting date was 9.6% per annum.

PPN (structured notes) of foreign issuers

The current value of PPN (structured notes) of foreign issuers in the reporting month amounted to KZT6.98 billion. Their share in the portfolio was 0.04%.

In the reporting period, there was a redemption of Societe Generale structured notes in the amount of KZT2.34 billion.

There were no sales and purchases of PPN (structured notes) of foreign issuers.

Shares and depositary receipts of issuers of the Republic of Kazakhstan

The current value of shares and depositary receipts of RK issuers for the reporting month decreased by KZT2.54 billion and amounted to KZT247.54 billion. Their share in the portfolio was 1.51%.

In the period under review, there were no purchases and sales of shares and depositary receipts of RK issuers.

Currency structure

The investment portfolio of financial instruments, broken down by currencies in which financial instruments are denominated, acquired at the expense of UAPF pension assets, is presented in Table 2.

In the reporting period, in order to maintain the currency share of pension assets at the level of 30%, in order to diversify the investment portfolio, USD240.00 million were purchased at the Kazakhstan Stock Exchange.

Table 2. Structure of the investment portfolio of UAPF PAs held in trust by the NBRK, by currency

KZT bln

Currency	Current Value as of 01.01.2023	Share as of 01.01.2023	Current Value as of 01.08.2023	Share as of 01.08.2023	Increase/Decrease from the beginning of the year
National Currency	10,467.94	71.59%	11,515.00	70.36%	10.0%
US dollar	4,146.13	28.36%	4,847.16	29.62%	16.9%
Other currencies	7.82	0.05%	4.46	0.03%	-43.00%
Total:	14,621.89	100.00%	16,366.61	100.00%	11.93%

Investment results

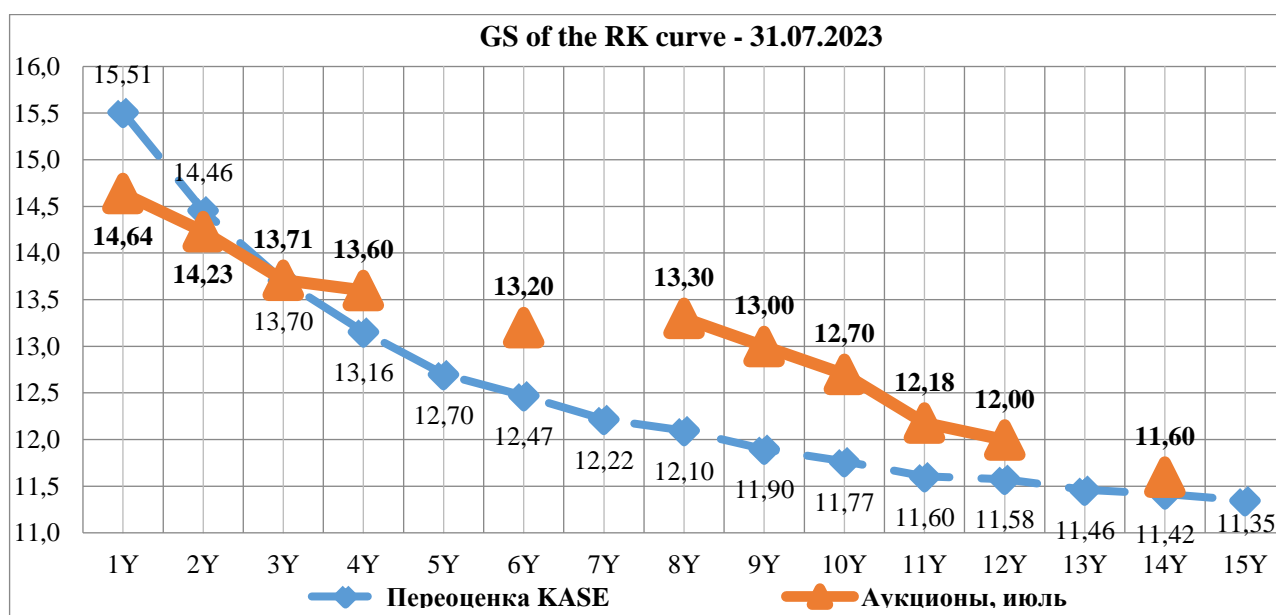
As a result of investment activities, as well as due to the volatility of foreign exchange rates and changes of the market value of financial instruments, the amount of accrued investment income since the beginning of 2023 amounted to KZT782.30 bln.

The return on UAPF pension assets distributed to the accounts of contributors (beneficiaries) from the beginning of 2023 amounted to 5.01% with inflation of 5.80%.

In July 2023, the US Federal Reserve decided to raise the base rate to 5.25-5.50% that corresponded to the expectations of professional market participants. At the same time, despite signals from the US Federal Reserve about another rate increase until the end of this year, investors hold an opinion that there will be no further rate increases.

At the same time, there was relative calm in global markets, and the VIX volatility index remained at minimal levels. As a result, the MSCI World stock index rose by 3.3% over the month, and the yield on benchmark 10-year US Treasury bonds rose by 12 bps. In addition, spreads of corporate bonds and bonds of developing countries restricted by 10 bps and 18 bps respectively.

There was an increased demand for placements of GS of the RK, as well as a decrease in yields on medium-term GS of the RK against the background of a further slowdown of the inflation. In July, inflation rose by 0.6% (0.5% in June) or 14.0% in annual terms (14.6% in June). The median demand at the GS of the Republic of Kazakhstan auctions exceeded the supply by 1.5 times. At the same time, active demand was observed for medium-term GS of the RK (5-10 years), where demand exceeded supply by an average of 2.8 times.



The structure of accrued investment income for the specified period is presented in Table 3.

Table 3. Structure of investment income received from UAPF PAs held in trust by the NBRK

KZT bln

Description	Investment return of 2023
Income in the form of remuneration on securities, including on placed deposits and reverse REPO transactions and from market revaluation of securities	817.21
Income (loss) from foreign currency revaluation	-100.02
Income (loss) on assets under external management	62.53
Other income (losses)	2.58
Total	782.30

Information on compliance with the parameters of the investment declaration

The structural distribution of UAPF PA in trust meets the requirements of the UAPF Investment Declaration². Shares of foreign exchange positions remain within the acceptable level and do not violate the requirements of the UAPF Investment Declaration. Information on compliance with investment limits for UAPF PA as of August 1, 2023 is presented in Table 4.

Table 4. UAPF PA Investment limits

No.	Financial Instrument Type	Actual Value (Expressed as Percentage from the PA)	Compliance (Yes/No)
	Cash KZT	0.01%	yes
	Cash in foreign currency	0.52%	yes
1	Kazakhstani issuers:	68.20%	
1.1	Government securities of the Republic of Kazakhstan issued by the Ministry of Finance of the Republic of Kazakhstan. the National Bank of the Republic of Kazakhstan	49.14%	yes
1.1.1	Government securities of the Republic of Kazakhstan issued by local executive bodies of the Republic of Kazakhstan	0.0%	yes
1.2	Deposits of the National Bank of the Republic of Kazakhstan	1.04%	yes
1.3	Securities of the quasi-public sector entities	11.65%	yes
1.4	Financial instruments of second-tier banks of the Republic of Kazakhstan with a rating of a security and / or issuer not lower than "B" according to the international scale of Standard & Poor's agency or a rating of a similar level from one of the other rating agencies. including:	6.21%	yes
1)	Debt securities	4.93%	yes
2)	Equity securities	0.05%	yes
3)	Deposits	1.23%	yes
1.5	Non-government debt securities. with the exception of debt securities of entities of the quasi-public sector and second-tier banks of the Republic of Kazakhstan. having a rating of a security and / or issuer not lower than "B-" according to the international scale of Standard & Poor's or a rating of a similar level of one from other rating agencies	0.00%	yes
1.5.1	Non-government debt securities issued under the guarantee and / or guarantee of the Government of the Republic of Kazakhstan	0.0%	yes
1.6	Non-government equity securities. with the exception of equity securities of quasipublic sector entities and second-tier banks of the Republic of Kazakhstan. included in the first category of the official list of the Kazakhstan Stock Exchange	0.17%	yes
1.7	Islamic finance instruments included in the official list of the Kazakhstan Stock Exchange and / or AIFC Exchange	0.0%	yes
1.8	Securities secured by real estate (MBS) and assets (ABS) with a rating of a security and / or issuer not lower than "BB-" according to the international scale of Standard & Poor's or a rating of a similar level from one of the other rating agencies	0.0%	yes

² The investment declaration of the UAPF was approved by the Resolution of the Board of the National Bank of the Republic of Kazakhstan dated February 24, 2020 No. 10

2	Foreign issuers:	29.05%	yes
2.1	Securities of Government agencies and of international financial organizations with a rating of a security and /or issuer not lower than «BB-» according to the international scale of Standard & Poor's or a rating of a similar level from one of the other rating agencies	19.11%	yes
2.2.	Municipal securities as part of investing in government and agent securities	0.0%	yes
2.3	Corporate debt securities with a rating of a security and / or issuer not lower than «BB-» according to the international scale of Standard & Poor's or a rating of a similar level from one of the other rating agencies	3.70%	yes
2.4	Securities secured by real estate (MBS) and assets (ABS) with a rating of a security and / or issuer not lower than «BBB-» according to the international scale of Standard & Poor's or a rating of a similar level from one of the other rating agencies	0.0%	yes
2.5	Convertible securities as part of investing in corporate securities with a rating of a security and / or issuer not lower than «BB-» according to the international standard agency Standard & Poor's rating or a rating of a similar level from one of the other rating agencies	0.0%	yes
2.6	Shares, depository receipts for shares	6.19%	yes
2.7	Deposits in foreign banks with a rating not lower than «A-» according to the international scale of Standard & Poor's or a rating of a similar level from one of the other rating agencies	0.00%	yes
2.8	Structural products issued by organizations with a rating of at least «BBB-» on the international scale of Standard & Poor's or a rating of a similar level from one of the other rating agencies	0.04%	yes
2.9	Islamic finance instruments with a rating of at least «BB-» according to the international scale of the Standard & Poor's agency or a rating of a similar level from one of the other rating agencies	0.10%	yes

No.	Financial Instrument Type	Actual Value (% of PA)	Performance (Yes / No)
1	Derivative financial instruments, including:	0.00%	yes
1.1	Derivative financial instruments used to hedge investment risk	0.00%	yes
1.2	Derivative financial instruments used for investment purposes	0.00%	yes
1.3	Gold in bars and AU metallic accounts	0.0%	yes

Information on purchases, sales and redemption of financial instruments in the UAPF PA investment portfolio

Table 5. Information on the purchase of financial instruments in the reporting month

Instrument	Currency	Issuer	Nominal Value in KZT
GS of RK	KZT	Government of the Republic of Kazakhstan	300,000,000,000
US GS	USD	US Government	220,807,500,000
Indonesia GS	USD	Government of the Republic of the Indonesia	33,309,950,000
Panama GS	USD	Government of the Republic of the Panama	21,302,810,000
Romania GS	USD	Government of the Republic of the Romania	8,879,800,000
Philippines GS	USD	Government of the Republic of the Philippines	4,902,090,000
Mexico GS	USD	Government of Mexico	4,426,800,000
Poland GS	USD	Government of Poland	1,861,103,200
Total			595,490,053,200

Table 6. Information on principal repayments on securities in the reporting month

Instrument	Currency	Issuer	Amount due in KZT
US GS	USD	US Government	261,266,400,000
GS of RK	KZT	Government of the RK	30,681,312,000
PPN	USD	Societe Generale	2,347,016,408
Total			294,294,728,408