

## INFORMATION ON INVESTMENT MANAGEMENT OF PENSION ASSETS OF UAPF JSC

As of September 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 KZT16,759.31 bln<sup>1</sup>.

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 01.09.2023	Share as of 01.09.2023	Increase/Decrease from the beginning of the year
GS MF RK	7,270.16	49.72%	8,063.65	48.11%	10.91%
Foreign GS	812.16	5.55%	755.94	4.51%	-6.92%
IFO	370.94	2.54%	369.30	2.20%	-0.44%
Corporate bonds of RK issuers	16.25	0.11%	15.18	0.09%	-6.61%
Bonds of quasi-public organizations of RK	1,666.98	11.40%	1,717.10	10.25%	3.01%
Bonds of second tier banks of RK	945.94	6.47%	870.34	5.19%	-7.99%
Corporate bonds of foreign issuers	5.51	0.04%	-	0.00%	-100.00%
PPN	9.47	0.06%	7.20	0.04%	-23.96%
Shares and depository receipts of RK issuers	246.54	1.69%	271.45	1.62%	10.11%
Deposits	200.39	1.37%	198.13	1.18%	-1.13%
NBRK Deposits	80.34	0.55%	443.00	2.64%	451.44%
Cash in investment accounts	22.69	0.16%	54.99	0.33%	
Other assets (accounts receivable, arrears, provisions)	2.06	0.01%	-		-
<b>Index asset management, including:</b>	<b>2,972.49</b>	<b>20.33%</b>	3,993.04	23.83%	34.33%
Government securities of developed countries	1,069.24	7.31%	1,244.74	7.43%	16.41%
Government securities of developing countries	547.83	3.75%	764.01	4.56%	39.46%
Assets under external management	1,355.43	9.27%	1,984.29	11.84%	46.40%
<b>Total PA under fiduciary management of NBRK</b>	<b>14,621.89</b>	<b>100.00%</b>	<b>16,759.31</b>	<b>100.00%</b>	<b>14.62%</b>
Cash on contribution and benefit payment accounts	37.07		3.31		
<b>Total Pension Assets</b>	<b>14,658.96</b>		<b>16,762.61</b>		<b>14.35%</b>

As of September 01, 2023 the weighted average yield to maturity (YTM) of debt financial instruments in the investment portfolio of UAPF PA was 10.9% per annum, including 12.4% per annum on those denominated in tenge and 5.2% per annum in foreign currency

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

The main share in the PA UAPF portfolio is occupied by government securities of the Ministry of Finance of the Republic of Kazakhstan, the current value of which during the reporting month increased by KZT20.74 bln and amounted to KZT8,063.65 bln. Their share in the portfolio was 48.11%.

During the reporting period, government securities of the Ministry of Finance of the Republic of Kazakhstan were repaid for a total amount of KZT20.45 bln.

<sup>1</sup> excluding money in the accounts of pension contributions and benefits.

In the period under review, government securities of the Ministry of Finance of the Republic of Kazakhstan were purchased in the amount of KZT55.00 bln at par value with a weighted average yield of 12.69% per annum. There were no sales of government securities of the Ministry of Finance of the Republic of Kazakhstan.

As of the reporting date, the weighted average yield to maturity on government securities of the Ministry of Finance of the Republic of Kazakhstan denominated in tenge was 12.7% 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 countries in the liquidity sub-portfolio for the reporting month increased by KZT27.33 bln and amounted to KZT755.94 bln. Their share in the portfolio was 4.51%.

During the reporting period, US government securities were repaid in the amount of KZT321.58 bln.

In the period under review, government securities of foreign countries were purchased in a total volume of KZT333.28 bln with a weighted average yield of 5.62% per annum. There were no sales of government securities of foreign states.

The weighted average yield to maturity of government securities of foreign countries in the liquidity sub-portfolio of the currency portfolio of the UAPF PA as of the reporting date amounted to 6.2% per annum.

### **IFO bonds**

The current value of bonds of international financial organizations during the reporting month decreased by KZT0.74 bln and amounted to KZT369.30 bln. Their share in the portfolio was 2.20%.

During the period under review, there were no purchases, redemptions or sales of securities of international financial organizations.

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 STBs of the Republic of Kazakhstan, with a weighted average maturity of 1.04 years, during the reporting month decreased by KZT3.02 bln and amounted to KZT198.13 bln. Their share in the portfolio was 1.18%.

In accordance with the conditions established by the bank deposit agreement, the principal debt on the deposit of Bank RBK JSC was repaid in the amount of KZT3.10 bln. There were no placements of deposits by STBs of the Republic of Kazakhstan.

The weighted average yield on repayment of deposits of STBs of the Republic of Kazakhstan as of the reporting date amounted to 9.2% 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 KZT443.00 bln. Their share in the portfolio was 2.64%.

In the reporting month, as part of current liquidity management in order to maintain return on pension assets, investments were made into deposits of the National Bank of the Republic of Kazakhstan. The average volume of transactions amounted to KZT233.72 bln with an average weighted yield of 15.74% 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 KZT0.86 bln and amounted to KZT15.18 billion. Their share in the portfolio was 0.09%.

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 KZT12.01 bln and amounted to KZT1,717.10 bln. Their share in the portfolio was 10.25%.

There were no purchases, redemptions or 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 STBs of the Republic of Kazakhstan for the reporting month decreased by KZT3.61 bln and amounted to KZT870.34 bln. Their share in the portfolio was 5.19%.

During the period under review, there were no purchases, redemptions or sales of bonds of STBs of the Republic of Kazakhstan.

As of the reporting date, the weighted average yield to maturity on bonds of STB RK was 10.5% per annum.

### **Corporate bonds of foreign issuers in the liquidity sub-portfolio**

In the reporting month, corporate bonds of foreign issuers Unicredit and Lukoil International Finance were repaid for a total amount of KZT4.55 bln.

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

### **PPN (structured notes) of foreign issuers**

The current value of PPN (structured notes) of foreign issuers in the reporting month amounted to KZT7.20 bln. Their share in the portfolio was 0.04%.

There were no sales, redemptions or purchases of PPN (structured notes) by foreign issuers.

### **Shares and depositary receipts of issuers of the Republic of Kazakhstan**

The current value of shares and depositary receipts of issuers of the Republic of Kazakhstan for the reporting month increased by KZT23.92 bln and amounted to KZT271.45 bln. Their share in the portfolio was 1.62%.

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

### **Currency structure**

The investment portfolio of financial instruments by currencies in which financial instruments acquired using the pension assets of the UAPF are denominated is presented in Table 2.

In the reporting period, in order to maintain the foreign exchange share of pension assets at the level of 30%, USD240.21 mln were purchased on the Kazakhstan Stock Exchange to diversify the investment portfolio.

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

Currency	Current Value as of 01.01.2023	Share as of 01.01.2023	Current Value as of 01.09.2023	Share as of 01.09.2023	KZT bln
					Increase/Decrease from the beginning of the year
National Currency	1,467.94	71.59%	11,610.1	69.28%	10.91%
US dollar	4,146.13	28.36%	5,144.7	30.70%	24.08%
Other currencies	7.82	0.05%	4.51	0.03%	-42.32%
<b>Total:</b>	<b>14,621.89</b>	<b>100.00%</b>	<b>16,759.3</b>	<b>100.00%</b>	<b>14.62%</b>

### **Investment results**

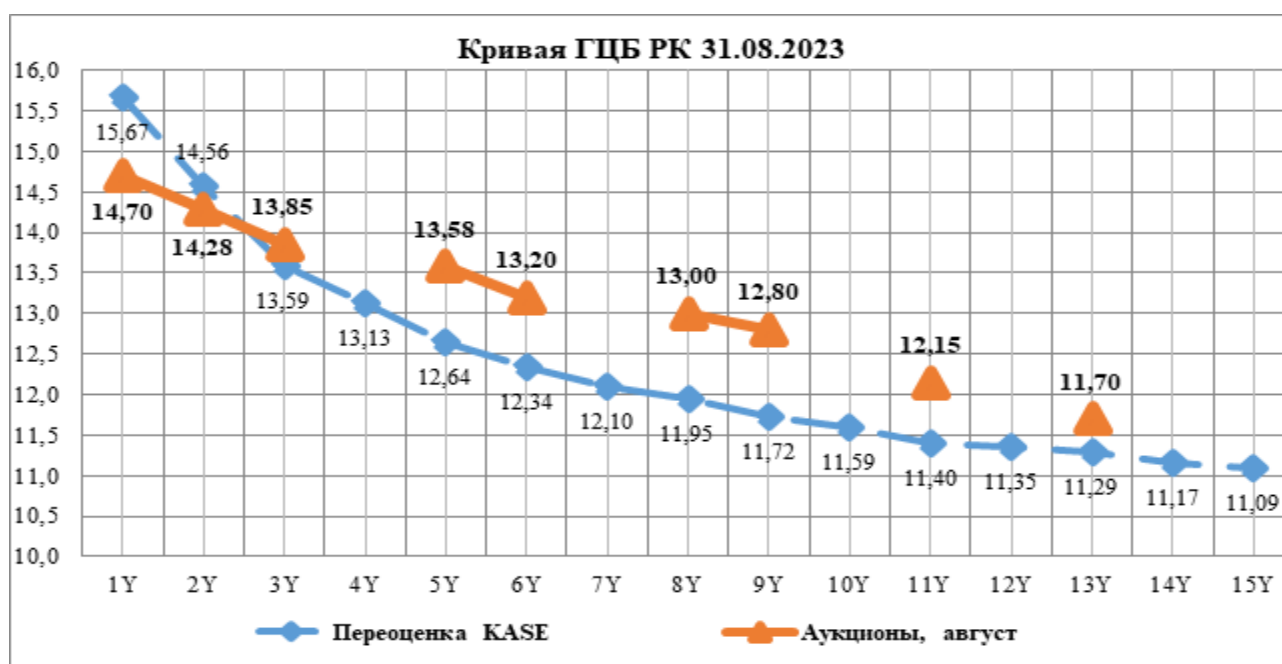
As a result of investment activities, as well as due to the volatility of foreign exchange rates and changes in the market value of financial instruments, the amount of accrued investment income since the beginning of 2023 amounted to KZT1,061.88 bln.

The return on UAPF pension assets distributed to the accounts of contributors (beneficiaries) from the beginning of 2023 amounted to 6.77% with inflation of 6.60%.

In August, global financial markets experienced an increase in volatility. In early August, the Fitch rating agency made an unexpected decision to lower the US credit rating by one notch from “AAA” to “AA+”. The rhetoric of US Federal Reserve representatives, including Jerome Powell's speech at the Jackson Hole symposium, indicated the Fed's readiness to raise rates as part of the fight against inflation. Investors estimate the probability of an additional rate increase by the end of the year to be approximately 50%.

As a result, at the end of August, the MSCI World stock index fell by 2.5%, and the yield on the benchmark 10-year US Treasury bond increased by 15 bps. At the same time, spreads on corporate and emerging market bonds widened by 5 bps. and 13 b.p. respectively.

There remained increased demand for placements of government securities of the Republic of Kazakhstan, as well as a slight decrease in yields on medium-term government securities of the Republic of Kazakhstan against the backdrop of stabilizing inflation. In August, inflation increased by 0.7% (0.6% in July) or 13.1% in annual terms (14.0% in July). The median demand at government securities auctions of the Republic of Kazakhstan exceeded supply by 1.9 times. At the same time, active demand was observed along the entire government securities curve of the Republic of Kazakhstan, including medium- and long-term securities.



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	913.18
Income (loss) from foreign currency revaluation	-7.88
Income (loss) on assets under external management	153.44
Other income (losses)	3.14
<b>Total</b>	<b>1,061.88</b>

The structural distribution of UAPF PA in trust meets the requirements of the UAPF Investment Declaration<sup>2</sup>. 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 September 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	0.03%	yes
	Cash in foreign currency	0.36%	yes
<b>1</b>	<b>Kazakhstani issuers:</b>	<b>68.53%</b>	
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	48.11%	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	2.64%	yes
1.3	Securities of the quasi-public sector entities	11.59%	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:	6.02%	yes
1)	Debt securities	4.79%	yes
2)	Equity securities	0.05%	yes
3)	Deposits	1.18%	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 quasi-public 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	0.16%	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
<b>2</b>	<b>Foreign issuers:</b>	<b>29.40%</b>	<b>yes</b>
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	19.08%	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	6.57%	yes

<sup>2</sup> 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

2.7	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	0.00%	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 USA	USD	Government of USA	200,260,500,000
GS of RK	KZT	Government of RK	55,000,000,000
GS of Oman	USD	Government of Oman	34,049,926,000
GS of Sharja Emirate	USD	Government of Sharja Emirate	26,262,670,000
GS of Panama	USD	Government of Panama	17,341,370,000
GS of Philippines	USD	Government of Philippines	14,512,910,810
GS of Morocco	USD	Government of Morocco	10,250,640,000
GS of Qatar	USD	Government of Qatar	8,879,950,000
GS of Poland	USD	Government of Poland	6,675,600,000
GS of Saudi Arabia	USD	Government of Saudi Arabia	4,463,600,000
GS of Mexico	USD	Government of Mexico	3,471,078,000
GS of Hungary	USD	Government of Hungary	2,670,240,000
GS of Indonesia	USD	Government of Indonesia	2,226,450,000
GS of Romania	USD	Government of Romania	2,218,300,000
<b>Total</b>	USD		<b>388,283,234,810</b>

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

Instrument	Currency	Issuer	Amount to be repaid in KZT
GS of USA	USD	Government of USA	321,580,200,000
GS of RK	KZT	Government of RK	20,454,951,000
Eurobonds	EUR	Unicredit	3,855,584,095
Eurobonds	USD	Lukoil International Finance	695,252,500
<b>Total</b>			<b>346,585,987,595</b>

**Table 7. Information on principal repayments on deposits in the reporting month**

Instrument	Currency	Bank	Amount to be repaid in KZT
Deposit	KZT	Bank RBK JSC	3,100,000,000
<b>Total</b>			<b>3,100,000,000</b>