

Information of the Pension Assets Investment Management of Unified Accumulative Pension Fund Joint Stock Company (UAPF JSC)

As of August 01, 2019 UAPF JSC pension assets (hereinafter referred to as PA) under fiduciary management of the National Bank of RK (hereinafter, NBRK) amounted to KZT 10,172.30 bln¹.

Structure of UAPF PA investment portfolio is presented in Table 1.

Table 1. Structure of UAPF PA investment portfolio under fiduciary management of the National Bank of RK by financial instruments

KZT bln

Name	Current Value as of 01/01/2019	Share as of 01/01/2019	Current Value as of 01/08/2019	Share as of 01/08/2019	Increase/Decrease from the Beginning of the Year
Government securities of RK	4,057.98	43.27%	3,997.01	39.29%	-1.50%
Foreign government securities	1,191.92	12.71%	1,155.08	11.36%	-3.09%
IFO	170.96	1.82%	349.64	3.44%	104.52%
Corporate bonds of RK issuers	42.06	0.45%	30.29	0.30%	-27.98%
Bonds of quasi-public organizations of RK	1,299.90	13.86%	1,420.90	13.97%	9.31%
Bonds of second tier banks of RK	1,264.78	13.49%	1,250.72	12.30%	-1.11%
Corporate bonds of foreign issuers	8.85	0.09%	9.50	0.09%	7.36%
Bonds of foreign quasi-public organizations	232.92	2.48%	233.74	2.30%	0.35%
PPN	33.95	0.36%	34.48	0.34%	1.56%
Shares and depository receipts of RK issuers	224.40	2.39%	244.62	2.40%	9.01%
Shares and depository receipts of foreign issuers	20.42	0.22%	26.83	0.26%	31.35%
Deposits	277.65	2.96%	265.64	2.61%	-4.33%
Deposits in NBRK	154.07	1.64%	43.00	0.42%	-72.09%
Deposits in foreign banks	343.16	3.66%	474.68	4.67%	38.33%
Cash on investment accounts	-	-	2.62	0.03%	
Other assets (accounts receivable ² , past-due accounts, provisions)	126.69	1.35%	531.27	5.22%	
Assets under external management by Aviva Investors Global Services Limited*	15.23	0.16%	9.32	0.09%	
Total PA under fiduciary management of NBRK**	82.80	0.88%	92.96	0.91%	12.28%
Cash on investment accounts for settlement of transactions	9,378.03**	100.00%	10,172.30	100.00%	8.47%
Cash on contribution and benefit payment accounts	169.71				
Total PA	7.12		2.11		
Government securities of RK	9,554.86		10,174.41		6.48%

* - Within Global Bonds of Developing Markets mandate

** - Taking into account dues for the transactions consummated in amount of KZT 169.71 bln

Average yield to maturity of debt financial instruments in the Fund's PA investment portfolio as of August 01, 2019 is 7.1% including those nominated in KZT – 8.5% and nominated in foreign currency – 3.8% per annum.

Government securities of the Republic of Kazakhstan

The main part of UAPF PA portfolio is occupied by government securities of RK with the current value of KZT 3,997.01 decreasing by KZT 32.49 bln. Their share in the portfolio amounted to 39.29%.

¹ less cash on contribution and benefit payment accounts.

² accounts receivable includes amounts to receive on interest and/or principle debt on coupon date, but not maturity date in accordance with prospectus of share issue.

In the reporting period the following instruments were acquired Government Securities of the Ministry of Finances of RK nominated in KZT in amount of KZT 144.41 bln with yield to maturity 8.57% per annum.

During the reporting period the discount notes of NBRK were redeemed in amount of KZT 163.51 bln.

As of the reporting date, the average yield to maturity of KZT nominated government securities of RK in UAPF PA portfolio is 7.5% per annum, while those nominated in USD – 4.4% per annum.

Foreign government securities

Current value of foreign government securities for the reporting month decreased by KZT 291.15 bln and amounted to KZT 1,155.08 bln. Their share in the portfolio is 11.36%.

In the reporting period short-term US Government securities were acquired in amount of KZT 283.29 bln on their nominal value with average yield to maturity 2.04% per annum.

In the reporting period short-term US Government securities were redeemed in amount of KZT 237.95 bln. Also there were short-term US Government securities sold in total amount of KZT 348.95 bln.

The average yield to maturity of foreign government securities in UAPF PA portfolio as of reporting date is 3.5% per annum.

Bonds of International Financial Organizations

The current value of bonds of International Financial Organizations for the reporting month increased by KZT 36.41 bln and amounted to KZT 349.64 bln. Their share in the portfolio is 3.44%.

The following financial instruments were acquired:

- bonds of the European Bank for Reconstruction and Development in amount of KZT 30.00 bln by their nominal value with return equal to inflation rate and premium of 1% per annum;
- as well as bonds of the Asian Bank for Development in amount of KZT 5.20 bln by their nominal value with return equal to inflation rate and premium of 1.50% per annum.

No other transactions with the securities of International Financial Organizations took place in the reporting period.

The average weighted yield to maturity of the bonds of the International Financial Organizations nominated in KZT is 6.9% per annum while the ones nominated in USD – 5.0%.

Deposits in the second-tier banks of the Republic of Kazakhstan

The current value of deposits in second-tier banks of RK having a weighted average maturity period of 4.89 years in the reporting month increased by KZT 0.18 bln and amounted to KZT 265.64 bln. Their share in the portfolio is 2.61%.

In the reporting period partial early payment of deposits of second-tier banks of RK in amount of KZT 1.16 bln took place. There were no allocations into deposits of STB RK.

The weighted average yield to maturity of deposits of second-tier banks of RK as of the reporting date is 9.4% per annum.

Deposits in foreign banks

The current value of deposits in foreign banks with a weighted average maturity period of 0.33 month for the reporting month increased by KZT 186.02 bln and amounted to KZT 474.68 bln. Their share in the portfolio is 4.67%.

There were deposits nominated in US dollars allocated the foreign banks in amount of KZT 350.16 bln with a weighted average yield of 2.41% per annum.

In the reporting period there was a deposit redeemed in amount of KZT 167.45 bln.

The weighted average yield to maturity of deposits in the foreign banks in PA portfolio is 2.7% per annum.

Deposits in the National Bank of the Republic of Kazakhstan

The current value of deposits in the National Bank amounted to KZT 43.00 bln. Their share in the portfolio is 0.42%.

In the reporting month within the current liquidity management in order to maintain return on PA KZT 1,810.46 bln were invested in overnight deposits of the National Bank of RK with average yield to maturity 8.00% per annum. In the reporting period deposits were redeemed in amount of KZT 2,073.46 bln.

The weighted average yield to maturity of deposits in the National Bank of the Republic of Kazakhstan is 8.00% per annum.

Corporate bonds of the issuers of the Republic of Kazakhstan

The current value of the corporate bonds of RK issuers decreased by KZT 0.31 bln and amounted to KZT 30.29 bln. Their share in the portfolio amounted to 0.30%.

There were no purchases of RK corporate bonds in the reporting period.

The weighted average yield to maturity of corporate bonds of RK issuers in UAPF PA portfolio is 8.0%.

Bonds of quasi-public organizations of the Republic of Kazakhstan

The current value of the bonds of RK quasi-public organizations in the reporting month increased by KZT 50.71 bln and amounted to KZT 1,420.90 bln. Their share in the portfolio amounted to 13.97%.

There were acquired bonds of RK quasi-public organizations in total amount of KZT 40.60 bln with average YTM of 10.27% per annum

No other transactions with the bonds of the quasi-public organizations of the RK issuers took place in the reporting period.

As of the reporting date, the weighted average yield to maturity of RK quasi-public organizations bonds nominated in KZT is 10.2% while of those nominated in USD – 5.0% per annum.

Bonds of the second-tier banks of the Republic of Kazakhstan

The current value of the bonds of the second-tier banks of RK decreased by KZT 17.65 bln and amounted to KZT 1,250.72 bln. Their share in the portfolio is 12.30%.

In the reporting period there STB bonds sold in total amount of KZT 13.92 bln. The principal debt on bonds of Kaspi Bank JSC was repaid in the amount of KZT 3.33 bln.

No bonds of the second-tier banks were acquired.

The weighted average yield to maturity of bonds of the second-tier banks of RK nominated in KZT amounted to 9.9%, while of those nominated in USD – 6.5% per annum.

Corporate bonds of foreign issuers

The current value of the corporate bonds of foreign issuers in the report period amount increased by KZT 0.15 bln and amounted to KZT 9.50 bln. Their share in the portfolio amounted to 0.09%.

Within the reporting period there were no acquisitions, redemptions, sales of the corporate bonds of foreign issuers.

The weighted average yield to maturity of the corporate bonds of foreign issuers in UAPF PA portfolio as of the reporting date is 7.9% per annum.

Bonds of the quasi-public sector foreign issuers

The current value of the bonds of foreign quasi-public organizations in the reporting month increased by KZT 2.77 bln and amounted to KZT 233.74 bln. Their share in the portfolio is 2.30%.

Within the reporting period there were no acquisitions, redemptions, sales of the corporate bonds of foreign quasi-public organizations.

The weighted average yield to maturity of the bonds of foreign quasi-public organizations in UAPF PA portfolio is 4.6%

PPN (structured notes) of the foreign issuers

The current value of PPN (structured notes) in the reporting month amounted to KZT 34.48 bln. Their share in portfolio is 0.34%.

In the reporting period there were no acquisitions, redemptions and sales of foreign PPN (structured notes).

Shares and depository receipts of issuers of the Republic of Kazakhstan

The current value of shares and depository receipts of RK issuers in the report period increased by KZT 19.12 bln and amounted to KZT 244.62bln. Their share in the portfolio came to 2.40%.

No transactions with shares and depository receipts of RK issuers took place

Shares and depository receipts of foreign issuers

The current value of shares and depository receipts of foreign issuers in the reporting month decreased by KZT 0.51 bln and amounted to KZT 26.83 bln. Their share in portfolio amounted to 0.26%.

In the reporting period there were no sales or acquisitions of the shares and depository receipts of foreign issuers.

Derivative financial instruments

In the reporting period, a USDKZT currency swap transaction was concluded in the amount of KZT 350.0 bln with a yield of 8.0% per annum for a period of 1 year. As part of this transaction, USD 912.2 mln were acquired in the UAPF pension asset portfolio, which in turn were invested in money market instruments. Thus, the yield from a currency swap transaction will be about 10.0% per annum.

FX structure

UAPF PA investment portfolio of financial instruments by currencies in which the financial instruments nominated is presented in Table 2.

Table 2. Structure of UAPF PA investment portfolio under fiduciary management of NBRK by currencies

Currency	<i>KZT bln</i>				
	Current Value as of 01/01/2019	Share as of 01/01/2019	Current Value as of 01/08/2019	Share as of 01/08/2019	Increase/Decrease from the Beginning of the Year
National currency	6,304.73	67.23%	6,605.02	64.93%	4.76%
US dollar	3,035.86	32.37%	3,525.70	34.66%	16.13%
Russian ruble	30.28	0.32%	33.74	0.33%	11.42%
Other currencies	7.16	0.08%	7.84	0.08%	9.55%
Total:	9,378.03	100.00%	10,172.30	100.00%	8.47%

Investment results

The investment return from the beginning of the year amounted to KZT 396.30 bln in result of PA investment activity as well as due to FX volatility and change of the market value of financial instruments. Return of UAPF PA distributed on members' accounts from the beginning of 2019 is 3.77%.

As of August 01, 2019 the return of the UAPF PA distributed to the accounts of the contributors (beneficiaries) in the last 12 months (August 2018 – July 2019) amounted to 9.65% at the inflation rate of 5.40%. So the actual return of UAPF PA was 4.25%.

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

Table 3. Structure of investment return on UAPF PA under fiduciary management of NBRK

Description	<i>KZT bln</i>
	Investment Return in 2019
Income as remuneration on securities including deposits and Reverse REPO	384.96
Income (loss) of market revaluation	-11.12
Income (loss) of FX revaluation	7.23
Income (loss) of external management	10.16
Other income (loss)	5.07

Total:	396.30
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Information on compliance with investment declaration parameters

The structural distribution of UAPF PA under fiduciary management complies with requirements of the UAPF Investment Declaration³. Shares of FX positions are within permitted levels and do not violate requirements of the UAPF Investment Declaration. Information on compliance with UAPF PA investment limits as of 01/08/2019 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)
1	Foreign issuers:	23.32%	yes
1.1	Government, Agents and IFO securities:	15.63%	yes
1)	with rating of no less than BBB- on international scale of Standard & Poor's or rating of same level of one of the other rating agencies	15.15%	yes
2)	with rating from BB+ to BB- on international scale of Standard & Poor's or rating of same level of one of the other rating agencies.	0.48%	yes
1.2	Corporate debt securities:	2.42%	yes
1)	with securities and/or issuer's rating of no less than BBB- on international scale of Standard & Poor's or rating of same level of one of the other rating agencies.	2.39%	yes
2)	with securities and/or issuer's rating from BB+ to BB- on international scale of Standard & Poor's or rating of same level of one of the other rating agencies.	0.03%	yes
1.3	MBS and ABS with securities and/or issuer's rating of no less than BBB- on international scale of Standard & Poor's or rating of same level of one of the other rating agencies.	0.00%	yes
1.4	Shares, deposit receipts on shares	0.26%	yes
1.5	Deposits in the foreign banks with rating of no less than "A-" on international scale of Standard & Poor's or rating of same level of one of the other rating agencies	4.67%	yes
1.6	Structured products of issuers with rating of no less than BBB- on international scale of Standard & Poor's or rating of same level of one of the other rating agencies	0.34%	yes
1.7	Islamic Financing Financial instruments :	0.00%	yes
1)	with securities and/or issuer's rating of no less than BBB- on international scale of Standard & Poor's or rating of same level of one of the other rating agencies.	0.00%	yes
2)	with securities and/or issuer's rating from BB+ to BB- on international scale of Standard & Poor's or rating of same level of one of the other rating agencies.	0.00%	yes
2	Kazakhstani issuers:	71.05%	yes
2.1	GS RK issued by Ministry of Finance of RK, National Bank of RK	39.29%	yes
2.1-1	GS RK issued by local executive bodies of RK	0.00%	yes
2.1-2	Deposits of the National Bank of RK	0.42%	yes
2.2	Securities of the quasi-public sector	15.03%	yes
2.3	Financial instruments of Kazakhstani second tier banks	15.96%	yes
2.4	Non-Government securities except for debt securities of the quasi-public sector and second tier banks of the Republic of Kazakhstan, with securities and/or issuer's rating of no less than B- on international scale of Standard & Poor's or rating of same level of one of the other rating agencies	0.08%	yes
2.4-1	Non-Government securities issued under guaranty and / or warranty of the Government of RK	0.00%	yes
2.5	Non-Government securities except for share securities of the quasi-public sector and second tier banks of the Republic of Kazakhstan included into the first category of the KASE official list	0.26%	yes
2.6	Islamic Financing Financial instruments included into official list of KASE	0.00%	yes

Table 5. UAPF PA investment limits on certain types of financial instruments

No.	Financial Instrument Types	Actual Value (Expressed as Percentage from the PA)	Performance (Yes/No)
1	Standard derivative financial instruments	3.47%	Yes

³ UAPF Investment Declaration was approved by the resolution of the Board of the National Bank of the Republic of Kazakhstan dated March 17, 2016 No 86

1)	In case if derivative financial instruments are used for hedging investment risk	0.00%	Yes
2	Gold in bars and AU metallic accounts	0.00%	Yes

**Information on acquisitions, sales and redemptions of the financial instruments
in UAPF PA investment portfolio**

Table 6. Information on financial instruments acquired in the reporting month

Type of Instrument	Issuer	Nominal Value in KZT
GS RK	RK Government	144,412,401,000.00
US GS	US Government	283,291,260,000.00
Bonds	European Bank for Reconstruction and Development	30,000,000,000.00
Bonds	Asian Bank for Development	5,196,000,000.00
Bonds	Development Bank of Kazakhstan JSC	30,000,000,000.00
Bonds	Kazakhstan Mortgage Company JSC	10,600,000,000.00
Total		503,499,661,000.00

Table 7. Information on financial instruments sold in the reporting month

Type of Instrument	Issuer	Transaction Amount in KZT
Bonds	Nurbank JSC	9,824,103,333.00
Bonds	AsiaCredit Bank JSC	4,093,058,667.00
US GS	US Government	348,952,029,105.00
Total		362,869,191,105.00

Table 8. Information on deposits allocated in the reporting period

Type	Currency	Bank	Transaction Amount in KZT
Deposit	KZT	The National Bank of RK	1,810,457,187,438.00
Deposit	USD	Bank of Montreal	76,706,000,000.00
Deposit	USD	Societe Generale	38,353,000,000.00
Deposit	USD	DBS Bank	76,706,000,000.00
Deposit	USD	Bank of Tokyo-Mitsubishi	76,706,000,000.00
Deposit	USD	Credit Agricole	38,353,000,000.00
Deposit	USD	Mizuho Corporate Bank	43,338,890,000.00
Total			2,160,620,077,438.00

Table 9. Information on the repayment of the principal debt for securities in the reporting period

Type of instrument	Issuer	Amount Repayable in KZT
GS RK	The National Bank of RK	148,688,560,800.00
Bonds	AO «Kaspi Bank»	3,330,000,000.00
US GS	US Government	237,952,970,000.00
GS RK	RK Government	14,825,981,000.00
Total		404,797,511,800.00

Table 10. Information on the repayment of the principal debt for deposits in the reporting period

Type	Currency	Bank	Amount Repayable in KZT
Deposit	KZT	The National Bank of RK	2,073,457,187,438.00
Deposit	USD	Credit Agricole	50,213,690,000.00
Deposit	KZT	VTB Bank (Kazakhstan) SB JSC	160,247,000.00
Deposit	KZT	Halyk Bank of Kazakhstan JSC	1,000,000,000.00
Deposit	USD	DBS Bank	61,436,800,000.00
Deposit	USD	ING Bank	55,796,000,000.00
Total			2,242,063,924,438.00