

Information on the Investment Management of the Pension Assets of JSC UAPF

The pension assets (hereinafter – the PA) of the UAPF under the trust management of the National Bank of the Republic of Kazakhstan (hereinafter – the NBRK) amounted to KZT 10,426.25 bln.¹ as of October 1, 2019.

The profile of the investment portfolio of financial instruments formed from the UAPF pension assets is provided in Table 1.

Table 1. Profile of the UAPF PA Investment Portfolio under the Trust Management of the NBRK in the Context of Financial Instruments

KZT bln.

Name	Current Value as of 01.01.2019	Share as of 01.01.2019	Current Value as of 01.10.2019	Share as of 01.10.2019	Increase/Decrease from the Beginning of the Year
Government securities (GS) of the RK	4,057.98	43.27%	3,934.35	37.74%	-3.05%
Foreign GS	1,191.92	12.71%	1,612.90	15.47%	35.32%
International Financial Institutions (IFI)	170.96	1.82%	304.95	2.92%	78.38%
Corporate bonds of the issuers of the RK	42.06	0.45%	29.57	0.28%	-29.69%
Bonds of the quasi-public organizations of the RK	1,299.90	13.86%	1,470.30	14.10%	13.11%
Bonds of the second-tier banks (STB) of the RK	1,264.78	13.49%	1,259.86	12.08%	-0.39%
Corporate bonds of foreign issuers	8.85	0.09%	9.35	0.09%	5.68%
Bonds of the foreign issuers of quasi- public sector	232.92	2.48%	235.72	2.26%	1.20%
PPN (structured notes)	33.95	0.36%	31.66	0.30%	-6.74%
Shares and depository receipts of the issuers of the RK	224.40	2.39%	230.71	2.21%	2.81%
Shares and depository receipts of foreign issuers	20.42	0.22%	25.47	0.24%	24.70%
Deposits	277.65	2.96%	256.91	2.46%	-7.47%
Deposits of the NBRK	154.07	1.64%	349.00	3.35%	126.52%
Deposits in foreign banks	343.16	3.66%	283.14	2.72%	-17.49%
Swaps	-	-	5.29	0.05%	
Cash on investment accounts	126.69	1.35%	261.75	2.51%	
Other assets (accounts receivable ² , overdue indebtedness, provisions)	15.23	0.16%	26.41	0.25%	
Assets under the external management of Aviva Investors Global Services Limited*	82.80	0.88%	98.92	0.95%	19.47%
Total PA under the management of the NBRK	9,378.03**	100.00%	10,426.25	100.00%	11.18%
Obligations payable under the consummated transactions	169.71				
Cash on the pension contributions and payments accounts	7,12		3,07		
Total pension assets	9,554.86		10,429.32		9.15%

* - within the framework of the Global Emerging Markets Bond mandate

** - taking into account the obligations payable under the consummated transactions in the amount of KZT 169.71 bln.

The weighted average yield to maturity (YTM) of the debt financial instruments in the UAPF PA investment portfolio amounted to 7.0% per annum, including 8.6% per annum for those denominated in tenge and 3.5% per annum for those in foreign currency as of 01.10.2019.

¹ excluding cash on the pension contributions and payments accounts.

² accounts receivable shall include the amounts receivable on fees and/or principal debt with the indebtedness repayment due date by the issuer, in accordance with the terms of the prospectus for issuing a financial instrument, as well as the funds receivable from the sale of financial instruments (FI)

Government Securities of the Republic of Kazakhstan

The GS of the RK take the main share of the UAPF PA portfolio, the current value of which decreased by KZT 117.96 bln. and amounted to KZT 3,934.35 bln. for the reporting month. The share thereof in the portfolio amounted to 37.74%.

The following financial instruments were purchased within the reporting period:

- short-term discount notes of the NBRK in the amount of KZT 65.50 bln. with the weighted average yield to maturity of 9.18% per annum;
- GS of the Ministry of Finance of the RK, denominated in KZT, in the amount of KZT 20.25 bln. with the weighted average yield to maturity of 8.86% per annum.

There were no sales of Government Securities of the Republic of Kazakhstan.

The discount notes of the NBRK and the GS of the Ministry of Finance of the RK in the amount of KZT 209.90 bln. were repurchased within the reporting period.

The weighted average yield to maturity of the GS of the RK, denominated in KZT, amounted to 7.6% per annum, in US dollars – 4.4% per annum as of the reporting date.

Foreign Government Securities

The current value of foreign government securities decreased by KZT 33.36 bln. and amounted to KZT 1,612.90 bln. for the reporting month. The share thereof in the portfolio amounted to 15.47%.

The short-term GS of the USA were purchased in the amount of KZT 211.36 bln. at the nominal value thereof with the weighted average yield to maturity of 1.90% per annum within the reporting period.

The short-term GS of the USA were repurchased in the amount of KZT 169.00 bln. as well as the GS of the USA were sold in the amount of KZT 78.75 bln. within the period of review.

The weighted average yield to maturity of the foreign GS in the UAPF PA portfolio amounted to 2.9% per annum as of the reporting date.

Bonds of the International Financial Institutions (IFI)

The current value of the bonds of the International Financial Institutions decreased by KZT 19.73 bln. and amounted to KZT 304.95 bln. for the reporting month. The share thereof in the portfolio amounted to 2.92%.

The bonds of the Eurasian Development Bank were repurchased in the amount of KZT 19.98 bln. within the reporting period. The payment is expected on 01.10.2019 in accordance with the prospectus of these bonds issue.

There were no purchases and sales of the securities of the International Financial Institutions.

The weighted average yield to maturity of the bonds of the International Financial Institutions, denominated in KZT, amounted to 6.7% per annum, in US dollars – 5.0% per annum.

Deposits in the Second-Tier Banks of the Republic of Kazakhstan

The current value of the deposits of the STB of the RK, with the weighted average yield to maturity of 4.80 years, decreased by KZT 5.09 bln. and amounted to KZT 256.91 bln. for the reporting month. The share thereof in the portfolio amounted to 2.46%.

There was the partial early repayment of the deposits of the STB of the RK in the amount of KZT 1.42 bln. within the reporting period. There were no deposits allocations of the STB of the RK.

The weighted average yield to maturity of the deposits of the STB of the RK amounted to 9.3% per annum as of the reporting date.

Deposits in Foreign Banks

The current value of the deposits in foreign banks with the weighted average yield to maturity of 1.94 month decreased by KZT 120.63 bln. and amounted to KZT 283.14 bln. for the reporting month. The share thereof in the portfolio amounted to 2.72%.

The deposits denominated in US dollars and Russian rubles in the amount of KZT 929.62 bln. with the weighted average yield to maturity of 2.12% per annum and KZT 13.99 bln. with the weighted average yield to maturity yield of 7.00% per annum respectively were allocated within the reporting period.

The deposits in the amount of KZT 1,063.33 bln. were repaid within the reporting period.

The weighted average yield to maturity of the deposits in foreign banks amounted to 2.3% per annum as of the reporting date.

Deposits in the National Bank of the RK

The current value of the deposits in the National Bank of the RK amounted to KZT 349.00 bln. The share thereof in the portfolio amounted to 3.35%.

The investments were made in relation to the overnight deposits of the National Bank of the RK in the total amount of KZT 4,183.00 bln. with the weighted average yield to maturity of 8.21% per annum within the reporting month, within the framework of managing the current liquidity, for the purpose of maintaining the yield on pension assets. The deposits in the total amount of KZT 3,996.00 bln. were repaid within the reporting period.

The weighted average yield to maturity of the deposits in the National Bank of the RK amounted to 8.25% per annum as of the reporting date.

Corporate Bonds of the Issuers of the Republic of Kazakhstan

The current value of the corporate bonds of the issuers of the RK increased by KZT 0.17 bln. and amounted to KZT 29.57 bln. for the reporting month. The share thereof in the portfolio amounted to 0.28%.

There were no repayments, purchases and sales of the corporate bonds of the issuers of the RK.

Bonds of the Quasi-Public Organizations of the Republic of Kazakhstan

The current value of the bonds of the quasi-public organizations of the RK increased by KZT 29.53 bln. and amounted to KZT 1,470.30 bln. for the reporting period. The share thereof in the portfolio amounted to 14.10%.

The bonds of NC KTZ JSC were purchased in the amount of KZT 20.00 bln. with the weighted average yield to maturity of 11.50% per annum within the reporting month.

There were no repayments and sales of the bonds of the quasi-public organizations of the RK.

The weighted average yield to maturity of the bonds of the quasi-public organizations of the RK, denominated in KZT, amounted to 10.2% per annum, in US dollars – 5.0% per annum as of the reporting date.

Bonds of the Second-Tier Banks of the Republic of Kazakhstan

The current value of the bonds of the STB of the RK increased by KZT 20.23 bln. and amounted to KZT 1,259.86 bln. for the reporting month. The share thereof in the portfolio amounted to 12.08%.

The bonds of JSC “Bank RBK” were purchased in the amount of KZT 15.00 bln. with the weighted average yield to maturity of 10.95% per annum within the reporting period, within the framework of the credit facility for some priority projects through the STB of the RK in the amount of KZT 600 bln.

There were no sales and repayments of the bonds of the STB of the RK.

The weighted average yield to maturity of the bonds of the STB of the RK, denominated in KZT, amounted to 9.9% per annum, in US dollars – 6.4% per annum as of the reporting date.

Corporate Bonds of Foreign Issuers

The current value of the corporate bonds of foreign issuers increased by KZT 0.16 bln. and amounted to KZT 9.35 bln. for the reporting month. The share thereof in the portfolio amounted to 0.09%.

There were no purchases, sales and repayments of the corporate bonds of foreign issuers within the reporting period.

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

Bonds of the Foreign Issuers of Quasi-Public Sector

The current value of the bonds of the foreign issuers of the quasi-public sector increased by KZT 0.62 bln. and amounted to KZT 235.72 bln. for the reporting month. The share thereof in the portfolio amounted to 2.26%.

There were no purchases, sales and repayments of the bonds of the foreign issuers of the quasi-public sector within the reporting period.

The weighted average yield to maturity of the bonds of the foreign issuers of the quasi-public sector in the UAPF PA portfolio amounted to 4.6% per annum as of the reporting date.

PPN (Structured Notes) of Foreign Issuers

The current value of the PPN (structured notes) of foreign issuers amounted to KZT 31.66 bln. within the reporting month. The share thereof in the portfolio amounted to 0.30%.

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

Shares and Depository Receipts of the Issuers of the Republic of Kazakhstan

The current value of the shares and depository receipts of the issuers of the RK decreased by KZT 10.83 bln. and amounted to KZT 230.71 bln. for the reporting month. The share thereof in the portfolio amounted to 2.21%.

There were no purchases and sales of the shares and depository receipts of the issuers of the RK within the reporting period.

Shares and Depository Receipts of Foreign Issuers

The current value of the shares and depository receipts of foreign issuers increased by KZT 1.30 bln. and amounted to KZT 25.47 bln. for the reporting month. The share thereof in the portfolio amounted to 0.24%.

There were no sales and purchases of the shares and depository receipts of foreign issuers within the reporting period.

Derivative Financial Instruments

Some USD/EUR currency swap transactions in the amount of USD 440.00 mln. were consummated for a period of 6 to 9 months in the period of review. EUR 398.19 mln. were provided to the UAPF pension assets portfolio within the framework of these transactions.

Currency Composition

The investment portfolio of financial instruments in the context of currencies denominating the financial instruments purchased using the UAPF pension assets is provided in Table 2.

Table 2. Profile of the UAPF PA Investment Portfolio under the Trust Management of the NBRK in the Context of Currencies

Currency	<i>KZT bln.</i>				
	Current Value as of 01.01.2019	Share as of 01.01.2019	Current Value as of 01.10.2019	Share as of 01.10.2019	Increase/Decrease from the Beginning of the Year
National currency	6,304.73	67.23%	6,850.57	65.70%	8.66%
US dollars	3,035.86	32.37%	3,366.79	32.29%	10.90%
Russian rubles	30.28	0.32%	33.17	0.32%	9.53%
Other currencies	7.16	0.08%	175.73	1.69%	2,354.32%
Total:	9,378.03	100.00%	10,426.25	100.00%	11.18%

Investment Results

The amount of the accrued investment return from the beginning of 2019 amounted to KZT 525.19 bln. as a result of investment activities as well as due to the volatility of foreign exchange rates and change in the market value of financial instruments. The yield of the UAPF pension assets distributed on the depositors' (recipients') accounts from the beginning of 2019 amounted to 4.98%.

Therein, the yield of the pension assets over the past 12 months (from October 2018 to September 2019) for the depositors (recipients) of the UAPF amounted to 8.40% with an inflation rate of 5.30% as of October 1, 2019. Thus, the effective yield of the UAPF pension assets amounted to 3.10% over the past 12 months.

The profile of the investment return for the specified period is provided in Table 3.

Table 3. Profile of the Investment Return Received for the UAPF PA under the Trust Management of the NBRK

<i>KZT bln.</i>	
Name	Investment Return for 2019
Income as an offset against securities, including against deposits and Reverse REPO transactions	493.08
Mark-to-market income (loss)	-32.54
Foreign currency revaluation income (loss)	40.33
External management income (loss)	16.12
Other income (loss)	8.20
Total:	525.19

Information on the Compliance with the Investment Policy Statement Parameters

The structure distribution of the UAPF PA under the trust management complies with the requirements of the UAPF Investment Policy Statement³. The shares of foreign exchange positions are within the permitted level and do not violate the requirements of the UAPF Investment Policy Statement. The data on the compliance with the investment limits for the UAPF PA as of October 1, 2019 are provided in Table 4.

Table 4. Investment Limits for the UAPF PA

No.	Financial Instrument	Actual Value (as a Percentage of the PA)	Compliance (Yes/No)
1	Foreign issuers:	24.91	yes
1.1	Government and agency securities as well as the securities of the International Financial Institutions (IFI):	19.27%	yes
1)	with the rating not less than BBB- in accordance with the international scale of the Standard & Poor's agency or rating of the same level of one of any other rating agencies	18.80%	yes
2)	with the rating from BB+ to BB- in accordance with the international scale of the Standard & Poor's agency or rating of the same level of one of any other rating agencies	0.48%	yes
1.2	Corporate debt securities:	2.37%	yes
1)	with the rating of the security and/or issuer not less than BBB- in accordance with the international scale of the Standard & Poor's agency or rating of the same level of one of any other rating agencies	2.34%	yes
2)	with the rating of the security and/or issuer from BB+ to BB- in accordance with the international scale of the Standard & Poor's agency or rating of the same level of one of any other rating agencies	0.03%	yes
1.3	Securities mortgage-backed by immovable property (MBS) and assets (ABS) with the rating of the security and/or issuer not less than BBB- in accordance with the international scale of the Standard & Poor's agency or rating of the same level of one of any other rating agencies	0.00%	yes
1.4	Shares, depository receipts for shares	0.24%	yes
1.5	Deposits in the foreign banks with the rating not less than A- in accordance with the international scale of the Standard & Poor's agency or rating of the same level of one of any other rating agencies	2.72%	yes
1.6	Structured products issued by the organizations with the rating not less than BBB- in accordance with the international scale of the Standard & Poor's agency or rating of the same level of one of any other rating agencies	0.30%	yes

³ The UAPF Investment Policy Statement was approved by the Resolution of the Board of the National Bank of the Republic of Kazakhstan dated March 17, 2016 No. 86

1.7	Islamic financing instruments:	0.00%	yes
1)	with the rating of the security and/or issuer not less than BBB- in accordance with the international scale of the Standard & Poor's agency or rating of the same level of one of any other rating agencies	0.00%	yes
2)	with the rating of the security and/or issuer from BB+ to BB- in accordance with the international scale of the Standard & Poor's agency or rating of the same level of one of any other rating agencies	0.00%	yes
2	Issuers of the Republic of Kazakhstan:	72.00%	yes
2.1	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	37.74%	yes
2.1-1	Government securities of the Republic of Kazakhstan issued by some local executive bodies of the Republic of Kazakhstan	0.00%	yes
2.1-2	Deposits of the National Bank of the Republic of Kazakhstan	3.35%	yes
2.2	Securities of the quasi-public sector entities	15.04%	yes
2.3	Financial instruments of the second-tier banks of the Republic of Kazakhstan	15.51%	yes
2.4	Non-government securities, except any debt securities of the quasi-public sector entities and second-tier banks of the Republic of Kazakhstan, with the rating of the security and/or issuer not less than B- in accordance with the international scale of the Standard & Poor's agency or rating of the same level of one of any other rating agencies	0.08%	yes
2.4-1	Non-government debt securities issued against guarantee and/or security of the Government of the Republic of Kazakhstan	0.00%	yes
2.5	Non-government securities, except any equity securities of the quasi-public sector entities and second-tier banks of the Republic of Kazakhstan included into the first category of the official list of the Kazakhstan Stock Exchange	0.28%	yes
2.6	Islamic financing instruments included into the official list of the Kazakhstan Stock Exchange	0.00%	yes

Table 5. Investment Limits for the UAPF PA in relation to Certain Types of Financial Instruments

No.	Financial Instrument	Actual Value (as a Percentage of the PA)	Compliance (Yes/No)
1	Standard derivative financial instruments	3.4%	yes
1)	if the derivative financial instruments are used for the investment risk hedging	0.00%	yes
2	Gold in bars and on metallic accounts	0.00%	yes

Information on the Purchases, Sales and Repayments of the Financial Instruments in the UAPF PA investment portfolio

Table 6. Data on the Purchase of Financial Instruments within the Reporting Month

Instrument	Currency	Securities Issuer	Nominal Value in KZT
GS of the USA	USD	Government of the USA	211,357,680,000
GS of the RK	KZT	National Bank of the RK	65,497,109,100
GS of the RK	KZT	Government of the RK	20,250,000,000
Bonds	KZT	NC KTZ JSC	20,000,000,000
Bonds	KZT	JSC "Bank RBK"	15,000,000,000
Total			332,104,789,100

Table 7. Data on the Sale of Financial Instruments within the Reporting Month

Instrument	Currency	Securities Issuer	Transaction Amount in KZT
GS of the USA	USD	Government of the USA	78,746,428,520
Total			78,746,428,520

Table 8. Data on the Deposits Allocations within the Reporting Month

Instrument	Currency	Bank Name	Transaction Amount in KZT
Deposit	KZT	National Bank of the RK	4,183,000,000,000
Deposit	USD	Credit Agricole	193,863,450,260
Deposit	USD	Bank of Montreal	179,694,802,780
Deposit	USD	Mizuho	116,883,589,870
Deposit	USD	ING Bank	96,677,500,000
Deposit	USD	Rabobank Nederland	82,315,360,000
Deposit	USD	Bank of Nova Scotia	82,177,560,000
Deposit	USD	DBS Bank	69,796,020,060
Deposit	USD	Bank of Tokyo-Mitsubishi	69,618,600,000
Deposit	USD	Societe Generale	38,589,000,000
Deposit	RUB	Societe Generale	13,989,600,000
Total			5,126,605,482,970

Table 9. Data on the Principal Debt Repayments for the Securities within the Reporting Month

Instrument	Currency	Security Issuer	Amount Repayable in KZT
GS of the RK	KZT	National Bank of the RK	192,964,787,300
GS of the USA	USD	Government of the USA	169,003,680,000
GS of the RK	KZT	Government of the RK	16,929,798,000
Total			378,898,265,300

Table 10. Data on the Principal Debt Repayments for the Deposits within the Reporting Month

Instrument	Currency	Bank Name	Amount Repayable in KZT
Deposit	KZT	National Bank of the RK	3,996,000,000,000
Deposit	USD	Credit Agricole	255,948,051,020
Deposit	USD	Bank of Montreal	199,082,641,590
Deposit	USD	Mizuho Corporate Bank	194,209,557,250
Deposit	USD	ING Bank	96,290,000,000
Deposit	USD	Societe Generale	82,499,845,720
Deposit	USD	Rabobank Nederland	82,156,360,000
Deposit	USD	DBS Bank	77,674,678,800
Deposit	USD	Bank of Tokyo	69,559,200,000
Deposit	RUB	Societe Generale	5,910,000,000
Deposit	KZT	JSC Halyk Bank	1,200,000,000
Deposit	KZT	Subsidiary JSC VTB Bank (Kazakhstan)	223,488,000
Total			5,060,753,822,380