

ANNOUNCEMENT

New Opportunities for Pension Asset Management: Results-Based Investing

Effective January 1, 2026, a system based on Ki composite indices will be introduced to ensure an objective assessment of investment portfolio managers' (IPM) performance based on return and risk.

A composite index is a type of benchmark that includes national and global stock market indices, providing an objective assessment of IPM performance, taking into account global economic trends and capital market conditions. Comparing the dynamics of these indices with the performance of the pension asset (PA) portfolio managed by the IPM will allow one to assess whether the management company is outperforming or underperforming market conditions. A benchmark is a standard indicator or benchmark used to compare the performance and evaluate the results of private managers.

To date, UAPF has entered into trust management agreements with five IPMs. It should be noted that under the current approach, IPMs comply with established standards and legal requirements and ensure returns no lower than the minimum level calculated based on the average return on pension assets. There has been a steady increase in the volume of pension funds transferred to IPMs for management. As of December 1, 2025, the total volume of pension assets transferred to IPMs for management amounted to approximately KZT107.3 billion. Most of the IPMs' assets are invested in bonds and government securities, consistent with a conservative investment strategy. The current approach means that IPMs with the largest pension assets under management have the most significant influence on the formation of the weighted average return and, as a result, to a certain extent, limit the investment opportunities of managers.

The introduction of a management approach based on a recognized benchmark, which is independent of the performance of other IPMs and reflects the situation in global and local markets, will allow IPMs to rely on objective guidelines and strive for the best results in investing pension assets.

New rules for developing investment strategies and expanding investment opportunities

Starting January 1, 2026, IPMs will select a portfolio for their investment strategies based on composite indices. The benchmark portfolio consists of a set of financial instruments reflecting the contributor's strategic interests. The benchmark portfolio's performance serves as a metric for assessing the effectiveness of pension asset management. The composite benchmark includes indices developed and tracked by leading global financial companies, as well as indices of the Kazakhstan Stock Exchange JSC, in certain proportions depending on the investment strategy.

Each IPM will continue to manage assets within a single investment strategy; the IPM will not be able to choose between multiple strategies. However, IPM investment strategies will vary in risk level, expected return, and investment term. Based on this, IPMs will be able to offer contributors one of three investment portfolios for pension asset management:

1. **Portfolio Ki (12) for contributors, regardless of the period until retirement.** The minimum return is determined based on the results of 12 months and must be at least 95% of the nominal return of the corresponding composite index.

The following indices serve as benchmarks for the Ki (12) investment portfolio:

- 10% - KASE index¹;
- 60% - KZGB_DPs index²
- 10% - MSCI ACWI Index³
- 20% - Bloomberg Global-Aggregate Total Return Index Value Hedged USD index⁴.

2. **Portfolio Ki (36) for contributors retiring no earlier than 3 years.** The minimum return is calculated based on the results of 36 months and must be no less than 90% of the nominal return of the composite index.

The following indices serve as benchmarks for the Ki (36) investment portfolio:

- 20% - KASE index
- 20% - KZGB_DPs index
- 40% - MSCI ACWI Index
- 20% - Bloomberg Global-Aggregate Total Return Index Value Hedged USD index.

3. **Portfolio Ki (60) for contributors who have more than 13 years until retirement.** The minimum return is determined based on the results of 60 months and must not be less than 85% of the nominal return of the composite index.

4. The following indices are the benchmark portfolio for the Ki (60) investment portfolio:

- 20% - KASE index
- 10% - KZGB_DPs index
- 60% - MSCI ACWI Index
- 10% - Bloomberg Global-Aggregate Total Return Index Value Hedged USD index.

Furthermore, starting January 1, 2026, the list of financial instruments permitted for acquisition using PA funds will be expanded, and new risk standards will be established. Thus, depending on the selected IPM benchmark, the investment portfolio structure will differ by instrument type, and each IPM will determine its investment objectives based on the risk-return ratio.

Contributors will choose a strategy offered by a specific IPM, taking into account their acceptable risk level and established time limits for approaching retirement. Transferring a portion of their savings to an IPM trust in accordance with the chosen strategy is a good opportunity to gain investment experience and analyze their results.

Mechanism for compensating for the negative difference

¹ an index that represents the ratio of the market prices of shares included in the representative list of the index on the date of its compilation to the prices of shares of this list on a specific date, which is weighted by capitalization taking into account shares in free circulation

² the total income index, taking into account accrued coupon interest and reinvested coupon payment, reflecting the change in the value of non-indexed government securities of the Ministry of Finance of the Republic of Kazakhstan with a maturity of up to 1 year

³ The index covers large- and mid-cap companies in developed (EM) and emerging (EM) market economies (approximately 85% of all global equity investment opportunities)) <https://www.msci.com/indexes/index/892400>

⁴ The flagship global investment-grade debt index, covering multiple currency markets, includes Treasury, government, corporate, and securitized fixed-rate bonds from issuers in both developed and emerging markets.

If the pension asset return falls below the established minimum (composite benchmark), the IPM must offset the negative difference from its own capital. The reimbursement is made based on a reconciliation report between the management company, the custodian bank, and the UAPF.

The amendments to the legislation also provide for the possibility for IPM to terminate agreements between UAPF and IPM based on the following conditions:

- the agreement on trust management of the PA at the initiative of the IPM may be terminated after one full calendar year from the date of conclusion of this agreement;
- The IPM is obligated to notify the authorized body, the UAPF, and the custodian bank responsible for the registration and safekeeping of the PA no later than one year prior to the date of agreement termination, and to post a corresponding notice on the corporate website;
- Within 5 business days of fulfilling its obligations, the IPM returns the PA to the UAPF's custodial account with the National Bank of the Republic of Kazakhstan based on an acceptance certificate.

These standards ensure the transparency and security of contributors' funds when trustees are changed.

Thus, the adopted innovations will:

- increase long-term returns and the safety of PA;
- develop a competitive environment among IPMs;
- expand contributor opportunities and strengthen their trust in the funded pension system.

As a reminder, an application for the transfer of a portion of pension savings to the IPM trust management can be submitted through your personal account on the website www.enpf.kz or in the UAPF mobile app, as well as by visiting the UAPF office in person.

UAPF was founded on August 22, 2013 on the basis of GNPf APF JSC. The founder and shareholder of the UAPF is the Government of the Republic of Kazakhstan represented by the State Institution Committee of State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan. Trust management of UAPF pension assets is carried out by the National Bank of the Republic of Kazakhstan. In accordance with the pension legislation, the UAPF attracts compulsory pension contributions, employer's compulsory pension contributions, compulsory occupational pension contributions, voluntary pension contributions, as well as carries out enrollment and accounting of voluntary pension contributions formed at the expense of the unclaimed amount of guaranteed compensation for the guaranteed deposit, transferred by the organization carrying out mandatory guarantee of deposits, in accordance with the Law of the Republic of Kazakhstan "On mandatory guarantee of deposits placed in second-tier banks of the Republic of Kazakhstan", ensures the implementation of pension benefits. The Fund also carries out accounting of target assets and target requirements, accounting and crediting of target savings (TS) to target savings accounts, payments of TS to their recipients in bank accounts, accounting for returns of TS in the manner determined by the Government of the Republic of Kazakhstan within the framework of the National Fund for Children program (More details at www.enpf.kz)