

ANNOUNCEMENT

Ensuring the safety of pension assets and obtaining real returns in the long term

The enpf.kz website contains a report on the management of pension assets of the NBRK and the IPM as of January 1, 2023

The total volume of pension assets as of January 1, 2023 amounted to about **KZT14.7 trillion**. At the same time, UAPF pension assets held in trust by the NBRK amounted to **KZT14,621.89 billion**. Pension assets managed by the IPM amounted to **KZT9.36 billion**.

A detailed report on how pension savings are invested is posted on the enpf.kz website in the “Indicators - Investment Activity” section. It provides monthly information on the management of pension assets by the National Bank of the Republic of Kazakhstan (NBRK) and investment portfolio managers (IPM).

Investment portfolio of pension assets managed by the NBRK

The National Bank, as a trustee of UAPF pension assets, pursues a balanced investment policy: it invests in various types of financial instruments by currency, country, sector, and issuer.

The main directions in investing pension assets as of January 1, 2023 are as follows: bonds of the Ministry of Finance of the Republic of Kazakhstan (as the most stable financial instruments) account for 49.72% of the portfolio, bonds of quasi-public companies - 11.40%, bonds and bank deposits - 7.84 %, government securities of foreign states - 5.55%, securities of international financial organizations - 2.54%. 20.33% were directed to index management, including government securities of developed countries (7.31%), government securities of developing countries (3.75%), assets under external management (9.27%).

As of January 1, the investment portfolio in terms of currencies in which financial instruments purchased with pension assets are denominated looks like this: investments in the national currency - 71.59%, in US dollars - 28.36%, in other currencies - 0.05% of the portfolio of pension assets. Thus, the currency position is maintained at a level of about 30%. Recall that in 2016, the foreign exchange share of pension assets was about 17%.

If we analyze the structure of income received, we can see that income in the form of interest on securities, including on placed deposits and reverse REPO operations and from market revaluation of securities, amounted to KZT807.92 billion, income from revaluation of foreign currency amounted to KZT186.62 billion, other income - KZT12.9 billion. A loss of KZT93.36 billion was accrued on instruments under external management, which confirms the impact of geopolitical factors on investment income accrued in 2022. For comparison: on the same date last year, assets under external management generated income of more than KZT50 billion.

As noted in the commentary of the National Bank of the Republic of Kazakhstan, “in the context of persistently high inflation in 2022, the central banks of many countries were forced to move to tighten monetary policy. As a result, this led to a decrease in the value of almost all asset classes. For example, in 2022, many world indices showed negative values: the MSCI World Index fell by 19.5%, US Treasury bonds - by 7.6%, corporate bonds - by 15.8%, the emerging markets bond index weakened by 15.3%. Thus, the negative market revaluation led to a decrease in the value of the portfolio of pension assets of the UAPF, which includes bonds and shares of foreign and Kazakh issuers”.

However, the total income for the 12 months of 2022 is positive. 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 the year amounted to KZT914.1 billion. The return on pension assets for the period amounted to 6.55%. During the management of pension assets by the NBK from 2014 to December 2022, the accumulated investment income amounted to **KZT6.9 trillion**.

A [detailed structure](#) of the investment portfolio of financial instruments managed by the NBK, indicating issuers and an overview of investment activities, are posted on the official website of the UAPF.

Recall that in Kazakhstan there is a model of the state guarantee of the safety of pension savings. In accordance with Article 5 of the Law of the Republic of Kazakhstan *On Pension Provision in the Republic of Kazakhstan*, the state guarantees recipients the safety of compulsory pension contributions and compulsory occupational pension contributions to the UAPF in the amount of actually made contributions, taking into account the inflation rate at the time of obtaining the right to pension benefits.

Investment portfolio managers

The total amount of funds managed by IPM is **KZT9.36 billion**.

Pension assets in trust management of *Jusan Invest JSC* amounted to **KZT4.19 billion**. The most significant investments of the company: NBRK notes - 42.79%, Exchange Traded Funds (ETF) units - 30.43% of the portfolio; Government securities of the Ministry of Finance of the Republic of Kazakhstan - 17.14%, government securities of foreign states - 8.83%. Note that 60.43% of the portfolio is presented in tenge, 39.57% in US dollars.

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 for 2022 amounted to KZT117.61 million. Yield on pension assets since the beginning of the year amounted to 3.25%.

A [detailed structure](#) of the investment portfolio of financial instruments managed by Jusan Invest JSC, indicating issuers, is presented on the UAPF website.

Pension assets in trust management of *Halyk Global Markets JSC* amounted to **KZT2.63 billion**. The main investments in the portfolio structure are as follows: reverse repo (no more than 90 calendar days) is 49.69%; equity instruments of foreign issuers (ETF units) 12.72%; bonds of quasi-public organizations of the Republic of Kazakhstan 12.57%; securities with state status, issued by the central governments of foreign states - 6.79%. Investments in the national currency amounted to 79.65% of the portfolio, in US dollars - 20.35%.

The amount of investment income in 2022 amounted to **KZT110.61 million**. Yield on pension assets since the beginning of the year amounted to 4.19%.

A [detailed structure](#) of the investment portfolio of financial instruments managed by Halyk Global Markets JSC with indication of issuers is presented on the UAPF website.

Pension assets in trust management of *BCC Invest JSC* amounted to **KZT1.52 billion**. Among the main areas of investment are the following: government securities of the Republic of Kazakhstan - 43.54% of the portfolio; bonds of quasi-public organizations of the Republic of Kazakhstan 21.98%; shares (ETF for indices) – 7.74%. 80.1% of the portfolio was invested in instruments in national currency, 19.9% in US dollars.

As a result of investment activities, income from the beginning of the year amounted to KZT42.82 million, the return on pension assets managed by BCC Invest JSC for the year amounted to 2.75%.

A [detailed structure](#) of the investment portfolio of financial instruments managed by BCC Invest JSC, indicating issuers, is presented on the UAPF website.

Pension assets in trust management of the *Centras Securities JSC* exceeded **KZT1 billion**. 68.78% of assets are invested in government securities of the Ministry of Finance of the Republic of Kazakhstan; 11.82% are cash on investment accounts; bonds of quasi-public organizations - 8.58%; equity instruments of RK issuers (shares and depositary receipts) account for 8.16%; equity instruments of foreign issuers (ETF Units) – 2.66%. 79.65% of the portfolio was invested in instruments in national currency, 20.35% in US dollars.

As a result of investment activity, the amount of investment income from the beginning of the year amounted to **KZT46.46 million**, the return on pension assets managed by Centras Securities JSC for this period amounted to 4.12%.

A [detailed structure](#) of the investment portfolio of financial instruments managed by the Centras Securities JSC with an indication of issuers is presented on the UAPF website.

Since November 2022, the fifth investment portfolio manager has appeared on the market - *Halyk Finance - Subsidiary of the Halyk Bank of Kazakhstan JSC*. As of January 1, 2023, **KZT 8.37 million** was transferred to the management of this company. 83.81% of the portfolio is in reverse REPO, 16.19% - in cash on accounts. So far, the portfolio is fully represented in the national currency. As a result of investment activities, the amount of accrued investment income (as of January 01, 2023 from the date of transfer of assets) amounted to KZT11,463.10. Return on pension assets from the beginning of activity was 0.13%.

A [detailed structure](#) of the investment portfolio of financial instruments managed by the Halyk Finance JSC with an indication of issuers is presented on the UAPF website.

Recall that after receiving pension assets from UAPF, IPM invests them in permitted financial instruments specified in the Rules for the implementation of investment portfolio management activities, approved by the Resolution of the Board of the National Bank of the Republic of Kazakhstan dated February 3, 2014 No. 10, and provided for in the IPM Investment Declaration.

When transferring pension savings to IPM management, the state guarantee is replaced by the guarantee of the management company to ensure the minimum level of profitability of pension assets. The minimum level of return is calculated based on the weighted average return on pension assets transferred to IPM management and operating on the market.

The UAPF was established on August 22, 2013 on the basis of GNPf APF JSC. The UAPF founder and shareholder 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. UAPF pension assets are managed by the National Bank of the Republic of Kazakhstan. From January 1, 2016, the functions for developing proposals to improve the management of pension assets were transferred to the National Fund Management Council. In accordance with the pension legislation, the UAPF attracts compulsory pension contributions, compulsory occupational pension contributions, voluntary pension contributions, pension benefits, individual accounting of pension accumulations and benefits, provides the contributor (beneficiary) with information on the status of his pension accumulations (for more information visit www.enpf.kz)