

ANNOUNCEMENT

The impact of the dollar exchange rate on pension savings

or why it is not wise to invest all the savings in one currency

The pension savings of UAPF contributors and beneficiaries consist of contributions received to an individual pension saving account (IPSA) and accrued investment income.

Thus, investment income from the moment of receipt on the IPSA becomes part of pension savings, which can be received in the form of monthly payments upon reaching retirement age, when moving abroad, through inheritance.

In order to receive investment income, pension savings of Kazakhstanis are placed by pension asset managers (the National Bank of the Republic of Kazakhstan and investment portfolio managers (IPM)) in our country and abroad in various financial instruments in various sectors of the economy in local and foreign currencies.

Investment income consists of interest on securities (deposits and other transactions), income in the form of market and currency revaluation of financial instruments, income on assets under external management, etc. Changes in the market value of these instruments, as well as the volatility of foreign exchange rates affect the amount of investment income.

An example of such a situation can be observed this year, when contributors see changes in the investment component of their savings in statements.

It should be noted that as a result of the prolonged strengthening of the tenge against the dollar, a negative exchange rate difference arose. Since the beginning of this year, there has been a systematic depreciation of the dollar against the tenge, which amounted to KZT462.65 as of January 1, 2023, KZT460.51 as of February 1, 2023, and as of March 6, 2023 revaluation of the FI PA portfolio of the Fund) - KZT431.08 (the minimum value for the last 12 months). This is how the tenge strengthened in February - about 3.2%, and in the first ten days of March - about 2%.

Thus, short-term changes in investment income are mainly due to the occurrence of a negative exchange rate difference due to the revaluation of the foreign exchange share in the investment portfolio of pension assets, which as of March 1, 2023 is about 30% of the total volume of UAPF JSC, and are also dictated by changes in the market the value of financial instruments.

Tenge dynamics in the short term depends on various external and internal factors. The geopolitical situation has a direct impact on the tenge exchange rate, as global events are reflected in exchange rates.

However, diversification (expansion of the range and reorientation of sales markets) of the investment portfolio, when income from one instrument covers temporary losses from others, ensures the safety and sustainable return on pension savings. It should be noted that according to the results of investment activities, the income earned by managers since the beginning of the year, as of March 1, amounted to KZT210.5 billion.

In addition, we remind you that pension savings are long-term investments and it is advisable to make an objective analysis of the amount of investment income for a period of at least one year. The results of short-term periods are not indicative, because dependent on ongoing changes in market conditions.

The investment return from the year the accumulative pension system was founded (1998) as of March 1, 2023, on an accrual basis, amounted to 740.12%, with inflation for the entire period of 695.96%.

Thus, the accumulated investment income in the long run significantly exceeds inflation.

The system of investment management and accounting of pension assets is transparent: it is possible to see your investment income in your personal account on the enpf.kz website or in a mobile application 24/7. Note that the revaluation of pension assets is carried out weekly and on the last day of each month.

Information on investment management of UAPF pension assets and financial instruments in which UAPF pension assets are placed is published on the official website of UAPF (www.enpf.kz) in the section “Indicators/Investment activity”.

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)