

TRUSTORY

HEADLINES

- * Investments: €22 million in Q2 (page 2)
- * Nordea new investment option (page 3)
- * eTrusti continues to grow (page 4)
- * 1.3% of assets not reconciled (page 4)

KEY FACTS

As of 30 June 2014

Share price	€1.2493
AUM	€996,397,044.26
Paid pensions in this quarter	€4.2 m
Contributors' accounts	460,971
Shares in issue	797,580,301.19

INVESTMENTS

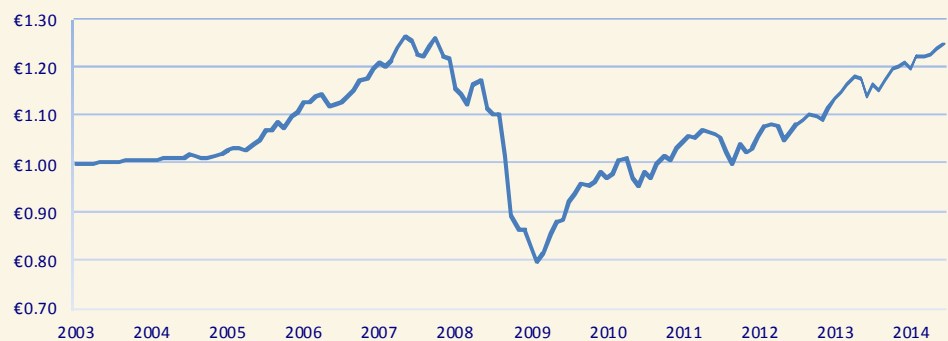
Share price:

April	0.60%
May	1.12%
June	0.40%
Total net performance	2.14%

Gross return:

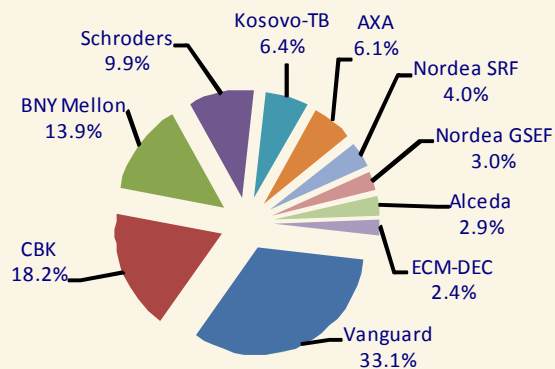
April	€4.31 m
May	€11.25 m
June	€6.35 m
Total gross return	€21.92 m

KPST CUMULATIVE INVESTMENT PERFORMANCE SINCE INCEPTION



Period	1M	3M	YTD	1Y	5Y	Since Inception
Result	1.12%	2.14%	2.48%	5.49%	41.19%	24.18%

FUND ALLOCATION IN THE END OF QUARTER



PERFORMANCE OF INVESTMENTS FUNDS AND KOSOVO TB IN THIS QUARTER

1. VANGUARD	▲ +4.45%	4. AXA GILB	▲ +3.02%	7. LV - KOSOVË	▲ +0.38%
2. SCHRODERS	▲ +0.56%	5. BNY MELLON	▲ +2.43%	8. Nordea GSEF	▲ 0.00%
3. ECM-DEC	▲ +2.23%	6. ALCEDA	▲ +3.79%	9. Nordea SRF	▲ +0.30%

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€22 mln from investments in Q2

Gross return on KPST investments in the second quarter (Q2) of 2014 was around €22 million. Along with the return from investments in the first quarter, the first half of the year closed with €32 million gross return from investments. The share price for Q2 reached €1.2493, which is 2.14% higher compared to €1.2231 in Q1.

The assets under KPST management increased by €48 million during Q2 reaching a total of €996 million (Q1: €948 million), which presents a record increase during a single quarter. Increase of assets under management has been affected by gross return from investments (€22 million), but also by new contributions (€32 million).

On the other hand KPST paid out pensions in the amount of €4.2 million, withheld the managing fee worth €1.3 million and refunded €0.52 million, thus subtracting its assets under management for around €6 million.

Influential factors

The second quarter was mainly sustainable for the global financial markets and the problems from the political crisis in Ukraine and Iraq, till now, did not have any negative effect. Continuation of monetary easing policies in EU and USA gave effects in reducing fluctuations in the markets, while on the other hand it led to further shrinking of the rate of return from investments from government bonds. However, improvements in the labour market in these two parts of the globe, USA and EU, increased investors' appetites toward more risk, thus increasing their investments in the stock market. The markets were satisfied also by the fact that Asiatic countries did not produce any negative news; meanwhile the developing markets gave signs of recovery although not satisfactory. As a result of this, the main stock exchanges, during Q2, continued to increase and set new records. Slight fluctuations in financial markets have been

2.14%

return from investment in Q2

reflected also in the monthly performance of the KPST investments resulting with positive return from investments during each of the three months: April (+0.60%), May (+1.12%) and June (0.40%).

Performance of investment funds

All investment funds through which KPST launched investments in the financial markets resulted with positive performance, excluding the Nordea 1-GSEF fund where KPST invested during the last week of this quarter and the performance was 0.0%. Domination of the stock market was reflected mostly in the investment fund Vanguard GSIF, which as a pure equities fund was at the same time the best performer of this quarter (+4.45%). The Alceda's RP7 absolute return fund and AXA GILB, both dominated by bonds, had almost as good a performance with +3.79% and +3.02% respectively. Good performance was also achieved by BNY Mellon's absolute return fund (+2.43%), affected also by equities in the portfolio, and the fixed income fund of ECM-DEC (+2.23%) strongly dominated by the European corporate bonds. However, the weaker performance of government bonds was reflected in the Schroder's investment fund (+0.56%). Apart from the above investment funds, during the last ten days of Q2, the multi-assets investment fund of Nordea 1 SRF has been added to the pool, and its performance was 0.30%.

Investment in Kosovo Treasury Bills is of fixed return, with a predetermined interest rate for Q2 was 0.38%.

Table 1: Investment performance in Q2 2014 and placements at the end of the quarter

Manager/Entity/Issuer	Investment class	Allocation (in Euro)	Gross return (in Euro)
Vanguard GSIF	Equities	330,382,994.61	14,283,420.15
BNY Mellon RRF	Absolut Return	138,674,835.57	3,290,589.32
AXA GILB	Global Inflation Linked Bonds	60,872,593.69	1,842,169.57
Alceda ACRP7	Absolut Return	28,817,320.37	1,052,442.09
ECM-DEC	Credit market	24,332,182.3	559,752.33
Schroders ISBF	Bonds	98,699,555.02	549,573.43
Kosovo Treasury	Treasury Bills	63,812,940.53	207,390.84
Nordea 1-SRF*	Multi-assets	40,130,123.62	130,123.62
Nordea 1-GSEF*	Equities	30,000,000.00	0.00
	Total	815,722,545.71	21,915,461.35

*Investment in these two funds has been made at the end of the last week of the quarter, therefore, their performance is not for the entire second quarter.

NORDEA IS ADDED TO THE LIST OF INVESTMENT FUNDS

The Governing Board decided that the KPST list of the investment open-end funds managers, through which are invested pension assets, is added with two more funds of Nordea, thus investing: €30 million in 1 Global Stable Equity Fund trading with stocks; and €40 million with Nordea-1 Stable Return Fund trading with multi-assets. Detailed information on these two funds can be found in the KPST website (www.trusti.org) at the section of Investments, Open-end funds.

These investments followed the changes in the investment strategy of the pension funds made by the Governing Board of KPST at the end of the last year and following the selection of the investment funds through an international tender during the first half of this year. The final aim is to move from the asset allocation into the risk management and risk allocation strategy thus aiming for KPST investments to be better protected during the downward financial markets cycle. Meanwhile, during the third quarter finalising agreements with managers of additional investment funds, provisionally selected through the abovementioned competition, is expected. Total investments in these new

€70 m

assets invested through two additional funds

investment funds are expected to exceed the amount of €200 million.

For your information, Nordea is the largest financial group in Northern Europe, headquartered in Stockholm, Sweden. Nordea started its operations in 1830, and at the end of 2013 had EUR 630 billion under management and approximately 30 thousand employees. Since 1992 Nordea has entered the market of asset management, and since 2004 has provided the management of absolute return products. Nordea is an internationally recognised brand in asset management being awarded with a range of international prizes. Besides in Nordic Countries, Nordea is also present in USA, Europe and Asia. We remind you that KPST invests pursuant to the new Investment Manual which may be read by copying the following electronic address:

http://www.trusti.org/Dokumentet/Anglisht/SIP_20131213_eng.pdf

€64 MILLION INVESTMENTS IN KOSOVO AT THE END OF Q2

At the end of the first half of this year, KPST had almost €64 million invested in debt instruments issued by the Government of the Republic of Kosovo. Around €28 million have been newly invested in Q2 while the other €36 million were invested previously. In this quarter €26 million have matured. From the amount of €64 million, €58 million were bills and €6 million were bonds with a 2-year maturity. This was also the first time the KPST invested in 2-year instruments of Kosovo debt, providing a sign of increased confidence in the financial credibility of the country.

Compared with the previous quarter (Q1: €62.8 million), the value of investments did not significantly change, mostly due to the fact that KPST did not win in most auctions. KPST invested in 6 different auctions issuing Kosovo bills and bonds ranging from €3.4 million to €17.8 million. On the other hand, investments in global financial markets for Q2 in total were €70 million through two funds of Nordea, and rebates of Vanguard of 96 thousand Euros which have been re-invested.

ASSETS UNDER MANAGEMENT APPROACHED €1 BILLION

At the end of the second quarter, the assets under management of KPST approached 1 billion Euros, or exactly €996 million. For your information, almost €853 million (85.3%) of this 1 billion Euro is comprised of net accumulated contributions of Kosovo contributors and almost €147 million (14.7%) from net value added to the assets from investments

in the global financial markets. Increase of assets under management provides the KPST Governing Board with more investment opportunities in the new products of the financial world.

€4.2 MILLION BENEFIT PAYMENTS

During Q2, the amount transferred to bank accounts of 1,345 beneficiaries reached €4.2 million (Q1: €3.8 million; 1,086 beneficiaries). Analysing reasons for benefit payments, 83% of this value has been paid to 1,043 beneficiaries reaching the retirement age (Q1 2014: 79%; 803 retired), 15% of it was withdrawn by inheritors of 254 deceased contributors (Q1 2014: 19%, 242 inheritors), and 2% went to 48 retirees through the disability pension (Q1: 2%; 41 beneficiaries). Compared to the same period of last year, the

50%

more paid out beneficiaries than in Q2 2013

value of funds paid out increased by 50% from €2.8 million to €4.2 million; while the number of beneficiaries has dropped by 19% from 1,651 to 1,345 beneficiaries. The average balance of accounts at the end of Q2 was €2,871 for active accounts and €1,920 for all existing accounts.

KPST PROVIDED 12,765 SERVICES TO CONTRIBUTORS DURING Q2

During the second quarter, KPST provided 12,765 services to contributors. These services were mostly those of printing of individual account statements (55%), activation of access to eTrusti online accounts (19%), benefit applications (10%) and address updates (7%). All the other services comprised 9% of the total: account views, change of email addresses, printing employers' account statements, and update of employer contact details. Compared to Q1, there is a slight drop in the number of services provided by the KPST; and while this is primarily due to the seasonality it is also due to increase of

the number of services which contributors conduct by themselves through eTrusti. The self-service by contributors reach a record of 2,399 services. Besides the KPST offices, contributors have been served in numbers also by TAK pension officials in the regions, who provided almost 7 thousand services to contributors which in 92% of cases related to requests for printing the individual account statements.

ONLY 1.3% OF COLLECTED CONTRIBUTIONS UN-ALLOCATED

At the end of the second quarter, the percentage of un-allocated contributions dropped to 1.3% of the total assets collected, a record low. This level has achieved having been 1.5% six months ago; in terms of the respective values, it has been decreased from € 12.8 million to € 11.9 million. It is very encouraging news that for the collected contributions in 2014 the level of un-allocated contributions is only 0.36%. From almost €62 million contributions collected, only €229

thousand have not been allocated to individual accounts. Furthermore, most of these un-allocated contributions in 2014 happened as reports were not submitted for payments belonging to prior periods but also due to fines and interests paid in erroneously to the KPST account. As ever, KPST continues to have on its list of priorities to continue in finding the information in order to decrease as much as possible the un-allocated contributions.

THE NUMBER OF eTrusti USERS CONTINUES TO GROW

The number of users of electronic services - eTrusti - reached the figure of 33,754, increasing by 10% compared to Q1 when the number of users was 30,712. Compared to Q1, when the increase was 29%, the trend dropped, however this trend may be considered to be satisfactory since on average during each month of the Q2 one thousand new online accounts have been authorised.

Compared with the end 2013, the number of users of eTrusti increased by almost 10 thousand, or 41%. It is worth mentioning the fact that users of eTrusti appeared to be more active and only during the Q2 there were 2,399 updates made: update of addresses, e-mail addresses, phone numbers and other updates, conducted by the users themselves.