

TRUSTORY

HEADLINES

- * Q3: growing returns (page 2)
- * 4 new investment funds added (page 3)
- * New budget and fee approved (page 3)
- * Drop in un-allocated assets (page 4)

KEY FACTS

As of 30 September 2014

Share price	€1.2655
AUM	€1,038,397,895
Pensions paid in this quarter	€3.04m
Pensions paid YTD	€11.04m
Contributors' accounts	469,489

INVESTMENTS

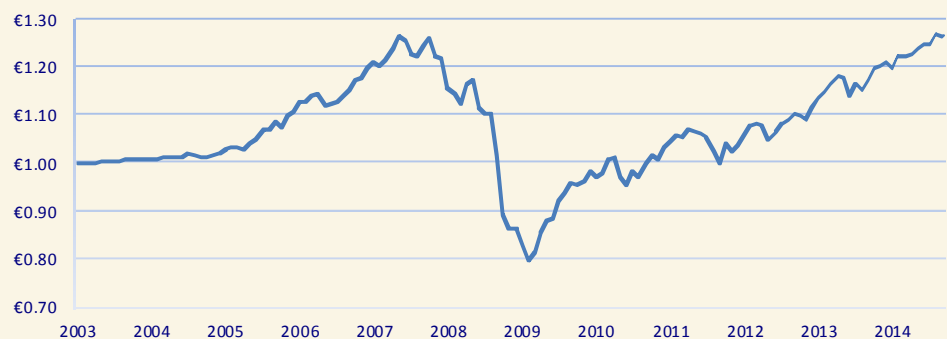
Share price:

July	0.11%
August	1.40%
September	-0.21%
Total net performance	1.30%

Gross return:

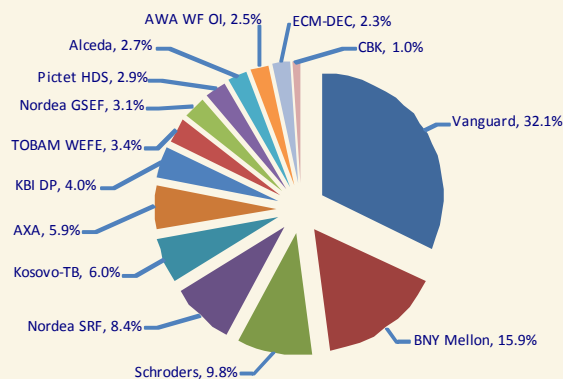
July	€1.56m
August	€14.68m
September	€-1.79m
Total gross return	€14.44m

KPST CUMULATIVE INVESTMENT PERFORMANCE SINCE INCEPTION



Period	1M	3M	YTD	1Y	5Y	Since Inception
Result	-0.21%	1.30%	4.44%	7.86%	32.38%	26.55%

FUND ALLOCATION IN THE END OF QUARTER



PERFORMANCE OF INVESTMENTS FUNDS AND KOSOVO TB IN THIS QUARTER

1. VANGUARD ▲ +0.67%	4. AXA GILB ▲ +0.73%	7. KOSOVO TB ▲ +0.64%
2. SCHRODERS ▲ +3.67%	5. BNY MELLON ▲ +1.18%	8. NORDEA GSEF ▲ +8.14%
3. ECM-DEC ▲ +0.03%	6. ALCEDA ▼ -1.15%	9. NORDEA SRF ▲ +3.17%

Note: The funds of KBI, AXA WFOI, PICTET and TOBAM had not reached 3 months of operation by the reporting date. Their performance has been provided in page 2.

€14 M RETURN ON INVESTMENTS IN Q3

Gross return on investments in the third quarter (Q3) of 2014 was around €14m. Along with the return from investments in the first two quarters, the annual gross return on investments reached around €46m. The positive performance of investments in Q3 influenced the growth of the share price by 1.30%, reaching €1.2655. The YTD net performance of the fund has now reached 4.44%.

At the end of the period, the assets under management exceeded the amount €1,038b (Q2: €996m), having increased by €42m. Increase in AUM was predominantly affected by the new contributions (€33m), with the remainder attributed to the gross return from investments (€14m). On the other hand, the KPST paid out pensions in the amount of €3.04m, withheld the managing fee of €1.36m and refunded €0.12m, thus subtracting around €4.53m from the assets under management.

Influential factors

The global financial markets suffered some fluctuations during the third quarter. The stock market was negatively affected by the growth of global tensions in terms of the US dollar. The political tensions in the Middle East and Ukraine, along with the discouraging economic growth data in Europe and China, increased the sensitivity of the investors and, consequently, caused the fluctuation in the markets. Even though the export-based economy of Japan showed signs of growth due to a weaker Yen, but this was negatively compensated by the uncertainties of the elections in Brazil, being one of the most important countries of the developing markets. None-the-less, it was mostly the positive reports of economic growth in the USA and the corporations that maintained one of the main stock exchange indexes, S&P500, on the positive side. As a result, the fluctua-

1.30%

return on investments in Q3

tions in the financial markets were reflected in the fluctuation of the KPST share price during the quarter: July (+0.11%), August (+1.40%) and September (-0.21%).

Performance of investment funds

In general, the investment funds in the KPST portfolio, besides the funds of Tobam (-1.86%) and Alceda (-1.15%), resulted positive. The performance of Nordea 1-GSEF (+8.14%), a fund concentrated mostly in shares positioned in the US (61% of the portfolio), and in the growing sectors such as IT and healthcare, was notably distinguished. Meanwhile, the performance of Schroder's fund was notably good (+3.67%), dominated by bonds, which benefitted from the risk growth in the stock exchanges; but also the other fund of Nordea, 1-SRF (+3.17%), comprised of multi-assets, also with a high geographic concentration in the USA (62%) as well as IT and healthcare sectors. The Vanguard fund, despite the positive performance (+0.65), did not benefit from the concentration of the portfolio in the US (56%) as 1/3 of the portfolio was allocated in the financial industry and energy, sectors which did not have a good performance in the Q3. The performance of the other investment funds: KBI, Pictet, BNY Mellon, AXA GILB, ECM – was not particularly different, despite the fact that their investment portfolios are fairly different.

Table 1: Investment performance in Q3 2014 and placements at the end of the quarter

Manager/Entity/Issuer	Fund name/instrument	Allocation	Gross return
Schroders	Strategic Bond - Euro Hedged	€102,322,905	€3,623,350
Vanguard	Global Stock Index Fund - Euro	€332,699,684	€2,426,407
Nordea	1-Stable Return Fund	€86,864,408	€2,441,860
Nordea	1-Global Stable Equity Fund	€32,441,860	€1,734,285
KBI ²	Divident Plus	€41,658,306	€1,730,510
BNY Mellon	Global Real Return Fund	€165,218,660	€1,543,825
Pictet ¹	High dividend selection Z EUR	€30,621,708	€621,708
AXA	Global Inflation Linked Bonds	€61,326,946	€508,546
The Treasury of the Republic of Kosovo	Bonds and treasury bills	€62,015,420	€232,378
ECM	Diversified European Credit	€24,338,547	€36,997
AXA ¹	WF Optimal Income I EUR	€25,985,805	€11,113
TOBAM ¹	Anti-benchmark WEFE hedged share class	€34,832,717	-€134,508
Alceda	Aquila Risk Parity 7 Fund	€28,484,914	-€332,406
	Total²	€1,028,811,881	€14,444,065

¹The performance of these funds does not cover the entire Q3; what is shown is their performance since KPST first invested in them in Q3. ²The table above does not include the balance of cash at CBK in the amount €9,971,669. For further details on placements at the end of Q3, please copy the following web page: www.trusti.org/index.php/en/quarterly-reports

FOUR NEW FUNDS ADDED TO THE INVESTMENT PORTFOLIO: KBI, AXA WFOI, PICTET AND TOBAM

The Governing Board of the KPST, based on the investment strategy in force as of December 2013, invested in four new open-end investment funds during the Q3. The amount invested in these funds until the end of Q3 was: KBI (€40m), AXA WFOI (€26m), Pictet (€30m) and Tobam (€45m). During the third quarter, besides these investments, another €45m were added to the fund of Nordea 1-SRF and €25m to the fund of BNY Mellon, while around €19m were invested in the treasury bonds of the Government of Kosovo – wherein around 21€m had matured. The total investments in financial markets, pursuant to the new investment strategy, were around €201m, while the total investments in the treasury-bonds of the Government of Kosovo were around €19m.

New investment funds

Below you will find a short introduction of the four new fund managers, and the features of the investment fund, which lead the Board to select them.

Kleinwort Benson Investors (KBI), headquartered in Dublin, Ireland, is a member of Kleinwort Benson Group. This enterprise manages institutional investors' assets since 1980, and currently provides specialized strategies on public and corporate pension schemes. At the end of 2013, Kleinwort Benson Investors had €5.4 billion under its management. The KPST has invested for the first time on July 2014 on KBI fund: Institutional Dividend Plus Developed Equity Fund H EUR, which is an active fund that contains (trades) stocks of global corporations with stable dividends.

AXA Investment Managers (AXA IM) was founded in 1994, headquartered in France, and it is a member of the AXA Group corporation. At the end of 2013, AXA IM had EUR 547 billion under management and 2,100 employees in 30 countries in Europe, America, Asia and the Middle East. The KPST started investments through the AXA's GILB Eur fund in 2010. Since July 2014, the KPST invested in an additional AXA fund,

€220m

realized investments during Q3

namely AXA World Fund Optimal Income I EUR. This active fund contains (trades) corporate stocks and bonds and government securities, mainly from Europe, aiming to generate an absolute return in long-term from both these classes of financial instruments. For the sake of risk management, small scale use of derivatives is allowed.

Tobam is headquartered in Luxembourg, and at the end of 2013 it had 18 employees and around \$5b assets under management. Tobam was founded in 2006 and currently it is owned by its employees. Tobam, in their investment philosophy, are against the use of a benchmark and thus they offer investment funds based on this principle (anti-benchmark). The KPST started investments through the Tobam Anti-Benchmark World Equity Fund Euro-hedged fund. This active fund exclusively contains (and trades) stocks of global corporations, where selection is based on achieving a lower correlation between the (performance of) stocks of these corporations – aiming at reducing the overall risk.

Pictet is a wealth and asset manager, founded in 1806 in Geneva, Switzerland, which makes it one pioneer of the fund management. At the end of 2013, Pictet had over €300b assets under management and 3,400 employees in 26 countries of the world. The KPST, on July 2014, invested for the first time in the Pictet's fund: High Dividend Selection – Z Euro investment fund, which is an active fund that contains (trades) stocks of global corporations with stable dividends.

MANAGEMENT FEE PROPOSED AND BUDGET 2015 APPROVED

The Board of KPST has approved the budget for 2015, and has submitted the new proposed management fees to the Assembly for approval. The Board has concluded that, based on the budgetary needs of the KPST, and the surplus of 2014, financing the operational activities will require charging an operational fee of 0.095% (2014: 0.13%) on assets under management, or €1.42m (2014: €1.48m); which is

4.1% less than the preceding year. Meanwhile, financing the investment activities will require charging an investment fee of 0.40% (2014: 0.40%), in the amount of €4.87m (2014: €3.77m). The increase of the investment budget (by €1.1m) will be mostly covered by the surplus of the preceding year (€0.8m), with the rest (€0.3m) by the fee being charged on increased assets under management.

€3 MILLION PAID PENSIONS IN Q3

During Q3, the amount of pensions paid to 890 beneficiaries was around €3m. During the preceding quarter, Q2, the amount of pensions paid to 1,345 beneficiaries was €4.2m. While the value of funds paid out decreased by 34%, the number of beneficiaries dropped by 28%. 83% of the amount was paid to 717 age pension beneficiaries (Q2: 83%; 1,043 pensioners), 15% was withdrawn by inheritors of 140 deceased contributors (Q2: 15%, 254 inheritors), and 2% went to 33 disability pension beneficiaries (Q2: 2%; 48 beneficiaries). Compared to the 9-month period of 2013, the value of

36%

more paid out beneficiaries than in 2013

pensions paid for the same period of this year increased by 36%, namely from €8.1m to €11.0m, while the number of beneficiaries has increased by 19%, from 2,783 to 3,321, as per respective periods.

OVER ELEVEN THOUSAND SERVICES PROVIDED IN Q3

The number of services provided by the KPST office dropped in Q3 by 13% compared to Q2 (TM2: 12,765 services). This drop has been mostly reflected in the number of requests for the eTrusti service (-40%), the printing of the account statements (-11%) and pension applications (-3%). The services were mostly those of: printing of statements (56%), authorising access to eTrusti accounts (13%), retirement applications (8%), address updates (7%) and printing of employers' account statements (6%). While, the number of services conducted by the contributors themselves was around 10% of the total services (1,514). During Q3 the Post of Kosovo returned 4,356 account statements which were undelivered

due to invalid addresses. All the returned statements are undergoing the registration process and the contributors who have an eTrusti account will be able to see if they are one of them under the "Activities" menu tab. In total, for this 9-month period, the number of services provided reached 43,759, while for the entire 2013 there were 49,486 services provided. In addition to services provided in the KPST office, contributors have also been provided with services by the TAK pension officials in all regions, who provided 5,983 services during Q3, from which 92% were requests for individual account statement printing.

UN-ALLOCATED CONTRIBUTIONS DROP TO 1.2% OF TOTAL COLLECTED

The number of pension contributions on which the KPST has no information as to whom they belong (because the employers have not provided the reports) continued to drop further during Q3. The percentage of the un-allocated contributions in the individual accounts was only of 1.2% of the total collected contributions, in the amount of €11.35m (Q2 2014: €11.9m). This is in line with the objectives set by the Governing Board for 2014. On the other hand

the situation for the contributions paid in 2014 alone appears very satisfactory, as the level of un-allocated contributions has dropped to 0.31% (end of Q2: 0.36%), or €296 thousands from around €96m worth of contributions during the 9-month period of 2014. A significant part of this amount consists of fines and interests paid erroneously to the KPST account.

eTRUSTI REACHES 35 THOUSAND USERS

The number of eTrusti users reached the figure of 35,223 at the end of September. Even though the growth rate dropped to 4.4% (compared to 10% during Q2), the fact that the number of users in the 9-month period of 2014 has increased by 50% is expected after two TV promotional campaigns for this service. In total, for the 9-month period of this year, the contributors have conducted by

themselves 8,711 services, or 20% of the total services provided by the KPST office for the same period. Also in this quarter, the main activity conducted by the contributors were updates of contact details: email address, phone number. The use of this service is however in beneficial to both, the KPST and the contributors.