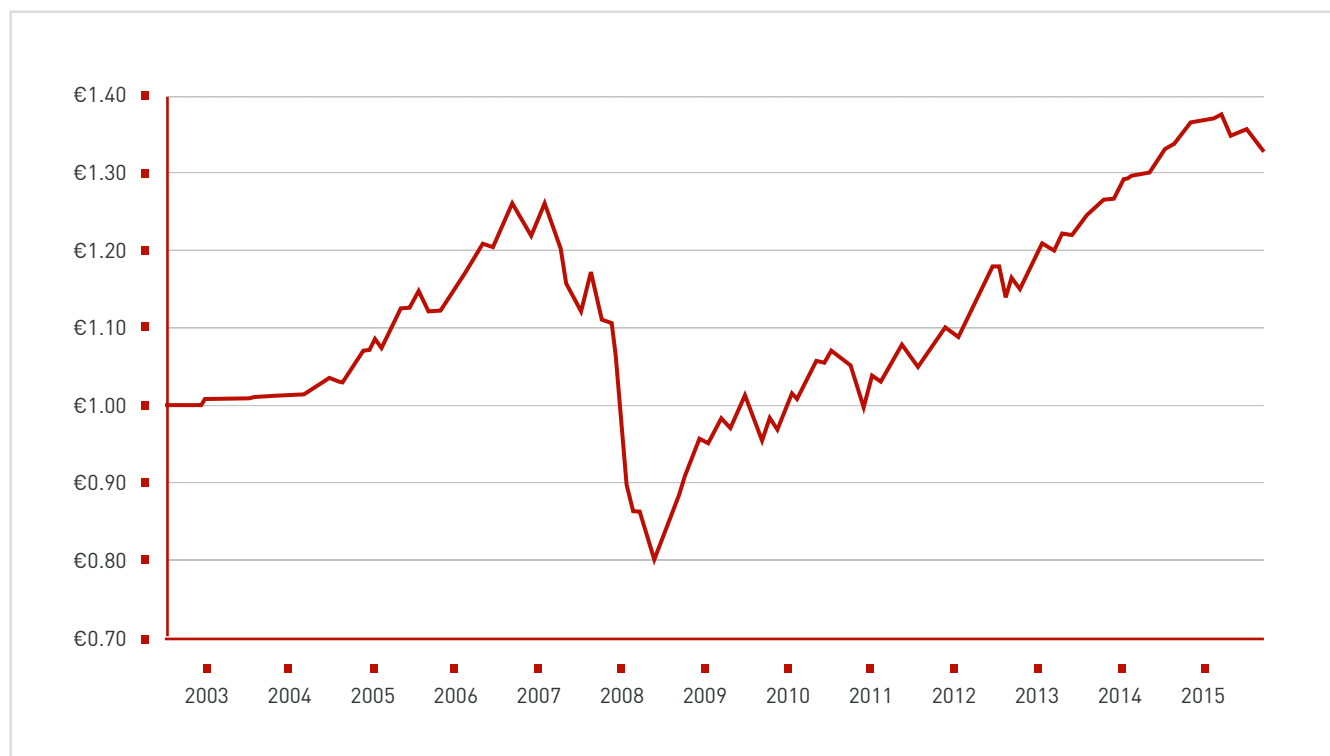


QUARTERLY NEWSLETTER  
KOSOVO PENSION SAVINGS TRUST



**TRUSTORY**

## KPST CUMULATIVE PERFORMANCE SINCE INCEPTION



PERIOD	1M	3M	YEAR	1Y	5Y	SINCE INCEPTION
RESULT	-2.49%	-1.56%	3.21%	6.40%	39.14%	<b>32.93%</b>
BENCHMARK*	0.08%	-0.86%	-0.31%	-0.47%	13.94%	<b>30.89%</b>

\*KOSOVO CONSUMER PRICE INDEX AS PUBLISHED BY THE KOSOVO AGENCY FOR STATISTICS

## PERFORMANCE OF INVESTMENTS ON Q2

### UNIT PRICE

APRIL	▲ +0.19%
MAY	▲ +0.76%
JUNE	▼ -2.49%
<b>TOTAL NET PERFORMANCE</b>	<b>▼ -1.56%</b>

### GROSS RETURN:

APRIL	+€2.63m
MAY	+€9.55m
JUNE	-€29.45m
<b>TOTAL GROSS RETURN</b>	<b>-€17.27m</b>

## KEY FACTS

UNIT PRICE  
€1.3293

NET AUM  
€1,177,735,807.55

BENEFIT PAYMENTS DURING QUARTER  
€5.53m

BENEFIT PAYMENTS YTD  
€11.06m

NEWLY WITHDRAWN ACCOUNTS  
1,304

WITHDRAWN ACCOUNTS YTD  
2,463

CONTRIBUTORS' ACCOUNTS  
490,007

ACTIVE CONTRIBUTORS YTD  
260,700

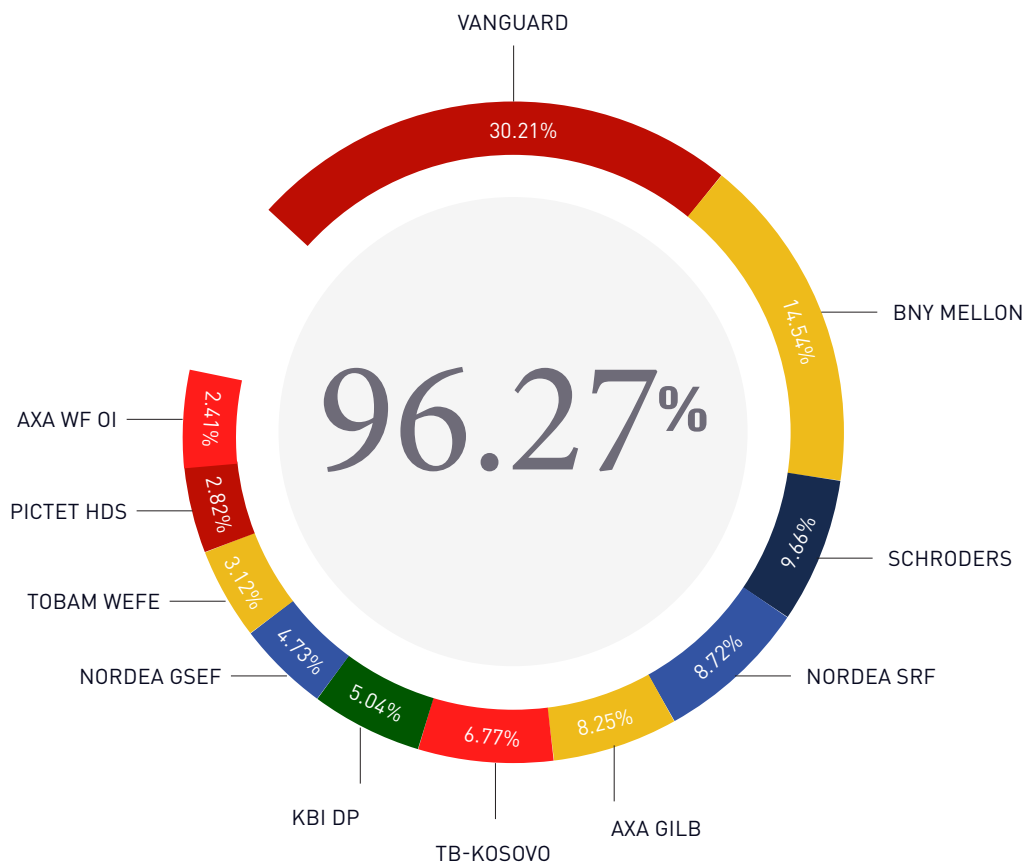
NEW CONTRIBUTORS  
7,876

CONTRIBUTIONS DURING QUARTER  
€24.99m

SERVICES OFFERED DURING QUARTER  
19,398

eTRUSTI ACCOUNTS  
43,605

# ASSET ALLOCATION AT QUARTER-END



## €38 MILLION GROSS RETURN IN THE FIRST HALF OF THE YEAR

The second quarter of this year recorded a negative return on investment and the gross return was -€17.3m. As a result, the share price for this quarter was depreciated by -1.56% and decreased to €1.3293 (Q1: €1.3504). However, due to the highly positive performance in the Q1 (€54.8m, the performance in the H1 of the year remained positive noting an increase of the share price by 3.21% or gross investment return of €37.5m. At the same time, the assets under management continued to increase during Q2 by €9.5m, amounting approximately €1.1b. The increase of assets under management was a result of €33.8m. On the other hand, during the Q2, €4.4m were paid for pensions, €1.4m management fees were withheld (investment and operation), and €0.8m were refunded.

### INFLUENTIAL FACTORS

In Q2 the pace of increase in global financial markets stopped mainly because of mixed signals for economic development in the EU and USA, and moreover, the Greek crisis began to reemerge. In terms of American dollar, the global stock market closed the quarter positively; however, the general climate at the quarter end was very discouraging for investors as the risk of a potential exist of Greece from the Eurozone called into question the very future of the common currency – Euro.

On the other hand, the global bond markets recorded an increase in rates, driven also by the expectations that the interest rates in the USA and the UK would be increased this year.

### Q2 PERFORMANCE

**-1.56%**

### YTD PERFORMANCE

**+3.21%**

### PERFORMANCE OF INVESTMENT FUNDS

In full contrast to the previous quarter, Q2 noted a negative performance for all the investment funds utilised by KPST. During the quarter, the Tobam fund - which had more placements in Europe and Asia, places which turned out to be the hotbeds of the mini crisis during this quarter (Greece, due to the debt issue and China due to massive sell-off of shares) - had the most negative performance (-4.91%). The other funds focused predominantly on shares, such as: Nordea GSEF (-3.75%), KBIDPD (-3.13%), and Pictet (-2.68%) were also hit by the falling markets as they were influenced also by the geographical position and the currency distribution of their holdings. Investments in Canada and Australia recorded an additional loss this quarter due to a steep depreciation of respective currencies. The performance of other investment funds was as follows: Vanguard (-0.77%), Schrodgers (-0.51%), BNY Mellon (-2.15%), AXA WFOI (-0.98%), and AXA GILB (-2.59%). For the first half of the year only Schrodgers with -0.56% and Tobam with -0.08% resulted with a negative performance, while all the other funds were in a positive.

The investments in Treasury securities of the Kosovo Government had a performance of 0.48% for the period.

## ALLOCATION AND PERFORMANCE FOR EACH MANAGER/ISSUER

MANAGER/ISSUER	FUND NAME/INSTRUMENT	ALLOCATION	PERFORMANCE
Vanguard	Global Stock Index Fund - Euro	€355,992,994.48	-0.77%
BNY Mellon	Global Real Return Fund	€171,349,145.73	-2.15%
Schroders	Strategic Bond - Euro Hedged	€113,878,300.05	-0.51%
Nordea	1-Stable Return Fund	€102,711,586.18	-2.27%
AXA	Global Inflation Linked Bonds	€97,228,265.22	-2.59%
Treasury of the Republic of Kosovo	Securities	€79,739,793.50	+0.48%
KBI	Divident Plus	€59,414,346.66	-3.13%
Nordea	1-Global Stable Equity Fund	€55,761,311.95	-3.75%
TOBAM	Anti-benchmark WEFE hedged share class	€36,732,519.21	-4.91%
Pictet	High dividend selection Z EUR	€33,284,113.93	-2.68%
AXA	WF Optimal Income I EUR	€28,441,217.79	-0.98%
Alceda*	Aquila Risk Parity 7 Fund	--	-1.45%
<b>TOTAL</b>		<b>€1,134,533,594.70</b>	<b>-1.56%</b>

\* The investment in this fund (of €27,368,984.34) was fully redeemed and the realised profit was €1,479,230.80.

## THE GOVERNING BOARD HELD ITS SECOND MEETING FOR THE YEAR

In June, the KPST Governing Board held its second annual meeting for this year. In the meeting, the Board has, in addition to approving and formalising all the decisions made via e-mail between the two meetings, conducted informational interviews with three of the asset managers: Vanguard, Nordesa SRF, and Nordea GSEF. This was done in order to be directly informed about the plans and strategies of these managers for the investment funds, in which the KPST has placed assets. In addition, the Board members were informed by the asset managers also about the challenges and risks expected during the second half of the year as well as for the plans of the tactical actions to avoid them.

Further, the Board decided to completely redeem investments in the Aquila Risk Parity 7 Fund (worth €27.4m). The Board had expected this fund to have a better investment performance which could justify the management fees that were relatively higher than those of the other funds. The realised profit from this investment was €1,479,230.80.

The participation in the two next auctions for the bonds of the Kosovo Government, the exact amount of which will be defined after the publication of the announcement, was among the other decisions that the Board rendered in this meeting.

The Board also decided to re-advertise the job vacancy for an Investment and Risk Officer, a process which was to be carried out during July 2015.

In the end, having reviewed and assessed the overall investment performance based on the current strategy, the Board approved its (strategy's) continuation.

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2014 FINALISED

The Annual Report and Financial Statements 2014 have been finalised and published in the webpage and may be visited following this link: <http://trusti.org/index.php/en/annual-reports>.

In the publication, the most key facts have been presented mainly for the two last years, and in some cases also for the five last years. As usual, physical copies of this report have been delivered to the most important institutions of the country as well as the embassies, institutes, NGOs and businesses. In addition, in its session of 10 July 2015, the Kosovo Assembly approved the KPST Annual Report 2014.

## VACANCY ANNOUNCEMENT FOR NEW BOARD MEMBERS CLOSED

The vacancy announcement for the selection of 5 Board members: 4 professionals and 1 representative of employees, closed on 10 April 2015. 67 candidates applied for this position and, immediately after the closure, the KPST sent the complete list of candidates to the CBK, including the entire documentation attached thereto.

In the next stage, the Selection Commission (composed of the Governor of the CBK, Minister of Finances, and Auditor General) shall send a list of the candidates with the highest points to the Kosovo Assembly, and the Assembly shall appoint or reappoint from the list 5 members of the Governing Board, for a three-year mandate. As a reminder, the mandate of 5 current members expires in July, and since their appointment/replacement has not been made within the time limit, the Law on Pension Funds of Kosovo defines that their mandate shall be extended by default for another 3 months (until the end of October). In case the Assembly does not appoint/reappoint the members of the Governing Board until then, afterwards this body will not have the required minimum (of four members) to take any decision.

## €5.5 MILLION PENSIONS PAID OUT IN THE Q2

The pensions paid in Q2 had an almost identical amount as in the Q1 (€5.5m), making the overall value of paid assets during the first half of the year to exceed the figure of €11m. For the same period of the previous year (H1 2014) this amount was about €8m, or 38% less.

For the same periods, the number of retired contributors increased by 27% (from 2,429 to 3,095). For the first half of the year, 2,530 (or 82%) were for old-age retirement, 429 (or 14%) for cases of death, and 136 cases of disability (or 4%).

As regards the average balance of accounts at the end of H1, it increased by 15% to €3,295 (30.06.2014: €2,871) for active accounts while for all the existing accounts, it increased by 9% to €2,088 (30.06.2014: €1,920).



## 4% MORE SERVICES PROVIDED IN Q2

The number of services provided by the KPST office reached 19,398 (from 18,680 in Q1), or an increase by 4%. This pace is significantly lower than 21% in the Q1; however, at the same time, it is part of the regular cycle of the service fluctuation, with the first quarter being dominated with requests of contributors for account statements. Compared to the same quarter of last year, the number of services increased by 52%.

Three of the most requested services during this quarter were: printing of statements (47%), activation of eTrusti service (14%), and change of addresses (7%). On the other hand, the number of self-services through eTrusti decreased to 1,930 (Q1: 2,620), and the services in the regional offices of the TAK also decreased to 9,851 (Q1: 11,385).

In total, 31,179 contributors, who constituted 12.0% of active contributors, were served or self-served during Q2 (Q1: 32,808 services, or 13.5% of active contributors).

## 8% MORE USERS OF E-TRUSTI

The number of contributors who activated the eTrusti service reached 43,605 at the end of Q2 (Q1 2015: 40,810 users), noting an increase by 8% within three months. This pace of increase of the number of users is slightly lower than in Q1 2015 and Q2 2014 (both at 10%).

On the other hand, within one year (Q2 2014 to Q2 2015), the number of users is noting a very satisfactory pace of 29% (from 33,754 to 43,605).

At the end of Q2, the number of activated accounts in eTrusti constituted 8.9% of the total accounts (490,007) in KPST.

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