

TRUSTORY

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KEY FACTS

As of 31 December 2013

Share price	€1.2117
AUM	€913,182,738.46
Paid pensions in Q4	€2.7m
Contributors' accounts	447,259
Shares in issue	753,650,391.63

INVESTMENTS IN Q4

Share price change: 3.27%

October	2.04%
November	0.37%
December	0.84%

Return on investments: +€29.66m

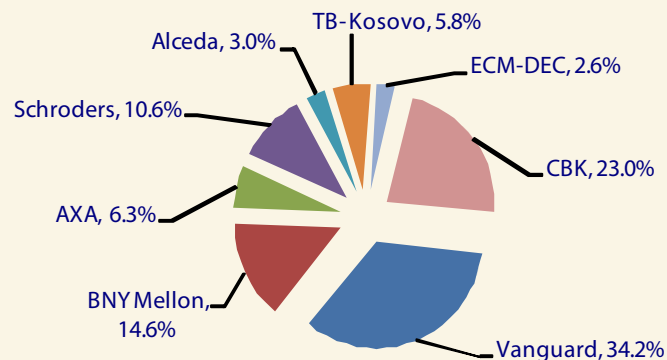
October	€17.98m
November	€3.66m
December	€8.02m

KPST CUMULATIVE INVESTMENT PERFORMANCE SINCE INCEPTION



Period	1M	3M	YTD	1Y	5Y	Since inception
Results	0.84%	3.27%	8.48%	8.48%	40.81%	21.17%

FUND ALLOCATION IN Q4 2013



PERFORMANCE OF INVESTMENTS FUNDS AND KOSOVO TB IN Q4 2013

1. VANGUARD	▲ +8.23%	4. AXA GILB	▼ -1.61%	8. TB - KOSOVO	▲ +0.35%
2. SCHRODERS	▲ +1.09%	5. BNY MELLON	▲ +1.24%		
3. ECM-DEC	▲ +2.07%	6. ALCEDA	▼ -0.13%		

€30M RETURN FROM INVESTMENTS IN Q4

Kosovo Pension Savings Trust (KPST) closed the fourth quarter of 2013 with a 3.27% return on investments, or approximately 29.7 million euros in nominal value.

For KPST, in annual terms, 2013 was also quite successful. Gross return on investments for the year exceeded 71 million euros; or 8.5% net increase in the share price. In nominal terms this is the best result in the field of investments that KPST has ever achieved. Whereas the joint gross return for the last two years, 2012 and 2013, for KPST investments came to around 125 million euros.

On the other hand, pension contributions during 2013 reached approx. 119 million euros, or roughly 6 million euros more than the accumulated contributions the year before.

As a result: 71.1 million euros from investments and 119.1 million euros by contributions were added to the assets under management for 2013; while 10.7 million were deducted as a result of pension withdrawals, 1.5 million euros for refunds of erroneous payments, as well as 4.6 million euros for financing of investment and operational costs of KPST. All of these resulted in an increase of 173.4 million euros for assets under management, which reached 913.1 million euros at the end of 2013.

Affecting factors

The fourth quarter was mainly dominated by positive news in global financial markets. This was a quarter

when the stock market grew stronger, while investments in bond markets shrank significantly. The performance of the stock market was in a fine balance throughout the quarter. While economic indicators were marking continuous improvement, the uncertainty about the termination of quantitative easing in the U.S. kept markets under a constant tension. None-the-less, markets were positively affected by impressive reports from global corporations for the third quarter. In addition, the economic indicators in Europe and in emerging economies also gave signs of improving. Finally, the reduction of the stimulation program in the U.S., relaxed markets even more, resulting in a highly satisfactory quarter for shares.

Performance of asset managers

As can be seen in Table 1, the majority of returns from investments in Q4, or as much as 86%, came from the stock market through the manager - Vanguard. KPST investments were in addition positive in placements in the European credit markets, absolute return vehicles and treasury and corporate bonds, managed by ECM, BNY Mellon and Schroders, respectively. Investing in securities of the Government of Kosovo also had a positive impact.

On the other hand, a negative impact was caused from investments in AXA's and Alceda's vehicles. Especially AXA's portfolio was strongly influenced by the decline in global demand for global inflation-linked bonds.

Table 1: Investment performance in Q4 2013 and placements at the end of the quarter

Manager/Entity	Investment class	Allocation (in Euro)	Gross return (in Euro)	Performance (in %)
Vanguard	Equities	313,444,531.78	23,257,628.18	+8.23
ECM	Credit markets	23,403,320.56	503,060.64	+2.07
BNY Mellon	Absolute return	133,139,594.26	1,633,542.56	+1.24
Schroders	Bonds	96,379,843.88	1,035,242.99	+1.09
Kosovo Treasury Bills	Treasury bills	53,122,904.79	185,671.44	+0.35
Alceda	Absolute return	26,986,629.60	1,920.07	-0.13
AXA	Global Inflation Linked Bonds	57,478,700.98	-1,390,400.30	-1.61
State Street*	Equities	-	1,430,759.32	+4.67
Accumulated surplus from operational assets*		-	3,000,000.00	-
	Total	703,955,525.85	29,657,424.90	+3.27

*The net return from State Street up to 24th October 2013

ASSEMBLY APPROVED THE 2014 FEES

On November 20, 2013, following an earlier proposal by the Governing Board, the Assembly of Kosovo approved the Kosovo Pension Savings Trust (KPST) management fee for 2014.

The Governing Board had requested the approval of the management fee comprised of: an investment fee of 0.40% (2013: 0.38%) and an operational fee of 0.13% (2013: 0.15%) per annum. Overall, the KPST contributors, from January 1, 2014, shall be charged a 0.53% management fee; which is the same as the overall fees charged for the second half of 2013.

The increase in the investment fee was due to changes in investment strategy, a change which is expected to direct more funds from the risk diversification approach to the risk management approach. All this is coupled with the need to increase the number of fund managers,

which consequently increases the investment cost. However, the sole intention of all these changes is the protection of the interest of KPST contributors. This is intended to be achieved by removing part of investments from classes with a greater risk and move them to classes which are protected more from fluctuations in financial markets.

On the other hand, the reduction of the operational fee was due to the completion of capital investments in 2013 as well as further increases in KPST staff efficiency, which in turn reduced the expected operational costs.

We remind you here that KPST is the pension institution with fees several times lower than similar pension funds in the region.

INVESTMENTS IN SECURITIES OF KOSOVO AMOUNT TO €53M

KPST investments in Kosovo Government Securities at the end of 2013 amounted for over 53 million euros. Only during the fourth quarter (Q4) the Governing Board increased its investments in this financial instrument with approx. 30 million euros.

In this manner, the maximum for investments during 2013 in Kosovo Government Securities permitted by the Law - which stipulates that KPST in any calendar year it may not invest new funds of more than 50% of

accumulated contributions from the previous year - was almost reached. Compared with one year earlier, investments within Kosovo in 2013 were increased by about 7 million euros. During 2012 KPST investments in Kosovo were mainly concentrated in bank deposits, where out of 46 million euros of investments - 32 million euros were in deposits with local commercial banks, and approx. 14 million euros in Kosovo Government securities. At the end of 2013, KPST had no investments in bank deposits in Kosovo.

OVER 68 THOUSAND CLIENTS SERVED DURING 2013

KPST has provided services to more than 68 thousand clients during 2013. Services included requests for printing account statements, correcting addresses, online account activations, retirement applications, answering queries posted via email and through the eTrust service. Compared with one year ago, when the number of provided services was around 42 thousand, this represents an increase of 62% in the number of

clients served. Although a large part of the services is related to clients' need for visa applications at several EU embassies, the increase in numbers comes also due to increased awareness of contributors on the importance of pension savings, as well as the increased demand for eTrust online service, through which an account can be checked online.

DR PLAN SUCCESSFULLY TESTED

KPST during 2013 was engaged to finalise the establishment of the backup office, equipped with all necessary hardware and software. Henceforth this backup office will be on standby to accommodate key KPST personnel in case of any disaster, natural or human, which would hinder daily activities in the KPST central office. Therefore, the project itself was named Disaster Recovery Plan (DRP), which implies a continuous KPST service delivery via backup office.

To ensure that backup office meets the requirements to successfully perform the daily service delivery to contributors, it was deemed necessary to test the hardware devices and software applications. The first test was conducted during the end of this year, while regular testings shall be carried out continuously.

Department of Information Technology (ITD) of KPST during November prepared the necessary infrastructure to conduct testing of the DR project. In this regard, the reserve spaces have been prepared in advance, connecting with separate internet line the central office with backup office and the transfer of all data from central servers to backup servers. Testing was aimed to prove if during the simulation the entire KPST daily activity would function normally in the backup environment.

Initially the pre-testing of the project was performed, while at the end of the November the final testing was carried out. Final testing spanned over two days, and was conducted by the ITD. Testing was supervised by the KPST management, in the presence of the customer relations department and the internal auditor.

Testing was successfully completed according to anticipated plan and outcome. All servers, and applications that are used on a daily basis for and from customers, were successfully tested. None of the daily processes which enable the KPST activity encountered any obstacles during testing. However, it was observed that in order to more comprehensively test real world scenarios, a better and more detailed preparation of test scenarios is required for future testing.

Considering that this testing was completed successfully, and the fact that there is no risk of interruption to the KPST work process in the event of disasters, and more importantly, with the backup of servers and environments for all of KPST's daily activities, the importance of this completing this project is invaluable. Its successful implementation can be surely considered the most important KPST achievement in the IT field during 2013.

€2.7M OF PENSIONS WITHDRAWN IN Q4

During the last quarter of 2013 the amount of funds withdrawn from KPST by the pension beneficiaries was around 2.7 million, an increase compared to 2.4 million from the previous quarter. In this quarter, the number of pension beneficiaries was 781, a slight increase compared to 763 in the previous quarter.

In annual terms the total withdrawn pensions for 2013 were close to 10.7 million euros in, versus 8.7 million euros withdrawn a year ago. During 2013 the number of pension beneficiaries was 3,567, while a year ago this number was 3,264. The annual increase between the 2013 and 2012, is around 23% for the amount of

withdrawn pensions, while it was 9% in the number of pension beneficiaries. This disproportionate increase in the amount of disbursed pensions compared to the number of retirees is linked with two factors: 1) the balance of pension savings, which tends to increase each year with additional contributions; and 2) the increase of the share price.

Since inception of KPST and until the end of 2013, the amount of withdrawn pensions has reached just under 39 million euros, which were distributed to 20,503 beneficiaries.

98.48% OF FUNDS ALLOCATED IN ACCOUNTS

KPST has continued to have a satisfactory progress in the allocation of funds in contributors' accounts during the fourth quarter of 2013 (Q4). The amount of un-allocated funds decreased from 14.2 million euros at the end of Q3 to 12.9 million euros at the end of the year. Contributors' assets which are allocated to their accounts reached 98.48% of total funds, compared to 98.20% from the previous quarter.

It should be noted here that the main factor influencing the achievement of this outcome was the record level of allocation of contributions paid during 2013. Only 0.48% of these contributions, or 119 million euros of contributions that were paid in 2013, were not allocated in accounts, which in nominal terms is 575,775 euros. This result for 2013 was achieved despite the fact that the amount of pension contributions paid during the

year was the highest ever, i.e. 119 million euros, or 6 million euros more than a year ago.

During 2013 the KPST has decreased the overall amount of un-allocated funds by 4.7 million euros, which is significantly higher than in 2012, when this figure was around 1.8 million euros.

A significant factor that contributed to the achievement of this result was the commitment of KPST staff for securing the missing information from employers; and to a smaller degree the refund of funds erroneously paid into the KPST account, comprised of penalties and interests with which TAK penalises businesses for delays in payment and/or failure to declare their obligations.

THE eTRUSTI PROMOTION VIDEO IS FINALISED

During Q4 the production of the eTrusti service promotion video was conceived and finalised. This video shall be broadcast during 15 days in January 2014 in three national televisions: RTK, KTV and RTV21. Although eTrusti has been operational for six years now, the small number of its users has made it a necessary to re-promote this service. In addition, since the launch of this service continuous improvements to it were made, and now this is not only a service for checking the account balance of savings. Through this service it is possible to

determine one's heirs, to apply for pension from home, as well as various requests posted directly from the account. This service was also improved from the visual aspect and overall functionality.

It should also be mentioned that there is a relaxation in procedures to apply for eTrusti. Now, contributors only need to send a scanned or photographed identification document, without having to sign for it.

AUTOMATIC UPDATING OF KEY FACTS ON THE WEBSITE

During the fourth quarter the project for the automatic update of key facts on KPST website (www.trusti.org) was completed. Now, the unit price, assets under management, the number of contributors and the investment and operation fees are updated on daily basis on the website's homepage. It is understandable that due to the time required to obtain the information from fund managers, and calculations necessary to extract the data, the calculation of the unit price is done

with a lag of two working days. Further, similar improvements were made on the secondary pages as well, i.e. those of unit price and assets under management. Now comparative data between on investment performance of KPST and inflation in Kosovo can also be found; as well as the additional historic data. Soon automatic updating is expected to be carried out also for the allocation of funds by fund managers.

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