

QUARTERLY NEWSLETTER
KOSOVO PENSION SAVINGS TRUST



TRUSTORY

KPST UNIT PRICE SINCE INCEPTION



PERIOD	1M	3M	1Y	3Y	5Y	SINCE INCEPTION
RESULT	-0.17%	+0.49%	+4.44%	+13.53%	+32.96%	+37.56%
BENCHMARK*	+0.30%	+1.40%	+1.30%	+0.67%	+4.94%	+32.80%

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

PERFORMANCE OF INVESTMENTS IN Q4 2016

UNIT PRICE:

OCTOBER	▼ -1.00%
NOVEMBER	▼ -0.01%
DECEMBER	▲ +1.51%
TOTAL NET PERFORMANCE	▲ +0.49%

GROSS RETURN:

OCTOBER	-€13.26m
NOVEMBER	-€0.49m
DECEMBER	+€21.59m
TOTAL GROSS RETURN	+€8.77m

KEY FACTS

UNIT PRICE
€1.3756

NET AUM
€1,417,970,874

BENEFIT PAYMENTS FOR THIS QUARTER
€4.33m

BENEFIT PAYMENTS YTD
€19.21m

WITHDRAWN ACCOUNTS FOR THIS QUARTER
927

WITHDRAWN ACCOUNTS YTD
4,405

CONTRIBUTORS' ACCOUNTS
541,923

ACTIVE ACCOUNT AT THE END OF THE PERIOD
312,672

NEW CONTRIBUTORS YTD
34,009

CONTRIBUTIONS DURING THIS YEAR
€151.50m

SERVICES OFFERED DURING YEAR
81,514

TOTAL ETRUSTI ACCOUNTS
61,735

ALLOCATION AND PERFORMANCE FOR EACH FUND / ISSUER IN Q4 2016

MANAGER / ISSUER / BANK	FUND NAME / INSTRUMENT/ BANK	ALLOCATION	ALLOCATION IN %	PERFORMANCE	CONTRIBUTION ON PERFORMANCE
Vanguard	Global Stock Index Fund - Euro	€395,450,768	27.88%	+4.40%	+1.15%
Nordea	1-Stable Return Fund	€232,257,002	16.37%	-2.22%	-0.38%
Nordea	1-Global Stable Equity Fund	€170,162,279	11.99%	+4.39%	+0.52%
BNY Mellon	Global Real Return Fund	€138,826,337	9.79%	-5.17%	-0.86%
AXA	Global Inflation Linked Bonds	€85,653,672	6.04%	-2.76%	-0.17%
Treasury of the Republic of Kosovo	Bills and bonds	€78,697,946	5.55%	+0.60%*	+0.03%
AXA	WF Optimal Income I EUR	€61,183,827	4.31%	+2.41%	+0.11%
Pictet	High dividend selection Z EUR	€58,778,067	4.14%	+3.34%	+0.10%
Schroders	ISF Global Diversified Growth	€50,872,418	3.59%	+2.19%	+0.06%
Amundi	Rendement Plus Part I2	€50,255,615	3.54%	-0.06%	+0.02%
Parvest	Diversified Dynamic	€50,091,737	3.53%	-0.54%	+0.01%
Schroders	Strategic Bond - Euro Hedged	€10,209,928	0.72%	+1.29%	+0.01%
Banka Kombëtare Tregtare	Term deposit	€8,005,071	0.22%	+0.06%**	+0.00%
Banka për Biznes SH.A.	Term deposit	€8,006,707	0.56%	+0.08%**	+0.00%
TEB SH.A.	Term deposit	€4,001,311	0.56%	+0.03%**	+0.00%
INVESTED ASSETS IN TOTAL		€1,402,452,685	98.86%	+0.49%	0.60%

* The performance presented here is only for illustration purposes and is not an investment result, as these are term deposits with predetermined interest.

**This investment return does not coincide with the whole period of TM4. These deposits have been made in three banks in Kosovo during December 2016.

€64.6M GROSS RETURN | 2016

The Kosovo Pension Savings Trust (KPST) concluded one more year with positive results in all areas of operation. The gross return on investment for the year 2016 was around 65 million euro, with the share price increasing by 4.4% for the year 2016. At the end of 2016 the net assets that the KPST had under management came to the value of 1.42 Billion or an increase of 189 million euros from the end of last year. The growth of assets under management was the result of: new contributions of 152 million euros and return on investment of 65 million euro. While for the same period: 19 million euro was paid for the pension, 6 million euro for the management fees and 2 million euro were refunded. In this case the Governing Board was well satisfied with the investment performance, which proved the consistency and the effectiveness of the investment strategy in force, offering a combination of stability and return through balanced investments and diversification.

INFLUENTIAL FACTORS

This positive result was achieved in a year that proved particularly challenging due to an environment of very low interest rates where low-risk assets were not sufficiently rewarded, to European equity markets facing the uncertainty of the Brexit outcome, and to global equities proving quite nervous in the face of US presidential elections and of an eventual change in the FED's monetary policy. In spite of the volatility and the challenges, financial markets did well, with many indices moving into positive territory just in the last month of the year. This performance was supported by the gradual improvement of economic indicators at the global level, together with some increase in oil prices.

PERFORMANCE OF INVESTMENT FUNDS

This was a specific quarter because of the fact that we had a small difference between the investment performances of funds. The difference between the best performance (Vanguard +1.15%) and the lowest performance (BNY Mellon -0.86%) was only 2 percent. Furthermore, 6 out of 12 engaged investment funds were inside of the investment return segment of +0.01% and +0.11%. A not very good performance of bonds left the greatest mark on the joined fund of BNY Mellon and a little less to Nordea SRF (-0.38%), while the low level of global inflation reflected negatively on the portfolio of AXA GILB (-0.17%).

Bypassing this quarter, 2016 was positive for all funds engaged by KPST. The best performance of the year was the fund of Nordea GSEF (+11.3%), followed by the fund of Pictet (+8.63%), while the lowest performance was that of the fund of BNY Mellon (+2.05%) and Amundi (+2.22%). But beyond that, when assessing the contribution of each fund on the total of the investment returns, it shows that Vanguard, in the class of shares, contributed the most (around 43%), having in the same time the greatest allocation of funds. The lowest contribution, out of the funds engaged up to the end of the year, was of Schorders SB (-0.10%), which was in the class of bonds.

Investments in Kosovo were with predetermined norms of interest. These investments had an optimal contribution on the overall performance with 1.2%.

NET PERFORMANCE Q4 2016

+0.49%

NET PERFORMANCE FOR THE YEAR 2016

+4.44%

HEADLINES OF THIS QUARTER

AMUNDI IS ADDED TO THE INVESTING LIST

After it was elected in July, through an international call for expression of interest, Amundi had started the management of a part of KPST assets since December through the investment fund Amundi Rendement Puls I2. This fund, which trades with shares and more bonds, aims to keep the annual volatility of portfolio below 4% through the active risk management. Amundi, with headquarter in Paris, France, was founded in 2010 by Crédit Agricole and Société Générale in order to regroup their operations of management of assets under one roof. Based on the amount of the means under management, Amundi is ranked at the top of the list of asset-managers in Europe.

THE BOARD HELD THE LAST MEETING FOR THE YEAR 2016

The Governing Board of the Kosovo Pension Savings Trust in the meeting of December 8, 2016, having reviewed the performance of investment funds as well as the overall performance of KPST, took the following decisions: 1) Invest in the following term deposits for 1Y only: €8m in BPB; €8m in BKT; and €4m in TEB.; 2) T Sell €65m from BNY Mellon; 3) To invest: €20m in Vanguard; €15m in Pictet; €10m in each of the following funds: Amundi, BNP Parvest dhe në Schroders GDG.

THE ASSEMBLY APPROVED THE FEES OF KPST FOR 2017

Assembly of the Republic of Kosovo in the meeting held on 30 November 2016 has approved the operational fee of 0.081% and the investment fee of 0.393% that KPST will have for 2017.

It is decided for the fees for 2017 to be lower than they were in 2016, respectively: 0.082% operational fee and 0.398% investment fee.

UNALLOCATED CONTRIBUTIONS ARE DOWN TO 0.75%

Unallocated contributions in accounts, meaning for those that KPST has no information for whom have they been paid or if they are contributions, have gone down at the end of 2016 on the lowest historical level of 0.75% of total contributions, or about €9.45m in nominal value.

A year ago the unallocated contributions were on the level of 0.90% of the total contributions, or in nominal value of €9.97m.

€19.2 MILLION OF PENSIONS IN 2016

In 2016 there were 4,405 pension accounts that withdrew €19.2m. At the end of 2015 there were 4,438 pension accounts and €19.3m.

Since its establishment until now the number of accounts has reached 33,386 and the value that these accounts withdrew has reached €91m.

27% MORE ACCOUNTS ON eTRUST

The number of contributors that opened their account by the end of 2016 reached 61,735 or a rise of 27% for one year (end year of 2015: 48,427 accounts). eTrust service is offered free of charge and any contributor can open an account by visiting the following address: <https://online.trusti.org/>

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