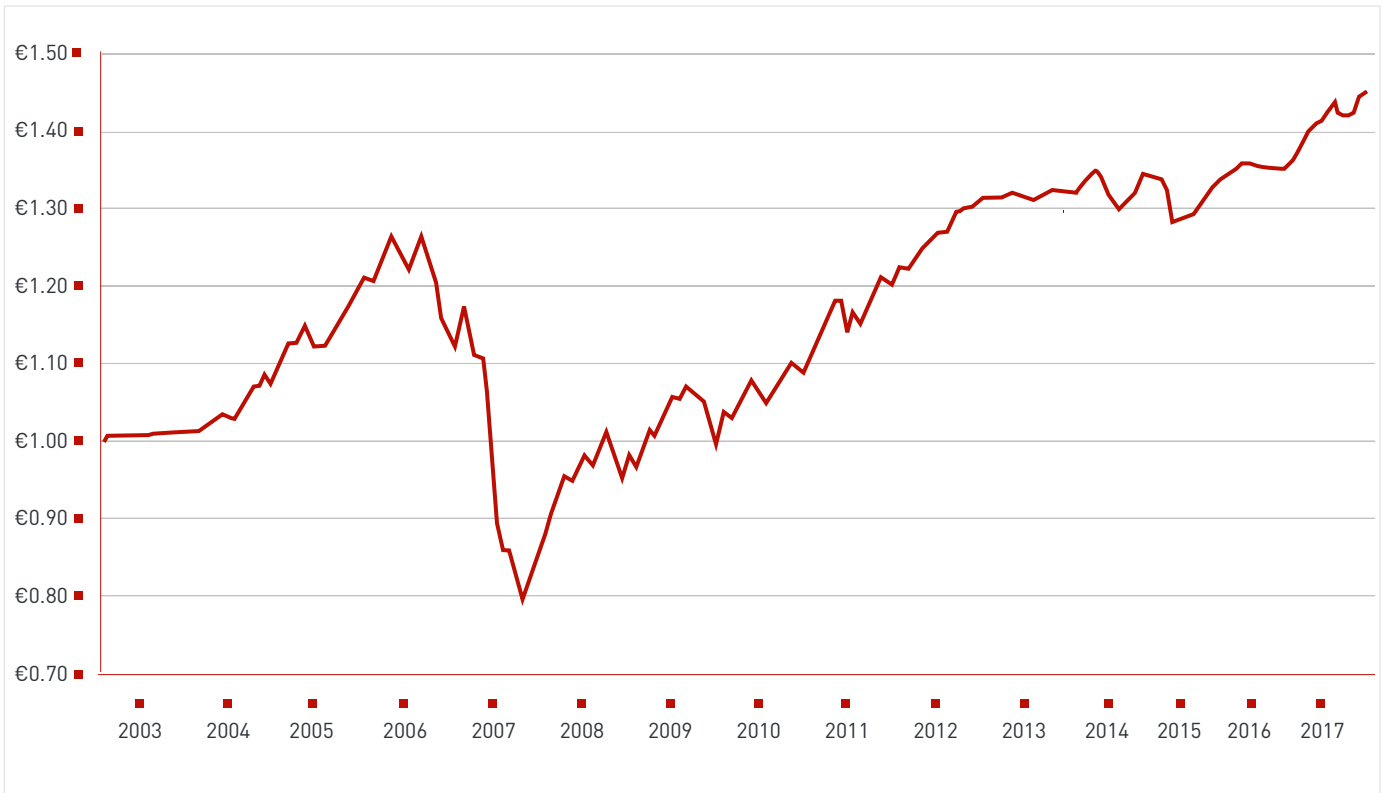


QUARTERLY NEWSLETTER
KOSOVO PENSION SAVINGS TRUST



TRUSTORY

KPST UNIT PRICE SINCE INCEPTION



PERIOD	1M	3M	1Y	3Y	5Y	SINCE INCEPTION
RESULT	+0.30%	+2.16%	+6.48%	+13.74%	+31.14%	+46.48%
BENCHMARK*	+0.00%	+0.20%	+0.49%	+1.64%	+1.72%	+33.46%

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

PERFORMANCE OF INVESTMENTS

UNIT PRICE:

OCTOBER	▲ +1.29%
NOVEMBER	▲ +0.55%
DECEMBER	▲ +0.30%
TOTAL NET PERFORMANCE	▲ +2.16%

GROSS RETURN:

OCTOBER	+€21.03m
NOVEMBER	-€9.59m
DECEMBER	+€5.52m
TOTAL GROSS RETURN	+€36.13m

KEY FACTS

UNIT PRICE IN THE END OF QUARTER	NET AUM
€1.4648	€1,634,648,056
BENEFIT PAYMENTS FOR THIS QUARTER	BENEFIT PAYMENTS YTD
€6.01m	€27.44m
WITHDRAWN ACCOUNTS FOR THIS QUARTER	WITHDRAWN ACCOUNTS YTD
1,068	5,175
CONTRIBUTORS' ACCOUNTS	ACTIVE ACCOUNTS
591,527	352,860
NEW CONTRIBUTORS YTD	NEW CONTRIBUTIONS DURING THIS YEAR
49,612	€159.77m
DELIVERED SERVICES THIS YEAR	TOTAL eTRUSTI ACCOUNTS
143,218	79,867

ALLOCATION AND PERFORMANCE FOR EACH FUND / ISSUER IN THE END OF THIS QUARTER

MANAGER / ISSUER	FUND NAME / INSTRUMENT / BANK	ALLOCATION	ALLOCATION IN %	PERFORMANCE	CONTRIBUTION ON PERFORMANCE
Vanguard	Global Stock Index Fund - Euro	€361,403,004	22.35%	+4.76%	+1.06%
Nordea	1-Stable Return Fund	€241,600,014	14.94%	+1.28%	+0.19%
Nordea	1-Global Stable Equity Fund	€145,628,472	9.00%	+3.04%	+0.27%
BNY Mellon	Global Real Return Fund	€109,129,650	6.75%	+0.26%	+0.02%
AXA	Global Inflation Linked Bonds	€99,809,207	6.17%	+1.88%	+0.12%
AXA	WF Optimal Income I EUR	€108,383,713	6.70%	-0.27%	-0.02%
Pictet	High dividend selection Z EUR	€32,815,554	2.03%	+3.22%	+0.07%
Schroders	ISF Global Diversified Growth	€109,308,172	6.76%	+3.12%	+0.21%
Amundi	Rendement Plus Part I2	€85,394,186	5.28%	+0.82%	+0.04%
Amundi 3M	Amundi 3M - I	€30,297,084	1.87%	-0.05%	-0.00%
BNP Parvest	Diversified Dynamic	€124,087,896	7.67%	+2.90%	+0.22%
Schroders	Strategic Bond - Euro Hedged	€10,332,883	0.64%	-0.70%	-0.00%
Treasury of Kosovo	Bills	€55,930,043	3.46%	+0.56%*	+0.02%
Treasury of Kosovo	Bonds	€33,808,723	2.09%	+0.07%*	+0.00%
BKT, BPB, TEB, NLB	Term deposits	€49,208,858	3.04%	+1.12%*	+0.03%
Cash at CBK	Uninvested	€20,142,336	1.25%	-0.07%	-0.00%
TOTAL		€1,617,279,795	100.00%	+2.23%	+2.23%

*The performance is based on fixed interest rates.

€36.13M GROSS RETURN FROM INVESTMENTS

The Kosovo Pension Savings Trust completed the fourth quarter and the entire 2017 with a positive return on investment. Gross return for Q4 was €36.13 million, or an increase in share price of 2.16%, while for the past year €102.56 million, or an increase of 6.48% in share price. In Q4, funds under management increased by €69.83 million and amounted to €1,645.53 million. The growth of funds under management was affected by: return on investment (€ 36.13 million) and new contributions (€42.19 million). Meanwhile for the same period: €6.01 million were paid for pension, €1.93 million for management fees and €334.49 thousand refunded.

INFLUENTIAL FACTORS

The fourth quarter was successful especially for the US financial markets, where fiscal facilities and GDP growth indicators boosted the markets towards new inclines beyond projections. On the other hand, the strengthening of the euro currency was a deterrent to the growth of EU markets, but the ongoing economic growth in the Eurozone continued to support the incline of financial markets. Though the EU has extended the monetary relief deadline until September 2018, their monetary value will be halved, which is expected to have an effect on the direction of market movement this year. For the same period, immense growth was recognized by financial markets in areas of importance, such as Japan and developing countries, thereby exceeding the projections. During the Q4 there were no strong fluctuations in the securities market, with slight positive fluctuations in the US and a reduction of interest rates in the EU.

PERFORMANCE OF INVESTMENT FUNDS

The fourth quarter was generally positive for 9 out of 12 committed investment funds. This was a fluctuation that generally followed the global financial instruments trend, whereby investment funds focused on stocks and on US dollar currency were at an advantage compared to other funds. Also geographic and sector investment positioning played a role.

Even this quarter, the clear Vanguard stock market fund, showed a distinct incline as opposed to other funds engaged by the KPST. The performance of this fund (+ 4.76%) was significantly better than the three closest funds: the stock fund with the provision of the Pictet HDS dividend (+ 3.22%); GDG Schrodgers' multi-asset fund (+ 3.12%) and Nordea GSEF-focused stock fund (3.04%). Even the fund in the multi-assets of BNP Parvest (+ 2.90%) was not far behind.

Three negative return funds for this period were: Schrodgers SB bond fund (-0.70%); AXA WFOI's multi-asset fund (-0.27%) and Amundi 3M money market fund (-0.05%). While the Schrodgers SB fund was hindered by the poor global bond brokerage market performance, the AXA WFOI fund suffered from a large concentration (97%) of euro currency portfolio, the valuation of which depreciated the increase in the value of the investment fund. While Amundi 3M's fund operates in the cash market, where liquidity and investment protection is a priority.

On the other hand, investments in Kosovo (in Government bonds and IOU-s and in bank deposits) were at predetermined interest rates and contributed on average by 1.38% to KPST's overall performance for this period.

NET PERFORMANCE Q4 2017

+2.16%

HEADLINES OF THIS QUARTER

THE BOARD HELD THE FOURTH MEETING FOR 2017

The Board of Directors, in the meeting held on December 2017, reviewed the state of play of all investments and investment funds, and has taken the following decisions: 1) Approve the return of €385,000 from the budget surplus for investment in the Pension Fund; 2) Deposit the following amounts in local banks: BpB (€8.3m), BKT (€8.0m), TEB (€ 3.9m) and NLB (€3.7m); 4) Propose the Assembly of Kosovo to approve the management fees: 0.381% for the investment fee and 0.071% for the operations fee; 5) Publish the call for bids to local banks for deposits of pension and operational funds; 6) Initiate the process for returning un-reconciled funds over 6 years to TAK, according to the legislation in force.

THE ASSEMBLY APPROVED 2016 ANNUAL REPORT AND FEES 2018

On its plenary session held on 26 January 2018, the Assembly of Kosovo approved the KPST's 2016 Annual Report. Consequently, during this session, the Assembly also approved the fees proposed by the KPST's Governing Board for 2018, respectively: 0.071% for the operational fee and 0.381% for the investment fee. Both of these proposed fees were lowered compared to 2017, from 0.081% and 0.393% respectively.

UNRECONCILED €10M RETURNED TO TAK

By the end of December 2017, the KPST administration completed the process of preparing the return of €9.98 million un-reconciled fund to the Tax Administration of Kosovo (TAK). The concerns funds, paid on behalf of Pension Contribution to the KPST account and for which it was impossible to find information on whose behalf and why they were paid, remained un-reconciled in individual accounts for over 6 years. The return is done based on the applicable legislation (Law No. 05 / L-116), which also defines the relevant obligations that may arise later.

ABOUT 50 THOUSAND NEW ACCOUNTS WERE OPENED THIS YEAR

The number of new accounts opened in 2017 increased by 49,612, bringing the total of accounts to 591,527 or an increase of 8.4%. Simultaneously, the number of active accounts was higher this year. Accounts with at least one contribution in 2017 were 352,860, while in 2016 there were 312,672. The increase in the number of active accounts in 2017 is mostly attributed to the holding of national and local elections, where provisional staff is engaged.

€27.44M IN PENSION WITHDRAWN DURING 2017

The amount of pensions recompensed this quarter amounted to €6.01 million, while the number of new accounts from which the funds were withdrawn was 1,068. While at year-level, the amount of recompensed funds amounted to €27.44 million for 5,178 pension beneficiaries, higher than in 2016, namely €19.2 million and 4,445 beneficiaries. From establishment to date, about €119.2 million pension funds have been withdrawn by 38,560 beneficiaries.

THE NUMBER OF ACCOUNTS IN eTRUSTI GOES UP TO 80 THOUSAND

The number of contributors who opened accounts in eTrusti by the end of 2017 reached to 79,867, marking a 5% increase for this quarter (from 76,096) or an increase of 28% compared to the end of 2016 (from 62,471). The eTrusti service is provided free of charge and any contributor can open accounts by visiting the following: <https://online.trusti.org>

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AUTHOR:

Jeton Demi

TRANSLATION AND PROOFREADING:

GC&DA

CONTACT:

Str. "Agim Ramadani" No. #182-184
10000 Prishtina

Client Relations: +381-38-600-025
Head Office: +381-38-600-020

info@trusti.org
www.trusti.org