

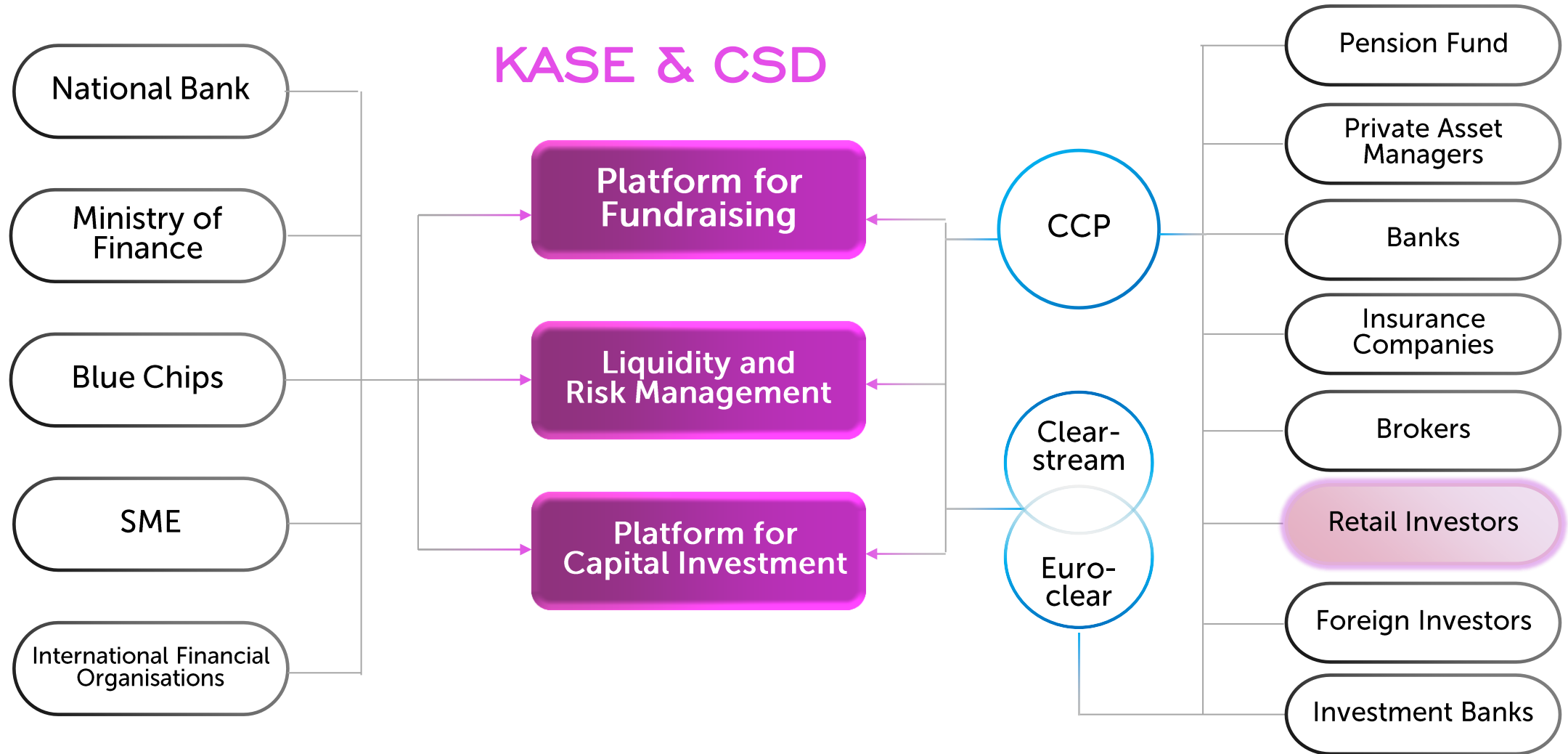
Role of Retail Investors in the Economy

Astana Economic Forum:
Global Challenges Summit 2019

Alina Aldambergen, CEO of KASE



Infrastructure of Domestic Capital Market



Retail Investors' Participation in the Economy through Capital Market:

- **placement of shares** (IPO, SPO)
- **bond offerings** (subscription and auctions)
- investments in **private equity** (venture capital, start-up projects)
- participation through **institutional investors**:
 - pension funds
 - investment funds (mutual funds, ETFs, hedge funds)

Very valuable, but difficult to estimate

Retail investors' presence is likely to increase as per capita income in the country rises. But this relationship doesn't seem to be the same across countries and time. Some middle income countries reflect greater presence of retail investors than some had when they were at the same level of development

Why Role of Retail Trading is Crucial:

- Investments and savings of population are part of the countries' monetary system
- It's one of the main sources of share capital
- It's one of the ways how individuals secure their own financial future
- Higher level of the retail investors' financial literacy leads to higher level of participation in the stock market
- Retail investors do have significant impact on the market sentiment

Investing becomes affordable around the world.

However, it is still all about doing your homework...

- Nowadays retail investors have broader access to **financial information and trading tools, better investment education** than ever before
- **Brokerage fees** have fallen
- **Mobile trading** is enabling investors to actively manage their portfolios from own smart phones or other mobile devices
- Increasing number of retail funds and brokers have **low level of initial investment amounts** or minimum deposits of a few hundred dollars, and some ETFs and robo-advisors don't require any

Retail investment market is large in size and scope and very important on national, local and individual level

For example, for #1 world economy:

- **43 million** U.S. households hold a retirement or brokerage account
- **56 million** U.S. households (44% of all households) own at least one U.S. mutual fund
- There are **2,857 registered broker-dealers** that serve retail investors with **\$3.6 trillion in balance sheet assets** and **128 million customer accounts**
- There are approximately **7,600 investment advisers** registered with the SEC that serve retail investors with over **\$12 trillion in retail client assets** under management and approximately **34 million clients**
- The U.S. broker-dealers and investment advisers employ almost **one million people**

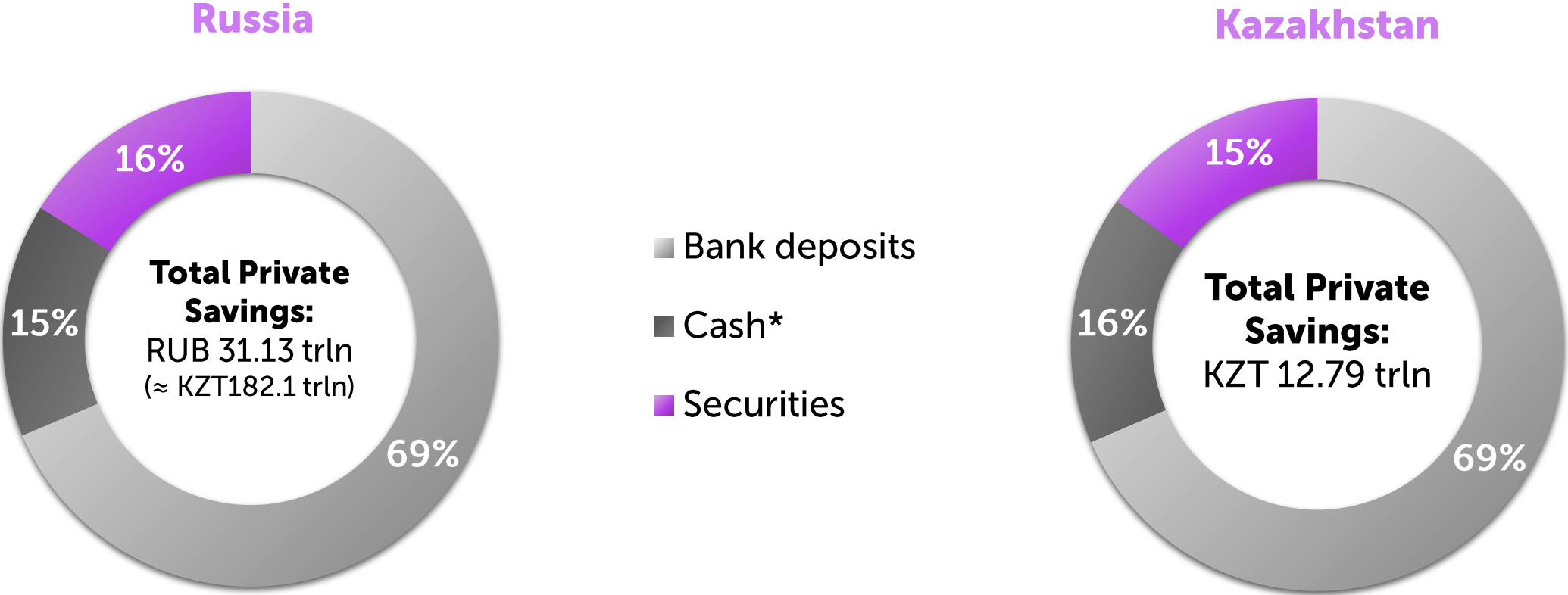
Source: Form CRS Relationship Summary; Amendments to Form ADV; Required Disclosures in Retail Communications and Restrictions on the use of Certain Names or Titles (Apr. 18, 2018) (for statistics except the mutual fund data); 2017 Investment Company Fact Book (ICI, 57th ed. 2017) (mutual fund statistics)

Share of retail investors participating in trading in emerging markets

| | Number of retail accounts | Share of retail investors in population aged 15-64 |
|--------------------------------|---------------------------|--|
| Dubai Financial Markets | 828 775 | 10,38% |
| Amman Stock Exchange | 509 974 | 8,66% |
| Bursa Malaysia | 1 849 048 | 8,43% |
| Colombo Stock Exchange | 779 701 | 5,52% |
| The Stock Exchange of Thailand | 1 850 890 | 3,76% |
| Moscow Stock Exchange* | 2 000 000 | 2,03% |
| Philippine Stock Exchange | 746 595 | 1,12% |
| Kazakhstan Stock Exchange* | 118 537 | 1,01% |
| Indonesia Stock Exchange | 87 130 | 0,05% |
| Bolsa de Valores de Colombia | 7 861 | 0,02% |

*Note: for Kazakhstan and Russia data is as of the end of 2018, for other countries – as of the end of 2017
Source: WFE Enhancing Emerging Market Retail Trading Report, 3 August 2017*

Share of Securities Investments of Private Savings (1/2)



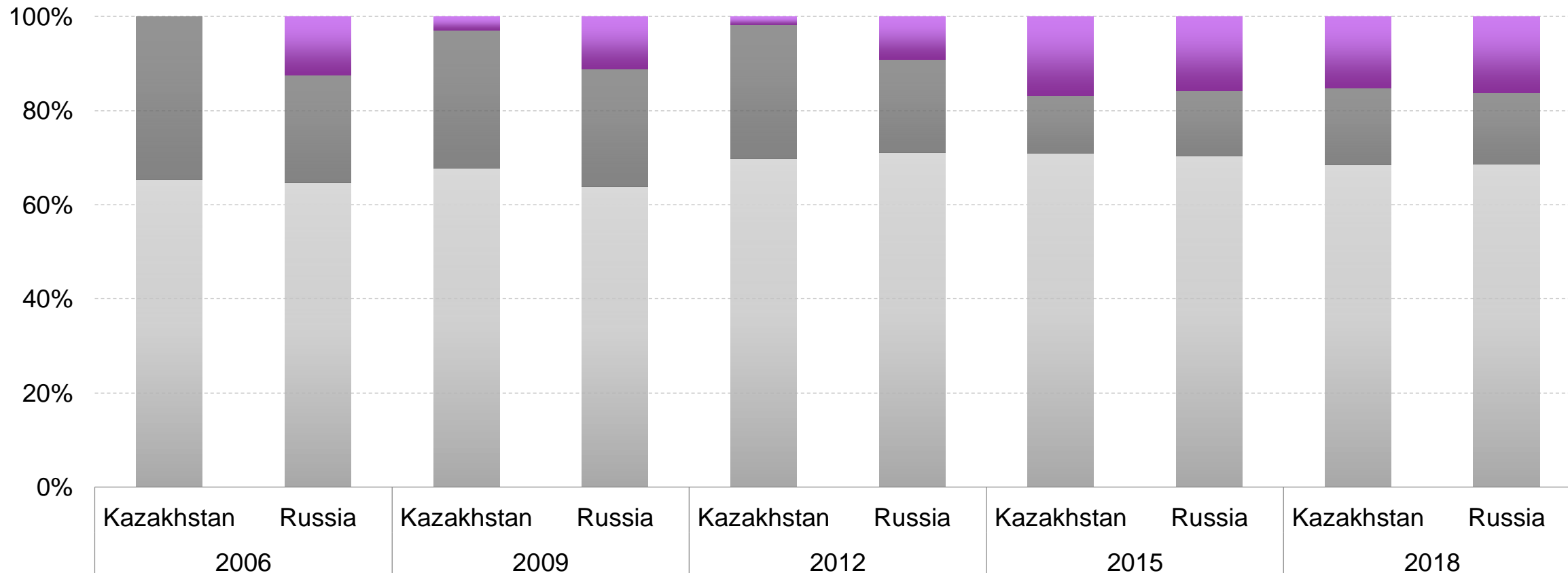
* Data for Kazakhstan: assessment of KASE's analytics division

Source:

- 1. The balance of monetary incomes and expenses of the population of the Russian Federation// Federal State Statistics Service.
- 2. Public deposits in banks of the Republic of Kazakhstan // National Bank of Kazakhstan.
- 3. Monetary aggregates// National Bank of Kazakhstan.

Share of Securities Investments of Private Savings (2/2)

■ Bank deposits ■ Cash* ■ Securities



* Data for Kazakhstan: assessment of KASE's analytics division

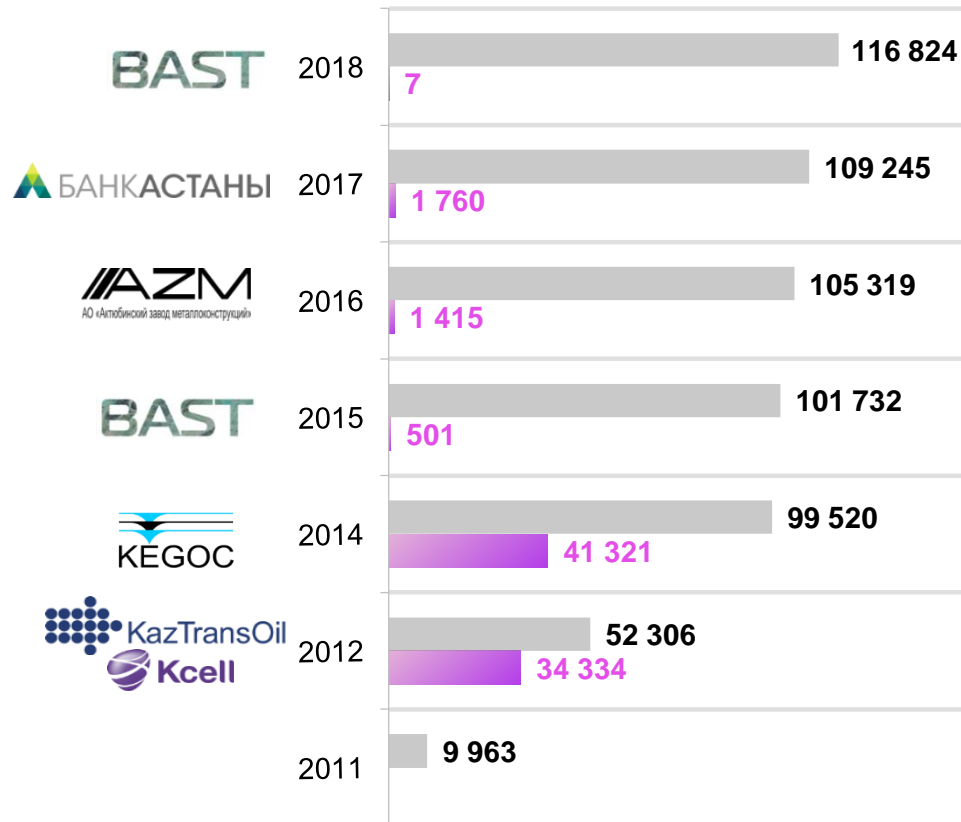
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Number of Retail Investors in Kazakhstan

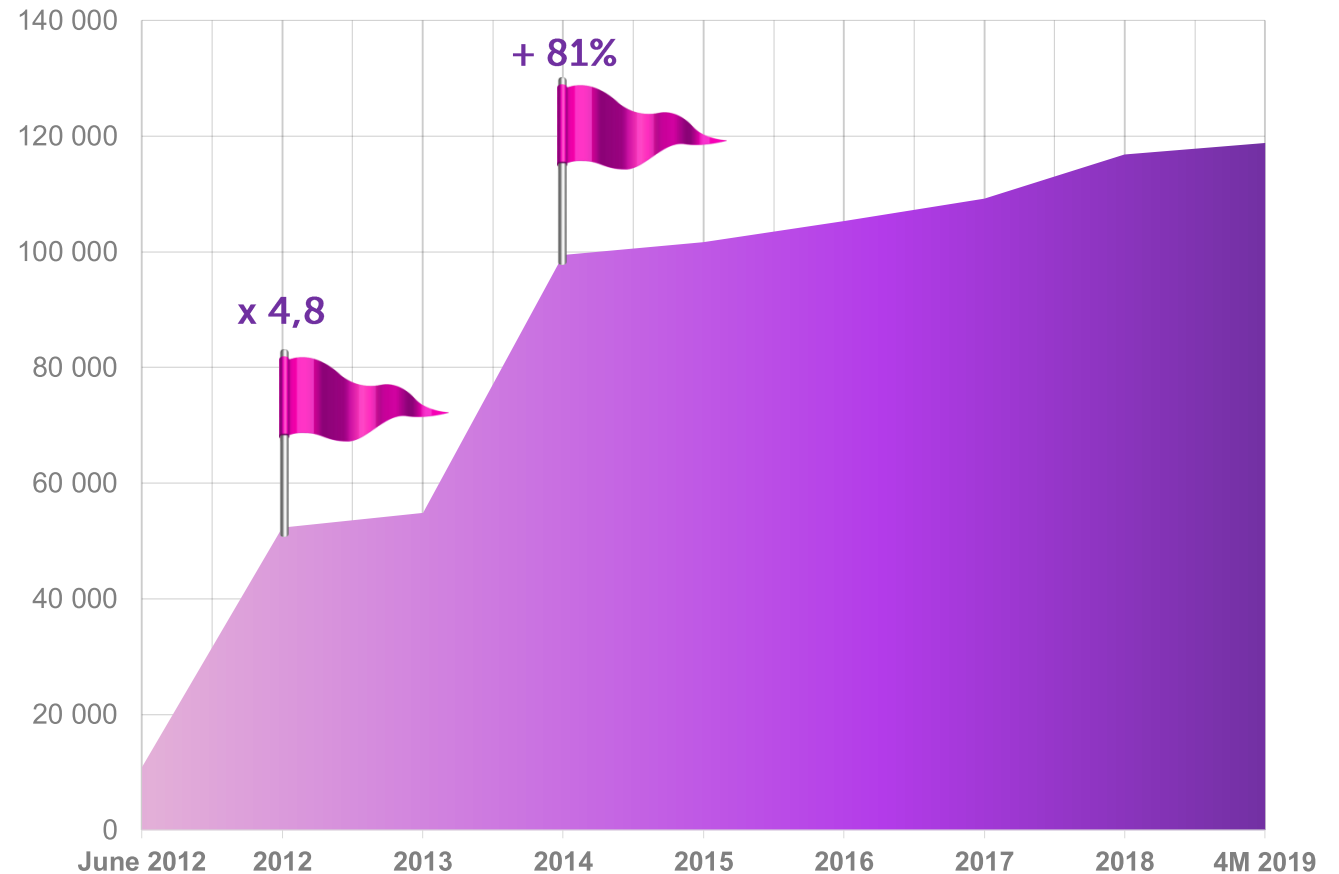
Role of the IPO in Retail Trading Accounts' Growth

- Number of opened investor accounts
- Number of accounts participated in the IPO



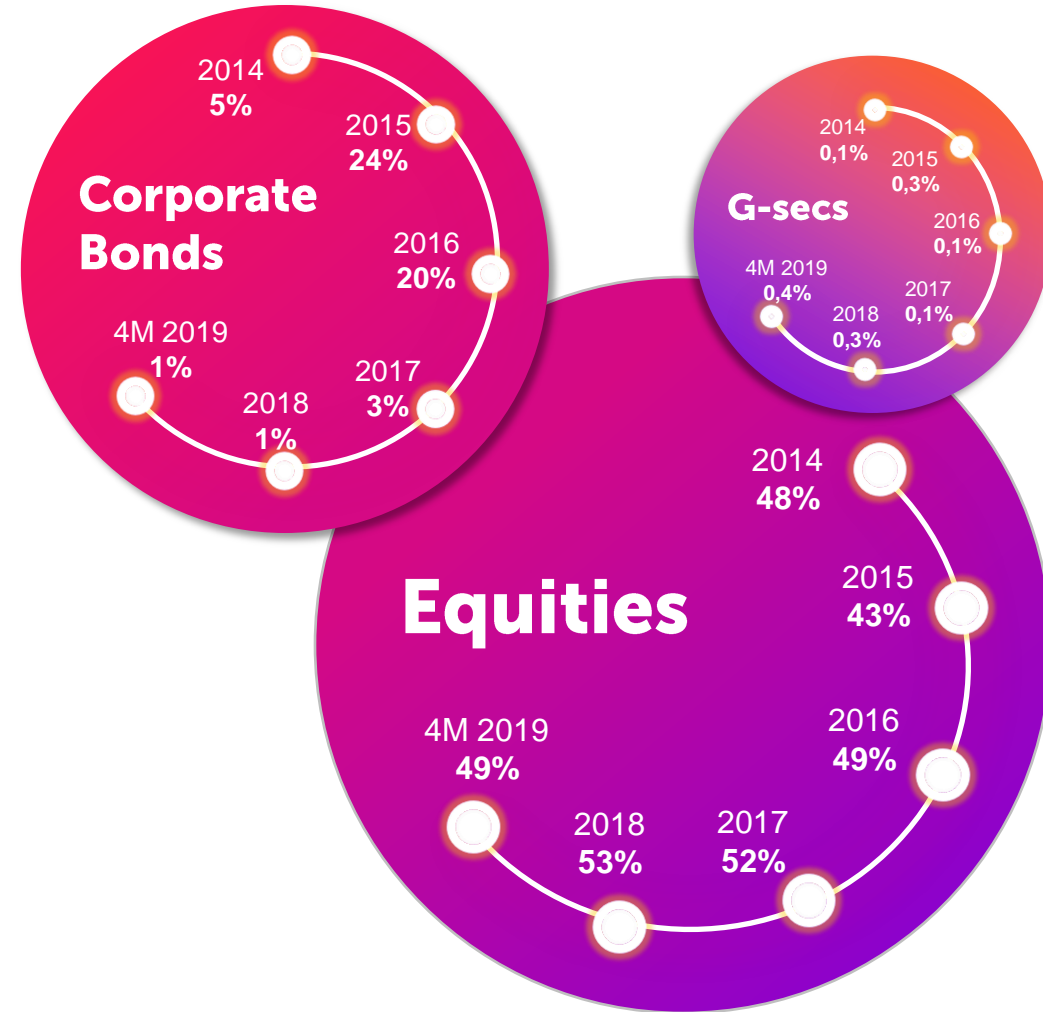
Source: KASE

Number of Retail Trading Accounts opened at the Central Securities Depository of Kazakhstan



Note: all data as of the end of the year

Retail investors' share in the KASE secondary market



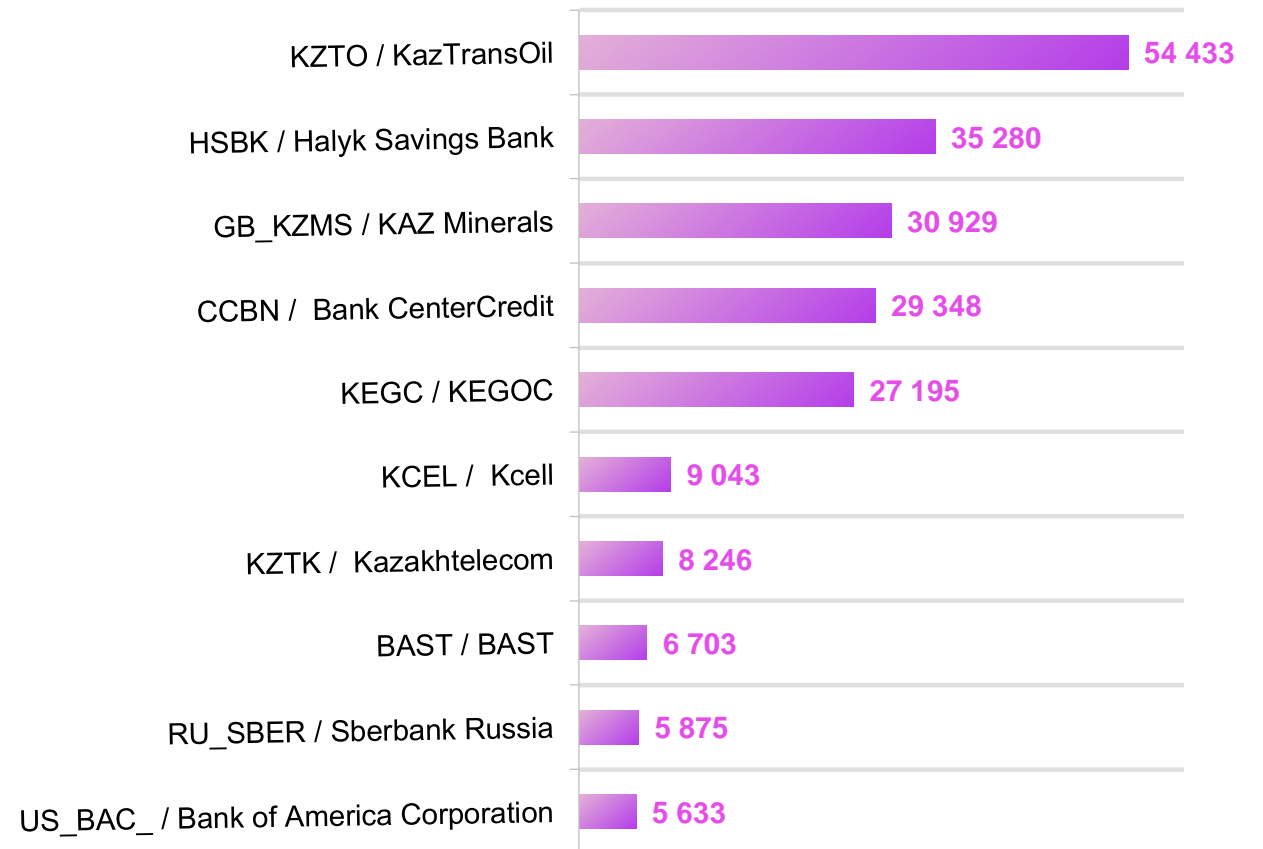
Note: excluding non-representative transactions
Source: KASE

Retail Investors' Participation in the KASE Stock Market

Number of retail trading accounts participated in trading

| | Equities | | Corporate Bonds | |
|------|----------------|------------------|-----------------|------------------|
| | Primary Market | Secondary Market | Primary Market | Secondary Market |
| 2014 | 41 319 | 5 550 | 2 | 107 |
| 2015 | 501 | 11 047 | 4 | 317 |
| 2016 | 1 407 | 9 456 | 3 | 275 |
| 2017 | 1 749 | 11 286 | 47 | 313 |
| 2018 | 18 | 16 804 | 1 | 574 |

Top 10 stocks that retail investors bought and sold on KASE in 2018 (number of deals)



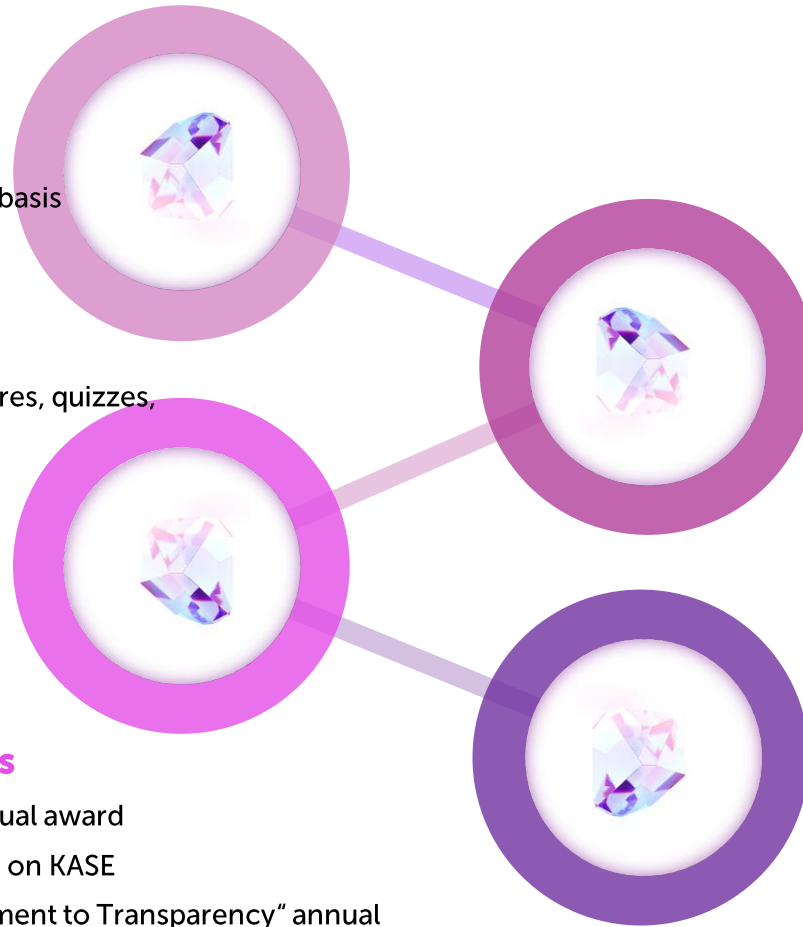
What KASE Does

Promoting Stock Market

- Active participation of KASE's team in regional and international business events
- Round tables and consulting sessions in all regions
- Social media briefings on monthly and quarterly basis
- TV programs on Atameken Business Channel
- Regular publications in social media
- KASE information channel in Telegram
- Retail Investors' section at KASE website (brochures, quizzes, video lessons)

Promoting Best Practices

- "The Best Annual Report" annual award
- Regular listed companies' day on KASE
- "The Best Efforts for Commitment to Transparency" annual award



Developing Skills & Sharing Experience

- Regular seminars for issuers and investors
- "KASE Exchange Simulator" interactive game for students based on real time KASE trading platform and data
- "Investor of the Year" annual award
- Regular seminars for journalists
- "The best publication about KASE and Kazakhstani securities market" annual award

Setting Standards for Information Disclosure

- Member of the UN Sustainable Stock Exchanges Initiative (Model Guidance on ESG reporting and Round tables "Introduction to ESG reporting")
- Participation in the Ministry of Finance of the of Kazakhstan and the UNCTAD project "Evaluation of corporate reporting infrastructure in the Republic of Kazakhstan"
- Cooperation with the International Finance Corporation (adoption of Corporate Governance Scorecard)

To Accelerate Growth of Retail Investors in Kazakhstan



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