



Summary of Q4 2023 for participants in Employee Capital Plans



DEAR PLAN PARTICIPANT(S),

the fourth quarter turned out to be a successful culmination of a prosperous year for investors. We saw a rise in prices of all asset classes in which the PKO Pension sub-funds invest, which translated into superb rates of return achieved during that period. The performance leader was the Warsaw Stock Exchange, whose broad index (WIG) went up by around 20% in the last quarter and by more than 35% during the entire 2023. Western European and US markets did not deliver similarly impressive results, but gains of around 10% reported in the last quarter were no slouch either. During the period the Polish bond market showed relative strength and stability compared to major global markets, which boosted the performance of the debt portion of the funds' portfolios.

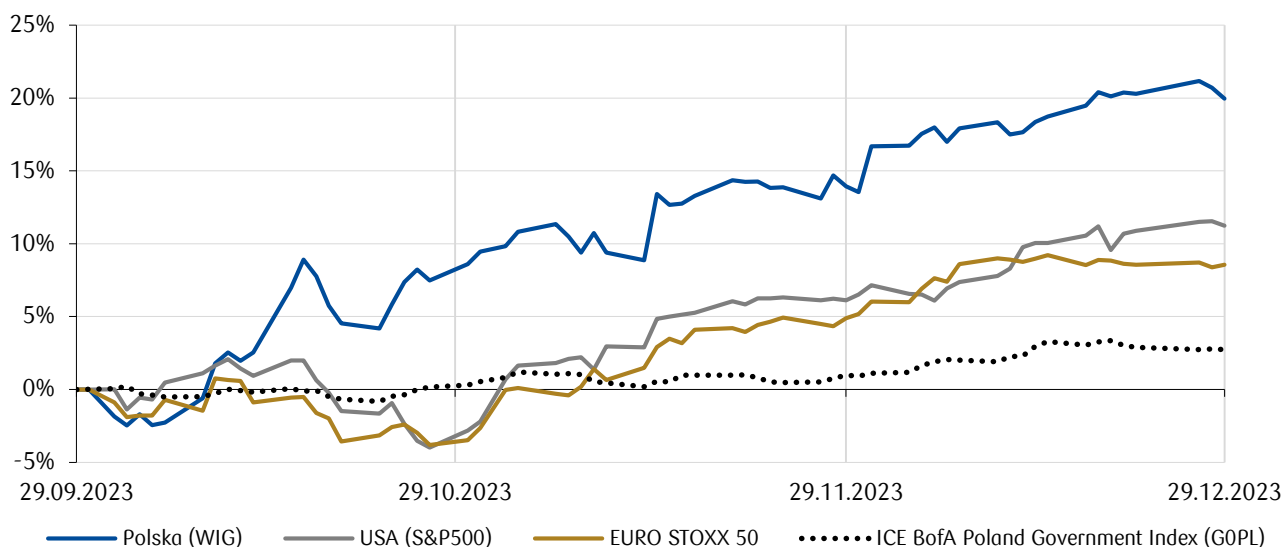
What influenced the rates of return on PKO Pension sub-funds in Q4 2023?

The start of the quarter in developed markets did not at all herald a smooth ride. In October, there were still concerns about further rate hikes in the USA, which could engender a downturn, or even a recession, in the global economy and thus undermine the financial performance of listed companies. These concerns were primarily manifested by the rise in US Treasury bond yields to levels not seen since 2007, i.e. the year of the so-called Global Financial Crisis. At the end of October the yield on 10-year notes broke through the psychological threshold of 5%, which was a major force behind the weakening of foreign equity markets.

Meanwhile, yields on Polish 10-year government bonds fell from previous levels of around 6% to 5.3%. This helped the Warsaw trading floor start the quarter with significantly greater performance – it gained more than 8% in October alone. From the point of view of PPK participants, the relative strength of Polish equities is excellent news, as they form a substantial component of the equity part of the portfolios managed by the PKO Pension sub-funds.

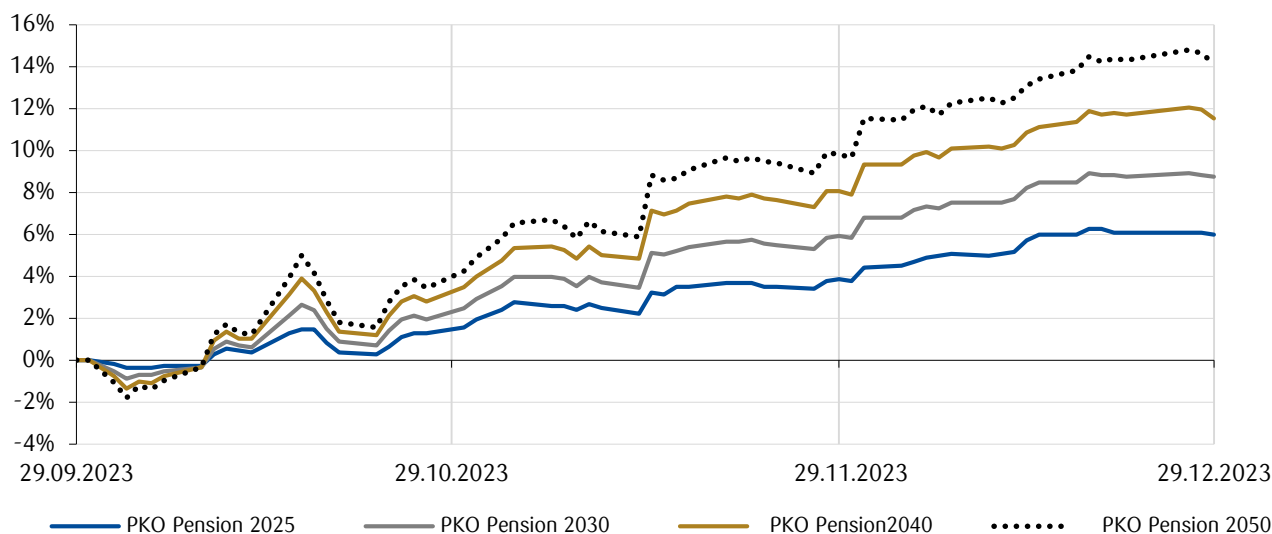
„From the point of view of PPK participants, the relative strength of Polish equities is excellent news.”

Chart 1. Percentage change in the quotations of selected stock indices (WIG, Euro Stoxx 50, S&P 500) and Polish bonds (GOPL) in Q4 2023



Source: PKO TFI in-house study based on Bloomberg data.

Chart 2. Percentage change in the valuation of selected PKO Pension sub-funds in Q4 2023



Source: PKO TFI in-house study. The figures presented are historical and similar performance in the future cannot be guaranteed.

November saw the return of bullish sentiments across global equity markets. They were attributable to the announcements made by the Federal Reserve Bank (Fed), the US equivalent of the NBP. The Fed mentioned that the period of monetary tightening (i.e. interest rate hikes) was coming to an end and that 2024 might even bring gradual rate cuts – a signal that had been long awaited by investors. Such a scenario reduces the threat of recession and, although it does not rule it out, creates a more optimistic outlook for businesses.

The change in the Fed's attitude brought bond yields down (their prices increased) and this, in turn, allowed equity markets to resume the upward trend. The favourable global environment coupled with post-election optimism in Poland provided a tailwind for sharp increases on Polish stock indices and for further stabilisation in the bond market.

Unfortunately, the risk of recession in 2024 is still looming. The war in Ukraine and Israeli hostilities in the Gaza Strip, the potential conflict over Taiwan and the increasingly tense relationship between the two Koreas are examples of geopolitical risks. Financial markets, on the other hand, will remain largely focused on inflation. The major contributors to its surge have receded and we are likely to see further disinflation in the near term, which should be supportive for both bonds and equities.

We encourage everyone interested in the current situation in the financial markets to read our comments published at www.pkotfi.pl/komentarze-rynkowe, where we present the most important developments in economies and financial markets at least once a week.

You can receive comments, current quotations and many other valuable materials and information directly from us in your inbox, by subscribing to the newsletter at www.pkotfi.pl/newsletter/.

„November saw the return of bullish sentiments across global equity markets.”

Chart 3. Percentage change in the quotations of selected stock indices (WIG, Euro Stoxx 50, S&P 500) and Polish bonds (GOPL) over the last 3 years (29.12.2020 – 29.12.2023).



Source: PKO TFI in-house study based on Bloomberg data.

Chart 4. Percentage change in the quotations of selected PKO Pension sub-funds over the last 3 years (29.12.2020 – 29.12.2023).



Source: PKO TFI in-house study. The figures presented are historical and similar performance in the future cannot be guaranteed.

How to analyse the returns from PPK

Both stocks and bonds are instruments whose valuation is subject to constant change. The daily valuation of participation units of the funds investing in those assets increases in a good economic situation and decreases during weaker periods. When analysing the performance of funds as an investment, it should first of all be taken into account that the PPK is, by definition, a long-term scheme. What is also extremely important is that contributions into the scheme are made on a regular, monthly basis, so that participants avoid the risk of investing at times of relatively high historical stock or bond valuations.

Consequently, quarterly, annual or even multi-year rates of return are not that relevant. Moreover, what is of key importance from the perspective of scheme participants is the rate of return (profit or loss) for the participant's individual portfolio (PPK record) taking into account contributions from the employer and the state, plus the investment results from the portfolio itself. In other words, **what matters is the difference between the current account balance taking into account employer contributions, the welcome contribution and additional annual contribution vs. the participant's own investments, i.e. the participant's contributions and the income tax on the employer's contributions.**

Below is an illustrative example of the financial benefits achieved as at 29.12.2023 by a participant in a PPK managed by PKO TFI whose first contribution was credited to the account at the end of the first year of the scheme operation (30.12.2019).

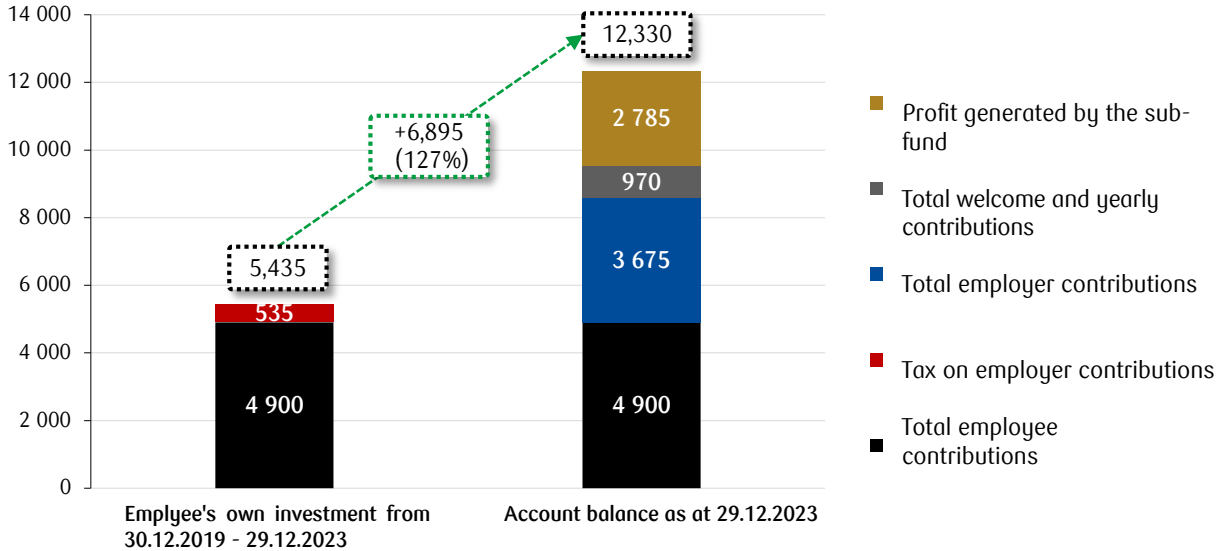
Table 1. Participant's own investment and financial benefits achieved by the participants of particular PKO Pension sub-funds (with assumptions indicated at the end of this commentary)

Sub-fund	Participant's own investment in the period from 30.12.2019 to 29.12.2023	Account balance as at 29.12.2023	Benefits of participation in the PPK (amount)	Benefits of participation in the PPK (%)
PKO Pension 2025	PLN 5,435	PLN 10,762	PLN 5,327	98%
PKO Pension 2030	PLN 5,435	PLN 11,269	PLN 5,835	107%
PKO Pension 2035	PLN 5,435	PLN 11,821	PLN 6,386	118%
PKO Pension 2040	PLN 5,435	PLN 11,818	PLN 6,384	117%
PKO Pension 2045	PLN 5,435	PLN 12,330	PLN 6,895	127%
PKO Pension 2050	PLN 5,435	PLN 12,339	PLN 6,904	127%
PKO Pension 2055	PLN 5,435	PLN 12,312	PLN 6,877	127%
PKO Pension 2060	PLN 5,435	PLN 12,281	PLN 6,846	126%

Source: PKO TFI in-house calculations. See assumptions at the end of this material. The figures presented are estimates based on historical data, and similar performance in the future cannot be guaranteed.

When analysing the performance of funds as an investment, it should first of all be taken into account that the PPK is, by definition, a long-

Chart 5. Comparison of a PPK participant's own investment and the financial benefits of the participation using the example of the PKO Pension 2045 sub-fund (under the assumptions indicated at the end of the commentary).



Source: PKO TFI's own calculations based on the assumptions indicated at the end of the commentary. The figures presented are estimates based on historical data, and similar performance in the future cannot be guaranteed.

The analysis presented above shows that, irrespective of the participant's age and investment horizon, the benefit of saving under the PPK scheme over the 30.12.2019-29.12.2023 period was between 98% and 127%.

In order to properly understand the table below, you should bear in mind that:

- 1) the rates of return indicated for each sub-fund are the result of a one-off investment over a specific horizon (e.g. a 3-month or 3-year period), and not the result of a regular, monthly investment, such as the PPK. In the latter case, the figures will be different for each participant, as everyone makes contributions on a different date and therefore acquires the fund's participation units at a different price. You can check the individual rate of return on your portfolio by logging into our [i-Funds](#) service or via [iPKO/IKO](#) electronic banking.
- 2) In the case of a PPK, the participant's financial results depend not only on the rates of return on particular sub-funds, but also on all contributions and additional proceeds from sources other than his/her own pocket, which is described above.
- 3) The rates of return quoted in the table should not be treated as forecasts for future periods.

You can check the individual rate of return on your portfolio by logging into our [i-Funds](#) service or via [iPKO/IKO](#) electronic banking.

Table 2. Rates of return on the PKO Pension - soif sub-funds, participation unit cat. A as at 29.12.2023

PKO Pension (participation unit cat. A)	3 months	1 year	3 years	Since the first valuation	First valuation date
PKO Pension 2025	5.99%	18.17%	9.72%	15.10%	12.11.2019
PKO Pension 2030	8.75%	22.49%	16.79%	23.10%	12.08.2019
PKO Pension 2035	11.55%	26.62%	24.57%	31.30%	12.08.2019
PKO Pension 2040	11.54%	26.56%	24.53%	31.50%	12.08.2019
PKO Pension 2045	14.10%	30.34%	31.69%	39.20%	12.08.2019
PKO Pension 2050	14.15%	30.35%	31.82%	39.60%	12.08.2019
PKO Pension 2055	14.14%	30.19%	31.43%	38.00%	08.11.2019
PKO Pension 2060	13.91%	29.93%	31.05%	37.60%	12.11.2019
PKO Pension 2065	13.43%	27.00%	-	15.70%	05.01.2021

Source: PKO TFI S.A.'s in-house data on the basis of daily valuation of the sub-funds' participation units. The figures presented are historical and similar performance in the future cannot be guaranteed.

Summary of benefits from participation in a PPK

PPK is a **voluntary** scheme of accumulating additional funds for the future, and contributions to the scheme are made **by the participant himself/herself, as well as his/her employer and the state**. This is a **private scheme** – the funds accumulated on the account are owned by the participant and are inherited without deductions for the inheritance and gift tax.

As a PPK participant, you can at any time:

- **check the balance of your PPK account** by logging into the i-Funds service or via PKO Bank Polski's iPKO/IKO electronic banking,
- **increase your additional contribution to the PPK by up to an additional 2%** (that is up to a maximum of 4% of your remuneration in total),
- **reduce your basic contribution by up to 0.5% of your remuneration (if you meet the conditions)**
- **cancel you contributions to the PPK,**
- **withdraw the funds accumulated so far**, with a stipulation that withdrawal of the funds before you reach the age of 60 involves deductions, while withdrawal of the same after you reach **the age to 60 is tax-exempt - as long as you follow the correct procedure, such as withdrawing 25% of your savings at once and spreading the remaining 75% over at least 120 monthly installments (10 years),**
- **withdraw up to 25% of the accumulated funds to cover the cost of treatment** in the event of a serious illness of your spouse or children, without the need to return these funds to the PPK account,
- **Use up to 100% of the accumulated funds to cover the down payment** required to take a mortgage loan (these funds must be returned).
- **change the sub-fund to which the contributions are made to a different fund instead of the default one specific for your year of birth.**

The cash in the PPK is invested in an actively managed fund called PKO Pension – specialised open-end investment fund (soif), which is composed of 9 target date sub-funds. It means that the composition of the investment portfolio is continuously adjusted to reduce the level of risk and improve the chances to achieve satisfactory rates of return as the participant approaches the age of 60.

Figure 1. Minimum and maximum share of stocks in each PPK sub-fund in subsequent calendar years.

Subfundusz	Domyślny dla osób urodzonych w latach	Dopuszczalny zakres instrumentów udziałowych w przedziałach lat kalendarzowych wskazanych w ostatnim wierszu									
PKO Emerytura 2025	1963 - 1967	10%-30%	0%-15%								
PKO Emerytura 2030	1968 - 1972	25%-50%	10%-30%	0%-15%							
PKO Emerytura 2035	1973 - 1977	40%-70%	25%-50%	10%-30%	0%-15%						
PKO Emerytura 2040	1978 - 1982	40%-70%		25%-50%	10%-30%	0%-15%					
PKO Emerytura 2045	1983 - 1987	60%-80%	40%-70%		25%-50%	10%-30%	0%-15%				
PKO Emerytura 2050	1988 - 1992	60%-80%		40%-70%		25%-50%	10%-30%	0%-15%			
PKO Emerytura 2055	1993 - 1997	60%-80%			40%-70%		25%-50%	10%-30%	0%-15%		
PKO Emerytura 2060	1998 - 2002	60%-80%				40%-70%		25%-50%	10%-30%	0%-15%	
PKO Emerytura 2065	2003 - 2007	60%-80%					40%-70%		25%-50%	10%-30%	0%-15%
		2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	2045-2049	2050-2054	2055-2059	2060-2064	2065- ...

Source: Developed by PKO TFI on the basis of the Act of 4 October 2018 on Employee Capital Plans.

Kind regards,

PKO TFI Team

Assumptions used for calculating the values in Table 1 and Chart 6:

- monthly gross remuneration of PLN 5,000
- the first contribution to the PPK account was made on 30.12.2019; subsequent contributions were made on the last business days in subsequent calendar months; the last contribution was made on 29.12.2023; in total, 49 contributions were made;
- sub-fund units were acquired at prices as at the date of contribution;
- a welcome contribution of PLN 250 was credited to the PPK account on 30.04.2020; annual bonuses of PLN 240 each were credited on 31.03.2021, 31.03.2022 and 31.03.2023
- employee's contributions: 2% of monthly remuneration, i.e., PLN 100
- employer's contributions: 1.5% of monthly remuneration, i.e., PLN 75
- employee's PIT rate: 17% between 2019 and 2021, and 12% between 2022 and 2023

Information on the risks associated with investing in investment funds

PKO TFI S.A. makes every effort to reduce excessive risks associated with investing in investment funds. Nevertheless, when investing in the PKO Pension – soif fund it should be borne in mind that the benefits of investing funds in the PKO Pension – soif fund's participation units are accompanied by risks, such as the risk of failure to achieve the expected return on investment, the occurrence of circumstances beyond the fund participant's control (e.g. operating circumstances), as well as the risk of inflation, liquidity risk, risk of regulatory changes and liquidation of the fund/sub-fund. Among the risks associated with investing, particular attention should be paid to the risks relating to the investment policy, including among others: market risk, interest rate risk, currency risk, credit risk, risk related to derivatives, concentration risk, risk related to the safekeeping of assets, as well as settlement risk and deposit liquidity risk. In addition, companies and issuers whose stocks/bonds/stocks and bonds, respectively, are purchased for the portfolio may suffer negative consequences due to operating unsustainably, which may adversely affect the value of the stocks/bonds/stocks and/or bonds they issue. Increased volatility of asset class prices and rates of return on the managed Sub-fund/Fund may be also affected by military operations conducted in Ukraine, possible terrorist acts related to this conflict and pandemic events.

Moreover, for specific PKO Pension – soif (PKO Emerytura – soif) subfunds, there may be specific risks specific only for these sub-funds.

For this reason, in order to properly assess the risks of investing funds in participation units of the PKO Emerytura - soif fund, you should carefully read the investment policy, description of risks and description of the investor profile contained in the prospectus or Key Information Documents (KID).

In particular, it is recommended to get acquainted with the overall risk index (on 1 to 7 scale, where 1 corresponds to the lowest risk and 7 to the highest risk). This index shall be an indication of the risk level of this product compared to other products and shows the probability of losing the money invested due to market changes or as a result of inability to pay out the invested funds. It considers several risks. Its calculation is based on the volatility of return rates in the recommended investment maintenance period. It is recommended that the expected investment period should not be shorter than the recommended maintenance period. Together with the overall risk index, it is recommended to become acquainted with the scenarios of the sub-fund's results. The overall risk index, performance scenarios and recommended maintenance period are included in the KID document.

Disclaimer

This is an advertising message. Before taking final investment decisions, please read the information prospectus of the fund and the key information document (KID). The data provided herein does not constitute an offer in the meaning of Article 66 of the Polish Civil Code Act of 23 April 1964 nor an investment consulting service or recommendations relating to financial instruments or their issuers in the meaning of the Act on Trading in Financial Instruments of 29 July 2005, nor is it a form of tax consulting services, legal assistance or insurance distribution.

An investment in specialised open-ended investment funds involves the purchase of participation units. The PKO Pension – soif (PKO Emerytura – sfio) fund does not guarantee the achievement of the intended investment objective or obtaining a specific investment result. The possibility of losing at least part of the funds deposited must be taken into account.

A detailed description of risk factors associated with investing in participation units of subfunds separated within the framework of PKO Pension – soif is contained in the information prospectus available on the website www.pkotfi.pl under the link www.pkotfi.pl/dokumenty-do-pobrania/prospekty-informacyjne/ and Key Information Document (KID), available on the website www.pkotfi.pl/dokumenty-do-pobrania/kid/. Both the information prospectus and the KID are only available in Polish.

A summary of the rights of investors in the PKO Pension – soif fund is included in the relevant provisions of the prospectus, in chapter III Rights of the Fund's Participants. The summary of investors' rights is available in Polish. Before making an investment, please refer to the prospectus and the Key Information Documents (KID) of individual sub-funds designated as part of PKO Pension – soif.

The product is addressed to those accepting a medium investment risk. Due to the composition of the portfolio and the management strategy pursued, the participation unit value may be subject to volatility. The results that may be obtained are set out in the KID documents in the section: What are the risks and possible benefits. The sub-funds may invest more than 35% of their assets in monetary market instruments issued, guaranteed or underwritten by the National Bank of Poland or the State Treasury.

Taxation related to investment in participation units of funds depends on the individual situation of the customer and may change in the future. In order to determine tax obligations, it is advisable to seek advice from a tax advisor or legal advice.

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