

## **PRESS RELEASE**

## 2003 Year-end report: Total return of 16.2%

Favourable market developments, with a rising equity market and falling interest rates, boosted the return on fund capital for the Third Swedish National Pension Fund (AP3) in 2003. The total return amounted to 16.2% (after expenses).

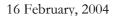
At year-end, the market value of AP3's fund capital stood at SEK 142.5 billion, compared to SEK 120.2 billion at the start of the year. Asset management income amounted to SEK 19.8 billion.

For the market-listed part of the portfolio, which excludes real estate and private equity, the return was 17.2%. This was marginally lower than the return on the Fund's benchmark index, which was 17.3%. Over the three-year period 2001-2003, however, the Fund has outperformed its benchmark index. Total return in this period amounted to -2.5%, an outperformance of 0.7 percentage points against the benchmark portfolio, which yielded a return of -3.2%. The continued rise in equity markets in 2004 means the capital losses incurred as a result of the markets' fall in 2001-2002 have now been fully recouped.

Tomas Nicolin, CEO of AP3, said: "It is clearly good news that the losses from the stock market downturn have been eliminated. Meanwhile, one should remember that it is necessary to take financial risks in order to meet the Fund's long-term commitments within the pension system. We cannot expect to show a positive absolute return every year."

The Fund's Board of Directors has decided to make adjustments to the Fund's reference portfolio in 2004. The weighting in Asian equities is being increased by 2.5 percentage points at the expense of US equities, while the weighting in index-linked bonds is being increased by two percentage points at the expense of nominal bonds. The share of foreign currency exposure in the reference portfolio is to increase from 10.8% to 19.3%. This is still substantially lower than the maximum 30% that the law allows.

The Fund's foreign currency exposure at year-end amounted to SEK 12.8 billion, corresponding to 9% of the total portfolio.





The asset mix of AP3's reference portfolio for 2004 is as follows:

Swedish equities: 16% European equities: 17.5%

US equities: 14.7% Asian equities: 6.3%

Swedish fixed income: 12.6% European fixed income: 8.4%

Rest of the World fixed income: 6.5%

Index-linked bonds: 9.5%

Real estate: 8.5%

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AP3 manages SEK 142 bn of the buffer fund capital in the Swedish public pension system. The Fund's mandate from the Swedish Parliament to generate the best long-term return on capital in relation to our liabilities in the pension system. To achieve this we have built a focused and professional asset management organisation. Our vision is to combine best-practice from asset managers worldwide with the latest thinking in financial theory.