



Tredje AP-fonden

Press Release 23 February 2006

Total return of 17.9% – record performance for AP3

January – 31 December 2005

- The AP3 portfolio generated a total return of 17.9% before expenses and 17.7% after expenses.
- The return on the market-listed portfolio (which excludes private equity investments) was 17.3% before expenses.
- Active return totalled 1.2%.
- Net profit amounted to SEK 28.8 billion.
- Fund capital rose SEK 31.7 billion to SEK 192.0 billion.
- Currency exposure was 17.0% at year-end.
- The risk-adjusted return (sharpe ratio) was 3.4
- The information ratio amounted to 2.2

The total return amounted to 17.9%, which is the strongest growth in a single year since AP3's inception in 2001. All assets in the Fund's portfolio generated positive returns, which can be attributed to strong growth on equity markets and successful active management.

The active return (outperformance of the index) was 1.2%, equivalent to SEK 1.8 billion. AP3's global equity management had a strong year, contributing SEK 1.1 billion to active return. Tactical asset management also had a successful 12 months, contributing SEK 800 million.

AP3 CEO Kerstin Hessius commented: "Our strategy of a highly diversified portfolio combined with active management enjoyed success in 2005. Net profit was the highest in our history and enabled us to contribute an additional SEK 28.8 billion to the pension system. Strong returns in 2005 helped to lift our real return on fund capital to an average annual rate of 3.5%."

The four buffer funds recorded excellent returns in 2005 and have now together generated SEK 147.6 billion since the new-style pension system came into effect in 2001.

Asset class	AP3's portfolio at 31 Dec 2005			
	Portfolio return SEK bn	%	Index return (%)	Active return (%)
Swedish equities	29.6	31.7%	35.5%	-3.8%
Global equities	78.2	35.6%	33.4%	2.2%
Fixed income	76.7	3.4%	2.7%	0.7%
Total market-listed portfolio	184.4	17.3%	16.1%	1.2%
Alternative investments	7.5	35.9%		
Total portfolio	192.0	17.9%		

In 2005 the Board performed a detailed cost analysis comparing AP3 with international pension funds to establish the cost-effectiveness of the Fund's operations. The study found AP3's costs to be marginally

higher than the market average and concluded this was primarily because the Fund had invested in assets or portfolios with high forecast returns.

Strategic portfolio 2006

The Board of Directors has set a new strategic portfolio for 2006 in which currency exposure has been reduced from 14.7% to 13%. Weights in index-linked bonds have been increased from zero to 7.5% at the expense of nominal bonds, while market weights have also been changed. In the equity portfolio, the Asia and emerging-market weights have been increased, while exposure to Europe and North America has been reduced. In the fixed income portfolio, the weight of nominal bonds in Asia and the US has been increased, and the weight in European nominal bonds has been lowered.

Press conference

Media representatives are invited to attend a press conference at which AP3 CEO Kerstin Hessius will present the full-year results and explain the role of the buffer funds in the pension system. The press conference will be held on 23 February at 11.00 in the AP3 offices at Vasagatan 11 (eighth floor).

Further information:

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Copies of the Swedish annual report can be downloaded from the AP3 website at www.ap3.se. The English version of the report will be published in mid-March.