

Press release: February 6<sup>th</sup> 2009

## Stock market decline causes sharp fall in market worth of Second AP Fund

**The Second Swedish National Pension Fund/AP2's result for 2008 is primarily attributable to the sharp decline of world stock markets during the year. Amounting to SEK -55.1 billion, this result corresponds to a return of -24 percent on net assets.**

- The Fund's capital assets totalled SEK 173.3 billion as per December 31<sup>st</sup> 2008, a decline of SEK 54.2 billion compared with the preceding year. During the year, the Fund reported a net inflow of SEK 0.9 billion. The net result for the year was SEK -55.1 billion. This sharp decline in capital assets is primarily attributable to the sharp decline of the world's stock markets in 2008.
- The Fund posted a return of -24.0 percent on the total portfolio.
- The Fund posted a relative return of -1.8 percent for market-quoted assets, excluding commission fees and operating expenses. This weak result is attributable to a number of the Fund's different equity mandates and some OTC-products that were poorly positioned in the period of extreme turbulence experienced by the financial market during the autumn. Furthermore, as a result of the financial crisis, almost all active investment mandates, in-house and external, underperformed simultaneously.
- The Fund's return on unquoted holdings was -1.9 percent, of which real estate +0.7 percent and private equity funds -9.1 percent.
- AP-fastigheter, in which the Second AP Fund has a 25-percent interest, acquired Vasakronan in the autumn. This acquisition represents an important part of the long-term development of the Second AP Fund's portfolio of unquoted real-estate assets. This increased the Fund's exposure in real estate by 2 percentage points. The new company, which has assumed the name Vasakronan, is far and away Sweden's largest real-estate company.

### Three-year review

	2006	2007	2008
Fund capital, SEK bn	216 775	227 512	173 338
Net inflows from RFV/National Social Insurance Board and liquidation/special funds, SEK bn	1 676	2 019	884
Net profit for the year, SEK bn	24 506	8 718	-55 058
Annual return on total portfolio, before commission costs and operating expenses, %	13,0	4,2	-24,0
Annual return on total portfolio, after commission costs and operating expenses, %	12,8	4,0	-24,1
Relative annual return on market-quoted assets, before commission costs and operating expenses, %	0,2	-0,4	-1,8
Active risk, ex post, %	0,7	0,7	1,0
FX exposure, %	12	11	12
Under active (incl. enhanced) management, %	93	96	99
Under external management (incl. investments in private equity funds), %	17	24	22
Share of management expenses, incl. commission costs, %	0,15	0,13	0,16
Share of management expenses, excl. commission costs, %	0,06	0,06	0,08

“This is without doubt one of the most serious financial crises since the 1930s,” says Eva Halvarsson, CEO of the Second AP Fund. “In spite of deciding to reduce risk in the equity portfolios under in-house management, to reduce the scale of our positions in fixed-income and exchange-market securities and to cancel a number of investment strategies completely, the decline in market worth was still substantial.”

The decline in market worth of the Fund’s portfolio of equities is the factor that has had the greatest impact on the net result. When seen in the context of the pension system as a whole, the significance of the Fund’s equity holdings is limited. The Fund accounts for only 3 percent of the Swedish pension system’s total capital assets, of which equities comprise a mere 7 percent.

“This means that we can adopt a long-term strategic approach, and we have chosen to retain a high proportion of equities. This ensures that we are well positioned to benefit when the market stages a recovery. It is important to remember that our mission as a fund manager extends over a very long period,” says Eva Halvarsson.

The English language version of the 2008 annual report will be published on our website, [www.ap2.se](http://www.ap2.se), towards the end of February.

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