

Första AP-fonden's semi-annual report

Good return makes valuable contribution to the pension system

Continued focus on sustainable value creation

Stockholm, 29 August 2014 – Första AP-fonden's net investment income after expenses for the first half of 2014 amounted to SEK 16.6 billion. Return after expenses was 6.5 percent. Over the past ten-year period the Fund has produced an annualized return after expenses of 6.7 percent, which exceeds the target of 5.5 percent.

Highlights of the period

- Net investment income after expenses was SEK 16.6 billion (9.5)
- Net assets under management grew by SEK 14.1 billion to SEK 267 billion
- During the year, Första AP-fonden paid a net amount of SEK 2.5 billion (3.1) to the pension system to cover the difference between pension contributions and disbursements
- The Fund's operating expenses amounted to SEK 206 million (166), which is equal to an expense ratio of 0.16 percent (0.14)

CEO Johan Magnusson comments on the period's results:

“Given the Fund's long-term mission, it is our value development over an extended period that is relevant. The target is an average annualized return after expenses of at least 5.5 percent measured over rolling ten-year periods. For the past five- and ten-year periods we have delivered an annualized return after expenses of 9.8 and 6.7 percent, respectively.

“Första AP-fonden's strategic approach has been to build a portfolio that is robust to major changes in value. Following an in-depth strategy review, a decision has been made to raise the level of risk in the portfolio moving forward and thereby increase the probability of meeting the pension system's long-term need for returns.

“Over the past ten years the Fund has added SEK 125 billion to the pension system. This is an important reinforcement to the pension system,” says Johan Magnusson.

The Fund has high ambitions when it comes to sustainable value creation.

“We own relatively few companies, since our investments are based on active decisions about what the Fund should own, and why. A long investment horizon and a concentrated portfolio are key factors for the Fund's sustainability work, since they create the conditions for our managers to be better informed about the companies the Fund invests in.”

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Första AP-fonden is one of five AP-funds in the Swedish national income pension system. The capital reserves in the AP funds ensure that pension benefits can be paid even when disbursements from the pension system exceed contributions to the system. Första AP-fonden has assets under management of SEK 267 billion in a global portfolio consisting of equities, fixed income securities, real estate, private equity funds and hedge funds. Första AP-fonden invests to achieve high long-term returns with a low level of risk.

Read about the AP funds at apfonderna.se and about Första AP-fonden at ap1.se