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PRESSRELEASE

AP3 named European market leader by IPE

The Third Swedish National Pension Fund (AP3) has been named European market leader by Investment & Pensions Europe (IPE). Earlier this fall AP3 was named Swedish market leader making the Fund one of 12 candidates for the European Award. AP3 shares the award with the British market leader Boots pension scheme. The Award is for the Fund's Asset/Liability Modelling (ALM) study.

"Our mandate from the Swedish Parliament is to invest the fund capital in a way that creates maximum benefit for the Swedish pension system. Hence, an in-depth ALM study is an essential part of our investment strategy. We are very proud to be named European market leader, says AP3 Deputy CEO Niklas Ekvall."

"The award-winning ALM-study was coordinated by Dr. Erik Valtonen, Head of Quantitative Analysis at AP3. The ALM study introduces some new thinking to the subject, as it required modelling of the complex liability side of the AP funds. The work included detailed modelling of the dynamics of the buffer-function role of the AP funds in the Swedish public pension system. The model used stochastic asset prices as well as liabilities."

"State-of-the-art ALM analysis is a high priority and AP3 will continue to devote significant resources in order to develop our modelling work and thinking in this area. Currently we are working on a project with the aim of improving our understanding of the links between demography and asset prices. We are also looking into the subject of whether it is possible to identify "asset bubbles" and hence take over- or undervaluation into account in forecasting medium term asset returns", concludes Dr. Ekvall.

The IPE-jury made the following comments: "AP3 has constructed a flexible, robust and very interesting asset/liability model. The fund provides a clear statement of the problem, which is very difficult to solve, innovative concepts, honesty in recognising the limitations of modelling and interpreting output. This is "blood and guts" stuff, revealing evidence of a sophisticated understanding of the issues. Here is a specific ALM model, involving adaptation to a new market situation."

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Tredje AP-fonden

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