

Första AP-fonden's return for the first half of 2018 was 2.5 per cent after expenses

Stockholm 20 July 2018 – Första AP-fonden's (AP1's) net investment income for the first half of 2018 amounted to SEK 8.5 billion (16.1) after expenses. This equals a return after expenses of 2.5 per cent (5.2). Total net assets amounted to SEK 338 billion at the end of June. The real return for the past ten-year period was 6.3 per cent annually after expenses, which means that AP1 is achieving its long-term target of a 4 per cent return after expenses over a rolling ten-year period.

CEO Johan Magnusson comments on the results:

“The global economy continued to develop strongly during the first six months of the year, although the growth rate may have peaked. AP1 has delivered a positive net investment income of SEK 8.5 billion after expenses, which equals a return of 2.5 per cent. Our expenses decreased during the first half year and at 0.13 per cent (0.15) of average assets under management, our expenses remain low both in absolute terms and by international comparison.

Since 2009 AP1 has disbursed SEK 47 billion, of which SEK 3.3 billion in the first six months of 2018, to cover the contribution deficit in the income pension system.

“Together with the other AP Funds we have delivered historically strong results over the years and have thereby helped the system for income pension remain strong. The Funds represent approximately 15 per cent of the pension system's assets, compared to 10 per cent when the pension system began in 2001. The challenge for us over the next ten years will be to deliver a return close to the high levels of recent years.”

“During the first six months of the year we have taken small steps towards a more defensive portfolio focus. There have not been any major movements, but these steps indicate that we believe we are in a late stage of the economic cycle and there is an increased risk of weaker development.”

AP1 is making conscious efforts to develop sustainable value creation by integrating sustainability aspects for the entire portfolio. This work will be further intensified the coming years in co-operation with the other AP Funds.

“During the spring we drew up special internal sustainability beliefs to create further clarity regarding how these issues are handled. A strategy is currently being developed for implementation, including measurement and reporting, in line with Agenda 2030 and the UN's Sustainable Development Goals.

The first half of 2018 in brief

- Net investment income for the first six months of 2018 amounted to SEK 8.5 billion (16.1) after expenses. This equals a return of 2.5 per cent (5.2).
- In real terms, the return was 1.7 per cent (4.5) during the first six months of the year.
- The real return for the past ten-year period was 6.3 per cent, which is higher than the target of 4.0 per cent.
- The total portfolio value on 30 June 2018 was SEK 338 billion.
- Since 2009 AP1 has disbursed SEK 47 billion, of which SEK 3.3 billion in the first six months of 2018, to the income pension system.
- The Fund’s administrative expenses fell to SEK 221 million (237), equalling 0.13 per cent (0.15) of average assets under management.

	30 June 2018	30 June 2017	31 Dec 2017
Closing net assets	SEK 338 bn	SEK 323 bn	SEK 333 bn
Net investment income for the year	SEK 8.5 bn	SEK 16.1 bn	SEK 29.3 bn
Net flow to the pension system	SEK -3.3 bn	SEK -3.7 bn	SEK -7.4 bn
Opening net assets	SEK 333 bn	SEK 311 bn	SEK 311 bn
Expense ratio, operating expenses	0.07%	0.07%	0.07%
Expense ratio incl. commission expenses*	0.13%	0.15%	0.14%
Return after expenses	2.5%	5.2%	9.6%
Real return after expenses	1.7%	4.5%	7.8%

Annualised return after expenses, 5 years**	9.3%
Annualised return after expenses, 10 years**	7.2%

Real annualised return after expenses, 10 years**	6.3%
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* In the six-month interim report, the expense ratio is calculated as the full-year effect

** Also in six-month interim reports, the annualised return is calculated for 10 and 5 years respectively

Contact

Johan Magnusson, CEO

Anna Fall, Head of Communications
+46 (0)709-681 250

Första AP-fonden (AP1) is one of five AP Funds that ensure stability in the Swedish national income pension system. AP1 manages assets worth SEK 338 billion (30 June 2018) in a global portfolio comprising equities, fixed-income securities and alternative investments. The Fund’s brief is to achieve the highest possible return with well-judged financial risks, and thereby to contribute to a high, predictable income pension for current and future pensioners alike. Första AP-fonden takes a long-term view of investment and is an active, engaged owner. As an owner, the Fund places high demands on environment, ethics and corporate governance.