

Unlisted Assets Serve as a Cushion

Stockholm (HedgeNordic) – The combination of higher yields, lower volatility and limited correlations to traditional asset classes have lured institutional investors to unlisted assets over the past decade. With low as-reported fluctuations and correlations, unlisted investments have served as a “stabilizing factor” in the portfolios managed by institutional investors such as Danish pension provider PensionDanmark during the turbulent first quarter of 2020.

“The fact that we have a relatively large allocation in real estate and infrastructure has helped to cushion the blow of the value drops in listed investments,” says PensionDanmark’s CEO, Torben Möger Pedersen (*pictured*). “The unlisted investments have, therefore, fulfilled their function of being a stabilizing factor,” he adds. With unlisted investments accounting for about one-fourth of PensionDanmark’s investment portfolio, infrastructure and real estate will continue to represent an important pillar for the pension provider’s portfolio. “During the current crisis, they have proved their worth by helping to protect the overall return by not reacting as violently as the market as a whole.”

Although unlisted assets tend to display less volatility than their listed counterparts, the low as-reported volatility does not imply the values of these assets are not affected by the global shuttering of economies due to the spread of the coronavirus. “We have regularly adjusted the valuations of our unlisted assets during the crisis,” says Pedersen. “The area where these have been reduced the least are investments in infrastructure and in real estate,” he emphasizes. “We have also reduced the value of our private equity holdings and our properties that are rented out to hotels.”

PensionDanmark’s portfolio of unlisted investments amounts to about €7.3 billion, with energy-related infrastructure accounting for a large part of the portfolio. “This is an area where we already have the opportunity to invest in projects from the development phase, and therefore access to attractive returns over the whole lifetime of the project,” says Pedersen. Copenhagen Infrastructure Partners, a sustainable private equity fund which PensionDanmark helped establish in 2012, is one such example.

Foto: Ursula Bach/ PensionDanmark.