

Equities and Alternatives Drive AP1's Returns



Stockholm (HedgeNordic) - The Swedish national pension fund Första AP-fonden (AP1), which had SEK 431.5 billion under management at the end of June, enjoyed a return of 10.9 percent after expenses during the first half of 2021, with equities, real estate and private equity generating most of the returns. AP1's investments in private equity, Swedish public equities and hedge funds enjoyed the highest returns in percentage terms.

"The Fund's constructive view of risk-taking was well rewarded financially during the first six months of the year. We have been well-positioned to benefit from the prevailing market situation, and most asset classes in the portfolio contributed positively," comments AP1's CEO, Kristin Magnusson Bernard (*pictured*). "Our considerable exposure to global and Swedish equities, where especially the latter have shown outstanding performance year-to-date, was the main return driver, although real estate and other alternative investments also contributed positively," she adds.

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Private equity funds, which account for 5.2 percent of AP1's portfolio with an allocation of SEK 22.6 billion, returned 22.8 percent during the first six months of this year to contribute with SEK 4.3 billion in gains. The overall equities portfolio, which accounts for about 55 percent of the entire portfolio at AP1, returned 15.4 percent in the first half of the year to add SEK 29.9 billion in gains. Swedish equities, corresponding to 35 percent of the overall equities portfolio, accounted for SEK 13.8 billion of these gains after returning 19.6 percent.

AP1's hedge fund investments, meanwhile, returned 17.1 percent in the first half of 2021, only marginally contributing to total portfolio returns due to the pension fund's small allocation to the universe. AP1's exposure to hedge funds decreased to SEK 3.4 billion at the end of June this year from SEK 14.9 billion at the end of 2020. Real estate, which accounts for about 14 percent of AP1's investment portfolio, returned 10.6 percent in the first half of the year to contribute with SEK 5.9 billion in gains.

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"While risk-taking has been rewarded financially during the spring, the overall upwards market direction has not been without its hiccups," acknowledges Bernard. "A key tug-of-war originated in diverging views of future inflation developments, especially in the U.S. Where some investors see major risks for overheating from huge monetary and fiscal stimulus measures, others consider those issues negligible and expect instead that low-for-long interest rates will enable of large-scale investments, increased employment and value creation," she continues. "Valuations in certain market segments have at times seemed potentially exaggerated, but over time market and valuation froth has subsided in a controlled manner. At AP1 we look forward to an exciting remainder of the year, where we aim to respond nimbly to changes in market direction while being firmly focused on our long-term mission: to create high returns through exemplary asset management, at low cost."

Picture courtesy of AP1.