



# AP 2

Andra  
AP-fonden

HALF-YEAR REPORT  
1 JANUARY - 30 JUNE 2021

## Best half-year performance ever

Andra AP-fonden reported a total return of 10.2 per cent, after costs, for the first half year of 2021. A strong performance resulted in a profit of SEK 39.2 billion and the Fund assets had reached SEK 421.2 billion by the end of the first six-month period of 2021. This is the Fund's best ever half-year performance. The Fund's return relative to the benchmark index was 0.4 per cent, excluding alternative investments and expenses.

- On 30 June 2021, Andra AP-fonden's assets under management to SEK 421.2 (357.9) billion. The Fund's assets saw a net outflow of SEK -4.2 (-4.2) billion to the pension system.
- A profit of SEK 39.2 (-19.3) billion was reported for the first half of the year.
- The return on the total portfolio was 10.2 (-5.1) per cent, after commission fees and operating expenses. Excluding these costs, the portfolio returned 10.3 (-5.0) per cent.
- The relative return of the listed portfolio, excluding alternative investments and costs, stood at 0.4 (-0.1) per cent.
- Operating expenses, expressed as share of management costs, remained low during the period at 0.06 (0.06) per cent.
- The total share of management costs was the lowest ever at 0.11 (0.14) per cent.
- The Fund has generated an annual average return, after expenses, of 8.5 per cent over the past ten years and 8.7 per cent over the past five years.
- The total profit generated by the Fund since it was launched in 2001 amounts to SEK 335.4 billion, equating to an average annual return of 6.3 per cent, including the Fund's costs.
- The currency exposure of the Fund was 35 (33) per cent.

Key ratios	Jan.-June 2021	Jan.-June 2020	Jan.-Dec. 2020
Fund capital carried forward, SEK billion	421.2	357.9	386.2
Net result for the period, SEK billion	39.2	-19.3	12.8
Net outflows to the national pension system, SEK billion	-4.2	-4.2	-7.9
Fund capital brought forward, SEK billion	386.2	381.3	381.3
Asset management costs: operating expenses, %	0.06	0.06	0.06
Asset management costs: commission expenses, %	0.05	0.08	0.08
Total asset management costs, %	0.11	0.14	0.14
Return after costs, %	10.2	-5.1	3.5
Real return after costs, %	9.6	-5.7	3.0
Annualised return after costs, 5 years, %	8.7	5.3	7.3
Annualised return after costs, 10 years, %	8.5	7.7	7.7
Real annualised return after costs, 10 years, %	7.5	6.6	6.6

Unless otherwise stated, the portfolio assets referred to in this report are "allocated exposures". In addition to booked fair values, these also refer to allocated (but not yet invested) liquidity for the specific class of asset, and the liquid funds held as collateral for positions already taken in derivative instruments. Classes of asset, derivative instruments and liquid funds are reported individually in the balance sheet at their fair values. All monetary amounts are expressed in Swedish kronor and abbreviated as SEK k (thousand), SEK million or SEK m (million) and SEK billion or SEK bn (thousand million), in accordance with the Swedish Language Council's recommendations. Figures in parentheses refer to the same period of time preceding year.

## Half-year result

In the six-month period, the macroeconomic environment was characterised by a gradual economic recovery following the sharp downturn in economic activities in 2020 caused by the pandemic. Growth figures were given a strong boost by significant financial and monetary stimulus programmes. However, the main reason for the recovery was the pace at which the vaccine was rolled out to the population. The US economy was the first out of the starting blocks, followed by the European economy in the second quarter. The vaccination rollout has been slower in many emerging countries. One consequence of this was a major outbreak of COVID-19 in India at the end of the first half year, leading to a certain contraction in economic activity. The stock markets performed strongly driven by expectations of good earnings growth in the future. The fixed-income markets were occasionally affected by concerns about inflation and the withdrawal of government stimulus programmes, and the performance over the six months

since the start of the year has varied from region to region. Swedish and European interest rates fell while US interest rates rose. The Swedish krona weakened slightly.

The half-year total return for the Fund's Swedish and foreign equity portfolios in developed countries was 22.3 per cent and 17.2 per cent respectively. Emerging market equities increased in value by 14.8 per cent. Swedish fixed-income securities returned -0.8 per cent, foreign government bonds -0.6 per cent, foreign credits 2.0 per cent, green bonds -1.1 per cent and emerging market bonds 1.6 per cent. The Fund's alternative investments, including domestic Chinese equities, unlisted real estate, private equity funds and alternative risk premiums, generated a return of 14.5 per cent. The private equity fund portfolio recorded a very strong half year with an impressive return of 39.7 per cent.

The relative result was positive with 44 basis points.

### Changes to the portfolio

As a result of the Fund's process for managing risks associated with human rights abuses, it was decided that a number of countries should no longer be included in the emerging market bonds index. Japan was added to the index for the management of government bonds in developed countries. Investment commitments continued at a high pace in order to increase the strategic importance of private equity funds in the long term. A number of commitments and investments were made in the sustainable infrastructure portfolio which is currently being built up. This included the investment in Northvolt AB through the AP Fund-owned (AP1, AP2, AP3, AP4) company 4 to 1 Investments.

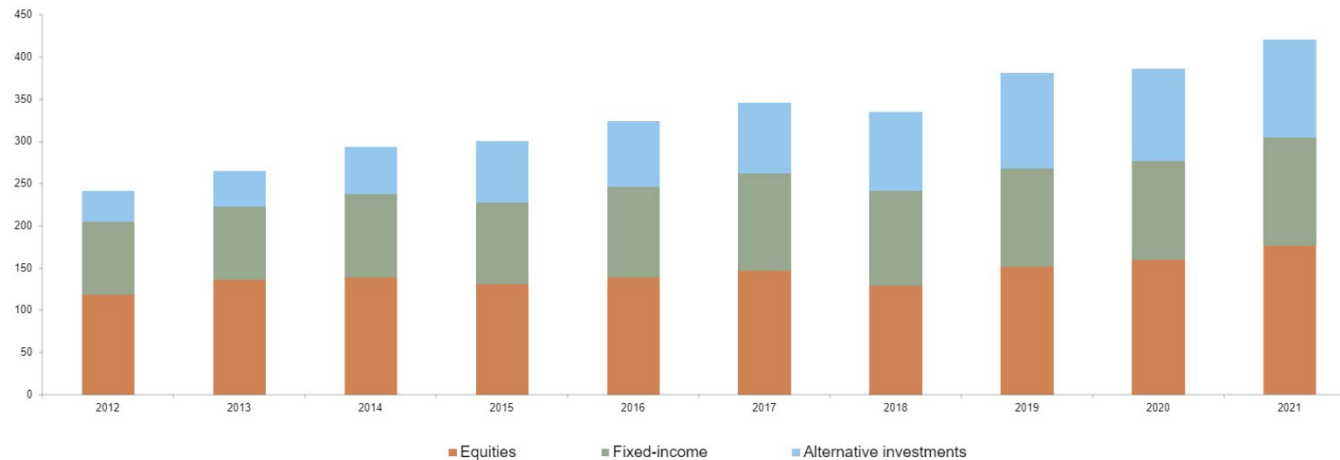
## Summary of strategic portfolio, portfolio share and return, 30 June 2021

Asset class	Strategic portfolio, %	Share of portfolio, %	Value of portfolio, SEK billion	Absolute return, %	Relative return, %	Active risk ex post*, %
Equities, Swedish	9.0	9.0	37.8	22.3	1.8	2.3
Equities, developed markets	22.0	22.2	93.7	17.2	0.3	0.6
Equities, emerging markets	10.5	10.7	45.1	14.8	0.4	0.4
Fixed-income, Swedish securities	6.5	6.1	25.2	-0.8	0.0	0.3
Fixed-income, global green bonds	3.0	2.9	12.4	-1.1	-0.3	0.2
Fixed-income, foreign government bonds	4.5	4.3	18.3	-0.6	0.2	0.3
Fixed-income, foreign credits	9.5	9.5	40.2	2.0	0.0	0.3
Fixed-income, emerging markets	7.5	7.5	31.5	1.6	0.3	0.4
<b>Total listed assets, excluding alternative investments, commission and operating expenses**</b>				<b>9.0</b>	<b>0.4</b>	<b>0.4</b>
Alternative investments**	27.5	27.8	117.0	14.5		
<b>Total Fund capital, excluding commission and operating expenses**</b>	<b>100</b>	<b>100</b>	<b>421.2</b>	<b>10.3</b>		

\* Historical outcome, 12 months rolling.

\*\* Including FX hedging.

## Fund capital growth 2012 – 30 June 2021, SEK billion



## Income statement

SEK million	Jan.-June 2021	Jan.-June 2020	Jan.-Dec. 2020
<b>Operating income</b>			
Net interest income	1 377	1 586	2 956
Dividends received	3 103	1 829	4 214
Net income, listed equities and participations	21 970	-14 162	14 703
Net income, unlisted equities and participations	11 241	-1 571	5 754
Net income, fixed-income securities	-3 106	1 456	3 757
Net income, derivative instruments	-184	-2 158	-2 063
Net income, foreign exchange gains/losses	5 028	-5 981	-16 033
Commission expenses, net	-104	-142	-277
<b>Total operating income</b>	<b>39 325</b>	<b>-19 143</b>	<b>13 011</b>
<b>Operating expenses</b>			
Personnel expenses	-77	-74	-150
Other administration expenses	-43	-45	-85
<b>Total operating expenses</b>	<b>-120</b>	<b>-119</b>	<b>-235</b>
<b>NET RESULT FOR THE PERIOD</b>	<b>39 205</b>	<b>-19 262</b>	<b>12 776</b>

## Balance sheet

SEK million	30 June 2021	30 June 2020	31 Dec. 2020
<b>Assets</b>			
Equities and participations			
Listed	187 888	152 705	169 880
Unlisted	95 965	78 334	80 486
Bonds and other fixed-income securities	134 032	116 264	122 272
Derivative instruments	1 274	6 997	10 203
Cash and bank balances	4 067	5 670	7 253
Other assets	2 192	957	959
Prepaid expenses and accrued income	1 778	1 524	1 383
<b>TOTAL ASSETS</b>	<b>427 196</b>	<b>362 451</b>	<b>392 436</b>
<b>Fund capital and liabilities</b>			
<b>Liabilities</b>			
Derivative instruments	3 285	2 188	2 412
Other liabilities	2 556	2 165	3 578
Deferred income and accrued expenses	145	210	222
<b>Total liabilities</b>	<b>5 986</b>	<b>4 563</b>	<b>6 212</b>
<b>Fund capital</b>			
Fund capital carried forward	386 224	381 350	381 350
Net payments to the national pension system	-4 220	-4 200	-7 902
Net result for the period	39 205	-19 262	12 776
<b>Total Fund capital</b>	<b>421 210</b>	<b>357 888</b>	<b>392 436</b>
<b>TOTAL FUND CAPITAL AND LIABILITIES</b>	<b>427 196</b>	<b>362 451</b>	<b>392 436</b>

## Ten-year performance review

	30 June 2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Fund capital, flows and net result, SEK m</b>										
Fund capital	421 210	357 888	367 414	334 828	345 931	324 522	300 624	293 907	264 712	241 454
Net outflows to the national pension system	-4 220	-4 200	-3 040	-6 773	-7 375	-6 637	-4 944	-5 120	-6 880	-3 788
Net result for the period	39 205	-19 262	35 626	-4 330	28 784	30 535	11 661	34 315	30 138	28 620
<b>Return, %</b>										
Return on total portfolio excl. commission and operating expenses	10.3	-5.0	10.8	-1.2	9.1	10.5	4.1	13.3	12.8	13.5
Return on total portfolio incl. commission and operating expenses	10.2	-5.1	10.7	-1.3	9.0	10.3	4.0	13.1	12.7	13.3
Relative return on listed assets, excl. alternative investments, commission and operating expenses*	0.4	-0.1	-0.4	-0.2	0.1	-0.4	0.9	0.5	0.4	1.1
Annualised return after costs, 5.0 years, %	8.7	5.3	7.6	6.9	9.8	10.6	8.0	9.4	10.8	2.4
Annualised return after costs, 10.0 years, %	8.5	7.7	9.3	8.8	6.0	5.5	5.7	7.1	7.0	7.4
<b>Risk, %</b>										
Active risk ex post	0.4	0.6	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.3
FX exposure	35	33	34	32	33	31	30	24	23	20
<b>Share of external management, %</b>	17	20	19	17	17	17	17	28	25	29
<b>Total asset management costs, %</b>										
Asset management costs operating expenses	0.06	0.06	0.07	0.06	0.06	0.07	0.07	0.07	0.07	0.07
Asset management costs, incl. commission expenses	0.11	0.14	0.14	0.14	0.15	0.15	0.18	0.17	0.17	0.16
<b>Number of employees</b>	69	71	71	70	67	66	64	63	59	60

\*Relative return refers to the difference in return between a portfolio and its benchmark or reference index.

**Accounting and valuation principles**

The interim report has been prepared in accordance with the accounting and valuation principles drawn up jointly by the First to Fourth AP Funds. The principles remain the same as the overview provided on page 84 in the 2020 Annual Report.

This report has not been subject to special examination by the Fund's auditors.

**Board of Directors**

During the spring, the Swedish Government appointed Agneta Wallmark as new member of AP2's Board of Directors. Former member, Ole Settergren, left the Board after eight years.

**Sustainability**

AP2's sustainability work during the first half of 2021 is published in a separate report, [www.ap2.se](http://www.ap2.se)

**Next reporting period**

The Annual Report for the financial year 2021 will be published in February 2022.

Göteborg, 25 August 2021

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