

## Press release

7 February 2019

### The investment portfolio lost 3.2 per cent in 2018

ATP recorded a negative return of DKK 3.7bn in the investment portfolio, equivalent to a negative 3.2 per cent of the bonus potential, which is not satisfactory. However, our balanced investment portfolio reduced the negative return. Government and mortgage bonds, in particular, and illiquid investments made positive contributions to returns, while listed international equities were the main detractors.

“After several years of stable, positive returns, the financial markets, especially towards the end of 2018, were marked by negative returns in the global equity markets and rising interest rates in the USA. We have enjoyed high returns in recent years. Therefore, it was to be expected that the high returns could not continue, either for us or for others in the industry, which is clearly illustrated by 2018. But our long-term investment horizon and balanced risk approach provide a solid foundation for preserving the real value of our members’ pensions, although we expect returns to be moderate in the coming years,” says acting CEO Bo Foged.

#### Hedging protects pension guarantees

ATP protects pension guarantees to members by hedging the interest rate risk. Using hedging, ATP ensures that members receive the pensions promised, regardless of whether interest rates rise or fall. ATP’s hedging strategy was also successful in 2018, and hedging activity results before the effect of the so-called yield curve break amounted to DKK 27m, or less than 0.005 per cent of the guaranteed pensions. Overall, hedging activity results were negative by DKK 3.1bn as a consequence of ATP fixing the interest rate at 3 per cent after the 40-year mark on the discounting curve.

Members’ total assets now stand at DKK 785bn.

#### Net results for the year, including life expectancy update

In 2018, the ATP Group recorded negative results of DKK 5.5bn before the life expectancy update. ATP’s life expectancy model was given a thorough overhaul in mid-2018, and we now expect our members to live longer than previously assumed. This prompted us to transfer DKK 20bn to the guaranteed pensions already at the end of H1. Given that ATP has delivered strong results in recent years, the bonus potential remains robust at 13.4 per cent of the value of the guaranteed pensions. Thus, the total net results for the year amount to a negative DKK 25.5bn after the life expectancy update.

#### Overall annual expenses

As expense levels are significant to a pension scheme, ATP maintains focus on expenses. We are constantly balancing this consideration against the consideration of maximising returns for our members. In 2018, ATP’s overall annual expenses in per cent totalled 0.34 per cent of aggregate assets – and remain low by international standards.

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*ATP is a mandatory savings scheme with more than five million members. ATP Lifelong Pension is guaranteed and lifelong and is disbursed to nearly all pensioners. For nearly 50 per cent of all old-age pensioners, ATP Lifelong Pension is their only source of pension income other than their state-funded old-age pension. In addition to ATP Lifelong Pension, ATP administers key welfare benefits and schemes on behalf of the Danish state, the local authorities in Denmark and the social partners. ATP is the largest administration provider in the Nordic countries, managing two thirds of welfare benefits disbursed in Denmark.*

**Milestones in the Processing Business**

In addition to the continuous efforts of simplifying and improving individual business areas, ATP's Processing Business, which manages tasks on behalf of the Danish government, municipalities and the social partners, has had a particular focus on consolidating the large number of additions to ATP's portfolio of tasks in recent years. For instance, we rolled out two new IT systems and continued our efforts to realise the tendering programme of Udbetaling Danmark – Public Benefits Administration.

**Performance target**

ATP's long-term performance target of 11 per cent of the bonus potential after expenses and tax, designed to underpin the objective of preserving the real value of pensions, was equivalent to DKK 12.9bn in 2018. The performance target is an absolute objective, which is to be achieved in the long term. For 2018, seen separately – with negative investment and hedging activity results of DKK 6.8bn – this objective has not been achieved.

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