



AP2

Andra
AP-fonden

HALF-YEAR REPORT
1 JANUARI - 30 JUNI 2022

The Fund's diversified portfolio mitigates the impact of turbulent markets

Andra AP-fonden reported a total return of -6.2 per cent, after costs, for the first half year of 2022. The result amounted to SEK -27.3 billion and the Fund assets amounted to SEK 411.7 billion by the end of the first six-month period of 2022. The Fund's return relative to the benchmark index was 0.05 per cent, excluding alternative investments and expenses.

- On 30 June 2022, Andra AP-fonden's assets under management amounted to SEK 411.7 (421.2) billion. The Fund's assets saw a net outflow of SEK -2.0 (-4.2) billion to the pension system.
- A result of SEK -27.3 (39.2) billion was reported for the first half of the year.
- The return on the total portfolio was -6.2 (10.2) per cent, after commission fees and operating expenses. Excluding these costs, the portfolio returned -6.2 (10.3) per cent.
- The relative return of the listed portfolio, excluding alternative investments and costs, stood at 0.05 (0.4) 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 remained low and was 0.11 (0.11) per cent.
- The Fund has generated an annual average return, after costs, of 8.2 per cent over the past ten years and 6.1 per cent over the past five years.
- The total profit generated by the Fund since it was launched in 2001 amounts to SEK 358.5 billion, equating to an average annual return of 5.9 per cent, including the Fund's costs.
- The currency exposure of the Fund was 31 (35) per cent.

Key ratios	Jan.-June 2022	Jan.-June 2021	Jan.-Dec. 2021
Fund capital carried forward, SEK billion	411.7	421.2	441.0
Net result for the period, SEK billion	-27.3	39.2	62.3
Net outflows to the national pension system, SEK billion	-2.0	-4.2	-7.5
Fund capital brought forward, SEK billion	441.0	386.2	386.2
Asset management costs: operating expenses, %	0.06	0.06	0.06
Asset management costs: commission expenses, %	0.05	0.05	0.05
<i>Total asset management costs, %</i>	<i>0.11</i>	<i>0.11</i>	<i>0.11</i>
Return after costs, %	-6.2	10.2	16.3
Real return after costs, %	-9.7	9.6	12.0
Annualised return after costs, 5 years, %	6.1	8.7	8.5
Annualised return after costs, 10 years, %	8.2	8.5	9.5
Real annualised return after costs, 10 years, %	6.5	7.5	8.3

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

The first six months of 2022 were some of the most turbulent ever for the financial markets and the real economy. At the beginning of the year, the massive stimulus measures taken to combat the impact of the pandemic on economies were still widely supporting markets, and this had started to push up inflation. At the same time, logistics issues, component shortages, disruptions in production and other challenges caused by the pandemic continued to impact global markets, and this led to increasing prices. This was largely due to China's strict zero-Covid policy and the subsequent lockdowns imposed there. However, there was hope from the central banks that this was a temporary crisis and that the economies would resume positive growth as the impacts of the pandemic eased. This came to an abrupt end, however, when Russia invaded Ukraine. As

well as creating a humanitarian disaster, the invasion has also sharply pushed up the price of energy, food and raw materials. Inflation has risen to levels not seen in decades and the central banks have tightened much more than previously expected. As a result, both equities and bonds have recorded a sharply negative return during the first half of the year.

The listed asset classes were especially affected adversely during the period. However, the Fund's well-diversified portfolio has mitigated the impact of the turbulent markets. The Fund had a -6.2 per cent total portfolio return.

The Swedish equity portfolio return was -26.4 per cent, which was 1.7 per cent higher than the benchmark

index. Equities in developed markets fell by -10.9 per cent, while emerging market equities dropped -4 per cent. The fixed-income portfolios followed a similar pattern with Swedish bonds down by -7 per cent, green bonds by -8 per cent, foreign government bonds by -4.2 per cent and foreign credits by -4.5 per cent. However, the fall in value of the fixed-income portfolios in emerging markets was just -0.6 per cent.

The Fund's alternative investments, including domestic Chinese equities, non-listed real estate, private equity funds and sustainable infrastructure, generated a 10 per cent return.

The fund management produced a positive relative return of 5 basis points.

Summary of strategic portfolio, portfolio share and return, 30 June 2022

Asset class	Strategic portfolio, %	Share of portfolio, %	Value of portfolio, SEK billion	Absolute return, %	Relative return, %	Active risk ex post*, %
Equities, Swedish	9.0	7.1	29.2	-26.4	1.7	2.9
Equities, developed markets	21.0	18.9	78.0	-10.9	-0.2	0.8
Equities, emerging markets	10.5	10.0	41.2	-4.0	-0.5	0.5
Fixed-income, Swedish securities	6.5	5.7	23.5	-7.0	-0.1	0.4
Fixed-income, global green bonds	3.0	2.7	11.3	-8.0	1.5	0.4
Fixed-income, foreign government bonds	4.0	3.8	15.8	-4.2	0.1	0.4
Fixed-income, foreign credits	9.5	9.1	37.6	-4.5	0.1	0.3
Fixed-income, emerging markets	7.5	7.3	29.9	-0.6	-0.9	0.8
Total listed assets, excluding alternative investments, commission and operating expenses**				-12.8	0.05	0.5
Alternative investments**	29.0	35.3	145.3	10.0		

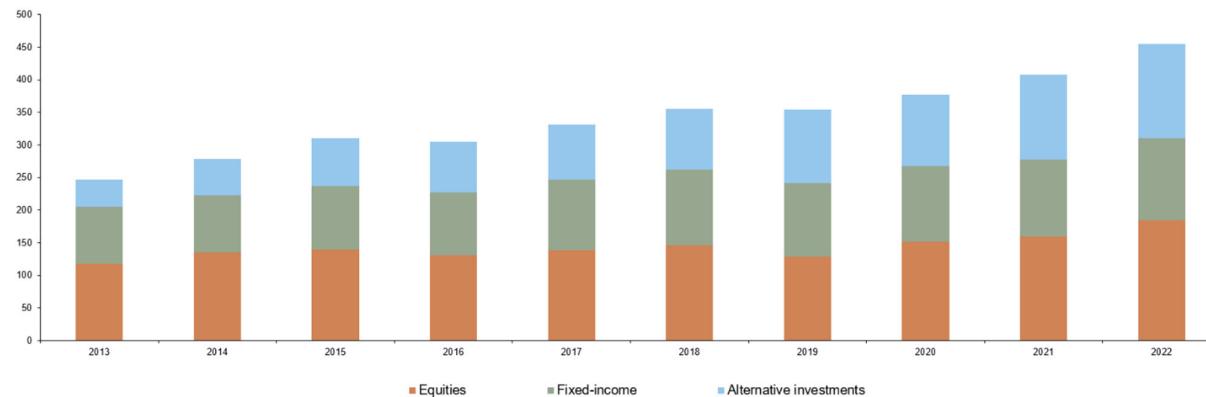
Total Fund capital, excluding commission and operating expenses**

100 100 411.7 -6.2

* Historical outcome, 12 months rolling.

** Including FX hedging.

Fund capital growth 2013 – 30 June 2022, SEK billion



Income statement

SEK million	Jan.-June 2022	Jan.-June 2021	Jan.-Dec. 2021
Operating income			
Net interest income	1 983	1 377	2 866
Dividends received	4 727	3 103	5 512
Net income, listed equities and participations	-35 135	21 970	27 949
Net income, non-listed equities and participations	7 575	11 241	21 307
Net income, fixed-income securities	-14 512	-3 106	-5 123
Net income, derivative instruments	-345	-184	-797
Net income, foreign exchange gains/losses	8 641	5 028	11 088
Commission expenses, net	-105	-104	-208
Total operating income	-27 171	39 325	62 594
Operating expenses			
Personnel expenses	-85	-77	-155
Other administration expenses	-49	-43	-90
Total operating expenses	-134	-120	-245
NET RESULT FOR THE PERIOD	-27 305	39 205	62 349

Balance sheet

SEK million	30 June 2022	30 June 2021	31 Dec. 2021
Assets			
Equities and participations			
Listed	159 312	187 888	195 375
Non-listed	129 868	95 965	110 315
Bonds and other fixed-income securities	122 199	134 032	134 740
Derivative instruments	2 144	1 274	967
Cash and bank balances	6 247	4 067	4 459
Other assets	1 789	2 192	112
Prepaid expenses and accrued income	2 096	1 778	1 657
TOTAL ASSETS	423 655	427 196	447 625
Fund capital and liabilities			
Liabilities			
Derivative instruments	8 968	3 285	6 161
Other liabilities	2 597	2 556	199
Deferred income and accrued expenses	362	145	220
Total liabilities	11 927	5 986	6 580
Fund capital			
Fund capital carried forward	441 045	386 224	386 224
Net payments to the national pension system	-2 013	-4 220	-7 528
Net result for the period	-27 305	39 205	62 349
Total Fund capital	411 728	421 210	441 045
TOTAL FUND CAPITAL AND LIABILITIES	423 655	427 196	447 625

Ten-year performance review

	30 June 2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fund capital, flows and net result, SEK m										
Fund capital	411 728	441 045	386 350	381 350	334 828	345 931	324 522	300 624	293 907	264 712
Net outflows to the national pension system	-2 013	-4 220	-4 200	-3 040	-6 773	-7 375	-6 637	-4 944	-5 120	-6 880
Net result for the period	-27 305	39 205	-19 262	35 626	-4 330	28 784	30 535	11 661	34 315	30 138
Return, %										
Return on total portfolio excl. commission and operating expenses	-6.2	16.4	3.7	16.1	-1.2	9.1	10.5	4.1	13.3	12.8
Return on total portfolio incl. commission and operating expenses	-6.2	16.3	3.5	15.9	-1.3	9.0	10.3	4.0	13.1	12.7
Relative return on listed assets, excl. alternative investments, commission and operating expenses*	0.0	0.5	0.0	-0.9	-0.2	0.1	-0.4	0.9	0.5	0.4
Annualised return after costs, 5.0 years, %	6.1	8.5	7.3	7.4	6.9	9.8	10.6	8.0	9.4	10.8
Annualised return after costs, 10.0 years, %	8.2	9.5	7.7	8.4	8.8	6.0	5.5	5.7	7.1	7.0
Risk, %										
Active risk ex post	0.5	0.4	0.6	0.5	0.4	0.4	0.4	0.4	0.3	0.3
FX exposure	31	34	34	34	32	33	31	30	24	23
Share of external management, %	20	18	20	19	17	17	17	17	28	25
Total asset management costs, %										
Asset management costs operating expenses	0.06	0.06	0.06	0.07	0.06	0.06	0.07	0.07	0.07	0.07
Asset management costs, incl. commission expenses	0.11	0.11	0.14	0.14	0.14	0.15	0.15	0.18	0.17	0.17
Number of employees	67	68	71	71	70	67	66	64	63	59

*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 82 in the 2021 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 Mikael Bohman and Rikard Andersson as new members of AP2's Board of Directors. Former members, Christer Käck and Johnny Capor, left the Board after eight years.

Sustainability

AP2's sustainability work during the first half of 2022 is published in a separate report at www.ap2.se

Next reporting period

The Annual Report for the financial year 2022 will be published in February 2023.

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