



# AP2

Andra  
AP-fonden

HALF-YEAR REPORT  
1 JANUARY - 30 JUNE 2024

## Half-year result

Andra AP-fonden reported a total return of 4.9 per cent, after costs, for the first half year of 2024. The result amounted to SEK 20.6 billion and the Fund assets amounted to SEK 445.8 billion by the end of the first six-month period of 2024.

- On 30 June 2024, Andra AP-fonden's assets under management amounted to SEK 445.8 (423.9) billion. The Fund's assets saw a net outflow of SEK -0.9 (-2.6) billion to the pension system.
- A result of SEK 20.6 (19.4) billion was reported for the first half of the year.
- The return on the total portfolio was 4.9 (4.8) per cent, after commission fees and operating expenses. Excluding these costs, the portfolio returned 4.91 (4.85) per cent.
- Operating expenses, expressed as share of management costs, remained low during the period at 0.07 (0.07) per cent per annum.
- The total share of management costs remained low and was 0.08 (0.10) per cent per annum.
- The Fund has generated an annual average return, after costs, of 6.6 per cent over the past ten years and 5.5 per cent over the past five years.
- The total profit generated by the Fund since it was launched in 2001 amounts to SEK 373.7 billion, equating to an average annual return of 3.8 per cent, including the Fund's costs.
- The currency exposure of the Fund was 22 (24) per cent.

Key ratios	Jan.-June 2024	Jan.-June 2023	Jan.-Dec. 2023
Fund capital carried forward, SEK billion	445.8	423.9	426.0
Net result for the period, SEK billion	20.6	19.4	23.8
Net outflows to the national pension system, SEK billion	-0.9	-2.6	-4.8
Fund capital brought forward, SEK billion	426.0	407.1	407.1
Asset management costs: operating expenses, %	0.07	0.07	0.07
Asset management costs: commission expenses, %	0.01	0.03	0.02
Total asset management costs, %	0.08	0.10	0.09
Return after costs, %	4.9	4.8	6.0
Real return after costs, %	4.2	2.3	5.9
Annualised return after costs, 5 years, %	5.5	5.5	6.6
Annualised return after costs, 10 years, %	6.6	7.5	6.8
Real annualised return after costs, 10 years, %	3.6	4.8	3.9

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.

## A strong first half of the year for the global economy

The global economy saw a strong first half of 2024. Growth forecasts were upgraded, and risk assets performed well, with several stock indices reaching all-time highs.

Meanwhile, there are concerns about how geopolitical tensions, surprisingly weak economic statistics, fiscal policy responses to higher debt levels and interest rates, and persistent inflation will impact the future development.

The equity and fixed income markets have developed well during the first half of 2024, which contributed to

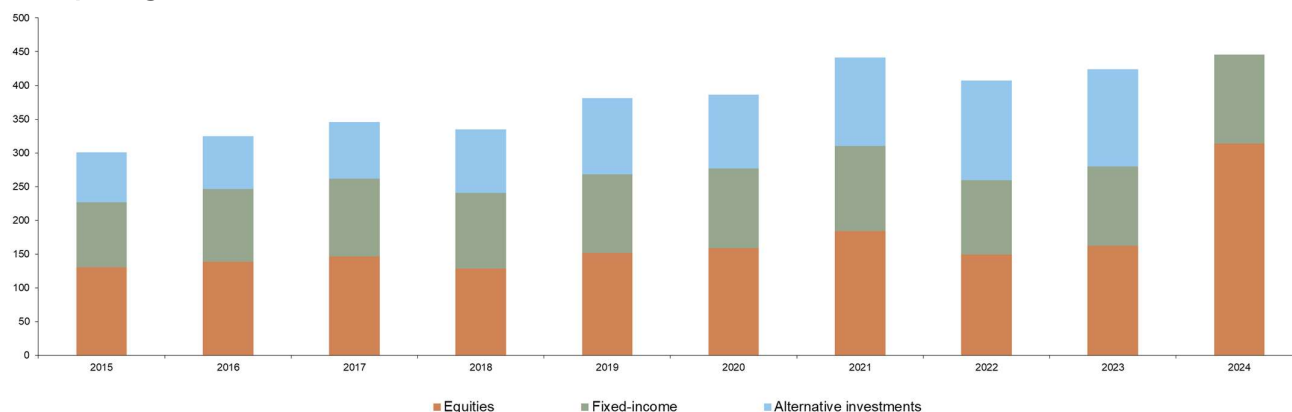
the Fund's total return of 4.9 per cent during the period.

AP2 has a dynamic investment approach, continuously adapting its investments, which has contributed to the solid return. The Fund's currency exposure and allocation to equity versus fixed income assets are adjusted based on an assessment of future risks and opportunities. AP2 actively works to avoid high portfolio concentrations in large companies or individual industries and sets high standards for financial and sustainability requirements on its investments.

Within equities, the return was 10.0 per cent for Swedish equities, 12.2 per cent for equities in developed markets, 13.0 per cent for equities emerging markets, 9.6 per cent for private equity funds and 5.6 per cent for real assets.

Within interest-bearing assets, returns were 1.3 per cent for Swedish government bonds, -0.4 per cent for foreign government bonds, 3.9 per cent for corporate bonds, 0.7 per cent for green bonds, 2.7 per cent for government bonds in emerging markets and 10.2 per cent for unlisted interest-bearing instruments.

### Fund capital growth 2015 – 30 June 2024, SEK billion \*



\* During the first half of 2024, the Fund implemented a change in its portfolio structure, due to which, among other changes, alternative investments will be included as assets within equities and interest-bearing assets.



## Income statement

SEK million	Jan.-June 2024	Jan.-June 2023	Jan.-Dec. 2023
<b>Operating income</b>			
Net interest income	2 171	2 107	4 409
Dividends received	2 758	3 238	5 674
Net income, listed equities and participations	13 696	11 421	19 372
Net income, unlisted equities and participations	4 063	-624	-3 715
Net income, fixed-income securities	-1 152	1 582	5 275
Net income, derivative instruments	-1 619	-2 286	-3 677
Net income, foreign exchange gains/losses	909	4 154	-3 191
Commission expenses, net	-29	-60	-108
<b>Total operating income</b>	<b>20 797</b>	<b>19 532</b>	<b>24 039</b>
<b>Operating expenses</b>			
Personnel expenses	-92	-90	-170
Other administration expenses	-57	-51	-108
<b>Total operating expenses</b>	<b>-149</b>	<b>-141</b>	<b>-278</b>
<b>NET RESULT FOR THE PERIOD</b>	<b>20 648</b>	<b>19 391</b>	<b>23 761</b>

## Balance sheet

SEK million	30 June 2024	30 June 2023	31 Dec. 2023
<b>Assets</b>			
Equities and participations			
Listed	178 237	162 200	159 173
Unlisted	139 010	134 691	127 275
Bonds and other fixed-income securities	121 998	128 575	123 082
Derivative instruments	4 508	976	15 694
Cash and bank balances	3 528	2 407	15 339
Other assets	348	2 998	501
Prepaid expenses and accrued income	2 373	2 500	2 287
<b>TOTAL ASSETS</b>	<b>450 002</b>	<b>434 347</b>	<b>443 351</b>
<b>Fund capital and liabilities</b>			
<b>Liabilities</b>			
Derivative instruments	1 343	7 362	3 436
Other liabilities	2 325	2 510	13 316
Deferred income and accrued expenses	512	574	559
<b>Total liabilities</b>	<b>4 180</b>	<b>10 446</b>	<b>17 311</b>
<b>Fund capital</b>			
Fund capital carried forward	426 040	407 112	407 112
Net payments to the national pension system	-866	-2 602	-4 833
Net result for the period	20 648	19 391	23 761
<b>Total Fund capital</b>	<b>445 822</b>	<b>423 901</b>	<b>426 040</b>
<b>TOTAL FUND CAPITAL AND LIABILITIES</b>	<b>450 002</b>	<b>434 347</b>	<b>443 351</b>

## Ten-year performance review

	30 June 2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Fund capital, flows and net result, SEK m</b>										
Fund capital	445 822	426 040	407 112	441 045	386 350	381 350	334 828	345 931	324 522	300 624
Net outflows to the national pension system	-866	-4 833	-4 689	-7 528	-7 902	-6 520	-6 773	-7 375	-6 637	-4 944
Net result for the period	20 648	23 761	-29 244	62 349	12 776	53 042	-4 330	28 784	30 535	11 661
<b>Return, %</b>										
Return on total portfolio excl. commission and operating expenses	4.9	6.0	-6.6	16.4	3.7	16.1	-1.2	9.1	10.5	4.1
Return on total portfolio incl. commission and operating expenses	4.9	5.9	-6.7	16.3	3.5	15.9	-1.3	9.0	10.3	4.0
Annualised return after costs, 5.0 years, %	5.5	6.6	5.2	8.5	7.3	7.4	6.9	9.8	10.6	8.0
Annualised return after costs, 10.0 years, %	6.6	6.8	7.4	9.5	7.7	8.4	8.8	6.0	5.5	5.7
<b>FX exposure, %</b>										
FX exposure	22	22	23	34	34	34	32	33	31	30
<b>External management, %</b>										
External management	18	17	21	18	20	19	17	17	17	17
<b>Total asset management costs, %</b>										
Asset management costs operating expenses	0.07	0.07	0.06	0.06	0.06	0.07	0.06	0.06	0.07	0.07
Asset management costs, incl. commission expenses	0.08	0.09	0.11	0.11	0.14	0.15	0.14	0.15	0.15	0.18
<b>Number of employees</b>										
Number of employees	69	68	69	68	71	71	70	67	66	64

## 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 72 in the 2023 Annual Report.

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

## Board of Directors

In the beginning of the year, the Swedish Government appointed Anna-Karin Jatko as a new member of Andra AP-fonden's Board of Directors. She took office on January 25.

## New fund management model

AP2 has reviewed its fund management strategy, aiming to create higher returns in a more dynamic and effective manner. This has led to changes in the Fund's governance, organisation, investment beliefs, vision and values during the first half of the year.

The Fund has made changes that will enable AP2 to increase its work with so called dynamic allocation, meaning that the Fund will be more actively positioned to capture trends and changes in the outside world, with a five-to-ten-year time horizon. With the new methodology, the Fund will continuously evaluate and be even more active in managing its risks.

Meanwhile, focus will increase on AP2's total return. Since risk is the Fund's main tool for

generating returns, this change allows the Fund to further improve its risk-adjusted returns.

## Sustainability

*Climate:* During 2024, AP2 has continued with the implementation of the Fund's climate plan, which is published on ap2.se. The plan clarifies and summarises how the Fund will achieve its target of a portfolio with net zero emissions by 2045 at the latest, including approaches for individual asset classes. During the spring, focus has been on engagement work, as well as an analysis of physical climate risks and transition risks in the listed portfolio.

*Biodiversity:* Together with the think tank Climate & Company, AP2 has developed a model for identifying deforestation risk in listed portfolios, which is open for other investors to use. The Fund is working towards a target of engaging with 100 per cent of the companies, identified by the model as having very high deforestation risk and insufficient management of the risk, before the end of 2025. During the annual general meeting season, AP2 has marked its dissatisfaction by voting against general meeting proposals in companies with high risk and inadequate handling of the deforestation issue.

*Human Rights:* AP2 has a framework that identifies countries where there are financial, operational or sustainability reasons not to invest. The framework is based, among other things, on the UN Guiding Principles for Business and Human Rights. In accordance with the Fund's framework, AP2 has decided not to include listed assets in

China in its portfolios, primarily due to the high human rights risk.

The Fund has previously conducted proactive dialogues with several Chinese companies. Since AP2 will no longer be an owner in these companies, the Fund has updated its identification of Human Rights risks in the portfolio. Dialogues will be conducted with companies that, through their supply chains, have exposure to countries with a high risk of human rights violations, including China. The Fund has also initiated dialogues with eleven companies from India, Brazil and Indonesia active in mining, renewable energy, power supply and the textile industry.

AP2 continues to work for living wages in the supply chain in the textile industry together with other investors in Platform Living Wage Financials (PLWF), where the Fund is now also represented in the network's steering committee. During the spring, the Fund had meetings with and carried out the benchmark evaluation of two companies.

*Diversity, equality and inclusion:* The Fund's Female Representation Index for 2024 shows that the proportion of female board members in Swedish listed companies listed on Nasdaq has decreased in the past year to 35.5 per cent, from 36.1 per cent in 2023 and on a level with 2022 at 35.4 per cent. The proportion of women in listed companies' management teams, on the other hand, increased from 26.4 per cent to 28.8 per cent, which is the highest level that has so far been measured in the Index since its inception in 2003.

*Corporate Governance:* During the first half of 2024, AP2 voted at general meetings for 1 297 (1 252) companies. Of these, 122 (118) were Swedish listed companies, corresponding to approximately 75 per cent of companies in the Fund's Swedish equity portfolio.

AP2 voted against 15 proposals for incentive programs, as these either contained subsidies without a link to performance targets or were otherwise judged to lack relevant performance targets.

The Fund has also voted against four proposed changes in companies' articles of association aimed at enabling only digital general meetings. AP2 has, through its membership in IÄF (Institutional Owners' Association), expressed its support for the possibility of continued physical general meetings, which also includes so-called hybrid meetings. Given that a new rule in the Swedish Companies Act already allows digital meetings in

extraordinary circumstances, the Fund has therefore voted against these proposals to amend the articles of association during the general meeting season.

During the same period, the Fund also voted on 1 175 (1 134) general meetings for foreign companies. In its global voting, the Fund conveyed its views on a wide range of issues, related to corporate governance and sustainability. For example, the Fund supported several shareholder proposals for improved transparency about companies' targets and actions within climate, biodiversity and human rights. Detailed information about AP2's voting is published on the Fund's website.

AP2 has also, together with other investors, filed a shareholder proposal to Amazon's general meeting, concerning the company's management and transparency regarding employees' right to organise and conduct collective bargaining.

*The Council on Ethics:* The Council on Ethics, which is now fully staffed with three employees, supports and coordinates the AP Funds' work in complex and important sustainability issues. The Council of Ethics works for a positive change, both reactively with companies linked to violations of international conventions, and proactively within the Council of Ethics' five focus areas. These are: Climate change, Water, Tech companies and Human Rights, Antimicrobial Resistance and Child- and Forced Labour.

### Next reporting period

The Annual Report for the financial year 2024 will be published in February 2025.

Göteborg, August 27, 2024

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