Danica Pension

Second half return securing good performance

By Anders Svennesen, CIO

A primary focus area for Danica in 2015 was the implementation of our new investment strategy aimed at generating long-term returns among the highest for customers in the pension market from 2016. This work progressed well, and all structures and investment tools are now in place. Already in the second half of 2015, it was clear that our strategy was beginning to yield results. With Danica Balance, we rank in the top two commercial pension funds on low risk and in the top three on high and medium risk.

In January 2016, we launched a strengthened Danica Balance – an important tool in generating long-term returns among the highest for customers in the pension market. It will make us more flexible and agile with respect to future investments and thereby contribute positively to our future returns.

For the full year, Danica Balance medium risk profile yielded returns ranging from 3.1% to 7.0%, depending on the number of years to retirement. Policyholders with the highest risk profiles and the longest period to retirement saw the highest returns in 2015. Returns on Danica Link ranged from 3.6% to 10.3%. See the overview of return percentages for Danica Balance and Danica Link on the next page.

OUTLOOK FOR 2016

Turbulent market conditions in the new year

The new year began amid falling equity prices and bond yields, and we expect moderate positive returns for the global equity markets in 2016. This forecast is based on the observation that the economic recovery appears to continue in the US and Europe, backed by increasing purchasing power and employment.

European and Danish government bond yields are expected to remain relatively low in 2016, and we therefore expect to see very modest bond returns. A potential increase in interest rates will be dampened by, among other things, the European Central Bank continuing its quantitative easing until at least April 2017 and European inflation remaining low.

China and the falling oil prices remain in focus. Given China's size, a hard landing for the Chinese economy could spell trouble for the global equity markets. However, we expect to see continued stabilisation of economic growth in China, and we believe that the Chinese authorities will only allow a gradual and controlled devaluation of the Chinese currency against the dollar. The Chinese authorities have no interest whatsoever in a massive, uncontrolled devaluation.

A big unknown for 2016 is emerging market equities. After several years of headwinds, they are now priced much lower than they were before and are approaching price levels that reflect the many uncertainty factors. Overall, we expect 2016 to be a year of significant price fluctuations.

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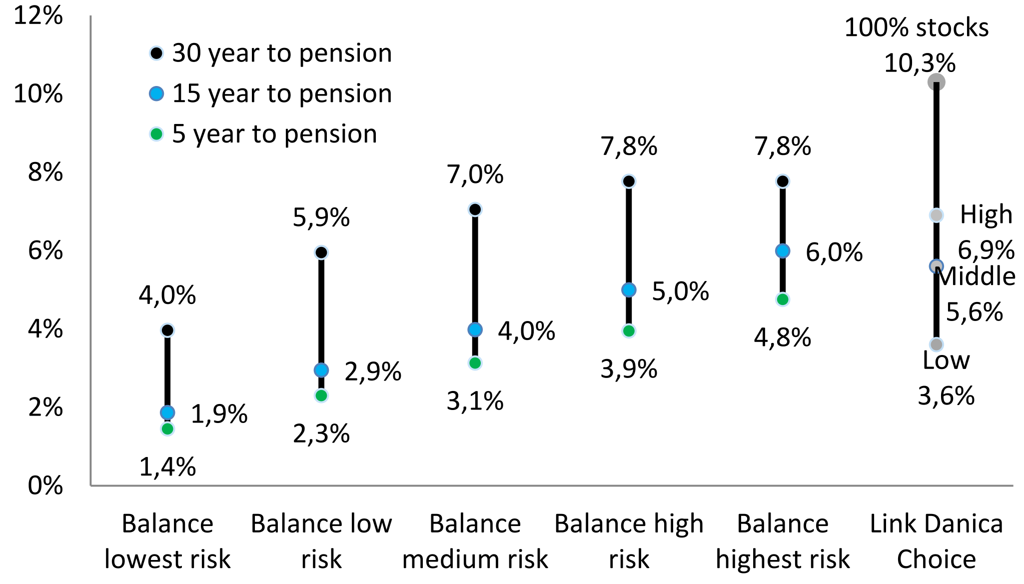
RETURN YEAR TO DATE

Return percentages, Danica Balance and Danica Link 2015



Source: Danica Pension