



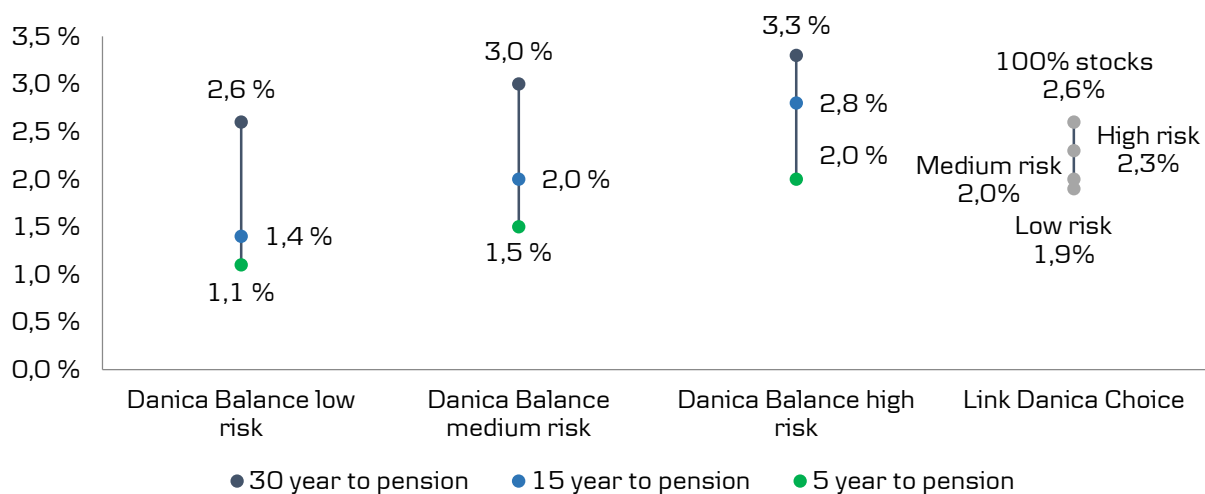
IMPROVED RETURNS

By Anders Svennesen, CIO

We saw a positive market performance in March, boosting returns on pension savings. The higher returns were due to a combination of falling interest rates and increasing equity prices. Moreover, our alternative investments continue to generate solid returns. The return on Danica Balance is among the market's highest in 2016.

In March, high-risk savings saw the biggest returns (see figure below). The figure reflects the returns achieved with the new version of Danica Balance. The returns may deviate slightly from the old version, as the new version has far greater investment flexibility. Existing customers with the old version of Danica Balance will be transferred to the new version in the coming months.

Figure: Danica Balance Returns in March



The first quarter saw an increase in the proportion of alternative investments, mainly at the expense of listed equities. The change serves to improve the robustness of the portfolio in these times of highly volatile prices of listed equities.

IMPROVED FINANCIAL MARKET SENTIMENT

After a negative start to the year, the sentiment in the financial markets has changed for the better. While the global economic recovery continues, there are signs of more lenient US and European monetary policies than were expected at the beginning of the year. The European Central Bank is

stepping up its future bond purchases while the Fed retains its dovish stance by gradually hiking rates due to concerns about low inflation expectations.

Improved Chinese data and a calmer Chinese currency situation also add to the positive sentiment. However, the trees do not grow up to the sky. While we expect a relatively good return in 2016, it is unlikely to match that of 2015.

The coming months will be increasingly marked by the UK referendum on continued EU membership to be held on 23 June 2016. Where EU referendums are concerned, the outcome is always uncertain. We expect a “yes” to continued British EU membership. A British exit would unquestionably have a negative impact on UK and European equities. We are monitoring the situation closely. We still favour European over US equities. Meanwhile, our preferred assets are credit bonds.

GROWING ALLOCATION TO NORDIC COMPANIES

In March, Danica Pension announced an investment in Sitecore A/S, a Danish company which is the global market leader in customer experience management software aimed at marketing companies worldwide that wish to take control of the customer experience.

This is another successful example of our strategy of investing directly in companies in Denmark and the Nordic region. With this investment, Danica Pension now has a EUR 50 million stake in Sitecore A/S. Our direct investments contribute to higher returns with the same degree of risk. At the moment, returns on our direct investments are far above general market returns.