

INVESTMENTS AT DANICA PENSION

By Anders Svennesen, CIO

DENMARK'S LEADING PENSION FUND MANAGER

At Danica Pension, we aim to be Denmark's leading pension fund manager and to provide returns among the highest in the pension market. Achieving this requires having the right team, good investment processes, robust portfolios, the right portfolio construction and the best pension products. With Danica Pension's new investment strategy, all five components are in place.

THE RIGHT TEAM

We have set the right investment team of 16 highly skilled employees headed by Poul Kobberup, Jesper Langmack and myself. Jesper is responsible for risk assets and Poul is responsible for bonds. We work closely together because the most attractive investments are often found in the cross field between traditional asset classes and alternative investments. The rest of the team members are specialists covering all asset classes and financial instruments.

NEW PROCESSES

We have systematised asset allocation and centralised it at Danica Pension, and we are developing a new risk portfolio system. We have stepped up our in-house fund management considerably and the team has a new, focused approach to direct investment.

ROBUST PORTFOLIOS

The most important long-term objective of pension savings is to ensure the long-term purchasing power of future pension benefits – in other words, to ensure a high real return. In the short term, high nominal returns are also important, however. We address both of these objectives by maintaining a robust portfolio composed of a good mix of assets that perform well under various economic conditions. This means that our portfolio will produce good returns, whether economic growth and inflation is high or low.

NEW PORTFOLIO SET-UP

The new portfolio set-up has three main components: Alternative investments, which form the basis of the portfolio; listed assets and a portfolio of financial instruments.

Financial instruments form a central part of the portfolio structure. They provide an inexpensive, effective means of making dynamic portfolio adjustments, for example when major market changes occur, and they can also be used to hedge unwanted risk. We also use financial instruments in our liquidity management, for example in connection with alternative investments.

Alternative investments are more focused on bond-like characteristics, providing inflation protection, and direct investments. Examples of bond-like investments are property, infrastructure and forestry, which provide good inflation protection and are well suited to low and medium risk profiles. Direct investments in companies have equity-like properties with a great return potential and are well suited to high-risk profiles. In this respect, we benefit from Danica Pension's unique position in the Danske Bank Group, which gives us access to many of the Nordic companies that need to raise loans with higher risk and higher returns.

A NEW PENSION PRODUCT WITH GREATER FLEXIBILITY

In 2016 we have introduced Mix, which is a new medium risk fund under Danica Balance. The new fund gives policyholders access to a balanced portfolio with dynamic and flexible asset allocation. Since the beginning of 2016, we have offered Danica Balance Mix to all new customers. Existing customers with the old version of Danica Balance will be transferred to the new version over the summer of 2016.

Our new investment strategy provides a platform from which we will work to achieve our goal of being Denmark's leading pension fund manager.