

PENSIONS IN NORDIC REGION

In addition, there is an increasing interest in emerging markets, which is also reflected in the demand for emerging market bonds.

The interest in alternative asset types is still considerable but nevertheless 10% of respondents say that they expect to reduce these investments. Possibly the sub-prime crisis and its repercussions have some role in this.

Clearly, Danish investors are continuing the internationalisation of their portfolios and only one of the participating investors indicates an intention of augmenting its investments in domestic assets. However, Denmark lags behind the other countries with regard to investments in alternative asset types, a situation that may be explained to some degree by the fact that Danish investors are underweighted in private equity, hedge funds and so on compared with their Nordic counterparts. Thus, real estate and the value of derivatives still make up a large part of the category of alternative investments in Denmark.

A majority of Finnish institutional investors indicate that they expect to increase the proportion of alternative assets. This should be seen in light of the fact that the solvency requirements of alternative assets in Finland are the most liberal in the Nordic region due to the Solvency II-inspired regulations. Finland is keener than the other countries to invest in local equities and this should be viewed in the light of the fact that Finnish equities are denominated in euros.

Norwegian investors expect to invest more in international equities and this intention is the result of a mixture of a wish for more equity investments in general and for investments in emerging markets in particular. Only relatively few investors envisage increasing their investments in international bonds.

In Sweden, many investors indicate that their investments in international equi-

ties are expected to grow but most of the AP funds, which have reached their objectives, indicate an unchanged level. At the same time, Swedish investors, like their Danish counterparts, are the most avid for alternative investments.

The situation in Iceland is somewhat particular and the domestic equity market has dropped dramatically. Seen in that light, it is not surprising that several investors expect a change to international equities. However, many Icelandic pension funds still have a clear preference for local equities and these make up by far the largest relative proportion compared to domestic

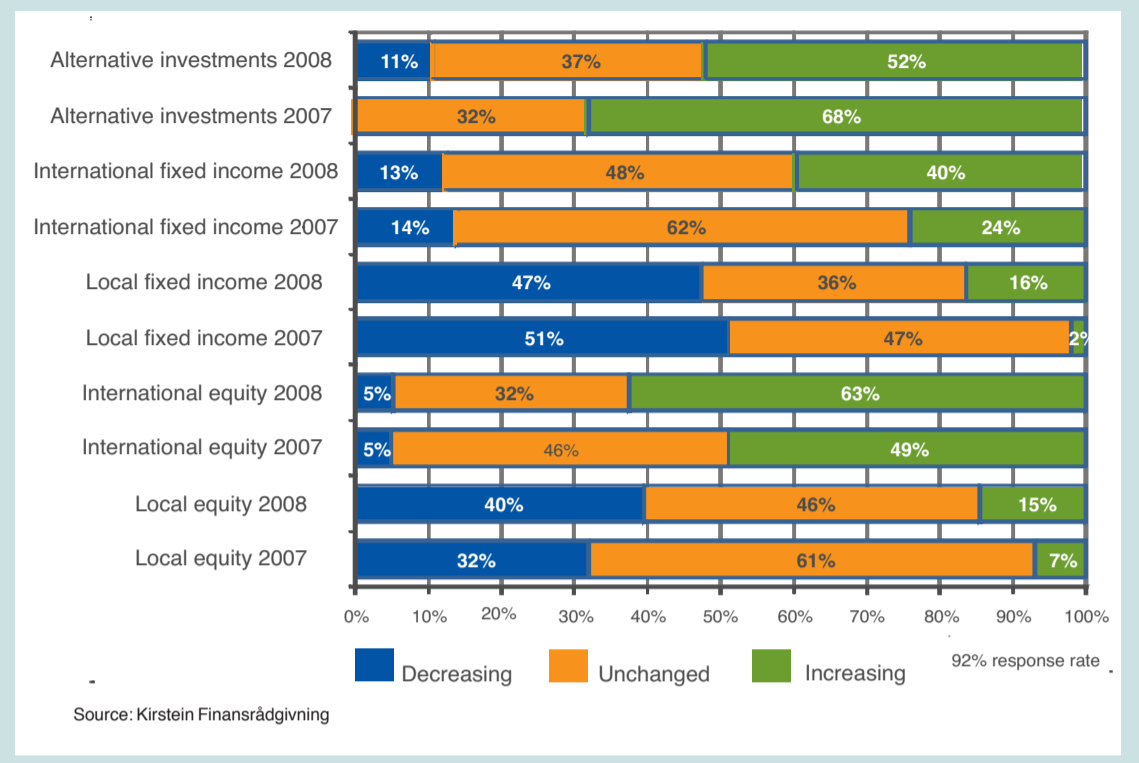
equities in the other Nordic countries.

The survey also asks investors about their expectations on future investment, more precisely which two mandates they expect to be their next mandates. These answers confirm the trend for a more international portfolio. The full survey covers a thorough evaluation of the mandates on fixed income and equities.

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Figure 2: Comparison of expectations – 2008 & 2007

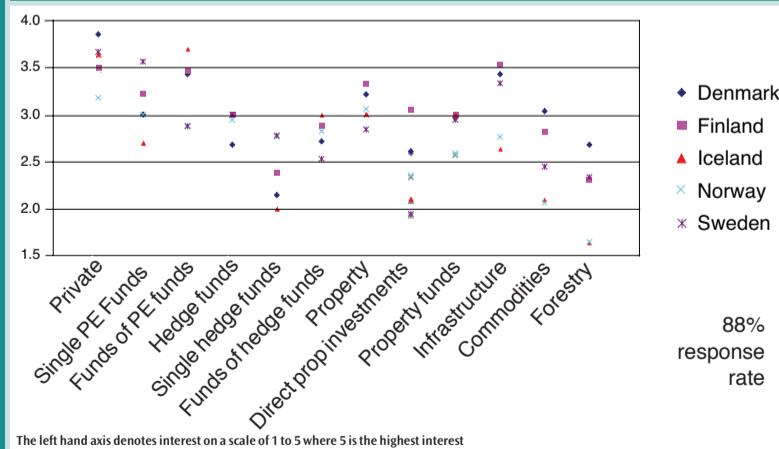


Special focus on alternative investments

Throughout the year, several managers in the Nordic region expressed a wish for more attention to be paid to the alternative space. This aspiration arose not only from an interest in alternative investments, which is generally high, but also because of some of the fundamental elements affecting this environment.

Consequently, we decided to carry out a survey focusing on alternative investments. The survey touched on such factors as manager structure in the Nordic region, the institutional framework within which the institutions are working, and naturally the general interest and expectations to further investments in alternatives.

Interest in alternative investments



A major advantage for us carrying out the survey was our experience from earlier years' Nordic Investor Surveys, which have involved more than 130 investors in all five Nordic countries.

In fact we did not need a survey to establish that there is a huge amount of interest in alternative investments throughout the Nordic region. However, the interesting aspect was to establish the differences and similarities both within the Nordic region and among the different kinds of alternatives investments that have different characteristics and purposes in a portfolio.

Another important variable to examine and that we try to capture in our survey is the way that investors would like to expose themselves to these investments.

We find that private equity is still of huge interest, along with real estate and the new high scorer, infrastructure. In addition, investors are still indicating some interest in hedge funds, commodities and forestry, although with some regional differences.

Overall private equity has the highest interest in Denmark, Finland and Sweden, whereas as a result of changes to regulations the interest in Norway has dropped.

Danish interest in hedge funds is still surprisingly low and generally speaking the interest among the investors shows wide variations – some indicate very high interest and some no interest at all.

Generally, the interest in infrastructure is high and rising, especially in Denmark, Sweden and Finland, although again there are major differences between the individual investors. In Iceland, the level of interest is low but is growing noticeably compared with last year.

Property investments are still an important part of Nordic portfolios and they are considered to be highly inflation-protective. As inflation is still of great concern among investors, these kinds of investments are important. Forestry is another example of inflation-protective investments but so far the interest is limited to Danish investors and to some extent Finnish and Swedish investors.

Jan Willers