

## **Tapiola Pension mid-year report: investment income 3.7 per cent**

PRESS RELEASE 16 August 2012

- Tapiola Pension's return on investment at current value was 3.7 per cent for 1 January to 30 June 2012
- The solvency ratio was 24.6 per cent at the end of June, and the solvency position was 2.8
- The loading profit was EUR 7.9 million

"In the first half of the year, investment markets were affected by the eurozone debt crisis, concern for slowing economic growth and actions taken by central banks to revive the economy. Despite perceived threats, equity markets have turned good profits on average in Europe and the United States," says **Hanna Hiidenpalo**, Investment Director at Tapiola Pension.

From the perspective of market returns, the three-year financing scheme to secure the liquidity of banks, disclosed by the European Central Bank at the end of 2011, was significant. The financing scheme led to a brisk recovery of asset classes involving risk in the first quarter. In the second quarter, equity markets fell again as macroeconomic indicators deteriorated and the European debt crisis drew on.

In the first half of the year, the return of the Stoxx 600 Index, indicative of European stock markets, stood at 5.2 per cent. The return of the OMX Helsinki Index stood at 0.2 per cent and the S&P 500 Index, indicative of US stock markets, stood at 9.5 per cent.

### **Return on shares continued to develop positively**

Tapiola Pension's investment income for the six-month period stood at 3.7 per cent (0.2% for 1–6/2011). Investment liquidity was a particular focus area due to the uncertain economic environment. The share of money market investments in the portfolio was reduced. Direct investments in shares accounted for 28.1 per cent of all investments at the end of June (33.6%). Investments in hedge funds rose to 5.4 per cent of all investments (2.3%).

Corporate loans returned 6.7 per cent (1.2%), which was Tapiola Pension's best fixed income investment return. The return on bonds was 3.6 per cent (1.1%). The fall in German interest rates to an extremely low level contributed to investment income in the first half of the year.

Overall income from equity investments stood at 7.1 per cent (–1.3%). The return on domestic equity investments was behind that of bigger markets. Listed direct equity investments yielded a return of 6.8 per cent (–2.2%). Unlisted direct equity investments continued to perform well following increases in value in 2011, and their return stood at 13.0 per cent (17.7%). Capital investment funds returned 7.1 per cent (7.2%).

Investments in real estate were moderately increased. The value of direct real estate investments now exceeds EUR 1 billion. Direct real estate investments returned 2.2 per cent (2.9%) and real estate investment funds returned 3.0 per cent (3.5%).

Tapiola Pension's operating expenses fell by more than EUR 2 million. Due to this development, loading profit was EUR 7.9 million (5.3 million) and operating expenses amounted to 75.2 per cent of this (83.1%).

### **Economic outlook keeps expected returns low**

Europe's deep economic crisis is not letting up. The eurozone has avoided recession so far, but the systemic risks are high and the area's GDPs are very likely to decrease in the near future.

In Finland's economy, major short-term risks mostly arise from events elsewhere. Finland typically follows the cycle approximately six months behind other industrialised countries. "The decline in growth, which started in the eurozone in the fourth quarter of 2011, is likely to be felt in Finland's economy in the second half of 2012. Severe long-term challenges facing Finland's economy also include an ageing population, a disintegrating public finance capital base, and problems with competitiveness," says **Satu Huber**, Managing Director of Tapiola Pension.

From the beginning of next year, the merger of Tapiola Group and Local Insurance will result in a new Finnish finance group, LocalTapiola, which will be Finland's leading non-life insurance provider. Tapiola Pension will act as the occupational pension insurance partner of the new group. From its perspective, Tapiola Pension expects LocalTapiola to bring growth, particularly in the SME and entrepreneur sectors, which have a positive outlook in Finland. LocalTapiola's strength is its independent local branches which bring services closer to customers.

**For more information:**

Interim Report, 1 Jan – 30 Jun 2012

Managing Director  
Satu Huber  
+358 9 453 2619

Investment Director  
Hanna Hiidenpalo  
+358 9 453 3310