LocalTapiola Pension performed well in a challenging investment environment

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LocalTapiola Pension's quarterly statement for 1 January–30 June 2013

- LocalTapiola Pension's return on investment at current value was 1.6% for the period of 1 January to 30 June 2013.
- The average ten-year return on investment was 5.2% (30 June 2003–30 June 2013) and the average five-year return was 5.1% (30 June 2008–30 June 2013).
- The solvency ratio was 24.9% at the end of June. The solvency position was 2.1.

At the end of the second quarter of 2013, LocalTapiola Pension's return on investment at current value was 1.6% (3.7%). At the end of June, the market value of investments was EUR 10,205.3 million (EUR 9,446.8 million).

Second quarter was characterised by instability in financial markets

The upward trend seen in financial markets in the early part of the year was reversed in the second quarter. This change followed expectations of a possible tightening of the Federal Reserve's monetary policy, on the back of gradual stabilisation of the economy. "Returns from bonds were reduced due to rising interest rates in Europe and the US. Equity markets declined notably. Emerging market fixed income and equity investments fell dramatically. Our investment strategy proved successful in this challenging climate, and investment returns improved as the summer progressed," says **Hanna Hiidenpalo**, Chief Investment Officer at LocalTapiola Pension.

Equity investments generated a return of 4.4% at the end of the second quarter. Equity markets saw a dramatic decline at the end of the quarter in anticipation of tighter monetary policy. US stocks were the top performers. The significant rise in interest rates affected the return on fixed income investments, which was –0.4% at the end of the quarter. Hedge funds generated a good return, and the chosen strategy worked well, evening out fluctuations in other asset classes. Hedge funds returned 2.8% and real estate investments returned 1.7%. Private equity funds performed well and generated a return of 5.2% at the end of the second quarter.

"The investor reaction to a possible change in the US monetary policy was strong, but we do not think that tightening the policy would endanger the fragile recovery of the economy," notes Hiidenpalo. "The challenges of economic growth are widely recognised. Our long-term investment strategy emphasises the ability to respond to changes in market expectations."

"LocalTapiola Pension's solvency ratio remained strong," says **Satu Huber**, Chief Executive Officer of LocalTapiola Pension. The solvency ratio was 24.9% at the end of June. The solvency position (solvency margin in relation to the solvency limit) was 2.1. Without the equalisation provision or the temporary changes in legislation, the solvency ratio would have been 21.7% (19.6%) and the solvency position 1.8 (2.2).

Merger of LocalTapiola Pension and Pension-Fennia progressing as planned

The merger of LocalTapiola Pension and Pension-Fennia is progressing according to schedule, and the new pension insurance company will begin operating on 1 January 2014. The Financial

Supervisory Authority and the annual general meetings of both companies approved the merger in June. “The name of the new company is ‘Elo’, which in Finnish reflects work, stability, entrepreneurship and security through pensions. Elo Mutual Pension Insurance Company will be a key player in the earnings-related pension sector, and will take responsibility for people and enterprises throughout their lives,” says Huber.

For more information:

LocalTapiola Pension's Interim Report 30 June 2013 (PDF)

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