Tapiola Pension Interim Report 1 January – 31 March 2012

Tapiola Pension: good investment return in the first quarter

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- Tapiola Pension's return on investment between 1 January and 31 March was 4.2 per cent (–0.1% 3/2011).
- The solvency position strengthened further in the first quarter. The solvency margin was 25.3 per cent (27.9%) of technical provisions and 3.2 (2.3) times the solvency limit.
- The average ten-year return on investment is 5.4 per cent (1 April 2002 – 31 March 2011) and the average five-year return is 3.6 per cent (1 April 2007 – 31 March 2011).

The value of Tapiola Pension's investments rose in the first quarter of 2012. "The first quarter was excellent for equity markets and the three-month return was among the highest ever. In the positive market environment, the increase in Tapiola Pension's result made up the previous year's loss already in February," says **Hanna Hiidenpalo**, Tapiola Pension's CIO.

At the end of March, the market value of investments was EUR 9,654.4 million (EUR 9,477.6 million).

Tapiola Pension increased its equity holdings at the beginning of the year, thus profiting from the strong rise in equity markets during the quarter. At the end of the quarter, equity investments accounted for 28.2 per cent (38.7) of the investment portfolio and had achieved a return of 11.8 per cent. Listed shares were particularly strong, with a 13.7 per cent return.

Fixed income investments also continued to generate a good profit of more than 2 per cent. The return on corporate bonds rose to almost 5 per cent over a period of a few months.

In line with Tapiola Pension's strategy, the proportion of alternative investments has been increased further in order to diversify investment risks. These investments currently account for around 5 per cent of the portfolio. The alternative investments generated a return of 1.1 per cent.

"Tapiola Pension's solvency ratio, which was already good, developed positively over the first quarter," says **Satu Huber**, the Managing Director of Tapiola Pension. The solvency margin accounted for 25.3 per cent of technical provisions. It was 3.2 times the solvency limit. Without the temporary legislative changes, the solvency ratio would have been 20.3 per cent (22.8%) and the solvency position 2.5 (1.9).

Agility and good solvency are at the core of the investment policy

Extensive support measures undertaken by central banks helped markets to perform well in the first quarter. Due to the problems in the real economy and in financial markets central banks will continue to keep their key interest rates very low in the foreseeable future.

Despite strong performance in the first quarter, the global economy is still not on solid ground and uncertainty has increased significantly. The eurozone situation, high oil prices and a less optimistic outlook for growth in China have already caused uncertainty in the markets and equity prices have started to fall. Long-term investors have to prepare for numerous challenges in the coming years.

"The market situation in the first quarter favoured risk-taking in both equity and fixed income investments but a lot of structural risks still persists. The uncertainty of the markets and shortened cycles are deterring Tapiola Pension from utilising its strong solvency for maximum risk taking," says Hanna Hiidenpalo.

Appendices

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