Strong investment returns for Tapiola Pension

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• Tapiola Pension’s return on investments was 6.8 per cent for the period of 1 January to 30 September 2012.
• The solvency ratio strengthened to 26.1 per cent by the end of September and the solvency position was 3.0.
• The average ten-year return is 5.5 per cent (1 October 2002–30 September 2012) and the average five-year return is 3.6 per cent (1 October 2007–30 September 2012)

Tapiola Pension's investment returns almost doubled from 3.7 per cent in late June by the end of September 2012. For the first nine months of the year, the return on investments was 6.8 per cent (–4.8% in 9/2011). At the end of September, the fair value of investments was EUR 9,785.1 million (EUR 9,043.2 million).

“The positive trends in the financial markets reinforced our result. The return between July and September reached 3.0 per cent. Over the summer period we had positive developments in the performance of all asset classes”, says **Hanna Hiidenpalo**, Chief Investment Officer at Tapiola Pension.

Since the start of the year, equity investments have been the best performing asset class, with a return of nearly 13 per cent. European equities were particularly strong, returning 21 per cent. Finnish equities reached a return of about 10 per cent. Unlisted equity investments also generated an excellent return of over 23 per cent.

Fixed income investments also performed well, returning more than 5 per cent. The return on corporate loans rose to almost 10 per cent from the start of the year. Equity investments and fixed income investments outperformed the market as a whole. The basis for the excellent returns is the successful selection of countries and companies in European and other markets.

Real estate investments returned 3.5 per cent. Direct real estate investments returned 3.5 per cent and real estate investment funds 3.4 per cent. In line with Tapiola Pension’s strategy, the proportion of alternative investments has been further increased in order to diversify investment risks. These investments currently account for around 6 per cent of the portfolio. Alternative investments returned 0.8 per cent.

Strong solvency ensures security in challenging times

At the end of September, the company’s solvency ratio was 26.1 per cent (22.0%) and its solvency position (the solvency margin in relation to the solvency limit) was 3.0 (3.0). Without the temporary changes in legislation, the solvency ratio would have been 21.1 per cent (17.1%) and the solvency position 2.4 (2.4).

The investment environment has remained challenging as no lasting solution has been found to the structural debt problems in Western countries despite the repeated attempts. Central banks have lowered interest rates to close to zero in order to aid recovery. Quantitative easing and the sharp increase in liquidity have not, however, had an impact on the real economy and the global economic growth remains weak.

“Our strong solvency provides security for operating in the investment market in this extremely challenging climate”, says Satu Huber, Chief Executive Officer at Tapiola Pension.

Appendices

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