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Preliminary information on Keva's financial statements

EUR 2.6 billion return on Keva's investments

Keva, which handles funding for municipal sector pensions and pension fund investments, recorded a 7.5 per cent return on investments in 2013 (12.9 per cent in 2012), according to preliminary information. The market value of Keva's investments was EUR 37.8 billion at the end of the year (EUR 34.4 billion in 2012).

The cumulative real return since inception (1988) to the end of 2013 was 5.3% per annum, excluding capital weighting. In the Finnish pension sector, long-term returns are usually calculated without capital weighting. The capital-weighted cumulative real return since inception to the end of last year was 3.8 per cent per annum.

The five-year nominal return, excluding capital weighting, after the financial crisis is 9.8% and the real return is 7.8%. The ten-year nominal return is 6.1% and the real return is 4.1%.

Municipal pension contribution income in 2013 amounted to EUR 5.0 billion, of which Keva used a total of EUR 4.1 billion to pay out current pensions. Keva invested the remaining EUR 0.9 billion in a pension liability fund. The pension liability fund increased by EUR 3.4 billion in 2013, with Keva's investments contributing EUR 2.6 billion of that amount.

According to Acting CEO **Pekka Alanen,** the performance of Keva's investment activities in 2013 can be considered reasonably good.

“The result is satisfactory, especially considering the challenging market situation. In the wake of the financial crisis, the markets have been plagued by persistent uncertainty and concern for the future,” says Alanen.

The return on fixed-income investments was 0.4 per cent, on listed equities 16.6 per cent, on private equity funds 14.4 per cent and on real estate investments 3.5 per cent. Among other asset categories, the return on hedge funds was 11.8 per cent, and commodities yielded a loss of 3.6 per cent.

Fixed-income investments (including the impact of derivatives) accounted for 45.1 per cent, listed equities for 38.1 per cent, real estate investments for 7.3 per cent, private equity funds for 5.0 per cent, hedge funds for 3.9 per cent and commodities investments for 0.6 per cent of the risk-appropriate market value of Keva's entire investment portfolio at year-end.

According to CIO **Ari Huotari**, 2013 was, from an investor's point of view, in line with expectations and, at the same time, overshadowed by uncertainty:

"As expected, the return on fixed income investments was low, and equities performed well. However, in the course of the year, concern over the development of equities and other higher-risk investments was raised on numerous occasions."

"In 2014 we will focus on the same themes as last year. We continue to see limited return potential in fixed income investments, and last year a number of equity markets skyrocketed, inevitably eating away at their future return expectations," Huotari sums up.

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The figures presented above are based on tentative preliminary information. Keva will publish its official financial statement bulletin on 27 February 2014.