Keva’s interim report for 1 January to 30 September 2018
Reasonable return on Keva’s investments

Keva, which is responsible for the funding of local government pensions and the investment of pension funds, reported a 1.7% return on investments, equating to around EUR 857 million, for the first nine months of 2018. This compares to a return of 5.3% for the first nine months of 2017. At the end of September, Keva’s investments had a market value of EUR 52.6 billion, compared to EUR 50.9 billion a year earlier.

Keva CEO **Timo Kietäväinen** considers investment performance to be reasonable.

“Earnings were in line with our forecasts and after an exceptionally long upturn a change in the market was not unexpected. For example, a fairly large weighting in emerging markets hit our overall returns somewhat this time. However, we should again remember that the pension investor has a long-term investment horizon, where activities are planned and tracked truly over the long term,” Kietäväinen points out.

Keva’s return on investments at market value was 1.7% for January-September. The top performers were alternative and real estate investments; private equity funds and unlisted equities generated a return of 12.1%, real estate investments (including real estate funds) 3.5% and hedge funds 3.3%. Listed equities and equity funds generated 1.2%, whereas fixed income investments were in negative territory with a return of -0.2%.

Keva’s long-term return on investments continues to be at a good level. The capital-weighted annual cumulative real return on investments since the inception of funding in 1988 until the end of the report period was 4.2%. The non-capital-weighted average real return for the same period was 5.4%. The nominal return for the past five years without capital weighting has been 5.9% and for the past ten years 5.7%.

The market value of Keva’s investments at the end of September was EUR 52.6 billion (EUR 50.9 billion on 30 September 2017). Fixed income investments (including the impact of derivatives) accounted for 40.5%, listed equities and equity funds for 37.9% and real estate investments for 6.1% of Keva’s entire investment portfolio. Private equity investments and unlisted equities accounted for 8.4% and hedge funds for 7.1%.

Keva CIO **Ari Huotari** describes the situation as circling clouds above that are beginning to grow quite dark.

“October has seen a further deterioration of the investment climate, with Finnish equities, for example, suffering quite badly. The markets are being spooked by economic development, interest rates and trade wars among other things as well as by the economic situation in Italy. After a long good period, it’s actually even quite healthy to air some parts of the market a bit,” Huotari says.

“Given the present circumstances, it is quite a challenge to achieve a positive result at all,” Huotari adds.

Looking ahead, as a responsible investor, Keva will have an increasingly more marked focus on reviewing long-term achievements and the future in tracking and evaluating investment operations. In future, rather than sending interim reports as separate press releases, the information will be published on Keva’s website at www.keva.fi/tulostiedot.

For further information, please contact:
Timo Kietäväinen, CEO, tel. +358 20 614 2201
Ari Huotari, CIO, tel. +358 20 614 2205
Tom Kåla, CFO, tel. +358 20 614 2211

The figures in this release are unaudited.