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Keva's Interim Report 1 January – 31 March 2018

Stock market uncertainty reflected in Keva's first quarter performance Keva's investments fared reasonably well

Keva, which is responsible for the funding of local government pensions and the investment of pension funds, reported a -0.4% return on investments, equating to -EUR 203 million. At the end of March, Keva's investments had a market value of EUR 51.2 billion, compared to EUR 49.3 billion a year earlier.

Keva CEO **Timo Kietäväinen** considers the investment performance to be reasonable giving the challenging market situation. "A pension provider has a long-term mission: we are responsible for the payment of pensions paid also in decades ahead. Keva's non-capital weighted real returns have averaged 5.8% a year over the past five years," Kietäväinen says.

During the current year, Keva is preparing for the health, social services and regional government reform and bearing responsibility for the position of its employees in the reforms. "The work capacity of employees needs to be maintained at all levels to ensure that costs arising from premature retirement do not spiral out of control. Now there is every reason to take up the challenge brought about by the health and social services reform in earnest," Kietäväinen says.

"Otherwise there is a risk that the good progress made on extending working life in the public sector will come to a halt," Kietäväinen fears.

Keva's return on investments at market value was -0.4% during January – March. The top performer was private equity funds, which generated a return of 2.2%, followed by hedge funds with a return of 1.1%, real estate investments (including real estate funds) with a return of 0.9% and fixed income investments 0.6%. Listed equities and equity funds generated a return of -2.5%.

Keva's long-term return on investments is at a good level. The capital-weighted, annual cumulative real return on investments since the inception of funding (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 5.8% and for the past ten years 4.6%.

Fixed income investments (including the impact of derivatives) accounted for 42.1%, listed equities and equity funds for 37.7% of Keva's investment portfolio. Of the smallest asset classes, private equity investments accounted for



26.4.2018

7.6%, hedge funds for 6.4% and real estate investments 6.2% of Keva's investment portfolio.

CIO **Ari Huotari** explains that the growing threat of a trade war overshadowed the capital markets during the early part of the year.

"The rise in interest rates, mostly in the United States, and continued growth of the world economy have given cause for concern. We may well see continued unrest in the capital markets," Huotari forecasts.

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The figures in this release are unaudited.