23.10.2019

Keva's interim report for 1 January – 30 September 2019

Shares drove good investment performance

Keva, which is responsible for the funding of local government pensions and the investment of pension funds, reported a 9.6%,or EUR 4.758 billion, return on investments for the first nine months of 2019. At the end of September, Keva's investments had a market value of EUR 54.6 billion, compared to EUR 52.6 billion a year earlier.

Keva CEO **Timo Kietäväinen** stated that Keva's investment performance for the first nine months of the year was excellent given the exceptional climate in the investment environment. All asset categories are in positive territory.

The investment outlook for the remainder of the year is uncertain, especially given the threat of a trade war, as well as Brexit and the situation in the Middle East," adds Kietäväinen.

Keva's return on investments at market value was 9.6% for the first nine months of the year. The top performer was listed equities, which generated a return of 15.7%. Private equity investments generated 10.1%, fixed income investments 6.6% and hedge funds 3.3%. Real estate investments (including real estate funds) generated a return of 3.1%.

Keva's long-term return on investments is at a good level. The capital-weighted annual cumulative return on investments since the inception of funding in 1988 until the end of the report period was 4.1%. The non-capital-weighted average real return for the same period was 5.3%. The nominal return for the past five years without capital weighting has been 4.9% and the real return for the past ten years 5.4%.

Fixed income investments (including the impact of derivatives) accounted for 40.2% and listed equities and equity funds for 36.1% of Keva's entire investment portfolio. Of the smaller asset classes, private equity investments accounted for 10.2%, hedge funds for 7.2% and real estate investments for 6.3% of the portfolio.

Keva CIO **Ari Huotari** describes the investment situation as a whole as being peculiar as interest rates continue to move deeper into negative territory.

"Money has flooded into high-risk investments that have been inflated. However, there is no appetite to lift "normal" inflation rates in the real world, Huotari explains.

Developments in the capital markets and real economy have further diverged from each other. From the investor perspective, it is interesting to see how the situation will unfold: sooner or later austere times will come again," Huotari forecasts.

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The figures in this release are unaudited.