22.4.2020

Keva’s interim report 1 January to 31 March 2020

Keva’s investments decreased in the shadow of coronavirus

Keva, which is responsible for the funding of local government pensions and the investment of pension funds reported a decrease of -10.4% in return on investments for the first quarter. At the end of March, Keva’s investments had a market value of EUR 50.2 billion compared to EUR 52.5 billion a year earlier.

Keva CEO **Timo Kietäväinen** considers that the switch to working from home as a result of the coronavirus pandemic has been successful.

”Pension payment and processing, services for insured employers and employees as well as other services are functioning well remotely. New services suited to emergency conditions have also been developed,” he says. According to Kietäväinen, the weekly Kevafiilis pulsometer indicates that Keva employees’ work vibe is at a good level.

”The priority in investment operations has been our capacity to successfully ensure Keva’s liquidity,” Kietäväinen points out.

Keva’s return on investments at market value was -10.4% for January to March. Private equity investments generated 3.2% and real estate investments (including real estate funds) generated 1.4%. The return on other investment types at market value was in negative territory: -22.0% on listed equities, -5.7% on fixed-income investments and -3.0% on hedge funds.

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 in 1988 until the end of the report period was 3.6%. The non-capital-weighted average real return for the same period was 5.1%. The nominal return for the past five years without capital weighting has been 1.4% and the real return for the past ten years 3.8%.

Fixed income investments (including the impact of derivatives) accounted for 38.5% and listed equities and equity funds for 34.3% of Keva’s entire investment portfolio. Of the smaller asset classes, private equity investments accounted for 12.3%, hedge funds for 7.7% and real estate investments for 7.1% of the portfolio.

Keva CIO **Ari Huotari** says that this time it was the coronavirus that triggered a strong stock market correction. The stock market fell at an unprecedented rate, for example.

”Support measures by central banks and other public actors halted the strongest fall at this stage and markets have recovered somewhat since the worst stage,” he says.

”All the same, in the current situation the outlook for the global economy in the next few years is quite gloomy and there are still no reliable estimates of the follow-up costs after the coronavirus pandemic. The capital markets have likely only seen the first episode in this story,” Huotari considers.

22.4.2020

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.