

# PFA INVESTMENT STRATEGY AND RISK MANAGEMENT

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Input for CEPS and ECMI's task force meeting on Asset Allocation in Europe  
June 14, 2017



# PFA PENSION IS THE LARGEST COMMERCIAL PENSION PROVIDER IN DENMARK AND RANKED 12<sup>TH</sup> LARGEST ON IPE'S TOP 1000 EU PENSION FUND LIST

**1.2 m**

Private clients

**10 k**

Business clients

**€59 bn**

Customer funds

**€4.5 bn**

Capital base

**1,200**

FTE

# STRUCTURAL CHALLENGES

Low global growth

Lower investment return in the coming 15-20 years

Yield on government bonds will probably be negative

Necessary to take on more risk to achieve same yield

## Implications

- Crucial to be able to identify attractive pockets of growth, both locally and globally
- Investment cost is of increasing importance
- Need to find new sources of investment return
- The role of bonds as stabilisers in the portfolio has diminished significantly
- Risk management is of increasing importance

# INVESTMENT APPROACH IN PFA

## Strategic focus

### 1 Focus on risk - adjusted return

- Focus on absolute **real return**
- Moving away from the **benchmark mindset**
- Maximising **long-term return** in a **cost-effective** and **responsible** manner

### 2 New sources of investment return

- **Unlisted investments**
- **New markets** and asset classes
- **Extension of strategies**

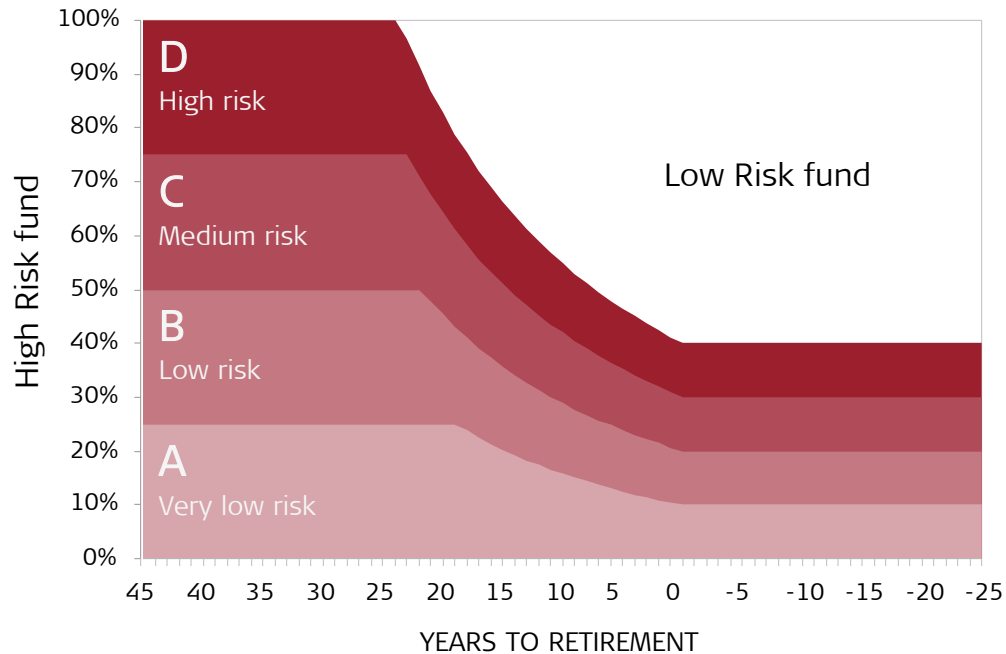
### 3 Expansion of investment areas

- Upscaling of "**in-house asset management**" and addition of new investment skills (alternatives)
- Stronger **risk management** and development/improvement of systems
- Focus on exploiting **economies of scale**

## Position in 2020



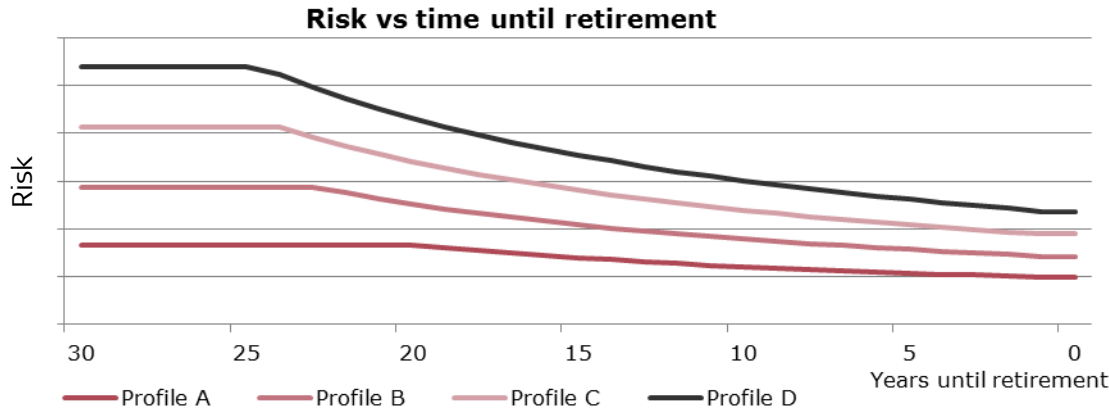
# PFA PLUS – LIFE CYCLES INVESTMENT



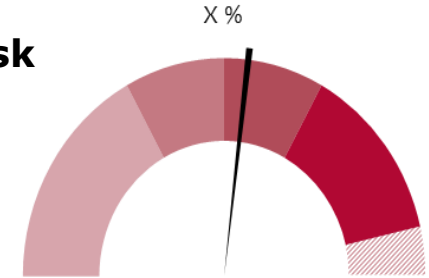
## Modern life cycle investment

- Balancing risk to life cycle optimizes total expected return
- Total risk at retirement is constant over time
- Investment strategy is automatically adjusted with policy-holder's age
- Policyholder risk aversion in focus
- No undistributed policy-holder funds
- Well-balanced investment strategy
- Actual return credited to policy-holder's account

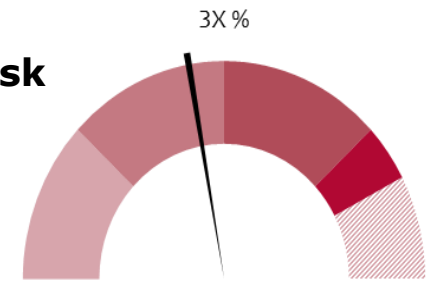
# RISK FACTORS IN LIFE CYCLE PRODUCT



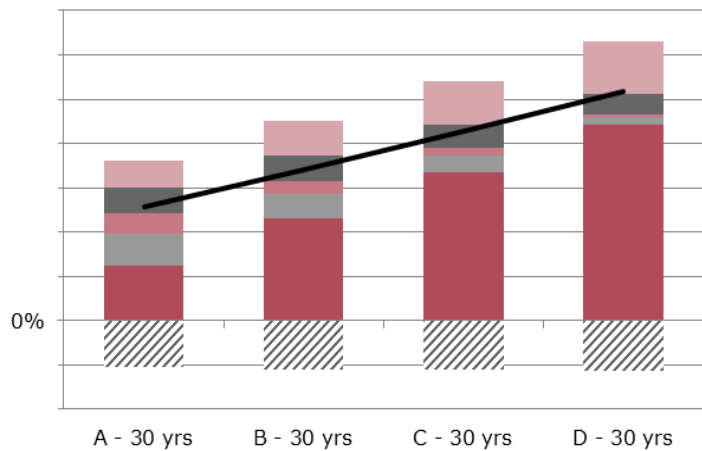
**Low Risk fund**



**High Risk fund**



**95% risk in PFA Plus - 30 years until retirement**



**95% risk in PFA Plus - at time of retirement**

