

DANMARKS NATIONALBANK

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PORTFOLIO INVESTMENTS, AUGUST 2018

The pension sector holds kr. 1,879 billion worth of shares and bonds abroad

The pension sector holds foreign portfolio investments in shares and bonds worth kr. 1,879 billion. This corresponds to around kr. 400,000 for every adult Dane. The foreign portfolio investments account for a little more than half of the sector's total holdings of securities.

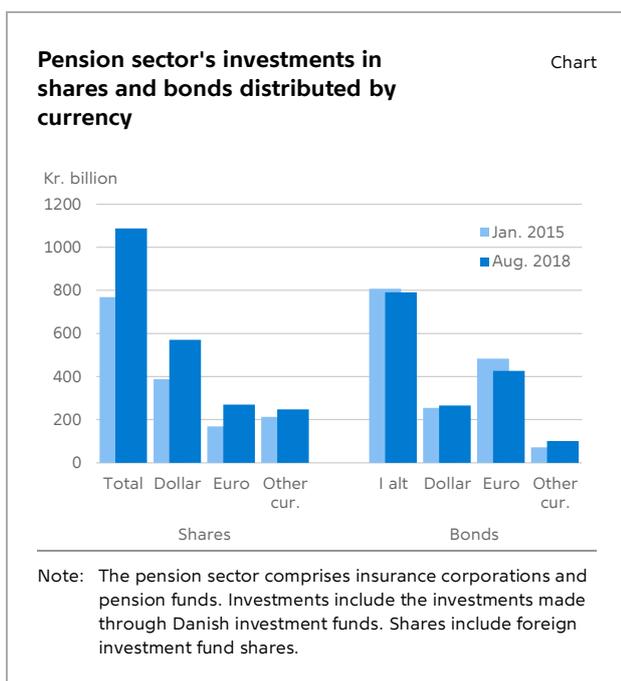
Today, the pension sector holds more shares than bonds, while it was opposite just a few years ago. The sector has continuously bought foreign shares since 2015. The total holdings of bonds has been

approximately unchanged, but there has been a shift from euro area bonds to other foreign bonds after the European Central Bank began to purchase government bonds at the beginning of 2015.

The shift towards shares reflects among other things the larger prevalence of pension schemes with market rate products. In contrast to schemes with average interest rate products, market rate products do not promise the pension contributor a certain pension payment. Market rate products provide the opportunity of achieving a higher return by taking larger risks, e.g. by investing in shares rather than bonds, but the pension contributor also bears the possible losses.

The pension sector has mainly placed its foreign investments in dollar and euro assets. The lion's share of the dollar investments are currency hedged, however the share hedged has fallen from 81.2 to 70.6 per cent in the period from January 2015 to July 2018, while the hedge of euro investments has decreased from 19.1 to 18.2 per cent. For other currencies the hedge has risen from 39.1 to 43.9 per cent.

As regards the pension sector's holdings in Danish securities, shares constitute a smaller part than is the case for the holdings in foreign securities. Around one fourth of the holdings in Danish securities are shares.



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