

DANMARKS NATIONALBANK

4 MARCH 2020 — NO. 3

New statistics from Danmarks Nationalbank

Insurance companies and pension funds continue to invest in unlisted assets

Over recent years, low bond yields and low expected returns on other assets have prompted insurance companies and pension funds (I&P companies) to continue investing more pension savers' funds in unlisted assets such as wind farms, infrastructure, forestry, unlisted enterprises, private equity funds, properties and alternative types of debt. For the first time, newly developed statistics from Danmarks

Nationalbank provide a comprehensive overview of this important development.

The statistics show that over the past two years, I&P companies' investments in unlisted assets have increased from kr. 606 billion in January 2018 to kr. 803 billion in December 2019. This increase was fairly evenly distributed between new investments and

**Returns
on unlisted
shares have
been more
stable than
on listed
shares**

Source: Danmarks Nationalbank



fair value appreciations. Unlisted investments now account for close to one fifth of I&P companies' total investments.

Unlisted investments are often long-horizon investments. This suits I&P companies, since their liabilities towards customers are also of a long-term nature.

Valuation methods for unlisted assets are often based on models for forecasting future cash flows, i.e. values are model-based rather than market value-based. Therefore, annual returns are calculated based on valuation models. As these models should reflect market developments, but not necessarily unrelated market volatility, returns on unlisted assets may appear to be more stable than returns on listed shares, the value and returns on which are calculated based on observable market prices.

Return developments for 2018 and 2019 illustrate the difference between the pricing of listed and unlisted investments, where unlisted investments are

valued based on models with even price developments, while the price of listed shares reflect market volatility (see chart).

Over the period from January 2018 to December 2019, I&P companies invested kr. 37 billion into listed shares and equity investments and kr. 101 billion in unlisted assets. Over the same period, listed shares returned 18.7 per cent, while unlisted shares returned 20.4 per cent.

The statistics, which consist of data reported since early 2018 by Denmark's 45 largest insurance companies and pension funds, are published quarterly on Danmarks Nationalbank's website. The insurance companies' and pension funds' total balance sheets correspond to around twice Denmark's gross domestic product (GDP), making the sector one of the largest in the world relative to the economy as a whole. The statistics can be found here: [\(link\)](#).

PUBLICATIONS



NEWS

News offers a quick and accessible insight into an Analysis, an Economic Memo, a Working Paper or a Report from Danmarks Nationalbank. News is published continuously.



ANALYSIS

Analysis from Danmarks Nationalbank focuses on economic and financial matter. Some of the analyses are published with a regular frequency e.g. *Outlook for the Danish economy and Financial stability*. Other analyses are published continuously.



REPORT

Report comprises recurring reports and reviews of the functioning of Danmarks Nationalbank. For instance Report includes the *Annual report* and the annual publication *Danish government borrowing and debt*.



ECONOMIC MEMO

Economic Memo is a cross between Analysis and Working Paper and it often shows the ongoing study of the authors. The publication series is primarily targeted at professionals and is solely available in English. Economic Memo is published continuously.



WORKING PAPER

Working Paper presents research projects by economists in Danmarks Nationalbank and their associates. The series is primarily targeted at professionals and people with an interest for academia. Working Paper is published continuously.

The news article consists of a Danish and an English version. In case of doubt regarding the correctness of the translation the Danish version is considered to be binding.

DANMARKS NATIONALBANK
HAVNEGADE 5
DK-1093 COPENHAGEN K
WWW.NATIONALBANKEN.DK



**DANMARKS
NATIONALBANK**

CONTACT

Teis Hald Jensen
Communications
and Press Officer

tehj@nationalbanken.dk
+45 3363 6066

SECRETARIAT
AND COMMUNICATIONS