

DANMARKS NATIONALBANK

5 SEPTEMBER 2022

INSURANCE AND PENSION, 2ND QUARTER 2022

Unlisted shares have outperformed listed this year

In the second quarter of 2022, the insurance and pension fund sector has had a return of 1 per cent on its unlisted shares. At the same time, the sector has lost 10 per cent on its listed shares. Unlisted shares account for 50 per cent of the sector's total investment in shares and other equity.

What are unlisted shares?

Unlisted shares are defined as shares and other equity that are not traded on the stock exchange. Unlisted shares are therefore relatively illiquid. The most significant investments are in property, private equity, agriculture and infrastructure. Solar and wind energy are examples of infrastructure that are attractive to insurance and pension funds, for example due to a long investment horizon and expectations of stable cash flows.

While listed shares have an observable market price, the insurance and pension funds themselves assess the value of unlisted shares in accordance with international standards. The assessment is based on models and assumptions about, for example, risk.¹ It is important that the value of the unlisted shares is assessed fairly, for example when customers withdraw their pension investments to change pension fund or risk profile.

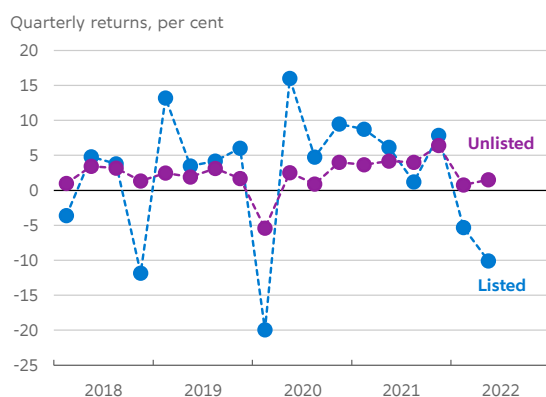
Unlisted shares have provided more stable returns

The return on unlisted shares has been more stable than for listed shares. The value of the insurance and pension sector's listed shares across pension funds fell, for example, by 20 per cent, in the first quarter of 2020, when the corona crisis broke out, whereas the value of the sector's unlisted investments fell by 5 per cent. However, this does not mean that unlisted shares are less risky than listed shares. Rather, it illustrates that the value of risk and return is less volatile when compared to the markets.

If you look across insurance and pension funds, there is, a greater difference in the return on unlisted shares than on listed shares. This is, for example, due to the fact that unlisted investments differ between companies. It may also express the fact that the assessment of unlisted investments and the timing of the assessment and recognition of risks vary from company to company.

MORE INFORMATION ABOUT THE STATISTICS HERE

More stable returns for unlisted shares as compared to listed shares



Note: Returns include value adjustments due to price adjustments, exchange rate adjustments, interest rates and dividends from investments. Danish investment funds are being looked through. Investments include shares and other equity. Find chart data here ([link](#)).

¹ See Samuel Achord og Kristian Loft Kristiansen (2021), The Pension sector's alternative investments, Danmarks Nationalbank, Analysis, No. 22.