Investment Strategy for Listed Equities

ATP's investment strategy for listed equities encompasses ATP's exposure towards listed equities, both through direct investment and through derivatives. The investment strategy is constructed with ATP's pension liabilities in mind.

ATP's investment portfolio is split into two parts – a hedging portfolio and an investment portfolio. The overarching goal of the hedging portfolio is to safeguard the guaranteed return and thus ensure ATP's ability, at all times, to deliver on the guaranteed issued. The principal objective of the investment portfolio is to generate a return that will allow ATP, in part, to raise the guaranteed pensions, thereby preserving the long-term purchasing power of the benefits, and in part, to build reserves for unforeseen events such as financing increased life expectancy.

The risk of the investment portfolio is divided into four main factors: Equity factor, interest rate factor, inflation factor, and other factors. Listed equities contribute to a sizeable part of the equity factor and is one of the primary drivers of return in the investment portfolio. ATP invests in equities as they play a crucial role in securing a robust and diversified investment portfolio, which can produce high long-term returns. With equity follows a risk of declining share prices, but the spread of risk between the four main factors ensure that the long-term returns as a whole is robust to the underlying variation in the economic environment. ATP's equity investments are generally long-term, and ATP makes use of our voting rights at annual general meetings in the listed equities with a focus on supporting long-term value creation in the investee companies. A small part of ATP's equity investments are part of dynamic investment strategies, where the timeframe may be shorter. ATP's investments in listed equities are for the vast majority handled directly by ATP, with only a small proportion handled indirectly through asset managers. Currently ATP invests in listed equities through the following asset managers:

- AQR
- NB Capital
- Nordea Asset Management

The mandates in listed equities handled by the asset managers are handled through investment strategies defined by ATP. The investment strategies are constructed in such a way, that the combined investment portfolio is robust and diversified in accordance with ATP's policies on responsibility in investments, stewardship and tax. ATP receives reports on the returns of the asset managers at least on a weekly basis. ATP evaluates the return from time to time and compares the returns with benchmarks and targets. As a general rule the asset managers are compensated dependent on the size of the assets. At least annually, ATP receives reports on portfolio turnover and turnover costs from the asset managers, to ensure that the investment strategies are followed. The mandates with asset managers investing in listed equities have no defined expiry. But the agreements can be terminated at short notice.