

2024

Interim Report

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AP4 celebrates its 50th anniversary
 – half a century of service to Sweden’s pensioners

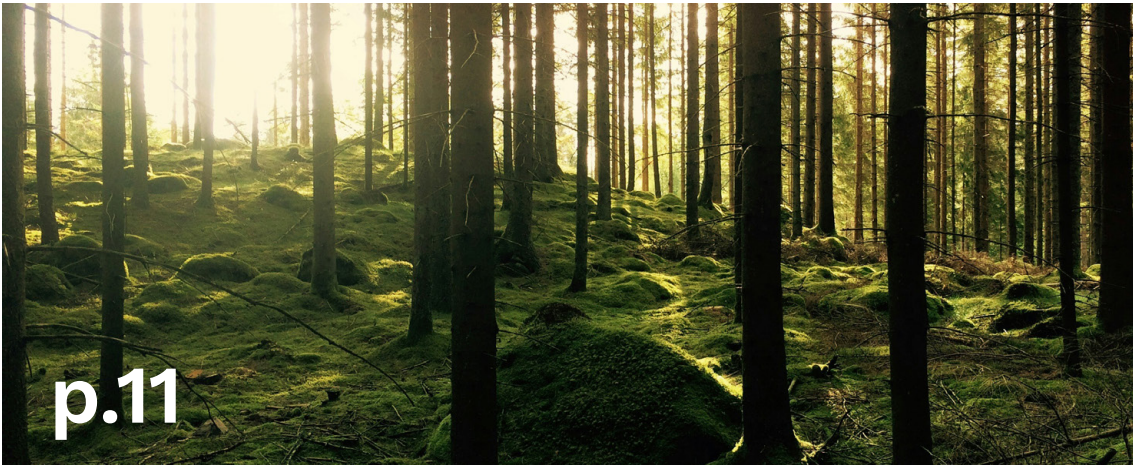
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This half-year interim report has been prepared in accordance with the accounting and valuation policies jointly adopted by the AP Funds and described in AP4’s 2023 Annual Report. Unless specifically indicated, the same accounting policies and calculation methods have been used as for the 2023 Annual Report.

The interim report has not been reviewed by AP4’s auditors.

Figures in parentheses refer to the first half of 2023 unless indicated otherwise.

No significant events have taken place after the end of the reporting period. AP4’s annual report for the 2024 financial year will be published in February 2025.



533.3

SEK billion in fund capital
at end of period

34.6

SEK billion net result

0.9

SEK billion, net, transferred from AP4
to the pension system

6.9

% return after costs.
The return before costs was 7.0%

0.08

% of total costs indexed on a full-year basis.
Operating expenses amounted to 0.06%,
and commission expenses were 0.02%

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Nomination committees at Swedish listed
companies on which AP4 served ahead of AGMs in
the first half of 2024





Good return for the first half of 2024

AP4 reports a net result of SEK 34.6 billion for the first half of 2024. After net payments from AP4 to the public pension system of SEK 0.9 billion, fund capital increased to SEK 533.3 billion at the end of the first half of the year. The strong performance in the equity markets that ended 2023 continued in the first half of 2024, which was favourable for AP4's portfolio development. At the same time, asset management costs decreased compared to the previous year.

The portfolio return after expenses amounted to a good 6.9 per cent in the first half of the year. If we extend the perspective to ten years that are more relevant to our assignment, AP4 reports a portfolio return of 8.5 per cent on average per year. If we extend the horizon all the way back to 2001, which was the starting point for the reformed pension system, the annual average return is 6.6 per cent. Since the income index has increased by approximately 3 per cent per year over both time horizons, this means that AP4 has made a very significant contribution to strengthening the Swedish public pension system.

Central bank policy and AI in focus

The macroeconomic environment remains uncertain with many forces pulling in different directions, which

is sometimes reflected in large movements in the financial markets. In this challenging environment, I am proud that we can show positive returns for all overall asset classes during the first six months of the year. The largest contribution to returns comes from equities, where, for example, a broad global equity index has returned about 10 per cent. Fixed income markets have primarily been characterised by large movements and volatility but have also had a certain upward trend in interest rates. All in all, this means that a broad international fixed income index has returned around zero in the first half of the year.

During the spring, much of the market's focus has continued to be on central banks' struggle to normalise inflation, without pushing down real economic growth too much. However, the dynamics have gradually

changed as inflation has slowly and gradually come down and the economy has cooled down. In recent years, weak macroeconomic and labour market data have been favourably interpreted by the financial markets, as they have signaled that monetary policy has begun to bite and that the fight against inflation would hopefully succeed.

Lately, however, the reverse has increasingly been the case. The fact that negative statistics on macroeconomic developments are now leading to negative market reactions is, of course, basically a good sign, which indicates that the economy is normalising. However, the negative reactions can sometimes be significant if they lead to increased concern that central banks have held their tight monetary policy for too long and that the economy is in fact about to enter a recession.

This new dynamic in the financial markets and increasing concerns about a recession are likely to lead to large market movements in the second half of 2024 as well. After the spring's gains in the world's stock markets, an expectation of an economic soft landing is priced into stock prices, which amplifies the risk of negative market reactions at times when concerns about a weaker economic development increase.

Just as in 2023, a significant part of the movements on the stock exchanges at the beginning of 2024 (and then especially in the US) can be attributed to the development of companies active in AI. Several AI companies have continued to perform strongly on the stock market based on new initiatives and rapid product development. These companies have delivered strong reports for a long succession of quarters, and there is a significant expectation in the market that this trend will continue. In order to maintain their leadership, the successful AI companies generally have large and very ambitious investment plans, and a potential source of concern and price reactions during



AP4 has made a very significant contribution to strengthening the Swedish national pension system.

the autumn is whether the companies' extensive investments will be able to provide sufficient returns to continue to justify the high valuations.

Increased focus on the pension system

In comparison with most other countries Sweden has a good pension system, at least in my opinion. That said, it is of course important to regularly review the pension system to ensure that it, over time, lives up to the set goals in the best possible way and that the system is as well adapted as possible to the changes that are taking place in society. Regularly analysing and debating the pension system, and adjusting, if necessary, is also important to maintain confidence in the system among the Swedish people.

A pension system regulates obligations and rights that extend over several decades, which for its credibility requires stability and clear rules of the game. This, in turn, makes it necessary that all decisions regarding the pension system are made with a long-term perspective and with as broad parliamentary support as possible, so that continuity for many terms of office can be ensured.

For the above reasons, it is gratifying that the Pension group, reformed to reflect a changed parliamentary composition, has resumed its very important work of safeguarding and developing the Swedish public pension system for almost a year.

The newly started Pension group has already initiated as many as three equally important and welcome separate public inquiries. One of these inquiries concerns the appropriate future level of contributions, and another is the establishment of a working group within the Government Offices to investigate whether and how any surplus in the pension system should be distributed.

The third inquiry (“Review of the buffer funds”) had the task of reviewing how the AP Funds’ management is organised, among other things. With regard to this issue, the Inquiry presents a comprehensive analysis of the advantages and disadvantages of a possible reorganisation. The most prominent aspect of the Inquiry’s analysis is that it is clear that whether the buffer funds are reorganised, it is a complex issue with many dimensions, to which there is therefore no simple answer. That said, in the continued work to come to a final decision on the organisation of the buffer funds, it will be extremely important that the starting point is to take advantage of existing strengths and competencies and that there is full focus on managing the fund capital in the best possible way.

Today, we have buffer funds that have built up professional and competent management organisations over a long period of time, and which have all delivered well in relation to their mission, funds that offer good diversification, internationally competitive returns as well as cost-efficiency, and are international role models in sustainability. A possible reorganisation of these funds with the main focus on minimising costs would risk being costly with a significant risk of loss of management expertise and long-term accumulated values.

As mentioned above, the inquiry into the buffer funds contains several complex questions without simple answers. However, one thing that we know with great certainty is that AP4 looks forward to what the

Swedish Parliament will eventually decide. We will, with full force and great commitment, make the very best out of the final decision and implement it in the best possible way for the pension system.

An extensive and challenging project

AP4 is a global fund manager that invests in virtually all asset classes. This means that we conduct a complex business that requires extensive work and great focus from our entire organization daily. Not least in times like these when there is so much happening in the world around us.

In addition to day-to-day operations, AP4 and AP3 are in the middle of implementing a new modern cloud-based portfolio system solution, which is undoubtedly one of the most comprehensive and challenging projects a pension fund can take on. Despite all its complexity, the project is progressing in an excellent way and according to plan. Now it is important to keep up this good work during the autumn and the final phase of the project, which I am convinced that we will succeed with continued great commitment and joint forces.

AP3’s and AP4’s joint project to implement a new portfolio system is an excellent example of constructive and value-creating collaboration between AP Funds. The project has already delivered many synergies and cost savings during the procurement phase. We see even greater benefits from the joint project in the sharing of knowledge that enables streamlining and a greater degree of standardization of our processes as well as future synergy effects regarding system-, and management costs.

Several awards to AP4

In recent years, AP4 has received several awards that we are proud and honored to have received, and to our delight, the start of 2024 is no exception. One of this



It is pleasing to see the Pension group resuming its very important work of safeguarding and developing the Swedish national pension system.

year’s awards is Environmental Finance’s Sustainable Investment Awards 2024 in the Sovereign Wealth Fund of the Year category, based on our work on thematic sustainability investments. This is the third time that AP4 has received this award. Previously, we received the award based on our quantitative management strategies to reduce climate risks in the portfolio.

Another award of a more personal nature was that of our colleague Frida Olsson, portfolio manager in Alternative Investments. Frida received the Young Investor Professional award at the Investment & Pensions Europe (IPE) Real Estate Awards. Frida is a highly valued colleague who has made a significant contribution to AP4 in terms of our ownership of unlisted real estate companies. The award is an expression of the good opportunities for development and personal responsibility that AP4 can offer based on our broad, exciting and socially important mission within the public pension system.

In conclusion, I would like to thank all employees at AP4 for your great commitment and responsibility. It is a fantastic privilege to work with you to contribute in the best way to secure pensions for the people of Sweden.

Stockholm, August 23, 2024
Niklas Ekvall, CEO

First half 2024

Portfolio performance

AP4's return after costs for the first half of 2024 was 6.9% (6.0%). Listed equities was the asset class with the highest return and it made the largest positive contribution to the overall fund return. Other asset classes such as fixed income assets and real assets made marginally positive contributions to the overall return.

Fund capital at the end of the first half of 2024 was SEK 533.3 billion, compared with SEK 499.6 billion at the start of the year. The increase is due to a net result of SEK 34.6 billion (27.7), while net payments to the pension system were made in the amount of SEK 0.9 billion (2.6).

The active return in relation to AP4's benchmark portfolio was -0.8% (-3.4%). The management of fixed income assets and listed real estate equities made the largest positive contribution to the active return during the first half of the year. The negative active return was primarily the result of unlisted assets, which reported a positive return in the first half of the year, underperforming their established return targets. The Real Assets asset class, for example, achieved a return of 1.4% in the first half of the year, compared with the annualised return target of CPI+3 percentage points, which came to 3.6%.

Exceeding long-term return targets

AP4's long-term return is evaluated over two periods of time: from the start of the new pension system in 2001, and over the last ten years. The goal is to exceed both the target return of the CPI+3 percentage points per year and the performance of the income index. AP4 has exceeded the two targets in both time periods, which means that AP4 has contributed to the pension system's funding and stability.

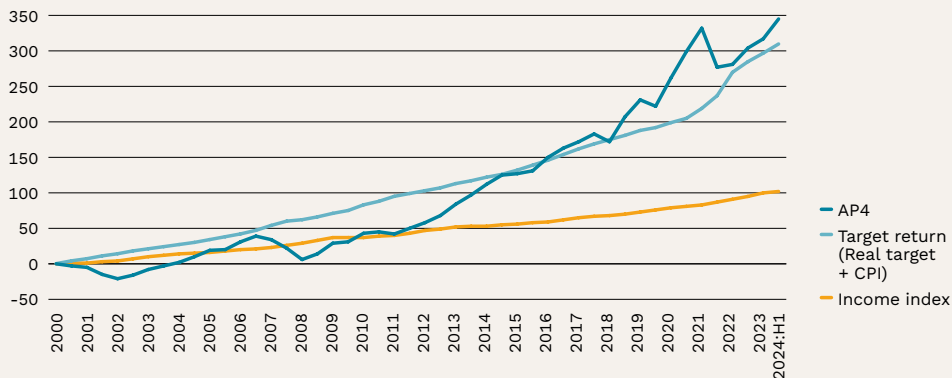
Since the start of the new pension system in 2001, AP4's return after costs has averaged 6.6% per year. The return target was 6.1% per year, and growth of the income index averaged 3.0% per year during

the same time period. Measured over ten years, AP4's return has averaged 8.5% per year, the return target has been 6.4% per year, and the income index has grown by an average of 2.9% per year.

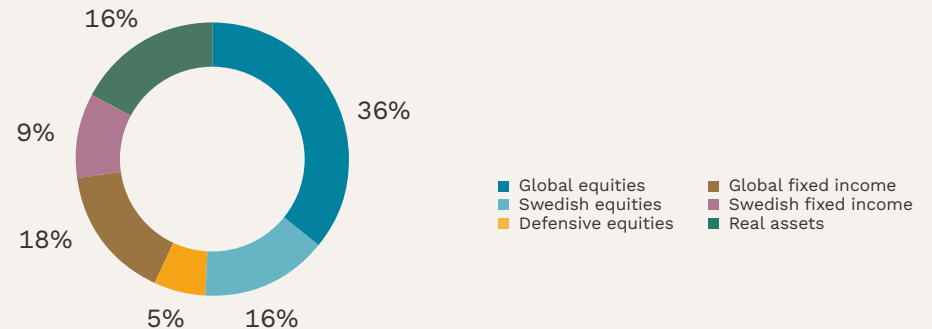
Continued net payments to the pension system

AP4's net payment to the pension system during the first half of the year totalled SEK 0.9 billion (2.6). Since 2009, when net payments from the AP Funds to the pension system began, AP4 has transferred a total of SEK 83 billion to the pension system. The pension system has gradually been strengthened thanks to very good returns from the AP Funds and improved demographics with a growing population and more

Return after costs since start in 2001 (%)



Asset allocation as per 30/06/2024



people in gainful employment, along with changes to the pension system such as the introduction of the target age. This means that the AP Funds are now expected to be net payers for only a few more years.

AP4 is cost-efficient

The management cost ratio – the annualised total asset management costs relative to average fund capital under management – was 0.08% (0.09%) for the first half of 2024, which is a decrease due to both lower asset management costs and higher average fund capital compared with the first half of 2023.

Total asset management costs have decreased in real terms by a total of 17% over the past three years, while AP4 has made significant strategic investments in portfolio system support, alternative investments and sustainability work.

AP4 is highly cost-efficient, even in international comparison. The international cost-level comparison of pension funds carried out by CEM Benchmarking showed in its most recent comparison for the 2022 financial year that AP4's management cost ratio was 37% lower than for the international comparison group.

Good score in government's annual evaluation

The Swedish government's annual evaluation of the AP Funds through the 2023 financial year was submitted to the Swedish Parliament in May 2024. The overall message was that AP4 has met the government's expectations. The evaluation confirmed that AP4 has managed the net flow between incoming and outgoing payments in the income pension system as intended, that AP4 has generated a return that is contributing to the income system's long-term funding, and that AP4 has worked actively with sustainability issues.

AP4 takes ownership responsibility

AP4's corporate governance work helps to generate the highest possible return over time and we perform active work in our role as owner in both Swedish and foreign listed companies, as well as in our unlisted investments.

One of our most important tasks in this work is to help establish the best Board composition at the companies – tailored to the unique needs of each individual company. It also includes striving for increased diversity among Boards. Other ownership issues that we are working actively with include incentive programmes and matters surrounding capital structures. We also advocate for best practice in corporate governance and promote development of a well-functioning securities market.

AP4 is one of the ten largest owners in more than 100 listed Swedish companies, and in roughly 70% of these AP4 is one of the five largest owners. This gives us important ownership positions in Swedish listed companies, which we manage by being active owners. Among other things, ahead of

the 2024 Annual General Meeting season we served on the nomination committees of 46 Swedish companies, and we voted at the AGMs of 120 Swedish companies during the first half of 2024.

In foreign equities, the portfolio is well diversified with approximately 1,200 holdings. During the first half of the year, AP4 voted at the AGMs of 1,058 foreign companies, which in practice means that over a full year AP4 votes at all AGMs of foreign companies in which we are a shareholder.

In addition to voting at the AGMs of foreign companies, AP4 is actively engaged in corporate governance dialogues with a focus on companies in resource-intensive sectors such as energy, power generation, commodities and transport. One example of this work is where AP4, along with other investors, submitted a shareholder proposal at Shell's AGM regarding the need for more specific detail and greater transparency concerning climate transition targets. Together with other large European institutional investors, AP4 has expressed support

for the idea that the Securities and Exchange Commission (SEC) should be responsible for handling disputes between shareholders and companies concerning the submission of shareholder proposals at AGMs, rather than the use of court proceedings. Exxon, for example, has sued shareholders to prevent shareholder proposals from being submitted to an AGM.

AP4 makes unlisted investments in property companies, funds and private equity companies and is usually one of the larger investors. AP4 pursues important issues, among other things through its representation on approximately 75 investor bodies such as Boards and investor committees, called Limited Partner Advisory Committees or LPACs (corresponding to approximately 80% of the unlisted investments in the portfolio). Examples of such issues during the first half of 2024 include a reorganisation to simplify the share structure of Svenska Handelsfastigheter and the recruitment of a new CEO for Polhem Infra.

46

nomination committees at Swedish listed companies on which AP4 served ahead of AGMs in the first half of 2024

1,178

AGMs at which AP4 voted during the first half of 2024, in Sweden and abroad

54%

proportion of new Board members who are women, where AP4 served on the nomination committee

AP Fund public inquiry out for consultation

In January 2024, the government announced a further task being added to the public inquiry of the buffer funds. This expanded the task to include investigating whether the three Stockholm-based buffer funds (AP1, AP3 and AP4) can realise greater economies of scale, including highlighting the advantages and disadvantages of consolidating them into two buffer funds based in Stockholm. The report was submitted in June 2024 and sent out for consultation by the government in July. Responses are due by October this year.

Changes to AP4's Board of Directors

In May 2024, the government appointed Johan Gyllenhoff as Chair of the Board. Johan Gyllenhoff has been Vice Chair since May 2023 and Acting Chair of the Board since October 2023. At the same time, Board member Henrik Rättzén was appointed Vice Chair. Henrik Rättzén has been a member of the Board since 2019. The government also appointed Roine Vestman as a new member of the Board. Roine Vestman is Professor of Economics at Stockholm University.

Asset class market value and return, first half 2024

Asset class	Market value, SEK bn	Portfolio return ¹ , %	Exposure ² , %	Return contribution ¹ , %	Net result contribution ¹ , SEK bn
Global equities	192.0	12.5	36.0	4.3	21.5
Swedish equities	84.4	10.0	15.8	1.6	7.8
Defensive equities	28.8	10.1	5.4	0.5	2.7
Global fixed income	96.0	-0.8	18.0	-0.1	-0.7
Swedish fixed income	48.6	2.0	9.1	0.2	1.0
Real assets	83.4	1.4	15.7	0.2	1.2
Other assets ³	0.0	0.0	0.0	0.0	0.0
Currency	0.0	0.3	0.0	0.3	1.3
Total investments	533.2	7.0	100.0	7.0	34.8

1) Portfolio return, return contribution and net result contribution are reported before costs.

The portfolio return after costs was 6.9% (6.0%). The result after costs was SEK 34.6 billion (27.7).

2) Underlying values of derivative instruments in the passive allocation are distributed among the respective asset classes.

3) Consists mainly of various overlay mandates.

Awards for AP4 in the first half of 2024



Frida Olsson,
Portfolio Manager at AP4

AP4 has received a number of prestigious awards for our management and our sustainability work over the years, including European Pension Fund of the Year at the IPE Awards 2022 and the Long-Term Investment Strategy award in 2023.

In spring 2024, AP4 received two more awards. At Environmental Finance's Sustainable Investment Awards 2024, AP4 received the Sovereign Wealth Fund of the Year award in recognition of its work with

thematic sustainability investments. AP4's project on thematic sustainability analysis, particularly focusing on strong sustainability trends, has allowed it to identify and strategically invest in sectors that are crucial for a sustainable future. In 2023 alone, these efforts led to significant investments in sustainable infrastructure, including renewable energy, totalling almost SEK 8 billion and since 2020, AP4 has invested almost SEK 37 billion based on these sustainability trends. AP4 has also received this award in previous years in recognition of our quantitative asset management strategies to reduce climate risks in the portfolio.

Frida Olsson, Portfolio Manager in Alternative Investments at AP4, received the Young Investor Professional of the Year award at the Investment & Pensions Europe (IPE) Real Estate Awards 2024. Frida has made a significant contribution to AP4 in our ownership of unlisted property companies. The award, which is given to an individual, shows that we provide good opportunities for personal development and increased responsibility in a person's own work role at AP4.



AP4 celebrates its 50th anniversary

– from 1974 to 2024 – half a century of service to Sweden’s pensioners

After 50 years of operation, AP4 can report a return of SEK 591 billion in support of Swedish pensioners, all during half a century of fundamental change for the financial markets of Sweden and the world.

Since operations began, with initial capital of SEK 500 million, we have contributed to and strengthened the pension system and at the end of the first half of 2024 we manage assets with a value of SEK 533 billion. AP4’s average annual return since 1974 has been 13%. Over the years, AP4 has also transferred SEK 58 billion net to the pension system. A significant contribution over 50 years. We have achieved this through

professional, dedicated investment work and by being a major investor in several companies and taking great ownership responsibility in these companies.

It all began in 1974, when the Swedish government established an AP Fund to invest in Swedish equities. This was a decision that was questioned at the time, as equity ownership was not as commonplace as it is today, neither among institutional investors such as pension funds nor among private individuals.

The Swedish Parliament’s decision to establish the new AP Fund was motivated by the need to help protect the value of the investments of the AP Funds and

to improve the supply of risk capital for Swedish companies. As well as providing a good return, AP4 has been a source of risk capital, for Swedish listed companies in particular, and over time has been a major contributor to the work to develop rules on good ethics and good conduct on the Swedish stock market. In this way, AP4 has contributed to Sweden’s pensioners and its national pension system over time.

We are proud of how we have managed the public pensions of the Swedish people for half a century and of our contribution to Sweden’s pensioners.

591

SEK billion in accumulated net result since 1974

13%

average annual return after costs since 1974

58

SEK billion in net payments from AP4 to the pension system since 1974

Multi-year summary

	2024-06-30	2023-06-30	2023	2022	2021	2020	2019
Fund capital, opening balance (SEK bn)	499.6	460.5	460.5	527.6	449.4	418.0	349.3
Net flows to the pension system (SEK bn)	-0.9	-2.6	-4.8	-4.7	-7.5	-7.9	-6.5
Net result for the period (SEK bn)	34.6	27.7	43.9	-62.5	85.7	39.3	75.2
Fund capital, closing balance (SEK bn)	533.3	485.6	499.6	460.5	527.6	449.4	418.0
Return, total portfolio before costs (%)	7.0	6.1	9.6	-11.8	19.3	9.7	21.8
Return, total portfolio after costs (%)	6.9	6.0	9.6	-11.9	19.2	9.6	21.7
Active return, before costs (%) ¹	-0.8	-3.4	-3.4	-3.8	3.5	2.4	4.4
Return, total portfolio after costs, (%) annualised 5 yrs	7.7	7.4	8.9	6.9	11.6	9.8	9.3
Return, total portfolio after costs, (%) annualised 10 yrs	8.5	9.2	8.5	9.2	11.8	9.7	9.9
Standard deviation total portfolio, ex-post (%) ²	4.6	5.8	5.7	9.4	6.1	13.6	5.3
Standard deviation total portfolio, ex-post, 10 yrs (%) ³	9.1	8.9	9.1	9.0	7.8	8.3	6.7
Active risk ex-post, active management (%) ⁴	1.5	1.6	1.8	2.0	1.9	1.7	1.2
Currency exposure (%)	20	19	22	19	21	21	20
Share of externally managed capital (%) ⁵	21	22	21	20	16	14	15
Number of employees, end of period	67	68	76	61	67	65	53
Asset management costs, excl. commission expenses (%)	0.06	0.06	0.06	0.05	0.05	0.06	0.06
Asset management costs, incl. commission expenses (%)	0.08	0.09	0.08	0.08	0.08	0.09	0.10

1) AP4's operative portfolio is evaluated against a benchmark portfolio made up of a number of market indexes with set asset weights. The market indexes used are adapted based on the Board's decisions on sustainability-based divestments and are hedged to Swedish kronor (SEK). AP4 can use its tax status as a state pension fund, and during the first half of 2024 this gave a positive contribution of 0.09 (0.10) percentage points. Active return is calculated as the difference in returns between the operative portfolio and the benchmark portfolio.

2) Pertains to daily return data unless indicated otherwise.

3) Pertains to quarterly data for total assets.

4) Active risk, calculated as standard deviation, measured on a yearly basis, in the difference in the return between the operative portfolio and the benchmark portfolio.

5) Includes investments in private equity companies.



Half-year interim report 2024

Income statement

SEK million	Jan-Jun 2024	Jan-Jun 2023	2023
OPERATING INCOME			
Net interest income	1,918	1,033	2,391
Dividends received	3,669	3,360	5,341
Net income, listed shares and participations	25,941	20,958	39,951
Net income, unlisted shares and participations	1,180	-2,889	-7,652
Net income, fixed income assets	-1,633	223	2,492
Net income, derivative instruments	609	596	1,827
Net income/loss, changes in exchange rates	3,174	4,680	-26
Commission expenses	-62	-61	-118
TOTAL OPERATING INCOME	34,796	27,900	44,206
OPERATING EXPENSES			
Personnel costs	-90	-87	-162
Other administrative expenses	-57	-64	-119
TOTAL OPERATING EXPENSES	-147	-151	-281
NET RESULT FOR THE PERIOD	34,649	27,749	43,925

Balance sheet

SEK million	2024-06-30	2023-06-30	2023-12-31
ASSETS			
Shares and participations, listed	313,597	290,204	284,462
Shares and participations, unlisted	85,766	86,530	81,465
Bonds and other fixed income assets	123,253	109,410	111,901
Derivative instruments	5,851	1,592	15,656
Cash and cash equivalents	6,334	6,052	6,804
Other assets	2,585	3,734	216
Prepaid expenses and accrued income	1,736	1,329	383
TOTAL ASSETS	539,122	498,851	501,887
LIABILITIES AND FUND CAPITAL			
Liabilities			
Derivative instruments	3,181	8,637	1,425
Other liabilities	1,767	4,005	101
Prepaid income and accrued expenses	841	604	810
Total liabilities	5,789	13,246	2,336
Fund Capital			
Fund capital, opening balance	499,551	460,459	460,459
Net payment to the pension system	-867	-2,603	-4,833
Net result for the period	34,649	27,749	43,925
Total fund capital	533,333	485,605	499,551
TOTAL LIABILITIES AND FUND CAPITAL	539,122	498,851	501,887

