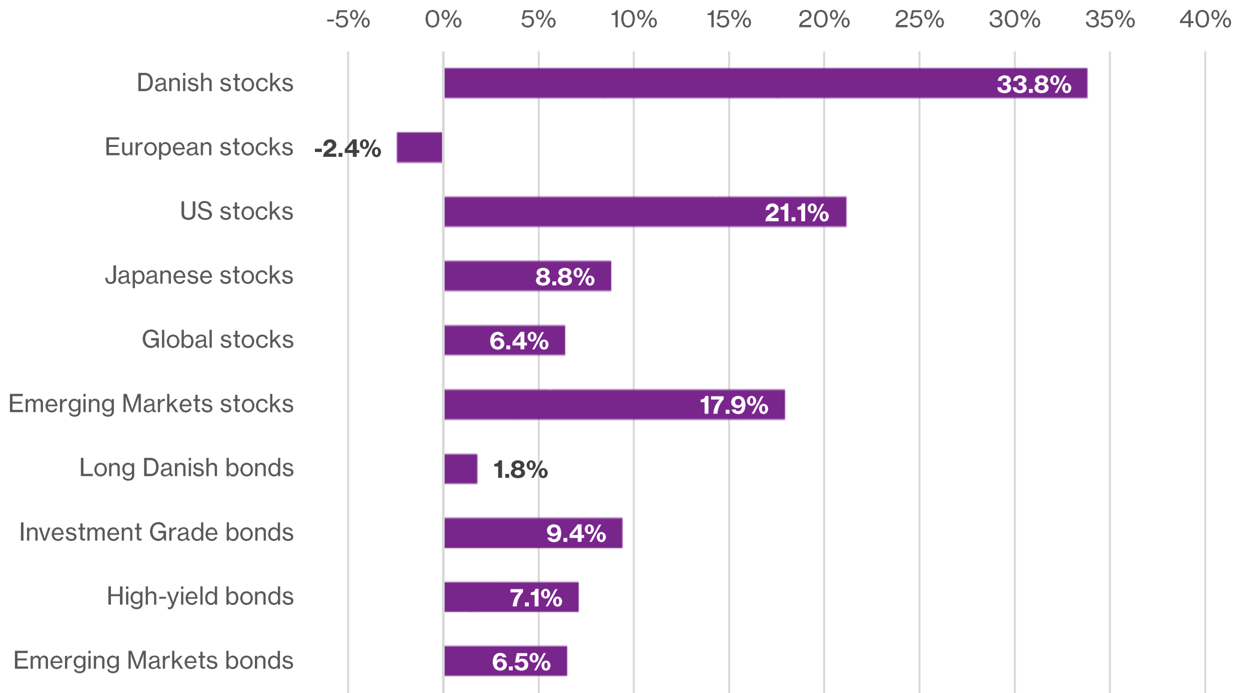
2020 was a really good year for investors

Danish stocks became the big winner in a year where the pension providers had varying degrees of success in investing their clients' savings.

By Martin Wex

33.8 percent. This is the total return on the leading Danish stock index, OMX C25, in 2020. It is also by far the highest return among the leading indices.

»2020 was an unusually good year for Danish stocks in a turbulent year with major ups and downs in the international stock markets. However, Danish stocks have performed well because the OMXC25 index is made up of a strong pharmaceutical industry and of companies that offer solutions that contribute to the green transition. These are industries that, in the shadow of the corona crisis, have done well in 2020,« says Investment Analyst Bo Henriksen from Willis Towers Watson.



2020 was marked by a large decline in stock prices in March, when the corona crisis really took off, and an oil price war broke out between Saudi Arabia and Russia. But since then, stocks in most of the world have been on an almost uninterrupted upward path – helped along by financial aid packages, corona vaccines and the election of Joe Biden's as president of the United States.

However, some European stock indices ended the year in red figures. This was mainly due to the fact that many European countries and their largest companies were hit hard by covid-19 and the lockdowns – and not least Brexit for the British companies. The FTSE 100 in the UK, the CAC in France and the IBEX 35 in Spain all ended the year in the red, while the German DAX index ended in a small plus.

High risk gave high returns

The pension providers generally managed to create positive returns for their investors in 2020, but not all pension providers performed equally well. AP, Danica and Velliv placed themselves at the top across most risk profiles, while PFA and Topdanmark were generally placed at the bottom.

»The pension providers that chose to invest in Danish and emerging markets stocks generally performed better – and especially the pension providers that chose to invest in American tech companies like Facebook and Amazon achieved a higher return than those who chose a more defensive investment strategy,« says Bo Henriksen.

He also points to developments in the foreign exchange market and the weighting of alternative investments as significant factors in the overall returns.

»The US dollar fell approximately 10 percent against the euro, which is why the pension providers that chose to hedge a larger share of the foreign exchange risk than usual performed better than they would otherwise have done. Conversely, it turned out to be a mistake to increase the share of alternative investments in, i.e. real estate and infrastructure, because these are very long-term investments that could not keep up with the stock market in 2020,« says Bo Henriksen.

2021 has come off to a somewhat hesitant start, because of the uncertainty surrounding the reopening of society. For anyone who is unsure if he or she has the right investment profile, Bo Henriksen recommends booking a meeting with a pension advisor from Willis Towers Watson. ■