



Good finishing sprint on the stock markets

Pension companies delivered decent returns in 2023, but this was mainly due to sharply rising stock prices in November and December.

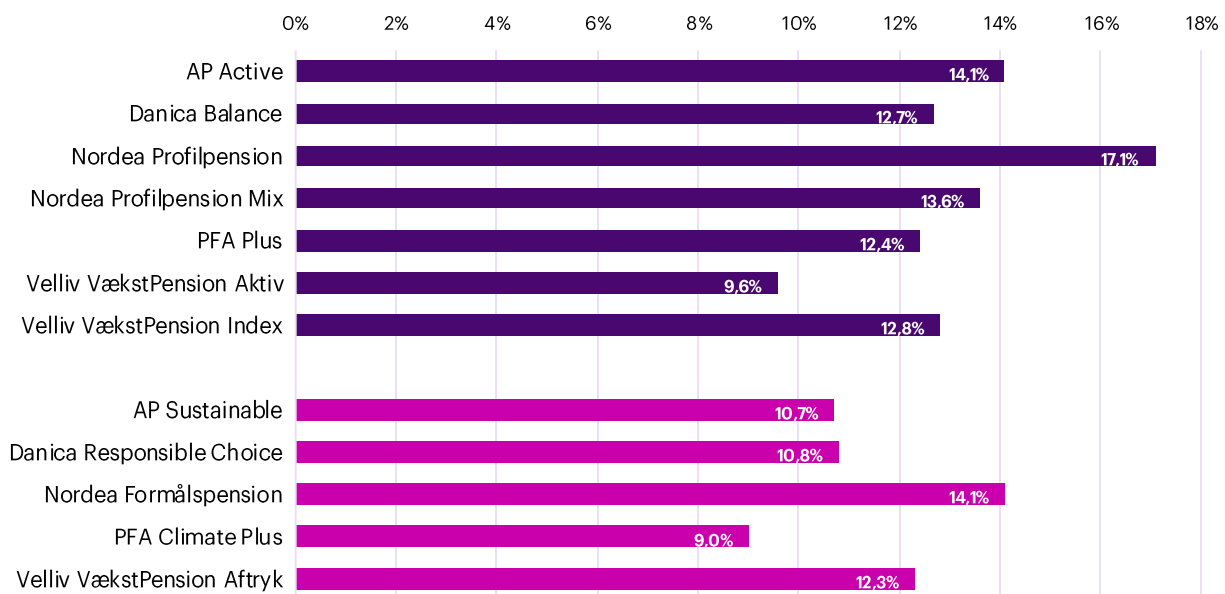
By Martin Wex

At the end of October, 2023 looked set to be a year of very modest returns, but when the year ended only two months later, the result was suddenly much more positive. At the end of October, pension savers with 30 years to retirement and their savings invested in a medium-risk lifecycle product looked set to receive a return of between 0.5 and 7.2 percent, but the return for the whole of 2023 ended up being between 9.0 and 17.1 percent.

This gives many pension savers reason to smile, but the smiles are probably particularly broad among clients of Nordea Pension, which has delivered the highest return among the five commercial pension companies. The investment product Profilpension delivered the best result with a return of 17.1 percent.

»Nordea Pension had an excellent 2023, choosing to underweight Vestas and Ørsted among Danish equities, both of which are very sensitive to interest rates and were therefore dragged down by rising interest rates, and to overweight Novo Nordisk, which was the big high jumper on the Danish stock market in 2023. Nordea Pension's investments in high-yield bonds also delivered a very good return, which contributed positively to the overall result, « says Investment Analyst Bo Henriksen from WTW.

Pension company returns on life cycle products in 2023



COMPANY RETURNS The bar chart shows the returns from 1 January to 31 December 2023 on life cycle products for people who have chosen medium risk and have more than 30 years until retirement. The pink bars show the returns on sustainable investments.

Among the greener investment products, Nordea Pension also performed best with a return of 14.1 percent in Formålspension.

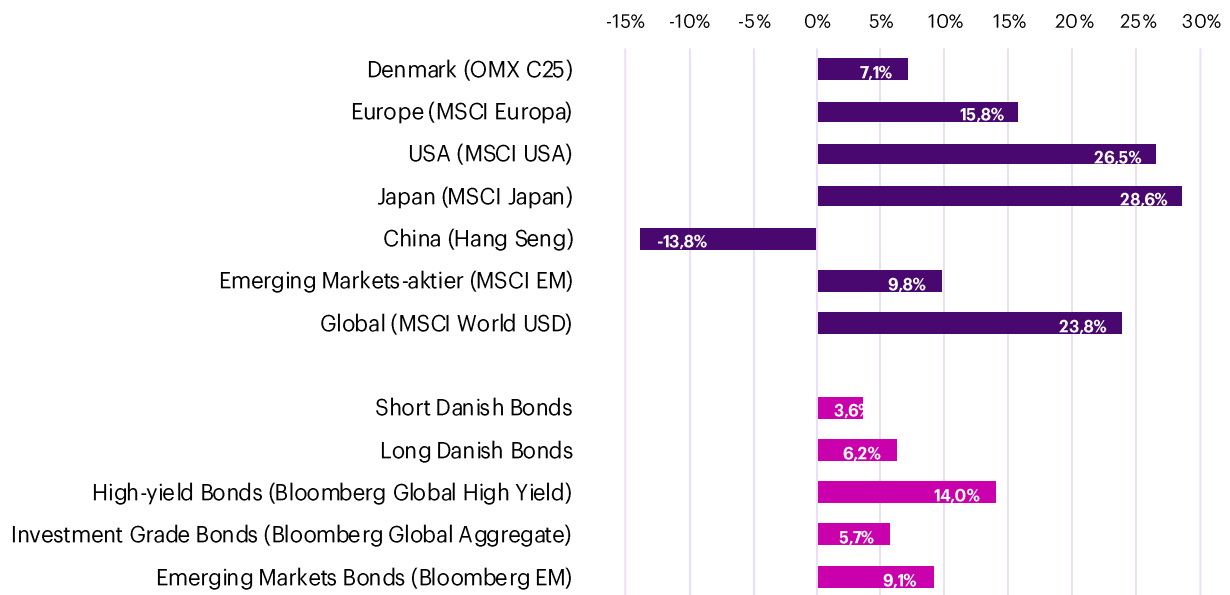
China the exception

The good finishing sprint in November and December was reflected in stock indices in most parts of the world. In Denmark, the OMX C25 index was down 4.7 percent at the end of October since the start of the year, but the index ended the year with a plus of 7.1 percent. US stocks were similarly up 10.5 percent at the end of October, but during the last two months of the year, the return rose to 26.5 percent for the full year. Japanese equities were the year's high jumper with a total gain of 28.6 percent.

»In the autumn of 2023, inflation really came under control, and November and December saw significant interest rate cuts that sparked optimism among investors. This led to sharply rising stock prices in most of the world,« says Bo Henriksen.

The exception was China, which started the year with gains but was then caught in a negative spiral of bad news that caused many investors to pull their money out. The Chinese Hang Seng Index ended the year down 13.8 percent.

Stock and bond market returns in 2023



MARKET RETURNS The bar chart shows the returns from 1 January to 31 December 2023 in different investment markets. The purple bars show the returns on stocks. The pink bars show the returns on bonds.

WTW regularly offers webinars that provide insight into the possibilities of investing your retirement savings with the five commercial pension companies – AP Pension, Danica Pension, Nordea Pension, PFA and Velliv – as well as webinars on the pros and cons of sustainable investments. Find out more at wtw-event.dk.