

Golden year for pension savers

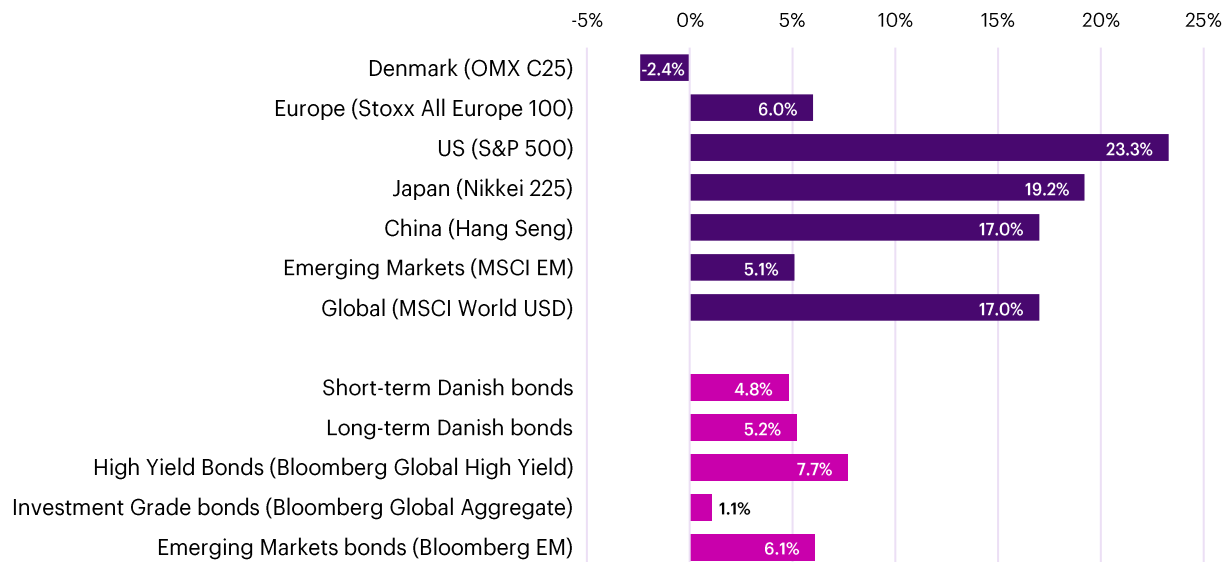
The pension companies delivered strong returns to their clients in 2024, even though Danish stocks were a disappointment.

By Martin Wex

A presidential election in the US, wars in Ukraine and the Middle East, and an increasing focus on artificial intelligence were some of the most notable events and trends in 2024, which on the economic side was characterized by falling interest rates, lower inflation rates and rising share prices in many parts of the world.

»US technology stocks in particular drove the positive development in 2024, with Nvidia, one of the big players in artificial intelligence, leading the way with an increase of 171 percent, and the prices of several other technology stocks reaching their all-time high in 2024,« says investment analyst Bo Henriksen from WTW.

Stock and bond market returns in 2024



MARKET RETURNS The bar chart shows the returns from 1 January to 31 December 2024 in different investment markets. The dark purple bars show the returns on stocks. The pink bars show the returns on bonds.

Nvidia is part of the so-called Magnificent Seven, which also include Amazon, Apple, Microsoft, Tesla, Alphabet, which is behind Google, and Meta, which is behind Facebook. The seven stocks increased collectively by more than 60 percent on average in 2024. In comparison, the US S&P 500 index increased by 23.3 percent in 2024.

Danish stocks were the big disappointment of the year. The OMX C25 index of the 25 largest stocks fell by 2.4 percent during 2024.

»In mid-2024, Danish stocks in the OMX C25 index were up by about 10 percent – helped by an increase of about 35 percent in Novo Nordisk. But Novo Nordisk experienced a sharp downturn in the second half of 2024, losing almost 39 percent of its market capitalization. 2024 was also a bad year for Vestas, which lost more than half of its market capitalization. Pandora and Zealand Pharma, on the other hand, saw large increases of 41 and 92 percent respectively,« says Bo Henriksen.

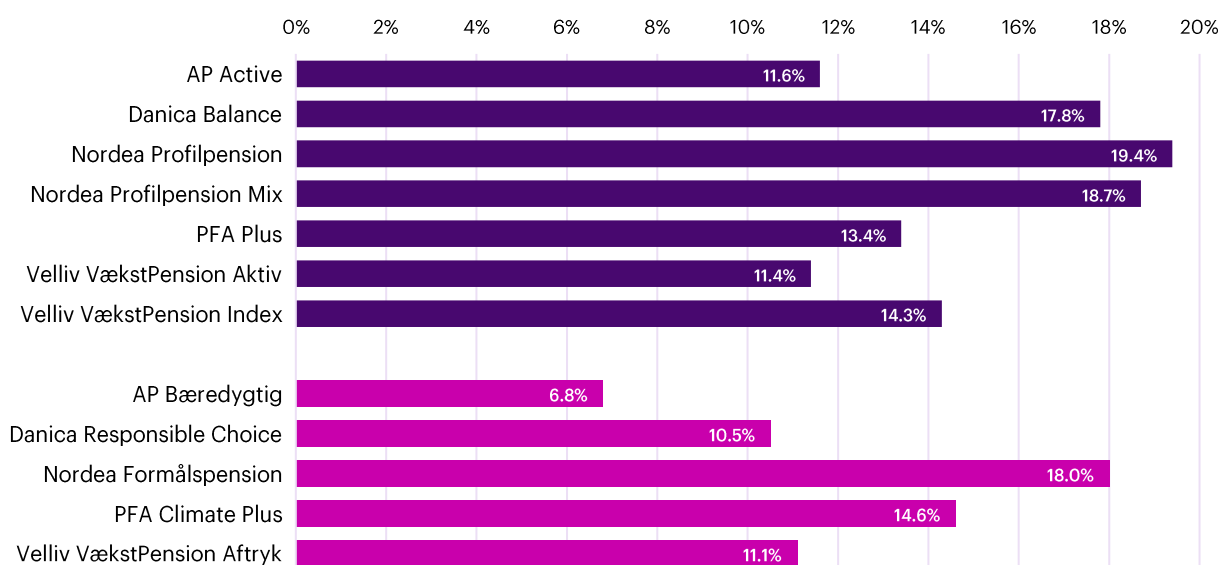
Bonds also generated decent interests in 2024 – with high-yield bonds at the top with 7.7 percent.

Nordea Pension led the way

The five commercial pension companies delivered positive returns across the board in 2024. Clients with 30 years to retirement and their savings invested in a medium-risk lifecycle fund all saw double-digit returns, but Nordea Pension did slightly better than the rest.

»Nordea Pension has been successful with their investments in alternative credit, which includes different types of loans. Alternative credit generated strong returns – especially in the third quarter – and outperformed the general stock market. At the same time, Nordea Pension had chosen to overweight the proportion of stocks in their portfolio, and in a generally positive stock market, foreign stocks in particular led the way with decent returns,« says Bo Henriksen.

Pension company returns on life cycle funds in 2024



COMPANY RETURNS The bar chart shows the returns from 1 January to 31 December 2024 on life cycle funds for people who have chosen medium risk and have more than 30 years until retirement. The pink bars show the returns on sustainable investments.

Nordea Pension's two traditional lifecycle funds – Profilpension and Profilpension Mix – delivered returns of 19.4 and 18.7 percent respectively in 2024, while clients of Velliv Vækstpension Aktiv and AP Active had to settle for returns of 11.4 and 11.6 percent respectively.

Nordea Pension also came in as a clear winner among lifecycle funds with a special focus on sustainability. Nordea Formålspension Global Investments (ESG) generated a return of 18.0 percent in 2024 – far more than the competition, which delivered returns of between 6.8 and 14.6 percent.