

AP2 develops green bond strategy

In 2016, the Fund allocated one percent of its total strategic portfolio to green bonds, whereby this asset class became part of the overall investment strategy. This represented a new strategic approach for the Fund concerning investment in sustainability and a further step towards making sustainability integral to asset management.

During the year, the Fund decided to allocate one percent of its total strategic portfolio to green bonds and to benchmark this allocation against the Barclays/MSCI Green Bond Index. This is a strategically important decision, which serves to further strengthen the Fund's work with sustainability issues. In addition to this, the Fund also manages investments in green and social bonds, which form part of the Fund's current bond portfolio. Currently, the Fund has a total of SEK 4.9 billion invested in green bonds.

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The term 'green bonds' is a collective name for bonds that are issued as a means of funding environment-related investment. The Second AP Fund's fixed-income securities team has extensive experience of managing sustainable investments. When the Fund first invested in green bonds in 2008, it was among the first in the world to invest in this asset class.

“The ratio of green bonds in the active bond portfolio has risen dramatically in recent years. We now see that the market has grown to such a size and degree of maturity that it may be addressed as a separate investment strategy and asset class. This is why we are breaking out the Fund's green-bond holdings, so that they can be managed in line with a dedicated investment strategy. This is a strategic move that offers the Fund a clear way to combine solid returns while at the same time allocating resources to support the global sustainability challenge,” says Lars Lindblom, portfolio manager for fixed-income securities at the Second AP Fund.

“We're a player that invests in the global bond market. We make no special distinction concerning our expectations of investment in green bonds, although we do prefer a green bond to a standard bond when of similar value. Investors must continue to drive the agenda to combat climate change forward, by making ESG criteria integral to the asset management process and allocating capital to climate improving initiatives and projects,” states Lars Lindblom.