



Annual Report 2001

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Fourth Swedish National Pension Fund in brief

History

The Fourth Swedish National Pension Fund was founded in 1974.

Board

The Fourth Swedish National Pension Fund's board consists of nine full members, all appointed by the government. Employer organisations and employee organisations each nominate two members. The government appoints the chairman and vice-chairman from its own nominees.

Investment rules

The investment rules adopted from 1 January 2001 permit a high level of flexibility and allow investment in a variety of assets. The First, Second, Third and Fourth Swedish National Pension Funds share identical investment rules.

Investments are permitted in all forms of capital market instruments that are listed and liquid.

At least 30% of total assets under management must be invested in low-risk, fixed income securities and a maximum 10% of the Fund's assets may be exposed to a single issuer or group of issuers.

A maximum 5% of each Fund's assets may be invested in unlisted securities. The value of the Fund's equity holdings in Swedish companies may not exceed 2% of the stock market's capitalisation.

Each Fund may own shares representing a maximum of 10% of the votes in a single listed company. For unlisted venture capital companies the limit is 30%.

No more than 40% of a Fund's assets may be exposed to currency risk. The 2001 limit was 15% and Funds may exceed this by a maximum of 5% per annum up to the specified maximum.

At least 10% of each Fund's assets must be placed under external management by 1 January 2002.

Size

The total market value of assets under management was 131.6 billion SEK at year-end 2001.

2001 in brief

The assets of the First, Second, Third and Fourth Swedish National Pension Funds were redistributed at the start of 2001. Each Fund acquired assets totalling SEK 134.0 billion, divided 70:30 between fixed income securities and equities.

The planned organisation was put in place and all top positions and key functions were filled by Autumn 2001.

The market value of the Fund's investment assets declined from SEK 134.0 billion to SEK 131.6 billion.

The total return on investment assets in 2001 amounted to -5.0%, which can be compared to -4.5% for a weighted benchmark index.

The return on the Swedish stock portfolio totalled -12.7%, which was 2.1 percentage units better than the reference index. The return on the global stock portfolio was -10.6%, compared to -7.7% for the reference index. The return on fixed-income securities amounted to 4.2%, which were 1.6 percentage units worse than the reference index.

The Fund incurred a market value loss of SEK 6.9 billion.

The Fund's capital, stated at market value and adjusted for capital transfers, fell from SEK 134.0 billion (as of 1 January 2001) to SEK 131.6 billion.

President's comments

A new chapter

At the start of 2001, the assets of the First, Second, Third and Fourth Swedish National Pension Funds were redistributed, while new and considerably more flexible investment rules came into force. Thus, the last elements of Sweden's new retirement pension scheme fell into place.

For its first 27 years, the Fourth Swedish National Pension Fund focused almost exclusively on Swedish equities. The changes meant that 70% of the portfolio as of 1 January 2001 consisted of Swedish fixed income instruments. The first six months of the year were characterised by the transition to a completely new normal portfolio, of which just over one-third is held in Swedish and international interest instruments, and in which shareholdings in international companies exceed those in Swedish companies. Changes in organisation and system support were also implemented, with the result that functions crucial to the Fund's operations were put in place. In the second half of the year the Fund gradually entered a more normal state, during which the new investment philosophy and work methods were put into effect.

A total return of -5% was recorded for the year, which should be seen in the context of the above circumstances. The first-half year return of approximately -3% was satisfactory from a short-term perspective. With hindsight, though, a longer transition period might have provided for a better result. Since the normal portfolio was more or less in place by the half-year mark, the second half of 2001 can be judged more objectively. The negative total return of just over 2% was marginally better than the benchmark index. On a positive note, it can be noted that the Swedish equity portfolio's relative return was strong and that all asset types gradually improved their performance towards year-end. The main setback was the market's development in the aftermath of the terrorist attacks on 11 September, for which the Fund was less well positioned.

In this context it should be stressed that the Fourth Swedish National Pension Fund and our affiliate funds are now entering an era of long-term competition based on our respective investment strategies. Our normal portfolios differ from one other (as they should), which may in some years lead to large discrepancies in individual returns. In the short term, the most relevant mode of comparison is our own benchmark index. Only after 2010, when the pressures on Sweden's National Pension Scheme become fully visible, will it be possible to assess which fund has been best managed.

The Fourth Swedish National Pension Fund's revised and expanded shareholder policy is published in full in this Annual Report. Our interest in corporate governance issues remains strong, even though the Fund's relative size on the Swedish stock market has declined significantly following the reorganisation of the national pension funds.

The Fund is therefore likely to play a less prominent role in governance discussions than in the past. In contrast to the early 1990s, when the Fund was alone in having a formal corporate governance policy, most Swedish financial institutions of note have such policies today. Together, we have gradually achieved improved practices in a number of areas. The most important of these has been the implementation of the

Swedish Industry and Commerce Stock Exchange Committee's proposals for the election of board members for listed companies. In the vast majority of cases, nomination processes are now transparent and results are announced well before the annual shareholders' meeting. Many company boards, particularly those of larger companies, contain members who have no connection with either the company's management or its main shareholders. A trend towards smaller boards without deputies can also be noted, while in recent years a trend to a more systematic assessment of board management practices is also apparent. This is an important change and one that almost all large financial institutions today not only endorse but also actively support.



An important development has been the integration of ethical and environmental issues into the Fund's governance policy. The Fund has opted for a so-called reactive policy in which it presses for positive changes in specific cases as part of exercising its influence as a shareholder. A number of other institutions have opted for a proactive policy, which involves attempting to define the criteria for when they should desist from investing in a specific company. However, this strategy means sacrificing the ability to exert influence in individual cases. Time will tell which of these approaches is more productive. For the Fourth Swedish National Pension Fund, the reactive approach is in keeping with our tradition of active governance.

The Fund's smaller Swedish equity portfolio has led us to pursue a different investment approach in the Swedish stock market. We still base investment decisions on long-term market analysis. However, short-term market fluctuations at company and sector level are becoming more accentuated and our reduced Swedish equity portfolio has significantly lowered our transaction costs (including market costs). Moreover, our long-term analysis needs more frequent review in a world where the

pace of change seems to grow ever faster. The conclusion is that swings in asset values and other short-term trends mean that the Fund must change the composition of its portfolio for tactical reasons – and to a far greater extent than before.

During the year we added an important new asset type – fixed-income investments – to our funds under management. The new organisation is now in place and the implementation of a modern business philosophy is underway. The Fund's outlook is global and the strategy is to create excess returns through a focus on duration, yield curve spreads, and country and credit risks. In contrast to more traditional fixed-income asset management, the Fund puts greater emphasis on interest rate differentials between markets and on different types of credit risks. In consequence, our asset management is becoming more oriented to sectors rather than to regions.

Modern, internationally focused asset management requires internal quantitative expertise to underpin management of equity and fixed-income security portfolios. Our intention is to develop such competencies as a proactive support for our asset management. This demands a strong ability to measure performance and risk.

The preceding paragraphs illustrate how, in a short space of time, the Fund has been transformed and developed to meet the demands of an increasingly globalised capital market. At the same time, as we adopt and respond to new methods and behaviour, I would stress that we are also seeking to reinforce our traditional strengths. Our main internal focus in the coming year will be the implementation of our new investment philosophy. I believe the Fund is in excellent shape as this new chapter starts to unfold.

Stockholm, February 2002
Thomas Halvorsen

A new mandate

As part of the reform of Sweden's National Pension Scheme, the Fourth Swedish National Pension Fund received a new asset management mandate, new investment rules and a new portfolio. The Fund's key task in 2001 was adjusting its asset management operations to these new circumstances. This involved the following steps: analysis of assets and liabilities to enable the creation of an entirely new normal portfolio and a new benchmark index; setting targets for the return on assets under management and establishing risk guidelines; development of an investment philosophy and portfolio strategy; implementation of a new internal investment process; procurement of external asset management mandates; and a formal evaluation to provide pointers for how to improve asset management.

Asset-liability modelling

The Fund's new investment rules give it greater latitude in choosing between different asset categories, such as equities and bonds. They also clarify its role as a buffer in the National Pension Scheme. The Fund's task has thus been to determine a combination of assets that reflects different grades of risk and return and can be best expected to meet the needs of the National Pension Scheme. A portfolio fitting these criteria is called a normal portfolio and is the main benchmark for evaluating the Fund's investment performance. In accordance with the new rules, a so-called asset-liability modelling (ALM) analysis has been conducted in order to construct the new normal portfolio.

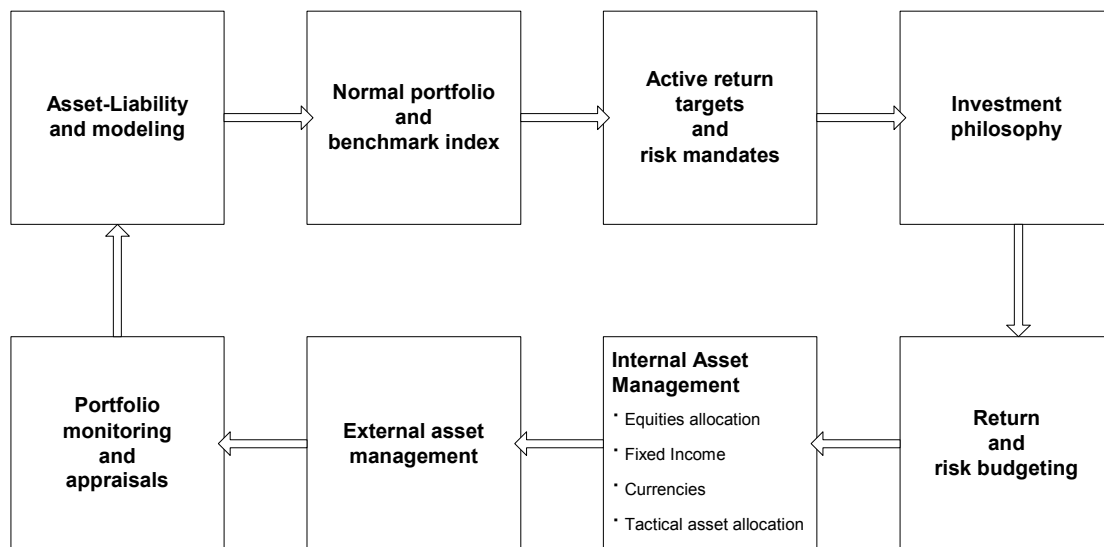
The Fund's role in the National Pension Scheme

The Fund acts as a buffer for a national pension scheme in which those in employment pay for current pension disbursements. In the course of the next few decades pension disbursements will substantially exceed pension contributions. Not until about 2040 is this imbalance expected to be redressed. Against this background, the Fund aims to achieve a sufficiently high return to maintain the market value of funds under management while still retaining adequate fund strength (market value divided by pension disbursements during the same year) for a further 40 years. The National Pension Scheme is nevertheless exposed to a wide range of pressures. Demographic trends (birth rates, average life expectancy, wage growth, net immigration etc.) are among the most significant of these. As risk factors they have not been deemed relevant to the Fund's choice of investment assets. However, it is crucial when compiling the normal portfolio that pensions keep pace with average pension-entitled income. The Fund's investment assets should therefore be assessed on the basis of the relationship between risk and return and average incomes.

Risk factors that are critical to the Fund can be defined in different ways. One potential method is to focus on the likelihood of the automatic rebalancing mechanism¹⁾ being activated. This approach has two disadvantages. It can result in an over-cautious portfolio strategy, which may constrain long-term performance. Also, the risk of the mechanism being triggered solely by weak fund performance is very small. Instead, the Fund has adopted as its critical risk factor the possibility of its return falling short of increases in average income. Were this to happen, the fund's investments would not be failing to contribute to the National Pension Scheme's financial health.

1) The automatic rebalancing mechanism is a statutory system that can limit pension revaluations if the National Pension Scheme is not in equilibrium.

Asset Management process



Investment assets

The number of investment assets was restricted so as not to complicate the ALM analysis. The assets included were: Swedish equities, global equities, global fixed-income bonds, index-linked bonds, real estate and liquid assets.

Forecasts of future returns and risks have been based on extensive historical experience and adjusted for reasonable expectations of future trends. The forecasts are based on an assumption that e.g. equities will yield almost 4% more than the "income index" (a measure of average annual income growth) and that bond yields will exceed the income index by 2%.

The optimal combinations of assets for every risk level – known as efficient portfolios – are ranked according to risk and level of return. The Swedish National Pension Funds Act (LAP) permits portfolios with the highest forecast return and risk to contain up to 70% of equities, divided between Swedish and global stocks. The expectation here is that Swedish equities will provide a somewhat higher return but also carry greater risk than global equities.

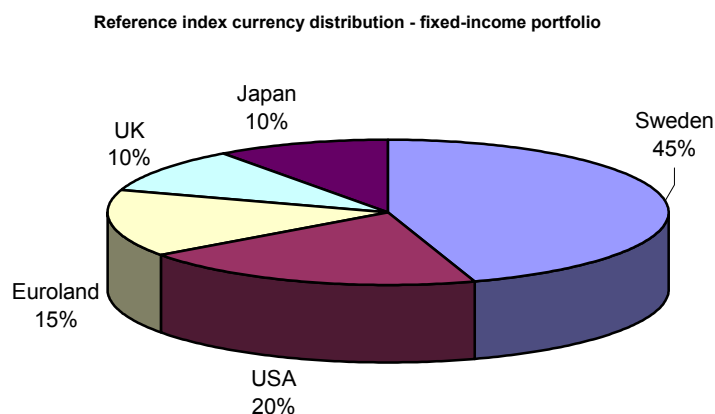
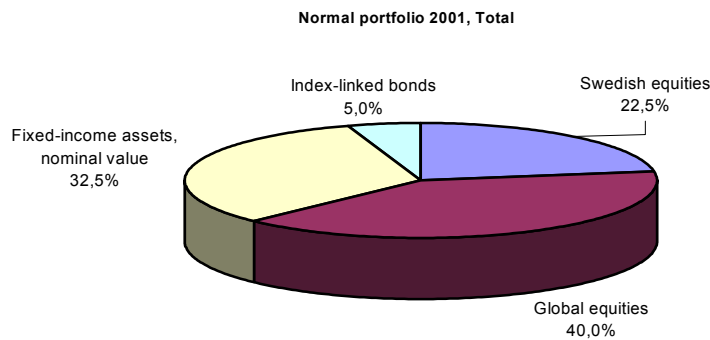
Twenty efficient portfolios were selected, covering a spectrum of forecast returns consistent with the National Pension Scheme's financial stability. These portfolios were included in a model simulating the pension scheme's development between now and 2040. The results weighed projected fund strength in 2040 against the risk that returns between now and 2010 may fall short of the increase in average incomes.

Normal portfolio and benchmark index

The simulation demonstrated that a high ratio of equities was necessary to meet the requirement for high returns. Based on ALM analysis and various other considerations, the Fund chose to apportion its normal portfolio holdings as follows: 62.5% in equities, of which 22.5 percentage units to be held in Swedish stocks and 40 percentage units in global stocks, and 37.5% in fixed income assets (see chart).

Following an analysis of projected returns and risks in different markets, the currency ratios for fixed-income assets were fixed as: 45% SEK, 20% USD, 15% EUR, 10% GBP and 10% JPY (see chart). The liquidity of these respective markets was also taken into consideration. Since foreign bonds are hedged and hedging must not be too extensive, the Fund selected a relatively high proportion of SEK-denominated bonds. In each market, fixed-income bonds are divided between treasury bonds and non-sovereign bonds.

Due to the currency restrictions contained in the LAP, the Fund will hedge a large share of its global equities portfolio during an initial period of several years. In 2001, the portfolio was hedged in proportion to its underlying reference index's currency distribution. Moreover, the Fund in 2001 sought to approach its maximum legal limit of 15% total currency exposure. Returns for each asset category are measured against a relevant index: the SIX Return Index for Swedish equities; the MSCI World DNI, converted to Swedish kronor, for global equities; and the Merrill Lynch GB and Handelsbanken Markets indices for foreign and Swedish bonds respectively.



Active return targets and risk mandates

The Fund's asset management returns are compared to a weighted benchmark consisting of sub-indices corresponding to the asset categories described above. The Fund has adopted the following targets and risk mandates for its asset management activities:

- 1) Over a two-year period the Fourth Swedish National Pension Fund shall achieve a return that exceeds the chosen benchmark index by 1.5%.
- 2) The normal portfolio's risk, measured as active risk, shall not exceed 4% on a permanent basis.
- 3) The Fund's risk-adjusted return, measured as an information ratio, shall on average exceed 0.2.

Investment philosophy

The Fourth Swedish National Pension Fund's investment decisions are based on a combination of long-term fundamental and quantitative analysis. A disciplined investment strategy is pursued to guarantee good performance over time. This involves structuring and documenting the investment process in such a way that it can be continually developed and improved. Investments in each asset category are based on forward-looking analysis that takes account of current market values.

By leveraging the specialist skills of its employees, the Fund seeks to achieve high added value in specific areas of its asset management. It may also seek to achieve higher excess returns by procuring external mandates in areas deemed to be of interest. In other areas, assets are managed from a slimmer resource base or passively – and with a lower degree of risk. Passive management may also be procured externally.

Return and risk budgeting

Return and risk budgeting is a process whereby the Fund's risk mandates and its requirement to achieve excess returns are apportioned among asset categories and investment styles. Management of Swedish equities – an area in which the Fund has extensive experience and where the emphasis is on individual stock selection – is subject to the highest return stipulations and greatest active risk. Approximately one third of the global equities portfolio is passively managed. Internal active management takes place in three focused global sector portfolios (with relatively high expected returns and risk levels) and in a sub-portfolio covering other sectors (with lower expected returns and active risk). Risk mandates are also allocated to active sector-oriented management in the internally managed part of the global equity portfolio and among the Fund's various asset categories. The return target and risk level for the fixed-income portfolio is low.

Internal asset management

Equities

Equity management is focused on a strategic selection of global equities in three sectors that the Fund believes will yield added value in the long run. These sectors are consumer-related operations, IT & telecoms and pharmaceuticals. Together, they account for a major part of the world index and are considered to have high long-term growth potential. Equity management in other sectors, accounting for approximately half of the Fund's reference index, is based on external analysis and quantitative selection criteria, and involves a lower risk level.

Individual stocks are selected in the light of macroeconomic and company-specific considerations. Great weight is attached to a company's executive management, business concept, financial status, market and valuation. The Fund places much emphasis on monitoring its main holdings, with visits paid regularly to companies in question. The investment strategy is kept under continual scrutiny.

Fixed-income & currencies

The Fund takes a global approach to its management of fixed income securities and focuses on four categories of risk: duration, yield curve, country risk and credit risk. The fixed-income portfolio is managed as a whole. Investments are restricted to securities with a high credit rating. Management of fixed-income securities is based on relevant central bank analysis, quantitative analysis and market analysis. A clear internal decision-making model underpins any investment decision. The fixed-income group manages currencies for the fixed-income and global equity portfolios. However, the Fund conducts no active currency management.

Tactical asset allocation

The Fund allocates capital between equities and fixed income securities. When making allocations, the Fund leverages its full range of internal expertise in macroeconomic and company analysis.

External asset management

Alongside its internal equity management, the Fund subcontracts passive global asset management to external fund managers. We aim to complement our internal active management with external active management during the course of 2002. There are no external asset management mandates for fixed income investments.

Portfolio monitoring & appraisals

Appraisals of the Fund's asset management, its investment philosophy, and the investment process are conducted regularly. A full examination of the asset management process must take place every third year. A revised asset-liability management analysis is a prerequisite for making any adjustments to the normal portfolio and benchmark index.

Macroeconomic overview

Economic cycle

Tighter credit markets, rising oil prices and big falls on world stock markets had already dampened demand in the world economy in 2000. In 2001, the downturn in the US economy, seen primarily in a decrease in asset values, deepened and spread to other regions. Developments demonstrated the extent to which growing world trade and the internationalisation of business have fostered greater macroeconomic synchronicity between the world's major regions. Weakness in asset values in the US IT sector contributed to the downturn spreading to Asia and Europe.

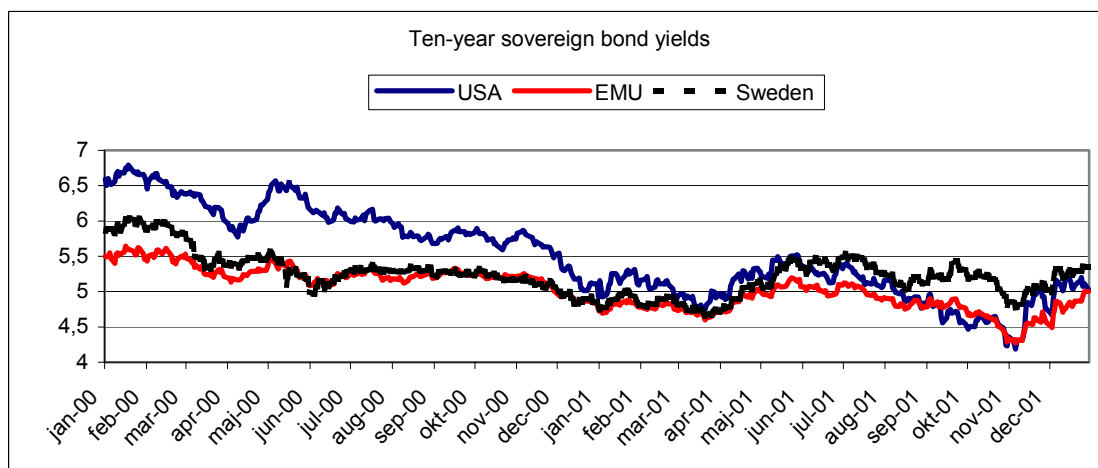
Developments followed a familiar pattern, with the US economy being slightly ahead of the European and Japanese economies. A large inventory build-up was followed by sharp de-stocking and falling industrial production. Corporate profits were hit by falling volumes and thinner margins. Falling profits, weak equity markets, declining capacity utilisation and general uncertainty prompted companies to defer planned investment. In the second half of 2001, the world economy was also hit by slower growth in private consumption and weaker employment patterns.

US corporate profitability was historically weak and far more so than expected considering the comparatively small decline in GDP. This can be partly explained by growing price pressure in many sectors as well as over-optimism among those US companies that were gearing up for rising demand at the very peak of the business cycle. An acute need for cost rationalisation therefore arose, which fuelled the rapid inventory run-down and decline in investment.

Uncertainty over the growth outlook intensified following the terrorist attacks on the World Trade Centre. Economic data for the period immediately after the attacks were, as expected, very weak. Leading indicators for all the world's main regions posted declines. In the US, lay-offs and unemployment rose sharply. Economic forecasts were revised downwards and companies and analysts downgraded their forecasts for the remainder of the year and for 2002.

Even before the World Trade Centre attacks, the global recession had spurred central banks, particularly the US Federal Reserve, to cut interest rates substantially. At the start of the second half, the US government began to implement wide-ranging tax cuts. In the wake of the terrorist attacks, the central banks of the G7 nations announced swift and co-ordinated interest rate cuts in an attempt to set a floor for equity markets and to offset the forecast negative effects of the attacks on consumer and business confidence. The US announced a further battery of fiscal measures.

Taken together, the direct economic consequences of the attacks appear less extensive than expected. Key US indicators have climbed back to pre-attack levels, while consumer confidence has improved. Though the political risk premium was high directly after the attacks, it has eased as uncertainty over political and military developments and new terrorist acts has declined. Oil prices fell sharply after the attacks. This was partly because of OPEC policy but also because of weaker demand. The market is increasingly confident that the large interest rate cuts by the G7, combined with lower oil prices and the imminent end of inventory run-downs, will enable growth to return to satisfactory levels in the second half of 2002.



Bond markets

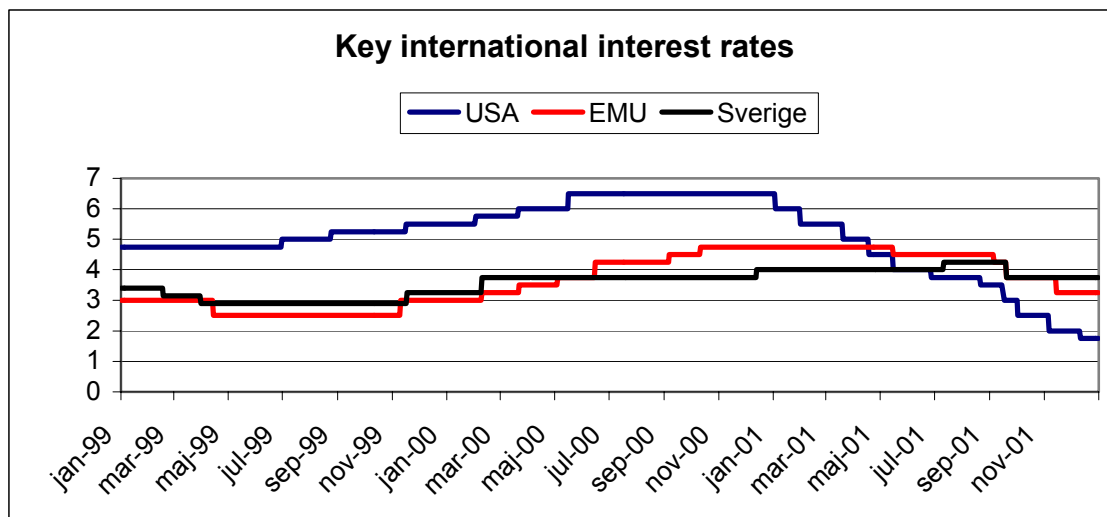
Most of the world's bond markets showed positive growth in 2001. The global economic slowdown, together with falling equity markets, gave central banks good reason to cut key interest rates substantially. The cuts were targeted principally on short-term rates, with long-term rates ending the year at approximately the same levels as 12 months earlier.

The loosening of monetary policy by the US central bank, the Federal Reserve, was rapid and far-reaching. The Federal Reserve cut its main interest rate by a total of 4.75 percentage units to 1.75% during the year. The extent of the cuts is partly explained by the timing of the terrorist attacks, which occurred at a very sensitive juncture for the US economy and threatened to push it into a far deeper downturn. Swift measures to restore confidence were urgently needed at that point. The fact that equity markets continued to fall even after the Federal Reserve began to ease monetary policy was another important factor. The effect of the interest rate cuts was thus dampened somewhat by falling asset values. Signs of returning consumer and business confidence, combined with a substantial stock market rebound during the fourth quarter, lowered expectations of further interest rate cuts. The market is expecting most central banks to raise interest rates during 2002, which is reflected in price trends.

Though Europe also experienced a significant downturn, the European Central Bank (ECB) pursued a less aggressive interest rate policy. The ECB cut its key interest rate by a total of 1.5 percentage units. The bank's lingering fear of higher inflation was the main reason for its more cautious line, particularly in the first part of 2001. The fall in long-term interest rates was also less pronounced than in the US. In Sweden, interest rate cuts were limited by a sharp devaluation in the krona and rising inflation during the Spring. Inflation rose above the Riksbank's (central bank) goal of 2% and the bank therefore felt impelled to raise interest rates in order to support the krona and ease fears of rising inflation. In the wake of the terrorist attacks, the Riksbank did cut its key interest rate by 0.5 percentage units, though this was less than most other European countries.

Non-sovereign bonds with a high credit rating benefited from the interest rate reductions and their yield differential narrowed against sovereign bonds. At the same

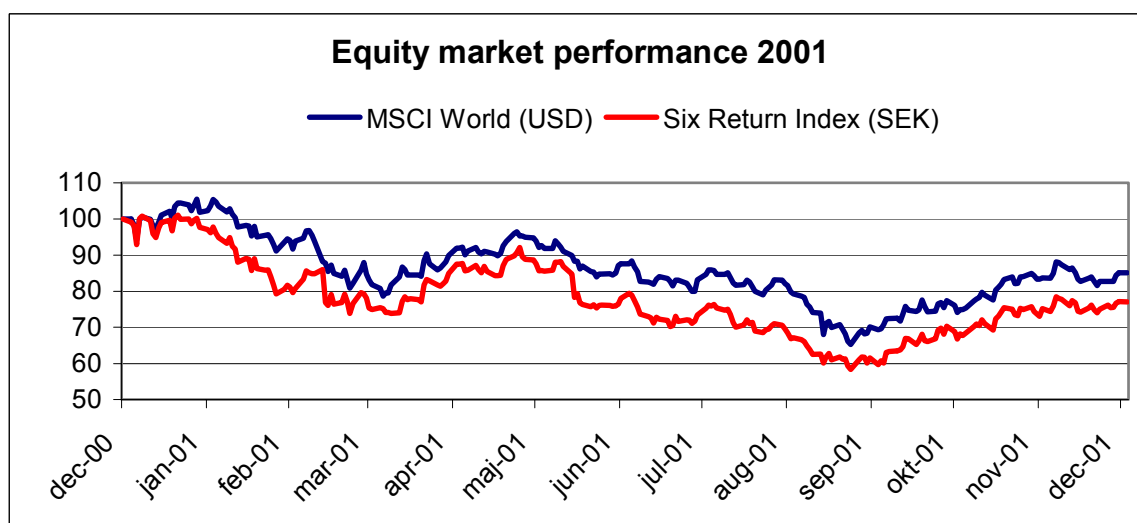
time, a weaker outlook for profitability and high debt levels resulted yields for non-sovereign bonds with a lower credit rating widening against sovereign bonds. This trend was broken at the end of the year as macroeconomic indicators improved.



Equity market

The repercussions of the 1999 rally, together with a deteriorating economic climate, continued to affect stock markets in 2001. Stock markets fluctuated wildly during the year as hopes and expectations of economic recovery waxed and waned.

In US dollar terms, the MSCI World DNI Index fell 16.8%. In Sweden, the SIX Return Index posted a decline of 14.8% in Swedish kronor terms. The krona's weakness resulted in a 7.7% fall in the MSCI World DNI Index in Swedish kronor terms.



The immediate impact of the terrorist attacks on equity markets was very negative. Investors' readiness to assume risk was low, reflecting greater uncertainty over the

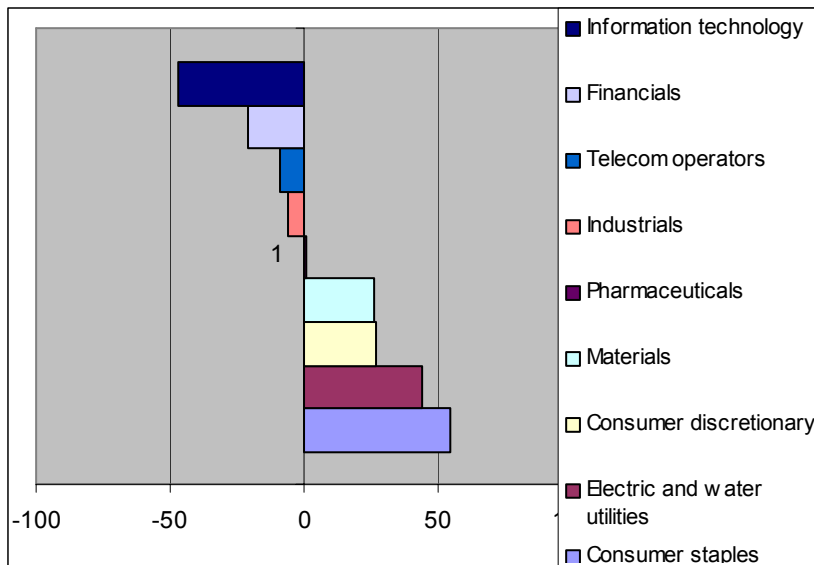
economic outlook and a perceived risk of further attacks. However, the central banks of the G7 nations responded quickly by increasing liquidity within the financial system and cutting short-term interest rates.

As the effects of the attacks became clearer, equity markets began to view the central banks' response in a more positive light. This, combined with relatively low equity valuations compared to those of fixed income investments, provided a basis for a stock market rally. Sharp falls in oil prices were also positive for equity markets. In the fourth quarter the MSCI World DNI Index rose 6.7%, while the SIX Return Index in Sweden gained 21.1%.

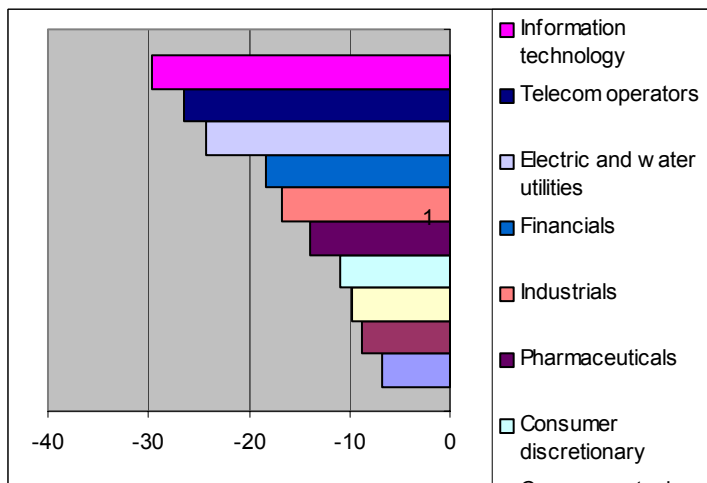
Corporate profitability was weaker than expected in 2001, forcing equity analysts continually to revise their profit forecasts downwards. Uncertainty over the economic impact of the attacks resulted in further sharp downgrades in analysts' profit forecasts for the final quarter. All sectors in the MSCI World DNI Index posted deficits in 2001, varying from -7% to -30%. Once again, information technology was the weakest sector. Production expectations throughout the industry were over-optimistic, leading to further inventory run-down. This, combined with over-investment in certain segments, undermined prices and contributed to the sector's weakness on equity markets. Within the IT sector, telecom manufacturers (e.g. Nokia and Ericsson) fared particularly badly. Telecom operators cut back heavily on their investments in fixed networks. The high cost of telecom licences in Europe put operators under financial strain, which adversely affected mobile network investments. Natural resources companies, which are early cyclical movers, posted the best performance of the year. Relatively low valuations and greater certainty over the likely impact of the economic slowdown on corporate profits combined to fuel this sector's good relative performance.

Share price differentials between sectors were wider in Sweden than internationally. This can be largely attributed to the sharp fall in the value of Ericsson shares and the benefit to export companies of a weaker krona. The information technology sector lost almost half its value, while the non-durables sector rose by more than 50%. Valuations of forestry companies and a number of manufacturing companies reached historically high levels at year-end, indicating that investors were positioning themselves for an upturn in these sectors.

Sector performance 2001, SIX Return (SEK), %



Sector performance 2001, MSCI World (USD), %



Report of the Directors

Report by the Board of Directors and the President of the Fourth Swedish National Pension Fund for the financial year January 1-December 31, 2001 – the Fund's 28th year of operation.

Accounting and valuation principles are described in a separate section. The number of employees and salary details are disclosed in the Notes to the Income Statement and Balance Sheet.

Operations

The financial year began with a reallocation of assets between the First, Second, Third and Fourth Swedish National Pension Funds, each receiving investment assets valued at SEK 134.0 billion. Seventy percent of these assets were fixed income instruments and 30% were equities, of which 3% were held in an unlisted real estate company. A completely new set of investment rules came into force at the same time. These changes made great demand on the Fourth Swedish National Pension Fund's asset management activities and the year was one of adjustment and development.

The initial portfolio differed substantially from the fixed normal portfolio. However, the transition to the normal portfolio's stipulated structure of 62.5% equity holdings and 37.5% fixed income asset holdings was more or less complete by the half-year mark. By this point, the initial quota of Swedish fixed income assets had halved following large acquisitions of foreign equities and fixed income securities. The Fund supplemented its direct equity purchases with investments in global index funds to speed up the shift to a globally diversified equity portfolio.

Once the normal portfolio was in place, asset management entered a more normal phase in the second half. During this period, the Fund continued to develop its internal investment processes and asset management organisation. These are continually appraised so as to enhance prospects for excess returns. Following the focus on the internal investment process in 2001, mandates for external active management will be drawn up during 2002.

Organisation

The Fund's internal structure was put in place during the year. By year-end, additional staff had been recruited, as planned, and the drive to make the fast-growing organisation work effectively had borne fruit. Investment aids, e.g. analysis models for management of equities and fixed income securities, were also devised and developed.

Today the Fund has a highly developed IT support function wherein accessibility and security are of key importance, as required in modern asset management.

The first phase of the operations project that began in 2000 culminated with the introduction of the portfolio system at the start of 2001. The portfolio system includes modules for business operations and administrative functions. The second phase, completed during the first half of 2001, increased the system's functions and applicability and also made transaction flows more efficient.

A Performance & Risk Control unit was launched during the year, with responsibility for monitoring financial and operational risk. This guarantees the quality of business flows, and system and model support.

The internal rulebook, developed in 2000, was supplemented in 2001 with ethical rules for employees.

The number of employees rose from 33 to 47.

Financial review

The Fund recorded a loss for 2001 of SEK 6,913 million.

Operating income totalled SEK -6,738 million, consisting of dividends, interest income and realised and unrealised changes in asset values. This included a yield of SEK 4,001 million, of which SEK 964 million arose from dividends and SEK 3,037 million was attributable to net interest income.

Negative net realised income was SEK 2,977 million, of which SEK -2,671 million was incurred by shares and participations, mostly in connection with the reweighting of investment assets.

Unrealised changes in asset values totalled SEK -8,123 million. This deficit was due largely to a SEK 7,983 million fall in the value of shares and participations, stemming from the decline in world equity markets during the year. Operating income included a total exchange rate gain of SEK 361 million.

Operating expenses amounted to SEK 175 million. The asset management cost quotient (operating expenses as a proportion of the average value of fund capital) amounted to 0.13%. Operating expenses included external asset management costs of SEK 18 million, personnel costs of SEK 55 million and other asset management costs of SEK 102 million.

Operating income totalled SEK -6,738 million and operating expenses amounted to SEK 175 million, resulting in a net loss for the year of SEK 6,913 million.

Fund capital stood at SEK 131,585 million at the end of 2001 and declined by SEK 2,390 million during the year. Fund capital changed in accordance with net payments to the National Pension Scheme (RFV) of SEK 3,062 million, transfers from Special Asset Management operations of SEK 1,461 million, and the net loss for the year of SEK 6,913 million.

Investment assets

The normal portfolio (see table below) is set by the Board and determines the Fund's allocations of investment assets. The portfolio must meet the demands of the National Pension Scheme as defined by an ALM analysis. Partly because of its specialist knowledge of the Swedish equity market, the Fourth Swedish National Pension Fund has chosen a larger proportion of Swedish equities than contained in the theoretically optimal portfolio,

By the half-year mark, the transition to the normal portfolio had been largely finalised. The portfolio's assets were at that point divided along the lines of the normal portfolio.

A closer analysis of the return target led the Fund to decide in 2002 to exclude index-linked bonds as an asset category from the normal portfolio. The Fund prepared for this change by divesting such bonds during the late autumn in what were regarded as favourable market conditions.

At year-end the market value of the Fund's total assets was SEK 131.6 billion. Relative to the Fund's normal portfolio, the global equity portfolio was a 1.0 percentage unit underweight, the Swedish equity portfolio was 1.7 percentage units overweight and the fixed income portfolio was 3.6 percentage units underweight. Foreign net assets amounted to SEK 74,922 million at year-end, corresponding to 57% of total investment assets. Hedging was conducted almost exclusively via forward contracts and the Fund's foreign currency exposure was 13.5% of total investment assets at year-end.

The Fund's excess returns targets – both overall and per asset category – reflect its long-term asset management ambitions (see table on page 21). The targets are linked to guidelines for active risk in each sub-portfolio and for the Fund's total investment assets. The aim is to evaluate asset management performance against the targets over rolling two-year periods.

Distribution of investment assets

Asset category	Market values, SEK million, 2001-12-31	Share % 2001-12-31	Share % 2001-06-30	Share, % 2001-01-01	Normal portfolio
Swedish equity portfolio	31,904	24.3	21.6	24.5	22.5
Global equity portfolio	51,289	39.0	35.4	2.7	40.0
Fixed Income, nominal ¹	44,611	33.9	34.9	64.0	32.5
Index-linked bonds	0,0	0.0	5.3	6.1	5.0
Unlisted real estate companies	3,789	2.9	2.8	2.7	0.0
Investments assets²	131,593	100.0	100.0	100.0	100.0

¹ Including derivatives

² The market values stated in this table differ from those in the balance sheets because the valuation method is consistent with the reference index.

Portfolio management

Relevant reference indices for each asset category, a benchmark index for the total portfolio, and excess return targets were set at the end of 2000. The targets came into effect when the portfolio adjustment process had been finalised.

The active risk guidelines were also fixed before the start of 2000, as were limits for deviations from the normal portfolio. These limits permit portfolio managers to deviate from the normal portfolio within fixed intervals, thus restricting the extent of

any unexpected drop in value. The intervals became mandatory when the transition to a normal portfolio was finalised.

Total returns

Return on total assets, excluding foreign exchange forward contracts for foreign equities and unlisted real estate stocks (AP Fastigheter), amounted to -4.4%. Including foreign exchange forward contracts and unlisted real estate stocks, the return was -5.0%, which was 0.5 percentage units worse than the benchmark index (see Return yield and risk table, page 26).

The transition to the new normal portfolio during the first half hampered tactical asset management. However during the second half, once the adjustment process had been finalised, the portfolio's performance improved steadily. Return on total assets, excluding foreign exchange forward contracts and unlisted real estate stocks, amounted to -3.1% in the second half. Including these investment assets, the return was -2.1%, outperforming the benchmark index by 0.2 percentage units. The improvement in the portfolio's relative return was predominantly due to the selection of stocks for the Swedish equity portfolio. Being overweight in Swedish equities was a key factor behind the relatively good return recorded in the final quarter, with the SIX Return Index gaining 21.1% while the MSCI World DNI Index increased just 6.7%.

Portfolio volatility was 10.8%. That this was slightly lower than the 11.8% shown by the benchmark index was attributable to the large holding of fixed income securities at the start of the year.

The active risk was stable during the year and amounted to 3.5% for total assets, well within the 4.0% guideline. Asset management in the early part of 2001 was dominated by the reweighting of investment assets within the new normal portfolio. However, asset management activities were normalised in the second half of the year. Risk utilisation was moderate in relation to the guidelines set by the Board.

Investment assets (indicies etc.)

Asset category	Benchmark and reference index ¹	Annual excess return target, %	Active risk guideline, %
Swedish equity portfolio	SIX Return index	1.4	6
Global equity portfolio	MSCI World DNI (SEK)	0.7	4.4
Fixed-income portfolio	Handelsbanken Markets Obl. Index / Merrill Lynch GBI	0.25	1
Index-linked bonds	Handelsbanken Markets Realobl. Index	0	0
Unlisted real estate equities	-	-	-
Investment assets	Index weighted as per normal portfolio	0.75	4%

¹ See definitions, pages 52-54, for full descriptions

Swedish equities

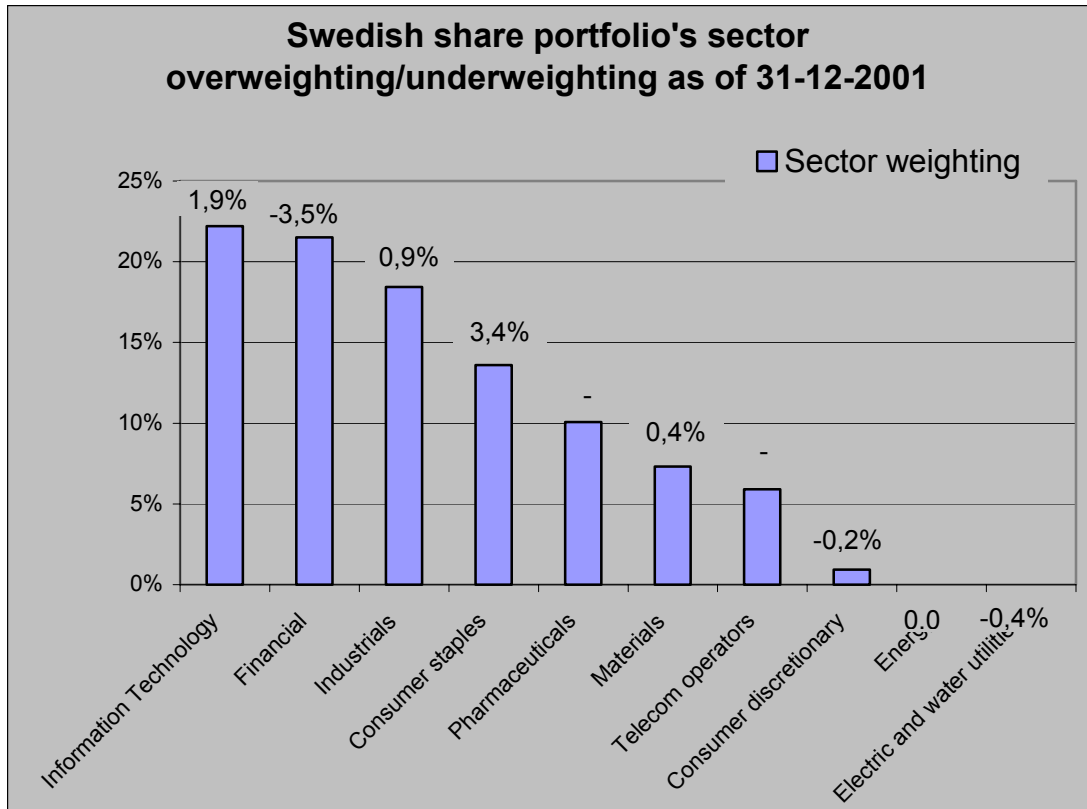
The market value of the Fund's Swedish equity portfolio totalled SEK 31,904 million at year-end. The five largest holdings are shown in the following table:

The return on the Swedish equity portfolio amounted to -12.7%, compared to -14.8% for the SIX Return Index. The excess return of 2.1 percentage units can be primarily ascribed to the choice of equities. The strong focus on equity analysis in the Swedish portfolio thus paid dividends in 2001.

Largest holdings	Market value, SEK million, 31-12-2001	Share of Swedish portfolio %
Ericsson	5,612	17.6
Hennes & Mauritz	2,272	7.1
Astra Zeneca	2,221	6.9
SHB	1,846	5.8
Nordea	1,617	5.1
TOTAL	13,568	42.5

The second-half return totalled -1.3%, equivalent to an excess return of 1.8 percentage units relative to the reference index. At the end of the period the Fund was overweight chiefly in the non-durables and IT sectors and underweight mainly in the financial and telecom operating sectors. The diagram below shows the sectoral breakdown for the Swedish equity portfolio and the relative overweighting or underweighting for each sector at year-end.

The Fund's role as an investor on the Swedish market and shareholder in individual companies has declined. The Fund's Swedish equity portfolio corresponded to 1.1% of total capitalisation on the Stockholm Stock Exchange at year-end, down from 3.1% one year earlier.

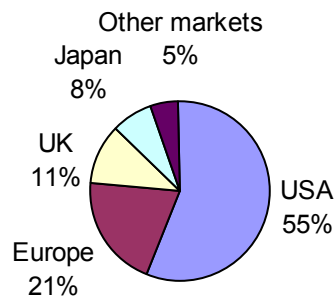


Global equities

The market value of the Fund's global equity portfolio amounted to SEK 51,289 million at year-end. Externally managed index funds accounted for SEK 17,075 million of this figure, with other instruments – primarily the positive net value of foreign exchange forward contracts – accounting for a further SEK 783 million. A sectoral breakdown of equities under internal management is shown in the chart, below right.

The return on the global equity portfolio, excluding foreign exchange forward contracts, totalled -10.6% at year-end, which was 2.9 percentage units worse than the reference index. The main explanation for this deficit, which arose largely during the first half, was a negative contribution from the equity mix. During the second half the global portfolio's performance gradually improved. The second-half return was -10.6%, which was 0.3 percentage units worse than the reference index.

Country distribution, MSCI World, 2001-12-31



Global share portfolio's sector overweighting/underweighting as of 31-12-2001



Fixed-income portfolio

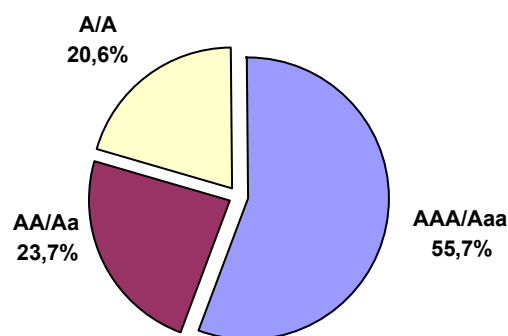
The market value of the fixed-income portfolio stood at SEK 44,611 million at year-end. The portfolio's relative size fell from 64% at the start of 2001 to 33.9% due to the transition to the new normal portfolio.

The return on the fixed-income portfolio, including bank deposits, was 4.2%, while the reference index rose 5.8%. The difference can be attributed largely to the first half, when the fixed-income portfolio was adjusted from its initial all-Swedish composition. During this period the Fund was heavily overweight in foreign bonds, which performed considerably better than Swedish bonds. In addition, the fixed-

income portfolio had a lower duration than the reference index following the reallocation of National Pension Fund assets.

During the second half the return totalled 3.6%, which was 0.3 percentage units lower than the reference index. This can mostly be ascribed to interest rate fluctuations after 11 September.

The fixed-income portfolio had a modified duration of 4.04% at year-end, compared to 4.09% for the reference index. At year-end, non-sovereign issuers accounted for 58% of the fixed-income portfolio. Credit risk is minimised by only allowing investments in securities with a BBB rating or higher (as defined by Standard & Poor's or equivalent credit rating agency).



Index-linked bonds

In October 2001 the Board decided to exclude index-linked bonds as an asset category from the normal portfolio. The Fund's view is that fixed-income bonds will yield a higher return in the long run. Nevertheless, index-linked bonds will be an important asset category within the fixed-income portfolio.

The return on the index-linked portfolio matched the reference index for that period of the year in which the Fund managed index-linked bonds, in spite of the transaction costs arising from the subsequent disposal.

Unlisted securities

As part of the Fund's new rules, all unlisted holdings – with a total market value of SEK 1,669 million – were transferred at the start of the financial year to a Special Asset Management function. Though it comes under the Fund's authority, Special Asset Management has other unlisted holdings and contract rights and publishes its own Annual Report. Once Special Asset Management funds are sold, the proceeds are transferred to the First, Second, Third and Fourth National Pension Funds.

In 2001 the Fourth Swedish National Pension Fund began building a new portfolio for unlisted holdings. Investment undertakings totalling approximately SEK 340 million were made in three new Swedish limited partnerships: BrainHeart, which focuses on companies in the mobile communication sector; Innoventus Life Science, which invests in fledgling healthcare companies; and Northern Europe Private Equity (EQT 3), which acquires and develops large companies. The year-end market value of these limited partnerships, calculated under the European Private Equity and Venture

Capital Association's rules, was SEK 118 million and accords with their acquisition value.

Return yield and risk, 2001

Tillgångsslag	Return/yield full year, % Portfolio	Return/yield full year, % Index ¹	Return/yield second half Portfolio	Return/yield second half Index ¹	Volatility full year, % Portfolio	Active risk full year, % Portfolio
Swedish equity portfolio***	-12.7	-14.8	-1.3	-3.1	30.1	3.9
Global equity portfolio*	-10.6	- 7.7	-10.6	-10.3	18.8	3.3
Fixed-income, nominal**	4.2	5.8	3.6	3.9	2.3	0.9
Index linked bonds	5.2	5.2	2.5	2.4	2.0	1.0
Unlisted real estate equities	3.5	-	1.0	-	-	-
Investment assets *	-4.4	-3.7	-3.1	-3.2	11.0	3.3
Investment assets **	-5.0	-4.5	-2.1	-2.3	10.8	3.5

* including foreign exchange forward contracts

** excluding foreign exchange forward contracts for foreign equities and unlisted real estate equities

*** including foreign exchange forward contracts for foreign equities and unlisted real estate equities

¹ Benchmark and reference indices

Risk management

The Board sets out an annual risk management plan for the Fund. This covers risk policy, risk profile, responsibility, risk management, risk control and reporting.

Performance & Risk Control is an autonomous group that reports directly to the President and Board. Its primary task is to ensure compliance with statutory investment rules and with the rules and restrictions set by the Board and President, in particular the risk management plan. The key aspect of this role is close monitoring, and quick reporting on, return and risk in different areas.

The group's remit also extends to monitoring other risks arising from the Fund's operations, notably financial and operational risks. Financial risks consist of market risks, credit and counter party risks, and liquidity risks. Operational risks are defined as administrative risks, IT risks, other technical risks, legal risks and ethical risks.

Financial risks

Market risks arise in connection with changes in interest rates and currency and security prices. These are monitored on a daily basis as they affect the value of the

Fund's positions. Bond and equity risks are managed via factors such as active risk, duration and deviation from index weighting. Restrictions on equity and bond risks are thus relative rather than absolute. Currency risks are limited on an absolute as well as per-currency basis.

Credit and counter party risks depend on individual counter parties being able to fulfil their undertakings to the Fund. With regard to credit risks, the Fund has established individual, per-counter party limits that are continually monitored. Liquidity risks are constrained by special rules for investments in fixed income assets and close monitoring of cash balances.

Operational risks

Relevant managers in the organisation are responsible for taking requisite steps to identify, limit and control their departments' operational risks, in accordance with the Fund's risk management plan. Operational risks are monitored through continuous re-evaluation of internal controls.

Business & Risk Management is also charged with scrutinising operational risks. All managers are required to report operational risks to Performance & Risk Control.

Board of Directors

The Fourth Swedish National Pension Fund's Board of Directors consists of nine full members, all appointed by the government. Two members are appointed nominated by employer organisations and two by employee organisations. The government appoints the chairman and vice-chairman from its own nominees. The President and Fund officials attend board meetings in the role of rapporteur and secretary. The members of the Board are listed on pages 49 and 50.

The Board is responsible for the Fund's organisation and management of its assets. The Board sets a written agenda for its work and provides written instructions for the President. These documents are revised annually.

The Board convened for six meetings during the financial year 2001. Its work was concentrated on strategic issues and the operational transition to the new rules that applied from 1 January 2001.

The Board has stipulated an operational work plan for 2002 that includes updates to the Fund's investment policy, risk management plan, corporate governance policy, environmental and ethical guidelines, and annual operating cost budget.

The Fund's auditors report personally to the Board their observations on the Fund's financial position and their assessment of its internal controls and quality.

Income statement *)

SEK million	Note	2001
Operating income		
Dividends received		964
Net interest income	1	3,037
Net capital losses	2	-2,977
Exchange profits		361
Net unrealised changes in value	3	-8,123
Total operating income		-6,738
Operating expenses		
External asset management costs		18
Personnel costs	4	55
Other asset management costs	5	102
Total operating expenses		175
Net loss for the year		-6,913

Balance sheets *)

SEK million	Note	31-12-2001	01-01-2001
ASSETS			
Investment assets			
Shares and participations, listed	6	82,293	36,414
Shares and participations, unlisted	7	3,907	3,660
Bonds and other interest-bearing assets	8	42,972	89,440
Derivatives	9	1,265	–
Total investment assets		130,437	129,514
Receivables and other assets			
Cash and bank balances		105	30
Other assets	10	27	2 209
Prepaid expenses and accrued income	11	1,241	2,242
Total receivables and other assets		1,373	4,481
Total assets		131,810	133,995
FUND CAPITAL AND LIABILITIES			
Fund capital			
Fund capital at start of year		133,975	133,975
Net disbursements to the National Pension Scheme	12	3,062	–
Reimbursement from Special Asset Management	13	1,461	–
Net loss for the year		-6,913	–
Total fund capital		131,585	133,975
Liabilities			
Derivatives	9	174	–
Other liabilities	14	18	9
Deferred income and accrued expenses	15	33	11
Total liabilities		225	20
Total fund capital and liabilities		131,810	133,995
Assets and liabilities in foreign currencies	16		
Pledged assets for derivatives		351	–
Non-utilised capital investments		216	–

*) The assets of the First, Second, Third and Fourth Swedish National Pension Funds were redistributed at the start of 2001, with each fund was allotted assets of equal value. The Fund has therefore decided not to publish a comparative income statement and detailed comparative balance sheet balances. The Fund's Annual Report 2000 in Swedish, is available on its website at www.ap4.se.

Accounting and valuation principles

In compliance with the Swedish National Pension Funds Act, *Lag (2000:192) om allmänna pensionsfonder*, this Annual Report has been prepared according to generally accepted accounting principles. Taking into account the existing regulations that apply to comparable financial institutions, the four buffer funds have developed and put into practice a set of common accounting and valuation principles.

Transaction day accounting

Purchases and sales on the money, bond, equity and currency markets are reported in the balance sheet on the transaction date i.e. at the point when material rights, and therefore risks, are transacted between the parties. Receivables and liabilities that fall between transaction and settlement date are reported under other assets and other liabilities respectively. Other types of sale or purchase are not covered by transaction day accounting rules.

Foreign currency

Foreign currency-denominated assets and liabilities are stated at year-end exchange rates. Changes in the values of foreign currency-denominated assets are divided between those attributable to the change in the value of the underlying asset or liability and those caused by exchange rate changes. Realised and unrealised changes in value that arise due to exchange rate fluctuations are reported on a net basis under exchange profits.

Shares and participations

Shares and participations are valued at fair value. Shares listed on an authorised stock exchange are valued either by using the closing rate in local currency on the year's last day of trading or, alternatively, by using the last buying rate. Shares are reported under their market of purchase. The averaging method has been used to calculate capital gains and losses. With the exception of unlisted Swedish real estate companies, unlisted holdings are valued in accordance with EVCA principles. In simple terms, this involves unlisted holdings being valued at acquisition value until a partial sale or new issue occurs to an independent third party at a higher value, or until an event that substantially and permanently lowers their value. Valuations of holdings in Swedish unlisted real estate companies are based on the market value of the company's real estate portfolio at year-end.

Bonds and other interest-bearing assets

Bonds and other interest-bearing assets are valued at fair value. The market value of interest-bearing securities is determined by the closing bid rate on the last day of trading or, alternatively, by the bid rate on the preceding day. The acquisition value of discount and coupon instruments refers to the accrued acquisition value. Accrued acquisition value is the discounted present value of future payments where the discount rate corresponds to the effective interest rate at time of purchase. Acquired premiums and discounts are taken up as income until the coupon rate changes or the instrument matures. Changes in accrued acquisition values are reported as interest income. The net profit/loss for bonds and other interest-bearing assets is the difference between accrued acquisition value and market value.

Buy-backs

In a true buy-back (repurchase), the asset remains on the balance sheet and cash received is reported as a liability. The divested security is reported under pledged assets on the balance sheet. The cash value difference between spot and forward legs accrues during the maturity period and is reported as interest.

Derivatives

Derivative instruments are valued at fair value. Derivative transactions with a positive market value at year-end are reported as investment assets, while transactions with a negative market value are reported as liabilities. The difference between forward and spot rates accrues evenly over the term of the forward contract.

Equipment

Equipment is booked at acquisition value after deducting accumulated depreciation according to plan. Computer equipment is depreciated over three years and other equipment over five years. Residual value at year-end is reported under other assets. Investments in in-house and acquired computer programmes are written off on an ongoing basis.

Items reported directly against fund capital

Payments to and receipts from the National Pension Scheme, as well as transfers from the Special Asset Management funds owned jointly by the First, Second, Third and Fourth Swedish National Pension Funds, are reported directly against fund capital.

Income taxes

The Fourth Swedish National Pension Fund is exempt from all income tax on investments in Sweden. The tax liability on investments outside Sweden varies from country to country.

SEK million, unless otherwise stated

Notes to income statement and balance sheets

NOTE 1

Net interest income	2001
Interest income	
Bonds and other interest-bearing assets	2,861
Derivatives	380
Other interest income	1
Total interest income	3,242
Interest expenses	
Derivatives	203
Other interest expenses	2
Total interest expenses	205
Net interest income	3,037

NOTE 2

Net capital losses	2001
Shares and participations	-2,671
Bonds and other interest-bearing assets	-178
Derivatives	-128
Net capital loss	-2,977

NOTE 3

Net unrealised changes in value	2001
Shares and participations	-7,983
Bonds and other interest-bearing assets	-155
Derivatives	15
Net unrealised change in value	-8,123

NOTE 4

Personnel expenses SEK '000	2001
Salaries and remuneration	
Board and President	2,313
Other employees	33,371
Total salaries and remuneration	35,684
Social security costs	
Pension costs, President	1,069
Pension costs other employees	6,102
Reimbursement of surplus funds from SPP	-2,439
Other social security costs	13,084
Total social security costs	17,816
Other personnel costs	1,201
Total personnel expenses	54,701

The government sets the fees for Members of the Board. The Chairman of the Board received a fee of SEK 100,000 in 2001. The President received salary and remuneration of SEK 1,733,000.

Pensions and similar benefits

The President's pension benefits and severance pay are specified in his contract of employment. The agreement entitles him to a pension from the age of 58 corresponding to 75% of his salary at the date of retirement up until normal retirement age. This pension obligation amounts to SEK 3,828,000. The President is also entitled to severance pay amounting to two years' salary.

Bonus rules

The Fourth Swedish National Pension Fund implemented set rules for bonuses in 2001. Fund employees may receive bonuses not exceeding three or four months' salary. The bonus programme was specially tailored to the Fund's transition, while the 2002 bonus programme set by the Board is closely tied to the Fund's excess return target.

Number of employees

The average number of employees was 39, of which 15 were women. The year-end total was 47.

NOTE 5

Other operating expenses	2001
Cost of premises	19
Information and computer expenses	20
Depreciation of equipment	4
Custody account expenses	24
Other administration costs *)	35
Total other administration expenses	102

*) Other administration costs include an audit fee of SEK 0.7 million, of which SEK 0.5 million relates to Öhrlings PwC and SEK 0.2 million to KPMG, and other consultancy fees, SEK 2.4 million of which relates to Öhrlings PwC and SEK 0.1 million to KPMG.

NOTE 6

Shares and participations, listed

	31 Dec 2001		1 Jan 2001	
	Fair value	Acquisition value	Fair value	Acquisition value
Swedish unlisted	32,712	36,240	32,864	32,864
Foreign unlisted	32,506	34,523	3,550	3,550
Participations in foreign index funds	17,075	18,422	0	0
Total shares and participations, listed	82,293	89,185	36,414	36,414

A detailed list of holdings is published on pages 38-43.

NOTE 7

Shares and participations, unlisted

	31 Dec 2001		1 Jan 2001	
	Fair value	Acquisition value	Fair value	Acquisition value
Swedish unlisted	3,907	3,778	3,660	3,660
Total shares and participations, unlisted	3,907	3,778	3,660	3,660

A detailed list of holdings is published on page 44.

NOTE 8

Bonds and other interest-bearing assets

	31 Dec 2001		1 Jan 2001	
	Fair value	Accrued acquis	Fair value	Accrued acquis
Value per issuer				
Kingdom of Sweden	6,691	6,833	63,495	63,495
Swedish municipalities	3	3	12	12
Swedish mortgage lending institutions	10,470	10,528	19,794	19,794
Other Swedish financial companies	554	556	3,033	3,033
Swedish non-financial companies	812	809	2,035	2,035
Foreign states	9,175	8,973	152	152
Other foreign issuers	15,267	15,008	919	919
Total interest-bearing assets	42,972	42,710	89,440	89,440
Per instrument category				
Index-linked bonds	0	0	8 198	8 198
Other bonds	41,129	40,855	54,446	54, 446
Subordinated debentures	66	66	421	421
Treasury bills	0	0	15,241	15,241
Certificates	280	292	10,527	10,527
Day loans	1 497	1 497	607	607
Total interest-bearing assets	42,972	42,710	89,440	89,440

NOTE 9

Derivatives

	31 Dec 2001		1 Jan 2001	
	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive fair value				
Interest rate forward contracts	9,359	36	0	0
Currency forward contracts	58,844	1,229	0	0
Total derivatives with positive fair value	68,203	1,265	0	0
Derivatives with negative fair value				
Interest rate forward contracts	5,552	20	0	0
Interest rate swap contracts	20	0	0	0
Foreign exchange forward contracts	14,166	154	0	0
Total derivatives with negative fair value	19,738	174	0	0

NOTE 10**Other assets**

	31 Dec 2001	1 Jan 2001
Non-liquid receivables sold	14	0
Receivables with other funds	0	2,198
Equipment	11	11
Other receivables	2	0
Total other assets	27	2,209

NOTE 11**Prepaid expenses and accrued income**

	31 Dec 2001	1 Jan 2001
Accrued interest	1,200	2,218
Accrued dividends and restitutions	30	18
Other	11	6
Total	1,241	2,242

NOTE 12**Net disbursements to the National Pension Scheme**

	31 Dec 2001
Pension contributions etc. from the Swedish National Insurance Board (RFV)	39,202
Supplementary pension disbursements to RFV	-35,891
Administration fee paid to RFV	-249
Net disbursements to the National Pension Scheme	3,062

NOTE 13**Reimbursement from Special Asset Management funds**

	31 Dec 2001
First Swedish National Pension Fund's Special Asset Management	1,408
Fourth Swedish National Pension Fund's Special Asset Management	53
Total	1,461

At year-end the First and Second Swedish National Pension Funds' Special Asset Management funds amounted to SEK 18,281 million and SEK 1,572 million respectively.

NOTE 14**Other liabilities**

	31 Dec 2001	1 Jan 2001
Trade creditors	10	4
Pension provisions	4	3
Other liabilities	4	2
Total other liabilities	18	9

NOTE 15**Deferred income and accrued expenses**

	31 Dec 2001	1 Jan 2001
Accrued interest	17	0
Accrued personnel costs	3	3
Other accrued expenses	13	8
Total	33	11

NOTE 16**Assets and liabilities in foreign currencies**

SEK million	USD	EUR	GBP	Other	Total
Shares and participations	37,360	5,804	3,512	2,905	49,581
Bonds and other interest-bearing assets	8,739	6,367	4,393	4,035	23,534
Net derivatives	249	254	3	588	1,094
Net other receivables and liabilities	286	234	92	101	713
Net assets in foreign currencies	46,634	12,659	8,000	7,629	74,922

Stockholm, 13 February 2002

Birgit Friggebo Chairman
 Karl-Olof Hammarkvist Vice-chairman
 Göran Johnsson
 Marianne Nivert
 Sture Nordh
 Inga Persson
 Ilmar Reepalu
 Ulla Reinius
 Carl Wilhelm Ros
 Thomas Halvorsen President

Our Auditors' Report was submitted in Stockholm on 13 February 2002.

Pål Wingren Authorised Public Accountant
 Per-Olof Akteus Authorised Public Accountant

Auditors' report

for the Fourth Swedish National Pension Fund (corporate identity no. 802005-1952)

We have examined the Annual Report, the bookkeeping and the administration of the Fourth Swedish National Pension Fund by the Board of Directors for the financial year 2001. The responsibility for the financial statements and administration rests with the Board of Directors. It is our responsibility to express our opinion on the Annual Report and administration on the basis of our audit.

Our examination was performed in accordance with generally accepted auditing standards in Sweden, which means that we have planned and implemented our audit in order to make sure as far as possible that the Annual Report contains no material errors. An audit implies that a selected number of documents forming the basis of amounts and other information in the accounts are examined. An audit furthermore implies a test of the accounting principles and the Board's application of these, as well as an evaluation of the total information contained in the Annual Report. We consider that our audit gives us reasonable grounds for our opinions expressed below.

The Annual Report has been drawn up in compliance with the Swedish National Pension Funds Act and therefore presents a true picture of the results and position of the company in accordance with generally accepted auditing standards in Sweden. The audit has given us no reason for qualification with regard to the Annual Report, the income statement and balance sheets contained therein, the bookkeeping, the inventory of assets or the administration of the company in general. We recommend that the profit and loss accounts and balance sheets be adopted.

Stockholm, 13 February 2002

Pål Wingren
Authorised Public Accountant
Appointed by the Swedish Government

Per-Olof Akteus
Authorised Public Accountant
Appointed by the Swedish Government

Shares and participations

Shares and participations, listed
Swedish, listed

31 Dec 2001			Fair value	Percentage of	
Company		Number	SEK million	share capital	voting capital
ABB		2 193 636	222	0.18	0.18
Addtech		1 075 775	50	3.86	2.84
Assa Abloy B		3 293 900	497	0.93	0.63
AstraZeneca ¹⁾		4 616 400	2,221	0.28	0.28
Atlas Copco		4 745 770	1,105	2.26	2.90
A	4 197 770				
B	548 000				
AU-System		4 700 000	49	4.75	4.75
Autoliv ²⁾		1 795 900	377	1.83	1.83
Avesta Polarit		981 000	39	0.28	0.28
Axis		2 964 000	74	4.30	4.30
Beijer Alma B		118 000	8	1.31	0.62
Bergman & Beving B		1 075 775	42	3.76	2.78
Biacore		149 500	51	1.53	1.53
BioInvent		1 188 750	44	4.22	4.22
C Technologies		3 653 846	133	4.77	4.77
Castellum		997 000	108	2.32	2.32
Drott		1 943 000	209	1.91	2.06
A	28 000				
B	1 915 000				
Electrolux B		6 012 000	941	1.60	1.29
Eniro		2 000 000	150	1.22	1.22
Ericsson ²⁾		102 900 000	5,869	1.28	0.35
A	2 191 000				
B	100 709 000				
Esselte		670 000	31	1.96	2.82
A	413 000				
B	257 000				
FöreningsSparbanken A		5 585 000	726	1.06	1.06
Gambro A		2 631 000	172	0.76	1.01
Getinge Industrier B		497 300	86	0.99	0.62
Hennes & Mauritz B		10 470 200	2,272	1.27	0.62
Holmen		860 000	205	1.08	0.81
A	160 000				
B	700 000				
Industrivärden A		3 175 500	522	1.85	2.45
Intentia International B		1 569 100	101	4.35	3.39
Investor B		2 693 000	308	0.35	0.08
JM		450 000	99	1.47	1.34
Karo Bio		340 800	121	2.83	2.83
LGP Telecom		1 025 600	80	3.69	3.69
Lindex		610 300	104	4.44	4.44
Medivir B		400 000	25	4.83	2.81
Metro International		2 580 000	108	2.36	0.49
A	272 600				
B	2 307 400				
Micronic Laser Systems		70 000	13	0.37	0.37
MTG B ²⁾		1 707 450	395	2.57	0.83
Munters		576 825	101	2.31	2.31
NCC		848 000	59	0.78	1.04
A	673 000				
B	175 000				
Net Insight TO B ³⁾		139 900	0		
Nobel Biocare		54 900	24	0.22	0.22
Nokia ²⁾		5 205 000	1,390	0.11	0.11
Nordea		29 126 590	1,617	0.98	0.98
Perbio Science		802 800	137	2.21	2.21

1) Holdings acquired through foreign stock exchanges have been included when calculating percentages of share capital and voting capital.

2) Included in Swedish and global share portfolios.

3) Warrants

31 Dec 2001			Fair value	Percentage of	
Company		Number	SEK million	share capital	voting capital
Pergo		426 586	17	2.38	2.38
Pharmacia ¹⁾		664 528	303	0.08	0.08
Precise Biometrics		150 000	17	4.25	4.25
Pyrosequencing		451 915	17	1.30	1.30
Q-Med		18 184	3	0.07	0.07
Ratos B		550 000	52	0.68	0.20
Sandvik		4 319 000	970	1.67	1.67
Sapa		806 000	116	2.20	2.20
SCA		4 985 309	1,422	2.15	2.75
A	1 432 500				
B	3 552 809				
Seco Tools B		219 000	49	0.76	0.20
Securitas B		3 311 609	659	0.92	0.64
SHB		12 044 685	1,846	1.69	1.69
A	10 991 685				
B	1 053 000				
Skandia		19 049 808	1,448	1.86	1.86
Skanska		6 919 544	474	1.65	1.07
A	116 000				
B	6 803 544				
SKF		2 689 160	544	2.36	1.30
A	506 000				
B	2 183 160				
Song Networks		1 569 000	14	0.95	0.95
SSAB		2 175 000	219	2.16	2.26
A	1 695 000				
B	480 000				
Stora Enso R		1 952 800	259	0.22	0.08
Swedish Match ²⁾		6 690 000	371	1.80	1.80
Syngenta		123 000	66	0.11	0.11
Tele 2		1 615 000	609	1.12	0.47
A	38 860				
B	1 576 140				
Telelogic		7 000 000	57	3.71	3.71
Telia		26 929 400	1,258	0.90	0.90
Trelleborg B		1 280 000	103	1.41	0.64
Tripep		55 770	1	0.41	0.41
Volvo		5 428 795	933	1.23	2.14
A	3 417 427				
B	2 011 368				
Total fair value, Swedish listed			32,712		
Total acquisition value, Swedish listed			36,240		

- 1) Holdings acquired through foreign stock exchanges have been included when calculating percentages of share capital and voting capital
- 2) Included in Swedish and global share portfolios.

Foreign. listed ⁴⁾

France

Company 31 Dec 2001	Number	Fair value, SEK million
Aventis	351 038	261
Axa	1 153 400	253
BNP Paribas	330 700	310
Carrefour	280 000	153
Groupe Danone	50.000	64
LVMH	230 000	98
L' Oreal	300 000	226
Lagardère	128 300	56
Peugeot	325 000	145
Pinault-Printemps-Redoute	85 000	115
Renault	100 000	37
Sanofi-Synthelabo	336 100	263
Société Générale	325 000	191
STMicroelectronics	700 000	236
Suez Lyonnaise des Eaux	622 400	198
Total Fina Elf	137 700	206

Total fair value 2,812

Total acquisition value 2,949

Italy

Company 31 Dec 2001	Number	Fair value, SEK million
Assicurazioni Generali	379 700	111
Enel	2 691 200	159
ENI	1 206 200	158

Total fair value 428

Total acquisition value 467

Japan

Company 31 Dec 2001	Number	Fair value, SEK million
Ajinomoto	900 000	92
Eisai	154 000	40
Fanuc	305 900	137
Fuji Photo Film	300 000	112
Honda Motor	450 000	189
Kansai Electric Power	473 200	71
Komatsu	3 375 000	127
Matsushita Electric Industrial	700 000	94
Mitsubishi Electric	3 264 000	133
Nomura Securities	449 000	60
NTT DoCoMo	1 650	204
Sharp	780 000	96
Shin-Etsu Chemical	119 000	45
Sony	330 000	158
Sumitomo Bank	2 081 000	93
Takeda Chemical Industries	125 000	59
Tokyo Electric Power	447 200	100
Toyota Motor	850 000	226

Total fair value 2,036

Total acquisition value 2,645

4) All foreign holdings correspond to less than 1% of the share capital and voting capital

Netherlands

Company 31 Dec 2001	Number	Fair value, SEK million
ABN AMRO	485 534	82
Ahold	555 000	169
Philips Electronics	300 000	94
Royal Dutch Petroleum	349 000	185
TPG	484 300	110
Total fair value		640
Total acquisition value		681

Switzerland

Company 31 Dec 2001	Number	Fair value, SEK million
Adecco	184 000	105
Credit Suisse Group	612 000	274
Novartis	166 400	63
Serono	90	1
Swatch Group	103 000	97
Swiss Re	169 300	178
UBS	285 000	151
Total fair value		869
Total acquisition value		901

Spain

Company 31 Dec 2001	Number	Fair value, SEK million
Banco Bilbao Vizcaya Argenta	895 000	116
ENDESA	544 900	89
Repsol YPF	200 000	31
Banco Santander Central Hispano	1 839 000	162
Total fair value		398
Total acquisition value		437

United Kingdom

Company 31 Dec 2001	Number	Fair value, SEK million
AstraZeneca	325 554	154
BAE Systems	4 999 400	236
BOC Group	1 328 000	215
BP Amoco	4 094 700	333
Cambridge Antibody Technology Group	146 800	43
CGNU	1 925 100	248
Diageo	1 126 974	135
Dixons Group	2 478 693	89
Galen	394 300	41
GlaxoSmithKline	746 220	196
Granada	4 930 551	108
HSBC Holdings	1 522 000	187
Kingfisher	1 919 358	117
Lloyds TSB Group	1 487 600	169
Oxford Glycosciences	198 700	19
Pearson	510 000	62
Prudential	856 300	104
Royal & Sun Alliance Insurance Group	889 900	54

United Kingdom

Company 31 Dec 2001	Number	Fair value, SEK million
Shire Pharmaceuticals Group	538 200	71
Tesco	4 740 000	180
Vodafone Group	24 146 000	662
WPP Group	770 000	89
Total fair value		3,512
Total acquisition value		3,658

Germany

Company 31 Dec 2001	Number	Fair value, SEK million
Allianz	47 000	117
BASF	141 700	55
Bayer	468 000	157
DaimlerChrysler	370 000	167
Deutsche Bank	280 500	208
E.ON	131 800	72
Man	823 700	183
Metro	200 000	74
Münich Re	92 100	262
ProSiebenSat.1 Media	500 000	27
Siemens	294 000	204
Total fair value		1,526
Total acquisition value		1,631

USA

Company 31 Dec 2001	Number	Fair value, SEK million
Abbott Laboratories	298 150	174
AES	506 800	87
Alcoa	421 500	157
America Online Time Warner	600 000	201
American Express	718 000	269
American Home Products	485 200	312
American International Group	704 000	586
Amgen	218 400	129
Anheuser-Busch Companies	240 000	114
Applera	74 700	31
AT&T Wireless Services	1 200 000	181
Automatic Data Processing	503 100	311
Bank of America	691 800	456
Boeing Company	186 200	76
Bristol-Myers Squibb	638 900	341
ChevronTexaco	221 000	208
Ciena Corporation	935 000	140
Cisco Systems	2 730 000	518
Citigroup	1 422 800	753
Citrix Systems	730 000	173
Clear Channel Communications	270 000	144
Coca-Cola	700 000	346
Colgate-Palmolive	100 000	60
CVS	240 000	74
Dow Chemical	498 000	176
Duke Energy	530 000	218
E.I du Pont de Nemours	489 300	218
Eli Lilly	206 200	170
Elan Corporation	54 000	26
Electronic Arts	340 000	214

USA

Company 31 Dec 2001	Number	Fair value, SEK million
EMC	1 580 000	223
Emerson Electric	513 300	307
Exxon Mobil	1 046 800	431
Fannie Mae	532 400	444
FedEx	511 800	278
Flextronics International	1 000 000	251
Ford Motor	1 000 000	165
Freddie Mac	324 800	223
GAP	750 000	110
General Electric	2 308 400	970
Gillette	475 000	166
Home Depot	590 000	315
Human Genome Sciences	95 300	34
IBM	180 000	228
Illinois Tool Works	222 000	157
Ingersoll Rand	329 000	144
Intel	1 980 000	653
International Paper	375 100	159
Interpublic Group	440 000	136
JDS Uniphase	1 800 000	164
Johnson & Johnson	459 500	285
JPM	201 200	77
Juniper Networks	730 000	145
Kraft Foods	180 000	64
Mattel	700 000	126
MBNA	682 000	252
McDonald's	500 000	139
McGraw-Hill	150 000	96
Medtronic	157 800	85
Merck	655 200	404
Micron Technology	730 000	237
Microsoft	790 000	549
Millennium Pharmaceuticals	244 500	63
Minnesota Mining and Manufacturing	282 900	350
Omnicom Group	145 000	136
Oracle	2 260 000	327
PepsiCo	160 000	82
Pfizer	1 163 700	486
Pharmacia	363 100	162
Philip Morris	200 000	96
PPG Industries	441 500	239
Procter & Gamble	260 000	216
RadioShack	350 000	110
Sara Lee	432 529	101
SBC Communications	420 000	172
Schlumberger	175 000	101
Sears Roebuck	105 000	52
Sun Microsystems	1 450 000	187
Target	300 000	129
Texas Instruments	905 000	266
Veritas Software	480 000	225
Verizon Communications	905 000	450
Vertex Pharmaceuticals	95 700	25
Viacom B	570 000	264
Wal-Mart Stores	770 000	464
Walt Disney	1 100 000	239
Wells Fargo	982 200	447
Zimmer Holdings	50 380	16
Total fair value		20,285
Total acquisition value		21,154
Total fair value, foreign listed		32,506
Total acquisition value, foreign listed		34,523

Participations in foreign index funds

Company 31 Dec 2001	Number	Fair value SEK million
Balzac World Index SICAV	8 417 697	10,049
Merrill Lynch World Index Fund	75 940 198	7,026
Total fair value, foreign index funds		17,075
Total acquisition value, foreign index funds		18,422
Total listed shares and participations		
Fair value		82,293
Acquisition value		89,185

Shares and participations. unlisted

Swedish. unlisted

31 Dec 2001					
Company	Corp. id. no	Number	Acquisition value SEK million	Percentage of share capital	voting capital
AP Fastigheter	556061-4603	10 000 000	3,660	25.0	25.0
Total acquisition value			3,660		
Total fair value			3,789		

Participations in Swedish limited partnerships

31 Dec 2001		
Company	Acquisition value SEK million	Percentage of invested capital
BrainHeart Capital KB	84	23.0 *)
Innoventus Life Science 1 KB	9	16.3
Northern Europe Private Equity KB (EQT 3)	25	10.3 *)
Total acquisition value	118	
Total fair value	118	
Total Swedish unlisted shares and participations		
Fair value	3,907	
Acquisition value	3,778	
Total shares and participations		
Fair value	86,200	
Acquisition value	92,963	

*) The Fourth Swedish National Pension Fund's share of the total commitments in BrainHeart and EQT3 is 20.1% and 0.5% respectively

New policy on corporate governance

When the Fourth Swedish National Pension Fund in 1986 drew up guidelines for the exercise of shareholder governance in listed companies, it was the first such initiative among Swedish institutions. The Swedish National Pension Funds Act of 2000, which regulates the Fund's activities, states clearly that the annual business plan of each Swedish National Pension Fund must contain guidelines on the exercise of corporate governance. The Act makes clear that Funds should exercise their influence as shareholders in order to enhance prospects for higher returns on capital. Based on the Act, and in accordance with previous Fund guidelines and policy, the Board of the Fourth Swedish National Pension Fund adopted the following corporate governance policy.

Validity and extent of the policy

The Corporate Governance Policy of the Fourth Swedish National Pension Fund covers listed companies, predominantly those listed in Sweden. It was adopted by the Board of Directors at their meeting on 20 November 2000 and replaces the Fund's previous corporate governance policy and guidelines as of 1 January 2001.

1. Objectives and methods for exercising corporate governance

The primary aim of the Fourth Swedish National Pension Fund is to achieve a high return on capital over time. Within this context, the Fund's exercise of corporate governance shall benefit the companies concerned and the effective functioning of the stock market and, therefore, the public interest. In achieving this objective, the Fund's influence as a shareholder should be exercised through its actions at general shareholders' meetings; by exerting influence over the structure of company boards; by direct contacts with company representatives; by collaboration with other shareholders; and – in certain cases – by active provision of information about how the Fund views specific corporate governance issues.

2. Rules on decision-making

Corporate governance issues are handled by the Fund's President or the member of the Fund's executive management group to whom a specific issue is delegated. The President shall refer corporate governance issues of particular importance to the Chairman of the Board by reporting the matter to the Board. The Chairman shall refer corporate governance matters of great importance to the full Board. Issues deemed to be of precedent-setting importance should also be considered by the Board. The Fund shall aspire to make its decision-making transparent so as to enhance its legitimacy and facilitate contacts with other shareholders.

3. Corporate governance activities

3.1 Actions before and at general shareholders' meetings

3.1.1 Participation and exercise of voting rights at general meetings

The shareholders' general meeting is the principal forum for shareholders. Where it retains a significant holding in a particular company, the Fourth Swedish National Pension Fund will aim to participate in such meetings and exercise its voting rights.

The Fund sees a considerable need to expand shareholder governance generally and regards new technology as integral to this effort.

3.1.2 Contacts with companies

In the event that contacts between a specific company and the Fund prior to a shareholders' general meeting are appropriate, these shall generally take place via the company's chairman and shall observe the disclosure rules for listed companies.

3.1.3 Contacts with other shareholders

The Fourth Swedish National Pension Fund shall strive to consult other shareholders prior to general shareholders' meetings at which issues of particular relevance to shareholders are due to be discussed.

3.1.4 Nomination of Board members

The Fourth Swedish National Pension Fund shall participate, where appropriate, in the nomination process in companies in which the Fund retains a significant shareholding. The Fund endorses the recommendations of the Swedish Industry and Commerce Stock Exchange Committee on clarity and transparency in the nomination process. The Fund regards the establishment of an election or nomination committee as an appropriate way to manage the nomination process, especially in companies with a broad base of ownership. It is crucial that the nomination process is rigorous and transparent and that a mechanism exists for all shareholders to voice their opinions.

3.1.5 Choice of auditors

Auditors are appointed by a company's shareholders and it is vital that this process is not treated as a mere formality. The Fourth Swedish National Pension Fund attaches great importance to companies having competent auditors with sufficient resources to conduct high-quality audits. Auditing should be kept separate from other consulting services and audit costs should be published in the Annual Report.

3.1.6 Notice of extraordinary general meeting

In the opinion of the Fourth Swedish National Pension Fund, notice of an extraordinary general meeting should be given at least three weeks in advance of the meeting and should be publicised at least as widely as notice of the annual general meeting.

3.2 Election, remuneration and evaluation of boards

3.2.1 Number of board members

The Fourth Swedish National Pension Fund believes an effective board requires no more than ten elected members and, in the absence of special countervailing reason, no deputy members.

3.2.2 Requirements of Board members

A variety of considerations are taken into account when convening a board of directors. These vary between companies and between different phases in a company's development. It is the opinion of the Fourth Swedish National Pension Fund that board members should meet the following basic requirements: relevant expertise, integrity, availability and commitment. Every board should contain members not associated with the largest shareholder. The Fund also believes that a departing President should not be considered for election to the board – and certainly

not to the position of chairman. This principle may be waived if special reasons exist for doing so, though an explanation should be provided in such a case. The Fourth Swedish National Pension Fund observes a restrictive policy when it comes to nominating its own officials to board positions in listed companies.

3.2.3 Board fees

The annual general meeting should set all fees for board members. The Fourth Swedish National Pension Fund believes board fees should be fixed and should include no quantitative or qualitative increments. This principle may be waived if special reasons exist for doing so, though an explanation should be provided in such a case.

3.2.4 Evaluating the board's work

A board should undertake regular evaluations of its work and the contribution of individual members.

4. Incentive programmes

The Fourth Swedish National Pension Fund is, in principle, positively disposed to share-related incentive programmes for management and other employees. This is provided that the terms are market-based and that transparent, relevant and up-to-date information is provided and accessible to shareholders in good time before the shareholders' general meeting.

5. Ethical and environmental considerations

The Swedish National Pensions Funds Act stipulates that Funds must describe in their business plans how they plan to incorporate ethical and environmental considerations in their investment activities without compromising return targets.

5.1 Ethical considerations

The Fourth Swedish National Pension Fund regards good ethical standards as a prerequisite for companies being able to provide a good sustainable return on investment. By good ethical standards the Fund means that companies should observe the laws and regulations applicable in the countries in which they operate. They should also have no connection to unacceptable working conditions or drugs, violence, prostitution and other criminal activities. The Fund shall not own shares in companies that deliberately or repeatedly fail to comply with good ethical standards as defined above. Nor shall the Fund acquire shares in companies domiciled in countries subject to trade sanctions imposed by the United Nations or European Union and endorsed by Sweden. Aside from this, the Fund's status as a government authority requires that it does not take part in campaigns or other opinion-forming activities. In the event that a company in the Fund's equity portfolio is suspected of being in breach of good ethical standards, the Fund shall seek to determine the facts immediately. Should the suspicion prove to be well-founded, the Fund can either ask the company for details of what remedial action is planned or can dispose of its holding in an orderly fashion. The nature of any response depends on the gravity of the ethical breach. The Fund shall divest its holding if contacts with a company do not result in a desired improvement.

5.2 Environmental issues

The Fourth Swedish National Pension Fund also regards observance of good environmental practices as a precondition for a good sustainable return on investment. All large, established companies should, in normal circumstances, publish their environmental policies. By observing good environmental practice the Fund means that companies should follow environmental laws and regulations in the countries in which they operate. Furthermore, companies should not be linked with regular or serious violations of recognised international environmental agreements that have been endorsed by Sweden. The Fund shall not own shares in companies that deliberately or repeatedly fail to comply with good environmental practice under the above definition. In the event that a company in the Fund's equity portfolio is suspected of breaches in this regard, the Fund shall seek to determine the facts immediately. Should the suspicion prove to be well-founded, the Fund can either ask the company for details of what remedial action is planned or can dispose of its holding in an orderly fashion. The nature of any response depends on the gravity of the ethical breach. The Fund shall divest its holding if contacts with a company do not result in a desired improvement.

Board, auditors and executive management committee

Board of Directors

Birgit Friggebo

Governor of the County of Jönköping. Born 1941. Chairman since 2000.
Other assignments: Chairman of the County Administration of Jönköping and County Labour Board in Jönköping. Member of the Board of the National Courts Administration and the Swedish Agency for Government Employers. Member of the Advisory Council of the Swedish National Audit Office.

Karl-Olof Hammarkvist

Professor. Born 1945. Vice-chairman since 2000.
Other assignments: Chairman of the Board of VPX and Vice-chairman of VPC.

Göran Johnsson

Chairman of the Swedish Metalworkers' Union.
Born 1945. Member of the Board since 1997. Deputy Member of the Board 1993-1996.
Other assignments: Vice-chairman of the European Metalworkers' Federation and Nordic Metal. Member of the Board of Amnesty Business Group, the Swedish Trade Union Confederation and of Kvinnoforum. Deputy Member of the Board of the Swedish Social Democratic Party and its Executive Committee.

Marianne Nivert

President and CEO of Telia. Born 1940.
Member of the Board since 2000.
Other assignments: Member of the Board of the Confederation of Swedish Industry, Huddinge Universitetssjukhus AB, Lennart Wallenstam Byggnads AB, Chalmers University of Technology, the Centre for Business and Policy Studies, Swedish Exportkredit AB and the World Childhood Foundation.

Sture Nordh

Chairman of the Swedish Confederation of Professional Employees. Born 1952.
Member of the Board since 1999.
Other assignments: Member of the Board of Vinnova, Folksam Liv, Folksam Tjänstemannafonder, the Swedish National Labour Market Administration and the European Trade Union Confederation.

Inga Persson

Professor. Born 1945. Member of the Board since 2000.
Other assignments: Pro-vice-chancellor and Member of the Board of the School of Economics and Management. Lund University. Also Member of the Swedish National Labour Market Administration's Scientific Advisory Board, the STEMU Report and the Centre for European Studies at Lund University.

Ilmar Reepalu

Chairman of Malmö City Executive Board. Born 1943. Member of the Board since 2000.

Other assignments: Member of the Board of Sydkraft AB, Förenade Kommunföretag AB, Att Veta AB and the Swedish Museum of Architecture.

Ulla Reinius

Director of Finansfakta R AB. Born 1937. Member of the Board since 2000.

Other assignments: Member of the Board of Pharmacia Corporation and the Royal Swedish Opera.

Carl Wilhelm Ros

Director. Born 1941. Member of the Board since 1994.

Other assignments: Chairman of the Board of Dahl International and Martin Olsson AB. Member of the Board of INGKA (IKEA) Holding, Bonnier AB, SEB, NCC AB, LKAB and Profil-Gruppen.

Auditors

Pål Wingren. Authorised Public Accountant.

PricewaterhouseCoopers

Per-Olof Akteus. Authorised Public Accountant.

KPMG

Executive management committee

Thomas Halvorsen. President.

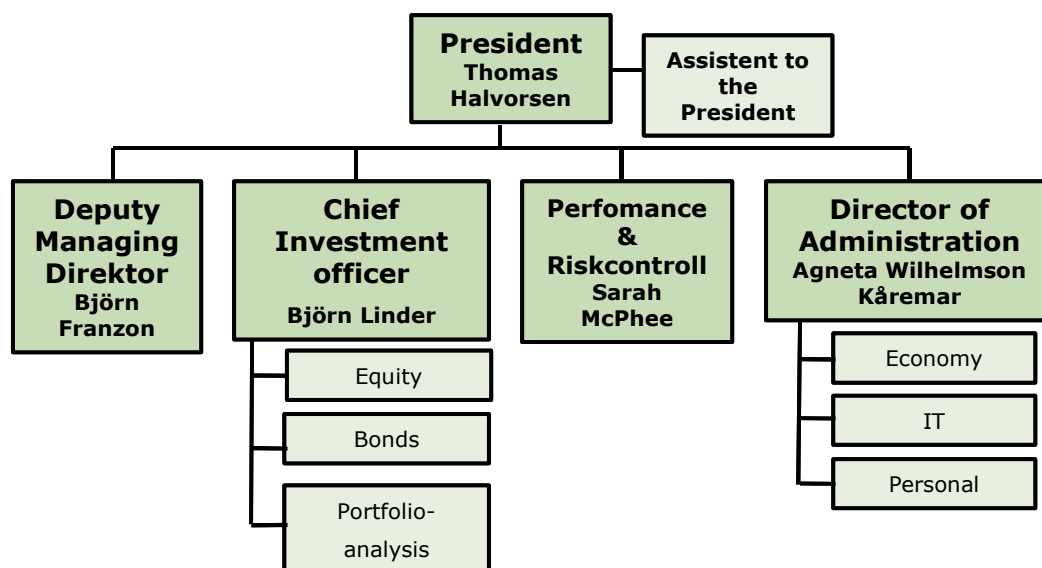
Björn Franzon. Deputy Managing Director.

Björn Linder. Chief Investment Officer.

Sarah McPhee. Chief of Performance and Risk Control.

Agneta Wilhelmson Kåremar. Director of Administration.

Organisation



Executive management committee, left to right: Björn Franzon, Sarah McPhee, Thomas Halvorsen, Agneta Wilhelmson Kåremar, Björn Linder.

Definitions

Active return

Difference between the return on a portfolio compared to the return on its benchmark or reference index.

Active management

Portfolio management via a portfolio composed differently from the index in an effort to secure a higher return.

Active risk

Risk that arises as a result of active management. Is defined as the standard deviation of the difference between fair return and index return, i.e. the standard deviation of the active return.

Asset Liability Modelling

Analysis model used for drawing up the Fund's normal portfolio. An ALM analysis is premised on the Fund's long-term undertakings and the expected return and risk of different asset categories. It simulates theoretical portfolios to provide a basis for selecting a normal portfolio that provides the best possible combination of expected return and risk.

Return

Time-weighted return excluding asset management expenses calculated on a daily basis and assuming that all transactions are carried out at the end of the day. Is used when reporting the result of the full portfolio and sub-portfolios.

EVCA

European Venture Capital Association.

Fundamental analysis

Analysis aimed at predicting a company's future value. Is based primarily on information about a company's management, strategy and financial development and status. Together, these form basis for a valuation.

Global equity portfolio

Comprises equities and equity-related instruments listed on global stock exchanges included in the MSCI World index. (Note that a share listed on the Swedish stock exchange may be included in both the Swedish and global equity portfolios and such shares are allocated to the intended portfolio at time of purchase.) Also includes index funds and any deposits and foreign exchange forward contracts allied to the portfolio. The MSCI World DNI is the reference index and for this reason foreign exchange forward contracts are excluded when comparing performance.

Information ratio

Measurement of risk-adjusted return. Measured as a portfolio's active return compared to its active risk.

Benchmark index

Series of returns to which the Fund's total return and risk is compared.

Credit risk

Risk that a counter party, due to financial incapacity, wholly or partly cannot fulfil his undertakings.

Curve position

Shows the exposure of fixed income assets against comparable interest rates over different terms and in the same local market.

Legal risk

Risk of unforeseen losses arising because of legal errors in agreements and contracts, e.g. that an agreement proves invalid or less advantageous than intended.

Liquidity risk

Risk that a financial instrument cannot be divested within a reasonable period without significantly affecting its pricing.

Market risk

Change in the value of a financial instrument or portfolio in the event of changes in the rates or prices of interest rates, currencies or equities.

Merrill Lynch GBI

The Merrill Lynch Global Bond Index is a return index for government bonds and non-sovereign bonds in their respective markets and is used as the reference index for the foreign part of the fixed-income portfolio.

Modified duration

Measure of interest rate risk. Defined as the percentile change in value of an fixed income security as a result of a 1% parallel shift in the yield curve.

MSCI World DNI

The Morgan Stanley Capital International World Developed Markets Daily Net Index is the reference index for the Fund's global equity portfolio. It charts market developments globally, including dividends.

Fixed-income portfolio

Comprised of fixed income assets including bank deposits and deposits, interest rate derivatives and foreign exchange forward contracts tied to fixed income assets. All these instruments are included when conducting performance assessments. The Fund's reference index is denominated in SEK.

Normal portfolio

The distribution of assets deemed to correspond best to the Fund's long-term objectives and targets. Its composition is determined by the Fund's Board of Directors following an ALM analysis. The normal portfolio thus determines the benchmark index against which the Fund's risk and return are compared.

Operational risks

Collective term for risk of losses arising through operational disruptions e.g. human error, deficient systems, inferior instructions or routines, and shortcomings in business agreements.

Passive management

Management of a portfolio whose composition exactly mirrors that of its benchmark index.

Reference index

Index series against which a portfolio's return and risk is compared, e.g. the MSCI World DNI or SIX Return Index.

Stock selection

The taking of active positions in different equities in order to achieve an excess return.

Handelsbanken Markets Index-linked Bond Index

Svenska Handelsbanken's return index for Swedish index-linked bonds.

Handelsbanken Markets Bonds Index

Swedish Handelsbanken's return index for Swedish fixed-income bonds.

SIX Return Index

Reference index for the Fund's Swedish equity portfolio. Charts market performance of companies listed on the Stockholm stock exchange's A and O lists, including dividends.

Swedish equity portfolio

Consists of equities and equity-related instruments listed on the Swedish stock market and unlisted Swedish shares and participations with the exception of shares in AP Fastigheter. The reference index is the SIX Return Index.

Tactical asset allocation

Active position-taking between different asset categories in order to achieve an excess return.

Volatility

A risk yardstick that corresponds to the measured standard deviation of the return on an asset. It shows the extent to which returns vary.