



AP4's brief is to manage the Fund's capital for the best possible return over time.

During the first six months of 2010, the Fund contributed more than SEK 2 billion to Sweden's pension assets. The Fund outperformed its benchmark index by 0.4 percentage points, thus increasing assets by almost SEK 700 million during the period.

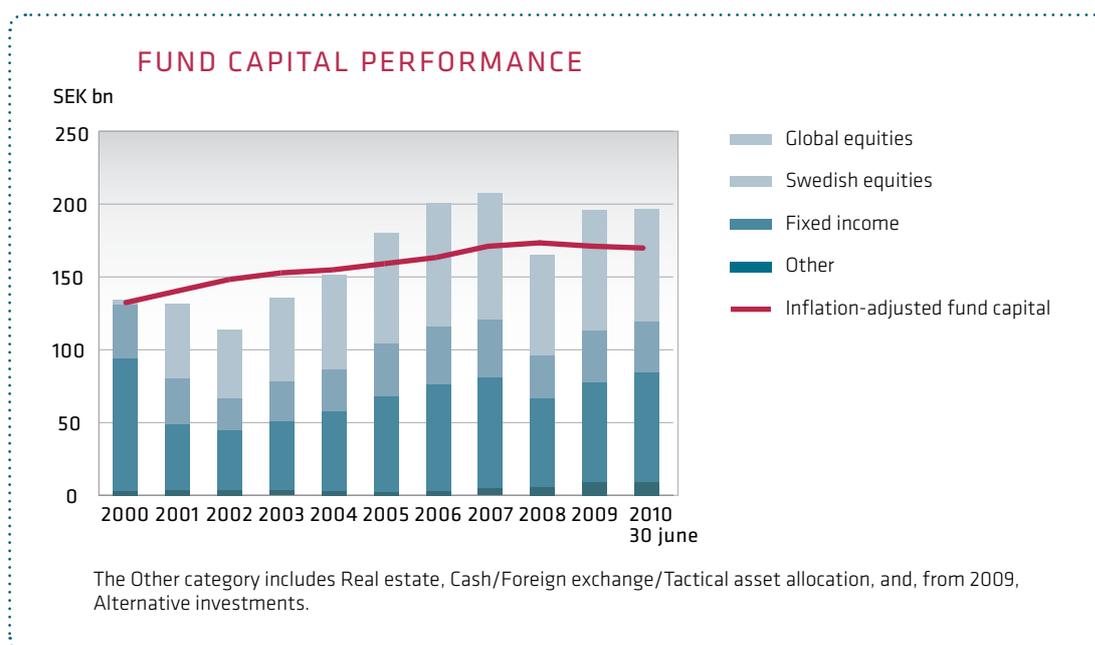
INTERIM REPORT

1 JANUARY – 30 JUNE 2010

INTERIM REPORT HIGHLIGHTS

JUNE 2010

- Fund capital totalled SEK 196.2 billion (175.7) at 30 June 2010. Fund capital rose SEK 0.4 billion (11.0) during the first six months, the combination of SEK 2.4 billion (12.7) in profit for the period and SEK -2.0 billion (-1.7) attributable to net payments to the pension system.
- The net profit was SEK 2.4 billion (12.7) for the period, for a total return on assets of 1.3% (7.9) before expenses. The total return after expenses was 1.2% (7.8).
- The active return – that is, the return exceeding the benchmark index – equalled 0.4 (1.0) percentage points before commission expenses. The active return represents a contribution of close to SEK 0.7 billion.
- During the nine and a half years since the pension system was reorganised, the Fund has averaged 2.9% per year in return after expenses, corresponding to an average real (inflation-adjusted) return of 1.3% per year.
- At 30 June, the Fund's foreign currency exposure was 14.8% (14.5).



LETTER FROM THE CEO

The Fourth National Pension Insurance Fund paid an absolute return of SEK 2.4 billion for the first six months despite a slightly negative trend in stock markets as measured by global indexes. The Fund outperformed its benchmark index by 0.4 percentage points, thus increasing assets by almost SEK 700 million during the period.



The vigorous recovery that characterised global stock markets in 2009 subsided in the first six months of 2010. The market, as measured by a global index, trended downwards somewhat. Interest rates on bonds have declined to some extent, and central bank governors remain extremely cautious about raising benchmark interest rates from their record low levels. However, the international economy shows signs of recovery, though the recovery must be regarded as fragile. At the same time, many countries' serious debt problems – not the least in Europe – have come to light, raising concerns and contributing to the capital markets being quite volatile at times.

For the first six months of 2010, AP4 delivered an absolute return of more than 1%, corresponding to a surplus of SEK 2.4 billion. This was a modest result, but market conditions for asset managers have been trying. The Fund's active return, in other words the return compared to the index, approached 0.4 percentage points. In ready money, that meant AP4 generated value added during the period close on SEK 700 million.

The Fund's more strategic positions, with an investment horizon of three to five years, also lifted overall performance for the first six months. This may be attributed primarily to less foreign currency exposure than normal.

We are pleased we can continue delivering a positive active return following our extensive work for change that the Fund carried out in 2007 and 2008. Now we have clear indications that it is possible for managers of portfolios the size of AP4's to successfully manage assets actively and at a profit. All the same, it is worth noting that the burden of proof remains with us and that the evaluation period should extend more than just a few years.

Regarding the various sub-portfolios, the Fund's fixed interest and foreign exchange group once again delivered compelling results in the first half of 2010. The global equity managers achieved a positive active return as well – carrying minimal risk. The group managing the Swedish equity portfolio in the small and medium-sized enterprise segment likewise can look back on a strong first half.

“We are pleased to continue to deliver a positive active return following our comprehensive work for change.”

GREATER EXPOSURE TO RESIDENTIAL PROPERTIES

A red-letter event during the period was AP4's acquisition of the property management company Dombron from Vasakronan. Dombron, which AP4 took over at 1 July, owns and manages residential properties with a market value exceeding SEK 5 billion. AP4 has additional room to increase its exposure to real estate. Dombron provides us with an outstanding base for future expansion in the residential property segment. I am not ruling out that such expansion may be in cooperation with other long-term investors similar to AP4. What is attractive about investment in residential properties is that the real returns are relatively stable over time. In addition, an investor such as AP4 can act as a long-term owner in this market, which is increasingly desirable.

AP4 – A COMPETITIVE ASSET MANAGER

A pension manager such as AP4 is subject to periodic assessments. Not infrequently, one hears the opinion that our costs are too high and our asset management methods do not deliver the desired results. With that in mind, I was particularly satisfied by the results of the Swedish government's recently published assessment of the AP Funds, for financial year 2009. According to the report, the Funds' returns for the past five years, including the tough years of 2008 and 2009, compared favourably with those of other asset managers, including international ones. In addition, the report states that the AP Funds' expenses lie in the lower interval of analogous funds outside Sweden. Our self-evident goal is to work steadily to make our management even more cost-effective at the same time as we attempt to improve further our active return while limiting risk.

Mats Andersson, CEO

FUND CAPITAL PERFORMANCE

Fund capital totalled SEK 196.2 billion (175.7) at 30 June 2010. Fund capital rose SEK 0.4 billion (11.0) during the first six months, the combination of SEK 2.4 billion (12.7) in profit for the period and SEK -2.0 billion (-1.7) attributable to net payments to the pension system.

AP4 generated a return of 1.3% (7.9) during the first half of 2010. The highest returns were achieved by the Fund's Swedish equity portfolio, 6.1% (24.9), and fixed income assets, 4.5% (0.9), while the global equity portfolio posted a hedged return of -7.1% (5.7). Strategic foreign currency exposure contributed 1.1 (0.5) percentage points to the Fund's total return.

Active management outperformed the benchmark index by 0.4 (1.0) percentage points, contributing SEK 0.7 billion to the return. The biggest contribution to the Fund's active return came from the fixed income portfolio, which outperformed its benchmark index by 0.6 (1.4) percentage points. The global equity portfolio and foreign exchange management outperformed their benchmark indexes, by 0.2 (0.4) percentage points and 0.1 (0.1), respectively, while the return

on the Swedish equity portfolio differed from its benchmark index -0.1 (0.5) percentage points.

In the past nine and a half years (that is, since the start of 2001), the Fund has earned a return after expenses of 30.7%, for an average annual return of 2.9%. Adjusted for inflation, this corresponds to an annual real return of 1.3%.

This return falls short of the 4.5% real return per year on average over a ten-year period targeted by the Fund, mainly as a result of the 2002 and 2008 stock market crashes.

EXPENSES REMAIN LOW

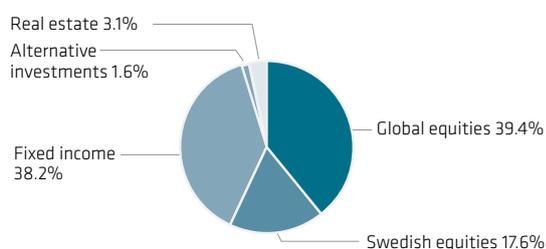
Operating expenses excluding commission expenses increased, to SEK 89 million (87).

Commission expenses totalled SEK 17 million (13).

The management cost ratio, excluding commission expenses, was 0.09% (0.10) on an annualised basis. Including commission expenses, the ratio was 0.11% (0.12).

The Fund works closely with AP1, AP2, and AP3 to identify additional measures to enhance efficiency and reduce expenses for the funds.

ACTUAL PORTFOLIO, 30 JUNE 2010



AP4's investment assets are dominated by listed equities and interest-bearing corporate bonds.

CHANGE IN FUND CAPITAL

SEK bn	2010 Jan-Jun	2009 Jan-Dec
Fund capital, opening balance	195.7	164.7
Net payments to the pension system	-2.0	-3.9
Profit/Loss for the period	2.4	34.9
Fund capital, closing balance	196.2	195.7

Fund capital consists of investment assets and balance sheet items from the Fund's management activities, such as trade payables, pension liabilities for AP4 employees, and the like.

MARKET OVERVIEW

The first six months of 2010 will be remembered in the financial markets for uncertainty and high volatility. Concerns about several European states' public finances and banks sparked uncertainty about the strength of the global economic recovery.

Indeed, the Stockholm Stock Exchange experienced its share of turbulence during the period, though returns were still on the plus side, which was not true for many other markets. A number of stock markets, primarily in southern Europe, suffered negative trends, and the euro weakened against the U.S. dollar as well as against some other currencies. With the aim of saving the troubled euro countries, in early May the European Union and International Monetary Fund announced a comprehensive aid package of EUR 720 billion. The G20 countries agreed to

a common goal of cutting their budget deficits in half by the year 2013, with an eye to cleaning up the finances of heavily indebted states.

Yields on government bonds fell on a broad front for borrowers deemed solid, including the Scandinavian countries, the United States, Japan, and Germany. At the same time, the price of gold rose to record highs. These developments reflected a preference for less risky assets.

Increased regulation of the financial sector and banks was debated worldwide, as was China's ability to grow robustly without overheating. China is a significant export market for many countries, which intensified the attention of the rest of the world on that country's economic development. Facing the latter half of the year, the macroeconomic outlook remains uncertain.

INVESTMENT ASSET PERFORMANCE

INVESTMENT ASSETS, ALLOCATION AND RETURNS

Asset class	Return, Jan-Jun 2010		Contribution, Jan-Jun 2010			Asset mix, 30 Jun 2010	
	Portfolio return, %	Active return, %	Contribution to total portfolio return, %	Contribution to profit/loss for the year, SEK bn	Contribution to active return, %	Market value, SEK bn	Exposure ⁴⁾ , %
Global equities	-7.1	0.2	-3.0	-6.0	0.1	77.8	39.4
Swedish equities	6.1	-0.1	1.1	2.2	0.0	34.6	17.6
Fixed income assets	4.5	0.6	1.5	3.1	0.2	75.7	38.2
Active tactical asset allocation ¹⁾	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
Active foreign exchange management ¹⁾	0.1	0.1	0.1	0.2	0.1	0.0	0.0
Total actively managed liquid assets	-0.3	0.4	-0.2	-0.6	0.3	188.1	95.3
Alternative investments	7.6		0.1	0.2		3.1	1.6
Real estate	9.0		0.3	0.6		6.1	3.1
Total actively managed assets	0.1		0.2	0.2		197.4	100.0
Implementation of the strategic portfolio ²⁾	1.1		1.1	2.4		-1.1	0.0
Total investment assets	1.3		1.3	2.5 ³⁾		196.3	100.0

1) Portfolio return and active return based on total investment assets.

2) Passive tactical asset allocation, strategic foreign exchange, cash, and the strategic position.

3) Profit/Loss before expenses. The profit after expenses totalled SEK 2.4 billion.

4) Exposure includes the underlying value of derivatives in tactical asset allocation for each asset class.

SWEDISH EQUITY MANAGEMENT

At 30 June, the market value of the Swedish equity portfolio was SEK 34.6 billion (32.8), excluding unlisted equities, corresponding to 17.6% (18.7) of assets. The return for the period was 6.1% (24.9), which differed -0.1 (0.5) percentage points from its benchmark index.

GLOBAL EQUITY MANAGEMENT

At 30 June, the market value of the global equity portfolio was SEK 77.8 billion (72.8), corresponding to 39.7% (41.4) of assets. The portfolio's return for the period was -7.1% (5.7), 0.2 (0.4) percentage points better than its benchmark index. This outperformance of global equities was attributable to the way the portfolio's index management handled index rebalancing and arbitrage.

FIXED INCOME MANAGEMENT

At 30 June, the market value of the fixed income portfolio was SEK 75.7 billion (61.3), corresponding to 38.6% (34.8) of assets. The portfolio's return for the first six months was 4.5% (0.9), 0.6 (1.4) percentage points better than its benchmark index.

This outperformance primarily resulted from fixed income management's trading in U.S. government bonds as well as positions in European government bonds.

FOREIGN EXCHANGE MANAGEMENT

During the first six months, foreign exchange management generated a positive active return, chiefly by taking positions for a stronger Swedish krona and U.S. dollar against a weaker euro.

At 30 June, total foreign currency exposure was 14.8% (14.5), up slightly since the start of the year.

TACTICAL ASSET ALLOCATION

The contribution from active tactical asset allocation to the Fund's return for the first six months of 2010 was -0.03 (0.02) percentage points. Returns suffered from overweighting in European equities and underweighting in Swedish equities at the peak of concerns about European states' public finances.

REAL ESTATE

The carrying amount of AP4's real estate holdings is SEK 6.1 billion (6.5). These assets returned 9.0% (-3.5) for the first six months.

The Fund's main exposure to real estate as an asset class is its 25% holding in Vasakronan, owned jointly with AP1, AP2, and AP3.

During the first six months, AP4 acquired the residential property management company Dombron from Vasakronan.

The purchase consideration was SEK 5 billion. Control of the company was not transferred until 1 July 2010, so Dombron has not been included in the income statement and balance sheet.

The real estate and rentals market is showing increasing signs of recovery, though the number of transactions is still limited.

ALTERNATIVE INVESTMENTS

At 30 June, the market value of alternative investments excluding real estate was SEK 3.1 billion (2.0), corresponding to 1.6% (1.1) of total Fund assets. The total return was SEK 0.2 (-0.1) billion.¹

STRATEGIC POSITIONS

Overall the Fund's strategic positions contributed 0.27 (-0.32) percentage points to the return during the first six months of 2010. "Strategic positions" encompasses asset allocation, foreign currency exposure, choice of index, and other factors.

CORPORATE GOVERNANCE

During the first six months, the Fund was represented at 56 shareholders' meetings, 52 of which were annual general meetings. The meetings of companies in which AP4 has a significant holding have top priority.

For companies listed on foreign stock exchanges, the Fund exercised its voting rights at about 350 shareholders' meetings. This is done cost-effectively thanks to collaboration among AP1, AP2, AP3, and AP4.

Representation on nominating committees is one of the Fund's most important means of exercising its influence. During the period, the Fund participated in 14 nominating committees for AGMs held in 2010, chairing two of the committees.

The principal task of a nominating committee is to propose a balanced slate for the board. In addition to the appropriate expertise and experience, diversity is important. The Fund has succeeded in nominating women to boards. The proportion of female directors increased for companies where the Fund participated in the work of the nominating committee, averaging more than 30% in such companies, compared to about 22% for other companies on the stock exchange. The proportion of women newly elected, in companies where the Fund has had representatives on the nominating committee, was 50%, compared to the 2010 average of about 36% on the stock exchange.

Prior to AGMs, the Fund has also discussed long-term remuneration and incentive programmes with company boards.

In several cases, these discussions resulted in less generous terms as well as improved disclosure on the part of the companies. As a result of several years of involvement by institutional investors in the remuneration issue, incentive programmes have steadily improved.

The Ethical Council is a collaborative effort of AP1, AP2, AP3, and AP4 with the purpose of working together for positive change in foreign companies that can be linked to violations of international conventions on the environment or human rights. In the spring, the Ethical Council published its annual report for 2009. The report and more information about the work of the Ethical Council are available at www.ap4.se/etikradet.

The Fund will publish a more comprehensive corporate governance report at www.ap4.se in autumn 2010.

PERSONNEL

At 30 June, the Fund had 51 employees, two fewer than at 31 December.

BOARD OF DIRECTORS

At the end of May, the Ministry of Finance announced that Jakob Grinbaum had been appointed a member of the Fund's Board of Directors. Jakob Grinbaum replaces Inga Persson, who had been a member of the Board since 2000 and declined re-election. In the beginning of July, after the end of the period, Elisabeth Nilsson was appointed a member of the Fund's Board. With nine directors, the Fund now has a complete Board.

ACCOUNTING POLICIES

This interim report was prepared in accordance with the accounting and valuation policies jointly prepared by the AP Funds. These are presented on page 24 of AP4's 2009 annual report.

NEXT REPORTING DATE

The full annual report for the 2010 financial year is scheduled to be published on 18 February 2011.

¹) Earnings are recognised without hedging for the first half of 2010 but with full hedging the first half of 2009. For the first six months of 2009, earnings without hedging were SEK -0.1 billion.

INCOME STATEMENT AND BALANCE SHEET

INCOME STATEMENT			
SEK mn	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
OPERATING INCOME			
Net interest income	1,545	1,702	2,997
Dividends received	1,961	2,206	2,944
Net income, listed shares and investments	-4,427	8,047	26,578
Net income, unlisted shares and investments	610	-517	-314
Net income, fixed income assets	1,463	-406	554
Net income, derivatives	-312	1,634	3,004
Net income, changes in exchange rates	1,705	158	-666
Net commission expenses	-17	-13	-25
Total operating income	2,528	12,811	35,072
OPERATING EXPENSES			
Employee benefits expense	-49	-43	-93
Other administrative expenses	-40	-44	-81
Total operating expenses	-89	-87	-174
PROFIT/LOSS FOR THE PERIOD	2,439	12,724	34,898

BALANCE SHEET			
SEK mn	30 Jun 2010	30 Jun 2009	31 Dec 2009
ASSETS			
Shares and investments, listed	104,906	98,618	111,368
Shares and investments, unlisted	5,097	4,055	4,473
Bonds and other fixed income assets	79,325	64,544	70,301
Derivatives	9,867	9,346	9,100
Cash and bank balances	1,150	1,508	708
Other assets	13,128	370	25
Prepaid expenses and accrued income	1,663	1,644	2,029
Total assets	215,136	180,085	198,004
LIABILITIES AND FUND CAPITAL			
Liabilities			
Derivatives	5,584	3,252	1,764
Other liabilities	13,263	679	373
Deferred income and accrued expenses	128	444	149
Total liabilities	18,975	4,375	2,286
Fund capital			
Fund capital, opening balance	195,718	164,726	164,726
Net payments to/from the pension system	-1,996	-1,740	-3,906
Profit/Loss for the period	2,439	12,724	34,898
Total fund capital	196,161	175,710	195,718
TOTAL LIABILITIES AND FUND CAPITAL	215,136	180,085	198,004

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OVERVIEW

Overview	Jun-2010	2009	2008	2007	2006	2005
Fund capital, flows, and profit/loss, SEK bn						
Fund capital	196.2	195.7	164.7	207.3	200.5	180.1
Net inflows from the pension system and special asset management funds	-2.0	-3.9	0.9	2.0	1.7	2.9
Profit/Loss for the period	2.4	34.9	-43.5	4.8	18.8	25.8
Return, %						
Return on total portfolio excluding expenses	1.3	21.6	-20.8	2.5	10.5	16.9
Return on total portfolio including expenses	1.2	21.5	-21.0	2.4	10.4	16.8
Return on total portfolio versus index, excluding expenses	0.5	0.9	-1.1	-1.0	-0.6	-0.1
Return on listed assets versus index, excluding expenses ¹⁾	0.4	1.4	-0.5	-1.2	-0.5	-0.1
Inflation	0.4	0.9	0.9	3.5	1.6	0.9
Real return after expenses	0.8	20.6	-21.9	-1.0	8.8	15.9
Management costs as a percentage of assets under management						
Operating expenses	0.09	0.10	0.08	0.07	0.07	0.08
Operating expenses and commission expenses	0.11	0.11	0.11	0.10	0.11	0.13
Risk in total portfolio, %						
Portfolio, ex-post ²⁾	9.0	11.6	17.1	8.6	7.1	4.7
Active risk, ex-post	0.3	0.4	0.7	0.7	0.8	0.8
Sharpe ratio ²⁾		1.8	neg	neg	1.0	3.1
Foreign exchange exposure, %						
	14.8	14.6	14.5	14.2	15.1	10.1
Proportion under active management, including enhanced, %						
	60.3	57.7	59.7	93.5	100	100
Proportion under external management, including investments in venture capital firms, %						
	20.4	21.1	41.9	17.8	17.3	18.8
Number of employees at end of accounting period						
	51	53	50	45	46	50
Allocation of investment assets, % ³⁾						
Global equity portfolio	39.4	42.4	41.7	42.0	42.2	42.2
Internally managed	23.9	25.8	0.0	24.2	25.1	23.6
Externally managed	15.5	16.6	41.7	17.8	17.1	18.6
Swedish equity portfolio	17.6	18.0	18.0	18.8	19.9	20.0
Fixed income portfolio	38.2	34.9	36.8	36.9	36.3	36.4
Real estate	3.1	3.2	4.1	2.4	2.3	2.1
Alternative investments ⁴⁾	1.6	1.3				
Foreign exchange/Tactical asset allocation/Cash	0.0	0.3	-0.6	-0.2	-0.7	-0.7
Total investment assets	100.0	100.0	100.0	100.0	100.0	100.0

1) Refers to actively managed listed assets starting in 2008 and total listed assets prior to 2008.

2) Refers to listed assets (investment assets excluding alternative investments and real estate); prior to 2009 refers to all investment assets.

3) Refers to exposure by asset class; underlying values for derivatives have been distributed by asset class.

4) Alternative investments are included in global and Swedish equities before 2009.