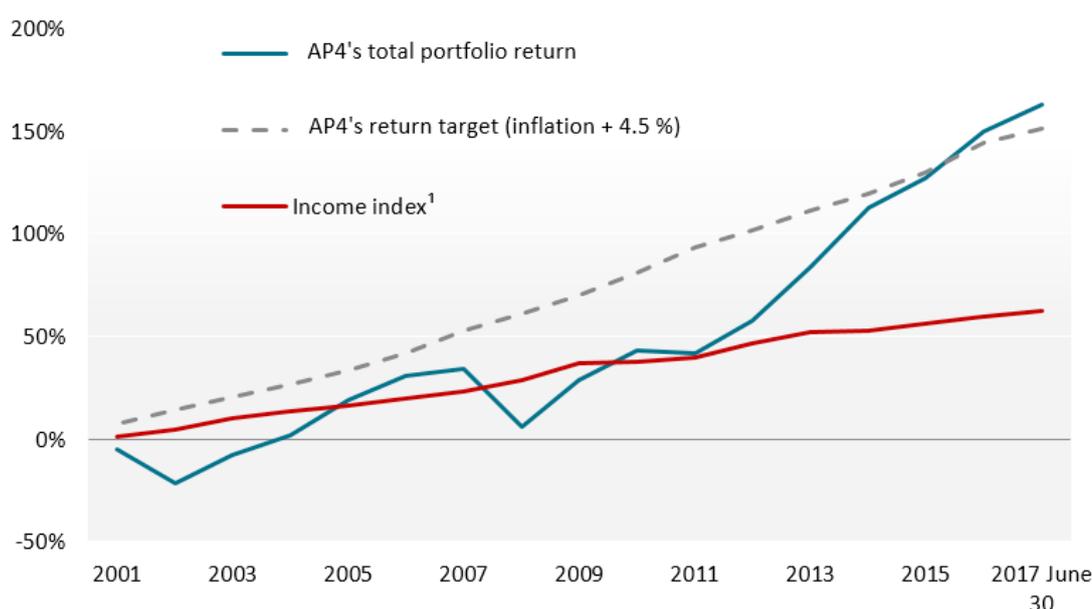


AP4s Fund Capital increases to SEK 348 billion

With a positive result of almost SEK 17 billion, the Fourth Swedish National Pension Fund's (AP4) fund capital increased to SEK 348 billion - a new record level. AP4's return, after costs, amounted to 5.2 percent for the first six months. AP4's average annual return over the last ten years has increased to 6.5 percent after costs, which exceeds wage growth (income index) and AP4's long-term return target by a wide margin.



YEAR IN BRIEF, KEY FIGURES	June 30, 2017	June 30, 2016	Dec 31, 2016
Fund capital at June 30, 2017, SEK bn	347.6	312.5	333.9
Net profit, SEK bn	17.3	5.6	30.5
Net disbursements to pension system, SEK bn	-3.7	-3.2	-6.6
Fund capital at January 1, SEK bn	333.9	310.0	310.0
Expense ratio, operating expenses % ²	0.06	0.06	0.06
Expense ratio, commission fees % ²	0.04	0.04	0.04
Total expense ratio, % ²	0.10	0.10	0.10
Return after expenses, %	5.2	1.9	10.0
Real return after expenses, % ³	4.5	1.1	8.3
Annual total return after expenses, average 5 years, %	11.8	9.7	12.0
Annual total return after expenses, average 10 years, %	6.5	6.8	6.7
Real annualized return after expenses, 10.0 years, % ³	5.4	5.7	5.5

¹ Assumes that over a one year period the development of the income index can be divided equally over each half-year period. This is a simplification given the income index for 2017 is calculated based on the income development between 2015 and 2016 and the income index for 2016.

² At the interim report, the expense ratio is calculated on a full-year basis.

³ The KPI for June 2017 is an estimate, since this figure was not available at the time of publication of this report.

Positive contribution to the pension system

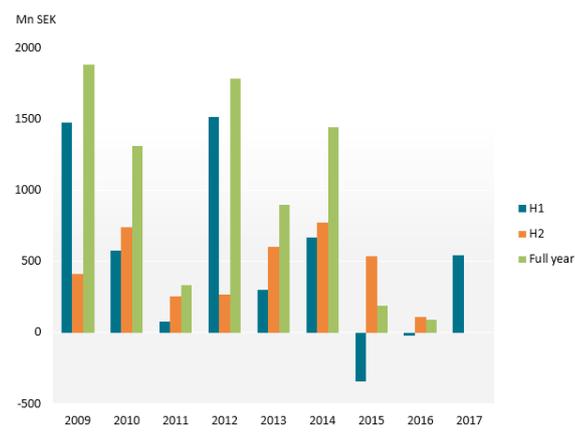
AP4 exceeds the return target and the income index

Over the past ten years, AP4 has returned 88 percent after costs. This equates to an average annual return of 6.5 percent, corresponding to a real return of 5.4 percent after adjusting for inflation, which exceeds AP4's 4.5 percent long-term real return target.

Since the start, January 1 2001, the return after costs amounted to a yearly average of 6.0 percent. The return surpasses the income index, which increased by 3.0 percent annually. The income index is the basis for the accumulated liability of the income pension system. AP4 has contributed positively to the pension system's assets and to the system's stability.

AP4's real return since launch, i.e. in addition to inflation, is 4.7 percent and exceeds the long-term target of 4.5 percent in real return. Refer to the graph on page one.

Outperforms the index every year since 2009



AP4 conducts active management. In other words, the goal is to generate a return that exceeds both the index and the market as a whole. The graph above shows that the strategy has been successful and that the Tactical management has exceeded the index for many successive years. AP4 also surpassed the index during the first half of 2017.

Net payments continue

One of the strengths of the Swedish pension system is that it strives to be generational neutral. The large generation born during the 40's contributed during their work lives with net inflows to the pension system. Now as they retire, the AP Funds contribute capital to the pension system, which bridges the demographic differences between generations. Since 2009, the AP Funds have contributed capital to cover the pension system's deficit between pension contributions paid in and pension contributions paid out. AP4 has paid out a total of SEK 40 billion since the time when net flows to the system became negative.

Government evaluation positive

– The AP Funds have continued to contribute positively to the income pension system while simultaneously reducing costs compared to the previous year. This safeguards our future pensions, says Finance Minister Per Bolund, in a press release regarding the Government's annual evaluation of the AP Funds.

The Government's evaluation showed that since inception in 2001 through 2016, the AP Funds average return amounted to 5.6 percent per year - well above the income index during the same period, which increased by 3.0 percent per year. The AP Funds' share of the income pension system's assets has increased from 10 to 15 percent since the start.

An external study shows that the AP1-AP4 Funds are cost-effective compared to a selection of foreign pension funds with similar mandates and size. More specifically for AP4, the survey shows that AP4's costs are nearly 60 percent lower than the average cost of the comparison group and 40 percent lower when adjusting for asset allocations and size.

The Government is positive to the sustainability work undertaken by the AP Funds and the AP Funds Ethical Council, where many of the sustainability efforts have been recognized with awards in Sweden and internationally. The Government notes that these issues are important, and work should continue with unabated intensity.

The Government also considers it positive that in 2016 AP1-AP4 increased the cooperation between the funds, which can contribute to cost efficiency without negatively impacting the funds' independence or diversification of management models.

Source: Governmental evaluation published Spring 2017, Skr. 2016/17:130

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“Our ambition is to further broaden and integrate sustainability into our investments, both in terms of business opportunities and risk reduction.”

Focus on the long-term

We have seen broad based economic growth internationally during the first half of 2017, and the financial markets have overall had a positive development.

Generally strong corporate earnings reports in the first quarter and profit growth that was broad based across both regions and sectors was one result of this trend. The increased confidence from companies in the economic recovery, together with improved earnings growth, has resulted in increased demand for investment goods. The number of IPOs in the Swedish equity market remained high.

Results were also strong for AP4 with earnings of almost SEK 17 billion for the first half of the year. Assets grew to almost SEK 348 billion and the return for the period after costs was 5.2 percent at the end of June, with good contributions from both our Strategic and Tactical management. Over time, AP4 has contributed positively to the financial strength of the pension system.

Short term, we see no reasons for economic growth to weaken. However, there are several major imbalances and risks including geopolitical, which can cause concern, turbulence and adversely affect economic development.

In particular, I want to highlight the risks associated with the long period of almost extreme monetary policy carried out in most of the major developed countries. This policy of enormous liquidity injections together with very low, or even negative, interest rates has helped create major imbalances, which can cause significant problems when monetary policy is normalized at some point in the future. A generally high debt level in many countries further risks complicating an orderly process of normalization.

If and when turbulent times transpire, it is important for us to take advantage of the opportunities that arise given our long-term perspective. The AP Funds have a unique mandate in several respects, both in terms of our long-term perspective and our capacity to bear risk. We can stand firm even in times of market turmoil, when many other players of various legal, or for structural reasons, are forced to take short term measures. In such times, we can “go against the flow” and take advantage of business opportunities that arise that we believe are profitable long-term.

Evaluation positive of AP Funds

This year’s Government evaluation of the AP Funds affirms that AP4’s long-term returns measures up favorably in an international comparison. The report also noted that AP4 has exceeded both its long-term return target and the income index over all periods analyzed.

In AP4’s endeavor to deliver as high as possible a sustainable return after costs, cost effectiveness is of course of key importance. It is therefore gratifying that the Government evaluation also maintains that the AP Funds overall have significant cost-effectiveness. In an international comparison of similar pension funds, it is specifically noted that AP4’s costs are nearly 60 percent lower than the average costs of the comparison group and 40 percent lower after adjustments for asset allocations and fund size.

Modernized regulations

Only just recently, the Government proposed changes to the regulations for AP1-AP4. Broadly, the requirement to hold liquid and credit-worthy interest-bearing assets is reduced from 30 to 20 percent of the portfolio. The proportion of illiquid investments is proposed to increase from 5 to 40 percent, however it is proposed that property investments should be included in the increased mandate. Formulations regarding responsible

investment and governance are also introduced in the law. AP4 welcomes the proposal. A modernization of the current investment rules will provide us with even better possibilities to achieve our long-term return target and thus fulfill our mission in the pension system.

In addition to greater freedom in the choice of assets, it is also crucial that sufficient flexibility is provided so investments can be made as cost-effectively as possible. Opinions regarding the proposed changes should be submitted by October 26. The ambition of the Ministry of Finance is for the amended rules to apply as of July 1, 2018.

Sustainability is central for AP4

The world is facing a number of major sustainability challenges. This is something that AP4 has focused on for a long time - and that we work with daily. We have, among other things, reduced the climate risk of our assets through investments in low-carbon strategies. At the beginning of the year 24 percent of our global equity portfolio was invested in low-carbon strategies; by the end of the first half of the year this had increased to 27 percent. We aim to increase this to 30 percent by the end of 2017.

Our ambition is to further broaden and integrate the analysis of sustainability aspects as part of our investment process - both in terms of risks and business opportunities. Our approach naturally includes sustainability aspects generally, but with the intention of having a greater focus on Climate and the Environment and Corporate Governance - two areas that have a major impact on our portfolio and which we consider to be central to our long-term return. In addition to return on investment, we believe, as managers of buffer capital, that we have an important role to current and future Swedish pensioners in contributing to the way we can overcome major sustainability challenges that we all face, and to work for sustainable development.

AP Funds Ethical Council celebrates its 10th anniversary. I would also like to highlight the sustainability and governance work AP1-AP4 together manage through the AP Funds' Ethical Council. The Ethical Council is now an established and respected participant in Sweden and internationally. The 10th anniversary was marked earlier this year through, among other things, a well-attended seminar where both Al Gore and Johan Rockström participated as distinguished speakers.

It is also gratifying that our work continues to be highlighted in Sweden and internationally and that both AP4 and the Ethical Council received awards during the Spring as evidence of our efforts.

Development work

AP4 has a strong platform and organization. However, our world is changing rapidly, which also requires that we continually develop as an organization to be at the forefront. With this backdrop, extensive development work was initiated in early 2017. Of the initiatives that have already been implemented within this framework, I want to specifically mention a major reorganization, which aims to better support the areas AP4 sees as strategically most important going forward. In conjunction with the organizational change, a new comprehensive strategic plan was also presented. This plan covers how we will develop our organization over the next three years within all areas of the fund to live up to our vision and high ambitions.

Asset management is a very knowledge-intensive area, where AP4 is as good as the knowledge-base and motivation of its employees. For this reason, the development work focused on our values as well as how we can attract, develop and retain those individuals who best meet the knowledge and skills required for our operations to continue to develop successfully over time.

“It is crucial that the AP Funds also be given the opportunity to invest cost-effectively in illiquid assets”

I am proud of all my colleagues at AP4 that have made tremendous efforts in contributing to our strong results, and to wholeheartedly embracing and initiating the major development work that has started. Therefore, I would like to conclude by thanking all the very talented and dedicated AP4 employees!



Niklas Ekvall, CEO

Asset values and return

AP4's capital, amounting to SEK 348 billion, is invested in various asset classes such as equities, interest-bearing securities and real estate.

Positive market development

Equity markets maintained their strong performance during the first half of the year, where the MSCI ACWI (the world index in local currency) returned just over nine percent. Long-term government interest rates for the major markets moved sideways during the first half of the year, and the Swedish krona strengthened against, above all, the US dollar, the Japanese yen and the British pound.

- Significant positive contribution from listed shares, both Swedish and global;
- Positive return from Real Estate;
- Interest-bearing assets developed slightly positive;
- Stronger Swedish krona resulted in a negative currency contribution.

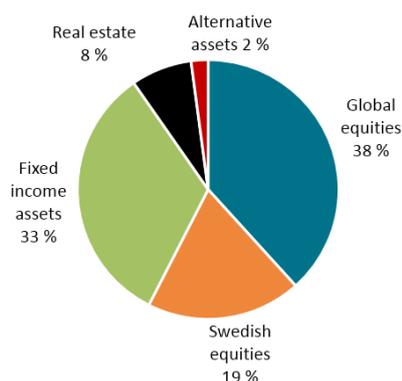
Asset class	Market value, SEK bn	Portfolio return, %	Contribution to profit/loss for the period, SEK bn
Equities, total	199.9	9.4	17.9
Global equities	133.2	8.7	11.2
Swedish equities	66.7	11.0	6.7
Fixed income assets	113.7	0.3	0.3
Real estate	26.2	10.4	2.5
Alternative assets	7.3	4.5	0.4
Currency	-0.0	-1.0	-3.5
Other ¹	0.5	-0.0	-0.1
Total investment assets²	347.6	5.3	17.5

¹ Other consists of cash as well as Strategic and Tactical asset allocations.

² Returns and profit before expenses. Return after expenses was 5.2 percent, corresponding to a profit after expenses of SEK 17.3 billion.

Listed shares more than half of the assets

The Board has determined that AP4 has the best opportunity of achieving the long term goal of high returns by holding a high proportion of listed equity.



Positive contribution from three investment horizons

AP4 has a management structure based on three investment horizons: 40 years, 3-15 years and up to three years. The three different management horizons give AP4 the possibility to make the most of investment opportunities with expected good returns, which also provides additional risk diversification. This structure allows for a longer investment horizon than most other investors, and is estimated to increase AP4's potential for high returns over time. All three time horizons have contributed positively since the structure was put in place in 2013, where total result over the period amounts to SEK 147 billion.

Normal portfolio - 40 years is a reference portfolio consisting of indices, where the asset allocation is resolved by the Board. Since the start of the management structure in 2013, the Normal Portfolio's contribution amounts to SEK 118.7 billion, of which the decision to have a high proportion of listed equity attributed to largest positive contribution.

AP4's assets, such as equities, interest-bearing securities and real estate, are managed within the Strategic and Tactical Management.

Strategic management - 3 – 15 years has contributed SEK 24.8 billion to earnings since the start of the management structure in 2013, of which the largest contributions are from Swedish equities and Real Estate. Every year since start and to date, 2017, the Strategic Management has generated a return better than the index.

Tactical management – with a time horizon of up to three years - has since the start of the structure in 2013, contributed positively to earnings by 3.1 billion and generated a return better than the index. The return was better than the index even in the first half of 2017.

High quality at low cost

Cost-effective management increases AP4's ability to reach its long-term goal of creating the highest sustainable return after costs. AP4's management costs have over time amounted to 0.10 percent, which is low and competitive in both domestic and international comparison.

Personnel

The number of employees at mid-year was 56, which is two persons more than the number of employees at the beginning of the year.

Climate and the Environment and Corporate Governance

Sustainability affects us and our world. Our integration of sustainability into investment assessments is necessary to achieve the goal of the highest possible long-term return. AP4 is an active owner who takes responsibility, influences and establishes the prerequisites for long-term sustainable value creation in the companies invested in. This contributes to safeguarding pensions, better long-term economic growth and a more sustainable society.

Below is a summary of some of the work accomplished during the first six months of the year.

- **Climate and the Environment** is a **focus area within sustainability**. During the first half of the year, AP4 conducted a review of its investment processes and established a framework to further increase the integration of sustainability into the management. The focus areas Climate and the Environment and Corporate Governance are considered to be essential to AP4's returns, risk management and value growth of all assets.
- **Reduced climate risks** in the portfolio by increasing investments in **low-carbon strategies**, by **reducing exposure** to companies with the relatively **greatest emissions and/or fossil reserves**. At the end of the first six months of the year, investments in **low-carbon strategies** had increased to **27 percent** of the global equity portfolio. The goal is to continuously increase this proportion, and by the end of the year will reach 30 percent.
- AP4 continues to **participate in green bond issues**, which finances green projects. AP4 also remains **active in the secondary market** for green bonds, which is important for promoting the growth of a sound and competitive market.
- AP4 participated in the nominating committees of **22 Swedish listed companies**, including as chair for three.
- **The percentage of women on the boards of listed companies is increasing** - a mission AP4 has been driving for many years. In the nominating committees where AP4 participated, 14 of 27 newly elected members were women, which corresponds to 52 percent of newly elected female members.
- AP4 conducted **more than 25 dialogues** with Swedish companies prior to the Annual General Meetings (AGM) during the Spring, which resulted in several cases of more reasonable terms to meeting proposals and improved disclosures by the companies.

In addition, AP4's management has been in **constant dialogue with more than 125 Swedish companies** during the period. The dialogues focus on company operations, risks and business opportunities, including sustainability aspects.

- AP4 voted at **56 AGMs** and **770 AGMs**.
- **The Council on Ethics of the AP Funds** a successful collaboration between AP1-AP4, celebrates its **10th anniversary during 2017**. During the Spring 2017 the Ethical Council organized two well-attended **commemorative seminars** on the topic of responsible and sustainable investment:
 - Regarding **climate change** with two distinguished speakers, **Al Gore** and **Johan Rockström**;
 - Regarding **responsible Investors, Human Rights and the Environment**.

The Council on Ethics of the AP Funds' works to, among other things, influence foreign companies to positive change in sustainability and increased transparency.



- **The Council on Ethics of the AP Funds Annual Report 2016** - human rights in continued focus – was published in the Spring 2017.



Read more at www.etikradet.se or at www.ap4.se.

Awards

AP4's work gets positive attention in several different contexts, both in Sweden and internationally.

AP4 ranked number eight globally for its management of climate risks



Asset Owners Disclosure Project (AODP) Global Climate 500 awarded AP4 the **highest rating, AAA**, for AP4's management of climate risk in its investments during the Spring 2017. In addition, AP4 ranked **eighth** globally of 500 institutional investors.

RI Awards 2017 for collaboration



During the period, **Responsible Investors (RI) Awards** awarded AP1-AP4, together with institutional investors from the Netherlands, the award for **Commended for Innovation & Industry Leadership**: Collaborations for cooperation on investments supporting the United Nations Global Development Goal.

Sweden's most influential environmentalist - awarded to the Council on Ethics of the AP Funds



Aktuell Hållbarhet ranks the **Council on Ethics of the AP Funds' Secretary General** on its list of Sweden's most influential environmental people during the Spring of 2017. The ranking is awarded based on the following:

"Under John Howchin's leadership, the Council on Ethics of the AP Funds has strengthened efforts on ethics issues in foreign-owned companies. John Howchin is a skilled negotiator who knows how to mobilize influential investors to discuss and drive important and difficult sustainability issues."

About this report and release of the next report

Accounting and valuation principles

The half-year report has been prepared in accordance with the accounting and valuation principles common to the AP Funds. These can be found in the 2016 AP4 Annual Report, and can be read at www.ap4.se.

Figures in the half-year report for tables and charts are rounded separately, so the total amounts may not necessarily correspond with the individual entries. Figures in brackets refer to the first half of 2016, unless otherwise stated.

This interim report has not been audited by the AP4 auditors.

Significant events

No significant events occurred after the end of the reporting period.

Next report

The AP4 Annual Report for the 2017 fiscal year will be published in February 2018.

Income statements

Sek m	Jan-June 2017	Jan-June 2016	Jan-Dec 2016
OPERATING INCOME			
Net interest income	102	555	817
Dividends received	4 182	4 934	6 482
Net income, listed shares and participations	14 708	-4 102	12 678
Net income, unlisted shares and participations	1 170	324	3 545
Net income, fixed income assets	-2	4 243	1 882
Net income, derivatives	999	-1 424	-321
Net income, changes in exchange rates	-3 664	1 272	5 786
Commission expenses	-66	-63	-132
Other incomes	0	-	-
Total operating income	17 429	5 739	30 737
OPERATING EXPENSES			
Employee expenses	-67	-58	-117
Information and IT expenses	-24	-23	-46
Bought services	-7	-7	-11
Facility costs	-5	-6	-12
Other administrative expenses	-8	-5	-9
Total operating expenses	-111	-99	-195
PROFIT/LOSS FOR THE YEAR	17 318	5 640	30 542

Balance sheets

Mnkr	June 30 2017	June 30 2016	December 31 2016
ASSETS			
Shares and participations, listed	200 046	180 659	197 875
Shares and participations, unlisted	26 577	20 312	26 254
Bonds and other fixed income securities	112 136	109 451	107 151
Derivatives	5 636	2 159	2 620
Liquid assets	3 730	3 676	3 057
Other assets	643	1 010	220
Prepaid expenses and accrued income	990	1 165	1 267
TOTAL ASSETS	349 758	318 432	338 444
LIABILITIES AND FUND CAPITAL			
Liabilities			
Derivatives	1 168	4 145	3 919
Other liabilities	646	1 605	250
Prepaid income and accrued expenses	393	243	355
Total liabilities	2 207	5 993	4 524
Fund capital			
Fund capital at January 1, 2017	333 920	310 015	310 015
Net payments to the pension system	-3 687	-3 216	-6 637
Profit/loss for the year	17 318	5 640	30 542
Total fund capital	347 551	312 439	333 920
TOTAL LIABILITIES AND FUND CAPITAL	349 758	318 432	338 444

Multi-year summary

Key ratios, as per closing date	June 30 2017	2016	2015	2014	2013	2012
Fund capital, flows and net profit, SEK bn						
Fund capital	347.6	333.9	310.0	294.9	259.7	229.6
Profit for the period	17.3	30.5	20.1	40.2	37.0	23.4
Net flows to the pension system and special asset management	-3.7	-6.6	-4.9	-5.1	-6.9	-3.8
Fund capital at January 1, 2017	333.9	310.0	294.9	259.7	229.6	210.0
Return, %						
Return, total portfolio before expenses	5.3	10.1	6.9	15.8	16.5	11.3
Return, total portfolio after expenses	5.2	10.0	6.8	15.7	16.4	11.2
Return, total portfolio after expenses, annualized 5 yrs.	11.8	12.0	9.7	10.5	11.6	3.3
Return, total portfolio after expenses, annualized 10 yrs.	6.5	6.7	6.7	7.6	7.2	7.2
Operating expense ratio as a % of assets under management (annualised)						
Operating expenses	0.06	0.06	0.06	0.07	0.08	0.08
Comission expenses	0.04	0.04	0.05	0.04	0.03	0.02
Total operating expenses and commission expenses	0.10	0.10	0.11	0.11	0.11	0.10
Risk, %						
Total portfolio ex-post	3.9	7.3	8.8	6.0	5.6	5.6
Liquidity portfolio ex-post ¹	4.3	7.8	9.4	6.4	6.0	6.0
Liquidity portfolio ex-post, 10 yrs ²	9.2	9.1	9.3	8.9	8.6	-
Sharpe ratio Total portfolio ex-post	2.9	1.5	0.8	2.5	2.8	1.8
Sharpe ration Liquidity portfolio ex-post ¹	2.5	1.2	0.6	2.3	2.5	1.7

¹ Refers to liquid assets, excluding real estate, venture capital funds and high-yield fixed income.

² Refers to quarterly data for liquid assets (investment assets excluding real estate, venture capital funds and high-yield fixed income).

Other key ratios, as per closing date	June 30 2017	2016	2015	2014	2013	2012
Active return, Strategic management before expenses ¹	1.0	1.0	4.8	0.7	1.2	-0.4
Active return, Tactical management before expenses	0.2	0.0	0.1	0.7	0.5	1.0
Inflation ²	0.7	1.7	0.1	-0.3	0.1	-0.1
Real total return after costs ²	4.5	8.3	6.8	16.0	16.2	11.3
Active risk ex-post, Tactical management	0.2	0.3	0.5	0.2	0.2	0.4
Currency exposure, %	27.9	26.9	27.0	28.1	28.6	27.7
Proportion active mangement incl. Semi-active, %	73.9	69.3	69.9	62.9	58.2	50.2
Proportion external management incl. Investments in venture capital funds, % ³	21.2	22.7	22.4	25.4	22.7	16.6
Number of employees at closing date	56	54	55	54	55	49
Allocation of investment assets, %⁴						
Equities	57.5	58.3	56.9	59.0	59.5	55.5
Global equities	38.3	39.4	38.4	40.5	40.1	37.2
Swedish equities	19.2	18.9	18.5	18.5	19.3	18.3
Fixed income	32.7	32.1	33.8	33.0	32.0	36.1
Real estate	7.5	7.3	6.6	5.5	5.7	5.2
Alternative assets ⁵	2.1	2.3	2.6	2.7	2.7	3.1
Other	0.2	-0.1	0.0	-0.2	0.1	0.1
Total investment assets, %	100.0	100.0	100.0	100.0	100.0	100.0

¹ Active return, Strategic management evaluated in relation to the Normal portfolio.

² The KPI for June 2017 is an estimate, since this figure was not available at the time of publication of this report.

³ Whole or co-owned property is reported as internal management.

⁴ Refers to exposure; underlying values for derivatives in the passive allocation have been distributed by asset class.

⁵ Refers to venture capital funds, high-yield fixed income and absolute return investments.

AP4 manages for current and
future pensioners with the
aim of maximizing sustainable
returns over time.

More information and contact

If you have questions regarding The Fourth Swedish National Pension Fund(AP4), please e-mail info@ap4.se or contact:

Niklas Ekvall, CEO
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Telephone number: +46 8 787 75 00

More information about AP4 is available on www.ap4.se.