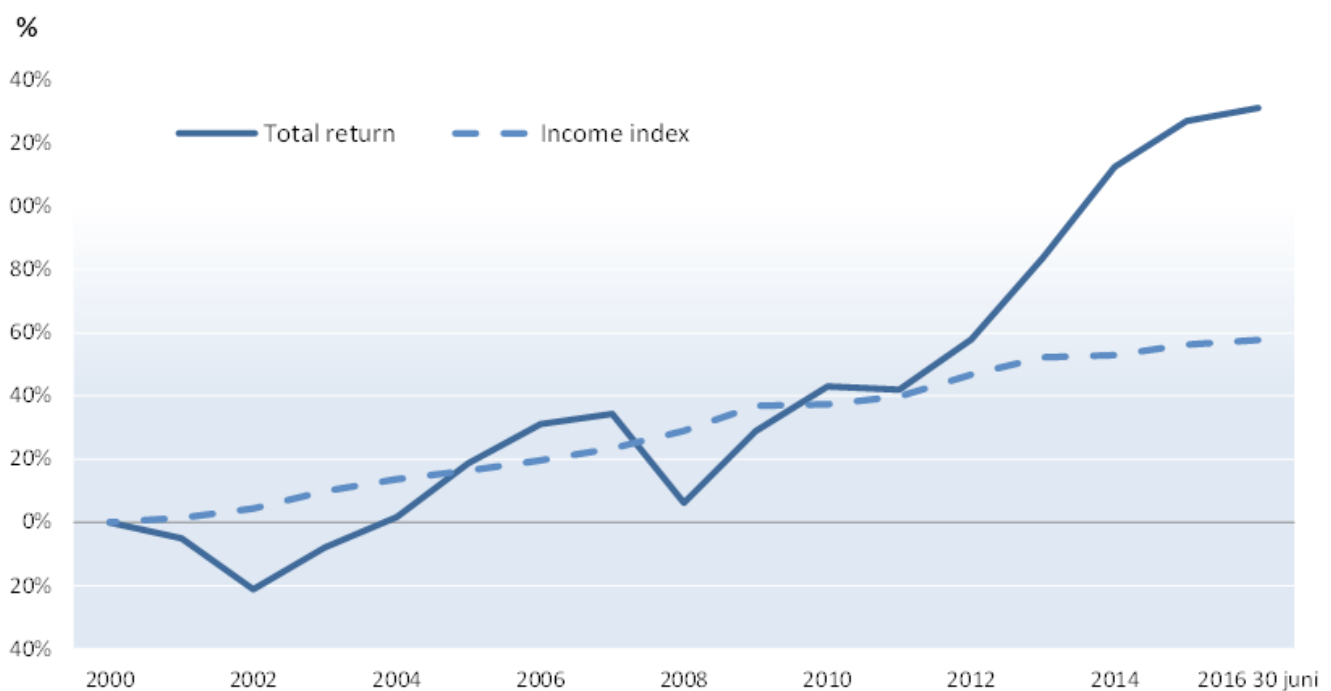


AP4 Fund Capital reaches new record level of SEK 312 billion

With a profit of SEK 5.6 billion, the Fourth Swedish National Pension Fund (AP4) increase Fund capital to SEK 312 billion after net outflows to the national pension system of more than SEK 3 billion. The total return for the first half of 2016 amounted to 1.9 percent after expenses.

Over the past ten years AP4's average annual total return has amounted to 6.8 percent after expenses, which exceeds the income index¹ by a wide margin and positively contribute to the pension system.



YEAR IN BRIEF, KEY FIGURES	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015
Fund capital, SEK bn	312.5	310.4	310.0
Net profit, SEK bn	5.6	18.0	20.1
Net disbursements to pension system, SEK bn	- 3.2	-2.4	-4.9
Total return after expenses	1.9	6.1	6.8
Operating expenses, % of AuM	0.06	0.07	0.06
Operating and commission expenses, % of AuM	0.10	0.11	0.11
Annual total return after expenses, average 5 years, %	9.7	11.6	9.7
Annual total return after expenses, average 10 years, %	6.8	7.4	6.7

¹ This assumes that the development of the income index over one year may be divided equally over each half year period. This is a simplification since the income index is based on the last three year's average real income growth together with the change in the consumer price index for the past year (June one year earlier, compared with June two years earlier).

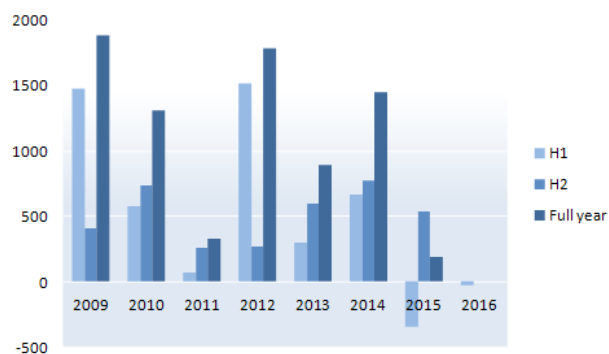
Positive contribution to the pension system

Surpasses the income index by a wide margin

Over the last ten years AP4 has returned 93 percent after expenses. This means an average return after expenses of 6.8 percent per year, net of inflation, which corresponds to a real return of 5.7 percent.

Since the start, 2001-01-01, total return amounts to an annual average of 5.6 percent after expenses. This surpasses the income index, which increased by a corresponding 3.0 percent annually. AP4 has thus contributed positively to the stability of the pension system. AP4's real, inflation-adjusted, return was 4.3 percent, which is slightly below the long-term target of a real total return of 4.5 percent.

13 of 15 half-year periods better than index

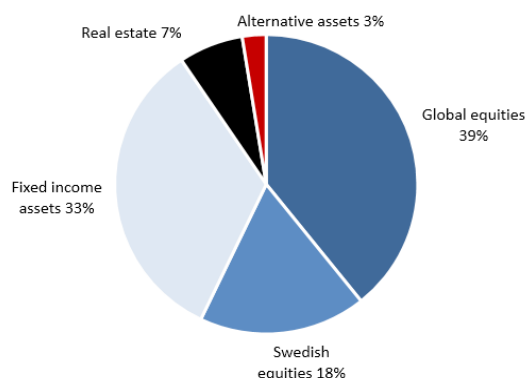


During the first half of 2016 the active contribution was -0.0 percentage points and was marginally below the benchmark index for the period. Three of five sub-portfolios contributed positively. Since 2009 AP4's active management has delivered a positive extraordinary profit contribution totaling SEK 7.8 billion.

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Listed shares more than half of total assets



The Board has determined that AP4 has the best opportunity to achieve the long-term goal by having a high proportion of listed shares.

Positive Government assessment

- It is gratifying that the AP Funds have continued to contribute positively to the income pension system, while simultaneously accelerating the development towards a sustainable financial market, says Finance Minister Per Bolund in a press release regarding the government's annual review of the AP Funds' activities.

The evaluation shows that the AP Funds have positively contributed to the pension system's long-term financing in 2015 and since inception in 2001. At year-end 2015 the AP Funds accounted for 14 percent of the income pension system's assets, which is four percentage points higher than when the current AP Funds pension system was introduced.

The evaluation shows that the AP Funds have in recent years developed significantly in the areas of risk management, control and compliance, and the Government recognizes that it is crucial to continuously develop these functions. The Government considers it important to integrate sustainability aspects as a function of the AP Funds management in order to achieve long-term high returns and good risk management, and that the AP Funds endeavor to influence portfolio companies to act sustainably.

Source: Government evaluation published Spring 2016, Skr. 2015/16:130

Significant events during the period

- Sarah McPhee has been appointed by the government as Chairwoman of AP4.
- The Board of AP4 has appointed Niklas Ekvall to succeed Mats Andersson, as CEO of AP4. Niklas assumes the role of CEO October 1, 2016.

Awards

The work carried out by AP4 is positively recognized in several different contexts in Sweden and internationally. During the first half of 2016 AP4 received several awards, and the AP funds' Ethical Council also received an award.

Asset Owners Disclosure Project (AODP) Global Climate 500



AODP awarded AP4 the highest rating of AAA for the management of climate risks in investments. In addition, AP4 ranked 3rd of 500 global institutional investors.

Sweden's most influential persons regarding the environment



Aktuell Hållbarhet (formerly MiljöAktuellt) ranks AP4's CEO as number ten of Sweden's most influential environmental people 2016.

Aktuell Hållbarhet annually ranks the most influential people regarding the environment in order to highlight role models and persons who determine the environmental and sustainability agenda and who drive development in a more sustainable direction.

The ranking is awarded based on the following:

- "No company can be successful long term if sustainability is not high on the agenda." These succinct words come from the Fourth Swedish National Pension Fund's CEO Mats Andersson. In 2015 AP4 was one of four promoters of the PDC, a coalition that ahead of the climate meeting in Paris aimed to pull together \$100 billion in pension capital and allocate them to climate-smart investments. The goal was achieved by a wide margin where four funds became 25 and capital has reached \$3 200 billion.

Sweden's most influential persons regarding the environment



Aktuell Hållbarhet also ranks the AP Funds' Ethical Council Secretary General on its list of Sweden's most influential environmental people.

The ranking is awarded based on the following:

The Secretary General of the AP Funds' Ethical Council sees clear links between sustainability and returns. Through a long-term perspective and focused efforts the AP Funds' Ethical Council contributes in influencing companies worldwide to work more sustainably. Since environmental analyst John Howchin became Secretary General of the AP Funds Ethical Council the AP Funds have strengthened their efforts to enforce environmental and ethical issues in the foreign companies whose shares they own.

Chief Investment Officer (CIO) Lifetime Achievement Award



AP4's CEO Mats Andersson was awarded CIO's Lifetime Achievement Award.

CIO highlights CEO Mats Andersson's leadership and contribution internationally to sustainable investments and climate change projects.

Letter from the CEO

Commitment to a long-term perspective pays off

In connection with this report as I leave my position at AP4, I note that during my ten year tenure as CEO of an AP Fund there has been a fair share of crashes and crises. But we have also developed various strategies in order to exploit the volatility of the financial markets in an environment where participants tend to become increasingly short-term.

Daring to have a long-term perspective has been a successful strategy for AP4 and has allowed us over the years to create good returns for our customer - the Swedish pensioner.

The first half of 2016 came to a dramatic end. The announcement the morning of Midsummer's Eve surprised many: A majority of Britain had voted to leave the European Union - the so-called Brexit. The announcement sent shock waves through global stock markets and the increased uncertainty initially led to large price declines and sharp fluctuations for the currency markets.

Should we be worried about Brexit?

Short term? - Yes. There is no one who currently can have a well founded view on how and for how long Brexit will affect the world economy.

Medium term? – Yes. The fear is that uncertainty surrounding the Brexit will persist. Negotiations for a British withdrawal could last several years.

We know little about the agreements that might be reached and whether other countries might suffer from the same sort of change in public-opinion about the EU.

Long term? – the natural starting point for an asset manager such as AP4– No. My firm belief is that the world economy will get through this crisis too. This, at least, is the lesson that history has taught asset managers like AP4. Let me point out some telling examples.



In the midst of the financial crisis of 2008 the legendary American investor Warren Buffet predicted that the world would not collapse this time either. And he was right. We can now say that despite two world wars, the Great Depression of the 30s, a dozen recessions, shocks in oil prices and other turbulence, the Dow Jones index has climbed from 66 to over 17,000 since 1900. The announcement that Britain would leave the EU will probably be seen in the same light.

The AP Funds in a long-term perspective

It might be difficult to grasp a 100-year perspective, but let's restrict it to AP4's history. Short term, 1974 was not the best time to start a pension fund with a focus on equities. After seven years, in the wake of the first oil crisis and structural problems in Swedish industry, the market value of the Fund's portfolio was below the acquisition cost. But 40 years later we can conclude that the long term perspective won again - and by a wide margin.

Over the last 40 years the Stockholm Stock Exchange has returned 14.5 percent per year, or in real terms 10.2 percent.

"AP Funds have since 2001 delivered a total return well in line with the tough targets that have been set!"

The same conclusion, that equities generate good returns over time, can be drawn if we shorten the perspective to the 2000's and more precisely since the "relaunch" of the Swedish AP Funds in 2001. This also proved to be very unfortunate timing: world stock markets plummeted as a result of the dot.com crash and the September 11 terrorist attacks in the US. But once again the world economy bounced back and the AP Funds have since 2001 delivered a total return well in line with the tough targets that have been set!

Long-term perspective important to a successful decade

Maintaining a long-term perspective has been a critical success factor for AP4 the past ten years. This has benefited returns in both the allocation of asset and the choice of strategy. The long-term perspective has also served as a beacon at the crucial crossroads AP4 has crossed. Let me give some examples.

- **Large proportion of equities.** For a long term asset manager like AP4 short-term volatility is a poor measure of risk. We can bear equities risk even when price fluctuations from time to time are significant. Over the last ten years we have maintained close to 60 percent of our assets in listed equities. This risk exposure has paid off well during a time when many market participants have chosen to reduce the equity allocation in their portfolios. Equities have once again, over a longer time period, delivered good returns even though the ups and downs occasionally have been like of a roller coaster ride.
- **High exposure to Swedish equities.** A third of AP4's equity portfolio is currently invested in the Swedish equity market. It is a decision that has been questioned by many - many times. Our rationale is based on the fact that over time Sweden has clearly delivered better returns than the rest of the world. I would argue that this phenomenon is due to the combination of a good corporate governance model and a large element of successful so-called control shareholders. Since 2001 the strategy to have an overexposure to Swedish equities has contributed close to SEK 23 billion.
- **Active management.** A clear trend the past ten years is that pension funds globally are increasingly abandoning the ambition to pursue active management and instead choose passive index management. My belief has always been that over time fundamental active management pays off. Active management also creates the best basis for being a well-informed and engaged owner of the companies we invest in. With pride I can say that since the financial crisis of 2008 AP4's talented portfolio managers have generated an additional contribution to the AP4's capital of close to SEK 8 billion and, in this context, at a very low cost.

- **Take advantage of the long-term mandate.** As mentioned, capital market participants over the past decade have become increasingly short-term. The Board of AP4 has chosen the opposite strategy. In order to better take advantage of investment opportunities the Board introduced a strategic mandate where the evaluation horizon is up to 15 years - and I would venture to say that there are few asset managers with a similar mandate. After three years AP4 has nearly a third of its capital, and an even greater proportion of its active risk, invested in this mandate. And so far it has been very successful. AP4 has managed to create additional returns of close to SEK 17 billion since the mandate was implemented.
- **Think sustainable.** The strategic mandate incorporates AP4's sustainable investments. We all know that the world is facing a number of major global risks and global warming is perhaps the most controversial. As investors it is natural to examine how we can contribute to a more sustainable world long term. AP4 has, together with a number of the world's largest pension funds, developed strategies aimed at significantly reducing the carbon footprint of our investments. So far we have been successful in two dimensions: the carbon footprint has decreased while returns are positive.

Overall, I think we can look back on a decade of success. The staff of AP4 have contributed to AP4 evolving from being the smallest AP Fund to, by year-end 2015/2016, becoming the largest.

Returns over the past ten years have on average been 6.8 percent on a yearly average, which corresponds to a real, inflation adjusted, return of 5.7 percent. This clearly exceeds the long-term goal of a real return of 4.5% per year. We have achieved this with very low costs. AP4's total costs amount to only 0.1% of the Fund's capital annually.

And now I hand the baton over to the new CEO, Niklas Ekvall. It has been a great privilege for me to develop AP4 together with an amazing group of dedicated employees.



Mats Andersson, CEO

Management, Targets and Results

AP4's three management horizons have returned positive earnings contribution since the management structure was implemented in 2013. The longest of the management horizons contributed positively during the first half of 2016.

Positive contribution first half of 2016

The **Normal portfolio** (40 years) returned a positive contribution to total return of 2.4 (4.1) percentage points, which corresponds to SEK 7.4 (12.1) billion. The Normal portfolio is a reference portfolio, which is determined by AP4's Board.

The **Strategic portfolio** (3-15 years) returned an overall active contribution to total return of -0.5 (2.2) percentage points. This corresponds to SEK -1.6 (6.4) billion in active profit contribution.

The **Tactical management** (up to three years) active contribution was -0.0 (-0.1) percentage points and was below the benchmark index for the period. This corresponds to a profit contribution of SEK -25 (-347) million. Three of the five sub-portfolios contributed positively.

The return was positive and amounted to 0.4 percentage points for the evaluation period, which is a rolling three-year period, but was, however, -0.1 (-0.1) percentage points lower than the target. Since the start 2009 of the Tactical management organization, the active Tactical management has delivered in total a positive contribution of SEK 7.8 billion.

AP4's investment horizons' evaluation period, return target and outcome ¹	Total portfolio	Normal portfolio 40 years	Strategic management 3-15 years	Tactical management, up to 3 years
Evaluation period	Since start 2001-01-01	-	Rolling 5 years	Rolling 3 years
Return target	4.5 % in real terms	-	0.75 percentage points (0,5 until year 2013)	0.5 percentage points
Outcome return	4.3 %		Not active 5 years	0.4 percentage points
AP4's investment horizons' contribution to return, risk and costs since start, 2013-01-01¹.				
Return contribution, %	11.6	9.6	1.8	0.3
Contribution to net profit ² , SEK bn	104.0	84.5	17.0	2.5
Risk contribution ³ , %	6.3	6.8	-0.6	0.1
Operating expense ratio, %	0.11	0.04	0.04	0.03

¹ All values in the table are annualized, except for Earnings Contribution, which represents the total result for the period.

² Return and earnings before expenses

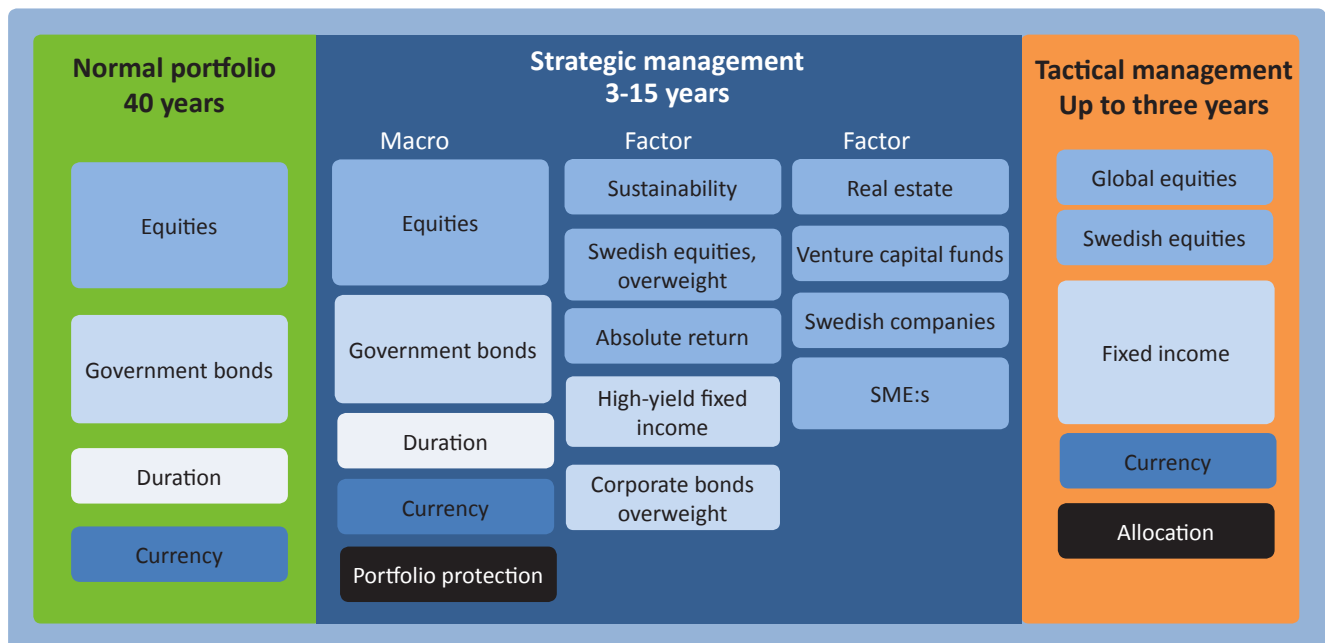
³ Risk premium is calculated with 42-month historical standard deviation.

Interim results for 2016

+ SEK 7.4 bn

- SEK 1.6 bn

- SEK 25 m



Asset Classes - Market value and Development

Positive, but weak, market development

AP4 delivered a positive result for the total portfolio during the first half of 2016. Stockmarkets opened the year negatively, recovered but turned again downward with severe market turbulence during June in connection with Britain's Brexit referendum vote, with Japan, Europe and Sweden among others below the zero mark at mid-year. Long-term government interest rates in major markets fell during the period resulting in a positive contribution to the total portfolio. The Swedish krona weakened against, among others, the Euro, the US dollar and the Japanese yen, which was positive for the valuation of the foreign assets in the Total portfolio.

- Interest-bearing assets developed positively in connection with falling interest rates.
- Positive returns from Real Estate.
- Weaker Swedish krona resulted in positive foreign exchange contributions.
- Listed shares, both Swedish and global, contributed negatively.

Market value, portfolio returns and contribution to profit, June 30, 2016

Asset class	Market value, SEK bn	Portfolio return, %	Contribution to profit/loss for the period, SEK bn
Equities, total	178.5	-1.9	-2.3
Global equities	122.6	-1.6	-1.0
Swedish equities	55.9	-2.7	-1.4
Fixed income assets	106.3	4.1	4.1
Real estate	21.6	9.8	1.9
Alternative assets	8.0	1.6	0.1
Currency	0.0	0.8	2.4
Other ¹	-1.9	-0.2	-0.5
Total investment assets	312.5	1.9	5.8

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

² Returns and profit before expenses. Return after expenses was 1.9 percent, corresponding to a profit after expenses of SEK 5.6 billion.

Corporate Governance and Climate Change in focus

AP4's sustainability focus areas are Corporate Governance and Climate Change. These are deemed essential for creating returns, managing risks and to the overall development of all AP4 assets. AP4 is an active owner who takes responsibility, influences and contributes to the long-term sustainable value creation of companies. This can in turn contribute to safe pensions.

The following summarizes aspects of the work carried out during the first six months of 2016.

- AP4 participated in **27 Swedish listed companies'** nominating committees, of which as Chair of four.
- **The proportion of female directors is increasing**, which is an endeavor that AP4 has pursued for many years. 13 of 33 newly elected directors were women in the nomination committees in which AP4 participated and that held their annual general meeting during the spring. This corresponds to 39 percent newly elected female directors.
- AP4 has held **more than 25 dialogues** with Swedish companies during the spring prior to their AGM, which in several cases resulted in more justifiable terms of meeting proposals and led to improved disclosure by the companies. In addition, AP4's management had regular contact during the period with more than 125 Swedish companies.
- AP4 has participated in the **AGM's of 79 Swedish companies**.
- AP4 has voted at the **AGM of 616 foreign companies**.
- AP4 has had **success in promoting several enhanced climate reporting**. Shareholder proposals had been laid out by AP4 together with other investors to Anglo Americans, Glencore, Rio Tinto's as well as ConocoPhillips AGM's.
- **22 percent** of AP4's global equity portfolio is invested in **low carbon strategies**, which reduces AP4's exposure to companies with large emissions of carbon dioxide and fossil reserves.

- **4.2 billion kronor of AP4's assets are invested in green bonds.** AP4 is active in both the primary as well as the secondary market for green bonds.
- **AP4 shares their knowledge and experience in low carbon strategies and green bonds.** AP4 has on request given some 40 presentations at conferences and other official occasions, including at the United Nations in connection with the signing of COP21 agreements.
- **AP-Funds Ethical Council 2015 Annual Report** was published during the Spring. The AP-Funds Ethical Council is a collaboration between First-Fourth Swedish National Pension Funds. AP Funds' Ethical Council works to influence foreign companies to positive changes within the context of sustainability.



Read more on www.ap4.se.

Personnel

The number of employees as of the end of the period was 54, which is one person less by comparison to the number of employees at the beginning of the year.

Accounting and valuation policies

This interim report was prepared in accordance with the accounting and valuation policies jointly prepared by the AP Funds. These are presented in AP4's 2015 annual report, available at www.ap4.se.

Figures contained in the tables and charts have each been individually rounded correctly, and hence may not always sum to the totals. Figures in parentheses refer to the interim report for the first half 2015 if not otherwise stated.

This interim report has not been audited by AP4's auditors.

Next reporting date

AP4's year-end accounts and Annual Report for the 2016 financial year will be released in February 2017.

AP4's Sustainability and Corporate Governance Report 2015/2016 will be published during the second half of 2016.

Income statements and Balance sheets

Income statements

SEK m	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015
OPERATING INCOME			
Net interest income	555	1 199	2 002
Dividends received	4 934	4 230	5 347
Net income, listed shares and participations	-4 102	8 913	6 651
Net income, unlisted shares and participations	324	805	3 833
Net income, fixed income assets	4 243	-1 305	-1 151
Net income, derivatives	-1 424	-297	-781
Net income, changes in exchange rates	1 272	4 600	4 529
Commission expenses	-63	-62	-128
Total operating income	5 739	18 083	20 302
OPERATING EXPENSES			
Employee benefits expense	-58	-66	-124
Information and IT expenses	-23	-21	-43
Services purchased	-7	-4	-7
Cost of premises	-6	-6	-12
Other administrative expenses	-5	-6	-11
Total operating expenses	-99	-103	-197
PROFIT/LOSS FOR THE PERIOD	5 640	17 980	20 105

Balance sheets

SEK m	30 Jun 2016	30 Jun 2015	31 Dec 2015
ASSETS			
Shares and participations, listed	180 659	181 685	177 367
Shares and participations, unlisted	20 312	16 464	19 822
Bonds and other fixed income securities	109 451	106 007	106 548
Derivatives	2 159	3 945	3 296
Liquid assets	3 676	4 049	3 739
Other assets	1 010	915	894
Prepaid expenses and accrued income	1 165	1 257	1 431
TOTAL ASSETS	318 432	314 322	313 097
LIABILITIES AND FUND CAPITAL			
Liabilities			
Derivatives	4 145	2 421	1 888
Other liabilities	1 605	1 348	974
Deferred income and accrued expenses	243	136	220
Total liabilities	5 993	3 905	3 082
Fund capital			
Fund capital, opening balance	310 015	294 854	294 854
Net payments to the pension system	-3 216	-2 417	-4 944
Profit/Loss for the period	5 640	17 980	20 105
Total fund capital	312 439	310 417	310 015
TOTAL LIABILITIES AND FUND CAPITAL	318 432	314 322	313 097

Multi-year summary

Multi-year summary, as per closing date	30 Jun 2016	2015	2014	2013	2012	2011
Fund capital, flows and net profit/loss, SEK bn						
Fund capital	312.5	310.0	294.9	259.7	229.6	210.0
Net flows to the pension system and special asset management	-3.2	-4.9	-5.1	-6.9	-3.8	-1.2
Profit for the year	5.6	20.1	40.2	37.0	23.4	-1.6
Return, %						
Return on total portfolio before expenses	1.9	6.9	15.8	16.5	11.3	-0.7
Return on total portfolio after expenses	1.9	6.8	15.7	16.4	11.2	-0.7
Return on total portfolio after expenses, annualised 5 years	9.7	9.7	10.5	11.6	3.3	1.6
Return on total portfolio after expenses, annualised 10 years	6.8	6.7	7.6	7.2	7.2	4.1
Operating expense ratio, %						
Operating expenses	0.06	0.06	0.07	0.08	0.08	0.08
Operating expenses and commission expenses	0.10	0.11	0.11	0.11	0.10	0.10
Risk, %						
Standard deviation, total portfolio ex post	8.9	8.8	6.0	5.6	5.6	9.2
Standard deviation, liquidity portfolio ex-post ¹	9.7	9.4	6.4	6.0	6.0	9.8
Standard deviation over 10 years, liquidity portfolio ex-post ²	9.2	9.3	8.9	8.9	-	-
Sharp ratio total portfolio ex-post	0.5	0.8	2.5	2.8	1.8	neg
Sharp ratio liquidity portfolio ex-post ¹	0.3	0.6	2.3	2.5	1.7	neg

¹ Refers to liquid assets (investment 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 ration, as per closing date	30 Jun 2016	2015	2014	2013	2012	2011
Active return, strategic management before expenses, percentage points ¹	-0.5	4.8	0.7	1.2	-0.4	-
Active return, tactical management before expenses, percentage points ²	-0.0	0.1	0.7	0.5	1.0	0.2
Inflation, %	0.7	0.1	-0.3	0.1	-0.1	2.0
Real total return after expenses	1.1	6.8	16.0	16.2	11.3	-2.7
Active risk ex-post, tactical management	0.4	0.5	0.2	0.2	0.4	0.5
Foreign exchange exposure, %	27.4	27.0	28.1	28.6	27.7	25.7
Proportion under active management, including enhanced, %	68.9	69.9	62.9	58.2	50.2	63.6
Proportion under external management, including investments in venture capital firms, %	29.0	29.0	30.9	28.4	21.7	18.4
Number of employees at end of accounting period	54	55	54	55	49	52
Allocation of investment assets, %³						
Equities	57.1	56.9	59.0	59.5	55.5	55.7
Global equity portfolio	39.3	38.4	40.5	40.1	37.2	37.9
Swedish equity portfolio	17.8	18.5	18.5	19.3	18.3	17.8
Fixed income portfolio	33.5	33.8	33.0	32.0	36.1	37.3
Real estate	6.9	6.6	5.5	5.7	5.2	4.5
Alternative assets ⁴	2.5	2.6	2.7	2.7	3.1	2.5
Other ⁵	0.0	0.0	-0.2	0.1	0.1	0.0
Total investment assets, %	100	100	100	100	100	100

¹ Active return, strategic management evaluated in relation to the normal portfolio.

² Tactical management corresponds to the part of the portfolio which, between 2008 and 2011, was called actively managed liquid assets. As of 2012, there are also actively management liquid assets within strategic management.

³ Refers to exposure; underlying values for derivatives in the passive allocation have been distributed by asset class.

⁴ Refers to venture capital funds, high-yield fixed income and absolute return investments.

⁵ Refers to cash as well as strategic and tactical asset allocation.