



Innovative financing solutions for the future:

How can pension funds be channeled to development finance?

Peter Damgaard Jensen, CEO, PKA



PKA in numbers

The 4th largest pension service provider in DK



275,000 ensured

Market value in 2014 app. € 27bn



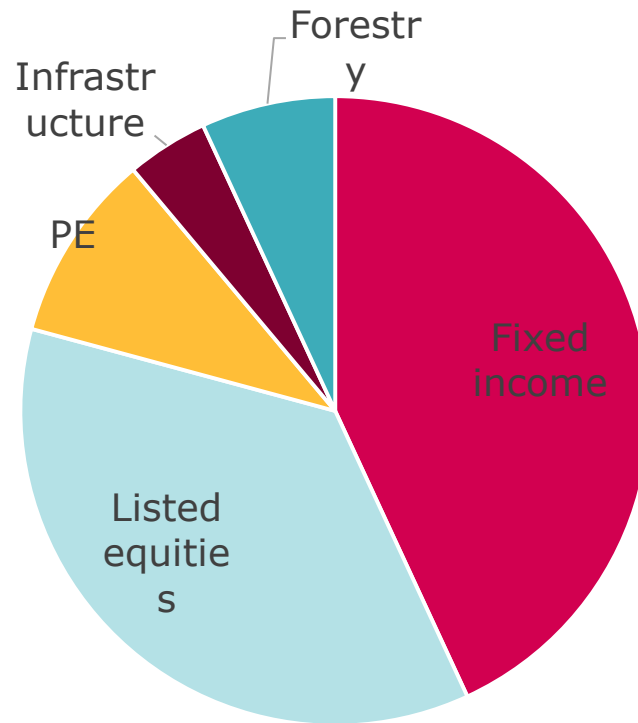
Return 1995-2014: 8% p.a.



PKA's strategic focus

Strategic focus	Implementation
Diversification	Various assets - Risk spread on: bonds, stocks, real assets and absolute return
Long term investment horizon	Illiquid investments - Such as real estate, infrastructure and private equity
Cost effectiveness	Find cost savings where it doesn't affect the return - Such as passive investment
Social responsible investments that makes a difference	Investments with a focus on responsibility. Especially focus on: Climate Employee's rights Children's rights

Allocation of EM-investments





Examples of PKA investments in EM

- PENM and Maj Invest , Vietnam
- The Danish Climate Investment Fund
- Capricorn Fund (Forestry in EM)
- Danish Microfinance Partners



PE fund example

PENM Partners IV*

About PENM

- PENM is a Danish private equity fund that invests in Vietnam via its local office
- The investment strategy of PENM focuses on minority stakes in both private and public companies that possess solid potential for growth
- PKA has been a significant investor in all of PENM's funds, most recently with a commitment of USD 30 million in 2015 to PENM IV

* PENM IV has not made any investments yet. The case example is from PENM III



PE fund example

PENM Partners IV*

Example: *An Giang Plant Protection ("AGPP")*

- AGPP was established in 1993 by the local plant and agricultural authority in the delta region in Southern Vietnam
- In the early years, AGPP offered a range of services to local farmers and producers with the purpose to ensure a sustainable business foundation for the local population
- In more recent years, AGPP has grown beyond regional borders and is now considered the market leader within a range of products and services such as seeds, fertilizers and processing of rice

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PE fund example

Maj Invest South East Asia II

About Maj Invest

- Maj Invest is a Danish investment manager that manages both locally and internationally focused funds
- PKA has made a commitment to Maj Invest South East Asia II in 2015. PKA also made a commitment to the predecessor fund, Maj Invest Vietnam
- Maj Invest South East Asia II invests in both Vietnam and Indonesia



PE fund example

Maj Invest South East Asia II

Example: *Berrybenka*

- Berrybenka is the first investment in Maj Invest South East Asia II
- Berrybenka has 225 employees and is the second largest online retailer of B2C fashion products in Indonesia. The products are developed and designed in-house
- The goal is to become the leading online platform for fashion in Indonesia during the ownership of Maj Invest



The Danish Climate Investment Fund

- Established by the Danish state to promote climate investments in DM and EM
- DKK 1.3bn in public and private funds (PKA DKK 200m)
- Estimated that total investments will amount to approx. DKK 8-9bn



The Danish Climate Investment Fund – example

- Lake Turkana wind farm in Kenya
- 310 MW = 15 pct. of Kenya's total production of electricity
- 365 wind turbines from Vestas
- Involvement from the Danish state reduces the risk



Timber fund example

IWC's Capricorn Forest Fund

About IWC

- IWC is a supplier of services within global timber investing
- IWC specializes in selection of timber managers and portfolio monitoring. Capricorn is IWC's first fund.
- In 2007, PKA made a commitment of USD 37 million to Capricorn Forest Fund





Timber fund example

IWC's Capricorn Forest Fund

Example: *Apical Reforestadora*

- Apical is situated in Panama and is the only Capricorn portfolio company that owns the plantation itself. The production focuses on teak and in 2014 about 10,000 m³ of timber was harvested
- The timber is sold as high quality hardwood in Vietnam and India. In Vietnam it is a.o. used for furniture production and flooring, whereas the timber is utilized more broadly in India
- The growth ambitions are based on increasing demand driven by increasing populations and hence increased consumption and by using teak as a substitution for other timber sorts



Danish Microfinance Partners

- DKK 400m invested by PKA
- Double bottom line strategy
- Reach over 3.5m clients in four continents and 14 countries
- 60% female clients
- Outstanding loans (USDm) 2,252
- Net IRR 21,2%



Return

- Our primary goal is off course return on our investments
- Sustainable business models → development of companies → jobs and new investments
- Good exit opportunities



Investment opportunities

- Together with experienced partners or funds
- Seize – big enough
- Private equity, infrastructure (energy), listed equities, government bonds, corporate bonds



Barriers

- Political risk
- Currency risk
- Lack of seize
- Management skills
- Corruption
- Africa seems to be a difficult continent to invest in!



What can the NGO's and Danida do:

- Good public governance and no corruption
- Try to develop healthy business cultures
- Have a dialogue with investors to develop mutual understanding
- We don't invest in goals but in investment projects, infrastructure, countries with good governance etc.