



THE INVESTMENT ENVIRONMENT FOR ICELANDIC PENSION FUNDS

OVERVIEW AND STRATEGIC CONSIDERATIONS

OCTOBER 2025

GUDRUN INGA INGOLFSDOTTIR

CIO LIFSVERK PENSION FUND

AGENDA

- Snapshot of Icelandic pension funds
- Regulatory backdrop & fund objectives
- Macro context & market structure
- Asset allocation landscape and asset allocation
- Risk, currency & liquidity management
- Governance & operations
- Opportunities & constraints

SNAPSHOT OF ICELANDIC PENSION FUNDS

- Icelandic pension funds are long-horizon, inflation-aware investors
- Small domestic market with capacity constraints for most asset classes
- Global markets are key to diversification and additional return
- Core risks: inflation, interest rates, FX (ISK) and liquidity from private assets
- Governance and cost discipline require constant focus

REGULATORY BACKDROP & OBJECTIVES

- Purpose: provide lifetime, indexed retirement income to members
- Regulatory framework:
 - Mandatory participation
 - Prudent person principles for investment process
 - Diversification requirements set by laws
 - Own risk assessment
- ESG: integrate stewardship and risk management:
 - Follow local regulation and global best practice
 - Aligns with key EU financial rules, (e.g., SFDR, EU Taxonomy, EU Omnibus outcome)

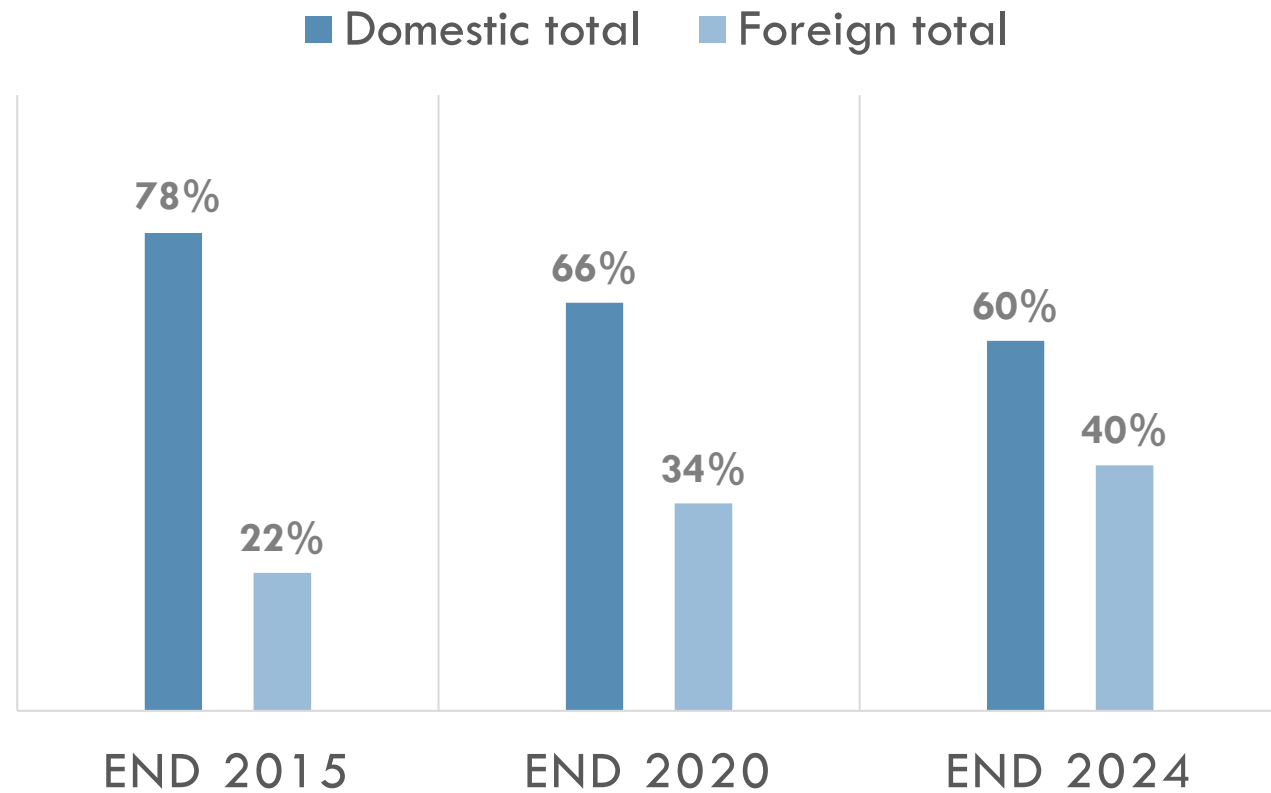
MACRO CONTEXT & MARKET STRUCTURE

- Inflation dynamics and indexation shape liabilities and fixed-income choices
- Rate environment drives duration decisions and re-pricing of private assets
- Currency: ISK volatility vs. global exposure benefits
 - Limited hedging opportunities
- Domestic market depth: limited supply of long-duration and private credits; concentration risk. Lack of volume in domestic equity market
- Global market allocation is essential for Icelandic pension funds

ASSET ALLOCATION LANDSCAPE

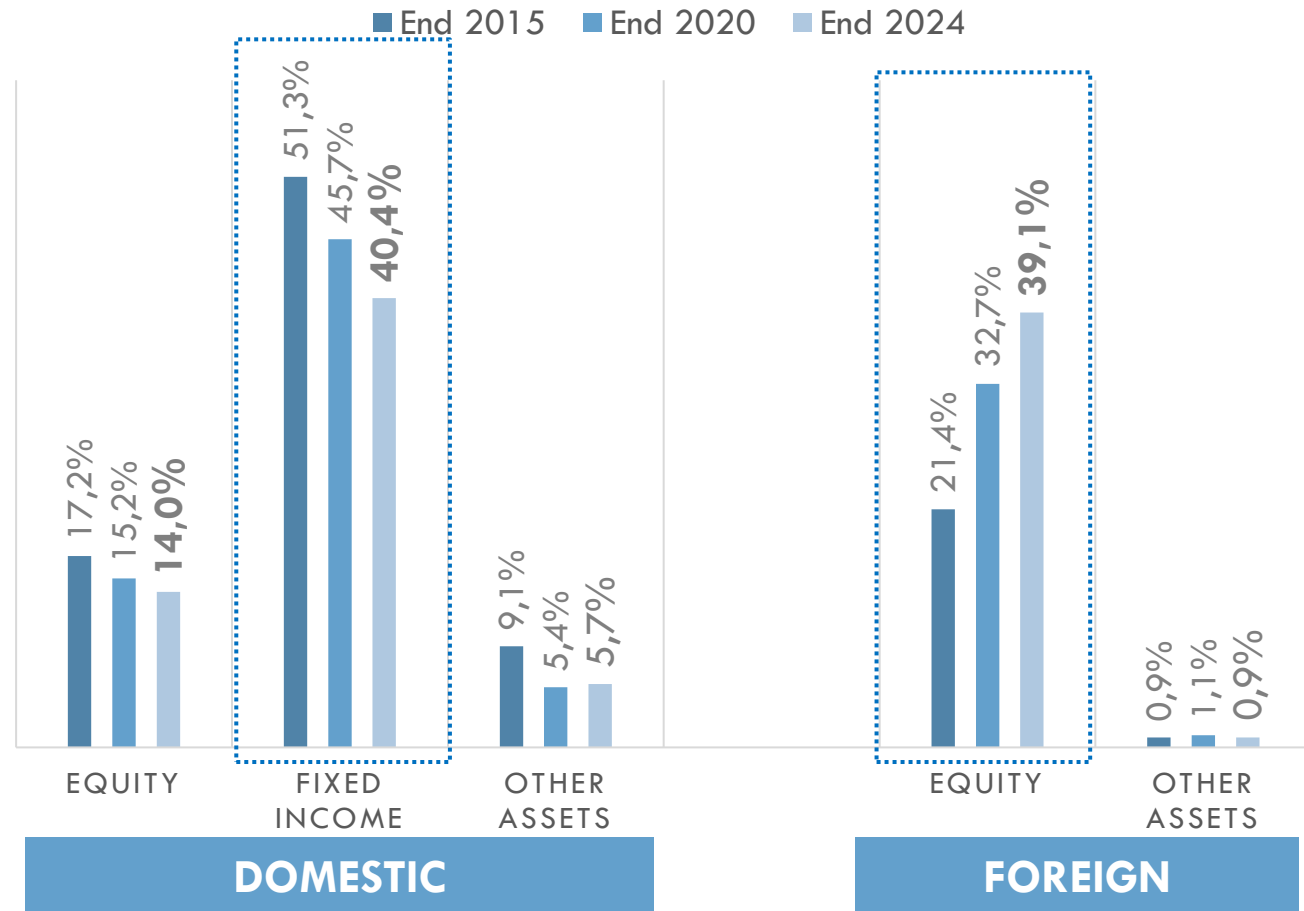
- Broad core buckets:
 - Domestic fixed income and equity
 - Global equities and fixed income
 - Alternatives: Private equity, infrastructure, real estate both domestically and globally
- Trend: higher foreign allocation for diversification and increased FX implications
- Private markets: pacing plans, J-curve, valuation lags, and liquidity

DOMESTIC AND FOREIGN ASSETS



Source: Icelandic Pension Funds Association

ASSET ALLOCATION



Source: Icelandic Pension Funds Association

RISK, CURRENCY & LIQUIDITY MANAGEMENT

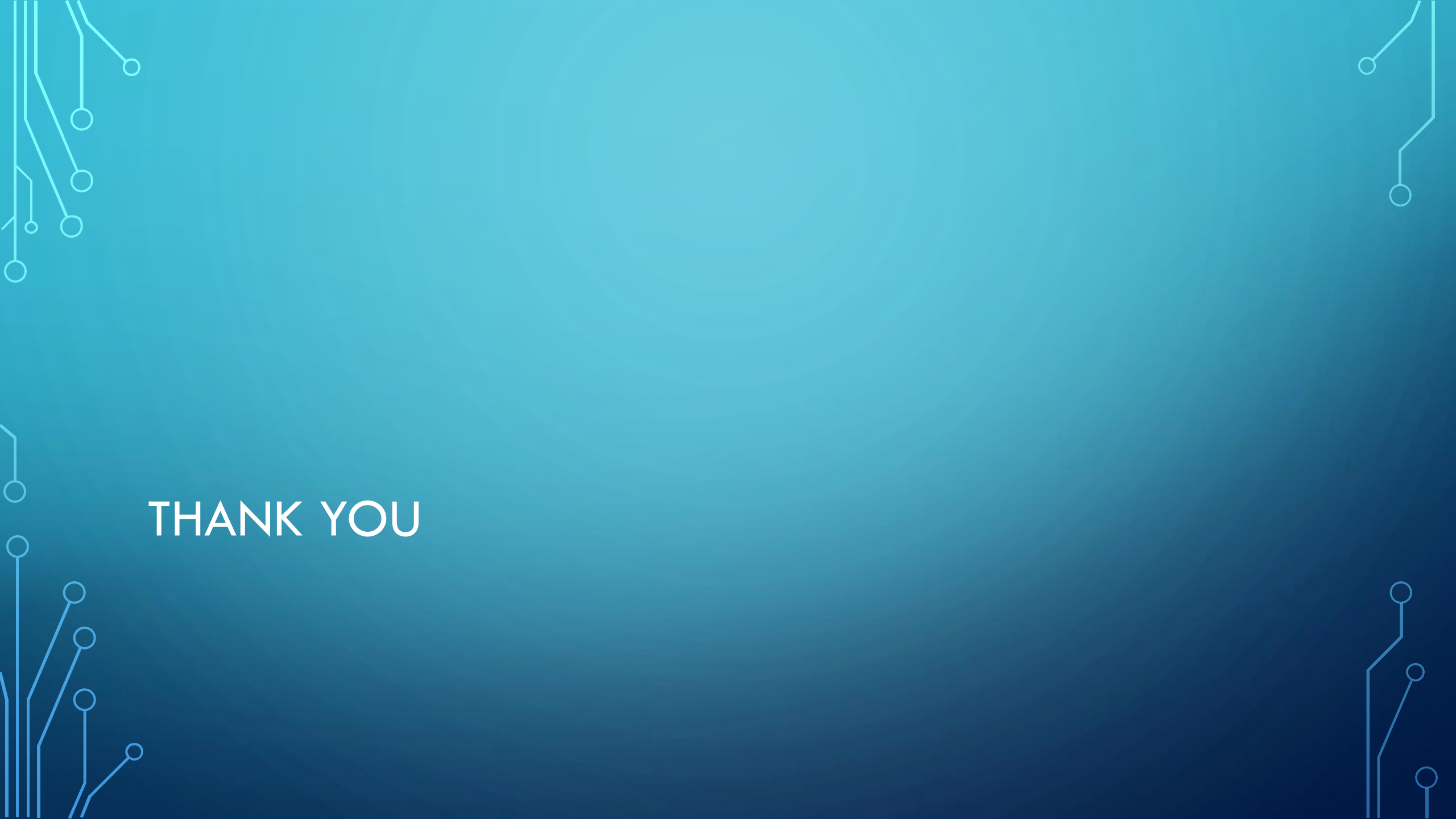
- Key risks: inflation surprise, duration, equity drawdowns, and growth
- FX policy: Limited hedging possibilities, need to rely on natural hedges via revenues/cash flows of underlying assets
- Liquidity: benefit payments, rebalancing, and private asset capital calls vs. distributions

GOVERNANCE & OPERATIONS

- Investment beliefs are formalized in the investment policy supported by board oversight and reporting cadence
- Manager selection: clear mandates and fee transparency
- Data & risk systems: look-through exposures and liquidity monitoring
- ESG & stewardship reporting aligned to local and global standards

OPPORTUNITIES & CONSTRAINTS

- Global equities: diversification along with cost-efficient vehicles
- Global and domestic real assets: infrastructure including renewable energy for inflation linkage and yield
- Constraints: fees, domestic capacity and foreign asset ceiling



THANK YOU