

Simulation of corona crisis and oil price war on ABP and Pensioenfond's Zorg & Welzijn equity portfolios

Ward Warmerdam

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To simulate the impact of the oil price war and the corona crisis on the portfolios of ABP and Pensioenfond's Zorg & Welzijn, the most recent disclosures of 31 December 2019 were used. Based on the reported values per position and the closing share price of 31 December 2019, the number of shares held by the pension funds in each company were calculated. The share prices for these companies on 16 March 2020 (the lowest point during the crisis so far) and 27 April 2020 (latest closing date) were then applied to the number of shares held on the 31 December 2019 to simulate the impact of the oil price war and the corona crisis if the portfolio composition did not change. Since the research cannot access current portfolio compositions of the pension funds to identify changes such as position reductions and position increases, this was the most appropriate approach with the data that was publicly available.

Companies were classified as Air transport, Fossil fuel, or Non-fossil fuels according to a combination of Thomson Reuters Business Classifications (TRBC) and the Global Coal Exit List. Air transport companies include TRBC Industries Airlines and Airport Operators & Services. Fossil fuel companies include the TRBC industry groups Coal, Natural Gas Utilities Oil & Gas, and Oil & Gas Related Equipment and Services. A further set of companies under TRBC industry groups Electric Utilities & IPPs, Metals & Mining and Multiline Utilities was classified as Fossil fuel companies as they are listed on the Global Coal Exit List. Finally, companies were also matched with the Carbon Underground 200 list. All companies not classified as Air transport or Fossil fuel were classified as Non-fossil fuel.

Table 1 ABP portfolio impact simulation

Fossil/non-fossil	Value at 31-12-2019 (EUR mln)	Value at 16-03-2020 (EUR mln)	Change 31-12 to 16-03 (EUR mln)	% change 31-12 to 16-03	Value at 27-04-2020 (EUR mln)	Change 31-12 to 27-04 (EUR mln)	% change 31-12 to 27-04
Air transport	1,556.1	881.8	-674.3	-43%	831.7	-724.5	-47%
Fossil	11,292.9	6,320.3	-4,972.6	-44%	7,733.8	-3,559.1	-32%
Non-fossil	150,250.8	111,442.4	-38,808.4	-26%	133,292.2	-16,958.7	-11%
Total	163,099.8	118,644.5	-44,455.3	-27%	141,857.6	-21,242.2	-13%

Based on these classifications and the estimated changes in value per position in the portfolios of the pension funds, the following trends were identified. The value of ABP's fossil fuel related investments almost halved from the 31st of December to their deepest point on the 16th of March. Non-fossil fuel investments only decreased by one quarter. The value of these shares picked up slightly recently. However, the value of ABP's fossil fuel shares was still 32% lower than on 31 December 2019, compared to non-fossil shares which were 11% lower.

The portfolio of Pensioenfondsg Zorg & Welzijn shows a similar trend. The value of their fossil fuel investments decreased by more than 40% between the 31st of December 2019 and the 16th of March 2020. Non-fossil fuel investments decreased by 27% in the same period. The value of all shares picked up recently. However, the value of fossil fuel shares was still 29% lower than their 31 December 2019 values and the non-fossil shares were 13% lower.

Table 2 Pensioenfondsg Zorg & Welzijn impact simulation

Fossil/non-fossil	Value at 31-12-2019 (EUR mln)	Value at 16-03-2020 (EUR mln)	Change 31-12 to 16-03 (mln)	% change 31-12 to 16-03	Value at 27-04-2020 (EUR mln)	Change 31-12 to 27-04 (EUR mln)	% change 31-12 to 27-04
Air transport	421.1	238.6	-182.5	-43%	233.0	-188.1	-45%
Fossil	4,478.7	2,633.9	-1,844.8	-41%	3,161.8	-1,316.9	-29%
Non-fossil	76,547.2	56,183.6	-20,363.5	-27%	66,337.0	-10,210.1	-13%
Total	81,447.0	59,056.1	-22,390.9	-27%	69,731.8	-11,715.2	-14%

With the benchmark US crude oil prices trading below zero from the 20th of April, there was a further impact on the equity portfolios of the pension funds as the share price of US oil & gas companies dropped even further. They picked up again slightly by the end of the week. This week the world's largest oil-backed exchange traded fund – United States Oil Fund – offloaded its short-term contracts, again setting of a period of increased volatility in the market.

Investors who bought oil & gas shares when they were at their lowest point in mid-March, may now be concerned they made the right bet. As lockdowns and travels bans continue, and storage facilities reach full capacity, oil & gas companies will have to reduce production, close facilities, lay off workers and cut costs. The question then is, which companies will survive, and when will they be profitable again.