

## European Small & Mid Cap

Rules of the investment basket, valid as of 15 February 2014

### Main terms and conditions of the investment basket

- Name of the investment basket: Mandatum Life European Small & Mid Cap
- Target market of the investment basket: Equities and equity-related securities in Europe
- Capital protection of the investment basket: The investment basket does not have a capital guarantee.
- Portfolio manager of the investment basket: Mandatum Life Insurance Company Limited
- Start date of the investment basket's investment activities: 15 May 2014
- Sales period: Continuous
- Investment period: Continuous
- Calculation of the value of the investment basket unit:  
A value is calculated for the investment basket on each banking day.
- The annual management fee of the investment basket is 1.5%.

### Investment basket

The investment basket is an investment object owned by Mandatum Life Insurance Company Limited (hereinafter "Insurance Company") that may be linked to a unit-linked life insurance policy and capital redemption policy (hereinafter "Insurance Policy") specified by the Insurance Company, where the assets of the investment basket are invested according to the investment strategy detailed below.

The investment basket does not distribute its profit. Instead, any profit increases the value of the unit. The return of the investment basket depends on the performance of the underlying assets in the investment basket.

Unless otherwise provided in these rules, the regulations concerning investment objects in the terms and conditions of the Insurance Policy

apply to the investment basket. A monthly review of the investment basket is available by request from the Insurance Company.

### The investment strategy of the investment basket

The investment basket invests its assets in European equities and equity-linked securities. The investment basket may use fixed income investments only for the management of cash assets. The proportion of equity-linked securities in the investment basket of the total value of the investment basket may vary between 75% and 125%.

The investment basket's assets can be invested in:

- 1) Equities and equity-related instruments, such as convertible bonds, option certificates, personnel options, subscription rights, depositary receipts and warrants.
- 2) Standardised and non-standardised derivatives, the underlying assets of which can be securities, deposits in a credit institution, derivative contracts, financial indices, exchange rates, units in an investment fund or collective investment undertakings or currencies.

The investment basket may invest in derivative contracts in order to improve the efficient management of the portfolio and/or to protect itself against adverse changes in the markets. Derivatives are used to secure the stable development of the unit value of the investment basket. Derivatives can be both sold (written) and bought.

The counterparty to a non-standardised derivative contract may be a corporation, the stability of whose operations is supervised according to the grounds defined in the legislation of the European

Community, or a corporation which is subject to and which complies with prudential rules equivalent to those laid down in European Community law. These include credit institutions, investment firms and insurance companies within the European Economic Area, in addition to credit institutions in other OECD countries (at the time of writing Australia, Canada, Chile, Israel, South Korea, Japan, Mexico, Switzerland, Turkey, New Zealand and the United States).

The counterparty risk resulting from investing in non-standardised derivative contracts may not exceed 10% of the investment basket's assets on the part of the same counterparty if the counterparty is a credit institution as specified in section 4, and otherwise 5% of the investment basket's assets.

- 3) Securities, the terms of issue of which include an undertaking to make securities tradable within one year of their being issued, provided that trading most likely, commences within one year.

The securities referred to in sections 1–3 as well as the standardised derivative contracts are subject to public trading on the official list of a stock exchange or they are traded in some other market place that is regulated, operates regularly, is recognised and open to the public within the European Economic Area or a member state of the OECD.

- 4) Deposits in credit institutions provided that the deposit is repayable on demand or it can be withdrawn and matures for payment at the latest within 12 months and the domicile of the credit institution is within the European Economic Area or in an OECD member state. A maximum of 20% of the investment basket's assets may be invested in deposits accepted by the same credit institution.

5) Units of investment funds or units of collective investment undertakings that have received authorisation in Finland or another state belonging to the European Economic Area and which meet the requirements of the Directive on Undertakings for Collective Investment in Transferable Securities (EU) based on the legislation of their country of domicile and which can, according to their rules or articles of association, invest a maximum of 10% of their assets in the units of other investment funds or collective investment undertakings..

6) Securities and money market instruments other than those specified in sections 1, 3 and 5 and at most 10% of the investment basket's assets.

No more than 10% of the investment basket's assets may be invested in securities issued by the same issuer. The total counterparty risk for the same issuer's securities, the deposits accepted by the corporation in question and such non-standardised derivative contracts that cause the investment basket a counterparty risk concerning the corporation in question may not exceed 20% of the investment basket's assets.

Investment basket's investments into the same issuer's securities those value exceeds 5% of the assets cannot exceed 40% of the investment basket's assets. This limitation does not apply to deposits, to the units of fund investment companies or UCITS nor to investing in such non-standardised derivative contracts in which the counterparty is a credit institution as specified in section 4.

Regardless of other investments, assets of the investment basket can be used to buy or sell derivatives up to 100% of the total investment basket's risk, calculated in a situation where all of the investment basket's assets have been invested in the securities markets. The risk position of derivative contracts is monitored daily using the collateral requirement and the delta ratio of the investment basket. The security

collateral requirement of the derivative contracts may not exceed 30% of the value of the investment basket.

No more than 25% of the value of the securities investments in the investment basket may be given as securities loans, provided that they are settled in a clearing house or in a corresponding foreign corporation as specified by law. If the transaction is settled elsewhere, the counterparty to the agreement must be a securities broker as provided by law and the agreement terms and conditions must be typical of the market and generally known. The restriction does not apply to lending agreements that can be terminated and that refer to securities that can be immediately recovered upon demand.

The investment basket may take out a loan for the investment basket activities for a temporary purpose, in an amount equalling no more than 10% of the investment basket's assets.

The investment basket can depart from the investment restrictions during a maximum period of six months from the commencement of the investment basket activities. When calculating the investment restrictions, the assets of other investment funds and collective investment undertakings, into which the investment basket can invest, are not taken into account. The investment restrictions do not need to be followed when using the subscription rights connected to the securities included in the investment basket's assets.

The risk position of the investment basket is monitored based on modified duration on the part of fixed income investments and based on the delta ratio on the part of other investment objects.

## Investment basket's benchmark index

The investment basket has a benchmark index to which the re-

turn on the investment basket is compared. The benchmark index has been specified in the investment basket's brochure. The long-term objective of the investment basket is to exceed the development of the benchmark index.

## The investment basket's risk profile

The investment basket is exposed to the equity markets' return risk and capital risk as well as foreign exchange risk. Return and capital risk mean that the investor may lose the capital that he or she has invested as well as the returns in part or in full.

The value of the investment basket is calculated regularly based on the current market values of the investment objects it contains. Changes in the equity, foreign exchange and interest rate markets are reflected in the value of the basket, which can vary substantially in the short term.

The investment basket is not covered by the investors' compensation fund or the deposit guarantee fund.

## Target investors

The investment basket suits investors who seek better returns than those for fixed income investments and accept the risk typically associated with equity investments.

## Investment object's fees and expenses

The annual fixed management fee of the investment basket is 1.5%.

The investment basket's annual fixed management fee and possible other expenses associated with investments, including safe custody expenses, subscription and redemption fees, trading costs and any taxes and other public-law fees will be deducted daily from the value of the investment basket when the value of the unit is calculated; they will not be separately charged from the

policyholder. The fees charged by any mutual funds and other instruments in the basket will be charged. These fees are taken into account in unit value calculations.

## Calculation of the investment basket's net asset value (NAV)

The net asset value of the investment basket is calculated by deducting the liabilities of the investment basket, including management fees and expenses associated with investments, from its assets. The value of the investment basket is reported in euros.

The investment basket's securities, money market investments and standardised derivatives are valued at the current market value.

The units of investment funds and units issued by collective investment undertakings are valued at the last available value of the unit. Deposits are valued by taking into account their capital and the accrued interest added to the capital.

The investment basket's currency-denominated assets and liabilities are converted into euros using the reference exchange rates published by the European Central Bank.

Non-standardised derivative contracts as well as other investment objects for which a reliable and current market value is not available, or if an investment object other than those mentioned above is in question, are valued according to objective criteria.

The net asset value is calculated for the investment basket on the days that Finnish deposit banks are generally open. Based on any changes, market disturbances or other similar reasons possibly affecting the investment basket's investments, the Insurance Company can interrupt the calculation of the investment basket's value until the calculation of the value can be carried out normally.

## Calculation of the unit value of the investment basket

The unit value of the investment basket is calculated by dividing the value of the basket by the number of investment basket units in circulation. The unit value of the investment basket may be divided into fractions. An investment basket unit comprises ten thousand (10,000) fractions of equal size.

The unit value of the investment basket is expressed in euros. The latest unit value of the investment basket is available from the Insurance Company and on the Insurance Company's website.

## Unit subscription, redemption and associated restrictions

The subscription of the investment basket's units means tying a new payment under the customer's Insurance Policy or of already existing savings to the value of the investment basket's unit. The redemption of the investment basket means the withdrawal of the savings tied to the Insurance Policy's investment basket or their transfer to another investment basket or some other investment object.

The Insurance Company is entitled to refuse subscriptions for the investment basket's units. Policyholders are entitled to withdraw their savings in the investment basket in accordance with the Insurance Policy's terms and conditions.

The Insurance Company is entitled to refuse any subscription if it has not been provided with the required information for carrying out the subscription. The Insurance Company can provide more detailed information about how the subscription of units is carried out abroad or

in a currency other than that in use in Finland at any given time.

The redemption value of the investment basket unit is determined according to the exchange rate for the day on which the required sales of the investment objects have been registered and taken into account in the calculation of the investment basket's value. The redemption value is paid in accordance with the insurance terms and conditions at the earliest on the banking day following the redemption date. Redemption assignments will be fulfilled in the order of arrival. The Insurance Company can decide the minimum number of units or the minimum amount in euros to be subscribed for or redeemed at one time.

The redemption assignment can only be cancelled with the approval of the Insurance Company. The Insurance Company is entitled to restrict withdrawals due to market disturbances or other similar reasons.

## Termination of the investment basket

The Insurance Company is entitled to terminate the investment basket. When the activities of the investment basket end, the policyholder must notify the Insurance Company, within the reasonable period assigned by the Insurance Company, which investment object's performance he or she wants the savings to be tied to. In case the policyholder does not do this, the Insurance Company is entitled to transfer the insurance savings tied to the basket to other investment objects of its choice.

## Ownership of the investment basket and its units, and rights to the basket and its units

The policyholder or beneficiaries do not have title or other rights to the investment basket or to its units linked to the Insurance Policy. The Insurance Company holds the title to the units of the basket and the investment instruments belonging to the basket linked to the Insurance Policy.

## Changes and restrictions on actions concerning investment baskets

The Insurance Company is entitled to restrict investment basket unit redemptions and subscriptions in case the restriction is deemed necessary to protect the interests of other policyholders.

The Insurance Company is entitled to, without the investors' consent, make minor changes in the investment basket's rules, due to for example, changes in the investment object, in legislation or regulations or changes in the market situation. Changes are reported on the Insurance Company's website.

## Taxes and payments to authorities

In case the investment basket or investment objects in the basket are subject to direct or indirect taxes under a law or an order issued or other fees imposed by the authori-

ties, and which are payable by the Insurance Company, the Insurance Company is entitled to charge the corresponding sum from the investment basket.

The investment basket's investment objects may be subject to tax costs, which affect the value of the investment object.

## Due dates

In case a due date referred to in these rules is not a banking day, the due date in question will be considered the first banking day following the due date.

## Risks associated with the investment basket

### MARKET RISK

Investment objects are affected by market risk, i.e. risk which is caused by general economic development, in other words factors that affect the overall performance of companies operating on the markets and/or that the value of the investment changes as a result of changes in the economic outlook.

### RETURN RISK

The performance of the investment basket is dependent on the performance of the target market, which may vary during the investment period. No guarantees can be made concerning the performance of the target market. The past performance of investments is no guarantee of future performance. Investing in the investment basket is not the same as investing directly in the target market. The investor will not necessarily benefit from the dividend paid directly on equities or on equities included in the equity indices.

### INTEREST RATE RISK

Interest rate risk results from the value of the investment basket changing due to a change in the market interest rates.

### CREDIT RISK

Credit risk means a loss or the weakening of the financial position due to the fact that the issuer of a security or other debtor fails to meet his or her obligations. If the credit risk materialises, the investor bears the risk of losing the investment entirely or in part.

### COUNTERPARTY RISK

Counterparty risk arises due to the other party in a financing or derivative contract and materialises if the counterparty is unable or unwilling to meet his or her obligations. If the counterparty risk materialises, the market value of the contract concluded with the counterparty is subject to risk. The investor bears the risk of losing the investment entirely or in part if the counterparty risk materialises due to the insolvency of the derivative counterparty prior to the redemption of the investment.

### FOREIGN EXCHANGE RISK

If the investment objects include investments other than euro-denominated investments, changes in exchange rates may affect the performance of the investment object.

### LIQUIDITY RISK

The markets' liquidity risk means that investments cannot be or cannot easily be realised or covered at the current market price or that a value cannot be determined for the investments due to the markets' lack of depth or because the markets are not working due to some kind of disturbance. The value of an investment may need to be defined in an exceptional manner at an exceptional time as the result of a market disturbance.

## Risks and observations related to unit-linked insurance policies

Risk is always inherent in investment activities. The performance of unit-linked insurance policies and capital redemption policies is based on the performance of the investment objects selected by the policyholder, such as that of investment baskets, investment funds, indices, currencies, commodities or equities.

The value of the investment objects may rise or fall and the policyholder bears the risk of the financial consequences of his or her investment decisions and of losing his or her insurance savings. The policyholder should take into account that the past performance of investments is no guarantee of future performance.

The information and calculations concerning the returns, fees and expenses for investment objects do not take into account the expenses for the insurance.

The investment basket is not covered by the investors' compensation fund or the deposit guarantee fund.

Policyholders independently decide on the selection of investment objects in accordance with their own investment objectives, and bear the risk of a decrease or loss in the value of the insurance savings.

Neither the Insurance Company nor its agents are liable for the performance of the investments, or the selection of the investment objects linked to the Insurance Policy.

The Insurance Company may change the investment objects that can be selected for an insurance policy during the validity of the insurance policy. Information on investment objects and related matters is supplied for information purposes only, and cannot be construed as a recommendation to subscribe for, hold or exchange certain in-

vestment objects, or to carry out any other actions affecting value of the insurance.

Policyholders must carefully familiarise themselves with the terms and conditions, rules, price lists, product descriptions and brochures relating to the insurance and investment objects before taking out or changing an insurance policy or selecting or changing investment objects.

Changes in legislation, other regulations and official procedures or the decisions of courts of law can affect the business operations, financial position and performance of the Insurance Company as well as the market value of the investments in the investment basket. Additionally, the investor bears the risk of changes in taxation affecting the insurance products.

If there is conflict between the terms and conditions in English and in Finnish, the Finnish version shall prevail.

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