

# Nordic High Yield Abs

Investment Basket Monthly Review 31 December 2018

## Investment Basket Facts

Name	Mandatum Life Nordic High Yield Abs
Inception Date	28.1.2013
Investment Manager	Mandatum Life
Management Fee p.a.	1.0%
Carbon Footprint	2018: 431.8 tCO <sub>2</sub> per invested €1 million 2017: 286.0 tCO <sub>2</sub> per invested €1 million

## Performance



	1 mth	3 mths	6 mths	12 mths	Year-To-Date	Since Inception
Nordic High Yield Abs	-2,20 %	-3,26 %	-0,26 %	1,65 %	1,65 %	5,13 %

## Top Holdings

7,54 %	Cash/ Money Market	3,29 %	European Directories BondCo SCA, FRN, Maturity, 09.06.2021, EUR
5,09 %	DSV Miljoe AS, FRN, Call 10.05.2019, Mat. 10.05.2021, EUR	3,09 %	Quant AB, FRN, Call 15.02.2020, Mat. 15.02.2023, EUR
4,72 %	Corral Petroleum Holdings AB, 11.75%, Call 15.05.2019, Maturity 15.05.2021, EUR	2,89 %	West Atlantic AB, 7%, Call 21.12.2017, Maturity 21.12.2019, SEK
4,57 %	Axzon A/S, FRN, Call 30.06.2019, Mat. 26.05.2021, EUR	2,88 %	AINMT Scandinavia Holdings AS, FRN, Call 07.04.2019, Mat. 07.04.2022, NOK
3,33 %	VV Holding AS, FRN, Call 10.07.2016, Maturity 10.07.2019, NOK	2,52 %	Lebara, FRN, Mat. 07.09.2020, EUR

## Investment Strategy

The Mandatum Life Nordic High Yield Abs investment basket offers the opportunity to invest diversely in Nordic fixed income instruments with a good return potential at a moderate risk level. The investment basket invests in bonds of Nordic companies, which have no credit rating or which are rated as *high yield*, i.e. credit rating not higher than BB+ (Standard and Poor's).

The objective of the investment basket's investment activities is to achieve, through active portfolio management, a long-term yield on the investment basket's assets that outperforms the typical return on conventional fixed income instruments. The interest rate risk of the portfolio is actively managed. The foreign exchange risk is hedged according to the portfolio manager's view at any given time.

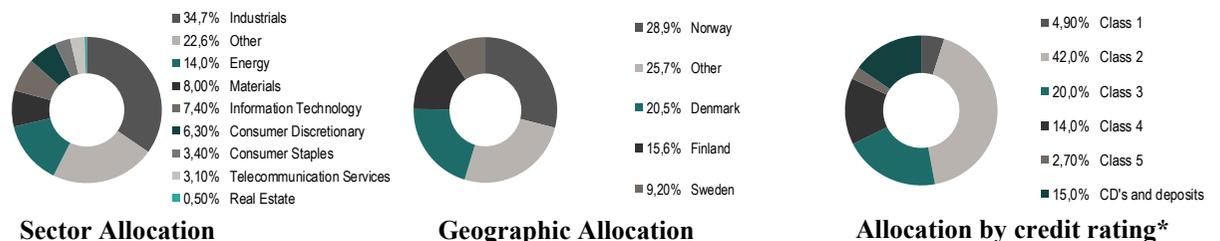
## Investment Manager's Review

In December, financial markets were volatile and the weakening of liquidity just before Christmas served to accentuate this volatility. Corporate bond market movements were relatively moderate, however, compared to e.g. the equity market, but the cautiousness of investors and the banks' desire and ability (due to continuously tightening regulation) to act as a liquidity buffer was also obvious on the bond market, keeping trading at a low level in the final quarter. The seesawing events on the political front have done nothing to help strengthen investors' risk appetite. The real economy still appears to be good globally, but next year's expectations have been downgraded. Both the progress in the trade war and the denouement of the Brexit process make it harder to make predictions concerning next year. A positive event in December was an agreement between Italy and EU on next year's budget, which will cause talk surrounding the future of Italy's membership to die down for the time being. The decline in raw material market prices clearly already indicates a slowing down of economic growth and, despite the OPEC's and Russia's decision to cut production, the oil price drop in late 2018 is causing oil companies' expectations to be deferred slightly. However, while oil companies' planned investments did not increase when the oil price rose from 60 dollars to 85 dollars, there were also no reports of them being cut when the price fell from 85 dollars to 50–60 dollars. However, we have lowered the weight of oil service companies to around 9 per cent in our portfolio and we are monitoring the situation closely.

The yield levels in the Nordic corporate bond market experienced slightly smaller increases than the European market in December. The interest rate risk of the ML Nordic High Yield investment fund is very low, the average maturity is rather short (approx. 2.5 years) and the risk level of the portfolio was reduced throughout 2018. In our view, we are well positioned in relation to the current market situation and the decline in bond prices in recent weeks has opened up some very interesting new investment opportunities. The increased market volatility obviously also makes diversification even more important than before. Investment on the Nordic high yield market in 2018 resulted in a significantly better return than other high yield strategies (such as Europe or US high yield). This set-up is likely to continue for now as the European Central Bank stopped its net purchases of European corporate bonds at year end.

## Investment Basket Allocation

\*Based on assessments for each company's creditworthiness



This investment basket review does not constitute a recommendation to subscribe for or redeem units in the investment basket. In compiling the investment basket review, every attempt has been made to ensure that the information contained in it is correct. However, Mandatum Life is not accountable for the correctness of the information. The investment basket's past performance is no guarantee of future returns. The value of investments may increase or decrease and investors risk losing the assets they originally invested.

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