

# Fixed Income Portfolio Abs

Monthly Investment Basket Review 31.10.2017

## Investment Basket Basic Information

Name	Mandatum Life Fixed Income Portfolio Abs
Inception date	17.11.2008
Investment Manager	Mandatum Life
Management Fee p.a.	0,75 %
Carbon footprint compared to market	17 %

## Unit Value



	1 mth	3 mths	12 mths	36 mths	Year-To-Date	Since Founded
Fixed Income Portfolio Abs	0,48 %	0,44 %	2,79 %	6,48 %	3,41 %	55,39 %

## Top Holdings

10,31 %	Cash/ Money Market	1,96 %	United Kingdom Gilt, 3.75%, 07.09.2021, GBP
4,03 %	iShares iBoxx \$ Investment Grade Corporate Bond ETF	1,85 %	Nordea Bank AB, 4.25%, 21.09.2022, USD
2,38 %	Telefonaktiebolaget LM Ericsson, 4.125%, 15.05.2022, USD	1,83 %	Vattenfall AB, 3%, Call 19.03.2027, Perpetual, EUR
2,09 %	Pohjola Bank PLC, 5.75%, 28.02.2022, EUR	1,83 %	Cash/ Money Market
2,08 %	AP Moeller - Maersk A/S, 4%, 04.04.2025, GBP	1,77 %	Danica Pension Livsforsikringsaktieselskab,

## Investment Strategy

Mandatum Life Fixed Income Portfolio strategy provides an active and extensive portfolio management solution. Investments are made in fixed income markets on a diversified basis and according to current market views. Basket funds are invested in deposits, money market and fixed income instruments, mutual fund units and derivatives contracts. Interest rate risk (duration-measured) may vary from 0 to 15 years in duration and credit risk may not exceed 100% of the investment basket's market value.

The investment basket suits both inexperienced and experienced investors, who seek returns typical for medium-term fixed income investments. The investment basket's return risk and capital risk are typical to diversified medium-term interest rate baskets with moderately low risk.

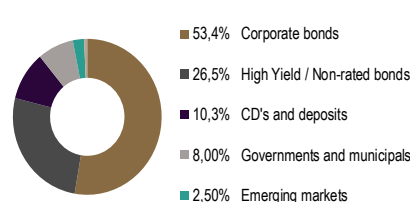
## Investment Manager's Review

The fixed income markets lacked major movements in the euro zone in October. Interest rates varied within a narrow band, but credit risk premiums tightened even more. Towards the end of the month, the ECB announced that it will reduce its balance sheet stimulus purchases to a monthly EUR 30 billion, as predicted. At the same time, the announcement that the programme would continue indefinitely if need be slightly weakened the euro at the end of the month. Euro zone economies have reached a growth trend and euro zone growth currently appears to be reaching +2.2% this year.

Current growth and the improved outlook have not yet raised inflation expectations, allowing the ECB to make its mild comments and the markets to take their time in factoring in key interest rate hikes on the curve. At the moment, the ECB's first interest rate hike is partly factored into prices around halfway through 2019. As expected, the Fed will execute one more interest rate hike in December this year and continue the hikes next year. Trump's tax reform, if it materialises, will likely increase the US budget deficit, so, together with the rise in inflation expectations, US government bonds continue to inhabit a moderately rising interest rate market environment. On the corporate bond markets, the issue rate settled down slightly with the onset of the Q3 earnings reporting season. Demand has, nevertheless, remained extremely strong and credit risk premiums have shrunk even further to the tightest levels this cycle. In our view, there is reason to be especially cautious when deciding which new issues to participate in, as companies are currently able to attain money from the markets at record-cheap prices. The market environment partly manipulated by the central banks is continuing and, right now, there are very few signs that demand for corporate bonds will weaken.

In October, we bought some more US IG markets through ETFs, some of ICE Group's 2022 floating rate note and some of Gjensidige's equity bond. We sold some of Handelsbanken's AT1 bond, Danica's Tier 1 bond and some EMD markets through ETFs. We similarly reduced the portfolio's USD sensitivity after the dollar strengthened in October. The Fixed Income Portfolio yielded +0.48% in October and has risen +3.41% from the beginning of the year.

## Investment Basket Composition



## Allocation by Investment Class

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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