

Fixed Income Portfolio Abs

Investment Basket Monthly Review 31 December 2018

Investment Basket Facts

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	2018: 144%, 810.7 tCO ₂ per invested €1 million 2017: 56%, 500.9 tCO ₂ per invested €1 million

Performance



	1 mth	3 mths	12 mths	36 mths	Year-To-Date	Since Inception
Fixed Income Portfolio Abs	-0,55 %	-1,82 %	-1,94 %	4,22 %	-1,94 %	52,13 %

Top Holdings

4,13 %	Cash/ Money Market	1,98 %	Nordea Bank AB, 4.25%, 21.09.2022, USD
2,80 %	Mandatum Life Raha Abs Z	1,79 %	Oaktree European Senior Loan Fund
2,75 %	United States Treasury Note/Bond, 1.625%, 31.08.2022, USD	1,68 %	Pohjola Bank PLC, 5.75%, 28.02.2022, EUR
2,12 %	AP Moeller - Maersk A/S, 4%, 04.04.2025, GBP	1,68 %	UPM-Kymmene Oyj, 7.45%, 26.11.2027, USD II
2,04 %	United Kingdom Gilt, 3.75%, 07.09.2021, GBP	1,64 %	Nordea Bank AB, 3.5%, Call 12.03.2025, Mat. Perpetual, EUR

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.

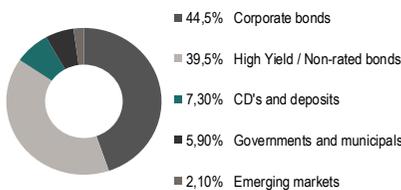
Investment Manager's Review

The European underlying low-risk interest rate dipped slightly lower at the very end of 2018. This was enough to ensure that government bonds yielded the best returns of the euro zone fixed income asset classes (+1%) during the 2018 calendar year. In Europe, the equity markets and other risky asset classes experienced a turbulent environment at the end of the year and December proved to be no exception.

Credit risk premiums widened in Europe and the Nordics in December. The European high yield fixed income asset class fell by -3.9% in 2018 but the Nordic market remained above zero. Credit risk premiums are still wider in Nordic corporate bonds overall compared with the bonds of European large cap companies. The appreciation of the dollar ended in December and it even began to weaken against many currencies. The markets have not factored in the Fed's interest rate hikes for this new year, which is turning out to be a significant element of surprise. If the Fed signals a break in its interest rate hikes, the dollar will have a strong depreciation path before it, e.g. in relation to the euro. We barely adjusted the Fixed Income portfolio's positioning in December; Nordic corporate bonds continue to have the largest weight in the portfolio. In December, we bought some of Marine Harvest's euro floating rate bonds and sold some of the US corporate bond markets' ETF and some US government bonds. We also sold some of Vattenfall's bonds. We bought for the portfolio some sales options to hedge against interest rate risk. All in all, corporate bonds' yield potential for the new year has risen significantly from last summer's level, as bond prices have fallen on the secondary markets as a result of waning general risk appetite. The value of the Fixed Income portfolio fell -1.94% in 2018, which is the first downward year in the portfolio's 10-year history. The running yield on the Fixed Income portfolio is more than 3% coming into the new year, which offers a good foundation for a new investment year.

The value of the Fixed Income Portfolio fell -0.55% in November, down -1.94% year-to-date.

Investment Basket Allocation



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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