

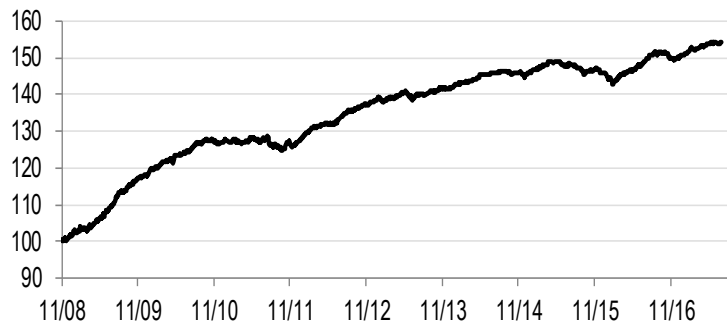
# Fixed Income Portfolio Abs

Monthly Investment Basket Review 31.8.2017

## 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 %
Coal Footprint compared to market	17 %

## Unit Value



	1 mth	3 mths	12 mths	36 mths	Year-To-Date	Since Founded
<b>Fixed Income Portfolio Abs</b>	0,22 %	0,57 %	2,40 %	5,89 %	3,19 %	55,06 %

## Top Holdings

11,77 %	Cash/ Money Market	2,01 %	AP Moeller - Maersk A/S, 4%, 04.04.2025, GBP
3,64 %	iShares iBoxx \$ Investment Grade Corporate Bond ETF	1,90 %	United Kingdom Gilt, 3.75%, 07.09.2021, GBP
2,55 %	Danica Pension Livsforsikringsaktieselskab, 4.375%, Call 29.09.2025, Maturity 29.09.2045, FLUR	1,86 %	Nordea Bank AB, 4.25%, 21.09.2022, USD
2,35 %	Telefonaktiebolaget LM Ericsson, 4.125%, 15.05.2022, USD	1,83 %	Cash/ Money Market
2,09 %	Pohjola Bank PLC, 5.75%, 28.02.2022, EUR	1,81 %	Svenska Handelsbanken AB, 5.25%, Call 01.03.2021, Maturity

## 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.

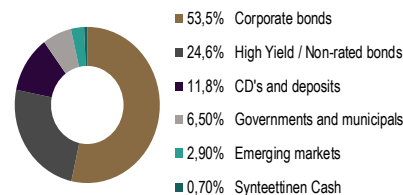
## Investment Manager's Review

Interest rates fell once again in August, with risk appetite weakening slightly. The yield level on Germany's 10-year government bond fell down to 0.36% and on the US 10-year bond to 2.12%. The expectant mood on the fixed income markets continues with the central banks expected to provide news on the winding down of the balance sheet stimulus programmes over the next few months, and with high demand on the corporate bond markets still pushing credit risk premiums towards the tight levels preceding 2007. A relatively large amount of assets can still be found in cash globally, with investors maintaining cash buffer in hopes of broader yield levels.

In Europe, the ECB's stimulus programme is still in control on the corporate bond markets and we expect information in September or October on the timing of the reduction of the QE programme scheduled to begin next year. We predict that, during the next few months, the ECB will announce that it will reduce its purchases to some EUR 40 billion per month from the start of next year. The Italian government bond markets and the euro zone's highest-credit-rating corporate bond and mortgage loan markets are markets where the ECB's support purchases make the biggest relative impact, which is why we are monitoring the movements of these markets carefully in the autumn. Similarly, in the US, the Fed is expected to report in October, at the latest, at what pace it intends to reduce its balance sheet. We do not foresee any major market impacts in the short term, but in the long run it is a well-known fact that growing the balance sheets of central banks has correlated strongly with good return development in risky asset classes.

Credit risk premiums fell further on the corporate bond markets. The credit rater S&P forecasts that credit defaults will fall to 2% in Europe in March 2018. In the US, corresponding levels are slightly higher due to the energy sector's credit defaults, but they are also falling. At the moment, we are at 3.3% and, based on S&P's forecast, next March's level will be 2.8%. All in all, investors should be selective on the credit risk markets and carefully consider any new investments. We have been wary of tying down too much cash at the current tight credit risk levels as demand is high and, resulting from the central bank's purchases, the market situation is clearly manipulated in the European corporate bond market with the highest rating (investment grade). In August, we bought some US government bonds for the portfolio and some of Nokia's, Gjensidige's, Netsi's, Intrum Justitia's and UPM's corporate bonds. We sold some of Nordea's successful AT1 bonds and local currency risk on the EMD markets. The Fixed Income Portfolio yielded +0.22% in July and has risen +3.19% 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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