

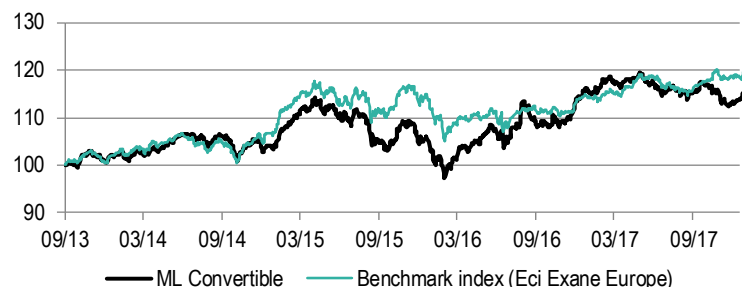
# Convertible

Investment Basket Monthly Review 31.1.2018

## Investment Basket Facts

Name	Mandatum Life Convertible
Inception Date	10.9.2013
Investment Manager	Mandatum Life
Management Fee p.a.	1.2%
Carbon Footprint compared to benchmark index	2017: 88%, 536.1 tCO <sub>2</sub> per invested €1 million 2016: 114%, 468.7 tCO <sub>2</sub> per invested €1 million

## Performance



	1 mth	3 mths	6 mths	12 mths	Year-To-Date	Since Inception
<b>Convertible</b>	-0,57 %	-1,61 %	-2,27 %	-1,56 %	-0,57 %	13,43 %
<b>Benchmark index</b>	0,28 %	-0,71 %	2,41 %	4,70 %	0,28 %	18,70 %

## Top Holdings

10,95 %	Cash / Money Market	4,25 %	Rocket Internet Se, 3%, 22.07.2022, Eur
7,55 %	Pt Jersey Ltd, 0.5%, 19.11.2019, Eur	3,59 %	Fresenius Medical Care Ag & Co Kgaa, 1.125%, 31.01.2020, Eur
6,34 %	Outokumpu Oyj, 3.25%, 26.02.2020, Eur	3,11 %	Marine Harvest Asa, 0.125%, 05.11.2020, Eur
5,70 %	Golar Lng Ltd, 2.75%, 15.02.2022, Eur	3,10 %	Magyar Nemzeti Vagyonkezelő Zrt, 3.375%, 02.04.2019, Eur
4,59 %	Total Sa, 0.5%, 02.12.2022, Usd	3,00 %	Rag-Stiftung, 0.00%, 18.02.2021, Eur

## Investment Strategy

The investment basket invests mainly in European convertible bonds. The proportion of these investments in the investment basket can vary between 70-100% of the basket's total value. The investment basket may also invest in other investment securities.

The equity investments, which may originate from conversions of convertible bonds or from direct equity investments, may in aggregate not exceed 10% of the investment basket's total value. The investment basket's equity exposure can vary between 0-100% of the investment basket's total value. Convertible bonds' and equity derivatives' delta-adjusted weights are taken into consideration when calculating equity exposure.

## Investment Manager's Review

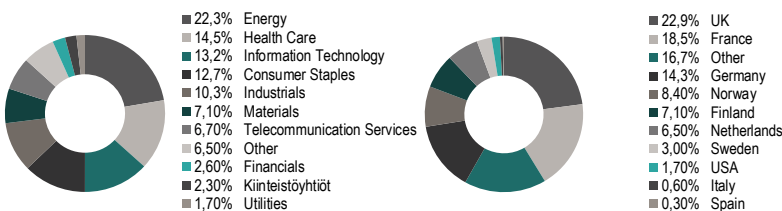
The year started on a strong note in both the equity and corporate bond markets. The brisk market sentiment was also seen on the convertible bond market and the primary market also activated towards the end of the month.

The impacts of the dramatic weakening of the US dollar remained minor. The ECB's securities purchase programme, which was cut by half at the start of the year, still supports the European corporate bond markets, but the ECB has not committed to continuing it after September. Once inflation accelerates and European economic growth is on a good track, it is of course natural to begin waiting for the normalisation of monetary policy. However, the ECB stated at the end of January that interest rate hikes are unlikely to take place during the current year. In practice, a large interest rate differential between the USD and EUR means that the seemingly high dollar-denominated bond rate is not that high for the euro investor after hedging costs. Currency risks are partially hedged in the portfolio but just under one fifth of both the investment basket and the benchmark index consists of open dollars and less than one tenth of open pounds, which has remained within a narrow variation range in the past few months.

Oil continued to rise strongly after the start of the year with Brent oil reaching as high as USD 71. The price of oil has already risen by more than 50% since last summer. The surge in demand and OPEC's restrictions will continue to increase the pressure to rise, which has also activated oil companies. The sector has been plagued by an investment downturn for several years, but the tide is turning. There is still plenty of overcapacity in the oil sector and the market situation is not easy, but the price level and utilisation rates have already started to rise. Shale oil production has not been able to make up for the undersupply created by OPEC's restrictions.

The convertibles market has become clearly more expensive in recent weeks (the implicit volatility of the pricing of bond convertibles has risen), but the market profile continues to be interesting and the return/risk profile offered by the asset class is an excellent choice for direct equity investments in the current market. The delta (stock sensitivity) of ML Convertible was 34% at the end of the month.

## Investment Basket Allocation



### Sector Allocation

### Geographic Allocation

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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