

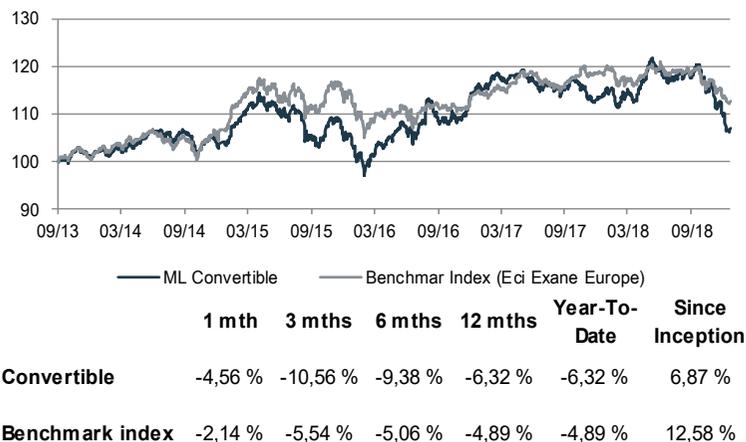
# Convertible

Investment Basket Monthly Review 31 December 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	2018: 79%, 489.0 tCO <sub>2</sub> per invested €1 million 2017: 88%, 536.1 tCO <sub>2</sub> per invested €1 million

## Performance



## Top Holdings

13,93 %	Cash / Money Market	3,49 %	Prosafe Se Convertible Bond, 23.08.2021, Nok
6,77 %	Golar Lng Ltd, 2.75%, 15.02.2022, Usd	3,36 %	Technipfmc Plc, .875%, 25.01.2021, Eur
5,99 %	Total Sa, 0.5%, 02.12.2022, Usd	3,25 %	Rag-Stiftung, 0.00%, 18.02.2021, Eur
4,95 %	Outokumpu Oyj, 3.25%, 26.02.2020	3,24 %	Bayer Ag, 0.05%, 15.06.2020, Eur
3,97 %	Hurricane Energy Plc, 7.5%, 24.07.2	3,10 %	Recipharm Ab, 2.75%, 06.10.2021, Sek

## 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.

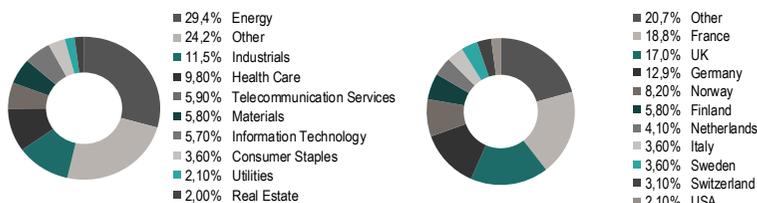
The equity investments, which may originate from conversions of convertible bonds or from direct equity investments, may in aggregate not exceed 10% of the investment basket's total value. The investment basket's equity exposure can vary between 0-100% of the investment basket's total value. Convertible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

## Investment Manager's Review

In December, many markets were volatile and the weakening of liquidity just before Christmas served to accentuate this. 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 operate as the corporate bond markets' liquidity buffer was also obvious on the convertibles 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 Italy's and the EU's agreement on next year's budget, which will cause talk surrounding the role of Italy as a member 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.

ML Convertible fell during 2018 but maintained its value better than the portfolio's stock sensitivity (delta) would have led us to believe. Hence, the strategy was successful during the challenging year. At the end of the year, the investment basket's delta/stock sensitivity was 21%, which is very moderate and also clearly lower than the normal stock sensitivity for the asset class.

## 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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