

# Portfolio Management Service

25

July 2017

## Investment Strategy

Portfolio Management Service 25 strategy is for an investor who is aiming for a better return than a deposit but wants to avoid strong fluctuation in the value of invested assets. In addition to fixed income investments, the strategy invests an average of 25 per cent of investments in high-risk asset classes in the long run. The proportion of high-risk assets may vary between 0 and 40 per cent according to market situation.

## Investment Manager's Review

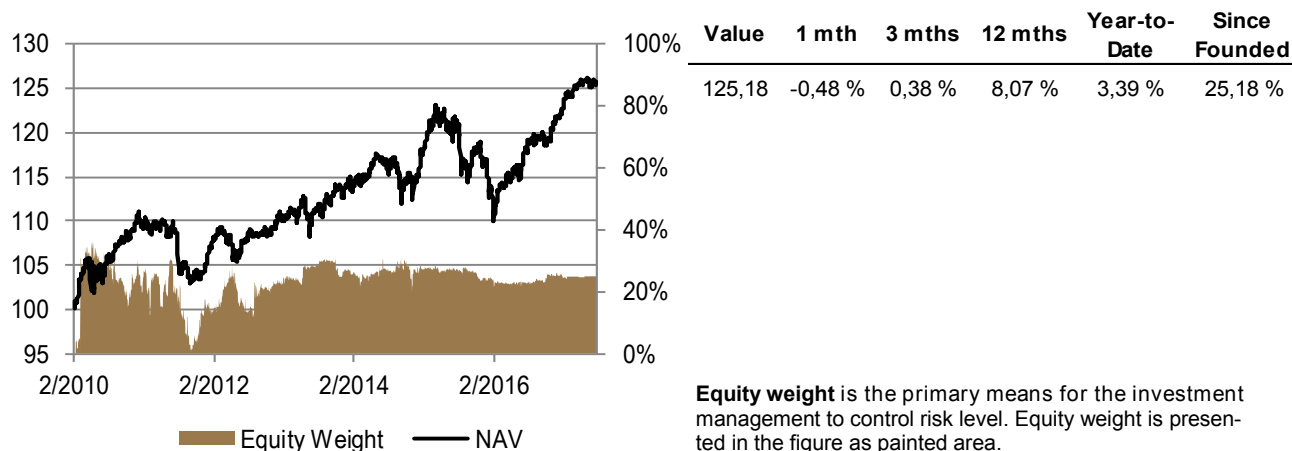
Return of the Portfolio Management Service's 25 was +0.2% in July, year-to-date +3.6% and +6.2% for the past 12 months.

The allocation overweight in the Nordic countries and Europe was cut in July after the strong overperformance in the beginning of the year. Simultaneously the weight of cyclical industries has been slightly diminished in the equities. In addition, the weakening of the U.S. dollar has also provided the possibility the add weight of dollar-nominated and U.S. investments. All in all, the U.S. investments still remain in underweight and Nordics and the rest of Europe in overweight in our allocation.

World economy is expected to continue to grow moderately (+3.5% in 2017). The strengthening economic growth and good corporate performance generate the equity markets a positive undertone. Also low and rising interest rate levels increase the relative attractiveness of the equity investments but the equity valuations are already above the historical average levels. Hence, the Portfolio Management Service equity/fixed income -relation remains neutral.

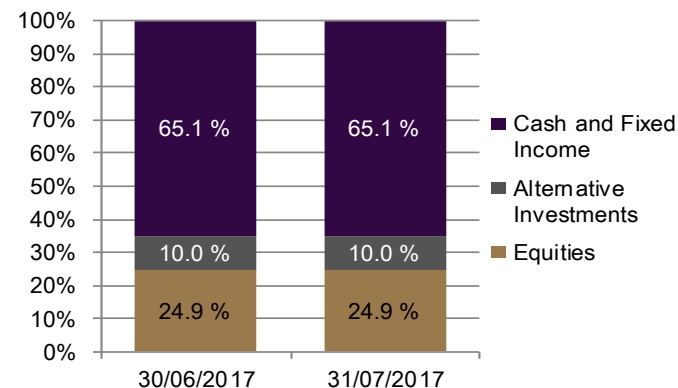
The credit risk premiums of the fixed income investments remain in low levels and those have even tightened further in low-risk investment grade bonds in July. Therefore we have invested carefully and selectively and we still maintain fairly large cash position. The weight in our fixed income investments lies in credits. We anticipate credits more tempting compared to low yielding government bonds and as interest rate levels are under pressure upwards.

## Equity Weight and Unit Value



**Equity weight** is the primary means for the investment management to control risk level. Equity weight is presented in the figure as painted area.

## Investment Allocation by Asset Class



**Alternative investments** consist of commodities and convertible bonds. They are intended to improve risk-corrected return as equity and alternative investment prices typically have low correlation.

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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## Top holdings

42,8 %	Mandatum Life Fixed Income Portfolio Abs
10,1 %	Mandatum Life Money Abs
10,0 %	ML Alternative Investments
6,4 %	iShares 0-5 Year Investment Grade Corporate Bond ETF
5,2 %	Mandatum Life Nordic High Yield Abs
5,0 %	iShares Core S&P 500 ETF
3,4 %	Mandatum Life European Small & Mid Cap
3,2 %	MGI Emerging Markets Equity Fund
3,1 %	MGI Global Equity Fund
3,0 %	iShares iBoxx \$ Investment Grade Corporate Bond ETF

**Portfolio Management Service 25 total fees: 1,10 % p.a.\***

\*Calculated the previous calendar year's fees including management and custody fees, as well as account handling fees and other bank fees that are deducted from the investment basket's capital. Updated annually.

**ML Fixed Income Portfolio Abs** is an actively managed investment basket investing in fixed income markets. The basket aims to produce stable return.

**Alternative Investments** include among others unlisted bonds and real estate investments with a broad international diversification.

**ML Money Abs** is a low risk investment basket with wide diversification. The basket invests in money markets.

**iShares 0-5 Year Investment Grade Corporate Bond ETF** is an index fund investing in the lower risk investment grade credit bonds.

**iShares Core S&P 500 ETF** invests broadly in the U.S. stock market covering approximately 500 companies.

**ML European Small & Mid Cap** is an actively managed investment basket investing in European Small & Mid Cap companies. The basket aims to beat its benchmark index in the long term.

**MGI Emerging Markets Equity Fund** invest in the global equity markets.

**MGI Global Equity Fund** is an active fund investing in the global markets.

**ML Nordic Equity** is an actively managed investment basket investing in Nordic equity markets. The basket aims to beat its benchmark index in the long term.

**ML Nordic High Yield Abs** is an actively managed investment basket investing in corporate bonds issued by Nordic high yield companies. The basket aims to produce stable return.