

Portfolio Management Service

25

December 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

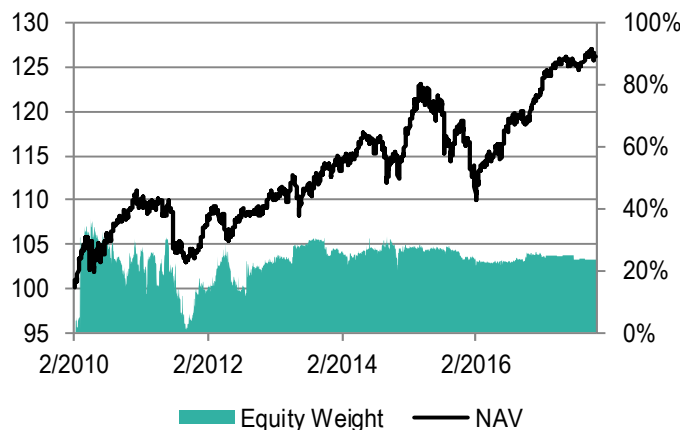
Return of the Portfolio Management Service 25 was +0.2% in December and +4.5% for the whole 2017.

We started the year with European equity investments overweighted and US equities underweighted, which worked well especially in the first half of the year. In the latter half of the year, we increased the geographical diversification of our equity investments and gradually reduced the underweight of US equities. We continue, however, to overweight Europe and the Nordic countries, based on, among other things, a lower valuation. No major changes were made to our equity investments in December.

In fixed income investments, we selectively made new investments and let the cash weight grow gradually, as yield levels were low. Measured by duration, the interest rate risk was kept more moderate than the market index throughout the year.

Global economic growth is expected to remain stable globally (+3.6% in 2018). Corporate and consumer confidence indicators are also strong. Inflation expectations have remained moderate and realised inflation is also below the central banks' target in both the US and the euro zone. The normalisation of central banks' monetary policy is, however, maintaining pressure for interest rates to rise.

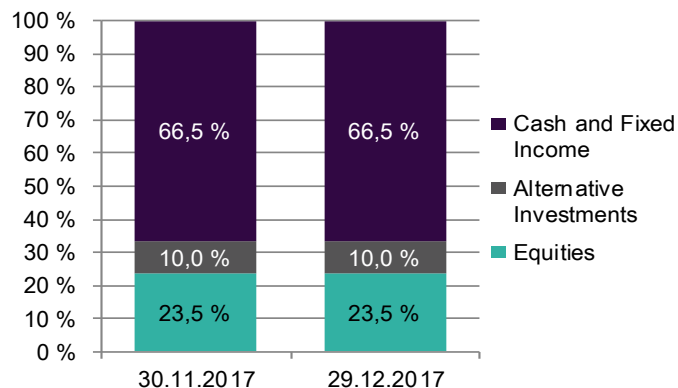
Equity Weight and Performance



Value	1 mth	3 mths	12 mths	Year-to-Date	Since Founded
126,58	0,21 %	0,60 %	4,54 %	4,54 %	26,58 %

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.

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Top holdings

32,0 %	Mandatum Life Fixed Income Portfolio Abs
13,9 %	Mandatum Life Money Abs
10,0 %	ML Alternative investments
7,2 %	iShares 0-5 Year IG Corporate Bond ETF
5,7 %	iShares Core S&P 500 ETF
4,6 %	Mandatum Life Nordic High Yield Abs
3,5 %	MGI Global Equity Fund
3,1 %	Mandatum Life European Small & Mid Cap
2,8 %	db x-trackers USD Corporate Bond UCITS ETF
2,7 %	MGI Emerging Markets Equity Fund

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.

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

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

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 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.

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

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.

db x-trackers USD Corporate Bond UCITS ETF is an exchange traded fund investing in the lower risk investment grade bonds.

MGI Emerging Markets Equity Fund invests in the emerging equity markets.