

Nordic High Yield Abs

Rules of the investment basket

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- Name: Mandatum Life Nordic High Yield Abs
- Portfolio manager of the investment basket: Mandatum Life Insurance Company Limited
- Target market of the investment basket: Nordic bonds with a low credit rating or with no credit rating
- Hedging the value of the investment basket:
The investment basket does not have a capital guarantee.
- Start date of the investment basket: 28 January 2013
- Sales period: Continuous
- Investment period: Continuous
- Calculation of the value of the investment basket unit:
A closing price will be calculated for the investment basket on each banking day.
- The annual management fee of the investment basket: 1.0%

Definition of the investment basket

The investment basket is an investment object owned by Mandatum Life Insurance Company Limited (hereinafter Insurance Company) that may be linked to a unit-linked life insurance policy or capital redemption policy (hereinafter Insurance Policy) specified by the Insurance Company, where the assets of the investment basket are invested mainly in Nordic bonds or in the bonds of companies operating in the Nordic Countries according to the investment strategy detailed below.

The investment basket does not distribute its profit. Instead, any profit increases the value of the unit. The return of the investment basket depends on the performance

of the assets in the investment basket.

Unless otherwise provided in these rules, the regulations concerning investment objects in the terms and conditions of the Insurance Policy apply to the investment basket. A review of the investment basket is available by request from the Insurance Company.

The investment strategy of the investment basket

The objective of the investment basket's investment activities is to achieve, through active portfolio management, a long-term yield on the investment basket's assets that clearly outperforms the typical return on conventional fixed income investments. The Insurance Company is not liable if the objective of the investment basket's investment activities is not attained.

The securities selected for the basket (incl. the derivatives position of the investment basket) may correspond to 0% to 100% of the investment basket's net assets. The investment basket's assets can be invested in bonds and other publicly traded loans, deposits, money market instruments, fund units of investment funds and investment baskets investing in the fixed income markets as well as standardised and non-standardised derivative contracts. The foreign exchange risk can be hedged according to the portfolio manager's judgement at any given time.

The investment basket's interest-rate risk is monitored on the basis of the modified duration of investments, which varies between 0.00–10.00 years. The maximum allowable weighted average duration of the investment basket's credit risk

is 10 years. The maximum allowable credit risk of the investment basket's investments is 100% of the market value of the basket. No specific close-out limits have been established for derivatives positions that affect the risks of the investment basket.

The foreign exchange risk component of investment instruments in the investment basket, other than those denominated in euros, may be managed with currency derivative contracts (both standardised and non-standardised). The total foreign exchange risk of the investment basket may not exceed 100% or be less than 0% of the market value of the basket.

Lending and repurchase agreements may be made on investments in the investment basket. The market value of investments given as loans may not exceed 30% of the market value of the assets in the basket.

The collateral requirement of derivatives contracts, repurchase agreements and borrowed investments may not exceed 75% of the market value of the basket.

Target market allocation

The investment basket invests its assets diversely, predominantly in Nordic bonds or in bonds of companies operating in the Nordic region, which do not have a credit rating or have a credit rating of, at most, either BB+ (Standard & Poors) or Ba1 (Moody's) or a corresponding rating from another credit rater. The investment basket may also utilise bond markets outside the Nordic region in order to improve its sector diversification or to replace individual Nordic investment objects. In addition, the investment basket can invest in other publicly traded loans, depos-

its, money market instruments, mutual funds investing in the fixed income markets and investment baskets as well as derivative contracts.

The base currency of the investment basket is the euro. However, investors bear the foreign exchange risk of investments other than euro-denominated investments, to the extent that the foreign exchange risk has not been hedged. A review of the investment basket is available by request from the Insurance Company.

Up to 10% of the basket's assets may be invested in the securities of any one issuer. Such investments in the securities issued by the same issuer that exceed 5% of the investment basket's assets must not exceed 40% of the investment basket's assets. This limitation does not apply to deposits, to the units of mutual funds or fund investment companies nor to investing in such non-standardised derivative contracts in which the counterparty is a credit institution domiciled in the European Economic Area or in member state of the OECD. The total counterparty risk for the same issuer's securities, the deposits accepted by the corporation in question and such non-standardised derivative contracts that cause the investment basket a counterparty risk concerning the corporation in question may not exceed 20% of the investment basket's assets.

However, contrary to the above, all of the assets of the investment basket, at most 100%, may be invested in at least three different bonds issued or guaranteed by a single Nordic country, Finnish municipality or joint municipal authority.

The investment basket's risk profile

The investment basket's return risk and capital risk are typical of products investing in corporate bonds with a low credit rating. The investment basket does not have a capital guarantee. Changes in interest rate levels and credit risk premiums are reflected in the value of the investment basket, which may

vary substantially even in the short term.

If the investment basket includes investments other than euro-denominated investments, changes in exchange rates may affect the performance of the investment basket.

The investment basket is not covered by the investors' compensation fund or the deposit guarantee fund.

Targeted investors

The investment basket suits investors who seek higher returns than those typical for normal fixed income investments and accept the risk typically associated with bonds with a low credit rating.

Investment basket's fees and expenses

The annual management fee of the investment basket is 1.0%. The management fee of the investment basket and expenses associated with investments, including trading costs and any taxes and other public-law fees will be deducted daily from the value of the investment basket when the value of the unit is calculated; they will not be charged separately. The fees charged by any mutual funds, investment baskets and other instruments in the basket will also be deducted. These fees are taken into account in unit value calculations.

Calculation of the investment basket's value

The value of the investment basket is calculated by deducting the liabilities of the investment basket from its assets, including management fees and expenses associated with investments. The securities, money market instruments and derivative contracts are valued at the current market value. Securities for which a reliable market value is not available are valued according to objective criteria. The value of the

investment basket is expressed in euros.

A closing price is calculated for the investment basket on the days that Finnish deposit banks are generally open (banking days). Based on any changes, market disturbances or other similar reasons possibly affecting the investment basket's investments, the Insurance Company can interrupt the calculation of the investment basket's value until the calculation of the value can be carried out normally.

Calculation of the unit value of the investment basket

The unit value of the investment basket is calculated by dividing the value of the basket by the number of investment basket units in circulation. The unit value of the investment basket may be divided into fractions. An investment basket unit comprises ten thousand (10,000) fractions of equal size.

The latest unit value of the investment basket is available from the Insurance Company and on the Insurance Company's website.

Unit subscription, redemption and associated restrictions

The subscription of the investment basket's units means the tying of a new payment under the customer's Insurance Policy or of already existing savings to the value of the investment basket's unit. The redemption of the investment basket means the withdrawal of the savings tied to the Insurance Policy's investment basket or their transfer to another investment basket or some other investment object. The Insurance Company can decide the minimum number of units or the minimum amount in euros to be subscribed for or redeemed at one time.

The Insurance Company is entitled to refuse subscriptions for the in-

vestment basket's units. Policyholders are entitled to withdraw their savings in the investment basket in accordance with the Insurance Policy's terms and conditions.

The Insurance Company is entitled to refuse a subscription assignment if it has not been provided with the required information for carrying out the subscription. The Insurance Company can provide more detailed information about how the subscription for units is carried out overseas or in a currency other than in euros.

The redemption value of the investment basket unit is determined according to the exchange rate for the day on which the required sales of the investment objects have been registered and taken into account in the calculation of the investment basket's value. The value of redemptions made from the investment basket will be determined per order in accordance with the market situation at the time of redemption. Redemption assignments will be fulfilled in the order of arrival. The redemption value is credited to the Investment Policy once the redemption has been completed at the earliest on the banking day following the redemption date.

The redemption assignment can only be cancelled with the approval of the Insurance Company. The Insurance Company is entitled to restrict withdrawals due to market disturbances or other similar reasons.

Termination of the investment basket

The Insurance Company is entitled to terminate the investment basket. When the activities of the investment basket end, the policyholder must notify the Insurance Company, within a reasonable period assigned by the Insurance Company, which investment object's performance he or she wants the savings to be tied to. In case the policyholder does not do this, the Insurance Company is entitled to transfer the investment savings tied to the basket to other investment objects of its choice.

Ownership of the investment basket and its units, and rights to them

The policyholder and beneficiaries do not have title or other rights to the investment basket linked to the Insurance Policy or to its units. The Insurance Company holds the title of the units of the basket and the investment instruments belonging to the basket linked to the Insurance Policy.

Changes concerning the investment basket

The Insurance Company is entitled to change the portfolio manager of the investment basket and make changes in the rules of the investment basket. The Insurance Company will notify the policyholders of changes.

Restrictions on actions concerning investment baskets

The Insurance Company is entitled to restrict investment basket unit redemptions and subscriptions in case the restriction is deemed necessary to protect the interests of other policyholders.

Taxes and payments to authorities

In case the investment basket or investment objects in the basket are subject to indirect taxes under a law or an order issued or other fees imposed by the authorities, and which are payable by the Insurance Company, the Insurance Company is entitled to charge the corresponding sum from the investment basket.

Due dates

In case a due date referred to in these rules is not a banking day, the due date in question will be considered the first banking day following the due date.

Risks associated with the investment basket

MARKET RISK

Investment objects are affected by market risk, i.e. risk which is caused by general economic development, in other words factors that affect the financial position of issuers and/or that the value of the investment changes as a result of changes in the economic outlook.

RETURN RISK

The performance of the investment basket is dependent on the performance of the target market, which may vary during the investment period. No guarantees can be made concerning the performance of the target market.

The past performance of investments is no guarantee of future performance. Investing in the investment basket is not the same as investing directly in the target market.

INTEREST RATE RISK

Interest rate risk results from the value of the investment basket changing due to a change in the market interest rates.

CREDIT RISK

Credit risk means a loss or the weakening of the financial position due to the fact that the issuer of a security or other debtor fails to meet his or her obligations. If the credit risk materialises, the investor bears the risk of losing the investment entirely or in part.

COUNTERPARTY RISK

Counterparty risk arises due to the other party in a financing or derivative contract and materialises if the counterparty is unable or unwilling to meet his or her obligations. If the counterparty risk materialises, the market value of the contract concluded with the counterparty is

subject to risk. The investor bears the risk of losing the investment entirely or in part if the counterparty risk materialises due to the insolvency of the derivative counterparty prior to the redemption of the investment.

FOREIGN EXCHANGE RISK

If the investment objects include investments other than euro-denominated investments, changes in exchange rates may affect the performance of the investment object.

LIQUIDITY RISK

The markets' liquidity risk means that investments cannot be or cannot easily be realised or covered at the current market price or that a value cannot be determined for the investments due to the markets' lack of depth or because the markets are not working due to some kind of disturbance. The value of an investment may need to be defined in an exceptional manner at an exceptional time as the result of a market disturbance.

Risks and observations related to unit-linked insurance policies

Risk is always inherent in investment activities. The performance of unit-linked insurance policies and capital redemption policies is based on the performance of the investment objects selected by the policyholder, such as that of investment baskets, mutual funds, indices, currencies, commodities or equities. The value of the investment objects may rise or fall and the policyholder bears the risk of the financial consequences of his or her investment decisions and of losing his or her insurance savings. The past performance of investments is no guarantee of future performance.

The information and calculations concerning the returns, fees and expenses for investment objects do not take into account the expenses for the insurance and capital redemption contract.

Policyholders independently decide on the selection of investment objects in accordance with their own investment objectives, and bear the risk of a decrease or loss in the value of the insurance savings. Neither the Insurance Company nor its agents are liable for the performance of the investments, or the selection of the investments linked to the insurance policy.

The Insurance Company may change the investments or the port-

folio manager responsible for the investments that can be selected for an insurance policy during the validity of the insurance policy.

Information on investments and related matters is supplied for information purposes only, and cannot be construed as a recommendation to subscribe for, hold or exchange certain investments, or to carry out any other actions affecting the performance of the insurance.

Prospective policyholders must carefully familiarise themselves with the terms and conditions and brochures relating to the insurance and investments before taking out or changing an insurance policy or selecting or changing investments.

Changes in legislation, other regulations and official procedures or the decisions of courts of law can affect the business operations, financial position and performance of the Insurance Company as well as the market value of the investments in the investment basket.

Additionally, the investor bears the risk of changes in taxation affecting the insurance products.

Insurance or capital redemption contract granted by and investment basket offered by

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