

# Fixed Income

Monthly Investment Basket Review December 2011

Name	Date	Value	Return %				
			1m	3m	12m	Year-To-Date	Since Founded
Mandatum Life Fixed Income	30.12.2011	127,28	1,22 %	1,40 %	0,08 %	0,08 %	27,28 %

## Investment Strategy

Mandatum Life Fixed Income Portfolio strategy provides an active and extensive portfolio management solution. Investments are made in fixed income markets on a diversified basis and according to current market views. Basket funds are invested in deposits, money market and fixed income instruments, mutual fund units and derivatives contracts.

Interest rate risk (duration-measured) may vary from 0 to 15 years in duration and credit risk may not exceed 100% of the investment basket's market value. The investment basket's return risk and capital risk are typical to medium-term interest rate products. The investment basket's foreign exchange risk component may be managed with standardized and non-standardized exchange rate contracts. The total foreign exchange risk 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. The market value of investments given as loans may not exceed 30% of the market value of the basket.

The collateral requirement of derivatives contracts, repurchase agreements and borrowed investments may not exceed 75% of the market value of the basket. The investment basket suits both inexperienced and experienced investors, who seek returns typical for medium-term fixed income investments. The investment basket's return risk and capital risk are typical to diversified medium-term interest rate baskets with moderately low risk. Changes in fixed income markets will affect the value of the investment basket, which may vary substantially in the short term.

## Investment Manager's Review

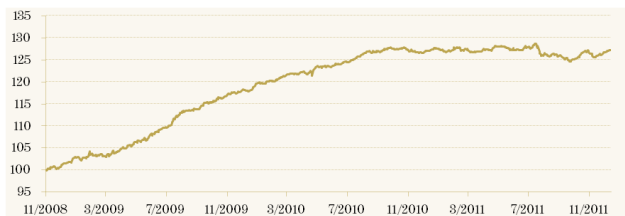
The interest rate level fell in the low risk Euro zone government bonds towards the year-end. Swap-rates decreased accordingly as 10-year euro-swap closed at 2.38% level. Liquidity decreased significantly in all fixed income asset classes towards the end of the year. Italian government bond yields remained high also in December and 10-year bond closed near 7 percent. The situation is still tense in peripheral Euro countries and Italy will remain in the loop of the market as the country is about to issue a massive amount of new bonds. By the end of April the country must renew 178 billion euro debt (including coupons), which will also have an effect on the yield levels of the other issuing euro countries. The willingness to risk-taking might disappear quickly in the market in case the auctions would meet difficulties. We do not possess government nor corporate bonds of the so-called European problem countries. Currently our sole government positions are in Polish (zloty and euro) and in Lithuanian government bonds on the EMD-side.

The majority of our portfolio consists of investments into corporate bonds in Scandinavia and in Finland. The duration of the basket was managed between 1.75 and 3.80 in December. We took some exposure in GBP in the beginning of the month and hedged the risk in the end of December. We have continued to hedge most of the USD risk during December. In the very beginning of the month we bought Norwegian Exportfinans dollar bond maturing 2015 in 9% yield. ML Fixed Income basket's value increased by +1.22% in December. The return for the whole year 2011 was +0.08%. At the end of the month the hedge rate for USD was 96%, 92% for GBP, 98% for SEK and the Polish zloty risk was kept open in December. The running yield of ML Fixed Income was 5.80% and modified duration was 2.87.

## Investment Basket Basics

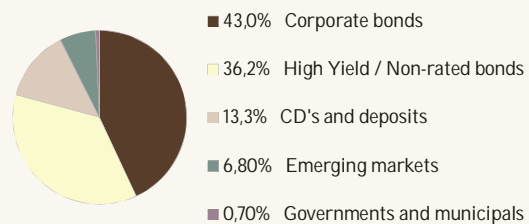
Name	Mandatum Life Fixed Income
Inception date	17.11.2008
Investment Manager	Mandatum Life
Management Fee p.a.	0.75%

## Unit Value



## Investment Basket Composition

### Allocation by Investment Class



## Top Holdings 30.12.2011

13,31 %	CASH
4,16 %	UPMKYM 6.625 230117 GBP
4,05 %	POLAND 5.5 250415 PLN
3,86 %	TLIASS 4.75 161121 EUR
3,79 %	STORA 5.125 230614 EUR
3,55 %	SEB 4 170615 SEK
3,26 %	KINCIT 5.1 171214 EUR
2,91 %	SVSKHB 5.375 040913-49 GBP
2,86 %	TELNO 4.125 260320 EUR
2,85 %	NBHSS 6.25 CALL 180714-49 GBP

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