

Sampo Group's **Annual Report 2013**

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Asset Allocations and Investment Returns Asset Allocations and Investment Returns

Asset Allocations and Investment Returns

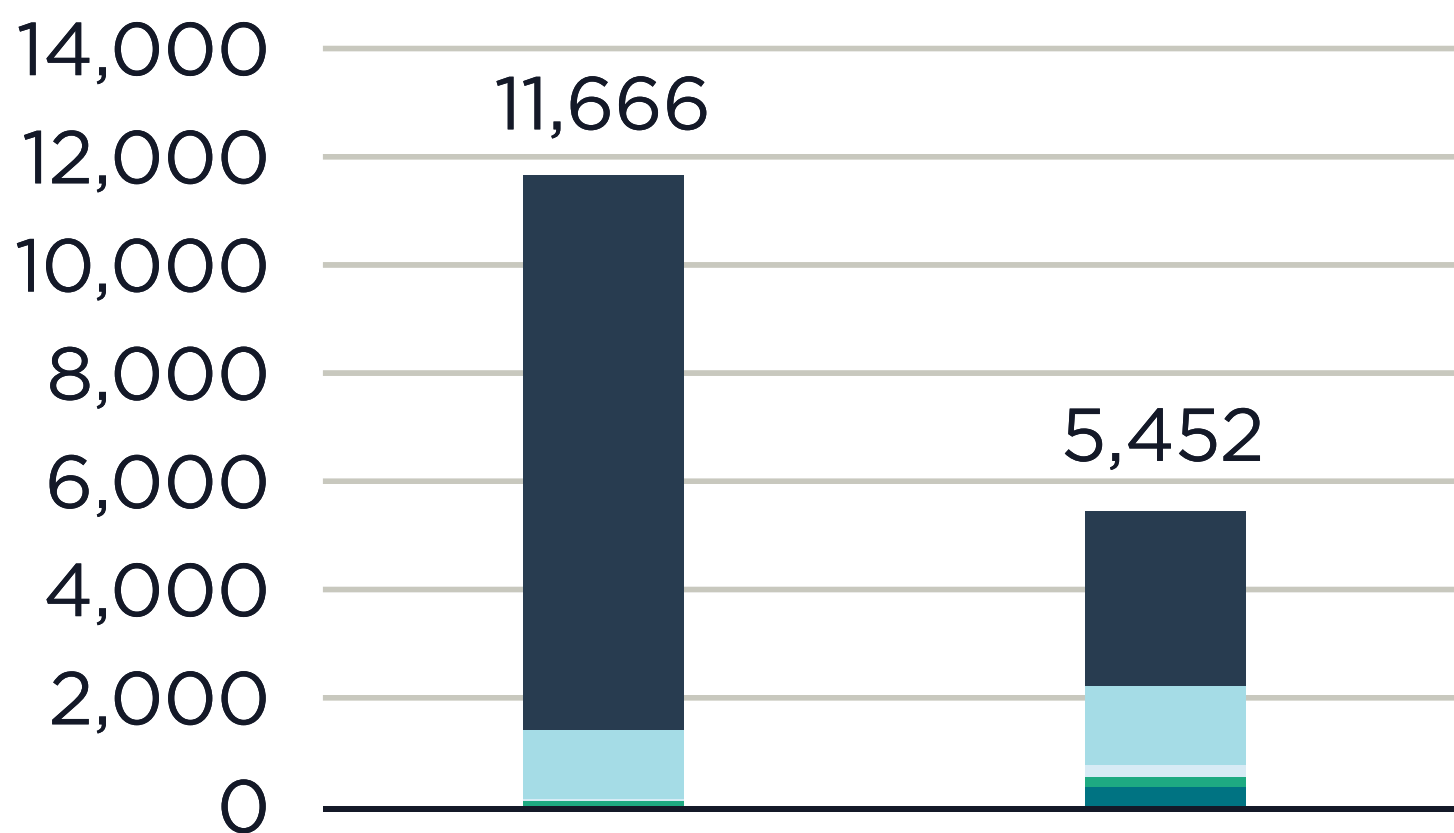
The total amount of Sampo Group's investment assets as at 31 December 2013 was EUR 17,878 million (EUR 18,164 million in 2012). The compositions of the investment portfolios by asset classes in If P&C, Mandatum Life and Sampo plc at year end 2013 and at year end 2012 are shown in the figure Development of Investment Portfolios, If P&C, Mandatum Life and Sampo plc, 31 December 2013 and 31 December 2012.

Development of Investment Portfolios

If P&C, Mandatum Life and Sampo plc, 31 December 2013 and 31 December 2012

EURm

Total Group 31 Dec 2013, EU



If P&C

Mandatum Life



Fixed
income

88%

59%



Equities

11%

27%



Private
equity

0%

4%



Real estate

1%

4%



Alternative

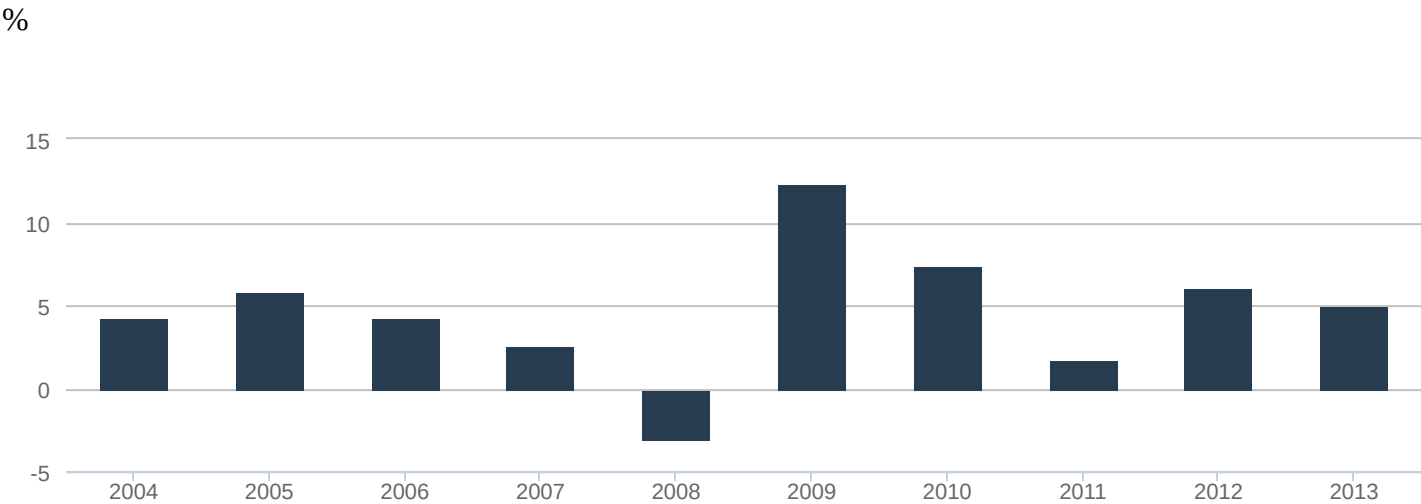
0%

6%

Sampo plc has a liquidity portfolio consisting mainly of money market instruments and a long-term portfolio including subordinated debt instruments issued by the insurance subsidiaries and the associated companies. The investments of Mandatum Life’s Baltic subsidiary are included in Mandatum Life’s investment assets as equity in all tables and graphs in this Risk Management section.

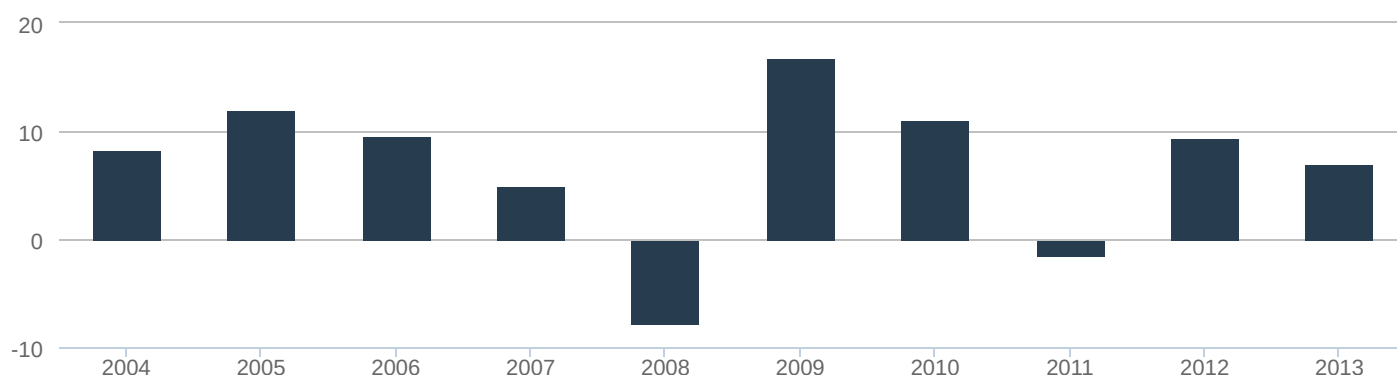
The insurance liabilities as well as the risk appetite of Mandatum Life and If P&C differ and as a result, the structures and risks of investment portfolios of the two companies often are different. This is reflected also in the companies’ investment returns. Mandatum Life has had on average higher returns and higher volatility. The figure Annual Investment Returns at Fair Values, If P&C and Mandatum Life, 2004–2013 presents the historical development of investment returns.

Annual Investment Returns at Fair Values
If P&C, 2004-2013



Annual Investment Returns at Fair Values
Mandatum Life, 2004-2013

%



The weighted average investment return of the Group's investment portfolios (including Sampo plc) in 2013 was 7.8 per cent (7.3 per cent in 2012).

More detailed investment allocations and average maturities of fixed income investments of If P&C, Mandatum Life, Sampo plc and Sampo Group as of year-end 2013 are presented in the table Investment Allocation, If P&C, Mandatum Life, Sampo plc and Sampo Group, 31 December 2013.

Investment Allocation

If P&C, Mandatum Life, Sampo plc and Sampo Group, 31 December 2013

Asset Class	If P&C Market value, EURm	Weight Average maturity (years)	Mandatum Life Market value, EURm	Weight Average maturity (years)	Sampo plc Market value, EURm	Weight Average maturity (years)	Sampo Group Market value, EURm	Weight Average maturity (years)	Sampo Group Market value, EURm	Weight Average maturity (years)
FIXED INCOME TOTAL	10,272	88%	2.2	3,228	59%	2.2	677	89%	0.4	14,177
Money market securities and cash	873	7%	0.2	551	10%	0.4	637	84%	0.2	2,060
Government bonds	1,855	16%	2.9	727	13%	2.2	00%	0.0	2,582	14%
Credit bonds, funds and loans	7,544	65%	2.2	1,933	35%	2.7	395%	0.0	9,516	53%
Covered bonds	3,237	28%	1.9	125	2%	2.2	00%	0.0	3,362	19%
Investment grade bonds and loans	2,399	21%	2.0	650	12%	1.5	00%	0.0	3,050	17%
High-yield bonds and loans	1,643	14%	3.2	949	17%	3.1	111%	2.7	2,603	15%

<i>Subordinated / Tier 2</i>	1882%	2.2	54	1%	3.0	294%	3.7	271	2%	2.
<i>Subordinated / Tier 1</i>	771%	1.0	155	3%	5.0	00%	0.0	233	1%	3.
<i>Hedging swaps</i>	-10%	-	-10%	-		00%	-	-20%		
Policy loans	00%	0.0	180%		1.3	00%	0.0	180%		1.
EQUITY TOTAL	1,28311%	-	1,448	27%	-	182%	-	2,749	15%	
Finland	10%	-	647	12%-		182%	-	665	4%-	
Scandinavia	9488%	-	00%	-		00%	-	948	5%-	
Global	3353%	-	801	15%-		00%	-	1,136	6%-	
OTHER ASSET CLASSES TOTAL	1131%	-	761	14%	-	132%	-	887	5%	
Real estate	921%	-	194	4%-		20%	-	288	2%-	
Private equity	210%	-	221	4%-		111%	-	253	1%-	
Commodities	00%	-	00%	-		00%	-	00%	-	
Alternative	00%	-	345	6%-		00%	-	345	2%-	
TRADING DERIVATIVES ASSET CLASSES TOTAL	-30%	-	160%		-	537%	0.0	660%		
FX Exposure, gross position	80-	-	539-		-	148-	-	767-		

Parent company Sampo plc's asset portfolio is a liquidity reserve including mainly short-term money market instruments and hence its market risks are limited. Interest rate risk arising from gross debt and the liquidity reserve is Sampo plc's most significant market risk together with refinancing risk related to gross debt. Most of the parent company's debt is tied to short-term reference rates as a consequence of interest rate swaps used. This mitigates group level interest rate risk because, while lower interest rates would reduce subsidiaries' investment returns in the long-term, the interest expense in the parent company would also be lower.

Fixed income investments and listed equity instruments form major part of the subsidiaries' investment portfolios. Money market securities, cash and investment grade government bonds form a liquidity buffer within fixed income investments. The average maturity of fixed income investments was 2.2 years in If P&C and 2.2 years in Mandatum Life. In both companies the average maturity is longer than duration ([Interest Rate and Currency Risks](#) section) because the fixed income investments include floating rate notes.

Both If P&C and Mandatum Life are exposed mainly to interest rate and currency risks (general market risks) as well as to equity and spread risks.

Additionally, If P&C and Mandatum Life have real estate investments, unlisted equity instruments (mainly private equity funds) and alternative investments. The Investment Policies set limits for maximum allocations into these asset classes and products. On 31 December 2013, the combined share

of the above mentioned investments was 5.0 per cent of the total investment portfolio of Sampo Group. In If P&C the proportion was 1.0 per cent and in Mandatum Life it was 13.9 per cent. These asset classes are managed in most cases by external asset managers with the exception of the Group's real estate portfolio that is managed by Sampo Group's real estate management unit. The real estate portfolio includes both direct investments in properties and indirect investments in real estate funds as well as in shares and debt instruments in real estate companies.