Varma's Interim Report 1 January–31 March 2020

The comparison figures in parentheses are from 31 March 2019, unless otherwise indicated.

- Total result amounted to EUR -3,763 (998) million.
- The three-month return on investments was -10.0% (5.1%), and the market value of investments stood at EUR 43.6 billion (EUR 48.7 bn on 1 Jan).
- Solvency capital was EUR 7,870 million (EUR 11,646 on 1 Jan), and 1.6 (1.8 on 1 Jan) times the solvency limit.

Impacts of the coronavirus pandemic on Varma's operations

In the first quarter of 2020, the world found itself in exceptional circumstances, when the coronavirus epidemic turned into a pandemic. Major and far-reaching changes took place in Varma's operating environment. Economic activity is very low at the moment, and both demand and supply have crashed, particularly in the service sector. Varma's investment operations were characterised by tremendous market volatility and escalating uncertainty. Varma's solvency remained good, thanks to active portfolio management measures and a strong solvency position at the start of the year.

Varma complies with the guidelines issued by the authorities in all its operations. When the restrictions on gatherings came into effect, Varma changed all of its customer meetings and events to online meetings or cancelled them. Varma's business premises were closed, and employees began teleworking to ensure that we could continue to provide customer service and carry on business even during the exceptional circumstances. Varma's remote working practices have proved to be effective during the crisis, and the provision of earnings-related pension has continued without interruption.

The earnings-related pension system has been a significant source for the flexible approaches that have been implemented due to the exceptional circumstances and which aim to safeguard and maintain business continuity. In its systems, Varma has extended the payment deadlines for earnings-related pension contributions, prepared for significant growth in its pension loans to customers, and prepared the introduction of a temporary reduction in earnings-related pension contributions to take effect at the start of May. Varma has also supported its hotel and food sector customers by providing rental reliefs. The tenants of Varma's business premises have been given the opportunity to freeze their rental invoicing for a period of two months, and other solutions have been negotiated on a case-by-case basis during this exceptional situation.

Economic operating environment

Economic growth stagnated in the first quarter of the year, and there is no certainty over how long the crisis will last or how strong the recovery will be. Global trade has contracted significantly in all economic areas. The measures introduced to control the pandemic will have major and far-reaching negative impacts on economic development. The rapid lockdown measures have had a devastating impact on demand for services. The impacts are profound and will be long-lasting, especially in business sectors and companies whose value chains are global and complex.

Liquidity is drying up in the markets. The central banks' active measures to ensure the stability of the financial system and the availability of financing were successful, which eased the situation. The availability of financing is the lifeblood of the economy; its paralysis and diminishing liquidity would cause major, difficult-to-manage problems. Bank systems are clearly more stable than they were before the financial crisis, and lessons have also been learned from the crisis: the support measures have been sufficient in size and speed.

In the U.S., employment has plummeted, and the federal aid will only deepen its national debt. As the U.S. is still the engine of the global economy, the explosive spread of the coronavirus crisis precisely in the U.S. is a concern in terms of economic recovery. The economic dynamic in the U.S. tends to be strong when the economy is on an upswing and decision-making during a crisis is straightforward.

China has managed to get its first wave of the epidemic under control and has started to lift its lockdown measures. China's production is firmly linked to global value chains.

Joint crisis management and co-ordinated economic policy in Europe has been challenging, and the traditional lines of division with respect to shared responsibility are deep. In Europe, very serious repercussions of the pandemic are already beginning to show in countries such as Italy which were in a vulnerable economic situation already before the crisis. Germany, the engine of Europe's economy, was in trouble even before the crisis. Now Germany is also stimulating its economy.

Finland's Ministry of Finance predicts that the economy will shrink 5.5% this year if the lockdown measures were to last three months. If the epidemic persists and the lockdown measures taken to control it drag out, Finland's economy will collapse. Growth is shrinking in both domestic markets and exports. In Finland, the rapid decline in demand has been the most intense in the service sector. The collapse in demand throughout the global economy is also showing in industry now. Companies are laying off their employees at an unprecedented pace.

The impacts of the economic slowdown will essentially depend on how long the stagnation will last and whether it can be successfully controlled. The impacts of the coronavirus crisis are strong and responding to the shock has already called for massive public measures – and more are needed. The sustainability of Finland's public finances is being put to the test for structural reasons, as growth in ageing-related expenditure and the weakening of the potential for economic growth widen the sustainability gap. In such a crisis, there is no choice but to take on more debt but managing the situation will demand solutions to support structural economic growth, employment and public sector efficiency once we make it out of the acute crisis.

Earnings-related pension system

The task of earnings-related pension insurance companies is to secure pensions. Defined benefit pensions and a strong earnings-related pension system bring stability to the economy, even during crisis situations. A number of temporary, exceptional measures pertaining to the earnings-related pension system have been taken. The aim is to safeguard companies' operating conditions and strengthen the foundation for economic recovery, and in turn, the basis for paying out earnings-related pensions, meaning ensuring favourable payroll development after the crisis. At the same time, precautionary measures have been prepared in case the strong stock price movements intensify on the capital markets.

The share of earnings-related pension contributions paid by employers will be reduced by 2.6 percentage points between 1 May and 31 December 2020. The impact of the reduction will be compensated entirely by increasing the share of earnings-related pension contributions paid by employers in 2022–2025. Earnings-related pension companies will not distribute client bonuses while the period of the reduced insurance contributions is in effect.

In addition to the temporary reduction in the share of earnings-related pensions contributions paid by employers, extra time has been granted for the payment of TyEL and YEL contributions. An insurance contribution interest rate of 2% will be charged during the extended payment period related to the extraordinary circumstances.

As required by law, in mid-March the Finnish Financial Supervisory Authority (FIN-FSA) gave the Ministry of Social Affairs and Health notification of exceptional circumstances in the financial markets. According to FIN-FSA's assessment, there is a risk of a deterioration in the solvency of employee pension institutions on account of the market turbulence. Based on the notification, the Ministry of Social Affairs and Health's task is to consider legal and other necessary measures.

The pension liability supplementary factor was set at zero as of 1 April 2020. Thus, the funds will not be temporarily supplemented. This reinforces the solvency of earnings-related pension companies during a difficult market situation.

Varma's financial situation and solvency position are stable. Solvency provides protection and leeway for making investment allocation decisions during exceptionally challenging market situations.

Varma's financial trends

Varma's total result at fair value for the three-month period amounted to EUR -3,763 (998) million. The most important component of the total result is the investment result, which was -3,770 (977) million. The return on investments at fair value was EUR -4,883 (2,230) million. The return requirement on technical provisions was EUR 1,113 (-1,253) million. The estimated technical underwriting result was EUR 0 (9) million and the loading profit was EUR 7 (11) million.

Varma's solvency weakened since the start of the period, but the company's solvency position remained good. The solvency capital, which serves as a risk buffer for investment operations and insurance risks, was EUR 7,870 million at the end of March (11,646 mill. on 1 Jan), and pension assets in relation to the technical provisions were 121.6% (130.8% on 1 Jan).

Varma's solvency capital was on a sustainable level, i.e. 1.6 (1.8 on 1 Jan) times the solvency limit.

Insurance business

Varma's premiums written in January–March amounted to EUR 1,286 (1,322) million. The temporary reduction in contributions and the increased unemployment will affect the rest of the year's premiums written.

At the end of March, Varma's pension recipients numbered 343,000 (344,000 on 1 Jan). Claims paid during January–March totalled EUR 1,453 (1,420) million. During the review period, the number of old-age pension applications declined 12% compared to the same quarter of 2019.

New pension decisions made by the end of March totalled 6,005, which is around 4% less than in the corresponding period last year. A total of 14,728 pension decisions were given in January–March. Partial early old-age pension, which was introduced at the start of 2017, remained popular – Varma made a total of 713 new decisions concerning this pension type during the first quarter.

At the end of March, Varma was providing insurance for 533,000 (542,000 on 1 Jan) employees and self-employed persons. Varma was successful in the transfer rounds at the start of the year; based on the information submitted in the applications, the net TyEL transfers will amount to EUR 18 million in annual premiums written.

Investments

Varma's investments in the first quarter of 2020 performed poorly as the COVID-19 coronavirus spread from China, causing a worldwide pandemic and bringing the global economy to a grinding halt. The drastic measures taken by several countries to prevent the spread of the virus had negative repercussions on economic growth and particularly on the labour-intensive service sector. To soften the blow of the economic slowdown, unprecedented monetary and financial policy stimulus measures have been launched, but their impact will only be known once the economic lockdown ends. The markets' pressure to sell abated somewhat at the end of March, but the economic and business outlook is exceptionally vague, because the duration of the restrictive measures is not yet certain. Varma's return on investments stood at -10.0% (5.1%), and at the end of March, the value of the investments amounted to EUR 43,597 (45,796) million. Varma's solvency ratio decreased to 121.6% (130.8% on 1 Jan) during the first quarter of the year.

Global economic growth collapsed when governments launched massive restrictions to prevent the spread of the virus. China was the first country to experience an economic collapse. Although elsewhere in Asia the measures taken were not as drastic, economic growth nevertheless slowed down considerably. In Europe, the coronavirus first hit Italy on a large scale and then quickly spread to other countries. Many European countries began to impose tough restrictions on people's movements, which had a major impact on economic activity, especially in the service sector and transport industry. The U.S. followed Europe's example after a delay, but the country's relatively slow response to the situation in all likelihood increased the risk of the widespread proliferation of the virus. By the end of the first quarter, a large proportion of the G7 economies had stringent restrictions in place. The consequences of this were the collapse of economic growth, the drying up of companies' cash flows and the acceleration of global unemployment at an unprecedented rate.

Fears of a rapidly worsening downturn also hit the financial markets. Weak liquidity and quickly drying up cash flows hampered the availability of financing for companies and governments and increased the cost thereof. Despite the central banks' quick response to the situation, the markets had a limited ability to function, and, in particular, US-dollar liquidity became a worldwide problem. The central banks responded by cutting key interest rates, launching or expanding their purchase programmes and introducing interest rate swap contracts to give banks and central banks sufficient liquidity. They also temporarily eased banks' solvency rules and began purchasing bonds with a strong credit rating. However, since the coronavirus crisis is, above all, a "supply shock" that was very difficult to manipulate with traditional monetary policy, the central banks' primary goal was to save the markets and companies from a sudden credit crunch.

Unlike in a financial crisis, the most important responsibility for stimulus in the coronavirus crisis lies with financial policy. Hardly ever before has the world been witness to such broad measures to support companies and households. And this is in spite of the fact that effective global co-ordination between nations has been practically non-existent and, for example, the joint measures taken by the EU did not measure up to those taken by individual countries in the first quarter. In terms of the global economy, the most significant stimulus measures were launched in the U.S., which responded with a support package worth nearly 10% of its GDP. Germany, France and the UK have also announced major actions. In Finland, the public sector has used various channels to help companies, households and the financial markets navigate through the crisis, but a comprehensive strategy for overcoming the crisis is still being worked out.

The first quarter of 2020 has been exceptionally challenging on the global equity markets. The year got off to a very strong start, but the positive sentiment waned at the end of February with growing signs that the coronavirus was spreading from China to the rest of the world. In March, the selling pressure in equities grew, and the turbulence quickly spread to the money markets and the bond and currency markets. The most important equity market indices lost as much as a third of their value in just a few weeks and then began to recover with the support of massive stimulus packages. Interest rates on long-term government bonds fell early in the year, but during the worst turbulence in March, the interest rate on government bonds also began to rise at the same time as liquidity was drying up. And on the corporate bond market, risk premiums rose at an exceptionally rapid rate as fears of payment defaults increased and investors reduced their risky debt-financed investments. Signs that the situation was beginning to calm down emerged on the markets, as the central banks announced major, never-before-seen measures to secure liquidity and support the corporate bond and government bond markets. But investor confidence was still fragile.

Listed equities and hedge funds generated the biggest losses in the first quarter. Fixed income investments also had negative returns, especially on account of the decline in the value of lower-grade corporate bonds. The returns on private equities and infrastructure and unlisted equity investments were positive, but that trend mostly reflects the returns of the fourth quarter of last year. Varma divested its factor investments at the start of the year. The U.S. dollar fluctuated significantly at the start of the year and strengthened slightly towards the end of the first quarter. At the end of March, the average nominal investment return over five years was 2.0%, and over ten years 4.3%. The corresponding real returns were 1.3% and 3.0%.

The return on fixed-income investments during the first quarter was -3.6% (1.9%). The weak performance can be attributed to the strong rise in risk premiums, which affected not only corporate bonds, but also emerging markets' and southern Europe's government bonds. Although the weak performance was widespread, bonds with lower credit ratings suffered most from the turbulence. This was also partly affected by the falling price of raw materials and oil, which hit U.S. lower-grade corporate bonds in particular. The crisis management measures implemented by the central banks to restore the markets' ability to function supported the fixed income markets at the end of March, narrowing risk premiums from their exceptionally high levels. The Fed cut its key interest rate to zero, and the eurozone's central bank kept its deposit facility rate at -0.5%. The return on the loan portfolio was 0.9% (1.1%), on public sector bonds -0.6% (1.1%), on other bonds -8.3% (2.8%), and on money market instruments 0.2% (1.2%).

After a sustained period of strong market growth, the global equity markets crashed, losing roughly a fifth of their euro value in the first quarter of 2020. The U.S. equity market showed a stronger performance than its counterparts in Europe and Finland, thanks in part to the strengthened dollar. The markets started to pick up again in the last week of March, bolstered by massive global stimulus measures, but the collapse in economic growth is hitting companies' earnings exceptionally hard. In total, listed equities generated a return of -21.1% (13.1%). Private equities and infrastructure and unlisted equity investments, however, yielded 5.6% (1.0%) and 1.6% (-1.8%), respectively. Their prices are typically updated only by the end of the next quarter, and the position reported now reflects the situation at the end of 2019.

The return on real estate investments was 1.3% (0.7%). Direct real-estate investments yielded a return of 1.1% (0.9%) and real-estate investment funds 1.5% (0.1%). Varma acquired a share of OP Cooperative's property in Helsinki's Vallila neighbourhood and announced its objective of cutting the carbon dioxide emissions of its housing portfolio in half by 2023. In the first quarter of the year, Varma concluded a rental agreement with, among others, the Finnish Centre for Pensions on Kalasatama Campus and with Consti on a building in Helsinki's Pitäjänmäki district. In March, the coronavirus epidemic began to have a major impact on the operating conditions of the hotel and food sector, and Varma announced measures to support its tenant customers in this challenging situation. This will have a negative impact on the income from business premises and hotel rents for this year.

The returns of other investments decreased to -13.9% (1.9%). The return on hedge funds fell to -12.7% (2.0%), with strategies investing in the securitised housing loan market and corporate credit risk in particular suffering from the market turmoil.

Varma has US-dollar-denominated investments in hedge funds, equities, corporate bonds and private equity funds. In accordance with Varma's investment policy, part of the currency risk is hedged. In terms of operations, foreign currency risks are managed as a single entity, and in financial reporting, the exchange rate impact is included in the investment returns of various asset classes.

Varma’s investment activities focussed on maintaining the company’s strong solvency, securing liquidity and broadly diversifying investments, with a solid emphasis on risk management. In its investment risk management, the company used derivatives for hedging purposes and to control the risk level of the portfolio.

The market risk of investments is the greatest risk affecting the company’s result and solvency. Equities constitute by far the greatest market risk. The VaR (Value-at-Risk) figure describing the total risk of Varma’s investments stood at EUR 3,807 (1,814) million.

Operating expenses and personnel

Varma’s total operating expenses in the reporting period were EUR 33 (35) million. The insurance contribution component for 2020 that is intended to cover Varma’s operating expenses decreased by an average of 7%, which thus reduces the efficiency ratio. In addition, the reduced economic activity caused by the coronavirus pandemic is expected to lower the insured payroll for the full year, and thereby also the loading income. The loading profit for the period was EUR 7 (11) million.

Varma’s parent company had an average of 537 (537 in 2019) employees in the first quarter. At the end of March, Varma’s personnel were distributed as follows: pension services 18%, insurance services 17%, customer service departments 10%, disability risk management 14%, investment operations 13%, and other functions 28%.

Corporate Governance

Varma’s Annual General Meeting was held on 19 March 2020 and took into account the official guidelines on gatherings valid at the time. Varma’s Annual General Meeting appointed five new members to the Supervisory Board: Anu Ahokas, Marko Hovinmäki, Ilkka Kaukoranta, Teo Ottola and Perttu Puro. The Annual General Meeting approved the financial statements and discharged the Board of Directors, the Supervisory Board and the President and CEO from liability for the financial year 2019.

Continuing as Supervisory Board members are Christoph Vitzthum (Chair), Petri Vanhala (Deputy Chair), Satu Wrede (Deputy Chair), Juri Aaltonen, Kari Ahola, Eero Broman, Petri Castrén, Jukka Erlund, Lasse Heinonen, Olavi Huhtala, Mika Joukio, Jukka Jäämaa, Risto Kalliorinne, Kari Kauniskangas, Mari Keturi, Ville Kopra, Tapio Korpeinen, Timo Koskinen, Pekka Kuusniemi, Päivi Leiwo, Olli Luukkainen, Johanna Moisio, Jari Suominen, Leena Vainiomäki, Jorma Vehviläinen, Anssi Vuorio and Sauli Väntti.

The Annual General Meeting chose the audit firm Ernst & Young Oy as the company’s auditor for the 2020 financial year, with Authorized Public Accountant Antti Suominen serving as the principal auditor.

As of the beginning of 2020, Varma’s Board of Directors is composed of Jari Paasikivi (Chair), Antti Palola (Deputy Chair), Kai Telanne (Deputy Chair), Riku Aalto, Eila Annala, Rolf Jansson, Ari Kaperi, Jyri Luomakoski, Petri Niemisvirta, Pekka Piispanen, Saana Siekkinen and Mari Walls, and deputy members Ilkka Oksala, Risto Penttinen and Timo Saranpää.

An up-to-date Corporate Governance Statement based on the recommendations of the Finnish Corporate Governance Code is presented on Varma’s website. Varma publishes quarterly interim reports with the aim of ensuring transparent public financial reporting that conforms to best practices.

Sustainability

In February, Varma published its annual and sustainability report in accordance with the Global Reporting Standard (GRI). The report also includes an account of climate-related risks and opportunities in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Energy-saving measures are part of Varma's efforts to achieve its climate targets. Varma's goal is to reduce the carbon dioxide emissions of its direct real estate investments by switching to fossil-free heating and electricity by 2030 and 2025, respectively. Varma announced in January that it will switch to using heat pumps as the heating source for a large part of the properties in its housing stock. Heat pumps and solar panels will be installed in 36 apartment buildings, which means that by 2023 the emissions from Varma's total housing stock are estimated to decrease by roughly half compared to the current level. In some apartment buildings, geothermal heating will entirely replace district heating.

Varma's sustainability efforts focus on climate change mitigation, promoting work ability and good working life, ethical business, open communication and responsibility for Varma employees.

Risk management

Along with the change in the global economy, Varma's risk position also changed during the review period.

Varma's greatest risks are related to investment operations and information processing. Financially the most significant risks are those concerning investments. The risk level of investments was intensely adjusted during the review period in response to the changes taking place in the market. The measures taken considerably mitigated the impacts of the market changes. Varma's liquidity remains at a secure level.

The risks of pension insurance operations are related to pension and insurance processing and to the effectiveness of the joint systems used in the sector. In this respect, operations under the exceptional circumstances have proceeded well and the risk level has remained low.

The Board of Directors has confirmed the principles for the company's internal control and risk management system. More information about insurance, investment, operative and other risks, the means for managing them, as well as related quantitative data, are provided in the notes to Varma's financial statements.

Varma's Board of Directors' investment plan lays down the general security goals for investments, diversification and liquidity goals, and the principles governing the company's currency risk hedging. The diversification of the investment portfolio is based on allocation that takes into account the return correlations of asset classes.

Outlook

The outlook for the economy and the capital markets is very uncertain. A decisive factor for the future development is how long the epidemic and the economy-busting exceptional measures will last, and how they will affect the stability of the financial system.

While the extraordinary measures that are required to control the pandemic are in place, Finland and many other countries are trying to stop the clock in the economy and freeze the situation. The aim is to prevent a wave of bankruptcies and mass unemployment and, in turn, ensure that the economy can quickly get back on its feet once the lifting of exceptional measures begins. There is no certainty about a quick economic recovery, and the longer the strict measures continue, the more unlikely it is. Recovery after the crisis will be strengthened if we can make it through the situation with the availability of financing remaining at a level that supports economic activity.

The uncertainty is reflected in the restlessness of the capital markets. Drastic changes in valuation levels are still possible. Finland's statutory earnings-based pension system has so far been able to withstand the shock, and pensions are well-secured. Earnings-related pension companies are, however, facing a liquidity squeeze due to the exceptional measures.

Varma continues to effectively implement the earnings-related pension system, even during these exceptional circumstances.

Helsinki, 29 April 2020

Risto Murto
President & CEO

The figures presented in this interim report are unaudited figures of the parent company.

Varma Mutual Pension Insurance Company is a responsible and solvent investor. The company is responsible for the statutory earnings-related pension cover of some 900,000 people in the private sector. Premiums written totalled EUR 5.3 billion in 2019 and pension payments stood at EUR 5.9 billion. The company's investment portfolio amounted to EUR 43.6 billion at the end of March 2020.

FURTHER INFORMATION:
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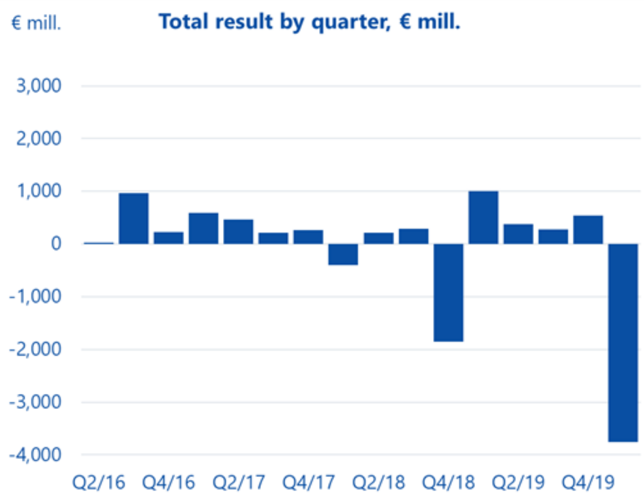
ATTACHMENT: Graphs and charts
www.varma.fi
www.varma.fi/annualreport

Summary of the key figures

	1-3/2020	1-3/2019	1-12/2019
Premiums written, € million	1,286	1,322	5,286
Net investment income at fair value, € million	-4,883	2,230	5,241
Return on invested capital, %	-10.0	5.1	12.0
	3/2020	**3/2019**	**12/2019**
Technical provisions, € million	36,905	37,547	38,608
Solvency capital, € million	7,870	10,616	11,646
in relation to solvency limit	1.6	1.7	1.8
Pension assets, € million	44,356	46,740	49,445
% of technical provisions	121.6	129.4	130.8
TyEL payroll, € million	20,434	21,149	21,084
YEL payroll, € million	786	798	812

Total result



Balance sheet at fair values, Parent Company

€ million	3/2020	3/2019	12/2019
Assets			
Investments	43,597	45,796	48,709
Receivables	1,224	1,224	1,161
Furniture and fixtures	4	4	4
	44,825	**47,025**	**49,873**
Liabilities			
Capital and reserves	125	131	136
Valuation differences	7,346	9,081	10,721
Provision for future bonuses	400	1,404	790
Off-balance-sheet items	-1	-1	-1
Solvency capital, total	7,870	10,616	11,646
Provision for current bonuses (for client bonuses)	128	115	171
Equity-linked provision for current and future bonuses	-57	622	1,424
Actual technical provision	36,433	35,405	36,223
Total	36,377	36,027	37,647
Other liabilities	449	267	409
	44,825	**47,025**	**49,873**

Income statement at fair values, Parent Company

€ million	1-3/2020	1-3/2019	1-12/2019
Premiums written	1,286	1,322	5,286
Claims paid	-1,453	-1,420	-5,623
Change in technical provisions	1,313	-1,107	-2,610
Net investment income	-4,876	2,238	5,268
Total operating expenses	-33	-35	-124
Other income/expenses	0	0	8
Taxes	-1	-1	-7
Total result [1)]	**-3,763**	**998**	**2,197**

[1)] Result at fair value before the change in provision for current and future bonuses and equalisation provision

€ million	1-3/2020	1-3/2019	1-12/2019
Underwriting profit/loss	0	9	-2
Investment result	-3,770	977	2,139
Loading profit	7	11	53
Other income/expenses	0	0	8
Total result	**-3,763**	**998**	**2,197**

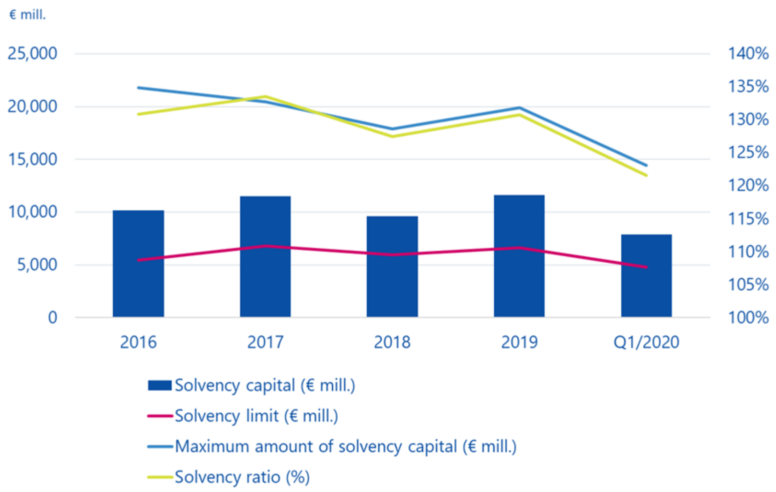
Solvency capital and limits

	31/03/2020	31/03/2019	31/12/2019	31/12/2018
Solvency limit (€ mill.)	4,816	6,372	6,633	5,973
Maximum amount of solvency capital (€ mill.)	14,447	19,115	19,900	17,918
Solvency capital (€ mill.)	7,870	10,616	11,646	9,619
Solvency ratio (%) [1]	121.6	129.4	130.8	127.5
Solvency capital/Solvency limit [2]	1.6	1.7	1.8	1.6

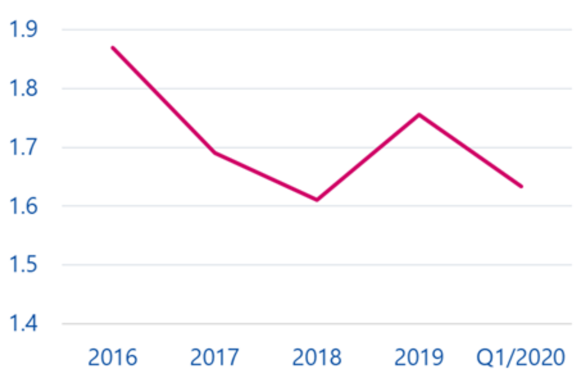
[1] Pension assets in relation to the technical provisions under §11 of the Ministry of Social Affairs and Health's decree governing pension institutions (614/2008).

[2] Solvency capital in relation to the solvency limit

Solvency development



Solvency capital in relation to the solvency limit



VARMA

Investment allocation at fair value

	Market value						Risk position					
	31 Mar 2020		31 Mar 2019		31 Dec 2019		31 Mar 2020		31 Mar 2019		31 Dec 2019	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
Fixed-Income Investments	**12,874**	**29.5**	**13,330**	**29.1**	**12,957**	**26.6**	**13,164**	**30.2**	**10,756**	**23.5**	**13,052**	**26.8**
Loan receivables	2,299	5.3	1,890	4.1	2,315	4.8	2,299	5.3	1,890	4.1	2,315	4.8
Bonds	7,562	17.3	10,321	22.5	9,563	19.6	8,053	18.5	9,134	19.9	10,693	22.0
Other money-market instruments and deposits	3,012	6.9	1,118	2.4	1,079	2.2	2,812	6.5	-268	-0.6	44	0.1
Equity investments	**17,410**	**39.9**	**19,801**	**43.2**	**22,486**	**46.2**	**17,501**	**40.1**	**19,868**	**43.4**	**22,457**	**46.1**
Listed equities	11,566	26.5	15,225	33.2	17,252	35.4	11,657	26.7	15,292	33.4	17,223	35.4
Private equity	5,550	12.7	4,329	9.5	4,945	10.2	5,550	12.7	4,329	9.5	4,945	10.2
Unlisted equities	294	0.7	247	0.5	289	0.6	294	0.7	247	0.5	289	0.6
Real estate investments	**4,611**	**10.6**	**3,946**	**8.6**	**4,413**	**9.1**	**4,611**	**10.6**	**3,946**	**8.6**	**4,413**	**9.1**
Direct real estates	2,808	6.4	2,939	6.4	2,792	5.7	2,808	6.4	2,939	6.4	2,792	5.7
Real estate funds	1,804	4.1	1,007	2.2	1,622	3.3	1,804	4.1	1,007	2.2	1,622	3.3
Other investments	**8,702**	**20.0**	**8,720**	**19.0**	**8,853**	**18.2**	**8,705**	**20.0**	**10,043**	**21.9**	**9,548**	**19.6**
Hedge funds	8,741	20.0	8,725	19.1	8,857	18.2	8,741	20.0	8,725	19.1	8,857	18.2
Commodities	0	0.0	-3	0.0	0	0.0	3	0.0	-17	0.0	0	0.0
Other investments	-38	-0.1	-2	0.0	-5	0.0	-38	-0.1	1,335	2.9	691	1.4
Total	**43,597**	**100.0**	**45,796**	**100.0**	**48,709**	**100.0**	**43,982**	**100.9**	**44,613**	**97.4**	**49,471**	**101.6**
Impact of derivatives							-385	-0.9	1,183	2.6	-762	-1.6
Total	**43,597**	**100.0**	**45,796**	**100.0**	**48,709**	**100.0**	**43,597**	**100.0**	**45,796**	**100.0**	**48,709**	**100.0**

Modified duration of the bond portfolio	**4.4**

Net return on invested capital

	Net investment return at fair value	Invested capital	Return % on invested capital	Return % on invested capital	Return % on invested capital
	31 Mar 2020			31 Mar 2019	31 Dec 2019
	€ million	€ million	%	%	%
Fixed-Income Investments	**-482**	**13,324**	**-3.6**	**1.9**	**4.5**
Loan receivables	20	2,305	0.9	1.1	4.0
Bonds	-506	9,299	-5.4	2.1	5.1
Other money-market instruments and deposits	4	1,720	0.2	1.2	0.4
Equity investments	**-3,211**	**21,948**	**-14.6**	**10.0**	**22.8**
Listed equities	-3,499	16,575	-21.1	13.1	25.4
Private equity	284	5,083	5.6	1.0	15.1
Unlisted equities	5	290	1.6	-1.8	16.9
Real estate investments	**56**	**4,502**	**1.3**	**0.7**	**4.1**
Direct real estates	30	2,791	1.1	0.9	3.9
Real estate funds	26	1,711	1.5	0.1	4.7
Other investments	**-1,244**	**8,971**	**-13.9**	**1.9**	**4.5**
Hedge funds	-1,139	8,963	-12.7	2.0	5.0
Commodities	-1	0			
Other investments	-103	7			
Total	**-4,880**	**48,745**	**-10.0**	**5.1**	**12.1**
Unallocated income, costs and operating expenses from investment activities	-3	0			
Net investment return at fair value	**-4,883**	**48,745**	**-10.0**	**5.1**	**12.0**