

## Varma's Interim Report 1 January–31 March 2023

The comparison figures in parentheses are from 31 March 2022, unless otherwise indicated.

- The total result was EUR -240 (-1,050) million.
- The three-month return on investments was 1.0% (-1.9%).
- The market value of investments was EUR 56,6 (56,2 on 1 Jan) billion.
- Solvency capital was EUR 13,103 (13,344 on 1 Jan) million, and 1.8 (1.8 on 1 Jan) times the solvency limit.

### Economic operating environment

The beginning of 2023 was marked by the dissipation of fears of a lack of economic growth and by a drop in raw material prices. Russia's war of aggression against Ukraine and the ensuing energy crisis put both the income of households and the operating conditions of companies at risk. The mild winter, which pushed gas and electricity prices down and softened the blow for the purchasing power of households, proved to be a saving grace for the eurozone, however. The continued strong labour market and the savings accumulated during the Covid crisis also bolstered private spending.

In the USA, warm weather in the early part of the year supported both the labour market and demand for services, although signs of a slowdown in activity started to surface in March. In China, private consumption in particular gained momentum when the Covid restrictions were lifted. The global economy also experienced a similar trend – there was stark divergence between the industrial and service sectors in terms of demand, with growth focusing on the consumption of private services instead of industrial production and investments.

A strong labour market, which has proved to be resilient in an environment of economic concerns, has been a backbone of the economy in January–March. The massive labour shortage following the pandemic has prompted companies to hold on to their workforce and capitalise on the slightly cooled labour market situation by continuing to fill vacant positions.

Global inflation has slowed down in the early part of the year, primarily driven by the moderation of prices. However, high inflation has forced central banks to sharply tighten their monetary policy. The most significant risks for economic development and the investment markets are related to the prolongation of inflation, a possible recession and issues caused by the higher interest rate level in the financial markets. The higher interest rate level and long-lasting indebtedness are also creating challenges for companies', households' and governments' debt sustainability.

### Earnings-related pension system

Finland's defined benefit earnings-related pension system, according to which pensions are paid in the promised amounts regardless of the economic cycle, brings stability to domestic demand and consumption by pensioner households. It is essential for the accrued pension benefits to be retained during economic crises also with respect to the self-employed and wage earners. From the perspective of employers, a stable earnings-related pension system promotes more predictable economic development.

Since the beginning of 2023, earnings-related pension companies' insurance-related operations have been financed using a company-specific administrative cost component. This means that Varma's operational efficiency benefits Varma's customers directly.

The amendments prepared throughout 2022 to the Self-Employed Persons' Pensions Act (YEL) took effect on 1 January 2023. The objective of the amendments is for a self-employed person's YEL income to better reflect the value of their work input. In autumn, Varma adopted a service for calculating self-employed persons' YEL income. The service is used by all earnings-related pension companies and provides a YEL income recommendation for both the self-employed person and the pension insurance provider. Based on this and in consultation with the self-employed person, Varma confirms self-employed persons' YEL income equally for all self-employed persons. The legislative amendments also included an obligation set for pension companies to review, at regular intervals, the YEL income that forms the basis for the self-employed person's insurance contribution. During this year, Varma will review the YEL income of self-employed persons insured by Varma whose YEL income is under EUR 15,000, if no material adjustment has been made to their YEL income over the past three calendar years.

On 6 March 2023, Finland's Ministry of Finance published a vast review of possible public expenditure cuts and tax increases to balance public finances. The review also included many proposals related to pensions. In addition to this, the question has been raised more widely whether it would be possible to improve investment returns on pension assets in the long term by increasing risk-taking in a controlled manner.

### **Varma's economic development**

The total result at fair value for the three-month period amounted to EUR -240 (-1,050) million. The most important component of the total result is the investment result, which was EUR -247 (-1,061) million. The return on investments at fair value was EUR 566 (-1,149) million. The return requirement on technical provisions was EUR 814 (-88) million. The estimated technical underwriting result was EUR 6 (4) million. Following the introduction of the company-specific administrative cost component in the insurance contribution, Varma charges to its customers an administrative cost component that reflects Varma's costs. The loading profit was EUR 0 million. Following the introduction of the company-specific administrative cost component, the size of the administrative cost component included in the insurance contribution equals Varma's operating expenses.

The solvency capital, which serves as a risk buffer for investment operations and insurance risks, was EUR 13,103 (13,344 mill. on 1 Jan) million at the end of March, and pension assets in relation to the technical provisions were 129.6 (130.5 on 1 Jan) per cent.

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

### **Insurance business**

Varma's premiums written in January–March amounted to EUR 1,408 (1,272) million.

At the end of March, Varma's pension recipients numbered 350,700 (352,200 on 1 Jan). Claims paid in January–March totalled EUR 1,699 (1,523) million.

By the end of March, 4,930 new pension decisions were made, which is roughly 15.2 per cent less than in the corresponding period last year. A total of 12,640 pension decisions were made in January–March. During the reporting period, the number of old-age pension applications decreased materially compared to the first quarter of 2022, because in the beginning of this year no age group reached its statutory old-age retirement age.

At the end of March, 591,400 (590,200 on 1 Jan) employees and entrepreneurs were insured by Varma. The TyEL payroll grew 5.8 per cent during the review period compared to the same period of 2022. In the transfer rounds at the start of the year, EUR 29 million in annual premiums written were transferred to Varma, calculated based on the TyEL net transfer information in the applications. Sales of new pension insurance policies during the reporting period amounted to EUR 40 (24) million.

## Investments

Varma's return on investments for the first three months of 2023 reached a moderate 1.0 (-1.9) per cent and the value of investments at the end of March rose to EUR 56,604 (56,204 at the end of 2022) million. In contrast, Varma's solvency declined somewhat and stood at 129.6 per cent at the end of March (130.5 per cent at the end of 2022).

Development in the first quarter was divided. In January–February, dissipating recession and inflation fears fuelled a substantial rise in stock prices. The banking sector problems that emerged in the USA and Europe in March sapped confidence and risk appetite in the financial markets. At the end of the quarter, confidence in authorities' ability to calm the situation strengthened. During the eventful quarter, yield differences between asset classes remained relatively minor, however. The best performers were listed equities, which recovered from their weak performance in 2022. Fixed income investments also performed reasonably well in the first quarter after an exceptionally weak 2022. In contrast, the return on unlisted investments was modest after last year's strong development. One factor behind the muted equity return was the continued depreciation of the US dollar.

Equity investments returned 2.0 (-3.5) per cent. The return on listed equities amounted to 2.9 (-7.5) per cent in the first quarter. The differences between geographical areas and business sectors continued to be relatively large. The best-performing equity markets were the USA and Europe, where stock prices were driven by subsiding recession fears. The depreciated dollar slightly softened the return on US equities. The main drivers for equity returns were the expectations that the monetary policy tightening cycle is nearing its end and stronger-than-expected economic and earnings development. The reported return on private equity investments was 0.7 (5.5) per cent.

Fixed income return was driven by the fact that rising interest rates stabilised and took a turn downward at the end of the quarter. The best return came from government bonds, which recovered from last year's historically weak performance. Public sector bonds returned 2.0 (-5.8) per cent. Corporate bonds yielded 0.8 (-3.1) per cent in the first quarter. The return on loan receivables developed more consistently than the fixed income market and was 1.5 (0.8) per cent in January-March.

Real estate investments returned -0.8 (2.0) per cent. The returns on direct real estate investments and real estate investment funds diverged as the values of real estate investment funds fell. Directly owned real estate investments yielded a return of 1.0% (0.9%) and real estate investment funds -2.9% (3.4%).

The return on other investments remained weak, at -1.2% (2.2%). The return on hedge funds was weighed down by highly volatile market conditions, which made for a challenging operating environment for liquid strategies in particular.

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 whole, and in financial reporting, the exchange rate impact is included in the returns of various asset classes. The US dollar depreciated slightly against the euro in the first quarter, pushing the return on Varma's investments somewhat lower.

Varma's investment activities focussed on maintaining the company's secure solvency position, broadly diversifying investments and strongly emphasising 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 2,511 (2,475) million.

### Operating expenses and personnel

Varma's total operating expenses during the reporting period were EUR 36 (35) million. The loading profit during the period was EUR 0 (8) million. Following the introduction of the company-specific administrative cost component included in the insurance contribution, the size of the administrative cost component equals Varma's operating expenses.

Varma's parent company had an average of 549 (531 in 2022) employees in the first quarter. The number of personnel has been increased especially in customer service. At the end of March, Varma's personnel were distributed as follows: pension services 17%, insurance and actuarial services 11%, customer service departments 16%, work ability services 13%, investment operations 14%, and other functions 29%.

In March, Varma was recognised as one of Finland's Most Inspiring Workplaces for the fifth time in a row. Varma employees' response rate in the survey has been over 90 per cent year after year, which shows that Varma's employees consider the survey as a means of influencing and developing their mutual day-to-day lives. The survey is carried out annually with hundreds of Finnish organisations, and the result of Varma's personnel survey clearly exceeds the average level of Finnish specialist organisations.

### Corporate Governance

Varma's Annual General Meeting was held on 14 March 2023. The Annual General Meeting elected five new members to the Supervisory Board. Anne Karjalainen, Katariina Kravi, Elisa Markula, Maria Mäkynen and Marko Piirainen were elected as new members to the Supervisory Board. 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 2022.

Continuing as Supervisory Board members are Christoph Vitzthum (Chair), Päivi Leiwo (Deputy Chair), Petri Vanhala (Deputy Chair), Juri Aaltonen, Ari Akseli, Eero Broman, Petri Castrén, Kim Forsström, Lasse Heinonen, Marko Hovinmäki, Olavi Huhtala, Mika Joukio, Jukka Jäämaa, Risto Kalliorinne, Ville Kopra, Tapio Korpeinen, Pekka Kuusniemi, Johanna Moisio, Pasi Pesonen, Perttu Puro, Mika Rautiainen, Eeva Sipilä, Pekka Tiitinen, Markku Varis, Jorma Vehviläinen, Anssi Vuorio and Sauli Vääntti.

The Annual General Meeting chose the audit firm Ernst & Young Oy as the company's auditor for the 2023 financial year, with Authorized Public Accountant Antti Suominen serving as the principal auditor.

As of the beginning of 2023, Varma's Board of Directors is composed of Jaakko Eskola (Chair), Antti Palola (Deputy Chair), Risto Penttinen (Deputy Chair), Riku Aalto, Anu Ahokas, Ari Kaperi, Jyri Luomakoski, Petri Niemisvirta, Teo Ottola, Pekka Piispanen, Saana Siekkinen and Mari Walls, and deputy members Jari Elo, Jouni Hakala and Kari Välimäki.

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

Varma published its Annual and Sustainability Report for 2022 in accordance with the Global Reporting Initiative (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). The reported information also serves as the basis for the UN Global Compact survey and partially also the UN PRI survey and the GRESB survey. The report is externally assured and has been drawn up in compliance with the accessibility directive.

The report is integrated, which means that it includes the traditional annual report content and sustainability data.

Active ownership and engagement are cornerstones of responsible investment at Varma. In early 2023, Varma has voted at a total of 207 general meetings both in Finland and abroad.

Varma is preparing actions in accordance with the Biodiversity Roadmap. We have adopted biodiversity loss mitigation as a sustainability guideline alongside climate work. The Biodiversity Roadmap sets the framework for responsible investment requirements in an effort to address biodiversity in investment operations.

### **Risk management**

Varma's most significant risks are related to investment operations and information processing. Cyber-risks in particular are estimated to remain elevated. The most significant financial risks are those concerning investments. 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. The risk level related to these 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. Varma's risk and solvency assessment describes Varma's key risks and the company's measures to manage them.

### **Outlook**

The outlook for the economic operating environment is subdued. The biggest risks to the global economy and the investment markets relate to the risk of recession, the development of inflation and purchasing power and the impacts of central banks' measures to tighten monetary policy. The rise in interest rates and high indebtedness limit fiscal policy leeway and cut consumers' spending opportunities. The higher interest rates and tightened financial market conditions also create challenges for the stability of the financial market.

The tightened geopolitical environment undermines predictability and is putting the brakes on companies' investment decisions. The structural rise in the price of European electricity will curb investment appetite in energy-intensive industry until affordable renewable energy is sufficiently in use. High inflation cuts purchasing power, increases companies' costs and may undermine the credibility of the central bank. Expenditure pressures related to the aging population are now converging with shorter term challenges related to security and energy policy, which will create major challenges for sustainable economic policy over the coming years.

However, Varma's strong solvency position and careful risk management ensure good conditions for both performance and securing the pension benefits of the insured in all market conditions. Varma continues to effectively implement the earnings-related pension system.

Helsinki, 28 April 2023

Risto Murto  
President and 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 of pension funds. The company is responsible for the statutory earnings-related pension cover of 942,000 people in the private sector. Varma's premiums written totalled EUR 6.1 billion in 2022 and pension payments stood at EUR 6.5 billion. The company's investment portfolio amounted to EUR 56.6 billion at the end of March 2023.*

FURTHER INFORMATION:

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ATTACHMENT: Graphs and charts

[www.varma.fi/en](http://www.varma.fi/en)

<https://www.varma.fi/annualreport>

## Balance sheet at fair values (Parent Company)

€ million	03/2023	03/2022	12/2022
<b>Assets</b>			
Investments	56,604	57,573	56,204
Receivables	1,175	1,375	1,235
Furniture and fixtures	2	3	2
<b>Total Assets</b>	<b>57,781</b>	<b>58,951</b>	<b>57,441</b>
<b>Liabilities</b>			
Capital and reserves	147	139	145
Valuation differences	11,447	13,105	11,628
Provision for future bonuses	1,512	2,597	1,573
Off-balance-sheet items	-3	-1	-2
Solvency capital, total	13,103	15,840	13,344
Provision for current bonuses (for client bonuses)	0	0	174
Equity-linked provision for current and future bonuses	-570	1,836	-950
Actual technical provision	44,859	40,672	44,577
Total	44,289	42,508	43,626
Other liabilities	389	603	297
<b>Total Liabilities</b>	<b>57,781</b>	<b>58,951</b>	<b>57,441</b>

## Income statement at fair values (Parent Company)

€ million	1-3/2023	1-3/2022	1-12/2022
Premiums written	1,408	1,272	6,119
Claims paid	-1,699	-1,523	-6,238
Change in technical provisions	-489	378	-390
Net investment income	572	-1,141	-2,833
Total operating expenses	-36	-35	-136
Other income/expenses	0	0	16
Taxes	2	-1	-4
<b>Total result <sup>1)</sup></b>	<b>-240</b>	<b>-1,050</b>	<b>-3,466</b>

<sup>1)</sup> Result at fair value before the change in provision for current and future bonuses and equalisation provision

€ million	1-3/2023	1-3/2022	1-12/2022
Underwriting profit/loss	6	4	115
Investment result	-247	-1,061	-3,636
Loading profit	0	8	38
Other income/expenses	11	0	16
<b>Total result</b>	<b>-240</b>	<b>-1,050</b>	<b>-3,466</b>

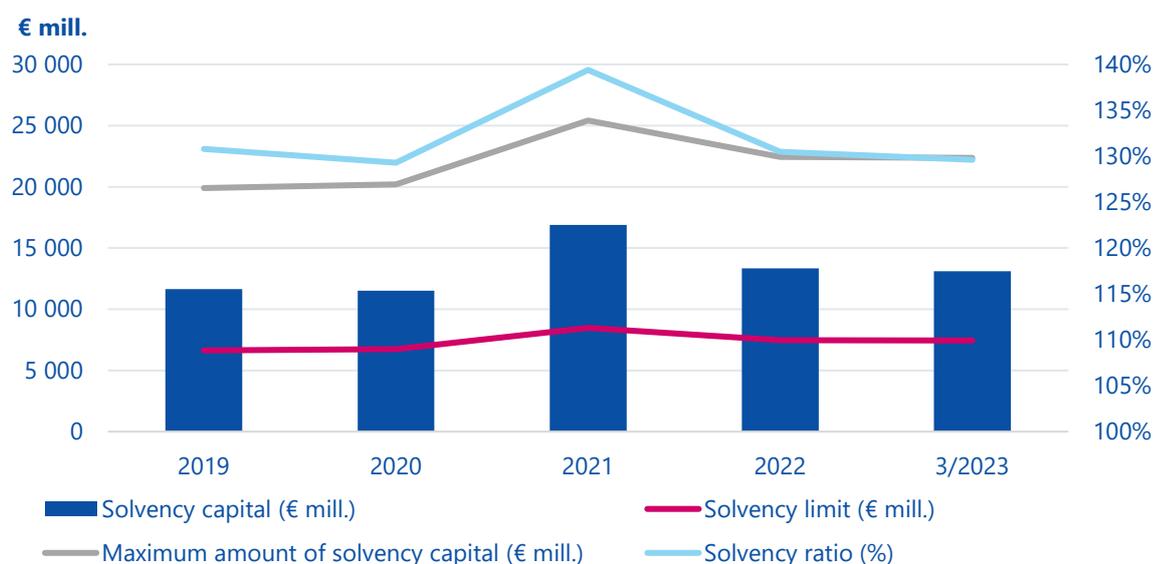
## Solvency capital and limits

	31/3/2023	31/3/2022	31/12/2022
Solvency limit (€ mill.)	7,452	8,674	7,482
Maximum amount of solvency capital (€ mill.)	22,357	26,021	22,447
Solvency capital (€ mill.)	13,103	15,840	13,344
Solvency ratio (%) <sup>1)</sup>	129,6	137,3	130,5
Solvency capital/Solvency limit <sup>2)</sup>	1.8	1.8	1.8

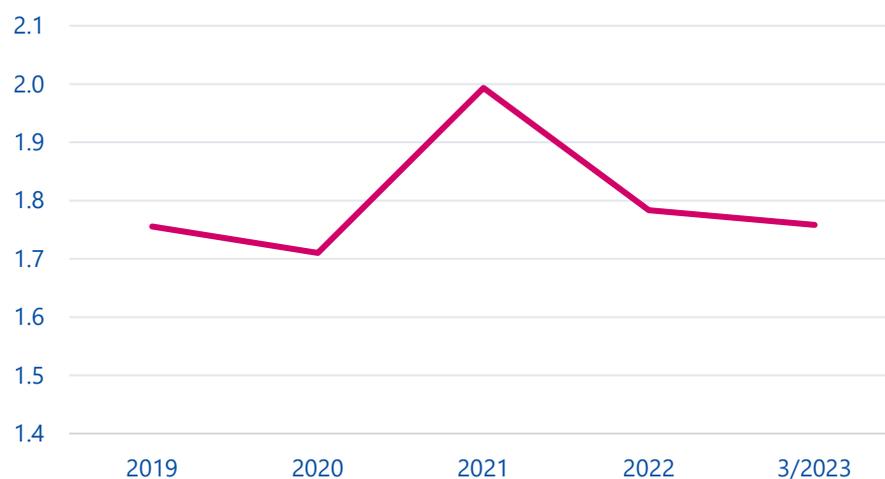
<sup>1)</sup> Pension assets in relation to the technical provisions under §11 of the Ministry of Social Affairs and Health's decree governing pension institutions (614/2008).

<sup>2)</sup> Solvency capital in relation to the solvency limit.

## Solvency development



## Solvency capital in relation to the solvency limit



## Investments at fair value

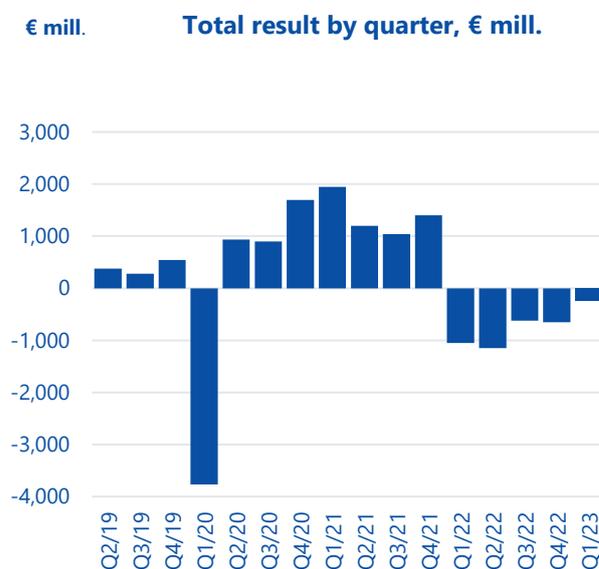
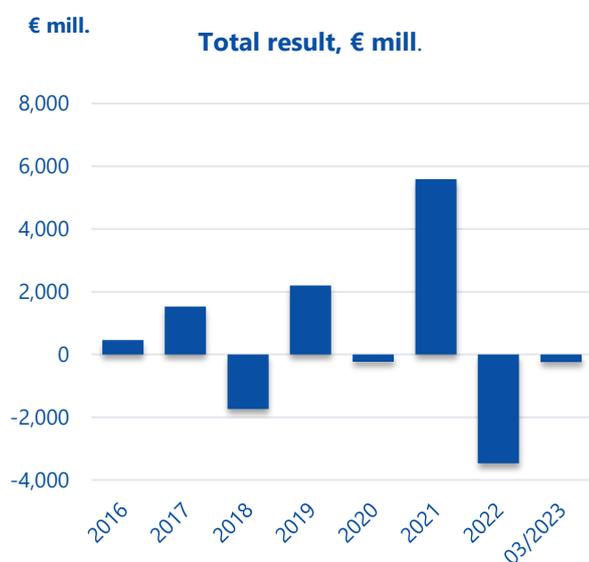
	31 Mar 2023				31 Mar 2022				31 Dec 2022				1-3/2023	1-3/2022	1-12/2022	24 m
	Market Value				Market Value				Market Value				Return	Return	Return	Volatility
	Market Value		Risk position		Market Value		Risk position		Market Value		Risk position		MWR	MWR	MWR	
	€ mill.	%	%	%	%											
<b>Fixed-income investments <sup>1</sup></b>	<b>14,214</b>	<b>25</b>	<b>14,847</b>	<b>26</b>	<b>13,869</b>	<b>24</b>	<b>16,987</b>	<b>30</b>	<b>14,566</b>	<b>26</b>	<b>15,302</b>	<b>27</b>	<b>1.2</b>	<b>-2.7</b>	<b>-5.2</b>	
Loan receivables	2,772	5	2,772	5	2,664	5	2,664	5	2,829	5	2,829	5	1.5	0.8	3.9	
Bonds	9,251	16	9,606	17	7,841	14	7,962	14	8,563	15	8,878	16	1.4	-4.5	-10.2	<b>5.2</b>
Public bonds	4,698	8	5,062	9	3,763	7	3,869	7	4,611	8	4,844	9	2.0	-5.8	-13.7	
Other bonds	4,554	8	4,544	8	4,078	7	4,093	7	3,952	7	4,033	7	0.8	-3.1	-6.5	
Other money-market instruments and deposits	2,190	4	2,468	4	3,364	6	6,360	11	3,174	6	3,595	6	0.3	0.5	-0.1	
<b>Equity investments</b>	<b>28,005</b>	<b>49</b>	<b>27,815</b>	<b>49</b>	<b>29,221</b>	<b>51</b>	<b>29,338</b>	<b>51</b>	<b>27,459</b>	<b>49</b>	<b>27,533</b>	<b>49</b>	<b>2.0</b>	<b>-3.5</b>	<b>-8.7</b>	
Listed equities	17,657	31	17,467	31	19,598	34	19,716	34	17,268	31	17,342	31	2.9	-7.5	-16.8	<b>14.4</b>
Private equity	9,657	17	9,657	17	9,121	16	9,121	16	9,498	17	9,498	17	0.7	5.5	7.9	
Unlisted equities	691	1	691	1	501	1	501	1	692	1	692	1	-2.2	5.2	40.7	
<b>Real estate investments</b>	<b>5,715</b>	<b>10</b>	<b>5,715</b>	<b>10</b>	<b>5,525</b>	<b>10</b>	<b>5,525</b>	<b>10</b>	<b>5,741</b>	<b>10</b>	<b>5,741</b>	<b>10</b>	<b>-0.8</b>	<b>2.0</b>	<b>5.7</b>	
Direct real estates	3,185	6	3,185	6	3,065	5	3,065	5	3,171	6	3,171	6	1.0	0.9	4.2	
Real estate funds	2,529	4	2,529	4	2,460	4	2,460	4	2,570	5	2,570	5	-2.9	3.4	7.6	
<b>Other investments</b>	<b>8,671</b>	<b>15</b>	<b>8,668</b>	<b>15</b>	<b>8,958</b>	<b>16</b>	<b>8,964</b>	<b>16</b>	<b>8,438</b>	<b>15</b>	<b>8,438</b>	<b>15</b>	<b>-1.2</b>	<b>2.2</b>	<b>2.7</b>	
Hedge funds	8,678	15	8,678	15	8,944	16	8,944	16	8,433	15	8,433	15	-1.1	2.1	2.3	<b>3.2</b>
Commodities	2	0	-2	0	0	0	7	0	0	0	0	0				
Other investments	-9	0	-9	0	14	0	14	0	6	0	6	0				
<b>Total investments</b>	<b>56,604</b>	<b>100</b>	<b>57,044</b>	<b>101</b>	<b>57,573</b>	<b>100</b>	<b>60,814</b>	<b>106</b>	<b>56,204</b>	<b>100</b>	<b>57,014</b>	<b>101</b>	<b>1.0</b>	<b>-1.9</b>	<b>-4.9</b>	<b>5.3</b>
Impact of derivatives			-441	-1			-3,241	-6			-810	-1				
<b>Investment allocation at fair value</b>	<b>56,604</b>	<b>100</b>	<b>56,604</b>	<b>100</b>	<b>57,573</b>	<b>100</b>	<b>57,573</b>	<b>100</b>	<b>56,204</b>	<b>100</b>	<b>56,204</b>	<b>100</b>				

The modified duration for all the bonds is 3.90.

The open currency position is 22.5 per cent of the market value of the investments.

<sup>1</sup> Includes accrued interest

## Total result



## Summary of the key figures

	1-3/2023	1-3/2022	1-12/2022
Premiums written, € million	1,408	1,272	6,119
Net investment income at fair value, € million	566	-1,149	-2,868
Return on invested capital, %	1.0	-1.9	-4.9

	3/2023	3/2022	12/2022
Technical provisions, € million	45,801	45,105	45,373
Solvency capital, € million	13,103	15,840	13,344
in relation to solvency limit	1.8	1.8	1.8
Pension assets, € million	57,367	58,326	57,120
% of technical provisions	129.6	137.3	130.5
TyEL payroll, € million	25,429	23,606	24,103
YEL payroll, € million	926	835	867

## Investments at fair value, broken down as per the regulations of the Financial Supervisory Authority

	31 Mar 2023		Market value				31 Dec 2022		Risk position					
	€ mill.	%	31 Mar 2022		31 Dec 2022		31 Mar 2023		31 Mar 2022		31 Dec 2022			
			€ mill.	%										
<b>Fixed-Income Investments</b>	<b>14,214</b>	<b>25</b>	<b>13,869</b>	<b>24</b>	<b>14,566</b>	<b>26</b>	<b>14,847</b>	<b>26</b>	<b>16,987</b>	<b>30</b>	<b>15,302</b>	<b>27</b>		
Loan receivables	2,772	5	2,664	5	2,829	5	2,772	5	2,664	5	2,829	5		
Bonds	9,251	16	7,841	14	8,563	15	9,606	17	7,962	14	8,878	16		
Other money-market instruments and deposits	2,190	4	3,364	6	3,174	6	2,468	4	6,360	11	3,595	6		
<b>Equity investments</b>	<b>28,005</b>	<b>49</b>	<b>29,221</b>	<b>51</b>	<b>27,459</b>	<b>49</b>	<b>27,815</b>	<b>49</b>	<b>29,338</b>	<b>51</b>	<b>27,533</b>	<b>49</b>		
Listed equities	17,657	31	19,598	34	17,268	31	17,467	31	19,716	34	17,342	31		
Private equity	9,657	17	9,121	16	9,498	17	9,657	17	9,121	16	9,498	17		
Unlisted equities	691	1	501	1	692	1	691	1	501	1	692	1		
<b>Real estate investments</b>	<b>5,715</b>	<b>10</b>	<b>5,525</b>	<b>10</b>	<b>5,741</b>	<b>10</b>	<b>5,715</b>	<b>10</b>	<b>5,525</b>	<b>10</b>	<b>5,741</b>	<b>10</b>		
Direct real estates	3,185	6	3,065	5	3,171	6	3,185	6	3,065	5	3,171	6		
Real estate funds	2,529	4	2,460	4	2,570	5	2,529	4	2,460	4	2,570	5		
<b>Other investments</b>	<b>8,671</b>	<b>15</b>	<b>8,958</b>	<b>16</b>	<b>8,438</b>	<b>15</b>	<b>8,668</b>	<b>15</b>	<b>8,964</b>	<b>16</b>	<b>8,438</b>	<b>15</b>		
Hedge funds	8,678	15	8,944	16	8,433	15	8,678	15	8,944	16	8,433	15		
Commodities	2	0	0	0	0	0	-2	0	7	0	0	0		
Other investments	-9	0	14	0	6	0	-9	0	14	0	6	0		
<b>Total</b>	<b>56,604</b>	<b>100</b>	<b>57,573</b>	<b>100</b>	<b>56,204</b>	<b>100</b>	<b>57,044</b>	<b>101</b>	<b>60,814</b>	<b>106</b>	<b>57,014</b>	<b>101</b>		
Impact of derivatives							-441	-1	-3,241	-6	-810	-1		
<b>Total</b>	<b>56,604</b>	<b>100</b>	<b>57,573</b>	<b>100</b>	<b>56,204</b>	<b>100</b>	<b>56,604</b>	<b>100</b>	<b>57,573</b>	<b>100</b>	<b>56,204</b>	<b>100</b>		

**Modified duration of the bond portfolio** **3.9**

## 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
	€ million	€ million	31 Mar 2023 %	31 Mar 2022 %	31 Dec 2022 %
<b>Fixed-Income Investments</b>	<b>175</b>	<b>14,072</b>	<b>1.2</b>	<b>-2.7</b>	<b>-5.2</b>
Loan receivables	42	2,785	1.5	0.8	3.9
Bonds	127	9,049	1.4	-4.5	-10.2
Other money-market instruments and deposits	7	2,238	0.3	0.5	-0.1
<b>Equity investments</b>	<b>549</b>	<b>27,628</b>	<b>2.0</b>	<b>-3.5</b>	<b>-8.7</b>
Listed equities	500	17,347	2.9	-7.5	-16.8
Private equity	64	9,577	0.7	5.5	7.9
Unlisted equities	-15	705	-2.2	5.2	40.7
<b>Real estate investments</b>	<b>-44</b>	<b>5,741</b>	<b>-0.8</b>	<b>2.0</b>	<b>5.7</b>
Direct real estates	32	3,155	1.0	0.9	4.2
Real estate funds	-75	2,586	-2.9	3.4	7.6
<b>Real estate funds</b>	<b>-104</b>	<b>8,773</b>	<b>-1.2</b>	<b>2.2</b>	<b>2.7</b>
Hedge funds	-99	8,771	-1.1	2.1	2.3
Commodities	0	1			
Other investments	-5	1			
<b>Total</b>	<b>576</b>	<b>56,215</b>	<b>1.0</b>	<b>-1.9</b>	<b>-4.8</b>
Unallocated income, costs and operating expenses from investment activities	-10	5			
<b>Net investment return at fair value</b>	<b>566</b>	<b>56,219</b>	<b>1.0</b>	<b>-1.9</b>	<b>-4.9</b>