

## Varma's Interim Report 1 January–30 September 2022

The comparison figures in parentheses are from 30 September 2021, unless otherwise indicated.

- The total result was EUR -2,815 (4,185) million.
- The nine-month return on investments was -4.9 (13.5) per cent.
- The market value of investments was EUR 56.4 (59.0 on 1 Jan) billion.
- Solvency capital was EUR 14.2 (EUR 16.9 on 1 Jan) billion and was 1.9 (2.0 on 1 Jan) times the solvency limit.

### Economic operating environment

Global growth has slowed and recession risks have increased significantly. Behind the weaker economic trend is especially the surging inflation, which central banks globally have been tackling with significantly tighter monetary policies. Economic growth has also been hit by the energy crisis in Europe, caused by the war initiated by Russia, which is battering the profitability of European industry and households' purchasing power through price increases and possible regulatory measures. The energy crisis has also made co-ordinating monetary and financial policies more complicated, as monetary policy is used to dampen aggregate demand while financial policy aims at mitigating the effect of higher energy costs.

The central banks have tightened their monetary policies exceptionally quickly so that muted aggregate demand would push inflation to the central banks' target level. Monetary policy has, however, a delayed effect on the economy and employment rates, and the full impact of the implemented tightening on the economy will not be seen until next year. In addition to the tight monetary policy and energy crisis in Europe, global growth has been hindered by Covid-19 lockdowns and problems in the real estate sector in China. On the basis of deteriorated consumer confidence and observations from business tendency surveys, the economic outlook in Finland has clearly weakened, although employment and total output continued to show reasonable growth rates in the review period.

The economic outlook is weak. The biggest risks to economic development and the investment markets still relate to pressures caused by high inflation, weaker economic growth and rapidly tightened monetary policy. The central banks have openly admitted that they have to battle inflation through tighter monetary policy in a situation where recession risks have markedly increased. The exceptionally rapid tightening of monetary policy has already lowered market liquidity and aggravated financial market conditions. The high geopolitical tensions also increase difficult-to-predict risks, which make companies postpone their investments, especially in Europe. Public deficits, which contracted rapidly after the Covid-19 pandemic, seem to be taking an upward turn amid new support measures.

### Earnings-related pension system

The central labour market organisations have agreed on a proposal concerning the private sector's earnings-related pension contribution for 2023. The Ministry of Social Affairs and Health will confirm the TyEL contribution criteria upon application by the earnings-related pension insurance companies. The average TyEL contribution for the private sector will be 24.84 per cent of the payroll (24.85 per cent in the current year). The contribution also includes a repayment item to compensate in 2022–2025 the temporary reduction in the employer's TyEL pension contribution in 2020. The pension contributions of the self-employed will remain at the same level in 2023 as they were in 2022.

The Finnish pension system ranked fifth in the international Mercer CFA Institute Global Pension Index comparison. Finland's ranking improved by two places from the previous year, as the comparison's calculation method was adjusted to give more weight to countries with strong earnings-related pensions. Finland's pension system was once again ranked as the world's most reliable and transparent.

In October, the Finnish Centre for Pensions published the updated long-term pension financing projections, which indicate that the outlook has improved considerably due to favourable investment returns. At the same time, uncertainty about the future pension contributions has grown, because if the birth rate remains low, an increasing share of the rising pension expenditure will have to be covered by returns on pension assets. The projections are based on Statistics Finland's population forecast from 2021. According to the forecast, birth rates will remain low and the working-age population will decline throughout the projection period (2021–2090). At the same time, the old-age dependency ratio will nearly double. In recent years, earnings-related pension assets have yielded a better-than-expected return and cover an increasingly larger share of pension expenditure. The private-sector insurance contribution under the Employees Pensions Act (TyEL contribution) can be kept below 25 per cent of wages until the 2050s.

The earnings-related pension index of pensions in payment is adjusted annually in January to ensure pensions' purchasing power. The Ministry of Social Affairs and Health has confirmed that the earnings-related pension index for 2023 will rise by 6.8 per cent. This will raise pensions in payment as of the beginning of 2023. The effect of the upcoming index increment has been reflected in Varma's operations as increased pension applications and enquiries with our pension advisory services.

A government proposal on amending the Self-Employed Persons' Pensions Act is before Parliament. The proposal aims to improve self-employed persons' pension security and support the implementation of the Self-Employed Persons' Pensions Act. The objective is for a self-employed person's YEL income to better reflect the value of their work input. During the review period, a service for calculating self-employed persons' income was adopted. The calculator provides an income recommendation corresponding to the self-employed person's situation for both the self-employed person and the pension insurance provider. Based on this, earnings-related pension insurance companies confirm self-employed persons' YEL income equally for all self-employed persons.

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

Varma's total result at fair value for the nine-month period was EUR -2,815 (4,185) million. The total investment result was EUR -2,914 (4,144) million. The return on investments at fair value was EUR -2,902 (6,732) million. The interest credited on the technical provisions was EUR 13 (2,588) million. The estimated technical underwriting result was EUR 57 (3) million, the loading profit was EUR 26 (38) million and other result was 16 (0) million.

Varma's solvency remained at a good level. At the end of September, the solvency capital, which serves as a risk buffer for investment and insurance operations, was EUR 14,170 (16,890 on 1 Jan) million, and 133.0 (139.4 on 1 Jan) per cent in relation to the technical provisions.

Varma's solvency capital was on a sustainable level, i.e. 1.9 (2.0 on 1 Jan) times the solvency limit.

Tables illustrating Varma's financial development are presented as attachments to this interim report.

### **Insurance business**

Varma's pension recipients numbered 348,400 at the end of September (345,700 on 1 Jan). Claims paid in January–September totalled EUR 4,628 (4,458) million. By the end of September, 17,856 new pension decisions were made, which is 8.0 per cent more than in the corresponding period last year. A total of 40,262 pension decisions were made in January–September. In January–September, 4,221 disability pension decisions were made; this is 0.5 per cent more than in the corresponding period of 2021.

Varma has renewed its services and focussed especially on developing management services for risk-based disability. The goal of renewing the services is to support customers more effectively than before in lengthening careers. Varma is carefully analysing the impacts of the pandemic and the subsequent rapid working-life changes in order to predict customer needs and improve the relevance of services.

The TyEL payroll of those insured by Varma has grown strongly, by 7.3 per cent, compared to the situation one year ago. The trend in 2022 has been good. At the end of September, 596,800 (571,200 on 1 Jan) employees and entrepreneurs were insured by Varma.

Varma gained a total of EUR 137 (41) million in new premiums written during January–September. This includes the net impact of new sales and premiums written transferred from other pension institutions and premiums written transferred to Varma from a company pension fund at the end of June.

### Investments

Varma's returns on investments were clearly in negative territory in the review period. The return on investments was -4.9 (13.5) per cent and the value of investments stood at EUR 56,384 (59,024 on 31 Dec 2021) million at the end of September. Varma's solvency was 133.0 (139.4 on 1 Jan 2022) per cent at the end of the review period.

The substantially weakened economic outlook, high inflation and quickly tightening monetary policy hit most asset classes, pushing their values down. The differences between the returns on Varma's listed and unlisted investments were significant and continued to increase. The returns on listed fixed income and equity investments were low, and fixed income investments were not able to offset the impact of the decline in equity markets on the total return. The main common reason behind the weak performance of both the equity and fixed income markets was the strong rise in interest rates. The return on unlisted investments remained clearly positive, which can be explained by, among other factors, their lower interest rate risk, successful investment allocation and the fact that the major changes experienced by the listed equity markets were reflected in the investments with a delay.

The return on equities was -9.1 (23.1) per cent. The return on listed equities was -19.3 (17.6) per cent. The differences between geographical areas and business sectors were great. The strengthened dollar largely explains the better return on US equities compared to other equities. The weaker outlook for economic and earnings growth, accelerated inflation and especially higher interest rates were the main elements influencing equities' values. Given the investment environment, the returns on private equity investments were very strong, at 13.5 (39.9), which, for its part, reflects the slow reaction of unlisted investments to market changes and the protection that infrastructure investments provide against inflation.

The strong rise in interest rates and widening of risk premiums pushed the return on fixed income investments into negative territory, at -6.4 (1.5) per cent. The return on public-sector bonds was extremely low, at -15.2 (-0.9) per cent. The trend reflects the historic surge in inflation and the aggressive tightening of monetary policy by central banks. The return on corporate bonds also suffered from the dramatic rise in interest rates and the increase in credit risk premiums, driven by fears of recession. The return on corporate bonds fell to -8.0 (3.5) per cent. The return on loan receivables developed more consistently, thanks to their moderate interest rate risk, and they yielded 2.1 (3.0) per cent in the first nine months of the year.

The return on real estate investments rose to 5.5 (4.1) per cent, with foreign real estate investment funds performing especially well. The return on direct real estate investments was 3.8 (4.1) per cent and the return on real estate investment funds was 7.8 (4.2) per cent. Typically, the rent levels in rental agreements are tied to changes in the consumer price index or they have a similar rent adjustment mechanism. This has provided protection against rising maintenance costs in the environment of high inflation and thus helped secure net cash flow from rental activity and the values of real estate investments.

The return on other investments developed positively and reached 5.8 (11.5) per cent. The returns relied on the stable development of hedge funds. The hedge funds diversified the risks involved in Varma's investments and significantly compensated for the weak performance of listed investments.

Varma has US-dollar-denominated investments in all asset classes. 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 strengthened clearly against the euro during January–September, which supported Varma's investment returns.

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 2,621 (2,173) million.

### **Operating expenses and personnel**

Varma's total operating expenses in the review period were EUR 106 (100) million. The expense loading rate intended to cover earnings-related pension companies' operating expenses was reduced as of the beginning of 2022. This will reduce Varma's loading profit, despite the growth in the payroll insured with the company. According to a full-year estimate, Varma will use 73 (63) per cent of the expense loading included in the insurance contributions for operating expenses. The loading profit for the period was EUR 26 (38) million. The loading profit accumulated in 2022 will be used entirely for client bonuses. In the coming years, the insurance contribution will be reduced by an amount equal to the loading profit, and client bonuses will be based solely on Varma's solvency capital and its development.

Varma's parent company employed an average of 530 people in the review period (529). At the end of September, Varma's personnel were distributed as follows: pension services 17 per cent, actuarial and insurance services 11 per cent, customer service departments 17 per cent, disability risk management 13 per cent, investment operations 14 per cent, and other functions 28 per cent.

### **Corporate Governance**

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 was tied for first place in the Global Pension Transparency Benchmark's (GPTB) category Responsible investment. The international benchmark included 75 pension funds from 15 countries. The GPTB looked into the transparency of pension funds using four factors: cost, governance, performance and responsible investment.

Varma signed the Science Based Targets initiative (SBTi), which drives climate action through science-based emissions reduction targets. Companies that are part of the global joint initiative set their own short- and long-term targets concerning emissions reduction. The SBTi focuses on limiting global temperature rise to 1.5 degrees Celsius and reaching net-zero emissions by 2050.

Varma signed the 2022 Global Investor Statement to Government on the Climate Crisis, aimed at governments and political leaders. In the global joint statement, investors call for governments to set more ambitious climate targets by 2030.

## Risk management

The Covid-19 pandemic and Russia's attack on Ukraine have also changed Varma's risk position. Varma has managed its operations smoothly and without interruption also during these times. The risk level of Varma's investments has been adjusted to reflect the changes in the investment markets during the review period by reducing the equity weight in the investment portfolio.

Varma's greatest risks are related to investment operations and information processing. Cyber risks in particular are estimated to have increased, and preparedness has been enhanced in that respect. Ensuring Varma's business continuity in different risk scenarios is also a key part of risk management. The most significant financial risks to Varma are those concerning investments. 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 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.

## Outlook

The outlook for the economic operating environment remains weak. The biggest risks to the global economy and the investment markets relate to the increased risk of a downturn, inflation that undermines purchasing power and the impacts of the central banks' aggressive monetary tightening. The higher interest rate level and indebtedness reduce financial policy leeway. Furthermore, the rapid increase in interest rates and the tightened financial market conditions create challenges for businesses and increase the risk of upsetting the balance of the investment market.

The war in Ukraine and geopolitical tensions undermine predictability. The drying up of Russian gas deliveries is likely to keep the price of European electricity at a high level and may lead to the rationing of energy. In addition to the war in Ukraine, high inflation and the support measures to reduce its impacts weaken the sustainability of financial policy and put the unity of EU member states to the test. At the moment, coordinating monetary and financial policies is also exceptionally difficult. Expenditure pressures related to the aging population converge with shorter term challenges related to security and energy policy, creating major challenges for sustainable economic policy over the coming years.

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

Helsinki, 28 October 2022

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. The company is responsible for the statutory earnings-related pension cover of 957,000 people in the private sector. Premiums written totalled EUR 5.6 billion in 2021 and pension payments stood at EUR 6.2 billion. The company's investment portfolio amounted to EUR 56.7 billion at the end of June 2022.*

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	9/2022	9/2021	12/2021
<b>Assets</b>			
Investments	56,384	56,616	59,024
Receivables	2,487	976	1,173
Furniture and fixtures	2	3	3
<b>Total Assets</b>	<b>58,874</b>	<b>57,595</b>	<b>60,200</b>
<b>Liabilities</b>			
Capital and reserves	143	135	137
Valuation differences	11,860	12,721	14,416
Provision for future bonuses	2,168	2,846	2,339
Off-balance-sheet items	-1	-1	-1
Solvency capital, total	14,170	15,701	16,890
Provision for current bonuses (for client bonuses)	0	0	222
Equity-linked provision for current and future bonuses	907	2,141	2,434
Actual technical provision	42,109	39,518	40,230
Total	43,016	41,659	42,664
Other liabilities	1,687	235	423
<b>Total Liabilities</b>	<b>58,874</b>	<b>57,595</b>	<b>60,200</b>

## Income statement at fair values (Parent Company)

€ million	1-9/2022	1-9/2021	1-12/2021
Premiums written	4,582	4,249	5,635
Claims paid	-4,628	-4,458	-5,980
Change in technical provisions	199	-2,260	-3,222
Net investment income	-2,875	6,759	9,290
Total operating expenses	-106	-100	-130
Other income/expenses	11	0	-1
Taxes	-3	-5	-6
<b>Total result <sup>1)</sup></b>	<b>-2,815</b>	<b>4,185</b>	<b>5,587</b>

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

€ million	1-9/2022	1-9/2021	1-12/2021
Underwriting profit/loss	57	3	48
Investment result	-2,914	4,144	5,488
Loading profit	26	38	51
Other income/expenses	11	0	-1
<b>Total result</b>	<b>-2,815</b>	<b>4,185</b>	<b>5,587</b>

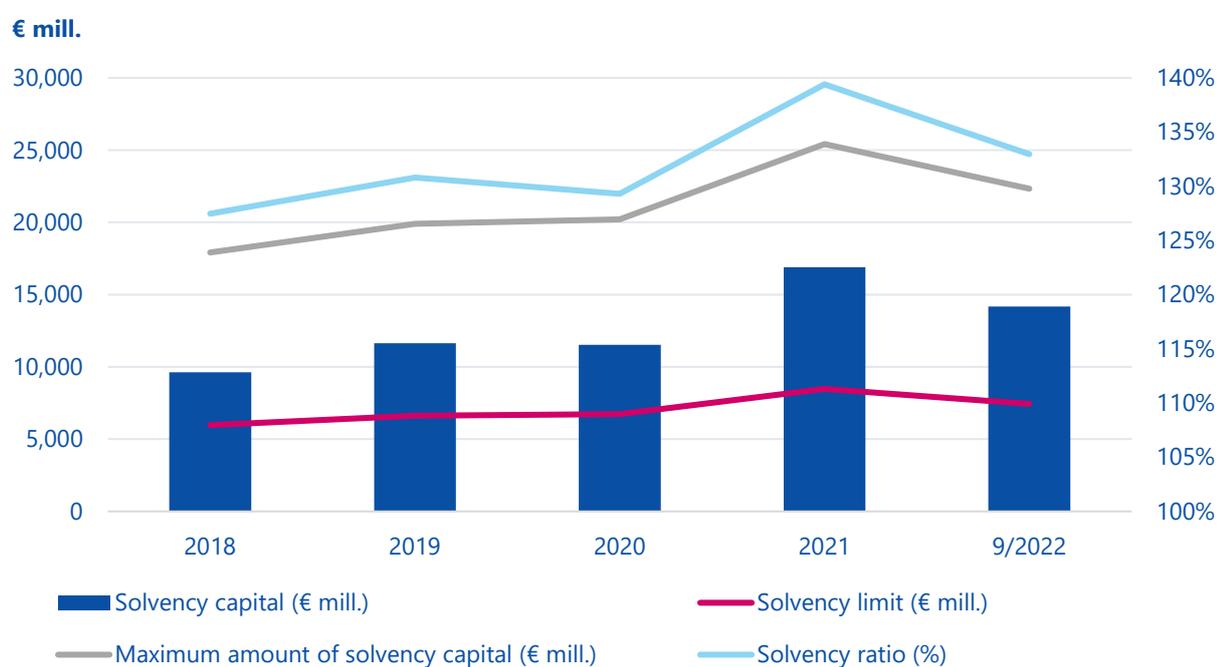
## Solvency capital and limits

	30/09/2022	30/09/2021	31/12/2021
Solvency limit (€ mill.)	7,440	8,067	8,473
Maximum amount of solvency capital (€ mill.)	22,321	24,201	25,418
Solvency capital (€ mill.)	14,170	15,701	16,890
Solvency ratio (%) <sup>1)</sup>	133.0	137.7	139.4
Solvency capital/Solvency limit <sup>2)</sup>	1.9	1.9	2.0

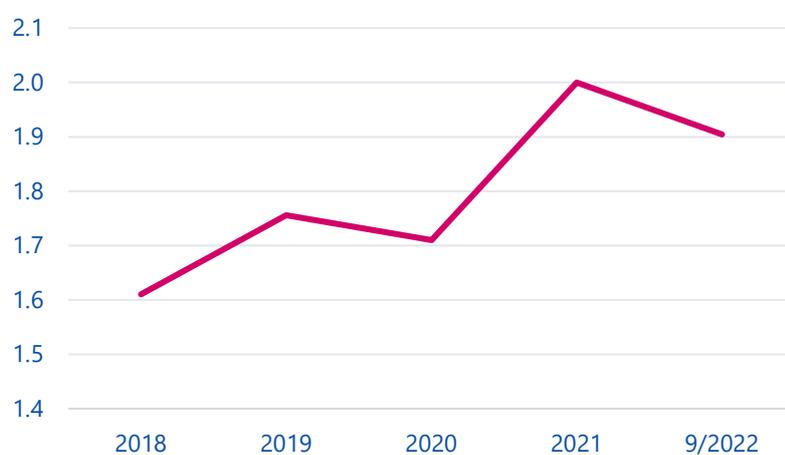
<sup>1)</sup> Pension assets in relation to the technical provisions under §11 of the Ministry of Social Affairs and Health's decree governing pension institutions (614/2008).

<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

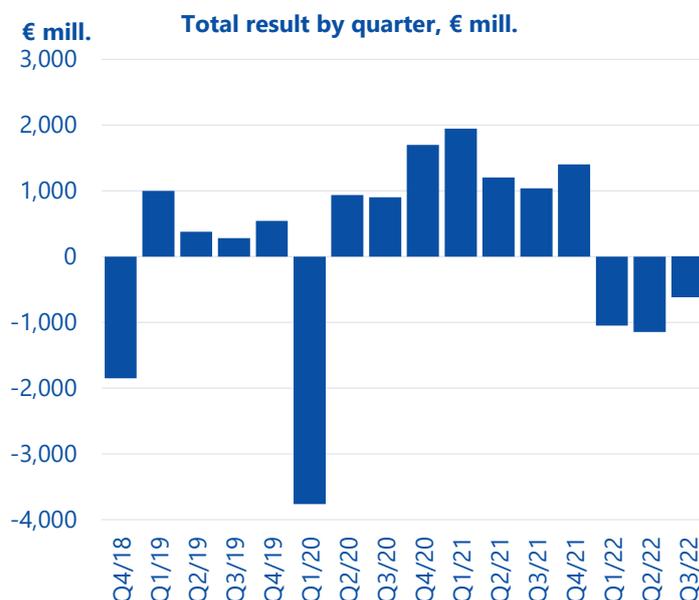
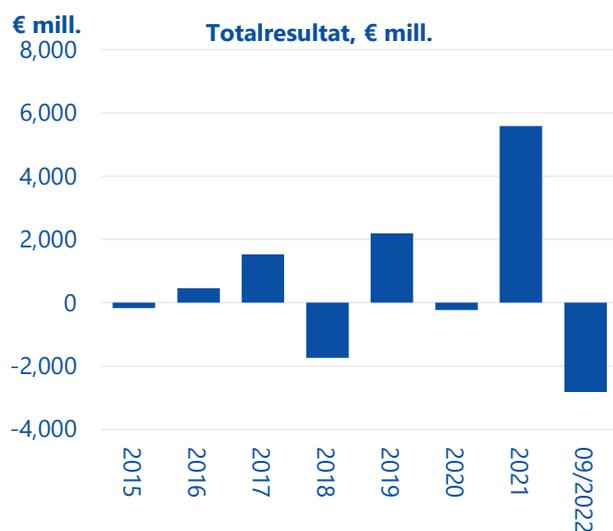
	30 Sep 2022				30 Sep 2021				31 Dec 2021				1-9/2022	1-9/2021	1-12/2021	24 m Volati- lity
	Market Value		Risk position		Market Value		Risk position		Market Value		Risk position		Return	Return	Return	
	€ mill.	%	MWR	%	MWR											
<b>Fixed-income investments <sup>1</sup></b>	<b>16,270</b>	<b>29</b>	<b>16,513</b>	<b>29</b>	<b>14,456</b>	<b>26</b>	<b>14,321</b>	<b>25</b>	<b>15,251</b>	<b>26</b>	<b>15,402</b>	<b>26</b>	<b>-6.4</b>	<b>1.5</b>	<b>1.9</b>	
Loan receivables	2,715	5	2,715	5	2,848	5	2,848	5	2,711	5	2,711	5	2.1	3.0	5.4	
Bonds	7,702	14	7,963	14	8,577	15	9,844	17	9,269	16	10,281	17	-11.6	1.4	1.4	4.5
Public bonds	3,569	6	3,433	6	4,529	8	5,796	10	5,132	9	6,189	10	-15.2	-0.9	-1.2	
Other bonds	4,133	7	4,530	8	4,048	7	4,048	7	4,136	7	4,092	7	-8.0	3.5	4.2	
Other money-market instruments and deposits	5,853	10	5,834	10	3,031	5	1,628	3	3,271	6	2,409	4	-0.2	-0.1	-0.9	
<b>Equity investments</b>	<b>25,704</b>	<b>46</b>	<b>25,984</b>	<b>46</b>	<b>27,838</b>	<b>49</b>	<b>27,641</b>	<b>49</b>	<b>29,144</b>	<b>49</b>	<b>29,352</b>	<b>50</b>	<b>-9.1</b>	<b>23.1</b>	<b>32.2</b>	
Listed equities	15,207	27	15,487	27	19,365	34	19,168	34	20,010	34	20,217	34	-19.3	17.6	26.4	15.5
Private equity	9,912	18	9,912	18	8,079	14	8,079	14	8,663	15	8,663	15	13.5	39.9	49.6	
Unlisted equities	585	1	585	1	394	1	394	1	471	1	471	1	18.2	10.4	26.3	
<b>Real estate investments</b>	<b>5,730</b>	<b>10</b>	<b>5,730</b>	<b>10</b>	<b>5,235</b>	<b>9</b>	<b>5,235</b>	<b>9</b>	<b>5,442</b>	<b>9</b>	<b>5,442</b>	<b>9</b>	<b>5.5</b>	<b>4.1</b>	<b>5.9</b>	
Direct real estates	3,136	6	3,136	6	3,036	5	3,036	5	3,086	5	3,086	5	3.8	4.1	4.1	
Real estate funds	2,594	5	2,594	5	2,199	4	2,199	4	2,356	4	2,356	4	7.8	4.2	8.5	
<b>Other investments</b>	<b>8,680</b>	<b>15</b>	<b>8,681</b>	<b>15</b>	<b>9,087</b>	<b>16</b>	<b>9,088</b>	<b>16</b>	<b>9,187</b>	<b>16</b>	<b>9,187</b>	<b>16</b>	<b>5.8</b>	<b>11.5</b>	<b>15.3</b>	
Hedge funds	8,679	15	8,679	15	9,087	16	9,087	16	9,184	16	9,184	16	5.6	11.6	15.3	3.0
Commodities	0	0	-6	0	-9	0	-1	0	0	0	0	0				
Other investments	1	0	1	0	-1	0	-1	0	3	0	3	0				
<b>Total investments</b>	<b>56,384</b>	<b>100</b>	<b>56,908</b>	<b>101</b>	<b>56,616</b>	<b>100</b>	<b>56,285</b>	<b>99</b>	<b>59,024</b>	<b>100</b>	<b>59,382</b>	<b>101</b>	<b>-4.9</b>	<b>13.5</b>	<b>18.5</b>	<b>6.2</b>
Impact of derivatives			-524	-1			332	1			-358	-1				
<b>Investment allocation at fair value</b>	<b>56,384</b>	<b>100</b>	<b>56,384</b>	<b>100</b>	<b>56,616</b>	<b>100</b>	<b>56,616</b>	<b>100</b>	<b>59,024</b>	<b>100</b>	<b>59,024</b>	<b>100</b>				

The modified duration for all the bonds is 3.51.

The open currency position is 23.5 per cent of the market value of the investments.

<sup>1</sup> Includes accrued interest

## Total result



## Summary of the key figures

	1-9/2022	1-9/2021	1-12/2021
Premiums written, € million	4,582	4,249	5,635
Net investment income at fair value, € million	-2,902	6,732	9,256
Return on invested capital, %	-4.9	13.5	18.5

	9/2022	9/2021	12/2021
Technical provisions, € million	45,184	44,505	45,225
Solvency capital, € million	14,170	15,701	16,890
in relation to solvency limit	1.9	1.9	2.0
Pension assets, € million	57,163	57,337	59,754
% of technical provisions	133.0	137.7	139.4
TyEL payroll, € million	24,113	22,369	22,535
YEL payroll, € million	863	817	815

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

	Market value						Risk position					
	30 Sep 2022		30 Sep 2021		31 Dec 2021		30 Sep 2022		30 Sep 2021		31 Dec 2021	
	€ mill.	%										
<b>Fixed-Income Investments</b>	<b>16,270</b>	<b>28.9</b>	<b>14,456</b>	<b>25.5</b>	<b>15,251</b>	<b>25.8</b>	<b>16,513</b>	<b>29.3</b>	<b>14,321</b>	<b>25.3</b>	<b>15,402</b>	<b>26.1</b>
Loan receivables	2,715	4.8	2,848	5.0	2,711	4.6	2,715	4.8	2,848	5.0	2,711	4.6
Bonds	7,702	13.7	8,577	15.1	9,269	15.7	7,963	14.1	9,844	17.4	10,281	17.4
Other money-market instruments and deposits	5,853	10.4	3,031	5.4	3,271	5.5	5,834	10.3	1,628	2.9	2,409	4.1
<b>Equity investments</b>	<b>25,704</b>	<b>45.6</b>	<b>27,838</b>	<b>49.2</b>	<b>29,144</b>	<b>49.4</b>	<b>25,984</b>	<b>46.1</b>	<b>27,641</b>	<b>48.8</b>	<b>29,352</b>	<b>49.7</b>
Listed equities	15,207	27.0	19,365	34.2	20,010	33.9	15,487	27.5	19,168	33.9	20,217	34.3
Private equity	9,912	17.6	8,079	14.3	8,663	14.7	9,912	17.6	8,079	14.3	8,663	14.7
Unlisted equities	585	1.0	394	0.7	471	0.8	585	1.0	394	0.7	471	0.8
<b>Real estate investments</b>	<b>5,730</b>	<b>10.2</b>	<b>5,235</b>	<b>9.2</b>	<b>5,442</b>	<b>9.2</b>	<b>5,730</b>	<b>10.2</b>	<b>5,235</b>	<b>9.2</b>	<b>5,442</b>	<b>9.2</b>
Direct real estates	3,136	5.6	3,036	5.4	3,086	5.2	3,136	5.6	3,036	5.4	3,086	5.2
Real estate funds	2,594	4.6	2,199	3.9	2,356	4.0	2,594	4.6	2,199	3.9	2,356	4.0
<b>Other investments</b>	<b>8,680</b>	<b>15.4</b>	<b>9,087</b>	<b>16.1</b>	<b>9,187</b>	<b>15.6</b>	<b>8,681</b>	<b>15.4</b>	<b>9,088</b>	<b>16.1</b>	<b>9,187</b>	<b>15.6</b>
Hedge funds	8,679	15.4	9,087	16.1	9,184	15.6	8,679	15.4	9,087	16.1	9,184	15.6
Commodities	0	0.0	0	0.0	0	0.0	1	0.0	1	0.0	0	0.0
Other investments	1	0.0	-1	0.0	3	0.0	1	0.0	-1	0.0	3	0.0
<b>Total</b>	<b>56,384</b>	<b>100.0</b>	<b>56,616</b>	<b>100.0</b>	<b>59,024</b>	<b>100.0</b>	<b>56,908</b>	<b>100.9</b>	<b>56,285</b>	<b>99.4</b>	<b>59,382</b>	<b>100.6</b>
Impact of derivatives							-524	-0.9	332	0.6	-358	-0.6
<b>Total</b>	<b>56,384</b>	<b>100.0</b>	<b>56,616</b>	<b>100.0</b>	<b>59,024</b>	<b>100.0</b>	<b>56,384</b>	<b>100.0</b>	<b>56,616</b>	<b>100.0</b>	<b>59,024</b>	<b>100.0</b>

### Modified duration of the bond portfolio 3.5

## 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	30 Jun 2022 %	30 Jun 2021 %	31 Dec 2021 %
<b>Fixed-Income Investments</b>	<b>-949</b>	<b>14,728</b>	<b>-6.4</b>	<b>1.5</b>	<b>1.9</b>
Loan receivables	56	2,659	2.1	3.0	5.4
Bonds	-998	8,587	-11.6	1.4	1.4
Other money-market instruments and deposits	-7	3,483	-0.2	-0.1	-0.9
<b>Equity investments</b>	<b>-2,738</b>	<b>29,984</b>	<b>-9.1</b>	<b>23.1</b>	<b>32.2</b>
Listed equities	-4,003	20,755	-19.3	17.6	26.4
Private equity	1,176	8,741	13.5	39.9	49.6
Unlisted equities	89	487	18.2	10.4	26.3
<b>Real estate investments</b>	<b>300</b>	<b>5,426</b>	<b>5.5</b>	<b>4.1</b>	<b>5.9</b>
Direct real estates	115	3,053	3.8	4.1	4.1
Real estate funds	185	2,373	7.8	4.2	8.5
<b>Real estate funds</b>	<b>515</b>	<b>8,888</b>	<b>5.8</b>	<b>11.5</b>	<b>15.3</b>
Hedge funds	497	8,861	5.6	11.6	15.3
Commodities	5	-4			
Other investments	13	32			
<b>Total</b>	<b>-2,873</b>	<b>59,027</b>	<b>-4.9</b>	<b>13.5</b>	<b>18.6</b>
Unallocated income, costs and operating expenses from investment activities	-29	17			
<b>Net investment return at fair value</b>	<b>-2,902</b>	<b>59,044</b>	<b>-4.9</b>	<b>13.5</b>	<b>18.5</b>