



The assets of the Sons of Norway are invested to:

- * Provide financial integrity to meet obligations
- * Provide competitive rates of return on insurance products
- * Meet conservative investment philosophy consistent with the above two goals

Sons of Norway's assets are invested per the investment policy adopted by the Board of Directors. Assets are primarily placed in a diversified portfolio of investment grade bonds. At December 31, 2018 97% of invested assets are in bonds. The remaining 3% consists of certificate loans, commercial mortgage loans, short-term investments and cash. Sons of Norway investment portfolio is managed by a professional investment advisor, who provides expertise in following the objectives stated in the investment policy.

As required by the investment policy, the credit quality of the portfolio will be maintained at its current high investment grade level. This helps to insulate the portfolio from credit risk problems thereby providing our certificate owners with a high level of safety. At year end 2018 1.4% of the bond portfolio was invested in less than investment grade bonds. This compares favorably with the 2017 industry averages of 3% for fraternal insurance organizations and 6% for commercial life insurers.

Shown below is the credit quality of the bond portfolio at December 31, 2018:

<u>Credit Quality</u>	<u>Amount</u>	<u>Percent</u>
US Treasury & Agencies	\$46,321,731	13.4%
AAA, AA, A	208,999,747	60.5%
BBB	85,337,447	24.7%
Sub-total investment grade	340,658,925	98.6%
Less than investment grade	4,674,601	1.4%
Total Bonds	\$345,333,526	100.0%

Diversification of the investments in the portfolio by sector, industry, issuer, size, and maturity minimizes both interest rate risk and credit risk. The year-end 2018 sector allocation and expected maturity distribution of the portfolio are shown below:

<u>Sector</u>	<u>Percent</u>
US Treasury & Agencies	13.4%
US Political Subdivisions	18.9%
Foreign Bonds	6.8%
Industrial and Miscellaneous	57.4%
Mortgage and Other Asset Backed Securities	3.4%

To provide stability in the interest rate earned by the portfolio Sons of Norway invests in bonds over a wide range of maturities. At year end 2018 39% of the bonds held will mature in 5 years or less, 24% in 5 to 10 years and 37% in over ten years.

12/31/18