

# Emerging Markets Equity

Investment Basket Monthly Review 31 December 2018

## Investment Basket Facts

Name	Mandatum Life Emerging Markets Equity
Inception Date	2.5.2013
Investment Manager	Mandatum Life
Management Fee p.a.	1.5%
Carbon Footprint compared to benchmark index	2018: 74%, 278.3 tCO <sub>2</sub> per invested €1 million 2017: 91%, 358.6 tCO <sub>2</sub> per invested €1 million

## Performance



	1 mth	3 mths	6 mths	12 mths	Year-To-Date	Since Inception
<b>Emerging Markets Equity</b>	-3,05 %	-5,54 %	-2,97 %	-9,13 %	-9,13 %	9,49 %
<b>Benchmark index</b>	-2,78 %	-4,44 %	-2,76 %	-8,53 %	-8,53 %	29,37 %

## Top Holdings

16,86 %	Ishares Msci India Etf	6,28 %	Ishares Msci Thailand Etf
16,15 %	Ishares China Large Cap Ucits Etf (Frankfurt)	6,19 %	Ishares Msci South Africa Etf
13,94 %	Ishares Msci South Korea Index Etf	5,37 %	Morgan Stanley China A Share
11,87 %	Ishares Msci Taiwan Etf	5,00 %	Ishares Msci Russia Etf
6,52 %	Ishares Msci Brazil Capped Etf	4,23 %	Ishares Msci Indonesia Investable Market Etf

## Investment Strategy

The investment basket invests in emerging markets equities and equity-related securities. The investment basket may use fixed income investments only for cash management.

The investment basket has a benchmark index to which the return of the investment basket is compared. The benchmark index is Stoxx Emerging Markets 1500 index. Before 31.12.2016 Stoxx Emerging Markets 50 NTR was the benchmark. The long-term objective of the investment basket is to outperform the development of the benchmark index. The benchmark index can be outperformed by investing in selected companies based on a fundamental analysis. The proportion of equity-related securities in the investment basket of the total value of the investment basket may vary between 75% and 125%.

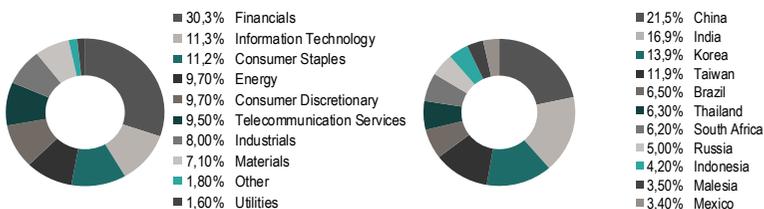
## Investment Manager's Review

Also on the emerging markets, market sentiment was negative in December with global economic growth expectations in decline. Among the investment basket's main markets South Korea (KOSPI, in euros) fell -3.2%, India (SENSEX, in euros) -1.6% and Hong Kong (HSI, in euros) -4.9%. Brazil's equity market (BOVESPA, in euros) fell by -3.0% and Russia's equity market (RTSI, in euros) fell -3.0%. Over the course of the month, the weight of Indian investments in the investment basket was downgraded to neutral and correspondingly investments in Thailand and Indonesia were increased slightly. The return on Mandatum Life Emerging Markets Equity was -3.05% in December while the benchmark index Stoxx Emerging Markets 1500 returned -2.78%.

With next year's growth expectations for the global economy falling, companies' earnings expectations have also been revised downwards. The greatest changes in forecasts have been seen in the technology sector where expectations of an improvement in future profit margins have been too high to begin with. The first indications of Q4 earnings suggest that despite the already rather significant earnings forecast adjustments, the stock prices of the largest tech companies are still susceptible to a decline in earnings forecasts, also on the emerging markets. Energy sector earnings expectations for 2019 have also been reduced in the wake of the oil price decline. This has materialised on the Russian equity market as relative underachievement over the past few months. Following the bank scandal in August-September, India's equity market has been a relative winner as has Brazil's equity market, where expectations of economic reforms by the new government are already high.

Within the emerging markets, the Asian markets are more interesting in relative terms due to their more stable economic development. A possible trade deal between the US and China would be excellent news for Asia's economic performance next year. Of the sectors, financials and consumer staples look attractive, while the valuation of technology companies is still high despite the recent stock price decline. In our view, the greatest risks for the emerging markets are the faster-than-expected tightening of the Fed's monetary policy and the stronger-than-expected slowing of China's economy. According to our insight, the emerging equity markets nevertheless offer investors attractive return potential in relation to risk in the long run. In the current environment, price volatility has increased, active allocation is growing in importance and selectiveness is of the essence in choosing investment objects.

## Investment Basket Allocation



### Sector Allocation

### Geographic Allocation

This investment basket review does not constitute a recommendation to subscribe for or redeem units in the investment basket. In compiling the investment basket review, every attempt has been made to ensure that the information contained in it is correct. However, Mandatum Life is not accountable for the correctness of the information. The investment basket's past performance is no guarantee of future returns. The value of investments may increase or decrease and investors risk losing the assets they originally invested.

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