

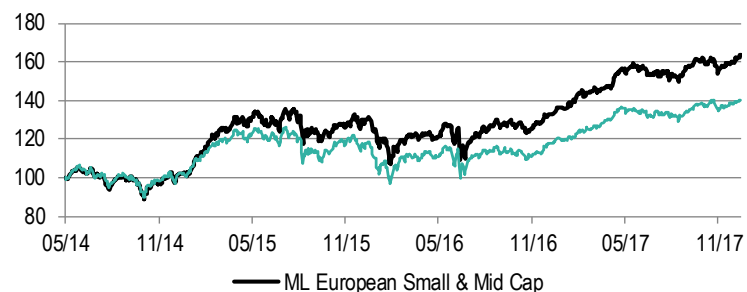
European Small & Mid Cap

Investment Basket Monthly Review 29.12.2017

Investment Basket Facts

Name	Mandatum Life European Small & Mid Cap
Inception Date	15.5.2014
Investment Manager	Mandatum Life
Management Fee p.a.	1.5%
Carbon Footprint compared to benchmark index	2017: 45%, 112.6 tCO ₂ per invested €1 million 2016: 27%, 74.5 tCO ₂ per invested €1 million

Performance



	1 mth	3 mths	6 mths	12 mths	Year-To-Date	Since Inception
European Small & Mid Cap	2,97 %	2,46 %	6,46 %	22,05 %	22,05 %	63,84 %
Benchmark index	2,22 %	2,24 %	6,81 %	18,10 %	18,10 %	40,42 %

Top Holdings

3,70 %	Medios Ag	2,21 %	Aroundtown Property Holdings Plc
2,85 %	Burford Capital Ltd	2,21 %	Teleperformance Sa
2,49 %	Aurelius Ag	2,04 %	Academedia Ab
2,34 %	Playtech Plc	2,03 %	Grand City Properties Sa
2,21 %	Indivior Plc	2,00 %	Snp Schneider-Neureither & Partner Ag

Investment Strategy

The investment basket invests in European small and mid cap 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 Europe Small 200 NTR. 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

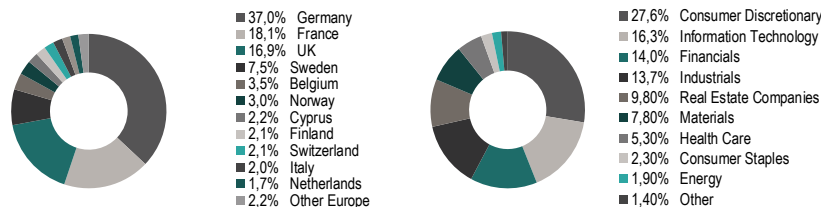
The stock prices of European SMEs rose in December. ML European Small & Mid Cap rose +3.0% while the benchmark index was up by +2.2%. During 2017, the investment basket rose +22.1%, with the return on the benchmark index at +18.1%. Since inception, the investment basket's return has been +63.8% and the benchmark's +40.4%.

The markets settled down in December, the news stream subsided, stock price movements calmed down and trade volumes declined. Interest rates were raised in the US and the earnings season ended as expected. The 2017 investment year was excellent. It is unlikely that anyone will forecast an equally good 2018. It is easy to identify multiple reasons for the market correction and many doubt that the rise in stock prices will continue. Investors should look back on past years and notice that events forecast for the next year often fail to materialise. For instance, how many people were talking about the eurodollar heading to the 1.20 level last year? During December, our equity basket's best-performing shares were Ladbrokes (which received a purchase offer), RIB Software and Medios.

The largest sector weights in the investment basket are consumer discretionary and information technology. The largest country exposures are Germany and the UK. The ML European Small & Mid Cap investment basket has a median P/E of 15.0x, a dividend yield of 2.8% and an earnings-growth expectation of around +10%. The investment basket is made up of the stocks of around 80 companies, with an average company size of approximately EUR 1.7 billion.

Many investors have been waiting for a course correction from the markets to increase their equity exposure. Over the past six years, all cases of market nervousness have provided excellent opportunities to increase small & mid cap exposure. We believe these companies will grow faster than large caps and offer investors a better return in the long run.

Investment Basket Allocation



Geographic Allocation

Sector 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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