

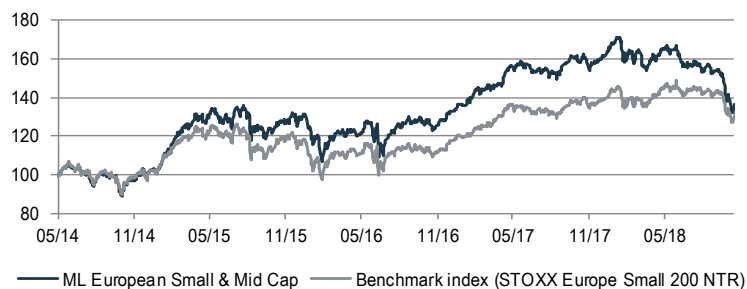
European Small & Mid Cap

Investment Basket Monthly Review 31 October 2018

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	2018: 56%, 77.6 tCO ₂ per invested €1 million 2017: 45%, 112.6 tCO ₂ per invested €1 million

Performance



	1 mth	3 mths	6 mths	12 mths	Year-To-Date	Since Inception
European Small & Mid Cap	-10,09 %	-13,98 %	-15,63 %	-15,54 %	-16,76 %	36,38 %
Benchmark index	-7,12 %	-9,05 %	-6,85 %	-5,54 %	-6,12 %	31,83 %

Top Holdings

3,22 %	Burford Capital Ltd	1,91 %	Smurfit Kappa Group Plc
3,14 %	Medios Ag	1,88 %	Corestate Capital Holding Sa
2,79 %	Aroundtown Property Holdings Plc	1,83 %	Teleperformance Sa
2,48 %	Grand City Properties Sa	1,81 %	Tikehau Capital Sca
2,24 %	Aurelius Ag	1,78 %	Morphosys 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%.

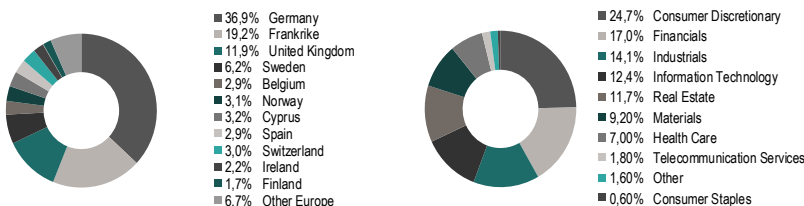
Investment Manager's Review

The stock prices of European SMEs plummeted in October. ML European Small & Mid Cap fell -10.09% while the investment basket's benchmark index declined -7.12%. Since inception, the investment basket's return has been +36.38%.

The fall in the equity markets that began in August accelerated in October. Market concerns were unchanged: the trade war, the emerging market situation, Italy's budget and the Fed's possible interest rate hikes. In our earlier comments we have marvelled at the growth, momentum and continued success of US equities. We have not previously held concerns about the incredibly high valuation levels of these companies. In October, the situation changed and growth companies also experienced these self-same plummets in stock price. For example, FANG stocks, loved universally, fell 20–30% from their peak. Investors should bear in mind that, during steep declines, various ETFs, hedge funds, algorithms and momentum strategies all sell off the same stocks as buyers flee the markets. The market becomes illiquid and, in the short term, large movements escalate even further. One fine day in the future, investors will enjoy the same phenomenon in the form of added momentum. Companies' excellent earnings have received very little attention. So far, the earnings of US companies that have issued reports have risen by more than 20% (half of the tax cut) and European companies' earnings by 10% year-on-year. It is understandable that companies' expectations for the remainder of the year will be moderate due to the threat of a trade war. The markets' valuation has declined to an attractive level, and what we need now is news that will improve market sentiment. Number one on the wish list is progress in the US-China trade war; the G20 meeting will be held in late November in Buenos Aires.

The largest sector weights in the investment basket are consumer discretionary and financials. The largest country exposures are Germany and France. The ML European Small & Mid Cap investment basket has a median P/E of 12.5x, a dividend yield of +3.25% and an earnings-growth expectation of around +9%. The investment basket is made up of the stocks of around 65 companies, with the average company size being approximately EUR 1.5 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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