

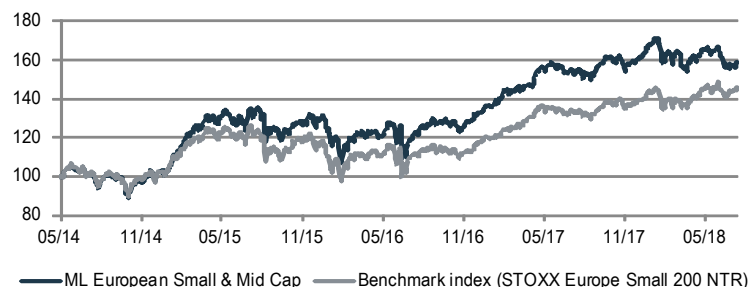
# European Small & Mid Cap

Investment Basket Monthly Review 31.7.2018

## 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	2017: 45%, 112.6 tCO <sub>2</sub> per invested €1 million 2016: 27%, 74.5 tCO <sub>2</sub> per invested €1 million

## Performance



	1 mth	3 mths	6 mths	12 mths	Year-To-Date	Since Inception
<b>European Small &amp; Mid Cap</b>	0,28 %	-1,91 %	-6,17 %	2,93 %	-3,23 %	58,55 %
<b>Benchmark index</b>	1,70 %	2,43 %	1,21 %	9,29 %	3,22 %	44,95 %

## Top Holdings

4,26 %	Burford Capital Ltd	2,16 %	Grand City Properties Sa
3,98 %	Medios Ag	2,05 %	Morphosys Ag
2,72 %	Teleperformance Sa	2,00 %	Aumann Ag
2,33 %	Aroundtown Property Holdings Plc	1,95 %	Smurfit Kappa Group Plc
2,20 %	Aurelius Ag	1,82 %	Corestate Capital Holding Sa

## 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%.

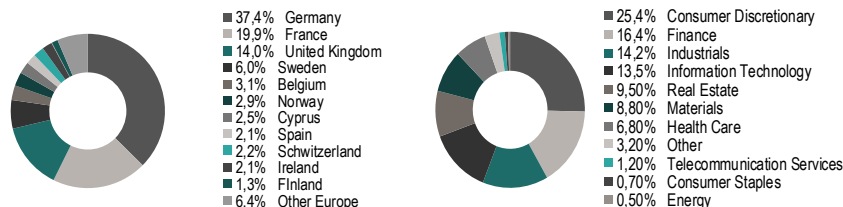
## Investment Manager's Review

The stock prices of European SMEs rose slightly in July. ML European Small & Mid Cap returned +0.28% while the investment basket's benchmark index returned +1.70%. Since inception, the investment basket's return has been +58.88% and the benchmark index has returned +44.95%.

July was brisk on the markets, both in terms of earnings and the news stream. Trump's continued tweets about topics such as import duties caused volatility and nervousness on the markets. Sector-wise, the differences and impacts vary greatly of course; only time will tell what will happen or whether this will prove to be another negotiation tactic. The earnings season has also kicked off once again. The differences in earnings, and above all in stock price movements, are huge. A common factor is that when earnings come in below market expectations, stock prices often plummet quite dramatically. Usually, stock prices have fallen significantly more than earnings forecasts. This phenomenon has been conspicuous in Europe (also Finland) and the US. Good earnings have been left unrewarded for the most part. In July, the best performers included Burford, Barco, Lectra and Morphosys.

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 15x, a dividend yield of 2.9% 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 1.6 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.