

Mandatum Life SICAV-UCITS European Small & Mid Cap Equity Fund

Monthly Review 31.10.2018

Fund Facts

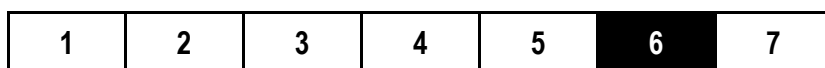
Name	Mandatum Life SICAV-UCITS European Small & Mid Cap Equity Fund
Inception Date	28.5.2015
Investment Manager	Mandatum Life
Base Currency	EUR
Benchmark Index	Stoxx Europe Small 200 NTR

Investment Strategy

Mandatum Life SICAV-UCITS European Small & Mid Cap Equity Fund offers the opportunity to invest diversely in European equity markets.

The fund aims to achieve capital appreciation in the long run by investing in shares and equity-related securities of European companies. A return in excess of the benchmark index is sought by investing in selected companies based on careful analysis. The benchmark index for the fund is the Stoxx Europe Small 200 NTR. The fund has discretion in its choices of investments within its investment objectives and policies.

Risk and Reward Profile*



← Lower risk / Typically lower return Higher risk / Typically higher return →

*The fund's risk category has been calculated using past performance of the fund's investment-policy-based portfolio.

Performance



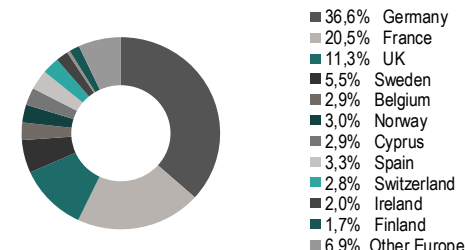
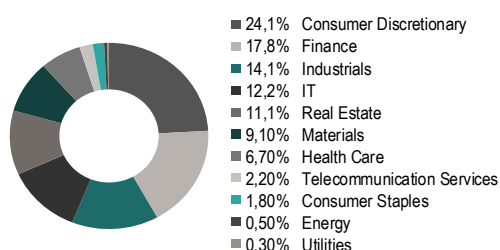
Top 10 Holdings

3,1%	Burford Capital Ltd	1,8%	Tikehau Capital Sca
3%	Medios Ag	1,8%	Teleperformance Sa
2,6%	Aroundtown Property Holdings Plc	1,8%	Corestate Capital Holding Sa
2,5%	Grand City Properties Sa	1,7%	Smurfit Kappa Group Plc
2,2%	Aurelius Ag	1,7%	Aumann Ag

	Share class	Bloomberg Ticker	ISIN Code	1 mth	3 mths	6 mths	12 mths	2018	Since Inception	Inception Date
European Small & Mid Cap Equity Fund	S1 EUR Cap	MLESMAE LX Equity	LU1112755563	-11,54 %	-15,52 %	-16,81 %	-16,97 %	-17,92 %	19,29 %	7.7.2016
	S3 EUR Cap	MLESMCE LX Equity	LU1112756371	-9,83 %	-13,74 %	-14,87 %	-14,67 %	-15,77 %	5,35 %	28.5.2015
Benchmark Index	-	-	-	-7,12 %	-9,05 %	-6,85 %	-5,54 %	-6,12 %	8,79 %	(7.7.2016)

Portfolio P/E	EPS Growth	Company Market Cap (EUR billion)	Dividend Yield	Fund AUM (EUR million)
12.6	9.7%	1.8	3.3%	60.2

Fund Composition



Sector Allocation

Geographic Allocation

Mandatum Life SICAV-UCITS

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Investment Manager's Review

The stock prices of European SMEs plummeted in October. ML European Small & Mid Cap fell -11.54% while the investment fund's benchmark index declined -7.12%. Since inception, the investment fund's return has been +19.29%.

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 fund are consumer discretionary and financials. The largest country exposures are Germany and France. The ML European Small & Mid Cap investment fund has a median P/E of 12.5x, a dividend yield of +3.25% and an earnings-growth expectation of around +9%. The investment fund 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.

This fund review does not constitute a recommendation to subscribe for or redeem units in the fund. In compiling the fund 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 fund'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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