

Annual Report

Tundra Sustainable Frontier Fund

515602-6808

2015-08-03 - 2015-12-31

Management Report

This is a translated copy from the Swedish original. If any conflict occurs in the translation the Swedish will prevail. The Board of Directors and the CEO of Tundra Fonder AB, 556838-6303, hereby submit the Annual Report for the period 2015-08-03 - 2015-12-31 on Tundra Sustainable Frontier Fund, 515602-6808.

The fund's performance

The fund fell by 9.74 percent from launch date August 3rd to the end of 2015. Benchmark MSCI Frontier Markets excluding the GCC countries net (SEK) fell by 9.24 percent during the same period.

The fund's net assets development

Assets under management at December 31, 2015 amounted to SEK 99 million. Comparisons to December 31, 2014 are not available as the fund was launched on August 3rd, 2015. Value of units issued amounted to SEK 135 million and redemptions amounted to SEK 25 million. Net inflows to the fund during the period amounted to SEK 110 million.

Market

Frontier Markets excluding the Gulf countries fell 9.24 percent from August 3rd 2015 until December 31, 2015. Continued risk aversion towards emerging markets also affected frontier markets which led to outflows from the asset class every month of the year. The only frontier market that rose during the year was Argentina, where the opposition's victory in the election affected the stock market positively. The global fall in prices of raw materials went from a selective concern for individual countries to a more general concern regarding global economic conditions. This meant that, for example Nigeria, whose export revenues from oil before the oil price case amounted to over 90% of total exports, did not fall significantly more than for example Sri Lanka, which imports the bulk of the oil and thus benefit from the low oil prices. Primarily the Asian frontier markets get a powerful economic stimulus from lower commodity prices in the current environment. Meanwhile, low commodity prices creates a global concern that this is a signal of potentially lower global growth and that it means a risk of potential geopolitical unrest in commodity exporting countries. Overall, the latter overshadowed the positive effects and led to a general risk aversion from investors. However, one should remember that in the long run, it is earnings growth that determine price trends and the current relatively non-discriminatory negative investment environment creates interesting selective investment opportunities.

Fund Management and outlook

The fund achieved a return in line with its Benchmark from launch date on August 3rd to the end of 2015. The fund's overweight in Asia and specifically stock selection within this region was the main reason for the outperformance. The decision to underweight Africa also played out well during the year. Going into 2016, we note a continued significant uncertainty among global investors. Forecasts for commodity prices have rarely been so scattered and we see tendencies to capitulation especially in the pricing of oil. In this environment we are avoiding companies with limited ability to control their pricing and margins and focus on companies that we believe are in a structural growth phase (sectors that grow without assistance of global growth) and strong market position (pricing power). We enter 2016 with no positions in hard-hit Middle East and with a continued substantial overweight in Asian frontier markets where we believe that the relative price performance over other frontier markets are not yet near to account for the difference in profit growth. We see double-digit profit growth in our underlying portfolio of companies. In combination with a valuation of just above 9 times valuations are very attractive. In the short term, there is still considerable risk of multiple contractions (companies become even cheaper). However, we believe that the long term potential from current levels is significant.

Objectives and Investment Policy

The fund is actively managed to create a financial exposure to the economic development of Frontier markets excluding the Gulf countries and to deliver as high return to unitholders as possible with respect to the fund's risk level.

Risks in the fund

The fund has a significant underweight in Nigeria and a significant overweight in oil-importing countries such as Pakistan and Sri Lanka, which, in the event that oil prices would suddenly strengthened could greatly affect the relative performance negatively. The fund does not hedge its holdings to currency movements which may affect returns.

Derivatives

According to the fund statutes, the fund has the right to trade in options, futures and other financial instruments, and the right to lend securities. The fund had no exposure to derivatives, or similar instruments during the year.

Financial overview

	AUM SEK	NAV	No. of issued fund shares	Dividend	Performance %	Performance Index %
2015-12-31	98 897 447	90,26	1 095 714,58	-	-9,74 1)	-9,24 1)

Index: *MSCI INT FM EX GCC N (SEK)*

1) Period 2015-08-03 - 2015-12-31

2015-12-31

Key performance indicators

Standard Deviation %, 24 month	**
Standard Deviation Index %, 24 month	**
Tracking Error %, 24 month	**
Average Annual Return last 2 years %	**
Average Annual Return since start	**

**N/A, the fund launched in August 2015

Costs

Management fee %	2,50
Performance fee %	0
Transaction costs SEK	230 654
Transaction costs %	0,55
Research costs SEK	34 634
Research costs %	0,02
Ongoing Charges %	2,51
Subscription & Redemption fees	0

Turnover

Turnover ratio	0,43
Trading within the group	0

Income Statement

<i>In SEK</i>	<i>Note</i>	<i>2015-08-03- 2015-12-31</i>
Income and change in the value		
Change in value, transferable securities		-10 429 251
Dividends		1 104 483
FX		-258 642
Other income		0
Total		-9 583 410
Costs		
Management fees		
Fee charged by the fund		-1 046 878
Interest		-1 497
Other Costs		-373 148
Total		-1 421 523
Net result		-11 004 933

Balance sheet

<i>In SEK</i>	<i>Note</i>	<i>2015-12-31</i>
Assets		
Transferable securities		95 956 774
Total	1	95 956 744
Bank accounts		3 090 037
Pre-paid expenses and accrued income		113 882
Total		99 160 663
Liabilities		
Accrued expenses and deferred income		224 819
Other liabilities		38 397
Total		263 216
Total Net Asset	1,2	98 897 447

Accounting principles and valuation of financial instruments

Accounting principles

The fund applies the Mutual Funds Act, 2004: 46 and the Financial Supervisory Authority of accounting for mutual funds 2013: 9 and follows the Swedish Investment Fund Associations guidelines.

Valuation of financial instruments

The financial instruments, are valued at market value according to the following order.

1. The financial instruments traded in an active market will be valued on the closing price at the balance sheet date if it is not a trading day, the most recent trading day prior to the closing date.
2. If the financial instrument is not traded in an active market, the market value is derived from information from similar transactions that have taken place under market conditions.
3. Unless method 1 or 2 can be used, or misleading the market value determined by an established market valuation.

Key Figures

The fund follows the Swedish Investment Fund Associations guidelines of key performance indicators.

Note

Note 1 Financial Instruments

Securities

Branch	Quantity	Value	%
Transferable securities			
Category 1			
JSC KAZMUNAIGAS GDR, Kazakhstan, USD	65 000	4 033 774	4,08
PAK STATE OIL ORD, Pakistan, PKR	75 629	1 986 130	2,01
YPF SOCIEDAD ADR, Argentina, USD	20 000	2 650 164	2,68
Energy		8 670 068	8,77
BIM SON CEMENT JSC, Vietnam, VND	155 500	782 388	0,79
CENTURY PAPER & BOARD MILLS, Pakistan, PKR	350 000	1 433 592	1,45
TOKYO CEMENT ORD, Sri Lanka, LKR	1 200 000	2 735 610	2,77
Material		4 951 590	5,01
ACCESS ENGINEERING P, Sri Lanka, LKR	1 900 000	2 579 925	2,61
JOHN KEELLS HLDG ORD, Sri Lanka, LKR	400 000	4 178 917	4,23
PAK ELEKTRON LTD, Pakistan, PKR	885 630	4 453 545	4,50
TPL TRAKKER LTD, Pakistan, PKR	847 000	1 019 416	1,03
Industry		12 231 803	12,37
DRC ORD, Vietnam, VND	61 000	998 627	1,01
HUM NETWORK LTD, Pakistan, PKR	314 500	333 138	0,34
NISHAT CHUNIAN ORD, Pakistan, PKR	553 872	1 518 086	1,54
NISHAT MILLS ORD, Pakistan, PKR	246 703	1 882 362	1,90
SOUTHERN RUBBER INDU, Vietnam, VND	94 000	871 789	0,88
THAL LTD, Pakistan, PKR	97 355	1 988 168	2,01
Durable Goods		7 592 171	7,68
MASAN GROUP ORD, Vietnam, VND	100 000	2 909 970	2,94
VINAMILK ORD, Vietnam, VND	50 000	2 553 264	2,58
Staples		5 463 234	5,52
GEORGIA HEALTHCARE GROUP-WI, UK, GBP	49 000	945 175	0,96
Health Care		945 175	0,96
ACC BANK OF NIG ORD, Nigeria, NGN	8 500 000	1 746 291	1,77
BANCO MACRO ADR REP, Argentina, USD	5 000	2 453 449	2,48
BANK AL FALAH ORD, Pakistan, PKR	1 000 000	2 323 283	2,35
BBVA BANCO FRAN ADR, Argentina, USD	11 000	2 514 911	2,54
BBVA BANCO FRAN ADR, Argentina, USD	14 000	2 255 214	2,28
CRESUD S.A.-SPONS ADR, Argentina, USD	19 000	2 069 306	2,09
DAT XANH ORD, Vietnam, VND	335 000	2 377 352	2,40
DIAMOND BANK ORD, Nigeria, NGN	8 500 000	824 537	0,83
JSC HALYK BANK GDR, Kazakhstan, USD	60 000	2 507 482	2,54

MEEZAN BANK, Pakistan, PKR	1 221 511	4 460 708	4,51
TBC BANK JOINT STOCK, Georgia, USD	30 000	2 558 138	2,59
UNITED BANK FOR AFRICA ORD, Nigeria, NGN	20 000 000	2 863 536	2,90
ZENITH INTL BANK ORD, Nigeria, NGN	11 000 000	6 565 376	6,64
Financial		35 519 583	35,92
AVANCEON LTD, USA, PKR	484 000	1 579 212	1,60
FPT CORP, Vietnam, VND	227 000	4 389 549	4,44
NETSOL TECHNOLOG ORD, Pakistan, PKR	349 597	1 836 638	1,86
SYSTEMS LTD, Pakistan, PKR	355 000	1 803 781	1,82
IT		9 609 180	9,72
KCELL GDR, Kazakhstan, USD	50 000	1 705 425	1,72
Telecom		1 705 425	1,72
KARACHI ELECTRIC ORD, Pakistan, PKR	3 530 931	2 129 114	2,15
Power Utilities		2 129 114	2,15
Total Category 1		88 817 344	89,81
Category 3			
INTERNATIONAL BRANDS, Pakistan, PKR	888 243	5 083 916	5,14
Staples		5 083 916	5,14
TPL PROPERTIES LTD, Pakistan, PKR	2 318 000	2 055 485	2,08
Financials		2 055 485	2,08
Total Category 3		7 139 400	7,22
Total transferable securities		95 956 744	97,03
Other assets and liabilities		2 940 703	2,97
Total Net Asset		98 897 447	100,00

The fund's holdings of securities have been classified into the following categories:

1. Transferable securities admitted on a regulated market or an equivalent market outside the EEA.
2. Other financial instruments trading on a regulated market or an equivalent market outside the EEA.
3. Transferable securities that are the subject of regular trading in other markets that are regulated and open to the public.
4. Other financial instruments that are regularly traded on any other market that is regulated and open to the public.
5. Transferable securities within one year from the issue are being admitted to trading on a regulated market or an equivalent market outside the EEA.
6. Transferable securities within one year from the issue will become subject to regular trading on any other market.
7. Other financial instruments.

Note 2 Changes in Net Asset

	<i>2015-08-03-</i> <i>2015-12-31</i>
	0
No. of issued fund shares	135 157 996
No. of redeemed fund shares	-25 255 616
Net result according to income statement	-11 004 933
Net asset, year end	98 897 447