

Semi Annual Report

Tundra Pakistan Fund

515602-4787

2017-01-01 - 2017-06-30

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Fund manager's report

The Fund's performance

The fund declined 10.96% (Fund share class A SEK) in the first half of 2017 compared to the benchmark MSCI Pakistan Daily Total Return (SEK) which declined by 11.46% during the corresponding period. The fund's underweight in Financials, Energy and Materials, in addition to overweight in Utilities were the main drivers of positive relative performance. Consumer Discretionary/ Staples and Healthcare however contributed negatively to the relative performance.

The Fund's net assets development

Assets under management at June 30, 2017 amounted to SEK 661.8million, which represents a decrease of SEK 354.5 million compared with SEK 1 016.3 million at 31 December 2016.

The value of issued fund units amounted to Class A SEK 108.9 million, Class C SEK 673 000, Class D SEK 36.4 million and Class F SEK 11.2 million. The value of redeemed fund shares amounted to Class A SEK 283.7million, Class C SEK 0, Class D SEK 136.7 million and Class F SEK 0.

The net value of new fund units issued during the period hence amounted to Class A SEK -174.8 million, Class C SEK 673 000 and Class D SEK -100.3 million and Class F SEK 11.2 million.

Market

Pakistan's market declined by 11.5% during the first half of 2017, where the strong Swedish Krona represents 2/3rd of the losses. The year started with a spilled over political drama where Supreme Court resumed hearing of Panama case against the first family, resulting in formation of Joint Investigation Committee to probe into the corruption charges and eventually resulting in disqualification of the Prime Minister. Amid extreme uncertainty regarding the outcome, market continued its see-saw movements throughout the first half. After almost 9 years, Pakistan finally was upgraded to MSCI Emerging markets, however surprisingly the outcome led to continued net outflows from foreign investors. Seemingly foreign active managers used the opportunity to sell the long held stakes in the market. Net foreign outflow during the first half stands at USD 332mn. One obvious reason is the looming risk of currency devaluation amid rising current account deficit (CAD). Given higher economic activity, energy and machinery imports have increased significantly. In conjunction with weak remittances, primarily from the middle east, lower FDI and higher imports, CAD has reached 4% of GDP. Without the political turbulence the rising CAD would probably have been viewed as less alarming, but combined with uncertainty as to which economic policy will continue to be concerned. It was interesting to see the current government's last federal budget was filled with measures to ensure fiscal prudence and tax collection. On a positive note, the government allocated ~USD 10bn for infrastructure development, likely to have trickle-down effect on all spheres of the economy.

Outlook

Despite former Prime Minister accepting judicial verdict of disqualification, political temperature is likely to remain high as Pakistan enters into the final year of elections. While the ruling party is likely to try to get a status of political martyr for their party leader, the outcome of corruption references being investigated before the general elections can result in conviction of the former PM. The main opposition party (PTI) will also get on the roads to capture the vote bank. While political uncertainty is likely to prevail, CPEC projects should continue its pace as reiterated by Chinese government. As an aftermath of increased infrastructure development and CPEC projects, CAD is likely to inch further up by the year-end. Uncertain political environment and weaker government can result in CAD finally taking it's toll on a long awaited currency depreciation where expectations are for a 10-15% devaluation. As decent part of equity market is likely to benefit from Rupee depreciation directly (such as Textiles, Energy, Utilities and IT) or indirectly (Financials), market is likely to rather appreciate currency devaluation and might trigger foreign investors' return. The fund is exposed to sectors likely to benefit from infrastructure development (Steel, Cements), consumerism (Consumer Staples/ Discretionary, Healthcare), Financials (Banks, Insurance) and exports oriented sectors (Textiles, Information Technology) while keeping an underweight in Energy.

Derivatives

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

Financial overview

Main portfolio

	AUM, SEK	NAV	No. of issued fund units	Dividend	Performance, %	Performance index, %
2017-06-30	661 815 144	-	1 932 438,80	-	-	-
2016-12-31	1 016 336 897	-	2 637 550,79	-	-	-
2015-12-31	1 159 725 430	-	4 174 366,54	-	-	-
2014-12-31	605 825 404	-	2 226 701,79	-	-	-
2013-12-31	253 853 989	-	1 507 948,17	-	-	-
2012-12-31	329 418 838	115,80	2 844 852,13	0,02	32,34	25,43
2011-12-31	6 510 211	87,52	74 388,49	-	-12,48 1)	-8,58 1)

1) Period 2011-10-14 - 2011-12-31

Fund Share Class A SEK

		NAV	No. of issued fund units	Dividend	Performance, %	Performance index, %
2017-06-30	-	341,92	1 703 598,63	-	-10,96	-11,46
2016-12-31	-	384,00	2 171 374,24	-	38,44	51,50
2015-12-31	-	277,38	3 837 127,63	-	1,95	-6,53
2014-12-31	-	272,07	2 221 251,24	-	61,62	36,99
2013-12-31	-	168,34	1 507 252,51	-	45,37 2)	32,26 2)

Index: MSCI Pakistan Net (SEK)

2) Since 2013-06-20 Tundra Pakistanfond was replaced by Tundra Pakistanfond Fund Share Class A

Fund Share Class C EUR

		NAV	No. of issued fund units	Dividend	Performance, %	Performance index, %
2017-06-30	-	35,36	1 937,42	-	-11,62	-11,94
2016-12-31	-	40,01	107,15	-	32,44	45,09
2015-12-31	-	30,21	392,49	-	4,39	-3,88
2014-12-31	-	28,94	5 446,09	-	51,76	28,7
2013-12-31	-	19,07	691,20	-	10,62 3)	-2,67 3)

Index: MSCI Pakistan Net (EUR)

3) Period 2013-06-12 - 2013-12-31

Fund Share Class D USD

		NAV	No. of issued fund units	Dividend	Performance, %	Performance index, %
2017-06-30	-	41,38	165 079,35	-	-3,88	-4,32
2016-12-31	-	43,05	433 276,68	-	28,39	40,42
2015-12-31	-	33,53	321 886,31	-	-3,59	-13,68
2014-12-31	-	34,78	4,47	-	33,10	13,04
2013-12-31	-	26,13	4,47	-	16,70 4)	11,15 4)

Index: MSCI Pakistan Net (USD)

4) Period 2013-10-23 - 2013-12-31

Fund Share Class F EUR

		NAV	No. of issued fund units	Dividend	Performance, %	Performance index, %
2017-06-30	-	35,36	61 823,40	-	-11,62	-11,94
2016-12-31	-	40,01	32 792,71	-	32,44	45,09
2015-12-31	-	30,21	14 960,11	-	0,43 5)	-1,80 5)

Jämförelseindex: MSCI Pakistan Net (EUR)

5) Avser perioden 2015-10-15 - 2015-12-31

Balance Sheet

<i>In SEK</i>	<i>Note</i>	<i>2017-06-30</i>	<i>2016-12-31</i>
Assets			
Transferable securities		678 248 782	986 893 941
Total	1	678 248 782	986 893 941
Bank accounts		12 518 458	62 277 964
Pre-paid expenses and accrued income		1 453 818	1 525 013
Other assets		10 702 032	3 588
Total assets		702 923 090	1 050 700 506
Liabilities			
Accrued expenses and deferred income	2	3 956 691	26 111 919
Other liabilities	3	37 151 255	8 251 690
Total liabilities		41 107 946	34 363 609
Total Net Assets	1,4	661 815 144	1 016 336 897

Accounting principles and valuation of financial instruments

Amounts in SEK unless otherwise stated

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 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 model.

Key Figures

The Fund follows the Swedish Fund Associations guidelines of key performance indicators

Taxation principles for Pakistani holdings

With current legislation, Pakistan is currently charging a capital gains tax on short-term trading.

Until June 30th 2017 this taxation was in place:

- Capital gains tax is 15% on share gains for holdings held for a shorter period than 12 months, 12.5% for holdings held 12-24 months and 7.5% for holdings held 24-48 months. For holdings held for more than 48 months, the tax is 0% if acquired before 2012-07-01, otherwise 7.5%. The tax is calculated according to current legislation per holding according to FIFO (first-in first-out method).

From July 1st 2017 the following capital gains taxation rules are in place:

- For holdings acquired before July 1st 2016 capital gains tax is 15% on share gains for holdings held for a shorter period than 12 months, 12.5% for holdings held 12-24 months and 7.5% for holdings held 24-48 months. For holdings held for more than 48 months, the tax is 0% if acquired before 2012-07-01, otherwise 7.5%. The tax is calculated according to current legislation per holding according to FIFO (first-in first-out method).
- For holdings acquired after July 1st 2016 a 15% flat capital gains tax on all positions are applicable

The fund has hired KPMG in Pakistan as a tax consultant and will calculate and reserve daily for deferred and realized tax in the fund jointly. This means that unitholders may not pay local Pakistani tax despite the fact that their unit value has risen, and investors may pay local Pakistani tax even though their unit value has decreased. It may also mean that previously reserved taxes are returned to the fund without change in underlying holdings. Since the introduction of July 1, 2010, the tax has been revised on several occasions and may change again in the future, which implies a further risk.

Notes

Note 1 Financial instruments

As of June 30th 2017.

Holdings

Sector	Number held	Value SEK	Share %
Transferable securities			
Category 1			
ATOCK PETROLEUM ORD, Pakistan, PKR	93 000	4 709 606	0,71
PAK STATE OIL ORD, Pakistan, PKR	500 000	15 564 045	2,35
Energy		20 273 651	3,06
AISHA STEEL MILLS LTD, Pakistan, PKR	9 173 660	15 028 231	2,27
AISHA STEEL MILLS PR, Pakistan, PKR	244 300	465 014	0,07
CENTURY PAPER & BOARD MILLS, Pakistan, PKR	2 609 500	20 556 275	3,11
DG KHAN CEMENT ORD, Pakistan, PKR	750 000	12 841 091	1,94
FAUJI BIN QASIM ORD, Pakistan, PKR	3 000 000	10 248 758	1,55
GHARIBWAL CEMENT LT, Pakistan, PKR	3 000 000	10 996 314	1,66
LUCKY CEMENT ORD, Pakistan, PKR	506 650	34 250 356	5,18
MAPLE LEAF CMNT ORD, Pakistan, PKR	1 250 000	11 153 060	1,69
PACKAGES ORD, Pakistan, PKR	250 750	14 008 344	2,12
PIONEER CEMENT ORD, Pakistan, PKR	580 000	6 060 834	0,92
POWER CEMENT LTD, Pakistan, PKR	3 932 658	4 242 284	0,64
TRI-PACK FILMS LTD, Pakistan, PKR	590 000	10 623 340	1,61
Material		150 473 902	22,74
PAK ELEKTRON LTD, Pakistan, PKR	2 000 000	17 868 207	2,70
Industrials		17 868 207	2,70
BATA PAKISTAN ORD, Pakistan, PKR	29 242	7 756 791	1,17
GENERAL TYRE & RUBBER CO, Pakistan, PKR	400 800	9 761 833	1,48
GUL AHMED TEXTILE, Pakistan, PKR	104 000	342 751	0,05
HUM NETWORK LTD, Pakistan, PKR	22 065 790	20 486 252	3,10
KOHINOOR TEXTILE MIL, Pakistan, PKR	1 525 683	12 999 637	1,96
NISHAT MILLS ORD, Pakistan, PKR	1 307 500	16 677 269	2,52
TPL TRAKKER LTD, Pakistan, PKR	3 225 500	2 561 622	0,39
Consumer discretionary		70 586 155	10,67
FAUJI FERTILIZER ORD, Pakistan, PKR	2 590 000	15 635 103	2,36
HABIB SUGAR ORD, Pakistan, PKR	1 584 500	4 776 223	0,72
MURREE BREWERY ORD, Pakistan, PKR	161 850	10 040 386	1,52
SHEZAN INTL ORD, Pakistan, PKR	347 390	12 664 253	1,91
Consumer staples		43 115 965	6,51
ABBOTT LABORATORIES, Pakistan, PKR	82 050	6 045 356	0,91
FEROZESONS LABORATORIES, Pakistan, PKR	749 650	23 374 341	3,53
SHIFA HOSPITAL LTD, Pakistan, PKR	259 119	6 768 778	1,02
Health care		36 188 474	5,47
ADAMJEE INSUR ORD, Pakistan, PKR	2 736 000	15 152 921	2,29
ALLIED BANK ORD, Pakistan, PKR	2 404 433	17 371 479	2,62

BANK AL FALAH ORD, Pakistan, PKR	4 300 000	13 843 058	2,09
EFU LIFE, Pakistan, PKR	215 000	4 752 610	0,72
FAYSAL BANK LTD, Pakistan, PKR	5 875 452	10 590 947	1,60
HABIB BANK LTD ORD, Pakistan, PKR	1 150 000	24 867 224	3,76
M C B ORD, Pakistan, PKR	2 471 530	41 869 186	6,33
MEEZAN BANK, Pakistan, PKR	5 446 555	34 168 666	5,16
UNITED BANK LTD ORD, Pakistan, PKR	1 250 000	23 712 812	3,58
Financials		186 328 904	28,15
AVANCEON LTD, USA, PKR	658 356	2 394 641	0,36
SYSTEMS LTD, Pakistan, PKR	5 070 000	30 907 746	4,67
Information technology		33 302 387	5,03
KARACHI ELECTRIC ORD, Pakistan, PKR	12 267 000	6 848 125	1,03
SUI NORTHERN GAS ORD, Pakistan, PKR	839 500	10 020 934	1,51
SUI SOUTHERN GAS ORD, Pakistan, PKR	4 359 000	12 832 922	1,94
Utilities		29 701 981	4,49
TPL PROPERTIES LTD, Pakistan, PKR	10 491 000	10 330 326	1,56
Real estate		10 330 326	1,56
Sum category 1		598 169 952	90,38
Category 5			
DAEWOO PAK EXPRESS, Pakistan, PKR	6 121 000	35 081 080	5,30
Consumer discretionary		35 081 080	5,30
Sum Category 5		35 081 080	5,30
Category 7			
INTERNATIONAL BRANDS, Pakistan, PKR	8 386 456	44 997 749	6,80
Consumer staples		44 997 749	6,80
Sum Category 7		44 997 749	6,80
Total transferable securities		678 248 782	102,48
Total securities		678 248 782	102,48
Other assets and liabilities		-16 433 638	-2,48
Total net assets		661 815 144	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 Accrued expenses and deferred income

	<i>2017-06-30</i>	<i>2016-12-31</i>
Accrued management fee	1 522 964	2 099 258
Accrued taxation on dividends	181 727	190 627
Accrued deferred capital gains tax	1 935 700	3 346 637
Accrued capital gains tax (OSÄKER)	316 300	20 475 397
Sum	3 956 691	26 111 919

Note 3 Other liabilities

	<i>2017-06-30</i>	<i>2016-12-31</i>
Accrued withdrawals	36 530 828	1 980 666
Accrued issue of fund units	617 637	3 814 204
Accrued purchases of securities	-	2 456 820
Other	2 790	-
Sum	37 151 255	8 251 690

Note 4 Changes in Net assets

	<i>2017-01-01- 2017-06-30</i>	<i>2016-01-01- 2016-12-31</i>
Net assets start of year	1 016 336 897	1 159 725 430
Fund Share Class A SEK		
Issued fund units	108 946 550	398 125 375
Redeemed fund units	-283 748 061	-891 870 080
Sum	-174 801 511	-493 744 705
Fund share class C EUR		
Issued fund units	673 252	35 483
Redeemed fund units	-	-101 817
Sum	673 252	-66 334
Fund Share Class D USD		
Issued fund units	36 361 019	114 164 359
Redeemed fund units	-136 700 843	-90 508 796
Sum	-100 339 824	23 655 563
Fund Share Class F EUR		
Issued fund units	11 248 552	9 652 019
Redeemed fund units	-	-3 922 158
Sum	11 248 552	5 729 861
Net result according to income statement	-91 302 222	321 037 082
Net assets at the end of the period	661 815 144	1 016 336 897

