

# MONTHLY LETTER DECEMBER 2016



TUNDRA  FONDER

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Return (EUR)	1 month	YTD	1 year	Inception
Tundra Pakistan Fund	8.2%	32.8%	32.8%	264.8%
Benchmark (MSCI Pakistan Net (EUR))	15.0%	45.5%	45.5%	182.6%

Facts		Risk and costs*	
Inception date	2011-10-14	Active risk (Tracking error)	9.1%
Pricing	Daily	Standard deviation	19.2%
Manager	Tundra Fonder AB	Standard deviation, benchmark	24.5%
Benchmark ind	MSCI Pakistan Net (EUR)	Beta	0.74
ISIN	SE0006 789 905	Information ratio	-7
IBAN	SE925000000058648288185	Risk level	5 of 7 (refer to KIID for more info)
BIC	ESSESESS	Management fee/year (all inclusive)**	2.5%
Custodian	SEB	AuM	105.5 MEUR
Auditor	PWC		

\* Risk indicators are based on monthly rolling 24 months of return data.

\*\* The management fee includes variable custody fees, audit, legal and marketing expenses.

Best performers in December		Worst performers in December	
	Return (EUR)		Return (EUR)
Sui Northern	26.4%	Tpl Trakker Ltd	-6.8%
Adamjee Insur	25.6%	Gul Ahmed Text.	-6.7%
Natl Foods	24.9%	Sui Southern	-4.8%
Pak Oilfields	24.9%	Shezan Intl	16.4%
Pakistan Petr.	23.9%	Natl Bk Pakistan	7.0%

### Five largest holdings

Holding	Portfolio weight	Country	P/E 15E	P/E 16E	Yield	Return 1 month (EUR)
Habib Bank	6.8%	Pakistan	11.4	12.0	5.1%	21.3%
United Bank	5.2%	Pakistan	11.2	10.6	5.3%	15.6%
Mcb Bank	5.1%	Pakistan	10.1	11.3	6.1%	10.6%
IBL	4.8%	Pakistan	-	-	-	-
Meezan Bank	4.4%	Pakistan	13.4	13.2	4.5%	20.0%

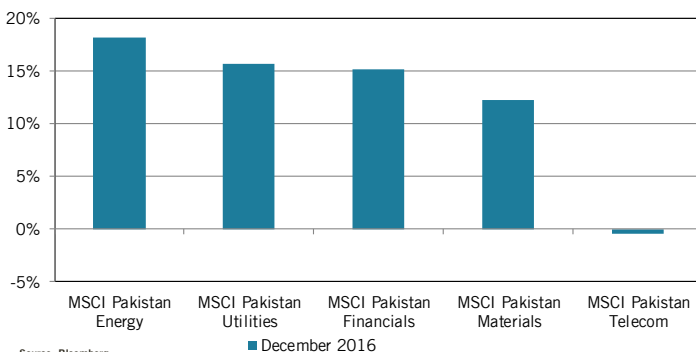
Source: Bloomberg, Tundra Fonder

### Fund Objective

The objective of the fund is to provide investors financial exposure to economic development in Pakistan and to provide its unit holders with a maximum long-term return on their investment given the fund's level of risk. At least 90 percent of the net asset value of the fund will be invested in equities and equity-related transferable securities issued by companies that have their registered office in, or that conduct their principal operating activities in, Pakistan. The fund may invest up to 10 percent of the net asset value of the fund in equity and equity-related transferable securities issued by companies that do not have their registered office in, or do not conduct their principal operating activities in, Pakistan. Notwithstanding the above restrictions, the fund may always hold the cash and cash equivalents necessary to conduct management of the fund, but to a maximum of 20 percent of the net asset value of the fund. The fund may invest up to 10 percent of the net asset value in other funds.

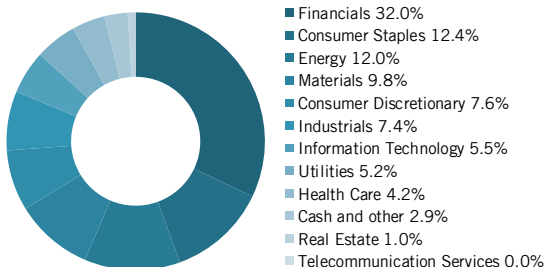
Given the risk profile of the fund the fund management company wishes to particularly emphasize the importance of investing only capital that can be tied up for a very long period in this fund.

### Pakistan sector indices (EUR, total return)

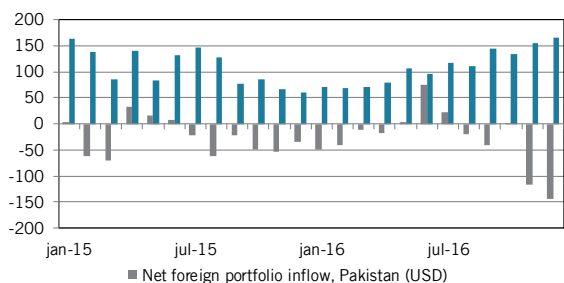


Source: Bloomberg

### Tundra Pakistan Fund: Sector allocation



### Foreign flows and turnover (Pakistan Stock Exchange)



Fund return is for time periods starting prior to June 12th 2013 based on the A share class in SEK converted to EUR using Bloomberg currency data in order to provide maximum performance history. The value of money invested in a fund can increase or decrease and there is no guarantee that all of your invested capital can be redeemed. Past performance is no guarantee for future returns. The value of invested capital may vary substantially due to the composition of the fund and the investment process used by the fund manager. The Full Prospectus, KIID etc. are available on our homepage ([www.tundrafonder.se](http://www.tundrafonder.se)). You can also contact us to receive the documents free of charge.

### Monthly Market Comment

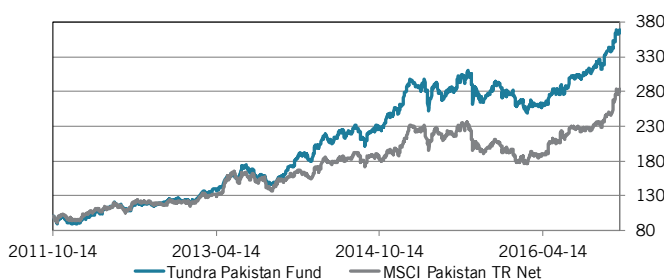
MSCI Pakistan Net (EUR) gained 15.0% during December compared to MSCI Emerging Markets Net (EUR) which rose 1.0%. In 2016, MSCI Pakistan Net rose an impressive 45.5% vs MSCI Emerging Markets Net which rose 15.7%. Despite continued foreign selling amounting to USD 145m (almost USD 350m for the year), market posted stellar returns as local investors were flushed with liquidity to counter. Daily traded value also witnessed a 24% M/M increase to stand at USD 165m. The most awaited privatization of Pakistan Stock Exchange finally concluded with a Chinese consortium (led by Shanghai Stock Exchange) along with local financial institutions winning the bid for a 40% strategic stake (company valuation of USD 212m). In the next phase, through an IPO, 20% of the exchange will be offered to the general public. In an interesting development, Diamer Basha Dam has been brought into the CPEC investments plan. The funding was previously declined by international donors. The estimated development cost is USD 14bn for a capacity of 4,500 MW and should result in massive demand of construction materials alongside new jobs creation. Macro data also reflects improvement in the economy apart from current account which seems to be struggling due to sluggish exports amid absence of flows from coalition support fund. Government is likely to announce a stimulus package to revive textile exports to manage balance of payments. Going into 2017 the market is trading at 11.3x 2017 expected earnings. A healthy economy amid positive foreign flows, after inclusion in MSCI Emerging Markets, can trigger a further re-rating of the market.

### Monthly Fund Comment

The fund rose 8.2% Net (EUR) during December compared to MSCI Pakistan Net (EUR) which gained 15.0%. Our underweight in Materials (mainly LUCK), Energy (OGDC) and Utilities (HUBC) were the main drivers of negative relative performance. No new stocks were added during the month. For 2016 the fund rose 32.8% while the market rose 45.5%. For the first time in 5 years we thus did not manage to beat the benchmark.

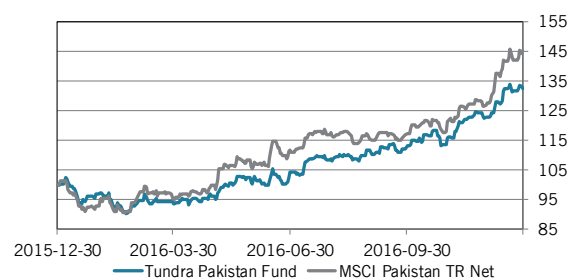
The most important reason was that the fund failed to fully keep up with the massive multiple expansion in blue chips during 2016 as the fund traditionally has earned its alpha more from stock picking outside the largest blue chips. When you don't beat the benchmark you have however also made mistakes. We conclude that we were too conservative in terms of growth and margin expectations in certain sectors and as a result exited too early or did not participate. In addition, the fund held ~10% in pre-IPOs during 2016 where the main unlocking of value is expected in the first half of 2017. Looking into 2017, outside some late rewards in parts of the portfolio, we expect a more normal year where our stock picking is more rewarded than was the case during 2016. Since launch the fund has added 82% of alpha and we will do what we can to continue to add to that in 2017.

### Tundra Pakistan Fund vs index (since inception)



Source: Bloomberg

### Tundra Pakistan Fund vs index (year-to-date)



Source: Bloomberg

### Tundra Pakistan Fund – Monthly return (EUR)

YEAR	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011													
2012	7.3%	6.5%	6.6%	3.6%	0.7%	-4.8%	9.1%	2.1%	-3.3%	-4.9%	-1.8%	-3.9%	-10.2%
2013	-0.9%	10.5%	0.4%	4.4%	12.6%	-2.8%	10.6%	-9.9%	-3.1%	0.5%	7.5%	7.7%	40.3%
2014	10.5%	-5.4%	12.4%	3.1%	6.1%	-0.7%	3.2%	-7.9%	8.7%	2.6%	5.3%	6.0%	51.2%
2015	13.3%	-3.6%	-7.1%	5.4%	-1.3%	3.1%	4.1%	-4.1%	-6.6%	5.8%	-1.3%	-1.1%	4.8%
2016	-3.6%	-2.9%	0.2%	2.9%	4.0%	3.7%	4.3%	3.1%	1.4%	0.4%	7.9%	8.2%	32.8%

Source: Bloomberg

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