

# MONTHLY LETTER

## MAY 2017



TUNDRA  FONDER

Capital invested in a fund may either increase or decrease in value and it is not certain that you will be able to recover all of your investment. Historical return is no guarantee of future return. The state of the origin of the Fund is Sweden. This document may only be distributed in or from Switzerland to qualified investors within the meaning of Art. 10 Para. 3,3bis and 3ter CISA. The representative in Switzerland is ACOLIN Fund Service AG, Stadelhoferstrasse 18, CH-8001 Zurich, whilst the Paying Agent is Bank Vontobel Ltd, Gotthardstrasse 43, CH-8022 Zurich. The Basic documents of the fund as well as the annual report may be obtained free of charge at the registered office of the Swiss Representative.

Return (EUR)	1 month	YTD	1 year	Inception
Tundra Frontier Opportunities	-0.8%	5.9%	20.6%	52.5%
Benchmark (MSCI FM xGCC Net (EUR))	2.4%	9.7%	12.9%	27.7%

Facts		Risk and costs*	
Inception date	2013-04-02	Active risk (Tracking error)	8.5%
Pricing	Daily	Standard deviation	10.6%
Manager	Tundra Fonder AB	Standard deviation, benchmark	11.1%
Benchmark index	MSCI FM xGCC Net (EUR)	Beta	0.66
ISIN	SE0006 789 897	Information ratio	0.23
IBAN	SE445000000058648209218	Risk level	5 of 7 (refer to KIID for more info)
BIC	ESSESESS	Management fee/year (all inclusive)**	2.5%
Custodian	SEB	AuM	58 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 May

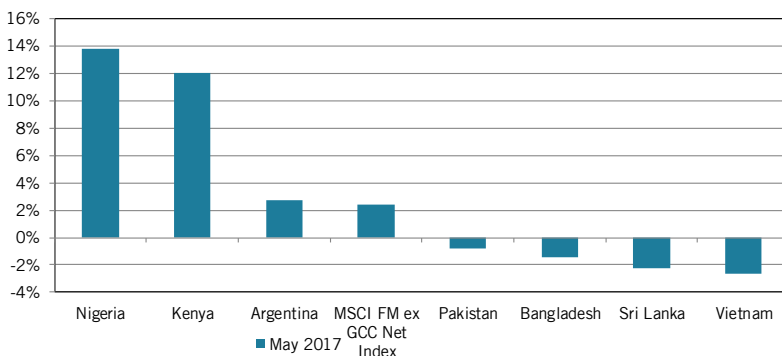
	Return (EUR)		Return (EUR)
Fbn Holdings Plc	66.4%	Gb Auto	-14.2%
Obour Land	21.1%	Arabian Cement	-13.7%
United Bank Afr.	21.4%	Ferozsons Labs	-11.0%
Zenith Bank Plc	19.8%	Juhayna Food Ind	-9.2%
Diamond Bank	15.6%	Guinness Ghana	-6.7%

### Five largest holdings

Holding	Portfolio weight	Country	P/E 16E	P/E 17E	Yield	Return 1 month (EUR)
Brac Bank Ltd	5.0%	Banglad.	18.6	16.6	1.1%	5.3%
Meezan Bank	4.4%	Pakistan	15.9	12.5	4.4%	0.6%
Active Fine Chem	4.3%	Banglad.	-	-	-	3.2%
Fpt Corp	4.0%	Vietnam	10.6	10.0	4.0%	5.4%
Ferozsons Labs	3.4%	Pakistan	-	17.2	-	-11.0%

Source: Bloomberg, Tundra Fonder

### Major frontier markets (EUR, total return)

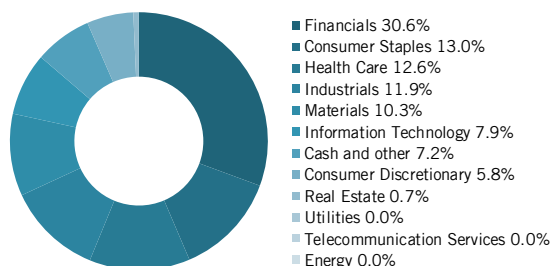


Source: Bloomberg

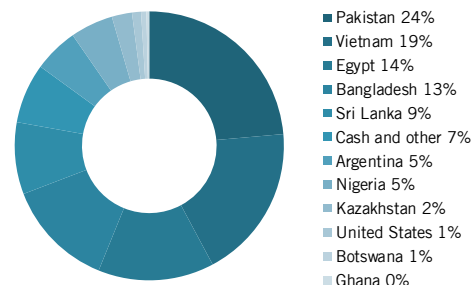
### Fund Objective

The Fund intends to give financial exposure to economic development in emerging markets and frontier markets through equities. The Fund Management Company particularly focuses on those markets that have large population and low GDP. Therefore countries which are part of the MSCI Frontier Markets index (such as for example Kuwait) but that have an important weight are less likely to be considered for an investment. The Benchmark of the Fund is MSCI Frontier Markets ex GCC Index. At least 80 percent of the net asset value of the fund must be invested in equities and equity-related transferable securities issued by companies that have their registered office in emerging markets and/or frontier markets, or that conduct their principal operating activities in emerging markets and/or frontier markets. Up to 20 percent of the net asset value of the fund may be invested in equities and equity-related transferable securities issued by companies that are classified by MSCI as Developed Markets. 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. 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.

### Tundra Frontier Opportunities: Sector allocation



### Tundra Frontier Opportunities: Country allocation



### Monthly Market Comment

MSCI Frontier Markets xGCC Net rose 2.4% (EUR) during the month, compared with MSCI Emerging Markets Net, which fell by 0.2%. The market was driven primarily by Nigeria (+14%) and Kenya (+12%). However, about 2%-points of the rise in MSCI Frontier Markets xGCC Net is an overestimate and should be corrected over the coming period. This is due to the fact that in Nigeria (9% of the benchmark at the official exchange rate), market practice among foreign equity investors is now to use the parallel exchange rate window for naira, where the price is almost 20% lower than the official rate. Tundra for example adjusted the valuation of our Nigerian holdings on May 5 (please refer to our website for more information). However, MSCI has not implemented the corresponding change. The rise in Nigeria during the past month was, in our view, entirely caused by investors' access to cheaper naira via the parallel exchange rate. Given that MSCI has been so late in its response, it is likely that they will wait at least until June 20, when MSCI is supposed to announce Nigeria's future in the frontier index. Given that foreign investors can now again trade the Nigerian naira relatively freely, we consider that the risk of a Nigerian exclusion has decreased.

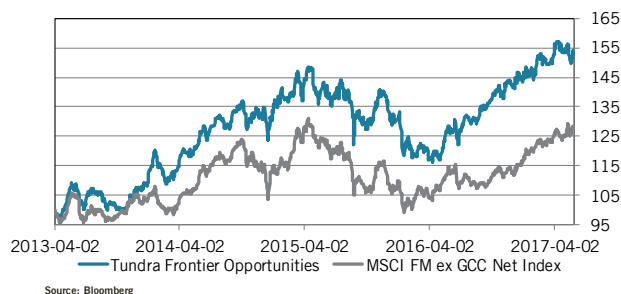
After Pakistan's exit from frontier markets (last trade day in the frontier index was May 31st) and given the likelihood that Argentina and Vietnam will be out of the asset class within a three-year period, it would be a particularly unfortunate decision to exclude Nigeria. The major subject of discussion this month was, of course, Pakistan, which, as of June 1, can now be found in MSCI Emerging Markets. Local investors have for a long time pushed up the prices of

*Text continues on next page*

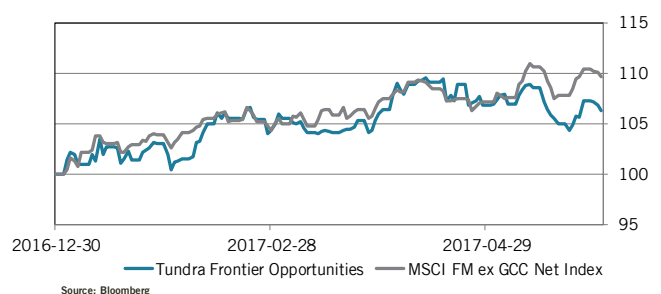
### Monthly Fund Comment

The fund fell 0.8% (EUR) during the month, which was significantly lower than MSCI Frontier Markets xGCC Net, rising 2.4% and even worse than MSCI Emerging Markets Net, which fell 0.2%. As we explained in the section on the market, we believe that MSCI Frontier Markets xGCC Net's increase was overestimated by about 2%-points during the month as MSCI continues to use the official exchange rate for their valuation. We expect to get this relative return back after MSCI has adjusted its valuation, provided of course that Nigeria is not thrown out of the frontier index before. The fund also lost relative returns on its overweights in Pakistan and Egypt, as well as its underweight in Kenya and Romania. Good stock selection in mainly Bangladesh and Vietnam compensated slightly. During the month, the fund increased its weight in Vietnam just under 4%-points, adding to the holding in Vietnam Electric (subcontractor to the power industry) and re-entering the steel company Hoa Phat Group in its portfolio. The fund also added Kido Frozen Foods, which in July is making its stock market debut on the Upcom exchange in Vietnam. The fund also bought the Pakistani mid-cap Bank Allied Bank, whose valuation of about 7 times earnings and 8% yield is now too low given expected growth over the next few years.

### Tundra Frontier Opportunities vs index (since inception)



### Tundra Frontier Opportunities vs index (year-to-date)



### Tundra Frontier Opportunities Fund – Monthly return (EUR)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013				0.4%	7.8%	-5.8%	4.8%	-4.5%	-0.5%	1.4%	3.9%	2.2%	9.1%
2014	6.4%	-4.5%	4.0%	3.8%	5.5%	0.6%	3.5%	-0.9%	4.7%	-2.5%	-0.3%	0.7%	22.5%
2015	4.3%	0.5%	1.3%	0.6%	0.2%	-2.4%	-0.7%	-4.2%	-2.9%	5.5%	1.7%	-4.9%	-1.5%
2016	-5.0%	-2.8%	-2.8%	0.8%	7.0%	0.3%	2.3%	4.2%	1.4%	1.3%	2.8%	0.9%	10.2%
2017	0.3%	3.7%	2.2%	0.4%	-0.8%								5.9%

Source: Bloomberg

### Monthly Market Comment

---

*(continued from previous page)*

the prospective MSCI index shares, believing that they could sell them expensive to foreigners. However, it turned out that the foreigners did not buy that trap. Instead of an expected USD 500m inflow on the last day of the month, an outflow of just over USD 80m occurred. This caused panic among local investors who dumped their positions. The last trading days of May and the first in June, the MSCI Emerging Market constituents (Habib Bank, United Bank, MCB Bank, Lucky Cement, Engro and OGDC) all fell between 10-20%.

## **Important: Please read this information/disclaimer**

This publication is issued by Tundra Fonder AB ("Tundra"). The information – assumptions, opinions, valuations, recommendations etc – presented in this publication have been compiled by Tundra. The publication is based on generally available information from sources that Tundra believes to be reliable. However, Tundra cannot guarantee the accuracy of this information. This publication – as well as all or parts of its content – may not be duplicated or distributed under any circumstances without the written permission of Tundra.

## **Use of information**

This publication is intended exclusively for the use of Tundra's clients in Sweden and is thus not intended for any individual or company in the USA, Canada, Japan or Australia, or in any other country where the publication or availability of the material is prohibited or restricted in any way.

The Fund or the Fund Company Tundra Fonder is not registered under the United States Securities Act of 1933, the United States Investment Company Act of 1940, or any other applicable law of the United States. Therefore fund units may not be offered, sold or in any other way distributed to physical or legal persons in the United States of America. It is the responsibility of individuals or entities acquainting themselves with this publication to inform themselves of and comply with these regulations. A legal entity may be prevented from investing in Tundra's fund by law or internal regulations. Foreign law may prevent investments to be made from outside of Sweden. Tundra will not verify that investments from outside of Sweden are made in accordance with foreign law and Tundra will not accept responsibility for any such investments. It is the responsibility of persons reading this publication to inform themselves of, and to follow these rules. Should any such person or company nonetheless accept offers from Tundra, of whatever kind they may be, it may be disregarded. No part of this publication should be construed as a solicitation or recommendation to conduct or make use of any type of investment or to enter into any other transactions. The opinions expressed in this publication reflect the present views of the participants and may thus be subject to change. The information in this publication does not take into account the specific investment goal, financial situation or needs of any specific recipient. The information should not be regarded as a personal recommendation or investment advice. The client should always seek adequate professional advice before taking any investment decision and each such investment decision is taken independently by the client and at the client's own risk. Tundra accepts no liability whatsoever for any direct or consequential loss of any kind arising from the use of this publication. Tundra's employees may hold, indirect or indirect investments mentioned in this publication.

The state of the origin of the Fund is Sweden. This document may only be distributed in or from Switzerland to qualified investors within the meaning of Art. 10 Para. 3,3bis and 3ter CISA. The representative in Switzerland is ACOLIN Fund Service AG, Stadelhoferstrasse 18, CH-8001 Zurich, whilst the Paying Agent is Bank Vontobel Ltd, Gotthardstrasse 43, CH-8022 Zurich. The Basic documents of the fund as well as the annual report may be obtained free of charge at the registered office of the Swiss Representative

## **Risks**

Investments in financial instruments are associated with risk and an investment may both increase and decrease in value or even become worthless. Historical returns are no guarantee of future returns. International investments, particularly those on new markets in developing and growth countries (such as Eastern Europe (including Russia), Asia, Latin America and Africa), are normally associated with a higher level of risk than investments in Swedish or other developed markets' securities. These risks include both political and economic uncertainty in other countries as well as currency fluctuations. These risks are particularly high on new markets since these countries may have relatively unstable governments and immature markets and economies.