

# MONTHLY LETTER

## JUNE 2017



TUNDRA  FONDER

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Return (EUR)	1 month	YTD	1 year	Inception
Tundra Pakistan Fund	-8.6%	-11.3%	13.3%	224.9%
Benchmark (MSCI Pakistan Net (EUR))	-7.7%	-11.9%	14.7%	148.9%

Facts		Risk and costs*	
Inception date	2011-10-14	Active risk (Tracking error)	9.4%
Pricing	Daily	Standard deviation	15.1%
Manager	Tundra Fonder AB	Standard deviation, benchmark	21.1%
Benchmark ind	MSCI Pakistan Net (EUR)	Beta	0.66
ISIN	SE0006 789 905	Information ratio	.5
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	68.8 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 June		Worst performers in June	
	Return (EUR)		Return (EUR)
Tpl Properties	19.6%	Tpl Trakker Ltd	-25.2%
Shifa In Hosp.	10.1%	Ferozesons Labs	-23.3%
Shezan Intl	8.1%	Fauji Foods Ltd	-20.6%
Avanceon Ltd	2.4%	Aisha Steel Mill	-20.1%
Daewoo Expr.	0.0%	Sui Northern	-19.0%

### Five largest holdings

Holding	Portfolio weight	Country	P/E 16E	P/E 17E	Yield	Return 1 month (EUR)
IBL	6.8%	Pakistan	-	-	-	-
Mcb Bank Ltd	6.3%	Pakistan	10.0	10.2	8.1%	-6.0%
Daewoo Expr.	5.3%	Pakistan	-	-	-	-
Lucky Cement	5.2%	Pakistan	18.0	18.2	1.5%	-5.4%
Meezan Bank L	5.2%	Pakistan	15.1	11.9	4.8%	-7.5%

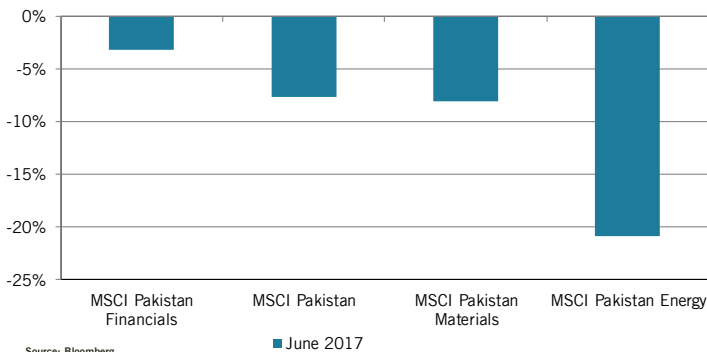
Source: Bloomberg, Tundra Fonder

### Fund Objective

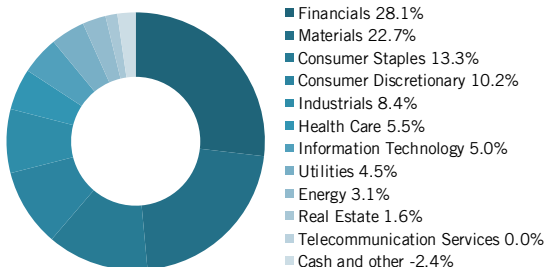
The objective of the fund is to provide investors financial exposure to economic development in Pakistan and to provide its unit holders with a maximum long-term return on their investment given the fund's level of risk. At least 90 percent of the net asset value of the fund will be invested in equities 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.

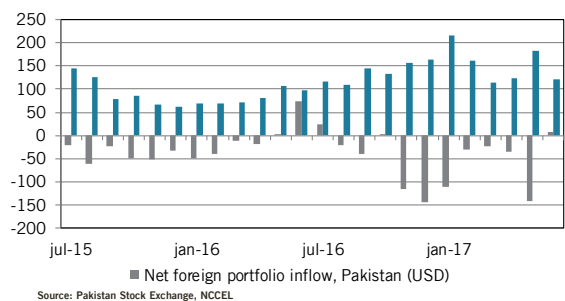
### Pakistan sector indices (EUR, total return)



### Tundra Pakistan Fund: Sector allocation



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



### Monthly Market Comment

It is often touted that the external shocks only come into action when they are least expected. The predictability of such, therefore, is only accurate when it is least expected. Such has been the politico-drama in Pakistan lately. Not until long ago were the majority of pundits, businessmen, masses and foreign investors believing that the coast is clear for a clean sweep for the current government in the general elections headed next year. The electioneering, nonetheless, seem to be getting more competitive day by day.

The media hype around the aggressive – rather stern – behavior of the Joint Investigation Team (JIT), formed by the Supreme Court to investigate Prime Minister's money trail, has seemed to have rung the alarm bells within the corners of ruling government. From the Prime Minister himself to his Federal Ministers, the tone against the members of the JIT and slight hinting of possible derailment of democracy and warnings of street agitation are signs that (over) confidence in the ruling team has mellowed a bit. Although the JIT has been given a deadline till 10th July 2017 to submit its findings, further scrutiny could linger on over another few weeks or months. Often the Prime Minister has cited the "bigger JIT" - referring to the general elections - to show his strength. Or that could also reflect the preparedness for any adverse judgment potentially disqualifying the Prime Minister in extreme cases and bringing in the next generation into the driving seat.

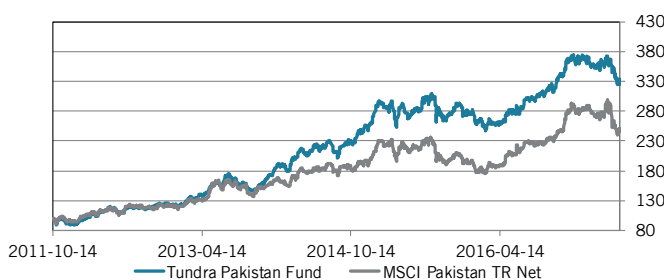
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### Monthly Fund Comment

During the month, the fund declined 8.6% (EUR) as compared to the benchmark's MSCI Pakistan Net (EUR)'s decline of 7.7%. The month of May's disappointment continued in June as investors were wrong-footed by the absence of Net Foreign Inflows on MSCI Emerging Market upgrade. The month was dominated by political uncertainty stemming from the ongoing investigation by Joint Investigation Team (JIT).

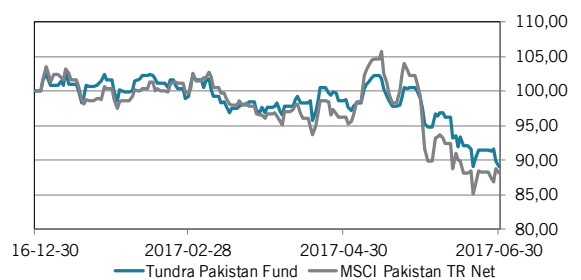
The underperforming exposures in June were the Healthcare and Information Technology sectors whereas the outperforming contributors were our underweight stance on Energy and Utilities. The fund trimmed its exposure in Oil and Gas exploration, Banks, IT and Consumer sectors while increased exposure in the Cement and Insurance sectors.

### 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										-4.9%	-1.8%	-3.9%	-10.2%
2012	7.3%	6.5%	6.6%	3.6%	0.7%	-4.8%	9.1%	2.1%	-3.3%	3.5%	3.3%	-1.3%	37.5%
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%
2017	-1.6%	0.5%	-1.5%	1.1%	-1.5%	-8.6%							-11.3%

Source: Bloomberg

### Monthly Market Comment

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In eventuality, the heir-apparent is planned by major political parties, but in this case a rather honorable change of leadership would not be a bad outcome considering the fragility of the impact on the voters.

Economically, the country seems to be dragging along somewhat reasonably also. Although, the Current Account Deficit of 3.2% for 11MFY17, has re-invited the fears of PKR depreciation, the falling FX reserves to an import parity of 4.5 months are still nudging forward on the back of expected foreign loans and investments. To arrest the run-rate, the government has resorted to higher import duties and protectionist measures to encourage local capacity expansion and import substitution.

The current inflation numbers of 3.9% also remain manageable for the foreseeable future, delaying further chances of immediate monetary tightening. Surprisingly, we saw PKR depreciate 3.25% versus USD on 5th July 2016, however, to have appreciate again by almost 3% the very next day as the Finance Minister summoned bankers and termed the rise “artificial”.

Post the recent highs, the ~15% correction has brought the Index down to an attractive Forward Price-to-Earnings ratio of 10x. Companies with very sound business prospects, much lesser downside in the profitability and lesser correlation with political impasse have corrected by ~20-25% also opening up screaming valuations in terms of the prices. However, the buyers are staying put, and the fall in the market is with lower volumes, primarily indicates the anxiety levels among the current holders of stocks. With all eyes on JIT, the coming month of July appears to be a crucial factor in the history of Pakistan’s politics. Leaders pushed to prove their innocence is a new wave of accountability that can go a long way in improving the business climate in Pakistan and enhance the level of transparency, efficiency and honesty across the country.

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