

MONTHLY LETTER

JULY 2017



TUNDRA  FONDER

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Return (EUR)	1 month	YTD	1 year	Inception
Tundra Pakistan Fund	-5.0%	-15.7%	3.2%	208.4%
Benchmark (MSCI Pakistan Net (EUR))	-9.9%	-20.7%	-1.3%	124.2%

Facts		Risk and costs*	
Inception date	2011-10-14	Active risk (Tracking error)	10.2%
Pricing	Daily	Standard deviation	14.4%
Manager	Tundra Fonder AB	Standard deviation, benchmark	21.0%
Benchmark ind	MSCI Pakistan Net (EUR)	Beta	0.62
ISIN	SE0006 789 905	Information ratio	.34
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	61 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 July		Worst performers in July	
	Return (EUR)		Return (EUR)
Fauji Foods Ltd	18.3%	Tpl Properties	-19.9%
Sui Southern	8.9%	Lucky Cement	-18.6%
Efu Life Assura	6.6%	Habib Bank Ltd	-15.6%
Systems Ltd	6.3%	United Bank Ltd	-15.1%
Attock Petrol.	6.2%	Fauji Fertilizer	-15.0%

Five largest holdings

Holding	Portfolio weight	Country	P/E 16E	P/E 17E	Yield	Return 1 month (EUR)
IBL	7.4%	Pakistan	-	-	-	-
Daewoo Express	4.8%	Pakistan	-	-	-	-
Mcb Bank Ltd	4.8%	Pakistan	9.8	10.3	7.9%	-6.5%
Lucky Cement	4.7%	Pakistan	15.2	15.9	2.1%	-19.3%
Systems Ltd	4.5%	Pakistan	19.1	12.9	3.2%	5.3%

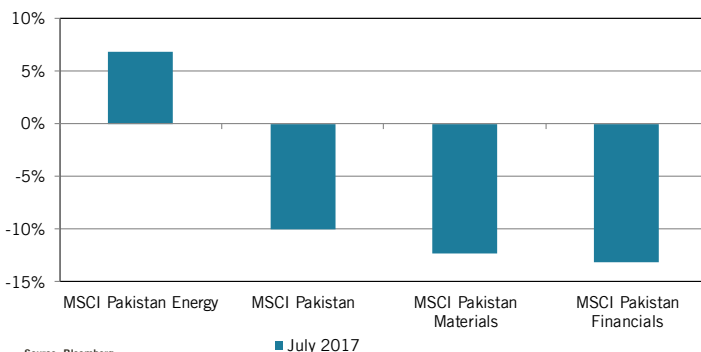
Source: Bloomberg, Tundra Fonder

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.

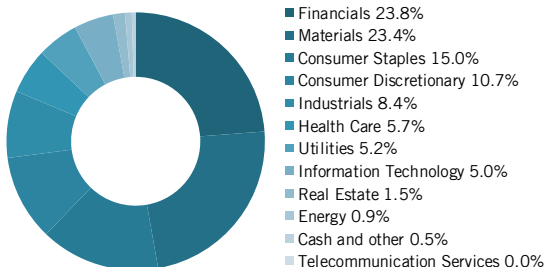
Given the risk profile of the fund the fund management company wishes to particularly emphasize the importance of investing only capital that can be tied up for a very long period in this fund.

Pakistan sector indices (EUR, total return)

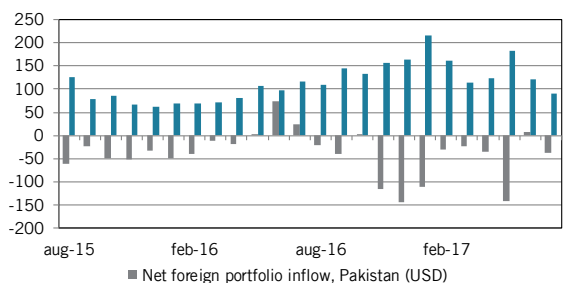


Source: Bloomberg

Tundra Pakistan Fund: Sector allocation



Foreign flows and turnover (Pakistan Stock Exchange)



Source: Pakistan Stock Exchange, NCCEL

Monthly Market Comment

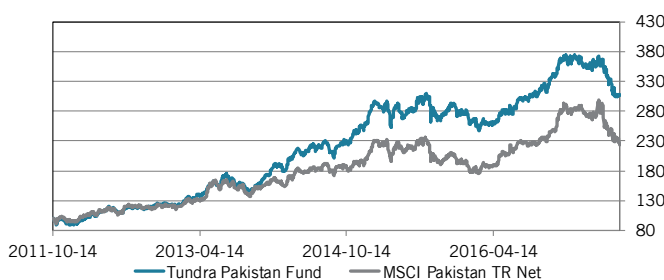
MSCI Pakistan Net (EUR) declined 9.9% during July compared to MSCI Emerging Markets Net (EUR) which increased 2.5%. Political uncertainty kept investors away from the market where we saw average daily liquidity declining to USD 91m while foreign selling increasing to USD 38m. In an uncertain political environment and with the looming risk of currency depreciation, foreigners remained wary. The Supreme Court issued a verdict on Panamagate resulting in the disqualification of Prime Minister Nawaz Sharif. In a surprising but pleasant turn of events, PML (N) accepted the decision and the risk of confrontation was put to bed. However, a political tug of war continues with PML (N) debating the potential of rallying public opinion and declaring themselves political martyrs meanwhile the National Accountability Bureau (NAB) continues probing the Sharif family's asset mismatch. We also saw some volatility in the exchange rate when the PKR depreciated sharply by 3%. This was short lived as the Ministry of Finance clawed it back. On a fundamental level, the PKR seems weak as suggested by rising current account deficit (CAD) which has reached USD 12bn (4% of GDP). Given the higher economic activity, imports like machinery and energy have risen strongly. We also note that remittances from Pakistanis living overseas have slowed down due to weaker remittances from the Middle East. Under normal circumstances the higher CAD would be less worrisome.

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Monthly Fund Comment

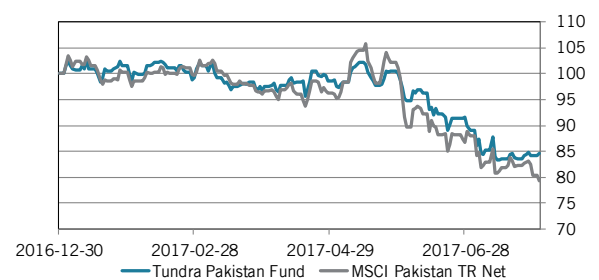
The fund decreased 5.0% (EUR) during July compared to MSCI Pakistan Net (EUR) which declined 9.9%. Our underweight in Financials and Materials were mainly the reason behind relative outperformance. Additionally, our off benchmark bets in IT added to the alpha during July. On the negative side, an underweight in Energy didn't bode well for the fund. No major changes were made in the fund during July.

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%	-5.0%						-15.7%

Source: Bloomberg

Monthly Market Comment

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There is consensus in the market that the PKR is due for a 10-15% depreciation after three years of stability vs the USD. This is nothing new. The PKR has on average depreciated 4-5% a year during the last 20 years. However, this has not prevented it from being one of the best equity markets in the world. As previously pointed out, more than 50% of the index constituents have more to gain from a depreciation than from a status quo. This applies not only to Energy and Utilities (pricing in USD), Textiles and IT (high export share) but also to Financials (would benefit from higher interest rates). If this currency depreciation is done as part of a wider economic plan we are less concerned. Nonetheless, investor nervousness is understandable given the political uncertainty in recent months.

We foresee political headlines in the pre-election period as all political parties strive to win the vote bank. The government is likely to respond to the opposition by increasing spending on development and social projects as seen in previous election years. The political temperature will go up and down in the next six months, as should be the case approaching election year. At the end we expect a rational outcome. As earning season has kicked in, the market is likely to take its cue from corporate announcements in the short term.

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