

Annual report

Tundra Pakistan Fund

515602-4787

2017-01-01 - 2017-12-31

This is a translated copy of the Swedish original. If any conflict occurs
in the translation the Swedish version will prevail.

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Management report

This is a translation of the Swedish original. If any conflict occurs in the translation the Swedish version will prevail. The Board of Directors and the CEO of Tundra Fonder AB, 556838-6303, hereby submit the Annual report for the period 2017-01-01 – 2017-12-31 for Tundra Pakistan Fund, 515602-4787.

General development

The fund's performance

Tundra Pakistan Fund fell 35.25% (SEK) during 2017, vs the fund's benchmark that fell 24.44% (SEK).

The fund's net assets development

Assets under management at December 31st 2017 amounted to SEK 459.9 million, which represents a decrease of SEK 556.5 million compared to SEK 1 016.3 million at December 31st 2016.

The value of issued fund shares for share class A amounted to SEK 217.2 million, SEK 0.7 million for share class C, SEK 44.9 million for share class D and SEK 29.8 million for share class F while the value of redeemed fund shares for share class A amounted to SEK 425.8 million, SEK 28 407 for share class C, SEK 153.4 million for share class D and SEK 183 536 for share class F. The net issued amount hence amounted to SEK -208.6 million for share class A, SEK 649 613 for share class C, SEK -108.6 million for share class D and SEK 29.6 million for share class F.

Market development

2017 began with rising expectations ahead of the upgrade from frontier markets status to emerging markets status by MSCI, with increased foreign portfolio inflows as a result. Instead, the upgrade surprisingly resulted in large outflows and increased concern for a worsening macroeconomic situation. As Prime Minister Nawaz Sharif was deprived of his post by the Supreme Court because of assets Sharif's family held abroad, as evidenced by the Panama leaks, all the positive momentum in the initial part of the year disappeared. A perceived lack of clear political leadership meant that investors' focus was shifted to the increasing current account deficit and a likely weakening of the currency. In the second week of December, the Central Bank allowed the Rupee to depreciate 5% and just before Christmas came two more important news: Former Prime Minister Nawaz Sharif openly stated that his brother Shahbaz Sharif (popular in the market) should become prime minister after elections and Pakistani military leadership stressed in a speech to the Senate that they did not intend to disrupt the democratic process. Overall, this meant a positive end to the year for the equity market.

Fund management and outlook

Tundra Pakistan Fund did not escape the turbulent market development in Pakistan during 2017 and the fund fell 35.25% (SEK) net of fees, while the fund's benchmark index (MSCI Pakistan Net, SEK) fell 24.44%. The primary reasons for the fund underperforming the benchmark were the underweights in Consumer Staples and Consumer Discretionary. The underweights were motivated by the rising Current Account deficit and the political instability. Financials and Utilities were the primary positive contributors to relative performance during the year.

The outlook for 2018 looks more promising. In addition to the fact that the valuation of the market looks attractive relative to profit growth and risks, a number of question marks should be corrected during the year and reduce the market's risk premium. In chronological order, the year begins with elections to the Senate, where the governing party PML-N is expected to retain the majority. As we approach the important parliamentary elections in July 2018, we believe investors' focus will more and more be moved to the next five years' economic development which looks more promising than in many years.

Objectives and investment policy

The fund management company's management of the fund is intended to generate financial exposure to economic development in Pakistan and to provide the unit holders with a maximum long-term return on their invested capital. The performance is benchmarked against MSCI Pakistan Net.

The fund takes into account aspects such as corporate governance, environmental and social issues as part of the investment process. The principles from international guidelines are applied (UN Global Compact, Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and OECD Guidelines for Multinational Enterprises). Companies that are involved in controversial weapons are also excluded.

The fund is managed by an investment committee but with Tundra Fonder's Chief Investment Officer, Mattias Martinsson, as the lead portfolio manager.

Risks in the fund at year end

The fund has a vast majority of its assets invested in Pakistan. A worse than expected development of the Pakistani economy or the earnings growth among listed companies in the country constitute the primary risk. The fund does not hedge its holdings to currency fluctuations which may affect returns adversely in case the Pakistan Rupee weakens.

Derivatives

According to the fund rules, the fund has the right to invest in derivative instruments in order to make the management more efficient. The fund had no exposure to derivatives during 2017. To calculate the total exposure, the fund applies the so-called commitment approach on derivative instruments.

Financial overview

Main portfolio

	AUM, SEK	NAV	No. of issued fund shares	Dividend	Total fund return, %	Benchmark return, %
2017-12-31	459 927 896	-	1 847 355.83	-	-	-
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) Refers to the period 2011-10-14 - 2011-12-31.

Share class A SEK

	AUM, SEK	NAV	No. of issued fund shares	Dividend	Total fund return, %	Benchmark return, %
2017-12-31	-	248.64	1 589 805.89	-	-35.25	-24.44
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)

Benchmark index: MSCI Pakistan Net (SEK)

2) Since 2013-06-20. Tundra Pakistan Fund was replaced by Tundra Pakistan Fund share class A.

Share class C EUR

	AUM, SEK	NAV	No. of issued fund shares	Dividend	Total fund return, %	Benchmark return, %
2017-12-31	-	25.23	1 838.34	-	-36.94	-33.77
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)

Benchmark index: MSCI Pakistan Net (EUR)

3) Refers to the period 2013-06-12 - 2013-12-31.

Share class D USD

	AUM, SEK	NAV	No. of issued fund shares	Dividend	Total fund return, %	Benchmark return, %
2017-12-31	-	30.91	131 828.91	-	-28.20	-24.44
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)

Benchmark index: MSCI Pakistan Net (USD)

4) Refers to the period 2013-10-23 - 2013-12-31.

Share class F EUR

	AUM, SEK	NAV	No. of issued fund shares	Dividend	Total fund return, %	Benchmark return, %
2017-12-31	-	25.23	123 882.69	-	-36.94	-33.77
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)

Benchmark index: MSCI Pakistan Net (EUR)

5) Refers to the period 2015-10-15 - 2015-12-31.

Key performance indicators

	Share class A SEK	Share class C EUR	Share class D USD	Share class F EUR
Inception date	2011-10-14	2013-06-12	2013-10-23	2015-10-15

Risk & return

Standard deviation, % 1)	18.43	17.41	16.39	17.41
Standard deviation benchmark, % 2)	22.58	21.70	20.15	21.7
Tracking error, % 3)	12.28	10.09	14.62	10.09
Active share, %	0.67	0.67	0.67	0.67
Average annual return last 2 years, %	-5.32	-8.61	-3.99	-8.61
Average annual return last 5 years, %	16.51	8.72*	8.00*	-7.63*

* Since inception of the share class.

Costs

Management fee, %	2.50	2.50	2.50	2.50
Performance fee, %	-	-	-	-
Transaction costs, SEK	1 484 853	1 166	248 505	53 816
Transaction costs, %	0.16	0.16	0.16	0.19
Research costs, SEK	91 679	71	15 294	3 386
Research costs, %	0.02	0.02	0.02	0.02
Ongoing charges, %	2.55	2.57	2.54	2.57
Subscription and redemption fees, SEK	0	0	0	0

Management fee

Single investment of SEK 10 000	215.39	2 061.72	1 961.65	2 061.77
Monthly investments of SEK 100 / month	13.80	132.00	120.34	132.05

Turnover

Turnover	0.44
Trading with group companies	-

1. Standard deviation is defined as the standard deviation of the fund's return including any dividends. The calculation is based on monthly data during the past 24 months.
2. Standard deviation is defined as the standard deviation of the benchmark's total return. The calculation is based on monthly data during the past 24 months.
3. Tracking error is defined as the standard deviation of the difference in return between the fund and the benchmark. The calculation is based on monthly data during the past 24 months.

Income statement

<i>In SEK</i>	<i>Note</i>	<i>2017-01-01- 2017-12-31</i>	<i>2016-01-01- 2016-12-31</i>
Income and change in value			
Change in value, transferable securities		-264 077 128	346 286 431
Interest		60 531	2 326
Dividends		20 092 941	34 646 690
FX gains and losses, net		-2 723 561	-2 340 561
Other income		-	1
Total		-246 647 217	378 594 887
Costs			
Management fees			
Fees to the management company		-18 326 294	-25 456 698
Interest		-17 707	-25 070
Other costs	1	-4 519 344	-32 076 037
Total		-22 863 345	-57 557 805
Net result		-269 510 562	321 037 082

Balance sheet

<i>In SEK</i>	<i>Note</i>	<i>2017-12-31</i>	<i>2016-12-31</i>
Assets			
Transferable securities		445 327 146	986 893 941
Total	2	445 327 146	986 893 941
Bank accounts		14 094 185	62 277 964
Pre-paid expenses and accrued income		2 226 324	1 525 013
Other assets		1 353 763	3 588
Total		463 001 418	1 050 700 506
Liabilities			
Accrued expenses and prepaid income	3	1 301 045	26 111 919
Other liabilities		1 772 477	8 251 690
Total		3 073 522	34 363 609
Total net assets	2,4	459 927 896	1 016 336 897
Memorandum items		-	-

Accounting principles and valuation of financial instruments

Amounts stated are in number of SEK if nothing else stated.

Tundra Fonder AB is a member of the Swedish Investment Fund Association and strives to comply with the Association's guidelines. During 2017, Tundra Fonder AB was compliant with all guidelines with the exception of the recommendation that at least half of an asset manager's members of the Board of Directors should be independent directors as three of seven Board members were considered to be independent at the end of 2017.

Accounting principles

The fund applies the Mutual Funds Act, 2004:46 and the Financial Supervisory Authority's regulation of mutual funds (FFFS 2013:9) and applies the Swedish Investment Fund Association's guidelines.

Valuation of financial instruments

The financial instruments are valued at market value according to the following order.

1. Financial instruments traded on an active market will be valued on the closing price at December 31st 2017. If this is a bank holiday, the most recent trading day prior to the bank holiday will be used.
2. If the financial instrument is not traded on 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 are misleading, the market value is determined by a well-established valuation model.

Key performance indicators

The fund follows the Swedish Investment Fund Association's guidelines on key performance indicators.

Taxation in Pakistan

With current legislation, Pakistan is charging a capital gains tax on short-term trading. From July 1, 2017 the following capital gains taxation rules apply: For holdings acquired before July 1, 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 July 1, 2012, 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 1, 2016 a 15% flat capital gains tax on all positions are applicable. The fund company has contracted KPMG in Pakistan as tax consultant and will calculate and reserve daily for deferred and realized tax in the fund jointly. This means that unit holders may not pay local Pakistani tax despite the fact that their unit value has risen, and unit holders 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, as 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 Other costs

	2017-12-31	2016-12-31
Transaction costs main bank	123 750	103 950
Bank fees	3 807	500
Other fees	142 057	992 079
Capital gains tax	-19 613 318	19 498 658
Foreign tax, transferable securities	22 088 028	8 780 125
Broker costs	1 775 020	2 700 725
Total	4 519 344	32 076 037

Note 2 Financial instruments

The following financial instruments were held as of 2017-12-31.

Security Sector	Number of shares	Market value	Portion %
Transferable securities			
Category 1			
ATOCK PETROLEUM ORD, Pakistan, PKR	93 000	3 604 802	0.78
Energy		3 604 802	0.78
AISHA STEEL MILLS LTD, Pakistan, PKR	6 300 000	8 295 802	1.79
AISHA STEEL MILLS PR, Pakistan, PKR	244 300	371 114	0.08
CENTURY PAPER & BOARD MILLS, Pakistan, PKR	2 399 600	11 047 667	2.39
DG KHAN CEMENT ORD, Pakistan, PKR	1 495 000	14 869 795	3.21
ENGRO CORPORATION ORD, Pakistan, PKR	650 000	13 233 705	2.86
FAUJI BIN QASIM ORD, Pakistan, PKR	3 000 000	7 900 764	1.71
GHARIBWAL CEMENT LT, Pakistan, PKR	3 000 000	5 302 004	1.15
INTERNATIONAL STEELS, Pakistan, PKR	1 000 000	7 866 306	1.70
LUCKY CEMENT ORD, Pakistan, PKR	900 000	34 362 653	7.43
MAPLE LEAF CMNT ORD, Pakistan, PKR	1 406 250	7 131 862	1.54
PACKAGES ORD, Pakistan, PKR	250 750	9 473 200	2.05
PIONEER CEMENT ORD, Pakistan, PKR	1 100 000	5 145 055	1.11
POWER CEMENT LTD, Pakistan, PKR	3 932 658	2 526 595	0.55
TRI-PACK FILMS LTD, Pakistan, PKR	460 000	4 771 151	1.03
Materials		132 297 674	28.59
PAK ELEKTRON LTD, Pakistan, PKR	1 500 000	5 278 662	1.14
Industrials		5 278 662	1.14
BATA PAKISTAN ORD, Pakistan, PKR	22 542	4 096 294	0.89
GENERAL TYRE & RUBBER CO, Pakistan, PKR	400 800	5 592 531	1.21
HUM NETWORK LTD, Pakistan, PKR	17 000 000	10 292 038	2.22
KOHINOOR TEXTILE MIL, Pakistan, PKR	1 617 223	7 759 613	1.68
NISHAT MILLS ORD, Pakistan, PKR	1 527 500	16 850 733	3.64

Consumer discretionary	44 591 209	9.64
FAUJI FERTILIZER ORD, Pakistan, PKR	8 500 000	2.25
HABIB SUGAR ORD, Pakistan, PKR	1 297 000	0.74
SHEZAN INTL ORD, Pakistan, PKR	337 390	2.62
Consumer staples	25 937 114	5.61
ABBOTT LABORATORIES, Pakistan, PKR	82 050	0.92
FEROZESONS LABORATORIES, Pakistan, PKR	400 000	1.31
SHIFA HOSPITAL LTD, Pakistan, PKR	259 119	1.21
Healthcare	15 906 133	3.44
ADAMJEE INSUR ORD, Pakistan, PKR	2 736 000	2.28
ALLIED BANK ORD, Pakistan, PKR	900 000	1.22
BANK AL FALAH ORD, Pakistan, PKR	2 700 000	1.84
EFU LIFE, Pakistan, PKR	165 000	0.67
FAYSAL BANK LTD, Pakistan, PKR	3 200 000	1.09
HABIB BANK LTD ORD, Pakistan, PKR	1 350 000	3.61
M C B ORD, Pakistan, PKR	850 000	2.88
MEEZAN BANK, Pakistan, PKR	3 100 000	3.33
UNITED BANK LTD ORD, Pakistan, PKR	800 000	2.41
Financials	89 443 692	19.33
SYSTEMS LTD, Pakistan, PKR	3 350 000	3.97
IT	18 350 046	3.97
KARACHI ELECTRIC ORD, Pakistan, PKR	12 267 000	1.23
SUI NORTHERN GAS ORD, Pakistan, PKR	1 450 000	2.21
SUI SOUTHERN GAS ORD, Pakistan, PKR	4 359 000	2.13
Utilities	25 771 443	5.57
TPL PROPERTIES LTD, Pakistan, PKR	10 491 000	2.00
Real estate	9 235 570	2.00
Total category 1	370 416 345	80.06
Category 7		
DAEWOO PAK EXPRESS, Pakistan, PKR	6 121 000	7.23
Consumer discretionary	33 428 759	7.23
INTERNATIONAL BRANDS, Pakistan, PKR	8 386 456	8.97
Consumer staples	41 482 042	8.97
Total category 7	41 482 042	16.20
Total transferable securities	445 327 146	96.25
Total securities	445 327 146	96.25
Other assets and liabilities	14 600 750	3.75
Total net assets	459 927 896	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 3 Accrued expenses and prepaid income

	<i>2017-12-31</i>	<i>2016-12-31</i>
Accrued management fee	997 765	2 099 258
Accrued withholding tax	303 280	190 627
Accrued foreign tax on securities	-	3 346 637
Accrued capital gains tax	-	20 475 397
	1 301 045	26 111 919

Note 4 Change in net assets

	<i>2017-01-01- 2017-12-31</i>	<i>2016-01-01- 2016-12-31</i>
Net assets at the start of the year	1 016 336 897	1 159 725 430
Share class A SEK		
Issued fund units	217 240 087	398 125 375
Redeemed fund units	-425 813 869	-891 870 080
Net	-208 573 782	-493 744 705
Share class C EUR		
Issued fund units	678 020	35 483
Redeemed fund units	-28 407	-101 817
Net	649 613	-66 334
Share class D USD		
Issued fund units	44 867 735	114 164 359
Redeemed fund units	-153 444 116	-90 508 796
Net	-108 576 381	23 655 563
Share class F EUR		
Issued fund units	29 785 647	9 652 019
Redeemed fund units	-183 536	-3 922 158
Net	29 602 111	5 729 861
Net result according to the income statement	-269 510 562	321 037 082
Net assets at year end	459 927 896	1 016 336 897

Remuneration

Remuneration and benefits to employees has been calculated based on the Company's principles which has been approved by the Board of Directors. During the financial year the Company applied a calculation based on that 20 percent of the Company's profit before tax is deposited as variable remuneration to employees.

In addition, the Company may make exceptions for individuals who contributed positive from a risk adjusted perspective as long as the Company does not run the risk of violating regulatory capital requirements or otherwise threaten to put the Company at a disadvantage situation.

Each year the Board of Directors revises the Company's remuneration policy. During the year minor linguistic adjustments has been made as well as adding reference to new law. These changes have not resulted in any substantial changes of the remuneration policy.

Please refer to the Company's website for the current remuneration policy:
<http://www.tundrafonder.se/wp-content/uploads/2014/03/Executive-Summary-Remuneration-Policy-2016.pdf>

Benefits paid to all employees in 2017	Amount in SEK	Number of employees
Fixed salary	7 584 271	15
Variable remuneration to employees who are included in the number of employees and which have not been classified as special regulated staff	0	0
Total: Fixed salary and number of employees	7 584 271	15
Benefits paid to particular regulated staff 2017		
a) employees in senior strategic positions	2 308 699	2.5
b) employees with responsibility for control functions. Outsourced functions	0	0
c) risk takers	2 827 396	4.75
d) employees whose total compensation is equal to, or greater than, the total remuneration to someone in senior management	0	0

Auditor's report

(Translation)

To the investors in Tundra Pakistan Fund, Corporate Identity Number 515602-4787

Report on the annual report

Opinions

As auditors of Tundra Fonder AB, Corporate Identity Number 556838-6303, we have audited the annual report of Tundra Pakistan Fund for 2017.

In our opinion, the annual report has been prepared in accordance with the Swedish Mutual Fund's Act and Sweden's financial supervisory authority's ordinances on funds, and presents fairly, in all material respects, the financial position of Tundra Pakistan Fund as of 31 December 2017 and its financial results for the year in accordance with the Swedish Mutual Fund's Act and Sweden's financial supervisory authority ordinances on funds.

Basis for opinions

We conducted our audit in accordance with the International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. We are independent of the fund company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Fund Company

It is the fund company who is responsible for the preparation of the annual report and that it provides a fair presentation in accordance with the Swedish Mutual Fund's Act and Sweden's financial supervisory authority ordinances on funds. The fund company is also responsible for such internal control as they determine is necessary to enable the preparation of an annual report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our objective is to obtain reasonable assurance about whether the annual report as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit

evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of the association's internal control relevant to my audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the c internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the fund company.
- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the fund company of, amongst other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in that internal control which we may have identified.

Stockholm, 16 April 2018

Öhrlings PricewaterhouseCoopersAB

Susanne Sundvall
Authorised Public Accountant