

Annual report

# **Tundra Sustainable Frontier Fund**

515602-4803

**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.

## **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 Sustainable Frontier Fund, 515602-4803.

## **General development**

### **The fund's performance**

The funds Tundra Rysslandsfond and Tundra Sustainable Frontier Fund were during the year merged into Tundra Frontier Opportunities Fund. In conjunction with the last merger, Tundra Frontier Opportunities Fund changed name to Tundra Sustainable Frontier Fund and some minor changes to the fund rules were implemented.

Assets under management at December 31<sup>st</sup> 2017 amounted to SEK 1 087.4 million, which represents an increase of SEK 648.4 million compared to SEK 439.0 million at December 31<sup>st</sup> 2016.

The value of issued fund shares for share class A amounted to SEK 271.0 million, SEK 0.7 million for share class C, SEK 32.0 million for share class D, SEK 49.4 million for share class E and SEK 7.5 million for share class F while the value of redeemed fund shares for share class A amounted to SEK 137.7 million, SEK 1.0 million for share class C, SEK 0.2 million for share class D, SEK 6.2 million for share class E and SEK 0 for share class F. The net issued amount hence amounted to SEK 472.1 million for share class A (of which SEK 338.8 million through mergers), SEK -0.3 million for share class C, SEK 31.8 million for share class D, SEK 43.1 million for share class E and SEK 7.5 million for share class F.

### **Market development**

Frontier markets rose 24.98% (SEK) during the past year. The SEK appreciated vs the USD, which had a negative contribution to the frontier market return in SEK. Among the fund's more important markets, Vietnam performed well with a 35.4% return (SEK) while Pakistan underperformed substantially as a result of political turbulence and macroeconomic concerns. The biggest market in the benchmark index, Argentina, had the strongest return among the frontier markets.

The Vietnamese stock market was supported by both further development of the Vietnamese economy and better global market conditions for emerging and frontier markets during the period. The Vietnamese economy improved in all aspects with a stronger GDP growth (6.8%), low inflation (2.6%), record high FDI (USD 35.9bn) and foreign currency reserve (USD 51.5bn), and a stable currency that only depreciated 0.24% during the year. This provided a healthy background for the stock market to perform as both company earnings and liquidity were considerably improved. Besides, the Vietnamese government pushed up the pace of divestments and IPOs of the key state own enterprises which attracted many global investors to the market.

For Pakistan, 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.

### **Fund management and outlook**

Tundra Sustainable Frontier Fund rose 13.50% in SEK terms net of fees during 2017. The fund hence underperformed its benchmark, MSCI INT FM EX GCC NET (SEK), which rose 24.98%. The fund's underweight in Argentina, together with the weak Pakistani development, were the main reasons behind the underperformance. The fund had an average weight of 6% in Argentina, compared with the benchmark average weight of just over 24%. Good stock selection in Argentina softened the relative losses, but the underweight still cost the fund about 8% during the year. Egypt, which accounted for 17% of the fund's assets

during the year, performed strongly. The fund had an average return of 49% on its portfolio, compared with -5% for MSCI Egypt Net TR (SEK) and 24% for Hermes Index (SEK).

Argentina appears fully valued to us while several of the fund's major markets, most importantly Egypt, Pakistan and Nigeria, looks fundamentally interesting at this point. The preconditions for a good 2018 are hence present.

### **Objectives and investment policy**

The objective of the fund is to provide financial exposure to economic development in emerging markets and frontier markets and to provide its unit holders with a maximum long-term return on their investment.

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). The fund does not invest in companies with an exposure exceeding five percent (defined as percent of total turnover) to sectors such as alcohol, pornography, tobacco, weapon, commercial gambling, extraction/production where the raw material mainly consist of fossil fuels or nuclear power. Companies that are involved in controversial weapons are 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 does not hedge its currency exposure, which may affect the return in SEK in the case frontier market currencies depreciate. Many frontier market central banks peg their currencies to the USD, which creates an indirect link also to the USD where a weak USD may affect the fund return negatively and vice versa. In addition, an adverse political development in any of the fund's main markets may negatively affect the return.

### **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	1 087 438 063	-	5 769 450,10	-	-	-
2016-12-31	439 046 053	-	2 641 116,78	-	-	-
2015-12-31	345 307 931	-	2 379 389,86	-	-	-
2014-12-31	916 615 995	-	6 032 099,74	-	-	-
2013-12-31	253 860 513	-	2 154 423,88	-	-	-

**Share class A SEK**

	AUM, SEK	NAV	No. of issued fund shares	Dividend	Total fund return, %	Benchmark return, %
2017-12-31	-	188.65	5 080 492.27	-	13.50	24.98
2016-12-31	-	166.21	2 439 445.94	-	14.55	10.61
2015-12-31	-	145.10	2 178 908.18	-	-4.51	-6.83
2014-12-31	-	151.96	5 964 830.02	-	28.95	17.33
2013-12-31	-	117.84	2 113 195.82	-	17.84 1)	10.95 1)

Benchmark index: MSCI INT FM EX GCC N (SEK)

1) Refers to the period 2013-04-02 - 2013-12-31.

**Share class C EUR**

	AUM, SEK	NAV	No. of issued fund shares	Dividend	Total fund return, %	Benchmark return, %
2017-12-31	-	19.24	186 633.35	-	10.57	21.64
2016-12-31	-	17.40	188 378.80	-	9.71	5.92
2015-12-31	-	15.86	187 189.64	-	-1.49	-4.20
2014-12-31	-	16.10	67 269.72	-	21.33	10.23
2013-12-31	-	13.27	41 228.06	-	5.40 2)	2.06 2)

Benchmark index: MSCI INT FM EX GCC N (EUR).

2) 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	-	22.30	199 940.70	-	25.85	38.79
2016-12-31	-	17.72	6 902.26	-	6.24	2.52
2015-12-31	-	16.68	6 902.26	-	-11.79 3)	-13.61 3)

Benchmark index: MSCI INT FM EX GCC N (USD)

3) Refers to the period 2015-04-10 - 2015-12-31.

**Share class E NOK**

	AUM, SEK	NAV	No. of issued fund shares	Dividend	Total fund return, %	Benchmark return, %
2017-12-31	-	188.80	254 101.95	-	20.47 4)	31.43 4)

Benchmark index: MSCI INT FM EX GCC N (NOK)

4) Refers to the period 2017-01-05 - 2017-12-31.

**Share class F EUR**

	AUM, SEK	NAV	No. of issued fund shares	Dividend	Total fund return, %	Benchmark return, %
2017-12-31	-	19.24	48 281.83	-	10.57	21.64
2016-12-31	-	17.40	6 389.78	-	9.71	5.92
2015-12-31	-	15.86	6 389.78	-	1.34 5)	2.88 5)

Benchmark index: MSCI INT FM EX GCC N (EUR)

5) Refers to the period 2015-10-16 - 2015-12-31.

**Key performance indicators**

	<i>Share class A SEK</i>	<i>Share class C EUR</i>	<i>Share class D USD</i>	<i>Share class E NOK</i>	<i>Share class F EUR</i>
<b>Inception date</b>	2013-04-02	2013-06-12	2015-04-10	2017-01-05	2015-10-16

**Risk & return**

Standard deviation, % 1)	11.29	9.48	8.19	**	9.48
Standard deviation benchmark, % 2)	9.45	8.51	9.53	**	8.51
Tracking error, % 3)	8.28	8.17	9.29	**	8.17
Active share, %	0.89	0.89	0.89	0.89	0.89
Average annual return last 2 years, %	14.02	10.14	15.63	**	10.14
Average annual return last 5 years, %	14.29*	9.76*	6.23*	**	9.79*

\* Since inception of the share class.

\*\*Not applicable, the share class was incepted within 24 months.

**Costs**

Management fee, %	2.50	2.50	2.50	2.50	2.50
Performance fee, %	-	-	-	-	-
Transaction costs, SEK	1 957 499	116 173	105 214	128 288	19 541
Transaction costs, %	0.23	0.25	0.25	0.25	0.23
Research costs, SEK	37 124	1 996	1 793	2 160	357
Research costs, %	0.01	0.01	0.01	0.01	0.01
Ongoing charges, %	2.54	2.54	2.54	2.54	2.54
Subscription and redemption fees, SEK	0	0	0	0	0

**Management fee**

Single investment of SEK 10 000	265.01	2 538.54	2 412.91	279.91	2 538.54
Monthly investments of SEK 100 / month	16.66	159.35	145.30	17.41	159.35

**Turnover**

Turnover					<b>2017</b>
Trading with group companies					0.36
					-

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>
<b>Income and change in value</b>			
Change in value, transferable securities		101 170 537	54 505 641
Interest		144 104	613
Dividends		15 319 740	10 477 294
FX gains and losses, net		-5 103 240	709 145
Other income		7 420	7
<b>Total</b>		<b>111 538 561</b>	<b>65 692 700</b>
<b>Costs</b>			
Management fees			
Fees to the management company		-15 872 965	-8 803 496
Interest		-101 293	-10 110
Other costs	<i>1</i>	-1 395 229	-5 746 110
<b>Total</b>		<b>-17 369 487</b>	<b>-14 559 716</b>
<b>Net result</b>		<b>94 169 074</b>	<b>51 132 984</b>

## Balance sheet

<i>In SEK</i>	<i>Note</i>	<i>2017-12-31</i>	<i>2016-12-31</i>
<b>Assets</b>			
Transferable securities		1 038 532 333	429 545 041
<b>Total</b>	<b>2</b>	<b>1 038 532 333</b>	<b>429 545 041</b>
Bank accounts		65 269 188	14 645 884
Pre-paid expenses and accrued income	3	144 281 575	524 174
Other assets		59	907
<b>Total</b>		<b>1 248 083 155</b>	<b>444 716 006</b>
<b>Liabilities</b>			
Accrued expenses and prepaid income		2 357 753	3 545 186
Other liabilities	4	158 287 339	2 124 767
<b>Total</b>		<b>160 645 092</b>	<b>5 669 953</b>
<b>Total net assets</b>	<b>2,5</b>	<b>1 087 438 063</b>	<b>439 046 053</b>
<b>Memorandum items</b>		-	-



## **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 31<sup>st</sup> 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.

## Notes

### Note 1 Other costs

	2017-12-31	2016-12-31
Transaction costs main bank	98 710	64 850
Bank fees	48 875	83 018
Other fees	59 195	691
Cost for drawback	2 622	9 206
Capital gains tax	-2 005 903	1 912 319
Foreign tax, transferable securities	921 186	2 875 624
Broker costs	2 270 544	800 402
<b>Total</b>	<b>1 395 229</b>	<b>5 746 110</b>

### Note 2 Financial instruments

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

#### Securities

Sector	Number of shares	Market value	Portion %
<b>Transferable securities</b>			
<b>Category 1</b>			
AISHA STEEL MILLS LTD, Pakistan, PKR	1 142 100	1 503 910	0.14
ARABIAN CEMENT CO, Egypt, EGP	2 700 000	9 504 615	0.87
BIM SON CEMENT JSC, Vietnam, VND	1 650 025	4 529 655	0.42
CENTURY PAPER & BOARD MILLS, Pakistan, PKR	318 500	1 466 362	0.13
DG KHAN CEMENT ORD, Pakistan, PKR	1 100 000	10 940 987	1.01
EZZ STEEL, Egypt, EGP	1 979 123	18 983 379	1.75
HOA PHAT GROUP JSC, Vietnam, VND	3 030 000	51 275 888	4.72
LUCKY CEMENT ORD, Pakistan, PKR	600 000	22 908 435	2.11
SUEZ CEMENT CO, Egypt, EGP	1 400 000	15 715 073	1.45
TOKYO CEMENT ORD TR, Sri Lanka, LKR	3 960 000	12 485 813	1.15
TOKYO CEMENT ORD, Sri Lanka, LKR	1 315 592	4 640 180	0.43
TRI-PACK FILMS LTD, Pakistan, PKR	533 700	5 535 573	0.51
VIETNAM ELEC EQUIP, Vietnam, VND	3 133 175	28 406 606	2.61
<b>Materials</b>		<b>187 896 475</b>	<b>17.28</b>
ACCESS ENGINEERING P, Sri Lanka, LKR	8 654 837	10 915 422	1.00
CII ORD, Vietnam, VND	780 000	9 889 235	0.91
DIEN QUANG JSC, Vietnam, VND	107 250	1 549 595	0.14
EGYPT KUWAIT HOLDING CO SAE, Egypt, USD	2 600 000	18 128 851	1.67
ELSEWEDY ELECTRIC CO, Egypt, EGP	495 008	33 667 810	31.00
HEMAS HOLDINGS PLC, Sri Lanka, LKR	561 227	3 779 016	0.35
JOHN KEELLS HLDG ORD, Sri Lanka, LKR	1 734 106	13 780 223	1.27
PAK ELEKTRON LTD, Pakistan, PKR	507 037	1 784 318	0.16
<b>Industrials</b>		<b>93 494 470</b>	<b>86.00</b>
DRC ORD, Vietnam, VND	1 014 000	8 863 684	0.82
GB AUTO, Egypt, EGP	30 223 000	62 608 048	5.76

GUL AHMED TEXTILE, Pakistan, PKR	2 142 000	5 885 584	0.54
HUM NETWORK LTD, Pakistan, PKR	13 736 000	8 315 966	0.76
MOBILE WORLD INVESTMENT GROUP, Vietnam, VND	122 320	6 190 084	0.57
SAIGON GENERAL SERVI, Vietnam, VND	902 290	16 230 670	1.49
<b>Consumer discretionary</b>		<b>108 094 037</b>	<b>9.94</b>
CARGILLS CEYLON ORD, Sri Lanka, LKR	864 500	9 239 844	0.85
CEYLON THEATRES ORD, Sri Lanka, LKR	399 174	3 841 896	0.35
JUHAYNA FOOD INDUSTRIES, Egypt, EGP	2 650 000	12 874 207	1.18
KIDO FROZEN FOODS, Vietnam, VND	1 190 700	24 515 354	2.25
NESTLE LANKA PLC, Sri Lanka, LKR	206 537	18 339 222	1.69
OBOUR LAND FOR FOOD INDUSTRIES, Egypt, EGP	1 132 000	11 458 540	1.05
RICHARD PIERIS & CO, Sri Lanka, LKR	7 399 372	5 100 987	0.47
UNILEVER NIG ORD, Nigeria, NGN	13 650 000	12 475 582	1.15
<b>Consumer staples</b>		<b>97 845 632</b>	<b>9.00</b>
ACTIVE FINE CHEMICAL, Bangladesh, BDT	6 125 000	21 184 116	1.95
BEXIMCO-GDR REGS, Bangladesh, GBP	525 000	3 488 436	0.32
EGYPTIAN INTERNATIONAL PHARM, Egypt, EGP	200 632	14 162 433	13.00
FEROZESONS LABORATORIES, Pakistan, PKR	701 600	10 625 460	0.98
RENATA ORD, Bangladesh, BDT	17 554	1 955 335	0.18
SQUARE PHAR ORD, Bangladesh, BDT	1 110 000	33 011 693	3.04
<b>Healthcare</b>		<b>84 427 473</b>	<b>7.76</b>
ACC BANK OF NIG ORD, Nigeria, NGN	66 500 000	15 834 831	1.46
ADAMJEE INSUR ORD, Pakistan, PKR	2 450 000	9 435 158	0.87
ALLIED BANK ORD, Pakistan, PKR	1 700 000	10 705 231	0.98
BANK AL FALAH ORD, Pakistan, PKR	2 059 000	6 484 488	6.00
BRAC BANK LTD, Bangladesh, BDT	4 600 000	49 506 984	4.55
COMMERCIAL INTL, Egypt, EGP	1 177 000	42 003 263	3.86
CREDIT AGRICOLE, Egypt, EGP	952 000	18 390 188	1.69
GRUPO SUPERVIELLE SA, Argentina, USD	67 000	16 103 506	1.48
JSC HALYK BANK GDR, Kazakhstan, USD	273 034	22 128 485	2.03
LETSHEGO, Botswana, BWP	3 237 000	5 071 706	0.47
LIEN VIET POST JOINT, Vietnam, VND	7 180 541	33 458 606	3.08
MEEZAN BANK, Pakistan, PKR	5 458 999	27 143 505	25.00
MILITARY COM BANK, Vietnam, VND	91 358	895 937	0.08
SAMPATH BANK ORD, Sri Lanka, LKR	397 450	6 692 687	0.62
STANBIC IBTC HOLDING, Nigeria, NGN	9 694 900	9 024 246	0.83
UNITED BANK FOR AFRICA ORD, Nigeria, NGN	143 000 300	33 562 143	3.09
WEST AF PROV INS ORD, Nigeria, NGN	1 771 156	20 179	0.00
ZENITH INTL BANK ORD, Nigeria, NGN	74 000 000	43 233 983	3.98
<b>Financials</b>		<b>349 695 125</b>	<b>32.16</b>
AVANCEON LTD, USA, PKR	887 612	2 275 777	0.21
FPT CORP, Vietnam, VND	1 808 570	39 849 798	3.66
SYSTEMS LTD, Pakistan, PKR	4 297 500	23 540 096	2.16
<b>IT</b>		<b>65 665 671</b>	<b>6.04</b>
AN PHU REAL ESTATE, Vietnam, VND	16 946	61 211	0.01
TPL PROPERTIES LTD, Pakistan, PKR	6 955 000	6 122 714	0.56

**Tundra Sustainable Frontier Fund** 11  
515602-4803

VINCOM RETAIL JSC, Vietnam, VND	595 000	10 133 504	0.93
VINGROUP JSC ORD, Vietnam, VND	2	56.00	0.00

<b>Real estate</b>		<b>16 317 484</b>	<b>15.00</b>
<b>Total category 1</b>		<b>1 003 436 367</b>	<b>92.28</b>

**Category 7**

DAEWOO PAK EXPRESS, Pakistan, PKR	2 171 000	11 856 533	1.09
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<b>Consumer discretionary</b>		<b>11 856 533</b>	<b>1.09</b>
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INTERNATIONAL BRANDS, Pakistan, PKR	4 698 334	23 239 434	2.14
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<b>Consumer staples</b>		<b>23 239 434</b>	<b>2.14</b>
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<b>Total category 7</b>		<b>23 239 434</b>	<b>3.23</b>
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<b>Total transferable securities</b>		<b>1 038 532 333</b>	<b>95.5</b>
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<b>Total securities</b>		<b>1 038 532 333</b>	<b>95.5</b>
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<b>Other assets and liabilities</b>		<b>48 905 730</b>	<b>4.5</b>
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<b>Total net assets</b>		<b>1 087 438 063</b>	<b>100.00</b>
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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 dividends	579 766	524 174
Deferred taxes	11 500	
Other	143 690 309	-
	<b>144 281 575</b>	<b>524 174</b>

**Note 4 Other liabilities**

	2017-12-31	2016-12-31
Unsettled acquired securities	157 191 040	1 744 233
Accrued redemptions	950 087	225 446
Unregistered subscriptions	146 160	-
Other	52	155 088
	<b>158 287 339</b>	<b>2 124 767</b>

**Note 5 Change in net assets**

	2017-01-01- 2017-12-31	2016-01-01- 2016-12-31
Net assets at the start of the year	439 046 053	345 307 931
<b>Share class A SEK</b>		
Issued fund units	270 969 458	120 800 608
Redeemed fund units	-137 653 774	-74 780 269
Addition through merger	338 819 543	-
<b>Net</b>	<b>472 135 227</b>	<b>46 020 339</b>
<b>Share class C EUR</b>		
Issued fund units	698 272	172 385
Redeemed fund units	-1 002 694	-
<b>Net</b>	<b>-304 422</b>	<b>172 385</b>
<b>Share class D USD</b>		
Issued fund units	31 979 681	21 590 595
Redeemed fund units	-193 092	-25 178 181
<b>Net</b>	<b>31 786 589</b>	<b>-3 587 586</b>
<b>Share class E NOK</b>		
Issued fund units	49 314 838	-
Redeemed fund units	-6 243 569	-
<b>Net</b>	<b>43 071 269</b>	-
<b>Share class F EUR</b>		
Issued fund units	7 534 273	-
Redeemed fund units	-	-
<b>Net</b>	<b>7 534 273</b>	-
Net result according to the income statement	94 169 074	51 132 984
<b>Net assets at year end</b>	<b>1 087 438 063</b>	<b>439 046 053</b>

### 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>

<b>Benefits paid to all employees in 2017</b>	<b>Amount in SEK</b>	<b>Number of employees</b>
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
<b>Benefits paid to particular regulated staff 2017</b>		
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 Sustainable Frontier Fund, Corporate Identity Number 515602-4803

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### 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 Sustainable Frontier 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 Sustainable Frontier 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