

# TUNDRA SUSTAINABLE FRONTIER FUND

MONTHLY UPDATE  
OCTOBER 2021



**TUNDRA**  
FONDER

### SLOW MONTH ACROSS THE PORTFOLIO

In USD the fund rose 1.7% during the month (EUR: +1.4%), compared to MSCI FMxGCC Net TR (USD) which rose 4.1% (EUR: +3.8%) and MSCI EM Net TR (USD) which rose 1.0% (EUR: +0.7%). Performance was dragged down by corrections in several of our larger, and best, positions so far this year. Measured in absolute return, it was primarily our holdings in Bangladesh and Pakistan that had a negative impact during the month. Our two largest holdings in Pakistan, Systems Ltd and Meezan Bank, fell 6% and 4% respectively during the month, resulting in negative portfolio-level contributions of 0.5% and 0.2%, respectively. Our largest position in Bangladesh, Square Pharmaceuticals, fell 10% during the month, making a negative contribution at the portfolio level of 0.8%. All three companies reported their results during the month which were in line with, or slightly above, market expectations (see summary of the quarterly reports below). In the case of Systems and Meezan, the declines should be seen against the background that both shares have been significantly stronger than their home market so far this year (Systems +69%, Meezan +41% vs MSCI Pakistan IMI Net TR (USD) -4.0%) and thus affected by profit-taking. In Square Pharmaceuticals' case, we observed a major institutional seller during the month who gradually pushed the stock downwards. We increased our position in Square Pharma following the quarterly results, which was slightly better than our expectations.

A rather weak month was alleviated by our position in the Kazakh fintech company Kaspi, which rose 37% and thus made a positive contribution of just over 1% at portfolio level. Our increase in the position at the end of September thus proved successful in the short term. Another positive contribution during the month was Indonesian Media Nusantara, which rose 8% and made a positive contribution of 0.4% at portfolio level. During the month, we sold our marginal remaining position in Vietnamese Lien Viet Postal Bank (0.3%), where the majority of the holding was sold earlier this year.

**TABLE 1: EARNINGS REPORTS FOR JANUARY-SEPTEMBER 2021 VS CORRESPONDING PERIOD 2020**

COMPANY	COUNTRY	SECTOR	EPS 9M'21	EPS 9M'20	YOY (%)	% OF FULL YEAR EST.
Abbott Laboratories	Pakistan	Healthcare	45,88	31,72	45%	76%
Access Bank	Nigeria	Financials	3,46	2,81	23%	89%
Adamjee Insurance	Pakistan	Financials	6,88	3,76	83%	98%
AGP Pharma	Pakistan	Healthcare	3,98	2,70	48%	61%
Asiri Hospitals	Sri Lanka	Healthcare	2,08	0,20	960%	92%
Cargills Ceylon	Sri Lanka	Consumer staples	10,63	7,49	42%	71%
Century Pacific	Philippines	Consumer staples	1,12	0,93	21%	81%
FPT Corp	Vietnam	Technology	3 340,07	2 815,20	19%	70%
Guaranty Bank	Nigeria	Financials	5,16	5,69	-9%	81%
Hermia Hospitals	Indonesia	Healthcare	52,67	17,82	195%	87%
Kaspi	Kazakhstan	Financials	1 541,73	950,61	62%	69%
Masan	Vietnam	Consumer staples	1 800,94	820,61	119%	62%
Meezan Bank	Pakistan	Financials	12,14	11,24	8%	79%
Mobile World	Vietnam	Consumer discretionary	4 679,98	4 174,42	12%	65%
National Bank of Paki	Pakistan	Financials	11,53	12,28	-6%	86%
REE Corp	Vietnam	Industrials	3 439,99	3 160,14	9%	61%
Shezan	Pakistan	Consumer staples	11,88	11,61	2%	79%
Stanbic	Nigeria	Financials	3,42	5,80	-41%	80%
Systems Ltd	Pakistan	Technology	18,81	11,82	59%	80%
Zenith Bank	Nigeria	Financials	5,11	5,07	1%	70%

Source: Bloomberg, Companies, Tundra Fonder

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Measured as share of the portfolio, 55% of our holdings have now reported third quarter earnings for (calendar year) 2021. The reports show that the earnings estimates for the portfolio as a whole are well substantiated, with a probable need for certain upwards adjustments. It should be pointed out that differences in fiscal years mean that the full-year estimates for some of the companies do not coincide with the calendar year 2021. Overall, however, the trend is strong.

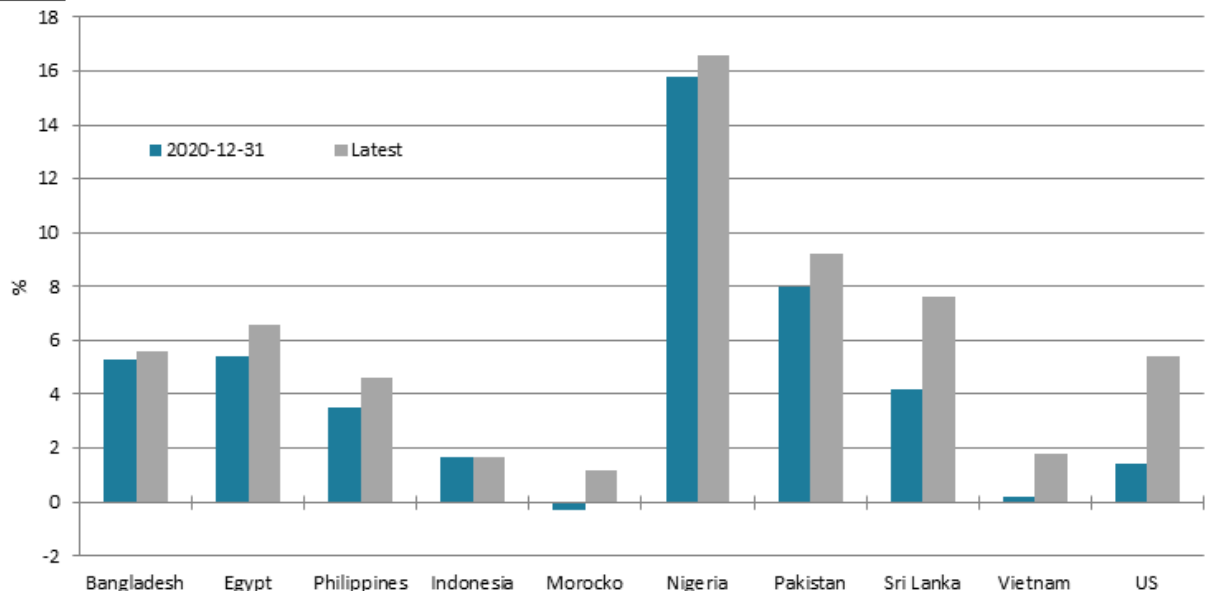
Some of the companies, e.g. REE Corp (Renewable Energy in Vietnam) and AGP Pharma (Pharmaceuticals in Pakistan) have been hit by what we consider to be short-term, but explanatory, disruptions. In AGP's case, it is about canceled exports to Afghanistan and a negative impact from the weaker rupee. In the case of REE Corp., it was affected by the shutdowns in Vietnam during the third quarter as well as certain short-term disruptions in power operations. In two of our five largest holdings, Systems and Meezan, we see probably upwards earnings adjustments ahead. In one case, Sri Lankan Asiri Hospitals, a rather significant upward adjustment is needed. In Asiri's case, however, it should be added that the company's results during the third quarter were positively impacted by COVID-related revenue.

For the consolidated portfolio, we see upward adjustments in estimated earnings for the current year but also some spillover to next year. On this backdrop, the portfolio's P/ E-ratio (harmonic P/E-method) of 10.1x for the current year and 8.5x for next year remains conservative. As we usually point out, the stable growth that characterizes our holdings and the lack of traditional cyclical industries means that the probability of an external impact on results is generally low. Instead, it is about the companies succeeding in maintaining a continued high level of their delivery, which is more about the long-term strategy and its execution.

Regarding the general investment climate, it is worth noting that our markets are also affected by the global inflation discussion. We have seen clearly higher inflation over several of our markets in the wake of rising commodity prices and as a consequence of inadequate logistics. However, it is also worth noting that the upward jump has been more modest, and less of the shock we found in e.g. the US (see Figure 1). Less impact of rising shipping prices may be one reason. Another reason



**FIGURE 1: ANNUAL INFLATION IN TUNDRA'S MARKETS VS US**



Source: Bloomberg, Tundra Fonder

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may be lower purchasing power and greater focus on simpler basic goods that are to a greater extent manufactured locally.

We also note that several of our countries' central banks have already begun to act on the higher inflationary pressure. In fact, none of our investment countries at present (Nigeria, in reality, however the same) has a larger gap between inflation and the current policy rate than the United States (see Table 2).

**TABLE 2: CURRENT CENTRAL BANK POLICY RATE, CHANGE IN 2021 & LATEST INFLATION FIGURE**

COUNTRY	CB POLICY/MID RATE (%)	CHG 2021 (%)	CPI (LATEST MONTHLY, YOY, %)
Bangladesh	4,75	0,00	5,6
Egypt	8,75	0,00	6,6
Indonesia	3,50	-0,25	1,7
Morocco	1,50	0,00	1,2
Nigeria	11,50	0,00	16,6
Pakistan	7,25	0,25	9,2
Philippines	1,75	0,00	4,6
Sri Lanka	5,50	0,50	7,6
Vietnam	3,25	0,00	1,8
US	0,125	0,00	5,4

*Source: Bloomberg, Tundra Fonder*

If it turns out that the world is facing a period of more persistently higher inflation, then our thesis is that this outcome will have less impact on our markets, than e.g. the US. Combined with the currently low valuations, it is a good argument for investors who see a risk of longer-term higher inflation.

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### ABOUT THE FUND

Tundra Sustainable Frontier Fund focuses on the next generation of emerging markets such as Vietnam, Bangladesh, Sri Lanka, Pakistan, Egypt and Nigeria. Featuring strong population growth, rapid urbanisation, investments in infrastructure, growing middle classes and stabilising political environments, a vast majority of international investors are yet to discover these markets.

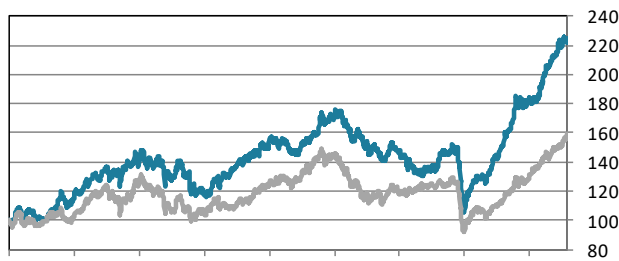
The fund is managed according to Tundra's active stock picking philosophy and backed by local research offices in Asia. Investments are based on an ESG approach where each investment has to comply with the UN Global Compact with regards to human rights, labour rights, corporate governance and environmental impacts. The fund is registered in Sweden and is fully UCITS compliant. Read more about latest developments [here](#).

Return*	NAV (EUR)	1 month	YTD	1 year	3 year	Inception
Tundra Sustainable Frontier (EUR)	27.10	1.4%	32.8%	49.2%	49.2%	125.3%
Benchmark	770.76	3.8%	30.3%	40.6%	37.6%	59.0%

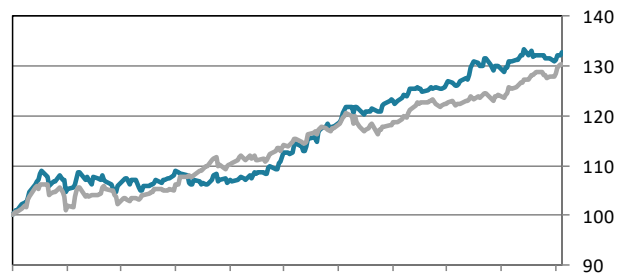
\* Fund returns calculated on SEK class converted to EUR in order to provide the longest possible data set.

### The fund vs benchmark (since inception)

### The fund vs benchmark (YTD)



Apr-13 Apr-14 Apr-15 Apr-16 Apr-17 Apr-18 Apr-19 Apr-20 Apr-21  
 — Tundra Sustainable Frontier (EUR) — MSCI FM xGCC Net TR (EUR)



Dec-20 Jan-21 Feb-21 Mar-21 Apr-21 May-21 Jun-21 Jul-21 Aug-21 Sep-21 Oct-21  
 — Tundra Sustainable Frontier (EUR) — MSCI FM xGCC Net TR (EUR)

### Fund monthly performance

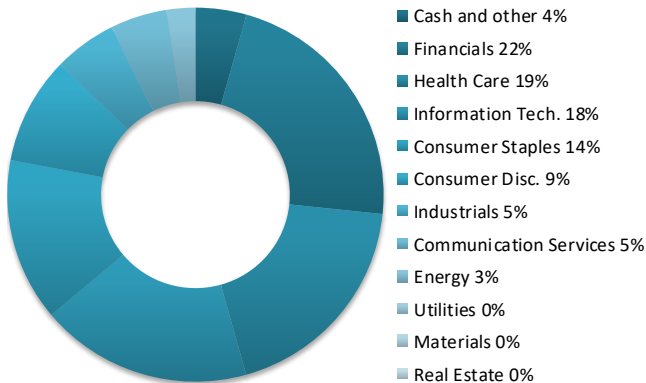
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013				0.3%	7.9%	-6.5%	4.6%	-4.6%	-0.7%	1.7%	4.0%	4.1%	8.7%
2014	4.6%	-4.5%	4.0%	4.0%	5.6%	0.6%	3.4%	-0.9%	4.5%	-2.6%	-0.2%	0.6%	22.3%
2015	4.3%	0.5%	1.3%	0.6%	-0.3%	-2.5%	-0.5%	-4.1%	-3.0%	5.6%	1.6%	-4.7%	-1.7%
2016	-5.1%	-2.8%	-2.8%	0.9%	7.1%	0.3%	2.4%	4.3%	1.4%	1.1%	2.6%	0.9%	10.1%
2017	0.2%	3.9%	2.2%	0.4%	-0.7%	0.2%	-3.6%	-0.2%	3.6%	1.9%	2.2%	0.4%	10.7%
2018	6.0%	0.6%	1.2%	1.3%	-4.9%	-2.3%	-2.6%	-0.4%	-1.8%	-1.9%	-2.4%	-4.6%	-11.6%
2019	3.2%	2.4%	-0.7%	-2.5%	-3.1%	-4.7%	1.1%	0.8%	0.9%	-0.6%	9.3%	-2.2%	3.2%
2020	1.6%	-6.1%	-22.9%	13.8%	4.0%	2.3%	-2.2%	7.4%	5.7%	4.6%	7.6%	5.0%	16.8%
2021	5.2%	0.7%	2.6%	-1.8%	5.5%	6.9%	2.2%	2.5%	3.9%	1.4%			32.8%

Source: Bloomberg, MSCI, Tundra Fonder

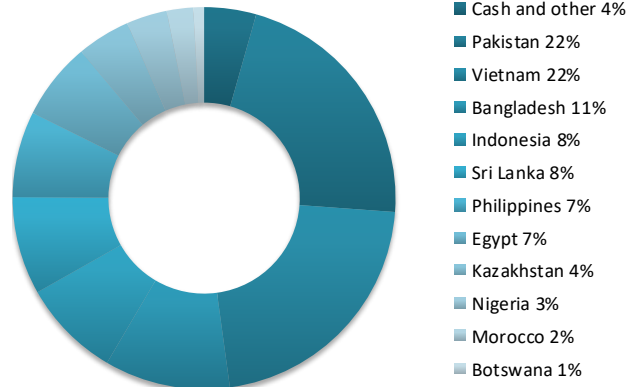
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### Sector allocation



### Country allocation



Largest holdings	Portfolio weight	Country	P/E 21E	P/E 22E	Yield	Return 1M (EUR)
FPT Corp	8.4%	Vietnam	21.6	18.1	2.1%	4.5%
Systems Ltd	7.7%	Pakistan	32.0	21.1	0.7%	-5.5%
Square Phar Ltd-Ord	7.4%	Bangladesh	12.4	11.4	2.5%	-11.1%
Meezan Bank Ltd	5.6%	Pakistan	8.6	7.6	4.1%	-3.9%
Media Nusantara	4.9%	Indonesia	5.3	4.7	3.4%	8.7%
Ree	4.8%	Vietnam	14.1	11.8	-	15.1%
Jsc Kaspi.Kz	4.5%	Kazakhstan	27.9	19.3	1.8%	36.9%
Masan Group Corp	4.1%	Vietnam	51.8	30.5	0.0%	6.2%
Medikaloka Hermina TBK	3.5%	Indonesia	19.4	23.8	0.3%	1.3%
Airports Corp Of Vietnam	3.3%	Vietnam	120.7	46.0	1.0%	5.1%

Best performers in October	Return (EUR)	Worst performers in October	Return (EUR)
Jsc Kaspi.Kz	36.9%	Active Fine Chemicals Ltd	-20.0%
Ree	15.1%	Beximco Pharmaceutical	-12.5%
Adamjee Insurance Co Ltd	10.4%	Square Phar Ltd-Ord	-11.1%
Interloop Ltd	10.0%	Egyptian Intl Pharma	-8.4%
Ceylinco Insurance-Non Voting	9.5%	Systems Ltd	-5.5%

Facts		Risks and costs*	
Inception date	2013-04-02	Active risk (Tracking error)	9.2%
Pricing	Daily	Active share	87.9%
Manager	Tundra Fonder AB	Standard deviation	23.0%
Benchmark index	MSCI FM xGCC Net TR (EUR)	Standard deviation, benchmark	19.7%
ISIN	SE0006789897	Beta	1.07
Bloomberg	TUNDFRF SS	Information ratio	1.87
IBAN	SE4450000000058648209218	Holdings	42
BIC	ESSESESS	Risk level	5 of 7 (refer to KIID for more info)
Custodian	SEB	Management fee/year (all inclusive **)	2.5%
Auditor	PWC	AuM	222.1 MEUR

\* Risk indicators are based on monthly rolling 24 months of return data. \*\* The management fee includes variable custody fees, audit, legal and marketing expenses.

Source: Bloomberg, MSCI, Tundra Fonder

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