

TUNDRA SUSTAINABLE FRONTIER FUND

MONTHLY UPDATE
JUNE 2022



WEAK MONTH BUT POSITIVE SIGNS AHEAD

In USD the fund fell 6.8% in June (EUR: -4.1%), compared with MSCI FMxGCC Net TR (USD) which fell 5.7% (EUR: -3.0%) and MSCI EM Net TR (USD) which fell 6.6% (EUR: -4.0%). It was a weak month for global equities where the world index fell 9% (USD) and sentiment was sour across Tundra's markets as well. The largest negative contributions were received from Pakistan (-1.6% portfolio contribution) where the sub-portfolio fell 8%, from Vietnam (-1.0% portfolio contribution) where the sub-portfolio fell 4%, Egypt (-0.7% portfolio contribution) where the sub-portfolio fell 12% and from the Philippines (-0.6% portfolio contribution) where the sub-portfolio fell 8%. We did not have positive contributions from any of our countries' sub-portfolios during the month.

At the company level, our largest single positive portfolio contribution (+0.3%) came from Indonesian Hermina Hospitals, which is one of Indonesia's leading private healthcare providers. The share rose 7% (USD) in a declining market after one of the largest conglomerates of Indonesia, Astra International, increased its holdings further, from 4.9% to 5.4%. Our largest negative contribution (-0.7%) was received from Pakistan's Meezan Bank. The share fell 16% in the month after the government raised corporate tax for Pakistani banks, from 35% to 39%, and introduced an additional super-tax of 10% for FY2022. The taxes are part of the budget concessions Pakistan has been forced to make in negotiations with the IMF. For Meezan Bank, the changes mean that the profit estimate for 2022 will be adjusted downwards by about 20%. Looking into 2023, it will affect estimates by around 7-9%. After the adjustments, the company is trading at 5x the annual profit for 2022 and about 4x for 2023. We, therefore, believe that it is well discounted in the share price. During the month we divested our remaining stake in Egyptian pharmaceutical distributor Ibsina Pharma. The position has for a while been below 1% of the portfolio, which means we either have to increase, or divest. We concluded we lacked the conviction to increase versus our other holdings; therefore, we decided to divest. During the month we increased our position in Egyptian education company, CIRA, and Philippine consumer staples company Century Pacific Food Inc.

PICTURE 1: COMPANIES IN FOCUS IN JUNE



Source: Corporates

For global markets, the discussion is now beginning to focus on the risks of recession in the world economy, given the sharp rise in interest rates. It may sound scary, but global growth generally has a limited impact on our companies' operations. They have suffered significantly more from the soaring commodity prices that have negatively impacted most of our countries' balance of payments, driven up inflation and interest rates, and caused risk aversion towards equities. A global recession would mean lower demand for raw materials. This would in turn lower prices for raw materials which would impact the majority of our markets strongly positively. The balance of payments would improve, which would take pressure off currencies and inflation would come down, which would push interest rates back down. In June, we saw the first significant correction in commodity prices since the start of the war in Ukraine. Bloomberg's commodity index fell 11%, touching the levels just before the war began. The decline was broad with double-digit declines for

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several important commodities. Leading futures for natural gas, wheat, zinc, and nickel stood out with corrections of almost 20%. Given the very sensitive supply and demand situation, one should be careful about drawing more far-reaching conclusions. And even if commodity prices now peak, inflation in our markets will also be affected by other factors, such as currency weakening, rising interest rates, and the phasing out of subsidies. Inflation in Pakistan rose to 21.3% year-on-year in June, primarily due to abolished fuel subsidies. Similarly, inflation in Sri Lanka jumped to 54.6% as the effects of the sharp devaluation were absorbed in prices. Countries' conditions and historical handling of the crisis will mean that they will be affected differently.

The external situation remains difficult, but equity markets tend to anticipate events and their performance is primarily driven by changes in expectations - positive or negative. Among our markets, we note that the two hardest hit, Sri Lanka and Pakistan, are now closer to agreements with the IMF. The IMF visited Sri Lanka during the month and an agreement in principle on a support package is expected to be announced in July or August. A final agreement will depend on a successful restructuring of the country's external debt. The debt restructuring should not be completed until the autumn at the earliest, and the country (and the equity market) can thus, with the help of the IMF, begin repairing the damage caused by the government. We find it difficult to see that expectations will deteriorate further, simply because they are so close to zero. In the case of Pakistan, very tough budgetary measures were taken during the month. An extra corporate tax of 10% for the just concluded financial year is introduced for most of the listed companies. The banks, which have been criticized for their prudent lending and for profiting from the high interest rates, saw their corporate tax increase from 35% to 39%. In combination with the elimination of fuel subsidies, the IMF should now be reasonably satisfied, which means that the debt program should be able to resume shortly. Even after this year's (temporary) tax increase, the stock market's valuation will be around 4x the current year's profits, compared with just under 10x on average over the past ten years. It is very conservative given how far into the crisis we are.

FIGURE 1: KEY VALUATION METRICS OF THE FUND

	Weight	P/E FY1	P/E FY2	P/BV	ROE FY1	Div yld
Fund		7,7	6,6	1,4	17,9%	2,9%
Communication Services	6,5%	4,8	4,4	0,7	14,8%	0,0%
Consumer Discretionary	11,0%	4,3	4,0	1,4	33,6%	2,7%
Consumer Staples	13,2%	13,4	11,9	2,2	16,4%	0,5%
Financials	17,6%	3,5	3,0	0,5	15,8%	5,9%
Health Care	18,1%	14,1	11,6	2,4	17,0%	2,6%
Industrials	10,3%	14,9	11,6	2,1	14,2%	0,3%
Information Technology	18,2%	19,5	16,0	4,3	22,1%	1,2%
Utilities	1,3%	8,8	7,1	0,9	10,2%	7,0%
Cash	3,8%	-	-			

Source: Bloomberg, Tundra Fonder

The headlines will continue to be dramatic for some time to come. As we have discussed in previous monthly letters, however, investors must try to ignore single years of difficult conditions. There is no other correct way to measure a company's value than by calculating the net present value of estimated future cash flows. In such a model, the current year's cash flow makes up approximately 10% of the company's total value, assuming estimates beyond remain unchanged. If we embrace a truly pessimistic perspective and extrapolate the analysis to three years of zero cash flow, the

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Tundra Sustainable Frontier Fund

valuation impact is about 25% of the company's value. Assuming you own companies that can withstand this type of crisis without the business taking permanent damage, and that the long-term growth conditions remain intact, the market's overreaction during turbulent times means a fantastic long-term buying opportunity. To quote Warren Buffett: "The stock market is a device for transferring money from the impatient to the patient ". Our focus remains to try to ensure that our portfolio at all times reflects the absolute best long-term investment opportunities. The portfolio's valuation is currently 7.7x the current year's profits (see Figure 1). We will not be immune to developments in the rest of the world, but we are encouraged by the fact that our markets to a large extent have already discounted significantly worse times ahead.

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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.

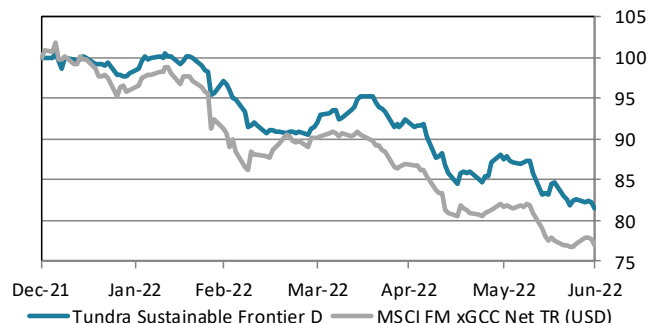
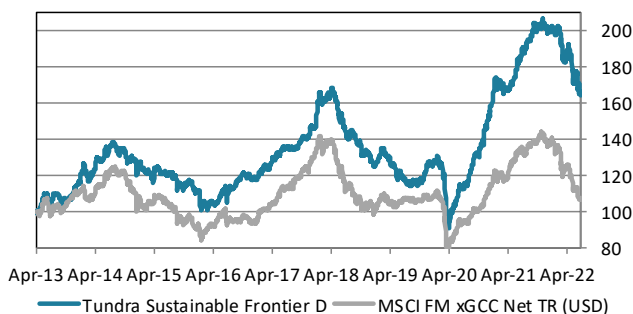
The fund is managed according to Tundra's active stock picking philosophy and backed by local research offices in Asia. Investments are based on an ESG approach where each investment has to comply with the UN Global Compact with regards to human rights, labour rights, corporate governance and environmental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

Return*	NAV(USD)	1 month	YTD	1 year	3 year	Inception
Tundra Sustainable Frontier D	25.40	-6.8%	-18.5%	-12.9%	39.6%	64.6%
Benchmark	662.08	-5.7%	-23.0%	-21.1%	-0.7%	6.5%

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

The fund vs benchmark (since inception)

The fund vs benchmark (YTD)



Fund monthly performance

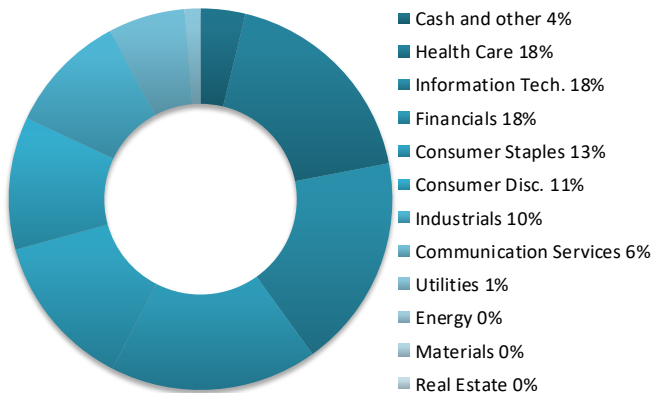
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013				2.8%	6.6%	-6.2%	6.2%	-4.6%	1.7%	2.3%	3.9%	5.5%	16.9%
2014	2.4%	-2.3%	4.0%	4.4%	3.8%	0.9%	1.3%	-2.5%	0.1%	-3.4%	-0.6%	-1.7%	7.9%
2015	-3.1%	-0.5%	-2.8%	4.4%	-1.6%	-0.7%	-1.4%	-3.0%	-3.4%	4.3%	-2.7%	-1.6%	-11.8%
2016	-5.8%	-2.3%	1.7%	1.1%	4.5%	-0.2%	2.8%	4.1%	2.0%	-1.3%	-0.7%	0.4%	6.3%
2017	2.5%	2.1%	3.0%	2.5%	2.2%	1.8%	-0.8%	0.7%	3.1%	0.6%	4.5%	1.2%	25.9%
2018	10.1%	-1.4%	2.2%	-0.7%	-8.2%	-2.4%	-2.1%	-1.0%	-2.2%	-4.2%	-2.2%	-3.6%	-15.6%
2019	3.5%	1.6%	-2.0%	-2.6%	-3.7%	-2.8%	-1.0%	0.0%	-0.4%	1.7%	7.9%	-0.4%	0.9%
2020	0.3%	-6.9%	-23.0%	12.8%	6.4%	3.2%	3.1%	8.4%	3.7%	4.6%	10.3%	7.6%	28.2%
2021	4.0%	0.5%	-0.6%	1.0%	6.6%	4.0%	2.3%	1.9%	1.8%	1.7%	-0.8%	-0.3%	24.2%
2022	-1.3%	-1.5%	-5.3%	-0.1%	-4.9%	-6.8%							-18.5%

Source: Bloomberg, MSCI, Tundra Fonder

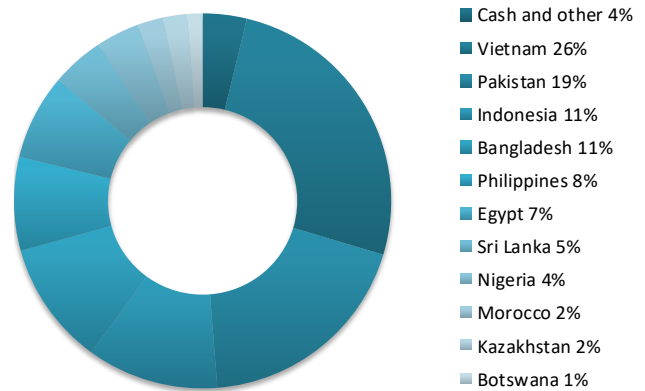
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Sector allocation



Country allocation



Largest holdings	Portfolio weight	Country	P/E 22E	P/E 23E	Yield	Return 1M (USD)
FPT Corp	8.5%	Vietnam	18.0	14.8	2.3%	-5.3%
Square Phar Ltd-Ord	8.3%	Bangladesh	10.3	10.1	3.4%	-4.4%
Systems Ltd	7.4%	Pakistan	18.6	14.9	1.9%	-5.9%
Media Nusantara	6.5%	Indonesia	4.8	4.3	3.2%	-6.1%
Ree	6.1%	Vietnam	13.4	11.9	1.8%	-5.1%
Medikaloka Hermina TBK	4.9%	Indonesia	34.3	28.4	0.6%	7.1%
Mobile World Investment Corp	3.9%	Vietnam	17.6	15.4	0.9%	-1.1%
Airports Corp Of Vietnam	3.8%	Vietnam	50.0	31.1	0.6%	-9.5%
Century Pacific Food	3.8%	Philippines	16.3	13.8	1.8%	-4.4%
Meezan Bank Ltd	3.8%	Pakistan	4.4	4.2	7.2%	-16.2%

Best performers in June	Return (USD)	Worst performers in June	Return (USD)
Medikaloka Hermina TBK	7.1%	Beximco Pharmaceutical GDR	-17.5%
AGP Limited	3.9%	Sampath Bank Plc	-17.4%
Windforce Ltd	0.2%	Meezan Bank Ltd	-16.2%
Abbott Laboratories (Pak) Ltd	-0.6%	Hightech Payment	-14.5%
Masan Group Corp	-0.8%	Letshego Holdings Ltd	-14.2%

Facts	Risks and costs*
Inception date	2013-04-02
Pricing	Daily
Manager	Tundra Fonder AB
Benchmark index	MSCI FM xGCC Net TR (USD)
ISIN	SE0005222346
Bloomberg	TUNDFRU SS
IBAN	SE4750000000058648209552
BIC	ESSESESS
Custodian	SEB
Auditor	PWC
Share classes currencies	SEK, USD, EUR, NOK
Active risk (Tracking error)	8.6%
Active share	90.4%
Standard deviation	14.2%
Standard deviation, benchmark	13.7%
Beta	0.84
Information ratio	1.69
Holdings	38
Risk level	5 of 7 (refer to KIID for more info)
Management fee/year	2.5%
AuM	199.1 MUSD
Dividend	No dividend

* Risk indicators are based on monthly rolling 24 months of return data.

Source: Bloomberg, MSCI, Tundra Fonder

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