

TUNDRA SUSTAINABLE FRONTIER FUND

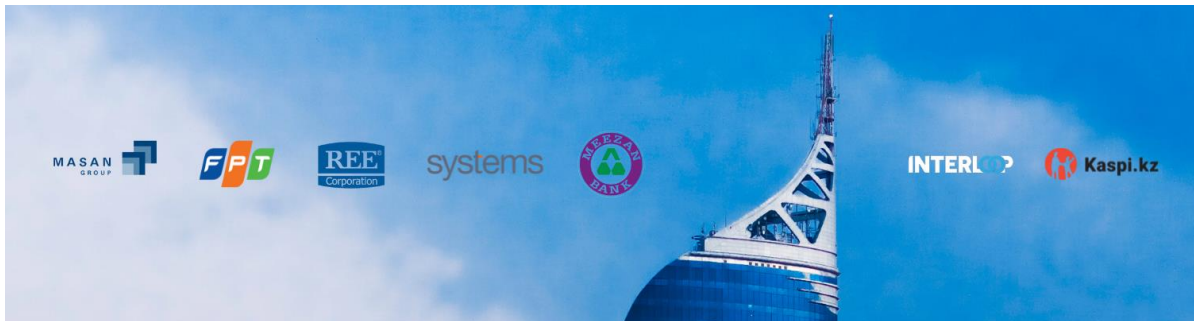
MONTHLY UPDATE
APRIL 2023



TUNDRA
FONDER

CAUTIOUS RECOVERY IN APRIL

In USD the fund rose 1.2% (EUR: +0.3%) during the month of April, compared to the fund's benchmark MSCI FMxGCC Net TR (USD) which rose 0.6% (EUR: -0.4%) and MSCI EM Net TR (USD) which fell 1.1% (EUR -2.1%). Calculated in USD, the largest absolute contributions were received from Egypt (+0.9% portfolio contribution, sub-portfolio rose 13%) and Kazakhstan (+0.4% portfolio contribution, sub-portfolio rose 11%), while the largest negative contributions were received from Vietnam (-0.6%, the sub-portfolio fell 2%) and Morocco (-0.1%, the sub-portfolio fell 3%). In Egypt, it was primarily the fund's largest Egyptian holding, GB Corp (previously GB Auto) that contributed. The stock rose 27% during the month without any particular news. Even post the rise, the valuation remains undemanding (P/E'23E 4.2x) given the strong growth in the company's financing business. In Kazakhstan, our only position in the country, fintech company Kaspi, rose 11% after releasing another report that beat expectations. In Vietnam, Masan Group fell 7% ahead of its first quarter report. The report released on April 28th came in slightly below expectations, but the stock recovered slightly after the announcement.

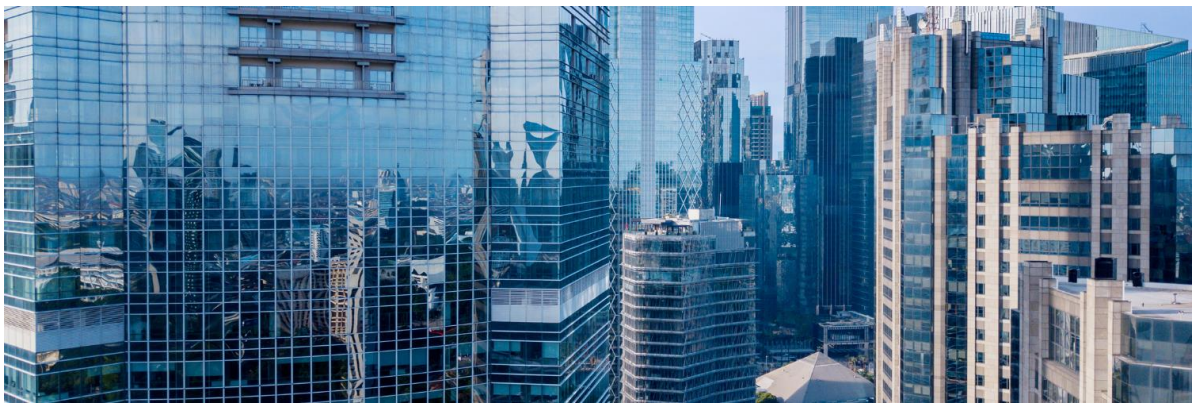


18 of our portfolio companies released their results for the first quarter during the month. There were small deviations relative to expectations, but some are worth highlighting. The Vietnamese real estate crisis that began last year and the continued weak export orders have started to impact the propensity to consume and continue to weigh on consumer demand, something we also noted in the fourth quarter reports. Vietnamese consumer conglomerate **Masan Group** (4% of the fund) delivered a below-expected result, with costs associated with the continued expansion of the grocery chain Winmart combined with weaker consumer demand and lower profit contributions from banking business weighing on results. Also in the report from the Vietnamese leading IT-consultant **FPT** (9% of the fund), we saw a clear slowdown in the local demand for IT services (-5% on an annual basis), but this was compensated by unexpectedly strong demand internationally where sales increased by a whopping 32%. The order book rose 44% compared to the same period last year, which bodes well for the remainder of the year. Overall revenue rose 20% in the first quarter, while profit after tax rose 21%. **REE Corp** (7% of the fund), which operates primarily in renewable energy, saw profits in the first quarter increase by 7% year-on-year while revenue rose 15%. We have expected a slight drop in profits in 2023, given that their hydro business had an exceptionally good year in 2022 with unusually high water levels. During the month, however, the company guided for unchanged profit in 2023, which is likely to cause some revisions upward on profit estimates.

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In Pakistan, the picture was generally positive. As expected, our largest Pakistani holding, IT company **Systems Ltd** (7% of the fund), delivered a strong report with sales up just over 100% compared to the corresponding quarter in 2022, and profits up just over 200%. The result was heavily doped by exchange rate gains from the devalued PKR, with 85% of the company's revenue coming from exports. A good hedge in troubled times but should not be extrapolated. The company has recently expanded into new markets (e.g. Saudi Arabia, Egypt, South Africa, Australia, and Singapore), which means increased costs are expected to weigh on margins throughout the year. We noted a certain slowdown from the American market, which was however more than compensated by unexpectedly strong development in the Middle East. Pakistan's **Meezan Bank** (3% of the fund) impressed with earnings growth of nearly 70% year-on-year in the first quarter. The currently very high interest rate situation in Pakistan favours the bank's net interest income and the forecast for the full year of a profit of PKR 31/share (P/E'23E 3.2x) looks conservative. However, Meezan Bank is also currently benefiting disproportionately from the current troubled climate in Pakistan and should from next year come down to more normal profit growth of 10-20% per year. Worth noting is that the bank has doubled its earnings, in USD, over the last three years, an impressive achievement given the problems Pakistan has faced during this period. The clothing manufacturer **Interloop** (2% of the fund) also released a strong report. Just like Systems Ltd, Interloop also benefits from the fact that more than 90% of sales come from exports. The extremely strong last quarter will not be representative for the rest of the year, but if we look at the rolling twelve-month rate, revenues increased by just under 40% and profit after tax by just over 100%. In addition to the company benefiting from the weaker Pakistani rupee, it also rides strongly on its strong sustainability profile with structurally growing demand from increasingly aware buyers. We often talk about the importance of choosing companies that are adapted to the local conditions. Systems, Meezan and Interloop currently make up 75% of our Pakistani sub-portfolio and have done well despite the macro concerns.



Kazakh fintech company **Kaspi's** (4% of the fund) result was impressive again, exceeding expectations. Profits rose 52% year-on-year, while revenue rose 53%. Although we expect lower growth in the remaining quarters, the pace is currently higher than market forecasts for 2023 (expected profit and revenue growth of 28% and 32%). The company's valuation took a significant hit in connection with Russia's invasion of Ukraine. However, the current valuation of 9x 2023 forecasted earnings is not very demanding.

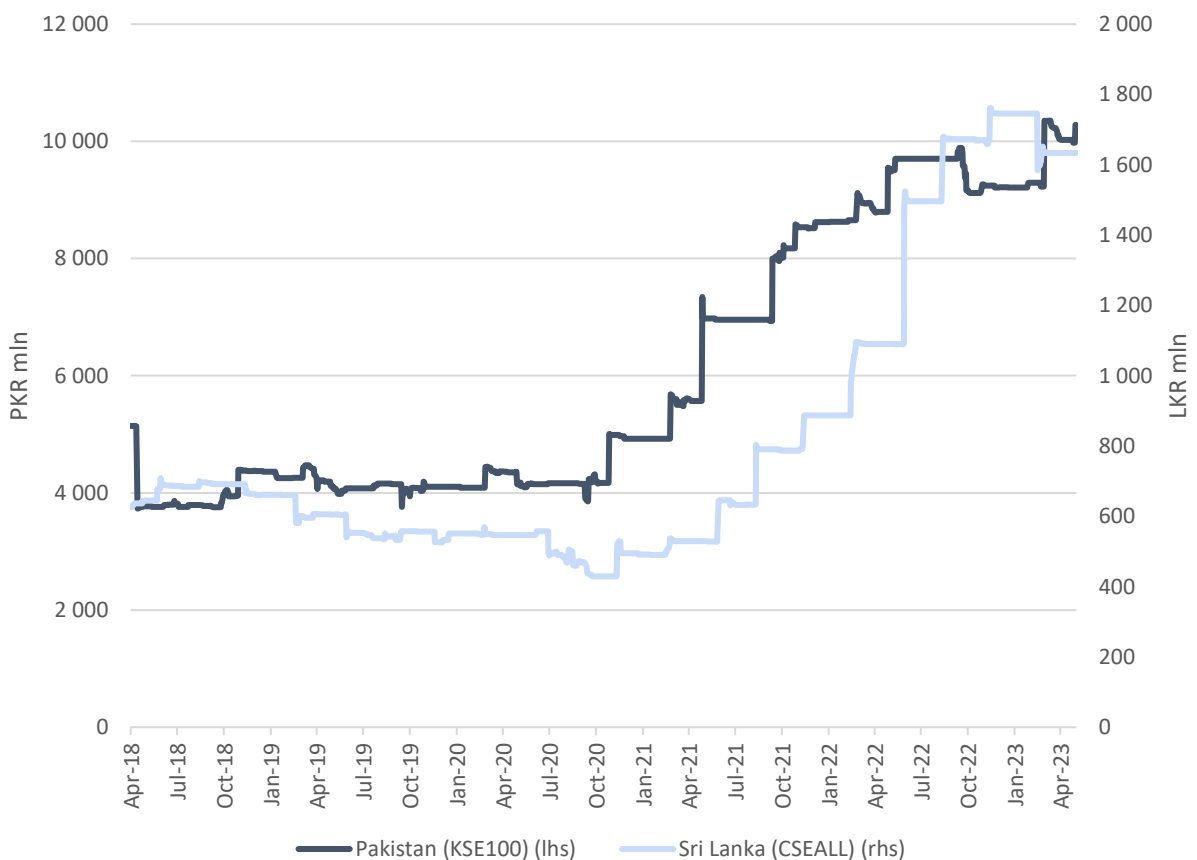
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On the news side, it was a relatively quiet month where a certain calm settled in as investors continue to get used to continued high inflation and interest rates, something that drives local capital to the fixed-income market instead of the equity market. We are however gradually approaching the time for improvements at the macro level and better visibility ahead and earnings have held up well, even when converted to USD. Of our markets, Pakistan remains at the center of attention currently. At the same time as the discussions with the IMF continue, the government and the opposition have now sat down at the negotiating table to arrive at a date for the election. As previously stated, we believe it is necessary that the timing be determined so that the market can start looking ahead again.

Sri Lanka and Pakistan have been the two most severely affected markets in the past year. As an investor, however, one must distinguish between a country's problems and its impact on the profit development of the listed companies. We note that corporate profits in Sri Lanka and Pakistan have so far held up well, where the companies have generally succeeded in compensating for devaluations and higher costs (Figure 1).

FIGURE 1: PAKISTAN AND SRI LANKA EARNINGS (LOCAL CURRENCY)



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It may seem strange that companies can continue to grow despite quite terrible headlines, but it is quite logical. Equities are real assets (e.g., machinery and land) whose value is relatively constant regardless of the currency you choose to measure them in. The owners of these assets require a certain level of return on the real value. Assuming they supply a good or service that fills a societal demand, they are thus able to raise prices and their profit in local currency in times of devaluation just to maintain a certain required rate of return. Exchange rate movements are perhaps the most mentioned point of concern among foreign investors but have limited empirical support based on the impact on profits in 1-2 years perspective. Even less so if the portfolio is positioned in companies that tend to weather these periods better than average. The damage that occurs is instead that the fear of the unknown lowers the valuation multiples in exposed markets until the crisis is perceived to be over. This phenomenon, rather than the fundamental impact, is what creates most of the swings we see in our equity markets, and it creates good buying opportunities for long-term investors. As Warren Buffett once said: "The stock market is a device for transferring money from the impatient to the patient".



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The fund assets at the end of March 2023 were USD 174m. This means that the P/E ratio for the current year is 7.1x. For 2023, we expect consolidated earnings to rise by 4% in USD. This takes into account both Egypt's (7% of the portfolio) and Pakistan's (16% of the portfolio) local currency devaluations against the US dollar in 2023 of 20% each. This figure can also be broken down at the country level to see where the profits are generated (see Figure 4).

FIGURE 4: PROFITS FOR THE FUND'S SUB-PORTFOLIOS AND FOR THE FUND (USD, mln)

(USD, mln)	2020	2021	2022	2023	2024
Botswana	0.7	0.7	0.5	0.5	0.6
Bangladesh	1.6	2.0	1.7	1.9	2.2
Egypt	1.9	3.1	3.0	1.9	2.4
Indonesia	2.2	3.0	2.2	2.5	2.8
Kazakhstan	0.3	0.5	0.6	0.8	0.9
Morocco	0.1	0.1	0.2	0.2	0.2
Nigeria	2.5	3.1	2.4	2.8	3.2
Philippines	1.1	1.2	1.1	1.3	1.4
Pakistan	6.5	7.1	6.8	6.8	7.6
Sri Lanka	1.4	2.4	1.4	2.0	2.6
Vietnam	1.8	2.4	3.0	3.2	3.8
Sum	20.2	25.7	23.0	23.9	27.6

Source: Bloomberg, Tundra Fonder

Here you can see how our portfolio companies fared during a difficult 2022. With few exceptions, most companies have reported their earnings and we have a somewhat fair picture of the outcome. In Indonesia, portfolio profits decreased by nearly 30%, mainly because our healthcare company, Hermina Hospitals, experienced a drop in earnings as they no longer treat COVID patients. As expected, the profit decline in Sri Lanka (calculated in USD) was substantial, given that the currency lost 45% against the dollar during the year. Despite a currency weakening of 22% against the dollar, profits in our Pakistani portfolio companies fell by only 4%. This is because nearly 50% of our exposure in the country comes from an IT company, which generates 85% of its total revenues in foreign currency (mostly USD). Another 30% are banks that net profited from the higher interest rates. The most profit increase in 2022 came from Vietnam, where our three largest exposures (the IT company FPT, the largest listed renewable energy company Ree Corp, and the airport terminal operator Airports Corporation of Vietnam) all showed significantly higher profits. For 2023, it is mainly Egypt that is expected to have a difficult time. One reason for this is partly the exchange rate loss (20% against USD so far in 2023) but also very low expectations for our largest holding, GB Auto.

From a unitholder's perspective, the data can also be used for stress testing if you have other expectations. If you believe, for example, that Pakistan will devalue another 20% without the companies managing to compensate in their pricing for this, then the portfolio profit falls by 6% and the P/E ratio for 2023 rises to 7.7x and so forth. The idea is to update the profit estimate every

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quarter going forward so that you, as an investor, thus get a regular update on how the portfolio companies are performing and how expectations change locally. Based on the values of our various country portfolios, it is also possible to calculate P/E ratios per country, and we conclude in the table below (Figure 5).

FIGURE 5: P/E RATIO FOR THE FUND'S SUB-PORTFOLIOS AND FOR THE FUND

P/Ex	2020	2021	2022	2023	2024
Botswana	2.0	3.7	4.3	4.0	3.4
Bangladesh	14.3	11.5	10.3	9.3	8.0
Egypt	10.5	7.8	5.4	6.7	5.5
Indonesia	9.5	6.4	8.4	6.2	5.6
Kazakhstan	20.8	22.4	10.8	8.7	7.2
Morocco	51.6	42.5	31.0	28.4	26.3
Nigeria	3.7	2.7	2.9	2.7	2.4
Philippines	16.6	18.9	15.6	13.5	12.0
Pakistan	7.2	7.3	5.4	4.0	3.6
Sri Lanka	16.8	9.1	7.6	6.3	5.0
Vietnam	18.4	21.7	15.4	14.1	11.9
Sum	10.4	9.5	8.1	7.1	6.2

Source: Bloomberg, Tundra Fonder

Worth noting here is that historical P/E numbers, up to 2022, have been calculated based on the share price at the end of each year and assume that the same number of shares were owned throughout the period. For the fund as a whole, it can thus be noted that the valuation today is roughly 20% lower than at the end of 2020 for the same holdings. Assuming that our estimates for 2023 are correct, the discount rises to roughly 30%. We also note that our portfolio companies in Sri Lanka at the end of 2022 were valued at less than half of what was the case at the end of 2020, likewise in Egypt. The generally low valuations can be explained by investors' concerns, and some of our markets have continued uncertainty ahead. The profit estimates may thus come down further. However, we have quite a decent amount of room for the profits to come down without our markets becoming expensive from a historical perspective. And just as Sri Lanka showed (the market bottomed about 1 year ago) reversals tend to come before the actual fundamental improvements occur. Despite the weak start to the year, there is thus reason to be optimistic, rather than pessimistic, about the value that can be generated from here.

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ABOUT THE FUND

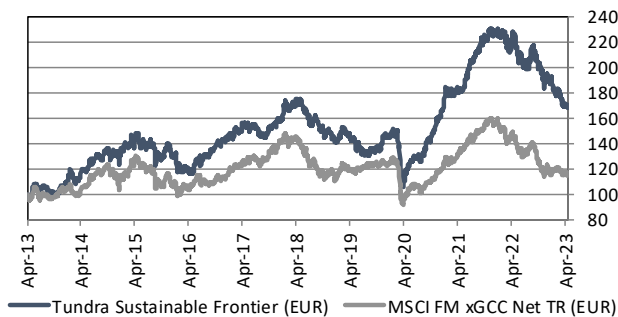
Tundra Sustainable Frontier Fund focuses on the next generation of emerging markets such as Vietnam, Bangladesh, Sri Lanka, Pakistan, Egypt and Nigeria. Featuring strong population growth, rapid urbanisation, investments in infrastructure, growing middle classes and stabilising political environments, 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](#).

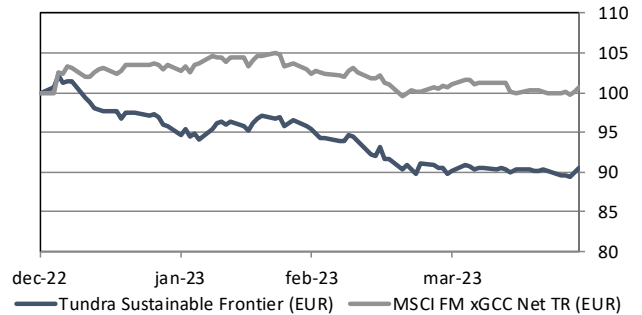
RETURN*	NAV (EUR)	1M	YTD	1Y	3Y	Inception
Tundra Sustainable Frontier (EUR)	20.54	0.3%	-9.5%	-24.8%	40.4%	70.7%
Benchmark	565.03	-0.4%	0.6%	-20.3%	15.1%	16.6%

* 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)



FUND MONTHLY PERFORMANCE

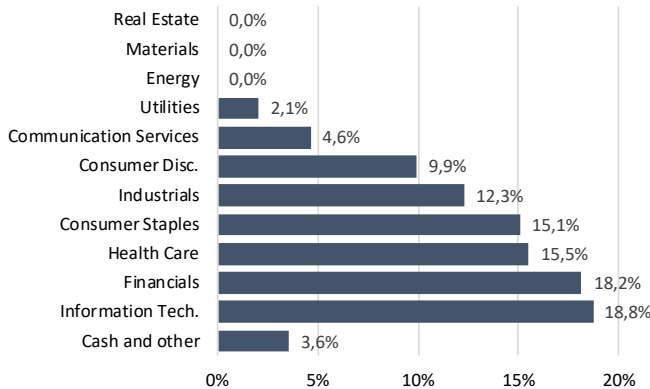
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013				0.3%	7.9%	-6.5%	4.6%	-4.6%	-0.7%	1.7%	4.0%	4.1%	8.7%
2014	4.6%	-4.5%	4.0%	4.0%	5.6%	0.6%	3.4%	-0.9%	4.5%	-2.6%	-0.2%	0.6%	22.3%
2015	4.3%	0.5%	1.3%	0.6%	-0.3%	-2.5%	-0.5%	-4.1%	-3.0%	5.6%	1.6%	-4.7%	-1.7%
2016	-5.1%	-2.8%	-2.8%	0.9%	7.1%	0.3%	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%	1.4%	0.1%	34.7%
2022	-0.1%	-1.8%	-4.1%	5.4%	-6.7%	-4.1%	-1.2%	8.4%	-5.6%	-3.4%	-2.1%	-2.6%	-17.4%
2023	-4.5%	-0.1%	-5.4%	0.3%									-9.5%

Source: Bloomberg, MSCI, Tundra Fonder

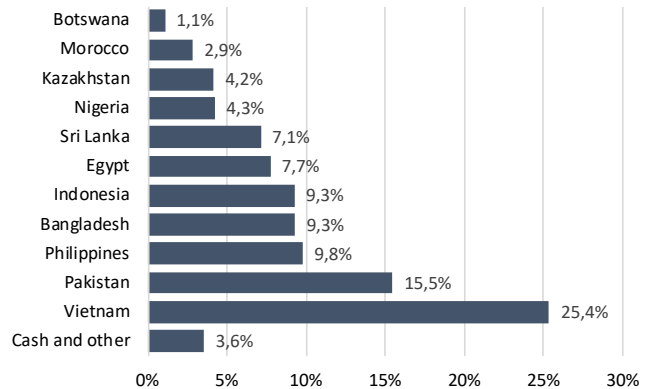
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SECTOR ALLOCATION



COUNTRY ALLOCATION



LARGEST HOLDINGS	WEIGHT	COUNTRY	P/E 23E	P/E 24E	YIELD	RETURN 1M
						(EUR)
FPT Corp	8.8%	Vietnam	14.0	11.5	2.7%	-3.4%
Square Phar Ltd-Ord	7.9%	Bangladesh	9.4	8.3	5.5%	-0.4%
Ree	7.3%	Vietnam	9.4	8.6	2.2%	-3.0%
Systems Ltd	7.1%	Pakistan	13.6	9.7	1.7%	-3.9%
Century Pacific Food	4.9%	Philippines	16.3	14.2	1.7%	-3.6%
Media Nusantara	4.6%	Indonesia	3.5	3.0	3.9%	0.6%
Medikaloka Hermina TBK	4.6%	Indonesia	36.6	29.8	0.3%	5.0%
Airports Corp Of Vietnam	4.2%	Vietnam	26.3	23.9	1.2%	-6.2%
Jsc Kaspi.Kz	4.2%	Kazakhstan	9.6	7.8	6.6%	9.6%
Puregold Price Club	3.6%	Philippines	9.9	8.9	2.3%	0.4%

BEST PERFORMERS IN APRIL	RETURN (EUR)	WORST PERFORMERS IN APRIL	RETURN (EUR)
GB Corp	25.5%	Adamjee Insurance Co Ltd	-12.3%
Juhayna Food Ind	19.1%	Cairo Invest. & Real Estate	-11.2%
Beximco Pharmaceutical GDR	17.5%	Sampath Bank Plc	-8.0%
Jsc Kaspi.Kz	9.6%	Masan Group Corp	-7.4%
Medikaloka Hermina TBK	5.0%	Airports Corp Of Vietnam	-6.2%

FACTS

Inception date	2013-04-02
Pricing	Daily
Manager	Tundra Fonder AB
Benchmark index	MSCI FM xGCC Net TR (EUR)
ISIN	SE0006789897
Bloomberg	TUNDFRF SS
IBAN	SE4450000000058648209218
BIC	ESSESESS
Custodian	SEB
Auditor	PWC
EU SFDR Classification	Article 8

RISKS AND COSTS*

Active risk (Tracking error)	10.7%
Active share	89.1%
Standard deviation	13.9%
Standard deviation, benchmark	12.7%
Beta	0.74
Information ratio	0.38
Holdings	38
Risk level	5 of 7 (refer to KIID for more info)
Management fee/year (all inclusive **)	2.5%
AuM	162.5 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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