

# TUNDRA SUSTAINABLE FRONTIER FUND

MONTHLY UPDATE  
JULY 2023



**TUNDRA**  
FONDER

### A FIRST MONTH OF RECOVERY

In USD, the fund rose 8.0% (EUR: +6.8%) during the month, compared to our benchmark MSCI FMxGCC Net TR (USD), which rose 7.3% (EUR: +6.1%), and MSCI EM Net TR (USD), which rose 6.2% (EUR: +5.1%). It was a month where we saw a more uniform recovery in several of our markets, partly for different reasons but with the common denominator that an overly pronounced pessimism eased somewhat. In USD, at the country level, the largest positive contribution was received from Pakistan (3.0% portfolio contribution). Our sub-portfolio rose just below 20% during the month, and the fund's largest position in the banking sector, Meezan Bank (3.2% of the portfolio), rose a whopping 53% and was the fund's single most positive contribution. The second largest contribution was received from Vietnam (+2.9% portfolio contribution), where our sub-portfolio rose 11% during the month. The biggest contribution came from the fund's largest position (9% of the portfolio), Vietnamese IT company FPT, which rose 15% during the month. Further, a positive contribution was received from Kazakhstan, where our only exposure in the fintech company, Kaspi, rose 15% during July. The only sub-portfolios that provided negative returns during the month were Bangladesh and Morocco, but the negative contributions were minimal (>-0.2%).

It was an eventful month in Pakistan. The sitting coalition government publicly announced that the incumbent government will be dissolved in August and replaced by a temporary interim government which partly cleared the political uncertainty. During the month, Pakistan received a total of USD 4 billion from the IMF, Saudi Arabia, and the United Arab Emirates. This gave a strong signal of confidence and was interpreted by the market that there was an acceptable plan to govern the country after the elections in the autumn. Furthermore, Pakistan announced a comprehensive plan of various projects intended to attract foreign direct investment from the Gulf countries in the coming years in areas such as agriculture, mining, energy, IT, and defence sectors.



*Source: Unsplash, Murree, Pakistan*

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During the month, four state-controlled energy companies signed a letter of intent with Saudi Aramco regarding the construction of a USD 10 billion refinery. The handling of the opposition party PTI has created major question marks about the country's way forward. Given this month's event, however, it seems that the path Pakistan has chosen has been accepted by international organizations (IMF) as well as the country's traditional allies, the Gulf countries, and China. Although it is still uncertain how the new government will be formed, it appears clear that there is a relatively broad plan that is supported by various stakeholders and that a disaster scenario like Sri Lanka can be avoided. Foreign investors returned to the stock market in July. The net inflow of USD 22m is the single largest since the end of 2021. We believe the stock market has the worst behind it and will gradually find its way up to more normal valuations from here. It's a bit further to go, however. The current valuation of P/E 4.6x and P/BV of 0.8x should be set against the 5-year average of 6.9x and 1.0x, respectively, and the 10-year average of 8.9x and 1.4x.

In Sri Lanka, the central bank cut the interest rate by another 200 basis points during July. This follows the reduction of 250 points during June. Inflation for the month of July fell to 6.3% (from 12% in June). Above all, base effects (high comparative figures) and lower food prices were behind the drop. However, it should be noted that the currency has recently weakened to 319 versus the US dollar, from peak levels of 290 at the end of May, which will affect import prices upwards and may have a certain effect on inflation.

With another one of our major markets (Pakistan) appearing to have passed the crescendo of the crisis for this time, we remain positive for the second half of the year. Our portfolio companies' valuations are generally low to very low from a historical perspective, while the portfolio companies are now gradually entering a more stable environment with fewer shocks and better opportunities to focus on growing their businesses. In the long term, the fund's markets offer superior growth potential. We hope that we have entered a period where this will be reflected in our unitholders' returns.

**FIGURE 1: P/E-RATIOS FOR OUR SUB-PORTFOLIOS AND THE FUND**

|             | 2020        | 2021       | 2022       | 2023E      | 2024E      |
|-------------|-------------|------------|------------|------------|------------|
| Botswana    | 2.0         | 3.7        | 4.3        | 3.9        | 3.4        |
| Bangladesh  | 14.4        | 11.6       | 10.1       | 9.5        | 8.6        |
| Egypt       | 10.5        | 7.8        | 5.4        | 7.9        | 5.0        |
| Indonesia   | 9.5         | 6.4        | 8.4        | 7.2        | 6.6        |
| Kazakhstan  | 20.8        | 22.4       | 10.8       | 9.4        | 7.6        |
| Morocco     | 51.6        | 42.5       | 31.1       | 28.8       | 25.5       |
| Nigeria     | 3.9         | 3.3        | 3.0        | 3.0        | 2.6        |
| Philippines | 16.6        | 18.9       | 15.5       | 14.1       | 12.5       |
| Pakistan    | 7.7         | 7.8        | 5.9        | 3.8        | 3.7        |
| Sri Lanka   | 16.8        | 9.2        | 7.4        | 6.2        | 5.2        |
| Vietnam     | 19.6        | 23.2       | 16.3       | 16.4       | 13.3       |
| <b>Fund</b> | <b>10.7</b> | <b>9.9</b> | <b>8.3</b> | <b>7.6</b> | <b>6.6</b> |

*Source: Bloomberg, Tundra Fonder*

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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.

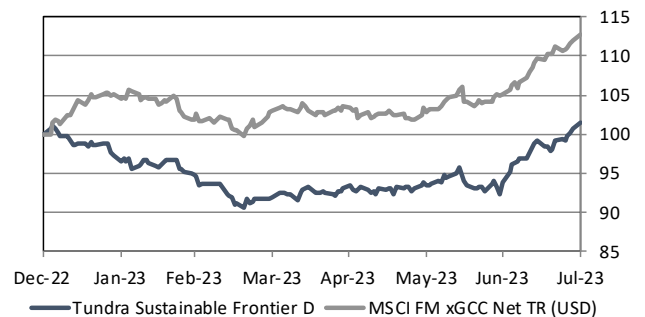
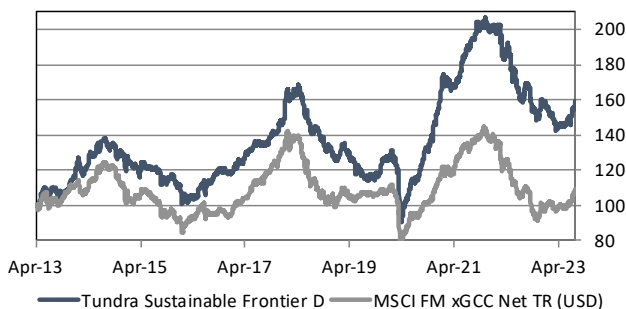
The fund is managed according to Tundra's active stock picking philosophy and backed by local research offices in Asia. Investments are based on an ESG approach where each investment has to comply with the UN Global Compact with regards to human rights, labour rights, corporate governance and environmental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

| RETURN*                       | NAV(USD) | 1M   | YTD   | 1Y   | 3Y    | Inception |
|-------------------------------|----------|------|-------|------|-------|-----------|
| Tundra Sustainable Frontier D | 24.61    | 8.0% | 1.4%  | 0.4% | 36.8% | 59.5%     |
| Benchmark                     | 676.89   | 7.3% | 12.8% | 2.1% | 16.3% | 8.9%      |

\* 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

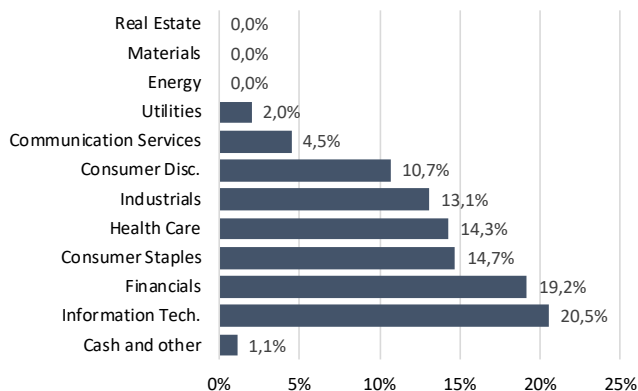
|      | Jan   | Feb   | Mar    | Apr   | May   | Jun   | Jul   | Aug   | Sep   | Oct   | Nov   | Dec   | YTD    |
|------|-------|-------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| 2013 |       |       |        | 2.8%  | 6.6%  | -6.2% | 6.2%  | -4.6% | 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% | -3.5% | 6.7%  | -7.8% | -2.2% | 2.8%  | 0.3%  | -22.1% |
| 2023 | -3.1% | -2.1% | -3.1%  | 1.2%  | 0.5%  | 0.4%  | 8.0%  |       |       |       |       |       | 1.4%   |

Source: Bloomberg, MSCI, Tundra Fonder

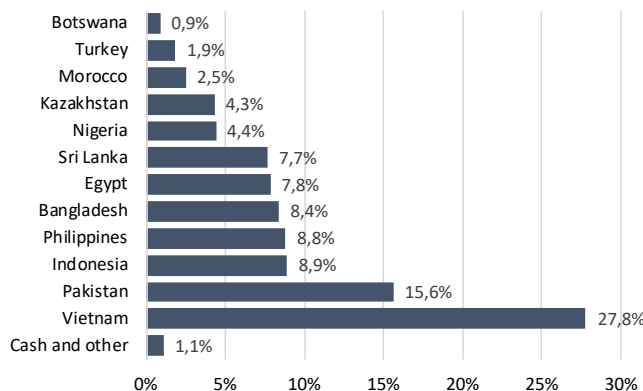
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### SECTOR ALLOCATION



### COUNTRY ALLOCATION



| LARGEST HOLDINGS         | WEIGHT | COUNTRY     | P/E 23E | P/E 24E | YIELD | RETURN 1M |
|--------------------------|--------|-------------|---------|---------|-------|-----------|
|                          |        |             |         |         |       | (USD)     |
| FPT Corp                 | 9.7%   | Vietnam     | 18.0    | 14.7    | 2.3%  | 15.3%     |
| Ree                      | 8.2%   | Vietnam     | 11.7    | 11.2    | 2.0%  | 2.3%      |
| Square Phar Ltd-Ord      | 7.2%   | Bangladesh  | -       | -       | -     | 0.0%      |
| Systems Ltd              | 6.4%   | Pakistan    | 10.1    | 8.7     | 2.2%  | 10.6%     |
| Century Pacific Food     | 4.6%   | Philippines | 16.7    | 14.4    | 1.7%  | 2.5%      |
| Media Nusantara          | 4.5%   | Indonesia   | 4.4     | 4.1     | 4.1%  | -3.3%     |
| Medikaloka Hermina TBK   | 4.4%   | Indonesia   | 40.9    | 30.6    | 0.2%  | 9.7%      |
| Jsc Kaspi.Kz             | 4.3%   | Kazakhstan  | 10.3    | 8.4     | 6.1%  | 15.2%     |
| Airports Corp Of Vietnam | 4.0%   | Vietnam     | 23.0    | 18.3    | 1.1%  | 8.9%      |
| GB Corp                  | 3.7%   | Egypt       | 6.3     | 3.5     | 4.1%  | 3.3%      |

| BEST PERFORMERS IN JULY   | RETURN (USD) | WORST PERFORMERS IN JULY      | RETURN (USD) |
|---------------------------|--------------|-------------------------------|--------------|
| Meezan Bank Ltd           | 53.2%        | Ceylinco Insurance-Non Voting | -7.7%        |
| Logo Yazilim              | 33.0%        | Cairo Invest. & Real Estate   | -3.9%        |
| Adamjee Insurance Co Ltd  | 29.6%        | Media Nusantara               | -3.3%        |
| Sampath Bank Plc          | 29.1%        | Zenith Bank Plc               | -1.9%        |
| National Bank of Pakistan | 27.7%        | Windforce Ltd                 | -1.5%        |

### FACTS

|                          |                           |
|--------------------------|---------------------------|
| 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                     | SE475000000058648209552   |
| BIC                      | ESSESESS                  |
| Custodian                | SEB                       |
| Auditor                  | PWC                       |
| Share classes currencies | SEK, USD, EUR, NOK        |
| EU SFDR Classification   | Article 8                 |

### RISKS AND COSTS\*

|                               |                                      |
|-------------------------------|--------------------------------------|
| Active risk (Tracking error)  | 10.3%                                |
| Active share                  | 89.3%                                |
| Standard deviation            | 12.7%                                |
| Standard deviation, benchmark | 14.2%                                |
| Beta                          | 0.64                                 |
| Information ratio             | 0.07                                 |
| Holdings                      | 37                                   |
| Risk level                    | 5 of 7 (refer to KIID for more info) |
| Management fee/year **        | 2.5%                                 |
| AuM                           | 191.6 MUSD                           |
| Dividend                      | No dividend                          |

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

\*\* The management fee includes variable custody fees, audit, legal and marketing expenses.

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