

Semi Annual Report

Tundra Frontier Africa

515602-6261

2017-01-01 - 2017-06-30

Fund manager's report

The Fund's performance

The fund changed its name, fund rules and benchmark on May 29th (Read more under Fund management... below) Tundra Frontier Africa fund rose 8,8% during the first half of 2017, compared to the benchmark* which rose 16,78%.

**measured as return from S&P Africa Frontier Total Return Index (SEK) 2016-12-30-- 2017-05-26, and MSCI EFM Africa ex South Africa Net (SEK) 2017-05-26 – 2017-06-30.*

The Fund's net assets development

Assets under management at June 30th, 2017 amounted to SEK 59.9 million, which represents an increase of SEK 33.7 million compared to SEK 26,2 million at December 31st 2016.

The value of issued fund shares for Class A amounted to SEK 131.3 million. The value of redeemed fund shares for Class A amounted to SEK 102.1million. The net value of issued fund shares for Class A amounted to SEK 29.2 million.

Market

The first six months of 2017 was quite eventful on the African continent. The best performing market was Zimbabwe (+46%) followed by Nigeria (+25%) and Zambia (+24%). The worst performers were Tanzania (-8%), BRVM (-7%) and Namibia (-6%). Egypt, Kenya and Ghana ended the half year at -2%, +12% and +6% respectively (all changes in SEK). The large restructuring of the Egyptian economy after the currency devaluation in November last year continues. The Central bank has raised deposit rates by 7 percentage points to 18.75% on three occasions after the devaluation to fight inflation and attract more foreign capital. With a large part of consumption being imported the weaker currency has led to hefty price hikes. On top of that subsidy cuts by the government have increased prices of petrol, diesel, gas and electricity as well pushing inflation even further. Selling prices of the subsidized goods are still below cost, and subsidies are still a major portion of the government budget (roughly 40% of government revenue is spent on subsidies) which is not sustainable in the long run. In Nigeria external as well as internal pressures on the currency increased during the first quarter and the spread between the official rate and the black market rate widened to record highs, and led to central bank acting to lessen the spread. The first step was to increase supply in the official market, which somewhat succeeded. But the unsustainable rate of the Naira kept by the Central bank since the devaluation in June 2016 has decreased foreign interest to a minimum and we saw the central bank reserves deplete day by day as they tried to supply the cash strapped market with liquidity. Eventually the pressure was too big, and in the final weeks of April the central bank opened up a new window (the Investor & Exporter FX Window) where foreign investors, among others, are to trade their currency flow at whatever rate they agree on. That led to a devaluation of about 20% of the Naira which was around parity to the black market rate at that time. After some initial skepticism the market regained some of the lost interest and we saw inflows to mainly debt instruments (offering yields around 15%) but also some into the stock market. In line with our thesis that a functional FX market would trigger inflows into primarily the financial sector, we saw banks performing the strongest, while consumer companies, still struggling to compensate themselves for the higher cost of production, could not keep up. President Buhari has spent most of the year in treatment for an unknown disease in the U.K. He is still there and there is no date set for his return. The market has from time to time been worried about the situation would Buhari not return, but as vice president Osinbajo has stepped up and proved qualified these concerns have decreased again. The currency measures have also given the country some breathing room with the MSCI, who had put the country on its watch list for potential exclusion from the MSCI Frontier Markets Index due to the poor FX liquidity. A final decision is expected in November later this year. The macro situation in Kenya has gained more attention lately due to rising inflation caused by a drought affecting the harvests. The rate cap introduced last fall has worsened companies access to credit which also hit growth. GDP growth for the first quarter was as an effect the lowest since Q4 2013.

Fund management and outlook

The new fund rules were implemented on May 29th. In short the fund 1) changed its name to Tundra Frontier Africa Fund 2) increased the mandate to invest all over Africa as well as dropping the 51% minimum limit for investments in Nigeria and 3) replaced the benchmark to MSCI EFM Africa x South Africa Net Index. The fund will going forward keep its focus on the lesser developed economies in Sub-Sahara Africa, but will also have a

large exposure to the Egyptian economy. The devaluation in Egypt has created very interesting opportunities which means a very good potential for positive returns in the coming years. We will continue to shy away from the commodities dependent South African economy, but we can invest in South African companies where the structural growth in SSA will have a material impact on their financials going forward. On May 5th the fund started pricing its Nigerian holdings based on the rate from the I&E FX Window, which led to the fund falling 8.4% on that day. Worth pointing out is that neither our new benchmark nor the old one had started using this price as of June 30th, but we estimate that they will soon.

Risks

The fund continues to have a large exposure to Nigeria, and even though the currency situation has improved it is still early days. The economy is still vulnerable and the reignited foreign interest is still monitoring the development closely. The Egyptian economy is in the middle of rebalancing the structure which elevates the risk, and of course the potential return. It will take time before consumers, businesses as well as the government get used to the new environment. Expectations on the Kenyan economy have decreased during the year, which decreases the risk of disappointment, but the continued twin deficit (budget & trade) can worsen the perception again if access to international capital deteriorates.

Derivatives

According to the fund statutes, the fund has the right to trade in options, futures and other derivatives, and the right to lend securities. The fund had no exposure to derivatives, or similar instruments during the period.

Financial overview

Main portfolio

	AUM, SEK	NAV	No. of issued fund units	Dividend	Performance, %	Performance, Index, %
2017-06-30	59 900 631	58,84	1 017 959,86	-	8,80	16,78
2016-12-31	26 225 459	54,08	484 964,65	-	-19,94	-15,59
2015-12-31	14 009 323	67,55	207 392,87	-	-22,46	-13,22
2014-12-31	28 942 159	87,12	332 212,06	-	-8,64	0,85
2013-12-31	12 301 824	95,36	129 005,95	-	-4,64 1)	1,96 1)

Index: S&P Africa Frontier Total Return Index (SEK) until 2017-05-26. Then MSCI Africa ex ZA Total Return Index (SEK)

1) For the period 2013-05-20 - 2013-12-31

Balance Sheet

<i>In SEK</i>	<i>Note</i>	<i>2017-06-30</i>	<i>2016-12-31</i>
Assets			
Transferable securities		52 464 752	22 933 326
Total	1	52 464 752	22 933 326
Bank accounts		14 482 497	3 237 408
Pre-paid expenses and accrued income		154 870	74 442
Other Assets		106	815 123
Total assets		67 102 225	27 060 299
Liabilities			
Accrued expenses and deferred income		113 814	67 239
Other liabilities	2	7 087 780	767 601
Total liabilities		7 201 594	834 840
Total Net Assets	1,3	59 900 631	26 225 459

Accounting principles and valuation of financial instruments

Amounts in SEK unless otherwise stated

Accounting principles

The Fund applies the Mutual Funds Act, 2004: 46 and the Financial Supervisory Authority of accounting for mutual funds 2013: 9 and follows the Swedish Fund Associations guidelines.

Valuation of financial instruments

The financial instruments are valued at market value according to the following order.

1. The financial instruments traded in an active market will be valued on the closing price at the balance sheet date if it is not a trading day, the most recent trading day prior to the closing date.
2. If the financial instrument is not traded in 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 misleading the market value determined by an established market valuation model.

Key Figures

The Fund follows the Swedish Fund Associations guidelines of key performance indicators

Notes

Note 1 Financial instruments

As of June 30th 2017.

Holdings

Sector	Number held	Value SEK	Share %
Transferable securities			
Category 1			
GLOBALX MSCI NIG ETF, USA, USD	11 000	1 743 097	2,91
VANECK VECTOR EG ETF, USA, USD	7 000	1 640 854	2,74
Fund		3 383 950	5,65
ARABIAN CEMENT CO, Egypten, EGP	445 000	1 908 550	3,19
DANGOTE CEMENT ORD, Nigeria, NGN	360 000	1 697 613	2,83
EZZ STEEL, Egypten, EGP	220 000	2 128 623	3,55
SUEZ CEMENT CO, Egypten, EGP	2 500	29 434	0,05
Material		5 764 220	9,62
EGYPT KUWAIT HOLDING CO SAE, Egypten, USD	320 000	1 726 239	2,88
ELSEWEDY ELECTRIC CO, Egypten, EGP	56 000	2 448 921	4,09
Industrial		4 175 160	6,97
GB AUTO, Egypten, EGP	1 732 000	1 724 147	2,88
ORIENTAL WEAVERS, Egypten, EGP	210 000	1 760 300	2,94
Consumer discretionary		3 484 448	5,82
EDITA FOOD INDUS USD, Egypten, USD	30 000	1 369 275	2,29
JUHAYNA FOOD INDUSTRIES, Egypten, EGP	155 000	562 392	0,94
OBOUR LAND FOR FOOD INDUSTRIES, Egypten, EGP	75 000	636 703	1,06
PRESCO PLC, Nigeria, NGN	1 070 000	1 621 836	2,71
PZ CUSSONS GHANA, Ghana, GHS	750 000	287 414	0,48
UNILEVER ORD, Ghana, GHS	2 400	41 388	0,07
Consumer staples		4 519 007	7,54
CLEOPATRA HOSPIT, Egypten, EGP	60 000	683 801	1,14
EGYPTIAN INTERNATIONAL PHARM, Egypten, EGP	28 500	1 464 940	2,45
INTEGRATED DIAG, Jersey, USD	50 000	1 618 349	2,70
Healthcare		3 767 090	6,29
ACC BANK OF NIG ORD, Nigeria, NGN	5 750 000	1 230 140	2,05
COMMERCIAL INTL, Egypten, EGP	50 000	1 858 824	3,10
CO-OPERATIVE BANK OF KENYA LTD, Kenya, KES	500 000	690 880	1,15
CREDIT AGRICOLE, Egypten, EGP	112 000	2 298 094	3,84
DIAMOND BANK ORD, Nigeria, NGN	11 000 000	313 775	0,52
EQUITY BANK ORD, Kenya, KES	250 000	767 080	1,28
FBN HOLDINGS ORD, Nigeria, NGN	6 800 000	998 006	1,67
GHANA COMM BANK ORD, Ghana, GHS	179 000	1 788 646	2,99
GUARANTY TRT BNK ORD, Nigeria, NGN	3 800 000	3 059 534	5,11
KENYA COMM BK ORD, Kenya, KES	122 842	376 919	0,63
LETSHEGO, Botswana, BWP	550 000	958 843	1,60
MCB GROUP LTD ORD, Mauritius, MUR	11 000	731 544	1,22

STANBIC IBTC HOLDING, Nigeria, NGN	3 000 000	2 277 397	3,80
STANDARD CHARTED ORD, Ghana, GHS	17 200	561 914	0,94
UNITED BANK FOR AFRICA ORD, Nigeria, NGN	23 000 000	4 624 266	7,72
ZENITH INTL BANK ORD, Nigeria, NGN	9 000 000	4 324 984	7,22
Financial		26 860 845	44,84
UMEME LTD, Uganda, KES	500 000	510 032	0,85
Electricity		510 032	0,85
Sum Category 1		52 464 752	87,59
Total transferable securities		52 464 752	87,59
Total securities		52 464 752	87,59
Other assets and liabilities		7 435 879	12,41
Total net assets		59 900 631	100,00

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 2 Other liabilities

	<i>2017-06-30</i>	<i>2016-12-31</i>
Non-liquidated purchased securities	2 020 972	-
Accrued customer withdrawal	4 910 373	707 755
Unregistered customer deposit	156 435	59 846
Total	7 087 780	767 601

Note 3 Changes in Net assets

	<i>2017-01-01- 2017-06-30</i>	<i>2016-01-01- 2016-12-31</i>
Net assets start of year	26 225 459	14 009 323
Issued fund units	131 310 131	54 622 224
Redeemed fund units	-102 139 835	-37 543 590
Net result according to income statement	4 504 876	-4 862 498
Net Asset, at end of the period	59 900 631	26 225 459