

Annual Report

# **Tundra Frontier Opportunities Fund**

515602-4803

**2015-01-01 - 2015-12-31**

### **Management Report**

This is a translated copy from the Swedish original. If any conflict occurs in the translation the Swedish will prevail. The Board of Directors and the CEO of Tundra Fonder AB, 556838-6303, hereby submit the Annual Report for the period 2015-01-01 - 2015-12-31 on Tundra Frontier Opportunities Fund, 515602-4803.

### **The fund's performance**

The fund fell by 4.51 percent in 2015. Benchmark MSCI Frontier Markets excluding the GCC countries net (SEK) fell by 6.83 percent during the same period.

### **The fund's net assets development**

Assets under management at December 31, 2015 amounted to SEK 345 million, which represents an decrease of 571 million, compared with 917 million at December 31, 2014. Value of issued fund shares amounted to SEK 399 million and redemptions amounted to SEK 936 million. Net inflows to the fund during the period amounted to SEK - 537 million.

### **Market**

Frontier Markets excluding the Gulf countries fell 6.83 percent during the year in Swedish Krona. Continued risk aversion towards emerging markets also affected frontier markets which led to outflows from the asset class every month of the year. The only frontier market that rose during the year was Argentina, where the opposition's victory in the election affected the stock market positively. The global fall in prices of raw materials went from a selective concern for individual countries to a more general concern regarding global economic conditions. This meant that, for example Nigeria, whose export revenues from oil before the oil price case amounted to over 90% of total exports, did not fall significantly more than for example Sri Lanka, which imports the bulk of the oil and thus benefit from the low oil prices. Primarily the Asian frontier markets get a powerful economic stimulus from lower commodity prices in the current environment. Meanwhile, low commodity prices creates a global concern that this is a signal of potentially lower global growth and that it means a risk of potential geopolitical unrest in commodity exporting countries. Overall, the latter overshadowed the positive effects and led to a general risk aversion from investors. However, one should remember that in the long run, it is earnings growth that determine price trends and the current relatively non-discriminatory negative investment environment creates interesting selective investment opportunities.

### **Fund Management and outlook**

The fund did relatively well in 2015 and again delivered a higher return than the benchmark index. The fund's overweight in Asia and specifically stock selection within this region was the main reason for the outperformance. Especially positive was the development in Bangladesh where the fund's sub-portfolio rose more than 20% in a declining market. Above all, one of the fund's largest holding, Brac Bank, stood out with a gain of nearly 50% despite weak market conditions. The decision to underweight Africa also played out well during the year. Going into 2016, we note a continued significant uncertainty among global investors. Forecasts for commodity prices have rarely been so scattered and we see tendencies to capitulation especially in the pricing of oil. In this environment we are avoiding companies with limited ability to control their pricing and margins and focus on companies that we believe are in a structural growth phase (sectors that grow without assistance of global growth) and strong market position (pricing power). We enter 2016 with no positions in hard-hit Middle East and with a continued substantial overweight in Asian frontier markets where we believe that the relative price performance over other frontier markets are not yet near to account for the difference in profit growth. We see double-digit profit growth in our underlying portfolio of companies. In combination with a valuation of just above 9 times valuations are very attractive. In the short term, there is still considerable risk of multiple contractions (companies

become even cheaper). However, we believe that the long term potential from current levels is significant.

**Objectives and Investment Policy**

The fund is actively managed to create a financial exposure to the economic development of Frontier markets excluding the Gulf countries and to deliver as high return to unitholders as possible with respect to the fund's risk level

**Risks in the fund**

The fund has a significant underweight in Nigeria and a significant overweight in oil-importing countries such as Pakistan, Bangladesh and Sri Lanka, which, in the event that oil prices would suddenly strengthened could greatly affect the relative performance negatively. The fund does not hedge its holdings to currency movements which may affect returns.

**Derivatives**

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

**Financial overview**

**Main Portfolio**

	AUM SEK	NAV	No. of issued fund shares	Dividend	Performance %	Performance - index, %
2015-12-31	345 307 931	-	2 379 389,86	-	-	-
2014-12-31	916 615 995	-	6 032 099,74	-	-	-
2013-12-31	253 860 513	-	2 154 423,88	-	-	-

**Fund share class A SEK**

	AUM SEK	NAV	No. of issued fund shares	Dividend	Performance %	Performance - index, %
2015-12-31	-	145,10	2 178 908,18	-	-4,51	-6,83
2014-12-31	-	151,96	5 964 830,02	-	28,95	17,33
2013-12-31	-	117,84	2 113 195,82	-	17,84 1)	10,95 1)

Index: MSCI INT FM EX GCC N (SEK)

1) Period 2013-04-02 - 2013-12-31

**Fund share class C EUR**

	AUM SEK	NAV	No. of issued fund shares	Dividend	Performance %	Performance - index, %
2015-12-31	-	15,86	187 189,64	-	-1,49	-4,20
2014-12-31	-	16,10	67 269,72	-	21,33	10,23
2013-12-31	-	13,27	41 228,06	-	5,40 2)	2,06 2)

Index: MSCI INT FM EX GCC N (EUR)

2) Period 2013-06-12 - 2013-12-31

**Fund share class D USD**

	AUM SEK	NAV	No. of issued fund shares	Dividend	Performance %	Jämförelse-index, %
2015-12-31	-	16,68	6 902,26	-	-11,79 3)	-13,61 3)

Index: MSCI INT FM EX GCC N (USD)

3) Period 2015-04-10 - 2015-12-31

**Fund share class F EUR**

	AUM	NAV	No. of issued fund shares	Dividend	Performance %	Performance-index, %
2015-12-31	-	15,86	6 389,78	-	1,34 4)	2,88 4)

Index: MSCI INT FM EX GCC N (EUR)

4) Period 2015-10-16 - 2015-12-31

**Key performance indicators**

	Fund share class A SEK	Fund share class C EUR	Fund share class D USD	Fund share class F EUR
<b>Launch date</b>	<b>2013-04-02</b>	<b>2013-06-12</b>	<b>2015-04-10</b>	<b>2015-10-16</b>

**Risk & Return**

Standard Deviation %, 24 month	11,49	10,88	**	**
Standard Deviation Index %, 24 month	12,49	12,11	**	**
Tracking Error %, 24 month	8,21	8,24	**	**
Average Annual Return last 2 years %	10,96	9,33	**	**
Average Annual Return since start	14,49*	9,45*	**	**

\*Since launce

\*\*N/A

**Costs**

Management fee %	2,50	2,50	2,50	2,50
Performance fee %	0	0	0	0
Transaction costs SEK	3 300 079	129 502	469	80
Transaction costs %	0,26	0,27	0,26	0,27
Research costs SEK	987 120	59 152	59	4
Research costs %	0,08	0,12	0,03	0,01
Ongoing Charges %	2,57	2,56	2,55	2,52
Subscription & Redemption fees	0	0	0	0

**Turnover**

**2015**

Turnover ratio	0,53
Trading within the group	0

**Income Statement**

<i>In SEK</i>	<i>Note</i>	<i>2015-01-01- 2015-12-31</i>	<i>2014-01-01- 2014-12-31</i>
<b>Income and change in the value</b>			
Change in value, transferable securities		-25 225 707	146 350 855
Change in value, fund shares		765 568	1 769 478
Interest		1 326	37 742
Dividends		26 754 005	21 585 094
FX		-9 174 634	2 846 451
Other income		12 753	3
<b>Total</b>		<b>-6 866 689</b>	<b>172 589 623</b>
<b>Costs</b>			
Management fees			
Fee charged by the fund		-19 619 930	-16 639 695
Interest		-23 535	-9 830
Other costs	1	-8 200 065	-8 342 205
<b>Total</b>		<b>-27 843 530</b>	<b>-24 991 730</b>
<b>Net result</b>		<b>-34 710 219</b>	<b>147 597 893</b>

**Balance Sheet**

<i>In SEK</i>	<i>Note</i>	<i>2015-12-31</i>	<i>2014-12-31</i>
<b>Assets</b>			
Transferable securities		343 115 722	802 201 555
Fund shares		0	32 149 699
<b>Total</b>	<b>2</b>	<b>343 115 722</b>	<b>834 351 254</b>
Bank accounts		3 246 127	88 530 484
Pre-paid expenses and accrued income		568 731	2 087 568
Other assets		0	63 942
<b>Total</b>		<b>346 930 580</b>	<b>925 033 248</b>
<b>Liabilities</b>			
Accrued expenses and accrued income		814 866	7 894 373
Other liabilities		807 783	522 881
<b>Total</b>		<b>1 622 649</b>	<b>8 417 254</b>
<b>Total Net Assets</b>	<b>2,3</b>	<b>345 307 931</b>	<b>916 615 995</b>

## **Accounting principles and valuation of financial instruments**

### **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 Investment 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.

### **Key Figures**

The fund follows the Swedish Investment Fund Associations guidelines of key performance indicators.



**Note**

**Note 1 Other costs**

	2015-12-31	2014-12-31
Transaction costs, Bank	155 378	154 210
Costs, Bank	360 393	80
Other costs	1 386	5 831
Restitution	137 049	89 154
Tax	-4 641 051	2 761 696
Foreign tax, transferable securities	7 865 821	2 830 752
Broker costs	4 321 089	2 500 482
<b>Total</b>	<b>8 200 065</b>	<b>8 342 205</b>

**Note 2 Financial Instruments**

**Securities**

Branch	Quantity	Value	%
Transferable securities			
<b>Category 1</b>			
JSC KAZMUNAIGAS GDR, Kazakhstan, USD	182 656	11 335 278	3,28
OIL & GAS DEV ORD, Pakistan, PKR	700	6 621	0,00
PAK STATE OIL ORD, Pakistan, PKR	178 311	4 682 712	1,36
YPF SOCIEDAD ADR, Argentina, USD	45 000	5 962 868	1,73
<b>Energy</b>		<b>21 987 479</b>	<b>6,37</b>
BIM SON CEMENT JSC, Vietnam, VND	600 000	3 018 859	0,87
HOA SEN GROUP, Vietnam, VND	270 400	3 198 188	0,93
TOKYO CEMENT CO LANK, Sri Lanka, LKR	1 096 327	3 144 139	0,91
TOKYO CEMENT ORD, Sri Lanka, LKR	2 100 000	4 787 318	1,39
<b>Material</b>		<b>14 148 505</b>	<b>4,10</b>
ACCESS ENGINEERING P, Sri Lanka, LKR	6 754 837	9 172 092	2,66
HEMAS HOLDINGS PLC, Sri Lanka, LKR	1 353 227	7 357 867	2,13
JOHN KEELLS HLDG ORD, Sri Lanka, LKR	1 468 455	15 341 379	4,44
JOHN KEELLS WTS 2, Sri Lanka, LKR	52 014	98 026	0,03
PAK ELEKTRON LTD, Pakistan, PKR	2 149 870	10 810 997	3,13
TPL TRAKKER LTD, Pakistan, PKR	3 750 000	4 513 353	1,31
<b>Industry</b>		<b>47 293 713</b>	<b>13,70</b>
NISHAT CHUNIAN ORD, Pakistan, PKR	2 853 128	7 820 029	2,26
NISHAT MILLS ORD, Pakistan, PKR	753 297	5 747 713	1,66
SOUTHERN RUBBER INDU, Vietnam, VND	286 000	2 652 466	0,77
THAL LTD, Pakistan, PKR	287 145	5 864 028	1,70
<b>Durable goods</b>		<b>22 084 236</b>	<b>6,40</b>

CARGILLS CEYLON ORD, Sri Lanka, LKR	105 000	1 161 493	0,34
CEYLON THEATRES ORD, Sri Lanka, LKR	399 174	3 247 451	0,94
GUINNESS GHANA BREWE, Ghana, GHS	439 732	1 939 088	0,56
MASAN GROUP ORD, Vietnam, VND	240 000	6 983 928	2,02
MURREE BREWERY ORD, Pakistan, PKR	75 000	5 770 955	1,67
SOCIETE DES BRASSERI, Morocco, MAD	4 366	7 424 733	2,15
VINAMILK ORD, Vietnam, VND	143 000	7 302 335	2,11
<b>Staples</b>		<b>33 829 982</b>	<b>9,80</b>
ACTIVE FINE CHEMICAL, Bangladesh, BDT	3 203 144	19 596 611	5,68
DHG PHARMA ORD, Vietnam, VND	80 000	2 132 726	0,62
GEORGIA HEALTHCARE GROUP-WI, UK, GBP	133 000	2 565 475	0,74
RENATA ORD, Bangladesh, BDT	13 274	1 754 811	0,51
SHIFA HOSPITAL LTD, Pakistan, PKR	67 000	1 658 141	0,48
<b>Health Care</b>		<b>27 707 763</b>	<b>8,02</b>
ACC BANK OF NIG ORD, Nigeria, NGN	25 000 000	5 136 150	1,49
AN PHU REAL ESTATE, Vietnam, VND	16 946	63 629	0,02
BANCO MACRO ADR REP, Argentina, USD	11 000	5 397 587	1,56
BANK AL FALAH ORD, Pakistan, PKR	1 059 000	2 460 357	0,71
BBVA BANCO FRAN ADR, Argentina, USD	25 000	5 715 708	1,66
BBVA BANCO FRAN ADR, Argentina, USD	30 000	4 832 601	1,40
CRESUD S.A.-SPONS ADR, Argentina, USD	52 200	5 685 145	1,65
DIAMOND BANK ORD, Nigeria, NGN	25 500 000	2 473 612	0,72
FBN HOLDINGS ORD, Nigeria, NGN	5 273 023	1 145 864	0,33
GUARANTY TRST BK GDR, Nigeria, USD	16 075	618 867	0,18
JSC HALYK BANK GDR, Kazakhstan, USD	213 034	8 902 982	2,58
MEEZAN BANK, Pakistan, PKR	3 628 489	13 250 498	3,84
NATIONAL BANK OF PAKISTAN ORD, Pakistan, PKR	38 000	165 542	0,05
PRIME BANK ORD, Bangladesh, BDT	3 800 000	19 967 974	5,78
SAMPATH BANK ORD, Sri Lanka, LKR	307 865	4 504 700	1,30
TBC BANK JOINT STOCK, Georgia, USD	87 000	7 418 600	2,15
UNITED BANK FOR AFRICA ORD, Nigeria, NGN	83 036 069	11 888 839	3,44
WEST AF PROV INS ORD, Nigeria, NGN	1 771 156	37 513	0,01
VINGROUP JSC ORD, Vietnam, VND	2	34	0,00
ZENITH INTL BANK ORD, Nigeria, NGN	37 000 000	22 083 539	6,40
<b>Financials</b>		<b>121 749 740</b>	<b>35,26</b>
AVANCEON LTD, USA, PKR	1 500 000	4 894 252	1,42
FPT CORP, Vietnam, VND	749 235	14 488 122	4,20
NETSOL TECHNOLOG ORD, Pakistan, PKR	1 071 403	5 628 709	1,63
<b>IT</b>		<b>25 011 082</b>	<b>7,24</b>
KCELL GDR, Kazakhstan, USD	150 350	5 128 214	1,49
<b>Telecom</b>		<b>5 128 214</b>	<b>1,49</b>

KARACHI ELECTRIC ORD, Pakistan, PKR	11 469 069	6 915 729	2,00
<b>Power Utilities</b>		<b>6 915 729</b>	<b>2,00</b>
<b>Summa category 1</b>		<b>325 856 444</b>	<b>94,37</b>
<b>Category 3</b>			
INTERNATIONAL BRANDS, Pakistan, PKR	2 297 069	13 147 421	3,81
<b>Staples</b>		<b>13 147 421</b>	<b>3,81</b>
TPL PROPERTIES LTD, Pakistan, PKR	4 637 000	4 111 857	1,19
<b>Financials</b>		<b>4 111 857</b>	<b>1,19</b>
<b>Total Category 3</b>		<b>17 259 278</b>	<b>5</b>
<b>Total transferable securities</b>		<b>343 115 722</b>	<b>99,37</b>
<b>Other assets and liabilities</b>		<b>2 192 209</b>	<b>0,63</b>
<b>Total Net Asset</b>		<b>345 307 931</b>	<b>100</b>

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 3 Changes in Net Asset**

	<i>2015-01-01- 2015-12-31</i>	<i>2014-01-01- 2014-12-31</i>
Net asset, start of the year	916 615 995	253 860 513
	916 615 995	253 860 513
<b>Fund share class A SEK</b>		
No. of issued fund shares	300 096 276	599 313 456
No. of redeemed fund shares	-867 731 072	-90 876 181
Added in fund merger	7 895 861	3 487 074
<b>Total</b>	<b>-559 738 935</b>	<b>511 924 349</b>
<b>Fund share class C EUR</b>		
No. of issued fund shares g	75 501 750	24 230 245
No. of redeemed fund shares	-68 340 757	- 20 997 004
Added in fund merger	14 045 394	-
<b>Total</b>	<b>21 206 387</b>	<b>3 233 241</b>
<b>Fund share class D USD</b>		
No. of issued fund shares	999 463	0
No. of redeemed fund shares	0	0
<b>Total</b>	<b>999 463</b>	<b>0</b>
<b>Fund share class F EUR</b>		
No. of issued fund shares	935 240	0
No. of redeemed fund shares	0	0
<b>Total</b>	<b>935 240</b>	<b>0</b>
Net result according to income statement	-34 710 219	147 597 892
<b>Net asset, year end</b>	<b>345 307 931</b>	<b>916 615 995</b>