

Annual Report

Tundra Rysslandsfond

515602-4779

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 2014-01-01-2014-12-31 on Tundra Rysslandsfond, 515602-4779.

The funds' Performance

The fund rose 10.87 percent during 2015. The benchmark MSCI Russia net (SEK) rose 12.85 percent during the same period.

The fund's net assets development

Assets under management at December 31, 2015 amounted to SEK 12 million, which represents an increase of SEK 4 million compared with SEK 8 million at 31 December 2014. Value of units issued amounted to SEK 30 million and redemptions amounted to SEK 26 million. Net inflows to the fund during the period amounted to SEK - 4 million.

Market

The Russian stock market is risky and moving more than most other stock markets in the world, both up and down, during the 20 years that foreign investors have been investing in Russia. Even taking that into account, 2015 was a turbulent year for the Russian stock market. The year started with great optimism when expectations of an imminent currency regulation were put aside. The risks there were speculations about during December 2014 regarding the disturbances in the Russian financial system due to falling oil prices and EU/US sanctions against Russia did not materialize in the beginning of 2015. Until mid-April, the Russian stock market was up 61% from beginning of the year. The rise in the stock market was supported by the fact that the oil price, Brent, did not continue falling but stayed around USD 60 per barrel during the first quarter.

During May, the market was relatively quiet, but began to fall sharply as the local Chinese equity markets started to fall during the summer. The Shanghai index fell 46% in SEK from the first days of June to late August. In late August, the whole gains for the year in Russia during the first quarter were erased. The Russian market fell 35% from mid-April to late August. The turmoil in the local Chinese equity markets caused an accelerated fall in oil prices again. Oil price continued to fall during the rest of 2015 despite the financial markets in general had a slight recovery. Throughout 2015, oil prices fell as measured by Brent 36% in USD.

Unlike earlier periods of sharply falling oil prices has the Russian Central Bank, CBR, allowed the Russian Ruble to move freely this time. During the crisis of 2008-09, CBR spent a significant part of their reserves to intervene in the currency market. The positive part of this is that foreign exchange reserves are more intact than before but the ruble has fallen more. In 2015 the ruble lost 20% of its value against the USD and has lost 56% of its value in the last two years.

The effect of the falling currency has hit the Russian consumer. Retail sales fell by 10% in real terms in 2015, and real wages fell 9.5%. GDP fell 3.9% in 2015. Unemployment was reported at just under 6%, so it is not rising unemployment that hit against consumption but loss of purchasing power through lower exchange rate against the outside world.

Fund Management and Outlook

The fund performance was four percentage points better than its benchmark during 2015. Over the last three years Tundra Ryssland fell 23.5% compared with the benchmark, which fell 26.3% and Morningstar Russia Fund Index which is an average of all Russia funds have fallen 27.9% during the same time, all in SEK. The focus of the investments in the fund is companies with good profitability

even during weaker economic developments and that have low debt and high dividend yield. At the end of 2015, the valuation of the fund's holdings was P/E of 7.5 with an expected yield of 5.1 percent. EV / EBITDA, i.e. market capitalization plus net debt divided by gross cash flows are low, 3.7 times for the fund at year-end. By comparison, the Swedish large cap index, OMX, has a valuation of 11 times EV/ EBITDA.

Objectives and investment policy

The fund is actively managed to create a financial exposure to the economic development of Russia and deliver as high return to unitholders as possible with respect to the fund's risk level.

Risks in the fund

The risk of the fund compared to its benchmark at the beginning of 2016 is lower than it has been historically. The main differences compared to the benchmark are underweights in oil and energy companies.

The lower oil prices are putting a lot of pressure on the Russian economy and the Russian financial system. The political situation is stable currently, but it cannot be ruled out that the weak domestic Russian economy may have political consequences later on. President Vladimir Putin is supported by an overwhelming majority of the Russian population. There were, small tendencies in the surveys by the end 2015 that his support decreased slightly. Average Russians have got a significantly better living standard since year 2000, when Putin became president. Better economy is not the only reason he is popular, but one of the most important. With a weaker economy, this may be work against him.

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

	AUM SEK	NAV	No. of issued Fund shares	Dividend	- Performance %	Performance Index %
2015-12-31	12 388 009	75,88	163 262,18	-	10,87	12,85
2014-12-31	8 548 781	68,44	124 915,98	-	-30,84	-34,88
2013-12-31	13 613 889	98,96	137 566,97	-	2,77	0,27
2012-12-31	24 685 194	96,29	256 364,07	-	-1,15	7,62
2011-12-31	7 474 615	97,41	76 736,47	-	-2,59 1)	0,97 1)

Index: MSCI Russia Net (SEK)

1) Period 2011-10-14 - 2011-12-31

2015-12-31

Key performance indicators

Standard Deviation %, 24 month	27,38
Standard Deviation Index %, 24 month	32,15
Tracking Error %, 24 month	9,22
Average Annual Return last 2 years %	-12,43
Average Annual Return since start %	6,34

Costs

Management fee %	2,50
Performance fee %	0
Transaction costs SEK	52 878
Transaction costs %	0,34
Research costs SEK	268
Research costs %	0
Ongoing Charges %	2,66
Subscription & Redemption fees	0

Turnover

Turnover ratio	82,00
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>
Income and change in the value			
Change in value, transferable securities		35 106	-3 674 733
Interest		72	599
Dividends		711 622	531 843
FX		-21 746	57 783
Other income		1	2
Total		725 055	-3 084 506
Costs			
Management fees			
Fee charged by the fund		-389 992	-275 887
Interest		-394	-167
Other costs		-70 201	-80 632
Total		-460 587	-356 686
Net Result		264 468	-3 441 192

Balance Sheet

<i>In SEK</i>	<i>Note</i>	<i>2015-12-31</i>	<i>2014-12-31</i>
Assets			
Transferable Securities		11 208 745	7 930 527
Total	<i>1</i>	11 208 745	7 930 527
Bank accounts		1 130 897	647 112
Pre-paid expenses and accrued income		84 163	81 495
Other assets		132 116	0
Total		12 555 921	8 659 134
Liabilities			
Accrued expenses and deferred income		43 440	49 199
Other Liabilities		124 472	61 154
Total		167 912	110 353
Total Net Asset	<i>1,2</i>	12 388 009	8 548 781

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 Financial Instruments

Securities

Branch	Quantity	Value	%
Transferable securities Category 1			
GAZPROM ADR REP 2 ORD, Russia, USD	36 000	1 118 854	9,03
LUKOIL (OAO) ADR, Russia, USD	2 000	542 950	4,38
OAO NOVATEK GDR, Russia, USD	800	551 180	4,45
OJSC OC ROSNEFT GDR, Russia, USD	21 300	625 087	5,05
SURGUTNEFTEGAZ PRF, Russia, USD	175 000	896 559	7,24
TATNEFT ADR, Russia, USD	2 200	486 427	3,93
TMK ORD, Russia, USD	11 000	77 158	0,62
TRANSNEFT PRF, Russia, USD	10	224 737	1,81
Energy		4 522 952	36,51
MMC NORILSK NICKEL ADR, Russia, USD	8 000	851 720	6,88
NOVOLIPETSK GDR, Russia, USD	3 600	258 651	2,09
OJSC PHOSAGRO GDR, Russia, USD	4 100	431 515	3,48
RUSAL ORD, Hong Kong, HKD	100 000	258 117	2,08
SEVERSTAL GDR, Russia, USD	2 700	191 706	1,55
Material		1 991 708	16,08
DIXY GROUP ORD, Russia, USD	2 300	80 732	0,65
MAGNIT ORD, Russia, USD	430	559 299	4,51
X5 RETAIL GROUP GDR, Russia, USD	2 350	375 975	3,03
Staples		1 016 005	8,20
GEORGIA HEALTHCARE GROUP-WI, UK, GBP	18 000	347 207	2,80
Health Care		347 207	2,80
BANK ST PETERSBR ORD, Russia, USD	18 000	90 810	0,73
ETALON ADR, Guernsey, USD	6 000	88 694	0,72
JSC HALYK BANK GDR, Kazakhstan, USD	3 500	146 270	1,18
LSR GROUP ORD, Russia, USD	2 664	207 693	1,68
MOSCOW EXCHANGE MCX, Russia, USD	45 000	476 466	3,85
SBERBANK PRF, Russia, USD	127 000	1 125 481	9,09
TBC BANK JOINT STOCK, Georgia, USD	3 247	276 876	2,24
Financials		2 412 289	19,47

MEGAFON GDR, Russia, USD	3 300	322 763	2,61
MTS ORD, Russia, USD	17 600	428 159	3,46
SISTEMA JSFC ORD, Russia, USD	82 000	167 661	1,35
Telecom		918 583	7,42
Total Category 1		11 208 745	90,48
Total transferable securities		11 208 745	90,48
Other assets and liabilities		1 179 264	9,52
Total Net Asset		12 388 009	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 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	8 548 781	13 613 889
No. of issued fund shares	29 695 951	17 182 360
No. of redeemed fund shares	-26 121 191	-18 806 277
Net result according to income statement	264 468	-3 441 192
Net asset, year end	12 388 009	8 548 780