

Annual report

Tundra Rysslandsfond

2016-01-01 - 2016-12-31

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 2016-01-01-2016-12-31 on Tundra Rysslandsfond, 515602-4779.

The funds' Performance

The fund rose 57.16 percent during 2016. The benchmark MSCI Russia net (SEK) rose 67.04 percent during the same period.

The fund's net assets development

Assets under management at December 31, 2016 amounted to SEK 41 million, which represents an increase of SEK 29 million compared with SEK 12 million at 31 December 2015. Value of units issued amounted to SEK 31 million and redemptions amounted to SEK 12 million. Net inflows to the fund during the period amounted to SEK 19 million.

Market development

External factors such as oil prices and global risk appetite was driving the price trend in Russian equities also in 2016. The past year saw a general recovery of commodity prices such as oil, coal and metals. Some coal prices rose even above 100 percent during the year. Natural gas prices also rose in price. Henry Hub is America's most widely used benchmark rose 68 percent. Oil prices rose 56 percent in USD which gave stability to the Russian economy and fuel for the Russian stock market. Higher oil prices at the end of the period compared to the beginning of the period is the main reason for the Russian market performed well during the year. In addition to rising oil prices as the market interpreted Donald Trump's Presidential win in the United States as something positive for Russia. Meanwhile, the purchase index 53.7 for the manufacturing sector in November, which is the highest level in 69 months.

OPEC and some oil-producing countries outside OPEC reached an agreement on production cuts last November, at around 2 percent of world production. The cutbacks come into force in January 2017, which means that it is too early to pronounce themselves how well the agreement is followed.

The situation in Ukraine has been relatively stable during the year, although there have been war-like activities at times. Both the EU and the US has extended its sanctions against Russia due to the situation in eastern Ukraine and Crimea, but the war in Ukraine has been lifted from the daily global news agenda. Syria, where Russia also has been very active took over the media's focus.

Inflows to the Russian market has been completely dominated by ETFs and other passive investments, which accounted for over 80 percent of the foreign capital newly invested in the Russian stock market over in 2016.

Fund Management and outlook

Foreign investors have to some extent returned to Russia in 2016. This is mainly because oil prices have risen and stabilized. Oil prices developments continue to be crucial for the Russian market performance. There is some speculation that sanctions against Russia could be lifted or reduced in 2017. However, at time of writing nothing more than speculation.

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 on the balance day

The fund continues to have a significant underweight in the energy sector and an underweight to the Financials. The Fund has an overweight in all other sectors except the Utilities, which the fund has no exposure. The power sector, however, is about 1 percent of the index.

Derivatives

According to the Fund rules The Fund have the possibility to trade options, futures and similar financial instruments, as well as the possibility to lend securities. The Fund may also, in accordance with current regulations, use other techniques and instruments in the fund management of the Fund. The Fund has not used any of these possibilities during the period. To calculate the total exposure of the Fund applies a risk assessment method, the so-called commitment approach on derivative instruments. This means that any

derivative position is converted into the equivalent position in the underlying asset. This asset has the similar value as if the derivative position was owned directly.

Financial overview

	Fond- AUM SEK	Andels- NAV	No. of issued fund shares	Dividend	Total Performance %	Performance index, %
2016-12-31	40 860 091	119.25	342 655.42	-	57.16	67.04
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

Key performance indicators

2016-12-31

Risk & Return

Standard Deviation %, 24 month	20.92
Standard Deviation Index %, 24 month	25.25
Tracking Error %, 24 month	8.58
Average Annual Return last 2 years %	32.00
Average Annual Return last 5 years %	4.13

Costs

Management fee %	2.50
Performance fee %	-
Transaction costs SEK	39 080
Transaction costs %	0.18
Research costs SEK	-
Research costs %	-
Ongoing Charges %	2.57
Subscription & Redemption fees	0

Turnover

Turnover ratio	0.07
Trading within the group	0

Income Statement

<i>In SEK</i>	<i>Note</i>	<i>2016-01-01- 2016-12-31</i>	<i>2015-01-01- 2015-12-31</i>
Income and change in the value			
Change in value, transferable securities		9 244 058	35 106
Interest		147	72
Dividends		766 474	711 622
FX gains and losses, net		98 279	-21 746
Other income		2	1
Total		10 108 960	725 055
Costs			
Management fees			
Fee charged by the fund		-478 595	-389 992
Interest		-2 355	-394
Other income		-57 841	-70 201
Total		-538 791	-460 587
Net result		9 570 169	264 468

Balance Sheet

<i>In SEK</i>	<i>Note</i>	<i>2016-12-31</i>	<i>2015-12-31</i>
Assets			
Transferable Securities		39 055 118	11 208 745
Total	1	39 055 118	11 208 745
Bank accounts		4 963 577	1 130 897
Accrued expenses and pre-paid income		143 439	84 163
Other assets		-	132 116
Total		44 162 134	12 555 921
Liabilities			
Accrued expenses accrued income		98 920	43 440
Other liabilities	2	3 203 123	124 472
Total		3 302 043	167 912

Total Net Asset

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	84 600	3 848 182	9.42
LUKOIL (OAO) ADR, Russia, USD	3 100	1 584 181	3.88
MAIL.RU GROUP GDR, Russia, USD	6 000	1 002 923	2.45
OAO NOVATEK GDR, Russia, USD	2 850	3 369 766	8.25
OJSC OC ROSNEFT GDR, Russia, USD	27 600	1 634 190	4.00
SURGUTNEFTEGAZ PRF, Russia, USD	385 000	1 835 869	4.49
TATNEFT ADR, Russia, USD	5 000	1 877 406	4.59
TMK ORD, Russia, USD	11 000	129 212	0.32
TRANSNEFT PRF, Russia, USD	25	735 830	1.80
Energy		16 017 560	39.20
VANECK VECTORS RUSSIA ETF, USA, USD	7 000	1 353 081	3.31
Fund		1 353 081	3.31
ALROSA PJSC, Russia, USD	75 000	1 086 516	2.66
MMC NORILSK NICKEL ADR, Russia, USD	11 800	1 804 733	4.42
NOVOLIPETSK GDR, Russia, USD	3 600	609 952	1.49
OJSC PHOSAGRO GDR, Russia, USD	4 100	569 553	1.39
RUSAL ORD, Hong Kong, HKD	100 000	385 302	0.94
SEVERSTAL GDR, Russia, USD	2 700	373 842	0.91
Material		4 829 896	11.82
AEROFLOT ORD, Russia, USD	32 000	727 273	1.78
GLOBALTRANS INVESTME, Cyprus, USD	16 200	934 112	2.29
Industry		1 661 385	4.07
DIXY GROUP ORD, Russia, USD	14 300	595 355	1.46
MAGNIT ORD, Russia, USD	2 050	3 352 961	8.21
X5 RETAIL GROUP GDR, Russia, USD	3 850	1 138 035	2.79
Staples		5 086 351	12.45
JSC HALYK BANK GDR, Kazakhstan, USD	13 500	736 615	1.80
MOSCOW EXCHANGE MCX, Russia, USD	68 000	1 269 831	3.11
SBERBANK PRF, Russia, USD	199 000	3 839 215	9.40
TBC BANK GROUP PLC, Georgia, GBP	3 247	529 148	1.30
VTB BANK GDR, Russia, USD	37 000	804 515	1.97
Financials		7 179 325	17.57
MEGAFON GDR, Russia, USD	3 300	284 070	0.70
MTS ORD, Russia, USD	40 000	1 540 429	3.77
SISTEMA JSFC ORD, Russia, USD	160 000	551 224	1.35
Telecom		2 375 723	5.81

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ETALON ADR, Guernsey, USD	6 000	174 700	0.43
LSR GROUP ORD, Russia, USD	2 664	377 097	0.92
Real estate		551 797	1.35
Total Category 1		39 055 118	95.58
Total transferable securities		39 055 118	95.58
Other assets and liabilities		1 804 973	4.42
Total Net Asset		40 860 091	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

	2016-12-31	2015-12-31
Non settled purchased securities	2 719 616	-
Accrued FX	7 581	-
Accrued redemption	474 526	124 472
Registered purchase after Cut Off time	1 400	-
Total	3 203 123	124 472

Note 3 Changes in Net Asset

	2016-01-01- 2016-12-31	2015-01-01- 2015-12-31
Net asset, start of the year	12 388 009	8 548 781
No. of issued fund shares	30 608 962	29 695 951
No. of redeemed fund shares	-11 707 049	-26 121 191
Net result according to income statement	9 570 169	264 468
Net asset, year end	40 860 091	12 388 009

Remuneration

Remuneration and benefits to employees has been calculated based on the Company's principles which has been approved by the Board of Directors. During the financial year the Company applied a calculation based on that 20 percent of the Company's profit before tax is deposited as variable remuneration to employees.

In addition, the Company may make exceptions for individuals who contributed positive from a risk adjusted perspective as long as the Company does not run the risk of violating regulatory capital requirements or otherwise threaten to put the Company at a disadvantage situation. Each year the Board of Directors revises the Company's remuneration policy. During the year minor linguistic adjustments has been made as well as adding reference to new law. These changes have not resulted in any substantial changes of the remuneration policy.

For current remuneration policy, see website; <http://www.tundrafonder.se/welcome/>

Benefits paid to all employees in 2016	Amount in SEK	Number of employees
Fixed salary	6 121 715	15
Variable remuneration to employees who are included in the number of employees and which have not been classified as special regulated staff	51 813	2
Total: Fixed salary and number of employees	6 173 528	15
Benefits paid to particular regulated staff 2016		
a) employees in senior strategic positions	1 764 625	2,5
b) employees with responsibility for control functions. Outsourced functions	0	0
c) risk takers	1 574 332	3,5
d) employees whose total compensation is equal to, or greater than, the total remuneration to someone in senior management	0	0