

Annual Report

Tundra Sustainable Frontier Fund

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 Sustainable Frontier Fund, 515602-6808.

The fund's performance

The fund rose by 17.21 percent in 2016. Benchmark MSCI Frontier Markets excluding the GCC countries net (SEK) rose by 10.61 percent during the same period.

The fund's net assets development

Assets under management at December 31, 2016 amounted to SEK 177 million, which represents an increase of 78 million, compared with 99 million at December 31, 2015. Value of issued fund shares amounted to SEK 61 million and redemptions amounted to SEK 9 million. Net inflows to the fund during the period amounted to SEK 52 million.

Market development

Frontier Markets excluding the Gulf countries rose 10.61 percent in SEK during the year. Continued risk aversion towards emerging and frontier markets affected the asset class during the year, which meant continuing outflows from foreign investors during 2016. The market however bottomed out already in January. It was domestic investors' net buying that drove markets higher, despite continued net selling by foreign investors. Among individual markets Pakistan and Morocco excelled with returns of about 50 percent. In Pakistan higher economic activity spurred optimism among local investors who, despite significant net selling from foreigners, were significant net buyers in the market. Especially the second half of the year was surprisingly strong given that foreign investors massively sold down their positions towards the end of 2016. Morocco benefited from the fact that global investors sought a safer market in Africa as Nigeria and Kenya had a challenging year. The dollar continued strengthening against the Swedish krona and contributed about 7 percent to the absolute market returns during the year.

Fund management and outlook

The fund did relatively well and managed to deliver a return that exceeded the benchmark index by 6.6 percentage points. The fund's underweight and stock selection in Nigeria was the single most important reason for the outperformance. Further, the fund's overweight in Asia as well as stock selection in the region contributed to the positive relative performance. The fund's stock picking in Vietnam worked particularly well during 2016. Towards the end of the year, Egypt devalued its currency by nearly 50 percent. After the devaluation the fund chose to enter the Egyptian equity which thus is a new market in the fund going into 2017. After two difficult years for frontier markets with large outflows from foreign investors, we believe the time is approaching for a more constructive year and we are relatively optimistic for 2017.

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 on the balance day

The fund has a significant underweight in Nigeria and a significant overweight in oil-importing countries such as Pakistan 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 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

	AUM SEK	NAV	No. of issued fund shares	Dividend	Total Performance %	Performance index, %
2016-12-31	177 047 928	105.79	1 673 562.74	-	17.21	10.61
2015-12-31	98 897 447	90.26	1 095 714.58	-	-9.74 1)	-9.24 1)

Index: *MSCI INT FM EX GCC N (SEK)*

1) Period 2015-08-03 - 2015-12-31

Key performance indicators

2016-12-31

Risk & Return

Standard Deviation %, 24 month	**
Standard Deviation Index %, 24 month	**
Tracking Error %, 24 month	**
Average Annual Return last 2 years %	**
Average Annual Return since start %	**

**N/A, The Fund was launched 3rd of August 2015

Costs

Management fee %	2.50
Performance fee %	-
Transaction costs SEK	307 371
Transaction costs %	0.24
Research costs SEK	32 188
Research costs %	0.02
Ongoing Charges %	2.56
Subscription & Redemption fees	0

Turnover

Turnover ratio	0.28
Trading within the group	0

Income Statement

In SEK

Note

*2016-01-01-
2016-12-31*

*2015-08-03-
2015-12-31*

Income and change in the value

Change in value, transferable securities

26 637 281 -10 429 251

Interest

200 -

Dividends

3 878 832 1 104 483

FX gains and losses, net

579 524 -258 642

Other income

7 440 -

Total

31 103 277 -9 583 410

Costs

Management fees

Fee charged by the fund

-3 423 188 -1 046 878

Interest

-674 -1 497

Other costs

1 -1 949 957 -373 148

Total

-5 373 819 -1 421 523

Net result

25 729 458 -11 004 933

Balance Sheet

<i>In SEK</i>	<i>Note</i>	<i>2016-12-31</i>	<i>2015-12-31</i>
Assets			
Transferable securities		172 805 011	95 956 744
Total	2	172 805 011	95 956 744
Bank accounts		7 048 526	3 090 037
Accrued expenses and pre-paid income		124 722	113 882
Other assets		333	-
Total		179 978 592	99 160 663
Liabilities			
Accrued expenses accrued income		2 031 067	224 819
Other liabilities		899 597	38 397
Total		2 930 664	263 216
Total Net Asset	2,3	177 047 928	98 897 447

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

	2016-01-01- 2016-12-31	2015-08-03- 2015-12-31
Transaction costs, Bank	48 950	800
Costs, Bank	855	-
Other costs	953	1 544
Costs restitution	3 161	-
Tax	1 351 859	3 808
Foreign tax, transferable securities	253 570	102 507
Broker costs	290 609	264 489
Total	1 949 957	373 148

Note 2 Financial instruments

Securities

Branch	Quantity	Value	%
Transferable securities			
Category 1			
ARABIAN CEMENT CO, Egypt, EGP	800 000	2 741 301	1.55
BIM SON CEMENT JSC, Vietnam, VND	362 825	2 177 140	1.23
CENTURY PAPER & BOARD MILLS, Pakistan, PKR	350 000	1 850 988	1.05
HOA PHAT GROUP JSC, Vietnam, VND	151 700	2 618 571	1.48
SUEZ CEMENT CO, Egypt, EGP	400 000	3 115 115	1.76
TOKYO CEMENT ORD, Sri Lanka, LKR	1 200 000	3 758 001	2.12
TRI-PACK FILMS LTD, Pakistan, PKR	33 000	845 653	0.48
VIETNAM ELEC EQP TR, Vietnam, VND	315 000	163 814	0.09
VIETNAM ELEC EQUIP, Vietnam, VND	315 000	2 595 827	1.47
Material		19 866 412	11.22
ACCESS ENGINEERING P, Sri Lanka, LKR	1 900 000	2 865 324	1.62
CII ORD, Vietnam, VND	218 220	2 457 372	1.39
JOHN KEELLS HLDG ORD, Sri Lanka, LKR	567 857	5 006 975	2.83
PAK ELEKTRON LTD, Pakistan, PKR	507 037	3 144 328	1.78
TPL TRAKKER LTD, Pakistan, PKR	847 000	1 303 163	0.74
Industry		14 777 161	8.35
DRC ORD, Vietnam, VND	169 000	2 163 389	1.22
GUL AHMED TEXTILE, Pakistan, PKR	497 500	2 224 016	1.26
HUM NETWORK LTD, Pakistan, PKR	941 500	1 231 643	0.70
NISHAT MILLS ORD, Pakistan, PKR	396 703	5 281 298	2.98
Durable goods		10 900 347	6.16
CARGILLS CEYLON ORD, Sri Lanka, LKR	105 000	1 216 014	0.69
INTERNATIONAL BRANDS, Pakistan, PKR	1 310 158	7 631 992	4.31
JUHAYNA FOOD INDUSTRIES, Egypt, EGP	750 000	2 347 641	1.33
MASAN GROUP CORP, Vietnam, VND	219 050	5 678 273	3.21
RICHARD PIERIS & CO, Sri Lanka, LKR	3 945 430	1 919 344	1.08
SAIGON GENERAL SERVI, Vietnam, VND	117 440	2 255 045	1.27

VIETNAM DAIRY PRODUC, Vietnam, VND	127 600	6 411 185	3.62
Staples		27 459 494	15.51
FEROZESONS LABORATORIES, Pakistan, PKR	98 200	6 416 693	3.62
Health care		6 416 693	3.62
ACC BANK OF NIG ORD, Nigeria, NGN	8 500 000	1 466 445	0.83
ADAMJEE INSUR ORD, Pakistan, PKR	750 000	4 852 626	2.74
BANCO MACRO ADR REP, Argentina, USD	8 000	4 689 416	2.65
BANK AL FALAH ORD, Pakistan, PKR	1 000 000	3 317 990	1.87
BBVA BANCO FRAN ADR, Argentina, USD	21 000	3 334 240	1.88
DIAMOND BANK ORD, Nigeria, NGN	8 500 000	223 652	0.13
GRUPO FINANCIERO ADR, Argentina, USD	21 000	5 149 613	2.91
GRUPO SUPERVIELLE SA, Argentina, USD	20 000	2 393 898	1.35
HABIB BANK LTD ORD, Pakistan, PKR	200 000	4 759 684	2.69
JSC HALYK BANK GDR, Kazakhstan, USD	60 000	3 273 846	1.85
LETSHEGO, Botswana, BWP	1 237 000	2 414 053	1.36
MEEZAN BANK, Pakistan, PKR	1 521 511	8 963 425	5.06
MILITARY COM BANK, Vietnam, VND	797 412	4 402 099	2.49
UNITED BANK FOR AFRICA ORD, Nigeria, NGN	15 000 000	2 018 250	1.14
ZENITH INTL BANK ORD, Nigeria, NGN	9 000 000	3 904 641	2.21
Financials		55 163 878	31.16
AVANCEON LTD, USA, PKR	800 000	2 433 076	1.37
FPT CORP, Vietnam, VND	461 050	8 567 059	4.84
NETSOL TECHNOLOG ORD, Pakistan, PKR	409 597	1 940 258	1.10
SYSTEMS LTD, Pakistan, PKR	1 200 000	8 859 609	5.00
IT		21 800 002	12.31
KARACHI ELECTRIC ORD, Pakistan, PKR	8 430 931	6 894 108	3.89
Power utilities		6 894 108	3.89
DAT XANH ORD, Vietnam, VND	591 250	2 956 509	1.67
Real estate		2 956 509	1.67
Total category 1		166 234 604	93.89
category 5			
DAEWOO PAK EXPRESS, Pakistan, PKR	826 000	4 563 681	2.58
Durable goods		4 563 681	2.58
TPL PROPERTIES LTD, Pakistan, PKR	2 318 000	2 006 726	1.13
Real estate		2 006 726	1.13
Total category 7		6 570 407	3.71
Total transferable securities		172 805 011	97.60
Total securities		172 805 011	97.60
Other assets and liabilities		4 242 917	2.40
Total Net Asset		177 047 928	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 3 Changes in Net Asset

	<i>2016-01-01- 2016-12-31</i>	<i>2015-08-03- 2015-12-31</i>
Net asset, start of the year	98 897 447	-
No. of issued fund shares	61 026 556	135 157 996
No. of redeemed fund shares	-8 605 533	-25 255 616
Net result according to income statement	25 729 458	-11 004 933
Net asset, year end	177 047 928	98 897 447

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