

Annual Report

Tundra Nigeria and Sub-Sahara Fund

515602-6261

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 behalf of Tundra Nigeria & Sub-Sahara Fund, 515602-6261.

The funds' Performance

The fund decreased by 22.46 % in 2015. The benchmark S&P Africa Frontier Total Return Index decreased by 13.22 % in the same period (all changes in SEK).

The fund's net assets development

Assets under management amounted to SEK 14 million on December 31st 2015, SEK SEK 15 million lower compared to the SEK 29 million at December 31st 2014. Value of units issued amounted to SEK 68 million and redemptions amounted to SEK 80 million. The net outflow and inflow to the fund was SEK – 12 million.

Market

The markets rose at the start of the year, but changed direction in mid-April and the benchmark (S&P Africa Frontier Total Return Index) fell in six out of the seven last months of the year. The peak was in mid-April at +11% and the bottom was on December 29th at -17%. The best performing, and the only markets finishing on the positive side, were BRVM and Botswana rising 16.1% and 6.5% respectively. The worst performing markets were Zambia and Namibia falling 37.4% and 33.9% respectively. Nigeria finished the year 17.4% lower while Kenya was down 12.1%. The Swedish Krona lost around 8% of its value against the USD and contributed positively to returns. (all returns in SEK)

Fund Management and Outlook

If oil was a divider in 2014, where oil importers gained and exporters lost, 2015 was more about rising risk aversion as the improving US economy brought a rate hike from the FED closer and closer. Outflows from Frontier markets throughout the year had a relative large impact on markets in Sub-Sahara. Falling commodity prices due to weakening economic growth in China was the other major story of 2015. Countries with large commodity exports saw their currencies depreciate against the USD, one example being the Zambian Kwacha loosing over 70% in 2015. Nigeria continued to feel the pain from the falling oil price. With 90% of export revenues and approx. 60% of government income coming from oil related products, the country had to devalue its currency already at the end of 2014 when oil had come down to around USD 80/bbl. The Centralbank tried to resist further depreciations when oil fell further to around US 55/bbl at the beginning of 2015, but devalued again in February by another 10%. Markets rebounded with oil once again going back towards USD 60/bbl and when the presidential elections were held at the end of March in a peaceful manner. The incumbent Goodluck Jonathan lost to the former military ruler Muhammadu Buhari. Worries over violence in conjunction with the announcement of the election result and handover of office were put to rest. Buhari then took his time selecting a government to implement his campaign promises, including stabilizing the security situation in the north (i.e. neutralize Boko Haram), stop corruption and, of course, employment and wealth to the people. He has so far achieved more than most thought was possible regarding the first two matters, but the countries unwillingness to devalue the currency further as oil slipped below USD 40/bbl started to create a lot of stress in the economy at the end of the year. The Centralbank tried to save the foreign exchange reserves by excluding certain items from the "right to buy" foreign currency from the CBN. The shortage of USD has, among other things, led to raw material shortage for a lot of the producers to keep production levels at the going rate.

The fund underperformed its benchmark. Poor returns from investments in the Telecom sector amounts to almost half of the underperformance vs the benchmark, the rest from poor choices in

the Energy and Consumer Staples sectors in Nigeria. From a country perspective, Nigeria and Zimbabwe gave the largest negative relative contributions and the underweight in Kenya and overweight in Botswana gave the largest positive contribution.

We have a cautious view to the first half of 2016 as worries about the economic recovery and demand for commodities will continue to have a large impact on market movements. As long as the Nigerian Centralbank continues to defend the Naira around current levels the pressure to devalue will only increase , and we find it difficult to see them being able to handle that pressure.

Objectives and investment policy

The fund is actively managed to generate financial exposure to the economic development in Africa **excluding** South Africa, West Sahara, Morocco, Algeria, Tunisia, Libya and Egypt and provide the Unit Holders with a maximum long-term return on their invested capital adjusted for the risk level in the fund.

Risks in the fund

The fund has a substantial exposure to Nigeria and the Nigerian currency, which currently is pegged to the USD. The low oil price decreases USD inflow from oil exports and erodes the foreign exchanges reserves of the centralbank as well as decreases the ability to defend the currency. We believe another devaluation is likely in the first half of 2016. Kenya's double deficits (budget and trade) combined with a relative large dependence of external financing has gained more attention throughout the year. That could become a problem if we see a sharp rise in interest rates in the US in particular.

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	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)

1) Period 2013-05-20 - 2013-12-31

Key performance indicators

2015-12-31

Risk & Return

Standard Deviation %, 24 month	17,38
Standard Deviation Index %, 24 month	16,02
Tracking Error %, 24 month	5,19
Average Annual Return last 2 years %	-15,83
Average Annual Return since start 2013-05-20 %	-13,91

Costs

Management fee %	2,50
Transaction costs SEK	429 253
Transaction costs %	0,57
Research costs SEK	66 109
Research costs %	0,09
Ongoing Charges %	2,66
Subscription & Redemption fees	0

Turnover

Turnover ratio	1,38
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		-3 187 129	-991 866
Interest		1 842	2 459
Dividends		1 055 471	883 554
FX		-60 629	-39 628
Other income		1	366
Total		-2 190 444	-145 115
Costs			
Management fees			
Fee charged by the fund		-590 658	-663 283
Interest		-9 156	-3 907
Other costs		-496 305	-344 879
Total		-1 096 120	-1 012 069
Net result		-3 286 563	-1 157 183

Balance Sheet

<i>In SEK</i>	<i>Note</i>	<i>2015-12-31</i>	<i>2014-12-31</i>
Assets			
Transferable Securities		12 605 168	26 644 992
Total	<i>1</i>	12 605 168	26 644 992
Bank accounts		1 638 757	2 372 168
Pre-paid expenses and accrued income		1	75 475
Total		14 243 926	29 092 635
Liabilities			
Accrued expenses and deferred income		30 088	70 787
Other liabilities		204 515	79 689
Total		234 603	150 476
Total Net Asset	<i>1,2</i>	14 009 323	28 942 159

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			
FORTE OIL ORD, Nigeria, NGN	12 000	159 358	1,14
OANDO ORD, Nigeria, NGN	700 000	174 947	1,25
SEPLAT PETROLEUM DEVELOPMENT, Nigeria, GBP	40 000	355 918	2,54
Energy		690 224	4,93
ATHI RIVER MIN ORD, Kenya, KES	22 300	76 828	0,55
BAMBURI ORD, Kenya, KES	10 000	144 410	1,03
DANGOTE CEMENT ORD, Nigeria, NGN	33 800	243 401	1,74
LAFARGE CEMENT, Nigeria, NGN	44 500	183 073	1,31
Material		647 712	4,62
U A C NIGERIA ORD, Nigeria, NGN	500 000	435 249	3,11
Industry		435 249	3,11
NAT MED GR ORD, Kenya, KES	4 000	63 045	0,45
NEW MTIUS HOTEL ORD, Mauritius, MUR	13 000	35 207	0,25
NEW MTIUS HOTEL ORD, Mauritius, MUR	39 000	159 811	1,14
Durable goods		258 063	1,84
FLOUR MILLS ORD, Nigeria, NGN	462 000	391 406	2,79
FLOUR MILLS TR, Nigeria, NGN	462 000	0	0,00
PZ CUSSONS GHANA, Ghana, GHS	750 000	565 063	4,03
UCHUMI SUPER ORD, Kenya, KES	60 000	54 216	0,39
UNILEVER ORD, Ghana, GHS	2 400	45 205	0,32
ZAMBEEF, Zambia, ZMW	17 000	32 620	0,23
Staples		1 088 509	7,77
ACC BANK OF NIG ORD, Nigeria, NGN	2 500 000	513 615	3,67
BARCLAYS ORD, Botswana, BWP	19 500	66 008	0,47
CAL BANK, Ghana, GHS	35 000	77 558	0,55
COMM BANK ORD, Ghana, GHS	6 500	54 589	0,39
DIAMOND BANK ORD, Nigeria, NGN	5 700 000	552 925	3,95
ECONBANK TR INC ORD, TOGO, NGN	600 000	426 989	3,05
FBN HOLDINGS ORD, Nigeria, NGN	2 500 000	543 267	3,88
FNB HOLDINGS ORD, Namibia, ZAR	2 720	64 659	0,46
FNBB ORD, Botswana, BWP	27 000	77 585	0,55
GUARANTY TRT BNK ORD, Nigeria, NGN	1 550 000	1 193 662	8,52
KENYA COMM BK ORD, Kenya, KES	120 000	433 230	3,09

LETSHEGO, Botswana, BWP	277 000	604 264	4,31
MCB GROUP LTD ORD, Mauritius, MUR	11 000	539 473	3,85
STANBIC IBTC HOLDING, Nigeria, NGN	1 000 000	700 211	5,00
STANDARD CHARTED ORD, Ghana, GHS	17 200	621 259	4,43
TRANS CORP NIG ORD, Nigeria, NGN	2 300 000	148 091	1,06
UNITED BANK FOR AFRICA ORD, Nigeria, NGN	7 500 000	1 073 826	7,67
WEST AF PROV INS ORD, Nigeria, NGN	121 633	2 576	0,02
ZENITH INTL BANK ORD, Nigeria, NGN	2 150 000	1 283 233	9,16
Financial		8 977 019	64,08
MTN GROUP LTD, Sydafrika, ZAR	7 000	508 392	3,63
Telecom		508 392	3,63
Total Category 1		12 605 168	89,98
Total transferable securities		12 605 168	89,98
Other assets and liabilities		1 404 155	10,02
Total Net Asset		14 009 323	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.

Not 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	28 942 159	12 301 824
No. of issued fund shares	68 491 686	53 339 105
No. of redeemed fund shares	-80 137 959	-35 541 586
Net result according to income statement	-3 286 563	-1 157 184
Net asset, year end	14 009 323	28 942 159