

Semi Annual Report

Tundra Nigeria and Sub-Sahara Fund

2015-01-01 - 2015-06-30

Comments from the CEO

Frontier markets have lacked a general trend during the first half of the year. The asset class measured as MSCI Frontier Markets xGCC Net returned 3% in SEK. The currency however contributed positively and the USD return amounted to -3%. Frontier markets hence underperformed emerging as well as developed markets (+10% and 9% respectively).

The global news flow was dominated by speculation in the timing of the next FED rate hike, the ECB and PBOC liquidity injections in order to help growth, the Greek debt issue and a substantial sell-off in the domestic Chinese equity market.

Nigeria conducted a presidential election in March. The opposition candidate Muhammadu Buhari ended as the winner. The fact that democratic elections could be held should be viewed as a step forward. It is also an example of the general political stabilisation taking place within frontier markets and which paves the way for continued economic growth. During the spring and summer, Buhari was however the source of disappointment. The reforms he had promised have not yet materialized and the criticism has gradually increased against the lack of speed. The low oil price prevailing during the first six months of the year has also been a challenge for oil exporting Nigeria. Unlike Nigeria, the Asian frontier markets have in general gained from the low oil price. Pakistan is one example of this. The country has in addition enjoyed lower inflation which has enabled rate cuts. During the spring, MSCI announced that Pakistan is considered for upgrading to emerging market status. This would spur foreign interest. Positive steps have also been taken in Vietnam as it was announced that the cap on foreign holdings of listed equity most likely will be scrapped. The top performing major frontier markets during the period January-June are Argentina (+15%) and Pakistan (+7%). Nigeria underperformed (-1%).

Merger and change of name

During February, the fund Tundra QuAsia was merged into Tundra Frontier Opportunities Fund. The merger was motivated by the fact that the former had not lived up to Tundra's return expectations and the limited demand among investors. We believe that Tundra Frontier Opportunities Fund has good chances to provide the investor with better risk adjusted return. During the spring, Tundra Pakistanfond changed name to Tundra Pakistan Fund. The change in name occurred on the back of Tundra's international expansion and rising demand for the company's funds overseas.

Inception of a unique fund

Tundra announced during the past six months that it will launch a new fund, Tundra Sustainable Frontier Fund. The fund will invest globally in frontier markets. It will be a unique fund as it will apply a sustainable approach as part of its stock selection. Companies breaching international norms or being active in sectors including pornography, alcohol, weapons, commercial gambling or tobacco will be excluded. The combination of a sustainable investment approach and frontier markets is unique. As part of this effort, Tundra recruited dedicated ESG analysts to the research team.

Jon Scheiber, CEO, Tundra Fonder

Management Report

Objectives and investment policy

The Fund is intended to generate financial exposure to the economic development in Nigeria and Sub-Sahara Africa excluding South Africa, and provide the Unit Holders with a maximum long-term return on their invested capital adjusted for the risk level in the Fund. At least 51 percent of the net asset value of the Fund must be invested in Nigeria.

The Fund's performance

The fund rose 1.2% compared to the benchmark S&P Africa Frontier Total Return Index which rose 1.4% in SEK during the first six months of the year.

The Fund's net assets development

Assets under management at June 30, 2015 amounted to SEK 20 million, which represents an decrease SEK 9 million compared with SEK 29 million at 31 December 2014.

The value of issued fund shares amounted to 62 million.

The value of redeemed fund shares amounted to SEK -72 million. The value of the total change of fund shares during the period amounted SEK -10 million.

Market comment

Our benchmark (S&P Africa Frontier Total Return Index) finished the first six months of the year +1.4%, after hitting a low of -10% in February and +12% high in April. The best markets in Sub-Sahara were Malawi (+21%) followed by Botswana (+18%) and BRVM (+6%). The worst performers were Ghana (-18%), Zambia (-9%) and Uganda (-8%). The Swedish Krona depreciated by approx. 5% vs the USD. (all changes in SEK)

Outlook

The fund rose 1.2% in the first six months of the year. Largest positive contribution relative the benchmark came from Nigeria and Botswana, while Zimbabwe and Togo were the largest negative contributors. On a sector basis Financials contributed the most while the fund's holding in Telecom was the worst. The fund has gained from underweighting Kenyan Financials and instead overweighting Nigerian Financials. Consumer Staples had a difficult start, but we can see that our holdings held up better compared to the benchmark.

Sentiment in the SSA markets improved as the Ebola outbreak came to a halt, before volatility once again increased in May/June. It was mostly the currencies starting to move as the investment community increased focus on rising global rates making their SSA equivalents less (relative) attractive. Focus on budget and current account deficit also increased with the Greece situation, impacting countries like Kenya and Uganda (both with large double deficits). In Nigeria almost everything was about the election to be held in February but postponed to the end of March due to security reasons caused by frequent attacks by Boko Haram. The election was a big win for democracy and somewhat surprisingly Buhari won against incumbent president Jonathan. Buhari's campaign focused on weeding out corruption and better handling of the Boko Haram situation. After taking office in late May the reform agenda has never really taken off and the market has retreated in disappointment. Buhari has a huge opportunity to improve the economic situation in Nigeria if he succeeds with only part of his election campaign promises, but it is also clear that it won't happen

overnight (which wasn't likely in the first place). The low oil price creates a problem for the Nigerian government (70% of government revenue comes from oil related products), and increase the pressure for economic reforms. We remain cautious on the macro outlook in the coming 6 months and we are likely to see large swings in the equity markets in Sub-Sahara.

Risks in the Fund

The fund has a large exposure to Nigeria, with has effectively pegged it's currency to the USD and even though the central bank has devalued the currency twice since the fall of 2014, still is perceived as overvalued by the market. The low oil price continues to fret on the FX reserves and decreases the central bank's possibilities to defend the currency, and the markets expect another devaluation before the year end. In the last couple of years Boko Haram has increased their attacks on civilian targets, and there are still no signs of a fast solution to the problem, even though the new president has promised action. Terror attacks in Kenya from Al-Shabaab have also increased, but the situation is still far from what we are seeing in northern Nigeria. Kenya has also seen a depreciation currency due to the country's large deficits in the budget and current account.

Derivatives

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

Mathias Althoff, Portfolio Manager

Financial overview

	AUM SEK	NAV	No. of issued fund shares	Dividend	Performance, %	Performance index, %
2015-06-30	20 069 838	88,17	227 622,13	-	1,21	1,42
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

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

Balance Sheet

<i>In SEK</i>	<i>Note</i>	<i>2015-06-30</i>	<i>2014-12-31</i>
Assets			
Transferable securities		18 832 027	26 644 992
Total	1	18 832 027	26 644 992
Bank accounts		1 369 936	2 372 168
Pre-paid expenses and accrued income		85 948	75 475
Total		20 287 911	29 092 635
Liabilities			
Accrued expenses and deferred income		56 029	70 787
Other liabilities		162 044	79 689
Total		218 073	150 476
Total Net Asset	1,2	20 069 838	28 942 159

Accounting principles and valuation of financial instruments

Amounts in SEK unless otherwise stated

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 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 Fund Associations guidelines of key performance indicators.

Note

Not 1 Financial Instrument, portfolio

Per 2015-06-30

Securities

Branch	Quantity	Value	%
Transferable securities			
Category 1			
FORTE OIL ORD, Nigeria, NGN	72 000	555 128	2,77
OANDO ORD, Nigeria, NGN	700 000	461 774	2,3
SEPLAT PETROLEUM DEVELOPMENT, Nigeria, GBP	40 000	591 335	2,95
Energy		1 608 236	8,01
ATHI RIVER MIN ORD, Kenya, KES	22 300	139 570	0,7
BAMBURI ORD, Kenya, KES	10 000	129 348	0,64
DANGOTE CEMENT ORD, Nigeria, NGN	33 800	253 216	1,26
LAFARGE CEMENT, Nigeria, NGN	44 500	190 747	0,95
Material		712 880	3,55
U A C NIGERIA ORD, Nigeria, NGN	500 000	884 425	4,41
Industry		884 425	4,41
NAT MED GR ORD, Kenya, KES	4 000	68 429	0,34
NEW MTIUS HOTEL ORD, Mauritius, MUR	39 000	189 641	0,94
NEW MTIUS HOTEL ORD, Mauritius, MUR	13 000	9 868	0,05
Durable goods		267 938	1,34
7-UP BOTTLING ORD, Nigeria, NGN	66 868	504 761	2,52
CHOPPIES LTD, Botswana, BWP	100 000	404 280	2,01
FLOUR MILLS ORD, Nigeria, NGN	462 000	653 767	3,26
NESTLE NIGERIA ORD, Nigeria, NGN	14 800	524 842	2,62
PZ CUSSONS GHANA, Ghana, GHS	750 000	513 280	2,56
UCHUMI SUPER ORD, Kenya, KES	60 000	45 063	0,22
UNILEVER ORD, Ghana, GHS	2 400	34 356	0,17
ZAMBEEF, Zambia, ZMW	17 000	58 244	0,29
Staples		2 738 593	13,65
ACC BANK OF NIG ORD, Nigeria, NGN	2 750 000	648 960	3,23
BARCLAYS ORD, Botswana, BWP	19 500	69 820	0,35
CAL BANK, Ghana, GHS	35 000	73 190	0,36
COMM BANK ORD, Ghana, GHS	6 500	60 301	0,3
DIAMOND BANK ORD, Nigeria, NGN	5 700 000	1 041 457	5,19
ECONBANK TR INC ORD, TOGO, NGN	990 000	943 567	4,7
EQUITY BANK ORD, Kenya, KES	195 000	756 683	3,77
FBN HOLDINGS ORD, Nigeria, NGN	2 500 000	825 116	4,11
FNB HOLDINGS ORD, Namibia, ZAR	2 720	60 755	0,3
FNBB ORD, Botswana, BWP	27 000	89 185	0,44
GUARANTY TRT BNK ORD, Nigeria, NGN	1 300 000	1 461 403	7,28
KENYA COMM BK ORD, Kenya, KES	120 000	540 756	2,69
LETSHEGO, Botswana, BWP	277 000	745 019	3,71

MCB GROUP LTD ORD, Mauritius, MUR	11 000	566 196	2,82
STANDARD CHARTED ORD, Ghana, GHS	17 200	651 995	3,25
STATE BANK MAUR ORD, Mauritius, MUR	3 500 000	755 482	3,76
TRANS CORP NIG ORD, Nigeria, NGN	2 300 000	259 417	1,29
UNITED BANK FOR AFRICA ORD, Nigeria, NGN	3 000 000	623 051	3,1
WEST AF PROV INS ORD, Nigeria, NGN	121 633	2 531	0,01
ZENITH INTL BANK ORD, Nigeria, NGN	2 100 000	1 682 488	8,38
Financials		11 857 375	59,08
ECO ZH/CITIPNOTE, USA, USD	230 000	762 579	3,8
Telecom		762 579	3,8
Total Category 1		18 832 027	93,83
Total transferable securities		18 832 027	93,83
Total Financial Instruments		18 832 027	93,83
Other assets and liabilities		1 237 811	6,17
Total Net Asset		20 069 838	100

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- 2015-06-30</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	62 072 855	53 339 105
No. of redeemed fund shares	-72 105 720	-35 541 586
Net result according to income statement	-10 032 865	17 797 519
Net result according to income statement	1 160 544	-1 157 184
Net Asset, at end of the period	20 069 838	28 942 159

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