

Semi Annual Report

# **Tundra Rysslandsfond**

**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

## Fund managers Report

### Objectives and investment policy

The objective of the fund is to create a financial exposure to the economic development of Russia and provide unitholders with maximum long-term return on invested capital.

### The Fund's performance

Tundra Russia rose by 25.4% during the first half of 2015, while the Russian market as measured by the MSCI Russia net (SEK) rose by 35.6%.

### The Fund's net assets development

Assets under management at June 30, 2015 amounted to SEK 15 million, which represents an increase SEK 6 million compared with SEK 9 million at 31 December 2014.

The value of issued fund shares amounted to 24 million.

The value of redeemed fund shares amounted to SEK -19 million. The value of the total change of fund shares during the period amounted SEK 5 million.

### Market comment

The Russian market showed a very strong performance from the beginning of the year until the middle of April. The market increased by as much as 59% in SEK. A large part of the performance was due to strengthening of the Russian currency, which rose 28% over the same period compared with the Swedish Krona. There was also a renewed weakening of the currency that took the edge off the stock upturn. The Russian Ruble fell by 16% from mid-April until end of June. The currency weakness accounted for the entire drop as the stock market fell by 15% during the same time. Currency depreciation from mid-April has been supported both verbally and through strategic buying of foreign currency by the public institutions. Another factor besides public Russian institutions selling the Ruble was the fall in oil prices. The Brent price touched USD 70 per barrel in the beginning of May and fell to USD 61.5 by the end of June.

### Outlook

The Oil price decline has continued since the end of June and that is also the case of the Russian Ruble. After the agreement with Iran was reached after 18 months of negotiations, there are expectations that Iran will exacerbate the oversupply of oil on the global oil market. It has also been speculations about tougher sanctions against Russia because of the situation in Ukraine. The huge dependence on oil prices makes Russia as a nation extremely vulnerable.

### Risks in the Fund

The outlook is uncertain. The Russian stock market is among the cheapest in the world, but in the absence of a diplomatic solution to the conflict in Ukraine and the relatively low oil price, the market will continue to remain volatile with large price actions up and down.

### Derivatives

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

Johan Elmquist, Portfolio Manager

Financial overview

	AUM	NAV	No. of issued fund shares	Dividend	Performance, %	Performance index, %
2015-06-30	15 432 562	85,84	179 781,36	-	25,42	35,64
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

## Balance Sheet

<i>In SEK</i>	<i>Note</i>	<i>2015-06-30</i>	<i>2014-12-31</i>
<b>Assets</b>			
Transferable securities		14 335 123	7 930 527
<b>Total</b>	<b>1</b>	<b>14 335 123</b>	<b>7 930 527</b>
Bank accounts		1 235 328	647 112
Pre-paid expenses and accrued income		51 675	81 495
<b>Total</b>		<b>15 622 126</b>	<b>8 659 134</b>
<b>Liabilities</b>			
Accrued expenses and deferred income		43 649	31 200
Other liabilities		145 915	79 153
<b>Total</b>		<b>189 564</b>	<b>110 353</b>
<b>Total Net Asset</b>	<b>1,2</b>	<b>15 432 562</b>	<b>8 548 781</b>

## 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.

## Notes

### Not 1 Financial Instrument, portfolio

2015-06-30

#### Securities

Branch	Quantity	Value	%
Transferable Securities			
<b>Category 1</b>			
EURASIA DRILLING GDR, Cyprus, USD	1 000	136 647	0,89
GAZPROM ADR REP 2 ORD, Russia, USD	33 700	1 438 580	9,32
LUKOIL (OAO) ADR, Russia, USD	2 580	941 063	6,1
OAO NOVATEK GDR, Russia, USD	800	675 048	4,37
OJSC OC ROSNEFT GDR, Russia, USD	14 500	495 179	3,21
SURGUTNEFTEGAZ PRF, Russia, USD	175 000	1 118 739	7,25
TATNEFT ADR, Russia, USD	2 800	742 221	4,81
TMK ORD, Russia, USD	11 000	96 124	0,62
TRANSNEFT PRF, Russia, USD	10	202 051	1,31
<b>Energy</b>		<b>5 845 652</b>	<b>37,88</b>
MMC NORILSK NICKEL ADR, Russia, USD	8 000	1 118 670	7,25
NOVOLIPETSK GDR, Russia, USD	3 600	396 873	2,57
OJSC PHOSAGRO GDR, Russia, USD	4 100	435 001	2,82
RUSAL ORD, Hong Kong, HKD	100 000	412 788	2,67
SEVERSTAL GDR, Russia, USD	2 700	236 781	1,53
<b>Material</b>		<b>2 600 113</b>	<b>16,85</b>
DIXY GROUP ORD, Russia, USD	2 300	112 904	0,73
MAGNIT ORD, Russia, USD	430	734 695	4,76
X5 RETAIL GROUP GDR, Russia, USD	3 650	503 737	3,26
<b>Staples</b>		<b>1 351 336</b>	<b>8,76</b>
BANK ST PETERSBR ORD, Russia, USD	18 000	109 000	0,71
ETALON ADR, Guernsey, USD	6 000	93 350	0,6
JSC HALYK BANK GDR, Kazachstan, USD	3 500	246 595	1,6
LSR GROUP ORD, Russia, USD	2 664	228 403	1,48
MOSCOW EXCHANGE MCX, Russia, USD	45 000	470 938	3,05
SBERBANK ADR, Russia, USD	6 300	272 589	1,77
SBERBANK PRF, Russia, USD	142 000	1 028 459	6,66
TBC BANK JOINT STOCK, Georgien, USD	3 247	277 215	1,8
<b>Financials</b>		<b>2 726 548</b>	<b>17,67</b>
Luxoft Holding Inc, USA, USD	1 235	578 891	3,75
<b>IT</b>		<b>578 891</b>	<b>3,75</b>
MEGAFON GDR, Russia, USD	3 300	380 212	2,46
MTS ORD, Russia, USD	16 700	608 518	3,94
SISTEMA JSFC ORD, Russian, USD	82 000	243 853	1,58
<b>Telecom</b>		<b>1 232 582</b>	<b>7,99</b>
<b>Total Category 1</b>		<b>14 335 123</b>	<b>92,89</b>

<b>Tundra Rysslandsfond</b> <b>515602-4779</b>		7
<b>Total transferable securities</b>	<b>14 335 123</b>	<b>92,89</b>
<b>Total financial instruments</b>	<b>14 335 123</b>	<b>92,89</b>
<b>Other assets and liabilities</b>	<b>1 097 439</b>	<b>7,11</b>
<b>Total Net Asset</b>	<b>15 432 562</b>	<b>100</b>

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	8 548 781	13 613 889
No. of issued fund shares	24 017 403	17 182 360
No. of redeemed fund shares	-19 143 139	-18 806 277
Net result according to income statement	<b>4 874 264</b>	<b>-1 623 867</b>
<b>Net Asset, at end of the period</b>	<b>15 432 562</b>	<b>8 548 781</b>

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