

# MONTHLY LETTER

## JUNE 2016



TUNDRA  FONDER

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| Return (EUR)                        | 1 month | YTD   | 1 year | Inception |
|-------------------------------------|---------|-------|--------|-----------|
| Tundra Pakistan Fund                | 3.7%    | 4.0%  | 0.2%   | 187.5%    |
| Benchmark (MSCI Pakistan Net (EUR)) | 6.1%    | 11.8% | -1.4%  | 117.1%    |

| Facts           |                         | Risk and costs*                       |                                      |
|-----------------|-------------------------|---------------------------------------|--------------------------------------|
| Inception date  | 2011-10-14              | Active risk (Tracking error)          | 8.5%                                 |
| Pricing         | Daily                   | Standard deviation                    | 20.4%                                |
| Manager         | Tundra Fonder AB        | Standard deviation, benchmark         | 23.4%                                |
| Benchmark index | MSCI Pakistan Net (EUR) | Beta                                  | 0.81                                 |
| ISIN            | SE0006 789 905          | Information ratio                     | .69                                  |
| IBAN            | SE925000000058648288185 | Risk level                            | 7 of 7 (refer to KIID for more info) |
| BIC             | ESSESESS                | Management fee/year (all inclusive)** | 2.5%                                 |
| Custodian       | SEB                     | AuM                                   | 98.2 MEUR                            |
| Auditor         | PWC                     |                                       |                                      |

\* Risk indicators are based on monthly rolling 24 months of return data.

\*\* The management fee includes variable custody fees, audit, legal and marketing expenses.

| Best performers in June |              | Worst performers in June |              |
|-------------------------|--------------|--------------------------|--------------|
|                         | Return (EUR) |                          | Return (EUR) |
| Habib Bank Ltd          | 13.2%        | Netsol Technolog         | -15.0%       |
| Bata Pakistan           | 10.9%        | Aisha Steel Mill         | -13.0%       |
| Lucky Cement            | 9.9%         | Efu Life Assuran         | -12.8%       |
| Natl Bk Pakistan        | 7.9%         | Tpl Trakker Ltd          | -10.9%       |
| Mcb Bank Ltd            | 7.7%         | Engro Polymer            | -9.3%        |

### Five largest holdings

| Holding            | Portfolio weight | Country  | P/E 15E | P/E 16E | Yield | Return 1 month (EUR) |
|--------------------|------------------|----------|---------|---------|-------|----------------------|
| Habib Bank Ltd     | 6.7%             | Pakistan | 8.3     | 8.6     | 7.1%  | 13.2%                |
| United Bank Ltd    | 5.5%             | Pakistan | 8.3     | 8.0     | 7.7%  | 7.1%                 |
| K-Electric Ltd     | 5.1%             | Pakistan | 9.6     | 6.7     | 0.8%  | 7.5%                 |
| International Brar | 5.0%             | Pakistan | -       | -       | -     | 44.0%                |
| Nishat Mills Ltd   | 4.4%             | Pakistan | -       | -       | -     | -                    |

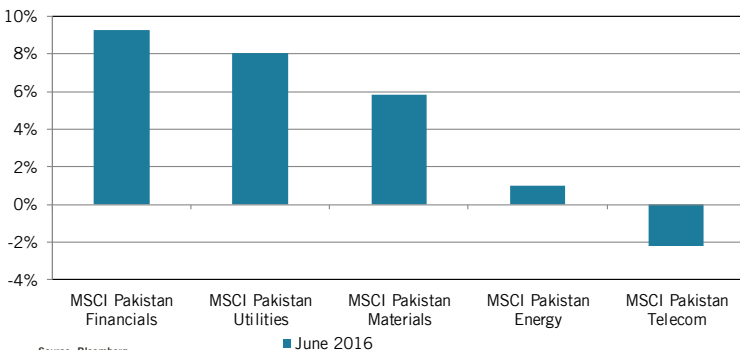
Source: Bloomberg, Tundra Fonder

### Fund Objective

The objective of the fund is to provide investors financial exposure to economic development in Pakistan and to provide its unit holders with a maximum long-term return on their investment given the fund's level of risk. At least 90 percent of the net asset value of the fund will be invested in equities and equity-related transferable securities issued by companies that have their registered office in, or that conduct their principal operating activities in, Pakistan. The fund may invest up to 10 percent of the net asset value of the fund in equity and equity-related transferable securities issued by companies that do not have their registered office in, or do not conduct their principal operating activities in, Pakistan. Notwithstanding the above restrictions, the fund may always hold the cash and cash equivalents necessary to conduct management of the fund, but to a maximum of 20 percent of the net asset value of the fund. The fund may invest up to 10 percent of the net asset value in other funds.

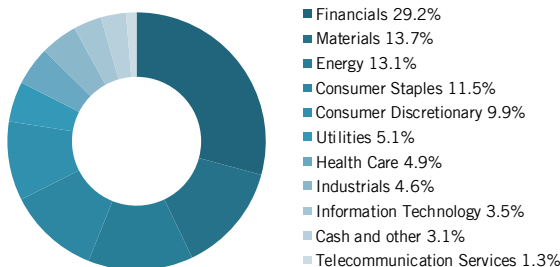
Given the risk profile of the fund the fund management company wishes to particularly emphasize the importance of investing only capital that can be tied up for a very long period in this fund.

### Pakistan sector indices (EUR, total return)

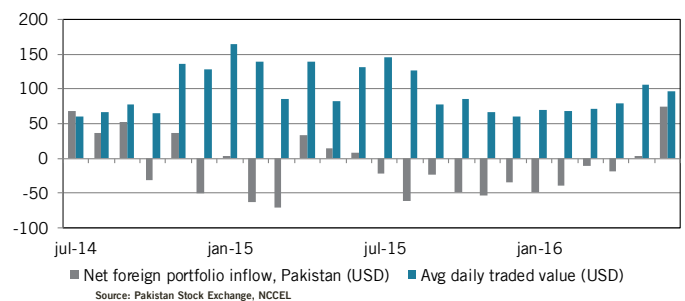


Source: Bloomberg

### Tundra Pakistan Fund: Sector allocation



### Foreign flows and turnover (Pakistan Stock Exchange)



Source: Pakistan Stock Exchange, NCCEL

Fund return is for time periods starting prior to June 12th 2013 based on the A share class in SEK converted to EUR using Bloomberg currency data in order to provide maximum performance history. The value of money invested in a fund can increase or decrease and there is no guarantee that all of your invested capital can be redeemed. Past performance is no guarantee for future returns. The value of invested capital may vary substantially due to the composition of the fund and the investment process used by the fund manager. The Full Prospectus, KIID etc. are available on our homepage ([www.tundrafonder.se](http://www.tundrafonder.se)). You can also contact us to receive the documents free of charge.

### Monthly Market Comment

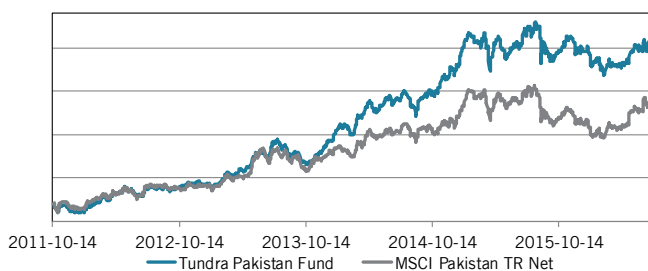
MSCI Pakistan Net (EUR) gained 6.1% during June, outperforming the MSCI Emerging Markets Net (EUR) which gained 4.6%. Daily traded value shrunk to USD 97m, but still a decent number given shorter trading days during Ramadan. Foreigners were the major buyers in the market with USD 74m in June.

The most important development in Pakistan market was the positive outcome of MSCIs review where Pakistan was upgraded to Emerging market index from Frontier index from May 2017. Up to nine stocks qualify for inclusion with an expected cumulative weight of 0.19%. Although the weight of Pakistan is not significant, it remains an important milestone in improving the perception of the country for foreign investors and reassure investors that market is moving in the right direction. The Government announced FY17 budget with main focus on fiscal reforms (Fiscal deficit target of 3.8% vs 4.3% in FY16) while raising hopes on GDP growth of 5.7% compared to 4.7% in FY16. From a market perspective, the budget lacked any major surprises. Continuation of Super tax (one-off tax), however, is likely to negatively impact corporate earnings by 3-5%. Given improving macro situation and huge valuation gap compared to other emerging peers, Pakistan is likely to receive some traction from foreign investors.

### Monthly Fund Comment

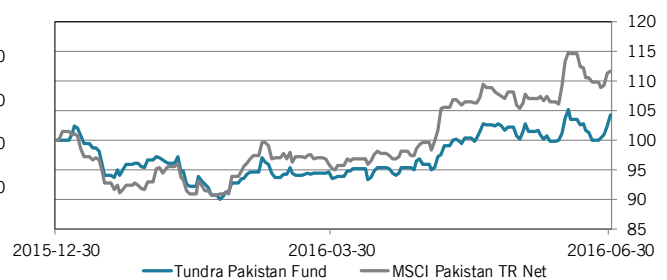
The fund gained 3.7% Net (EUR) during the month compared to the benchmark index return of 6.1%. With the inclusion into MSCI Emerging market index, market saw increased interest in blue chip index stocks from foreign investors. Our underweight in index heavy Materials (Lucky, FFC) and Financials (MCB, HBL) represents majority of the underperformance. In addition, our off benchmark bets in Consumer Discretionary and IT sectors also did not fare well for the fund. Just over 1% of the excess return was attributable to a revaluation of the fund's unlisted holding in Pakistani International Brands (IBL). The revaluation took place due to a sharp rise in the company's main asset, the listed pharmaceutical company Searle, and the fact that a clear timeline for an IPO in the autumn has been set. Assuming the IPO takes place according to plan, it is our assessment that there is significant upside potential from current levels. No major changes were made during the month.

### Tundra Pakistan Fund vs index (since inception)



Source: Bloomberg

### Tundra Pakistan Fund vs index (year-to-date)



Source: Bloomberg

### Tundra Pakistan Fund – Monthly return (EUR)

| YEAR | Jan   | Feb   | Mar   | Apr  | May   | Jun   | Jul   | Aug   | Sep   | Oct   | Nov   | Dec   | YTD    |
|------|-------|-------|-------|------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| 2011 |       |       |       |      |       |       |       |       |       |       |       |       |        |
| 2012 | 7.3%  | 6.5%  | 6.6%  | 3.6% | 0.7%  | -4.8% | 9.1%  | 2.1%  | -3.3% | -4.9% | -1.8% | -3.9% | -10.2% |
| 2013 | -0.9% | 10.5% | 0.4%  | 4.4% | 12.6% | -2.8% | 10.6% | -9.9% | -3.1% | 0.5%  | 7.5%  | 7.7%  | 40.3%  |
| 2014 | 10.5% | -5.4% | 12.4% | 3.1% | 6.1%  | -0.7% | 3.2%  | -7.9% | 8.7%  | 2.6%  | 5.3%  | 6.0%  | 51.2%  |
| 2015 | 13.3% | -3.6% | -7.1% | 5.4% | -1.3% | 3.1%  | 4.1%  | -4.1% | -6.6% | 5.8%  | -1.3% | -1.1% | 4.8%   |
| 2016 | -3.6% | -2.9% | 0.2%  | 2.9% | 4.0%  | 3.7%  |       |       |       |       |       |       | 4.0%   |

Source: Bloomberg

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