

Semi Annual Report

# **Tundra Nigeria and Sub-Sahara Fund**

515602-6261

**2016-01-01 - 2016-06-30**

This is a translated copy from the Swedish original. If any conflict occurs in the translation the Swedish will prevail.

## **Management Report**

### **The Fund's performance**

Tundra Nigeria & Sub-Sahara Fund declined 12.98 % during the first half of 2016, while the benchmark, S&P Africa Frontier Total Return Index (SEK) declined 12.56 %.

### **The Fund's net assets development**

Assets under management at June 30, 2016 amounted to SEK 22 million, which represents an increase of SEK 8 million compared to SEK 14 million at 31 December 2015.

The value of issued fund shares amounted to Class A SEK 29 million. The value of redeemed fund shares amounted to Class A SEK 17 million. The value of the total change of fund shares during the period hence amounted to Class A SEK 12 million.

### **Market**

The first half of 2016 was a difficult one in general for equity markets in Sub-Sahara and the majority ended in negative territory. Nigeria was the worst performer, falling 23.7 % after devaluing the currency by 30 %, followed by markets in Ghana, BVM and Zimbabwe decreasing around 10 %. The best performer was Namibia and Tanzania rising 21.8 % and 7 % respectively. Kenya rose 0.3 %. Almost all focus has been on the pegged currency in Nigeria and the effects it has had on the economy. It started with fuel shortages when importers couldn't access USD at the official rates but had to go through the black market, leading to losses since pump prices were regulated. The manufacturing industry soon experienced the same issues which led to production cuts and layoffs. President Buhari started the year by firmly resisting a devaluation and questioning the benefits of such an action, softened the tone throughout the year and finally the Central bank (CBN) let the peg go and moved to a market set price which led to a 30 % devaluation vs the USD. CBN initially were very active to stabilize the currency leading to investor scepticism on whether the depreciation was enough. As CBN withdraw we saw the currency fall further to around NGN 320 per USD, compared to 198 before the devaluation.

### **Fund management and outlook**

The prospects for SSA have taken a hit during the first six months of the year, a lot dependent on the fall/low commodity prices which has led to increased currency volatility and decreased risk appetite. The Nigeria focus of the fund lead to outlook being very dependent on recovery signs on the Nigerian economy. The protracted devaluation process has had serious effects on the economy and first quarter GDP decreased as a result. IMF has revised its outlook for 2016 from +2.3 % to -1.8 %. The gross external debt is still very low (around 2.2 % of GDP) so financing the expansionary budget should not be a problem. We do however foresee a worsening of the economy before it gets better.

### **Risks**

The fund has a large exposure to Nigeria. The newly deregulated currency market is still under development, which can lead to large swings. The double deficits in Kenya (budget and current account) combined with dependence in external financing can cause problems if access to international capital markets deteriorates.

### **Derivatives**

According to the fund statutes, 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.

Mathias Althoff, Fund manager

**Financial overview**

	<b>AUM SEK</b>	<b>NAV</b>	<b>No. of issued fund shares</b>	<b>Dividend</b>	<b>Performance, %</b>	<b>Performance index, %</b>
2016-06-30	22 283 476	58.78	379 052.40	-	-12.98	-12.56
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

**Balance Sheet**

<i>In SEK</i>	<i>Note</i>	<i>2016-06-30</i>	<i>2015-12-31</i>
<b>Assets</b>			
Transferable securities		21 129 639	12 605 168
<b>Total</b>	<b>1</b>	<b>21 129 639</b>	<b>12 605 168</b>
Bank accounts		3 522 385	1 638 757
Pre-paid expenses and accrued income		120 912	0
<b>Total</b>		<b>24 772 936</b>	<b>14 243 925</b>
<b>Liabilities</b>			
Accrued expenses and deferred income		72 281	30 088
Other liabilities		2 417 179	204 515
<b>Total</b>		<b>2 489 460</b>	<b>234 603</b>
<b>Total Net Asset</b>	<b>1,2</b>	<b>22 283 476</b>	<b>14 009 323</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

### Note 1 Financial Instruments, portfolio

As of 30<sup>th</sup> of June 2016.

#### Securities

Branch	Antal	Marknadsvärde	Andel %
<b>Transferable Securities</b>			
<b>Category 1</b>			
FORTE OIL ORD, Nigeria, NGN	12 000	67 695	0,30
OANDO ORD, Nigeria, NGN	700 000	136 429	0,61
SEPLAT PETROLEUM DEVELOPMENT, Nigeria, GBP	230 000	1 806 738	8,11
<b>Energy</b>		<b>2 010 863</b>	<b>9,02</b>
GLOBAL X MSCI NIGERIA ETF, USA, USD	20 000	912 031	4,09
<b>Fund</b>		<b>912 031</b>	<b>4,09</b>
ATHI RIVER MIN ORD, Kenya, KES	22 300	58 489	0,26
BAMBURI ORD, Kenya, KES	10 000	142 681	0,64
DANGOTE CEMENT ORD, Nigeria, NGN	133 800	765 463	3,44
LAFARGE CEMENT, Nigeria, NGN	48 950	104 310	0,47
<b>Material</b>		<b>1 070 943</b>	<b>4,81</b>
U A C NIGERIA ORD, Nigeria, NGN	500 000	300 770	1,35
<b>Industry</b>		<b>300 770</b>	<b>1,35</b>
NAT MED GR ORD, Kenya, KES	4 000	50 358	0,23
NEW MTIUS HOTEL ORD, Mauritius, MUR	39 000	188 284	0,84
NEW MTIUS HOTEL PREF, Mauritius, MUR	13 000	36 197	0,16
<b>Durable Goods</b>		<b>274 839</b>	<b>1,23</b>
FLOUR MILLS ORD, Nigeria, NGN	462 000	312 928	1,40
FLOUR MILLS TR, Nigeria, NGN	462 000	0	0,00
NIGERIAN BREW ORD, Nigeria, NGN	100 000	403 964	1,81
PZ CUSSONS GHANA, Ghana, GHS	750 000	434 741	1,95
UNILEVER ORD, Ghana, GHS	2 400	43 693	0,20
ZAMBEEF, Zambia, ZMW	17 000	16 911	0,08
<b>Staples</b>		<b>1 212 237</b>	<b>5,44</b>
ACC BANK OF NIG ORD, Nigeria, NGN	4 500 000	772 829	3,47
BARCLAYS ORD, Botswana, BWP	19 500	70 440	0,32
CAL BANK, Ghana, GHS	35 000	60 112	0,27
Co-operative Bank of Kenya Ltd, Kenya, KES	500 000	679 833	3,05
DIAMOND BANK ORD, Nigeria, NGN	11 000 000	744 406	3,34
ECONBANK TR INC ORD, TOGO, NGN	600 000	288 739	1,30
EQUITY BANK ORD, Kenya, KES	250 000	807 826	3,63
FBN HOLDINGS ORD, Nigeria, NGN	6 800 000	793 552	3,56
FNB HOLDINGS ORD, Namibia, ZAR	2 720	75 001	0,34
FNBB ORD, Botswana, BWP	27 000	72 676	0,33
GHANA COMM BANK ORD, Ghana, GHS	6 500	42 841	0,19
GUARANTY TRT BNK ORD, Nigeria, NGN	2 900 000	2 028 814	9,10
KENYA COMM BK ORD, Kenya, KES	120 000	342 434	1,54

LETSHEGO, Botswana, BWP	550 000	1 094 230	4,91
MCB GROUP LTD ORD, Mauritius, MUR	11 000	554 719	2,49
STANBIC IBTC HOLDING, Nigeria, NGN	1 500 000	730 871	3,28
STANDARD CHARTED ORD, Ghana, GHS	17 200	525 828	2,36
TRANS CORP NIG ORD, Nigeria, NGN	2 415 000	128 566	0,58
UNITED BANK FOR AFRICA ORD, Nigeria, NGN	7 500 000	1 060 214	4,76
WEST AF PROV INS ORD, Nigeria, NGN	121 633	1 829	0,01
ZENITH INTL BANK ORD, Nigeria, NGN	3 600 000	1 707 531	7,66
<b>Financials</b>		<b>12 583 293</b>	<b>56,47</b>
MTN GROUP LTD, South Africa, ZAR	25 000	2 051 259	9,21
<b>Telecom</b>		<b>2 051 259</b>	<b>9,21</b>
UMEME LTD, Uganda, KES	500 000	713 405	3,20
<b>Power Utilities</b>		<b>713 405</b>	<b>3,20</b>
<b>Total Category 1</b>		<b>21 129 639</b>	<b>94,82</b>
<b>Total Transferable securities</b>		<b>21 129 639</b>	<b>94,82</b>
<b>Total Securities</b>		<b>21 129 639</b>	<b>94,82</b>
<b>Other Assets and liabilities</b>		<b>1 153 837</b>	<b>5,18</b>
<b>Net Asset</b>		<b>22 283 476</b>	<b>100,00</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>2016-01-01- 2016-06-30</i>	<i>2015-01-01- 2015-12-31</i>
Net asset start of the year	14 009 323	28 942 159
No. of issued fund shares	29 457 973	68 491 686
No. of redeemed fund shares	-17 344 327	-80 137 959
Net result according to income statement	-3 839 493	-3 286 563
<b>Net Asset, at end of the period</b>	<b>22 283 476</b>	<b>14 009 323</b>