

# MONTHLY LETTER DECEMBER 2016



TUNDRA  FONDER

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Return (EUR)	1 month	YTD	1 year	Inception
Tundra Frontier Opportunities	0.9%	10.2%	10.2%	43.5%
Benchmark (MSCI FM xGCC Net (EUR))	3.0%	7.1%	7.1%	16.4%

Facts	Risk and costs*		
Inception date	2013-04-02	Active risk (Tracking error)	8.9%
Pricing	Daily	Standard deviation	11.7%
Manager	Tundra Fonder AB	Standard deviation, benchm:	11.8%
Benchmark index	MSCI FM xGCC Net (EUR)	Beta	0.70
ISIN	SE0006 789 897	Information ratio	0.32
IBAN	SE445000000058648209218	Risk level 6 of 7 (refer to KIID for more info)	
BIC	ESSESESS	Management fee/year (all inclusive)**	2.5%
Custodian	SEB	AuM	45.6 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 December

	Return (EUR)		Worst performers in December	Return (EUR)
Suez Cement Co	27.3%		Arabian Cement	-15.0%
Adamjee Insur	25.6%		Banco Macro Sa-B	-9.1%
Habib Bank Ltd	21.3%		Grupo Super Cl-B	-9.0%
Meezan Bank	20.0%		Vietnam Dairy Pr.	-8.9%
Bank Alfalah Ltd	16.8%		Dat Xanh Real Estate	-8.0%

### Five largest holdings

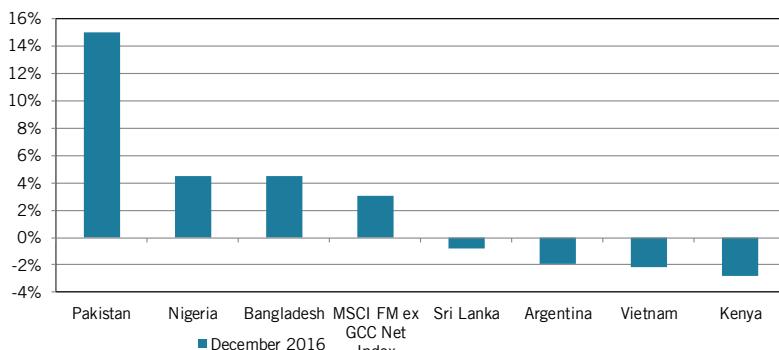
Holding	Portfolio weight	Country	P/E 15E	P/E 16E	Yield	Return 1 month (EUR)
Active Fine Chem	5.1%	Banglad.	-	-	-	9.1%
Meezan Bank	4.9%	Pakistan	13.4	13.2	4.5%	20.0%
Brac Bank Ltd	4.7%	Banglad.	-	-	-	-0.7%
IBL	4.5%	Pakistan	-	-	-	-
Ferozesons Labs	4.0%	Pakistan	-	-	-	-1.4%

Source: Bloomberg, Tundra Fonder

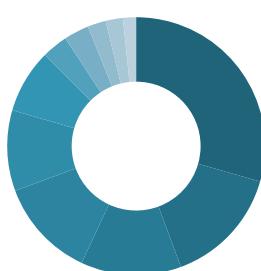
### Fund Objective

The Fund intends to give financial exposure to economic development in emerging markets and frontier markets through equities. The Fund Management Company particularly focuses on those markets that have large population and low GDP. Therefore countries which are part of the MSCI Frontier Markets index (such as for example Kuwait) but that have an important weight are less likely to be considered for an investment. The Benchmark of the Fund is MSCI Frontier Markets ex GCC Index. At least 80 percent of the net asset value of the fund must be invested in equities and equity-related transferable securities issued by companies that have their registered office in emerging markets and/or frontier markets, or that conduct their principal operating activities in emerging markets and/or frontier markets. Up to 20 percent of the net asset value of the fund may be invested in equities and equity-related transferable securities issued by companies that are classified by MSCI as Developed Markets. 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. 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.

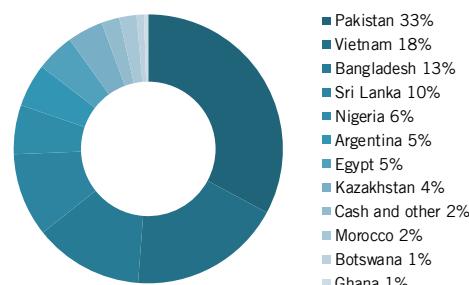
### Major frontier markets (EUR, total return)



### Tundra Frontier Opportunities: Sector allocation



### Tundra Frontier Opportunities: Country allocation



# Monthly Letter December 2016

## Tundra Frontier Opportunities Fund (class F, EUR)

### Monthly Market Comment

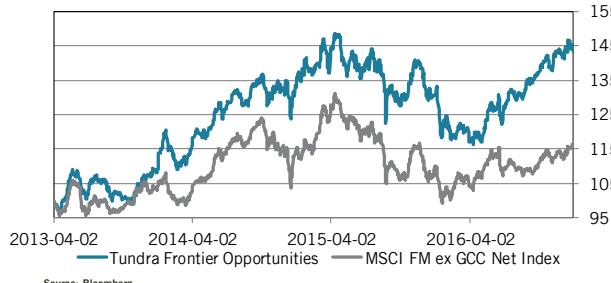
MSCI Frontier Markets xGCC Net (EUR) rose 3.0% in December, compared with the MSCI Emerging Markets Net (EUR), which rose 1.0%. For 2016 our benchmark increased by 7.1%, compared to the MSCI EM Net (EUR), which rose 15.7% in 2016. During December it was again Pakistan that was sticking out. Despite continued large selling from foreign investors, local investors remained optimistic and drove the market upwards and the market rose an impressive 12%. No other frontier market came even close during the month. Among the losers were Vietnam (-3%), Argentina (-3%) and Sri Lanka (-2%). Entering 2017 we are optimistic. Many of the global concerns we had before us (e.g. Brexit, Trump, American interest rate increase) are now actual events and foreigners have acted on them throughout the year. Two of our favorite markets, Pakistan and Vietnam, exhibited outflows of more than USD 300m each in 2016. Normally it should have resulted in a catastrophic year for these markets. Local investors' optimism, however, based on increasing economic activity and improved earnings prospects for the listed companies, changed the outcome this time around. As we have previously stated, we believe the impact on the local economies in our major markets from the global worries is limited. After almost three years of foreign outflows from frontier markets, we should reasonably soon see inflows again. Given attractive valuations, provided investors opt out of a number of the most expensive Index constituents, we are optimistic that 2017 can turn out to be a better year than 2016.

### Monthly Fund Comment

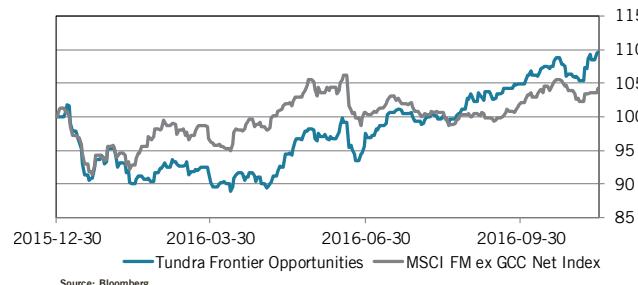
The fund rose 0.9% in December, compared with the MSCI Frontier Markets xGCC Net (EUR), which rose 3.0%. For the full year 2016 the fund thereby returned 10.2%, which is slightly more than three percentage points better than the benchmark. The Fund has thus, for the third year in a row (the fourth year in a row if we count the 2013 when the fund was launched in April) outperformed its benchmark and delivered a return of more than 43% after all fees, compared to MSCI Frontier Markets xGCC Net's 16% (EUR) during the same period.

The fund had a very tough start to 2016 when the fund had difficulty getting rewarded for its traditionally strong stock picking. Starting May this was followed by the strongest six months' outperformance the fund has ever achieved. Underweight and good stock picking in Nigeria was an important reason for the outperformance in 2016, as was our country allocation to Pakistan (stock selection in Pakistan however attributed negatively for the first time in 5 years) and good stock picking in Vietnam and Sri Lanka. Lack of Moroccan holdings was the single most important negative attribution but this is an allocation we are very comfortable with going into 2017. The average portfolio valuation measured as P/E for 2017 is just below 10 times based on an expected 10% average profit growth in the calendar year. Given the fund's focus on local structural growth and to a large extent absence of cyclical business where profitability is dependent on external factors, we see this as an attractive valuation.

### Tundra Frontier Opportunities vs index (since inception)



### Tundra Frontier Opportunities vs index (year-to-date)



### Tundra Frontier Opportunities Fund – Monthly return (EUR)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013				0.4%	7.8%	-5.8%	4.8%	-4.5%	-0.5%	1.4%	3.9%	2.2%	9.1%
2014	6.4%	-4.5%	4.0%	3.8%	5.5%	0.6%	3.5%	-0.9%	4.7%	-2.5%	-0.3%	0.7%	22.5%
2015	4.3%	0.5%	1.3%	0.6%	0.2%	-2.4%	-0.7%	-4.2%	-2.9%	5.5%	1.7%	-4.9%	-1.5%
2016	-5.0%	-2.8%	-2.8%	0.8%	7.0%	0.3%	2.3%	4.2%	1.4%	1.3%	2.8%	0.9%	10.2%

Source: Bloomberg

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