

# MONTHLY LETTER JANUARY 2017



TUNDRA  FONDER

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Return (EUR)	1 month	YTD	1 year	Inception
Tundra Frontier Opportunities	0.3%	0.3%	16.4%	44.1%
Benchmark (MSCI FM xGCC Net (EUR))	2.6%	2.6%	14.9%	19.4%

Facts		Risk and costs*	
Inception date	2013-04-02	Active risk (Tracking error)	8.7%
Pricing	Daily	Standard deviation	10.3%
Manager	Tundra Fonder AB	Standard deviation, benchmark	11.6%
Benchmark index	MSCI FM xGCC Net (EUR)	Beta	0.61
ISIN	SE0006 789 897	Information ratio	0.3
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	52.7 MEUR
Auditor	PWC		

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

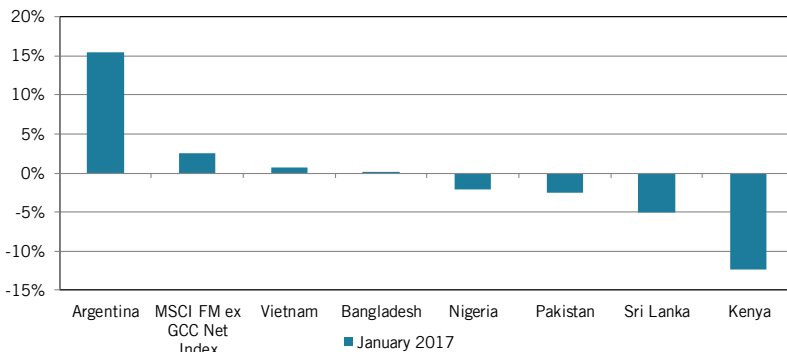
\*\* The management fee includes variable custody fees, audit, legal and marketing expenses.

Best performers in January		Worst performers in January	
	Return (EUR)		Return (EUR)
Avanceon Ltd	34.2%	Tpl Trakker Ltd	-16.1%
Arabian Cement	17.0%	Shifa In Hospit.	-12.1%
Pak Elektron	15.2%	Suez Cement Co	-12.1%
Banco Macro	13.6%	Ferozesons Labs	-11.8%
Access Bank Plc	13.4%	Guinness Ghana B	-10.1%

Five largest holdings					Return 1 month (EUR)	
Holding	Portfolio weight	Country	P/E 16E	P/E 17E	Yield	
Ferozesons Labs	4.2%	Pakistan	-	23.5	-	-11.8%
Active Fine Chem	4.2%	Banglad.	-	-	-	-4.1%
Brac Bank Ltd	4.2%	Banglad.	13.6	10.8	-	2.0%
Fpt Corp	4.1%	Vietnam	9.6	8.4	4.9%	1.5%
Meezan Bank	4.0%	Pakistan	12.6	10.2	4.6%	-5.7%

Source: Bloomberg, Tundra Fonder

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

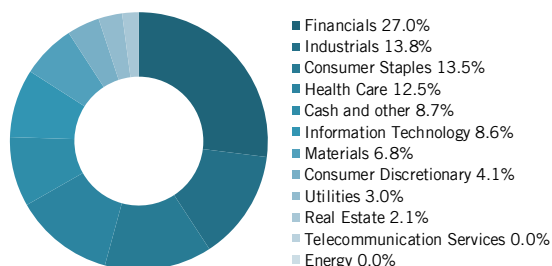


Source: Bloomberg

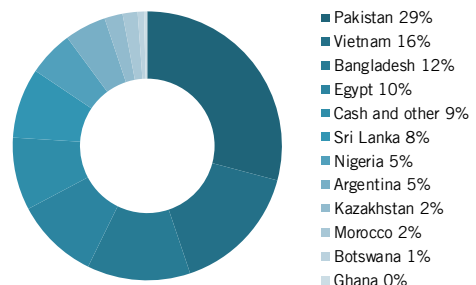
### Fund Objective

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.

### Tundra Frontier Opportunities: Sector allocation



### Tundra Frontier Opportunities: Country allocation



### Monthly Market Comment

MSCI Frontier Markets xGCC Net (EUR) rose 2.6% in January. The development masked a considerably better return in local currency. The US dollar weakened during the month. Since most currencies in frontier markets are strongly linked to the US dollar they weakened against European currencies. The USD return in January was an impressive 5.2%. A couple of the largest US frontier funds have been said to have had large outflows since mid-2014, while European funds, such as Tundra's, had pretty good inflows. A partial explanation of the outflows from US based funds could be that the US dollar has appreciated about 25% against the euro during this period. Since most currencies in frontier markets joined the dollar upward, European investors have not felt the weak market conditions in the same way. If we were to go into a period where the US dollar is now stable against the euro, or even weakens, it may mean that the outflows from US investors are reduced, stop or perhaps even become positive. This is something to keep an eye on we think. The flow factor right now appears to be the single most important trigger for frontier markets after two very weak years with just over USD 3bn in outflows according to EPFR. Among individual markets Argentina (15%) and Kazakhstan (19%) outperformed. In Argentina the optimism came from unexpectedly good inflows of foreign currency as a result of the tax amnesty issued as well as a further liberalization of the foreign exchange market allowing foreigners better access to the local equity market. In Kazakhstan's case, it was the oil company Kazmunaigas

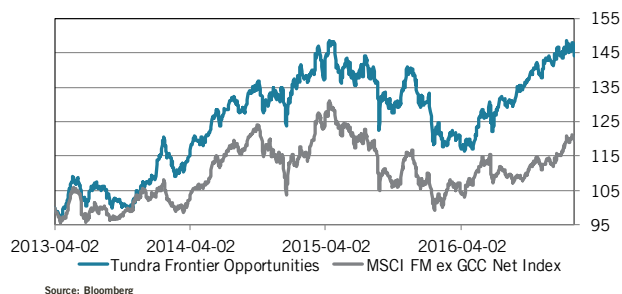
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### Monthly Fund Comment

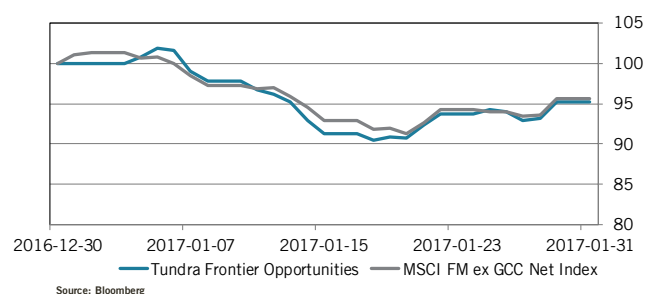
The fund rose 0.3% during the month, compared with a market return of 2.6%. The underweight in Argentina as well as the overweight in Asia contributed to the underperformance during the month. Lack of Kenyan stocks and good stock picking in Nigeria were the two single most important positive contributions. After an investor trip to Egypt our conviction of the investment case strengthened and we increased our position. Egypt now constitutes about 10% of the portfolio. In January, we acquired four new Egyptian companies. We bought 2.5% of Elswedy, equipment manufacturer mainly for the power industry with a high export share. After the devaluation it is trading at an estimated 5x 2017 earnings, and we expect double digit top-line growth from 2018 to 2020. We also bought 1% in Egypt Kuwait Holding. The company is an industrial conglomerate with a focus on fertilizers, gas distribution and building materials. The national strategy to promote local production and significantly increase gas production (important input in fertilizer production) will benefit the company significantly in the coming years. We also bought 1% of the cheese producer Obour Land. We like the company's distribution strength in the less developed parts of the country outside of Cairo and Alexandria. USD 100m for over 40% of the cheese market in Egypt and around P/E 10 is attractive for a debt free well-positioned consumer company. We also bought 2% of GB Auto, focusing on the automotive industry. In particular we like the potential of the company's vehicle assembly line where a new tax proposal will benefit the

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### 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%
2017	0.3%												0.3%

Source: Bloomberg

### Monthly Market Comment

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which rose substantially during the month following an unexpectedly positive 5-year plan presented during December. Kenya was January's loser (-12%) as the discussion about the country's macroeconomic situation turned more into the direction of "glass half empty" rather than as previously "half full". We note increased global uncertainty following the last two weeks of actions of the new US president. From being focused on his likely growth promoting agenda and from hopes of his election rhetoric being just rhetoric a new reality crept in. The seemingly random actions that could be taken by the US administration will constitute a risk factor for the time being.

### Monthly Fund Comment

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local assembly of vehicles at the expense of imports. The company has roughly the same production capacity as Indus Motor (Toyota) in Pakistan but its market cap is 1/8 of Indus Motor. A good risk-reward we think. We also increased our position in the Bangladeshi pharmaceutical company Square Pharma and the Pakistani pharmaceutical company Feroz. The latter company now represents 5% of the portfolio which means very high conviction. The company has had a tough transition period after they lost the exclusive rights to a hepatitis-C (jaundice) medicine. However, we believe that the company is very well positioned in hepatitis-C and with a combination of its own generic medicines and two new drugs awaiting approval it will regain lost ground. The healthcare sector in Pakistan is one of the most interesting segments in global frontier markets in our view. Here, we believe that we have access to a strong future at a very attractive valuation. However, it can take 1-2 more quarters before the company's earnings attracts other market participants as the company is not very vocal about its business. We also bought 1% of Pakistani packaging company Tri-Pak. After a few tough years, we believe the company's profitability will improve at the same time as we expect double digit topline growth. The valuation of P/E 10x is attractive, especially after rival Roshan Packages recently floated at twice the valuation. Other portfolio changes during the period included divesting its remaining holdings in Vietnamese steel company Hoa Phat Group, the Kazakh oil company Kazmunaigas and the Pakistani software company Netsol Systems.

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