

# MONTHLY LETTER

## MAY 2017



TUNDRA  FONDER

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Return (EUR)	1 month	YTD	1 year	Inception
Tundra Pakistan Fund	-1.5%	-3.0%	28.4%	255.3%
Benchmark (MSCI Pakistan Net (EUR))	-0.8%	-4.5%	31.9%	169.8%

Facts		Risk and costs*	
Inception date	2011-10-14	Active risk (Tracking error)	9.7%
Pricing	Daily	Standard deviation	12.5%
Manager	Tundra Fonder AB	Standard deviation, benchmark	19.0%
Benchmark ind	MSCI Pakistan Net (EUR)	Beta	0.59
ISIN	SE0006 789 905	Information ratio	.22
IBAN	SE925000000058648288185	Risk level	5 of 7 (refer to KIID for more info)
BIC	ESSESESS	Management fee/year (all inclusive)**	2.5%
Custodian	SEB	AuM	84.8 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 May		Worst performers in May	
	Return (EUR)		Return (EUR)
Century Paper	41.8%	Habib Sugar	-15.4%
Faysal Bank	16.7%	Gharibwal Cem.	-13.9%
Bank Alfalah	13.0%	Hum Network Ltd	-13.5%
Sui Northern	12.3%	Shezan Intl	-1.4%
Efu Life Assur.	11.0%	Natl Bk Pakistan	0.8%

### Five largest holdings

Holding	Portfolio weight	Country	P/E 16E	P/E 17E	Yield	Return 1 month (EUR)
IBL	5.6%	Pakistan	-	-	-	-
Pak State Oil	5.3%	Pakistan	11.8	7.4	4.2%	3.7%
Meezan Bank	5.1%	Pakistan	15.9	12.5	4.4%	0.6%
Mcb Bank Ltd	4.6%	Pakistan	10.4	10.5	7.7%	1.1%
Systems Ltd	4.5%	Pakistan	18.9	13.9	-	-4.0%

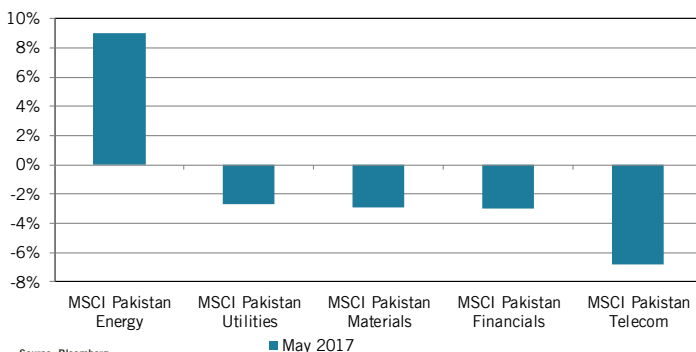
Source: Bloomberg, Tundra Fonder

### 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.

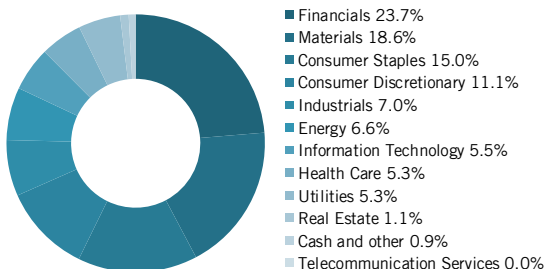
Given the risk profile of the fund the fund management company wishes to particularly emphasize the importance of investing only capital that can be tied up for a very long period in this fund.

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

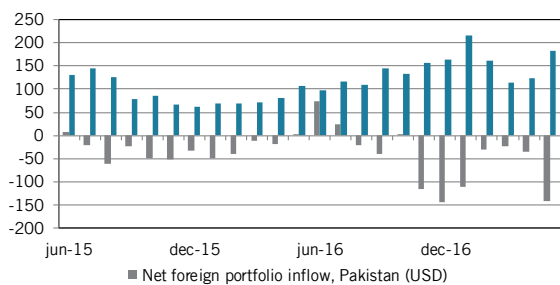


Source: Bloomberg

### 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

The month was dominated by two key events – the MSCI Emerging Market upgrade and the last federal budget of the current government. Surprisingly, both surprised the market. The rally over the last year or so in stocks which are now part of the MSCI Emerging Market Index has already re-rated the valuation of the companies and it was just a matter of time before investors booked gains. Perchance, the expected exuberance of passive flows was not countered by the active fund managers. The active funds, on the other hand, saw a terrific opportunity to have “ready buyers” for the stocks they have been carrying for long. Thus, the outflows disappointed the masses expecting unrealistic inflows and the stocks corrected sharply later on.

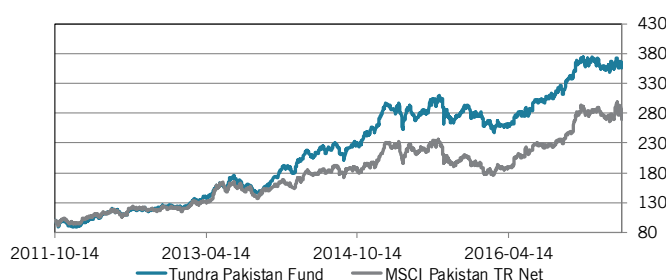
Additionally, the budget announcement seemed to be a continuation of fiscal prudence on a development-oriented theme. With Public Sector Development Program (PSDP) touching a PKR 1 trillion mark, the government continued to focus of rebuilding the economic infrastructure of the country and thereby creating a ripple economic effect post-infrastructure splurge. Our understanding is that the government avoided imprudence primarily with an assumption that any mess would be cleared by the government themselves if they are re-elected in the general elections next year; a highly probable scenario based on projections. What may have disappointed investors the most is the lack of removal of taxes on bonus shares and an increase in the capital gain tax to 15% for filers regardless of the holding period.

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### Monthly Fund Comment

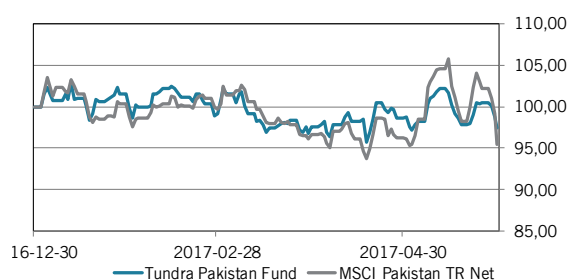
During the month, the fund fell 1.5% (EUR) underperforming MSCI Pakistan Net (-0.8%). The month of May began with hopes of MSCI related inflows only to be faded post inclusion of Pakistan into the MSCI Emerging Market index. The fund was underweight in Banks, Cements and Energy - blue chips of which sectors saw the highest price movement upwards in anticipation of the passive flows. The fund has increased exposure in the cement sector marginally owing to expectations of improved local demand stemming from housing and infrastructure driven demand.

### 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										-4.9%	-1.8%	-3.9%	-10.2%
2012	7.3%	6.5%	6.6%	3.6%	0.7%	-4.8%	9.1%	2.1%	-3.3%	3.5%	3.3%	-1.3%	37.5%
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%	4.3%	3.1%	1.4%	0.4%	7.9%	8.2%	32.8%
2017	-1.6%	0.5%	-1.5%	1.1%	-1.5%								-3.0%

Source: Bloomberg

### Monthly Market Comment

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The government seems to be counting on revenue-enhancing measures now that Pakistan is back into the MSCI Emerging Market Index.

On a positive note, the government has allocated a much higher amount for the PSDP, continued the economic growth projection of 6% and fiscal deficit target of 4.2%. An optimum mix of growth and fiscal prudence witnessed in the budget is commendable contrary to expectations of large splurge of wealth for pro-election campaigns.

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