

Annual Report

# **Tundra Pakistan Fund**

**2016-01-01 - 2016-12-31**

### **Management Report**

This is a translated copy from the Swedish original. If any conflict occurs in the translation the Swedish will prevail. The Board of Directors and the CEO of Tundra Fonder AB, 556838-6303, hereby submit the Annual Report for the period 2016-01-01 - 2016-12-31 on Tundra Pakistan Fund, 515602-4787.

### **The fund's performance**

The fund rose 38.44 percent in 2016. The benchmark MSCI Pakistan rose 51.50 per cent during the same period.

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

Assets under management at December 31, 2016 amounted to SEK 1 016 million, which represents an decrease of SEK 143 million, compared with SEK 1 160 million at December 31, 2015. Value of units issued amounted to SEK 522 million and redemptions amounted to SEK 986 million. Net flows to the fund during the period amounted to SEK - 464 million.

### **Market development**

The Pakistani stock market rose by 51.50 percent in SEK during the year. Global turbulence for emerging and frontier markets with continued outflows from foreign investors was overshadowed by an underlying positive development of Pakistan's economy and financial markets. Growth for the fiscal year 2016 (ended June 30) amounted to 4.7 percent. This is the highest level seen in ten years. In June 2016 the world's largest index provider, MSCI Pakistan will be upgraded to the so-called growth status. The decision will be effectuated in May / June 2017. The decision was expected to initiate inflows from foreign investors. The generally negative climate for emerging and frontier markets however overshadowed and foreign investors net sold shares in the second half. Somewhat surprisingly this did not deter local investors whose net purchase more than compensated and pushed the stock market to new all-time high in the second half of 2016. After the very strong 2016 we should see a much more quiet 2017. Assuming continued positive economic data, driven by increasing investments in the wake of China Pakistan Economic Corridor, we believe the valuation of 11 times 2017 expected earnings does not appear excessive in comparison to other Asian emerging markets, all of which are trading at about 15 times earnings, or higher.

### **Fund management and outlook**

The fund rose 38.44 percent in SEK during 2016, which was less than the benchmark MSCI Pakistan net (SEK), which rose 51.50 percent over the same period. For the first time the fund was not able to keep up with the market where a number of the largest index shares during the year rose more than 60 percent. The Fund was a bit too early to lower the weight of more cyclical industries, such as Cements. A number of the fund's individual stock picks in addition did not deliver in line with expectations. We expect more normal market conditions in 2017 which we believe will provide a more constructive climate for alpha generation. Looking at the portfolio going into 2017 we are quite optimistic for another decent year.

### **Objectives and Investment Policy**

The fund is actively managed to create a financial exposure to the economic development in the Pakistan market and to deliver as high return to unitholders as possible with respect to the fund's risk level.

### **Risks in the fund on the balance day**

The fund has a significant underweight in the energy sector, which in the case of oil prices suddenly strengthened could affect the relative performance negatively. The fund does not hedge its holdings to currency fluctuations which may affect returns adversely in case the Pakistani rupee weakens.

### **Derivatives**

According to the Fund rules The Fund have the possibility to trade options, futures and similar financial instruments, as well as the possibility to lend securities. The Fund may also, in accordance with current regulations, use other techniques and instruments in the fund management of the Fund. The Fund has not used any of these possibilities during the period. To calculate the total exposure of the Fund applies a risk assessment method, the so-called commitment approach on derivative instruments. This means that any derivative position is converted into the equivalent position in the underlying asset. This asset has the similar value as if the derivative position was owned directly.

## Financial overview

### Main Portfolio

	AUM SEK	NAV	No. of issued fund shares	Dividend	Total - Performance, %	Performance index, %
2016-12-31	1 016 336 897	-	2 637 550.79	-	-	-
2015-12-31	1 159 725 430	-	4 174 366.54	-	-	-
2014-12-31	605 825 404	-	2 226 701.79	-	-	-
2013-12-31	253 853 989	-	1 507 948.17	-	-	-
2012-12-31	329 418 838	115.80	2 844 852.13	0.02	32.34	25.43
2011-12-31	6 510 211	87.52	74 388.49	-	-12.48 1)	-8.58 1)

1) Period 2011-10-14 - 2011-12-31

### Fund Share Class A SEK

	AUM SEK	NAV	No. of issued fund shares	Dividend	Total - Performance, %	Performance index, %
2016-12-31	-	384.00	2 171 374.24	-	38.44	51.50
2015-12-31	-	277.38	3 837 127.63	-	1.95	-6.53
2014-12-31	-	272.07	2 221 251.24	-	61.62	36.99
2013-12-31	-	168.34	1 507 252.51	-	45.37 2)	32.26 2)

Index: MSCI Pakistan Net (SEK) 2) Tundra Pakistan Fund main class renamed to Tundra Pakistan Fund share class A SEK

### Fund Share Class C EUR

	AUM SEK	NAV	No. of issued fund shares	Dividend	Performance, %	Performance index, %
2016-12-31	-	40.01	107.15	-	32.44	45.09
2015-12-31	-	30.21	392.49	-	4.39	-3.88
2014-12-31	-	28.94	5 446.09	-	51.76	28.7
2013-12-31	-	19.07	691.20	-	10.62 3)	-2.67 3)

Index: MSCI Pakistan Net (EUR) 3) Period 2013-06-12 - 2013-12-31

### Fund Share Class D USD

	AUM SEK	NAV	No. of issued fund shares	Dividend	Performance, %	Performance index, %
2016-12-31	-	43.05	433 276.68	-	28.39	40.42
2015-12-31	-	33.53	321 886.31	-	-3.59	-13.68
2014-12-31	-	34.78	4.47	-	33.10	13.04
2013-12-31	-	26.13	4.47	-	16.70 4)	11.15 4)

Index: MSCI Pakistan Net (USD) 4) Period 2013-10-23 - 2013-12-31

### Fund Share Class F EUR

	AUM SEK	NAV	No. of issued fund shares	Dividend	Performance, %	Performance index, %
2016-12-31	-	40.01	32 792.71	-	32.44	45.09
2015-12-31	-	30.21	14 960.11	-	0.43 5)	-1.80 5)

Index: MSCI Pakistan Net (EUR) 5) Period 2015-10-15 - 2015-12-31

## Key performance indicators

	Fund Share Class A SEK	Fund Share Class C EUR	Fund Share Class D USD	Fund Share Class F EUR
<b>Launch date</b>	<b>2011-10-14</b>	<b>2013-06-12</b>	<b>2013-10-23</b>	<b>2015-10-15</b>

### Launch date

Standard Deviation %, 24 month	16.97	16.56	16.95	**
Standard Deviation Index %, 24 month	21.87	21.76	22.47	**
Tracking Error %, 24 month	8.79	8.90	9.20	**
Average Annual Return last 2 years %	18.80	17.58	11.26	**
Average Annual Return last 5 years %	34.42	26.71*	22.73*	**

\* Since launce of Fund Share Class

\*\*N/A

### Costs

Management fee %	2.50	2.50	2.50	2.50
Performance fee %	-	-	-	-
Transaction costs SEK	2 051 240	25	345 064	15 584
Transaction costs %	0.18	0.18	0.18	0.18
Research costs SEK	336 078	1	54 957	1 727
Research costs %	0.04	0.01	0.04	0.03
Ongoing Charges %	2.65	2.53	2.65	2.57
Subscription & Redemption fees	0	0	0	0

### Turnover

<b>Turnover ratio</b>	<b>2016</b>
Turnover ratio	0.41
Trading within the group	0

## Income Statement

<i>In SEK</i>	<i>Note</i>	<i>2016-01-01- 2016-12-31</i>	<i>2015-01-01- 2015-12-31</i>
<b>Income and change in the value</b>			
Change in value, transferable securities		346 286 431	-35 035 519
Interest		2 326	7 928
Dividends		34 646 690	28 344 749
FX gains and losses, net		-2 340 561	-1 423 916
Other income		1	51
<b>Total</b>		<b>378 594 887</b>	<b>-8 106 707</b>
<b>Costs</b>			
Management fees			
Fee charged by the fund		-25 456 698	-19 747 210
Interest		-25 070	-29 766
Other costs	1	-32 076 037	-850 483
<b>Total</b>		<b>-57 557 805</b>	<b>-20 627 459</b>
<b>Net result</b>		<b>321 037 082</b>	<b>-28 734 166</b>

## Balance sheet

<i>In SEK</i>	<i>Note</i>	<i>2016-12-31</i>	<i>2015-12-31</i>
<b>Assets</b>			
Transferable securities		986 893 941	1 116 287 237
<b>Total</b>	<b>2</b>	<b>986 893 941</b>	<b>1 116 287 237</b>
Bank accounts		62 277 964	46 797 446
Accrued expenses and pre-paid income		1 525 013	3 563 889
Other assets		3 588	-
<b>Total</b>		<b>1 050 700 506</b>	<b>1 166 648 572</b>
<b>Liabilities</b>			
Accrued expenses accrued income	<b>3</b>	26 111 919	4 266 372
Other liabilities		8 251 690	2 656 770
<b>Total</b>		<b>34 363 609</b>	<b>6 923 142</b>
<b>Total Net Asset</b>	<b>2.4</b>	<b>1 016 336 897</b>	<b>1 159 725 430</b>

## **Accounting principles and valuation of financial instruments**

### **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 Investment 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 Investment Fund Associations guidelines of key performance indicators.

## Note

<b>Note 1 Other costs</b>	<i>2016-12-31</i>	<i>2015-12-31</i>
Transaction costs, Bank	103 950	125 400
Costs, Bank	500	89
Other costs	992 079	10
Tax	19 498 658	-8 029 085
Foreign tax, transferable securities	8 780 125	5 790 200
Broker costs	2 700 725	2 963 869
<b>Total</b>	<b>32 076 037</b>	<b>850 483</b>

## Note 2 Financial Instruments

### Securities

<b>Branch</b>	<b>Quantity</b>	<b>Value</b>	<b>%</b>
<b>Transferable Securities</b>			
<b>Category 1</b>			
OIL & GAS DEV ORD, Pakistan, PKR	2 500 000	36 075 068	3.55
PAK OIL FIELDS ORD, Pakistan, PKR	600 400	28 112 120	2.77
PAK PETROLEUM, Pakistan, PKR	2 000 600	32 954 154	3.24
PAK STATE OIL ORD, Pakistan, PKR	650 000	24 597 480	2.42
<b>Energy</b>		<b>121 738 821</b>	<b>11.98</b>
AISHA STEEL MILLS PR, Pakistan, PKR	244 300	342 185	0.03
CENTURY PAPER & BOARD MILLS, Pakistan, PKR	3 500 000	18 509 880	1.82
DG KHAN CEMENT ORD, Pakistan, PKR	2 100 000	40 620 941	4.00
LUCKY CEMENT ORD, Pakistan, PKR	90 000	6 778 229	0.67
PACKAGES ORD, Pakistan, PKR	420 000	31 102 830	3.06
TRI-PACK FILMS LTD, Pakistan, PKR	98 200	2 516 458	0.25
<b>Material</b>		<b>99 870 524</b>	<b>9.83</b>
PAK ELEKTRON LTD, Pakistan, PKR	4 600 000	28 526 335	2.81
TPL TRAKKER LTD, Pakistan, PKR	8 549 000	13 153 174	1.29
<b>Industry</b>		<b>41 679 509</b>	<b>4.10</b>
BATA PAKISTAN ORD, Pakistan, PKR	29 242	10 998 850	1.08
GUL AHMED TEXTILE, Pakistan, PKR	520 000	2 324 600	0.23
HUM NETWORK LTD, Pakistan, PKR	22 065 790	28 865 831	2.84
KOHINOOR TEXTILE MIL, Pakistan, PKR	1 525 683	15 524 792	1.53
NISHAT MILLS ORD, Pakistan, PKR	1 480 900	19 715 187	1.94
<b>Durable goods</b>		<b>77 429 260</b>	<b>7.62</b>
HABIB SUGAR ORD, Pakistan, PKR	3 235 000	13 579 454	1.34
INTERNATIONAL BRANDS, Pakistan, PKR	8 386 456	48 853 163	4.81
MURREE BREWERY ORD, Pakistan, PKR	311 850	25 379 505	2.50
NATIONAL FOODS P ORD, Pakistan, PKR	706 450	23 119 351	2.27
SHEZAN INTL ORD, Pakistan, PKR	347 390	15 214 984	1.50
<b>Staples</b>		<b>126 146 457</b>	<b>12.41</b>
FEROZESONS LABORATORIES, Pakistan, PKR	539 150	35 229 736	3.47
SHIFA HOSPITAL LTD, Pakistan, PKR	259 119	6 951 527	0.68
<b>Health care</b>		<b>42 181 263</b>	<b>4.15</b>
ADAMJEE INSUR ORD, Pakistan, PKR	2 026 000	13 108 559	1.29



ALLIED BANK ORD, Pakistan, PKR	1 904 433	19 812 594	1.95
ASKARI BANK ORD, Pakistan, PKR	2 444 218	5 321 982	0.52
BANK AL FALAH ORD, Pakistan, PKR	9 053 000	30 037 762	2.96
EFU LIFE, Pakistan, PKR	500 000	9 401 989	0.93
FAYSAL BANK LTD, Pakistan, PKR	15 709 500	29 859 545	2.94
HABIB BANK LTD ORD, Pakistan, PKR	2 904 700	69 127 264	6.80
M C B ORD, Pakistan, PKR	2 491 530	51 852 765	5.10
MEEZAN BANK, Pakistan, PKR	7 566 555	44 575 588	4.39
NATIONAL BANK OF PAKISTAN ORD, Pakistan, PKR	13 500	88 419	0.01
UNITED BANK LTD ORD, Pakistan, PKR	2 526 600	52 419 462	5.16
<b>Financials</b>		<b>325 605 931</b>	<b>32.04</b>
AVANCEON LTD, USA, PKR	3 564 000	10 839 355	1.07
NETSOL TECHNOLOG ORD, Pakistan, PKR	2 820 150	13 359 032	1.31
SYSTEMS LTD, Pakistan, PKR	4 220 000	31 156 292	3.07
<b>IT</b>		<b>55 354 678</b>	<b>5.45</b>
KARACHI ELECTRIC ORD, Pakistan, PKR	23 197 000	18 968 560	1.87
SUI NORTHERN GAS ORD, Pakistan, PKR	3 000 000	21 355 742	2.10
SUI SOUTHERN GAS ORD, Pakistan, PKR	4 000 000	12 709 943	1.25
<b>Power utilities</b>		<b>53 034 245</b>	<b>5.22</b>
<b>Total Category 1</b>		<b>943 040 689</b>	<b>92.79</b>
<b>Category 5</b>			
DAEWOO PAK EXPRESS, Pakistan, PKR	6 121 000	33 818 757	3.33
<b>Staples</b>		<b>33 818 757</b>	<b>3.33</b>
TPL PROPERTIES LTD, Pakistan, PKR	11 591 000	10 034 495	0.99
<b>Real estate</b>		<b>10 034 495</b>	<b>0.99</b>
<b>Total Category 7</b>		<b>43 853 252</b>	<b>4.31</b>
<b>Total transferable securities</b>		<b>986 893 941</b>	<b>97.10</b>
<b>Other assets and liabilities</b>		<b>29 442 956</b>	<b>2.90</b>
<b>Total Net Asset</b>		<b>1 016 336 897</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 3 Accrued expenses and prepaid income**

	<i>2016-12-31</i>	<i>2015-12-31</i>
Accrued management fee	2 099 258	2 436 989
Accrued withholding tax	190 627	1 829 383
Accrued foreign tax securities	3 346 637	-
Accrued profit tax	20 475 397	-
<b>Total</b>	<b>26 111 919</b>	<b>4 266 372</b>

**Note 4 Changes in Net Asset**

	<i>2016-01-01- 2016-12-31</i>	<i>2015-01-01- 2015-12-31</i>
Net asset, start of the year	1 159 725 430	605 825 404
	1 159 725 430	605 825 404
<b>Fund Share Class A SEK</b>		
No. of issued fund shares	398 125 375	1 111 674 472
No. of redeemed fund shares	-891 870 080	-625 927 703
<b>Total</b>	<b>-493 744 705</b>	<b>485 746 769</b>
<b>Fund Share Class C EUR</b>		
No. of issued fund shares	35 483	26 240
No. of redeemed fund shares	-101 817	-1 489 837
<b>Total</b>	<b>-66 334</b>	<b>-1 463 597</b>
<b>Fund Share Class D USD</b>		
No. of issued fund shares	114 164 359	94 140 415
No. of redeemed fund shares	-90 508 796	-
<b>Total</b>	<b>23 655 563</b>	<b>94 140 415</b>
<b>Fund Share Class F EUR</b>		
No. of issued fund shares	9 652 019	4 210 605
No. of redeemed fund shares	-3 922 158	-
<b>Total</b>	<b>5 729 861</b>	<b>4 210 605</b>
Net result according to income statement	321 037 082	-28 734 166
<b>Net asset, year end</b>	<b>1 016 336 897</b>	<b>1 159 725 430</b>

### Remuneration

Remuneration and benefits to employees has been calculated based on the Company's principles which has been approved by the Board of Directors. During the financial year the Company applied a calculation based on that 20 percent of the Company's profit before tax is deposited as variable remuneration to employees.

In addition, the Company may make exceptions for individuals who contributed positive from a risk adjusted perspective as long as the Company does not run the risk of violating regulatory capital requirements or otherwise threaten to put the Company at a disadvantage situation.

Each year the Board of Directors revises the Company's remuneration policy. During the year minor linguistic adjustments has been made as well as adding reference to new law. These changes have not resulted in any substantial changes of the remuneration policy.

For current remuneration policy, see website; <http://www.tundrafonder.se/welcome/>

Benefits paid to all employees in 2016	Amount in SEK	Number of employees
Fixed salary	6 121 715	15
Variable remuneration to employees who are included in the number of employees and which have not been classified as special regulated staff	51 813	2
Total: Fixed salary and number of employees	6 173 528	15
Benefits paid to particular regulated staff 2016		
a) employees in senior strategic positions	1 764 625	2,5
b) employees with responsibility for control functions. Outsourced functions	0	0
c) risk takers	1 574 332	3,5
d) employees whose total compensation is equal to, or greater than, the total remuneration to someone in senior management	0	0