

Annual report

Tundra Frontier Africa Fund

515602-6261

2017-01-01 - 2017-12-31

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

Management report

This is a translation of the Swedish original. If any conflict occurs in the translation the Swedish version will prevail. The Board of Directors and the CEO of Tundra Fonder AB, 556838-6303, hereby submit the Annual report for the period 2017-01-01 – 2017-12-31 for Tundra Frontier Africa Fund, 515602-6261.

General development

The fund's performance

Tundra Frontier Africa Fund changed its name, fund rules and benchmark on May 29th 2017 (please refer to *Fund management and outlook* below). The fund rose 26.02% during 2017, compared to the benchmark which rose 18.83%.

The fund's net assets development

Assets under management at December 31st 2017 amounted to SEK 109.3 million, which represents an increase of SEK 83.1 million compared to SEK 26.2 million at December 31st 2016. The value of issued fund shares amounted to SEK 230.1 million while the value of redeemed fund shares amounted to SEK 157.6 million. The net issued amount hence amounted to SEK 72.5 million

Market development

2017 was quite eventful on the African continent. The best performing market was Zimbabwe (+148%) followed by Malawi (+49.3%) and Ghana (+30.9%). The worst performers were Botswana (-11.7%), BRVM, a joint exchange for e.g. Senegal, Benin and Ivory Coast, (-10.3%) and Rwanda (-9.1%). Egypt, Nigeria and Kenya ended the year at -5.4%, +23.3% and +22.4% respectively. (all changes in SEK)

The restructuring of the Egyptian economy after the devaluation continues, and we have during the second half of 2017 started to see signs of consumptions recovering. The export sector witnessed an increased demand immediately thanks to improved competitiveness, while the domestic part of the economy initially was going through more challenging period due to the decrease in spending power as well as the sharp interest rate hikes. Several reforms (e.g. lower subsidies, higher electricity and transportation tariffs) will have a positive impact on economic resilience longer term, but at a cost in the short term. A new health act has also been adopted, increasing health care access for the people.

Nigeria's recovery continues thanks to the currency reforms adopted in the first half of the year and the rising oil price. The currency reform resulted in a 20% devaluation and improved much needed access to foreign capital for local importers. Investor confidence has gradually improved as well. With oil trading 17% higher at the end of the year the state budget got a welcomed boost as well, increasing spending potential on much needed infrastructure projects etc.

Kenya was hit by a drought early in the year, with sharp price increases in several basic food items weighing on consumption. Although the food situation improved during the second half, the election instead hurt economic activity. Incumbent president Kenyatta was initially declared winner, but the election was then declared void by the Supreme Court leading to a long period of uncertainty with verbal punches thrown back and forth between the two main candidates. A new election was conducted at the end of October, but boycotted and contested by the opposition without success. Kenyatta was sworn in to office in November and things are slowly returning to normal again.

Fund management and outlook

New fund rules went into force on May 29th. In short, the fund 1) changed its name to Tundra Frontier Africa Fund 2) increased the mandate to invest all over Africa as well as dropping the 51% minimum limit for investments in Nigeria and 3) replaced the benchmark to MSCI EFM Africa ex South Africa Net Index. The fund will going forward keep its focus on the lesser developed economies in Sub-Sahara Africa, but will also have large exposure to the Egyptian economy. The devaluation in Egypt has created very interesting opportunities and has very good potential to contribute positive returns the coming years. We will continue to shy away

from the commodities dependent South African economy but can invest in companies where the structural growth in SSA will have a material impact.

On May 5th, the fund started pricing its Nigerian holdings based on the rate from the I&E FX Window, which led to the fund falling 8.4% on that day. The fund's benchmark started applying this from August 1st.

Tundra Frontier Africa Fund rose 26.02% in SEK terms net of fees during 2017 while the fund's benchmark index rose 18.83% during the same period. The primary reasons for the outperformance were the overweights in Egypt and Nigeria. In both cases, these were motivated by the economic recovery these two countries were making.

The outlook for 2018 is better than in a long time, mostly in Egypt and Nigeria. A normalization of the interest rates (at 18.75% by year end, increased by 7%-points after devaluation) as well as inflation (26% in December 2017). Lower rates should spur investments, increase employment and improve consumer spending. The recovery in Nigeria is slower, but still important. Foreign interest has increased as the IEFX window has gained larger acceptance and we see it likely that previously underweight asset managers will start to at least close that gap as the recovery continues.

Objectives and investment policy

The fund company's management of the fund is intended to generate diversified financial exposure to the economic development in Africa and provide the unit holders with a better return compared to the MSCI EMF Africa excluding South Africa Net Index (SEK) with equal or lower risk.

The fund takes into account aspects such as corporate governance, environmental and social issues as part of the investment process. The principles from international guidelines are applied (UN Global Compact, Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and OECD Guidelines for Multinational Enterprises). Companies that are involved in controversial weapons are also excluded.

The fund is managed by an investment committee but with Mathias Althoff as the lead portfolio manager.

Risks in the fund at year end

The fund continues to have a large exposure to Nigeria, and even though the currency situation has improved it is still early days. The economy is still vulnerable as the recovery is still in an early stage and could be derailed by external factors such as political decisions or a falling oil price.

The Egyptian economy is in the middle of a restructuring which elevates the risk but of course also the potential return. The election due in March further adds to the risk.

Expectations on the Kenyan economy have moderated during the year, which reduces the risk of disappointment, but the continued double deficit (budget and current account) can worsen the perception again if access to international capital deteriorates.

Derivatives

According to the fund rules, the fund has the right to invest in derivative instruments in order to make the management more efficient. The fund had no exposure to derivatives during 2017. To calculate the total exposure, the fund applies the so-called commitment approach on derivative instruments.

Financial overview

	AUM, SEK	NAV	No. of issued fund shares	Dividend	Total fund return, %	Benchmark return, %
2017-12-31	109 334 269	68.15	1 604 366.10	-	26.02	18.83
2016-12-31	26 225 459	54.08	484 964.65	-	-19.94	-15.59
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)

Benchmark index: S&P Africa Frontier Total Return Index (SEK) upto 2017-05-28. MSCI Africa ex ZA Total Return Index (SEK) after this date.

1) Refers to the period 2013-05-20 - 2013-12-31.

Key performance indicators

2017-12-31

Risk & return

Standard deviation, % 1)	19.54
Standard deviation benchmark, % 2)	17.33
Tracking error, % 3)	11.99
Active Share, %	0.78
Average annual return last 2 years, %	0.44
Average annual return since inception 2013-05-20, %	-7.97

Costs

Management fee, %	2.50
Performance fee, %	-
Transaction costs, SEK	459 395
Transaction costs, %	0,28
Research costs, SEK	13 756
Research costs, %	0.03
Ongoing charges, %	2.62
Subscription and redemption fees, SEK	0

Turnover

Turnover	0.91
Trading with group companies	-

Management fees

Single investment of SEK 10 000	272.15
Monthly investments of SEK 100 / month	17.49

1. Standard deviation is defined as the standard deviation of the fund's return including any dividends. The calculation is based on monthly data during the past 24 months.

2. Standard deviation is defined as the standard deviation of the benchmark's total return. The calculation is based on monthly data during the past 24 months.

3. Tracking error is defined as the standard deviation of the difference in return between the fund and the

benchmark. The calculation is based on monthly data during the past 24 months.

Income statement

<i>In SEK</i>	<i>Note</i>	<i>2017-01-01- 2017-12-31</i>	<i>2016-01-01- 2016-12-31</i>
Income and change in value			
Change in value, transferable securities		10 211 769	-5 149 187
Interest		38 004	3 083
Dividends		1 611 176	851 636
FX gains and losses, net		803 422	213 710
Other income		73	87
Total		12 664 444	-4 080 671
Costs			
Management fees			
Fees to the management company		-1 256 976	-525 449
Interest		-7 626	-2 614
Other costs		-810 171	-253 764
Total		-2 074 773	-781 827
Net result		10 589 671	-4 862 498

Balance sheet

<i>In SEK</i>	<i>Note</i>	<i>2017-12-31</i>	<i>2016-12-31</i>
Assets			
Transferable securities		102 645 881	22 933 326
Total	1	102 645 881	22 933 326
Bank accounts		10 647 559	3 237 408
Pre-paid expenses and accrued income		14 001	74 442
Other assets		4 413 635	815 123
Total		117 721 076	27 060 299
Liabilities			
Accrued expenses and prepaid income		198 348	67 239
Other liabilities	2	8 188 459	767 601
Total		8 386 807	834 840
Total net asset	1,3	109 334 269	26 225 459
Memorandum items		-	-

Accounting principles and valuation of financial instruments

Amounts stated are in number of SEK if nothing else stated.

Tundra Fonder AB is a member of the Swedish Investment Fund Association and strives to comply with the Association's guidelines. During 2017, Tundra Fonder AB was compliant with all guidelines with the exception of the recommendation that at least half of an asset manager's members of the Board of Directors should be independent directors as three of seven Board members were considered to be independent at the end of 2017.

Accounting principles

The fund applies the Mutual Funds Act, 2004:46 and the Financial Supervisory Authority's regulation of mutual funds (FFFS 2013:9) and applies the Swedish Investment Fund Association's guidelines.

Valuation of financial instruments

The financial instruments are valued at market value according to the following order.

1. Financial instruments traded on an active market will be valued on the closing price at December 31st 2017. If this is a bank holiday, the most recent trading day prior to the bank holiday will be used.
2. If the financial instrument is not traded on 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 are misleading, the market value is determined by a well-established valuation model.

Key performance indicators

The fund follows the Swedish Investment Fund Association's guidelines on key performance indicators.

Notes

Note 1 Financial Instruments

The following financial instruments were held as of 2017-12-31.

Security Sector	Number of shares	Market value	Portion %
Transferable securities			
Category 1			
ARABIAN CEMENT CO, Egypt, EGP	445 000	1 566 501	1.43
EZZ STEEL, Egypt, EGP	220 000	2 110 199	1.92
NAMPAK LTD, South Africa, ZAR	340 000	3 656 312	3.33
SUEZ CEMENT CO, Egypt, EGP	2 500	28 063	0.03
Materials		7 361 075	6.71
EGYPT KUWAIT HOLDING CO SAE, Egypt, USD	600 000	4 183 581	3.82
ELSEWEDY ELECTRIC CO, Egypt, EGP	41 000	2 788 602	2.54
Industrials		6 972 183	6.36
GB AUTO, Egypt, EGP	4 250 000	8 804 030	8.03
MM GROUP FOR INDUSTRY, Egypt, EGP	350 000	2 215 483	2.02
ORIENTAL WEAVERS, Egypt, EGP	490 000	3 750 496	3.42
Consumer discretionary		14 770 009	13.47
JUHAYNA FOOD INDUSTRIES, Egypt, EGP	730 000	3 546 480	3.23
NIGERIAN BREWERIES PLC, Nigeria, NGN	1 475 954	4 540 274	4.14
OBOUR LAND FOR FOOD INDUSTRIES, Egypt, EGP	150 000	1 518 358	1.38
PZ CUSSONS GHANA, Ghana, GHS	750 000	271 156	0.25
SHOPRITE HOLDINGS, South Africa, ZAR	24 000	3 519 575	3.21
UNILEVER ORD, Ghana, GHS	2 400	55 706	0.05
Consumer staples		13 451 549	12.27
CLEOPATRA HOSPITAL, Egypt, EGP	1 180 000	2 645 846	2.41
EGYPTIAN INTERNATIONAL PHARM, Egypt, EGP	73 500	5 188 299	4.73
INTEGRATED DIAG, Jersey, USD	50 000	1 907 221	1.74
Healthcare		9 741 366	8.88
ACC BANK OF NIG ORD, Nigeria, NGN	16 950 000	4 036 096	3.68
COMMERCIAL INTL GDR, Egypt, USD	33 871	1 207 246	1.10
COMMERCIAL INTL, Egypt, EGP	155 000	5 531 441	5.04
CREDIT AGRICOLE, Egypt, EGP	220 000	4 249 833	3.88
EQUITY BANK ORD, Kenya, KES	250 000	794 900	0.72
FBN HOLDINGS ORD, Nigeria, NGN	14 300 000	2 867 439	2.62
GHANA COMM BANK ORD, Ghana, GHS	179 000	1 634 076	1.49
GUARANTY TRT BNK ORD, Nigeria, NGN	7 900 000	7 335 508	6.69
LETSHEGO, Botswana, BWP	550 000	861 736	0.79
MCB GROUP LTD ORD, Mauritius, MUR	11 000	734 233	0.67
STANBIC IBTC HOLDING, Nigeria, NGN	3 700 000	3 444 049	3.14
STANDARD CHARTED ORD, Ghana, GHS	17 200	785 087	0.72
UNITED BANK FOR AFRICA ORD, Nigeria, NGN	35 000 000	8 214 493	7.49

ZENITH INTL BANK ORD, Nigeria, NGN	13 900 000	8 120 978	7.41
Financials		49 817 116	45.44
UMEME LTD, Uganda, KES	500 000	532 583	0.49
Utilities		532 583	0.49
Total category 1		102 645 881	93.62
Total transferable securities		102 645 881	93.62
Total securities		102 645 881	93.62
Other assets and liabilities		6 688 388	6.38
Total net asset value		109 334 269	100.00

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 Other liabilities

	<i>2017-12-31</i>	<i>2016-12-31</i>
Accrued redemptions	8 084 303	707 754
Unregistered subscriptions	104 156	59 847
Total	8 188 459	767 601

Note 3 Changes in net assets

	<i>2017-01-01- 2017-12-31</i>	<i>2016-01-01- 2016-12-31</i>
Net assets at the start of the year	26 225 459	14 009 323
Issued fund units	230 149 819	54 622 224
Redeemed fund units	-157 630 680	-37 543 590
Net result according to the income statement	10 589 671	-4 862 498
Net assets at year end	109 334 269	26 225 459

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.

Please refer to the Company's website for the current remuneration policy: <http://www.tundrafonder.se/wp-content/uploads/2014/03/Executive-Summary-Remuneration-Policy-2016.pdf>

Benefits paid to all employees in 2017	Amount in SEK	Number of employees
Fixed salary	7 584 271	15
Variable remuneration to employees who are included in the number of employees and which have not been classified as special regulated staff	0	0
Total: Fixed salary and number of employees	7 584 271	15
Benefits paid to particular regulated staff 2017		.
a) employees in senior strategic positions	2 308 699	2.5
b) employees with responsibility for control functions. Outsourced functions	0	0
c) risk takers	2 827 396	4.75
d) employees whose total compensation is equal to, or greater than, the total remuneration to someone in senior management	0	0

Auditor's report

(Translation)

To the investors in Tundra Frontier Africa Fund, Corporate Identity Number 515602-6261

Report on the annual report

Opinions

As auditors of Tundra Fonder AB, Corporate Identity Number 556838-6303, we have audited the annual report of Tundra Frontier Africa Fund for 2017.

In our opinion, the annual report has been prepared in accordance with the Swedish Mutual Fund's Act and Sweden's financial supervisory authority's ordinances on funds, and presents fairly, in all material respects, the financial position of Tundra Frontier Africa Fund as of 31 December 2017 and its financial results for the year in accordance with the Swedish Mutual Fund's Act and Sweden's financial supervisory authority ordinances on funds.

Basis for opinions

We conducted our audit in accordance with the International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. We are independent of the fund company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Fund Company

It is the fund company who is responsible for the preparation of the annual report and that it provides a fair presentation in accordance with the Swedish Mutual Fund's Act and Sweden's financial supervisory authority ordinances on funds. The fund company is also responsible for such internal control as they determine is necessary to enable the preparation of an annual report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our objective is to obtain reasonable assurance about whether the annual report as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit

evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of the association's internal control relevant to my audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the c internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the fund company.
- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the fund company of, amongst other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in that internal control which we may have identified.

Stockholm, 16 April 2018

Öhrlings PricewaterhouseCoopersAB

Susanne Sundvall
Authorised Public Accountant