

Semi-annual report

Tundra Frontier Africa Fund

515602-6261

January 1st 2018 - June 30th 2018



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Management Report

Fund performance

Tundra Frontier Africa Fund rose 13,57% during the first six months of 2018, performing better than the benchmark, MSCI Africa ex ZA Total return index (SEK), which rose 9,34% (all changes in SEK).

The Fund's net assets development

Assets under management at June 30th, 2018 amounted to SEK 262.6 million, which represents an increase of SEK 153.3 million compared to SEK 109.3 million at December 31st 2017.

The value of issued fund shares amounted to SEK 467.0 million and the value of redeemed fund shares amounted to SEK 327.9 million. The value of the total change of fund shares during the period hence amounted SEK 14.2 million.

Market development

2018 started out strong for most markets on the African continent, and even though the second quarter brought more volatility most markets closed the first half in green (helped by SEK depreciating more than 7%). Best markets were Malawi (+54.9%), Tunisia (+52.4%) and Kenya (+22.6%). Worst performers were Mauritius (-17.2%), South Africa (-7,6%) and Botswana (-3.1%). Egypt, Nigeria and Ghana rose 11.5%, 12.5% and Ghana +15.6% (all changes in SEK).

International interest in Egypt is growing and increasingly investors are sharing our view on its outlook. The market had a very strong rally until the end of April and peaked at +32.4% ((Hermes Index, SEK) before the global worries spread and the market corrected. The reform agenda started in conjunction with the devaluation in the autumn of 2016 continues, with short term pains for the consumers (decreased subsidies, increased electricity tariffs, increased bus fares etc.) but long term gains for the state coffers and increased room for continued investments and reforms. The economy continues to recover and the consumer companies are seeing increased sales volumes, the banks are witnessing increased lending activity and tourists are returning in a big way. The GDP growth for the first quarter 2018 was 2.5%. Incumbent president al-Sisi won the elections as expected. The central bank has lowered interest rates at two occasions by a total of 2%-points and more cuts are expected before year-end.

The recovery in Nigeria is slower compared to Egypt, which has led to calmer stock market performance. Profit growth among the leading banks is still very good, however the large increase in NPL's related to the bankruptcy of Etisalat/9Mobile spooked investors and raised fears on the banks abilities to replace FX-profits with increased lending. The much anticipated consumption recovery seems to be taking longer than expected to materialize, partly due to much of the economic recovery stemming from higher oil prices which doesn't necessarily lead to increased employment. Higher oil prices have, however, led to a stronger government economy improving chances of necessary investments.

The uncertainty after the elections in Kenya disappeared after a "truce" was made between President Kenyatta and opposition leader Odinga. The economy and the stock market both witnessed increased necessary increases in activity after almost six months of being on the backburner. We continue to see risks in the Kenyan economy, the latest budget being a perfect example. It projects a large decrease in budget deficit due to mainly, in our view, over-optimistic increases in tax revenue.



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The first two months of the year was dominated news wise by South Africa in increased speculations on president Zuma's departure and the stock market as well as the currency took a huge jump when he was ousted. However, the optimism has since fallen since reforms take time and the global turmoil in May was most noticeable in the notoriously volatile South African Rand due to the commodity heavy economy.

Fund management and outlook

We continue to be upbeat about the potential in Egypt and Nigeria. We expect the economic activity to increase and strong growth in especially consumption and banking. The more normalized levels of inflation and interest rates along with better visibility should lead to increased investments and employment. A normalization of profit margins from the corporate sector should support strong the bottom line growth. Reforms in Nigeria progress more slowly, but are more than enough reflected in valuations of the leading banks. Bank penetration is still very low and many companies still use alternative sources of funding. As the economy develops they should be able to match historical earnings growth (earnings per share in one of the leading banks in Nigeria, Guaranty Bank, have grown by 20% on average for the last 20 years). We are more cautious on the outlook in Kenya and South Africa where we don't think current valuations reflect the risks involved. Among other markets we are optimistic on the ongoing recovery in Ghana, and the progress in Botswana, while we stay more sceptic on the potential in Morocco and Tunisia.

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

Objectives and investment policy

The fund is an equity fund with a particular emphasis on investments in transferable securities issued by companies located in Africa or that conduct their principal operating activities in Africa. 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.

Risks

The fund continues to have a large exposure to Nigeria where the currency market now functions much better compared to 1.5 years ago, and while we don't expect a return to the old system it cannot be ruled out yet. The economy is still vulnerable and international investors monitor the development closely. The adjustment of the Egyptian economy is still ongoing and the risk of setbacks is still high, but so is the potential return. Consumers, corporates and the government are still adapting to the new environment and the progress looks promising. Expectations on Kenya has again increased after six months of uncertainty surrounding the election debacle, and investors' confidence can easily turn more skeptical should access to international capital markets worsen due to e.g. rising interest rates or rising speculation on a depreciation of the Kenyan Shilling.

Derivatives

According to the fund statutes, the fund has the right to trade in options, futures and other derivatives, and the right to lend securities. The fund had no exposure to derivatives, or similar instruments during the period.



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Financial overview

	AUM, SEK	NAV	No. of issued fund units	Dividend	Performance, %	Performance index, %
2018-06-30	262 641 993	77,40	3 393 192,24	-	13,57	9,34
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⁾

Performance index: S&P Africa Frontier Total Return Index (SEK) until 2017-05-26. Thereafter MSCI Africa ex ZA Total Return Index (SEK)

1) Period 2013-05-20 - 2013-12-31



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Balance Sheet

<i>In SEK</i>	<i>Note</i>	<i>2018-06-30</i>	<i>2017-12-31</i>
Assets			
Transferable securities		250 288 445	102 645 881
Total	<i>1</i>	250 288 445	102 645 881
Bank accounts		11 710 810	10 647 559
Pre-paid expenses and accrued income		1 186 222	14 001
Other assets		5 149 678	4 413 635
Total assets			
Liabilities			
Accrued expenses and deferred income		723 616	198 348
Other liabilities	<i>2</i>	4 969 546	8 188 459
Total liabilities		5 693 162	8 386 807
Total Net Assets	<i>1,3</i>	262 641 993	109 334 269



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Accounting principles and valuation of financial instruments

Amounts in SEK unless otherwise stated.

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 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 model.

Key Figures

The Fund follows the Swedish Fund Associations guidelines of key performance indicators



Notes

Note 1 Financial instruments

As of June 30th 2018.

Holdings

Sector	Number held	Value SEK	Share %
Transferable securities			
Category 1			
ARABIAN CEMENT CO, Egypten, EGP	445 000	1 671 535	0,64
EZZ STEEL, Egypten, EGP	220 000	3 224 081	1,23
SUEZ CEMENT CO, Egypten, EGP	2 500	31 861	0,01
Material		4 927 477	1,88
EGYPT KUWAIT HOLDING CO SAE, Egypten, USD	1 100 000	11 319 220	4,31
ELSEWEDY ELECTRIC CO, Egypten, EGP	116 000	11 547 031	4,40
Industrial		22 866 251	8,71
DICE SPORT & CASUAL WEAR, Egypten, EGP	1 100 000	13 474 017	5,13
GB AUTO, Egypten, EGP	4 364 290	12 333 254	4,70
MM GROUP FOR INDUSTR, Egypten, EGP	350 000	2 454 323	0,93
ORIENTAL WEAVERS, Egypten, EGP	1 200 000	7 352 465	2,80
Consumer discretionary		35 614 060	13,56
JUHAYNA FOOD INDUSTRIES, Egypten, EGP	1 380 000	8 282 777	3,15
OBOUR LAND FOR FOOD INDUSTRIES, Egypten, EGP	1 000 000	10 503 522	4,00
PZ CUSSONS GHANA, Ghana, GHS	750 000	630 562	0,24
UNILEVER ORD, Ghana, GHS	2 400	79 815	0,03
Consumer staples		19 496 675	7,42
CLEOPATRA HOSPIT, Egypten, EGP	2 800 000	5 489 841	2,09
EGYPTIAN INTERNATIONAL PHARM, Egypten, EGP	180 000	12 154 075	4,63
INTEGRATED DIAG, Jersey, USD	150 000	5 905 680	2,25
Health care		23 549 595	8,97
ACC BANK OF NIG ORD, Nigeria, NGN	40 042 287	10 270 268	3,91
COMMERCIAL INTL GDR, Egypten, USD	135 000	5 979 501	2,28
COMMERCIAL INTL, Egypten, EGP	130 000	5 500 844	2,09
CREDIT AGRICOLE, Egypten, EGP	690 000	15 530 207	5,91
EQUITY BANK ORD, Kenya, KES	250 000	1 025 363	0,39
FBN HOLDINGS ORD, Nigeria, NGN	37 000 000	9 719 191	3,70
GHANA COMM BANK ORD, Ghana, GHS	179 000	1 722 321	0,66
GUARANTY TRT BNK ORD, Nigeria, NGN	22 000 000	22 080 060	8,41
LETSHEGO, Botswana, BWP	7 447 691	11 796 189	4,49
MCB GROUP LTD ORD, Mauritius, MUR	11 000	784 047	0,30
STANBIC IBTC HOLDING, Nigeria, NGN	9 000 000	11 597 607	4,42



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STANDARD CHARTED ORD, Ghana, GHS	17 200	867 653	0,33
UNITED BANK FOR AFRICA ORD, Nigeria, NGN	90 000 000	23 418 245	8,92
ZENITH INTL BANK ORD, Nigeria, NGN	37 400 000	23 170 433	8,82
Financial		143 461 930	54,62
UMEME LTD, Uganda, KES	500 000	372 456	0,14
Electricity		372 456	0,14
Sum Category 1		250 288 445	95,30
Total Transferable securities		250 288 445	95,30
Total securities		250 288 445	95,30
Other assets and liabilities		12 353 548	4,70
Total net assets		262 641 993	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>2018-06-30</i>	<i>2017-12-31</i>
Non-liquidated purchased securities	5 981	-
Accrued customer withdrawal	4 797 876	8 084 303
Unregistered customer deposit	165 689	104 156
Total	4 969 546	8 188 459



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Note 3 Changes in Net assets

	<i>2018-01-01- 2018-06-30</i>	<i>2017-01-01- 2017-12-31</i>
Net assets start of year	109 334 269	26 225 459
Issued fund units	467 041 675	230 149 819
Redeemed fund units	-327 919 513	-157 630 680
Net result according to income statement	14 185 562	10 589 671
Net Assets at end of the period	262 641 993	109 334 269