

Semi-annual report

Tundra Pakistan Fund

515602-4787

January 1st 2018- June 30th 2018



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Management report

Fund Performance

Tundra Pakistan Fund decreased with 4,15% in the first half of 2018, while the benchmark which decreased by 3.59 % in the same period. The Fund's under-performance relative to the benchmark came from over-exposure in the Materials sector and under-exposure to the Energy Sector. Positively contributing out-performers were Consumer Staples, Information Technology and Financials sector.

The fund's net assets development

Assets under management at June 30, 2018 amounted to SEK 483.0 million, which represents an increase of SEK 23.1 million compared with SEK 459.9 million at 31 December 2017.

The value of issued fund units amounted to Class A SEK 219.1 million, Class C SEK 0, Class D SEK 5.6 million and Class F SEK 0. The value of redeemed fund shares amounted to Class A SEK 174.9 million, Class C SEK 0, Class D SEK 0 and Class F SEK 0. The net value of new fund units issued during the period hence amounted to Class A SEK 44.1 million, Class C SEK 0 and Class D SEK 5.6 million and Class F SEK 0.

Market development

The first half of 2018 was direction-less and politically speculative. Foreigners remained net sellers and we recorded a net outflow of USD 262m from the equity markets, fueled by concerns over external account deficits, uncertain elections and economic implications of worsening US-Pakistan ties. With no clear winner in sight going into July elections, foreigners and majority of the local investors remained on the sides to await clarity over external account situation and foresee reasonably expected positive triggers for the market. While the out-going budget had offered many incentives; reduction in corporate tax; removal of bonus tax and massive decline in income tax rate, investors worried more on the currency that has slipped almost 22% against the US Dollar in last three quarters at the time of publication. The government has taken various measures to arrest the growth in current account deficit – which increased from 4% of GDP in FY17 to 5.8% in FY18 – by letting the currency depreciate, by increasing the discount rate by 175bps and by imposed cash-margins and levying import duties. The result of which should be visible after a lag of one quarter or so and the market is trading at inexpensive P/E of ~8x.

Fund management and outlook

Looking into the rest of the year we conclude that the former Prime Minister and his heir has been sentenced to jail. We have experienced a currency depreciation of almost 22%, we have seen the inflation rising, causing the discount rate to increase by 175 bps. FX currency reserves have shrunk down to less than 2 months of import and the Financial Action Task Force (FATF) grey listed Pakistan. Most of the fears from last year have now been realized. National elections concluded with the much-hyped-or-much-hoped Imran Khan's Pakistan Tehreek Insaf (PTI) emerged as the largest party in the 2018's election and the market is now likely to look forward. A key strength of the Pakistani equity market is its large degree of institutionalization. Despite a foreign outflow of above USD 250m, we saw emergence of local big Insurance companies as buyers of similar extent. Clarity over bridging the external financing gap would continuously tip-toe the market going forward as we hope to see gradual reduction in the CAD to 4% this year (with oil prices remaining sticky of course). With a



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new economic team in sight and a strong agenda for reining on corruption and creating jobs for the youth, investors would be looking at the ability of the government to enact difficult structural reforms with a strong electoral mandate being provided. Although the earnings growth in CY18 is unlikely to impress because of fall in cyclical sectors profit coupled with the financial sector's one-offs costs, we believe the current index levels of 8x P/E ratio provides a suitable entry level for long term investors seeking fresh exposure to an economy which is re-building one of the world's most populous middle-classes.

The fund is managed by an investment committee but with Mattias Martinsson 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 that have their registered office in Pakistan, or that conduct their principal operating activities in Pakistan. The fund management company's management of the fund is intended to generate financial exposure to economic development in Pakistan and to provide the unit holders with a maximum long-term return on their invested capital. The performance is benchmarked against MSCI Pakistan Net (SEK).

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 has a vast majority of its assets invested in Pakistan. A worse than expected development of the Pakistani economy or the earnings growth among listed companies in the country constitute the primary risk. The fund does not hedge its holdings to currency fluctuations which may affect returns adversely in case the Pakistan Rupee weakens.

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

Main portfolio

	AUM, SEK	NAV	No. of issued Fund units	Dividend	Performance, %	Performance index, %
2018-06-30	483 004 809	-	2 024 014,68	-	-	-
2017-12-31	459 927 896	-	1 847 355,83	-	-	-
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 units	Dividend	Performance, %	Performance index, %
2018-06-30	-	238,31	1 745 693,48	-	-4,15	-3,59
2017-12-31	-	248,64	1 589 805,89	-	-35,25	-24,44
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) Since 2013-06-20 Tundra Pakistanfond was replaced by Tundra Pakistanfond Fund Share Class A.

Fund Share Class C EUR

	AUM, SEK	NAV	No. of issued fund units	Dividend	Performance, %	Performance index, %
2018-06-30	-	22,75	1 838,34	-	-9,83	-9,31
2017-12-31	-	25,23	1 838,34	-	-36,94	-33,77
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⁾



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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 units	Dividend	Performance, %	Performance index, %
2018-06-30	-	27,16	152 600,17	-	-12,13	-11,68
2017-12-31	-	30,91	131 828,91	-	-28,20	-24,44
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 units	Dividend	Performance, %	Performance index, %
2018-06-30	-	22,75	123 882,69	-	-9,83	-9,31
2017-12-31	-	25,23	123 882,69	-	-36,94	-33,77
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



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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		466 111 720	445 327 146
Total	1	466 111 720	445 327 146
Bank accounts		23 728 306	14 094 185
Pre-paid expenses and accrued income		3 340 395	2 226 324
Other assets		1 031 692	1 353 763
Total assets		494 212 113	463 001 418
Liabilities			
Accrued expenses and deferred income		1 521 545	1 301 045
Other liabilities		9 685 759	1 772 477
Total liabilities		11 207 304	3 073 522
Total net assets	1,2	483 004 809	459 927 896



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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.

Since the Fund may invest in securities that are restricted, unlisted, traded infrequently, thinly traded, or relatively illiquid, there is the possibility of a differential between the last available market prices for one or more of those securities and the latest indications of market values for those securities. The Fund has procedures, approved by the board of directors of the fund management company, which involves a valuation committee to determine the fair value of individual securities and other assets for which market prices are not readily available (such as certain restricted or unlisted securities and private placements) or which may not be reliably priced. Some methods for valuing these securities may include: fundamental analysis (discounted cash flow etc), sum-of-the-parts and market prices derived from similar transactions. The application of fair value pricing procedures represents a good faith determination based upon specifically applied procedures. There can be no assurance that the Fund could obtain the fair value assigned to a security if it were able to sell the security at approximately the time at which the Fund determines its NAV. There is also a probability that the fair value assigned to these securities significantly underestimates the actual value of these securities.

Special note on unlisted holdings

In accordance with the UCITS regulation, the Fund may invest up to 10 percent in unlisted securities if these are to be listed within 12 months. If they are not listed within 12 months, the Fund should divest the securities in a way beneficial to the unitholders. Due to the nature of unlisted holdings, the process of selling those securities may be prolonged for a significant time. Tundra Pakistan Fund held two positions, International Brands Limited and Daewoo Express, as of June 30th 2018 whose listings/divestments have been delayed beyond the 12 month stipulated time period due to reasons outside the fund's control. Negotiations for divestment are ongoing but there are risks of significant further delays until the assets are either sold or listed. The board of directors of Tundra has assigned a valuation committee with three members with scheduled meetings every two weeks. The committee has gradually during the first half of 2018 reduced the assigned valuation of these holdings as repeated delays indicates the chances of a successful listing or divestment are gradually decreasing. The valuation assigned to the holdings in International Brands Limited and Daewoo Express as of June 30th 2018 was SEK 30 560 667 (6.33 percent of NAV) and SEK 20 381 263 (4.22 percent of NAV) respectively. The accumulated write-down including currency effects since the initial investment was



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made amounts to 5 percent for International Brands Limited and 36 percent for Daewoo Express. It should in particular be highlighted that there are several layers of uncertainties. Even an agreed transaction between two parties could mean the realized value might not be possible to repatriate since Central bank approval of repatriation is needed and it is not certain that such approval is given. This risk has during 2018 increased significantly given significant strains on Pakistan's foreign currency reserves experienced during 2018. In addition, it is further not unusual to see a transaction being contested within the Pakistani court system, sometimes due to legitimate concerns by a third party whose rights might be affected, sometimes as a form of blackmail. The structure of the Pakistani court system is such that even a perfectly legitimate transaction, through stay orders, can be delayed for several years and ultimately fail as a result of third party intervention. Such delays can meanwhile impact the financial viability of the company for example through non-availability of credits etc, which might eventually mean assumptions of financial forecasts are incorrect. These layers of uncertainty mean that absolute certainty of what value will be realized can only be achieved once funds are repatriated. Should either or both of the transactions be successful or should the companies become listed it could however result in a significant positive one time effect on the NAV of the fund. All factors taken into consideration, including best efforts of assuring an as correct valuation at all times, it is possible that the unit price of the fund at some point during the next 12 months may experience two significant one-time impacts where the downside could be maximal the assigned valuation and the upside could be potentially even higher. We thus caution investors to take this into consideration before buying or selling fund units. As soon as the transactions are concluded we will update on our website and in the monthly comments. It should also be emphasized that the weight in the NAV and hence also the impact on the NAV as a result of any future transactions or listings depends on the assets under management in the Fund and any future major redemption from the Fund may escalate the impact in a substantial manner.

About the companies

International Brands Limited is an investment company whose main asset is a 56% ownership in Pakistan's second largest listed pharmaceutical company, Searle. The company also runs a successful distribution business as well as a number of consumer oriented companies. More information about the company: www.iblgrp.com

Daewoo Express is the largest and one of the few organized transportation companies in Pakistan. The company offers intra city services as well as long distance transportation throughout Pakistan. More information about the company: www.daewoo.com.pk

Key Figures

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

Taxation principles for Pakistani holdings

With current legislation, Pakistan is currently charging a capital gains tax on short-term trading.

Until June 30th 2017 this taxation was in place:

- Capital gains tax is 15% on share gains for holdings held for a shorter period than 12 months, 12.5% for holdings held 12-24 months and 7.5% for holdings held 24-48 months. For holdings held for more than 48 months, the tax is 0% if acquired before 2012-07-01, otherwise 7.5%. The tax is calculated according to current legislation per holding according to FIFO (first-in first-out method).



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From July 1st 2017 the following capital gains taxation rules are in place:

- For holdings acquired before July 1st 2016 capital gains tax is 15% on share gains for holdings held for a shorter period than 12 months, 12.5% for holdings held 12-24 months and 7.5% for holdings held 24-48 months. For holdings held for more than 48 months, the tax is 0% if acquired before 2012-07-01, otherwise 7.5%. The tax is calculated according to current legislation per holding according to FIFO (first-in first-out method).
- For holdings acquired after July 1st 2016 a 15% flat capital gains tax on all positions are applicable

The fund has hired KPMG in Pakistan as a tax consultant and will calculate and reserve daily for deferred and realized tax in the fund jointly. This means that unitholders may not pay local Pakistani tax despite the fact that their unit value has risen, and investors may pay local Pakistani tax even though their unit value has decreased. It may also mean that previously reserved taxes are returned to the fund without change in underlying holdings. Since the introduction of July 1, 2010, the tax has been revised on several occasions and may change again in the future, which implies a further risk.



Notes

Note 1 Financial instruments

As of June 30th 2018.

Holdings

Sector	Number held	Value, SEK	Share %
Transferable securities			
Category 1			
ATTOCK PETROLEUM ORD, Pakistan, PKR	93 000	4 048 199	0,84
Energy		4 048 199	0,84
AISHA STEEL MILLS LTD, Pakistan, PKR	3 300 000	3 804 600	0,79
AISHA STEEL MILLS PR, Pakistan, PKR	244 300	353 933	0,07
CENTURY PAPER & BOARD MILLS, Pakistan, PKR	2 416 600	11 279 478	2,34
CHERAT CEMENT CO LTD, Pakistan, PKR	975 000	6 968 117	1,44
DG KHAN CEMENT ORD, Pakistan, PKR	3 700 000	31 137 217	6,45
ENGRO CORPORATION ORD, Pakistan, PKR	750 000	17 302 456	3,58
FAUJI BIN QASIM ORD, Pakistan, PKR	3 300 000	9 362 930	1,94
GHARIBWAL CEMENT LT, Pakistan, PKR	2 800 000	4 321 002	0,89
INTERNATIONAL STEELS, Pakistan, PKR	750 000	5 606 512	1,16
LUCKY CEMENT ORD, Pakistan, PKR	1 000 000	37 334 847	7,73
MAPLE LEAF CMNT ORD, Pakistan, PKR	2 346 250	8 750 548	1,81
PACKAGES ORD, Pakistan, PKR	250 750	8 994 842	1,86
PIONEER CEMENT ORD, Pakistan, PKR	4 170 000	14 363 122	2,97
TRI-PACK FILMS LTD, Pakistan, PKR	460 000	4 632 217	0,96
Industrials		164 211 819	34,00
BATA PAKISTAN ORD, Pakistan, PKR	21 582	3 014 087	0,62
GENERAL TYRE & RUBBER CO, Pakistan, PKR	500 800	6 027 763	1,25
GUL AHMED TEXTILE, Pakistan, PKR	1 414 500	4 353 798	0,90
HUM NETWORK LTD, Pakistan, PKR	17 000 000	10 108 994	2,09
KOHINOOR TEXTILE MIL, Pakistan, PKR	1 617 223	6 536 784	1,35
PAK ELEKTRON LTD, Pakistan, PKR	4 753 000	12 376 225	2,56
Consumer discretionary		42 417 651	8,78
FAUJI FOODS LTD, Pakistan, PKR	3 285 500	7 795 528	1,61
SHEZAN INTL ORD, Pakistan, PKR	337 390	14 135 708	2,93
Consumer staples		21 931 236	4,54
ABBOTT LABORATORIES, Pakistan, PKR	113 650	5 722 299	1,18
AGP LTD/PK, Pakistan, PKR	2 250 000	14 707 584	3,05
FEROZESONS LABORATORIES, Pakistan, PKR	150 000	2 159 086	0,45
SHIFA HOSPITAL LTD, Pakistan, PKR	259 119	5 142 491	1,06
Health care		27 731 459	5,74



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ADAMJEE INSUR ORD, Pakistan, PKR	2 736 000	9 799 931	2,03
EFU LIFE, Pakistan, PKR	165 000	3 777 675	0,78
FAYSAL BANK LTD, Pakistan, PKR	3 206 000	6 126 993	1,27
HABIB BANK LTD ORD, Pakistan, PKR	1 895 100	23 184 640	4,80
M C B ORD, Pakistan, PKR	995 000	14 464 186	2,99
NATIONAL BANK OF PAKISTAN, Pakistan, PKR	4 500 000	15 757 771	3,26
UNITED BANK LTD ORD, Pakistan, PKR	1 848 300	22 957 166	4,75
Financial		96 068 362	19,89
SYSTEMS LTD, Pakistan, PKR	3 350 000	24 924 224	5,16
Information technology		24 924 224	5,16
HUB POWER COMPANY, Pakistan, PKR	1 400 000	9 483 770	1,96
KARACHI ELECTRIC ORD, Pakistan, PKR	24 500 000	10 057 725	2,08
SUI NORTHERN GAS ORD, Pakistan, PKR	600 000	4 402 297	0,91
SUI SOUTHERN GAS ORD, Pakistan, PKR	1 300 000	3 143 285	0,65
Utilities		27 087 077	5,61
TPL PROPERTIES LTD, Pakistan, PKR	10 441 000	6 749 762	1,40
Real estate		6 749 762	1,40
Total Category 1		415 169 790	85,96
Category 7			
DAEWOO EXPRESS, Pakistan, PKR	6 121 000	20 381 263	4,22
Consumer discretionary		20 381 263	4,22
INTERNATIONAL BRANDS, Pakistan, PKR	8 528 599	30 560 667	6,33
Consumer staples		30 560 667	6,33
Total Category 7		50 941 930	10,55
Total transferable securities		466 111 720	96,50
Total securities		466 111 720	96,50
Other assets and liabilities		16 893 089	3,50
Total net assets		483 004 809	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.



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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 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	459 927 896	1 016 336 897
Fund Share Class A SEK		
Issued fund units	219 069 203	217 240 087
Redeemed fund units	-174 938 664	-425 813 869
Total	44 130 539	-208 573 782
Fund Share Class C EUR		
Issued fund units	-	678 020
Redeemed fund units	-	-28 407
Total	-	649 613
Fund Share Class D USD		
Issued fund units	5 576 938	44 867 735
Redeemed fund units	-	-153 444 116
Total	5 576 938	-108 576 381
Fund Share Class F EUR		
Issued fund units	-	29 785 647
Redeemed fund units	-	-183 536
Total	-	29 602 111
Net result according to income statement	-26 630 564	-269 510 562
Net assets at end of the period	483 004 809	459 927 896