

Semi-annual report

Tundra Sustainable Frontier Fund

515602-4803

January 1st 2018- June 30th 2018



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Management report

Fund performance

Tundra Sustainable Frontier Fund grew by 7.41% in the first half of 2018, performing better than the benchmark which decreased by 7.38% in the same period.

The fund's net assets development

Assets under management at June 30, 2018 amounted to SEK 1 900.5 million, which represents an increase of SEK 813.0 million compared with SEK 1087.4 million at 31 December 2017.

The value of issued fund shares amounted to Class A SEK 1 045.7 million, Class C SEK 7.3 million, Class D SEK 13.7 million, Class E 5.0 million and Class F SEK 7.3 million.

The value of redeemed fund shares amounted to Class A SEK 265.8 million, Class C SEK 7.5 million, Class D SEK 37.4 million, Class E SEK 3.2 million and Class F 0.

The net value of new fund units issued during the period hence amounted to Class A SEK 779.9 million, Class C SEK -0.18 million, Class D SEK -23.7 million, Class E SEK 1.8 million and Class F SEK 7.3 million.

Market development

This was a weak period in frontier markets where the second of the first two quarters of the year was actually the worst since the 2008 financial crisis. Rising US long-term interest rates created fears that foreigners would withdraw capital from emerging markets and frontier markets, which meant currency turmoil in many markets. The largest index market Argentina's problem meant losses for many frontier funds, leading to outflows and thus sales pressure in other markets as they raised cash to handle redemptions. President Trump's threat of trade war was a major concern for global stock markets, but it posed a particular concern for certain export-dependent markets such as Vietnam and Bangladesh.

Fund management and Outlook

The fund's excess return was primarily due to the absence of Argentinian holdings. Argentina, which accounts for more than 20% of the fund's benchmark, fell almost 40% in Swedish Krona during the first half of the year. Another contributing factor to the Fund's excess return was Egypt, where the Fund's sub-portfolio increased almost 30% during the first six months of the year. The lack of holdings in Kenya and Romania contributed negatively, as both of these markets increased by 20% during the first half of the year. Weak performance of the fund's holdings in Bangladesh and Vietnam also contributed negatively.

We enter the second half of the year with continued nervousness, but we think we have to a large extent priced in both economic and political concerns in most markets. The global threat of extended trade wars remains a factor that can make investors more negative. Any major downturns in global equity markets should otherwise be seen as the single biggest risk. This could mean a further reduction in the willingness to invest in frontier markets and thus adversely affect price performance across the asset class. Another risk worth emphasizing is also the relatively close link most currencies in the frontier markets have with the US dollar. A weakening of the US dollar against the Swedish Krona could be disadvantageous to the development of unit



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prices in Swedish Krona. Several of the fund's most important markets, specifically Pakistan and Vietnam, have experienced significant falls during the year while we see that the concerns surrounding these markets have been relatively well dissected. We note that valuations have come down considerably overall. The average valuation level in the fund measured as Price/Earnings-ratio has fallen to below 9x annual earnings, which is low in a historical context.

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

Objectives and investment policy

The objective of the fund is to provide financial exposure to economic development in emerging markets and frontier markets and to provide its unit holders with a maximum long-term return on their investment.

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

We consider potential major drops in the global stock markets to be the largest individual risk. This could lead to a further decline in the investment interest even in frontier markets and thus affect the stock prices adversely. The fund does not hedge against currency risks, which could come to affect the return in SEK if the currencies in the frontier markets weaken. The central banks in many frontier markets compare its own currency to the US dollar, which creates an indirect connection and risk against the US dollars development, where a weaker US dollar could affect share prices negatively and vice versa. The fund has a relatively high share of its assets in Pakistan, Vietnam, Egypt and Sri Lanka. Political instability in one or several of these countries could affect the return of the fund negatively.

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.



Financial overview

Main portfolio

	AUM, SEK	NAV	No. of issued fund units	Dividend	Performance, %	Performance index, %
2018-06-30	1 900 475 595	-	9 381 913,86	-	-	-
2017-12-31	1 087 438 063	-	5 769 450,10	-	-	-
2016-12-31	439 046 053	-	2 641 116,78	-	-	-
2015-12-31	345 307 931	-	2 379 389,86	-	-	-
2014-12-31	916 615 995	-	6 032 099,74	-	-	-
2013-12-31	253 860 513	-	2 154 423,88	-	-	-

Fund share class A SEK

	AUM, SEK	NAV	No. of issued fund units	Dividend	Performance, %	Performance index, %
2018-06-30	-	202,62	8 758 462,90	-	7,41	-7,38
2017-12-31	-	188,65	5 080 492,27	-	13,50	24,98
2016-12-31	-	166,21	2 439 445,94	-	14,55	10,61
2015-12-31	-	145,10	2 178 908,18	-	-4,51	-6,83
2014-12-31	-	151,96	5 964 830,02	-	28,95	17,33
2013-12-31	-	117,84	2 113 195,82	-	17,84 ¹⁾	10,95 ¹⁾

Index: MSCI INT FM EX GCC N (SEK)

1) Period: 2013-04-02 - 2013-12-31

Fund share class C EUR

	AUM, SEK	NAV	No. of issued fund units	Dividend	Performance, %	Performance index, %
2018-06-30	-	19,43	187 481,40	-	0,99	-12,82
2017-12-31	-	19,24	186 633,35	-	10,57	21,64
2016-12-31	-	17,40	188 378,80	-	9,71	5,92
2015-12-31	-	15,86	187 189,64	-	-1,49	-4,20
2014-12-31	-	16,10	67 269,72	-	21,33	10,23
2013-12-31	-	13,27	41 228,06	-	5,40 ²⁾	2,06 ²⁾

Index: MSCI INT FM EX GCC N (EUR)

2) Period: 2013-06-12 - 2013-12-31



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Fund share class D USD

	AUM, SEK	NAV	No. of issued fund units	Dividend	Performance, %	Performance index, %
2018-06-30	-	21,92	90 278,97	-	-1,70	-15,09
2017-12-31	-	22,30	199 940,70	-	25,85	38,79
2016-12-31	-	17,72	6 902,26	-	6,24	2,52
2015-12-31	-	16,68	6 902,26	-	-11,79 ³⁾	-13,61 ³⁾

Index: MSCI INT FM EX GCC N (USD)

3) Period: 2015-04-10 - 2015-12-31

Fund share class E EUR

	AUM, SEK	AUM	No. of issued fund units	Dividend	Performance, %	Performance index, %
2018-06-30	-	184,37	262 874,65	-	-0,35	-15,77
2017-12-31	-	188,80	254 101,95	-	20,47 ⁴⁾	31,43 ⁴⁾

Index: MSCI INT FM EX GCC N (NOK)

4) Period: 2017-01-05 - 2017-12-31

Fund share class F EUR

	AUM, SEK	NAV	No. of issued fund units	Dividend	Performance, %	Performance index, %
2018-06-30	-	19,43	82 815,94	-	0,99	-12,82
2017-12-31	-	19,24	48 281,83	-	10,57	21,64
2016-12-31	-	17,40	6 389,78	-	9,71	5,92
2015-12-31	-	15,86	6 389,78	-	1,34 ⁵⁾	2,88 ⁵⁾

Index: MSCI INT FM EX GCC N (EUR)

5) Period: 2015-10-16 - 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		1 850 885 833	1 038 532 333
Total	1	1 850 885 833	1 038 532 333
Bank accounts		49 689 100	65 269 188
Pre-paid expenses and accrued income	2	4 754 582	144 281 575
Other assets		2 375 549	59
Total assets		1 907 705 064	1 248 083 155
Liabilities			
Accrued expenses and deferred income		4 450 261	2 357 753
Other liabilities	3	2 779 208	158 287 339
Total liabilities		7 229 469	160 645 092
Total Net Assets	1,4	1 900 475 595	1 087 438 063



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 Sustainable Frontier 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 17 120 967 (0.90 percent of NAV) and SEK 7 228 839 (0.38 percentage of NAV) respectively. The accumulated write-down including currency effects since the initial investment was 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



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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 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 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.



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	2 700 000	10 141 900	0,53
BIM SON CEMENT JSC, Vietnam, VND	1 650 025	4 115 791	0,22
DG KHAN CEMENT ORD, Pakistan, PKR	3 900 000	32 820 310	1,73
EZZ STEEL, Egypten, EGP	1 979 123	29 003 876	1,53
HOA PHAT GROUP JSC, Vietnam, VND	3 126 200	46 787 600	2,46
HOA SEN GROUP, Vietnam, VND	6 490 000	30 606 442	1,61
LUCKY CEMENT ORD, Pakistan, PKR	1 110 000	41 441 680	2,18
SUEZ CEMENT CO, Egypten, EGP	1 400 000	17 841 982	0,94
TOKYO CEMENT ORD TR, Sri Lanka, LKR	7 560 000	13 674 669	0,72
TOKYO CEMENT ORD, Sri Lanka, LKR	2 315 592	4 581 157	0,24
TRI-PACK FILMS LTD, Pakistan, PKR	533 700	5 374 379	0,28
Material		236 389 785	12,44
ACCESS ENGINEERING P, Sri Lanka, LKR	19 282 027	17 329 853	0,91
ACL CABLES PLC, Sri Lanka, LKR	6 044 156	13 495 153	0,71
CII ORD, Vietnam, VND	1 777 590	18 324 834	0,96
DIEN QUANG JSC, Vietnam, VND	107 250	1 316 712	0,07
ELSEWEDY ELECTRIC CO, Egypten, EGP	585 000	58 232 874	3,06
HEMAS HOLDINGS PLC, Sri Lanka, LKR	2 860 321	18 124 475	0,95
JOHN KEELLS HLDG ORD, Sri Lanka, LKR	6 000 000	49 991 226	2,63
VIETNAM ELEC EQUIP, Vietnam, VND	4 291 205	56 195 472	2,96
Industrial		233 010 599	12,26
DRC ORD, Vietnam, VND	1 745 000	16 050 561	0,84
GB AUTO, Egypten, EGP	35 943 073	101 573 236	5,34
GUL AHMED TEXTILE, Pakistan, PKR	2 142 000	6 593 026	0,35
HUM NETWORK LTD, Pakistan, PKR	16 836 000	10 011 472	0,53
IFAD AUTOS LTD, Bangladesh, BDT	3 893 135	46 594 691	2,45
MOBILE WORLD INVESTMENT GROUP, Vietnam, VND	122 320	5 811 443	0,31
SAIGON GENERAL SERVI, Vietnam, VND	913 520	16 377 917	0,86
Consumer discretionary		203 012 346	10,68
CARGILLS CEYLON ORD, Sri Lanka, LKR	2 609 579	29 501 595	1,55
JUHAYNA FOOD INDUSTRIES, Egypten, EGP	3 440 000	20 646 922	1,09
KIDO FROZEN FOODS, Vietnam, VND	1 820 700	24 836 433	1,31



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NESTLE LANKA PLC, Sri Lanka, LKR	206 537	20 418 918	1,07
OBOUR LAND FOR FOOD INDUSTRIES, Egypten, EGP	1 850 000	19 431 515	1,02
Consumer staples		114 835 384	6,04
ACTIVE FINE CHEMICAL, Bangladesh, BDT	6 215 000	19 127 252	1,01
AGP LTD/PK, Pakistan, PKR	2 815 500	18 404 090	0,97
BEXIMCO-GDR REGS, Bangladesh, GBP	525 000	3 163 091	0,17
EGYPTIAN INTERNATIONAL PHARM, Egypten, EGP	430 000	29 034 734	1,53
FEROZESONS LABORATORIES, Pakistan, PKR	701 600	10 098 764	0,53
SQUARE PHAR ORD, Bangladesh, BDT	2 370 335	74 469 084	3,92
Health care		154 297 015	8,12
ACC BANK OF NIG ORD, Nigeria, NGN	105 000 000	26 930 982	1,42
ADAMJEE INSUR ORD, Pakistan, PKR	2 950 000	10 566 446	0,56
ALLIED BANK ORD, Pakistan, PKR	2 800 000	21 229 403	1,12
BANK AL FALAH ORD, Pakistan, PKR	5 159 000	19 779 423	1,04
BRAC BANK LTD, Bangladesh, BDT	9 085 756	69 905 688	3,68
CEYLINCO INSURANCE-NON VOTIN, Sri Lanka, LKR	289 700	15 556 689	0,82
COMMERCIAL BANK OF CEYLON PLC, Sri Lanka, LKR	2 633 428	18 309 295	0,96
COMMERCIAL INTL, Egypten, EGP	1 900 000	80 396 955	4,23
CREDIT AGRICOLE, Egypten, EGP	2 067 547	46 535 409	2,45
GUARANTY TRT BNK ORD, Nigeria, NGN	80 000 000	80 291 127	4,22
HATTON NATIONAL BANK PLC, Sri Lanka, LKR	1 319 763	16 785 084	0,88
JSC HALYK BANK GDR, Kazakstan, USD	249 395	27 002 196	1,42
LETSHEGO, Botswana, BWP	11 872 696	18 804 831	0,99
LIEN VIET POST JOINT, Vietnam, VND	7 756 141	33 856 846	1,78
MEEZAN BANK, Pakistan, PKR	5 358 999	32 190 116	1,69
NATIONAL BANK OF PAKISTAN, Pakistan, PKR	13 500 000	47 273 312	2,49
SAMPATH BANK ORD, Sri Lanka, LKR	1 468 755	25 155 737	1,32
STANBIC IBTC HOLDING, Nigeria, NGN	12 530 509	16 147 102	0,85
UNITED BANK FOR AFRICA ORD, Nigeria, NGN	272 947 912	71 021 791	3,74
ZENITH INTL BANK ORD, Nigeria, NGN	170 000 000	105 320 151	5,54
Financial		783 058 584	41,2
FPT CORP, Vietnam, VND	3 344 855	57 881 936	3,05
SYSTEMS LTD, Pakistan, PKR	5 307 500	39 488 156	2,08
Information technology		97 370 091	5,12
AN PHU REAL ESTATE, Vietnam, VND	16 946	66 047	0
TPL PROPERTIES LTD, Pakistan, PKR	6 955 000	4 496 178	0,24
Real estate		4 562 224	0,24
Total Category 1		1 826 536 028	96,11



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Category 7			
DAEWOO PAK EXPRESS, Pakistan, PKR	2 171 000	7 228 839	0,38
Consumer discretionary		7 228 839	0,38
INTERNATIONAL BRANDS, Pakistan, PKR	4 777 967	17 120 967	0,90
Consumer staples		17 120 967	0,90
Total Category 7		24 349 805	1,28
Total transferable securities		1 850 885 833	97,39
Total securities		1 850 885 833	97,39
Other assets and liabilities		49 589 762	2,61
Total net assets		1 900 475 595	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 Pre-paid expenses and accrued income

	<i>2018-06-30</i>	<i>2017-12-31</i>
Accrued dividends	4 475 428	579 766
Accrued preliminary tax	279 154	11 500
Other	-	143 690 309
Total	4 754 582	144 281 575



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Note 3 Other liabilities

	<i>2018-06-30</i>	<i>2017-12-31</i>
Unsettled acquired securities	-	157 191 040
Accrued redemptions	2 779 170	950 087
Unregistered subscriptions	-	146 160
Other	38	52
Total	2 779 208	158 287 339

Note 4 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	1 087 438 063	439 046 053
Fund share class A SEK		
Issued fund units	1 045 733 051	270 969 458
Redeemed fund units	-265 812 483	-137 653 774
Fusion	-	338 819 543
Total	779 920 568	472 135 227
Fund share class C EUR		
Issued fund units	7 326 539	698 272
Redeemed fund units	-7 510 715	-1 002 694
Total	-184 176	-304 422
Fund share class D USD		
Issued fund units	13 685 060	31 979 681
Redeemed fund units	-37 383 942	-193 092
Total	-23 698 882	31 786 589
Fund share class E EUR		
Issued fund units	5 035 465	49 314 838
Redeemed fund units	-3 204 239	-6 243 569
Total	1 831 226	43 071 269
Fund share class F EUR		
Issued fund units	7 264 386	7 534 273
Redeemed fund units	-	-
Total	7 264 386	7 534 273



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Net result according to income statement	47 904 410	94 169 074
Net assets at end of the period	1 900 475 595	1 087 438 063