

ANNUAL SUSTAINABILITY REPORT



REPORTING YEAR 2018

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Stockholm, March 2019

Dear Reader,

In this report we summarise our efforts within the field of ESG. During autumn we initiated a range of collaborations under the **Tundra Research Network | TURN** umbrella, where we aim to create a platform for impact in Low- and Middle Income Countries, LMICs (*Emerging and Frontier Markets*). See page 24 for more information.

In our *Semi-annual Sustainability Report 2018* we presented country-specific details of Tundra's core markets and described country and sector risks as well as opportunities (<https://bit.ly/2B8whia>). Multiple reports present risks and ESG trends for 2019; they all have one thing in common – namely the increased focus on climate related risks. The *Global Risks Report 2019* from the **World Economic Forum** (<https://bit.ly/2DdP4Kc>) ranks the top five risks in terms of likelihood; three out of these are climate related. Also ranked among top five in terms of impact are water crises; stating how the significant decline in the available quality and quantity of fresh water may result in harmful effects on human health and/or economic activity.

We have ourselves observed a continued focus on the importance of sustainable solutions for the future among investors, companies and others. We firmly believe that companies that do not consider aspects of environment, social responsibility and governance in their business models will be less successful over time. Fortunately; there is a roadmap available - the **Agenda 2030** with the **17 Sustainable Development Goals** and their **169 targets** - constituting a global tool for all.

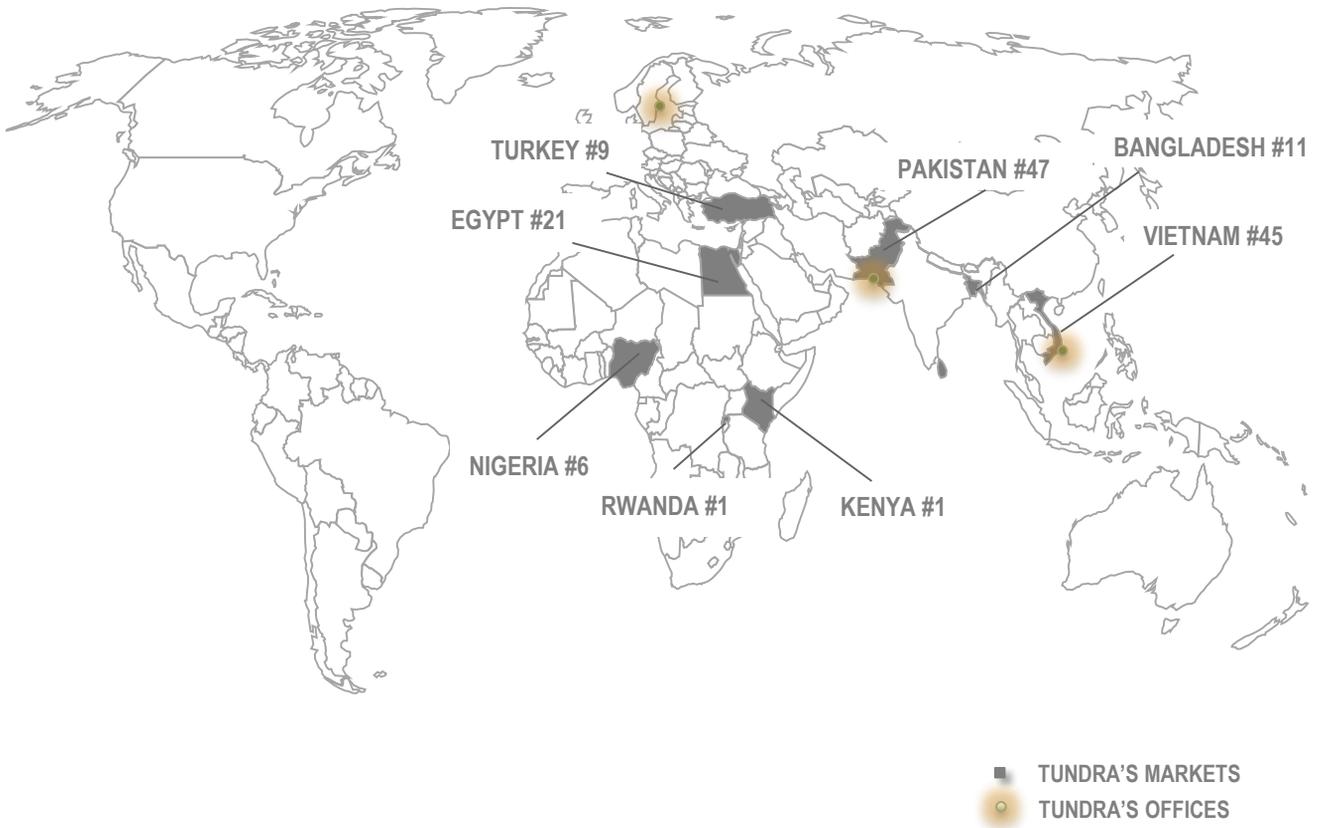
A colleague recently received positive feedback on the ambitious agenda of our new network: *“An asset manager with their own research network - is this supposed to be the norm?”* Connecting with the local experts in order to strengthen our collaborations and assure depth in the research seems like a logical next step to us. We certainly strive to set new norms for businesses overall, and for finance in particular.

Jennie CM Ahrén,
PhD, Head of ESG



OUR YEAR IN MEETINGS

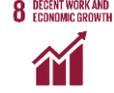
We believe that local presence and a deep understanding of culture, demographic factors and economy improve our performance. Communication with companies constitutes an essential part of our daily work. During 2018 we had meetings with 141 with companies. In addition meetings were held with investors, representatives from governments, academia and civil society.



During 2018 Tundra held regular company meetings with 141 companies across our markets. The majority of these meetings were with holdings from our four funds, while some were with companies that constitute potential new investments. These encounters usually take the form of face to face meetings with the management and/or site visits. Interactions are not driven by breaches or incidents alone. Rather, our teams based in Stockholm, and in our local offices in Karachi, Pakistan and Ho Chi Minh City, Vietnam endeavor to regularly connect with companies creating platforms for dialogue.

In addition to company meetings, there was interaction with a range of companies through our conference in Colombo, Sri Lanka and via seminars and conferences arranged by others. The ESG team meets with representatives from civil society, research and governmental institutions on a regular basis. These meetings are not included here. A selection of events and meetings from those categories are presented in the following pages.

MEETINGS IN ASIA PAKISTAN ROADSHOW FOR INVESTORS



In February, Tundra hosted a delegation of Nordic investors in Lahore and Islamabad over a span of five days - for meetings with financial institutions, industries and governmental institutions. The events were co-organised by the Swedish Embassy in Pakistan, and the Swedish Business Council in Pakistan.

Led by CEO Jon Scheiber and board members Cecilia Seddigh and Göran Lindholm, the delegates visited Karachi, Lahore and Islamabad. During their trip, the investors met with more than 15 companies and carried out several site visits. Feedback as early as lunchtime on day 1 commented on the excellence of tier 1 companies, the quality of human capital and the dynamic management styles. The visitors also experienced a culture of hospitality and an ambitious mindset supported by gains in infrastructure, energy, security and growing trade links. Overall, we were pleased to see that the trip had challenged the delegation's perception of Pakistan.

SDG BUSINESS NETWORKING DINNER

In November 2018, Tundra hosted a networking dinner with over 60 corporate leaders and representatives from the government and regulators such as the State Bank of Pakistan, the Pakistan Stock Exchange and the Securities and Exchange Commission. The aim of the event was to underline our commitment to the Agenda 2030 and to engage different stakeholders, especially those in leadership positions, into sharing knowledge and discussing possible avenues of collaboration to achieve the Sustainable Development Goals (SDGs).

Tundra's Vice CIO and partner, Shamoan Tariq welcomed the guests that evening and spoke about the importance of sustainability in business. "We have to create an ecosystem consisting of business, government, regulators and development institutions can come together to promote sustainable business action," he pointed out. Mohammed Bashir, Chairman of Gul Ahmed, one of Pakistan's leading textile companies, highlighted their impressive water stewardship initiatives; their recycling plant is the country's largest and has the capacity to recycle 1 million gallon tons per day.

Tundra's ESG Analyst, Maryam Mughal, explained her engagement process with companies which included educating them about different sustainable initiatives and providing a clear path for action using in-house tools such as Tundra's ESG Rating System. Imran Ismail, the Governor of Sindh, gave a positive address on the current government's vision to support the business community in Pakistan in order to intensify investor confidence. Her Excellency Ingrid Johansson, Sweden's Ambassador to Pakistan, communicated the need for promoting technical expertise to move up the economic value chain and shared examples from the Swedish business communities that were using technology for sustainable solutions.

For Tundra, sustainability has been the key driver in all its operations and the goal is to continue to research, educate and engage to bring about systemic change.

MEETINGS - VIETNAM

In September 2018 *Chau Le* joined the Tundra ESG team as a ESG research analyst at the Ho Chi Minh City office. In November 2018, our Ho Chi Minh office had a meeting with a leading international impact investing advisor and asset manager exclusively focused on development finance during their business trip to Hanoi, Vietnam. Their team is exploring market opportunities related to green finance in South and Southeast Asia. At the meeting, they wanted to learn about the market situation and development for international funds focusing on green and sustainable investment in Vietnam. Tundra also provided an ESG perspective, detailing our ESG guidelines and processes, thus our engagement with companies regarding sustainability issues.

Also in Hanoi last year, *Chau Le* met with Ms. Chung – the representative of Global Compact Network Vietnam (GCNV). GCNV was launched in 2007 as an initiative developed in partnership between the Vietnam Chamber of Commerce and Industry (VCCI) and the United Nations in Vietnam. Ms. Chung emphasized the importance of international pressure in order for the business sector in Vietnam to better comply with international guidelines on sustainability issues.

On the occasion of the Nobel Prize Ceremony in Stockholm, Swedish Ambassador Pereric Högberg hosted a dinner in the spirit of Nobel in Hanoi which Tundra was invited to. The event was joined by distinguished guests representing Vietnamese partners, key government agencies and also Swedish businesses. The dinner commemorated 50 years of diplomatic relations between Vietnam and Sweden and was a part of activities to strengthen future partnership between the two countries.

In July Tundra's CEO Jon Scheiber and Head of ESG Jennie Ahrén was honoured to to host a delegation led by Vietnam's Vice Minister, Ministry of Finance, Tran Xuan Ha in our Stockholm office. Discussions were held on ESG and sustainable finances.



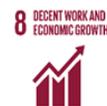
CSE TUNDRA SUSTAINABILITY FORUM

Tundra in collaboration with the Colombo Stock Exchange (CSE), hosted a sustainability forum in Colombo on March 5, 2018. The forum's participants included representatives from the top 100 listed companies, heads of brokerage houses and media representatives. The forum highlighted the growing global importance of incorporating ESG factors in companies which also attracts foreign investment. There was a panel discussion on best practices and challenges with 4 leading companies in Sri Lanka: John Keells Holdings, Cargills (Ceylon), IFS South Asia and Access Engineering. Dr. Jennie Ahrén, Tundra's Head of ESG, also participated in the panel. Panelists discussed C-suite's adoption of sustainability as a management tool, improving workplace practices, and gender equality among staff along with transparency in supply chains. Companies described reducing environmental impacts such as reusing wastewater and company-sponsored public initiatives on e-waste management and recycling.

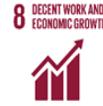
This was followed by a second panel discussion with members of the civil society to elaborate on social factors and their implications for corporate governance. The organisations that took part in this panel were the local chapters of ECPAT, which focuses on the sexual exploitation of children around the world, and Transparency International, the leading global movement against corruption.

In connection with the conference, we also ran a workshop for leading brokerage firms in Sri Lanka. Participants included heads of research and senior analysts. During the workshop, we focused on the different ways ESG principles can be put into practice, and how local analysts can help improve the quality of traditional financial research by including ESG related data. We emphasised Tundra's willingness to share knowledge and information resources to promote wide scale and swift implementation of ESG in the financial services industry.

Following the event, we have seen continued progress in aspects relating to responsible investments in Sri Lanka with the implementation of an ESG Index for listed companies, read more here: <https://bit.ly/2QywdwW>. During spring, Tundra's Head of ESG and CIO were invited to write an article for one of the leading newspapers in Sri Lanka: <https://bit.ly/2E5c1BL>.



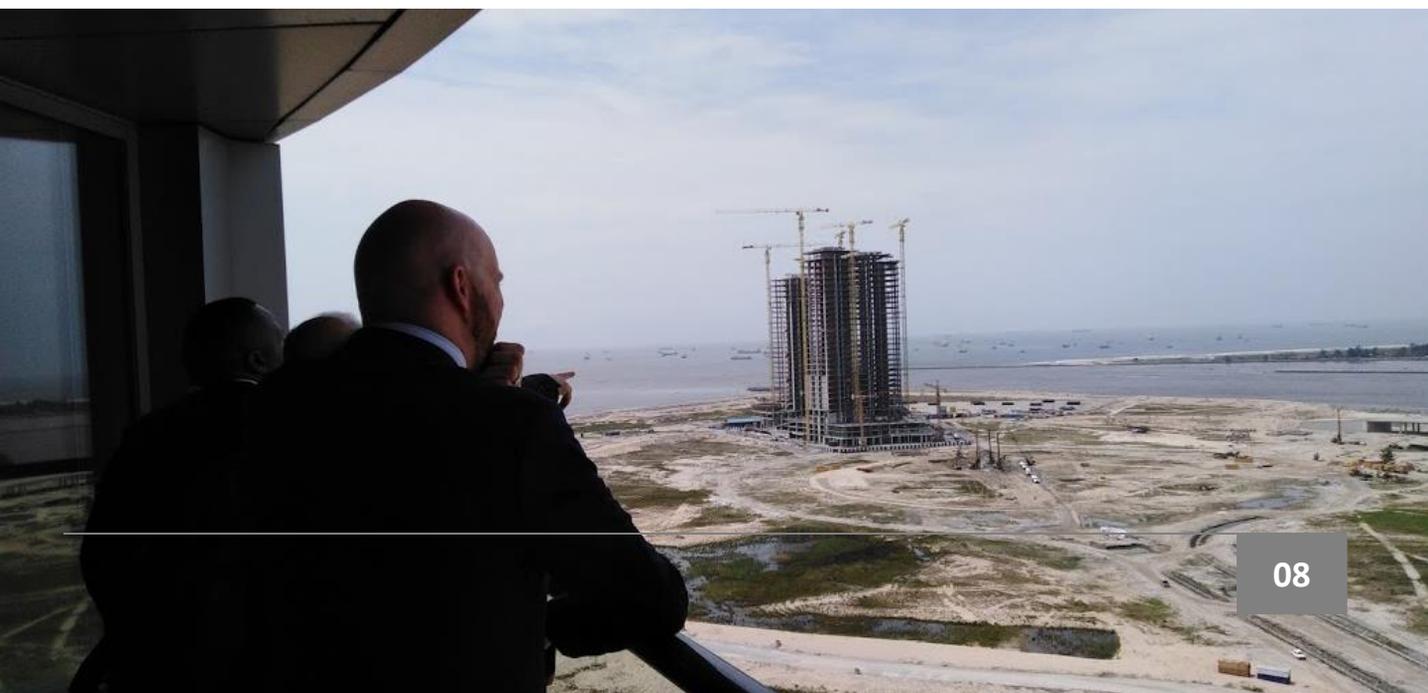
MEETINGS IN AFRICA BUSINESSDAY CEO FORUM IN LAGOS



In October 2018, our portfolio manager Mathias Althoff participated as a panelist in the 9th annual edition of the BusinessDay CEO Forum in Lagos, Nigeria. Panels focused on current events in Nigeria such as infrastructure development, Africa Free trade agreement and how to make Nigeria attractive for foreign investors.

Since 2009, the CEO Forum has attracted thousands of business leaders and government officials, to dissect key trends, best practices and successful business models. It also provides a unique platform for debate around the prevailing challenges that they confront in this operating environment. Mathias Althoff, bringing the perspective of a foreign investor, lifted the importance of transparency and to have a regulatory roadmap from Nigerian companies. Further he highlighted the need of clear consistent policies and rules from the government to avoid events like the MTN debacle. Other noteworthy panelists at the forum were the CEO of Nestlé Nigeria, Mauricio Alarcon and Ambassador Chiedu Osakwe, director general of Nigerian Office for Trade Negotiations.

At that visit in Lagos Mathias Althoff also visited the Eko Atlantic development <https://www.ekoatlantic.com> - a brand new part of Lagos built on 10 million square meters of reclaimed land. The project started out to stop ocean waves from eroding the shores and will house 500 000 people, offices for 300 000 daily commuters, the largest mall in West Africa, the US embassy, a marina and much more once finished. The whole project is also committed to minimizing the carbon footprints in the construction process, using environmentally-efficient construction methods and locally sourced materials where available as well as constructing their own water and waste treatment facilities and electricity production. There will also be extensive public transport facilities that will be further enhanced by using intra-island waterway that extends from east to west, linking the marinas and six districts. A ferry system will transfer passengers to the Lagos ferry network.



eHEALTH IN KENYA



In June we presented a report on eHealth in Kenya, in collaboration with Karolinska Institutet. The study was conducted and written in partnership with Malin Almgren, PhD.

With the ambition to extend our collaborative efforts and strengthen connections with academia, Tundra hosted a Breakfast Event discussing the SDGs on June 13, 2018. The event focused on SDG3 – Good Health and Well-Being, SDG16 – Peace, Justice and Strong Institutions, and SDG17 – Partnerships for SDGs. We intend to use these events to create further opportunities for collaboration and knowledge exchange between academia, trade, industry, and government agencies.

At the Breakfast, we launched our new report on eHealth in Kenya. The report investigates the prevalence and uptake of eHealth initiatives in Kenya, one of our core markets. East Africa's market hub, Kenya is home to a sophisticated and vibrant media landscape supported by sizeable digital access. eHealth initiatives allow for cheaper and more accessible care for the local population while promoting transparency through better record keeping, increasing efficiency through improved payment systems, and connecting remote users. According to the World Bank: Kenya has the potential to be one of Africa's success stories from its growing youthful population, a dynamic private sector, a highly skilled workforce, improvements in infrastructure, a new constitutional framework, and its pivotal role as a flourishing democracy in East Africa.

In an effort to investigate Kenya's eHealth initiatives and ascertain commonly held views on digital health care services, we interviewed stakeholders from academia, finance, business and service users in Nairobi. This in turn, reflects our ambitions to contribute to reduced inequalities in our markets. Read more: <https://bit.ly/2NwD9J4>.



NETWORKING MEETINGS

UN GLOBAL COMPACT NORDIC NETWORKS

The Global Compact Network Sweden was launched on 22 March in Stockholm. The ceremony was attended by more than 100 individuals, including Tundra's Head of ESG Jennie Ahrén. During the event, speakers from a variety of sectors spoke about their engagement with UNGC and their aspirations for the Swedish business community. Lise Kingo, CEO and Executive Director of the UNGC, was in attendance and emphasised the importance of establishing Local Networks to make Global Goals relevant to local businesses.

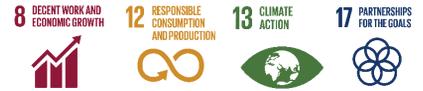
The UN has put out a call to action to all sectors of society in order to achieve the Sustainable Development Goals (SDGs) by 2030. The 2030 Agenda emphasizes opportunities for national implementation of the SDGs. Tundra is a participant to the UNGC, and encourages all of its portfolio companies, collaborators, and other stakeholders to sign the initiative and report on their progress.

In October we participated in the first Nordic Global Compact meeting, held at the UN City, Copenhagen (<https://bit.ly/1Vlnaxo>). Our take home messages from the meeting with other Nordic representatives include the fundamental need for transparency and sharing of knowledge in business. And the notion that engaging with the Sustainable Development Goals SDGs does not have to be a static commitment, but rather a continuous process implementing the 17 Global Goals and the 169 targets that are most relevant to your business. And, above all; to achieve a better and more sustainable future to all - we have to build on and extend collaborations.

The local networks within the UNGC framework is a valuable tool for us in establishing new contacts for **Tundra Research Network | TURN** building on collaborations where Business, Academia, Civil society and Governments can collaborate for innovation and sustainable growth.



PRI CLIMATE FORUM LONDON



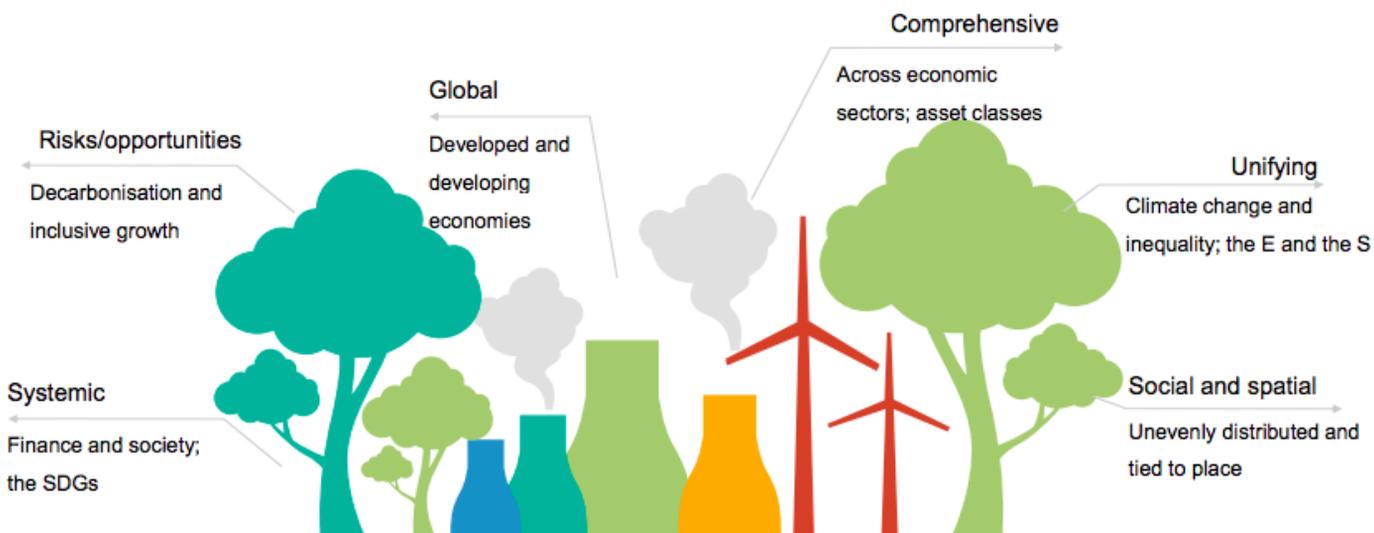
In November 2018, Tundra’s CIO Mattias Martinsson and Head of ESG, Jennie Ahrén participated in PRI Climate Forum, London. Hosted by Man Group, this forum gathered representatives from finance, financial regulators and climate initiatives. Discussions focused on how finance can act for better climate solutions.

Several key points were collected from the meeting. Why should investors engage in climate action; as summarised by Bettina Reinboth (PRI) there is a dual imperative: To deliver the upside and to avoid the downside. The Task Force on Climate-related Financial Disclosures (TCFD) is a market-driven initiative, set up to develop recommendations for voluntary and consistent climate-related financial risk disclosures. This serves as a guide for companies in providing information to investors, lenders, insurers, and other stakeholders.

Tundra has signed on to the Initiative Climate change and the just transition – a guide for investor action. Investing in a just transition incorporates the following principles:

- Incorporate the just transition into policy on responsible investment and climate change.
- Integrate the just transition into procurement of investment services across all asset classes.
- Engage with companies to include the just transition within climate strategies, covering critical workplace issues, as well as supply chain management and community relations.
- Participate in place-based initiatives to channel capital into community renewal and regional diversification through investments with positive social and environmental impacts.
- Promote disclosure by companies, asset owners and asset managers using the framework of the task force on climate-related financial disclosures (TCFD) and extending this to include the social dimension

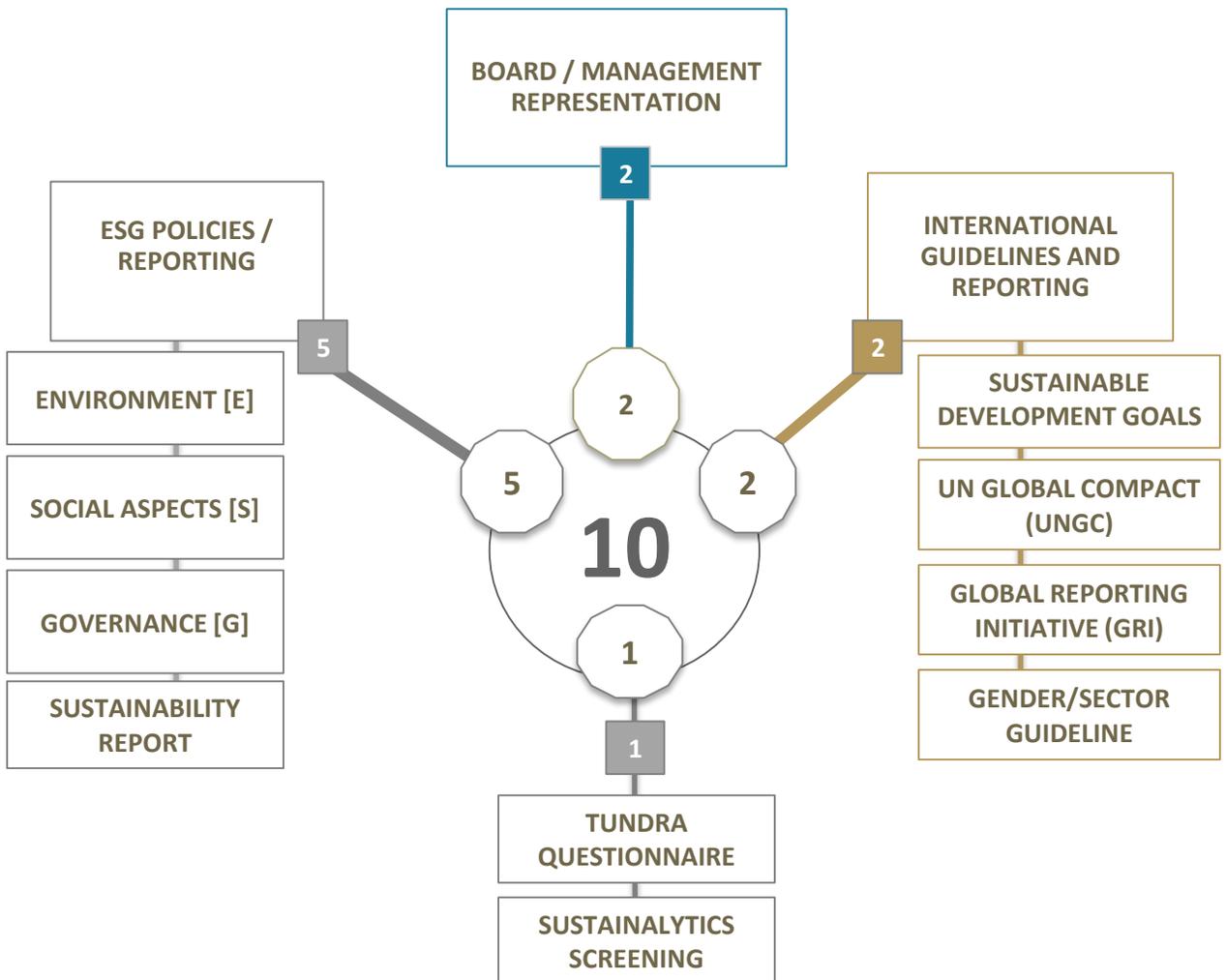
A multi-dimensional challenge



TUNDRA ESG RATING SYSTEM

The *Tundra ESG Questionnaire* is one method of engaging with our portfolio of companies. Companies in the *Tundra Sustainable Frontier Fund* are additionally analysed on a range of more specific criteria including the areas of environment, social issues and corporate governance

The aim of the *ESG Rating System* is to create a platform for systematic ESG dialogue with companies. All companies will be evaluated annually and written feedback including assessment scores will be shared with all companies in the fund. In the second version of the questionnaire (2018) we have further developed the questionnaire to include more specific questions pertaining to different sectors. This tool will be continuously updated, and categories may be subject to change between editions. All results in this report are presented at group level. Detailed scores are kept confidential and shared separately with each company. Insights from some of the *ESG Rating Results* are presented on the following page.



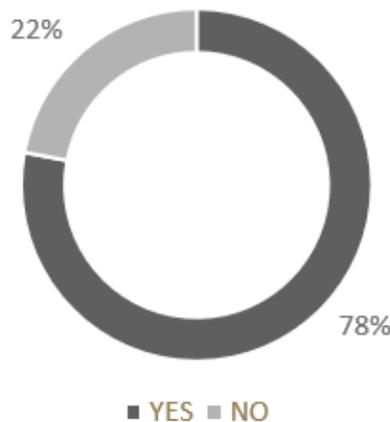
The *Tundra ESG Rating System*. Companies are rated on a range of factors relevant to ESG. Maximum score is 10.

TUNDRA ESG RATING SYSTEM: RESULTS

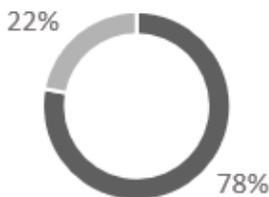
During 2018 questionnaires were circulated to all companies in the *Tundra Sustainable Frontier Fund*. Reminders were sent out in the autumn, and a final reminder was conveyed through our ESG analysts in Karachi and Ho Chi Minh City. In total* 59 companies are included in this section. Each company was rated based on responses provided in individual questionnaires, company website, Bloomberg data, and other sources of information. If information on a certain criteria was unavailable, the company received '0' for that item. In the upcoming feedback communication with companies, individual scores may be revised if a company can provide data demonstrating that the criteria has been or can be fulfilled.

Out of the 59 companies in the fund, **78%** (n=46) had an overall ESG policy that was relevant to their specific sector (compared to 70% in last year's rating). **78%** (72% for 2017) had environmental policies in place; while **92%** (76% for 2017) had policies addressing social factors, and **100%** (89% for 2017) for governance (see *figures* below). The response rate for the *Tundra ESG Questionnaire 2018* reached **58%** (as compared to 54% for 2017) with large variations between countries and sectors. No further analysis of companies in different sectors per country was performed due to low numbers.

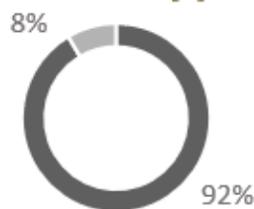
POLICIES FOR ESG



ENVIRONMENT [E]



SOCIAL [S]



GOVERNANCE [G]



*The analyses include companies that were in the *Sustainable Frontier Fund 2018/12/28*. Inactive companies and IPOs have been excluded.

TUNDRA ESG RATING SYSTEM: SUMMARY

Out of 59 companies, 75% (n=44) (62% for year 2017) had **Satisfactory/Strong ESG** practices considering international guidelines for their respective sectors. Of these, 10 companies (17%) received 8 points or more and were classified as having **Very Strong ESG** practices (compared to 7 companies, 11% in 2017). Measured in proportion to AUM, 76.6% (72.5% for 2017) of holdings had an ESG practice corresponding to the criteria for **Satisfactory/Strong ESG**. In total, 15 companies (20.7%), out of which 13 companies did not having full ESG policies, had **Unsatisfactory ESG** practices (25% in 2017). See chart below.

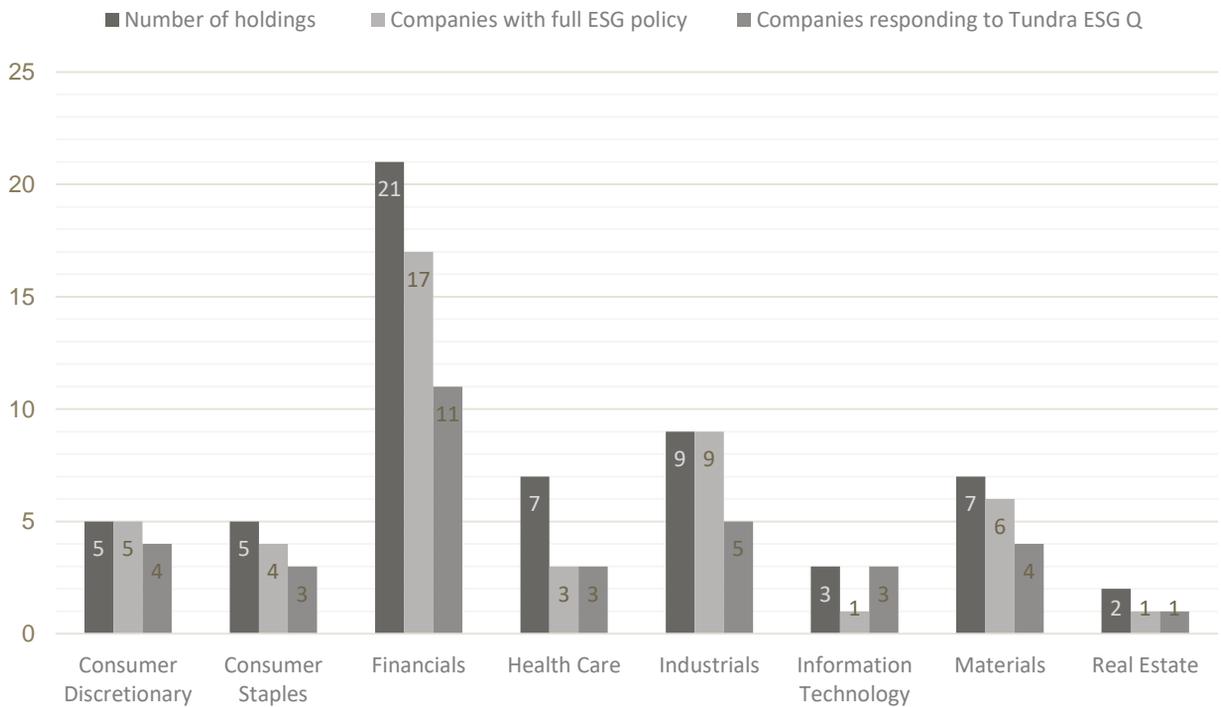
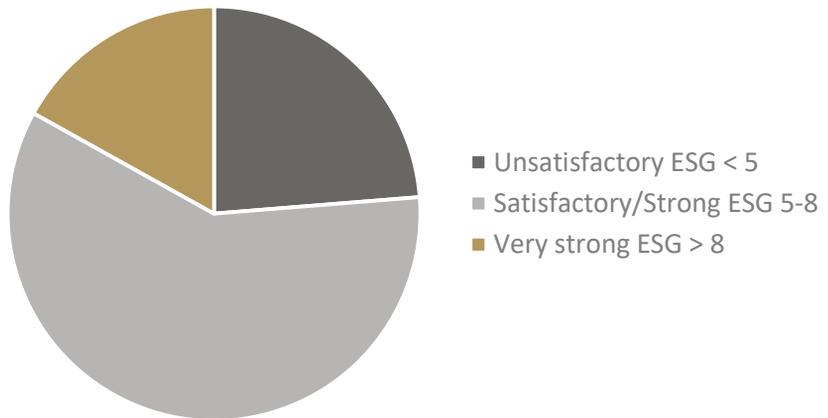
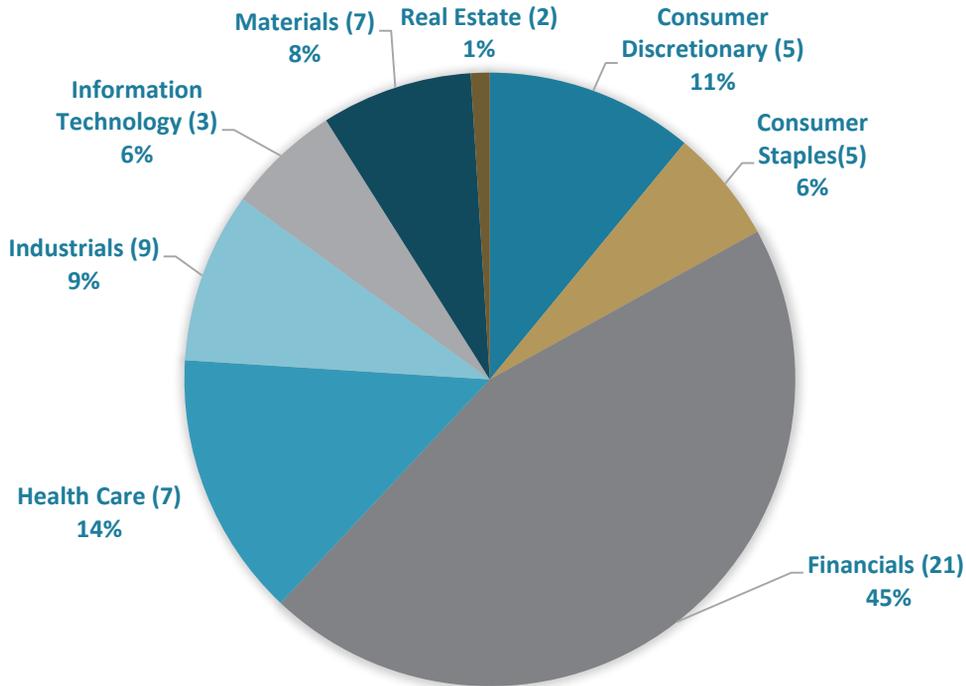


Table. Sector distribution, ESG policies and response rate (in numbers) for 59 companies in the *Tundra Sustainable Frontier Fund 2018*.

SECTOR DISTRIBUTION

The chart below indicates distribution per sector in proportion out of AUM (number of companies) for 59 companies in the *Tundra Sustainable Frontier Fund* as of December 28, 2018.



One of the major risks that all sectors can potentially face is the loss of public trust. With increased access to information, consumers today require transparency and fairness from the businesses that they engage with. For example, in order to be profitable, banks and similar institutions now understand that it is imperative for them to address governance and social risks. By running operations according to high ethical standards, financial institutions can alleviate reputational damage. For the Consumer Discretionary sector, and specifically the auto industry, environmental risk – emissions, fossil fuel reliance and poor waste management – is another key concern. In healthcare, ethical corruption, subpar quality of products and marketing fraud threaten a company’s success. Workers’ rights as well as environmental concerns such as excessive consumption of water and using hazardous chemicals can possibly plague companies in the industrial sector. For companies in information technology, ineffective measures for protecting data privacy could result in the loss of customers as well as creating legal ramifications.

For more detail on sector-specific risks, please see Tundra’s Semi-Annual report here on this link: <https://bit.ly/2B8whia>.

TUNDRA ESG RATING SYSTEM: SUMMARY

INTERNATIONAL GUIDELINES AND REPORTING

In our ESG Questionnaire, company compliance with international guidelines was assessed. These reflect a selection of initiatives considered relevant to the sectors and the countries Tundra operates in.

The first initiative is the GRI (<https://bit.ly/2HK2y3E>). The GRI helps businesses and governments worldwide understand and communicate their impact on critical sustainability issues. Tundra encourages companies to disclose sustainability information by adopting GRI Sustainability Reporting Standards. Our analysis showed that 32% (n=19) of companies in the fund reported through the GRI, compared with 22% in 2017.

Secondly, we took into account company compliance with United Nations initiatives, specifically the UN Global Compact (UNGC) and the 17 Sustainable Development Goals (SDGs). Last year, our assessment was solely based on whether companies were signatories or participants of the UNGC; however, we noted that there were companies which aligned their strategies with the SDGs but did not join the UNGC. Our research showed that 25% (13% in 2017) of companies were signatories to the UNGC while 29% of companies incorporated the SDGs in their policies.

In addition to the three international guidelines above, Tundra strongly encourages companies to affiliate with other global initiatives, relating to environment, gender equality and the specific sector in which the company operates.

In our analysis, 17% of companies adopted an international environmental guideline together with implementing the company's own environmental policies. These international guidelines varied, including initiatives by the World Wildlife Fund (WWF) such as the Green Office initiative and the UN Environmental Program, to name a few.

In total, 12% of companies signed up to a gender-related international guideline, for example the Women's Empowerment Principles (WEPs). Furthermore, 44% of companies adopted a sector-specific international guideline, such as the Equator Principles and the IFRS Standards.



GENDER EQUALITY

A publication from the OECD (<https://bit.ly/2L1kBAL>) lifts the Nordic countries as leaders in the development of modern family and gender policy. The report shows that improvements in gender equality have had a major impact on the economic growth in all Nordic countries, but best illustrated in the case of Denmark, Iceland, Norway and Sweden. Increases in female employment alone are estimated to account for roughly 10 to 20% of total GDP per capita growth over the past 50 years. The Nordic countries are close to achieving gender equality in the labour market. But, as the report states: the last mile may well prove to be the longest one. The conclusions are that in order to make further progress, a continued assessment of the effectiveness of existing public policies and workplace practices is necessary.

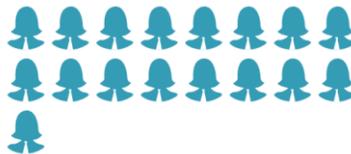
Economic participation of both genders along with equal opportunities for leadership is a core focus area for Tundra Fonder. For this reason, representation of the Board of Director and management was an integral part of our analysis. Out of the 59 companies, 36 (61%) have women on their Board of Directors. Boards with women displayed an average of 13%. As for senior management 41 (69%) had women represented. On average 16.5% of senior management were women. 15% of holdings in the fund had a Board of Directors and a senior management where *no women at all* were represented.

BOARD OF DIRECTORS



♀ 13%

SENIOR MANAGEMENT



♀ 16.5%

ZERO ♀ REPRESENTATION



15% OF HOLDINGS



ALL MALE BOARDS (39%)

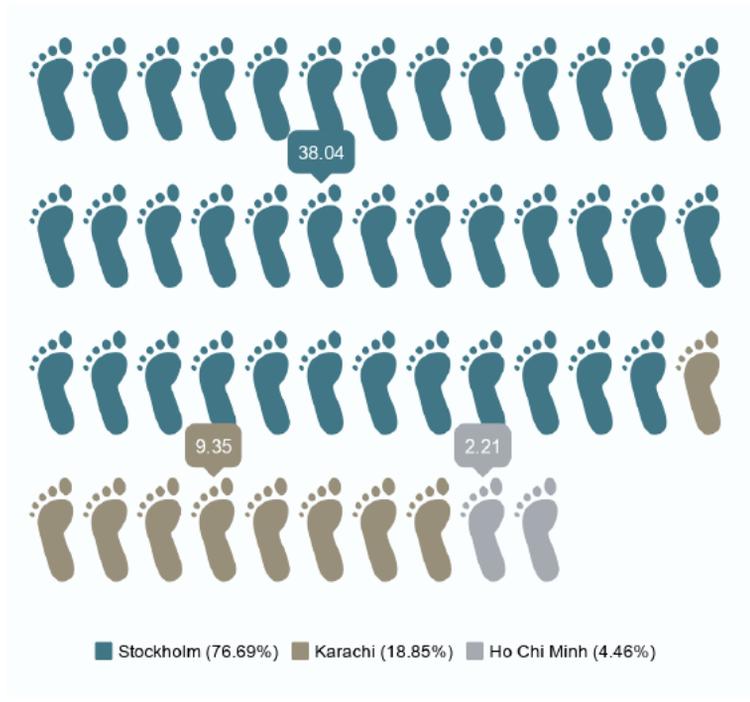


AT LEAST ONE WOMAN ON THE BOARD (61%)

According to our findings, Nigeria displayed the best gender parity with all 5 companies within the fund having both female representation on the board and in the senior management. Our findings also demonstrated that Vietnamese companies within the fund had the least percentage of women on the board, while Pakistan had the worst record (34%) for employing women in senior management. For countries with less than 5 companies presented, no separate findings are reported.

OUR CARBON FOOTPRINT

In an attempt to measure Tundra's carbon footprint, we had all employees estimate their footprint using the calculator by Carbon Footprint Ltd, <https://bit.ly/2k6yTqe>. We are aware of the inconsistency among tools to estimate emissions, but we believe that it is important to make a symbolic effort. Tundra's total carbon footprint amounted to 49.6 metric tons of CO₂ emissions. This year, we report on Tundra's carbon footprint based on employees' commute to work using flight/ car/ motorbike or bus & rail and business travels in 2018. Further breakdowns shall be included in future reports. Traveling by plane contributed the most to our carbon footprint, given the fact that we make several business trips every year to conduct meetings and site visits in our core markets.



Among our three offices, Tundra's headquarter in Stockholm accounted for approximately 77% of the total emissions. This highlights the importance of local offices in order to conduct business in distant markets. Our average carbon footprint equals 3.1 metric tons, which is lower than the worldwide average of 4.0 metric tons. Nevertheless, there is much room for improvement as we strive to achieve the worldwide target of 2.0 metric tons.

HOW WE COMPENSATE

We plan to compensate for our carbon footprint by investing in solar energy in Africa which is one of our markets, through TRINE, a Swedish company. Launched in 2016, TRINE uses a crowdfunding platform to connect investors with African solar power entrepreneurs, called "solar partners", which typically sells and installs different types of solar products for people living in rural, off-grid areas. At its core, TRINE believes in profit with purpose; it means that solar companies can receive funding to build a sustainable business and investors can earn a reasonable return while making environmental and social impact by providing people with electricity. Access to clean and affordable electricity has a wide social impact as it contributes to: Reduce poverty, Promote better health and well-being, Improve education levels, Improve gender equality, Provide jobs and economic growth, and Reduces inequality .

For more information about Trine, how they calculate the future impact in terms of CO₂ avoided and how many people will get electricity, please visit <https://bit.ly/2U04rPi>.

STEP 01: Measure

Measure Tundra's carbon footprint.



STEP 03: Make impact

The solar products are sold and distributed, enabling people to have access to clean and affordable energy.



STEP 02: Compensate

Invest in a solar loan through TRINE. The money will be held in an E-wallet until the loan becomes fully funded. After, our investment is transferred to the solar partner.



STEP 04: Earn repayment

Our investment will be repaid throughout the entire payback period in several installments, with interest corresponding to how much we invested. Finally, Tundra can choose to withdraw the funds or reinvest.



CHRISTMAS DONATION 2018

As part of our own CSR - each year, during the holiday season, Tundra Fonder makes a small carefully considered financial contribution to an organization working on pressing societal issues. In December 2018, we supported *Alliance Anti Traffic (AAT)*, Vietnam.

AAT is a non-profit organization operating in Southeast Asia that works towards combating sexual exploitation and trafficking in the region. Active since 2001, AAT was the first and one of the main organizations in Vietnam to successfully establish a comprehensive anti-trafficking program which entails regional rescuing, repatriation, rehabilitation and community education. AAT works closely with the Vietnamese Ministry of Public Security, the International Organization for Migration (IOM), and with different embassies and police forces in Southeast Asia to rescue and repatriate victims.

To read our full report, please visit <https://bit.ly/2UMbjwY>.



CHRISTMAS DONATION DECEMBER 2018



SINCERE WISHES FOR A PEACEFUL HOLIDAY
ALLIANCE ANTI TRAFIC, VIETNAM

CHRISTMAS DONATION 2018

TRAFFICKING & SEXUAL EXPLOITATION

ranked 77th among 167 countries (Sweden ranks 152) in the Global Slavery Index Rank regarding modern slavery, with an estimated 5 victims per 1,000 population [5]. The country has been primarily identified as a source country for trafficking, particularly in countries within the GMS for forced marriages, sexual exploitation and forced labour but also to other countries in Southeast Asia [6]. Persons trafficked to Vietnam mainly come from Cambodia, Laos and Thailand [6]. Victims are forced into begging and working in the informal sector.

KEY TRENDS AND PATTERNS

In search of better job opportunities, Vietnamese women and men are increasingly migrating to other countries; many fall victim to forced labour in sectors such as construction, fishing, agriculture, mining, logging and agriculture [7]. There have been reports of increasing numbers of Vietnamese women trafficked for forced labour in the United Kingdom and continental Europe, the Middle East, and in Pacific Island countries. Since 2013, a large proportion of trafficked women have been identified as Vietnamese [8]. Vietnam has been identified as one of the top three countries globally that source trafficked women to the U.K. Many victims are young and extremely vulnerable to false promises of attractive working conditions offered by traffickers. They are frequently misled by employment opportunities, for instance several women and children were sold to work in brothels in Cambodia and elsewhere in Asia including Thailand, Singapore, Taiwan and South Korea [9].

Other more common trafficking trends of forced labour and sexual exploitation, Vietnamese women reportedly have been victims of bride-trafficking [6]. This pattern of trafficking is one of the most harmful consequences of a serious gender inequality in China, a consequence of the 'one-child' policy and preference for male children, which lead to sex-selective abortion [9]. Responding to a high demand for brides, traffickers prey on vulnerable women and girls from poor areas, particularly ethnic minority groups in the northern highlands of Vietnam.

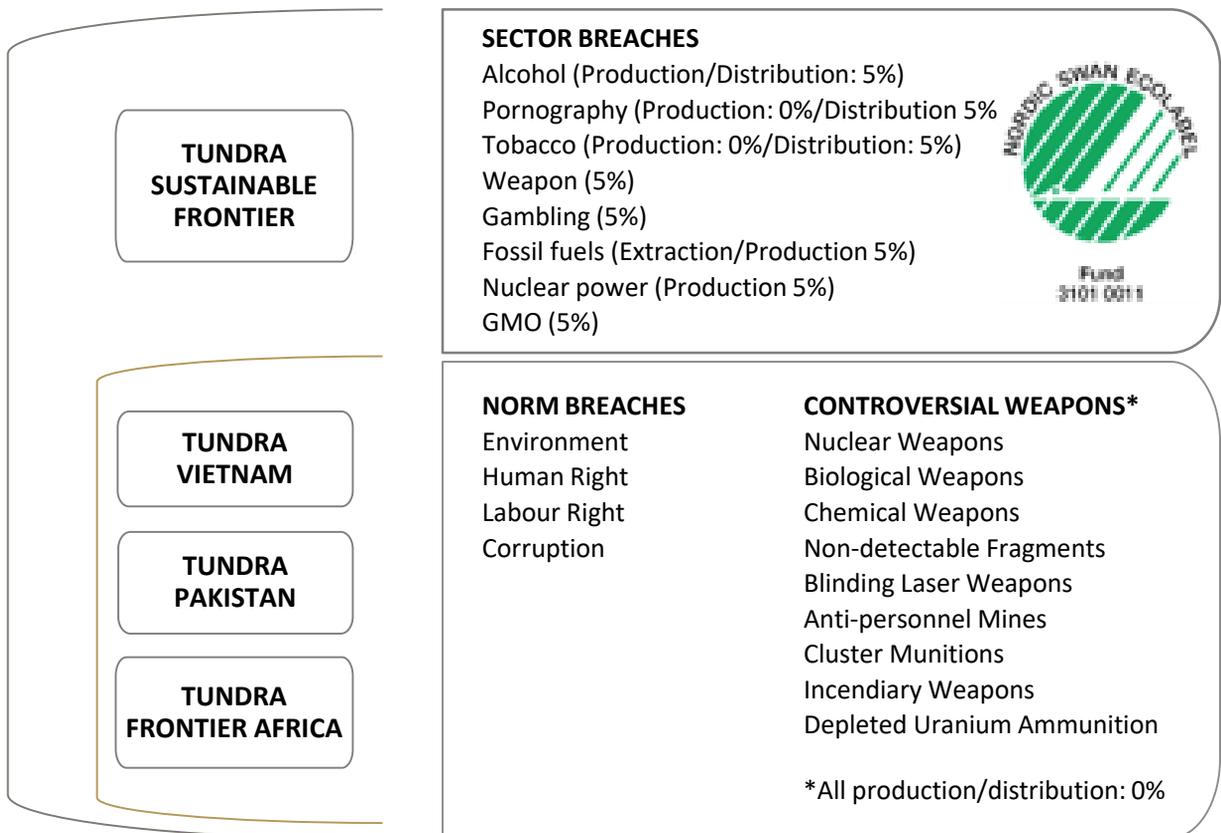


04

SUSTAINABILITY GUIDELINES

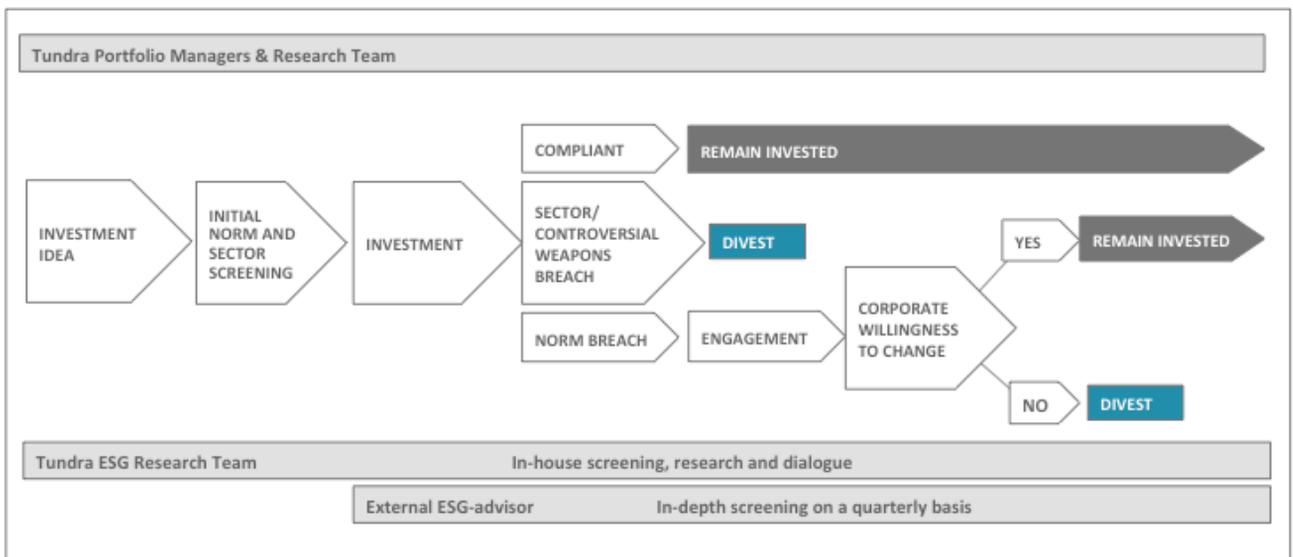
Tundra’s ESG process is governed by international standards of responsible investing. These include screening for “norm-based” violations, “controversial weapons” and “sector-based” breaches (see figure below).

- **Norm-based breaches.** This includes screening for breaches that are in contravention of the UNGC (see figure below) - the guiding principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. During this screening, companies’ adherence to international norms for human rights, the environment, labour standards and anti-corruption are assessed.
- **Controversial weapons.** During this screening, a company’s involvement with prohibited or banned weapons is assessed. There is zero tolerance as far as these weapons are concerned. Companies with any involvement in controversial weapons are automatically excluded from the fund.
- **Sector-specific breaches.** The sector-specific screening includes exclusion of certain sectors in the fund. These are summarised as: alcohol, pornography, tobacco, weapons, gambling, fossil fuels and/or GMO. However, if the total revenue from a product from one of these sectors does not exceed 5%, the company may still be eligible for the sustainable fund.



TUNDRA ESG PROCESS

Tundra’s ESG process is governed by international standards of responsible investing. It has a detailed sustainability screening process (see below). Following an investment idea; a preliminary screening is carried out, after confirmation that the prospective company does not belong to any excluded sectors, the investment decision is made. There is a limit system implemented that hinders acquisition of holdings in exclusion sectors. Tundra’s ESG team then carries out detailed research on the company to verify and assure compliance with international standards. A full list of companies is also shared with Sustainalytics, Tundra’s external ESG Advisor, on a quarterly basis. In case of a breach, a dialogue is established with the company. A breach in *controversial weapons* or a *sector* breach results in immediate divestment. If the breach is *norm-based*, in violation of international guidelines, the ESG team will create and implement a 12-month engagement strategy to work with the company management in order to ensure their willingness towards addressing the issue(s). Engagement takes the form of interviews, discussions, and answering quantitative data sets. If the company is unwilling to cooperate, the process will result in an immediate divestment.



Our local presence through research offices in Karachi, Pakistan and Ho Chi Minh City, Vietnam is important to our ability to regularly analyse companies in our markets. The ESG team constitutes a smaller unit of the larger investment team. As of September 2018 the ESG team comprise four people including Head of ESG, ESG Researcher (Stockholm), Senior ESG Analyst (Karachi) and ESG analyst (Ho Chi Minh City). The ESG team cooperates closely with the Chief Investment Officer and financial research team to integrate ESG questions into financial analysis. To facilitate open communication; all of our offices are designed around open plan spaces. We also follow specific communication protocols i.e. PM meetings are held weekly including at least one member of the ESG team; corporate calls are held once a month and include all team members. On a more informal basis, a chat room has been created to encourage discussion between team members about current financial research, portfolio developments and on-going company specific research. There is a common server with data on companies and other research available to the entire investment team.

OUR COLLABORATIONS

We believe in sustainable development. At its core, sustainable growth is about building partnerships and creating opportunities for dialogue across varied stakeholder groups. Tundra supports and aligns its work with several global initiatives that encourage organisations to integrate ESG factors into their investment processes and strategies.

These initiatives include the *UN Global Compact (UNGC)*, the *Principles for Responsible Investment (PRI)*, the *Nordic Swan Ecolabel*, the *Women Empowerment Principles (WEPs)*, *Climate Action 100+* and the *Carbon Disclosure Project (CDP)*. We believe that signing up to these international initiatives demonstrates our commitment to sustainability, parallel to providing a tool for guidance. Partnering with global sustainability networks opens up avenues of collaboration e.g. investment in new technology, transitioning from fossil fuels to renewable energy, which ultimately have a huge potential to improve businesses.

Apart from integrating the ten principles of the *UN Global Compact* into our business, we follow the *OECD Guidelines for Multinational Enterprises* and the *ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy*. When screening companies included in our funds, we assess their adherence to international norms for human rights, environment, labour standards and anti-corruption. We also collaborate with civil society and governmental organisations to add perspectives on working conditions and human rights in the countries we work in. We make company visits, and regularly interact with our portfolio companies to assure compliance with the criteria set for our funds. We advocate transparency for our portfolio companies, and for all our stakeholders. We apply the same criteria for ourselves as an organisation as for others. We share reports, case studies, thematic reports, monthly data and other relevant disclosures on our website and in direct e-mails with our clients and investors. To ensure our portfolio companies adherence to regulations on human and labour rights we also have an external consultant (Sustainalytics) screen our portfolios on a quarterly basis. We also rely on in-house research, and analysis.

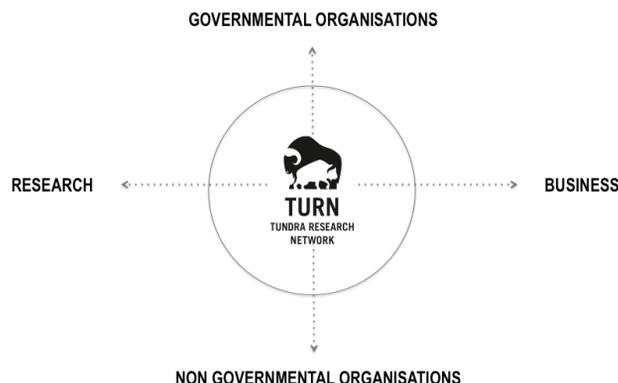


TURN | TUNDRA RESEARCH NETWORK

With the launch of Tundra Research Network|TURN we wish to create a platform for impact in Low- and Middle Income Countries, LMICs (*Emerging and Frontier Markets*). The overarching aim of the network is to bridge the collaboration gap between science, business & policy makers, utilising local expertise.

Responsible investments and sustainable growth plays a central role at Tundra Fonder, the focus on ESG (Environment, Social aspects and Corporate Governance) is applied throughout the organisation. There is an immense need for increased collaborations bridging business, academia, governmental institutions and non-governmental organisations in order to tackle systems-level challenges, such as climate change, global health issues and social inequalities to mention a few. The TURN initiative builds on a systematic approach where country and sector specific challenges for sustainable growth are considered. With a profound understanding of frontier and emerging markets, extensive networks and close contact with business and academia we believe that we can stimulate a knowledge exchange between relevant actors in these countries. The scope and content of all projects to be included in TURN’s universe will emanate from the UN’s Sustainable Development Goals (SDGs). Read more about the goals here: <https://bit.ly/2jHjQmD>

- **COLLABORATIONS** - TURN aims to act as a catalyst for collaborations and supply a platform where Business, Academia, Civil society and Governments can collaborate for innovation and sustainable growth.
- **EVIDENCE** - We believe that in order to create solutions for a sustainable future, local expertise from all segments of society is required. Efforts should build on scientific findings and take on a systematic approach that is applied by both local experts, policy makers and representatives for business.
- **ENGAGEMENT** – Local commitment to issues pertaining to environment, social responsibility and governance (ESG) is essential for sustainable businesses globally.



UN GLOBAL COMPACT



Tundra is an active participant to the UN Global Compact and the UNGC Network Sweden. With almost 10 000 participating companies across 162 countries, the UN Global Compact is the world’s largest corporate sustainability initiative.

The UNGC initiative encourages SMEs, large corporations and entire cities to adopt socially responsible policies in four broad categories: human rights, labour, environment and anti-corruption. Tundra joined as a signatory in early 2017 and now stands as a participant in the UNGC. We aim to take part in meetings and events organised by the UNGC and affiliated local networks. We recommend that all of our stakeholders and our portfolio companies sign the ten principles (see below). To join the movement, companies need to complete an online application form and upload a digital copy of a Letter of Commitment signed by the CEO. For more detailed information on the UNGC and suggestions on how businesses can work with the SDGs, please visit: www.unglobalcompact.org.

THE TEN PRINCIPLES

HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

LABOUR

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

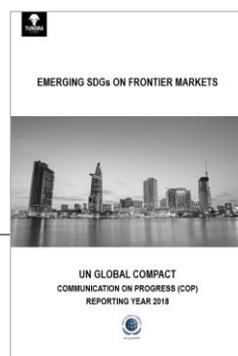
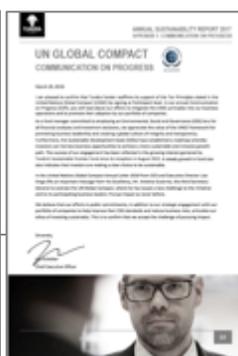
Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



THE TUNDRA SDG PYRAMID & SELECTED SDGs

Tundra considers the *Sustainable Development Goals (SDGs)* a relevant framework in our work within responsible investments. Our ambition is to incorporate these ambitious global goals into the core of our business. Transparency on how we intend to get there is a fundamental pillar.

Since we formalised our commitment to the Global Compact in early 2017 we have undertaken a range of activities that connects to Agenda 2030. In September 2017 we attended the **UN Global Compact Leaders Summit** in New York. This past year we took part in several meetings building on the SDGs including partners within the UNGC network for Sweden and the networks for the Nordic countries. We consider the UNGC a unique opportunity to create platforms for dialogue overriding challenges of languages and cultures thereby providing a fundament for international collaborations aimed at securing a sustainable future. In our earlier reports we took a pyramid* perspective on the SDGs; where we accounted for our perspectives on the global goals and how we see them as interconnected. In our **Communication of Progress** we focus on six of the SDGs and their targets to describe our efforts to implement the global goals into our business (read more in our full Communications on Progress: <https://bit.ly/2HTyWRy>).



*Inspired by Maslow, A.H. (1943). A Theory of Human Motivation. *Psychological Review*, 50, 370-396.

UN GLOBAL COMPACT ACADEMY

The UNGC Academy was launched in 2018, and is designed to provide Participating companies of the UN Global Compact with the knowledge and skills they need to meet their sustainability objectives and achieve long-term growth by contributing to the 2030 Agenda for Sustainable Development. The platform offers four different formats:

VIRTUAL SESSIONS: Expert-led and interactive how-to sessions designed to help companies align their business strategy with the Ten Principles of the UN Global Compact and the Global Goals.

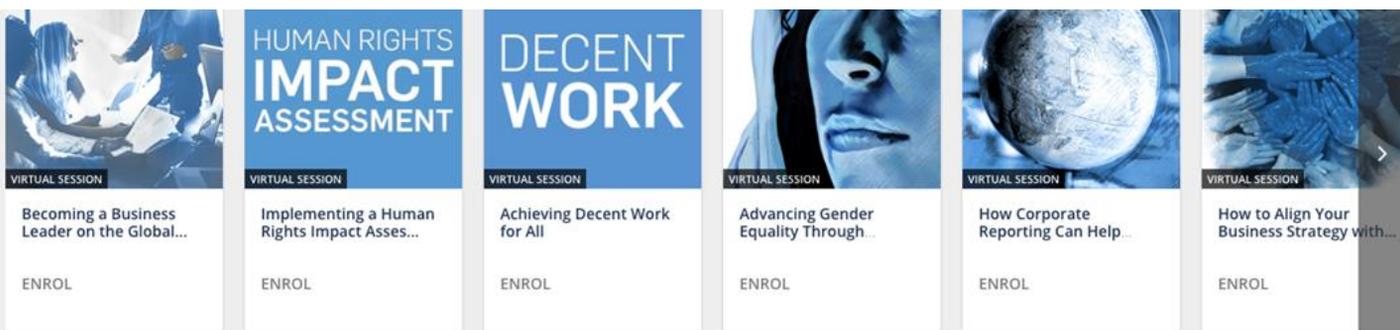
E-LEARNING COURSES: E-learning tools and resources will help participants learn key sustainability concepts anytime, anywhere.

INFLUENCER SERIES: Learn from prominent leaders from the United Nations and companies shaping the sustainability agenda.

ONLINE COMMUNITY: An online platform that provides access to a global community of like-minded professionals.

In line with Tundra's ambition to make sustainable investments and work towards the SDGs, we utilized the UNGC academy platform to conduct internal training. This type of training is important both for management and investment team in addition to ESG team, to achieve better understanding of the global goals for communication with our portfolio companies as well as for internal strategies. To date, all Tundra staff has received training on the UNGC academy platform and 50 % of the board. To mention a few of the courses undergone by our staff:

- How to Understand and Take Action on the Global Goals
- Setting a Price on Carbon
- Responsible Investing: Investor Trends and Implications for Your Company
- Creating a Market for Mainstream SDG Investments
- Upholding Freedom of Association and the Effective Recognition of the Right to Collective Bargaining



On-Demand Sessions >



WOMEN'S EMPOWERMENT PRINCIPLES

In March 2018, Tundra signed the *CEO Statement of Support* for the Women's Empowerment Principles (WEPs). Globally 2,195 companies have signed on to the WEPs, which encourage high-level business leadership on gender equality and women's empowerment.

The 7 Principles empower women in the workplace, marketplace and community using sex-disaggregated data to communicate progress. Focusing on "Equality Means Business," they offer a business case for corporate action emphasising that while gender equity is not only the right thing to do, it is also good for business and should be a priority. Developed through a collaboration between the UNGC and UN Women, the Principles are based on and an extension of the Calvert Women's Principles®. The latter were the first systematic effort to apply established labour and human rights standards for the protection of women especially in the context of corporate conduct. Informed by global best practices in businesses, the value of the WEPs extends beyond corporate engagement. They can be applied by academia, governments, and civil society groups to improve gender equity and women's participation in economic activities.



THE SEVEN PRINCIPLES

PRINCIPLE 1

Establish high-level corporate leadership for gender equality.

PRINCIPLE 2

Treat all women and men fairly at work – respect and support human rights and nondiscrimination.

PRINCIPLE 3

Ensure the health, safety and well-being of all women and men workers.

PRINCIPLE 4

Promote education, training and professional development for women.

PRINCIPLE 5

Implement enterprise development, supply chain and marketing practices that empower women.

PRINCIPLE 6

Promote equality through community initiatives and advocacy.

PRINCIPLE 7

Measure and publicly report on progress to achieve gender equality

PRINCIPLES FOR RESPONSIBLE INVESTMENT

The PRI is an independent body that promotes responsible investments through its six principles, supported by the United Nations. The initiative was launched in April 2006 at the New York Stock Exchange.



“Developed by investors for investors”, the six aspirational principles encourage the incorporation of ESG concerns into everyday investment practices. Offering a list of possible actions for incorporating sustainable strategies, the PRI aims to develop a more sustainable global financial system. ESG issues can have a major impact on investments and should be considered alongside financial factors when investing, is the main rationale for this framework. The PRI has more than 2,300 signatories across over 60 countries which represent almost USD \$90 trillion. Tundra joined the PRI in early 2017 and we encourage stakeholders in finance to adopt the movement as well. For more information, please visit: www.unipri.org

THE SIX PRINCIPLES

PRINCIPLE 1

We will incorporate ESG issues into investment analysis and decision-making processes.

PRINCIPLE 2

We will be active owners and incorporate ESG issues into our ownership policies and practices.

PRINCIPLE 3

We will seek appropriate disclosure on ESG issues by the entities in which we invest.

PRINCIPLE 4

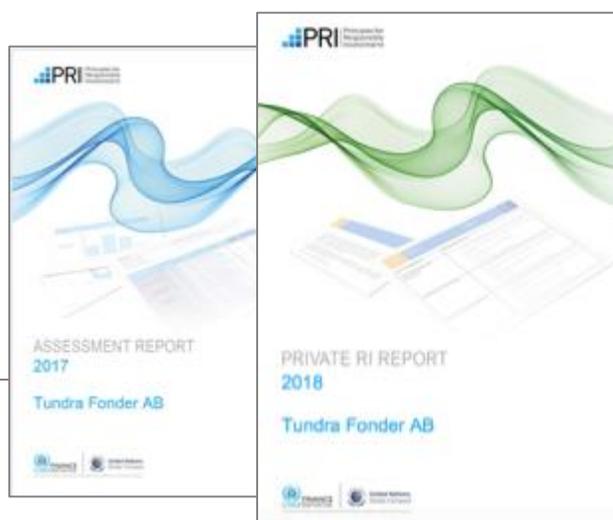
We will promote acceptance and implementation of the Principles within the investment industry.

PRINCIPLE 5

We will work together to enhance our effectiveness in implementing the Principles.

PRINCIPLE 6

We will each report on our activities and progress towards implementing the Principles.



THE NORDIC SWAN ECOLABEL

In October 2017 *Tundra Sustainable Frontier Fund* was among the first twelve investment funds globally to receive the Nordic Swan Ecolabel. To date, 23 funds have received the Ecolabel.



The Nordic Swan Ecolabel is a cooperative agreement created by the Nordic Council of Ministers. At its inception, the ecolabel strove to identify goods and services that minimized their environmental impact. 2017 was the first time the Nordic Swan Ecolabel was applied to financial instruments and investment funds. The ecolabel is only awarded to funds with an established record of and a systematic approach to sustainability in their investment process. *Tundra Sustainable Frontier Fund*, an actively managed equity fund that invests globally in new emerging markets, was one of the first twelve investment funds globally to achieve this certification on October 10, 2017. From February 7, 2018, qualified non-corporate green bonds were added to the product group definition.

To learn more about The Nordic Swan Ecolabel, please visit: www.svanen.se/en/

PRI – A JUST TRANSITION ON CLIMATE CHANGE

While investors, many among which are PRI signatories, have largely shown their commitment to curbing carbon emissions, just transition is a new and emerging agenda that calls for attention. To put it in simple terms, a just transition consists of not only climate action but also the inclusion of social aspects.

The shift to a low-carbon economy will both prevent the immense economic costs of climate disruption and boost growth as well as job creation; however, when managed poorly, such transition can result in stranded workers, communities and assets. In order to tackle this challenge, investors need to increasingly put emphasis on the workplace and the wider social dimension of their climate strategies. One priority step for investors to take may entail incorporating just transition into their own policies on responsible investment and climate change. To help investors in this process, the PRI has delivered a guide for investor action (<https://bit.ly/2TZslew>), in collaboration with the Harvard Kennedy School and Grantham Research Institute, London School of Economics. Based on international review and extensive dialogue with investors, the guide aims to provide a framework that can be applied by both individual investors and through collaborative efforts.

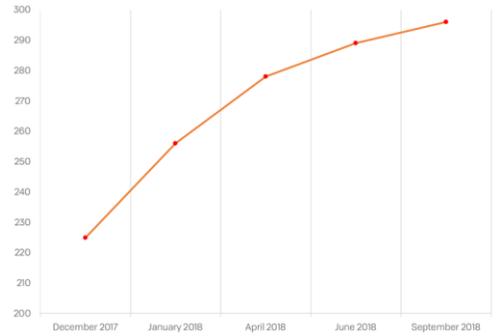
The PRI also encourages to take the first step by signing an investor statement to support a just transition.



CLIMATE ACTION 100+

Tundra is a founding signatory of Climate Action 100+, a five-year investor led initiative tailored to improving governance on climate change, curbing emissions and strengthening climate-related financial disclosures by the world’s largest corporate greenhouse gas emitters.

Today, over 300 investors with more than USD \$33 trillion in assets under management have signed on to the initiative. For Tundra, joining the initiative makes imminent sense as we are committed to ensuring that the companies we invest in are on a sustainability journey i.e. they are minimising and disclosing environmental, social and governance risks resulting from business operations. To learn more about Climate Action 100+, please visit: www.climateaction100.org.



Supporters of the initiative will request companies to:

- Implement a strong governance framework articulating the company’s, specifically the board and senior management, accountability and oversight of climate change risks and opportunities;
- Act to reduce greenhouse gas emissions across the value chain to help restrict global average temperature increase to well below 2 degrees C above pre-industrial levels.
- Provide enhanced corporate disclosure to allow investors the scope to assess business plans against a range of climate scenarios.

CDP - CARBON DISCLOSURE PROJECT



The global carbon disclosure project, CDP encourages investors, companies and cities to collect and self-report on environmental data. The CDP maintains one of the most comprehensive databases on environmental impacts. This data helps inform and drive business decisions in support of a low-carbon economy as described under the Paris Agreement.

Ratified by 174 of 197 parties to the United Nations Framework Convention on Climate Change (UNFCCC), the Paris Agreement came into effect in November 2016. It aims to (i) enhance global responses to climate change by restricting temperature to below 2 degrees C; (ii) strengthen the ability of countries to manage and adapt to climate change impacts. Network members include investors, companies and cities and represent over USD \$100 trillion in assets. Tundra has been a part of CDP since early 2017. Local presence coupled with partners in over 50 countries demonstrate that CDP has driven unprecedented levels of environmental disclosure. For investors, CDP’s data and analyses offer keen insight into climate related risks and opportunities, which helps make financial decisions more robust and increase corporate engagement on these issues. At Tundra, we encourage our portfolio companies to disclose emissions through the CDP. For more information, please visit: www.cdp.net/en.

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