

Annual Report

# **Tundra Pakistan Fund**

515602-4787

**2018-01-01 - 2018-12-31**

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

## **Management report**

This is a translation of the Swedish original. If any conflict occurs in the translation the Swedish version will prevail. The Board of Directors and the CEO of Tundra Fonder AB, 556838-6303, hereby submit the Annual report for the period 2018-01-01 – 2018-12-31 for Tundra Pakistan Fund, 515602-4787.

## **General development**

### **The fund's performance**

Tundra Pakistan Fund fell 27.31% (SEK) during 2018, vs the fund's benchmark that fell 29.61% (SEK).

### **The fund's net assets development**

Assets under management at December 31st 2018 amounted to SEK 288.7 million, which represents a decrease of SEK 171.2 million compared to SEK 459.9 million at December 31st 2017.

The value of issued fund shares for share class A amounted to SEK 291.0 million, SEK 0 million for share class C, SEK 5.6 million for share class D and SEK 0 million for share class F while the value of redeemed fund shares for share class A amounted to SEK 302.5 million, SEK 0.2 million for share class C, SEK 9.8 million for share class D and SEK 22.9 million for share class F.

The net issued amount hence amounted to SEK -11.5 million for share class A, SEK -0.2 million for share class C, SEK -4.2 million for share class D and SEK -22.9 million for share class F.

## **Market development**

2018 was a turbulent year in Pakistan. Economic and political turbulence characterized the year. The currency lost just over 20% against the US dollar as concerns about the weak current account increased. The election, which was held in July, rendered in a big surprise when none of the two large traditional parties won. Instead, opposition party PTI won a surprising victory and formed government along with independent members. The new government has announced far-reaching reforms focusing on increasing Pakistan's export base. The unexpected decision not to immediately approach the IMF for a support package, however, created uncertainty in the market which ended the year weakly. A number of announced loans from neighboring nations, including Saudi Arabia, the United Arab Emirates and China failed to convince investors. However, we are positive about the announced economic policy. It requires a little more patience but has the potential to give more long-term positive effects.

## **Fund management and outlook**

Tundra Pakistan Fund fell during the year with 27.31% (SEK) after fees, which was slightly better than the fund's benchmark index (MSCI Pakistan Net, SEK) which fell 29.61% during the year. The main reason for the fund developing better than the benchmark was the underweight in Banking & Finance and in the Energy sector. Negative contributions were received from the fund's overweight in the Cement sector. The outlook for 2018 looks interesting. The Pakistani rupee is cheap after the devaluations. This creates the conditions for an improved current account and thus a more stable currency development in the future. Announced foreign direct investment also has the potential to create a positive sentiment in the market. The profit estimates in currency-sensitive sectors have been revised down, while the valuation of the market as a whole is lower than average over the past five years. Pakistan has the potential to surprise positively during the year to come.

## **Objectives and investment policy**

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.

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

The fund is managed by an investment committee but with Tundra Fonder's Chief Investment Officer, Mattias Martinsson, as the lead portfolio manager.

**Risks in the fund at year end**

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 rules, the fund has the right to invest in derivative instruments in order to make the management more efficient. The fund had no exposure to derivatives during 2018. To calculate the total exposure, the fund applies the so-called commitment approach on derivative instruments.

## Financial overview

### Main portfolio

	AUM, SEK	NAV	No. of issued fund shares	Dividend	Total fund return, %	Benchmark return, %
2018-12-31	288 723 781	-	1 595 370,64	-	-	-
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) Refers to the period 2011-10-14 - 2011-12-31.

### Share class A SEK

	AUM, SEK	NAV	No. of issued Fund shares	Dividend	Total fund return, %	Benchmark return, %
2018-12-31	-	180,74	1 476 958,47	-	-27,31	-29,61
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 <sup>2)</sup>	32,26 <sup>2)</sup>

Benchmark index: MSCI Pakistan Net (SEK)

2) Since 2013-06-20. Tundra Pakistan Fund was replaced by Tundra Pakistan Fund share class A.

### Share class C EUR

	AUM, SEK	NAV	No. of issued fund shares	Dividend	Total fund return, %	Benchmark return, %
2018-12-31	-	17,78	673,19	-	-29,53	-27,37
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 <sup>3)</sup>	-2,67 <sup>3)</sup>

Benchmark index: MSCI Pakistan Net (EUR)

3) Refers to the period 2013-06-12 - 2013-12-31.

**Share class D USD**

	AUM, SEK	NAV	No. of issued Fund shares	Dividend	Total fund return, %	Benchmark return, %
2018-12-31	-	20,81	106 458,03	-	-32,68	-34,79
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 <sup>4)</sup>	11,15 <sup>4)</sup>

Benchmark index: MSCI Pakistan Net (USD)

4) Refers to the period 2013-10-23 - 2013-12-31.

**Share class F EUR**

	AUM, SEK	NAV	No. of issued fund shares	Dividend	Total fund- return, %	Benchmark return, %
2018-12-31	-	17,78	11 280,95	-	-29,53	-27,37
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 <sup>5)</sup>	-1,80 <sup>5)</sup>

Benchmark index: MSCI Pakistan Net (EUR)

5) Refers to the period 2015-10-15 - 2015-12-31.

### Key performance indicators

	Share class A SEK	Share class C EUR	Share class D USD	Share class F EUR
<b>Inception date</b>	<b>2011-10-14</b>	<b>2013-06-12</b>	<b>2013-10-23</b>	<b>2015-10-15</b>

### Risk & return

Standard deviation, % <sup>1)</sup>	17,85	14,96	17,33	14,96
Standard deviation benchmark, % <sup>2)</sup>	20,99	24,64	19,50	18,31
Tracking error, % <sup>3)</sup>	9,46	16,55	9,46	16,55
Active Share, %	95,07	95,07	95,07	95,07
Average annual return last 2 years, %	-31,39	-33,34	-30,47	-33,34
Average annual return last 5 years, %	1,43	-1,39	-4,45	-15,09*

\* Since inception of the share class.

### Costs

Management fee, %	2,50	2,50	2,50	2,50
Performance fee, %	-	-	-	-
Transaction costs, SEK	1 422 089	1 468	121 104	81 882
Transaction costs, %	0,24	0,25	0,24	0,22
Research costs, SEK	318 479	324	27 098	18 279
Research costs, %	0,07	0,07	0,07	0,06
Ongoing charges, %	2,60	2,61	2,60	2,60
Subscription and redemption fees, SEK	-	-	-	-

### Management fee

Single investment of SEK 10 000	241,52	241,52	251,50	241,52
Monthly investments of SEK 100 / month	14,19	14,03	13,91	14,03

### Turnover

Turnover				<b>2018</b>
Trading with group companies				0,64
				-

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

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

<sup>3)</sup> Tracking error is defined as the standard deviation of the difference in return between the fund and the benchmark. The calculation is based on monthly data during the past 24 months.

## Income statement

<i>In SEK</i>	<i>Note</i>	<i>2018-01-01- 2018-12-31</i>	<i>2017-01-01- 2017-12-31</i>
<b>Income and change in value</b>			
Change in value, transferable securities		-121 153 431	-264 077 128
Interest		147 549	60 531
Dividends		12 387 137	20 092 941
FX gains and losses, net		-4 561 693	-2 723 561
Other income		2 592	-
<b>Total</b>		<b>-113 177 846</b>	<b>-246 647 217</b>
<b>Costs</b>			
Management fees			
Fees to the management company		-11 963 286	-18 326 294
Interest		-44 413	-17 707
Other financial costs		-5 148 162	-
Other costs	<i>1</i>	-2 005 842	-4 519 344
<b>Total</b>		<b>-19 161 703</b>	<b>-22 863 345</b>
<b>Net result</b>		<b>-132 339 549</b>	<b>-269 510 562</b>

## Balance sheet

<i>In SEK</i>	<i>Note</i>	<i>2018-12-31</i>	<i>2017-12-31</i>
<b>Assets</b>			
Transferable securities		248 975 648	445 327 146
<b>Total</b>	<b>2</b>	<b>248 975 648</b>	<b>445 327 146</b>
Bank accounts		15 775 775	14 094 185
Pre-paid expenses and accrued income		2 269 398	2 226 324
Other assets	<b>3</b>	32 282 825	1 353 763
<b>Total</b>		<b>299 303 646</b>	<b>463 001 418</b>
<b>Liabilities</b>			
Accrued expenses and prepaid income	<b>4</b>	5 808 448	1 301 045
Other liabilities		4 771 417	1 772 477
<b>Total</b>		<b>10 579 865</b>	<b>3 073 522</b>
<b>Total net assets</b>	<b>2,5</b>	<b>288 723 781</b>	<b>459 927 896</b>

## Memorandum items

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## Accounting principles and valuation of financial instruments

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

### Accounting principles

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

### Valuation of financial instruments

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

1. Financial instruments traded on an active market will be valued on the closing price at December 31<sup>st</sup> 2017. If this is a bank holiday, the most recent trading day prior to the bank holiday will be used.
2. If the financial instrument is not traded on an active market, the market value is derived from information from similar transactions that have taken place under market conditions.
3. Unless method 1 or 2 can be used, or are misleading, the market value is determined by a well-established valuation model.

### Note on unlisted holdings

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 Company, 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 they were able to sell the security at approximately the time at which the Funds determine its NAV. There is also a probability that the fairvalue assigned to these securities significantly underestimates the actual value of these securities.

In accordance with the UCITS regulation, the Fund may invest up to 10% in unlisted securities if these are to be listed within 12 months. Historically, a limited number of such investments have been carried out on behalf of some of the fund. Since 2018 however, no additional investments are made in unlisted securities. If unlisted securities 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 one position, Daewoo Express, as of December 31<sup>st</sup> 2018 whose listings/divestments has been delayed beyond the 12-month stipulated time period due to reasons outside the funds' control. The portfolio weight of this holding constituted 3.27% of the fund's net assets. Negotiations for divestment are ongoing but there are risks of significant further delays until the assets are either sold or listed. The Fund Company has gradually reduced the assigned valuation of the holding as repeated delays indicated the chances of a successful listing or divestment has gradually decreased. 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 the transaction be successful or should the company become listed it could however result in a positive one-time effect on the NAV of the funds. 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 funds at some point during the next 12 months may experience a 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 transaction is 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 transaction or listing depends on the assets under management in the Funds and any future major redemption from the Funds may escalate the impact in a substantial manner.

Daewoo Express is the largest and one of the few organized transportation companies in Pakistan. The company owns approximately 350 buses and offers intra city services as well as long distance transportation throughout Pakistan. More information about the company: [www.daewoo.com.pk](http://www.daewoo.com.pk).

#### **Key performance indicators**

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

#### **Taxation in Pakistan**

With current legislation, Pakistan is charging a capital gains tax on short-term trading. From July 1, 2017 the following capital gains taxation rules apply: For holdings acquired before July 1, 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 July 1, 2012, 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 1, 2016 a 15% flat capital gains tax on all positions are applicable. The fund company has contracted KPMG in Pakistan as tax consultant and will calculate and reserve daily for deferred and realized tax in the fund jointly. This means that unit holders may not pay local Pakistani tax despite the fact that their unit value has risen, and unit holders 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, as 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 Other costs

	2018-01-01- 2018-12-31	2017-01-01- 2017-12-31
Transaction costs main bank	103 950	123 750
Bank fees	4 857	3 807
Other fees	7 294	142 057
Capital gains tax	-1 747 090	-19 613 318
Foreign tax, transferable securities	1 751 301	22 088 028
Broker costs	1 797 893	1 775 020
Analysis cost	87 637	-
<b>Total</b>	<b>2 005 842</b>	<b>4 519 344</b>

### Note 2 Financial instruments

The following financial instruments were held as of 2018-12-31.

#### Security

Sector	No. of shares	Market value	Portion %
<b>Transferable securities</b>			
<b>Category 1</b>			
AISHA STEEL MILLS PR, Pakistan, PKR	244 300	182 328	0,06
CENTURY PAPER & BOARD MILLS, Pakistan, PKR	2 416 600	8 526 162	2,95
CHERAT CEMENT CO LTD, Pakistan, PKR	1 550 000	6 886 491	2,39
DG KHAN CEMENT ORD, Pakistan, PKR	4 000 000	20 450 723	7,08
FAUJI BIN QASIM ORD, Pakistan, PKR	4 800 000	11 411 580	3,95
GHARIBWAL CEMENT LT, Pakistan, PKR	2 634 000	2 654 716	0,92
INTERNATIONAL STEELS, Pakistan, PKR	750 000	3 146 547	1,09
LUCKY CEMENT ORD, Pakistan, PKR	875 000	24 261 233	8,40
MAPLE LEAF CMNT ORD, Pakistan, PKR	4 750 000	12 316 840	4,27
PACKAGES ORD, Pakistan, PKR	250 750	6 082 205	2,11
PIONEER CEMENT ORD, Pakistan, PKR	4 425 000	11 829 764	4,10
TRI-PACK FILMS LTD, Pakistan, PKR	460 000	3 106 239	1,08
<b>Materials</b>		<b>110 854 828</b>	<b>38,39</b>
PAK ELEKTRON LTD, Pakistan, PKR	4 753 000	7 482 696	2,59
<b>Industrials</b>		<b>7 482 696</b>	<b>2,59</b>
BATA PAKISTAN ORD, Pakistan, PKR	21 582	2 113 911	0,73
GENERAL TYRE & RUBBER CO, Pakistan, PKR	851 360	4 347 844	1,51
KOHINOOR TEXTILE MIL, Pakistan, PKR	1 617 223	4 600 975	1,59
<b>Consumer discretionary</b>		<b>11 062 730</b>	<b>3,83</b>
SHEZAN INTL ORD, Pakistan, PKR	367 279	11 362 738	3,94
<b>Consumer staples</b>		<b>11 362 738</b>	<b>3,94</b>
ABBOTT LABORATORIES, Pakistan, PKR	88 650	3 466 445	1,20
AGP LTD/PK, Pakistan, PKR	950 000	5 138 834	1,78
FEROZESONS LABORATORIES, Pakistan, PKR	108 000	1 014 367	0,35

SHIFA HOSPITAL LTD, Pakistan, PKR	259 119	3 411 899	1,18
<b>Healthcare</b>		<b>13 031 545</b>	<b>4,51</b>
ADAMJEE INSUR ORD, Pakistan, PKR	2 736 000	7 333 601	2,54
EFU LIFE, Pakistan, PKR	165 000	2 398 897	0,83
HABIB BANK LTD ORD, Pakistan, PKR	1 895 100	14 246 457	4,93
UNITED BANK LTD ORD, Pakistan, PKR	2 048 300	16 267 022	5,63
<b>Financials</b>		<b>40 245 977</b>	<b>13,94</b>
HUM NETWORK LTD, Pakistan, PKR	17 000 000	4 836 475	1,68
SYSTEMS LTD, Pakistan, PKR	1 000 000	6 936 724	2,40
<b>IT</b>		<b>11 773 199</b>	<b>4,08</b>
HUB POWER COMPANY, Pakistan, PKR	3 255 000	17 812 826	6,17
KARACHI ELECTRIC ORD, Pakistan, PKR	24 500 000	9 283 199	3,22
<b>Utilities</b>		<b>27 096 025</b>	<b>9,38</b>
TPL PROPERTIES LTD, Pakistan, PKR	12 497 877	6 616 975	2,29
<b>Real estate</b>		<b>6 616 975</b>	<b>2,29</b>
<b>Summa Kategori 1</b>		<b>239 526 712</b>	<b>82,96</b>
<b>Category 7</b>			
DAEWOO PAK EXPRESS, Pakistan, PKR	6 121 000	9 448 936	3,27
<b>Consumer discretionary</b>		<b>9 448 936</b>	<b>3,27</b>
<b>Summa Category 7</b>		<b>9 448 936</b>	<b>3,27</b>
<b>Total transferable securities</b>		<b>248 975 648</b>	<b>86,23</b>
<b>Total securities</b>		<b>248 975 648</b>	<b>86,23</b>
<b>Other assets and liabilities</b>		<b>39 748 133</b>	<b>13,77</b>
<b>Total net assets</b>		<b>288 723 781</b>	<b>100,00</b>

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 3 Other assets**

	<i>2018-12-31</i>	<i>2017-12-31</i>
Unsettled sold securities	31 267 618	1 353 763
Accrued FX	1 015 198	-
Other	9	-
<b>Total</b>	<b>32 282 825</b>	<b>1 353 763</b>

**Note 4 Accrued expenses and prepaid income**

	<i>2018-12-31</i>	<i>2017-12-31</i>
Accrued management fee	666 627	997 765
Accrued withholding tax	340 410	303 280
Accrued foreign tax on securities	19 387	-
Accrued capital gains tax	4 782 024	-
<b>Total</b>	<b>5 808 448</b>	<b>1 301 045</b>

**Note 5 Change in net assets**

	<i>2018-01-01- 2018-12-31</i>	<i>2017-01-01- 2017-12-31</i>
Net assets at the start of the year	459 927 896	1 016 336 897
	459 927 896	1 016 336 897
<b>Share class A SEK</b>		
Issued fund units	290 955 593	217 240 087
Redeemed fund units	-302 483 662	-425 813 869
<b>Total</b>	<b>-11 528 069</b>	<b>-208 573 782</b>
<b>Share class C EUR</b>		
Issued fund units	-	678 020
Redeemed fund units	-213 680	-28407
<b>Total</b>	<b>-213 680</b>	<b>649 613</b>
<b>Share class D USD</b>		
Issued fund units	5 576 938	44 867 735
Redeemed fund units	-9 808 075	-153 444 116
<b>Total</b>	<b>-4 231 137</b>	<b>-108 576 381</b>
<b>Share class F EUR</b>		
Issued fund units	-	29 785 647
Redeemed fund units	-22 891 680	-183 536

<b>Total</b>	<b>-22 891 680</b>	<b>29 602 111</b>
Net result according to the income statement	-132 339 549	-269 510 562
<b>Net assets at year end</b>	<b>288 723 781</b>	<b>459 927 896</b>

### Remuneration

Remuneration and benefits to employees has been calculated based on the Company's principles which has been approved by the Board of Directors. During the financial year the Company applied a calculation based on that 20 percent of the Company's profit before tax is deposited as variable remuneration to employees. In addition, the Company may make exceptions for individuals who contributed positive from a risk adjusted perspective as long as the Company does not run the risk of violating regulatory capital requirements or otherwise threaten to put the Company at a disadvantage situation.

Each year the Board of Directors revises the Company's remuneration policy. During the year minor linguistic adjustments has been made as well as adding reference to new law. These changes have not resulted in any substantial changes of the remuneration policy.

Please refer to the Company's website for the current remuneration policy:

<http://www.tundrafonder.se/en/compliance-2/>

<b>Benefits paid to all employees in 2018</b>	<b>Amount in SEK</b>	<b>Number of employees</b>
Fixed salary	8 897 940	18
Variable remuneration to employees who are included in the number of employees and which have not been classified as special regulated staff	0	
Total: Fixed salary and number of employees	8 897 940	18
<b>Benefits paid to particular regulated staff 2017</b>		
a) employees in senior strategic positions	2 362 518	2.5
b) employees with responsibility for control functions. Outsourced functions	0	0
c) risk takers	2 936 851	4.5
d) employees whose total compensation is equal to, or greater than, the total remuneration to someone in senior management	0	0

The risk function has been outsourced to ISEC Services (org.no 556542-2853), which the Company refers to regarding remuneration to risk function employees.

**Sustainability information**

<b>Tundra Pakistan Fund</b>	
Sustainability aspects are considered in the management of the fund	<input checked="" type="checkbox"/>
Sustainability aspects are not considered in the management of the fund	<input type="checkbox"/>
<b><i>Sustainability aspects considered in the management of the fund</i></b>	
Environmental aspects (e.g. the companies' impact on the environment and climate)	<input checked="" type="checkbox"/>
Social aspects (e.g. human rights, labour rights and equality)	<input checked="" type="checkbox"/>
Corporate governance (e.g. stockholders' rights, management compensation and anti-corruption activities)	<input checked="" type="checkbox"/>
Other sustainability aspects	<input type="checkbox"/>
<b><i>Methods used in the sustainability work</i></b>	
<b>The fund includes</b>	<input checked="" type="checkbox"/>
<p>Sustainability is a determining factor in choosing which companies to invest in.</p> <p><i>The fund has specific and defined criteria for investing in companies based on environmental, social and corporate governance aspects. Sustainability is a determining factor in choosing which companies to invest in.</i></p>	<input type="checkbox"/>
Sustainability is considered when choosing which companies to invest in.	<input checked="" type="checkbox"/>
<p>Other</p> <p><i>Other methods used when choosing which companies to invest in.</i></p>	<input type="checkbox"/>
<b><i>The fund excludes</i></b>	
<i>The fund does not invest in companies involved in the following products and services. At the most five% of a company's turnover may stem from these products or services.</i>	
<b>Products and services</b>	
Cluster bombs, landmines	<input checked="" type="checkbox"/>
Chemical and biological weapons	<input checked="" type="checkbox"/>
Nuclear weapons	<input checked="" type="checkbox"/>
Weapons and/or munitions	<input type="checkbox"/>
Alcohol	<input type="checkbox"/>
Tobacco	<input type="checkbox"/>
Commercial gambling	<input type="checkbox"/>



Pornography	<input type="checkbox"/>
Fossil fuel (oil, gas, coal)	<input type="checkbox"/>
Coal	<input type="checkbox"/>
GMO	<input type="checkbox"/>
Uranium	<input type="checkbox"/>
Other	
<b>International conventions</b>	
<i>The fund does not invest in companies involved in breaches of international norms and conventions regarding the environment, human rights, labour rights and corporate governance, e.g. UN Global Compact and OECD's Guiding Principles For Multinational Companies.</i>	
The fund excludes all companies breaching international norms.	<input type="checkbox"/>
Companies where the fund does not see an intention to change or where the fund does not believe that the company will comply in an acceptable period of time are excluded.	<input checked="" type="checkbox"/>
<b>Countries</b>	
For sustainability reasons, the fund does not invest in companies involved in certain countries/fixed income instruments issued by certain countries.	<input type="checkbox"/>
Other	<input type="checkbox"/>
The manager contacts companies in order to influence them to adopt a more sustainable business approach.	
In its own power	<input checked="" type="checkbox"/>
Collaboration with other investors	<input checked="" type="checkbox"/>
Voting at AGMs	<input checked="" type="checkbox"/>

**The fund includes**

Sustainability and ESG (environmental, social responsibility and governance) is considered in economic company analysis and investment decisions. More information on a holding in the Tundra Pakistan Fund can be found at

[http://www.tundrafonder.se/wp-content/uploads/2017/09/Tundra-Case\\_Aisha-Steel\\_170913\\_English.pdf](http://www.tundrafonder.se/wp-content/uploads/2017/09/Tundra-Case_Aisha-Steel_170913_English.pdf).

**The fund excludes**

The fund does not invest in cluster bombs, landmines, chemical/biological weapons or nuclear weapons.

**The Fund company has influenced**

- On March 5th 2018 Tundra Fonder AB held a sustainability forum in Colombo, Sri Lanka. 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. The forum offered discussion panels and workshops.
- In March 2018, Tundra signed the CEO Statement of Support for the Women's Empowerment Principles (WEPs).

**Comments on the sustainability work within Tundra Fonder AB**

The ESG team consists of a head of ESG and an ESG analyst in Stockholm, ESG analysts in Karachi and in Ho Chi Minh City. In 2018 Tundra Fonder AB hired an additional ESG analyst to work in the Ho Chi Minh City office.

More information on Tundra Fonder AB's sustainability work can be found at <http://www.tundrafonder.se/en/sustainable-2/>.