

Annual Report

Tundra Vietnam Fund

515602-6824

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 translated copy from the Swedish original. If any conflict occurs in the translation the Swedish 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 on Tundra Vietnam Fund, 515602-6824.

General development

The fund's performance

Tundra Vietnam Fund fell 7.90% (SEK) during 2018. The benchmark FTSE Vietnam Net (SEK) fell by 3.63% during the same period.

The fund's net assets development

Assets under management at December 31st 2018 amounted to SEK 776.7 million, which represents an increase of SEK 26.3 million compared to SEK 750.4 million at December 31st 2017.

The value of issued fund shares for share class A amounted to SEK 1 815.5 million, SEK 0 for share class C and SEK 8.9 million for share class D while the value of redeemed fund shares for share class A amounted to SEK 1 562.4 million, SEK 0 for share class C and SEK 69.8 million for share class C. The net issued amount hence amounted to SEK 253.1 million for share class A, SEK 0 for share class C and SEK -60.9 million for share class D.

Market development

The beginning of the year continued in the same positive spirit as 2017. A number of new fund launches entailed a strong inflow of capital to the equity market, which created a bit of exuberance among local investors who gradually increased their leverage. When emerging and frontier markets began to fall in April, the local market participants thus panicked. After a sharp fall in the market during the spring, the stock market traded sideways throughout the end of the year. Foreigners remained net buyers in the equity market and the new funds' focus on the most liquid index shares meant that index levels were maintained. However, in the segment of medium-sized and smaller companies, the fall in prices was significantly greater during the year. The Vietnamese currency weakened somewhat against the US dollar during the year but belonged to the better-performing group, given a positive current account and continued strong inflow of direct investments.

Fund management and outlook

Tundra Vietnam Fund fell 7.90% (after fees) during the year, which was worse than the benchmark index (FTSE Vietnam Net) which fell by 3.63%. The biggest reason for the underperformance came from the stock selection in Materials, where the development for the steel company Hoa Sen group was particularly disappointing. The fund's shareholding in Financials also contributed negatively, with the position in HD Bank primarily developing negatively. Positive contributions were received from Industrials where, above all, the choice to completely avoid FLC Faros created excess returns.

Before 2019, we are cautiously positive about the market development. We believe in a generally strong year for frontier markets and Vietnam as one of the largest and most liquid markets is likely to benefit from this. Continued strong economic growth around 7% and significant interest from both frontier funds and emerging market funds are positive factors. However, we note that there is a significant valuation gap between the largest index shares and the segment below them. We are less positive to the forementioned company category, but see attractive valuations in medium-sized and smaller companies. The fund is primarily positioned in the last category. We therefore believe in a positive development for the fund, but that does not necessarily have to be accompanied by an equally strong development for the benchmark index.

Objectives and investment policy

The objective of the fund is to provide financial exposure to economic development in Vietnam and to provide its unitholders with a maximum long-term return on their investment given the fund's level of risk.

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

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 Vietnam. A worse than expected development of the Vietnamese 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 Vietnamese Dong 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 2017. 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	776 704 393	-	4 442 868,38	-	-	-
2017-12-31	750 420 774	-	3 954 768,18	-	-	-
2016-12-31	414 863 068	-	2 740 521,71	-	-	-
2015-12-31	202 084 179	-	1 583 672,83	-	-	-
2014-12-31	125 181 518	120,90	1 035 453,54	-	20,90 ¹⁾	22,42 ¹⁾

Benchmark index: FTSE Vietnam (SEK)

¹⁾ Refers to the period 2014-05-06 - 2014-12-31.

Share class A SEK

	AUM, SEK	NAV	No. of issued fund shares	Dividend	Total fund return, %	Benchmark return, %
2018-12-31	-	174,80	4 220 437,59	-	-7,90	-3,63
2017-12-31	-	189,79	3 430 544,31	-	25,36	34,58
2016-12-31	-	151,39	2 369 652,61	-	18,65	7,01
2015-12-31	-	127,59	1 355 520,97	-	5,53 ²⁾	-5,84 ²⁾

Benchmark index: FTSE Vietnam (SEK)

²⁾ Since 2015-04-13. Tundra Vietnam Fund was replaced by Tundra Vietnam 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	-	17,14	6,48	-	-11,19	-6,61
2017-12-31	-	19,30	6,48	-	22,00	30,99
2016-12-31	-	15,82	6,48	-	2,46 ³⁾	-0,83 ³⁾

Benchmark index: FTSE Vietnam (EUR)

³⁾ Refers to the period 2016-06-30 - 2016-12-31.

Share class D USD

	AUM, SEK	NAV	No. of issued fund shares	Dividend	Total fund-return, %	Benchmark return, %
2018-12-31	-	19,78	222 424,31	-	-14,37	-10,72
2017-12-31	-	23,10	524 217,40	-	39,07	49,45
2016-12-31	-	16,61	370 862,62	-	9,85	-0,82
2015-12-31	-	15,12	228 151,87	-	-2,01 ⁴⁾	-5,17 ⁴⁾

Benchmark index: FTSE Vietnam (USD)

⁴⁾ Refers to the period 2015-04-13 - 2015-12-31.

Key performance indicators

	<i>Share class A SEK</i>	<i>Share class C EUR</i>	<i>Share class D USD</i>
Inception date	2014-05-06	2016-06-30	2015-04-13

Risk & return

Standard deviation, % ¹⁾	19,24	17,62	20,70
Standard deviation benchmark, % ²⁾	18,56	18,21	19,83
Tracking error, % ³⁾	9,07	15,65	9,02
Average annual return last 2 years, %	7,45	4,09	9,13
Average annual return last 5 years, %	12,74*	4,26*	6,90*

* Since inception of the share class

Costs

Management fee, %	2,50	2,50	2,50
Performance fee, %	-	-	-
Transaction costs, SEK	3 615 124	4	220 761
Transaction costs, %	0,20	0,21	0,20
Research costs, SEK	203 948	0	12 389
Research costs, %	0,02	0,00	0,02
Ongoing charges, %	2,54	2,50	2,54
Subscription and redemption fees	-	-	-

Management fees

Single investment of SEK 10 000	266,60	265,72	266,78
Monthly investments of SEK 100 / month	15,63	15,32	15,33

Turnover

Turnover			2018
Trading with group companies			0,70
			-

1. 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.
2. 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.
3. 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>
Income and change in value			
Change in value, transferable securities		-181 739 229	113 267 783
Interest		475 281	53 978
Dividends		34 442 531	15 368 024
FX gains and losses, net		15 171 863	-4 861 895
Other income		185	576 139
Total		-131 649 369	124 404 029
Costs			
Management fees			
Fees to the management company		-29 977 450	-12 179 219
Interest		-201 376	-5 031
Other costs		-4 090 663	-1 073 518
Total		-34 269 489	-13 257 768
Net result		-165 918 858	111 146 261

Balance sheet

<i>In SEK</i>	<i>Note</i>	<i>2018-12-31</i>	<i>2017-12-31</i>
Assets			
Transferable securities		747 149 509	734 212 094
Total	1	747 149 509	734 212 094
Bank accounts		40 292 862	20 172 948
Prepaid expenses and accrued income		437 451	877 096
Total		787 879 822	755 262 138
Liabilities			
Accrued expenses and deferred income		1 822 858	1 479 503
Other liabilities		9 352 571	3 361 861
Total		11 175 429	4 841 364
Total net assets	1,2	776 704 393	750 420 774

Memorandum items

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Accounting principles and valuation of financial instruments

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

Tundra Fonder AB is a member of the Swedish Investment Fund Association and strives to comply with the Association's guidelines. During 2018, Tundra Fonder AB was compliant with all guidelines with the exception of the recommendation that at least half of an asset manager's members of the Board of Directors should be independent directors as three of seven Board members were considered to be independent at the end of 2018.

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 31st 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.

Key performance indicators

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

Notes

Note 1 Financial instruments

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

Security

Sector	Antal	Marknadsvärde	Andel %
Transferable securities			
Category 1			
CNG VIETNAM JSC, Vietnam, VND	605 290	6 007 271	0,77
PETROVIETN DRILLING, Vietnam, VND	1 784 504	9 945 136	1,28
PV GAS SOUTHERN ORD, Vietnam, VND	923 421	10 645 034	1,37
Energy		26 597 441	3,42
BIM SON CEMENT JSC, Vietnam, VND	2 450 935	6 081 147	0,78
DONGHAI JOINT STOCK, Vietnam, VND	726 665	8 321 390	1,07
HATIEN 1 CEMENT JSC, Vietnam, VND	2 513 804	13 097 983	1,69
HOA SEN GROUP, Vietnam, VND	7 819 396	19 430 974	2,50
NAM KIM STEEL JSC, Vietnam, VND	3	9	0,00
PETROLIMEX PETROCHEM, Vietnam, VND	286 150	1 824 108	0,23
Materials		48 755 611	6,28
AGRICULTURE PRINTING, Vietnam, VND	217 120	2 478 058	0,32
CII ORD, Vietnam, VND	2 303 000	23 120 118	2,98
DRY SELL & STORAGE B, Vietnam, VND	1 450 670	21 236 080	2,73
GEMAGEPT ORD, Vietnam, VND	870 305	8 687 274	1,12
HOA PHAT GROUP JSC, Vietnam, VND	2 442 341	28 854 086	3,71
PETROSETCO ORD, Vietnam, VND	27 240	84 223	0,01
POWER CONSTRUCTION, Vietnam, VND	790 630	7 484 544	0,96
PV TRANS ORD, Vietnam, VND	3 449 690	20 673 789	2,66
VIETNAM ELEC EQUIP, Vietnam, VND	1 302 934	11 016 319	1,42
Industrials		123 634 491	15,92
DRC ORD, Vietnam, VND	2 400 410	19 699 910	2,54
PHU NHUAN JEWELRY JSC, Vietnam, VND	420 000	15 983 976	2,06
SAIGON GENERAL SERVI, Vietnam, VND	350 730	5 756 808	0,74
SOUTHERN RUBBER INDU, Vietnam, VND	1 034 640	5 805 598	0,75
THANH CONG TEXTILE G, Vietnam, VND	7	66	0,00
TNG Investment & Trading JSC, Vietnam, VND	2 541 210	16 102 341	2,07
Consumer discretionary		63 348 699	8,16
KIDO FROZEN FOODS, Vietnam, VND	993 300	6 786 937	0,87
VIETNAM DAIRY PRODUC, Vietnam, VND	810 000	37 102 795	4,78
Consumer staples		43 889 732	5,65
TRAPHACO ORD, Vietnam, VND	390 850	10 443 559	1,34
Healthcare		10 443 559	1,34
BANK FOR FOREIGN TRADE, Vietnam, VND	1 570 900	32 080 615	4,13
HDBANK, Vietnam, VND	1 534 000	17 742 235	2,28
LIEN VIET POST JOINT, Vietnam, VND	5 844 456	20 524 486	2,64

LIEN VIET RTS, Vietnam, VND	5 566 149	0	0,00
MASAN GROUP CORP, Vietnam, VND	1 811 960	53 361 116	6,87
MILITARY COM BANK, Vietnam, VND	1 355 532	10 762 508	1,39
SAIGON SECURITIES IN, Vietnam, VND	3 722 000	37 862 906	4,87
VIETNAM JS COMM BANK, Vietnam, VND	2 179 710	16 058 183	2,07
VNDIRECT ORD, Vietnam, VND	4 693 490	29 381 916	3,78
Financials		217 773 965	28,04
FPT CORP, Vietnam, VND	3 706 343	63 876 885	8,22
IT		63 876 885	8,22
DAT XANH ORD, Vietnam, VND	5 470 924	49 702 474	6,40
LDG INVESTMENT JSC, Vietnam, VND	5 418 895	29 165 553	3,76
VINCOM RETAIL JSC, Vietnam, VND	3 926 750	41 819 402	5,38
VINGROUP JSC ORD, Vietnam, VND	773 601	28 141 697	3,62
Real estate		148 829 126	19,16
Total Category 1		747 149 509	96,19
Total transferable securities		747 149 509	96,19
Total securities		747 149 509	96,19
Other assets and liabilities		29 554 884	3,81
Total net asset value		776 704 393	100,00

The fund's holdings of securities have been classified into the following categories:

1. Transferable securities admitted on a regulated market or an equivalent market outside the EEA.
2. Other financial instruments trading on a regulated market or an equivalent market outside the EEA.
3. Transferable securities that are the subject of regular trading in other markets that are regulated and open to the public.
4. Other financial instruments that are regularly traded on any other market that is regulated and open to the public.
5. Transferable securities within one year from the issue are being admitted to trading on a regulated market or an equivalent market outside the EEA.
6. Transferable securities within one year from the issue will become subject to regular trading on any other market.
7. Other financial instruments.

Note 2 Changes 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	750 420 774	414 863 068
Share class A SEK		
Issued fund units	1 815 510 361	371 659 817
Redeemed fund units	-1 562 448 343	-171 579 495
Total	253 062 018	200 080 322
Share class C EUR		
Issued fund units	-	-
Redeemed fund units	-	-
Total	-	-
Share class D USD		
Issued fund units	8 891 949	27 418 673
Redeemed fund units	-69 751 490	-3 087 550
Total	-60 859 541	24 331 123
Net result according to the income statement	-165 918 858	111 146 261
Net assets at year end	776 704 393	750 420 774

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/>

Benefits paid to all employees in 2018	Amount in SEK	Number of employees
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
Benefits paid to particular regulated staff 2017		
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

Sustainability information	Tundra Vietnam Fund
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"/>
Sustainability aspects considered in the management of the fund	
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"/>
Methods used in the sustainability work	
The fund includes	<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"/>
The fund excludes	
<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>	
Products and services	
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	
International conventions	
<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"/>
Countries	
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.

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/>.