

Semi-annual report

Tundra Frontier Africa Fund

515602-6261

January 1st 2019 – June 30th 2019



TUNDRA  FONDER

Management report

The CEO of Tundra Fonder AB, 556838-6303, hereby submits the Semi-annual Report for the period 2019-01-01 - 2019-06-30 on Tundra Frontier Africa Fund, 515602-6261. This is a translated copy of the Swedish original. If any conflict occurs in the translation the Swedish version will prevail.

Fund performance

Tundra Frontier Africa Fund rose 7.30% during the first six months of 2019 compared to the benchmark return (MSCI EFM Africa ex ZA Net) of 7.38% (all changes in SEK). The fund's holdings in Egypt were the main positive contributors relative the benchmark, while the underweights to Kenya and Morocco were the main negative contributors. On a sector level the fund gained most relative the benchmark from investments in Health Care and Materials sectors, while the largest negative contributions came from the underweight in Telecom as well as poor performance within the Financial sector.

The Fund's net assets development

Assets under management at June 30th, 2019 amounted to SEK 117.1 million, which represents an increase of SEK 9.4 million compared to SEK 107.7 million at December 31st 2018.

The value of issued fund shares amounted to SEK 55.3 million and the value of redeemed fund shares amounted to SEK 53.1 million. The value of the total change of fund shares during the period hence amounted to SEK 2.1 million.

Market development

African markets in 2019 peaked in the second week of February in USD terms when looking at the MSCI EFM ex South Africa Index hitting +10% but has since then been sliding back slightly closing the first six months at +5%. When converting the return into Swedish Krona the benchmark actually peaked in early May at almost +17% because of the weakening of the Krona. The half year return in SEK stands at +7.38%.

Among the best performing equity markets on the continent we find Zimbabwe (+45%), Egypt (+17%) and South Africa (+16%) while Ghana, Zambia and BRVM (a joint exchange for e.g. Senegal, Ivory Coast and Benin) were the worst performers in the first six months of 2019, falling 10%, 8% and 4% respectively. Other markets of interest for the fund did mostly ok with Nigeria +6%, Botswana +5% while Mauritius fell 3% (all changes in SEK).

The reform process in Egypt, supported by the IMF, has progressed as scheduled with further subsidy cuts and other decisions made to strengthen the economy longer term. While many of the steps taken have temporarily impacted inflation negatively and kept it at higher levels than previously expected, they have also had very positive impact on the budget deficit. Although the IMF package is reaching the end, we expect the government to stick to the path taken since the devaluation in November 2016 when the reforms were initiated. Nigeria's most important event was the (delayed) presidential elections held in February where the incumbent president Buhari was re-elected for another four years. The stock market was disappointed, mainly because of the slow reform pace seen during the last four years. Most economists agree on that the speed of progress needs to increase to get the economy to reach its full potential, and that is unlikely with Buhari running the country. More positive for the stock market was the listing of MTN Nigeria, the local subsidiary of the South African telecom giant, on the Nigerian stock exchange in May. The stock had a flying start, rising more than 50% during the first days of trading. The stock has since come off a bit, but still trades well above the listing price. MTN SA is due to sell part of its holding at a, still to be decided, later date.

Elections in South Africa increased interest in the country. Ramaphosa, who took over when Zuma stepped down in February 2018, was formally elected as expected. This comforted the stock markets somewhat, but the challenges ahead are many and cumbersome. The most acute problem is dealing with the state electricity provider Eskom, which is not able to pay interest in the USD 30bn debt on the balance sheet. Many investors are worried that that the debt will end up within the governments already stretched finances, undoubtedly leading to rating downgrades and currency woes.

Fund management and outlook

We remain upbeat about the potential in Egypt and Nigeria. We expect the economic activity to increase and strong growth in especially consumption and banking. The more normalized levels of inflation and interest rates along with better visibility should lead to increased investments and employment. A normalization of profit margins from the corporate sector should support a strong bottom line growth. Reforms in Nigeria progress more slowly but are more than enough reflected in valuations of the leading banks. Bank penetration is still very low and many companies still use alternative sources of funding. We are more cautious on the outlook for Kenya and South Africa where we don't think current valuations reflects the risks involved. Among other markets we are optimistic on the ongoing recovery in Ghana and the progress in Botswana.

Objectives and investment policy

The fund is an equity fund with a particular emphasis on investments in transferable securities issued by companies located in Africa or that conduct their principal operating activities in Africa. The fund company's management of the fund is intended to generate diversified financial exposure to the economic development in Africa and provide the unit holders with a better return compared to the MSCI EMF Africa excluding South Africa Net Index (SEK) with equal or lower 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 Mathias Althoff as the lead portfolio manager.

Risks

The adjustment of the Egyptian economy is still ongoing, and the risk of setbacks is still high, but so is the potential return. Continued reduction in subsidies combined with price increases in basic products could result in substantial public discontent but there is not yet any major presence of this. The split up of the Nigerian currency market causes credibility issues and poor liquidity but the market has since the new structure was put in place in 2017 functioned properly.

Derivatives

According to the fund statutes, the fund has the right to trade in options, futures and other derivatives, and the right to lend securities. The fund had no exposure to derivatives, or similar instruments during the period.

Financial overview

	AUM, SEK	NAV	No. Of issued fund shares	Dividend	Total fund return, %	Benchmark return, %
2019-06-30	117 100 484	69.66	1 681 130.51	-	7.30	7.38
2018-12-31	107 688 628	64.92	1 658 885.92	-	-4.74	-6.04
2017-12-31	109 334 269	68.15	1 604 366.10	-	26.02	18.83
2016-12-31	26 225 459	54.08	484 964.65	-	-19.94	-15.59
2015-12-31	14 009 323	67.55	207 392.87	-	-22.46	-13.22
2014-12-31	28 942 159	87.12	332 212.06	-	-8.64	0.85
2013-12-31	12 301 824	95.36	129 005.95	-	-4.64 ¹⁾	1.96 ¹⁾

Benchmark index: S&P Africa Frontier Total Return Index (SEK) up to 2017-05-26. MSCI Africa ex ZA Total Return Index (SEK) after this date.

¹⁾ Refers to the period 2013-05-20 - 2013-12-31

Balance sheet

<i>In SEK</i>	<i>Note</i>	<i>2019-06-30</i>	<i>2018-12-31</i>
Assets			
Transferable securities		113 672 368	98 176 977
Total	1	113 672 368	98 176 977
Bank accounts		4 226 302	11 091 783
Pre-paid expenses and accrued income		138 796	160 270
Total		118 037 466	109 429 030
Liabilities			
Accrued expenses and prepaid income		251 989	242 800
Other liabilities	2	684 993	1 497 602
Total		936 982	1 740 402
Total net asset	1,3	117 100 484	107 688 628
Memorandum items		None	None

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 the first half of 2019, 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 two of five Board members were considered to be independent at the closing day.

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 the end of the period. 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 2019-06-30.

Security

Sector	No. of shares	Market value	Portion %
Transferable securities			
Category 1			
EGYPT KUWAIT HOLDING CO SAE, Egypt, USD	400 000	4 972 778	4.25
ELSEWEDY ELECTRIC CO, Egypt, EGP	650 000	5 135 183	4.39
Materials		10 107 961	8.63
DICE SPORT & CASUAL WEAR, Egypt, EGP	1 000 000	1 018 135	0.87
GB AUTO, Egypt, EGP	2 300 000	5 246 455	4.48
MM GROUP FOR INDUSTR, Egypt, EGP	546 875	2 750 494	2.35
ORIENTAL WEAVERS, Egypt, EGP	600 000	3 431 615	2.93
Industrials		12 446 699	10.63
JUHAYNA FOOD INDUSTRIES, Egypt, EGP	550 000	3 157 887	2.70
MASSMART HLDGS, South Africa, ZAR	22 500	922 550	0.79
OBOUR LAND FOR FOOD INDUSTRIES, Egypt, EGP	600 000	2 340 041	2.00
PZ CUSSONS GHANA, Ghana, GHS	750 000	509 438	0.44
SHOPRITE HOLDINGS, South Africa, ZAR	11 000	1 143 224	0.98
UNILEVER ORD, Ghana, GHS	50 000	1 498 596	1.28
Consumer discretionary		9 571 736	8.17
CLEOPATRA HOSPIT, Egypt, EGP	1 250 000	4 353 500	3.72
EGYPTIAN INTERNATIONAL PHARM, Egypt, EGP	68 750	3 021 336	2.58
INTEGRATED DIAG, Jersey, USD	105 000	4 825 619	4.12
Healthcare		12 200 455	10.42
ACC BANK OF NIG ORD, Nigeria, NGN	47 000 000	7 970 588	6.81
COMMERCIAL INTL GDR, Egypt, USD	175 000	6 905 347	5.90
COMMERCIAL INTL, Egypt, EGP	20 000	812 282	0.69
CREDIT AGRICOLE, Egypt, EGP	380 000	9 936 551	8.49
FBN HOLDINGS ORD, Nigeria, NGN	14 815 859	2 501 121	2.14
FIRSTRAND LTD, South Africa, ZAR	60 000	2 711 290	2.32
GHANA COMM BANK ORD, Ghana, GHS	179 000	1 501 584	1.28
GUARANTY TRT BNK ORD, Nigeria, NGN	12 500 000	9 922 642	8.47
LETSHEGO, Botswana, BWP	3 168 204	3 975 138	3.39
MCB GROUP LTD ORD, Mauritius, MUR	30 000	2 257 875	1.93
STANBIC IBTC HOLDING, Nigeria, NGN	3 000 000	3 112 101	2.66
STANDARD CHARTED ORD, Ghana, GHS	20 067	650 516	0.56
UNITED BANK FOR AFRICA ORD, Nigeria, NGN	35 000 000	5 710 029	4.88
ZENITH INTL BANK ORD, Nigeria, NGN	18 352 096	9 365 208	8.00
Financials		67 332 273	57.50

UMEME LTD, Uganda, KES	500 000	377 552	0.32
Utilities		377 552	0.32
CAIRO INVESTMENT & REAL ESTA, Egypt, EGP	300 000	1 635 692	1.40
Real estate		1 635 692	1.40
Total category 1		113 672 368	97.07
Total transferable securities		113 672 368	97.07
Total securities		113 672 368	97.07
Other assets and liabilities		3 428 116	2.93
Total net asset value		117 100 484	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 Other liabilities

	2019-06-30	2018-12-31
Accrued redemptions	653 469	1 323 758
Unregistered subscriptions	31 524	47 992
Other	-	125 852
Total	684 993	1 497 602

Note 3 Changes in net assets

	<i>2019-01-01- 2019-06-30</i>	<i>2018-01-01- 2018-12-31</i>
Net assets at the start of the year	107 688 628	109 334 269
Issued fund units	55 271 998	480 513 034
Redeemed fund units	-53 123 309	-464 709 362
Net result according to the income statement	7 263 167	-17 449 313
Net assets at end of period	117 100 484	107 688 628

Sustainability Information

Monitoring our sustainability work

All Tundra funds take sustainability into account. We generally use Environmental, Social and Corporate Governance (ESG) aspects in summarising our sustainability work. All three pillars of ESG are important in these efforts, and our investment process takes environmental, social and ethical aspects into consideration.

Our two research offices, one in Karachi (Pakistan) and one in Ho Chi Minh City (Vietnam), allow us to closely monitor the companies in our markets, and Tundra's sustainability work is under continuous development as new knowledge is advanced in different areas. The ESG team consists of a Sustainability Manager and an ESG Researcher in Stockholm (both researchers), plus a Senior ESG Analyst in Karachi and an ESG Analyst in Ho Chi Minh City.

Tundra's sustainability work includes our own research within the framework of TURN | Tundra Research Network, which runs local projects through collaboration with international networks in Tundra's focus countries. The following are examples of projects initiated during the first half of 2019:

- Pakistan:
 - o Co-organiser of a project aimed at increasing reporting around Agenda 2030 for listed companies in collaboration with the UNDP. Initiator of a project within Waste to Energy in collaboration with representatives of government, academia and large organisations in the energy sector locally.
- Vietnam:
 - o Collaboration with UNDP Vietnam on an environmental index for launch to listed companies. Collaboration with the ILO on training in workers' rights directed at large organisations and listed companies.
- Nigeria:
 - o Collaboration with one of the country's leading banks and a Swedish research institute on projects aimed at promoting women's entrepreneurship.
- Sri Lanka:
 - o Collaboration with the Colombo Stock Exchange on training and development of sustainability guidelines for listed companies.

As an organisation, Tundra Fonder has in the first half of 2019 participated in or hosted a series of events that relate to sustainability:

- In February, Tundra participated as an invited guest at the launch of the EAT-Lancet report on health, nutrition, climate, environment, fishing and agriculture at the UN in New York.
- In March, Tundra Fonder and the UNDP jointly hosted a workshop where Agenda 2030 and the implementation of the Sustainable Development Goals (SDGs) were discussed with a number of major companies in Pakistan.
- Organised by Business Sweden and the Swedish Embassy, a forum was held in Karachi in April with discussions on sustainable cities. Tundra moderated and contributed content for two panels.
- As an invited speaker, Tundra participated in May in a delegation to Hanoi, Vietnam, with Sweden's Trade Minister, where sustainability was a prevalent theme. More than 50 Swedish companies and many local representatives from different organisations participated.
- In June, Tundra held its third SDG Breakfast event with the theme Responsible Ownership, at which representatives of business, research and non-profit activities participated in discussions.

The fund has selected

All our funds are actively managed. Before any potential investment, we conduct an analysis of each company that includes an assessment of future growth prospects and what we believe is a long-term stable earnings level. Together with an assessment of the company's future growth opportunities, we establish a long-term realistic valuation of the company and its share. We believe that a company's operations, and how it conducts

these from a sustainability perspective, are crucial components for future success, which is why we view the sustainability analysis as an integral part of our company analysis.

Through our own internal rating system, we can see how companies position themselves in various relevant aspects of ESG. In general, our investments should be seen as long-term, and our starting point is to exert influence rather than divest.

The fund has deselected

We do not invest in companies that conduct their operations in violation of well-established international standards in the areas of the environment, human rights, labour rights and corruption. This applies to all of Tundra's funds. Standards that are particularly taken into account are the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy.

None of Tundra's funds invest in companies that:

- Violate UN fundamental conventions on human rights, the environment, labour rights and corruption (and that, after Tundra has made them aware of such violations, do not initiate an action plan within twelve months); and
- Companies involved in controversial weapons (anti-personnel landmines, cluster weapons, biological and chemical weapons, and nuclear weapons). Tundra takes an active role on sustainability issues through dialogue and by placing demands on the companies the fund invests in.

The fund has not had any investments in the above sectors since the criteria were set.

The fund management company has advocated

Tundra strives to maintain contact with all portfolio companies through our ESG questionnaire.

In the case of the Tundra Sustainable Frontier Fund, we conduct a systematic analysis of all companies with regard to a number of different ESG markers. By sending feedback to all companies in the fund, we have deepened our dialogue with a number of these companies and laid the groundwork for a more open and constructive dialogue. The response rate for the questionnaire for 2018 was 58% of the companies in the fund, compared with 54% in 2017. Of the companies in the fund, 75% are judged according to given criteria to have very good ESG practices.

Tundra votes at general meetings, but this is only considered to be one contributing aspect of our advocacy.

Overall comments on the sustainability work of Tundra Fonder AB

Tundra's ESG work is characterised by the following:

- Evidence-based research to identify the key areas of ESG work for the sectors and countries in which we invest
- Regular meeting forums with our institutional investors
- Regular sustainability conferences with our portfolio companies, other listed local companies, voluntary organisations and representatives of government and regulators
- ESG questionnaire sent to all companies forming the basis of Tundra's ESG Rating System
- Collaborations with universities and researchers
- Contact with local NGOs, journalists and experts
- Separate sustainability report
- Case studies on our companies based on research and current events

More information about Tundra Fonder AB's sustainability work is available at:
<http://www.tundrafonder.se/sustainable/>

To read the complete Sustainability Report: <http://bit.ly/2WV4Qk6>