

Annual report

Tundra Frontier Africa Fund

515602-6261

January 1, 2019 – December 30, 2019



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

Management report

The Board of Directors and the CEO of Tundra Fonder AB, 556838-6303, hereby submit the Annual report for the period 2019-01-01 – 2019-12-31 for Tundra Pakistan Fund, 515602-4787.

The Fund's performance

Tundra Frontier Africa Fund rose 7,26% in 2019, underperforming the benchmark, MSCI EFM Africa ex South Africa Net, which rose 23,38% (all changes in SEK). The fund's holdings in Nigeria were the main positive contributor relative to the benchmark, while the underweights in Kenya and Morocco were the main negative contributors. On a sector level, the fund gained most relative to the benchmark from investments in Health Care and Materials, while the largest negative contributions came from the underweight in Telecom as well as poor performance within the Financials.

The Fund's net assets development

Assets under management at December 31st, 2019 amounted to SEK 59.2 million, which represents a decrease of SEK 48.5 million compared to SEK 107.7million at December 31st 2018. The value of issued fund shares amounted to SEK 60.0 million, while the value of redeemed fund shares amounted to SEK -115.2 million. The net issued amount hence amounted to SEK -55.2 million.

Market

Looking at the MSCI EFM ex South Africa Total Return Index, African equity markets peaked on the last day of trading in 2019, after a strong start in January and February but then mostly traded sideways throughout the year until November when it rallied into the new year and finished at +23,38%. The Swedish Krona weakened by 4% versus the USD in 2019, adding to the SEK return.

Among the best performing equity markets on the continent we find Zimbabwe (+62%), Kenya (+30%) and Morocco (+17%) while Zambia, Ghana and Nigeria were the worst performers in 2019, falling 20%, 19% and 5% respectively. Other markets of interest for the fund were Egypt (+16%) and Botswana (+6%) while Mauritius fell 1% (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 in the long term. The reforms taken had a negative impact on inflation which proved stickier than expected in the first half of 2019 and delayed the central bank interest rate cuts. After reducing rates by 1 percentage point in February, they were kept on hold until August and the following two meetings when rates were cut another 3.5 percentage points in total. We thus ended up with rates just 0.5 percentage points above the rate before the devaluation in November 2016. The outlook for 2020 is looking for more rate cuts which should lead to increased economic activity spurred by growing demand. We remain very optimistic about the potential in Egypt which is still not reflected in the current valuations. In Nigeria, pre-election optimism quickly turned into lacklustre disappointment as incumbent president Buhari was re-elected, mainly because of the slow reform pace seen during the last four years. The market temperature heated up towards the end of the year after the central bank changed the participation rules for the OMO auctions (Open Market Operations auctions) in October. Originally designed to mop up extra liquidity from the financial sector it became a hot investment alternative offering higher yields versus T-bills. Only local and foreign banks are now allowed to participate in the OMO-auctions and liquidity from maturing OMO-bills have since pushed down shorter term rates in the ordinary T-bill market to below 4% from the previous 14%-level. The equity market also witnessed increased demand, although not with the same strength. The macro outlook for Nigeria remains uninspiring, and expectations are very low. This is, however, more than well reflected in the current valuations and the risk to the upside is greater than to the downside but without any clear trigger the market will likely stay flattish.

South Africa also saw increased interest after Ramaphosa, who took over ANC when Zuma stepped down in February 2018, was formally elected president. The initial euphoria turned to worries as focus shifted back to the many challenges ahead for South Africa, the debt and production problems in state electricity provider Eskom and the potential downgrade of the country credit rating being the most important ones.

Kenya went on to become one of the best markets in Africa, led by telecom giant Safaricom. In an unexpected move president Kenyatta challenged the rate cap, introduced against his will in 2016, and won. The rate cap put a ceiling to what the banks could charge on the loans, but instead of making loans cheaper it effectively shut out SMEs and mid-sized companies from getting access to credit since the banks could no longer price the loans in line with the risk involved. This had a noticeable effect on economic growth, loan growth as well as the banks' profitability. With the rate cap gone, we expect things to gradually improve over the coming 1-2 years.

Fund management and outlook

We remain upbeat about the potential in Egypt. 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 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. The outlook for Kenya has improved but appears to be priced in as the risk to the currency remains as the double deficit remains as does the dependence on external financing. South Africa remains challenging and 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 Total Return (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 fund continues to have a large exposure to Nigeria where the currency market now functions much better compared to two years ago, and while we don't expect a return to the old system it cannot be ruled out yet. The economy is still vulnerable and international investors monitor the development closely. The adjustment of the Egyptian economy is still ongoing and the risk of setbacks is still high, but so is the potential return. Consumers, corporates and the government are still adapting to the new environment and the progress looks promising. Expectations on Kenya has again increased and investors' confidence can easily turn more skeptical should access to international capital markets worsen due to i.e. rising interest rates or rising speculation on a depreciation of the Kenyan Shilling.

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. To calculate the total exposure, the fund applies the so-called commitment approach on derivative instruments.

Financial overview

	AUM, SEK	NAV	No. of issued fund shares	Dividend	Total fund return, %	Benchmark return, %
2019-12-31	59 156 466	69,63	849 602,06	-	7,26	23,38
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 2017-05-28. MSCI EFM Africa ex ZA Total Return Index (SEK) after this.

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

Key performance indicators

2019-12-31

Risk & return

Standard deviation % ¹⁾	12,78
Standard deviation benchmark, % ²⁾	11,96
Tracking error % ³⁾	7,17
Active Share %	83,06
Average annual return last 2 years %	1,08
Average annual return last 5 years %	-4,38

Costs

Management fee, %	2,50
Performance fee, %	-
Transaction costs, SEK	803 792
Transaction costs, %	0,61
Research costs, SEK	60 913
Research costs, %	0,06
Ongoing charges %	2,63
Subscription and redemption fees	-

Turnover

Turnover	0,44
Trading with group companies	-

Management fees

Single investment of 10 000 SEK	266,19
Monthly investments of SEK 100/month	16,18

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>2019-01-01- 2019-12-31</i>	<i>2018-01-01- 2018-12-31</i>
Income and change in value			
Change in value, transferable securities		3 268 535	-19 174 155
Interest		43 496	127 161
Dividends		6 678 121	10 503 348
FX gains and losses, net		33 532	782 884
Other income		-	39 520
Total		10 023 684	-7 721 242
Costs			
Management fees			
Fees to the management company		-2 538 224	-5 515 257
Interest		-8 289	-60 470
Other costs		-874 794	-4 152 344
Total		-3 421 307	-9 728 071
Net result		6 602 377	-17 449 313

Balance sheet

<i>In SEK</i>	<i>Note</i>	<i>2019-12-31</i>	<i>2018-12-31</i>
Assets			
Transferable securities		58 153 181	98 176 977
Total	1	58 153 181	98 176 977
Bank accounts		1 654 427	11 091 783
Pre-paid expenses and accrued income		6 011	160 270
Total		59 813 619	109 429 030
Liabilities			
Accrued expenses and prepaid income		134 122	242 800
Other liabilities	2	523 031	1 497 602
Total		657 153	1 740 402
Total net asset	1,3	59 156 466	107 688 628

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 closing day. 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 2019-12-31.

Security

Sector	No. of shares	Market value	Portion %
Transferable securities			
Category 1			
EGYPT KUWAIT HOLDING CO SAE,	200 000	2 416 196	4,08
Materials		2 416 196	4,08
ELSEWEDY ELECTRIC CO, Egypten, EGP	300 000	1 963 432	3,32
Industrials		1 963 432	3,32
CAIRO INVESTMENT & REAL ESTA,	240 000	1 933 657	3,27
GB AUTO, Egypten, EGP	1 100 000	2 363 359	4,00
MM GROUP FOR INDUSTR, Egypten, EGP	220 000	1 342 233	2,27
ORIENTAL WEAVERS, Egypten, EGP	300 000	1 856 591	3,14
Consumer discretionary		7 495 840	12,67
JUHAYNA FOOD INDUSTRIES, Egypten,	275 000	1 380 767	2,33
OBOUR LAND FOR FOOD INDUSTRIES,	600 000	1 944 166	3,29
PZ CUSSONS GHANA, Ghana, GHS	750 000	467 369	0,79
UNILEVER ORD, Ghana, GHS	50 000	1 344 712	2,27
Consumer staples		5 137 014	8,68
CLEOPATRA HOSPIT, Egypten, EGP	700 000	2 378 538	4,02
EGYPTIAN INTERNATIONAL PHARM,	40 000	1 633 566	2,76
INTEGRATED DIAG, Jersey, USD	55 000	2 060 322	3,48
Healthcare		6 072 427	10,27
ACC BANK OF NIG ORD, Nigeria, NGN	13 500 000	3 390 845	5,73
COMMERCIAL INTL GDR, Egypten, USD	90 000	4 298 581	7,27
CREDIT AGRICOLE, Egypten, EGP	145 000	3 682 531	6,23
EQUITY BANK ORD, Kenya, KES	350 000	1 730 257	2,92
FBN HOLDINGS ORD, Nigeria, NGN	12 000 000	1 906 079	3,22
GHANA COMM BANK ORD, Ghana, GHS	135 000	1 106 928	1,87
GUARANTY TRT BNK ORD, Nigeria, NGN	5 400 000	4 142 236	7,00
KENYA COMM BK ORD, Kenya, KES	300 000	1 496 938	2,53
LETSHEGO, Botswana, BWP	2 168 204	1 359 505	2,30
MCB GROUP LTD ORD, Mauritius, MUR	20 000	1 643 836	2,78
STANBIC IBTC HOLDING, Nigeria, NGN	2 000 000	2 117 866	3,58
STANDARD CHARTED ORD, Ghana, GHS	20 067	605 502	1,02
UNITED BANK FOR AFRICA ORD,	13 000 000	2 400 679	4,06
ZENITH INTL BANK ORD, Nigeria, NGN	10 000 000	4 803 940	8,12
Financials		34 685 722	58,63
UMEME LTD, Uganda, KES	500 000	382 551	0,65
Energy		382 551	0,65
Total Category 1		58 153 181	98,30

Total transferable securities	58 153 181	98,30
Total securities	58 153 181	98,30
Other assets and liabilities	1 003 285	1,70
Total net asset value	59 156 466	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

	<i>2019-12-31</i>	<i>2018-12-31</i>
Accrued redemptions	408 944	1 323 758
Unregistered subscriptions	114 087	47 992
Other	-	125 852
Total	523 031	1 497 602

Note 3 Changes in net assets

	<i>2019-01-01- 2019-12-31</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	60 030 994	480 513 034
Redeemed fund units	-115 165 533	-464 709 362
Net result according to the income statement	6 602 377	-17 449 313
Net assets at year end	59 156 466	107 688 628

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/compliance/>

Benefits paid to all employees in 2019	Amount in SEK	Number of employees
Fixed salary	6 593 034	16
Variable remuneration to employees who are included in the number of employees and which have not been classified as special regulated staff	0	0
Total: Fixed salary and number of employees	6 593 034	16
Benefits paid to particular regulated staff 2019		
a) employees in senior strategic positions	2 339 339	2,5
b) employees with responsibility for control functions. Outsourced functions	0	0
c) risk takers	2 671 920	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 Frontier Africa Fund

Monitoring our sustainability work

Aspects of sustainability are considered in all of Tundra's funds. Through our internal ESG Rating system we interact with portfolio companies on a yearly basis. Questionnaires are sent to all portfolio companies throughout the four funds. Company information together with internal analysis constitutes the basis for an ESG-score for each company. In cases where specific issues are encountered separate meetings are being held. All companies that have responded to Tundra's questionnaire receive a feedback letter with their score and a detailed summary of their assessment. The results of the internal ESG rating system is presented in our annual sustainability report in April each year. Read more here: <http://bit.ly/2WV4Qk6>

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 is an example of projects initiated during the first half of 2019:

Nigeria:

Collaboration with one of the country's leading banks and a Swedish research institute on projects aimed at promoting women's entrepreneurship.

As an organisation, Tundra Fonder has in 2019 hosted a range of events and participated in international conferences related 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 with content for two panels.
- As an invited speaker, Tundra participated in a delegation to Hanoi, Vietnam, in May with Sweden's Trade Minister, where sustainability was a prevalent theme.
- In September Tundra participated in UN Global Compact's Leaders Week and CFA Society's 2nd Annual Climate and ESG Asset Owner Summit, both events in New York.

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.

To read the complete Sustainability Report for Tundra Sustainable Frontier Fund:

<http://bit.ly/2M7wVCf>

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.

Through our internal ESG rating system we are able to assess companies on a range of aspects pertaining to sustainability. Generally our investments are to be considered as long-term with an overall ambition to have a positive impact rather than to divest.

Overall comments on the sustainability work of Tundra Fonder AB

All of Tundra's funds take sustainability into account. We generally use the term Environmental, Social and Corporate Governance (ESG) in summarizing our work within sustainability. All three pillars of ESG are equally 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 efforts within ESG are characterised by an evidence-based approach to identify the most important areas for the sectors and the countries which we invest in. We host regular meeting forums with our institutional investors, with our portfolio companies, other listed local companies, civil society and representatives of governments and regulators.

More information about Tundra Fonder AB's sustainability work is available at:

<http://www.tundrafonder.se/sustainable/>