



Annual report

# **Tundra Pakistan Fund**

515602-4787

**January 1, 2019 – December 31, 2019**

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## 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 Pakistan Fund fell -15.81% (SEK) during 2019, versus the fund's benchmark which rose 13.47% (SEK).

### The fund's net assets development

Assets under management at December 31<sup>st</sup> 2019 amounted to SEK 159.8 million, which represents a decrease of SEK 128.9 million compared to SEK 288.7 million at December 31<sup>st</sup> 2018.

The value of issued fund shares for share class A amounted to SEK 97.1 million, SEK 0.2 million for share class C, SEK 56.0 million for share class D and SEK 1.1 million for share class F while the value of redeemed fund shares for share class A amounted to SEK -202.4 million, SEK -0.05 million for share class C, SEK -16.7 million for share class D and SEK -0.6 million for share class F.

The net issued amount hence amounted to SEK -105.2 million for share class A, SEK 0.01 million for share class C, SEK 39.3 million for share class D and SEK 0.5 million for share class F.

### Market development

2019 started on a weak note. Concerns about continued devaluation of the currency and the disappointment that the agreement on a support loan with the IMF was further delayed created a negative market climate. The uncertain investment climate in combination with the considerably weaker currency meant that the economy almost came to a complete halt in the first half of the year. The unrest in Kashmir created a last wave of forced selling during the beginning of August. However, decreasing imports combined with continued growth in exports meant that the current account balance gradually improved. This meant that the concern for continued currency weakening was alleviated, which entailed an inflow to the t-bill and bond markets from foreign investors. We also noted that Pakistan's extensive reform efforts were highlighted by the World Bank (among the top 10 in the world in terms of pace of reform in 2019). In early autumn, demand in some cyclical sectors, such as cement and steel, gradually improved. All in all, this meant that the stock market turned upward in August, despite the ongoing conflict with India regarding Kashmir.

### Fund management and outlook

The Tundra Pakistan Fund fell 15.81% (SEK) after fees, which was significantly worse than the fund's benchmark index<sup>1</sup> which rose 13.47% during the year. The main reason for the significant underperformance was the fund's overweight in cyclical shares in cement and steel going into 2019. In addition, significant outflows from the fund meant that the fund's positions in smaller companies performed particularly poorly as liquidity dried out. After the end of September, we note more normal market conditions, which provide the conditions for the fund to again generate alpha going forward. We believe that the market has now turned upwards and that a couple of years of more positive development are likely. Primary risks of a positive scenario are the conflict with India regarding Kashmir and that something should happen to Prime Minister Imran Khan.

### 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 IMI Net TR.

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,

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<sup>1</sup> The fund's benchmark index was changed from MSCI Pakistan Net TR (SEK) to MSCI Pakistan IMI Net TR (SEK) per closing 31/3. The change was undertaken as the fund's previous benchmark index had become too narrow (only 3 shares).

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. An additional risk is the ongoing conflict with India regarding the disputed territory of Kashmir. 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 2019. 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, %
2019-12-31	159 799 286	-	1 041 869,33	-	-	-
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 <sup>1)</sup>	-8,58 <sup>1)</sup>

<sup>1)</sup> 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, %
2019-12-31	-	152,16	599 922,16	-	-15,81	13,47
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) up to 2019-03-31, MSCI Pakistan IMI Net Total Return (SEK) after this.

<sup>2)</sup> 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, %
2019-12-31	-	14,45	1 553,01	-	-18,73	9,70
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) up to 2019-03-31, MSCI Pakistan IMI Net Total Return (EUR) after this.

<sup>3)</sup> 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, %
2019-12-31	-	16,57	423 010,47	-	-20,37	7,28
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) up to 2019-03-31, MSCI Pakistan IMI Net Total Return (USD) after this.

<sup>4)</sup> 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, %
2019-12-31	-	14,45	17 383,68	-	-18,73	9,70
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) up to 2019-03-31, MSCI Pakistan IMI Net Total Return (EUR) after this.

<sup>5)</sup> Refers to the period 2015-10-15 - 2015-12-31

**Refers to the period**

	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>	23,65	23,39	24,88	23,39
Standard deviation benchmark, % <sup>2)</sup>	26,77	26,00	26,55	26,00
Tracking error, % <sup>3)</sup>	12,71	12,56	12,56	12,56
Average annual return last 2 years, %	-21,77	-24,32	-26,78	-24,32
Average annual return last 5 years, %	-10,97	-12,97	-13,78	-15,97*

\* Inception date 2015-10-15

**Costs**

Management fee, %	2,50	2,50	2,50	2,50
Performance fee, %	-	-	-	-
Transaction costs, SEK	487 065	683	84 167	8 218
Transaction costs, %	0,15	0,17	0,20	0,18
Research costs, SEK	181 765	212	22 328	2 487
Research costs, %	0,10	0,13	0,12	0,14
Ongoing charges, %	2,67	2,79	2,79	2,79
Subscription and redemption fees, SEK	-	-	-	-

**Management fee**

Single investment of SEK 10 000	208,18	209,65	210,34	209,65
Monthly investments of SEK 100 / month	14,06	14,01	13,96	14,01

**Turnover**

	<b>2019</b>
Turnover	0,82
Trading with group companies	-

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>
<b>Income and change in value</b>			
Change in value, transferable securities		-65 115 358	-121 153 431
Interest		59 658	147 549
Dividends		3 806 099	12 387 137
FX gains and losses, net		-641 197	-4 561 693
Other income		-	2 592
<b>Total</b>		<b>-61 890 798</b>	<b>-113 177 846</b>
<b>Costs</b>			
Management fees			
Fees to the management company		-5 032 295	-11 963 286
Interest		-39 128	-44 413
Other financial costs		5 109 962	-5 148 162
Other costs	1	-1 811 691	-2 005 842
<b>Total</b>		<b>-1 773 152</b>	<b>-19 161 703</b>
<b>Net result</b>		<b>-63 663 950</b>	<b>-132 339 549</b>

## Balance sheet

<i>In SEK</i>	<i>Note</i>	<i>2019-12-31</i>	<i>2018-12-31</i>
<b>Assets</b>			
Transferable securities		155 040 237	248 975 648
<b>Total</b>	<b>2</b>	<b>155 040 237</b>	<b>248 975 648</b>
Bank accounts		3 335 080	15 775 775
Pre-paid expenses and accrued income		602 526	2 269 398
Other assets	<b>3</b>	5 604 658	32 282 825
<b>Total</b>		<b>164 582 501</b>	<b>299 303 646</b>
<b>Liabilities</b>			
Accrued expenses and prepaid income	<b>4</b>	436 673	5 808 448
Other liabilities	<b>5</b>	4 346 542	4 771 417
<b>Total</b>		<b>4 783 215</b>	<b>10 579 865</b>
<b>Total net assets</b>	<b>2,6</b>	<b>159 799 286</b>	<b>288 723 781</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 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.

### 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 31st 2019 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 0.95% 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

	2019-01-01- 2019-12-31	2018-01-01- 2018-12-31
Transaction costs main bank	155 650	103 950
Bank fees	9 134	4 857
Other fees	100	7 294
Capital gains tax	1 108 386	-1 747 090
Foreign tax, transferable securities	-92 239	1 751 301
Broker costs	579 708	1 797 893
Analysis cost	50 952	87 637
<b>Total</b>	<b>1 811 691</b>	<b>2 005 842</b>

### Note 2 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

OIL & GAS DEV ORD, Pakistan, PKR	910 000	7 830 371	4,90
PAK OIL FIELDS ORD, Pakistan, PKR	180 000	4 861 641	3,04
PAK PETROLEUM, Pakistan, PKR	894 000	7 412 704	4,64
PAK STATE OIL ORD, Pakistan, PKR	342 000	3 970 108	2,48
<b>Energy</b>		<b>24 074 825</b>	<b>15,07</b>
AMRELI STEELS LT, Pakistan, PKR	928 000	2 042 323	1,28
CENTURY PAPER & BOARD MILLS,	829 100	2 556 537	1,60
DG KHAN CEMENT ORD, Pakistan, PKR	1 125 000	5 051 740	3,16
ENGRO CORPORATION ORD, Pakistan,	345 100	7 203 668	4,51
FAUJI BIN QASIM ORD, Pakistan, PKR	807 500	953 010	0,60
INTERNATIONAL STEELS, Pakistan, PKR	632 500	2 213 804	1,39
LUCKY CEMENT ORD, Pakistan, PKR	460 000	11 914 678	7,46
MAPLE LEAF CMNT ORD, Pakistan, PKR	2 089 749	2 923 698	1,83
MUGHAL IRON & STEEL, Pakistan, PKR	822 000	2 037 655	1,28
PACKAGES ORD, Pakistan, PKR	78 450	1 891 288	1,18
PIONEER CEMENT ORD, Pakistan, PKR	1 299 500	2 395 569	1,50
TRI-PACK FILMS LTD, Pakistan, PKR	160 000	820 818	0,51
<b>Materials</b>		<b>42 004 788</b>	<b>26,29</b>
PAK ELEKTRON LTD, Pakistan, PKR	1 415 500	2 316 718	1,45
<b>Industrials</b>		<b>2 316 718</b>	<b>1,45</b>
GENERAL TYRE & RUBBER CO, Pakistan,	677 632	2 290 239	1,43
HUM NETWORK LTD, Pakistan, PKR	6 000 000	1 164 478	0,73
NISHAT MILLS ORD, Pakistan, PKR	700 000	4 469 274	2,80
<b>Consumer discretionary</b>		<b>7 923 991</b>	<b>4,96</b>

SHEZAN INTL ORD, Pakistan, PKR	34 579	1 070 428	0,67
<b>Consumer staples</b>		<b>1 070 428</b>	<b>0,67</b>
ABBOTT LABORATORIES, Pakistan, PKR	188 650	5 095 955	3,19
AGP LTD/PK, Pakistan, PKR	668 500	4 001 397	2,50
SHIFA HOSPITAL LTD, Pakistan, PKR	78 719	1 546 813	0,97
<b>Healthcare</b>		<b>10 644 165</b>	<b>6,66</b>
ADAMJEE INSUR ORD, Pakistan, PKR	826 000	2 117 488	1,33
BANK AL FALAH ORD, Pakistan, PKR	1 737 000	4 799 445	3,00
EFU LIFE, Pakistan, PKR	45 000	620 329	0,39
HABIB BANK LTD ORD, Pakistan, PKR	1 115 000	10 612 307	6,64
M C B ORD, Pakistan, PKR	545 000	6 753 023	4,23
MEEZAN BANK, Pakistan, PKR	1 206 000	6 936 491	4,34
NATIONAL BANK OF PAKISTAN,	1 100 000	2 879 755	1,80
UNITED BANK LTD ORD, Pakistan, PKR	1 051 100	10 485 835	6,56
<b>Financials</b>		<b>45 204 674</b>	<b>28,29</b>
SYSTEMS LTD, Pakistan, PKR	720 500	5 401 703	3,38
<b>IT</b>		<b>5 401 703</b>	<b>3,38</b>
HUB POWER COMPANY, Pakistan, PKR	2 148 810	12 127 949	7,59
KARACHI ELECTRIC ORD, Pakistan, PKR	6 992 500	1 847 519	1,16
<b>Utilities</b>		<b>13 975 468</b>	<b>8,75</b>
TPL PROPERTIES LTD, Pakistan, PKR	2 497 877	906 144	0,57
<b>Real estate</b>		<b>906 144</b>	<b>0,57</b>
<b>Total Category 1</b>		<b>153 522 903</b>	<b>96,07</b>
<b>Category 7</b>			
DAEWOO PAK EXPRESS, Pakistan, PKR	6 121 000	1 517 334	0,95
<b>Consumer discretionary</b>		<b>1 517 334</b>	<b>0,95</b>
<b>Total Category 7</b>		<b>1 517 334</b>	<b>0,95</b>
<b>Total transferable securities</b>		<b>155 040 237</b>	<b>97,02</b>
<b>Total securities</b>		<b>155 040 237</b>	<b>97,02</b>
<b>Other assets and liabilities</b>		<b>4 759 049</b>	<b>2,98</b>
<b>Total net assets</b>		<b>159 799 286</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>2019-12-31</i>	<i>2018-12-31</i>
Unsettled sold securities	5 604 658	31 267 618
Accrued FX		1 015 198
Other	-	9
<b>Total</b>	<b>5 604 658</b>	<b>32 282 825</b>

**Note 4 Accrued expenses and prepaid income**

	<i>2019-12-31</i>	<i>2018-12-31</i>
Accrued management fee	342 002	666 627
Accrued withholding tax	90 379	340 410
Accrued foreign tax on securities	1	-
Accrued analysis costs	4 291	19 387
Accrued, other financial costs	-	4 782 024
<b>Total</b>	<b>436 673</b>	<b>5 808 448</b>

**Note 5 Other liabilities**

	<i>2019-12-31</i>	<i>2018-12-31</i>
Accrued redemptions	3 919 225	4 720 833
Unregistered subscriptions	427 317	50 350
Other		233
<b>Total</b>	<b>4 346 542</b>	<b>4 771 416</b>

**Note 6 Change 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	288 723 781	459 927 896
	288 723 781	459 927 896
<b>Share class A SEK</b>		
Issued fund units	97 140 992	290 955 593
Redeemed fund units	-202 367 049	-302 483 662
<b>Total</b>	<b>-105 226 057</b>	<b>-11 528 069</b>
<b>Share class C EUR</b>		
Issued fund units	174 124	-
Redeemed fund units	-49 114	-213 680
<b>Total</b>	<b>125 010</b>	<b>-213 680</b>
<b>Share class D USD</b>		
Issued fund units	56 017 342	5 576 938
Redeemed fund units	-16 693 217	-9 808 075
<b>Total</b>	<b>39 324 125</b>	<b>-4 231 137</b>
<b>Share class F EUR</b>		
Issued fund units	1 076 980	-
Redeemed fund units	-560 603	-22 891 680
<b>Total</b>	<b>516 377</b>	<b>-22 891 680</b>
Net result according to the income statement	-63 663 950	-132 339 549
<b>Net assets at year end</b>	<b>159 799 286</b>	<b>288 723 781</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/compliance/>

<b>Benefits paid to all employees in 2019</b>	<b>Amount in SEK</b>	<b>Number of employees</b>
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
<b>Benefits paid to particular regulated staff 2019</b>		
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 Tundra Pakistan 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 a project initiated during 2019:

Pakistan:

- Initiator of a project within Waste to Energy in collaboration with representatives of government, academia and large organisations in the energy sector locally.
- Collaboration with UNDP Pakistan in a project aiming to encourage listed companies reporting on Agenda 2030 and sustainability.

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 summarising 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/>