

Annual Report

# **Tundra Sustainable Frontier Fund**

515602-4803

**January 1, 2019- December 31, 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 Sustainable Frontier Fund, 515602-4803.

### The fund's performance

Tundra Sustainable Frontier Fund rose by 6.42% in 2019, underperforming the benchmark index which rose by 12.95% in the same period.

### The fund's net assets development

Assets under management at December 31<sup>st</sup> 2019 amounted to SEK 1 306.8 million, which represents a decrease of SEK 246 million compared to SEK 1 552.8 million at December 31<sup>st</sup> 2018.

The value of issued fund shares for share class A amounted to SEK 130.9 million, SEK 2.9 million for share class C, SEK 162.1 million for share class D, SEK 19.8 million for share class E and SEK 1.3 million for share class F while the value of redeemed fund shares for share class A amounted to SEK -515.6 million, SEK -8.8 million for share class C, SEK -124.0 million for share class D, SEK -7.3 million for share class E and SEK -2.5 million for share class F.

The net issued amount hence amounted to SEK -384.7 million for share class A, SEK -5.9 million for share class C, SEK 38.0 million for share class D, SEK 12.5 million for share class E and SEK -1.2 million for share class F.

### Market development

Frontier markets as a group performed relatively well, increasing 12.95% during the year. Several smaller markets, such as Kenya, Romania, Slovenia and Lithuania, were among the winners with gains of around 50% or more. Among poorer markets were Bangladesh and Nigeria, both of which fell more than 10% during the year. It is worth noting that the market upswing was concentrated primarily to the largest index shares. We believe this is a sign that investors are still cautious about the asset class after several years of turbulent development.

### Fund management and outlook

The Tundra Sustainable Frontier Fund rose 6.42% in SEK after fees in 2019. The fund underperformed its benchmark index which rose 12.95%. The main reason why the fund underperformed its benchmark index was our overweight in Bangladesh and underweight in Kenya, Argentina and Romania. Going into 2019 we are cautiously optimistic. Two of the fund's more important markets, Pakistan and Sri Lanka, are expected to implement comprehensive reform programs in the coming years and now appear to have turned upwards after a long period of weak development. The valuations across our markets are historically very low. The fund's relatively higher share in small and medium-sized companies was a drag on performance in 2019, which means the likelihood for better performance in 2020 is relatively high.

### Objectives and investment policy

The objective of the fund is to provide financial exposure to economic development in emerging markets and frontier markets and to provide its unit holders with a maximum long-term return on their investment.

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). The fund does not invest in companies with an exposure exceeding five percent (defined as percent of total turnover) to sectors such as alcohol, pornography, tobacco, weapon, genetically modified crops, commercial gambling, extraction/production where the raw material mainly consist of fossil fuels or nuclear power. Companies that are involved in controversial weapons are 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 does not hedge its currency exposure, which may affect the return in SEK in the case frontier market currencies depreciate. Many frontier market central banks peg their currencies to the USD, which creates an indirect link also to the USD where a weak USD may affect the fund return negatively and vice versa. In addition, an adverse political development in any of the fund's main markets may negatively affect the return.

**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 | 1 306 761 367 | -   | 7 123 118,81              | -        | -                    | -                   |
| 2018-12-31 | 1 552 755 853 | -   | 8 993 095,34              | -        | -                    | -                   |
| 2017-12-31 | 1 087 438 063 | -   | 5 769 450,10              | -        | -                    | -                   |
| 2016-12-31 | 439 046 053   | -   | 2 641 116,78              | -        | -                    | -                   |
| 2015-12-31 | 345 307 931   | -   | 2 379 389,86              | -        | -                    | -                   |
| 2014-12-31 | 916 615 995   | -   | 6 032 099,74              | -        | -                    | -                   |
| 2013-12-31 | 253 860 513   | -   | 2 154 423,88              | -        | -                    | -                   |

### Share class A SEK

|            | AUM, SEK | NAV    | No. of issued fund shares | Dividend | Total fund return, % | Benchmark-return, % |
|------------|----------|--------|---------------------------|----------|----------------------|---------------------|
| 2019-12-31 | -        | 183,84 | 6 055 521,90              | -        | 6,42                 | 12,95               |
| 2018-12-31 | -        | 172,75 | 8 205 814,31              | -        | -8,43                | -16,85              |
| 2017-12-31 | -        | 188,65 | 5 080 492,27              | -        | 13,50                | 24,28               |
| 2016-12-31 | -        | 166,21 | 2 439 445,94              | -        | 14,55                | 10,61               |
| 2015-12-31 | -        | 145,10 | 2 178 908,18              | -        | -4,51                | -6,83               |
| 2014-12-31 | -        | 151,96 | 5 964 830,02              | -        | 28,95                | 17,33               |
| 2013-12-31 | -        | 117,84 | 2 113 195,82              | -        | 17,84 <sup>1)</sup>  | 10,95 <sup>1)</sup> |

Benchmark index: Previously MSCI INT FM EX GCC N (SEK) and from 2017-11-06 MSCI FM xGCC IMI Net Total Return Index (SEK) up to 2019-04-30, MSCI Frontier Markets xGCC Net Total Return Index after this.

<sup>1)</sup> Refers to the period 2013-04-02 - 2013-12-31

### Share class C EUR

|            | AUM | NAV   | No. of issued fund shares | Dividend | Total fund return, % | Benchmark return, % |
|------------|-----|-------|---------------------------|----------|----------------------|---------------------|
| 2019-12-31 | -   | 17,46 | 226 227,25                | -        | 2,52                 | 9,19                |
| 2018-12-31 | -   | 17,03 | 254 462,12                | -        | -11,49               | -19,42              |
| 2017-12-31 | -   | 19,24 | 186 633,35                | -        | 10,57                | 20,96               |
| 2016-12-31 | -   | 17,40 | 188 378,80                | -        | 9,71                 | 5,92                |
| 2015-12-31 | -   | 15,86 | 187 189,64                | -        | -1,49                | -4,20               |
| 2014-12-31 | -   | 16,10 | 67 269,72                 | -        | 21,33                | 10,23               |
| 2013-12-31 | -   | 13,27 | 41 228,06                 | -        | 5,40 <sup>2)</sup>   | 2,06 <sup>2)</sup>  |

Benchmark index : Previously MSCI INT FM EX GCC N (EUR) and from 2017-11-06 MSCI FM xGCC IMI Net Total Return Index (EUR) up to 2019-04-30, MSCI Frontier Markets xGCC Net Total Return Index (EUR) after this.

<sup>2)</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 | -        | 18,95 | 402 791,51                | -        | 0,32                 | 6,78                 |
| 2018-12-31 | -        | 18,89 | 155 710,25                | -        | -15,29               | -22,97               |
| 2017-12-31 | -        | 22,30 | 199 940,70                | -        | 25,85                | 38,00                |
| 2016-12-31 | -        | 17,72 | 6 902,26                  | -        | 6,24                 | 2,52                 |
| 2015-12-31 | -        | 16,68 | 6 902,26                  | -        | -11,79 <sup>3)</sup> | -13,61 <sup>3)</sup> |

Benchmark index: Previously MSCI INT FM EX GCC N (USD) and from 2017-11-06 MSCI FM xGCC IMI Net Total Return Index (SEK) up to 2019-04-30 and MSCI Frontier Markets xGCC Net Total Return Index (USD) after this.

<sup>3)</sup> Refers to the period 2015-04-10 - 2015-12-31.

#### Share class E NOK

|            | AUM, SEK | NAV    | No. of issued fund shares | Dividend | Total fund return, % | Benchmark-return, % |
|------------|----------|--------|---------------------------|----------|----------------------|---------------------|
| 2019-12-31 | -        | 172,28 | 367 434,32                | -        | 2,23                 | 8,50                |
| 2018-12-31 | -        | 168,52 | 298 750,37                | -        | -10,74               | -17,99              |
| 2017-12-31 | -        | 188,80 | 254 101,95                | -        | 20,47 <sup>4)</sup>  | 29,65 <sup>4)</sup> |

Benchmark index: Previously MSCI INT FM EX GCC N (NOK) up to 2017-11-06, then MSCI FM xGCC IMI Net Total Return Index (NOK) and since 2019-05-01 MSCI Frontier Markets xGCC Net Total Return Index (NOK).

<sup>4)</sup> Refers to the period 2017-01-05 - 2017-12-31.

Share class F EUR

|            | AUM, SEK | NAV   | No. of issued fund shares | Dividend | Total fund return, % | Benchmark-return, % |
|------------|----------|-------|---------------------------|----------|----------------------|---------------------|
| 2019-12-31 | -        | 17,42 | 71 143,83                 | -        | 2,53                 | 9,19                |
| 2018-12-31 | -        | 16,99 | 78 358,29                 | -        | -11,69               | -19,42              |
| 2017-12-31 | -        | 19,24 | 48 281,83                 | -        | 10,57                | 20,96               |
| 2016-12-31 | -        | 17,40 | 6 389,78                  | -        | 9,71                 | 5,92                |
| 2015-12-31 | -        | 15,86 | 6 389,78                  | -        | 1,34 <sup>5)</sup>   | 2,88 <sup>5)</sup>  |

Benchmark index: Previously MSCI INT FM EX GCC N (EUR) up to 2017-11-06, MSCI FM xGCC IMI Net Total Return Index (EUR) after this. MSCI Frontier Markets xGCC Net Total Return Index (EUR) since 2019-05-01

<sup>5)</sup> Refers to the period 2015-10-16 - 2015-12-31.

Key performance indicators

|                | Share class A SEK | Share class C EUR | Share class D USD | Share class E NOK | Share class F EUR |
|----------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Inception date | 2013-04-02        | 2013-06-12        | 2015-04-10        | 2017-01-05        | 2015-10-16        |

Risk & return

|  |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|
| Standard deviation % <sup>1)</sup>             | 13,45 | 11,15 | 12,74 | 11,36 | 11,15 |
| Standard deviation, benchmark, % <sup>2)</sup> | 12,65 | 11,25 | 13,72 | 11,09 | 11,25 |
| Tracking error % <sup>3)</sup>                 | 11,72 | 11,86 | 11,78 | 11,63 | 12,37 |
| Average annual return last 2 years, %          | -1,28 | -4,74 | -7,82 | -4,48 | -4,85 |
| Average annual return last 5 years, %          | 3,88  | 1,64  | 0,04  | 3,22  | 4,65  |

Costs

|                                     |           |        |         |         |        |
|-------------------------------------|-----------|--------|---------|---------|--------|
| Management fee, %                   | 2,50      | 2,50   | 2,50    | 2,50    | 2,50   |
| Performance fee, %                  | -         | -      | -       | -       | -      |
| Transaction costs, SEK              | 2 522 115 | 79 203 | 105 371 | 115 013 | 27 796 |
| Transaction costs, %                | 0,36      | 0,36   | 0,35    | 0,35    | 0,36   |
| Research costs, SEK                 | 561 047   | 18 061 | 24 934  | 27 120  | 6 316  |
| Research costs, %                   | 0,05      | 0,03   | 0,04    | 0,04    | 0,05   |
| Ongoing charges, %                  | 2,55      | 2,55   | 2,55    | 2,55    | 2,55   |
| Subscription and redemption fees, % | -         | -      | -       | -       | -      |

**Management fee**

|   |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|
| Single investment of SEK<br>10 000        | 256,63 | 253,64 | 276,55 | 279,50 | 257,78 |
| Monthly investments of<br>SEK 100 / month | 16,04  | 15,95  | 15,85  | 16,07  | 15,95  |

**Turnover**

**2019**

|                                 |      |
|---------------------------------|------|
| Turnover                        | 0,17 |
| Trading with group<br>companies | -    |

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

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

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

## Income statement

| <i>In SEK</i>                            | <i>Note</i> | <i>2019-01-01-<br/>2019-12-31</i> | <i>2018-01-01-<br/>2018-12-31</i> |
|--|-------------|-----------------------------------|-----------------------------------|
| <b>Income and change in value</b>        |             |                                   |                                   |
| Change in value, transferable securities |             | 79 368 433                        | -223 168 149                      |
| Interest                                 |             | 288 727                           | 406 616                           |
| Dividends                                |             | 48 104 957                        | 49 056 578                        |
| FX gains and losses, net                 |             | 5 591 334                         | 636 062                           |
| Other income                             |             | 16                                | 3 850                             |
| <b>Total</b>                             |             | <b>133 353 467</b>                | <b>-173 065 043</b>               |
| <b>Costs</b>                             |             |                                   |                                   |
| Management fees                          |             |                                   |                                   |
| Fees to the management company           |             | -35 019 109                       | -42 021 272                       |
| Interest                                 |             | -133 197                          | -228 013                          |
| Other financial costs                    |             | 2 862 747                         | -2 884 461                        |
| Other costs                              | 1           | -5 754 547                        | -9 188 744                        |
| <b>Total</b>                             |             | <b>-38 044 106</b>                | <b>-54 322 490</b>                |
| <b>Net result</b>                        |             | <b>95 309 361</b>                 | <b>-227 387 533</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              |             | 1 277 629 994        | 1 515 188 809        |
| <b>Total</b>                         | <b>2</b>    | <b>1 277 629 994</b> | <b>1 515 188 809</b> |
| Bank accounts                        |             | 32 546 582           | 33 061 479           |
| Pre-paid expenses and accrued income | <b>3</b>    | 3 627 797            | 3 847 016            |
| Other assets                         | <b>4</b>    | -                    | 17 025 416           |
| <b>Total</b>                         |             | <b>1 313 804 373</b> | <b>1 569 122 720</b> |
| <b>Liabilities</b>                   |             |                      |                      |
| Accrued expenses and prepaid income  |             | 4 067 214            | 6 498 755            |
| Other liabilities                    | <b>5</b>    | 2 975 792            | 9 868 112            |
| <b>Total</b>                         |             | <b>7 043 006</b>     | <b>16 366 867</b>    |
| <b>Total net assets</b>              | <b>2,6</b>  | <b>1 306 761 367</b> | <b>1 552 755 853</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 Funds 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 Funds have 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 Funds 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 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 Sustainable Frontier 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 0.04% 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 fund. 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 fund 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 Fund and any future major redemption from the Fund 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 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).

There is also a very small holding of an unlisted real estate company, An Phu, in the Tundra Vietnam Fund which was obtained through a dividend in a previous holding. It is thus not an active purchase.

#### **Key performance indicators**

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

## Notes

### Note 1 Other costs

|                                      | 2019-01-01-<br>2019-12-31 | 2018-01-01-<br>2018-12-31 |
|--------------------------------------|---------------------------|---------------------------|
| Transaction costs main bank          | 113 150                   | 177 557                   |
| Bank fees                            | 7 504                     | 50 078                    |
| Other fees                           | 3 014                     | 2 981                     |
| Cost for drawback                    | 0                         | 46 950                    |
| Capital gains tax                    | 2 115 657                 | -3 899 954                |
| Foreign tax, transferable securities | 141 396                   | 5 207 964                 |
| Broker costs                         | 2 996 663                 | 7 326 093                 |
| Analysis cost                        | 377 163                   | 277 075                   |
| <b>Total</b>                         | <b>5 754 547</b>          | <b>9 188 744</b>          |

### Note 2 Financial instruments

The following financial instruments were held as of 2019-12-31.

#### Securities

| Sector                              | No. of shares | Market value       | Portion %    |
|-------------------------------------|---------------|--------------------|--------------|
| Transferable securities             |               |                    |              |
| <b>Category 1</b>                   |               |                    |              |
| CENTURY PAPER & BOARD MILLS,        | 1 500 000     | 4 625 263          | 0,35         |
| DG KHAN CEMENT ORD, Pakistan, PKR   | 10 500 000    | 47 149 571         | 3,61         |
| HOA PHAT GROUP JSC, Vietnam, VND    | 2 024 060     | 19 223 009         | 1,47         |
| HOA SEN GROUP, Vietnam, VND         | 7 139 000     | 22 532 975         | 1,72         |
| LUCKY CEMENT ORD, Pakistan, PKR     | 1 110 000     | 28 750 636         | 2,20         |
| TOKYO CEMENT ORD TR, Sri Lanka, LKR | 7 888 114     | 16 048 717         | 1,23         |
| TRI-PACK FILMS LTD, Pakistan, PKR   | 833 700       | 4 276 975          | 0,33         |
| <b>Materials</b>                    |               | <b>142 607 145</b> | <b>10,91</b> |
| ACCESS ENGINEERING P, Sri Lanka,    | 18 282 027    | 20 580 302         | 1,57         |
| ACL CABLES PLC, Sri Lanka, LKR      | 5 544 156     | 16 576 198         | 1,27         |
| AIRPORTS CORP OF, Vietnam, VND      | 552 300       | 16 740 423         | 1,28         |
| ELSEWEDY ELECTRIC CO, Egypten, EGP  | 3 814 039     | 24 962 027         | 1,91         |
| HEMAS HOLDINGS PLC, Sri Lanka, LKR  | 4 001 928     | 16 821 495         | 1,29         |
| PAK ELEKTRON LTD, Pakistan, PKR     | 5 000 000     | 8 183 391          | 0,63         |
| <b>Industrials</b>                  |               | <b>103 863 835</b> | <b>7,95</b>  |
| CAIRO INVESTMENT & REAL ESTA,       | 2 805 000     | 22 599 616         | 1,73         |
| GB AUTO, Egypten, EGP               | 21 586 135    | 46 377 978         | 3,55         |
| GENERAL TYRE & RUBBER CO, Pakistan, | 324 000       | 1 095 045          | 0,08         |
| HUM NETWORK LTD, Pakistan, PKR      | 27 836 000    | 5 402 402          | 0,41         |
| IFAD AUTOS LTD, Bangladesh, BDT     | 2 930 384     | 14 938 230         | 1,14         |
| SAIGON GENERAL SERVI, Vietnam, VND  | 913 520       | 15 875 106         | 1,21         |

| Consumer discretionary              |             | 106 288 376 | 8,13  |
|-------------------------------------|-------------|-------------|-------|
| CARGILLS CEYLON ORD, Sri Lanka, LKR | 2 609 579   | 26 007 504  | 1,99  |
| JUHAYNA FOOD INDUSTRIES, Egypten,   | 476 049     | 2 390 227   | 0,18  |
| KIDO FROZEN FOODS, Vietnam, VND     | 1 820 700   | 23 472 492  | 1,80  |
| MASAN GROUP CORP, Vietnam, VND      | 823 650     | 18 807 076  | 1,44  |
| NESTLE LANKA PLC, Sri Lanka, LKR    | 98 293      | 6 534 927   | 0,50  |
| OBOUR LAND FOR FOOD INDUSTRIES,     | 3 700 000   | 11 989 023  | 0,92  |
| SHEZAN INTL ORD, Pakistan, PKR      | 310 000     | 9 596 363   | 0,73  |
| Consumer staples                    |             | 98 797 612  | 7,56  |
| ABBOTT LABORATORIES, Pakistan, PKR  | 200 000     | 5 402 549   | 0,41  |
| ACTIVE FINE CHEMICAL, Bangladesh,   | 7 458 000   | 12 096 851  | 0,93  |
| AGP LTD/PK, Pakistan, PKR           | 3 215 500   | 19 246 809  | 1,47  |
| ASIRI HOSPITALS, Sri Lanka, LKR     | 30 000 000  | 30 982 907  | 2,37  |
| BEXIMCO PHARMACEUTICALS LTD,        | 3 500 000   | 26 801 565  | 2,05  |
| BEXIMCO-GDR REGS, Bangladesh, GBP   | 525 000     | 2 932 593   | 0,22  |
| EGYPTIAN INTERNATIONAL PHARM,       | 628 750     | 25 677 623  | 1,96  |
| FEROZESONS LABORATORIES, Pakistan,  | 551 600     | 7 003 555   | 0,54  |
| MLP SAGLIK HIZMETLERI AS, TURKIET,  | 2 303 363   | 58 007 894  | 4,44  |
| SHIFA HOSPITAL LTD, Pakistan, PKR   | 180 000     | 3 536 966   | 0,27  |
| SQUARE PHAR ORD, Bangladesh, BDT    | 1 633 409   | 34 243 739  | 2,62  |
| Healthcare                          |             | 225 933 051 | 17,29 |
| ACC BANK OF NIG ORD, Nigeria, NGN   | 205 000 000 | 51 490 616  | 3,94  |
| ADAMJEE INSUR ORD, Pakistan, PKR    | 5 831 000   | 14 948 029  | 1,14  |
| BANK AL FALAH ORD, Pakistan, PKR    | 3 536 500   | 9 771 582   | 0,75  |
| BRAC BANK LTD, Bangladesh, BDT      | 4 138 497   | 26 074 224  | 2,00  |
| CEYLINCO INSURANCE-NON VOTIN, Sri   | 289 700     | 12 564 551  | 0,96  |
| COMMERCIAL BANK OF CEYLON PLC, Sri  | 2 675 878   | 13 126 859  | 1,00  |
| CREDIT AGRICOLE, Egypten, EGP       | 709 798     | 18 026 571  | 1,38  |
| EFU LIFE, Pakistan, PKR             | 120 000     | 1 654 212   | 0,13  |
| GUARANTY TRT BNK ORD, Nigeria, NGN  | 44 000 000  | 33 751 552  | 2,58  |
| HATTON NATIONAL BANK PLC, Sri       | 1 339 428   | 12 034 818  | 0,92  |
| LETSHEGO, Botswana, BWP             | 13 201 581  | 8 277 640   | 0,63  |
| LIEN VIET POST JOINT, Vietnam, VND  | 11 160 254  | 34 729 211  | 2,66  |
| MEEZAN BANK, Pakistan, PKR          | 5 500 000   | 31 634 080  | 2,42  |
| NATIONAL BANK OF PAKISTAN,          | 14 850 000  | 38 876 698  | 2,98  |
| SAMPATH BANK ORD, Sri Lanka, LKR    | 1 994 530   | 16 736 508  | 1,28  |
| STANBIC IBTC HOLDING, Nigeria, NGN  | 13 530 509  | 14 327 902  | 1,10  |
| UNITED BANK FOR AFRICA ORD,         | 219 965 430 | 40 620 484  | 3,11  |
| UNITED BANK LTD ORD, Pakistan, PKR  | 2 896 000   | 28 890 664  | 2,21  |
| ZENITH INTL BANK ORD, Nigeria, NGN  | 90 000 000  | 43 235 459  | 3,31  |
| Financials                          |             | 450 771 660 | 34,50 |
| FPT CORP, Vietnam, VND              | 3 053 074   | 85 136 646  | 6,52  |
| SYSTEMS LTD, Pakistan, PKR          | 7 599 850   | 56 977 282  | 4,36  |
| IT                                  |             | 142 113 928 | 10,88 |
| TPL PROPERTIES LTD, Pakistan, PKR   | 18 325 135  | 6 647 731   | 0,51  |

|                                      |           |                      |               |
|--------------------------------------|-----------|----------------------|---------------|
| <b>Real estate</b>                   |           | <b>6 647 731</b>     | <b>0,51</b>   |
| <b>Total Category 1</b>              |           | <b>1 277 023 339</b> | <b>97,72</b>  |
| <b>Category 7</b>                    |           |                      |               |
| DAEWOO PAK EXPRESS, Pakistan, PKR    | 2 171 000 | 538 169              | 0,04          |
| <b>Consumer discretionary</b>        |           | <b>538 169</b>       | <b>0,04</b>   |
| AN PHU REAL ESTATE, Vietnam, VND     | 16 946    | 68 485               | 0,01          |
| <b>Real estate</b>                   |           | <b>68 485</b>        | <b>0,01</b>   |
| <b>Total Category 7</b>              |           | <b>606 654</b>       | <b>0,05</b>   |
| <b>Total transferable securities</b> |           | <b>1 277 629 993</b> | <b>97,77</b>  |
| <b>Total securities</b>              |           | <b>1 277 629 993</b> | <b>97,77</b>  |
| <b>Other assets and liabilities</b>  |           | <b>29 131 373</b>    | <b>2,23</b>   |
| <b>Total net assets</b>              |           | <b>1 306 761 367</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 Accrued expenses and prepaid income**

|                   | <i>2019-12-31</i> | <i>2018-12-31</i> |
|-------------------|-------------------|-------------------|
| Accrued dividends | 3 296 179         | 2 553 783         |
| Deferred taxes    | 331 618           | 1 293 233         |
| <b>Total</b>      | <b>3 627 797</b>  | <b>3 847 016</b>  |

**Note 4 Other assets**

|                           | <i>2019-12-31</i> | <i>2018-12-31</i> |
|---------------------------|-------------------|-------------------|
| Unsettles sold securities | -                 | 17 025 083        |
| Other                     | -                 | 333               |
| <b>Total</b>              | <b>-</b>          | <b>17 025 416</b> |

**Note 5 Other liabilities**

|                            | <i>2019-12-31</i> | <i>2018-12-31</i> |
|----------------------------|-------------------|-------------------|
| Accrued redemptions        | 2 975 792         | 9 581 396         |
| Unregistered subscriptions | -                 | 286 518           |
| Other                      | -                 | 198               |
| <b>Total</b>               | <b>2 975 792</b>  | <b>9 868 112</b>  |

**Note 6 Change in net assets**

|  | <i>2019-01-01-<br/>2019-12-31</i> | <i>2018-01-01-<br/>2018-12-31</i> |
|--|-----------------------------------|-----------------------------------|
| Net assets at the start of the year          | 1 552 755 853                     | 1 087 438 063                     |
| <b>Share class A SEK</b>                     |                                   |                                   |
| Issued fund units                            | 130 892 493                       | 1 161 020 123                     |
| Redeemed fund units                          | -515 625 336                      | -484 780 535                      |
| Addition through merger                      | -                                 | -                                 |
| <b>Total</b>                                 | <b>-384 732 843</b>               | <b>676 239 588</b>                |
| <b>Share class C EUR</b>                     |                                   |                                   |
| Issued fund units                            | 2 907 104                         | 25 534 916                        |
| Redeemed fund units                          | -8 793 703                        | -12 837 831                       |
| <b>Total</b>                                 | <b>-5 886 599</b>                 | <b>12 697 085</b>                 |
| <b>Share class D USD</b>                     |                                   |                                   |
| Issued fund units                            | 162 085 335                       | 28 506 147                        |
| Redeemed fund units                          | -124 044 725                      | -39 873 281                       |
| <b>Total</b>                                 | <b>38 040 610</b>                 | <b>-11 367 134</b>                |
| <b>Share class E NOK</b>                     |                                   |                                   |
| Issued fund units                            | 19 770 402                        | 16 367 501                        |
| Redeemed fund units                          | -7 303 175                        | -7 654 118                        |
| <b>Total</b>                                 | <b>12 467 227</b>                 | <b>8 713 383</b>                  |
| <b>Share class F EUR</b>                     |                                   |                                   |
| Issued fund units                            | 1 322 700                         | 7 264 386                         |
| Redeemed fund units                          | -2 514 942                        | -841 985                          |
| <b>Total</b>                                 | <b>-1 192 242</b>                 | <b>6 422 401</b>                  |
| Net result according to the income statement | 95 309 361                        | -227 387 533                      |
| <b>Net assets at year end</b>                | <b>1 306 761 367</b>              | <b>1 552 755 853</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:

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

| <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 Sustainable Frontier 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 are examples of projects 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.

#### Vietnam:

- Collaboration with UNDP Vietnam introducing an environmental index for launch to portfolio companies.
- Planning for collaboration with the ILO on training in workers' rights directed at large organisations and listed companies.

#### Nigeria:

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

#### Sri Lanka:

- Collaboration with the Colombo Stock Exchange on training and development of sustainability guidelines for listed companies.

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.

As for the Tundra Sustainable Frontier Fund, there are additional exclusion criteria with restrictions to invest in companies that are involved in:

- Extraction of fossil fuels or production where the raw material consists largely of fossil fuels
- Tobacco production
- Production of pornographic material
- In addition, the fund does not invest in companies that have more than 5% of their total sales involved with:
  - o Distribution of tobacco products
  - o Alcohol (production/distribution)
  - o Weapons and defence materiel
  - o Commercial gambling activities
  - o Distribution of pornographic material
  - o Genetically modified crops (GMOs)

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/>