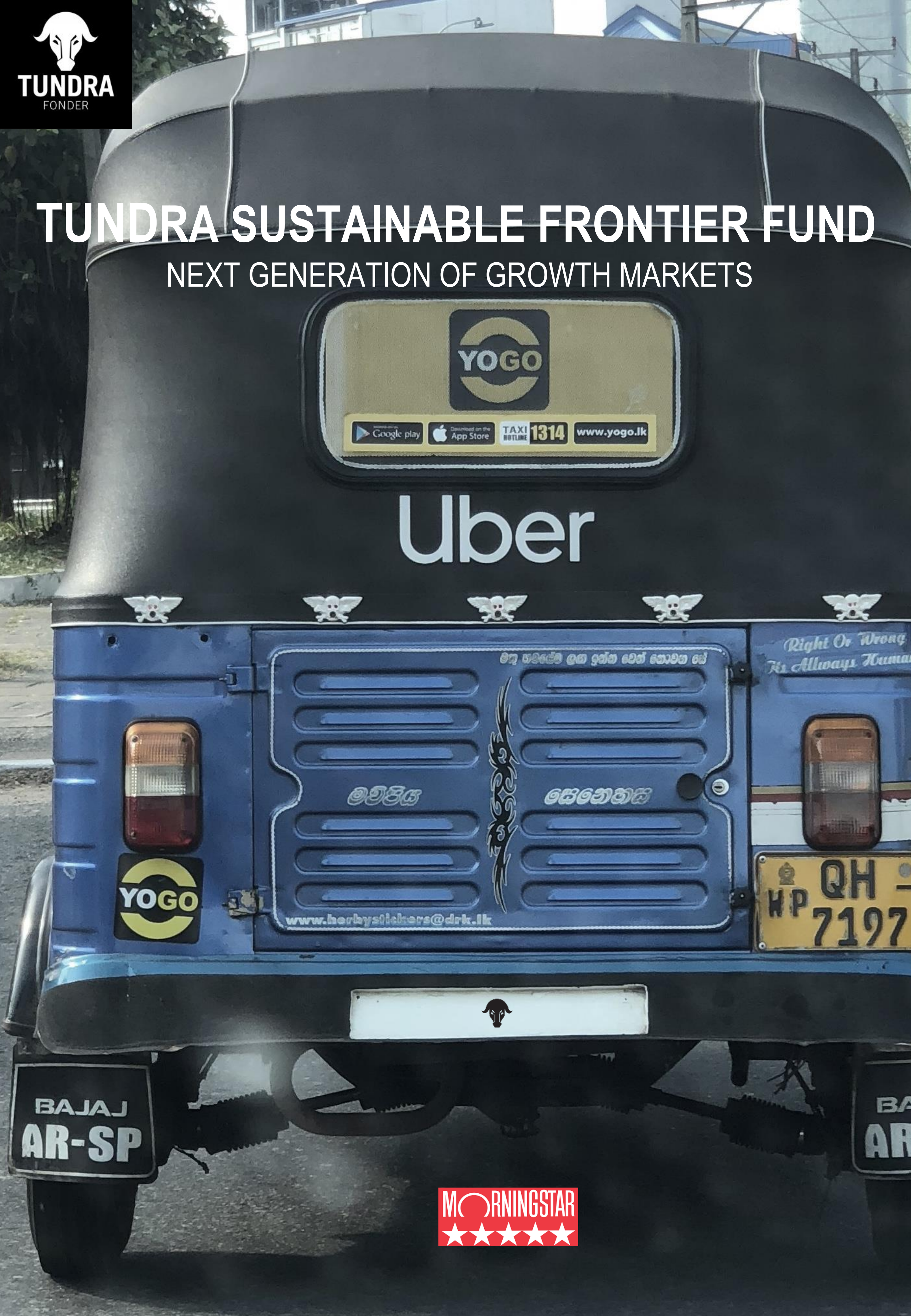
TUNDRA
FONDER

TUNDRA SUSTAINABLE FRONTIER FUND

NEXT GENERATION OF GROWTH MARKETS



MORNINGSTAR ★★★★★

CONTENT

Capital invested in a fund may either increase or decrease in value and it is not certain that you will be able to recover all of your investment. Historical return is no guarantee of future return. The value of invested capital may vary substantially due to the composition of the fund and the investment process used by the fund manager. The Full Prospectus, KIID etc. are available on our homepage. You can also contact us to receive the documents free of charge. See full disclaimer on www.tundrafonder.se.

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INTRODUCTION

In 1994, Dung Luong, a carpenter residing with his wife and four children in the city of Da Nang in Central Vietnam, cared for his family on a monthly salary of USD 28/month (inflation adjusted). It wasn't an easy life for Dung and making the ends meet required both stamina and innovation and often meant that starving wasn't too distant towards the end of the month. Today, Dung's oldest daughter Thi still resides in Da Nang, like two of her three siblings. Da Nang is however difficult to recognize as the city dominated by the commercial harbour is now home to more than 1 million people (450 000 in 1994), has an international airport and large parts of the old quarters, where Thi grew up, have been transformed into modern 10 storey buildings, paved multilane roads and Wi-Fi-equipped coffee shops every 200 meters. Unlike her father, whose schooling was limited to five years, Thi attended school for 12 years and has picked up basic English through evening classes paid for by her employer, a mid-sized law firm where she has worked as a secretary for the past four years. While 'hobby' was an unknown concept for her father, Thi enjoys shopping in some of the malls of Da Nang. When time doesn't allow mall strolling, Thi uses Lazada or Shopee, two of the most popular Vietnamese online shopping sites or simply browses social media, especially Zalo and Facebook.

Life looks very different for Thi compared to her father and the transformation which has taken place in a single generation is sometime difficult to grasp. The Luongs are not alone though – nearly 1.1 billion people worldwide left poverty between 1990-2015 (poverty defined as living on less than USD 1.9/day). Developing economies have gone through an astonishing journey. It is well-known that countries such as China and Brazil, i.e. traditional Emerging Markets, have a track record of growth exceeding that of the Western world and these economies have been the target of foreign investors for more than two decades now. But a new generation of economies is now going through the same transformation. These are referred to as Frontier Markets. Vietnam is one of them together with e.g. Pakistan, Sri Lanka, Bangladesh, Nigeria, and Kenya. Although being home to 50% of the global population, they represent about 5% of the global equity market value and are to a large extent undiscovered by foreign investors. We don't think they are going to remain undiscovered forever.

WHAT IS A FRONTIER MARKET?

According to MSCI, Frontier Markets are a group of economies whose equity markets are less developed than larger Emerging Markets and Developed Markets. It is important to stress that MSCI's research focuses only on how well functioning the equity markets are:

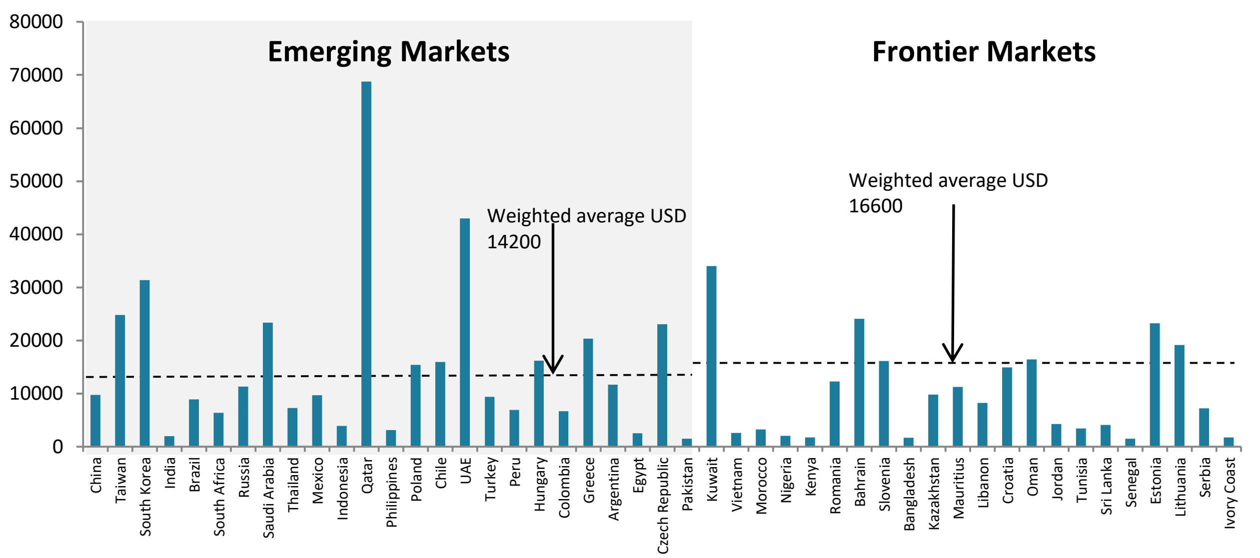
FIGURE 1: FRONTIER, EMERGING AND DEVELOPED MARKETS ACCORDING TO MSCI

	Frontier	Emerging	Developed
GDP/capita (USD)	No requirement	No requirement	15470
Min. number of companies meeting criteria:	2	3	5
Market capitalization (MUSD)	>700	>1400	>2801
Security size (free-float mcp) (MUSD)	>53	>700	>1400
Share of security size turnover annually	>2,5%	>15%	>20%
Openness to foreign ownership	At least some	Significant	Very high
Ease of capital inflows/outflows	At least partial	Significant	Very high
Availability of investment instruments	Modest	Good and tested	Very high
Competitive landscape	High	High	Unrestricted
Stability of the institutional framework	Modest	Good and tested	Very high

Source: MSCI

Hence, unlike common belief, a Frontier Market is not necessarily economically less developed than an Emerging Market although that is in many cases true. Frontier Markets is a heterogeneous group of markets where countries such as Estonia and Kuwait (high level of economic development) are included but also Bangladesh and Nigeria (low level of development). The fact is that when comparing average GDP/capita, weighted by indices, MSCI Frontier Markets have come a bit further than its "big brothers" in Emerging Markets. In May 2021 the varying characteristics between the index constituents will be exemplified very clearly as Iceland (300 000 population, average GDP/capita of USD 77 000) will be included in MSCI Frontier Markets Index. There is a gradual migration from the Frontier Market category to the Emerging Market category as the Frontier Markets develops. Argentina (May 2019), Pakistan (May 2017), Qatar, and UAE (both May 2014) are examples of the most recent upgrades. The wide discrepancies between markets and the continuous changes of constituents create a problem for index investors. Many investors believe that they are buying into less developed emerging markets where in reality they are buying an odd basket of heterogeneous markets with the only thing in common being low liquidity.

FIGURE 2: GDP/CAPITA (USD) – MSCI EMERGING MARKETS VS MSCI FRONTIER MARKETS



Source: MSCI, World Bank

OUR DEFINITION OF FRONTIER MARKETS

Tundra defines Frontier Markets as countries in an early stage of their economic development. That means we are agnostic to whether they are currently classified by MSCI as ”Emerging”, ”Frontier” or ”Standalone”. We believe the World Bank’s division of the world into different income classes (high-income, middle-class & low-income) is a better proxy to how far a certain country has come in their welfare journey.

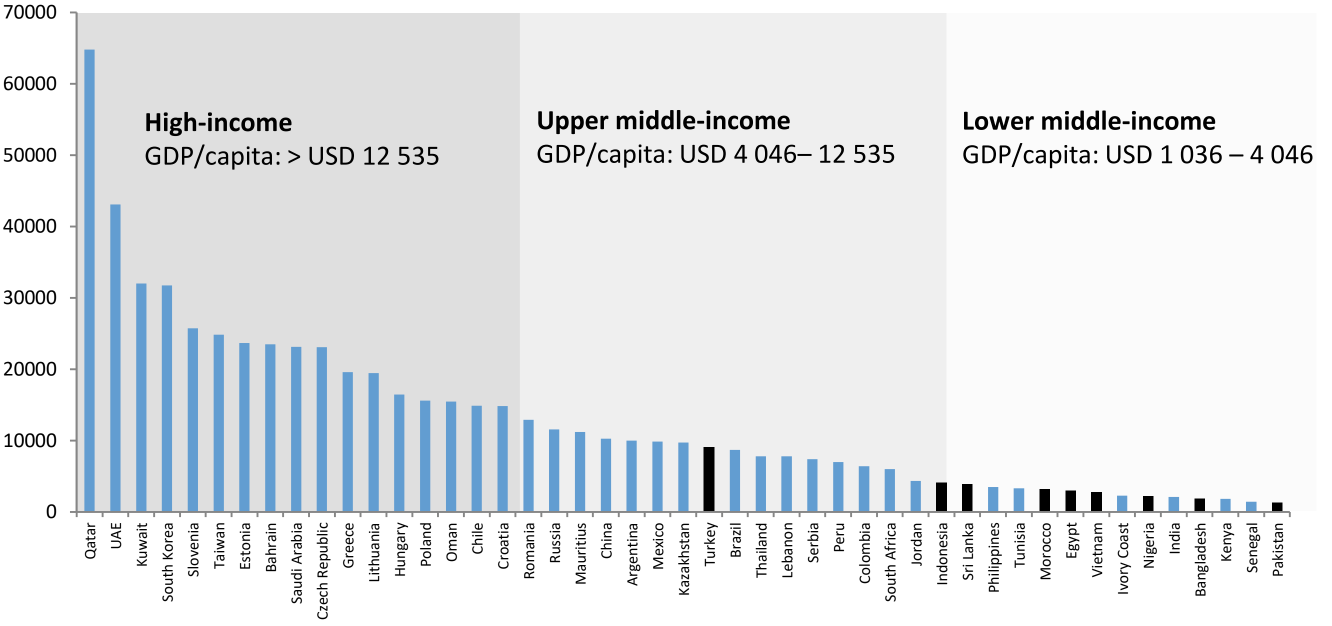
FIGURE 3: WORLD BANK’S CATEGORIZATION OF THE WORLD MORE IN LINE WITH TUNDRA’S

	GDP/Capita (USD)	Avg. GDP gwth 2009-2018 (%)	Pop (m), 2020	Pop (m), 2070F	Workforce (m), 2020F	Workforce (m), 2070F	Market cap (USDbn) 2018
High-income	> 12 535	1,5	1263	1312	821	744	65047
Upper middle-income	4 046 - 12 535	4,6	2655	2662	1826	1553	11498
Lower middle-income	1 036 - 4 045	5,6	3098	4529	2005	2886	3820
Low-income	<= 1 035	4,7	776	1952	430	1266	n.a.

Source: World Bank, UN

The base of our universe are countries that today are either defined as Lower middle class or Low income. In the graph below we have ranked all MSCI:s Emerging and Frontier markets by economic development and thereafter marked in black countries where we are currently invested. As can be seen from the graph representation from Low-income countries is currently lacking. The reason for that is that these countries’ equity markets are yet either non-existing, or there are too few investable good companies listed. We expect the fund to be one of the first investors in these markets as this eventually changes.

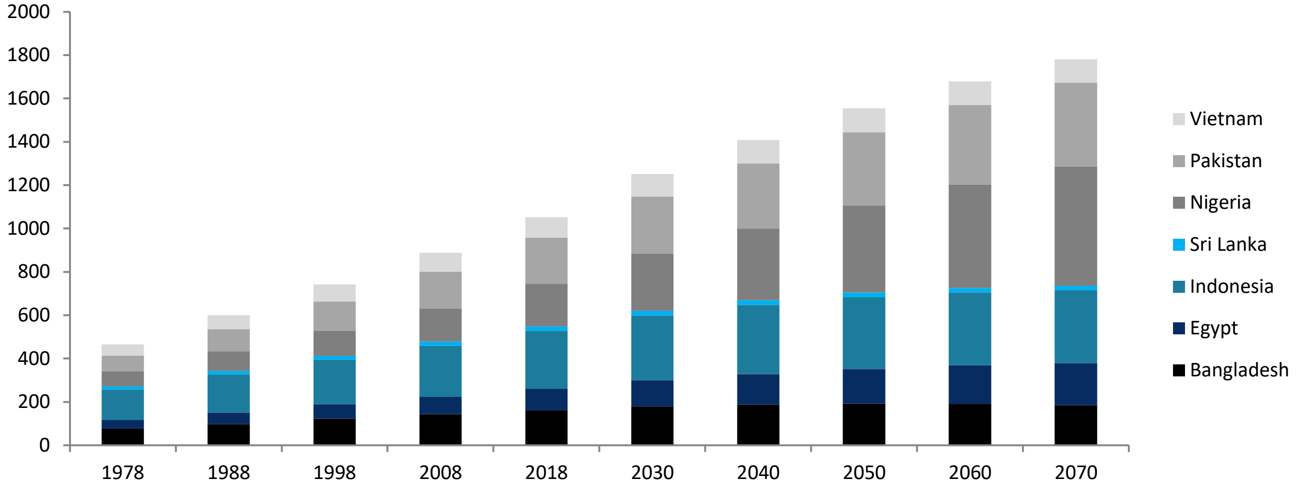
FIGURE 4: MSCI EMERGING MARKETS AND MSCI FRONTIER MARKETS RANKED BY GDP/CAPITA (USD)



Source World Bank, UN

Tundra's investment universe is characterized by young populations and relatively higher population growth. The combined population of the seven largest country weights in the fund (see figure5) will during the next 50 years expand from a population of 1.1 billion to 1.8 billion. Nigeria alone is expected to grow from today's 200m to a population of 550m by 2070. The combined population of Europe during the same time is expected to shrink from today's 750 million to 650 million.

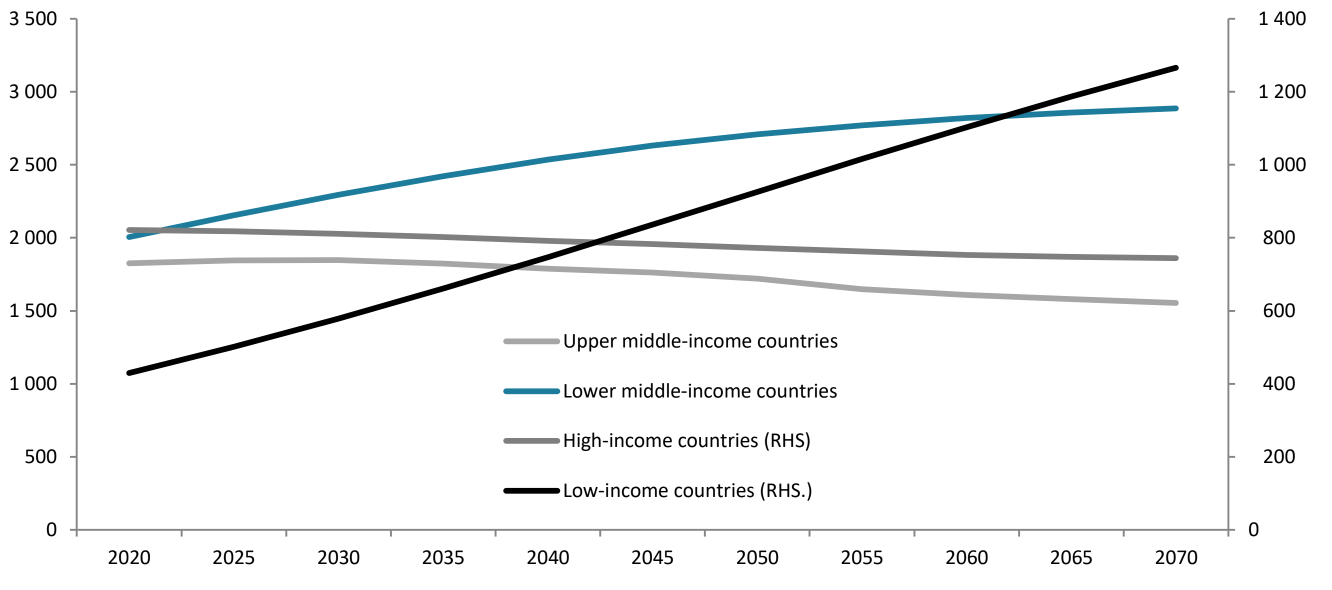
FIGURE 5: POPULATION FORECASTS TUNDRA'S SEVEN LARGEST MARKETS



Source: World Bank, UN

The lower median age, combined with continued higher population growth, means only the lower-middle income- and low-income countries will grow their workforce (people aged 15-64 years) over the next 50 years. Regardless of what images of the world leaders like Trump try to impose we are confident that we will see continued globalization. An increasing population will further need to buy services and goods, most of which will be produced by local companies. More schools, hospitals, and factories will be built in these countries than in other parts of the world. The graph below shows the UN's forecasts for the world's workforce until 2070.

FIGURE 6: POPULATION AGED 15-64 YEARS 2020-2070F (MILLION)

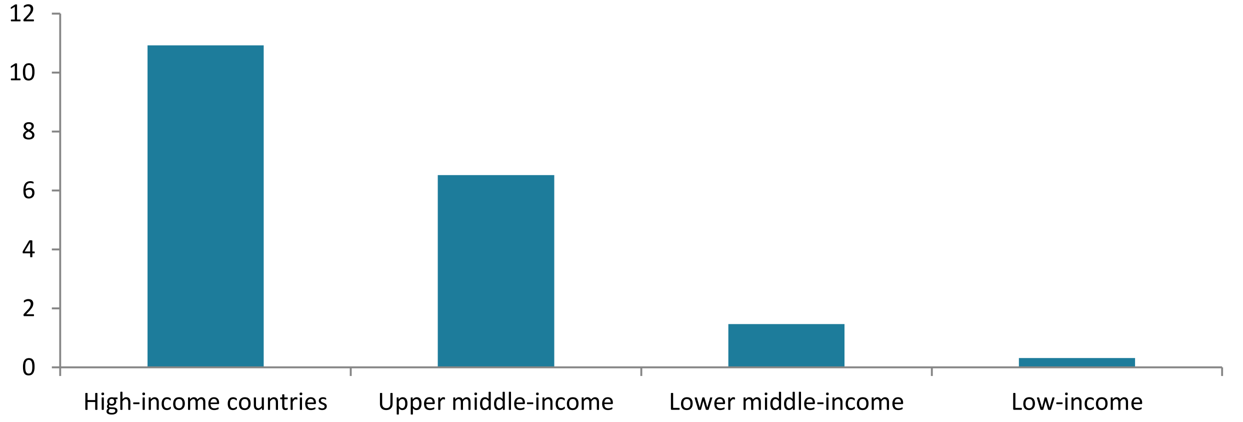


Source: World Bank, UN

THE IMPORTANCE OF RESPONSIBLE GROWTH

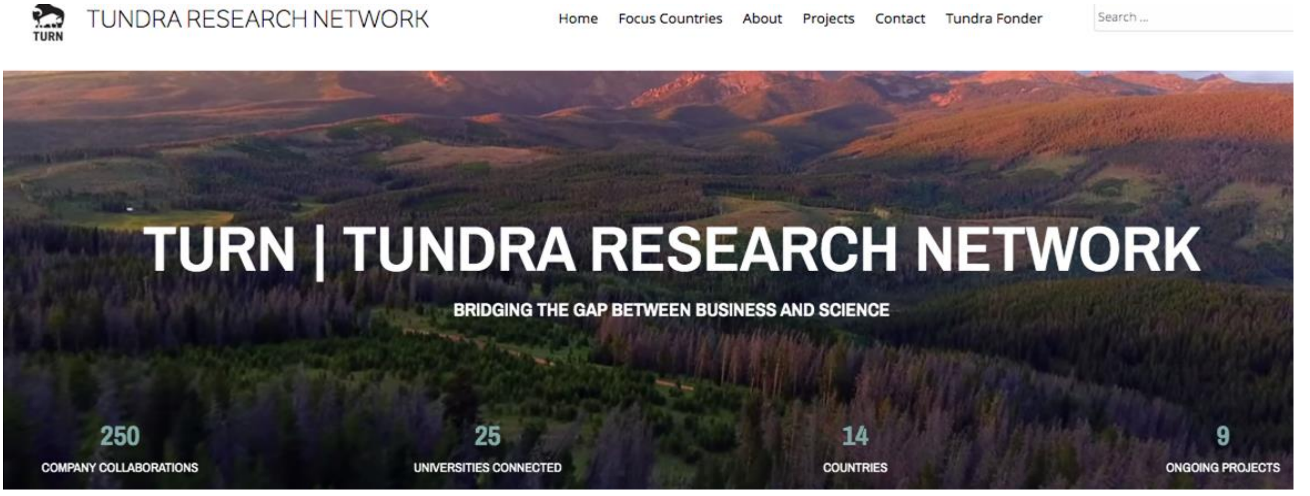
The rise of this gigantic middle-income class will constitute one of the greatest challenges the world has experienced. Close to 4 billion people, 3x bigger than the current population of high-income countries, will strive to catch up with the high income countries' economies and lifestyles. In 50 years these countries will host 6.5 billion people. Today they make up 1/3 of the high-income countries carbon emissions. If they reach the high-income countries' level of emissions in 50 years they will emit 5x more than the high-income countries do today.

FIGURE 7: CARBON EMISSIONS (TONNES/CAPITA)



Source: World Bank

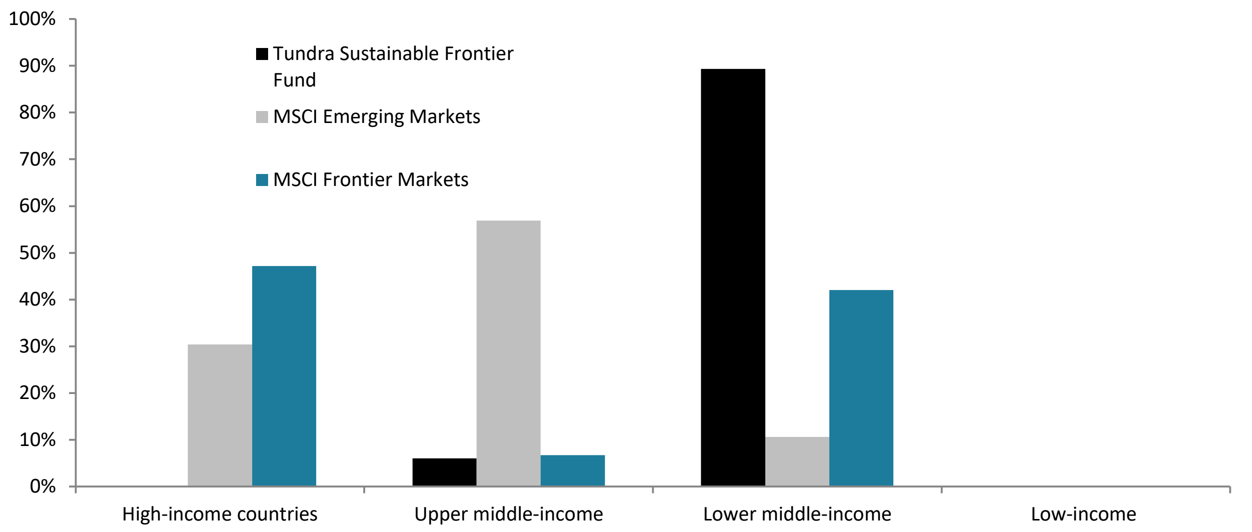
This is one of the most important reasons why Tundra emphasizes our sustainability work. Read more about the work we do here: https://www.tundrafonder.se/sustainable/ The way forward is not to deny these countries' the opportunity to reach a higher level of welfare, but that growth needs to be achieved in a more sustainable way than when the high-income countries achieved theirs. It is admirable to see the most developed nations in the world's detailed work on sustainability, but we only constitute 1.2 billion and our population is decreasing. To assist a population 3 times our size, who are currently at an early stage of their economic development, not repeat our mistakes is inevitably the most important sustainability work in a foreseeable future. Our ambition is to work in close collaboration with our portfolio companies in their strive to improve and develop their businesses, and we have undertaken several educational seminars and conferences locally. We are planning further collaborations and projects under the TURN initiative (https://tundraresearchnetwork.com), where the goal is to bridge the collaboration gap between science, business and policymakers. Through sharing knowledge with these countries and, even more importantly, by investing in them we do our part in what is an urgent global challenge.



TUNDRA SUSTAINABLE FRONTIER FUND

The fund primarily targets the growth of countries that are today only marginally represented in the MSCI Emerging Markets index and thereby most Emerging Markets funds. Close to 90% of the assets of the fund are invested in Lower middle-income countries, versus only 11% in MSCI Emerging Markets index (42% in Frontier Markets index). The reason there are no Low-income countries in the portfolio is the very limited development of these countries' (GDP/capita < USD1 036) stock exchanges today. As they become investable we expect to be early in evaluating such opportunities for potential inclusion in the fund.

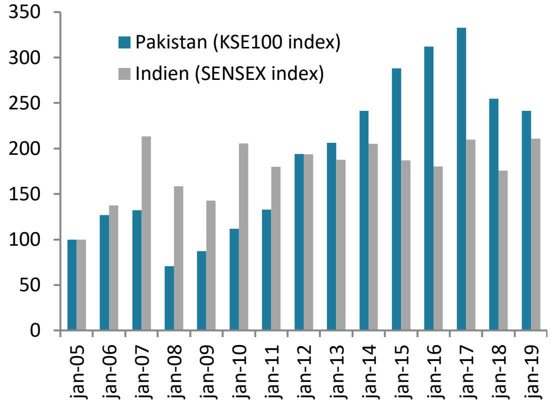
FIGURE 8: THE FUND'S POSITIONING VS MSCI EMERGING MARKETS AND FRONTIER MARKETS INDEX



Source World Bank, MSCI

We decide hunting ground thematically but thereafter our focus is stock picking, finding long term quality companies with good growth prospects at a reasonable price. This means we normally find ourselves in markets that are either unexplored or abandoned. This is the reason we today don't have any investments in India, which thematically fit in well among the other countries we invest in. With all investors of the world already there, it is harder for us to find opportunities. India would be a market we would potentially look at during times of crisis. Investors today are very positive to India but negative towards Pakistan, even though Pakistani companies historically have grown faster and are trading at less than half the valuations. Currently, we thus believe the opportunity for us is bigger in Pakistan than in India.

FIGURE 9: NET PROFITS PAKISTAN VS INDIA (USD)



Source: Bloomberg

FIGURE 10: KEY FIGURES – INDIA VS PAKISTAN

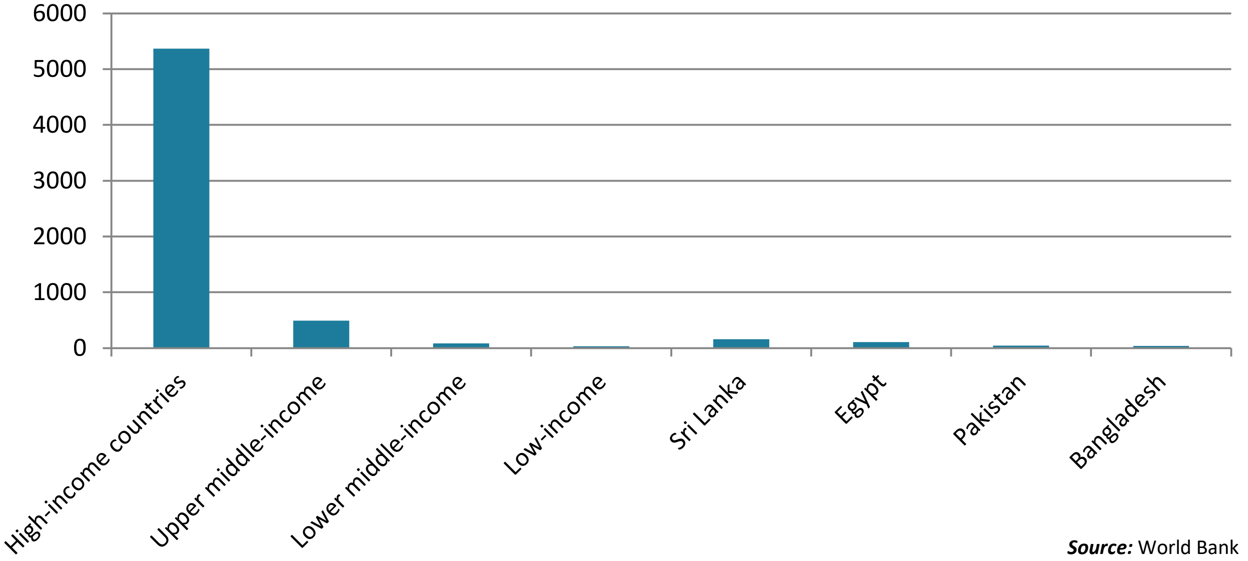
	India (SENSEX index)	Pakistan (KSE100 index)
P/E 2020E	19,1	6,8
P/BV	2,4	1,0
EV/SALES	3,3	1,3
Div. yld (%)	1,7	5,7
ROE (%)	12,4	15,5

Source: Bloomberg

All our countries are growing fast but they are young democracies, which means that the political risk is perceived as higher. Their economies are sometimes smaller than a US large-cap company and are thus sensitive to foreign investors' preferences for risk. Of course, assessing these risks is an important part of our work, but in the long term, the most important task is to find good companies that can maintain or increase their market share in the long-term. Quality companies navigate the most difficult market conditions and improve their long-term position during crises.

At Tundra we, therefore, focus mainly on stock picking. We are searching for companies that are subject to structural growth, which in our definition means that in the long term they should grow faster than the economy as a whole because their products or services are currently under-represented in the economy. One sector which is over-represented in the fund is the technology sector where both Pakistan and Vietnam are running fast right now to catch up on India on software development and outsourcing services. We own technology companies in both Pakistan, Vietnam, and Morocco. Another sector where we have significant investments in is the healthcare sector, where increased consumption of medicines and healthcare services is one of the first areas new consumers spend their money on when they get a job. We own pharmaceutical shares in Pakistan, Bangladesh, and Egypt, as well as private healthcare companies in Sri Lanka and Turkey.

FIGURE 11: HEALTHCARE SPENDING PER CAPITA (USD)



Source: World Bank

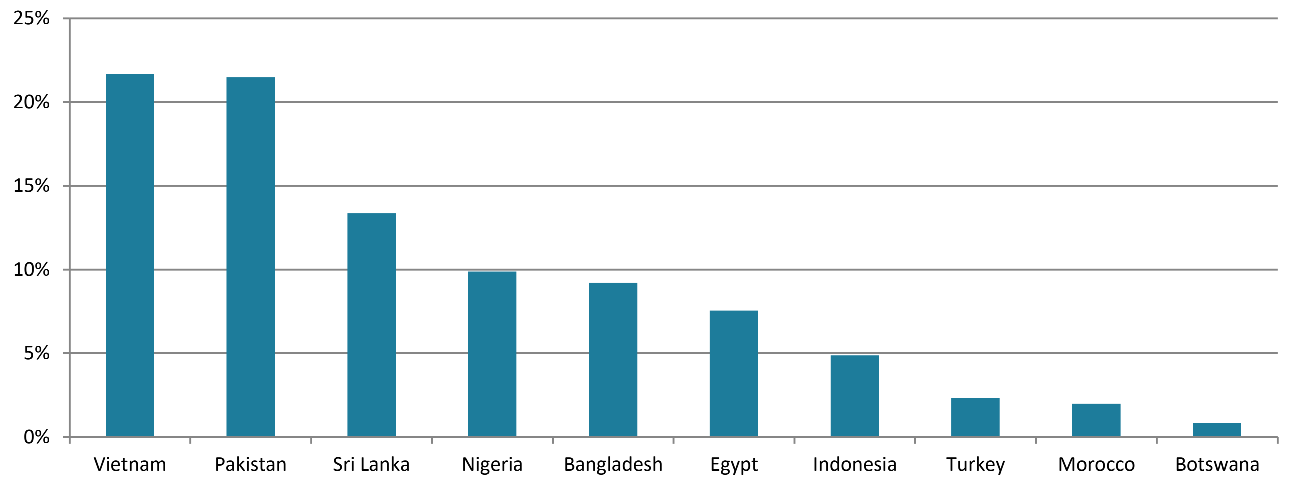
We like owning companies in the category of consumer staples when the valuations are reasonable. In Sri Lanka, we own the grocery chain ***Cargills***. They have more than 50% market share and are located throughout Sri Lanka. They currently have about 400 grocery stores, which is roughly what you will find in Stockholm city today. In the long term, the penetration of modern food trade needs to increase about 10x to reach the average in countries such as Sweden.

After the financial crisis of 2008 with subsequent tougher regulation, many investors have avoided banking stocks due to fear of unknown risks. However, quality banks are one of the absolute best exposures to the development of a society and the emerging middle-income class. It is however important to identify the banks that understand consumers' needs and that can withstand the increasingly tough competition from fintech companies. One of our favourite banks is Pakistani ***Meezan Bank*** which has grown twice as fast as the banking sector in the last ten years and at the same time had very low credit losses. Their niche is a sophisticated offering to wealthy individuals which is culturally adapted to the local market.

GEOGRAPHIC ALLOCATION

We do not invest in all countries that thematically fit into our investment philosophy. There must also be good companies and our unitholders' capital must be safe. Some countries' stock markets are more developed, liquidity is better and there are simply more good companies to invest in. At Tundra, corporate quality is the most important criterion. In our experience good companies can grow under the most difficult conditions, bad companies fail with the best conditions. However, we have as an internal guideline not to exceed 25% in a single country given the risk of unforeseen country-specific events. At present, our largest markets are Vietnam, Pakistan, Sri Lanka, Nigeria, and Bangladesh. We have invested in these countries since the inception of the fund. However, more markets have been added in recent years, including Egypt, Indonesia, and Morocco. More markets are likely to be added. However, based on our mantra "unexplored or abandoned", we sometimes also make selective investments into more developed emerging markets if special opportunities arise. Turkey is one such example where we bought into a great healthcare company during the currency crisis in autumn 2018.

FIGURE 12: THE FUND'S COUNTRY ALLOCATION

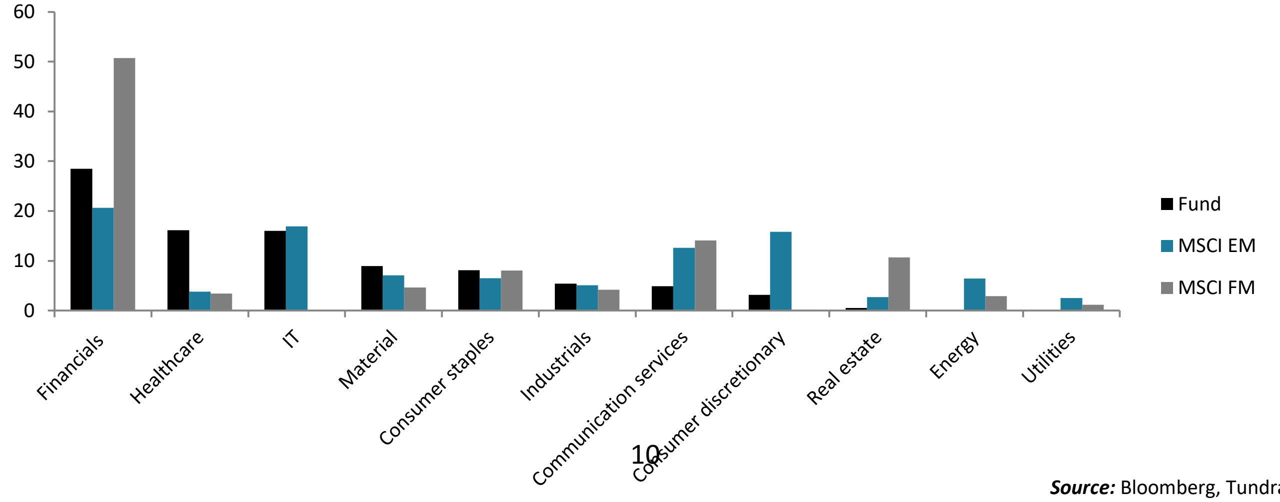


Source: Bloomberg, Tundra

SECTOR ALLOCATION

Compared to MSCI Frontier Markets the fund's largest overweights are Healthcare and Technology. The largest underweight is Financials. Healthcare is also the largest overweight vs MSCI Emerging Markets. The fund does not invest in fossil fuels and does not have holdings in Power utilities.

FIGURE 13: SECTOR ALLOCATION VS MSCI EMERGING MARKETS AND MSCI FRONTIER MARKETS



Source: Bloomberg, Tundra

VALUATIONS

	Wgt	P/E 2020F	P/E 2021F	Cycl. Adj. P/E	Historical growth *
Fund		**7,8**	**6,3**	**6,9**	**17%**
Consumer Discretionary	3,1%	8,3	3,4	5,9	21%
Consumer Staples	8,0%	17,2	15,8	16,8	17%
Financials	28,0%	4,1	3,4	3,8	18%
Health Care	15,9%	12,2	9,4	11,9	16%
Industrials	6,8%	8,6	6,5	5,4	19%
Information Technology	17,3%	12,0	10,7	11,9	18%
Materials	8,8%	12,6	11,5	5,3	17%
Communication Services	4,9%	6,4	5,6	8,4	6%

*Avg. topline gwth 5 years and 10 years

Source: Bloomberg

The table above shows the valuation in the portfolio with forecasts for 2020 and 2021. Half a year into the COVID-19 pandemic estimates most likely have caught up decently with the short term impact, although there is still considerable uncertainty as to how the year ends. During times of turbulence, when uncertainty in profit estimates are particularly significant, we like to supplement near-term forecasts with cyclically adjusted P/E numbers (farthest to the right of the table). This metric is based on the most recently reported turnover in each company, multiplied by average profitability over the past 5 and 10 years. It shows how the valuation would look if the company at the current size reached its normal profitability. It is a good method to adjust for temporary periods of abnormal margins. In times when profitability is higher than normal, one should keep in mind that margins are likely to come down. After periods of crisis, as now, the latest numbers, or the current year's forecasts, might underestimate the long-term earning capacity and thus the valuation of the company.

At the far right, we show historical sales growth in our companies, measured as an average over 5 years and 10 years (about the same in this case). This is in local currency and one should be prepared for these countries' currencies to weaken 3-5% per year over a cycle given higher inflation and higher interest rates. Even adjusting for currency movements, however, the portfolio companies are expected to grow more than 10% per year.

RISK AND UNCORRELATED ASSETS

Frontier Markets are associated with high risk. This holds true with risk stemming from:

- Suboptimal liquidity: Although liquidity varies substantially from market to market (Vietnam average daily value traded USD 100-150 million vs Kenya at USD 5 million), virtually all Frontier Markets and early -stage Emerging Markets provide less liquidity than even the least liquid Emerging Markets.

- Corruption: It should not come as a surprise that corruption is commonly occurring in Frontier Markets and early-stage Emerging Markets.

- Corporate governance: The quality of corporate governance is on average worse in our markets than in more mature markets. A carefully carried out corporate governance due diligence is a well-motivated component of the investment strategy in these markets.

- Political and regulatory risk: Despite improved political stability, the risk cannot be written off. Lending rate caps (Kenya) and minimum Loan/Deposit ratios (Nigeria) are both examples of regulatory risks materializing recently.

- Macro and currency risk: Despite the strong growth trajectory of Frontier Markets and early-stage Emerging Markets, these economies are subject to more macroeconomic volatility and the associated currency risk.

What is often overlooked is low, in some cases even negative, correlation between individual Frontier Markets. This is a result of the low level of financial integration with the rest of the world. The equity markets are dominated by local investors who are more concerned about their own countries' many issues than what happened on the New York Stock Exchange last night.

FIGURE 14: CORRELATION BETWEEN MAIN COUNTRIES IN THE FUND

	MSCI PAKISTAN	MSCI NIGERIA	MSCI VIETNAM	MSCI SRI LANKA	MSCI BANGLADESH	MSCI KENYA	MSCI EGYPT	MSCI MOROCCO	MSCI TURKEY
MSCI PAKISTAN	1	0,601	0,661	0,63	0,295	0,688	0,627	0,614	0,511
MSCI NIGERIA	0,601	1	0,709	0,513	0,475	0,581	0,478	0,602	0,413
MSCI VIETNAM	0,661	0,709	1	0,506	0,512	0,723	0,615	0,66	0,424
MSCI SRI LANKA	0,63	0,513	0,506	1	0,524	0,703	0,596	0,736	0,346
MSCI BANGLADESH	0,295	0,475	0,512	0,524	1	0,518	0,451	0,394	0,275
MSCI INDONESIA	0,688	0,581	0,723	0,703	0,518	1	0,693	0,832	0,513
MSCI EGYPT	0,627	0,478	0,615	0,596	0,451	0,693	1	0,739	0,179
MSCI MOROCCO	0,614	0,602	0,66	0,736	0,394	0,832	0,739	1	0,451
MSCI TURKEY	0,511	0,413	0,424	0,346	0,275	0,513	0,179	0,451	1

Source: Bloomberg; 24 mth, monthly data (USD)

GOOD DIVERSIFICATION IN A GLOBAL EQUITY PORTFOLIO

Correlation can be explained as how much of an individual day or, as in this case, month's movements occur as a result of the movements of other markets or assets. What is for example the probability that the UK equity market performs negatively during a month when the US equity markets fall? Below we show how a Global equity fund (proxied by MSCI World) is correlated to different markets and our fund. The higher the number, the more likely they will move in the same direction. As shown by the chart, Tundra's markets are significantly less correlated with a global equity fund than a US equity fund or an Emerging Markets Fund. To repeat this comes from the fact that foreign investors' (whom many times move in herds) are less involved in our markets and the markets are thereby more dependent on their news flows, such as politics, current account numbers, etc. This means that our markets can be a good way to reduce the fluctuations in a global equity portfolio over time, and as a result, reduce the risk of the portfolio. The last two years have seen significant turbulence, with the COVID-19 pandemic as a significant global event. During such times the correlation increases. As can be seen below, the longer the investment horizon, the lower the correlation *(see figure 16).*

FIGURE 15: CORRELATION WITH FUND 2 YEARS (USD)

	MSCI WORLD	MSCI EM	TUNDRA	S&P500
MSCI WORLD	1	0,899	0,783	0,993
MSCI EM	0,899	1	0,686	0,868
TUNDRA	0,783	0,686	1	0,763
S&P500	0,993	0,868	0,763	1

Source: Bloomberg; USD, 24 months, monthly data

FIGURE 16: CORRELATION WITH FUND SINCE INCEPTION (USD)

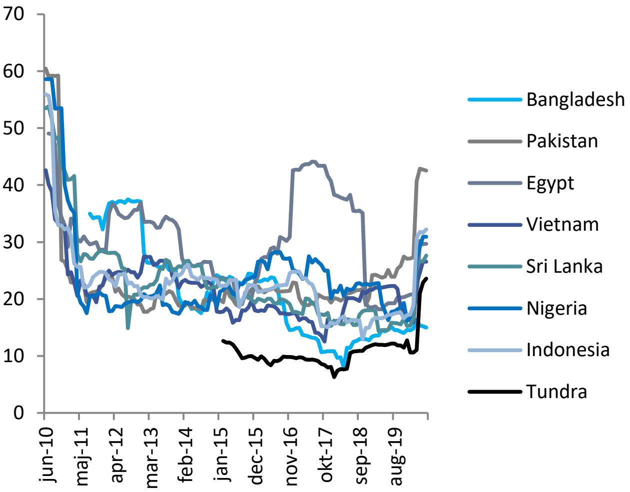
	MSCI WORLD	MSCI EM	TUNDRA	S&P500
MSCI WORLD	1	0,804	0,647	0,977
MSCI EM	0,804	1	0,558	0,734
TUNDRA	0,647	0,558	1	0,619
S&P500	0,977	0,734	0,619	1

Source: Bloomberg; USD, since April 2013, monthly data

LEVEL OF RISK OVER TIME IN LINE WITH DEVELOPED MARKETS

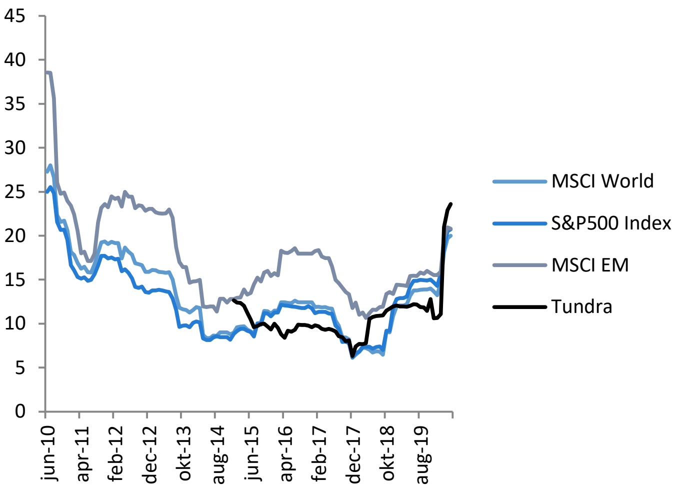
The risks in the countries are individually high, but since the biggest risks are usually country-specific (eg elections, change in regulations, etc), they rarely affect all countries at the same time. The fact that the stock exchanges continue to be dominated by local investors means that we do not have the same connection to global equity markets. The upcoming election in Sri Lanka is very important for investors on the Colombo Stock Exchange but does not affect investors in Pakistan, and so forth. This creates an interesting phenomenon where a fund that is composed of individually very risky markets exhibits a level of risk that during longer periods is usually in line with a global equity fund.

FIGURE 17: VOLATILITY TUNDRA'S MARKETS VS THE FUND (USD)



Source: Bloomberg; SEK, 24 months, monthly data

FIGURE 18: VOLATILITY THE FUND VS GLOBAL EQUITY MARKETS (USD)



Source: Bloomberg; SEK, 24 months, monthly data

Occasionally, however, global turmoil occurs that affects all markets simultaneously. COVID-19 is a good example of this. In such an event, the weaknesses in these markets are made painfully clear, primarily lower liquidity and less robust stock exchanges. Several of our stock exchanges were among the worse in the world during March 2020, when stock markets around the world fell sharply. Also, Sri Lanka and Bangladesh were closed for over a month because they were not able to operate the stock exchanges remotely. We sometimes call this type of risk for "tail risk events". The likelihood of them occurring is low, but when they do occur they strike hard in the short term, and it is difficult to hedge against them. These events - not the level of risk over time - are why investors need to be long-term in their investment horizon.

A COMEBACK FOR EMERGING MARKETS?

Over time, Emerging Markets have yielded higher returns than developed equity markets. This may seem logical given the higher growth in these countries over time, which should in theory also benefit the companies.

FIGURE 19: MSCI EMERGING MARKETS VS MSCI WORLD (USD)

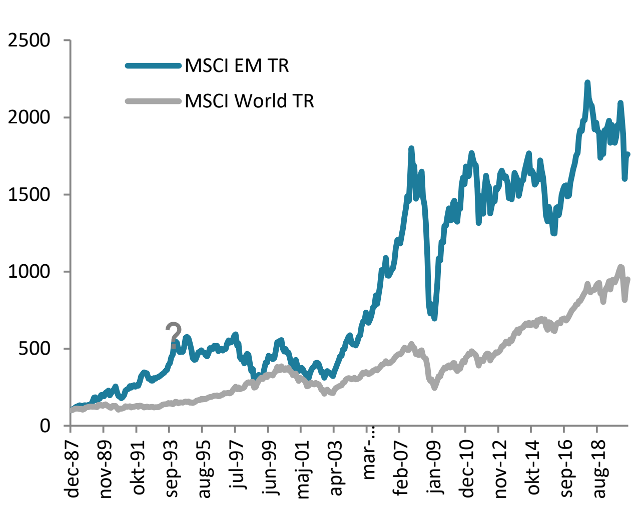
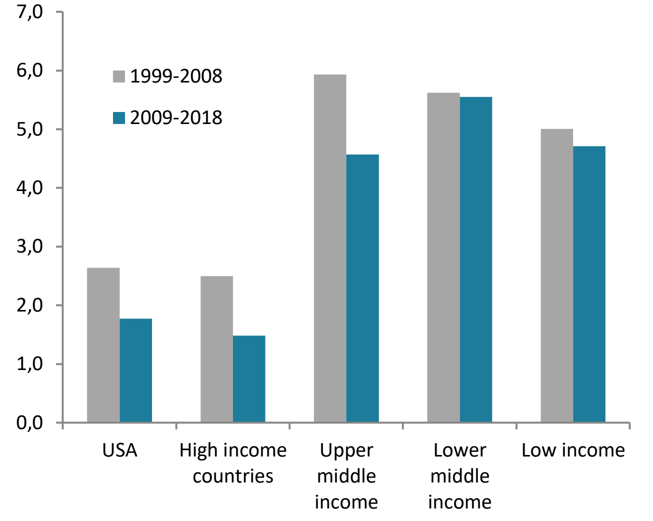


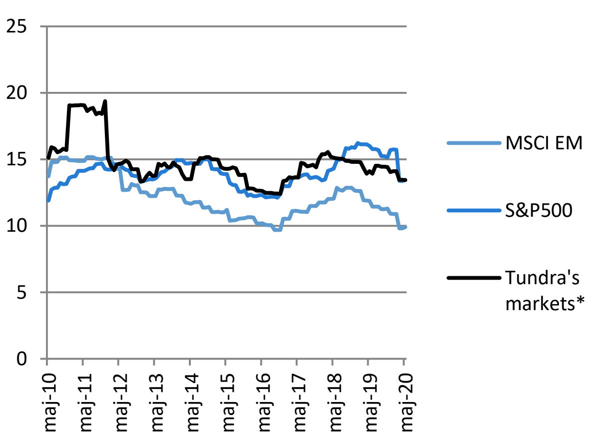
FIGURE 20: AVERAGE GDP GROWTH 1999-2008 VS 2009-2018



Source: Bloomberg, World Bank

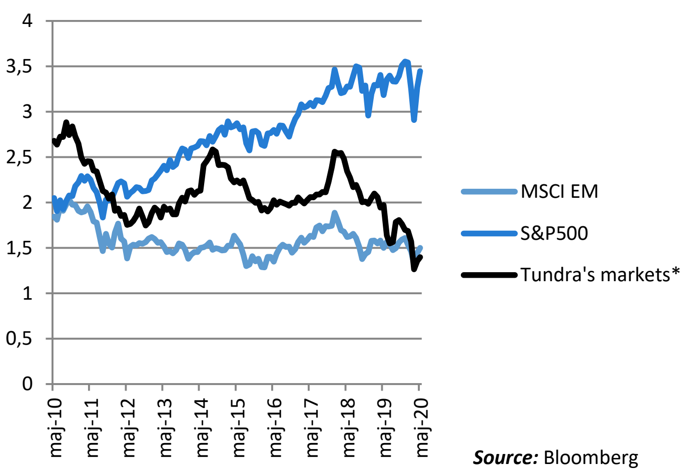
In the last ten years, however, this has not been the case. The low-interest rate climate and massive monetary easing have mainly benefited the high-income countries, with the U.S. at the forefront. With interest rates close to zero and good opportunities to leverage assets in developed countries, there has been no reason to seek higher, but also riskier, returns in emerging markets. Protectionism and tax cuts during Trump's time have favored U.S. investments at home. Share buy-backs have increased. It has flowed less capital into emerging markets than the previous ten-year period, and it has been particularly difficult for the least developed markets that are perceived as the riskiest. Less access to foreign capital is barely visible in the countries' GDP growth, which is primarily driven by domestic consumption *(see Figure 20*). In Tundra's markets, profitability has remained the same as in the U.S. *(see Figure 21)*. The main reason for the underperformance is instead that valuations in emerging markets have come down significantly *(see Figure 22).* The rise of technology companies in the US is not enough to explain. Even the S&P 500 excl. Tech has performed almost 3x better than the MSCI Emerging Markets Index over the past ten years. The divergence in valuations can not be derived from either profitability (RoE) or growth opportunities.

FIGURE 21: RETURN ON EQUITY 2010-2020



Source: Bloomberg

FIGURE 22: P/BOOK VALUE COMPARISON



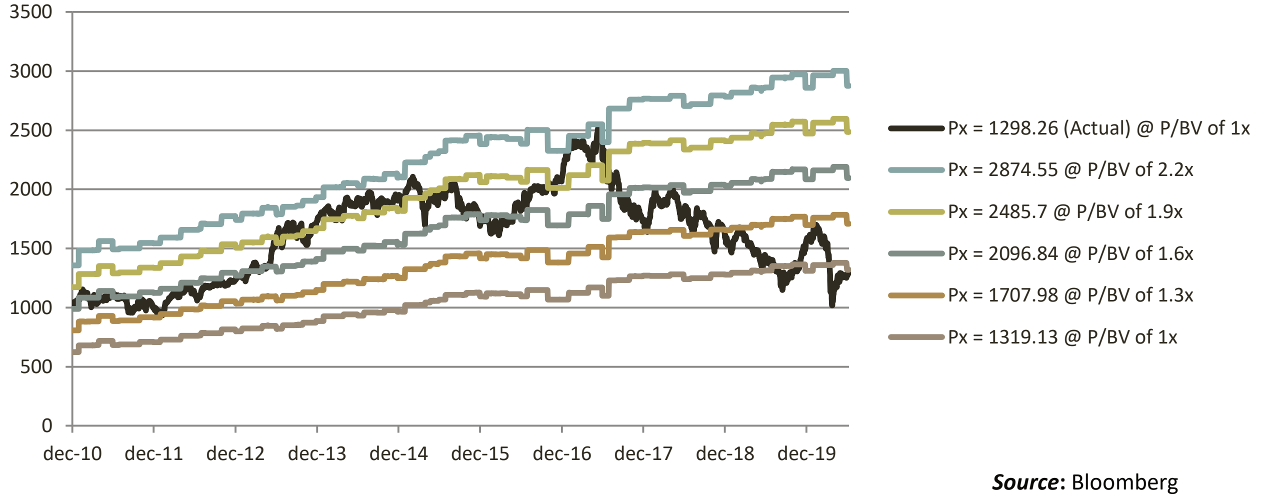
Source: Bloomberg

* Average of Vietnam, Pakistan, Bangladesh, Sri Lanka, Nigeria, Egypt and Indonesia

MOST OF TUNDRA'S MARKETS AT CLOSE TO 10 YEAR LOWS

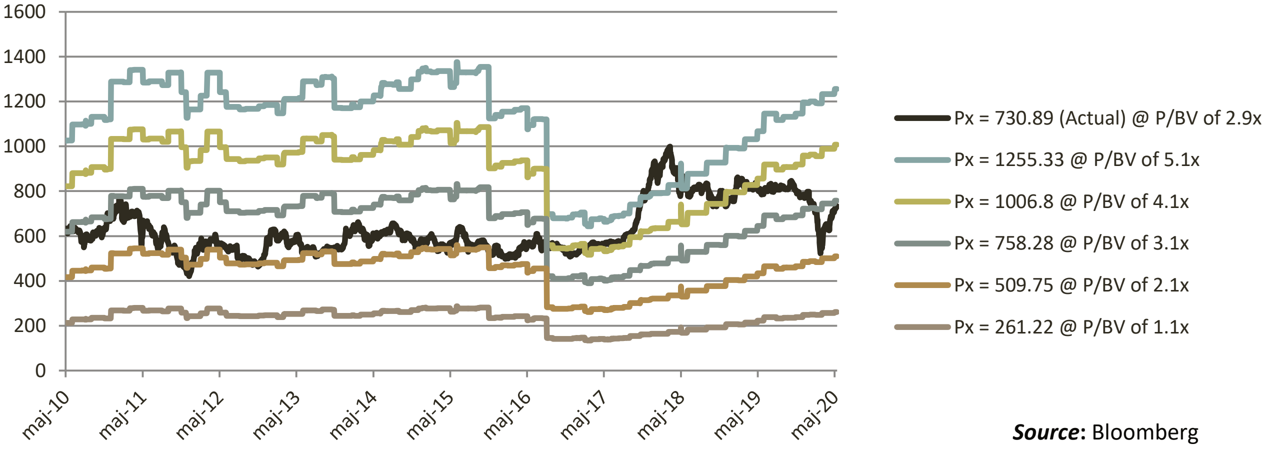
Below is the current valuation of the largest markets in the fund. Together, they make up just under a third of the population in low-income and lower-middle-class countries. The black line shows index performance and it is surrounded by intervals that show how P/BV-valuations are fluctuating, depending on investors' risk appetite and profit expectations. In times of uncertainty as to what profits companies will generate in the short term, we prefer to look at P/BV (which is the valuation of shareholders' equity) rather than P/E. In times of optimism and expectations of high profits going forward, companies' equity is valued higher. For example, we see that Pakistani companies at the beginning of 2017 were valued at just over 2x. Today, the valuation is about half. The average over the past ten years is 1.6x. The slope on the lines is also interesting. It shows that equity increases over time. In an ideal world, the stock market would at all times follow the dark grey line; showing the average valuation. It is generally accepted that exchanges rarely behave that way. However, for long-term investors, the fluctuations can constitute an opportunity. It usually pays to buy a little more when markets are trading below the average and it usually makes sense to be a little bit cautious when the stock exchange is trading above the average.

PAKISTAN, P/BV



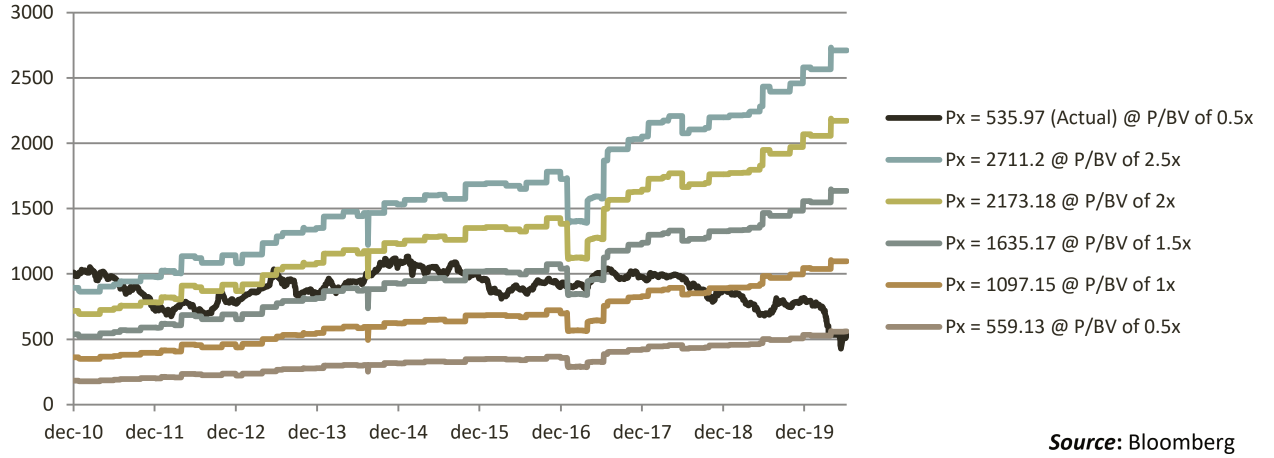
Source: Bloomberg

VIETNAM, P/BV



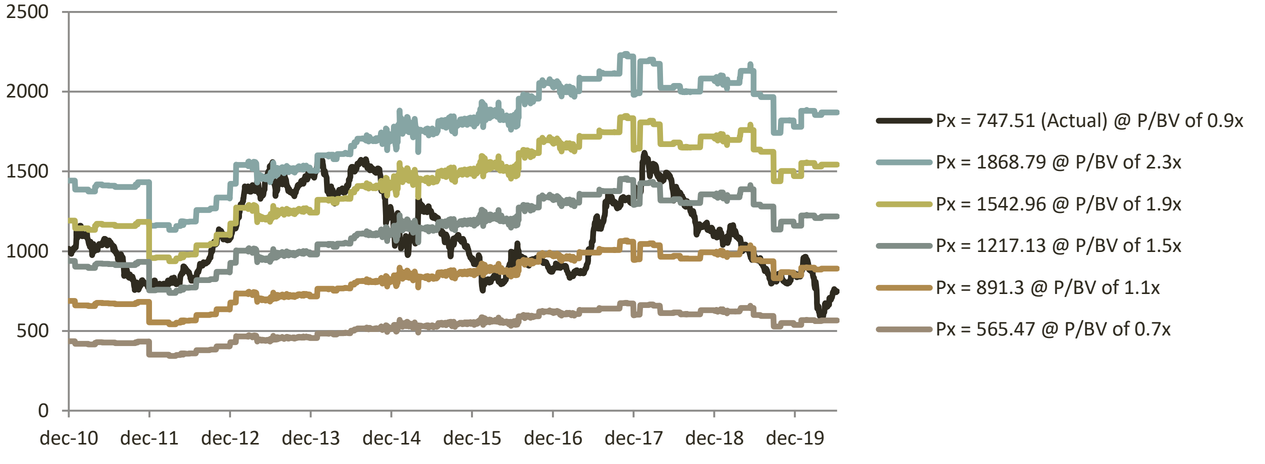
Source: Bloomberg

SRI LANKA, P/BV



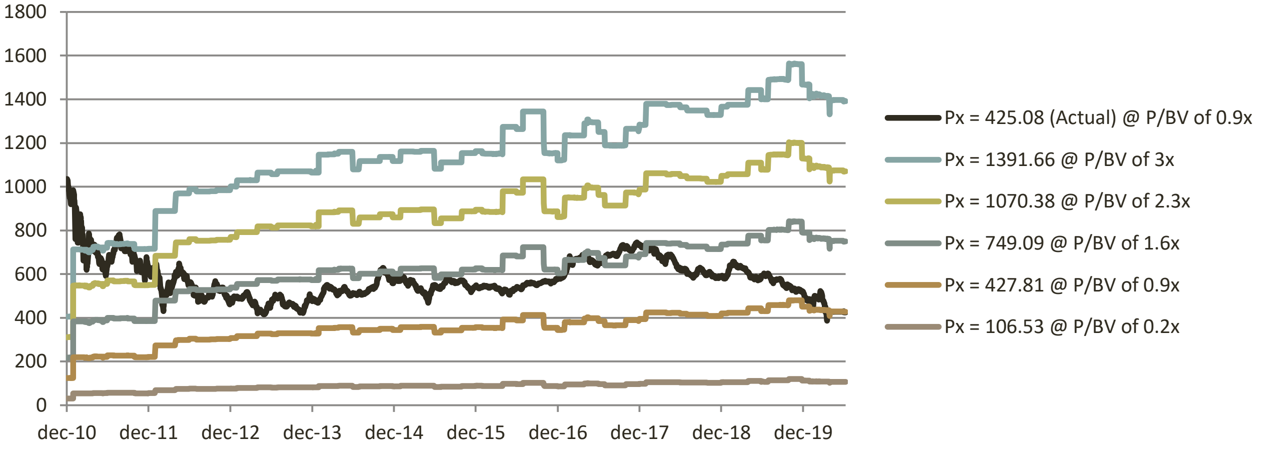
***Source*: Bloomberg**

NIGERIA, P/BV



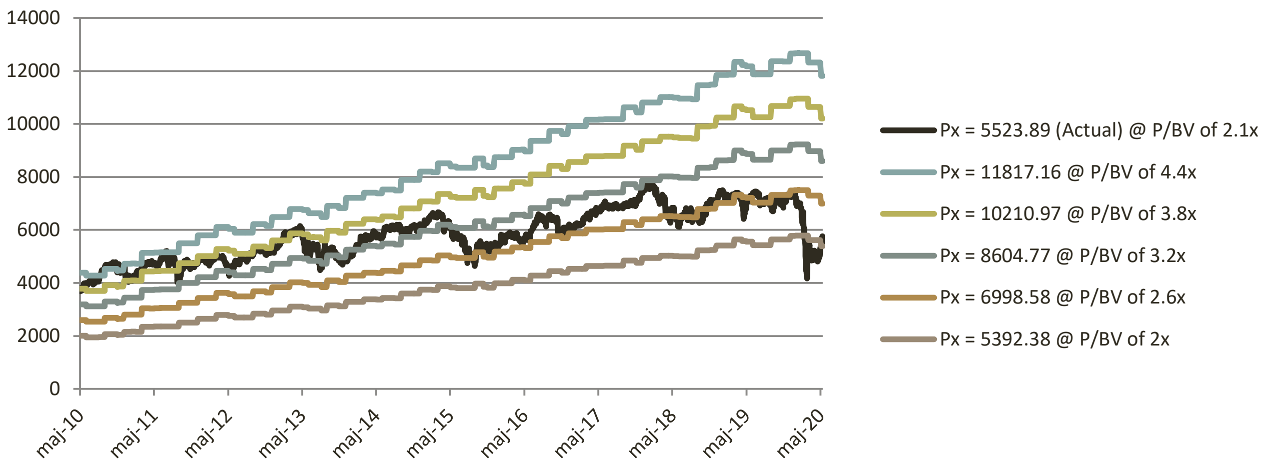
***Source*: Bloomberg**

BANGLADESH, P/BV



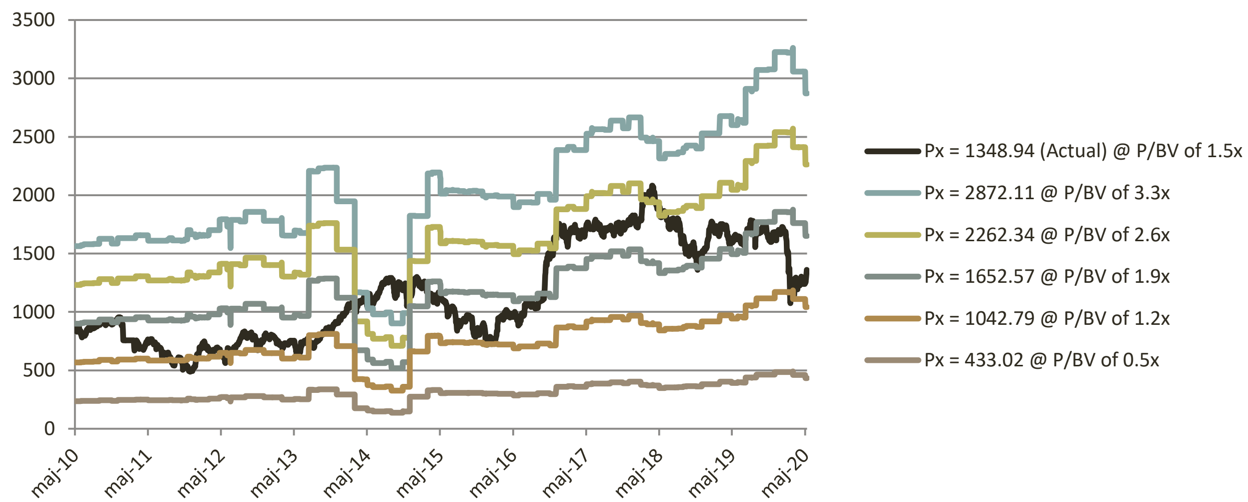
***Source*: Bloomberg**

INDONESIA, P/BV



Source: Bloomberg

EGYPT, P/BV



Source: Bloomberg

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CLOSING REMARKS

Tundra Sustainable Frontier Fund primarily gives you exposure to the 3.7 billion of the world's population, which is expected to be the fastest-growing part of the world but have little representation in a Global Emerging Markets Fund. These countries' population will grow to reach 6.5 billion during the next 50 years and will be the only part of the world where we will see an increase in the workforce. It will not be a journey without perils but their share of world GDP, and their importance for investors will inevitably increase. Many of the world's largest companies, some of which you have not even heard of, will rise as a result of the demographic changes. We will try to find the best companies in that part of the world.

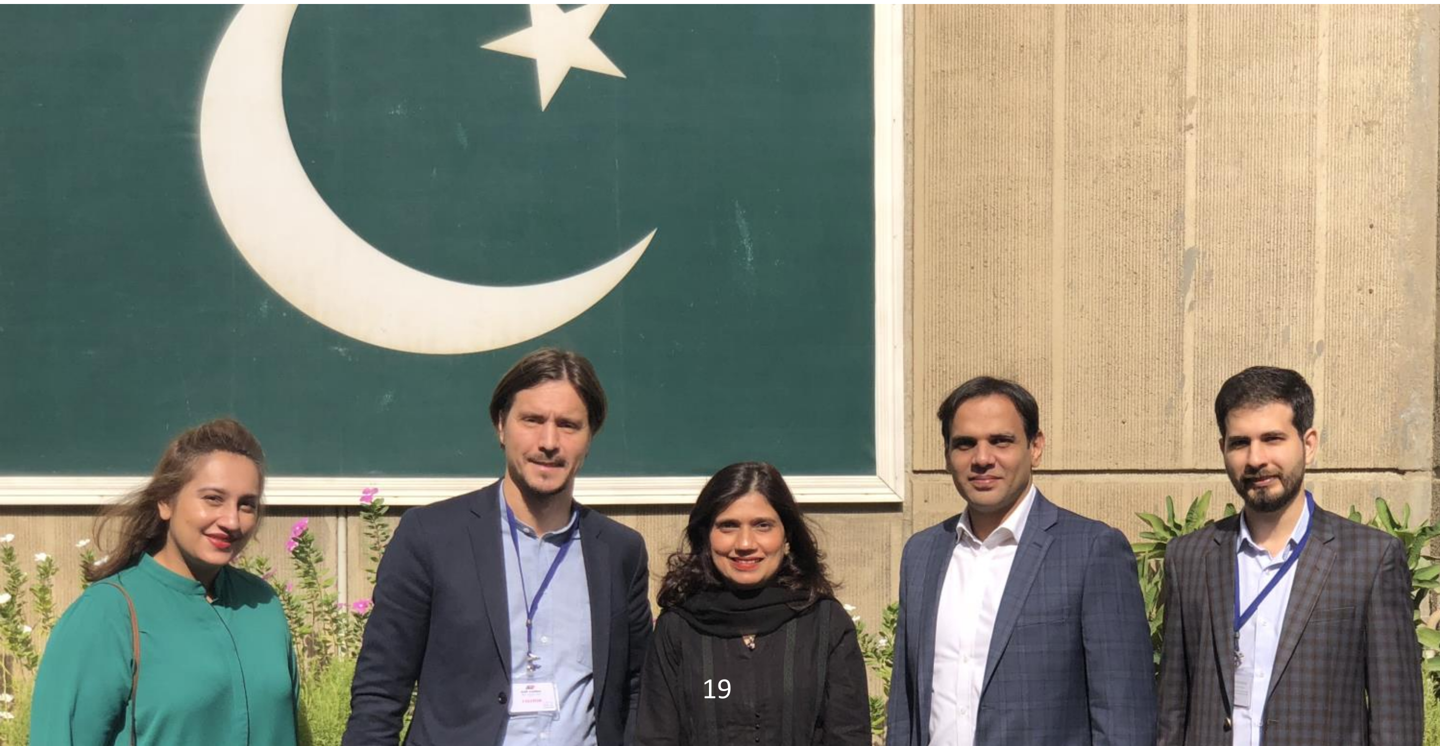
We will strive to invest in companies that are prepared to take responsibility for the impact they have on the environment, the society they work in, and their employees. Companies that also respect and value their shareholders. We will take our responsibility as important investors to help them continue to develop towards a sustainable future. Your investment can contribute to that.

We are heading towards an exciting period. Many years of stimulus in developed markets have created a valuation gap where most of our markets are valued lower than seen before. You do not necessarily have to be pessimistic about other equity markets, but merely question how long this gap can continue to increase given the higher growth in our markets. Investment cycles can be long but they are called cycles simply because they fluctuate. If you are a long-term investor, it is reasonable at this stage of market development to consider diversifying your portfolio somewhat.

The overall aim of this text is to explain the characteristics between the different markets and ensure an increased understanding of which part of the world Tundra will primarily invest in. Hopefully, this has also triggered an interest in emerging markets. Ideally, all investors should have at least two emerging market funds: one which invests in the most important countries today - such as China, South Korea, and Taiwan, and a second that invests in the rest of these fast-growing markets. We hope we can win your confidence to be that second fund.

Stockholm, July 2020

Mattias Martinsson
Chief Investment Officer, Tundra Fonder



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