

TUNDRA SUSTAINABLE FRONTIER FUND

MONTHLY UPDATE
JANUARY 2021



FUND PERFORMANCE

The fund rose 4% in USD (+5.2% in EUR) in January, compared with MSCI FMxGCC Net TR which rose 0.9% in USD (+2% in EUR) and MSCI EM Net TR which rose 3.2% in USD (+4.5% in EUR). Half of our outperformance came from Pakistan, while Vietnam, Sri Lanka, Egypt, Bangladesh and the Philippines all contributed relatively evenly to the remaining alpha. Negative relative returns were obtained from our underweights in Morocco, Romania and Kenya. Among individual holdings, Sampath Bank (Sri Lanka) stood out, rising almost 50% during the month, a large part of it after announcing a share split (3:1). Nearly 4% of the company's shares traded on the day after the announcement, which is another sign of local investors' newfound appetite for the equity market. The move might be considered irrational, but it should be noted that even after the rise, the bank is still valued at a 15% and 33% discount, to its average 5 and 10 years P/BV valuation respectively. The sharp move comes from low levels. Significant contributions were also received from two of the fund's largest positions, Systems Ltd (Pakistan) and Square Pharma (Bangladesh), both of which rose around 10% during the month. These three shares together accounted for about half of the fund's absolute return during the month. Negative contributions were received from Asiri Hospitals (Sri Lanka), which retreated after the sharp rise in the previous month. During the last day of the month, we had the opportunity to meet with the company's management through an online meeting. After a couple of years with fairly heavy investments, the company is now entering a harvest period where profitability is likely to rise as the new capacity is filled. At the same time, the lower corporate tax (14% vs previously 28%) and lower interest costs mean that profit growth will be strong. We expect earnings per share to rise by just over 50% for fiscal year 2021 (ending March 31, 2021) and thereafter a further 80% for FY22. Based on our estimate for FY22 (ending March 31, 2022), the company is valued at around 15x earnings. It is still relatively low given our expectations of continued margin improvements FY23-24.

We were unusually active on the trading side during the month and carried out some repositioning. We sold our last traditional cyclical exposure, the Vietnamese steel company Hoa Phat Group. It is probably the most well-run steel company in the frontier universe and it has a fantastic momentum in the business with good demand and rising margins. However, the valuation has skyrocketed and we sold at a time when the company's P/BV valuation touched two standard deviations over both the 5-year average and the 10-year average. As you know, traditional cyclical investments such as steel and cement are not typical Tundra-investments. This is due to the fact that their margins over time are largely affected by factors beyond their control (they are price takers both on the products they sell, as well as the input materials they need). When we own cyclical shares, it is usually early in the cycle when pessimism is high and the shares are trading at low valuations relative to their average earnings over a cycle.

PICTURE 1: VIETNAMESE HO PHAT GROUP LEAVES AND MAKES ROOM FOR REE CORP



Source: Companies

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We reallocated parts of the capital to REE Corp, which is something as unusual as a renewable energy case in Vietnam. From a background as a manufacturer of air conditioners, it has gradually developed into one of Vietnam's leading technology consultants (water supply and infrastructure) and in parallel developed a high-quality property portfolio in central Ho Chi Minh City. In recent years, the focus has added a portfolio of projects in renewable energy (water, wind and solar). REE was one of the last physical meetings we had on-site (January 2020) and we were impressed by the management's historical ability to show steady growth and their vision for the future. Most of us have noticed the strong demand for companies involved in renewable energy in developed markets which have pushed the prices of those companies to sometimes astronomical levels. Here we have found a reasonably valued company (P/E 10x) in the sector, with a great and trustworthy management and operating in one of the world's fastest-growing economies. We look forward to following REE Corp's long-term journey as shareholders.

Our second new position was in the Egyptian dairy and juice producer Juhayna, which we have owned in the past. The share has been under pressure from general weak performance for Egyptian shares but also by headlines about the owner family who are rumoured to be forced out of the company. In our assessment, we believe that the impact on the company's fundamental development will be marginal even if the rumours turn out to be true. After a couple of tough years with large investments, including several new brands, we think the company is well-positioned for some decent years ahead. This at the same time as the share has halved in the last two years. The valuation of just over 10x for expected 2021 earnings appears to be low for a leading dairy producer in a fast-growing market like Egypt.

PICTURE 2: PUREGOLD AND JUHAYNA ENTER THE PORTFOLIO



Source: Companies

During the month, we also took an initial position in Philippines' second-largest food-retailer, Puregold. In our view, it's currently the best food retailer. We prefer the branding and the investment plans over the other larger listed food retailer, Robinson Retail. We believe Puregold will be able to compete successfully also against the dominating SM Group, whose food retail expansion has been very much about following the parent company's establishment of large shopping centres. This path of expansion might be more cumbersome in the long run. The Philippines has suffered badly from the COVID-19 pandemic, as it belongs to the group of countries in Asia with the strictest restrictions. This has also put pressure on Puregold, now trading two standard deviations below its average P/BV valuation for both 5 years and 10 years. It's a good opportunity for us to take an initial position in a company with good long-term growth prospects and stable profitability.

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Including the positions in Juhayna and Puregold, Consumer Staples now make up 16% of the fund's assets which is the highest weight for us since mid-2014. Those who have followed our monthly letters recall that for several years we have had difficulty finding interesting investment opportunities in the sector, despite being long-term positive towards the sector. We note that the valuations after several years of outflows from our markets have come down, allowing us to buy fairly long-term growth prospects at reasonable valuations.

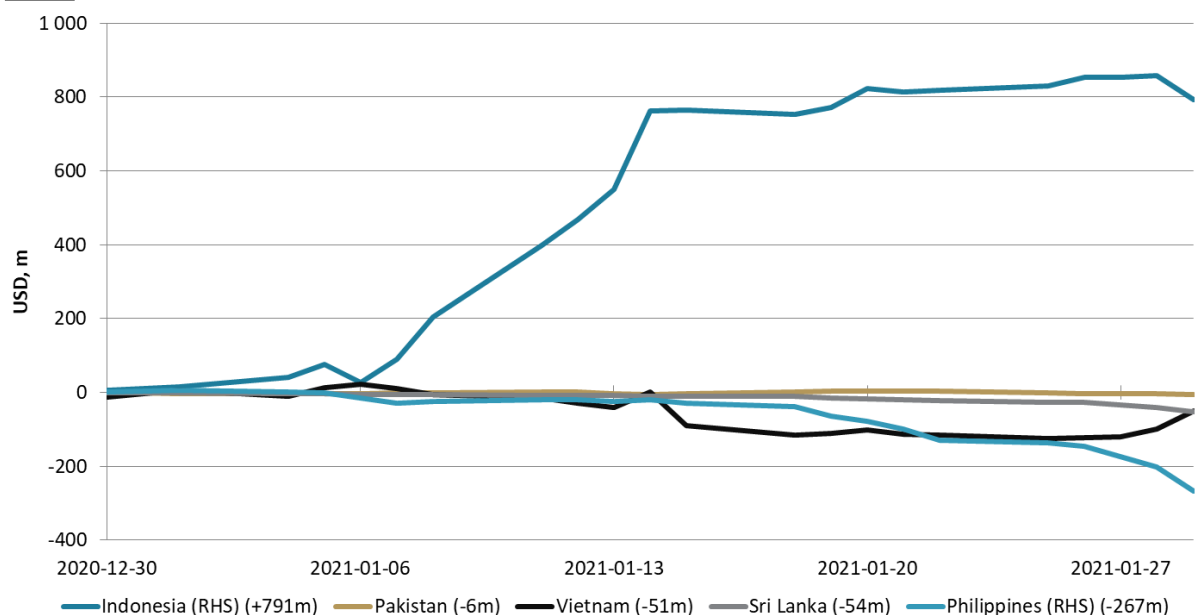
MARKET NEWS

MSCI FMxGCC Net TR rose 0.9% in USD (+2% in EUR) during the month, compared to MSCI EM Net TR which rose 3.2% in USD (+4.5% in EUR) and MSCI World Net TR which decreased -0.8% in USD (+0.3% in EUR). The best-performing markets during January were Sri Lanka (+11.7% in USD, +13% in EUR) and Bangladesh (+8.2% in USD, +9.5% in EUR). Vietnam (-2.6% in USD, -1.4% in EUR) was the only major market to fall during the month. In Tundra's expanded universe, we noted that Egypt (+7.7% in USD, +9% in EUR) and Pakistan (+4.4% in USD, +5.6% in EUR) performed well, while the Philippines (-8% in USD, -6.9% in EUR) and Indonesia (-2.4% in USD, -1.3% in EUR) had a tough month. In both Bangladesh and Sri Lanka, local investors continued to drive stock markets in the wake of lower interest rates. Vietnam has also seen a phenomenally high turnout from local investors, but the market panicked towards the end of the month after a new outbreak of COVID-19 in the northern parts of the country. The Philippines had its worst month since March 2020. The country is the hardest hit in Asia with restrictions not far from what we have seen in a number of European countries. GDP for the fourth quarter fell 8.3% year-on-year, which is likely to be the worst in Asia when all numbers are in.

Since the US presidential election, we have noted inflows to emerging markets. With the exception of Indonesia, however, we have not yet seen these reach the smaller emerging markets and frontier markets. As can be seen in the figure below (see Figure 1), the Philippines, Sri Lanka and Vietnam have seen continued outflows. In Pakistan, we have seen a period of neutral flows, while Indonesia has seen decent inflows.



FIGURE 1: ACCUMULATED NET FOREIGN FLOWS



Source: Bloomberg, Tundra Fonder

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We have seen a strong recovery in most of our equity markets since the bottom at the end of March. So far, however, the recovery has been exclusively driven by local investors. When we compare our markets (here referred to as FM & Smaller EM:s) with the S&P 500, MSCI World ex USA and MSCI EM, we find that our markets remain the only ones that continue to trade at a discount compared to their 5-year average (see Figure 2). If we look at return on equity, we find that an unweighted average of our largest markets has the same return on equity as the S&P 500 both today and as an average for the past 5 years (see Figure 3). In other words, the improved market sentiment since the end of March has so far only been a recovery to average long-term levels. We are quite far from the stage of enthusiasm at this point in time.



FIGURE 2: PRICE TO BOOK CURRENT vs 5 YEAR AVERAGE

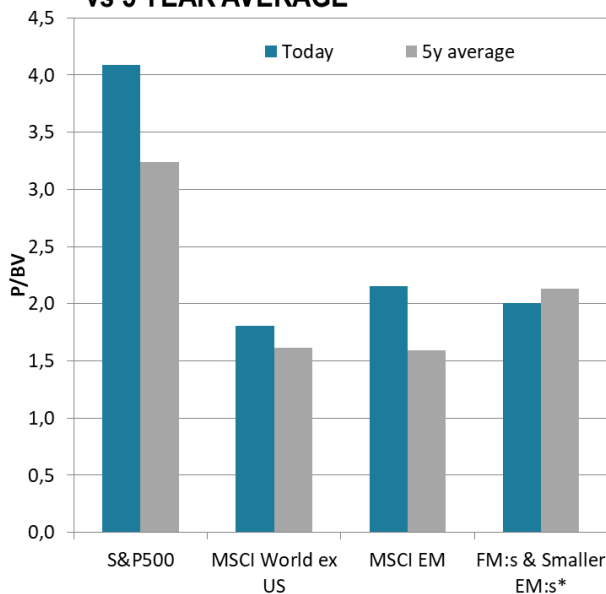
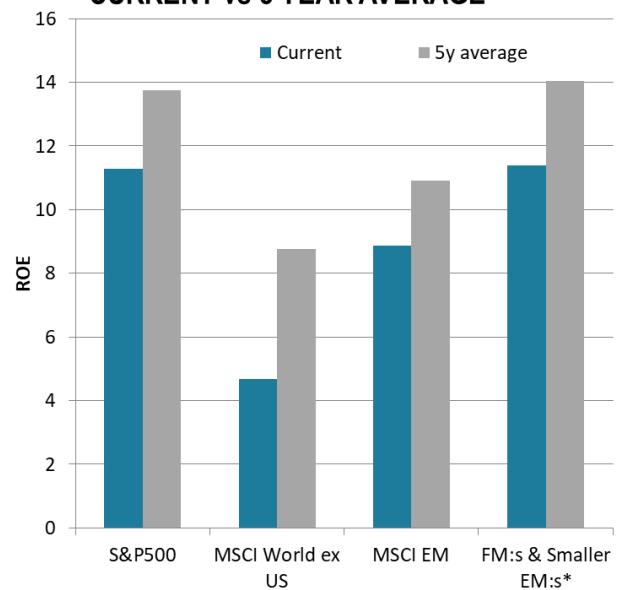


FIGURE 3: RETURN ON EQUITY CURRENT vs 5 YEAR AVERAGE



Source: Bloomberg, Tundra Fonder

* Unweighted average of Egypt, Morocco, Nigeria, Bangladesh, Philippines, Indonesia, Sri Lanka, Pakistan and Vietnam.

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ABOUT THE FUND

Tundra Sustainable Frontier Fund focuses on the next generation of emerging markets such as Vietnam, Bangladesh, Sri Lanka, Pakistan, Egypt and Nigeria. Featuring strong population growth, rapid urbanisation, investments in infrastructure, growing middle classes and stabilising political environments, a vast majority of international investors are yet to discover these markets.

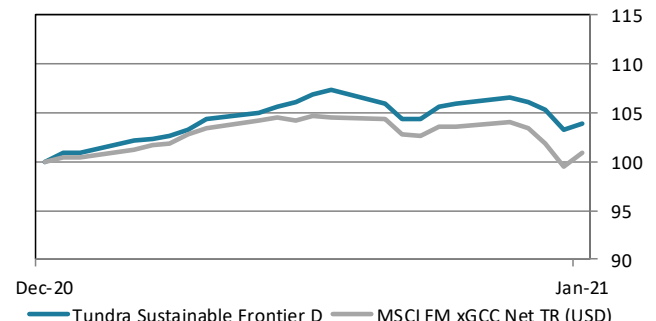
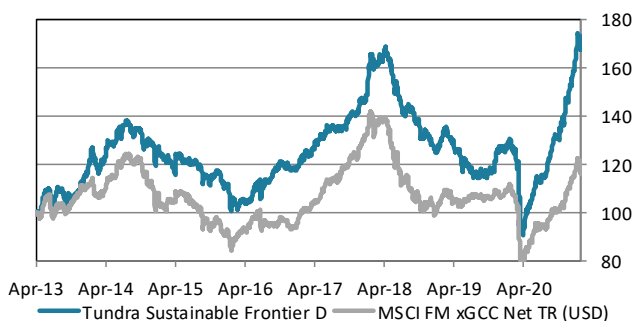
The fund is managed according to Tundra's active stock picking philosophy and backed by local research offices in Asia. Investments are based on an ESG approach where each investment has to comply with the UN Global Compact with regards to human rights, labour rights, corporate governance and environmental impacts. The fund is registered in Sweden and is fully UCITS compliant. Read more about latest developments [here](#).

| Return* | NAV(USD) | 1 month | YTD | 1 year | 3 year | Inception |
|-------------------------------|----------|---------|------|--------|--------|-----------|
| Tundra Sustainable Frontier D | 26.07 | 4.0% | 4.0% | 32.9% | 3.2% | 69.0% |
| Benchmark | 733.02 | 0.9% | 0.9% | 8.3% | -16.3% | 17.9% |

* Fund returns calculated on SEK class converted to USD in order to provide the longest possible data set.

The fund vs benchmark (since inception)

The fund vs benchmark (YTD)



Fund monthly performance

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|------|-------|-------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| 2013 | | | | 2.8% | 6.6% | -6.2% | 6.2% | -4.6% | 1.7% | 2.3% | 3.9% | 5.5% | 16.9% |
| 2014 | 2.4% | -2.3% | 4.0% | 4.4% | 3.8% | 0.9% | 1.3% | -2.5% | 0.1% | -3.4% | -0.6% | -1.7% | 7.9% |
| 2015 | -3.1% | -0.5% | -2.8% | 4.4% | -1.6% | -0.7% | -1.4% | -3.0% | -3.4% | 4.3% | -2.7% | -1.6% | -11.8% |
| 2016 | -5.8% | -2.3% | 1.7% | 1.1% | 4.5% | -0.2% | 2.8% | 4.1% | 2.0% | -1.3% | -0.7% | 0.4% | 6.3% |
| 2017 | 2.5% | 2.1% | 3.0% | 2.5% | 2.2% | 1.8% | -0.8% | 0.7% | 3.1% | 0.6% | 4.5% | 1.2% | 25.9% |
| 2018 | 10.1% | -1.4% | 2.2% | -0.7% | -8.2% | -2.4% | -2.1% | -1.0% | -2.2% | -4.2% | -2.2% | -3.6% | -15.6% |
| 2019 | 3.5% | 1.6% | -2.0% | -2.6% | -3.7% | -2.8% | -1.0% | 0.0% | -0.4% | 1.7% | 7.9% | -0.4% | 0.9% |
| 2020 | 0.3% | -6.9% | -23.0% | 12.8% | 6.4% | 3.2% | 3.1% | 8.4% | 3.7% | 4.6% | 10.3% | 7.6% | 28.2% |
| 2021 | 4.0% | | | | | | | | | | | | 4.0% |

Source: Bloomberg, MSCI, Tundra Fonder

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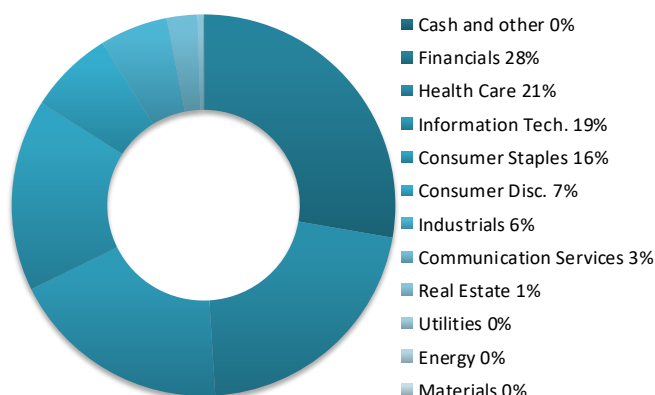
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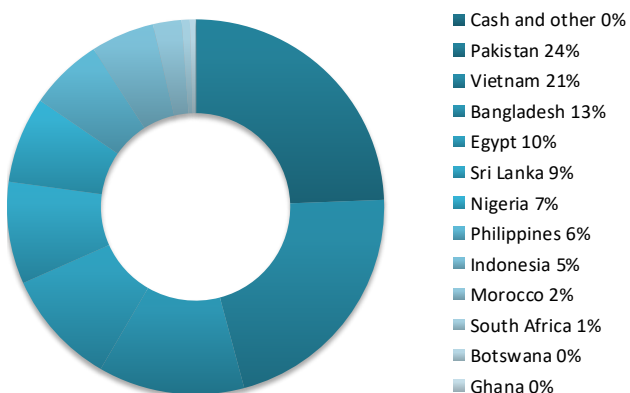
Monthly Update January 2021

Tundra Sustainable Frontier Fund D, USD

Sector allocation



Country allocation



| Largest holdings | Portfolio weight | Country | P/E 20E | P/E 21E | Yield | Return 1M (USD) |
|-------------------------|------------------|-------------|---------|---------|-------|-----------------|
| Systems Ltd | 9.6% | Pakistan | 25.1 | 20.3 | 0.8% | 10.2% |
| Square Phar Ltd-Ord | 7.5% | Bangladesh | 15.5 | 12.7 | - | 7.4% |
| FPT Corp | 6.7% | Vietnam | 14.5 | 12.3 | 2.8% | 8.1% |
| Meezan Bank Ltd | 4.5% | Pakistan | 6.8 | 7.9 | 6.9% | 4.7% |
| Lien Viet Post Bank JSC | 3.5% | Vietnam | 8.3 | 7.5 | - | 2.6% |
| Masan Group Corp | 3.3% | Vietnam | 92.5 | 38.0 | 0.0% | 2.6% |
| Ree | 2.9% | Vietnam | 10.7 | 9.4 | 3.0% | 5.8% |
| Medikaloka Hermina TBK | 2.9% | Indonesia | 34.6 | 28.5 | 0.5% | 13.3% |
| Puregold Price Club | 2.6% | Philippines | 14.4 | 13.5 | 1.1% | -11.2% |
| Media Nusantara | 2.6% | Indonesia | 7.4 | 6.1 | 1.8% | -9.2% |

| Best performers in January | Return (USD) | Worst performers in January | Return (USD) |
|-------------------------------|--------------|-----------------------------|--------------|
| Sampath Bank Plc | 47.0% | Asiri Hospitals | -14.0% |
| Ceylinco Insurance-Non Voting | 27.6% | Puregold Price Club | -11.2% |
| Obour Land For Food Ind | 27.2% | Airports Corp Of Vietnam | -9.3% |
| Commercial Bank | 21.5% | Media Nusantara | -9.2% |
| Adamjee Insurance Co Ltd | 18.1% | Egyptian Intl Pharma | -8.8% |

| Facts | | Risks and costs* | |
|--------------------------|---------------------------|-------------------------------|--------------------------------------|
| Inception date | 2013-04-02 | Active risk (Tracking error) | 10.0% |
| Pricing | Daily | Active share | 91.6% |
| Manager | Tundra Fonder AB | Standard deviation | 23.8% |
| Benchmark index | MSCI FM xGCC Net TR (USD) | Standard deviation, benchmark | 19.9% |
| ISIN | SE0005222346 | Beta | 1.09 |
| Bloomberg | TUNDFRU SS | Information ratio | 0.91 |
| IBAN | SE4750000000058648209552 | Holdings | 49 |
| BIC | ESSESESS | Risk level | 5 of 7 (refer to KIID for more info) |
| Custodian | SEB | Management fee/year | 2.5% |
| Auditor | PWC | AuM | 213.1 MUSD |
| Share classes currencies | SEK, USD, EUR, NOK | Dividend | No dividend |

* Risk indicators are based on monthly rolling 24 months of return data.

Source: Bloomberg, MSCI, Tundra Fonder

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