

# TUNDRA SUSTAINABLE FRONTIER FUND

MONTHLY UPDATE  
MAY 2021



### FUND PERFORMANCE - RENEWED FOCUS ON STRONG CORPORATE RESULTS

In USD the fund rose 6.6% during the month (EUR: 5.5%), compared to MSCI FMxGCC Net TR (USD) which rose 4.1% (EUR: +3.0%). In absolute terms, about 3.5% of the increase came from Vietnam, where our two largest holdings, the IT company FPT (+21%) and the bank Lien Viet Postal Bank (+39%), were the primary contributors. The second largest absolute return (+1.8%) came from Pakistan, where our largest holding Systems Ltd rose 15% and contributed around 1.3% in absolute return. Sri Lanka also made a positive contribution, mainly coming from our holding in Asiri Hospitals that rose 16% ahead of the quarterly report announcement. In January, we wrote about Asiri Hospitals's strong earnings outlook for the next few years, and the quarterly numbers confirmed that our scenario still holds. The largest negative contribution in the portfolio came from Egypt (-0.4%), where our smaller position in Juhayna Foods (1.5% of the fund's assets) fell by 20%. We described the problems in the company in our monthly letter for March. An added concern is that one of the company's auditors requested more time to verify the financial statements for 2020, which delayed the company's accounts and in the meantime created uncertainty in the market.

It was a relatively quiet month in our markets. Kazakhstan (+8%) and Pakistan (+6%) were the strongest performers, while Egypt (-6%) and Nigeria (-3%) showed the weakest development. The Covid-concerns that we described in last month's letter gradually lessened with reduced number of infected which in turn means reduced risk of increased restrictions. Of our markets, only Sri Lanka and Vietnam (from very low levels should be added) saw a steady increase in the number of new cases throughout the month. Both countries showed very low number of cases until the most recent wave. Decreased concern for COVID-19 meant that we saw a delayed positive reaction to the strong company reports we described in last month's letter. During the month, another 15 of our companies (37% of the fund's assets) reported for the first quarter (calendar year) of 2021. The reports continued to come in slightly above expectations (see Table 1). The percentage increase on an annual basis is flattering given that the first quarter of 2020 was weak for most companies. But if we annualize the first quarter's profit, however, we find that our companies delivered 29% of full-year expectations during the first quarter. With three quarters left, this indicates that profit estimates are likely to be raised slightly for the full year. With the fund's valuation of 10.0x this year's estimated profits, we remain optimistic.

**TABLE 1: HOLDINGS Q1 REPORTING CONTINUES TO SHOW ENCOURAGING GROWTH**

Company	Country	Sector	EPS (local ccy)		1Q21 vs 1Q20	% of full year estimate
			1Q21	1Q20	EPS, % chg	
Century Pacific	Philippines	Consumer staples	0.36	0.29	24%	29%
Square Pharma	Bangladesh	Healthcare	4.36	4.08	7%	27%
PureGold	Philippines	Consumer staples	0.70	0.61	15%	26%
GB Auto	Egypt	Consumer discretionary	0.27	0.12	120%	25%
Sampath Bank	Sri Lanka	Financials	4.46	2.34	91%	49%
Commercial Bank	Sri Lanka	Financials	5.70	3.18	79%	31%
Ceylinco Insurance	Sri Lanka	Financials	65.52	65.73	0%	20%
Eipico	Egypt	Healthcare	1.71	1.66	3%	29%
Col Financials	Philippines	Financials	0.08	0.02	371%	80%
Obour Lands	Egypt	Consumer staples	0.16	0.15	7%	22%
Hemas Holdings	Sri Lanka	Industrials	1.45	0.74	97%	26%
Asiri Hospitals	Sri Lanka	Healthcare	0.67	0.04	1697%	46%
Cargills Ceylon	Sri Lanka	Consumer staples	6.50	2.54	156%	55%
Ibnsina Pharma	Egypt	Healthcare	0.04	0.04	-5%	11%
Guaranty Bank	Nigeria	Financials	1.60	1.77	-10%	22%

Source: Bloomberg, company reports

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### CONCLUDING OUR ESG-ENGAGEMENT WITH ELSEWEDY

For the past nine months, we have been in dialogue with the portfolio company ElSewedy (Egypt) regarding their role as a contractor for the Rufiji Hydropower Project; a major dam project for hydropower in the Selous Game Reserve (World Heritage site, Tanzania). The project is deemed to violate Principle 7 under the Global Compact ("Support the precautionary principle regarding environmental risks"). Our engagement has included collaboration with non-governmental organizations in the environmental field, external sustainability consultants, and other experts. Tundra's commitment has been focused on obtaining sufficient decision-making information and determining the extent to which we can alleviate negative effects from the project, especially regarding the environment, biodiversity, and endangered species. Tundra has also worked to ensure better access to information for the involved non-governmental organizations in the environmental field as well as the external sustainability consultants to base their assessment on. In accordance with our internal rule of 12 months' engagement limit vis-à-vis companies that are deemed to violate international standards, we had until August 2021 to try to bring about a positive change. During May, however, we were forced to conclude that the respective restrictions of the parties involved would make it impossible to achieve a positive result within the timeline of our internal guidelines, and we have thus divested the holding. ElSewedy has spent considerable time discussing the project with us. Throughout the process, they have been cooperative and tried to meet the need for additional information. It is unfortunate that so many previous foreign shareholders in the company abandoned their shareholder role as soon as the problem was flagged. Together, we could probably have had a greater impact. We want to take this opportunity to reiterate that our door is always open to cooperation with other shareholders in our portfolio companies in the event of suspected norm-based violations. Together, our voice is stronger. A cut-and-run strategy achieves nothing.

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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.

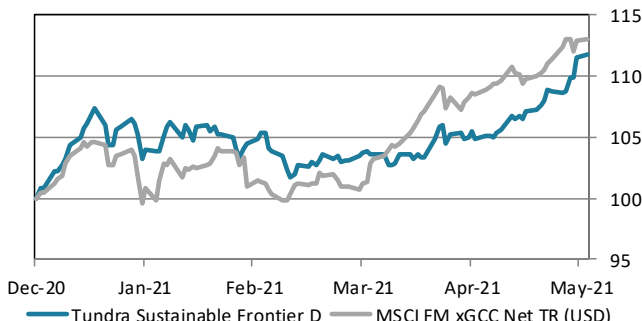
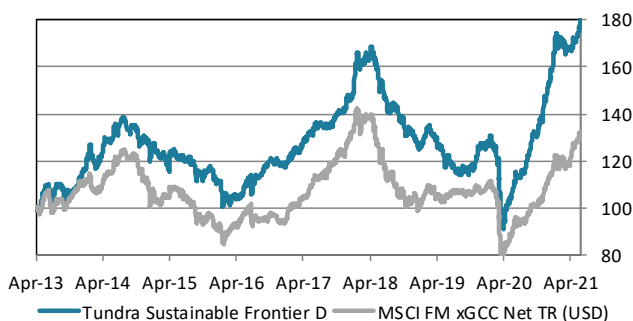
The fund is managed according to Tundra's active stock picking philosophy and backed by local research offices in Asia. Investments are based on an ESG approach where each investment has to comply with the UN Global Compact with regards to human rights, labour rights, corporate governance and environmental 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	28.04	6.6%	11.8%	65.9%	20.9%	81.7%
Benchmark	821.34	4.1%	13.0%	42.6%	10.7%	32.1%

\* 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

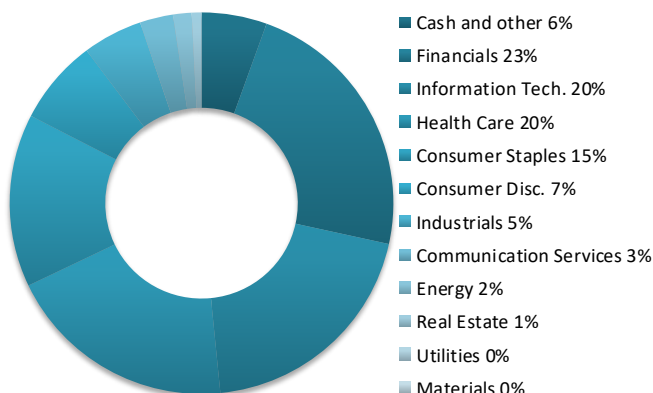
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013				2.8%	6.6%	-6.2%	6.2%	-4.6%	1.7%	2.3%	3.9%	5.5%	16.9%
2014	2.4%	-2.3%	4.0%	4.4%	3.8%	0.9%	1.3%	-2.5%	0.1%	-3.4%	-0.6%	-1.7%	7.9%
2015	-3.1%	-0.5%	-2.8%	4.4%	-1.6%	-0.7%	-1.4%	-3.0%	-3.4%	4.3%	-2.7%	-1.6%	-11.8%
2016	-5.8%	-2.3%	1.7%	1.1%	4.5%	-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%	0.5%	-0.6%	1.0%	6.6%								11.8%

Source: Bloomberg, MSCI, Tundra Fonder

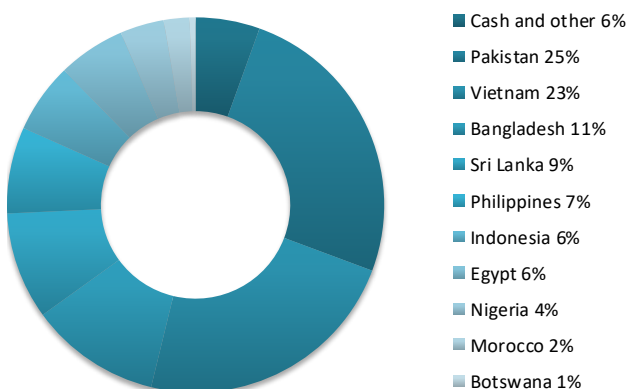
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### Sector allocation



### Country allocation



Largest holdings	Portfolio weight	Country	P/E 21E	P/E 22E	Yield	Return 1M (USD)
Systems Ltd	9.3%	Pakistan	23.4	17.6	0.8%	15.4%
FPT Corp	8.5%	Vietnam	19.9	16.4	2.1%	21.0%
Square Phar Ltd-Ord	7.4%	Bangladesh	12.7	11.1	2.4%	0.6%
Meezan Bank Ltd	5.4%	Pakistan	7.4	6.3	6.1%	7.4%
Ree	4.3%	Vietnam	9.9	8.3	2.9%	8.6%
National Bank of Pakistan	3.6%	Pakistan	2.6	2.1	13.8%	7.8%
Masan Group Corp	3.5%	Vietnam	47.0	25.9	0.3%	12.4%
Medikaloka Hermina TBK	3.2%	Indonesia	28.4	25.6	0.7%	4.7%
Lien Viet Post Bank JSC	3.2%	Vietnam	13.7	10.0	-	39.3%
Puregold Price Club	3.0%	Philippines	12.9	11.6	1.2%	1.1%

Best performers in May	Return (USD)	Worst performers in May	Return (USD)
TPL Properties Ltd	54.5%	Juhayna Food Ind	-19.9%
Lien Viet Post Bank JSC	39.3%	Beximco Pharmaceutical	-10.5%
IFAD Autos Ltd	28.1%	Stanbic IBTC Holdings Plc	-8.3%
BRAC Bank Ltd	26.7%	Airports Corp Of Vietnam	-7.8%
FPT Corp	21.0%	Shezan International Ltd	-6.7%

Facts		Risks and costs*	
Inception date	2013-04-02	Active risk (Tracking error)	10.4%
Pricing	Daily	Active share	93.3%
Manager	Tundra Fonder AB	Standard deviation	23.5%
Benchmark index	MSCI FM xGCC Net TR (USD)	Standard deviation, benchmark	20.4%
ISIN	SE0005222346	Beta	1.04
Bloomberg	TUNDFRU SS	Information ratio	1.08
IBAN	SE4750000000058648209552	Holdings	45
BIC	ESSESESS	Risk level	5 of 7 (refer to KIID for more info)
Custodian	SEB	Management fee/year	2.5%
Auditor	PWC	AuM	221.5 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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