

TUNDRA SUSTAINABLE FRONTIER FUND

MONTHLY UPDATE
NOVEMBER 2023



TUNDRA
FONDER

EGYPT AND PAKISTAN LIFTED THE PORTFOLIO DURING NOVEMBER

In USD, the fund rose 8.2% (EUR +5.2%): during November, compared to the MSCI FMxGCC Net TR (USD), which rose 7.5% (EUR: +4.5%), and MSCI EM Net TR (USD), which rose 8.0% (EUR: +5.0%).



Source: Unsplash, Pakistan

The largest absolute contribution during the month (+3.1%) came from Pakistan, where our sub-portfolio rose 17%, primarily driven by a strong performance by the textile company Interloop (+34%) and National Bank of Pakistan (+31%). We note that Interloop has now risen 56% (USD) this year, after being down 34% at the beginning of May. A strong recovery for Pakistan's star in sustainable textile production which, even at these levels, is valued at a relatively modest P/E of 5x this year's earnings. The second largest contribution came from Egypt (+2.2%) where our Egyptian sub-portfolio rose 28%, primarily driven by strong performance for the financial and automotive conglomerate GB Corp (+35%) and the education company CIRA (+32%). The largest negative contribution was received from Indonesia (-0.8% portfolio contribution), where our investment in the media company Media Nusantara (-18%) was weak. The company continues to suffer from TV viewers being forced to upgrade their receiver equipment, which has lowered the number of viewers and reduced advertising revenue in the short term. At a valuation of 5x this year's profit, however, the setbacks are well priced, while the company's digital assets in the subsidiary MNC Digital are assigned a non-existent value. The only other market that contributed negatively was Sri Lanka (-0.1% portfolio contribution).

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During the month, Sri Lanka lowered its policy rate (mid-rate) by a further 100 basis points, to 9.5%. It is still significantly above the country's inflation, which during November came in at 3.4%. Inflation rose in November from 1.8% on an annual basis, primarily as a result of increases in electricity prices (12-18%). After the strong rise during the first eight months of the year, the stock market has rebounded slightly in the last three months. The first, more drastic, repricing of risk has been completed and investors are now awaiting the finalization of debt restructuring negotiations to ensure that the recovery is sustainable. During the month, Sri Lanka reached an agreement with parts of its creditors (the so-called Paris Club), which is a positive step forward. However, the most difficult negotiations will likely be with the holders of the country's Eurobonds. Debt restructuring of commercial debts tends to attract some dubious actors who try to take advantage of the situation through almost extortion-like methods. We are also approaching 2024 when the country is supposed to hold presidential elections in the autumn. The market probably prefers current President Wickremasinghe who led the country out of the crisis. However, he is still far behind in opinion polls. It is a long way until the election, which right now looks unusually open..

When we look ahead, we note that our thesis of gradually improving news flow from the second half of the year is still intact and looks like it can extend a manageable distance into 2024. It is less about a greatly improved economic climate, and instead more about how several years' extreme impact (covid, followed by Russia-Ukraine) is gradually being worked through. As we have tried to show in our updates on the profit development in our portfolio companies, the majority of companies have fared decently well but market concerns have meant significant multiple contractions. As the news flow now gradually improves, fear diminishes, and investors "rediscover" markets. Pakistan is a typical example. The stock market has now risen just over 20% in USD this year, from being down 20% as recently as end of June. Those who have followed our monthly newsletters have seen us try to explain that the actual impact on companies' profits is not in proportion to the price declines. A company's (and its share's) value is in the long run decided by its ability to generate profits (positive cash-flows) to its shareholders. Cash generation varies in cycles but is generally decently stable. Equities are real assets. In periods of high inflation, competitive companies also raise their prices.



Source: Unsplash, Sri Lanka

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Companies with a high proportion of imported goods or machinery in their production are also forced to raise their prices when their currency is devalued. This means that even more severe crises rarely have more than 1-2 years of impact on companies' underlying earnings, provided they are competitive. In the short term, however, stock market psychology, or sentiment as we in the industry sometimes call it, plays an important role. Fear and greed cause investors to sell too low and buy too high in all markets. Investors' expectations of the future tend to fluctuate considerably more than the actual development of the companies they own. Limited knowledge and access to information means that frontier markets are particularly vulnerable to investor mood, and thus speculation. Looking at the portfolio's valuation, we note that the expected P/E ratio for 2023 is 7.7x. The exact same portfolio was valued at P/E 9.5x in 2021 and 10.4x in 2020, i.e., 23% and 35% higher, respectively. Looking at individual markets, we note that our Pakistani portfolio is valued at P/E 4.5x even after the recent rise. This compares to P/E of 7.3x and 7.1x in 2021 and 2020 earnings, respectively. Provided we do not see any further shocks around the world, it is most likely that the valuation of our holdings will now gradually return to historical valuations. It should be noted that it is not a matter of the outlook miraculously changing for the better, just that the bottomless pessimism is gradually abating, and we are returning to a more neutral climate.

FIGURE 1: P/E RATIOS FOR OUR SUB-PORTFOLIOS AND FOR THE FUND

	2020	2021	2022	2023E	2024E
Botswana	2.0	3.7	4.3	4.2	3.6
Bangladesh	14.3	11.5	10.1	10.8	9.5
Egypt	10.5	7.8	5.4	7.0	5.6
Indonesia	9.5	6.4	8.4	11.4	9.6
Kazakhstan	20.8	22.4	10.8	10.8	8.8
Morocco	51.6	42.5	31.1	34.6	28.4
Nigeria	3.9	3.3	3.0	2.7	3.4
Philippines	16.7	18.6	15.4	13.8	12.4
Pakistan	7.1	7.3	5.5	4.5	4.5
Sri Lanka	16.8	9.2	7.4	8.0	7.0
Vietnam	18.5	21.5	14.9	16.3	13.3
Turkey	29.2	16.3	19.4	13.1	7.7
Fund	10.4	9.5	8.0	7.7	7.1

Source: Bloomberg, Tundra Fonder

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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.

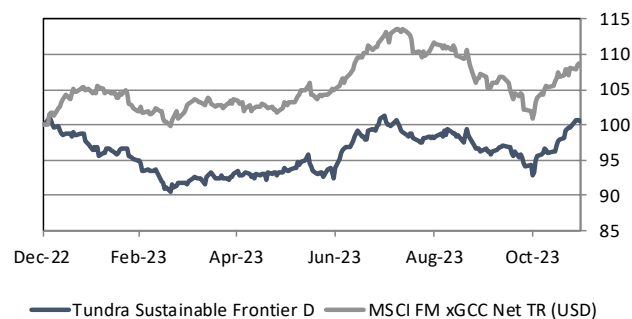
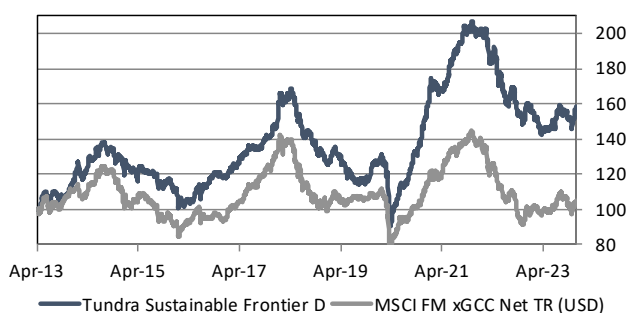
The fund is managed according to Tundra's active stock picking philosophy and backed by local research offices in Asia. Investments are based on an ESG approach where each investment has to comply with the UN Global Compact with regards to human rights, labour rights, corporate governance and environmental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

RETURN*	NAV(USD)	1M	YTD	1Y	3Y	Inception
Tundra Sustainable Frontier D	24.39	8.2%	0.5%	0.8%	4.7%	58.1%
Benchmark	650.28	7.5%	8.3%	6.5%	-5.1%	4.6%

* 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%	4.0%	2.3%	1.9%	1.8%	1.7%	-0.8%	-0.3%	24.2%
2022	-1.3%	-1.5%	-5.3%	-0.1%	-4.9%	-6.8%	-3.5%	6.7%	-7.8%	-2.2%	2.8%	0.3%	-22.1%
2023	-3.1%	-2.1%	-3.1%	1.2%	0.5%	0.4%	8.0%	-3.2%	-1.9%	-3.6%	8.2%		0.5%

Source: Bloomberg, MSCI, Tundra Fonder

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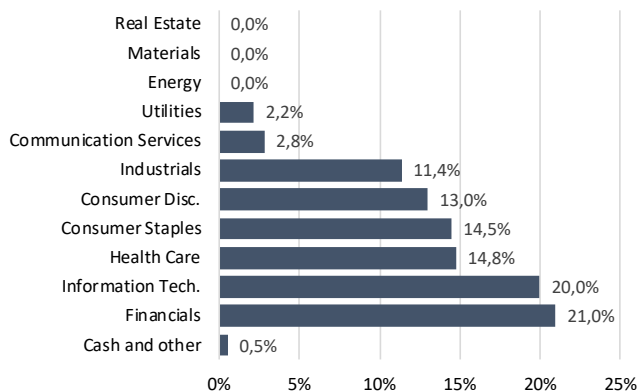
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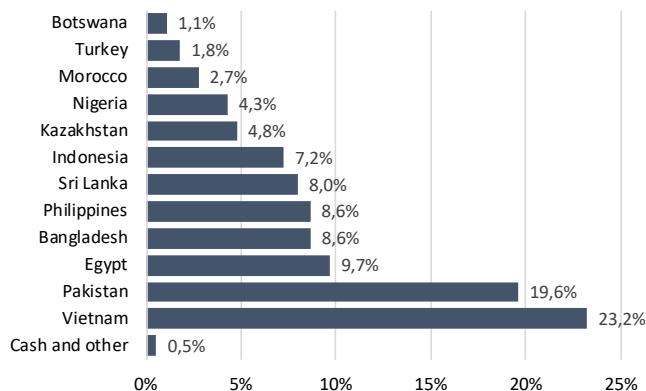
Monthly Update November 2023

Tundra Sustainable Frontier Fund D, USD

SECTOR ALLOCATION



COUNTRY ALLOCATION



LARGEST HOLDINGS	WEIGHT	COUNTRY	P/E 23E	P/E 24E	YIELD	RETURN 1M
						(USD)
FPT Corp	8.5%	Vietnam	18.5	15.0	2.3%	12.1%
Square Phar Ltd-Ord	7.4%	Bangladesh	9.6	8.9	5.0%	4.3%
Ree	7.1%	Vietnam	9.6	8.9	2.3%	9.9%
Systems Ltd	6.9%	Pakistan	11.4	9.0	1.4%	10.0%
Jsc Kaspi.Kz	4.8%	Kazakhstan	10.9	8.8	7.3%	15.0%
Century Pacific Food	4.7%	Philippines	19.3	16.7	1.3%	11.0%
GB Corp	4.6%	Egypt	4.4	3.6	3.2%	34.6%
Medikaloka Hermina TBK	4.4%	Indonesia	46.4	35.5	0.4%	-1.3%
Meezan Bank Ltd	4.4%	Pakistan	3.8	3.4	10.3%	11.6%
Interloop Ltd	3.8%	Pakistan	4.9	4.8	5.2%	34.4%

BEST PERFORMERS	RETURN (USD)	WORST PERFORMERS	RETURN (USD)
GB Corp	34.6%	Stanbic IBTC Holdings Plc	-18.8%
Interloop Ltd	34.4%	Media Nusantara	-18.3%
Cairo Invest. & Real Estate	32.4%	Col Financial	-6.4%
National Bank of Pakistan	31.4%	Cargills (Ceylon) Plc	-5.8%
Logo Yazilim	21.1%	Asiri Hospitals	-3.4%

FACTS

Inception date	2013-04-02
Pricing	Daily
Manager	Tundra Fonder AB
Benchmark index	MSCI FM xGCC Net TR (USD)
ISIN	SE0005222346
Bloomberg	TUNDFRU SS
IBAN	SE4750000000058648209552
BIC	ESSESESS
Custodian	SEB
Auditor	PWC
Share classes currencies	SEK, USD, EUR, NOK
EU SFDR Classification	Article 8

RISKS AND COSTS*

Active risk (Tracking error)	10.2%
Active share	90.8%
Standard deviation	14.1%
Standard deviation, benchmark	15.2%
Beta	0.70
Information ratio	0.10
Holdings	38
Risk level	5 of 7 (refer to KIID for more info)
Management fee/year **	2.5%
AuM	184.3 MUSD
Dividend	No dividend

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

** The management fee includes variable custody fees, audit, legal and marketing expenses.

Source: Bloomberg, MSCI, Tundra Fonder

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