

TUNDRA SUSTAINABLE FRONTIER FUND

MONTHLY UPDATE
JULY 2024



POSITIVE MONTH IN WHICH PAKISTAN AND VIETNAM LED THE WAY

In USD, the fund rose 2.1% during the month of July (EUR: +0.8%) compared to the MSCI FMxGCC Net TR (USD), which rose 2.0% (EUR: +0.6%), and the MSCI EM Net TR (USD), which rose 0.3% (EUR: -1.0%). In absolute return, it was primarily Pakistan (+0.9% portfolio contribution) and Vietnam (+0.6% portfolio contribution) that contributed positively, while Nigeria (-0.2% portfolio contribution) was the only market to drag down absolute return. Relative to the index, it was primarily Vietnam (+1.0% portfolio contribution relative to the index), Pakistan (+0.9% portfolio contribution relative to the index), and the Philippines (+0.6% portfolio contribution relative to the index) that primarily contributed to the relative return during the month, while underweights in Morocco (-0.9% portfolio contribution relative to the index), lack of holdings in Romania (-0.5% portfolio contribution relative to the index), as well as Slovenia (-0.5% portfolio contribution relative to the index) contributed most negatively.

The biggest single contribution came from the company's second-largest position, Vietnamese REE Corp (8% of the portfolio), which rose 12%. The rise came after one of the larger owners announced an offer to increase its ownership in the company at a premium to the share price. The second largest contribution was received from the National Bank of Pakistan (4% of the fund). The stock rose 27% following a number of more positive research reports, as well as strong performance for the smaller banks in Pakistan. The third largest contribution came from Philippine food producer Century Pacific (4% of the fund), which rose 9% without specific news. The largest negative contribution was received from the airport operator Airports Corporation of Vietnam (4% of the fund), which fell 4% during the month after a period of strong price development. The second largest negative contribution came from the Egyptian fintech conglomerate GB Corp (4% of the fund), which fell 3% after a strong performance during June.



Source: Thac Ba Hydropower Plant 2014, Ree Corporation

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IMPORTANT MARKET EVENTS

During the month, Sri Lanka finally presented an agreement with international bondholders. The agreement must now also be approved by the IMF in order to be subsequently implemented. Ahead of the presidential election scheduled for September 21st, a new opinion poll was also published that shows more liberal candidate Premadasa is now leading the opinion polls (43% of the votes) and has thus passed the leftist candidate Dissanayake (30%). In third place is incumbent President Wickremasinghe (20%). Although we expect that all candidates intend to honor the agreement with the IMF, the economic policies of Premadasa and Wickremasinghe are seen as more predictable than Dissanayake's. Thus, we see the poll as marginally positive for the equity market.

As expected, Pakistan reached a new agreement with the IMF on a new program totaling USD 7 billion. Although the program comes with some tax increases, it was received positively by the market as it signals further steps towards stability. Pakistan also cut interest rates by another 100 basis points, following last month's cut of 150 basis points. There is still a good margin compared to inflation, which landed at 11.1% in July, and the central bank's inflation expectations of 11.5%-13.5% until June 2025.



Source: Port of Colombo, Unsplash

The most dramatic development took place in Bangladesh, where dissatisfaction with a new quota system for government employees led to demonstrations that later turned violent. Several hundred people are estimated to have lost their lives. At the beginning of August, Prime Minister Sheikh Hasina, who had been in power since 2008, resigned. In a statement from the army chief on August 5th, an interim government will be appointed, and new elections will be held. The changes come at a sensitive time for Bangladesh, as the country is under an IMF program.

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The fact that the unrest appears to have ended so quickly, and with a definitive plan of action, should calm the situation on the ground so that the country can look forward again and more serious disruptions to the country's economy can be avoided. From our communication with locals on the ground we note significant optimism. Flares of political unrest is common in our markets but it is extremely rare that they lead to political change. When they lead to political change it normally happens after significant pain and uncertainty, even if the eventual outcome is positive. Based on our initial impressions the situation in Bangladesh could be one of those rare cases where a dramatic shift can be undertaken without the traditional initial period of uncertainty and, based on statements from various local and international stakeholders, with significant consensus. We still await the interim government, and things can still go wrong in the political transformation. Further, the new setup will have to manage Bangladesh's still fragile economic situation. But consumer sentiment and hope are important factors behind countries', and equity markets', drive forward. They might just have turned in Bangladesh's favor.



Source: National Martyrs Monument, Unsplash

Towards the end of the month and the first days into August, we noted significant turbulence on the world's stock exchanges. Concerns that the US economy will slow down faster than expected, combined with increasing skepticism towards some of the high-flying valuations in the technology sector meant sharp price corrections. These have since spread to emerging markets, with the natural link being the technology sectors of South Korea and Taiwan. The decline of these markets can then, in turn, have contagion effects on other major emerging markets where foreigners are significant shareholders. The depth of the decline and how long it lasts will determine the impact on frontier markets and smaller growth markets. The best market climate for our markets is dull to mildly declining global equity markets. This stimulates investors to look around for other investment opportunities. Sudden and sharp price falls on global stock markets usually have a certain negative effect on our markets, although the effect should be less given the relatively weaker performance in recent years.

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Tundra Sustainable Frontier Fund

Looking at the valuation of the fund, we note that it is valued at 7.0x on 2023 earnings and 6.7x on expected earnings for 2024. This compares to the same portfolio's valuation at the end of 2020 of 10.3x and at the end of 2021 at 9.5x. The fund thus would need to rise 36-54% to reach similar valuations as in 2020 and 2021, respectively. 2024 has started better for the fund, with a 9% (USD) rise so far. However, we note that investor concerns from the crises of recent years continue to weigh on valuations. This indicates that we are still early in a recovery phase, which makes us optimistic about better conditions ahead relative to more developed equity markets.

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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.

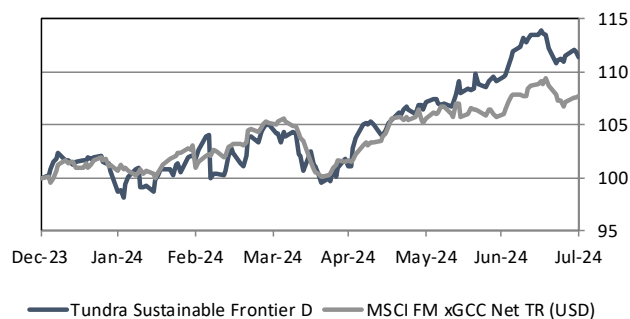
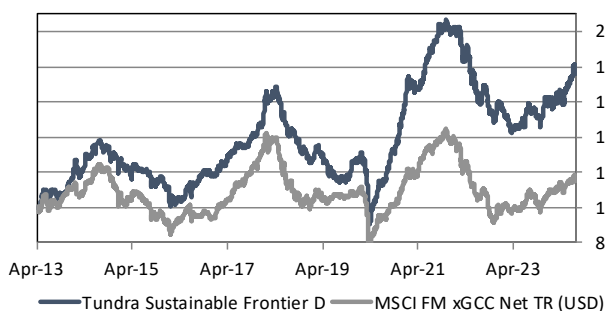
The fund is managed according to Tundra's active stock picking philosophy and backed by local research offices in Asia. Investments are based on an ESG approach where each investment has to comply with the UN Global Compact with regards to human rights, labour rights, corporate governance and environmental 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	27.35	2.1%	11.4%	11.1%	-8.3%	77.3%
Benchmark	724.61	2.0%	7.8%	7.0%	-13.2%	16.6%

* 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%	0.7%	1.2%
2024	-2.0%	3.8%	3.3%	-3.8%	6.0%	1.8%	2.1%						11.4%

Source: Bloomberg, MSCI, Tundra Fonder

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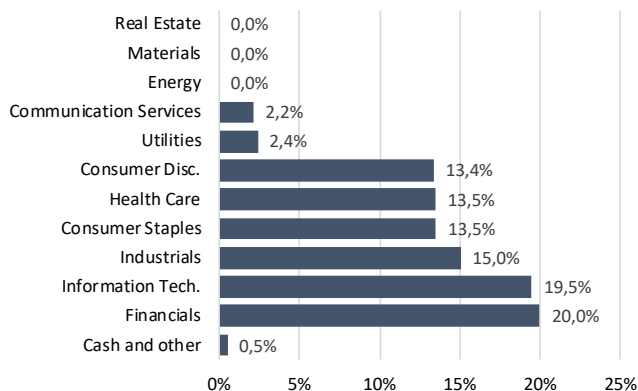
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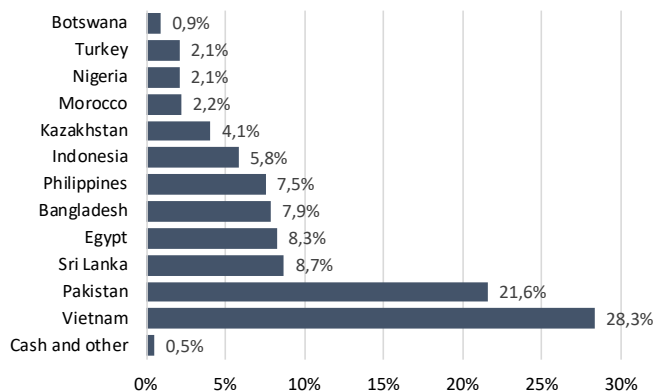
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Tundra Sustainable Frontier Fund D, USD

SECTOR ALLOCATION



COUNTRY ALLOCATION



LARGEST HOLDINGS	WEIGHT	COUNTRY	P/E 24E	P/E 25E	YIELD	RETURN 1M
						(USD)
FPT Corp	8.8%	Vietnam	24.5	19.9	1.6%	-0.6%
Ree	8.6%	Vietnam	12.6	11.0	1.5%	12.1%
Systems Ltd	6.4%	Pakistan	11.1	8.5	-	-0.3%
Square Phar Ltd-Ord	6.2%	Bangladesh	8.9	8.0	4.9%	0.2%
GB Corp	4.6%	Egypt	5.1	3.0	2.5%	-3.0%
Meezan Bank Ltd	4.6%	Pakistan	3.8	4.1	-	-0.3%
Airports Corp Of Vietnam	4.3%	Vietnam	24.5	19.9	-	-4.2%
Century Pacific Food	4.2%	Philippines	19.2	16.9	1.5%	9.0%
Jsc Kaspi.Kz	4.1%	Kazakhstan	11.2	8.9	6.3%	0.9%
Interloop Ltd	4.0%	Pakistan	5.6	5.1	5.7%	2.5%

BEST PERFORMERS	RETURN (USD)	WORST PERFORMERS	RETURN (USD)
National Bank of Pakistan	27.5%	Zenith Bank Plc	-15.3%
Ree	12.1%	Access Bank Plc	-11.8%
Century Pacific Food	9.0%	Guaranty Trust Holding	-10.7%
Puregold Price Club	8.9%	Stanbic IBTC Holdings Plc	-6.9%
Juhayna Food Ind	8.7%	Airports Corp Of Vietnam	-4.2%

FACTS		RISKS AND COSTS*	
Inception date	2013-04-02	Active risk (Tracking error)	9.5%
Pricing	Daily	Active share	91.9%
Manager	Tundra Fonder AB	Standard deviation	13.8%
Benchmark index	MSCI FM xGCC Net TR (USD)	Standard deviation, benchmark	14.5%
ISIN	SE0005222346	Beta	0.74
Bloomberg	TUNDFRU SS	Information ratio	0.12
IBAN	SE4750000000058648209552	Holdings	39
BIC	ESSESESS	Risk level	5 of 7 (refer to KIID for more info)
Custodian	SEB	Management fee/year **	2.5%
Auditor	PWC	AuM	194.4 MUSD
Share classes currencies	SEK, USD, EUR, NOK	Dividend	No dividend
EU SFDR Classification	Article 8		

* 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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