

TUNDRA SUSTAINABLE FRONTIER FUND

MONTHLY UPDATE
JUNE 2024



TUNDRA
FUNDER

EGYPT AND VIETNAM LEAD THE WAY

In USD, the fund rose 1.8% (EUR: +3.4%) during the month of June compared to the MSCI FMxGCC Net TR (USD), which rose 0.1% (EUR: +1.7%), and the MSCI EM Net TR (USD), which rose 3.9% (EUR: +5.6%). From an absolute return perspective, it was primarily Vietnam (+2.9% portfolio contribution) and Egypt (+1.2% portfolio contribution) that contributed positively. In comparison, it was mainly Pakistan (-1.5% portfolio contribution) and the Philippines (-0.8% portfolio contribution) which reduced the absolute return. For the third month in a row, it was primarily Vietnam contributing to the relative return versus the benchmark during the month. In USD our sub-portfolio rose 7%, compared to the market, which fell 3%.

KEY PORTFOLIO MOVES

The single biggest contribution came from the fund's largest position, Vietnamese FPT Corp (9% of the portfolio), which rose 12%. The company reports financial data monthly. During the first five months of the year, turnover rose by 20% and profit after tax by 21%. Among individual holdings, the Egyptian GB Corp (5% of the portfolio) also stood out. The stock rose 24%, despite Egypt falling back slightly. During the month, there were rumors that the EBRD was about to buy into the company's fintech company, MNT Halan, at an unexpectedly high valuation. The third biggest contribution came from Vietnamese airport operator, Airports Corporation of Vietnam, which rose 18% on continued positive momentum following the previous month's strong passenger traffic figures. The biggest negative contributor was Philippine Century Pacific Foods (4% of the portfolio), which fell 14% without any specific news. The stock had a strong start to the year despite the generally weak performance of the Philippines, but since the end of March, it has fallen back on profit-taking. The second largest negative contribution came from the Pakistani textile company Interloop (4% of the fund), which fell 14% after the presentation of a new tax proposal, where exporters, such as Interloop, will lose their current preferential taxation. The tax news was somewhat mitigated by the company announcing its commitment to pursue an aggressive expansion plan, further strengthening the case of becoming the leading sustainable RMG (Ready Made Garment) exporter from Pakistan.



Source: Unsplash

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KEY MARKET NEWS

We had some key news during the month. Pakistan lowered the policy rate by 150 basis points (to 20,5%). With the latest inflation number for June at 12,6%, the real interest rate remains high and more cuts are likely to come during the year. At the time of writing (July 3rd), Sri Lanka has finally announced coming to an agreement with international bondholders regarding its defaulted Eurobond debt and now looks to exit the list of defaulting countries. Although it is a positive, and the timing was less than certain, it was also a widely expected event. With the negotiations out of the way, the investors' focus will tilt more toward this autumn's presidential elections, which remains uncertain. During the month, the IMF agreed to release the third installment of USD 1.14bn (out of a total of USD 4.7bn) to Bangladesh. As opposed to Sri Lanka and Pakistan, Bangladesh never saw the crisis headlines of its South Asian peers and has been going through a slower crisis-handling process, and is not out of the woods yet. We are likely to see more interest rate hikes and probably more currency weakening before it can overcome economic difficulties. On the other hand, the equity market's valuation is now 2 standard deviations below its 10-year historical mean on P/BV, which indicates a lot is already priced in. Just as has been the case with Sri Lanka and Pakistan equities, markets tend to improve before headlines again turn positive.



Source: Unsplash, Bangladesh

PORTFOLIO COMPANIES' PERFORMANCE

In our quarterly review of the portfolio companies' profit development, we note some movements compared to the last review as of the end of March. The results of the Nigerian banks for the fourth quarter of 2023 were not published at the last review. These significantly exceeded expectations, primarily due to unexpectedly high revaluation gains and trading income (one-offs), which saw portfolio profits in Nigeria revised upwards significantly, from USD 2.8m to 5.0m. That meant the portfolio companies' 2023 earnings rose 6% in 2023, compared to an expected 3% at the end of March. However, the upward adjustment of the Nigerian profits meant an increase in the base for 2023, which in turn means that the profit growth for 2024 has been revised down to 5% (against an expected 8% at the end of March).

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If we adjust for 2023, and instead compare the expected profits in 2024 with 2022, we note a marginal upward adjustment, from 11% profit growth to 12%. Among individual countries, we note that estimates in Sri Lanka for 2024 have been adjusted downward, from expected profit growth of 30% to 19%. We see this primarily caused by the higher tax levels in the wake of the IMF agreement. Positive to note is some upward adjustment in Vietnam, from 28% to 38% profit growth for 2024. We also note that investors have become somewhat more optimistic about Egypt. The previously expected drop in profit because of the devaluation has been reduced from -26% to -6% for 2024. In Pakistan, we note a smaller downward adjustment for 2024, from 19% to 11%. About half (5%) is due to the base for 2023 being adjusted upwards. However, with the last published results, we also note some downward adjustments in the IT sector (Systems Ltd in our case) and smaller adjustments in the banking sector, mainly due to expectations of interest rate cuts that have begun to take hold.

TABLE 1: PROFITS FOR THE FUND'S SUB-PORTFOLIOS AND THE FUND (MUSD)

(USD, m)	2020	2021	2022	2023	2024F
Botswana	0,7	0,7	0,5	0,2	0,4
Bangladesh	1,6	2,0	1,8	1,8	2,0
Egypt	1,9	3,0	2,9	2,4	2,2
Indonesia	2,2	3,0	2,2	1,2	2,1
Kazakhstan	0,2	0,4	0,4	0,7	0,8
Morocco	0,1	0,1	0,2	0,1	0,2
Nigeria	2,8	2,9	3,8	5,0	2,5
Philippines	1,0	1,1	1,0	1,0	1,1
Pakistan	6,5	7,0	6,5	8,9	9,9
Sri Lanka	1,5	2,5	1,4	1,8	2,1
Vietnam	1,6	2,2	2,8	2,1	2,9
Turkey	0,2	0,2	0,2	0,0	0,4
Sum	20,3	25,0	23,6	25,1	26,5

Source: Bloomberg, Tundra Fonder AB

TABLE 2: P/E RATIOS FOR SUB-PORTFOLIOS AND THE FUND

	2020	2021	2022	2023	2024F
Botswana	2,0	3,7	4,3	9,8	5,1
Bangladesh	14,2	11,6	10,0	9,5	8,5
Egypt	10,7	8,0	5,6	7,3	7,7
Indonesia	9,5	6,4	8,4	11,1	6,3
Kazakhstan	16,7	27,5	10,0	9,5	7,9
Morocco	51,6	42,5	31,1	37,3	29,9
Nigeria	3,9	3,3	2,1	1,7	3,4
Philippines	16,7	18,5	15,1	14,2	13,2
Pakistan	7,0	7,2	5,6	3,9	3,6
Sri Lanka	16,8	9,2	7,8	9,2	7,7
Vietnam	18,1	21,0	14,6	19,1	13,8
Turkey	29,2	16,3	19,4	135,1	8,4
Fund	10,3	9,5	7,6	7,0	6,7

Source: Bloomberg, Tundra Fonder AB

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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.

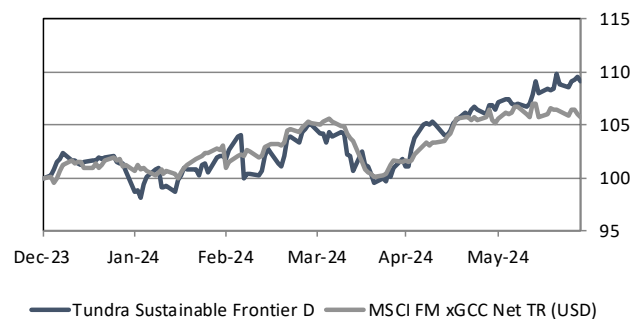
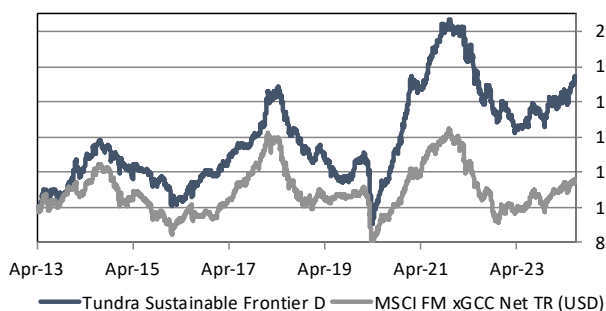
The fund is managed according to Tundra's active stock picking philosophy and backed by local research offices in Asia. Investments are based on an ESG approach where each investment has to comply with the UN Global Compact with regards to human rights, labour rights, corporate governance and environmental 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	26.78	1.8%	9.0%	17.5%	-8.2%	73.6%
Benchmark	710.72	0.1%	5.7%	12.7%	-15.3%	14.3%

* 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%							9.0%

Source: Bloomberg, MSCI, Tundra Fonder

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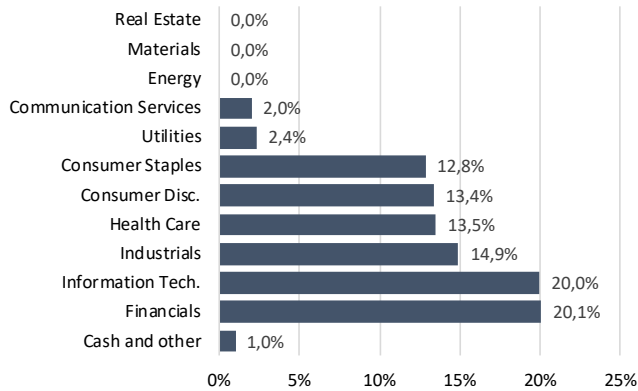
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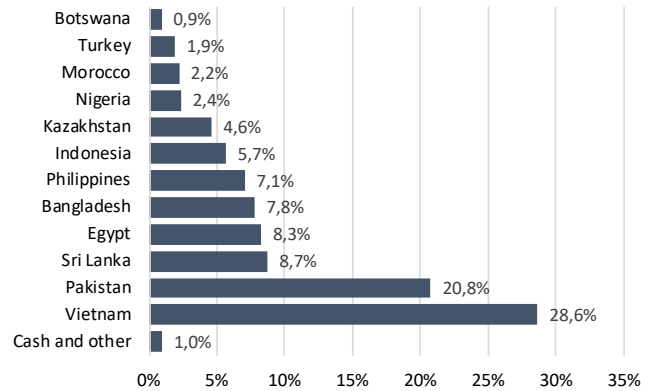
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Tundra Sustainable Frontier Fund D, USD

SECTOR ALLOCATION



COUNTRY ALLOCATION



LARGEST HOLDINGS	WEIGHT	COUNTRY	P/E 24E	P/E 25E	YIELD	RETURN 1M
						(USD)
FPT Corp	9.3%	Vietnam	25.2	20.6	1.4%	12.2%
Ree	8.2%	Vietnam	10.4	9.1	-	0.5%
Systems Ltd	6.5%	Pakistan	11.2	8.5	-	-8.9%
Square Phar Ltd-Ord	6.2%	Bangladesh	8.8	7.9	5.0%	1.9%
GB Corp	4.7%	Egypt	5.2	3.0	2.4%	24.1%
Jsc Kaspi.Kz	4.6%	Kazakhstan	10.9	8.8	6.1%	2.1%
Meezan Bank Ltd	4.6%	Pakistan	3.9	4.4	11.7%	-2.9%
Airports Corp Of Vietnam	4.5%	Vietnam	25.8	21.0	-	17.9%
Interloop Ltd	3.9%	Pakistan	5.4	3.9	5.7%	-14.3%
Century Pacific Food	3.9%	Philippines	17.9	15.8	1.4%	-14.2%

BEST PERFORMERS	RETURN (USD)	WORST PERFORMERS	RETURN (USD)
GB Corp	24.1%	Interloop Ltd	-14.3%
Logo Yazilim	19.6%	Century Pacific Food	-14.2%
Juhayna Food Ind	19.4%	Systems Ltd	-8.9%
Airports Corp Of Vietnam	17.9%	National Bank of Pakistan	-7.0%
FPT Corp	12.2%	Hightech Payment	-5.6%

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)	9.8%
Active share	91.9%
Standard deviation	14.0%
Standard deviation, benchmark	14.4%
Beta	0.74
Information ratio	-0.10
Holdings	38
Risk level	5 of 7 (refer to KIID for more info)
Management fee/year **	2.5%
AuM	193.5 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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