TUNDRA SUSTAINABLE FRONTIER FUND

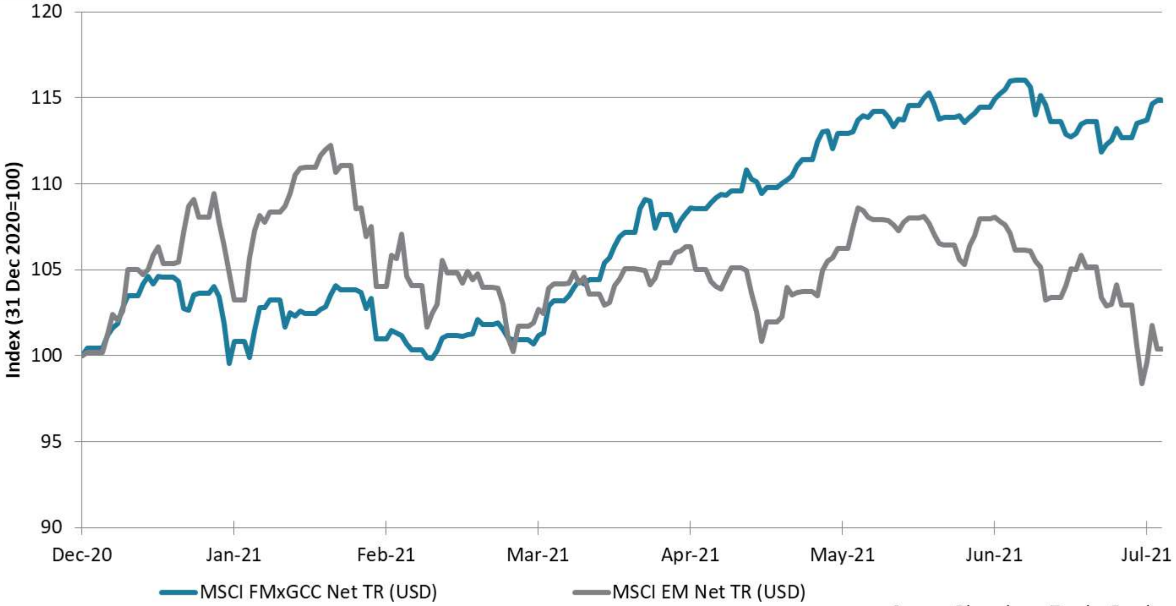
MONTHLY UPDATE
JULY 2021

TUNDRA
FONDER

STRONG RELATIVE RETURN FOR THE FUND - NEW POSITION WITH 100-200% UPSIDE

In USD the fund rose 2.3% (EUR: +2.2%), compared with MSCI FMxGCC Net TR (USD) which fell 0.6% (EUR: -0.6%) and MSCI EM Net TR (USD) which fell 6.7% (EUR: -6.8%). So far this year, the fund has risen 19% in USD (EUR: +23.1%), compared with MSCI FMxGCC Net TR (USD) which has gained 14.8% (EUR: +18.8%) and MSCI EM Net TR (USD) which has gained only 0.4% (EUR: +3.8%). The large difference in return with MSCI EM is a reminder that Tundra's markets constitute a good diversification in an emerging market portfolio (see Figure 1). MSCI EM has fallen sharply recently due to concerns about the Chinese authorities' actions towards, above all, Chinese technology companies. Even if we fail to see the logic that China ultimately wants to stifle its technology sector, it is a reminder to emerging market investors that China accounts for almost 40% of the main index.

FIGURE 1: FRONTIER MARKETS vs EMERGING MARKETS 2021



***Source**: Bloomberg, Tundra Fonder*

In absolute terms (USD), we received our largest positive contributions during the month from Vietnam (1%), Pakistan (1%) and Bangladesh (+0.5%). None of the stock markets really excelled. Measured by MSCI's country indices (USD), Vietnam fell 6%, Pakistan fell 3% while Bangladesh rose 3%. Instead, it was our stock selections that worked well during the month. In Vietnam, the consumer conglomerate Masan Group rose 22% ahead of the report that came out at the end of July. The fund's second largest holding, the IT company FPT Group, also rose 7% during the month. In Pakistan, the fund's largest holding, the IT company Systems Ltd, rose another 10%. Our second largest Pakistani holding, Meezan Bank, rose 6%. In Bangladesh, one of our smaller holdings, the API manufacturer (API = Active Pharmaceutical Ingredient, i.e. the active ingredient of medicines) Active Fine Chemicals, jumped 40% without any particular underlying news. The largest negative contribution during the month (-0.4%) was received from Indonesian Media Nusantara, which fell 14% after being excluded from the IDX30 index and concerns that increased restrictions in Indonesia would adversely affect advertising sales.

During the month, we divested our remaining position in Sri Lankan Commercial Bank. The position has for some time been below 1% of the fund's assets, which means that we should either increase the position or sell it. Although we believe that the company is undervalued, we found that the relative potential in our other holdings is more attractive and we therefore decided to divest.

In recent months, we have gradually built up a slightly larger position (4% of the fund) in the Pakistani bank National Bank of Pakistan (NBP). The investment falls under something we would call a "special situation". The bank is one of Pakistan's largest banks but has over the last 20 years been notoriously mismanaged and plagued by recurring corruption scandals. With the new government in place, however, a new management for the bank has also been appointed. In our conversations with management, we make the assessment that the restructuring plan forward is honest and feasible, which should lead to a significant improvement in profitability. In addition to organizational problems, the bank has been burdened by a pension liability to former employees which has been the subject of a number of lawsuits in recent years. The potential cost if NBP loses corresponds to almost the entire bank's market capitalization at present (approximately 60% after tax) and thus has a significant impact on the bank's capital base. This risk has made the bank uninvestable for most investors over recent years. For several years however, the bank has not given any dividends but focused on increasing its capital base in order to be able to pay the amount in the event of losing the lawsuit. The bank is now approaching a situation where the buffer is large enough for them to be able to pay the full amount and still have a sufficient capital base. This means that we believe that the bank will resume the dividend within 12-24 months, even if it loses the pension lawsuit.

The bank has historically distributed between 60-80% of the profit. As NBP is currently traded at around 2.5x the annual profit, a normal dividend yield should be between 24-32%, not taking into account any profit growth. This is 2-3 times higher than the average of the dividend-paying banks. NBP is an extremely problematic company with a deplorable history. Furthermore, the fact that the company is state-controlled means that the work of streamlining the bank is politically sensitive and the management is regularly brought before a court. Recently, e.g. a group of investors tried to disqualify current management based on technicalities. However, we believe that the new government has decided to make the bank something Pakistan again can be proud of. Even if there will be setbacks along the way, we believe we will see a fundamentally changed corporate culture and thus significantly improved profitability in the future. The potential ahead should be compared to an already extremely low valuation (P/BV 0.3x, P/E 2.5x), in addition combined with a clear trigger for revaluation (resumption of dividends). We therefore see the position as a "special situation" with a potential revaluation of 100-200% over the next 24 months. We have

PICTURE 1: FROM NATIONAL BANK OF PAKISTAN'S HOMEPAGE

***Source**: Company*

conservatively expected the bank to lose the pension lawsuit. In the unlikely event they win the case, the revaluation potential will of course increase further. This at the same time as the long-term downside is very limited, even if we were completely wrong in our assumptions. NBP is a good example of when, based on our ESG analysis, we act on the basis of a will to improve and the potential that comes with it, rather than a company's history and where they are today.

PICTURE 2: FROM NATIONAL BANK OF PAKISTAN'S HOMEPAGE

***Source**: Company*

Regarding our market view for the coming month, we see no fundamental changes. Not entirely unexpectedly, the concern about COVID-19 is greater in all our markets, given the continued low vaccination rate. However, this is an expected problem and from a stock market perspective, it also means expectations that real interest rates will remain lower than historically. This is positive for equities. For the world as a whole, we note that a growing problem tends to be the reluctance to get vaccinated, which will affect the recovery. This is not unexpected either. For emerging markets as a group, the IMF's new support package, which is expected to be distributed in August, is likely to have a positive impact on the risk appetite of global investors in emerging and frontier markets as it means a good addition to many countries' foreign exchange reserves, e.g. Pakistan and Sri Lanka (> 10% of current foreign exchange reserves). We do not believe in a doomsday scenario for China's technology sector, but note that combined with already existing geopolitical tensions it could mean some investors seek diversification into emerging markets outside China. This should also have a positive effect on our markets, where expectations of foreign inflows are modest nowadays and valuations remain attractive. The reporting season for the second quarter (calendar year) kicks off during the month of August and our analysis indicates that there are opportunities for continued surprises relative to the estimates. Overall our view of our markets remains constructive.

Monthly Update July 2021
Tundra Sustainable Frontier Fund F, EUR

ABOUT THE FUND

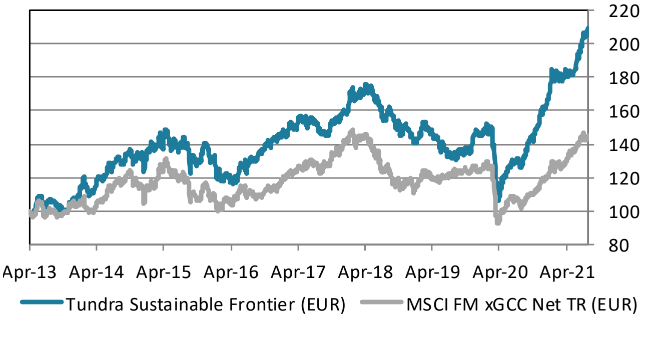
Tundra Sustainable Frontier Fund focuses on the next generation of emerging markets such as Vietnam, Bangladesh, Sri Lanka, Pakistan, Egypt and Nigeria. Featuring strong population growth, rapid urbanisation, investments in infrastructure, growing middle classes and stabilising political environments, 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.

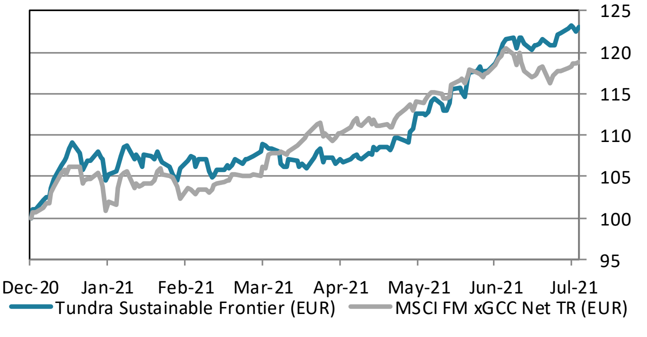
Return*	NAV (EUR)	1 month	YTD	1 year	3 year	Inception
Tundra Sustainable Frontier (EUR)	25.11	2.2%	23.1%	65.0%	32.7%	108.7%
Benchmark	702.54	-0.6%	18.8%	42.7%	14.8%	45.0%

** Fund returns calculated on SEK class converted to EUR 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				0.3%	7.9%	-6.5%	4.6%	-4.6%	-0.7%	1.7%	4.0%	4.1%	8.7%
2014	4.6%	-4.5%	4.0%	4.0%	5.6%	0.6%	3.4%	-0.9%	4.5%	-2.6%	-0.2%	0.6%	22.3%
2015	4.3%	0.5%	1.3%	0.6%	-0.3%	-2.5%	-0.5%	-4.1%	-3.0%	5.6%	1.6%	-4.7%	-1.7%
2016	-5.1%	-2.8%	-2.8%	0.9%	7.1%	0.3%	2.4%	4.3%	1.4%	1.1%	2.6%	0.9%	10.1%
2017	0.2%	3.9%	2.2%	0.4%	-0.7%	0.2%	-3.6%	-0.2%	3.6%	1.9%	2.2%	0.4%	10.7%
2018	6.0%	0.6%	1.2%	1.3%	-4.9%	-2.3%	-2.6%	-0.4%	-1.8%	-1.9%	-2.4%	-4.6%	-11.6%
2019	3.2%	2.4%	-0.7%	-2.5%	-3.1%	-4.7%	1.1%	0.8%	0.9%	-0.6%	9.3%	-2.2%	3.2%
2020	1.6%	-6.1%	-22.9%	13.8%	4.0%	2.3%	-2.2%	7.4%	5.7%	4.6%	7.6%	5.0%	16.8%
2021	5.2%	0.7%	2.6%	-1.8%	5.5%	6.9%	2.2%						23.1%

***Source**: Bloomberg, MSCI, Tundra Fonder*

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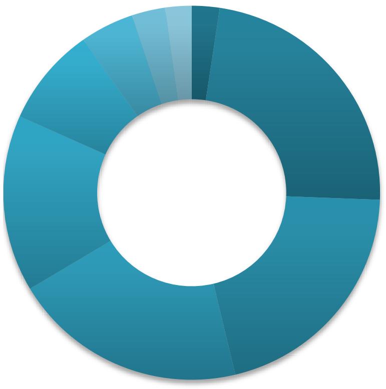
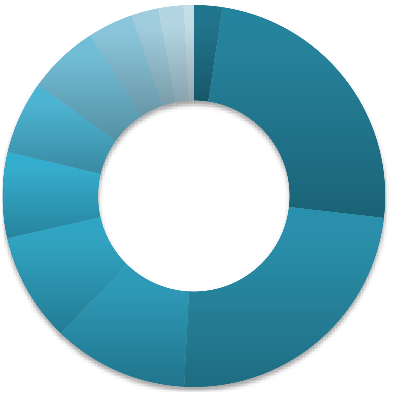
Tundra Sustainable Frontier Fund F, EUR

Sector allocation



Country allocation



Largest holdings	Portfolio weight	Country	P/E 21E	P/E 22E	Yield	Return 1M (EUR)
Systems Ltd	9.4%	Pakistan	-	-	-	10.2%
FPT Corp	9.0%	Vietnam	20.8	17.4	1.9%	7.1%
Square Phar Ltd-Ord	7.4%	Bangladesh	13.0	11.7	2.3%	2.7%
Meezan Bank Ltd	5.4%	Pakistan	7.6	6.6	5.0%	5.5%
Masan Group Corp	4.1%	Vietnam	56.8	33.3	0.5%	21.6%
Ree	3.9%	Vietnam	9.4	7.6	2.9%	-4.5%
National Bank of Pakistan	3.8%	Pakistan	2.9	2.7	-	-5.9%
Medikaloka Hermina TBK	3.8%	Indonesia	4.9	5.4	2.1%	5.1%
Airports Corp Of Vietnam	3.2%	Vietnam	57.7	34.8	1.2%	0.9%
Puregold Price Club	3.0%	Philippines	13.8	12.4	1.2%	-2.8%

Best performers in July	Return (EUR)
Active Fine Chemicals Ltd	40.0%
Masan Group Corp	21.6%
Letshego Holdings Ltd	17.9%
Systems Ltd	10.2%
GB Auto	9.3%

Worst performers in July	Return (EUR)
Media Nusantara	-14.5%
Shezan International Ltd	-10.8%
Adamjee Insurance Co Ltd	-6.0%
National Bank of Pakistan	-5.9%
Abbott Laboratories (Pak) Ltd	-5.8%

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Facts	
Inception date	2013-04-02
Pricing	Daily
Manager	Tundra Fonder AB
Benchmark index	MSCI FM xGCC Net TR (EUR)
ISIN	SE0006789897
Bloomberg	TUNDFRF SS
IBAN	SE4450000000058648209218
BIC	ESSESESS
Custodian	SEB
Auditor	PWC

Risks and costs*	
Active risk (Tracking error)	8.9%
Active share	90.6%
Standard deviation	22.9%
Standard deviation, benchmark	19.6%
Beta	1.08
Information ratio	1.98
Holdings	45
Risk level	5 of 7 (refer to KIID for more info)
Management fee/year (all inclusive **)	2.5%
AuM	193.8 MEUR

** 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*

DISCLAIMER

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