

TUNDRA SUSTAINABLE FRONTIER FUND

MONTHLY UPDATE
NOVEMBER 2021



STRONG STOCK SELECTION HELPED THE FUND IN NOVEMBER

In USD the fund fell 0.8% during the month (EUR: +1.4%), compared to MSCI FMxGCC Net TR (USD) which fell 4.4% (EUR: -2.3%). Despite a weak month in Pakistan (the market fell 4% preceding MSCI's reclassification of Pakistan from Emerging Markets to the Frontier Markets category), we received our two best contributions from Pakistan.

Our largest holding, the IT company Systems Ltd (9% of the portfolio), recovered after the decline in October with an increase of 14%. The company benefits from a weaker Pakistani rupee given that more than 80% of revenues come from abroad. The increase was partly strengthened by the fact that the Bill & Melinda Gates Foundation invested in the company's subsidiary in mobile payments. Our second largest holding in Pakistan, Meezan Bank (6% of the portfolio) rose 9%. In Meezan's case, they benefit from rising interest rates, which have a positive effect on net interest income. Both companies are good examples of Tundra's motto that stock selection over time is significantly more important than country selection. Our smaller position in Bangladeshi Brac Bank rose 17% after Japanese Softbank announced an investment in the company's mobile payment business bKash. Among our negative contributions was the Kazakh fintech company Kaspi, which fell 10% after the strong performance in October. We also experienced a correction of 16% in our Indonesian hospital group Hermina Hospitals, after a strong performance so far in 2021.

During the month, we sold two of our smaller positions in Egypt, the cheese producer Obour Land and the pharmaceutical company Eipico. Both positions have for some time accounted for less than 1% each of the fund's assets and were therefore under evaluation to either be increased or sold. We did not have a strong enough conviction relative to our other positions and thus chose to sell. No new positions were added during the month.

PICTURE1: LOGTYPES OF POSITIVE CONTRIBUTORS IN NOVEMBER



Source: Companies

During the month, concerns about rising inflation continued in the wake of higher commodity prices. The State Bank of Pakistan acted by raising the key interest rate by 1.5%-points, to 8.75%. Pakistan's difficulties during the year have gone unnoticed by our unitholders as our country portfolio has risen by more than 30% during the year thanks to good stock selection, while MSCI's country index is down 10%. However, the country has been hit hard by rising commodity prices, which have had an impact both on a deteriorating current account, with a subsequent effect on the currency, and on inflation statistics. The market expects at least one further sharp rise in the policy rate. The auction of 1-year bonds on 1 December, the interest rate was set at 11.35%, which gives an indication of what the market currently expects from the central bank in the coming year. The

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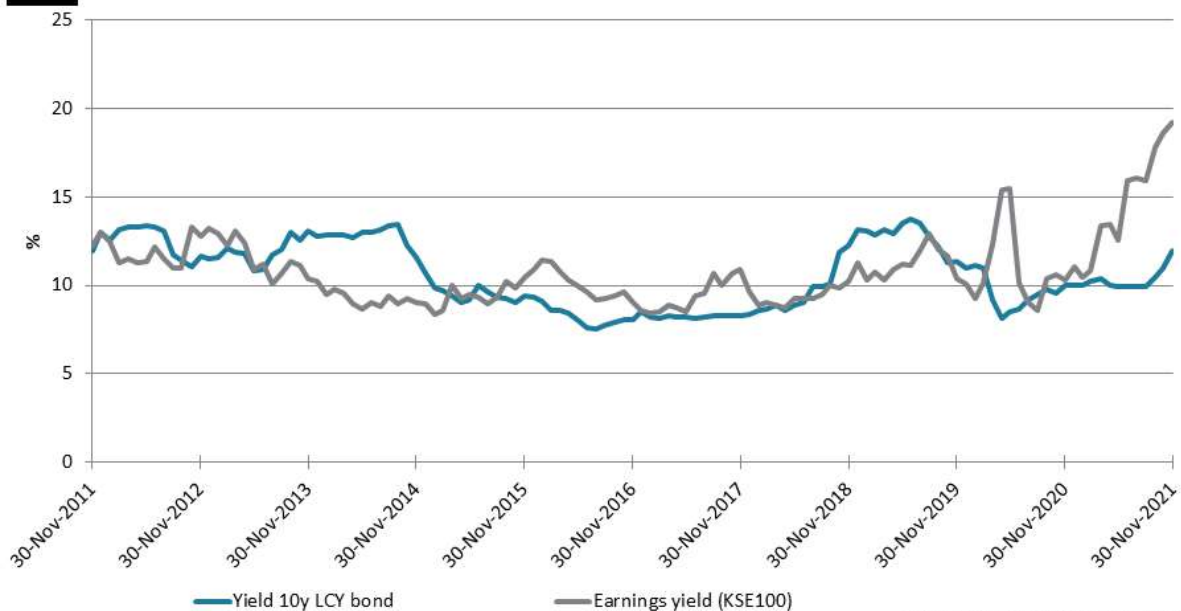
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market situation is interesting. Under Imran Khan's PTI, Pakistan is undergoing a very comprehensive reform process with focus on transparency and increased international competitiveness, which we believe is very positive for the country's long-term outlook. But in the short term, it has been hit hard by the sharp rise in commodity prices in recent months. Under previous central bank governors, the country tried to stabilize the currency during periods of weakened current account balances, which on all previous occasions has meant increasing uncertainty followed by a sharp devaluation. Unlike before, Pakistan today has a market-priced currency which, as expected, has weakened 16% vs the USD since its strongest level in May 2021.

From a Real Effective Exchange Rate-perspective, the currency is now slightly undervalued. In addition, the effects of the weaker currency have gradually been absorbed by the companies. Profits among listed companies (KSE100) rose 28% YoY during the third quarter and were only marginally lower than the second quarter, which was the highest ever. We fully understand the short-term concerns about further interest rate hikes and the knee-jerk reaction from local investors to avoid equities in such a scenario. However, you must in all situations compare the current valuation with the potential impact of what you are afraid of. If we compare the return bond investors currently receive on the 10-year interest rate (normal basis for a required return) with the return investors receive on the stock market ($1 / \text{PE ratio}$), we find that shares have not been this attractive relative to the fixed income market in the last ten years.



FIGURE 1: 10-YEAR INTEREST RATE (PKR) VS EARNINGS YIELD OF KSE100



Source: Bloomberg, Tundra Fonder

This means that profits either need to collapse, or that interest rates must rise significantly above the crisis levels in 2018 (the 10-year interest rate was then just under 14% at peak, and the central bank's policy rate peaked at 13.25%). If we look even further back in history to the Global Financial Crisis of 2008, the 10 year bond yield peaked at 16.7%. This can be compared to the current earnings yield ($1/\text{PE-ratio}$) of 20%. Given the composition of the index (40% banking & finance and energy), it is theoretically difficult to derive a profit decline of that magnitude. We don't believe comparisons with 2008 are relevant and we believe even comparing with 2018 is a bit too conservative given the underlying trends we see in the country. One should always have great respect for how fear in the short term can affect stock markets. However, Pakistan is the one of our

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markets with the most favorable risk-reward going into 2022. Although we want to highlight that for Tundra, just like in 2021, it will always be about which stocks we own, we do expect better help from the market in the next twelve months.

One uncertainty factor that was added towards the end of the month was the news of a new variant of the corona virus, this time called Omicron. Although initial reports indicate that the symptoms are milder, the greatest risk with the corona virus remains the anxiety it can create in the form of shutdowns and other restrictions. Given that the world now has fairly recent experience of the consequences and that a more negative scenario is likely to have a certain dampening effect on inflation in particular, we find it difficult to see a more significant negative impact.

In the short term, we note some turbulence across global equity markets. To some extent, this is due to Omicron and concerns about new restrictions. But also a slightly more cautious tone from the US Federal Reserve regarding the inflation outlook and monetary policy ahead. Our markets have not enjoyed the frenzy we have seen in primarily the United States over the past 5-6 years and their valuations with few exceptions remain below or in line with their long-term median valuations (see Table 1). We are pleased with the portfolio companies' financial performance and note that they are still early in a recovery that will hopefully last for a couple of years to come.

TABLE 1: CURRENT VALUATIONS COMPARED TO MEDIAN VALUATIONS 10 YEARS

Market data	Pakistan	Sri Lanka	Vietnam	Nigeria	Egypt	Indonesia	Philippines	Morocco	Bangladesh	MSCI EM	S&P500	World ex US
P/E	5,2	12,2	17,5	10,3	7,8	19,7	23,7	29,3	12,7	13,7	25,0	16,7
P/E 10y median	9,7	12,6	14,9	13,7	15,5	17,8	20,3	21,1	12,1	13,6	19,3	18,2
P/BV	1,0	1,5	2,8	2,0	1,3	2,2	1,8	2,8	1,6	1,8	4,7	1,8
P/BV 10y median	1,6	1,5	2,0	1,7	1,4	2,6	2,4	2,5	1,4	1,6	2,9	1,6
ROE	19,0	12,2	15,8	18,4	16,7	11,1	7,7	9,7	11,7	13,8	18,7	11,3
ROE 10y median	17,9	11,6	14,2	14,0	9,2	14,8	11,7	12,9	11,3	11,5	14,0	9,4
Implied upside / (downside)	Pakistan	Sri Lanka	Vietnam	Nigeria	Egypt	Indonesia	Philippines	Morocco	Bangladesh	MSCI EM	S&P500	World ex US
P/E	87%	3%	-15%	32%	99%	-9%	-14%	-28%	-4%	-1%	-23%	9%
P/BV	56%	0%	-29%	-17%	15%	19%	36%	-11%	-12%	-13%	-38%	-9%
ROE	-6%	-4%	-10%	-24%	-45%	33%	52%	33%	-4%	-17%	-25%	-17%
"Median ROE & Median P/E"	75%	-1%	-23%	1%	10%	20%	31%	-4%	-8%	-17%	-42%	-9%

Source: Bloomberg; Indices: Pakistan = KSE100, Sri Lanka = CSEALL, Vietnam = VNINDEX, Egypt = HERMES, Indonesia = MSCI Indonesia IMI, Philippines = PCOMP, Morocco = MOSENEW, Bangladesh = MSCI Bangladesh IMI, World ex US = MSCI World excl USA

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ABOUT THE FUND

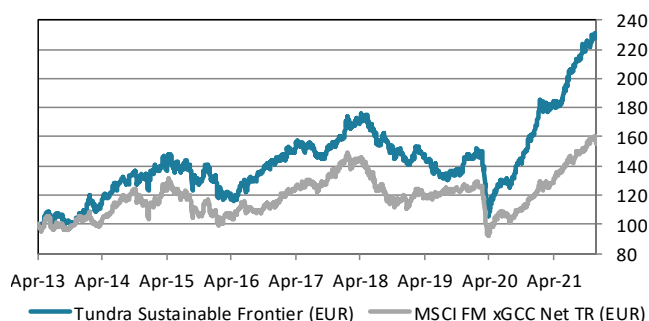
Tundra Sustainable Frontier Fund focuses on the next generation of emerging markets such as Vietnam, Bangladesh, Sri Lanka, Pakistan, Egypt and Nigeria. Featuring strong population growth, rapid urbanisation, investments in infrastructure, growing middle classes and stabilising political environments,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

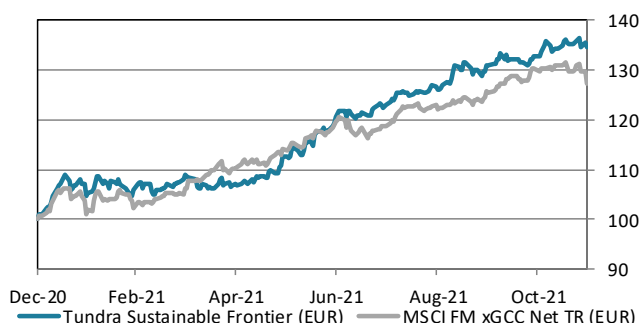
Return*	NAV (EUR)	1 month	YTD	1 year	3 year	Inception
Tundra Sustainable Frontier (EUR)	27.47	1.4%	34.6%	41.4%	54.9%	128.3%
Benchmark	752.86	-2.3%	27.3%	31.8%	31.2%	55.3%

* 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

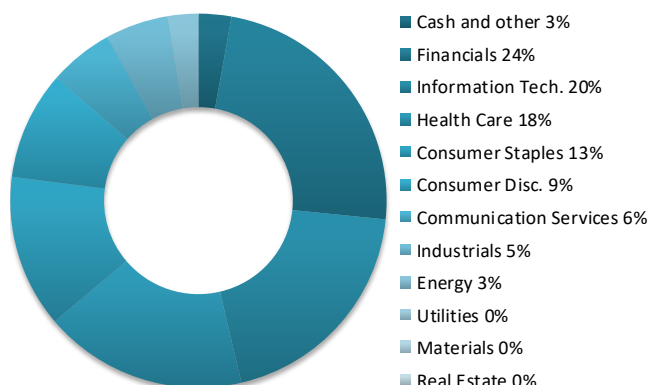
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013				0.3%	7.9%	-6.5%	4.6%	-4.6%	-0.7%	1.7%	4.0%	4.1%	8.7%
2014	4.6%	-4.5%	4.0%	4.0%	5.6%	0.6%	3.4%	-0.9%	4.5%	-2.6%	-0.2%	0.6%	22.3%
2015	4.3%	0.5%	1.3%	0.6%	-0.3%	-2.5%	-0.5%	-4.1%	-3.0%	5.6%	1.6%	-4.7%	-1.7%
2016	-5.1%	-2.8%	-2.8%	0.9%	7.1%	0.3%	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%	2.5%	3.9%	1.4%	1.4%		34.6%

Source: Bloomberg, MSCI, Tundra Fonder

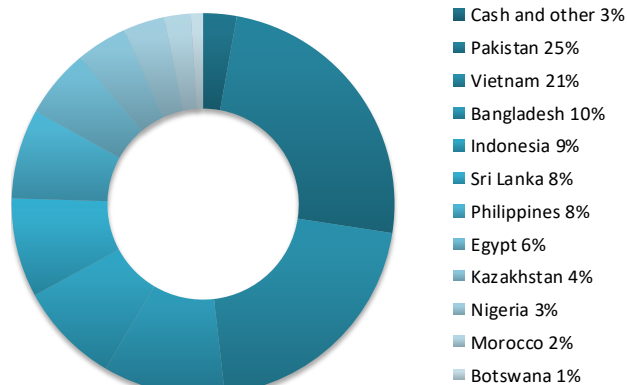
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Sector allocation



Country allocation



Largest holdings	Portfolio weight	Country	P/E 21E	P/E 22E	Yield	Return 1M (EUR)
Systems Ltd	9.3%	Pakistan	34.3	24.2	0.7%	16.0%
FPT Corp	8.1%	Vietnam	20.9	17.4	2.1%	2.3%
Square Phar Ltd-Ord	7.7%	Bangladesh	12.1	10.8	2.6%	3.0%
Meezan Bank Ltd	6.6%	Pakistan	9.6	8.3	3.8%	11.2%
Media Nusantara	5.5%	Indonesia	6.0	5.2	2.3%	8.0%
Ree	4.9%	Vietnam	12.9	10.2	-	-3.8%
Jsc Kaspi.Kz	4.3%	Kazakhstan	24.7	17.0	4.1%	-8.4%
National Bank of Pakistan	3.4%	Pakistan	2.4	2.2	-	0.2%
Century Pacific Food	3.4%	Philippines	19.6	17.6	1.4%	-2.0%
Airports Corp Of Vietnam	3.3%	Vietnam	115.5	47.4	1.1%	-4.9%

Best performers in November	Return (EUR)	Worst performers in November	Return (EUR)
BRAC Bank Ltd	21.0%	Medikaloka Hermina TBK	-14.7%
Juhayna Food Ind	17.6%	Guaranty Trust Holding	-12.4%
Systems Ltd	16.0%	AGP Limited	-12.0%
Ibnsina Pharma SAE	14.9%	Jsc Kaspi.Kz	-8.4%
Letshego Holdings Ltd	14.4%	Shezan International Ltd	-7.8%

Facts		Risks and costs*	
Inception date	2013-04-02	Active risk (Tracking error)	8.1%
Pricing	Daily	Active share	87.9%
Manager	Tundra Fonder AB	Standard deviation	22.5%
Benchmark index	MSCI FM xGCC Net TR (EUR)	Standard deviation, benchmark	19.8%
ISIN	SE0006789897	Beta	1.06
Bloomberg	TUNDFRF SS	Information ratio	1.77
IBAN	SE4450000000058648209218	Holdings	39
BIC	ESSESESS	Risk level	5 of 7 (refer to KIID for more info)
Custodian	SEB	Management fee/year (all inclusive **)	2.5%
Auditor	PWC	AuM	212.5 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

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