

TUNDRA SUSTAINABLE FRONTIER FUND

MONTHLY UPDATE
OCTOBER 2024



TUNDRA
FONDER

FRONTIER MARKETS SHINE IN OCTOBER

In USD, the fund rose 1.8% during October (EUR:+4.8%), compared to the MSCI FMxGCC Net TR (USD), which fell 0.6% (EUR:+2.3%), and the MSCI EM Net TR (USD), which fell 4.4% (EUR: -1.7%). In absolute return, it was primarily Pakistan (+1.7% portfolio contribution), Sri Lanka (+0.7% portfolio contribution), and Egypt (+0.4% portfolio contribution) that contributed positively. Among negative contributions, it was mainly Vietnam (-0.5% portfolio contribution) and Bangladesh (-0.4% portfolio contribution) that contributed negatively. Relative to our benchmark, it was primarily our overweight in Pakistan (+1.3% portfolio contribution relative to the benchmark), stock selection in Vietnam (+1.0% portfolio contribution relative to the benchmark), and overweight in Sri Lanka (+0.5% portfolio contribution relative to the benchmark). Negative contributions versus the benchmark were mainly received from a lack of holdings in Iceland (-0.5% portfolio contribution relative to the benchmark) and Kenya (-0.3% portfolio contribution relative to the benchmark).



Alexandria, Egypt. Source: Unsplash

The biggest single contribution came from Pakistani IT company Systems Ltd (7% of the portfolio), which rose 22% after a quarterly report that beat expectations. The stronger rupee and start-up costs in connection with the company's expansion abroad (primarily Saudi Arabia and Egypt) have weighed on the company's margins in the past year. Rising resource utilization in the new offices, combined with the company ending some local contracts with low profitability meant the trend broke, while revenue growth remained strong (28% in USD). The second largest contribution was received from Egyptian dairy and juice producer Juhayna Foods (3% of the fund). The stock rose 21% after Arla, a Danish-Swedish dairy giant, made an acquisition bid for a local cheese producer. The biggest negative contribution came from Vietnamese industrial conglomerate REE Corp (7% of the fund), which fell 7% in a weak Vietnamese market.

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IMPORTANT MARKET EVENTS

We noted increased participation by local Pakistani institutions in the stock market during October. Expectations of lower interest rates tend to lead to a shift of allocated capital from interest-bearing instruments to equities (see the previous monthly newsletter), and that looks set to be the case this time as well. At the time of this monthly letter (November 4th), the central bank has just cut interest rates by a further 250 basis points (to 15%). That was higher than the consensus estimate (200 points), takes the decline so far this year to 700 points, and should support the stock market going forward.



K2, Pakistan. Source: Unsplash

After the initial optimism in Bangladesh after the regime change, the stock market has fallen back on the realization that the country still has some way to go to get out of the ongoing crisis. During October, as expected, the central bank raised its key interest rate by 50 basis points to 10%. Inflation in September fell to 9.9% year-on-year in September, compared to 10.4% in August but remains uncomfortably high. Our two holdings, BRAC Bank and Square Pharmaceuticals, have fared relatively well, both delivering good results for the third and second quarters respectively during the month. BRAC's third-quarter profit rose 70% year-on-year, primarily driven by higher returns on investments. The stock is currently valued at a P/E of 8.3 on rolling twelve months, compared to its ten-year average of 12.8x. Square Pharmaceuticals delivered results for the second quarter of 2024 (the last quarter for 2024 in the company's broken fiscal year). Profits rose 17% during the quarter (10% for the full year). The stock is currently valued at 9.6x annual earnings on rolling twelve-months earnings, compared to an average valuation of 15.7x over the past ten years.

During the month, Kazakh fintech company Kaspi announced an acquisition bid for 65% of Turkish e-commerce company Hepsiburada. Kaspi is paying USD 1.1 billion, valuing Hepsiburada at USD 1.7

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billion, just under half of the introductory price from 2021. The deal is pending regulatory approval. Assuming approval, the deal will be an interesting experiment on whether Kaspi's extremely profitable business model can be transferred to other markets. It is currently too early to comment on the likelihood, but of course it could potentially change the image of the company. Although September's short seller attack was a bad example of throwing a lot of unsubstantiated accusations, the company's geographical focus on Kazakhstan, and what appears to be limited growth opportunities, are likely key factors as to why the company trades at significantly lower multiples than its international peers.

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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.

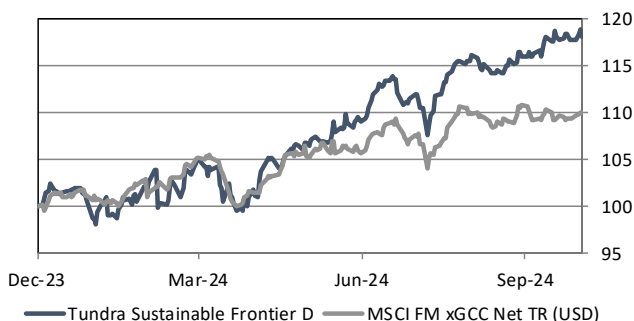
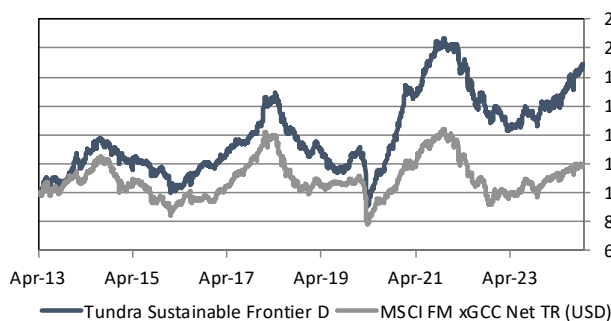
The fund is managed according to Tundra's active stock picking philosophy and backed by local research offices in Asia. Investments are based on an ESG approach where each investment has to comply with the UN Global Compact with regards to human rights, labour rights, corporate governance and environmental 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	29.00	1.8%	18.1%	28.7%	-7.9%	88.0%
Benchmark	739.70	-0.6%	10.0%	22.3%	-17.4%	19.0%

* 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%	4.4%	-0.2%	1.8%			18.1%

Source: Bloomberg, MSCI, Tundra Fonder

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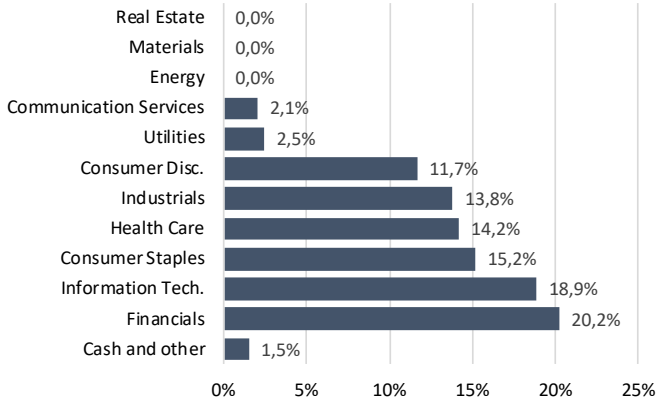
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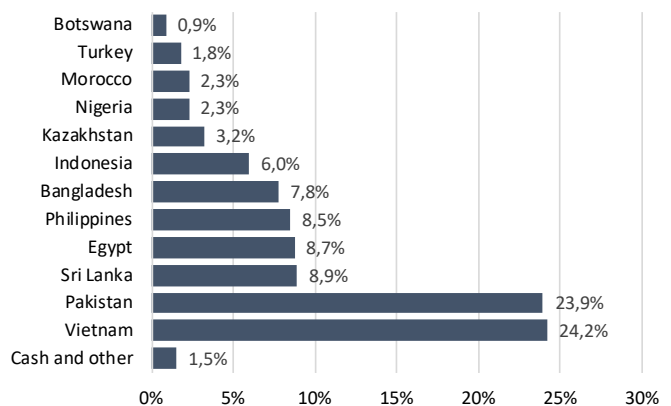
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Tundra Sustainable Frontier Fund D, USD

SECTOR ALLOCATION



COUNTRY ALLOCATION



LARGEST HOLDINGS

	WEIGHT	COUNTRY	P/E 24E	P/E 25E	YIELD	RETURN 1M (USD)
Systems Ltd	7.4%	Pakistan	14.9	11.9	2.1%	21.5%
Ree	7.0%	Vietnam	13.7	11.5	1.5%	-6.5%
FPT Corp	6.6%	Vietnam	26.3	21.2	1.6%	-1.8%
Square Phar Ltd-Ord	5.8%	Bangladesh	8.5	7.4	4.8%	-4.9%
Century Pacific Food	4.7%	Philippines	22.9	19.7	1.6%	6.2%
National Bank of Pakistan	4.6%	Pakistan	6.3	3.5	8.3%	0.4%
GB Corp	4.4%	Egypt	7.0	5.6	2.4%	-4.0%
Meezan Bank Ltd	4.2%	Pakistan	3.9	4.3	11.8%	4.6%
Airports Corp Of Vietnam	4.0%	Vietnam	25.5	20.6	0.0%	10.5%
Medikaloka Hermina TBK	3.9%	Indonesia	35.8	30.1	0.6%	-4.9%

BEST PERFORMERS

RETURN (USD)

Beximco Pharmaceutical GDR	23.9%
Systems Ltd	21.5%
Abbott Laboratories Ltd	20.9%
Juhayna Food Ind	20.8%
Adamjee Insurance Co Ltd	19.7%

WORST PERFORMERS

RETURN (USD)

Interloop Ltd	-8.5%
Ree	-6.5%
Air Link Communication	-6.4%
Mobile World Investment Corp	-5.1%
Medikaloka Hermina TBK	-4.9%

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)	8.9%
Active share	91.0%
Standard deviation	11.8%
Standard deviation, benchmark	11.6%
Beta	0.72
Information ratio	-0.26
Holdings	42
Risk level	5 of 7 (refer to KIID for more info)
Management fee/year **	2.5%
AuM	208.5 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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