

TUNDRA SUSTAINABLE FRONTIER FUND

MONTHLY UPDATE
NOVEMBER 2024



TUNDRA
FONDER

PAKISTAN LEADS THE WAY IN NOVEMBER

In November, the fund gained 2.3% in USD terms (EUR: +5.2%), outperforming the MSCI FMxGCC Net TR index, which declined by 0.7% in USD terms (EUR: +2.2%), and the MSCI EM Net TR index, which fell by 3.6% in USD terms (EUR: -0.8%). Positive contributors to the fund's absolute return in USD included Pakistan (+2.7% portfolio contribution), Vietnam (+0.5%), and Sri Lanka (+0.3%), while the Philippines (-0.4%) was the weakest-performing sub-portfolio. Relative to the index, the strongest contributors were an overweight position in Pakistan (+2.1% relative contribution), no exposure to Romania (+1.1% relative contribution), and favorable stock selection in Vietnam (+1.1% relative contribution). On the downside, underperformance stemmed from stock selection and an underweight position in Morocco (-0.5% relative contribution), an overweight position in the Philippines (-0.4%), and the absence of holdings in Iceland (-0.4%). The fund's largest single contributor was Pakistani IT company Systems Ltd, representing 8% of the portfolio, which rose by 13% following a strong quarterly report in the previous month. The second-largest contributor was National Bank of Pakistan (5% of the portfolio), which gained 18%, partly due to the removal of minimum deposit rate requirements for certain deposit categories. The largest negative impact came from Vietnamese consumer conglomerate Mobile World, which declined nearly 12% after a strong recovery earlier in the year.



Airlink's factory, Pakistan. Source: Tundra Fonder AB

PORTFOLIO ADJUSTMENTS

During November, the fund exited its position in Mobile World due to its strong recovery over the past two years and relatively high valuation, reallocating capital to better opportunities. Similarly, the fund divested Turkish software firm LOGO as the company's performance failed to meet our expectations. Proceeds were partially reinvested in Vietnamese port operator Gemadept and Pakistani mobile assembler and distributor Airlink, expanding positions in promising sectors.

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KEY MARKET EVENTS

Pakistan's equity market rose by 15% in November, bringing year-to-date returns to 62%. The rally was fueled by domestic institutional investors returning to equities after sharp declines in interest rates. Inflation reached a six-year low of 4.9% year-on-year in November, prompting expectations of a 200-basis-point rate cut by the central bank in December. The central bank also revised its minimum deposit rate (MDR) policy, removing MDR requirements for institutional and corporate deposits while introducing a minimum profit-sharing rate for individual savings deposits in Islamic banks. This change is expected to compress Islamic banks' net interest margins but benefit conventional banks, like National Bank of Pakistan. This regulatory change could increase National Bank of Pakistan's earnings by 15% next year, while the fund's only holding in an Islamic bank, Meezan Bank, next year's earnings may see a negative impact of 8%.

November saw Sri Lanka's Central Bank reduce its policy rate to 8.0%, transitioning to a single policy rate system. This was accompanied by deflationary pressures, with November's CPI at -2.1%. Inflation is expected to turn positive by Q2 2025 and converge toward a medium-term target of 5%. Sri Lanka also launched its debt exchange program, targeting approximately USD 12.5 billion in International Sovereign Bonds (ISBs), with a deadline for bondholders set for December 12, 2024. Despite these developments, the stock market, which has gained 28% since mid-September, showed little reaction in November. In political developments, the ruling party, NPP, secured a two-thirds parliamentary majority, exceeding expectations. While this provides the government with a mandate for reforms, its coalition of 21 diverse political entities will need to maintain cohesion to ensure stability and effective governance.



Gilgit-Baltistan, Pakistan. Source: Unsplash

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HOW DO FRONTIER MARKETS RESPOND TO THE AMERICAN ELECTION?

Frontier markets responded cautiously to the U.S. presidential election. President Trump's protectionist rhetoric has initially impacted the country's major trading partners, with China as the primary target. Several companies we regularly engage within Pakistan, as well as insights from discussions during our recent trip to India, have highlighted significant export opportunities. These opportunities stem from Western companies' ambitions to replace as many Chinese imports as possible with goods from other countries. US rhetoric remains aggressive, as evidenced by the outcomes of recent outbursts towards Mexico and Canada. However, predicting actual policy action—such as the Trump administration imposing shockingly high tariffs on all trading partners—is more complex. From an economic perspective, the U.S. cannot realistically do without the cheap imports that sustain its economy. Additionally, any countermeasures would severely impact American companies with global operations. On this point, most analysts seem to agree. However, analysts are divided into two camps regarding potential actions. One camp expects the administration to act recklessly, risking a full-scale trade war. The other believes the harsh rhetoric serves primarily as a negotiating tactic to benefit American businesses and the economy. U.S. stock markets appear aligned with the latter perspective, and we share that view.



Manila, Philippines. Source: Unsplash

As investors, we adhere to Occam's razor—the simplest explanation is often correct. Based on this principle, we conclude that the most rational strategy for the U.S. involves slowing the rise of China and other major developing countries as global leaders while maintaining access to imports and fostering relationships with growing export markets. Furthermore, Trump's antagonistic approach—criticizing allies like Canada and Europe while promising reduced military involvement abroad—might inadvertently weaken what was once a united opposition to China. Emerging and frontier markets, comprising low-income to upper-middle-income countries as defined by the World Bank, are unlikely to take sides. Instead, they will act in their interests. India's sharp increase in oil imports

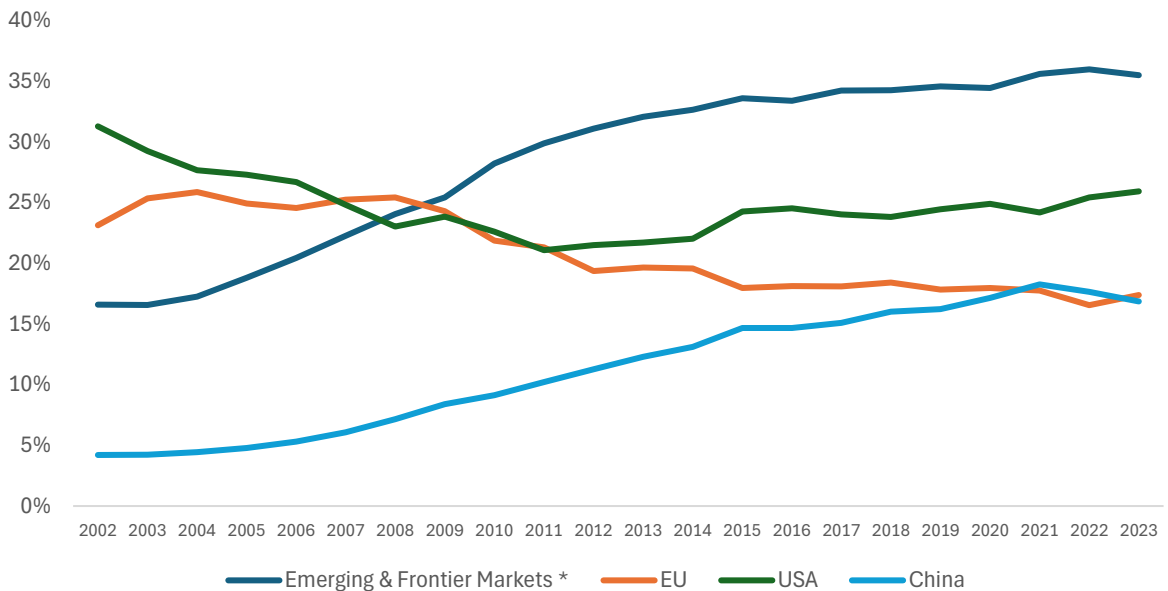
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from Russia following the invasion of Ukraine exemplifies this pragmatism. Many of these countries maintain a cautious stance toward the U.S. and will not jeopardize relationships with other key trading partners.

Looking ahead to the next decades, it is inevitable that the fastest-growing segment of the global economy will continue to be emerging and frontier markets. Their influence will rise as America's relative dominance diminishes. These countries are aware of this trajectory and are prepared to adopt a long-term perspective. The question remains how rationally the U.S. will act. While the rhetoric is likely to remain harsh and threatening, we hope the Trump administration's economic understanding exceeds what is often expressed publicly, and that common sense will ultimately prevail. Regardless of the chosen path, we believe our primary markets—low-income and lower-middle-income countries—will continue to perform relatively well. Their rise is inevitable.

FIGURE 1: EMERGING AND FRONTIER MARKETS SHARE OF WORLD GDP (%)



Source: World Bank; * Emerging & Frontier Markets defined as all countries in the categories low-income markets up to upper-middle-income 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.

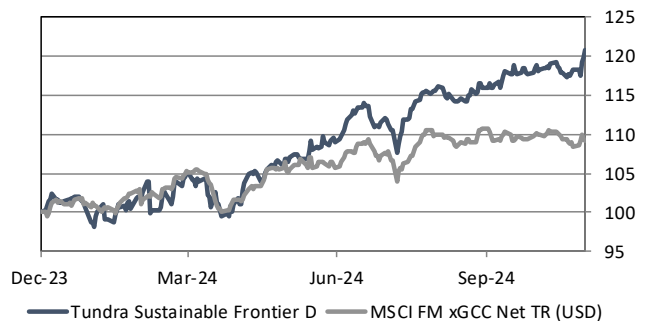
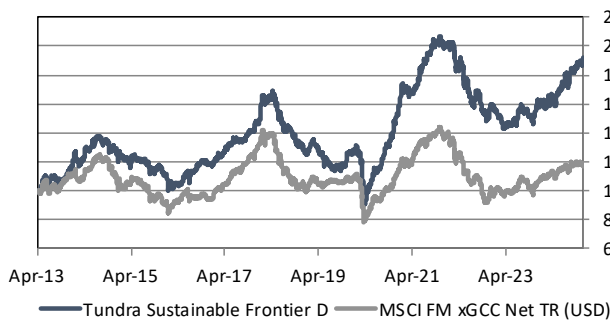
The fund is managed according to Tundra's active stock picking philosophy and backed by local research offices in Asia. Investments are based on an ESG approach where each investment has to comply with the UN Global Compact with regards to human rights, labour rights, corporate governance and environmental 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	29.66	2.3%	20.8%	21.6%	-5.1%	92.2%
Benchmark	734.68	-0.7%	9.3%	13.0%	-14.2%	18.2%

* 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%	2.3%		20.8%

Source: Bloomberg, MSCI, Tundra Fonder

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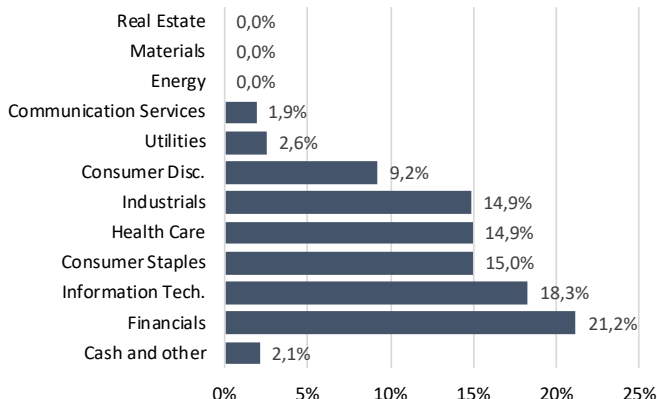
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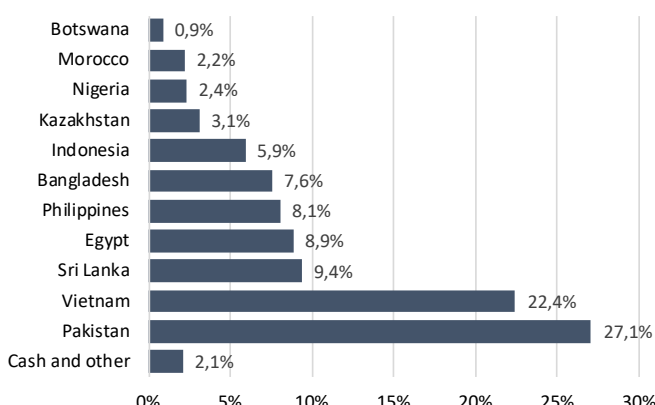
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Tundra Sustainable Frontier Fund D, USD

SECTOR ALLOCATION



COUNTRY ALLOCATION



LARGEST HOLDINGS

	WEIGHT	COUNTRY	P/E 24E	P/E 25E	YIELD	RETURN 1M (USD)
Systems Ltd	8.5%	Pakistan	18.7	14.3	1.3%	13.2%
Ree	7.5%	Vietnam	15.7	14.1	1.4%	4.6%
FPT Corp	6.6%	Vietnam	28.4	22.5	1.5%	5.9%
Square Phar Ltd-Ord	5.7%	Bangladesh	8.2	7.1	5.0%	0.7%
National Bank of Pakistan	5.5%	Pakistan	13.5	3.8	4.2%	17.8%
Century Pacific Food	4.6%	Philippines	22.6	19.6	1.6%	-0.5%
Airports Corp Of Vietnam	4.4%	Vietnam	28.6	24.0	0.0%	6.2%
GB Corp	4.3%	Egypt	6.7	5.3	2.5%	-2.2%
Meezan Bank Ltd	4.2%	Pakistan	3.7	4.9	12.6%	-1.9%
Medikaloka Hermina TBK	4.0%	Indonesia	38.0	31.4	0.7%	0.7%

BEST PERFORMERS

RETURN (USD)

AGP Limited	24.4%
Beximco Pharmaceutical GDR	18.9%
Abbott Laboratories Ltd	18.2%
National Bank of Pakistan	17.8%
Systems Ltd	13.2%

WORST PERFORMERS

RETURN (USD)

Col Financial	-14.7%
Stanbic IBTC Holdings Plc	-10.4%
Media Nusantara	-9.9%
Puregold Price Club	-6.6%
BRAC Bank Ltd	-6.4%

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)	9.0%
Active share	91.6%
Standard deviation	11.8%
Standard deviation, benchmark	11.3%
Beta	0.73
Information ratio	0.12
Holdings	39
Risk level	5 of 7 (refer to KIID for more info)
Management fee/year **	2.5%
AuM	204.8 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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