



**THIS IS
DUNROSS**



This is Dunross

Dunross is an independent global investment group focused on Breakout Nations. At present, Dunross has twenty-five employees and offices in Sweden, Cyprus, Singapore and Luxembourg. Dunross is a dedicated long term value investor.

*“When everyone thinks alike,
everyone is likely to be wrong.”*

HUMPHREY B. NEILL: “ART OF CONTRARY THINKING”, 1954



Our strategic view

The world has unique opportunities to create unimaginable wealth, and our investments are founded on the firm belief that the world will grasp these opportunities. Every year 85 million people leave poverty as a result of this creativity. How is this possible?

We live in a shrinking world. The IT revolution and increasing trade deregulation make the world spin more smoothly. Outsourcing is made easier and less risky, boosting trade and wealth creation in the long run.

Trade is one of the most powerful growth engines in the world. Increasing trade and robust communication tools allow know-how to be spread far and wide. Fast. Emerging Markets capitalize on these developments.

Sometimes politicians try to put a spanner in the works, but we believe that these kind of measures will fail, for the simple reason that trade always is beneficial for all parties involved.

Another reason behind continued successful global progress is the spread of capitalism and market economy. The global economy thereby enjoys better resource allocation, unleashing entrepreneurial power and creativity.

It is in this world of free trade and growth that many business opportunities emerge and it is here we have our strategic focus.

We seize these opportunities by pursuing business in the following areas:

Invest in those emerging markets that are best suited to copy Western business models and promote market reforms, thus achieving faster growth at less risk. People in these regions are hungry for progress and eager to reach higher living standards. They are the greatest beneficiaries.

Invest in Asia, the centre of the biggest industrialization the world has ever witnessed. We're of course talking about China. But also countries like Indonesia, Sri Lanka, the Philippines and Thailand. Low leverage in this region also creates opportunities for huge infrastructure investments that bring about huge productivity gains. We also invest in other parts of the world, such as Mexico, Israel, Kenya, Rwanda and Georgia for the same reasons. Countries that by releasing the forces of the free market, create possibilities to generate prosperity for the people.

There are however threats to these positive developments. Factors, such as protectionism, increased taxation on the wealth creators, labor and capital, as well as stricter regulations, more red tape and an unsound environmental debate, can soon plunge people back into poverty.

Breakout Nations

– our focus

We are convinced that the inherent growth potential of the developing markets rests in successfully unlocking the huge potential of its population, a growth potential that also could be supported by a benign demographic profile. The many fantastic entrepreneurs and employees of companies operating in the developing markets that we have come across during our travels, never ceases to amaze us. Their knowledge, energy and visions inspire us, and it is in such ventures we are prepared to make substantial investments. These companies constitute the basis for wealth creation, and it is through their endeavors that poverty is eradicated. The more of such dynamic individuals, the better. However, such entrepreneurial spirits also need a robust framework; hence the need of a supportive legal state and institutions that allow market forces to operate as efficiently as possible.

Developing countries, that implement and strengthen market reforms, enforce property right, maintain a land registry, promote free-trade and improve its educational system, are markets we prefer to invest in. Moreover, if they try to reduce inefficient allocations of capital and labour (best done through lower taxation on these wealth creators), simplify trade, fight corruption, they offer hope for a more prosperous future.

Countries exhibiting such characteristics we call “Breakout Nations”, and are countries we actively want to invest in for the long term; developing markets that have embraced the dynamic and progressive path of market economy and globalization to get out of the

poverty trap. Also, of great importance for a Breakout Nation, is the income distribution across the various members or groups of the society, where a broad and well-established middle class as a stabilizing factor is instrumental. The most important equality reform however, is an educational system that is inclusive and available to as many as possible. You never know where the new entrepreneur or “Einstein” can be found?

Dunross focus

Dunross certainly has presence in the developed parts of the world, but our main focus is on so-called Breakout Nations. The country we like the most and where we have allocated most resources to is the Philippines, a fast-growing economy, faster than the growth rate of China. It is a country that now is implementing an extensive educational reform where the mandatory number of schooling years will increase from 10 years to 12 years, and the Government also endorses private investment in the educational sector. The extensive PPP investments in infrastructure and the privatization of the electricity market also demonstrate their commitment to more efficient markets. Corruption, however, is still an embedded problem, but as we understand it, a lot of measures are taken to fight this problem.

Countries that we regard as having the potential to become Breakout Nations are Indonesia, Thailand, Sri Lanka, Georgia and, most recently, Mexico, Kenya, Colombia and Rwanda.

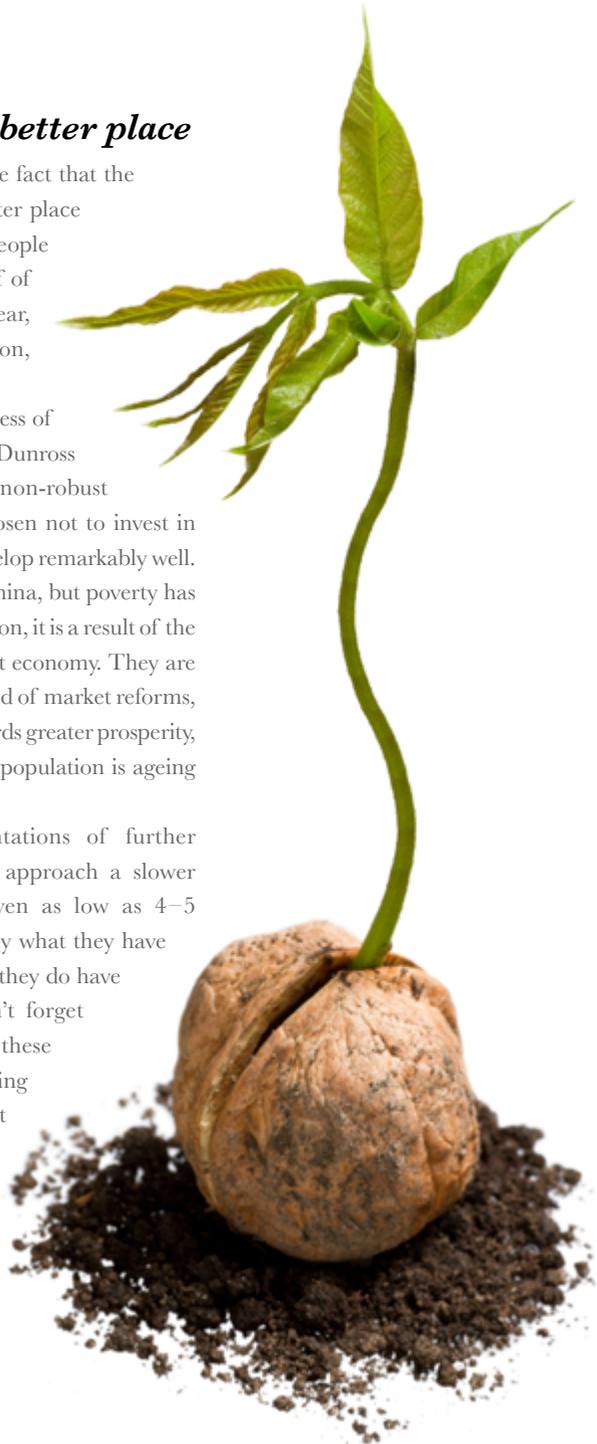


By and large; the world is becoming a better place

At Dunross, we find joy and comfort in the fact that the world is slowly but surely becoming a better place to live in, and contrary to what many people believe, the world is not getting worse. Proof of this is the fact that 85 million people each year, through market economy and globalization, have left poverty during the past 15 years.

China is a good illustration of this progress of poverty reduction in the world. Although Dunross due to its non-existent democracy and non-robust institutional and legal framework, has chosen not to invest in China, the country has still managed to develop remarkably well. Say what you will about the problems in China, but poverty has been dramatically reduced, and in our opinion, it is a result of the gradual Chinese implementation of market economy. They are now also planning to implement a new round of market reforms, which naturally would be another step towards greater prosperity, even if one has to remember that China's population is ageing fast.

Hence, despite continued implementations of further market reforms, China will structurally approach a slower growth rate than historically, maybe even as low as 4–5 percent. Having said that, no one can deny what they have accomplished in the past decade. And yes, they do have major environmental problems, but don't forget that it is incredibly difficult to address these environmental problems without first lifting a large part of the Chinese population out of poverty. Compare this to the former communist Soviet Union, with its totalitarian regime, where the environmental catastrophes were of gigantic proportions. Therefore, we are convinced that the big environmental issues now facing China will be addressed and solved.



Below, please find some facts about our world of today that hopefully will inspire you and give you a more optimistic outlook on the current state of our world, and instill more confidence in the ability of the human race to progress:

- The number of people killed in wars since the Second World War when 300 people per 100 000 died, has fallen to 10 in every 100 000 during the 1970s, and is currently down to 1 person in every 100 000.
- The explosive growth of the global population that has been a big concern for many people for many years also seems to be moving towards a solution, even though we are living much longer and standards of living have dramatically improved.
- The average life span in the world is continuously rising.
- Between 1920–1980, on average, 395 people per 100 000 died of hunger each year. Today, that same figure is fewer than 3 people per 100 000. Farming and food production – even per capita – is rising rapidly in the world, and has nearly doubled since the 1980s. (OECD-FAO)
- Illiteracy in the world is falling, which is leading to better communication and better functioning societies (UNESCO)
- The world is increasingly being governed by democratically elected leaders. This strengthens participation in society and reduces the risks of war.

- Between 1920–1929, 241 people per one million died each year due to weather-related accidents globally, compared with 5 per one million a year over the last ten years.
- In 1975, the average car travelled 21 km per gallon of petrol compared with 42 km today, and the fuel efficiency is accelerating, with new cars achieving up to 100 km per gallon.
- Google and the internet are for free. 20 years ago, the internet barely existed at all. An infinite number of other inventions are also free, or have become far better, at prices that are just a fraction of what they once were.
- The same applies to the cost of making a phone call, or to travel by air, imagine how much further you can reach for a dollar today by air or phone since deregulations.

The list of positive developments is much longer, and yes, the world faces many challenges and significant problems still remain in many parts of the world, particularly in Africa and the Middle East. However, the point is that humans are fantastic creatures that constantly overcome such new challenges. Take the energy issue for instance; have electricity costs ever been as low as they are today? And, soon solar energy will sometimes compete in terms of efficiency with all other forms of energy production. Not bad, eh?

Our beliefs

Contrarian thinking

When a sufficient number of people all claim that something is true long enough, it will eventually become true. But is it really true? When everyone else is looking in the same direction, we're usually looking the other way. At Dunross & Co we happen to be convinced that there are business concepts and companies with potential to be found in all sectors. Not just the one that is attracting all the attention from the media, analysts and other investors right now.

Value investing

For us, value investing is the only true doctrine. We believe in investing in companies with great underlying values, which are not appreciated enough by the market. This is how Dunross & Co has become what it is today.

Trial and error

By exploring new paths we can develop and arrive at new insights. These paths don't always lead us where we thought they would. We believe in learning from our mistakes. As long as we don't stray from our fundamental values, we can make the journey without fear.





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DEPT OF TRANSPORTATION

History

1990

Sven Norfeldt starts Dunross, and with two employees begin investing in securities. Dunross also invests in private equity investments such as Matteus Fondkommission, Uniq Nordiska, Qomprador and Diffchamb.



1996

Private equity investments lead to the Diffchamb IPO. Dunross remains the principal Diffchamb owner, but sells its stake in Matteus Fondkommission. Dunross builds a substantial Russian portfolio. The company has six employees.



1997

An IPO introduces Riddarhyttan Resources to the stock market. Dunross remains the principal owner.

1998

Dunross becomes the second largest owner of Vostok Nafta, an investment company focused on Russian oil companies, after an issue for non-cash consideration.



2000

Dunross invests in companies such as Getinge, Munksjö and other industrial companies. These investments contrast sharply to the prevailing dot-com mania.



2001

Dunross takes an active part in the restructuring of Song Networks, an IT-infrastructure company under “chapter 11”, and becomes one of its larger shareholders.



2004

Dunross strategy focuses on Emerging Markets, Asia and Materials/Energy. On completion of the Song Networks restructuring the holding is divested. Dunross now has nine employees.



2007

As a natural step in the company's increasing internationalisation, Dunross establishes offices in Cyprus and Singapore to support its foreign business. The company now has sixteen employees.



2012

Stiftelsen Dunross & Co, a foundation established by Dunross, supports organizations that strive to give children a better childhood and comply with our model for the greater good.



2013

Further internationalization makes the establishment of an office in Luxembourg natural. Dunross now has offices in Sweden, Cyprus, Luxembourg and Singapore.



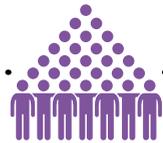
2015

Dunross receives approval from the CSSF to start a SICAV-SIF in Luxembourg.



2017

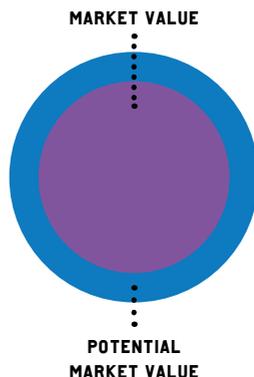
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Mainstream vs. Dunross

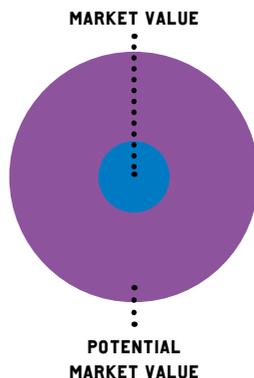
Mainstream

If enough people maintain an assertion for long enough, eventually it becomes the truth. But how good is it really to run in the same direction as everyone else? When you go with the flow and invest in sectors and companies in which everyone else is investing, you normally invest at higher multiples. The higher valuation limits any increases and profits. If the mainstream opinion fails, the high valuation results in a large drop in value and a major loss.



Dunross

One of our values is to think in contrarian views. We search for companies with great underlying values. The low valuation by the market limits the potential loss. If the company develops, the low valuation and the sudden insight by mainstream, releases major potential and profit. If we fail, our losses are hopefully less than the knowledge gained.





What goes on in our hearts and minds?

Dunross approach to things in life is often different to the mainstream approach – Contrarian Thinking. Hence, we see no contradiction between the concepts Mind and Heart. As a matter of fact, both are incredible forces in their own rights that jointly can work for the greater good. When many view these two concepts as contradictory, in sharp contrast to one another, we at Dunross choose not to. It is easy to theorize, but the fact is that we have found that our own approach combining Heart and Mind is very powerful.

To illustrate we have developed what we call *The Dunross Modell* which could be symbolized by the following symbol.



The arrow shaft symbolizes that we strive toward as close to 100 percent as possible of our funds to reach the projects we support, a

meaningful life for youngsters. We call it our *Zero-Cost-Goal*.

The arrow tip symbolizes the projects that we support. The transferred funds shall provide as much effect as possible. This will be achieved if the projects we support are focused, efficient and clear, or “bull’s-eye” if you want. The projects should also be dynamic, so that our support can add value to and multiply the good forces. This is what we call *The Dynamic factor*. From organizations that receive our support, we also request commitment and responsibility.

The dartboard symbolizes the organizations and associations, we are supporting. Their activities should be so consistent that our support can be conformed and duplicated. By this, monitoring is more efficient and in accordance with the above. In this way, we believe that the resources invested can give a good impact. We call it *The duplicable model*.

Stiftelsen Dunross & Co, a foundation established by Dunross, supports organizations that strive to give children a better childhood and comply with our model for the greater good.



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