

Fund Category	Iraq Public Equities
Country Focus	Iraq
Subscriptions	Monthly at NAV (five business days before month end)
Redemptions	Monthly at NAV 90 days notice for Class D, 180 days notice for Class E.
Benchmark	Rabee USD Index
Fund Manager	Thomas Hugger
Chief Investment Officer	Ahmed Tabaqchali
Investment Manager	Asia Frontier Capital (Iraq) Ltd., Cayman Islands
Investment Advisor	Asia Frontier Investments Ltd., Hong Kong
Fund Base Currency	USD
Minimum Investment	USD 10,000
Subsequent Investments	USD 1,000
Management Fee	Class D - 1.8% p.a. of NAV Class E - 1.5% p.a. of NAV
Performance Fee	Class D: 18% p.a. of NAV appreciation with high watermark Class E: 15% p.a. of NAV appreciation with high watermark
Fund Domicile	Cayman Islands
Launch Date	26 June 2015
Custodian	Iraq Depository Centre (IDC)
Auditor	Ernst & Young, Hong Kong
Administrator	Custom House, Singapore
Legal Advisor	Ogier, Hong Kong

Investment Objective

Achieve long-term capital appreciation by investing in a diversified portfolio of listed Iraq equities as well as foreign listed companies that derive the majority of their business from Iraq.

Fund Information

AFC Iraq Fund (Non-US) Class D shares returned -5.9% in June as the market continued the pattern set during the 22nd of June and the fund's continued calculation of FX while demand for USD is seasonally high due to the Eid holidays and thus continued pressure on the IQD.

The RSISUSD index, ended an Eid shortened month, on 22nd June down -3.5% following the pattern set during the last few months, i.e. continued declines on low turnover. The pace of the decline decelerated from the last three months of -11.7%, -5.8% & -6.7 respectively. The index spent most of the month in marginally positive territory with the declines taking place during the last week driven by heightened concerns of large scale foreign selling.

After a strong out-performance over the last two months with the fund's average decline per month of -2.8% vs -6.2% for the index, the fund's holdings as a result, were caught disproportionately more in the last week of selling. However, over half of the 2.4% underperformance is due to different sources of FX conversion coupled by the index's last day of trading on the 22nd of June and the fund's continued calculation of FX while demand for USD is seasonally high due to the Eid holidays and thus continued pressure on the IQD.

The effects of continued foreign selling, magnified by fears of more, were amplified during the last trading week before the Eid and summer holidays, in particular, one of the bluest chip banks bore the brunt of selling declining -9.5% for the month after declines of -5.3% & -17.8% for the last two months respectively. Towards the end of June, the bank released 2016's annual report with the board proposing a dividend, which would be equal to a 7.5% yield.

The fears were for a repeat of the terrible early part of 2016. However, these concerns overlook the facts that the patterns are very different: (1) Current selling is not as persistent and wide spread as that of early 2016, indicating redemptions but not the wholesale portfolio selling of 2016; (2) the net effect, i.e. net foreign selling in early 2016 overwhelmed any buying, while the recent trend in net selling has been decreasing from negative to almost neutral as buying has been picking up; (3) current turnover is meaningfully less than that of early 2016.

The statement that "a change of direction is at hand with the opportunity to acquire attractive assets that have yet to discount a sustainable economic recovery" is still very much in play but crucially "the recovery will likely be in fits and starts with plenty of zig-zags along the way as liquidity is still scarce with a time lag before it can filter down into the economy."

The liberation of Mosul should be followed by the reconstruction of the city and the liberated areas which would be the theme for the Iraq investment story over the next few years. While the government is targeting about a USD 100 billion for the reconstruction of the liberated third of the country and seeking international aid/loans for this endeavour, the reconstruction effort is led by the local population acting on their own accord. Reports from Mosul and Ramadi show local rebuilding starting with clearing the wreckage of war, re-installing basic services, repairing & rebuilding of homes, businesses re-opening and all efforts at return to normality but crucially it is coupled with an accelerated & unprecedented foreign aid led by the UN.

As of 30th June 2017, the AFC Iraq Fund was invested in 14 names and held 1.3% in cash. The fund invests in both local and foreign listed companies that have the majority of their business activities in Iraq. The countries with the largest asset allocation were Iraq (97.8%), Norway (1.8%), and the UK (0.4%). The sectors with the largest allocation of assets were financials (53.4%) and consumer staples (25.1%). The estimated trailing median portfolio P/E ratio was 10.24x, the estimated trailing weighted average P/B ratio was 0.92x, and the estimated portfolio dividend yield was 3.30%.

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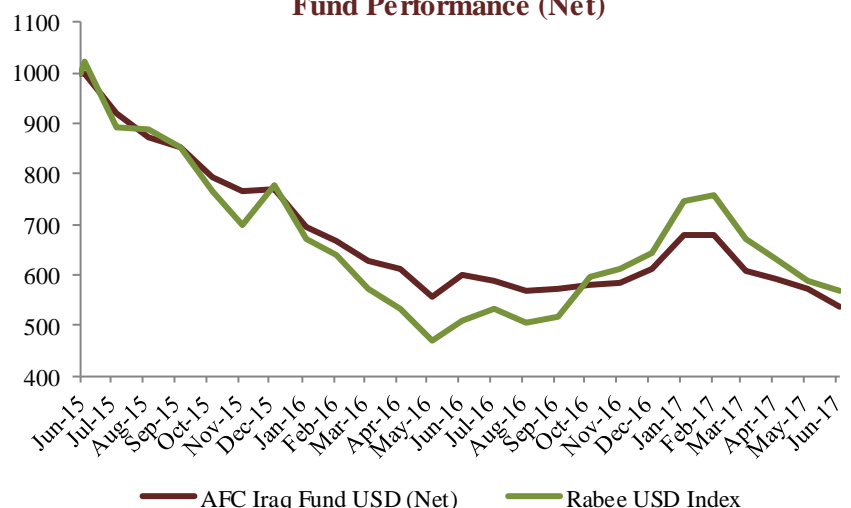
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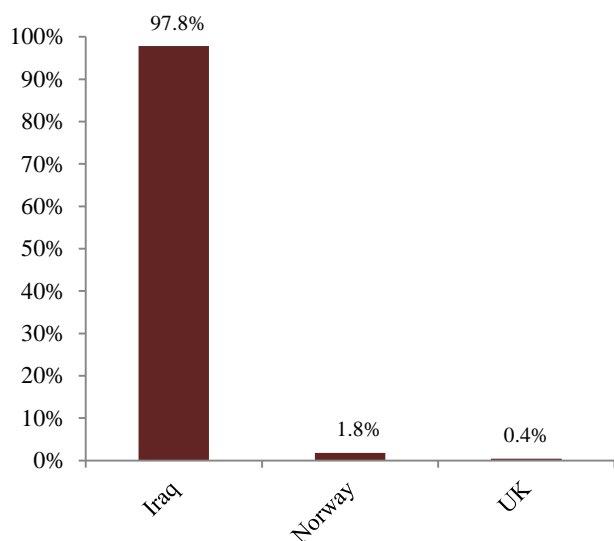
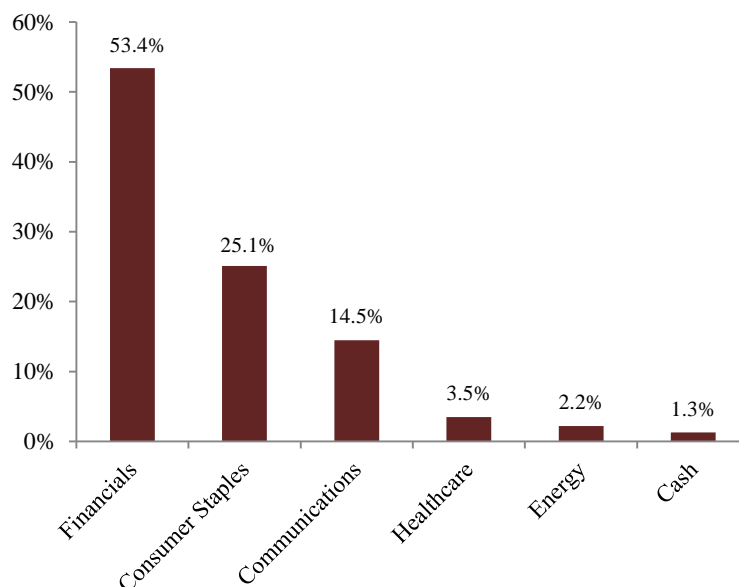
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Fund Performance (Net)



Country Allocation

Sector Allocation

Monthly Performances AFC Iraq Fund (Non-US) Class D

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	USD						+0.00%	-7.92%	-5.20%	-2.20%	-7.00%	-3.39%	+0.56%	-22.86%
2016	USD	-9.71%	-4.31%	-5.85%	-2.73%	-8.59%	+7.29%	-1.92%	-3.28%	+0.55%	+1.91%	+0.53%	+4.83%	-20.50%
2017	USD	+10.94%	-0.14%	-10.64%	-2.65%	-3.14%	-5.94%							-12.20%

Monthly Performances AFC Iraq Fund (Non-US) Class E

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	USD						+0.00%	-7.89%	-5.17%	-2.18%	-6.98%	-3.37%	+0.59%	-22.74%
2016	USD	-9.69%	-4.29%	-5.83%	-2.71%	-8.57%	+7.32%	-1.89%	-3.25%	+0.57%	+1.94%	+0.56%	+4.86%	-20.26%
2017	USD	+10.97%	-0.11%	-10.61%	-2.63%	-3.12%	-5.92%							-12.07%

NAV as of 30th June 2017

	Class D	Class E
NAV	538.47	541.71
Since Inception	-46.15%	-45.83%
Inception Date	26/06/2015	26/06/2015

Security Numbers

	Class D	Class E
ISIN	KYG0133A1756	KYG0133A1830
CUSIP	G0133A175	G0133A183
Bloomberg	AFIRNUD KY	AFIRNUE KY
Valoren	28570227	28881954

* The representative of the Fund in Switzerland is Hugo Fund Services SA, 6 Cours de Rive, 1204 Geneva. The distribution of Shares in Switzerland must exclusively be made to qualified investors. The place of performance and jurisdiction for Shares in the Fund distributed in Switzerland are at the registered office of the Representative.

* AFC Asia Frontier Fund and AFC Vietnam Fund are registered for sale to investors in Japan, Switzerland (qualified investors), Hong Kong & UK (professional investors), Singapore (accredited investors) and USA (accredited investors and qualified purchasers)

* Asia Frontier Capital manages funds for both US investors and non-US investors. This fund is for non-US investors only. If you are a US investor, please refer to the fact sheet for the fund called "AFC Iraq Fund". By accessing information contained herein, users are deemed to be representing and warranting that they are either a Hong Kong Professional Investor or are observing the applicable laws and regulations of their relevant jurisdictions.

DISCLAIMER

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