



AFC VIETNAM FUND UPDATE

Fund Category	Vietnam Public Equities
Country Focus	Vietnam
Subscriptions	Monthly at NAV (five days before month end)
Redemptions	Monthly at NAV 60 days notice
Benchmark	VN Index
Fund Manager	Andreas Karall
Investment Manager	Asia Frontier Capital (Vietnam) 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	1.8% p.a. of NAV
Performance Fee	12.5% p.a. of AV appreciation with high watermark
Fund Domicile	Cayman Islands
Launch Date	23 December 2013
Custodian Bank	Viet Capital Securities, Ho Chi Minh City
Auditor	EY, Hong Kong
Administrator	Custom House, Singapore
Legal Advisor	Ogier, Hong Kong
ISIN	KYG0133A1673

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As predicted, the stock market continued with its upward trend which started last month. Whilst there were some market setbacks in the second half of May, a steady upward trend since the beginning of this month can now be seen. It is also worth mentioning that there has been a recent increase in "foreign-net-buying". This has been especially evident in Hanoi where we saw some impressive price advances. In Ho Chi Minh City bank stocks were particularly strong though this was triggered by numerous domestic buy orders as is illustrated by the Asia Commercial Bank chart below:



Source: VietCapital Securities

At present there are numerous reasons for positive sentiment, such as the government announcement of this year's GDP growth expectation of 6.5%, which will certainly increase attention on Vietnam from abroad. (Vietnam's GDP increased more than 300% between 2005 and 2014). As previously mentioned we are very positive on Vietnam joining the TPP, which we expect will further accelerate the growth of the overall economy by at least 30% over the next few years. With this in mind one can assume a continuation of positive macro-economic data in the future.

In the news this month is the increase of foreign ownership limits in listed companies which could soon provide a further boost. The opinions on when the new law will be passed vary from, at the earliest, next month to, at the latest, by October but we do expect it to happen this year.

Another very positive surprise was the strong PMI (Purchasing Manager Index) of 54.8 points after 53.5 points in May. This is the highest value recorded so far since the beginning of the PMI publications back in 2011. This signifies a rising domestic consumption for the first five months in 2015, which is another positive factor for a prosperous economy.



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As our portfolio now contains approximately 10 percent of all listed companies, the market breadth becomes a very important and timely tool to detect changes in trends. As shown in the chart below this important indicator monitors the absolute number of winners minus losers. This so-called advanced/decline index is shown for the stock market in Hanoi:



Sources: Stockbiz.vn; VietCapital Securities

You can clearly see the last sharp rise in the Index of Hanoi (right chart) and the concurrent rise in market breadth (left chart). This is a good indicator for the future development of the market.



Source: Bloomberg

Finally, we have put together a comparison of the widely followed Market Vectors Vietnam ETF (USD 470 million market capitalization) with our AFC Vietnam Fund (USD 18 million AUM). We believe the old saying is very true in this case: a picture is worth a 1000 words!

The Ho Chi Minh City & Hanoi indices are currently +2.3% and +5.7% respectively and our NAV stands now at around USD 1'418 (+1.8%), according to our internal calculations.

15th June 2015

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The subscription deadline for this month will be on the 24th June, if you would like any assistance with the investment process please be in touch with myself or Andreas Vogelsanger.

Best regards

Andreas Karall, CIO

**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.*

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