

AFC VIETNAM FUND UPDATE

Fund Category	Vietnam Public Equities
Country Focus	Vietnam
Subscriptions	Monthly at NAV (five business days before month end)
Redemptions	Monthly at NAV 60 days notice
Benchmark	VN Index
Fund Manager	Vincente Nguyen
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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The slightly upward bias continued after the long TET-holidays. With earnings season now in full swing, individual stock price movements dominated the market. Overall the market sentiment was positive and both indexes in HCMC and Hanoi were up 1.3% and 2.0% respectively. Our main focus is now re-balancing our portfolio according to our model after 2016 earnings announcements in order to optimize our selection of undervalued companies. With this rebalancing continuing we were still able to gain +0.7%, but with a lower Dong against the USD the NAV increased only slightly to USD 1,670, according to internal calculations.

Market developments

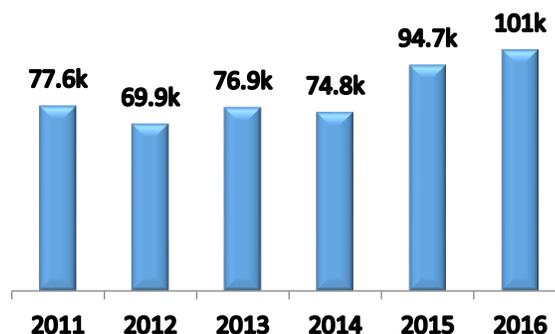
We see further stabilization in the broader market which could be signaling bigger interest from retail investors. These investors, which still account for 80% of total turnover, were focusing mainly on special developments of big caps in 2016 like change in foreign ownership limits and mainstream listings like breweries - and relatively ignored smaller companies which represent a bigger part of our portfolio. Should the 6 month old correction in small caps come now to an end, we are well prepared for the next leg of the revaluation story in Vietnam.



Source: VietCapital Securities, Stockbiz.vn

Over the past couple of years doing business in Vietnam has been getting easier because of the government's efforts. Setting up a new company takes only 5 days currently, compared to one month one decade ago. The number of newly established enterprises increased strongly from 78,000 enterprises in 2011 to 101,000 in 2016. In October 2016, the Prime Minister emphasized that Vietnam has to become a "startup country" which means the Government will try its best to support startup projects.

Number of new established enterprises



Source: GSO

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In Vietnam, a good part of small businesses do not need to register with the authority. The improvement in the administrative bureaucracy actually stimulates the economic growth of Vietnam.

A small business on a traditional market in Vietnam



Source: www.vietnamnet.vn

Economy

The traditional holiday of Vietnam, TET, was celebrated from 25th January to 1st February, while last year the TET holiday occurred in February. Therefore, most of the key macro economy data were slightly weaker in comparison to January of last year.

Macroeconomic Indicators					
	2013	2014	2015	2016	Jan-17
GDP	5.42%	5.98%	6.68%	6.21%	6.21%
Industrial production (YoY)	5.90%	7.60%	9.80%	7.50%	0.70%
FDI disbursement (USD bn)	11.5	12.4	14.5	15.8	0.85
Exports (USD bn)	132.2	150	162.4	176.6	14.6
Imports (USD bn)	131.3	148	165.6	174.1	14.7
Trade balance (USD bn)	0.9	2	-3.2	2.52	-0.10
Retail sales (YoY)	12.60%	10.60%	9.50%	10.20%	9.90%
CPI (YoY)	6.03%	1.86%	1.34%	4.74%	5.22%
VND	21,125	21,405	22,540	22,600	22,630
Credit growth (YoY)	12.50%	14.00%	17.30%	16.50%	16.50%
Foreign reserves (USD bn)	32	36	36	41	41

Source: AFC research, SSI, GSO, SBV, VCB

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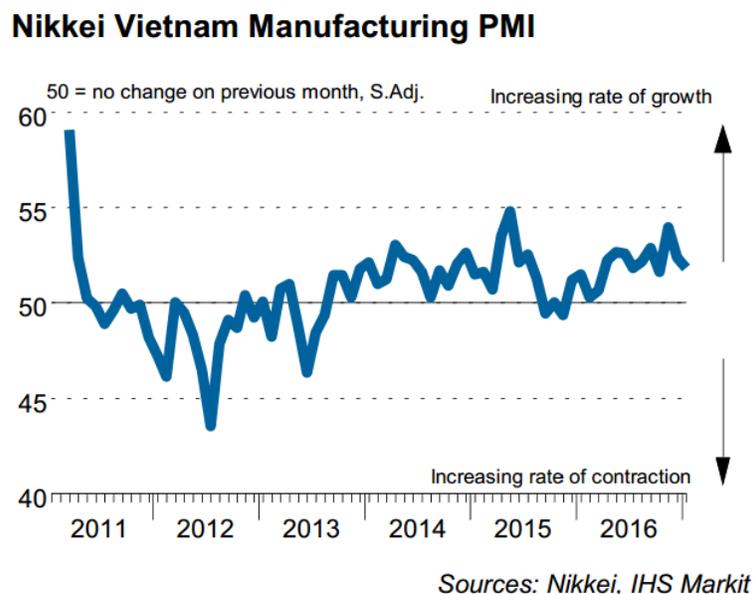
The January numbers for industrial production grew only slightly at 0.7% compared to the same month of last year due to a shorter working month.

FDI continues to be a bright spot in Vietnam with FDI registration and FDI disbursement both growing at a rate of 6.6% and 6.3% to USD 1.42 billion and USD 0.8 billion respectively.

Export revenue increased 7.6% to USD 14.6 billion meanwhile import turnover also grew strongly by 15.8% to USD 14.7 billion. The trade deficit therefore stands at USD 0.1 billion.

The first month of 2017 saw a sharp increase in CPI, which now stands at 5.22% on an annual basis. This was mainly due to a strong rebound in international commodity markets. The Vietnamese government is expected to ease its credit policy to boost economic growth, which would have a negative effect on inflation.

PMI continues to show further expansion



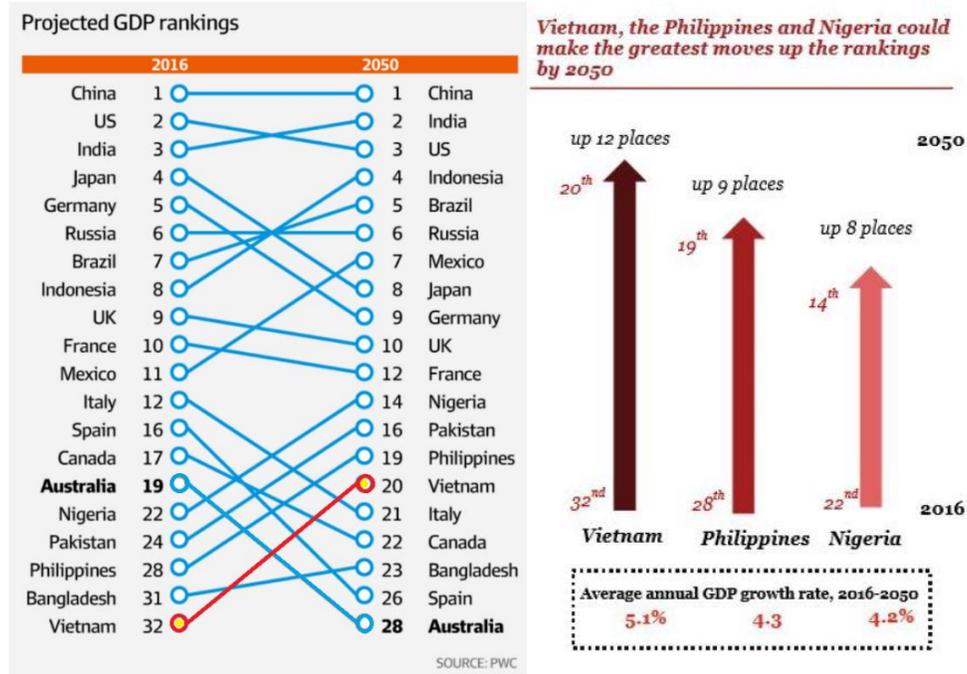
The Vietnamese manufacturing sector remained in growth-territory during the start of 2017, although rates of expansion in output, new orders and employment all eased during January. Meanwhile, firms remained confident that output would increase further in 2017. The headline Nikkei Vietnam Manufacturing Purchasing Managers' Index (PMI) – a composite single-figure indicator of manufacturing performance – posted 51.9 in January, remaining in growth-territory but down from a reading of 52.4 in December. Business conditions have now strengthened in each of the past 14 months, but the latest improvement was the weakest in three months.

Commenting on the Vietnamese Manufacturing PMI survey data, Andrew Harker, at IHS Markit, which compiled the survey, said: "It was a steady start to the year for the Vietnamese manufacturing sector, with growth of output, new orders and employment maintained. Although rates of expansion generally slowed, the ability of firms to secure a further solid increase in new work bodes well for coming months. IHS Markit is currently forecasting a solid 6.4% increase in GDP for 2017"

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Other developments

A report by the prestigious global accounting firm Price Waterhouse Coopers (PWC) predicts Vietnam will rank 20th in the world by 2050. The report, "The World in 2050 - The long view: How will the global economic order change by 2050?" predicted that by 2030, according to GDP based on PPP, Vietnam would climb up to No. 29 in the world with a GDP of USD 1.3 trillion, and would continue to rise until 2050 to become the 20th largest economy with a GDP of USD 3.17 trillion, bigger than Italy, Canada or Australia.



Subscription

The subscription deadline for this month will be the 22nd February and if you would like any assistance with the investment process please be in touch with Andreas Vogelsanger.

Best regards,

AFC Vietnam Fund

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Estimated NAV as of 14th February 2017

NAV	USD 1,670*
Since Inception	+67%*
Inception Date	23/12/2013

Monthly Performances AFC Vietnam Fund

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013	USD												+2.37%	+2.37%
2014	USD	+8.75%	+4.50%	+2.18%	-4.65%	-0.32%	+1.45%	+1.86%	+5.49%	+3.87%	+2.83%	+2.50%	+0.60%	+32.50%
2015	USD	+0.44%	+1.76%	-0.96%	+1.93%	-0.48%	+0.06%	+0.22%	-4.57%	+1.18%	+6.90%	-1.82%	+0.25%	+4.62%
2016	USD	-0.10%	+3.30%	+1.28%	+3.17%	+1.40%	+4.97%	+3.0%	+0.13%	+0.11%	-1.83%	+0.88%	-1.76%	+15.29%
2017	USD	+1.90%	+0.2%*											+2.1%*

*According to internal calculations

**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. The fund is authorized for distribution to professional investors in Hong Kong, Japan, Singapore and the UK.*

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