

## AFC VIETNAM FUND UPDATE

<b>Fund Category</b>	Vietnam Public Equities
<b>Country Focus</b>	Vietnam
<b>Subscriptions</b>	Monthly at NAV (five business days before month end)
<b>Redemptions</b>	Monthly at NAV 60 days notice
<b>Benchmark</b>	VN Index
<b>Fund Manager</b>	Vicente Nguyen
<b>Investment Manager</b>	Asia Frontier Capital (Vietnam) Ltd., Cayman Islands
<b>Investment Advisor</b>	Asia Frontier Investments Ltd., Hong Kong
<b>Fund Base Currency</b>	USD
<b>Minimum Investment</b>	USD 10,000
<b>Subsequent Investments</b>	USD 1,000
<b>Management Fee</b>	1.8% p.a. of NAV
<b>Performance Fee</b>	12.5% p.a. of AV appreciation with high watermark
<b>Fund Domicile</b>	Cayman Islands
<b>Launch Date</b>	23 December 2013
<b>Custodian Bank</b>	Viet Capital Securities, Ho Chi Minh City
<b>Auditor</b>	Ernst & Young, Hong Kong
<b>Administrator</b>	Custom House, Singapore
<b>Legal Advisor</b>	Ogier, Hong Kong
<b>ISIN</b>	KYG0133A1673

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The market picture was very indifferent during March. The broader market corrected slightly after gaining earlier this year while the stock performance of our holdings was mixed. Meanwhile the main index in HCMC was up +1,6%. The index in Hanoi surged +4.6% with its biggest constituents rallying. According to internal calculations the NAV of our fund was up +1.8% to USD 1,715.

### Market developments

A good part of the recent strong move in the Hanoi index was contributed by the index heavyweight Asia Commercial Bank, which cannot be bought by foreigners since the foreign ownership limit has been reached since a very long time. The stock is up 40% since the beginning of the year. With a current weighting of over 14% the stock helped the index to break out of its multi-year sideways pattern. If this breakout can be confirmed, then there will be most likely a broader market rally this year which we expect to be quite strong...

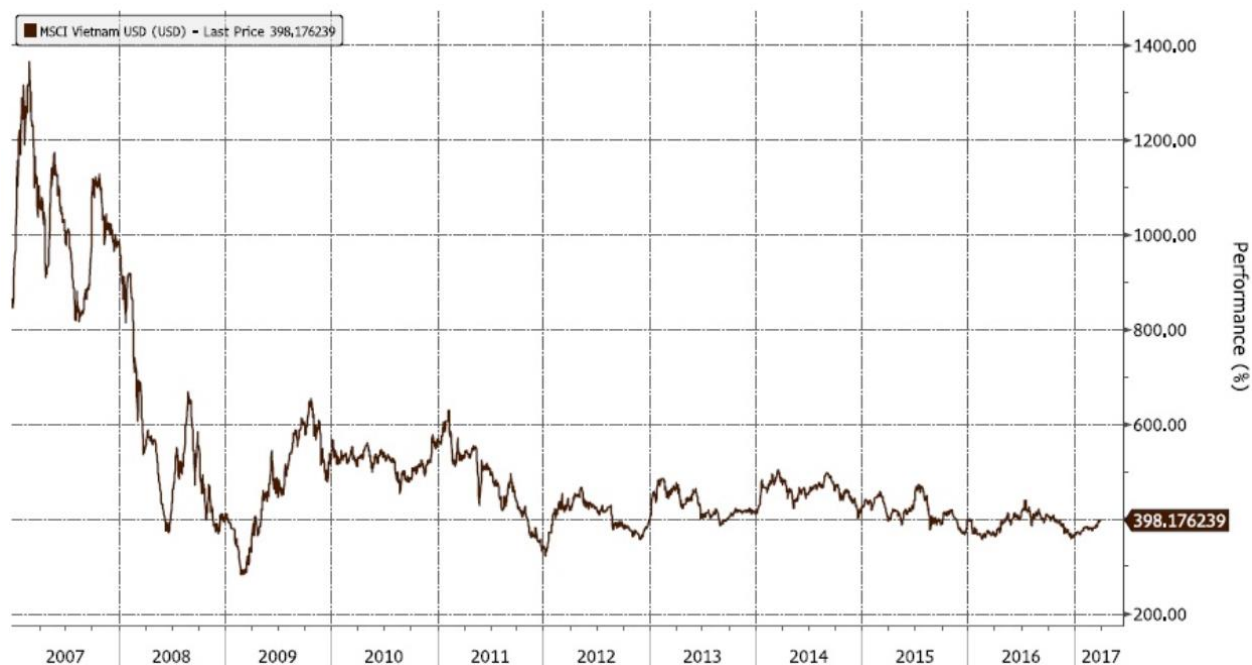


ACB ; Source: VietCapital

It seems that smaller stocks are getting more attention again with the Hanoi index gaining ground relative to the bigger HCMC index recently, although market breadth corrected somewhat. The Vietnamese stock market is very inhomogeneous compared to other stock markets. The well-respected index data provider MSCI shows a totally different picture of the stock market in Vietnam compared to other indices. This index is reflecting all stocks based on their market cap, and includes all tradable stocks. For better understanding we will explain this more detailed in one of our next reports but as of now, we can already conclude the most important message: Despite the economic and financial potential of Vietnam, we have a long way to go until we see the old highs from the last decade.



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Source: MSCI

Like every quarter, market participants were watching, calculating and gambling on the portfolio changes of the large Vietnam ETF's. They announced their upcoming portfolio rebalancing well ahead of time, so people had not to guess which stocks will be excluded or included in their portfolio and which stocks have to be bought or sold in what size, and hence it made it much easier for them to potentially front run the ETF's. While this would not have major impacts on extremely liquid stocks in the Western world, in small markets like Vietnam however this often results in large price fluctuations in a handful of stocks. Some of them are heavily weighted in the index, so this has in fact two consequences. First, the index itself is impacted by those transactions (the pre-rebalancing speculation and the rebalancing itself), and second, it is almost certain, that the ETF's are getting the worst possible price for their rebalancing, when buying or selling these shares. This also explains, at least partially, why the ETF's performed so badly over the past few years.

In contrast, with our current portfolio we are not impacted at all by those speculations. More importantly, over the past couple of weeks we not only saw more investors returning back to the small cap sector, but we also have received buying interest in some of our smaller company holdings where we are a decent shareholder. This was always part of our long-term strategy to exit those micro-cap stocks as we are growing our assets under management. We are now managing our AFC Vietnam Fund for slightly over 3 years and we are proud to say that all of our currently around 80 positions are in our view still undervalued and have considerable upside potential.

## AFC VIETNAM FUND UPDATE

### Economy

Macroeconomic Indicators					
	2013	2014	2015	2016	1Q-17
GDP	5.42%	5.98%	6.68%	6.21%	5.10%
Industrial production (YoY)	5.90%	7.60%	9.80%	7.50%	4.17%
FDI disbursement (USD bn)	11.5	12.4	14.5	15.8	3.62
Exports (USD bn)	132.2	150	162.4	176.6	43.7
Imports (USD bn)	131.3	148	165.6	174.1	45.6
Trade balance (USD bn)	0.9	2	-3.2	2.52	-1.90
Retail sales (YoY)	12.60%	10.60%	9.50%	10.20%	9.20%
CPI (YoY)	6.03%	1.86%	1.34%	4.74%	4.65%
VND	21,125	21,405	22,540	22,600	22,795
Credit growth (YoY)	12.50%	14.00%	17.30%	16.50%	2.81%
Foreign reserves (USD bn)	32	36	36	41	41

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

Vietnam economy sees a growth of 5.1% in the first quarter of 2017, a bit lower compared to same period last year. Services continue to lead the growth with 2.65% contribution, following by industry and construction with 1.46%, agricultural 0.24%, and tax 0.75%. GDP growth in 1Q 2017 is lower than 1Q 2015 and 1Q 2016 but higher than 1Q 2014. In 1Q 2017, industrial production growth fell down compared to last year from 7.16% in 1Q 2016 to 4.17% in 1Q 2017, the low in 5 years.

An impressive figure of Vietnam economy is FDI. FDI new registration and addition continues to increase to USD 7.71 billion, surging up 77.6% compared to last year. Particularly Korean business conglomerates, such as Samsung Display of Samsung Group, register to add USD 2.5 billion into Bac Ninh Province. South Korea continues to be the largest FDI investor in Vietnam with USD 3.74 billion ytd., contributing 48.5%. Accumulated FDI disbursement in March reached USD 3.62 billion, a gain of 3.6% compared to one year ago.

Total export revenue of Vietnam keeps growing pretty well to USD 43.7 billion, increasing by 12.8%. Vietnam is one of the countries with a strong export growth over the last 5 years. Import turnover also increased to USD 45.6 billion, gaining 22.4%. In the first quarter of 2017, Vietnam recorded a trade deficit of USD 1.9 billion, equivalent to 2.1% of total trade value.

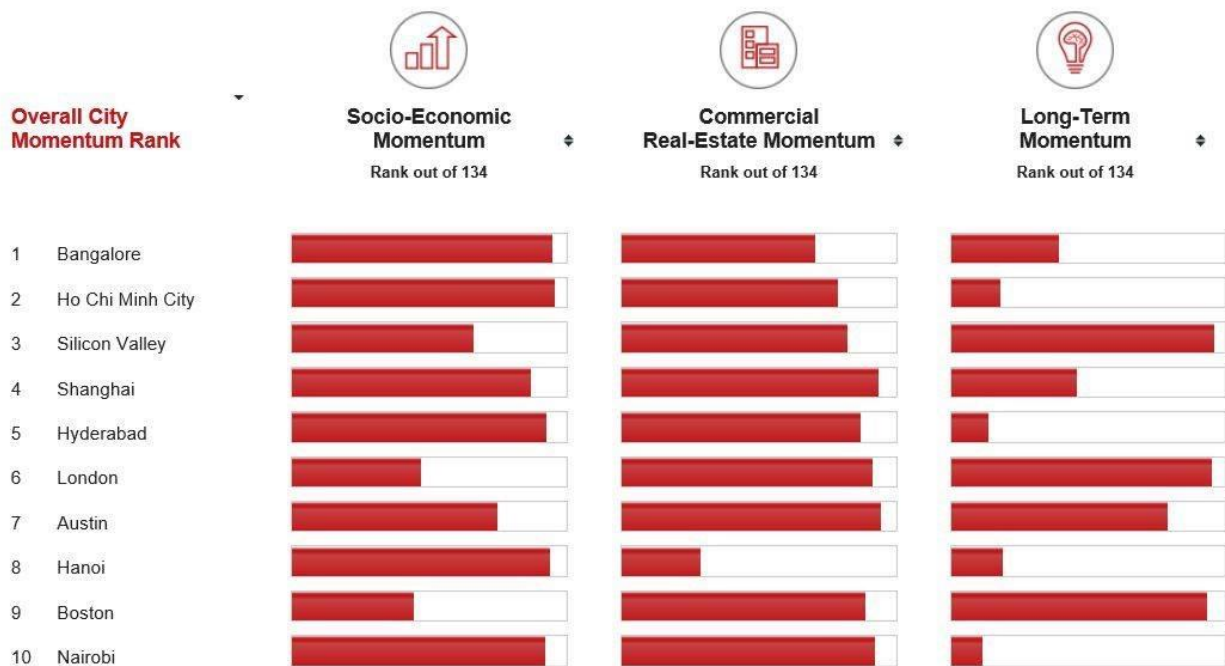
CPI sees the high of 4.65% against same month last year. In which, health care and education surged up 35.9% and 10.17% respectively.

### Other developments

## AFC VIETNAM FUND UPDATE

With more than half the world’s population currently living in cities, and the rapid global urbanisation, it is vital that cities embrace, support and nurture technological changes in order to compete in today’s world. The recently published JLL 2017 City Momentum Index from Jones Lang LaSalle shows some astonishing results. Although the most dynamic cities are spread throughout the world, more than half of the top 30 in the 2017 ranking are in Asia-Pacific and Vietnam has with HCMC (rank 2) and Hanoi (rank 8) two cities in the top 10!

### World’s Most Dynamic Cities Performance Across 3 Key Areas



### Subscription

The subscription deadline for this month will be the 24<sup>th</sup> April 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 31<sup>st</sup> March 2017

NAV	USD 1,715*
Since Inception	+71.5%*
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%	+1.10%	+1.8%*										+4.8%*

\*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.*

*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.*

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