

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	Vicente 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	Ernst & Young, Hong Kong
Administrator	Custom House, Singapore
Legal Advisor	Ogier, Hong Kong
ISIN	KYG0133A1673

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After a fulminant finish to the end of the first half of the year, Vietnamese markets consolidated in the first three weeks of July. Strong buying interest resumed in the last week of July and brought the indices into positive territory. HCMC closed the month at +0.9% and Hanoi at +2.1%. According to internal calculations, the NAV of our fund was also up +2.0% at USD 1,905.

Market developments

The VN30 index, which includes blue chips from both markets, corrected more than 6% from its top in early July before recovering most of its losses at month's end. After breaking out of its long-term consolidation, the market now has to digest its recent gains which can be seen as a healthy pattern in a long-term bull market.

The medium-term outlook is not yet fully clear, but the sharp correction led the market to become short-term "oversold" from a technical perspective. These types of hefty short-term corrections are typical, especially in a long-term upward trend.

VN30 index, daily, 2 years



Source: VietCapital Securities

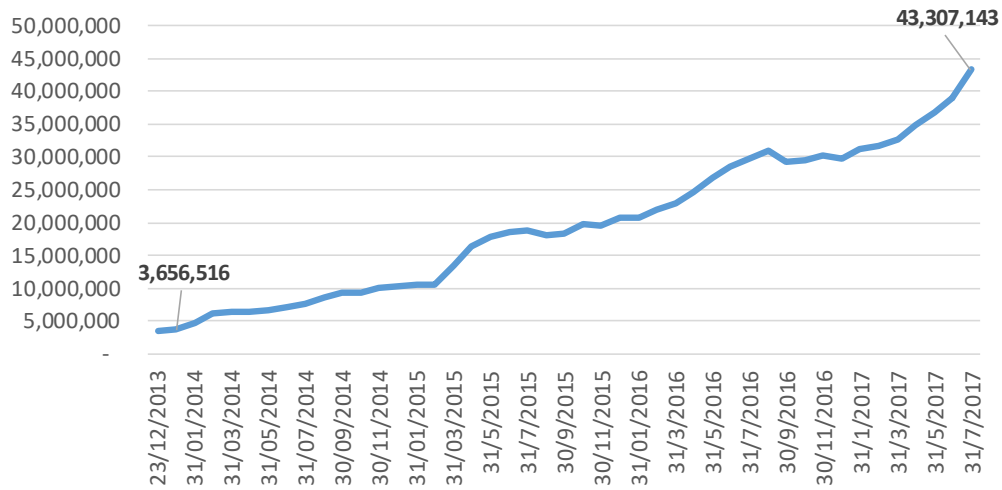
While we are closely watching market developments, our investment decisions are only marginally affected by those short-term swings and are only leading to adjustments of individual position sizes. With earnings season for the first half of the year in full swing we are now in the midst of updating and analyzing our holdings, and so far, we have not been disappointed by the business developments for most of our investments.



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With a record inflow into our fund last month of more than USD 3.5 million, we will be able to add to our most promising positions and continue to look for new investments.

AUM History

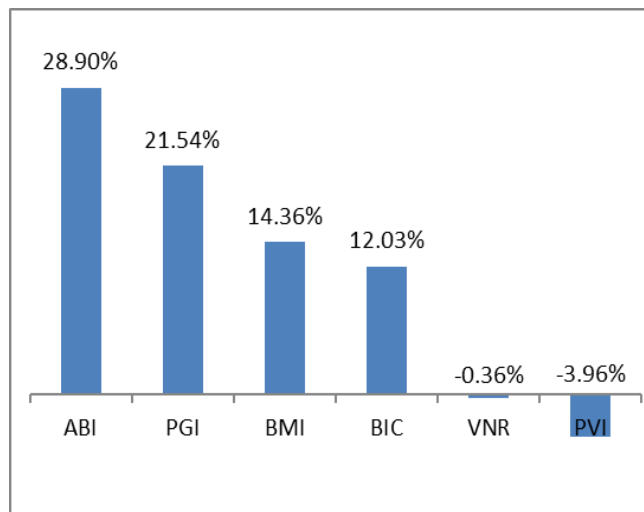


Source: AFC

A very good example of our focus on undervalued stocks is our biggest position, Agricultural Bank Insurance Company (ABI), a retail insurance company which we have been accumulating for a long while.

The total premium collected by insurance companies in Vietnam in the first half of 2017 grew 21% YoY to USD 2.07 billion, according to the Ministry of Finance. The estimated revenues from life insurance and non-life insurance is USD 1.22 billion and USD 0.85 billion, respectively.

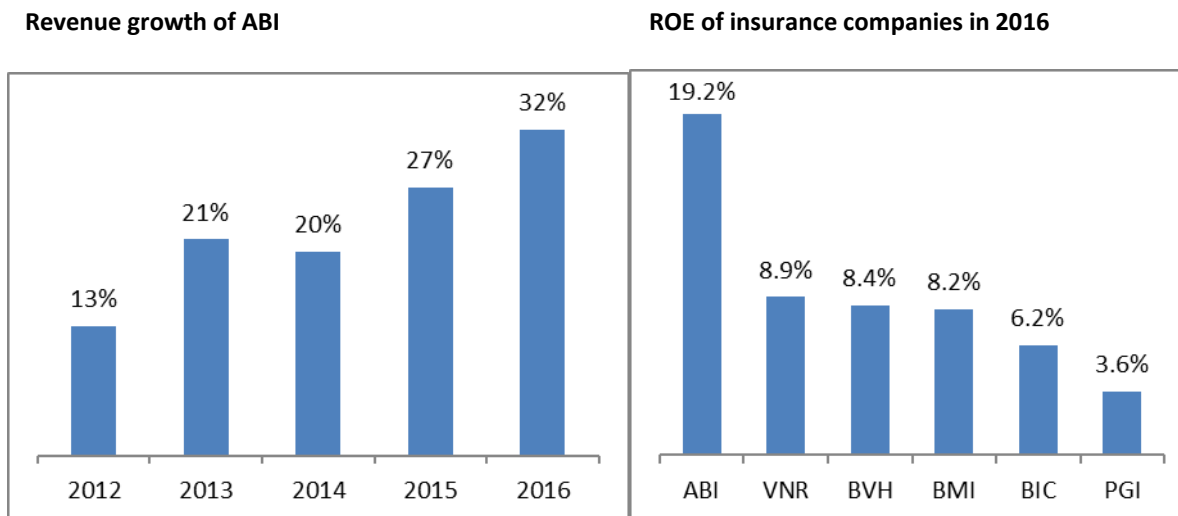
Among listed insurance companies, ABI had the highest growth rate in the first half of 2017. It has also been the fastest growing insurance company over the past 5 years with a CAGR of 22.5%.



Insurance premium growth in 1H-2017; Source: VCSC, HSX, HNX, AFC Research

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ABI is a retail insurer with more than 70% of their insurance premiums coming from individual clients. The company is selling its products through bank assurance with 3,500 branches throughout the country. It is not only the fastest growing insurance company, but also the most effective. In 2016 ABI recorded a ROE of 19.2%.



Source: VCSC, HSX, HNX, AFC Research

With those outstanding fundamentals ABI should trade at a premium to the sector. However, despite gaining more than 50% since the start of the year, the company is still trading at a deep discount of about 50% to the insurance sector average.

The average insurance premium in Vietnam currently stands at USD 30, much lower than the regional average in Southeast Asia with USD 74 and the global average of USD 595.

Vietnam's fast-growing insurance market has great upside potential with its rapidly growing middle class. Also, the country has one of the world's lowest life insurance penetration levels of less than 1% of GDP. This has prompted a number of foreign companies, including the UK's Aviva Plc. and Canada's Sun Life Financial Inc., to step up their presence in Vietnam through M&A activities and joint ventures over the past several months.

- In April, Aviva Plc acquired a 50% stake in Hanoi-based VietinBank's life insurance joint venture, VietinBank Aviva Life Insurance Ltd (Aviva Vietnam).
- In late 2016 Sun Life took full control of the joint venture, PVI Sun Life Insurance Company Ltd. by acquiring the remaining 25% stake from PVI Holdings.
- In July 2017 Mirae Asset Life acquired a 50% stake in Prevoir Vietnam Life with a total value of USD 52.6 million

Economy

In July 2017, the State Bank of Vietnam announced record high foreign reserves of USD 42 billion, compared to USD 41 billion in June. FDI disbursement is the key factor which continues to help foreign reserves increase. In the first 7 months of 2017 total FDI disbursement reached USD 9.1 billion, increasing by 5.8%.

Export revenue continues to grow at 18.7%, having reached USD 115.2 billion in July. The recovery of Samsung Electronics had an important impact on Vietnam's export numbers with mobile phone exports increasing by 15% to USD 22.6 billion

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YTD. Import numbers also jumped by 24% to USD 118.3 billion. Consequently, the trade deficit for the first seven months of 2017 now stands at USD 3.1 billion

The headline CPI continues to stay low at 2.52% which supports the Governments effort to stimulate the economy by boosting credit growth. The core CPI in July was only 1.3%.

Macroeconomic Indicators					
	2013	2014	2015	2016	Jul-17
GDP	5.42%	5.98%	6.68%	6.21%	5.73%
Industrial production (YoY)	5.90%	7.60%	9.80%	7.50%	6.20%
FDI disbursement (USD bn)	11.5	12.4	14.5	15.8	7.7
Exports (USD bn)	132.2	150	162.4	176.6	97.8
Imports (USD bn)	131.3	148	165.6	174.1	100.5
Trade balance (USD bn)	0.9	2	-3.2	2.52	-2.70
Retail sales (YoY)	12.60%	10.60%	9.50%	10.20%	10.10%
CPI (YoY)	6.03%	1.86%	1.34%	4.74%	2.54%
VND	21,125	21,405	22,540	22,600	22,775
Credit growth (YoY)	12.50%	14.00%	17.30%	16.50%	7.54%
Foreign reserves (USD bn)	32	36	36	41	42

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

Subscription

The subscription deadline for this month will be the 25th August 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 31st July 2017

NAV	1,905*
Since Inception	+90.5%*
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%	+1.94%	+1.03%	+2.96%	+4.52%	+2.0%*						+16.4%*

*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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