

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 30 days' notice
Benchmark	VN Index
Fund Manager	Vicente Nguyen
Investment Manager	Asia Frontier Capital (Vietnam) Limited, Cayman Islands
Investment Advisor	Asia Frontier Investments Limited, 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 NAV 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

Both indices recovered June's losses with banks leading the rally on both exchanges. Market turnover continued to be unexciting with market participants waiting for the release of half year results. The indices gained +2.4% in HCMC and +2.0% in Hanoi, while our portfolio was little changed with our NAV at around USD 1,819, up 0.2%, according to internal calculations.

Market Developments

The mid-cap index is currently trading around 10% lower than 2 years ago. In comparison, the mostly watched Ho Chi Minh City Index is around 25% higher than 2 years ago. The mid-cap index has now been stabilizing for a prolonged period and therefore valuations are again attractive, especially when compared with blue chips. The risk/reward ratio is certainly in favor of mid-caps and small-caps.



(Vietnam Mid-Cap Index from Dec 2015 to July 2019; Source: Vietcapital Securities)

Overall, we are still in a consolidation pattern with a hard to predict break-out timing. On the other hand, the third market, UPCOM, with fewer foreign investors, is showing a completely different picture.



(UPCOM Index from Sept 2015 to July 2019; Source: Vietcapital Securities)

Contact Information

Asia Frontier Capital Ltd.
www.asiafrontiercapital.com

Mr. Andreas Vogelsanger, CEO
Asia Frontier Capital (Vietnam) Limited
Tel: +66 84435 7472, Fax: +852 3904 1017
av@asiafrontiercapital.com

Registered Office:
c/o Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue, George Town,
Grand Cayman KY1-9005,
Cayman Islands

Hong Kong Office:
Asia Frontier Investments Limited
905, 9th Floor, Loon Kee Building
267-275 Des Voeux Road Central
Hong Kong

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Despite outperforming over the past 12 months, the index went nowhere over the past 4 years, although the market breadth was much better than at the more closely watched market indices in Ho Chi Minh City and Hanoi.

Growing importance of UPCOM market

	HCMC	Hanoi	UPCOM
Mkt Cap USD(bln)	141.3	8.0	42.2
P/E TTM	16.7x	7.6x	8.6x
Div. Yield	1.8%	2.4%	5.2%

(Source: Vietcapital Securities)

With the UPCOM market cap meanwhile reaching one third of the HCMC market cap and 5x the size of the Hanoi market cap, it would be foolish to ignore this interesting segment, even or especially with most index trackers ignoring these stocks so far. With so many interesting, and so far overlooked stocks, 7 of our fund holdings are trading on UPCOM.

Stock market is lagging the real economy

With the Vietnamese economy continuing to be very robust, experiencing a 6.7% growth rate for the first half of 2019, maybe the even more important number is the continuously growing retail sales at +11.5%. The good job market outlook and strong optimism is fueling the expanding middle class which compensates for potentially slower export growth, although Vietnam continues to gain market share in manufacturing from other markets such as China for example.

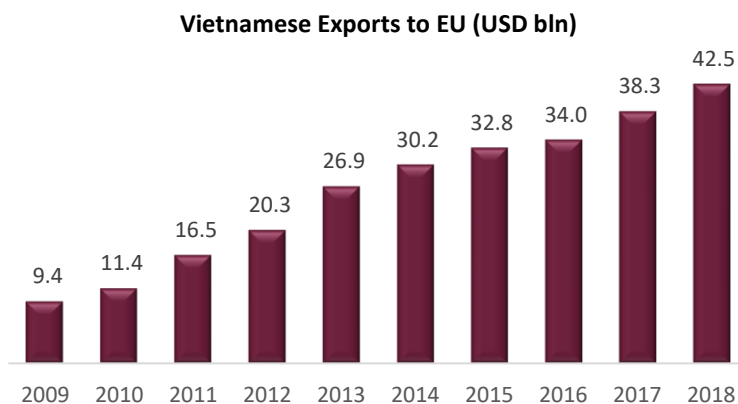
Viet-Euro trade agreement expects to boost the nation's economy

The European Union signed a landmark free trade deal with Vietnam (EVFTA) on 30th June 2019, the first of its kind with a developing country in Asia, paving the way for tariff reductions on 99% of goods between the trading bloc and the Southeast Asian country.

It will eliminate 99% of tariffs, although some will be cut over a 10-year period and other goods, notably agricultural products, will be limited by quotas.

In 2018, Vietnam exported USD 42.5 bln worth of goods and services to the EU, while the value of imports from the region reached USD 13.8 bln.

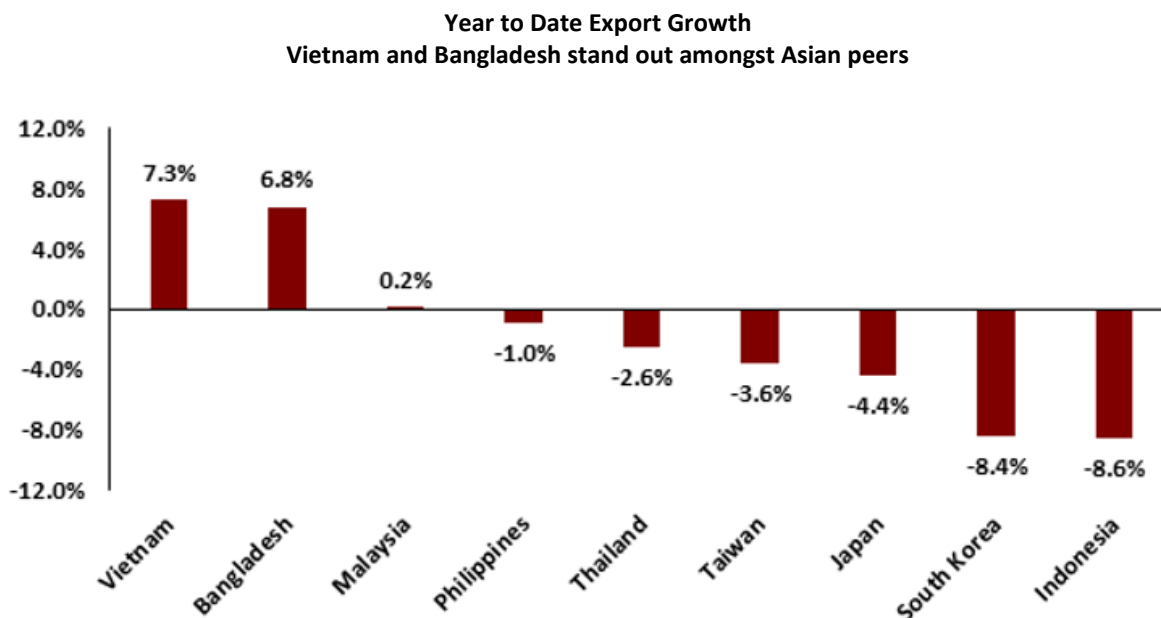
The Vietnamese government said that EVFTA is expected to boost EU exports to Vietnam by over 15% and those from Vietnam to the EU by 20% by 2020. The GDP impact over the next decade should be around 1% per year, according to the government. Seafood and garments are the sectors to benefit most from the trade agreement.



(Source: GSO, AFC research)

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But Vietnam's overall export industry remains very robust compared to other nations in the region, even before the EU trade deal takes effect.



(Source: Bloomberg, General Statistics Office of Vietnam, Export Promotion Bureau of Bangladesh)

Vietnamese accounting standards (VAS)

Most listed Vietnamese companies report their earnings on a quarterly basis. The variation between quarterly results are often quite volatile with very few exceptions. The reason for this volatility is the Vietnamese accounting standards which differ to international financial reporting standards (IFRS). One of the differences is for example how financial income is reported. Based on Vietnamese accounting standards it is part of operating profit, but according to IFRS it is a part of financial profits. In order to bring Vietnamese accounting policies in line with international standards, Vietnam's finance ministry will require all listed companies to apply IFRS by 2025.

Subscription

The next subscription deadline will be 25th July 2019. If you would like any assistance with the subscription process please be in touch with Andreas Vogelsanger.

Best regards,

AFC Vietnam Fund

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Estimated NAV as of 15th July 2019

NAV	1,819*
Since Inception	+81.9%*
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%	+1.94%	-4.38%	+1.09%	-0.75%	+1.47%	+0.01%	+13.33%
2018	USD	+0.41%	+0.42%	+0.58%	-0.93%	-3.24%	-0.12%	-1.28%	+0.79%	+3.02	-2.14%	+0.45%	-2.05%	-4.17%
2019	USD	-1.63%	+2.90%	+1.58%	+0.82%	-3.35%	+1.98%	+0.2%*						2.4%*

*According to internal calculations

**The Fund has appointed Hugo Fund Services SA, 6 Cours de Rive, 1204 Geneva, Switzerland, as its Swiss Representative. NPB Neue Privat Bank AG, Limmatquai 1, 8024 Zürich, Switzerland is the Swiss Paying Agent. In Switzerland shares shall be distributed exclusively to qualified investors. The fund offering documents, articles of association and audited financial statements can be obtained free of charge from the Representative. The place of performance with respect to [shares distributed in or from Switzerland is 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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