



## AFC VIETNAM FUND UPDATE

<b>Fund Category</b>	Vietnam Public Equities
<b>Country Focus</b>	Vietnam
<b>Subscriptions</b>	Monthly at NAV (five days before month end)
<b>Redemptions</b>	Monthly at NAV 60 days notice
<b>Benchmark</b>	VN Index
<b>Fund Manager</b>	Andreas Karall
<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 NAV appreciation with high watermark
<b>Fund Domicile</b>	Cayman Islands
<b>Launch Date</b>	11 December 2013
<b>Custodian Bank</b>	Viet Capital Securities, Ho Chi Minh City
<b>Auditor</b>	Ernst & Young, Hong Kong
<b>Administrator</b>	Amicorp Fund Services Asia Pte Ltd., Singapore
<b>Legal Advisor</b>	Ogier, Hong Kong

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www.asiafrontiercapital.com

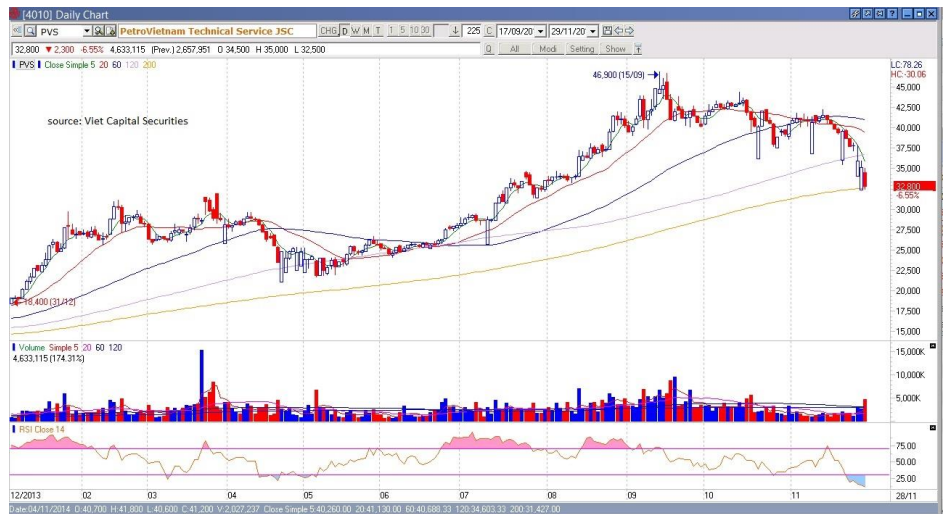
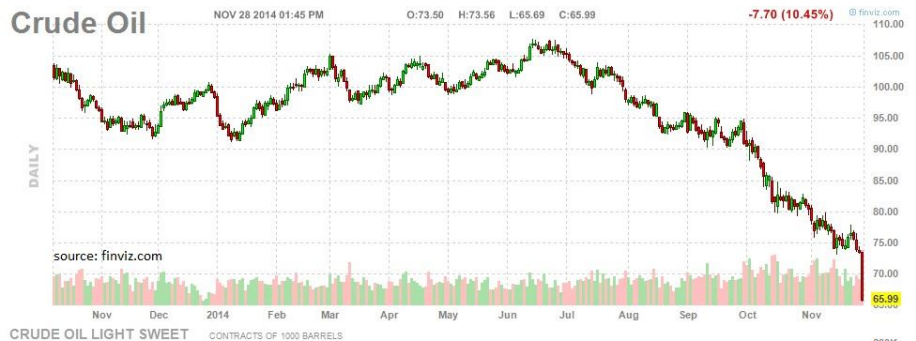
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The initial attempts to start a year-end rally at the beginning of this months were quickly nullified in the second half of November. Some smart stock market professionals started to realize that the 40% fall in oil prices since June -?! - might have a negative impact on the profitability of the heavily index weighted oil and gas companies.



Source: VietCapital

The market sentiment was pretty poor, mainly due to a new government draft to regulate foreign ownership of properties, which many people regarded as still too restricted, but also due to a newly introduced margin loan regulation which limits brokers to provide cash advances for the purchase of shares. Thus, the Ho Chi Minh index fell by -5.7% this months, and in USD terms even over 6%, due to the weak Dong. The Hanoi index, which is far less followed by foreign investors, lost around 1%.

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All our 70 companies have now all reported their 3 quarter results and we expect an average profit growth for 2014 of around +14%, while the overall market will grow by only 3-5%. We revised our internal median estimates for 2014 profits and sales +1.8% up - a testament of the quality and methodology of our estimates. With a few exceptions, the majority of our stocks were little affected by the outflow of foreign or margin loan investors. The stock price of some of our holdings increased nicely after they announced their earnings and all that lead to another increase of our NAV, according to our internal calculations, by about +2.5% to around USD 1,348 (+34.8% since inception on December 11, 2013).

On a political level, the negotiations for the TPP (Trans-Pacific Partnership) and the European Union free trade agreements are at an advanced stage and the signing by all parties of it in the coming weeks or months could provide a nice catalyst for a flourishing stock market next year. Inflation expectations for 2014 are now, due to the sharp fall in oil prices, at only 3% and the economic growth in 2015 should continue to accelerate above 6%. Due to several reasons over the course of the past weeks, the currency came under pressure. Putting this into context, the whole "devaluation" against USD for 2014 is just over 1%, which is more or less the daily movement of EUR or JPY on a weak day. It is also worth noting that the Vietnamese Dong was much stronger than most other currencies this year.

Due to the now only moderate increase of the overall market of approximately +15% year-to-date 2014, we see significantly greater potential for 2015, than a few months ago, given the unchanged positive economic environment.

The next subscription deadline will be on December 22.

Best regards,

Andreas Karall, CIO

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