



AFC VIETNAM FUND UPDATE

Fund Category	Vietnam Public Equities
Country Focus	Vietnam
Subscriptions	Monthly at NAV (five days before month end)
Redemptions	Monthly at NAV 60 days notice
Benchmark	VN Index
Fund Manager	Andreas Karall
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 NAV appreciation with high watermark
Fund Domicile	Cayman Islands
Launch Date	11 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

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The start of 2015 was very inhomogeneous, but with a significant gain in the index. The expected recovery was mainly due to the technically oversold Vietnamese stock market at the end of last year. However, the main winners were the long-neglected banks which are expected to deliver positive results and according to the government there will be a few bank mergers in the near future. Although we too became more bullish on the banking sector a while ago and were close to invest in it, but we decided not to get involved, because we see more potential in the medium term in other sectors, such as for example industrial, consumer and selectively property. The second main reason for the index increase was the announcement of a share buyback program in GAS, a company which is part of the HCMC Index with a very high weighting of 15%. We bought this stock for a technical recovery but as probably most other investors we are only holding a small position which is far away from the index weighting.

We therefore see quite a diverse performance picture so far in January: The Ho Chi Minh index with GAS and banks rose by 5,3%, the Hanoi index with banks but without GAS increased by 2,8% and the NAV of our fund without banks and only a small position in GAS increased by a mere 1%, according to our internal calculations. Another reason for our underperformance was the strong outperformance of our portfolio in the last quarter, whereas the heavily sold index names showed a nice technical rebound this month.

As always, much more important than the short-term relative comparison is for us the prospect of further absolute performance, based on a sound fundamental development of our holdings. We are now very curious to see how the earnings season for 2014 will evolve. The first few companies have already reported and are all nicely on track, but we will be able to comment much more in our next report, in a couple of weeks' time.

Last week's announcement of the 1% devaluation of the Vietnamese currency, by adjusting the trading band 1% up, can be seen as a non-event, given all the turmoil around the Swiss franc. The Vietnamese Dong is trading even a little bit stronger versus the USD since the beginning for the year.

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Source: Bloomberg

The next subscription deadline will be on January 26.

Best regards

Andreas Karall, CIO

DISCLAIMER

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