



## 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<br>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 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   |

### Contact Information

**Asia Frontier Capital Ltd.**  
www.asiafrontiercapital.com

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

Registered Office:  
c/o Elian Fiduciary Services (Cayman) Limited,  
89 Nexus Way, Camana Bay, Grand Cayman,  
KY1-9007, Cayman Islands

Hong Kong Office:  
Asia Frontier Investments Limited  
1208, 12<sup>th</sup> Floor, Loon Kee Building  
267-275 Des Voeux Road Central  
Hong Kong



Various free trade agreements have been signed in recent months or are near completion, even the complex TPP negotiations seem to progress nicely. Inflation came down further from an already moderate level in the previous year and will probably be well under 3 percent in 2015. Foreign direct investments continue to grow together with foreign remittances from overseas Vietnamese, which are responsible for a positive balance of payments, although there is a trade deficit of around USD 4 billion (as of September), due to increased imports, mainly machinery and equipment. As a positive exception within Asia and probably the world, ADB (Asian Development Bank) recently raised Vietnam's GDP growth to 6.5%. This upward revision however should already be obsolete after this week's published preliminary growth figures for the first 9 months of 6.5%, beating all expectations. Thus, the growth rate this year is now expected to come in between 6.7% and 6.8%, after 6% last year and 5.4% in 2013. In only 3 months' time there will be the official start of the AEC (ASEAN Economic Community) but the press seems to have completely forgotten about it, especially its positive impact on regional trade. With such a positive macroeconomic environment combined with low equity valuations, it shouldn't be surprising if the index starts climbing, month by month, at least in theory.

Even the more surprising is the reality that shares are still on the same level as in recent years.



Source: VietCapital Securities

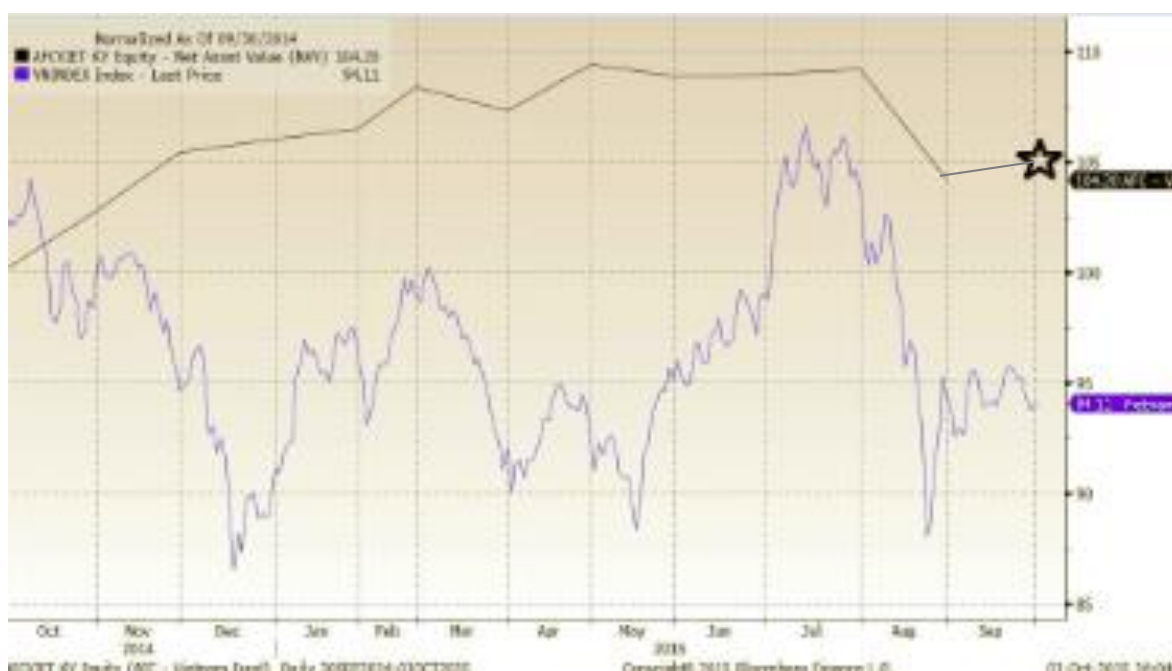
The above chart of the VN30 Index (2012-2015) includes shares of both exchanges and will probably gain in importance after the merger of the two stock exchanges in the coming years. Foreign investors were pro-cyclical and therefore sellers for the past several weeks, given the weakness in emerging markets. For the whole year however on balance they were neutral. Their share of trade turnover is down to only 5-10% in recent days. Local investors are also defensive and certainly not big buyers in the market.



## AFC VIETNAM FUND UPDATE

However, we continue to see a stabilization in market breadth (advance/decline ratio) and a relative strength of smaller stocks as we also noticed an increased interest in many of our fund holdings. While global major markets are still looking for a technical support around the lows of August, we see high probability for a good performance in the historically positive fourth quarter.

With very low volatility of equities and the currency over the last month, the indices were more or less unchanged, namely -0.4% (Ho Chi Minh City) and + 1.4% (Hanoi). After all, according to internal calculations we managed to increase our NAV to about USD 1,347 (+ 1.1%).



AFC Vietnam Fund vs. HCMC-Index 12 months; Source: Bloomberg

We are more confident than ever that as soon as the discussions about China & Co. will calm down, the outperformance of Vietnam in 2015 in comparison to many heavily sold off emerging markets will result in a significant upswing of Vietnamese stocks in the medium term. When global prices of stocks, commodities and currencies start stabilizing, despite constant negative news, then this is usually a good time to buy!

The subscription deadline for this month will be on Thursday the 26<sup>th</sup> October, if you would like any assistance with the investment process please be in touch with myself or Andreas Vogelsanger.

Best regards

Andreas Karall, CIO

*\*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.*

### DISCLAIMER

Investments in equities in Vietnam are subject to market risk, idiosyncratic risk, liquidity risk, and currency exchange rate risk. The fund may use financial derivative instruments as a part of the investment process. This document does not constitute an offer to sell, or a solicitation of an offer to buy shares in AFC Vietnam Fund. We will not make such offer or solicitation prior to the delivery of an offering memorandum, the operating agreement or articles of association, a subscription booklet, and other materials relating to the matters herein. Before making an investment decision, we advise potential investors to read these materials carefully and to consult with their tax, legal, and financial advisors. The materials have not been reviewed by the regulatory authority of any jurisdiction. Investment is open only to accredited investors as defined by the relevant legal jurisdiction of residence and/or nationality. We have compiled this information from sources we believe to be reliable, but we cannot guarantee its accuracy. We present our opinions without warranty. Past performance is no guarantee of future results. © 2013 Asia Frontier Capital Limited. All rights reserved.