

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	EY, Hong Kong
Administrator	Custom House, Singapore
Legal Advisor	Ogier, Hong Kong
ISIN	KYG0133A1673

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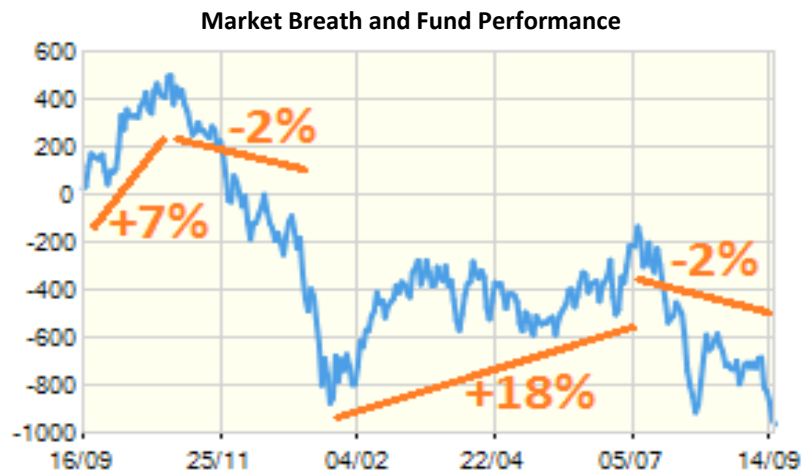
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The stock market was still affected by the ongoing ETF rebalancing topic which ended today. This time the heavyweight Vinamilk corrected sharply after the strong gains in recent weeks. Also the broader market traded lower in line with the large caps. The currently volatile Blue Chip Index in HCMC fell by 3.5% in the first two weeks of September, while the Hanoi index declined by 2.4%. In contrast to the two indices, we were able to keep our loss much lower at around 1.1% (NAV of USD 1,661), according to internal calculations.

Market developments

In contrast to special events affecting the main index, our portfolio is much more in line with the development of the broader market. While just two stocks in the HCMC-Index are representing about 30% of the index weighting, our biggest portfolio position has a mere weighting of 2.5%. Given that we are invested in a large number of stocks, we are enjoying a nice performance when the broader market is advancing and quite in the contrary we have more difficult times, when mostly local investors are selling. These movements in the broader market are easy to be seen in the “market breath” chart below, which is a simple daily calculation by adding and subtracting the numbers of advancing and declining stocks. In many cases an index gain is accompanied by a broad rally in many stocks, but with exceptions as we have seen over the past couple of weeks.



Source: Stockbiz Investment Ltd.

Given our investment approach, we have a well-diversified portfolio of stocks which are much cheaper than the general market which results in a very low fund price volatility. This strategy helps us to overcome market corrections relatively unscathed, even though Vietnam overall enjoys over the past few years quite a low volatility in the emerging market segment.

On Sep 12, Ho Chi Minh City Stock Exchange has launched new trading regulation on trading price increments. Hereby, for stocks trading under VND 10,000/share, the price increment is 10 dong/share, for stocks in the range VND 10,000 – 49,950/share, the price increment is 50 dong/share and above VND 49,950/share, the price increment is 100 dong/share. Those changes will have no impact on the market in our view but managed to confuse local investors in the first few trading days.

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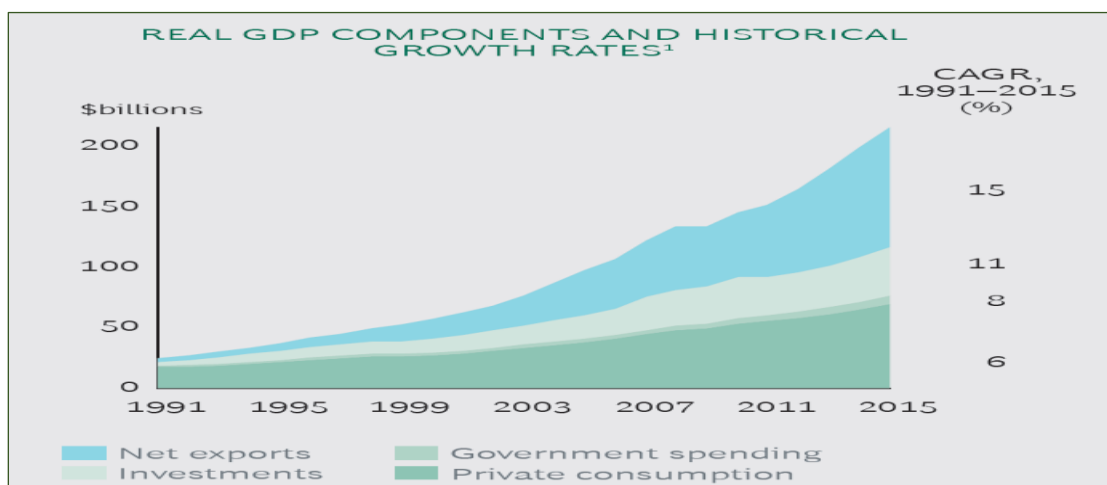
The short term technical picture hasn't changed that much, as seen below on the example of the usually quite speculative UPCOM market, which shows the rather quiet but slightly weaker market picture combined with rather low trading volumes. At least the recent rising volatility on developed markets does not seem to have any effect on Vietnam.



Source: Viet Capital Securities

Economy

The Vietnamese economy has accelerated strongly over the past two decades which helped the transition from an agriculture-based to a manufacturing-based economy. FDI, net exports and domestic consumption have driven the GDP growth. Two-thirds of total exports in 2014 came from FDI enterprises. The total population of Vietnam reached 92 million of which nearly 60% are under 35 years old, which helps to boost the economy and provides an attractive cheap labor force to foreign manufacturers such as giants like Samsung, LG Electronics, Intel, or Microsoft.



Source: Boston Consulting Group

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The goal for Vietnam is to reach sooner rather than later the same level of other ASEAN countries such as Indonesia, Malaysia or Thailand and the many recently signed trade agreements with various nations will certainly help to reach that plan.

The subscription deadline for this month will be on the 26th September and if you would like any assistance with the investment process please be in touch with Andreas Vogelsanger.

Best regards,

AFC Vietnam Fund

Estimated NAV as of 16th Sept 2016

NAV	USD 1,661*
Since Inception	+66.1%*
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%	-1.1%*				+17.1%*

*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.*

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