

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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In contrast to the extreme volatility we saw in most stock markets around the globe due to the US election, Vietnam was quite stable. The main index in Ho Chi Minh City was +0.5% in the first two weeks of November, while stocks in Hanoi declined again by 1.3%. First signs of stabilization in the broader market and a strong interest in a few sectors we are invested in, helped our NAV gaining +2.3%, reaching a new record high of USD 1,688, according to internal calculations.

Economy

After the surprising win of Donald Trump, analysts and investors worldwide are pondering the possible consequences of the outcome of the election for their investments and trying to assess winners and losers of individual markets and sectors. At the moment, we see this discussion rather academic as nobody really knows which policies the future US administration will implement, let alone where to see winners or losers.

In the most positive scenario he will initiate a turning point from the overregulation we saw over the past few years which could result in a global positive economic stimulus. This would certainly also positively influence emerging economies, since we think it is highly unlikely that production in low-cost manufacturing countries such as Vietnam, will move back to the US – and also not behind the future wall to Mexico. On the other hand, a negative scenario could be that the US would impose trade restrictions to their biggest foreign creditor, China - which is not completely unrealistic. In this case other countries, such as e.g. Vietnam would probably be able to increase its market share of global production even more.

We currently see the biggest threat for Vietnam in a global mind shift with regards to trade pacts, which would put discussions, such as ratification talks of the Trans-Pacific Partnership (TPP) at best on hold. But this comes hardly as a surprise, given that even Hillary Clinton which actively participated in these negotiations a few years ago, changed her mind about TPP with the start of the election campaign. Also the Obama administration announced last Friday, that they will suspend the Trans-Pacific Partnership trade deal vote.

Mr. Vu Viet Ngoan, chairman of the National Financial Supervisory Commission, recently stated: “Trump’s victory adds uncertainty to global trade, so we will rely more on the local market and we need to boost the domestic sector even more”.

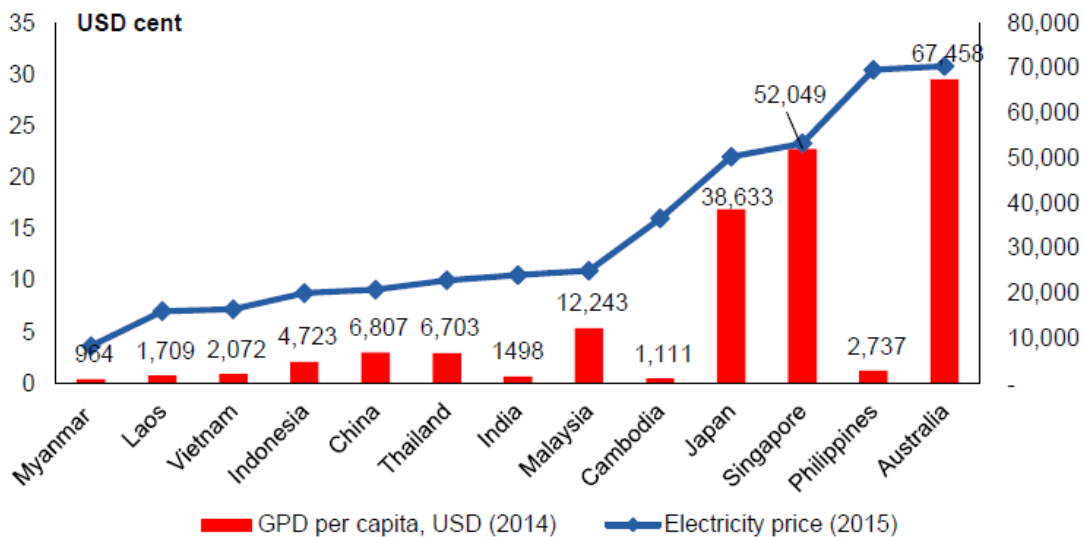
According to the most recent report by the National Assembly's Finance and Budget Committee, Vietnam’s public debt was USD 117 billion at year-end 2015, equivalent to 62.2% of GDP, higher than 61.3% of GDP estimated by the Ministry of Finance at the end of last year, but still within the cap of 65%. The government debt/GDP however, surpassed its cap of 50% and stands now at 50.3%. The National Assembly therefore decided to raise the government debt ceiling to 54% of GDP as a resolution for the national five-year financial plan for 2016-2020. But in our view one of the most important measures is the ratio of short-term debt to foreign reserves which currently stands at 40.2% which can be considered as modest and manageable.



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Whatever short term irritations we will see – if any at all – the mid and long term outlook for Vietnam did not change in any way with recent events. Vietnamese people will continue to work hard on improving their lifestyle, companies will further increase production to serve local and global demand, and companies worldwide will continue to pour money into countries where governments are open for foreign investments, labour costs continue to be attractive and cost of production will remain low for the foreseeable future. One of the major manufacturing cost factor is of course energy. In comparison to other regional players, Vietnam has a compelling competitive advantage.

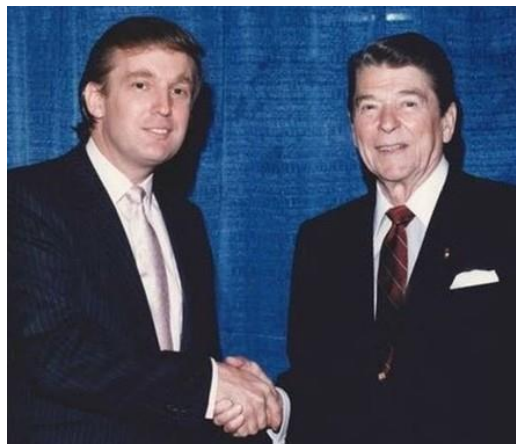
Vietnam's electricity price is still low compared to other Asia Pacific Countries



Source: Worldbank, EVN & VCSC

Our risk profile with our broad diversification is low and in the face of volatile and difficult periods, the AFC Vietnam Fund has shown superb performance with low volatility as our almost three-year track record shows.

Let's give Trump the benefit of the doubt. Who thought 36 years ago that a former actor would change the US and the world economy for the better after the difficult decade of the 70's?



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The subscription deadline for this month will be on the 24th November 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 13th November 2016

NAV	USD 1,688*
Since Inception	+68.8%*
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%	+2.3%*		+19%*

*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.*

By accessing information contained herein, users are deemed to be representing and warranting that they are either a Hong Kong Professional Investor or are observing the applicable laws and regulations of their relevant jurisdictions.

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