

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	Ernst & Young, Hong Kong
Administrator	Custom House, Singapore
Legal Advisor	Ogier, Hong Kong
ISIN	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
av@asiafrontiercapital.com

Registered Office:
c/o Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue, George Town
KY1-9007, Cayman Islands

Hong Kong Office:
Asia Frontier Investments Limited
905, 9th Floor, Loon Kee Building
267-275 Des Voeux Road Central
Hong Kong



To date stock markets in Vietnam have seen a repetition of July performance. After a strong start to the month a correction set in and brought the market down before recovering slightly this week. The indices in HCMC and Hanoi are -1,6% and +0,1% respectively. According to internal calculations, the NAV of our fund is also down 1.8% and stands now at USD 1,870.

Market developments

Vietnam was the best performing Market in Asia in 1H2017, but local investors took – once again - rumors as an excuse to take profits after a few strong months. Even the introduction of the futures market on 10th August couldn't excite investors, with futures on only the VN30 index. On the first day only 487 contracts traded. It still needs much higher acceptance and better understanding among local investors, though this will take some time. It is expected that soon government bond futures will be introduced, followed by additional instruments.

Further tensions between the US and North Korea were also a welcomed excuse for some investors to sell after the past two months of strong performance. Most markets worldwide lost some ground which is not unreasonable looking into this year's performance so far.



iShares MSCI Emerging Markets ETF; Source: Yahoo Finance

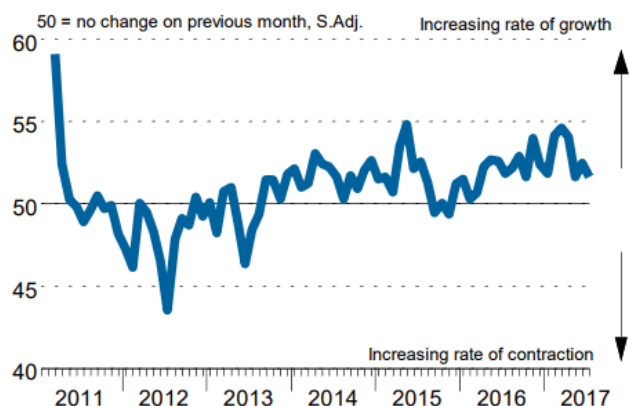
While the global emerging market ETF corrected rather sharply on the spooky comments from the President of the “Wild Wild West”, Vietnam’s correction was less than, for example, the German market.

With the first half reporting season for 2017 having concluded we started to adjust our portfolio positions according to individual company results. Over the course of the last 12 months we have exited 13 positions completely and invested in 8 new companies, and are therefore currently holding 78 stocks. The reweighting is almost finished and our portfolio looks once again very attractively valued and promising for the quarters ahead.

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The headline Nikkei Vietnam Manufacturing Purchasing Managers' Index (PMI) – a composite single-figure indicator of manufacturing performance – dipped to 51.7 in July, down from 52.5 in June.

Nikkei Vietnam Manufacturing PMI



Sources: Nikkei, IHS Markit

Both output and new orders increased at slower rates during July and the rise in production was the weakest in the current nine-month sequence of expansion.

New orders have risen continuously since December 2015 and increased solidly in July. This was also the case with regards to new business from abroad. Increases in new orders and higher production requirements led manufacturers to increase staffing levels for the sixteenth consecutive month. The rate of job creation was little-changed from that seen in June.

Regardless of weak output growth in the Vietnamese manufacturing sector, the rate of expansion in new orders remained solid. Meanwhile, the fact that the backlog of work rose at the fastest pace in over six years and inventories of finished products fell suggests that firms will be looking to increase their output over the coming months.

As short-term fears always play a significant role in investor's decision-making process, one should step back and keep a relaxed view over the big picture. As can be seen below, Vietnam's economy is already very visible, even from very far above the ground. In our view, in the future Vietnam will shine as brightly as other developing markets in the region.



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Subscription

The subscription deadline for this month will be the 25th August 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 15th August 2017

NAV	1,870*
Since Inception	+87.0%*
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%	+0.88%	-1.76%	+15.29%
2017	USD	+1.90%	+1.10%	+1.94%	+1.03%	+2.96%	+4.52%	+1.94%	-1.8%*					+14.3%*

*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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