

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 30 days' notice
Benchmark	VN Index
Fund Manager	Vicente Nguyen
Investment Manager	Asia Frontier Capital (Vietnam) Limited, Cayman Islands
Investment Advisor	Asia Frontier Investments Limited, 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	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) Limited
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,
Grand Cayman KY1-9005,
Cayman Islands

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

Low turnover characterized the first two weeks of June. The majority of stocks continued to slide although losses were limited at around 1% across all indices, with HCMC (-0.7%) and Hanoi (-0.9%). With a slight recovery in the exchange rate and some good news and interest in some of our stocks, we are up against the trend with a gain of approximately +1.2% (NAV USD 1,801), according to internal calculations.

Market Developments

News flow in the first two weeks of June was slow, as was the market action after last month's correction. Trading volumes continued to deteriorate, although we saw nice movements on good news for some of our stocks. With most attention still on Trump's next action on economic rivals (Europe would call them trade partners), such as e.g. verbal attacks on China, where Trump accused them of being the "grand champion" of currency manipulation and also a number of other countries which they have not (yet) officially accused of the same, being currency manipulators.

The US treasury department said recently, in a semi-annual report to the Congress, that it had reviewed the policies of an expanded set of twenty-one key US trading partners and had found that nine required close attention owing to currency practices. Ireland, Italy, Malaysia, Singapore and Vietnam were new additions to this watch list, which already includes countries like China, Japan, Germany and South Korea. If the responsible agency would use search engines like Google, they would instantly be able to find out, that Ireland, Italy and Germany are using a common currency called the *Euro* and have very limited ways to adjust "their" currency...

Criteria used for this semi-annual report include the trade balance, which is certainly negative with Vietnam, but Vietnam's overall balance was just slightly positive in recent years and is hovering around zero in 2019 so far. The very positive current account balance is mostly the result of foreign investments and overseas Vietnamese sending money back to Vietnam, which would not change materially if the Vietnamese Dong would appreciate (!) against the strongest major currency in the world. The most obvious sign of a currency manipulator is a major depreciation, like China did in the early 90's, but that can hardly be seen with the Dong which has been one of the strongest currencies in the region in recent years. Overall it must be said that the movements of the Dollar index over the past 4-5 years were exceptionally limited with a trading range of just +/- 5%.

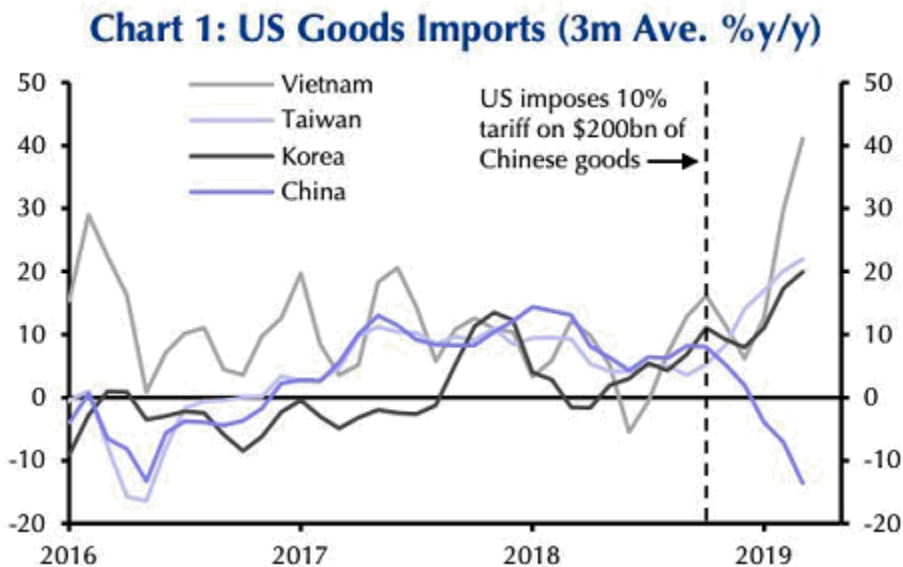


(Source: Bloomberg)

AFC VIETNAM FUND UPDATE

How much does Vietnam benefit from US – China trade war?

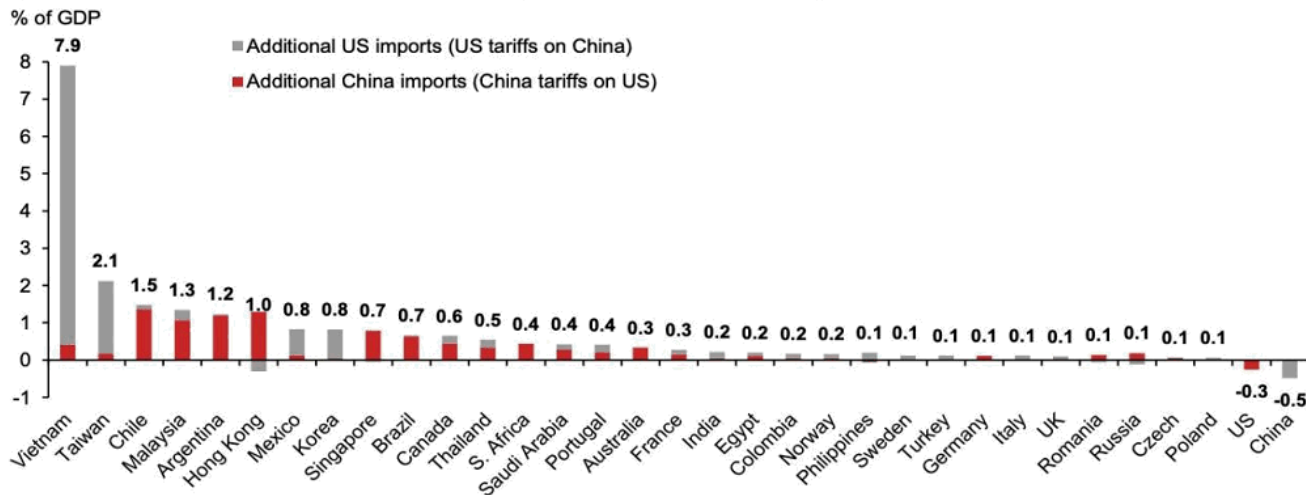
Vietnam is the key beneficiary of the trade war between the US and China. However, how much does Vietnam really gain compared to other countries? According to Nomura, since the US increased tariffs on Chinese goods in 2018, three month US import revenue from China tumbled more than 10%, while the imports from Vietnam jumped over 40%. Since the difference in size and stage of economic development of the two countries is so big, the impact on Vietnam’s economy is much bigger. Just a few days ago Japanese company Sharp announced that they will shift their PC production from China to Vietnam and already start with production later this year in order to avoid tariffs when exporting to the US.



(Source: Nomura)

Given that there are currently no solutions in sight to end the trade war between the US and China, we expect this manufacturing shift into Vietnam to even accelerate going forward.

Fig. 1: Estimates of trade diversion beneficiaries by country (% of 2019 country GDP)

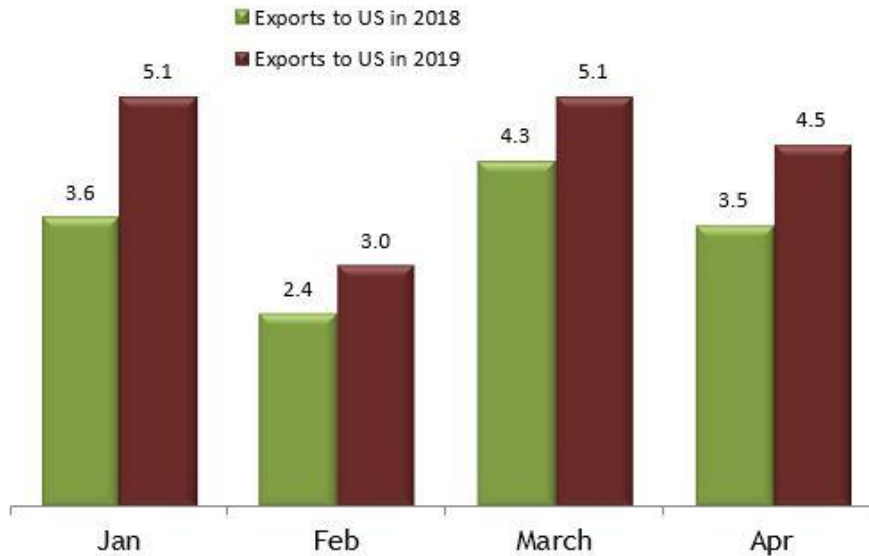


Note: We show the countries which benefit by more than or equal to 0.1% of GDP.
 Source: US Census Bureau, China General Administration of Customs and Nomura.

AFC VIETNAM FUND UPDATE

According to Nomura, the additional US imports have accounted for 7.9% of the country's GDP compared to 2.1% of Taiwan's and 1.5% of Chile's. According to the Vietnam General Statistics Office, in the first 4 months of 2019 total exports to the US jumped 28.3% y/y, from USD 13.8 bln to USD 17.7 bln.

Exports to US by month (USD bln)



(Source: GSO, AFC Research)

Eyes on Vietnam's stock market, may be added to MSCI's watch list in 2019

Like every year at this time, speculation is rising about Vietnam's possible inclusion onto MSCI's watch list for a potential upgrade to emerging market status. It seems the majority of institutional investors and government officials are very positive about this finally happening this year, especially with the new securities law proposal about the stock and derivatives market which seems to be stirring confidence. The future will tell if this inclusion will really be happening; but so far, we are rather cautious to come up with a prediction.

Subscription

The next subscription deadline will be 24th June 2019. If you would like any assistance with the subscription process please be in touch with Andreas Vogelsanger.

Best regards,

AFC Vietnam Fund

AFC VIETNAM FUND UPDATE

Estimated NAV as of 15th June 2019

NAV	1,801*
Since Inception	+80.1%*
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%	+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%	-4.38%	+1.09%	-0.75%	+1.47%	+0.01%	+13.33%
2018	USD	+0.41%	+0.42%	+0.58%	-0.93%	-3.24%	-0.12%	-1.28%	+0.79%	+3.02	-2.14%	+0.45%	-2.05%	-4.17%
2019	USD	-1.63%	+2.90%	+1.58%	+0.82%	-3.35	+1.2*							+1.4%*

*According to internal calculations

**The Fund has appointed Hugo Fund Services SA, 6 Cours de Rive, 1204 Geneva, Switzerland, as its Swiss Representative. NPB Neue Privat Bank AG, Limmatquai 1, 8024 Zürich, Switzerland is the Swiss Paying Agent. In Switzerland shares shall be distributed exclusively to qualified investors. The fund offering documents, articles of association and audited financial statements can be obtained free of charge from the Representative. The place of performance with respect to [shares distributed in or from Switzerland is 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.

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. © 2019 Asia Frontier Capital Limited. All rights reserved.