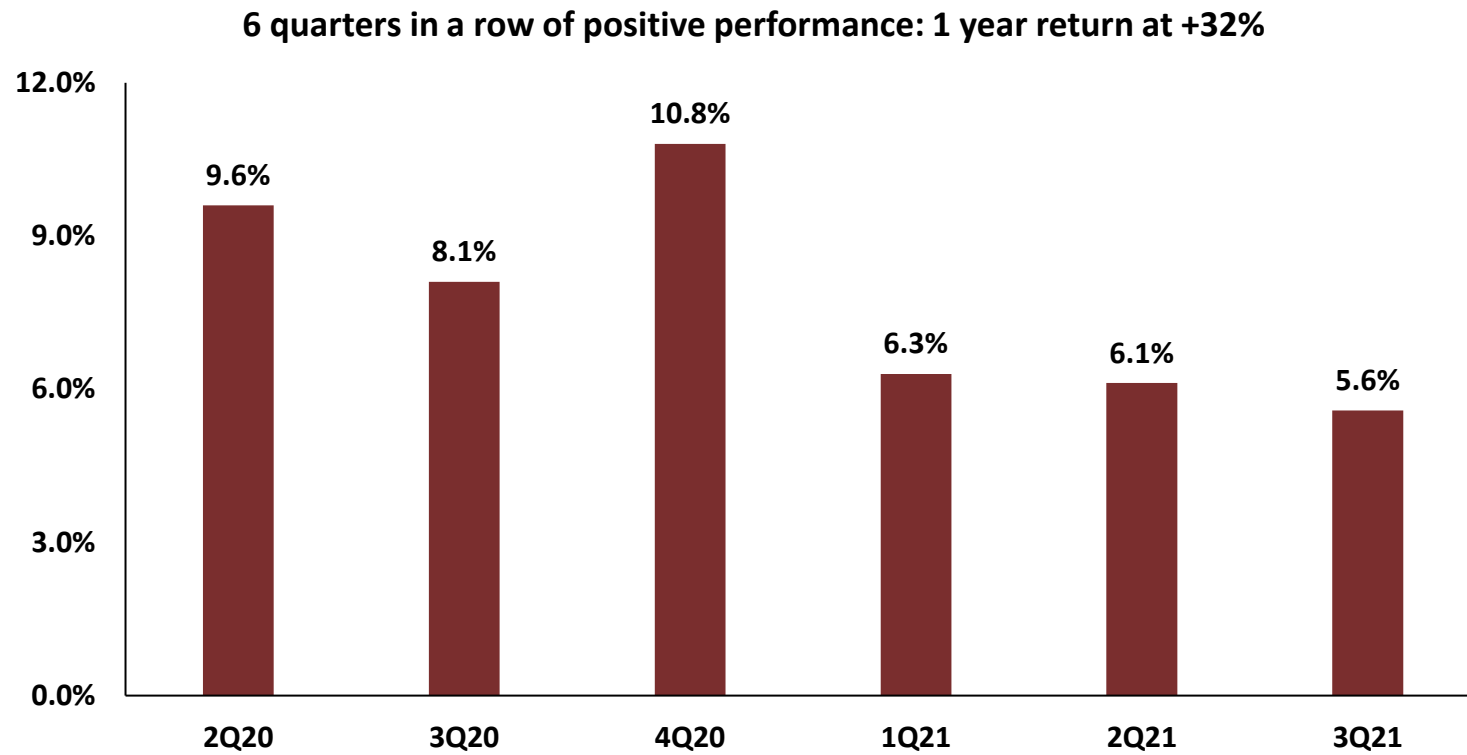




AFC Asia Frontier Fund  
October 2021

# **AFC Asia Frontier Fund – Year to date update**

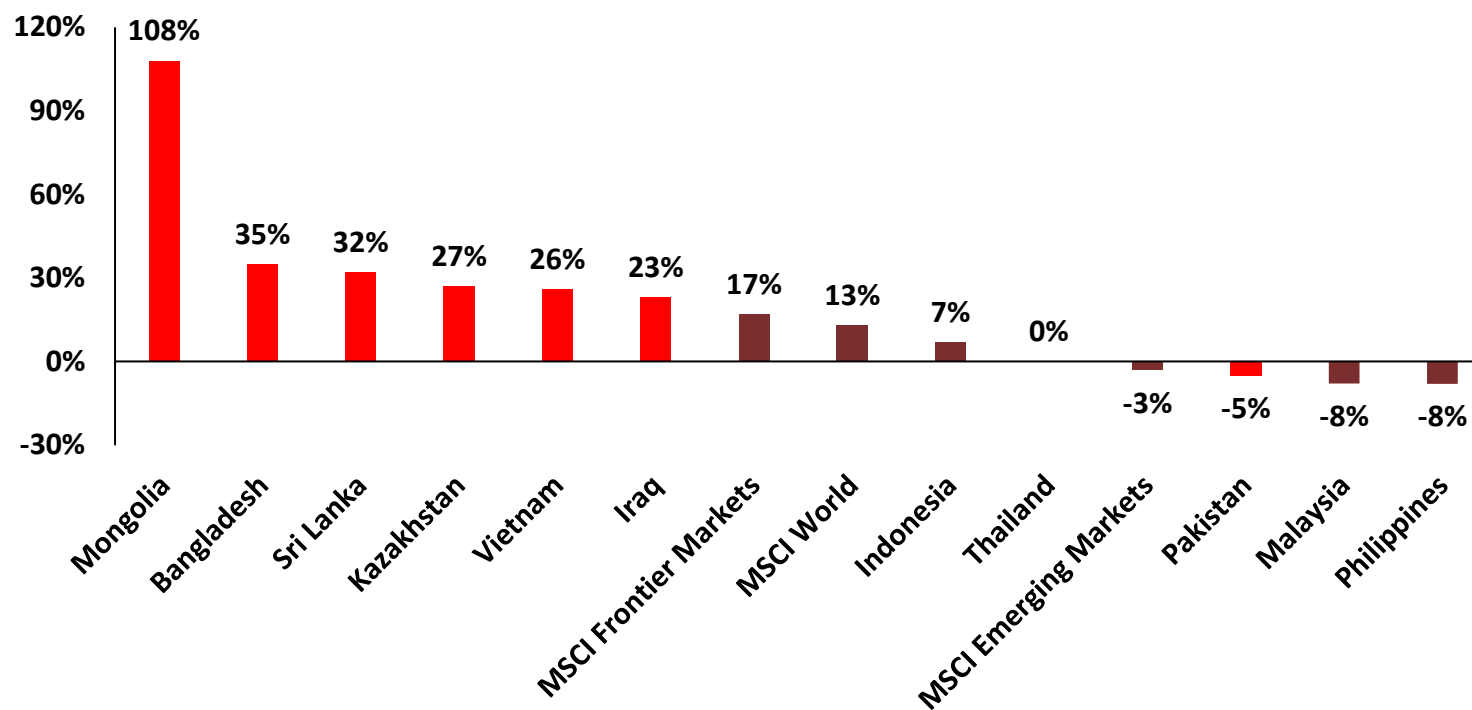
# AFC Asia Frontier Fund – 6 quarters in a row of positive performance



Source: Asia Frontier Capital

# Asian frontier markets are outperforming significantly

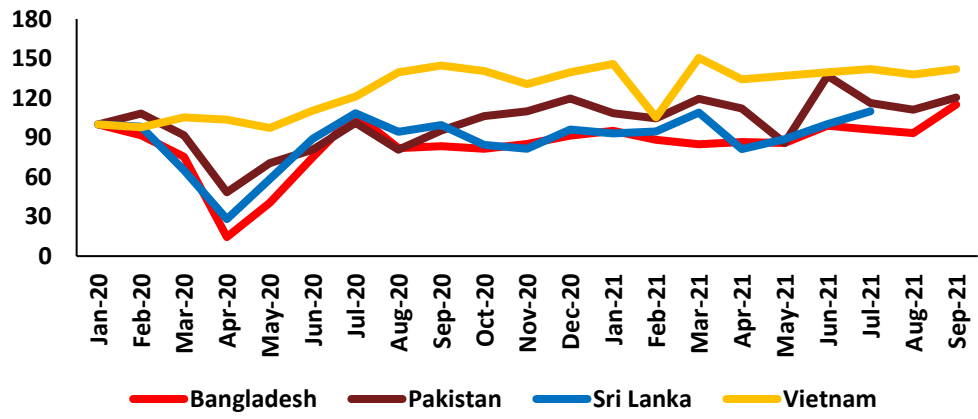
Asian frontier markets have outperformed the region and global markets so far in 2021 (year to date returns in USD)



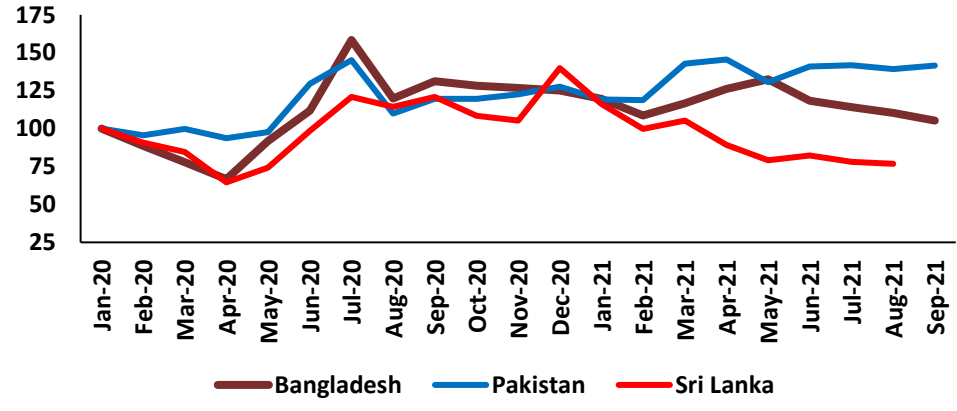
Source: Bloomberg, returns between 31<sup>st</sup> December 2020 – 8<sup>th</sup> October 2021

# Economic recovery fully in motion in Asian frontier markets

Asian frontier exporters have seen a swift post pandemic recovery (rebased to 100)



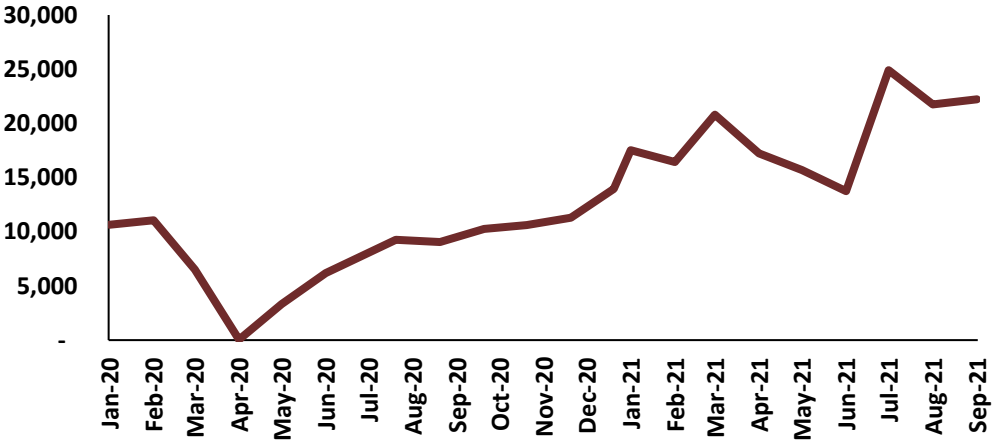
Worker remittances which drive consumption have not collapsed but have seen a strong recovery (rebased to 100)



Source: AFC Research

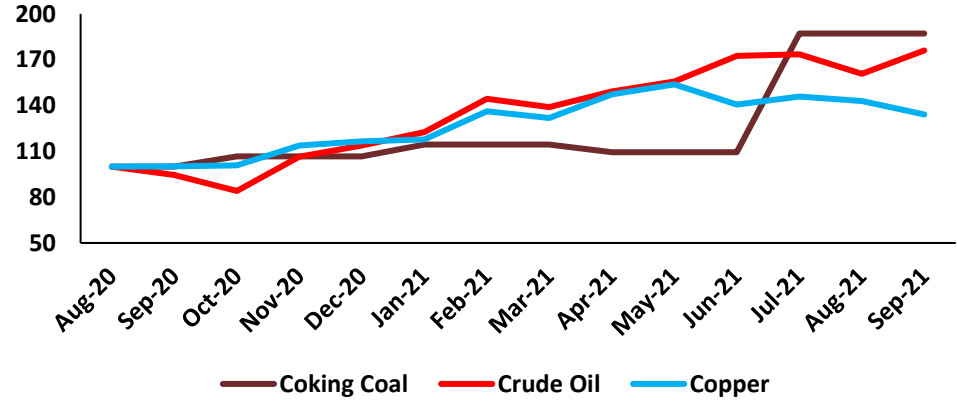
Source: AFC Research

Pakistan passenger car sales at historically high levels



Source: Topline Securities

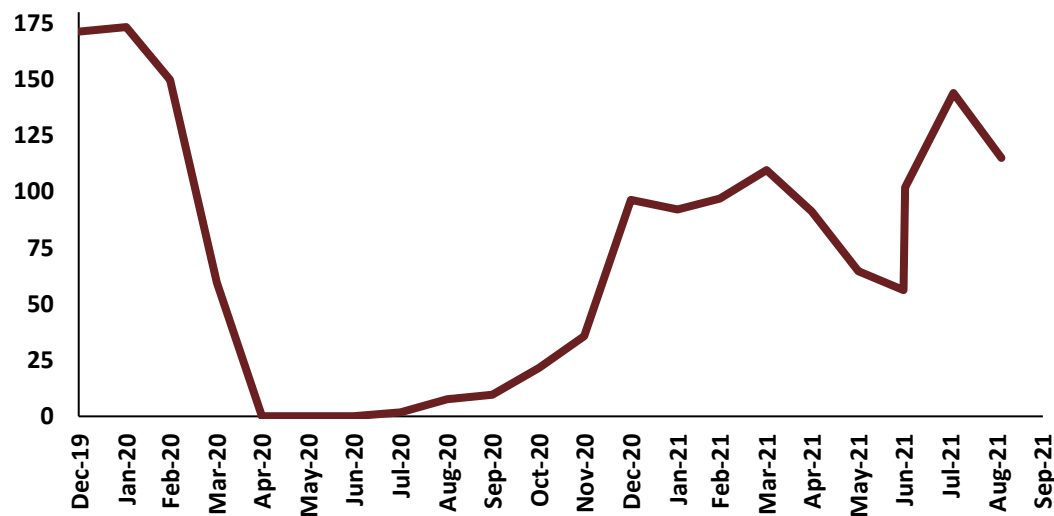
Higher commodity prices have helped stock markets in Iraq, Kazakhstan and Mongolia (rebased to 100)



Source: Bloomberg

# Re-opening plays hold lot of potential – Maldives and Sri Lanka now have high vaccination rates

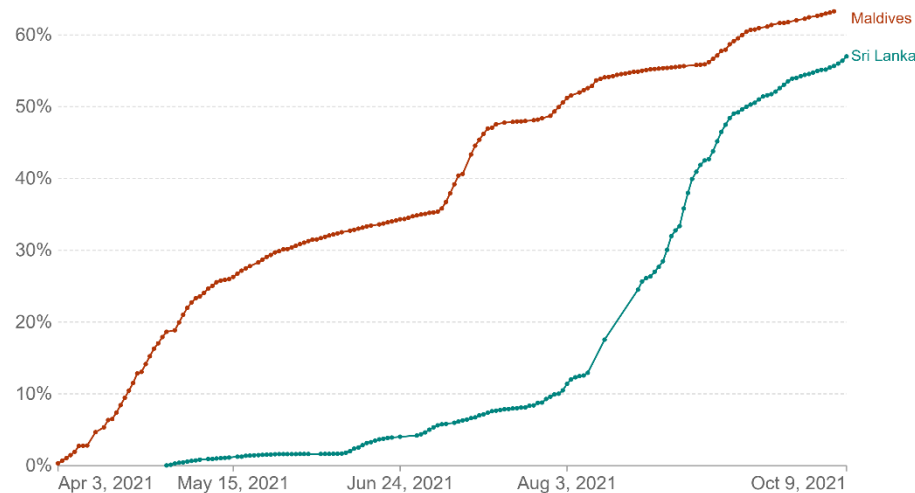
### Monthly tourist arrivals in Maldives are almost back to pre-pandemic levels (in '000)



Source: Maldives Ministry of Tourism

### Share of the population fully vaccinated against COVID-19

Total number of people who received all doses prescribed by the vaccination protocol, divided by the total population of the country.



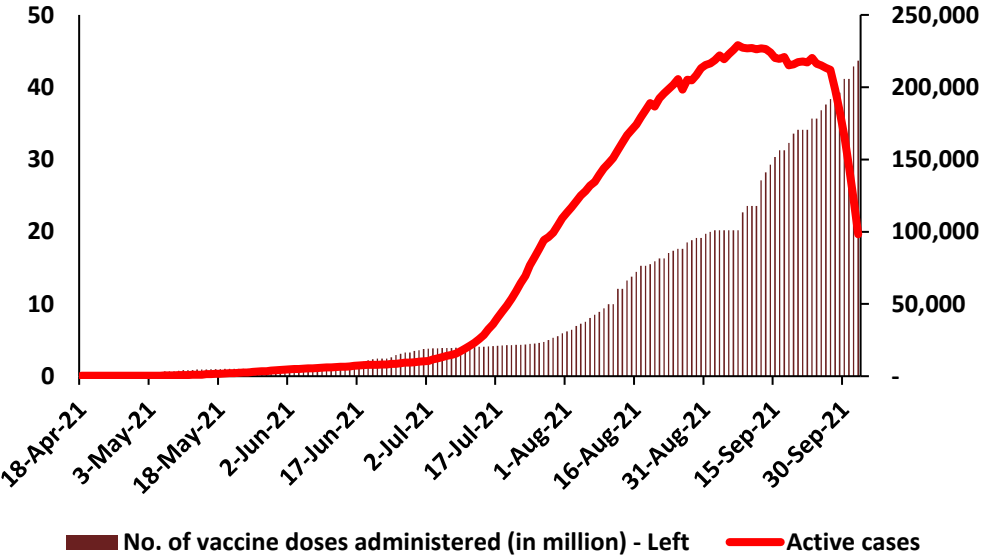
Source: Official data collated by Our World in Data. Alternative definitions of a full vaccination, e.g. having been infected with SARS-CoV-2 and having 1 dose of a 2-dose protocol, are ignored to maximize comparability between countries. CC BY

Source: Our World in Data

- U.K has removed Maldives and Sri Lanka from its red travel list.
- Maldives and Sri Lanka are entering peak tourism season and are well placed to capture pent up demand.

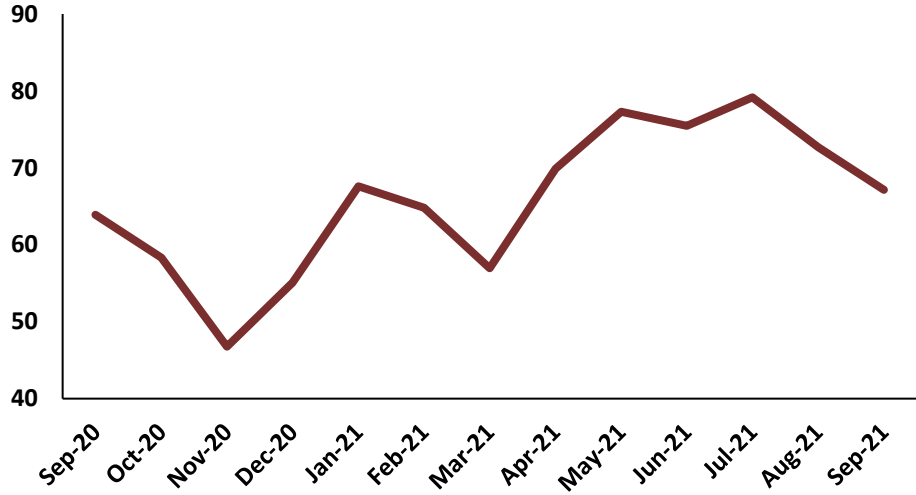
# Re-opening plays hold lot of potential – Vietnam is seeing a gradual economic reopening

Vietnam vaccination increasing at an aggressive pace and active cases have decreased significantly



Source: Bloomberg, SSI Securities

Vietnam's COVID-19 Stringency Index is easing

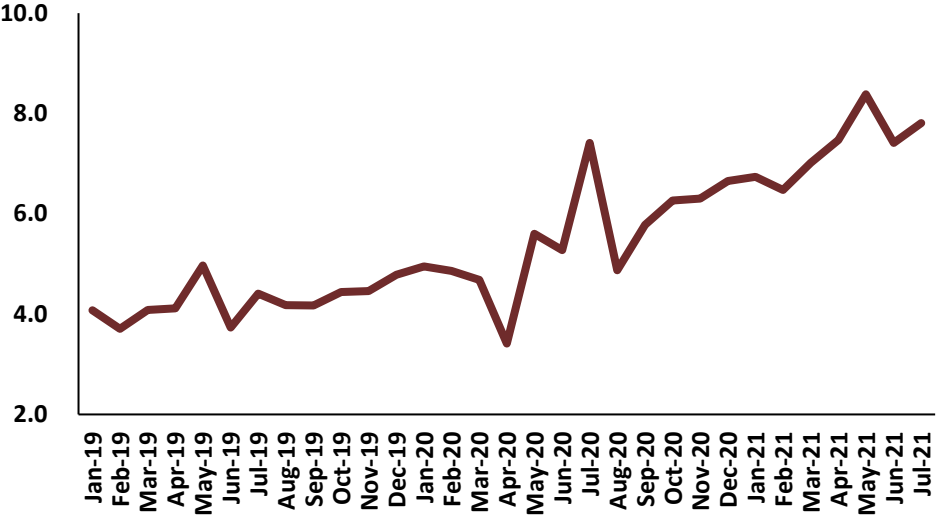


Source: Bloomberg

- Retail and domestic tourism plays can re-rate on re-opening theme.
- Manufacturing sector restarting is the key positive for the economy.

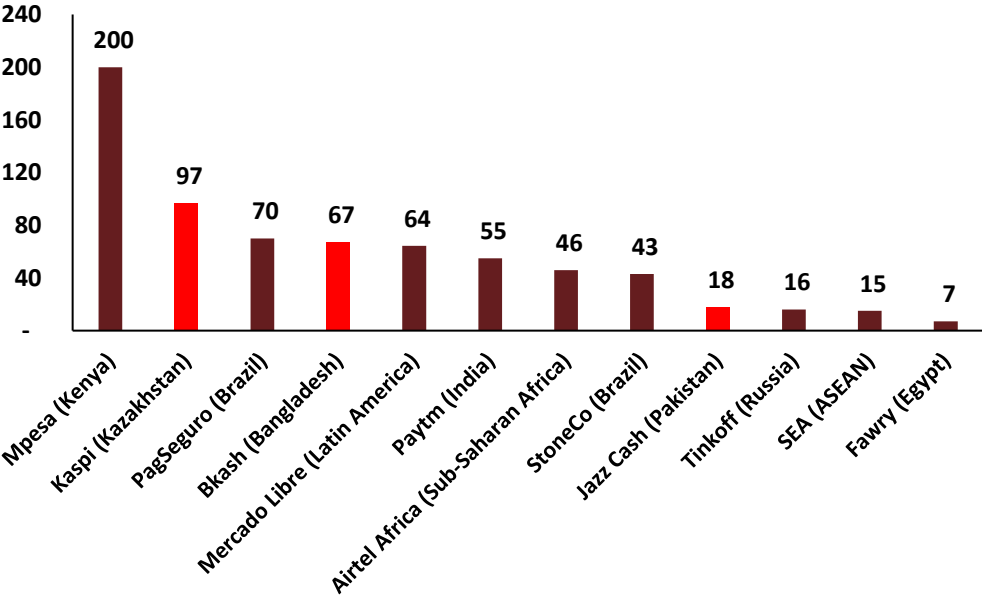
# Digital payments is a huge growth opportunity in Asian frontier markets

Cashless transactions are booming in Bangladesh (total monthly transactions in USD billion)



Source: Bangladesh Bank

Total payment value (TPV) of payment apps in Asian frontier markets are higher than some regional peers (in USD billion)



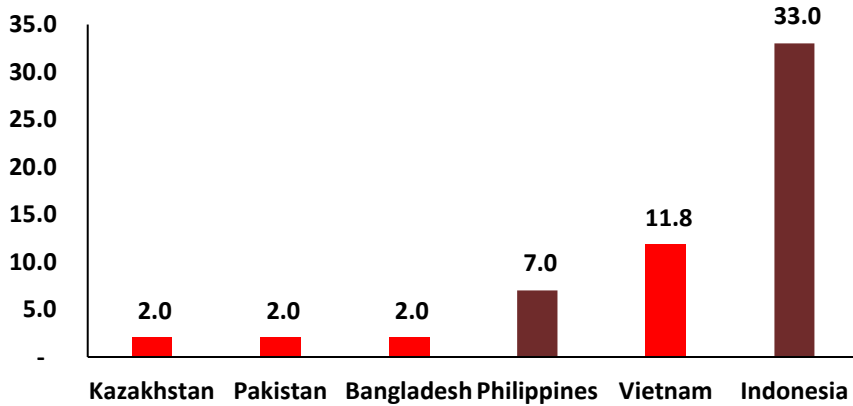
Source: Company filings

- Kaspi (KSPI LI) has disrupted the Kazakh fintech and digital market.
- Bkash in Bangladesh could be the next fintech “star”.



# Ecommerce opportunities will significantly increase in Asian frontier markets

Ecommerce industry in Asian frontier markets is evolving  
(in USD billion)



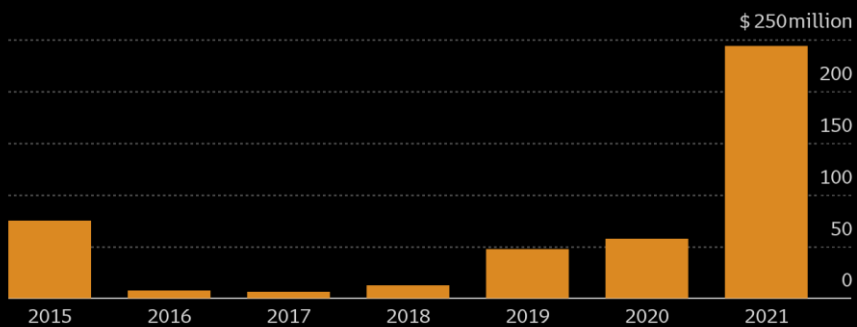
Source: Asia Frontier Capital



# ShopUp



**On A Roll**  
Pakistan's startups raise record funding in 2021



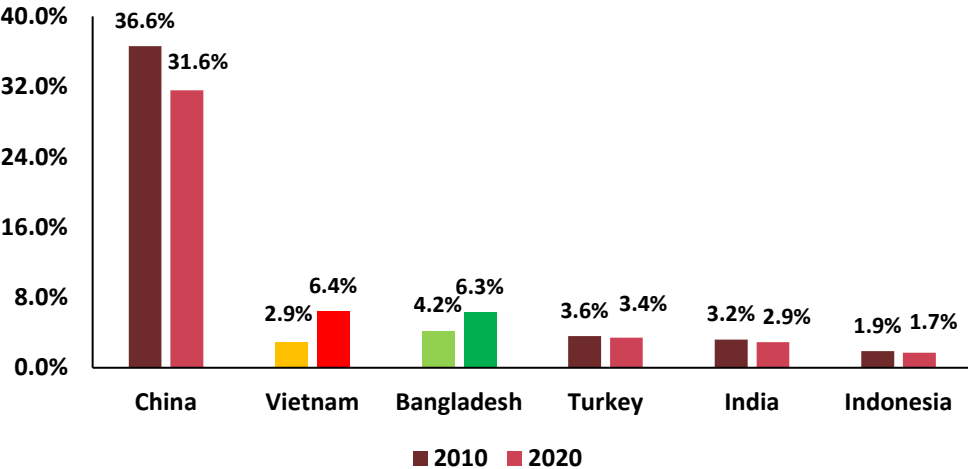
Source: Invest2Innovate, Bloomberg  
\* 2021 data till September

Source: Bloomberg



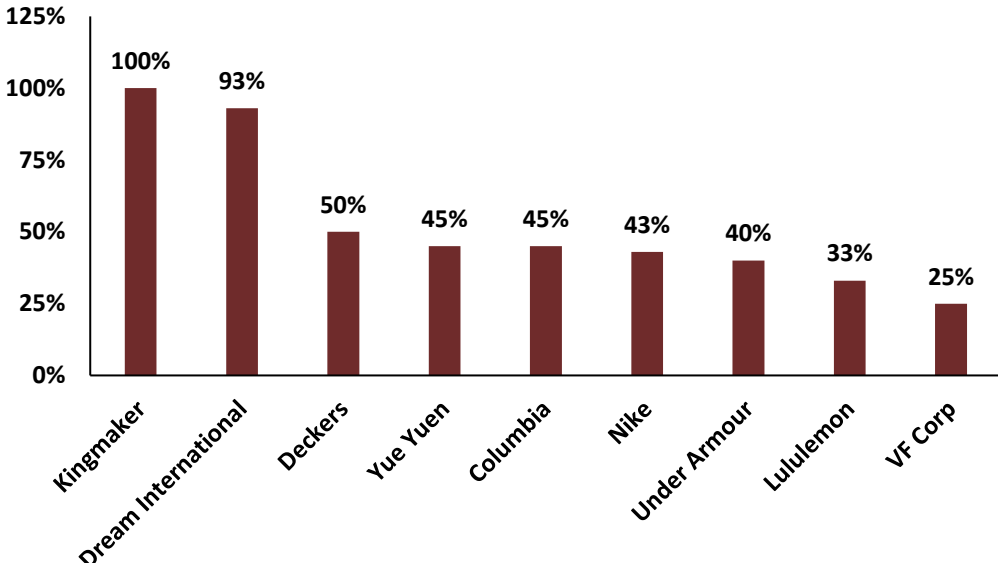
# Asian frontier markets are benefitting a lot from trade diversion

Asian frontier countries have been gaining market share in garment exports



Source: World Trade Organisation

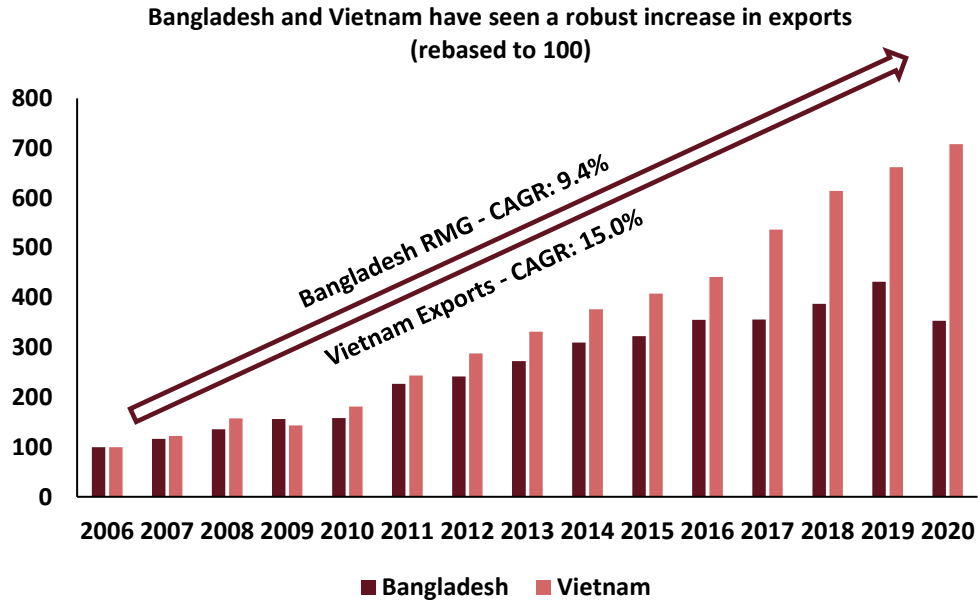
Vietnam has become critical in the global supply chain (% of production in Vietnam)



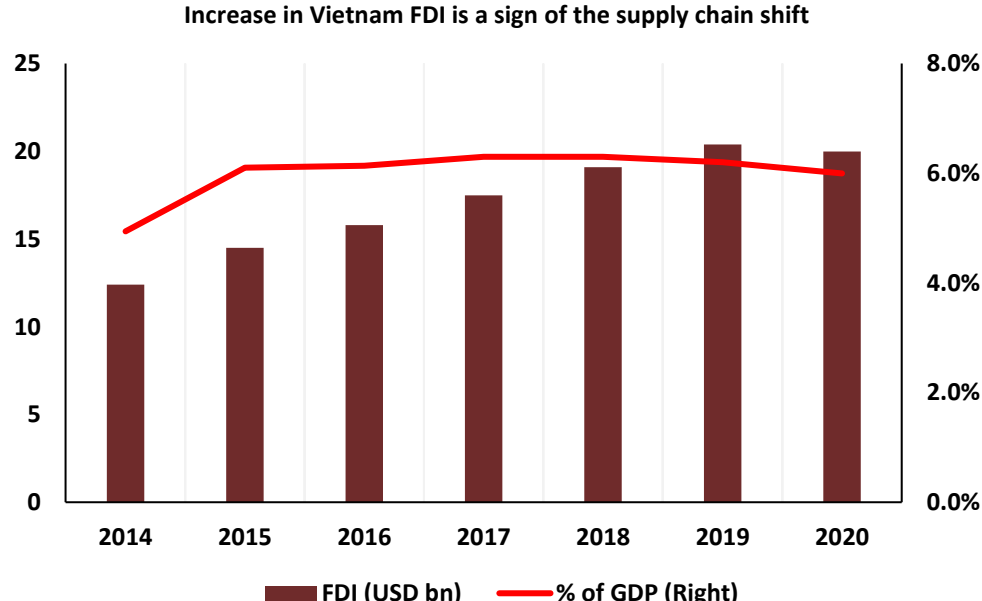
Source: Company filings, CNBC

- Bangladesh and Vietnam are a close No. 2 globally in the garment export industry.
- Vietnam has only increased in importance as a manufacturing hub since the pandemic.

# Bangladesh and Vietnam are key beneficiaries of trade diversion



Source: BGMEA, Vietnam GSO, RMG: Ready Made Garments

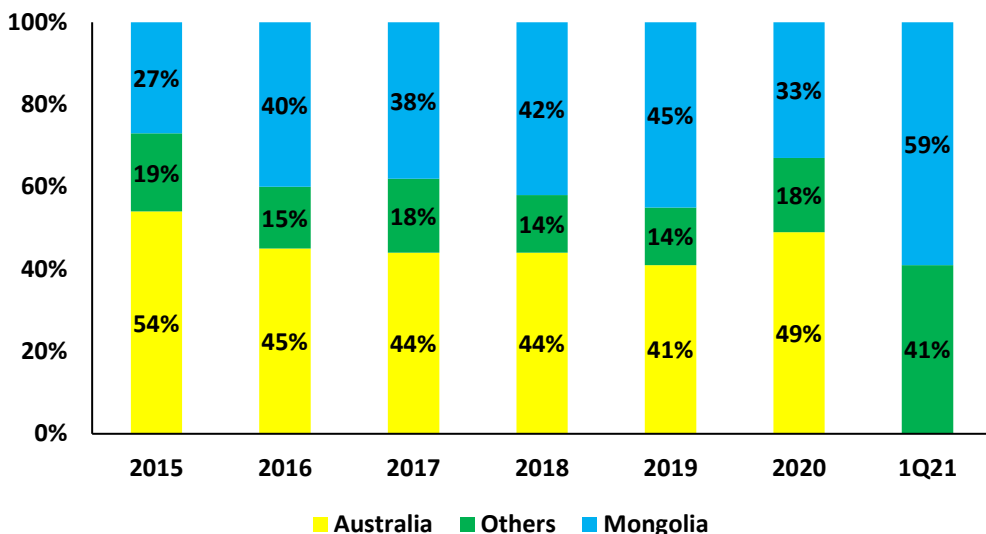


Source: World Bank, Vietnam General Statistics Office of Vietnam

- Bangladesh is strong in garment manufacturing but now diversifying away.
- Vietnam is outperforming the region in terms of FDI inflows and majority of FDI is flowing to the manufacturing sector (48%).

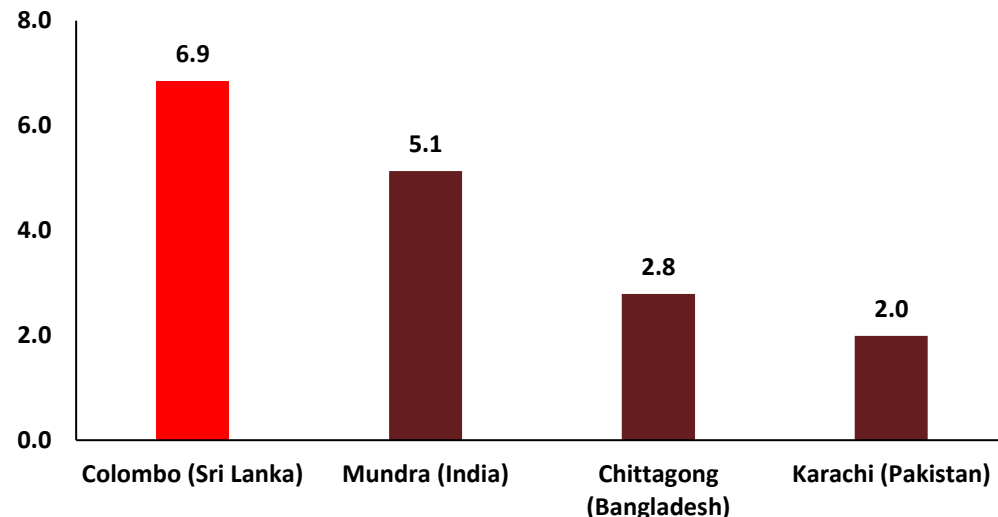
# Mongolia and Sri Lanka also emerging as beneficiaries of supply chain shifts

Mongolian coking coal exports to China have benefitted from China-Australia tensions (Share of China coking coal imports)



Source: Bloomberg

Strategically positioned, the port of Colombo is the busiest in South Asia (million TEUs handled in 2020)

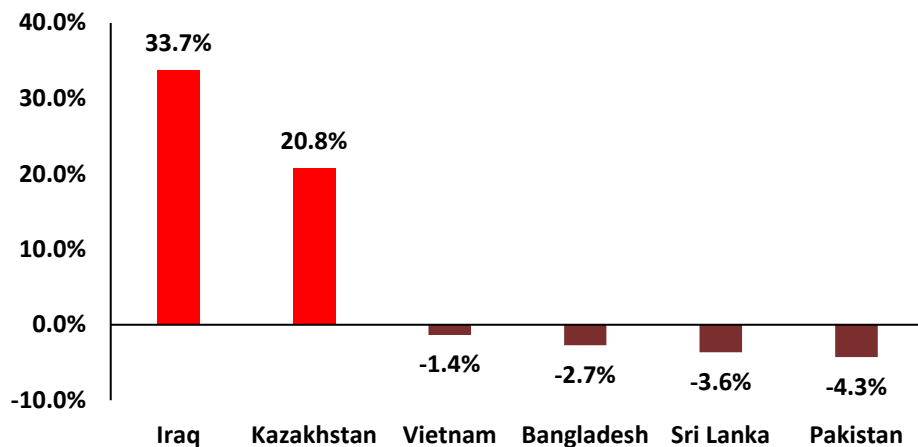


Source: Asia Frontier Capital, John Keells Holdings

- Mongolia is also a beneficiary of geopolitical shifts in the region.
- Port of Colombo capacity will increase from 8 million TEUs to 14 million TEUs in the next few years.

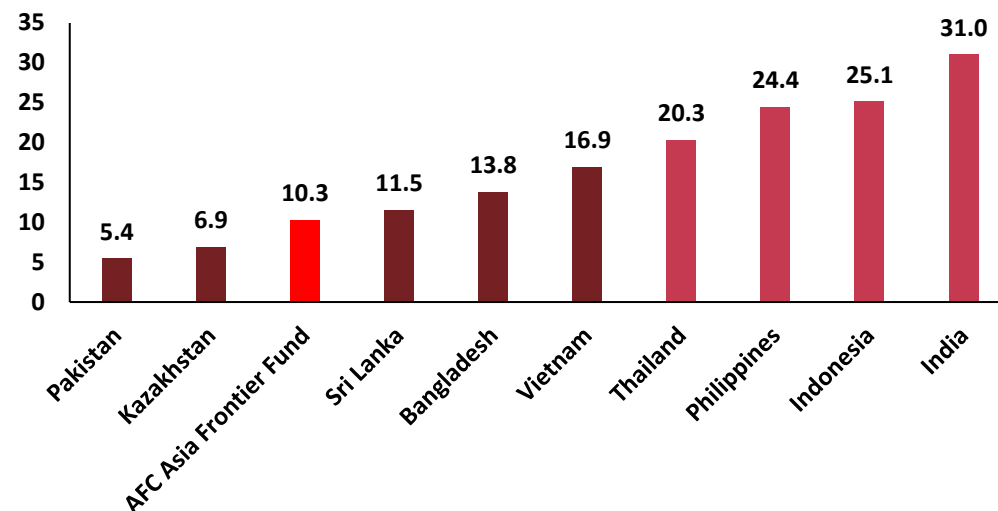
# Impact of higher commodity prices on Asian frontier markets

Crude oil exports/imports as % of GDP - positive for Iraq and Kazakhstan



Source: AFC Research

Higher commodity prices negative for importers like Pakistan and Sri Lanka but valuations are not stretched (P/E ratios)



Source: Bloomberg, Asia Frontier Capital

- Iraq, Kazakhstan and Mongolia beneficiaries of higher commodity prices.
- Asian frontier market valuations still very attractive

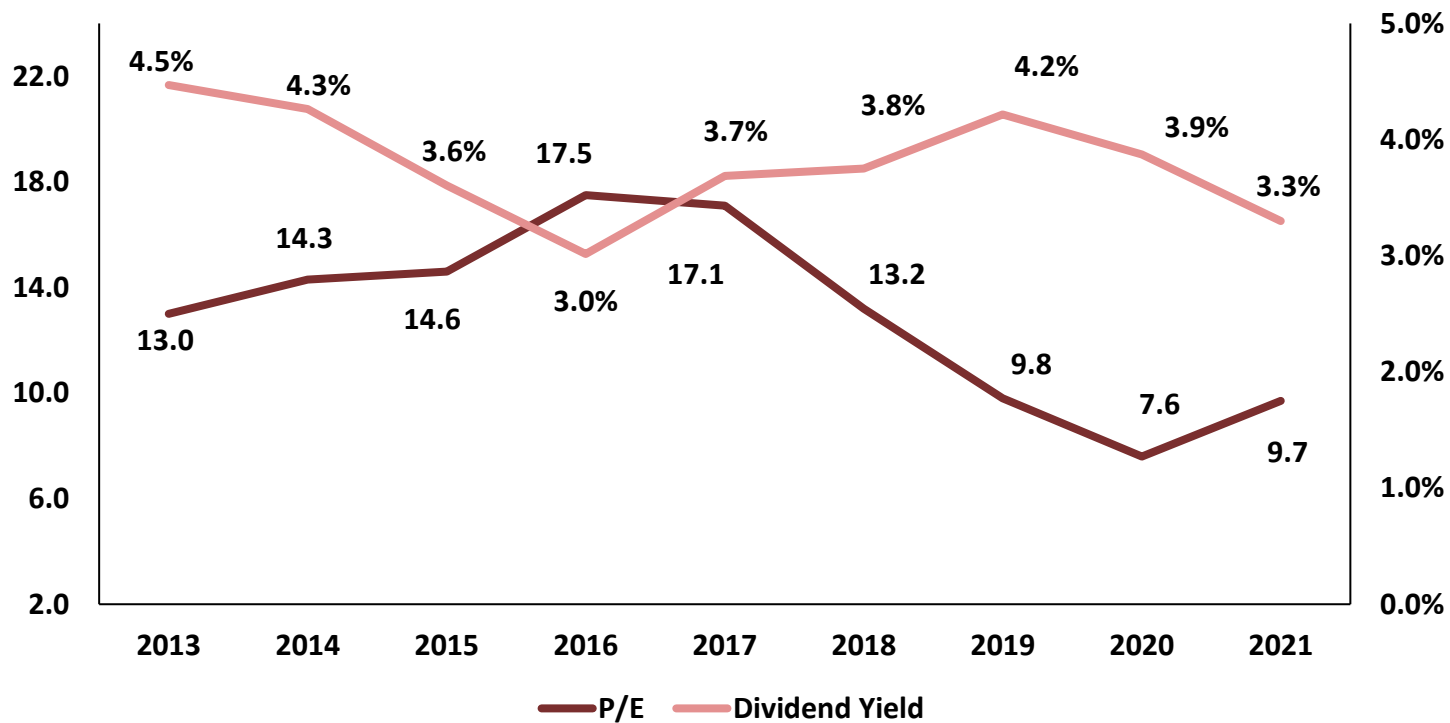
# Pakistan at crisis level valuations when there is no “crisis”



Source: Bloomberg

# Fund valuations well below peak despite a strong performance

## AFC Asia Frontier Fund valuations extremely attractive

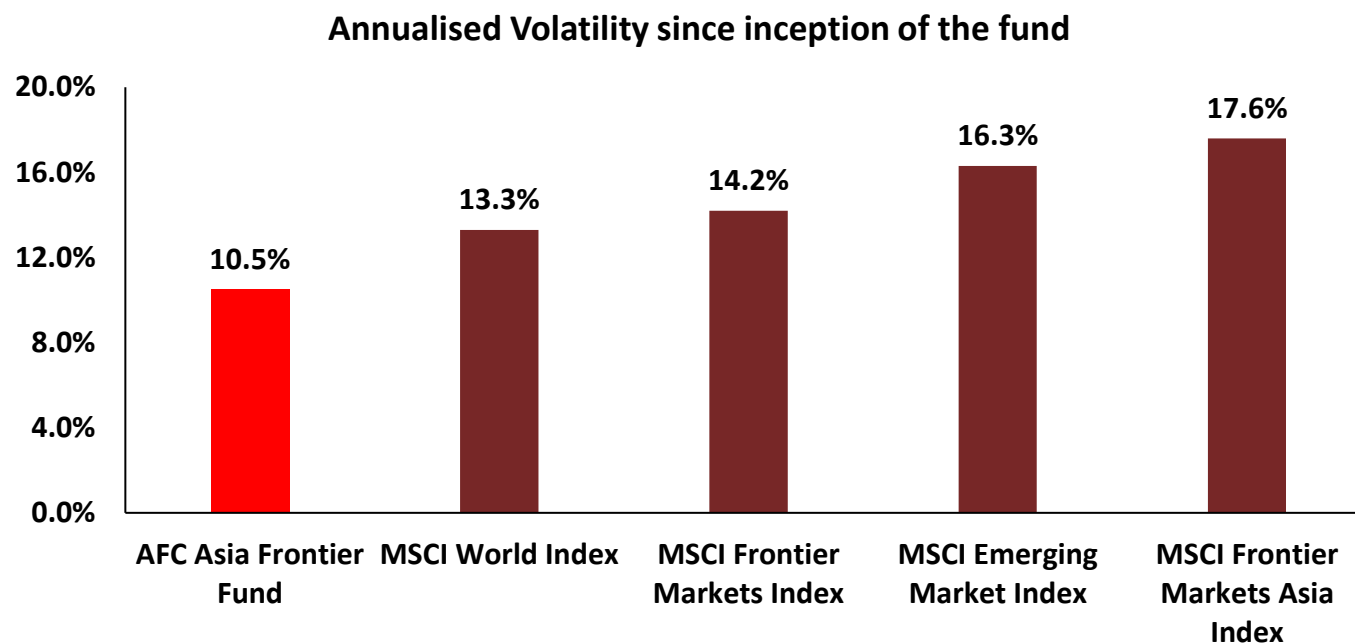


Source: Asia Frontier Capital. P/E and dividend yields are averages for each year

# AFC Asia Frontier Fund portfolio holdings are fundamentally stable

P/E	P/B	P/Cash Flow	Dividend Yield	Return on Equity	Debt/Equity ratio	3 Year Earnings CAGR
10.3	1.2	11.4	3.2%	18.8%	0.6	16.3%

Source: Asia Frontier Capital, Bloomberg, P/E is trailing 12 months



Source: Bloomberg, Asia Frontier Capital. Annualised Volatility based on Monthly Returns and Net Fund Returns since inception on 30<sup>th</sup> March 2012



## Top Picks – geared towards quality names with strong fundamentals

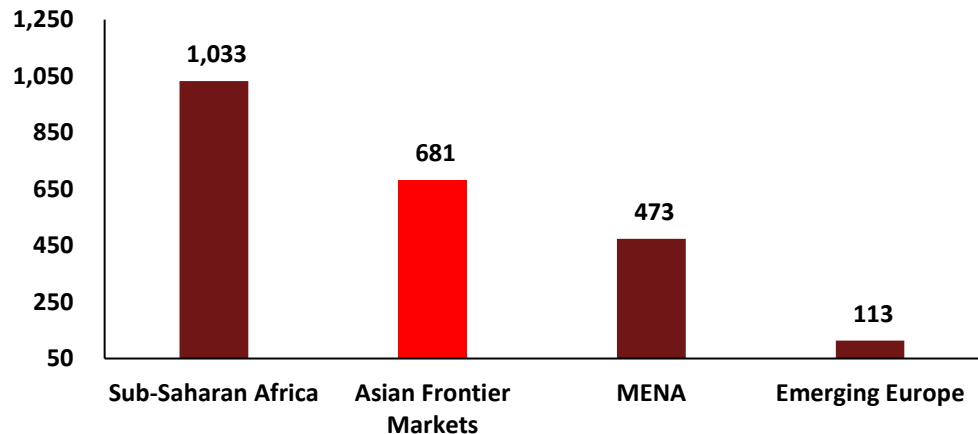
### Top picks focused on consumption, fintech and reopening plays

Ticker	Company	Country	Sector	Marketcap (USD mn)	2022 P/E	2022 EPS Growth
TBCG LN	TBC Bank Group	Georgia	Financials	1,081	4.7	7.1%
DIAL SL	Dialog Axiata	Sri Lanka	Telecom	453	5.0	32.1%
SUN SL	Sunshine Holdings	Sri Lanka	Consumer Staples/Healthcare	58	5.1	29.8%
LUCK PK	Lucky Cement	Pakistan	Diversified	1,233	6.6	40.0%
AIRLINK PK	Air Link Communication	Pakistan	Consumer Discretionary	145	6.7	153.4%
INDU PK	Indus Motor	Pakistan	Consumer Discretionary	515	7.1	-3.0%
CCOLA TI	Coca Cola Icecek	Diversified	Consumer Staples	2,333	8.8	17.0%
KAP LI	Kazatomprom	Kazakhstan	Materials	10,051	9.8	54.7%
KSPI LI	Kaspi	Kazakhstan	Fintech	21,371	15.2	43.1%
BXP LN	Beximco Pharma	Bangladesh	Healthcare	1,238	18.6	15.1%
PNJ VN	Phu Nhuan Jewelry	Vietnam	Consumer Discretionary	999	19.1	52.3%
VRE VN	Vincom Retail	Vietnam	Consumer Discretionary	3,076	22.8	71.1%

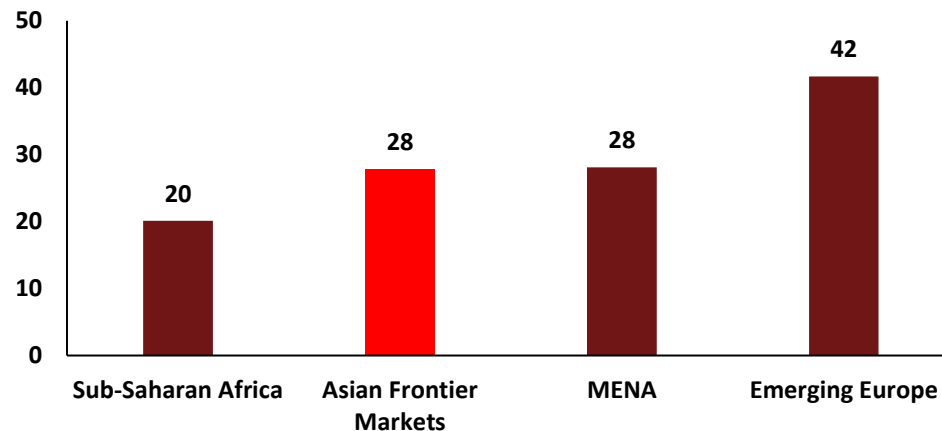
Source: AFC Research, Bloomberg

# Why Asian frontier markets? Growth, industry and demographics

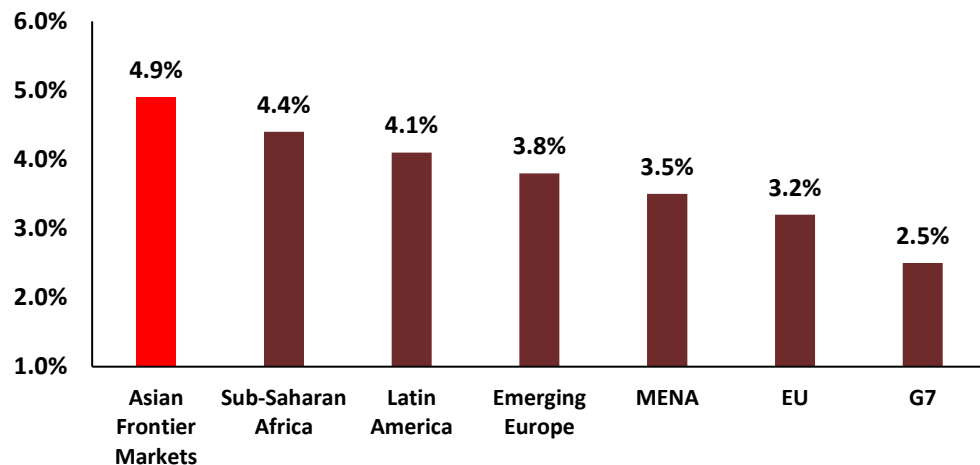
Asian frontier markets offer a large population - in million



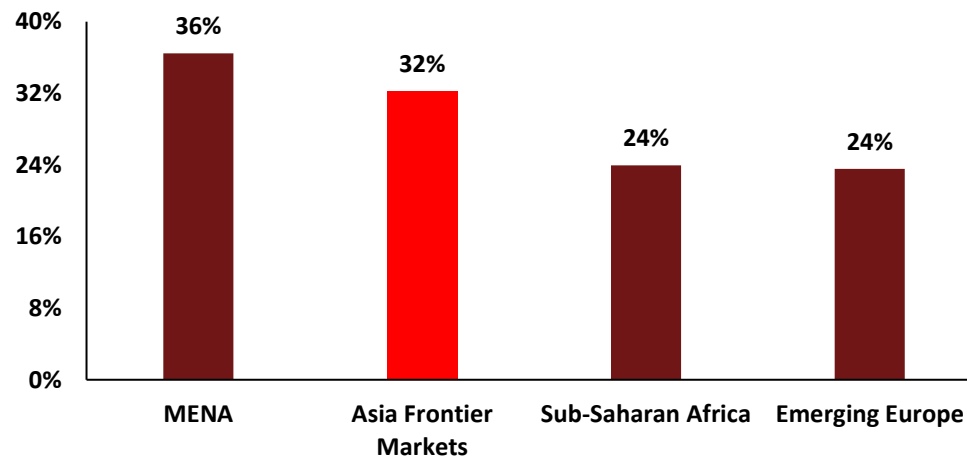
And a young population - median age



Economic growth in Asian frontier markets stands out (Average GDP growth between 2021-2026)



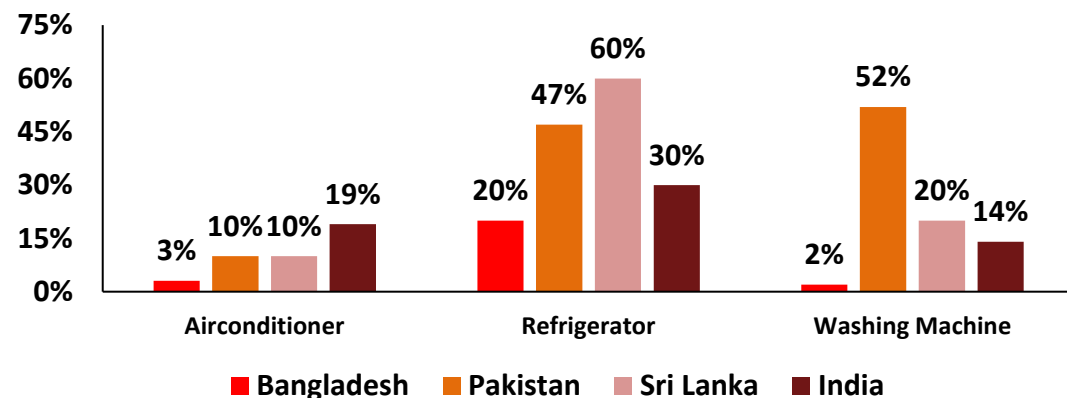
Asian frontier markets are more industrialized and diversified (industry as a % of GDP)



Sources: International Monetary Fund, World Bank, United Nations Population Division

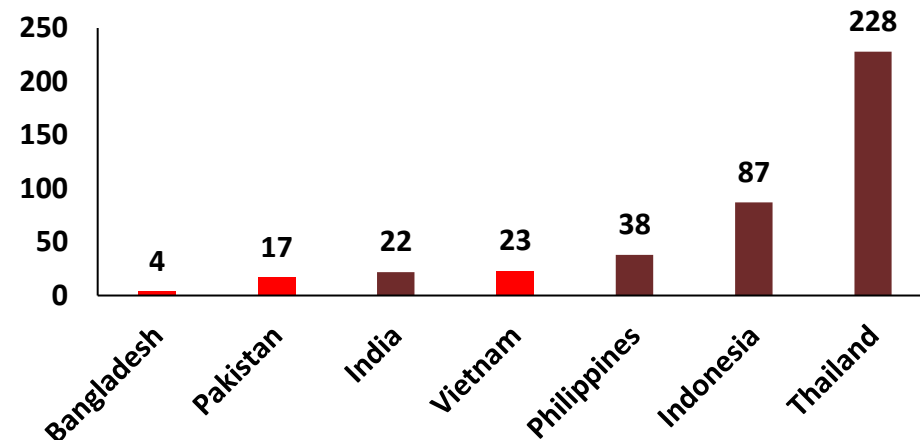
# Why Asian frontier markets? Massively under-penetrated consumer sector

**Bangladesh consumer appliance industry has lot of room to grow (penetration levels in %)**



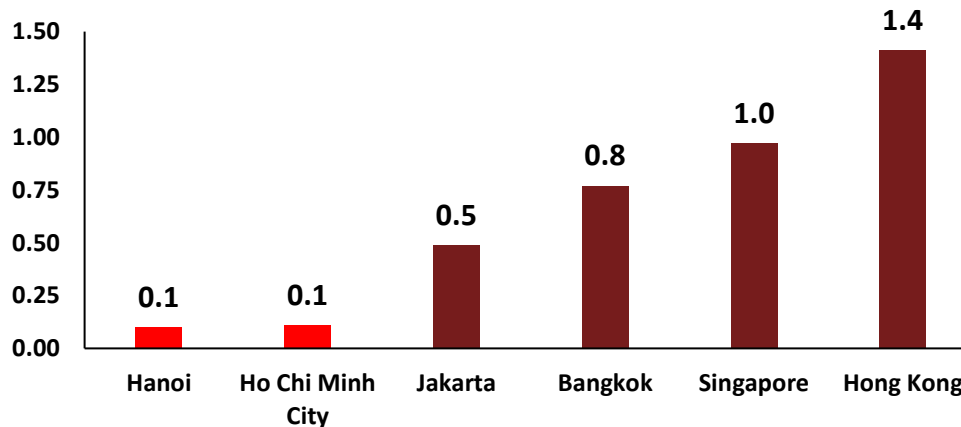
Source: AFC Research

**Motorization rate in Asian frontier markets is still extremely low – vehicles per 1,000 people**



Source: International Organisation of Motor Vehicle Manufacturers

**Retail Net Leasable Area (NLA) square meter per capita - modern retail penetration has room to grow in Vietnam**



Source: Central Pattana

## AFC Asia Frontier Fund – Snapshot – as of 30<sup>th</sup> September 2021

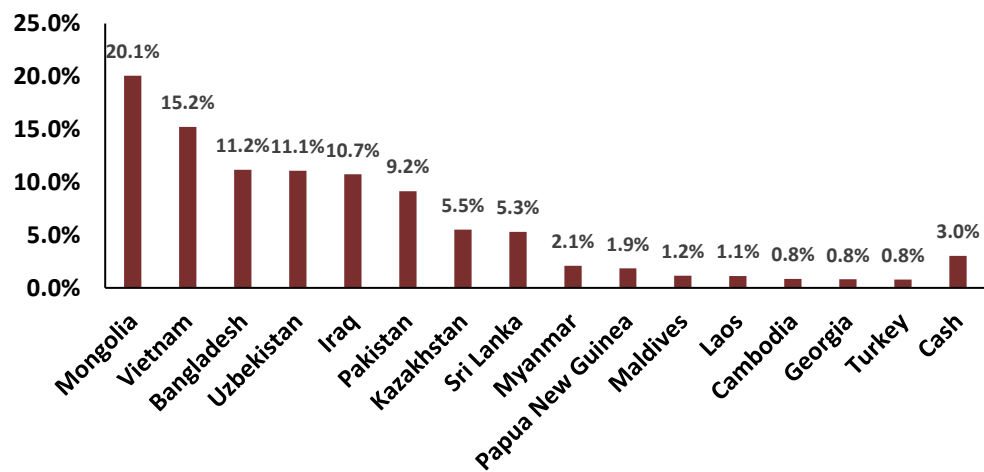
Weighted Harmonic Average P/E	10.25x
Weighted Harmonic Average P/B	1.17x
Dividend Yield	3.18%
AUM (USD million)	12.5
Number of Positions	77
Top 30 positions as % of portfolio	77.6%
Top 50 positions as % of portfolio	91.5%
% of Portfolio which can be liquidated in 3 months at 30% participation ratio	74.2%
% of Portfolio which can be liquidated in 6 months at 30% participation ratio	73.7%

## Monthly Performances

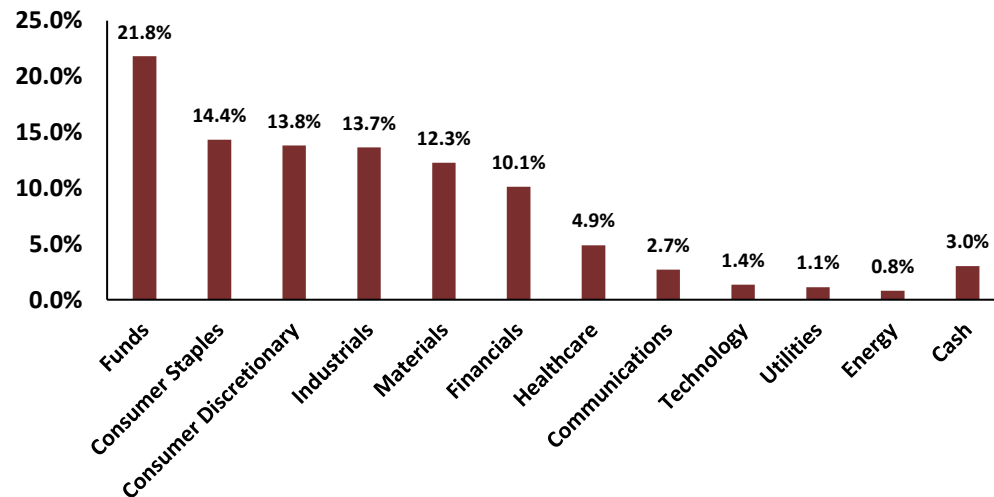
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2012</b>	<b>USD</b>				+0.91%	-7.56%	-0.27%	-0.26%	+0.85%	+3.64%	-0.96%	+0.62%	+3.62%	+0.15%
<b>2013</b>	<b>USD</b>	+5.99%	-1.75%	-0.70%	+1.12%	+8.25%	-2.33%	-0.54%	-0.90%	+0.06%	-1.45%	+0.86%	+3.18%	+11.83%
<b>2014</b>	<b>USD</b>	+7.34%	+1.67%	+2.72%	+1.53%	+2.60%	+0.07%	+1.59%	-0.05%	+2.10%	+2.52%	-0.15%	-0.62%	+23.24%
<b>2015</b>	<b>USD</b>	-0.49%	-0.33%	-4.16%	+3.28%	-0.32%	+3.24%	+1.09%	-1.43%	-1.42%	+2.14%	-3.42%	+2.97%	+0.80%
<b>2016</b>	<b>USD</b>	-3.51%	-0.77%	+1.89%	+2.30%	+3.79%	+1.85%	+3.19%	+2.54%	+2.33%	+0.84%	+2.57%	+3.69%	+22.50%
<b>2017</b>	<b>USD</b>	+3.14%	-1.11%	+0.11%	+2.33%	+0.91%	-1.16%	-0.03%	-3.47%	+0.72%	-1.60%	+2.81%	-2.26%	+0.16%
<b>2018</b>	<b>USD</b>	+2.41%	-1.51%	-1.49%	-3.49%	-4.50%	-2.70%	-2.16%	+0.68%	-1.40%	-5.52%	-1.54%	-0.75%	-20.07%
<b>2019</b>	<b>USD</b>	-0.01%	-0.04%	-0.12%	-1.92%	-1.55%	-0.44%	-0.11%	-1.52%	-2.14%	-1.66%	+1.83%	+0.90%	-6.65%
<b>2020</b>	<b>USD</b>	-3.92%	-2.82%	-14.24%	+4.20%	+4.11%	+1.00%	+4.86%	+4.30%	-1.16%	-1.35%	+6.35%	+5.64%	+5.11%
<b>2021</b>	<b>USD</b>	+1.02%	+3.92%	+1.25%	+1.39%	+3.02%	+1.59%	-0.12%	+2.53%	+3.10%				+19.10%

# AFC Asia Frontier Fund – Country and Sector allocation

Country Allocation as of 30th September 2021



Sector Allocation as of 30th September 2021



Source: Asia Frontier Capital

## Why AFC Asia Frontier Fund?

- The only investment fund which can offer pure listed equity exposure to Asian frontier markets.
- Focussed approach only on Asian frontier markets – not getting distracted by potential opportunities in other regional markets.
- Proven track record with 9 years of performance.
- No turnover in investment team has led to large and deep knowledge pool on Asian frontier companies and economies as well as on the ground connections.
- Within the global frontier markets universe, Asian frontier markets offer the most attractive growth rates, demographics as well as liquidity.
- Structural shift of manufacturing supply chains from China is expected to benefit Asian frontier markets more because of their close proximity to Asian supply links, free trade agreements and large young workforce.
- Benchmark agnostic approach which gives importance to on the ground research.

## Recent Media Appearances

- [31<sup>st</sup> July 2021: Ruchir Desai discusses Sri Lanka's macroeconomic situation on Al Jazeera – Counting the Cost – from 6.10](#)

Visit our informative website to learn more about Asian frontier markets or read our monthly newsletter by clicking the links below

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# ASIA FRONTIER CAPITAL LTD.

**Thomas Hugger, CEO and Fund Manager, Hong Kong**

Email: [th@asiafrontiercapital.com](mailto:th@asiafrontiercapital.com)

Tel: +852 3904 1015, Fax: +852 3904 1017

**Ruchir Desai, Fund Manager, Hong Kong**

Email: [rd@asiafrontiercapital.com](mailto:rd@asiafrontiercapital.com)

Tel: +852 3904 1016, Fax: +852 3904 1017

**Peter de Vries, Marketing Director, Hong Kong**

Email: [pdv@asiafrontiercapital.com](mailto:pdv@asiafrontiercapital.com)

Tel: +852 3904 1079, Fax: +852 3904 1017

**Website:** [www.asiafrontiercapital.com](http://www.asiafrontiercapital.com)

**Registered Office:**

c/o Intertrust Corporate Services (Cayman) Ltd, One Nexus Way, Camana Bay,  
Grand Cayman KY1-9005, Cayman Islands

**Hong Kong Office:**

Asia Frontier Investments Limited

1805, 18/F, Hing Yip Commercial Centre, 272-284 Des Voeux Road Central, Hong Kong

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