

## AFC VIETNAM FUND UPDATE

<b>Fund Category</b>	Vietnam Public Equities
<b>Country Focus</b>	Vietnam
<b>Subscriptions</b>	Monthly at NAV (five business days before month end)
<b>Redemptions</b>	Monthly at NAV 60 days notice
<b>Benchmark</b>	VN Index
<b>Fund Manager</b>	Vincente Nguyen
<b>Investment Manager</b>	Asia Frontier Capital (Vietnam) Ltd., Cayman Islands
<b>Investment Advisor</b>	Asia Frontier Investments Ltd., Hong Kong
<b>Fund Base Currency</b>	USD
<b>Minimum Investment</b>	USD 10,000
<b>Subsequent Investments</b>	USD 1,000
<b>Management Fee</b>	1.8% p.a. of NAV
<b>Performance Fee</b>	12.5% p.a. of AV appreciation with high watermark
<b>Fund Domicile</b>	Cayman Islands
<b>Launch Date</b>	23 December 2013
<b>Custodian Bank</b>	Viet Capital Securities, Ho Chi Minh City
<b>Auditor</b>	EY, Hong Kong
<b>Administrator</b>	Custom House, Singapore
<b>Legal Advisor</b>	Ogier, Hong Kong
<b>ISIN</b>	KYG0133A1673

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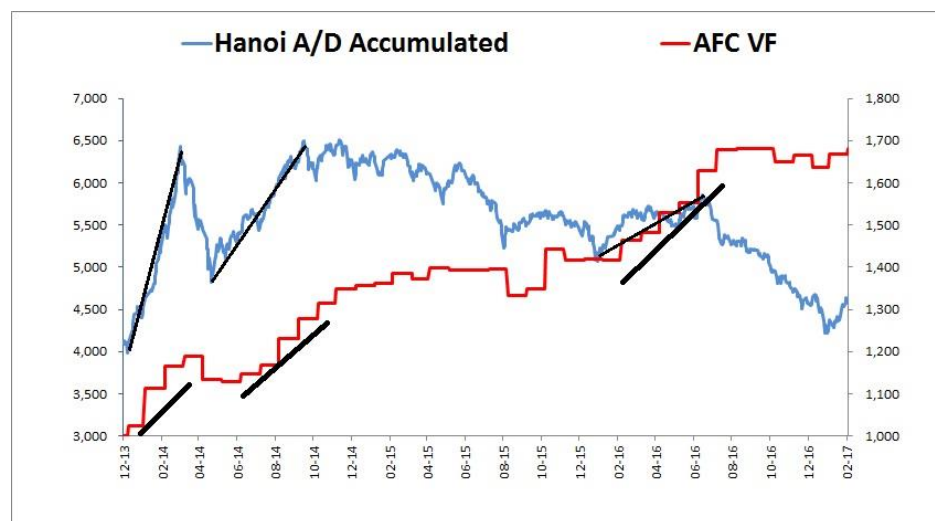
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 267-275 Des Voeux Road Central  
 Hong Kong



The upward bias in February continued after the long TET-holiday. Market sentiment was positive and both indexes in HCMC and Hanoi were up 1.9% and 2.8% respectively. All 2016 earnings announcements are finally out, and hence our main focus was the re-balancing of our portfolio according to our model, in order to optimize our allocation in undervalued companies and to be perfectly positioned in 2017. This rebalancing is now almost completed and our portfolio gained 2.0% in local currency. Despite a 0.8% correction of the Dong against the USD the NAV increased to a new all-time high of USD 1,685 (+1.1%), according to internal calculations.

### Market developments

While most other Vietnam funds and also both stock market indices run a high concentration in a handful of stocks, the five biggest positions in our AFC Vietnam Fund are just about 10% of the total portfolio. With most positions ranging between 0.8% and 1.5%, the development of the broader market, as seen below with the advanced/decline ratio (A/D), is more important for us than the development of the 2 indices, since they are often influenced by special events in the few index heavy weight names.

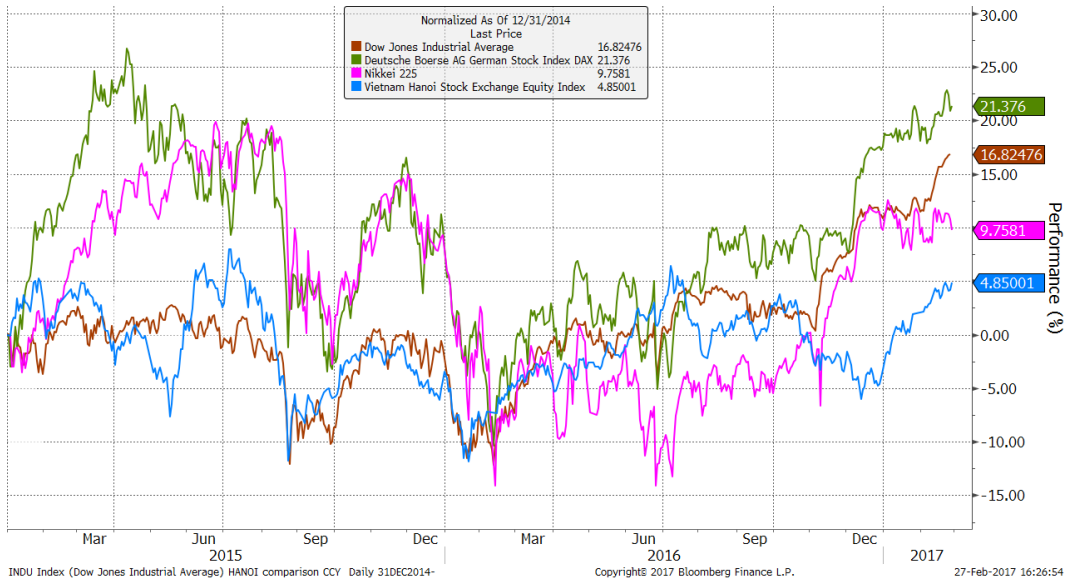


Source: Bloomberg / AFC

Without looking at the index it is very visible that our performance was mainly generated during the months when the A/D ratio went up. We still believe that there is a high probability of a broader bull market, triggered by the vastly undervalued small cap segment, the low foreign investor base compared to other Asian markets and the Vietnamese gambling mentality. A prolonged rally in the broader market should trigger another leg up in our NAV, and with the latest rebound in the A/D ratio we are already starting to observe interest in several of our stocks. In fact, it is quite astonishing to see a frontier market like Vietnam, trading with such a low volatility over a prolonged period of time. While most developed and developing markets were moving significantly in both directions over the past two years and daily movements of 1-3% could be seen on many occasions, a small cap index like Hanoi had barely moved at all for some time now and daily price movements of 2% or more is a rarity.



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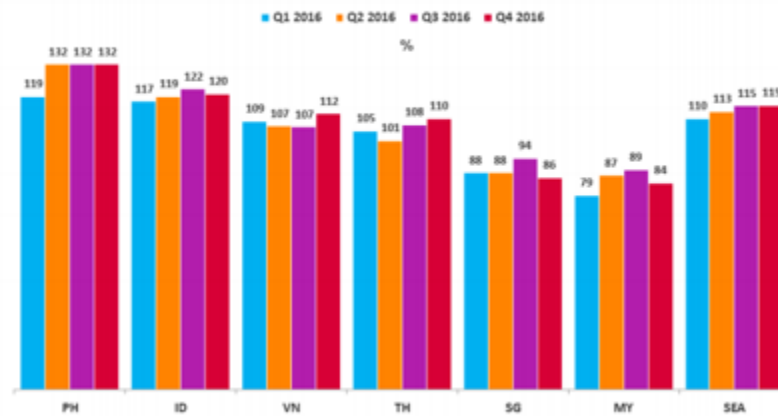
*Dow Jones/DAX/Nikkei 225/Hanoi - rebased as of 31/12/14; source: Bloomberg*

While fluctuations (=volatility =risk) over the past two years has totaled almost 40% for the German DAX index and not much less for other major indices, the index in Hanoi moved only by half that amount. Together with lower valuations and the recent outperformance of much more expensive markets, we see that as a perfect investment case for our stock universe looking 1-2 years ahead. We also see increased interest in our fund recently which confirms our bullish view on the market for this year.

## VIETNAM SEES A SIGNIFICANT INCREASE IN CONSUMER CONFIDENCE INDEX Q4-2016

Vietnamese consumer confidence finished 2016 on a high note, which lifted Vietnam to the fifth most optimistic country globally, with an index score of 112 (+5 points compared to the previous quarter), according to the latest Nielsen Consumer Confidence Index, an institute which studies global consumer behavioral data.

### NIELSEN CONSUMER CONFIDENCE INDEX, SOUTHEAST ASIA, Q4'2016



Source: Nielsen Global Survey Consumer Confidence Report, Q4 2016

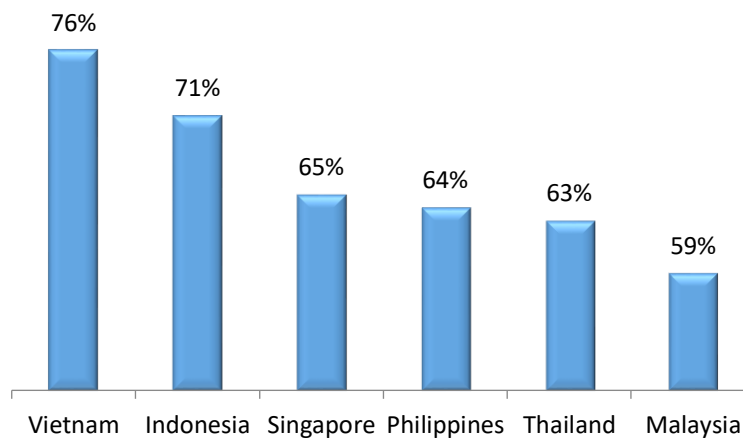
*Source: Nielsen Vietnam*

## AFC VIETNAM FUND UPDATE

According to Nielsen, Vietnam’s sizable population with a high intellectual level and strong growth of an aspiring middle class and a stable government’s economic outlook, are the main reasons why Vietnam is such an optimistic country in comparison to other nations in the region. Vietnam has a population of more than 92 million inhabitants, of which more than 60% are under 35 years old. The fast-growing middle class is pushing domestic consumption up strongly, which is an important factor driving economic growth in the foreseeable future. Nonetheless, it is interesting to note, that Vietnam has one of the highest saving rates in the world.

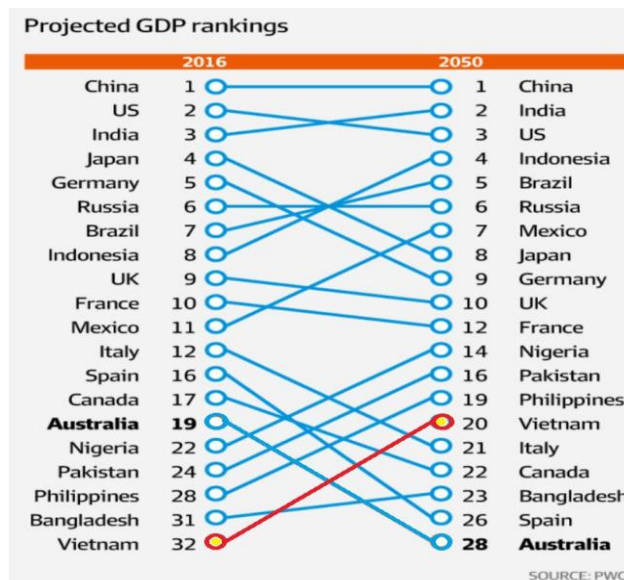
According to the Nielsen Vietnam report, the saving rate of Vietnam lies at around 76%, the highest level in the region, followed by Indonesia (71%), Philippines (64%), Singapore (65%), Thailand (63%) and Malaysia (59%). Most likely, half of these savings will be spent for children’s education in the future.

Household saving in percentage



Source: Nielsen Vietnam

All these positive factors will probably help Vietnam to become one of the more important economies, not only in Asia but also in the whole world. PWC projects that by 2050, Vietnam will rank number 20 in the world by GDP, higher than countries such as Italy, Canada or Australia.



## AFC VIETNAM FUND UPDATE

### The fastest growing low-cost airline, Vietjet Air, lists on Ho Chi Minh Stock Exchange

Today, the fastest growing low-cost airline, Vietjet Air, has listed a total of 300 million shares on the Ho Chi Minh City stock exchange. The stock price of Vietjet Air ended its first trading day at VND 108,000, over 20% higher than its official listing price of VND 90,000, which equates to a market cap of USD 1.42 billion.

Vietjet has taken Vietnam Airlines by surprise, with an almost 43% market share of the domestic aviation as of June 2016. In 2016, total revenue hit VND 27,532 billion equivalent to USD 1.21 billion and net profit is estimated to reach VND 2,290 billion (~USD 100.5 million) which equates to a growth rate of 38.7% and 95.6% respectively. The low-cost carrier currently trades at a P/E of 14.1x and P/B of 7.2.

### Economy

Macroeconomic Indicators					
	2013	2014	2015	2016	Feb-17
GDP	5.42%	5.98%	6.68%	6.21%	6.21%
Industrial production (YoY)	5.90%	7.60%	9.80%	7.50%	2.40%
FDI disbursement (USD bn)	11.5	12.4	14.5	15.8	1.55
Exports (USD bn)	132.2	150	162.4	176.6	27.3
Imports (USD bn)	131.3	148	165.6	174.1	27.4
Trade balance (USD bn)	0.9	2	-3.2	2.52	-0.10
Retail sales (YoY)	12.60%	10.60%	9.50%	10.20%	8.70%
CPI (YoY)	6.03%	1.86%	1.34%	4.74%	5.02%
VND	21,125	21,405	22,540	22,600	22,790
Credit growth (YoY)	12.50%	14.00%	17.30%	16.50%	2.18%
Foreign reserves (USD bn)	32	36	36	41	41

Source: AFC research, SSI, GSO, SBV, VCB

### Subscription

The subscription deadline for this month will be the 27<sup>th</sup> March and if you would like any assistance with the investment process please be in touch with Andreas Vogelsanger.

Best regards,

AFC Vietnam Fund

# AFC VIETNAM FUND UPDATE

## Estimated NAV as of 28<sup>th</sup> February 2017

<b>NAV</b>	USD 1,685*
<b>Since Inception</b>	+68.5%*
<b>Inception Date</b>	23/12/2013

## Monthly Performances AFC Vietnam Fund

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2013</b>	<b>USD</b>												+2.37%	<b>+2.37%</b>
<b>2014</b>	<b>USD</b>	+8.75%	+4.50%	+2.18%	-4.65%	-0.32%	+1.45%	+1.86%	+5.49%	+3.87%	+2.83%	+2.50%	+0.60%	<b>+32.50%</b>
<b>2015</b>	<b>USD</b>	+0.44%	+1.76%	-0.96%	+1.93%	-0.48%	+0.06%	+0.22%	-4.57%	+1.18%	+6.90%	-1.82%	+0.25%	<b>+4.62%</b>
<b>2016</b>	<b>USD</b>	-0.10%	+3.30%	+1.28%	+3.17%	+1.40%	+4.97%	+3.0%	+0.13%	+0.11%	-1.83%	+0.88%	-1.76%	<b>+15.29%</b>
<b>2017</b>	<b>USD</b>	+1.90%	+1.1%*											<b>+3.0%*</b>

\*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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