

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) 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



Winner Relative Value: AFC Vietnam Fund

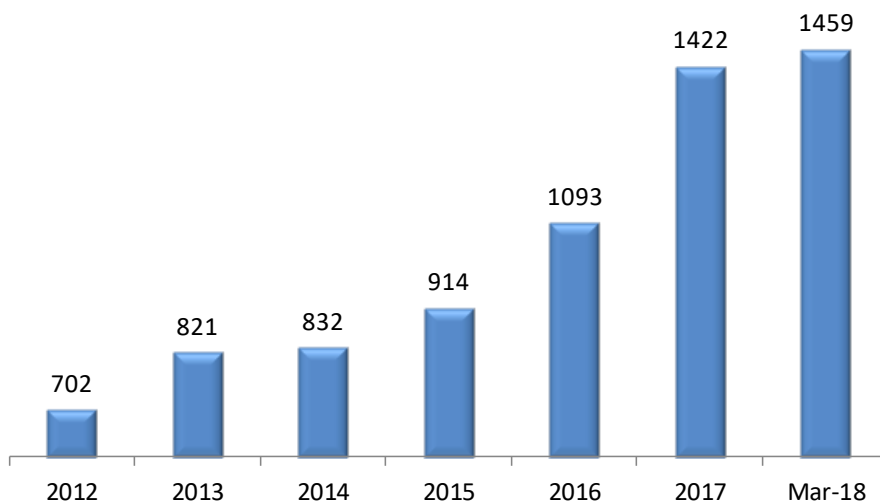


The first weeks of March continued to be a volatile with daily market swings of 1-2% in both directions and the lack of any real trend. The indices of HCMC and Hanoi advanced by 1.5% and 2.5% respectively. Our portfolio moved along with much less volatility and ended the period +0.5% at USD 1,878 according to internal calculation.

Market Developments

While investors were influenced by strong daily market movements in global markets and limited interest in the local blue chips, we have seen some interesting developments in smaller stocks ahead of the annual shareholder meeting period. Every year it is astonishing to observe how people try to influence companies – lobby – shareholders to get their votes in order to either get seats on the board or change corporate strategies within those companies. And yes, we are speaking about a communist country where politics led to almost 1,500 companies to get listed on the stock market, a number that continues to rise!

Listed Vietnamese Companies



Source: AFC Research, Bloomberg

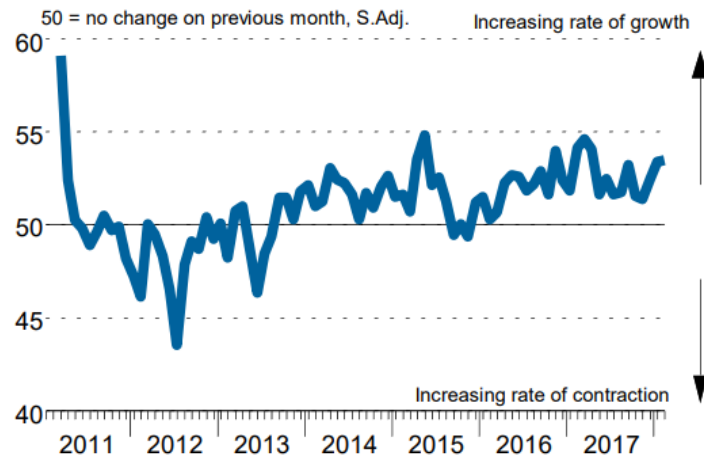
Especially in smaller companies, those changes in management, board of directors and their subsequent decisions can have material effects on the future direction of these businesses and their results. Therefore, we carefully look at the outcome of shareholder meetings. While we are sometimes approached by companies or major shareholders to have a board seat, we do not intend to actively participate in the management of our investments as we have a different approach compared to private equity investors and some bigger funds. Not only would that require a lot of our time, it would also restrict our ability to trade in these stocks and would further increase our legal risk profile, acting e.g. as a member of the board in one of our holdings. Beside all this, it could also lead to emotional investing, potentially influencing our investment decisions in these companies. As we all know, emotions are one of the biggest enemies while investing in the stock market!

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PMI slightly accelerated to 53.5 in February

According to Nikkei Vietnam, the February PMI grew slightly to 53.5, signaling a healthy manufacturing sector.

Nikkei Vietnam Manufacturing PMI



Sources: Nikkei, IHS Markit

Manufacturing output reached a ten-month high in February due to increased customer demand. New orders from the export sector also expanded nicely, advancing by 22.9% to USD 33.6 billion, certainly influenced by the date of the lunar new year holiday.

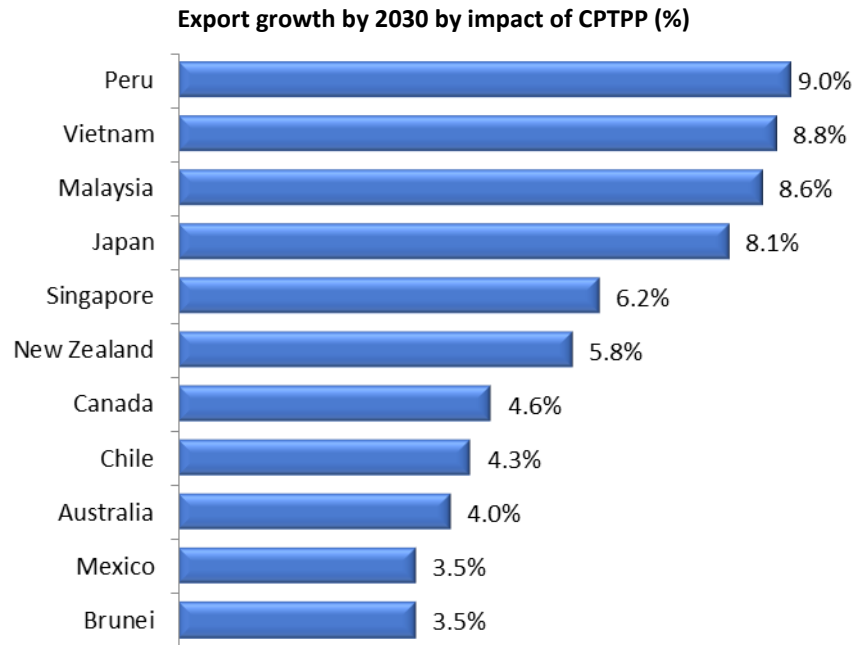
Along with growth in production, enterprises also increased their purchasing activity to meet customer demand. Vietnamese manufacturers remained optimistic that output will increase over the coming year, in line with their company forecasts.

Moody's: CPTPP beneficial to all members even without the participation of USA

In Chile on 8th March, eleven members signed the trade agreement, Comprehensive and Progress of for Trans-Pacific Partnership (CPTPP), without the participation of the USA. According to Moody's, without the USA the power of CPTPP has been reduced by half, however the agreement still benefits all of the members through the stimulation of exports, economic reform and boosting of investment.

According to the Peterson Institute for International Economics, CPTPP (TPP-11) exports could increase on average by more than 6 percent per year by 2030. The expected export gains for emerging/frontier market countries are expected to be more substantial than for developed countries. For example, Malaysia, Peru and Vietnam are all expected to see export growth of more than 8.5 percent per year from their respective baselines!

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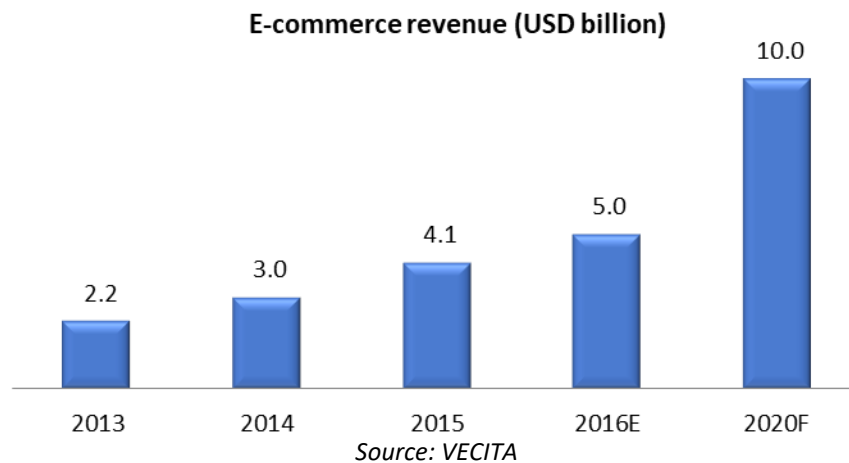
Source: Peterson Institute for International Economics

The non-participation of USA also opens opportunities for other non-CPTPP members to join such as China, South Korea, Thailand and Taiwan.

Amazon set to wade into Vietnam's fast-flowing e-commerce market

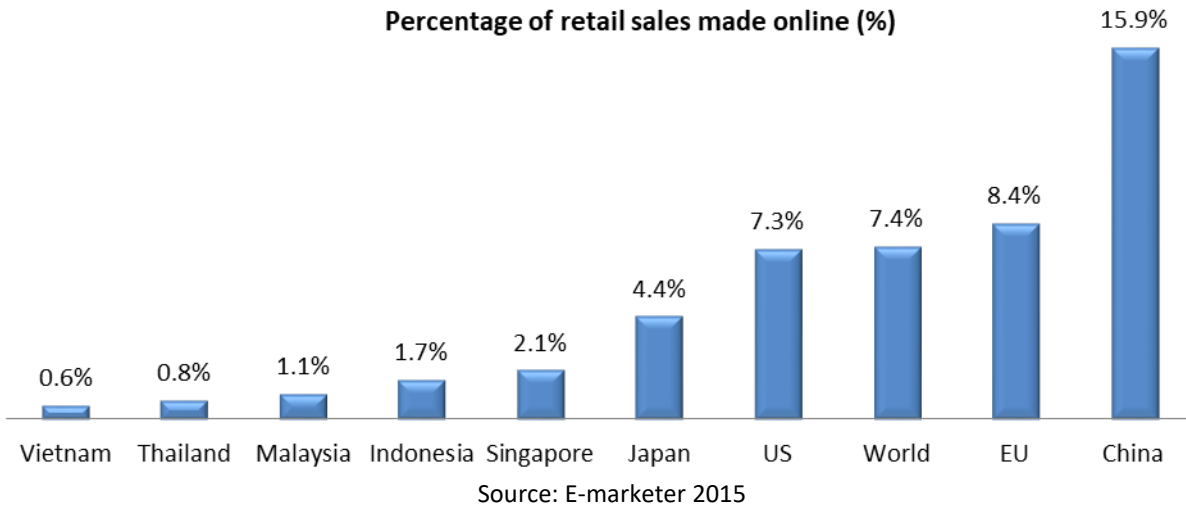
The world's leading e-commerce player, Amazon, is planning to enter the Vietnamese market according to the Vietnam E-Commerce Association.

Vietnam is currently one of the fastest growing e-commerce markets in the world with a compound average annual growth rate of 25%. According to the Vietnam E-commerce and Digital Economy Agency (VECITA) of the Vietnamese Ministry of Trade and Commerce, e-commerce revenue reached USD 4.1 billion in 2015 and USD 5.0 billion in 2016 (estimate), growing by 31.4% in last three years. E-commerce revenue is expected to reach USD 10 billion by 2020.

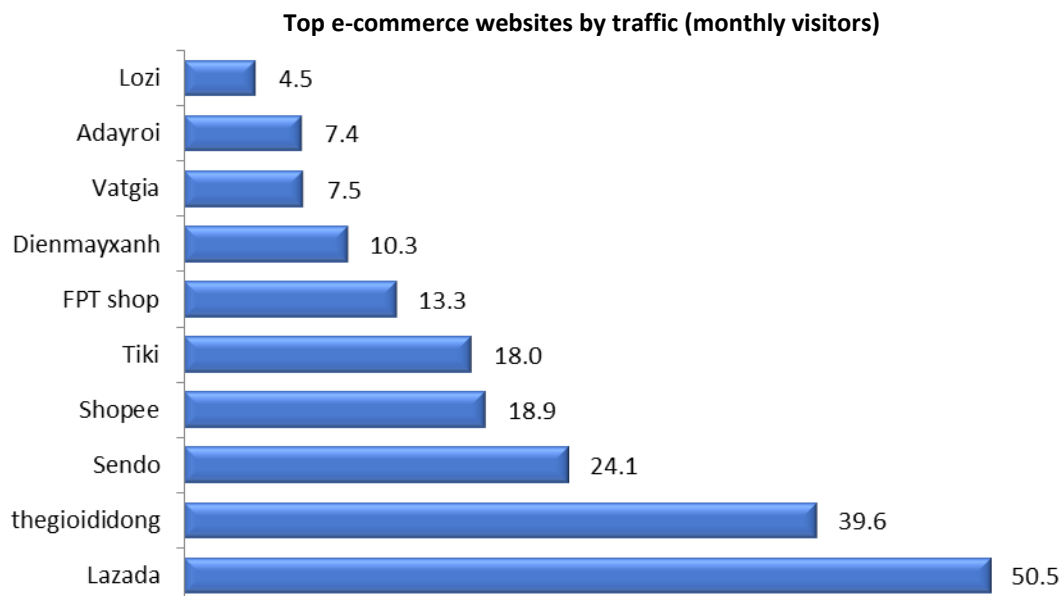


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Despite the accelerating growth, Vietnam's e-commerce industry is still in its infancy. E-commerce constitutes less than 1.0% of the total retail market, compared to the world average of 7.4%.



Due to its huge potential, Amazon is not alone as Alibaba has already invested USD 1 billion into Lazada, the largest e-commerce website in Vietnam. Recently, JD.com, a Chinese e-commerce player also injected USD 50 million into Tiki.vn in late 2017. Out of Singapore, Shopee also announced a massive expansion plan into Vietnam after receiving a USD 500 million investment from Tencent.



Source : <https://iprice.vn/insights/mapofecommerce/en/>

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Subscription

The subscription deadline for this month will be the 26th March 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 March 2018

NAV	1,878*
Since Inception	+87.8%*
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%	+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%	+0.5%*										+1.3%*

*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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