

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 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

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Winner Relative Value: AFC Vietnam Fund



The first two trading weeks of 2019 were rather uneventful, as the biggest stock in the HCMC index recovered from its heavy loss experienced during the last trading day of 2018, pushing the index up, in a market environment of very low turnover. The index in HCMC gained +1.9%, while the index in Hanoi was down -1.6%. According to internal calculations, our fund is slightly up with a NAV of USD 1,780 (+0.2%).

Market Developments

The technical recovery happening in the markets which were hit hardest in December has positively impacted Vietnam, albeit only modestly and was not reflected by meaningful turnover or a broader recovery. Actually, market turnover on the main market in HCMC fell back to levels we saw in 2015 and 2016 with turnover in Hanoi even back to 2013/2014 levels. While many market participants argue that this low market activity is due to the approaching important Tet (Chinese New Year) holiday, this hypothesis is easily countered by looking at January trading in previous years, where January of last year represented the absolute peak in trading activity.



Hanoi Index, March 2014 to January 2019; source: Viet Capital Securities

The ongoing consolidation is very frustrating for the time being. Low volumes are the current reality for all market segments and comparatively little selling is leading to lower prices, but there are also a lot of positive factors. The current index recovery started from strong chart technical support levels at oversold territory, which makes a positive development very likely. Furthermore, the Hanoi index along with the small-cap index is just 10% higher than the levels we saw in early 2014, around the time shortly after we launched the AFC Vietnam Fund. Taking into account that the Hanoi index today is only slightly higher than at the end of the first quarter of 2014, but the largest index contributor by far (Asia Commercial Bank with a weighting of 19.3% and a full foreign ownership for many years) has more than doubled in the same period, the overall performance of all other stocks in that index was even slightly negative since then.

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Asia Commercial Bank (Nov 2006 – Jan 2019)



Source: Viet Capital Securities

The already low valuations especially outside the largest stocks (in terms of market cap) traded in HCMC underpin our view that we are getting close to the point where local investors will again look into value stocks, as they did in 2013 – although nobody can predict when exactly this will actually happen. The average P/E for Hanoi stands at a low 8.8x and shares on UPCOM trade at only 6.3x!

With those numbers in mind we do not enjoy the waiting game required to see further gains, but we definitely like the value we own.

TET holiday is coming

To Western people, Christmas is the most important family event in a year; for Vietnamese it is the TET holiday, Lunar New Year. The Vietnamese people enjoy many activities before this holiday, such as for example flower planting. In Vietnamese culture, flowers are very important during the TET holiday and you can find flowers everywhere - at entrance gates, front doors, back doors, in living rooms, on altars - simply everywhere. Thousands of types of different flowers are sold before the TET holidays in the streets and at markets. In the south of Vietnam, flowers are mostly planted in the Mekong delta, which supplies more than 90% of all flowers sold in Ho Chi Minh City and other southern provinces. Sa Dec Flower Village is the most famous and the largest flower region in the Mekong delta and it is a common pre-TET activity for thousands of people from Ho Chi Minh City and other provinces to visit this village. In order to protect flowers from the occasional flooding in the Mekong delta, farmers in Sa Dec plant them on shelves and use a small wooden boat to look after and harvest them.

According to the Department Culture and Tourism of Dong Thap Province, there are more than 2,300 farmer families making their income from flower plantations, cultivating over 506 hectares and generating about VND 800 billion every year.

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Flower plantations in Sa Dec



(Source: Trung Nguyen Photo)

Sa Dec Flower Village



(Source: Trung Nguyen Photo)

Subscription

The next subscription deadline will be 25th January 2019. If you would like any assistance with the subscription process please be in touch with Andreas Vogelsanger.

We wish you all a Happy New Year!

AFC Vietnam Fund

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Estimated NAV as of 15th January 2019

NAV	1,780*
Since Inception	+78%*
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	+0.2%*												+0.2%*

*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.*

DISCLAIMER

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