



AFC VIETNAM FUND UPDATE

Fund Category	Vietnam Public Equities
Country Focus	Vietnam
Subscriptions	Monthly at NAV (five days before month end)
Redemptions	Monthly at NAV 60 days notice
Benchmark	VN Index
Fund Manager	Andreas Karall
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 NAV appreciation with high watermark
Fund Domicile	Cayman Islands
Launch Date	11 December 2013
Custodian Bank	Viet Capital Securities, Ho Chi Minh City
Auditor	KPMG, Cayman Islands
Administrator	Amicorp Fund Services Asia Pte Ltd., Singapore
Legal Advisor	Ogier, Hong Kong

Contact Information

Asia Frontier Capital Ltd.
www.asiafrontiercapital.com

Andreas Vogelsanger
CEO

Asia Frontier Capital (Vietnam) Ltd.
Tel: +66 84435 7472, Fax: +852 3904 1017
vietnam@asiafrontiercapital.com

Stephen Friel
Marketing Director
Asia Frontier Capital Ltd.
Tel: +852 3904 1015, Fax: +852 3904 1017
sf@asiafrontiercapital.com

Registered Office:
c/o Ogier Fiduciary Services (Cayman) Limited,
89 Nexus Way, Camana Bay, Grand Cayman,
KY1-9007, Cayman Islands

Hong Kong Office:
Asia Frontier Investments Limited
1208, 12th Floor, Loon Kee Building
267-275 Des Voeux Road Central
Hong Kong

September was not an easy month for the Vietnamese stock markets. At the beginning of the month, the momentum especially for the heavily weighted oil shares in Hanoi remained very positive, until mid-month profit taking took place. Nevertheless, the Hanoi index finished slightly positive with around +2%, which was significantly better than the much more well-known Ho Chi Minh index, which lost 6% for the month of September.

Some of our holdings had very good buying interests and managed to increase within a few weeks by 20-40% which according to our standards is "expensive" with a valuation of almost 10x (price/earnings ratio). We therefore sold some of these positions and increased our cash portion to around 10%, but also started to build up several new positions. Even though many of our larger companies also corrected, we were able to increase our NAV in September by more than 3% to around USD 1'275, according to our internal calculations.

After the index between May and the end of August increased by approximately 20%, a correction at this level is on a medium term view positive and we expect that the upward trend will continue again in October. Economic growth increased in the third quarter by 5.62%, according to preliminary figures, suggesting a full year growth rate of almost 6% which we regard as realistic, given that inflation currently stands at just under 5% - even though some other sources are slightly less optimistic.

We ask ourselves how the longer-term development of the stock market could look like. Even if the current valuation compared to other markets is much cheaper and the economic outlook remains very healthy, there are more and more people arguing that the Vietnamese stock market is no longer cheap now. With a price / earnings ratio of nearly 15x and barely profit growth for 2014 - in stark contrast to our 70 shares in the fund - this certainly seems to be correct on the first sight. The current favourite sectors, especially of foreigners are energy, real estate and food, which are weighted with a total of just over 50% of the index. If you however would exclude these three sectors, then a very different picture appears: Suddenly the valuation of 15x would drop to 11x, compared to an average of about 7x in our shares.

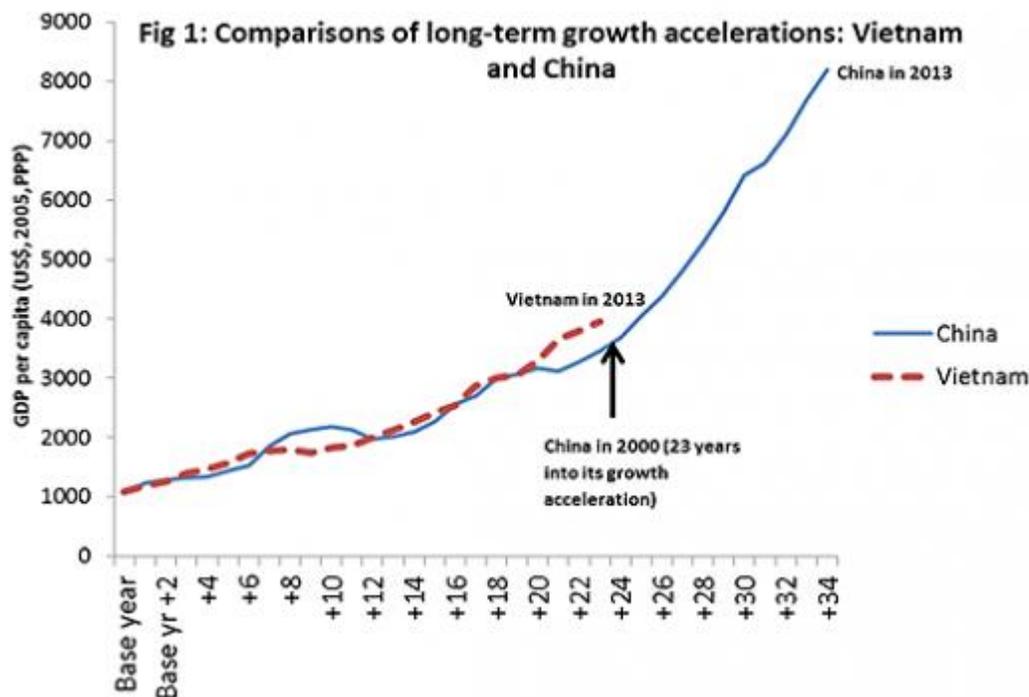
In the short term the market is oversold as we haven't seen for many years and is therefore expected to rebound. From a medium term perspective, we are still slightly overbought and therefore rallies will probably be more modest in scale. We also think that sector rotations will take place, which should further benefit our fund portfolio.

From a long-term perspective however, nothing has changed. Taking the example of the development of China we see very well the stage where Vietnam currently is at. We can also go back a little bit further and compare it to the economic recovery in Germany in the 50s and 60s, where a hardworking nation with low economic growth caused a boom in the economy and stock market.



AFC VIETNAM FUND UPDATE

We therefore saw late 50s for two consecutive years' stock market price increases by 60-80% and only after a modest increase in the third year finally the market saw a correction of 30%. Although we do realize that a constant increase from year to year is not realistic, we strongly believe in the overall very positive developments over coming years in Vietnam, which will typically end in a massive exaggeration on the upside.



Best regards

Andreas Karall, CIO

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. © 2013 Asia Frontier Capital Limited. All rights reserved.