



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

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October, which is historically the most volatile month on global stock markets, ended basically unchanged in Vietnam, despite a further interest rate cut. The Hanoi index lost on a month-to-month basis -0.7% and the Ho Chi Minh index gained 0.3%. While macroeconomic data continued to indicate a continuation or even acceleration of an economic recovery, corporate earnings growth is at best modest in 2014. After 19% earnings growth in the previous year, the forecast for this year is at a mere 3%. The Vietnamese stock market reacts remarkably strong on fundamental data, which should be very beneficial for us in the medium term, since our investment style targets undervalued companies with above-average earnings growth.

So far, about half of our companies have published their quarterly results. As in previous quarters, we continue to be quite pleased with the company results and with the accuracy of our forecasts. In a relatively weak month like October, some of our shares performed quite nicely, which had a positive impact on our NAV which now stands around USD 1'311, +2.5% according to our internal calculations.

What are the reasons why we continue to be so confident and positive for the next few years?

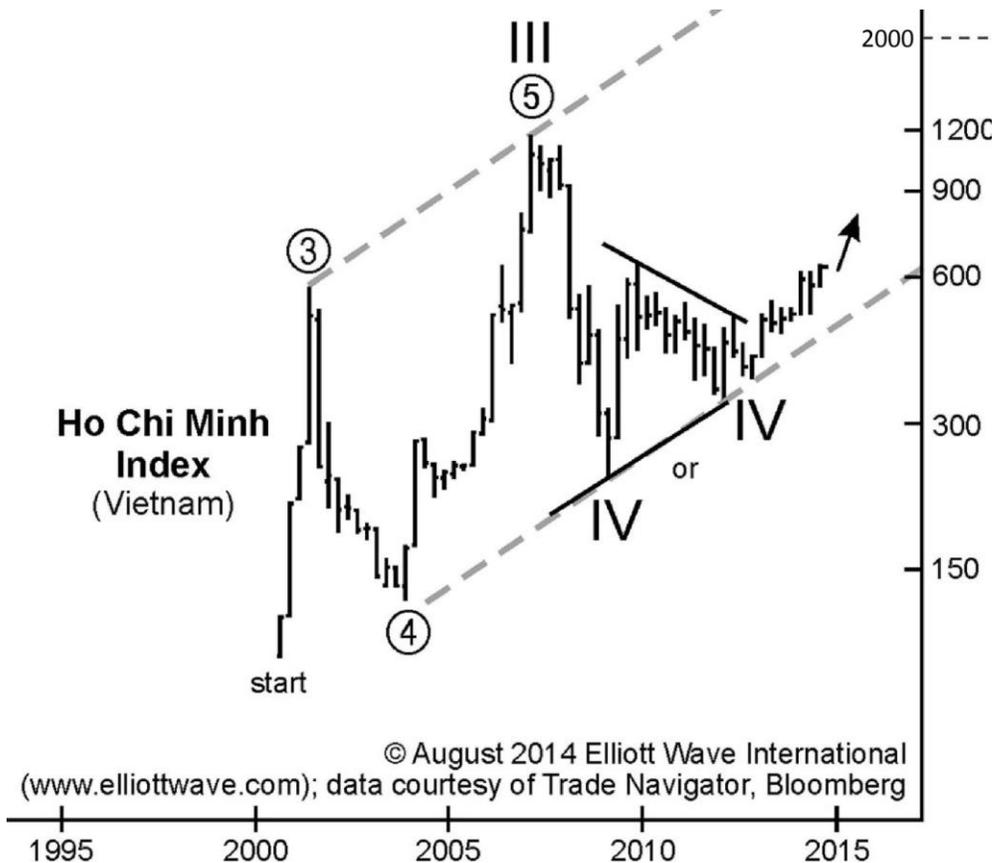
Besides the positive economic outlook for Vietnam, the fundamental facts of our holdings are and will continue to be the most important factor. With a current price earnings ratio of 7x – 8x for the year 2014, these shares would have to almost double in order to reach the current market level of almost 14x. The median profit growth of our 70 companies in 2014 should be around 13%, which is significantly above the overall market expectation. With the latest quarterly results the deviations from our previous earnings estimates for 2014 are at a negligible average of 0.1%.

We recently attended a major investment conference of VinaCapital where we felt that the initial investor euphoria from spring faded, which we regard as healthier for the stock market in the long-term.

In order to invest successfully, one must be able to learn from his own mistakes and not to get caught up in the hysteria of other market participants - neither of euphoria or panic. Over the past 25 years, often I wasn't able to capture large profits when I followed other investors or when I sold my positions due to fear of corrections on major stock markets. It sounds of course very irrational, but should the expected correction never happen, investors find it very difficult to buy back their initial position.



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The Vietnam story is still very exciting and is certainly based now on much better fundamentals than one or two years ago - and our stocks are still trading at very attractive valuations. From a statistical point of view, we are now commencing a period where the Vietnamese stock market should perform very well and as previously mentioned, Vietnam has a very low correlation to the larger developed markets. Ultimately, the old stock market wisdom applies: "It's not about which stocks you buy, but when you buy them." We think the timing of our fund launch back at the end of December 2013 was very good in comparison to most other funds. Although a performance of around 30% in the first year may sound very good – but we launched our fund with the idea of performing several hundred percent over the next few years, and we will do everything possible to reach this goal with the help of our fundamental-quantitative investment style.

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.