



## AFC VIETNAM FUND UPDATE

<b>Fund Category</b>	Vietnam Public Equities
<b>Country Focus</b>	Vietnam
<b>Subscriptions</b>	Monthly at NAV (five days before month end)
<b>Redemptions</b>	Monthly at NAV 60 days notice
<b>Benchmark</b>	VN Index
<b>Fund Manager</b>	Andreas Karall
<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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Unfortunately the stock market interrupted once again its short bull market phase. The market declined on very low trading volume, mainly due to an increasing uncertainty among domestic retail investors. The arrests of former Eximbank managers due to circumventions on lending regulations, didn't help to reassure market confidence and especially banking stocks came under pressure.

We were pretty resilient to this market decline, but nevertheless lost compared to the indices of Ho Chi Minh City & Hanoi (-2.5% and -5.5%) also about -2.4% in local currency. Taking into account the latest Vietnamese Dong devaluation, the NAV stands now at around USD 1'357 (-3.0%), according to our internal calculations.

As so often the old cliché of "sell in May" was made responsible for the market decline, but you might remember that we have seen the lowest index level last year on May 13. Several existing fund investors, including myself, are taking advantage of this attractive entry point and are buying additional fund shares. From a chart technical point of view the market uptrend is still intact, indicating a significant increase for the remainder of the year.



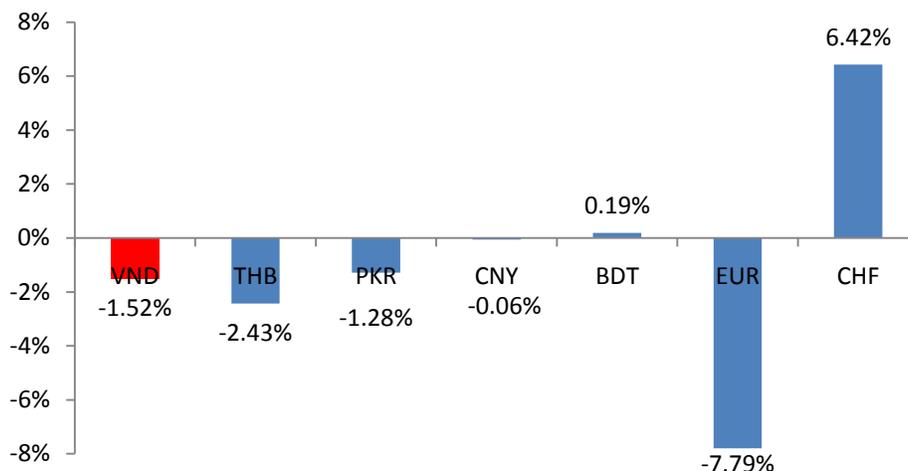
Source: VietCapital Securities

In the first week of this month, the Vietnamese currency was devalued by 1 percent. The midpoint for trading the VND (Vietnamese Dong) shifted to 21,673 per USD from 21,458. Nevertheless, the Dong already traded the day before this announcement near the new midpoint of the currency band, which is +/- 1% from the mean. This devaluation serves to maintain the competitiveness of Vietnam against its main trading partners. It is important to note, that for example the EUR had already lost 6% versus the VND since the beginning of the year and therefore hampered exports of Vietnamese goods. The graph below, comparing some of Vietnam's competitors as an export country, clearly shows that only Bangladesh and China's currency were stable versus the USD. Thailand and Pakistan depreciated similar to Vietnam, but the real fluctuations were in Europe.



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### Performance 2015 vs. USD



However, these currency movements should not be overstated, because the monthly exchange rate fluctuations against the CHF and the USD since the launch date of our fund was almost 0 and only against the Euro we had a monthly appreciation of approximately 1% (due to the weakness of the Euro).

The subscription deadline for this month will be on the 25<sup>th</sup> May, if you would like any assistance with the investment process please be in touch with myself or Andreas Vogelsanger.

Best regards

Andreas Karall, CIO

*\*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.*

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