



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 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 AV appreciation with high watermark
Fund Domicile	Cayman Islands
Launch Date	23 December 2013
Custodian Bank	Viet Capital Securities, Ho Chi Minh City
Auditor	EY, Hong Kong
Administrator	Custom House, Singapore
Legal Advisor	Ogier, Hong Kong
ISIN	KYG0133A1673

Contact Information

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After the strong stock market rally in October, it doesn't come as a surprise that we see a consolidation in the first half of November and of course it is also not surprising that rumours about a possible December rate hike by the US Federal Reserve was used as the reason for this correction. While commentators of economic news channels are once again wasting valuable TV airtime, we are already looking forward to hearing on what grounds the almost certain rate increase suddenly didn't happen. But if it would happen nevertheless, we are absolutely clueless, as the rest of the world, about how financial markets will react. After all, all market participants had ample time, months if not years, to position themselves accordingly.

Back to the Vietnamese reality – as expected we saw profit taking in some of our holdings which had a strong run of 20-40% over the previous few weeks. In the last two trading days however, there was renewed buying interest in these names and also Vietnam overall managed to outperform other Frontier and Emerging markets.

The chart below shows a comparison of our Fund versus the Emerging Markets ETF (EEM) and the Hanoi index (shown in local currency, in USD it would be about 4% weaker at -15% over the last 12 months).



Source: Bloomberg

One of the most important stock of the Ho Chi Minh City index is currently Vinamilk, which had a stunning performance of +37% since the end of September and therefore was responsible for most of HCMC's outperformance versus other stock market indices. The main reason for Vinamilk's run was the lifting of foreign ownership limits and nascent takeover speculation. With a P/E ratio of around 20, this stock is now no longer cheap in comparison to the market. This however also confirms our assumption that Vietnamese shares will exaggerate on the upside when the sentiment is positive and we firmly believe that we will see many more of such moves in the coming years!

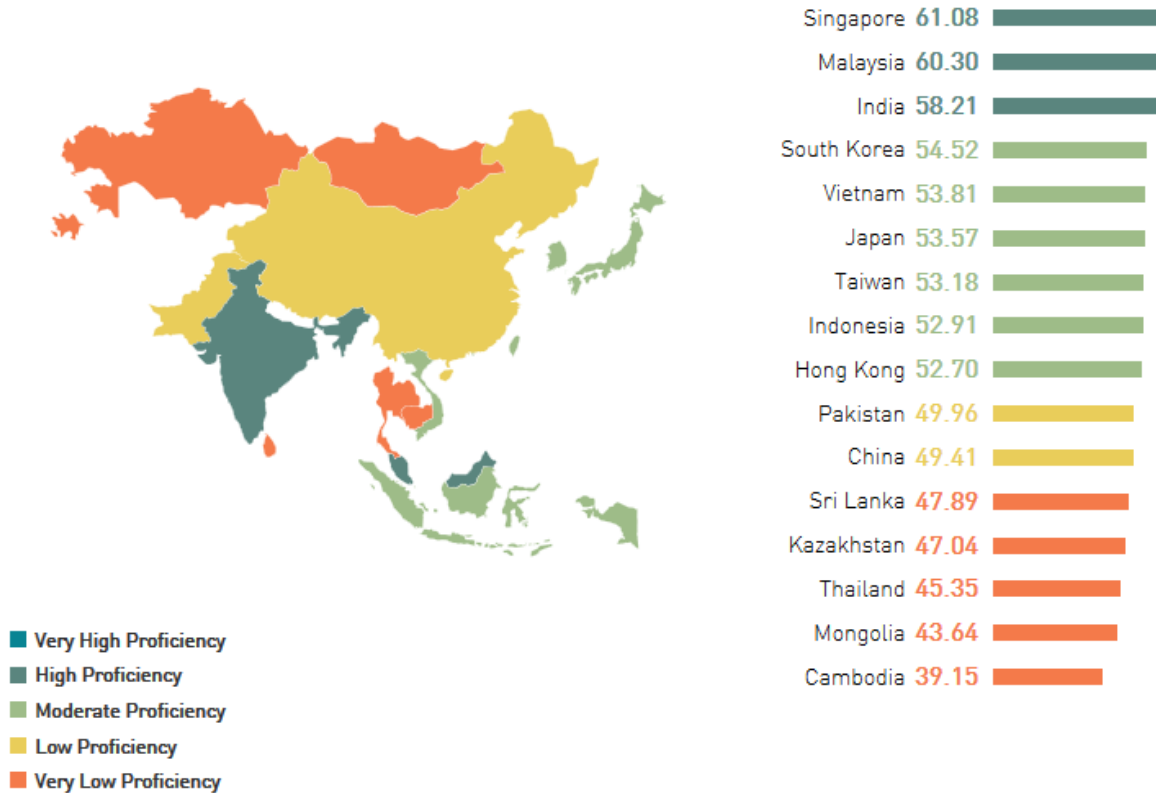
Both indices didn't move much in November, with Ho Chi Minh City (+ 0.3%) and Hanoi (-1.2%) in USD terms. The NAV of our fund stands now at approximately USD 1,430 (-0.8%), according to our internal calculations.



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Some of the reasons for Vietnam's positive outlook and relative stability are probably company results and the outlook for earnings. While we see company profits under pressure in many countries in the region, prospects in Vietnam are much more optimistic. Although earnings expectations for 2015 are at a modest 3-7% growth, partly due to the commodity sector, analysts are expecting a much more optimistic 15-20% earnings growth for 2016. On the other hand the average expected growth of our holdings is already at about 11-12% in 2015. With an average portfolio P/E ratio of less than 8 and a medium-term valuation adjustment on the upside - many companies were trading at just 4-5 times earnings only 2-3 years ago - we are of course very confident for the future development.

Although such studies have always to be treated with some caution, the one below nevertheless shows amazing results. This online study which was testing English language skills with around 910,000 adults worldwide, was carried out by Education First. Especially within Asia, Vietnam ranks once again quite high, especially when putting this result into context with the development stage of the country.



Source: EF Education First Ltd

Marc Faber, a shareholder of AFC Frontier Capital Limited, recently expressed his optimism for Vietnam in the following interview with CNBC.

<http://video.cnbc.com/gallery/?video=3000443259>

15th November 2015

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The subscription deadline for this month will be on the 24th November and if you would like any assistance with the investment process please be in touch with myself or Andreas Vogelsanger.

Best regards

Andreas Karall, CIO