

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

Although the month of April could still not provide an absolute certainty about the recently mentioned interesting technical constellation, the last few weeks confirmed the positive developments on the stock market and the macro economic development. In the second half of April only the exchange of Ho Chi Minh City was able to advance significantly and therefore created a very divergent picture for the entire month. While the index in HCMC increased by a whopping 6.6%, the gains in Hanoi with + 2.1% and our portfolio with +2.9% were much more modest. According to internal calculations the NAV stands now at about USD 1,526.

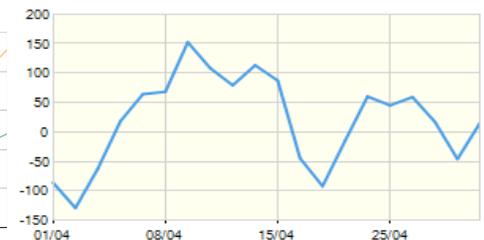
Even the market breadth on the well performing HCMC stock market was virtually unchanged this month. It is interesting to note that the main reason for it was the short term behaviour of market participants and the working practice of ETF's in Vietnam.

April-Comparison Hanoi-HCMC



Source: Maybank Kim Eng

Advance/Decline Ratio HCMC



Source: stockbiz.vn

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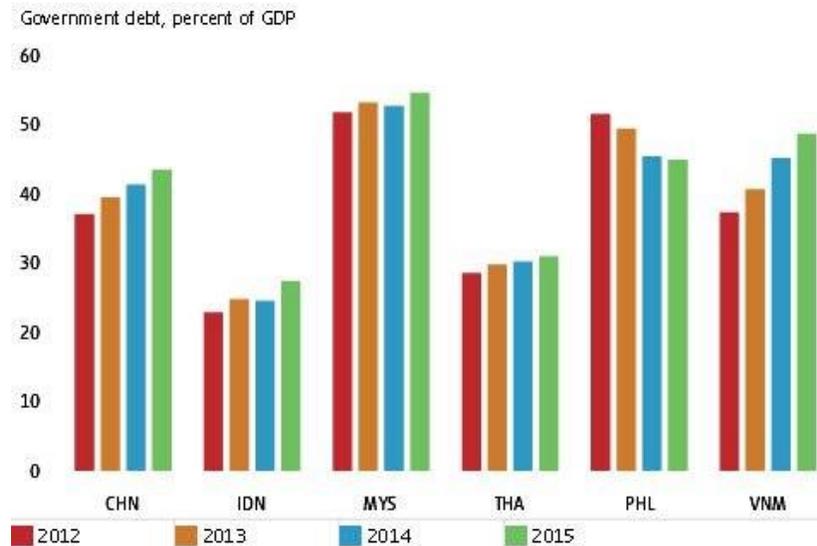


The slowly but surely improving sentiment towards emerging markets among international investors created strong inflows which we haven't seen for a long time. As usual these inflows were targeting mainly the liquid blue chips which still have foreign room left to invest and these stocks therefore increased in a very short period up to 25%. While foreign trading volume is about 10% on average, recent market action brought this ratio to 25%, and in some of these blue chips foreign participation increased to an impressive 40-70%. These investors didn't seem to care that some of these stocks, with P/E's of 20-30, are among the most expensive in Vietnam. We have seen this kind of behaviour before, but we do not act on these short term movements as our buying decisions are still strictly based on valuations.

One can now only hope that local investors are infected by this positive mood and will trigger a broad market upturn, and that we therefore would finally break out of the 2-year sideways trend. Also our fund has seen strong interests and we recorded the highest number of subscriptions since inception in the month of April. These new investors should also see an appreciation of their investments soon, as positive Vietnamese macro-economic data paired with a weaker dollar and thus stronger commodities should fuel an emerging markets rally which could go on much longer and further than most people think right now..

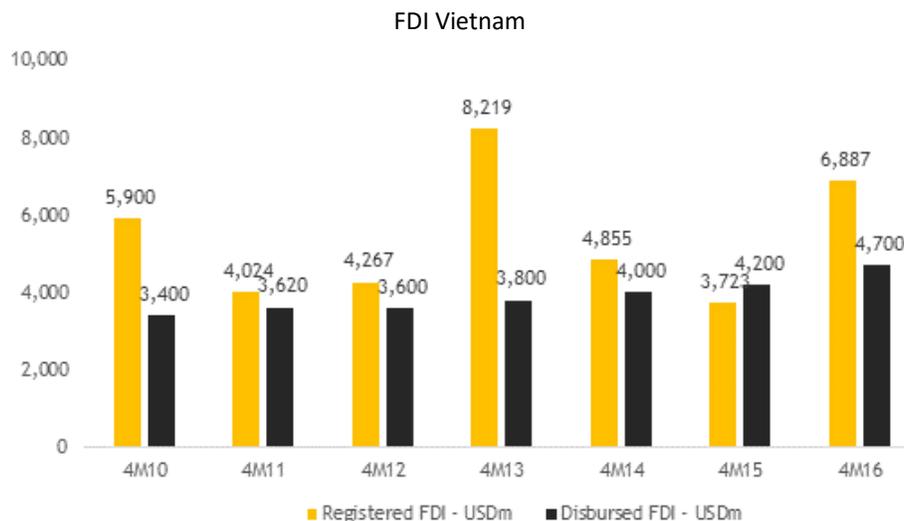
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In the first months of 2016, the real estate vacancy rate has fallen by around 10% and a perennial recovery of the sector is therefore likely to continue. However, exactly this sector was mainly responsible for the economic problems in the last cycle and the effects are still being felt today. Banks and the government are still struggling with non-performing loans and their consequences. In addition to the relatively low foreign reserves, mainly the level of debt is an issue which the government needs to get a grip of, during this economic upswing. In recent years, the debt level increased due to various economic stimulus packages and infrastructure investments to the level of Malaysia and Philippines, while the most affected countries during the Asian crisis of the 90s, Thailand and Indonesia, have obviously learned their lesson. Due to economic growth prospects, Vietnam is in a much better position than many other countries and regions in this global debt spiral, especially when compared to Europe, where the government debt to GDP ratio has reached around 90%.



Source: World Bank

On the other hand, the latest figures on foreign direct investments and the PMI (Purchasing Manager's Index) confirmed a further improvement of the activity level of the Vietnamese economy.



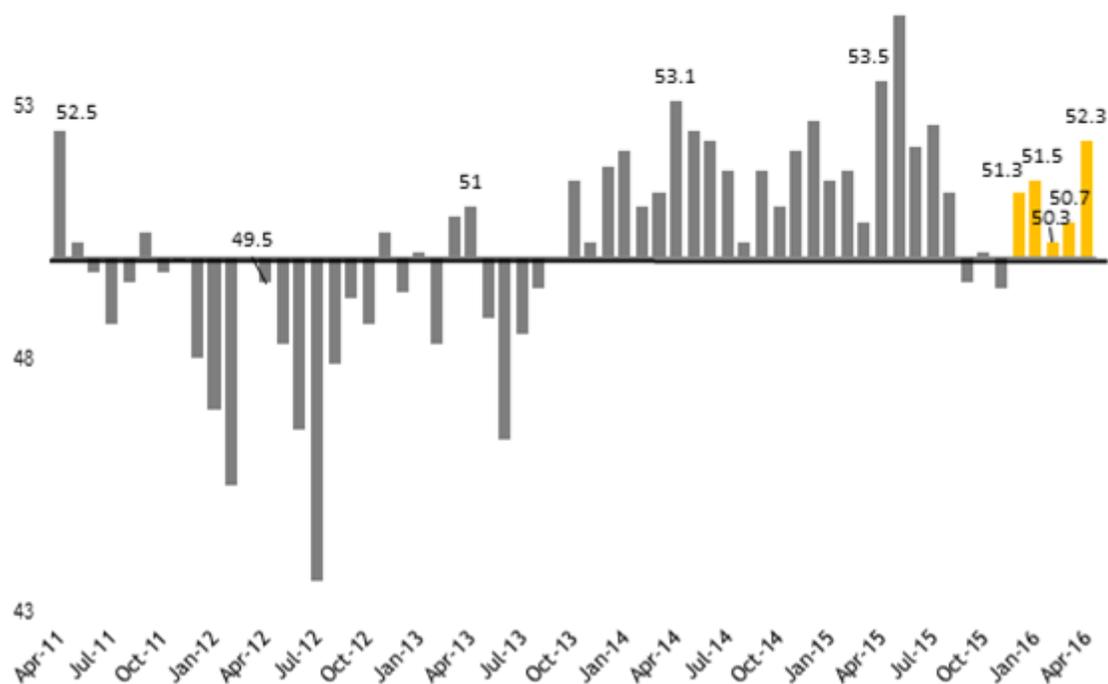
Source: Maybank Kim Eng

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When looking at the current PMI numbers, the sub-component for new orders was very positive; certainly a strong driver to support the economic development in 2016.

Recent Apple numbers showed for the first time an apparent saturation of global mobile phone sales, which impacted many suppliers in South East and North Asia. Also in Vietnam the growth of exports in this sector was much lower than in the previous year, yet the total exports were up significantly, indicating that the economy is already broader structured than many observers have previously suspected.

Purchase Manager's Index



Source: Maybank Kim Eng

The Q1 interim results and AGM season will come to an end in the coming weeks. As usual, it shows a very mixed picture, and most management forecasts are extremely conservative. For our analytical model these interim reports are the least important of the year, but we hope to see first estimates for earnings growth in 2016, although we are very much aware of the quality of these estimates.

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The subscription deadline for this month will be on the 25th May 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

Estimated NAV as of 30th April 2016

NAV	USD 1,526*
Since Inception	+52.6%*
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%	+2.9%*									+7.50%*

* 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.*

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