

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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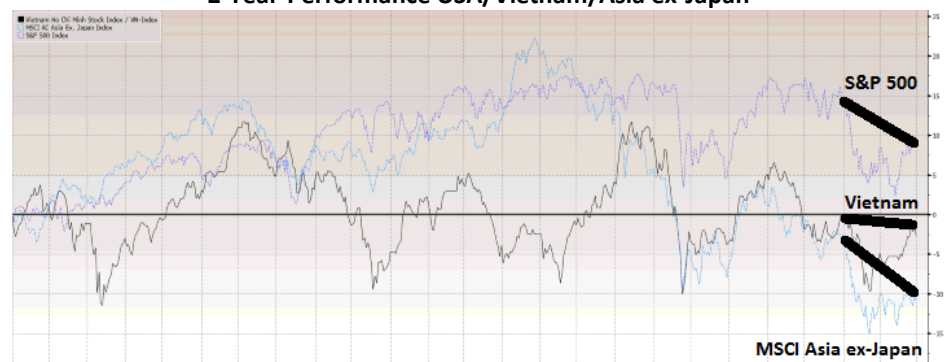
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While most major markets still clearly are in negative territory since the beginning of the year, both stock exchanges in Vietnam are almost back at the yearend closing level. The broad recovery continued in the first two weeks of March and hence the indices were +3.2% (Ho Chi Minh City) and +1.7% (Hanoi). Several of our holdings performed nicely due to increased demand and our portfolio showed therefore a similar gain of +2.8%. According to internal calculations the current NAV is approximately at USD 1,505.

The broad market has shown an incredible strength over the past few weeks and this is the first time since the beginning of 2014 that we are able to observe this - even though the indices are only trading in the middle of their 2-year price range. Should this trend continue, we could have a very positive and exciting year ahead of us. The reason for this may lie in the renaissance of emerging markets, due to the recovery of many commodity prices.

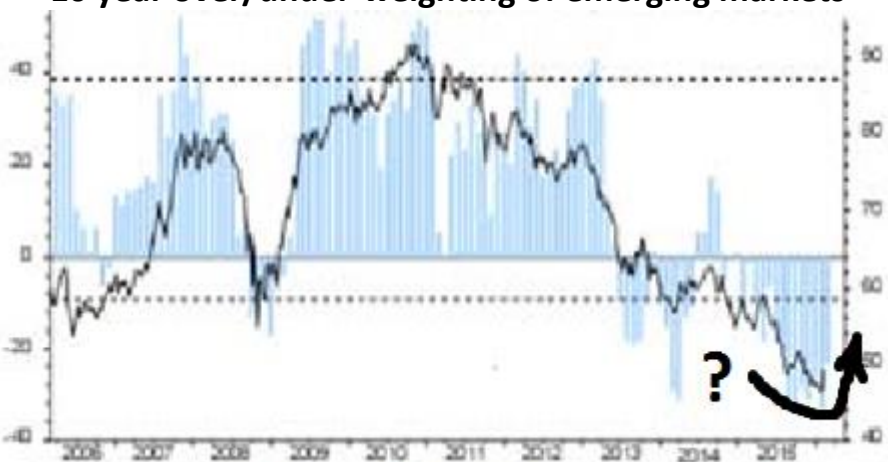
2-Year-Performance USA/Vietnam/Asia ex-Japan



Source: Bloomberg

The poor performance of Asian stock markets started exactly one year ago, but stabilized now against the US and even outperformed Europe. Vietnam on the other hand remained almost unchanged over this period, but has shown remarkable relative strength since the beginning of the year.

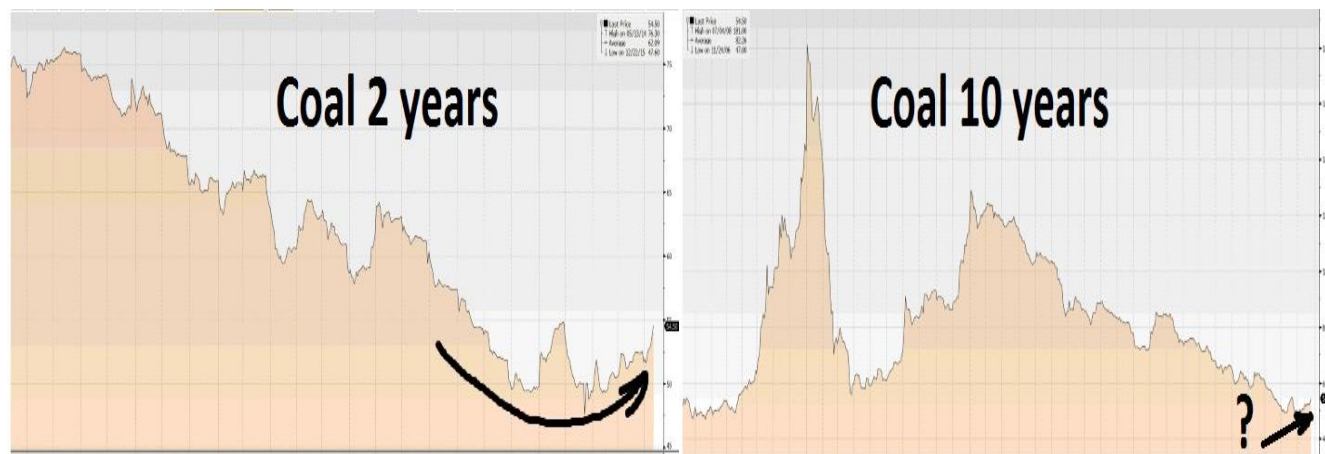
10 year over/under-weighting of emerging markets



Source: Bofa Merrill Lynch Fund Manager Survey

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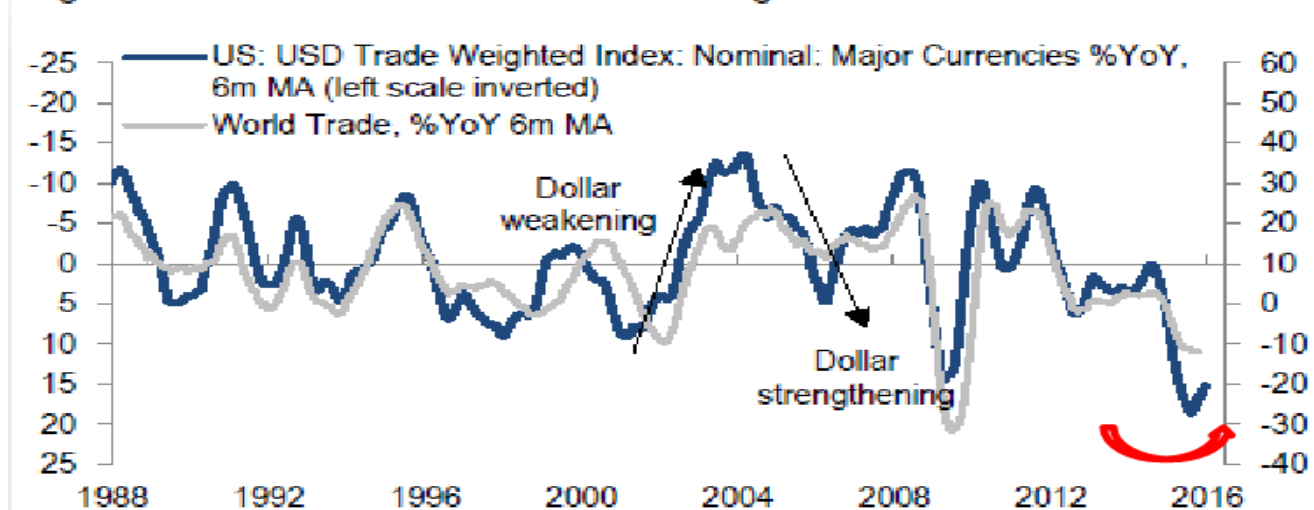
Beside copper and oil also other commodities like e.g. coal have shown a possible technical support formation. Long-term trend changes are normally only happening when very few investors and analysts believe that such a turning point is possible - and not when they want it to happen and hence are positioned accordingly.



Source: Bloomberg

If you believe in the strong correlation between world trade and the strength of the USD, then a weaker US dollar would fit very well into such a picture. Less volatility in emerging market currencies and a revival of Asian economies would be the consequences. Please have a look at the graphic below, which I personally find extremely remarkable!

Figure 20. World Trade vs. US\$ trade weighted index



Source: Haver Analytics, Citi Research

In our view there is arguably some forced optimism in play, but month after month more bits are falling into the right place. So we very much feel that there is a realistic chance of a well performing stock market in Vietnam this year, as long as there are no external financial or political shocks. But then again, Donald Trump hasn't been elected yet...

12th March 2016

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At this point we would like to sincerely apologize for all the re-occurring typos, misspellings, etc. Many thanks for the various hints – which is evidence that the reports are being read. We are trying to provide you with timely updates as soon as possible and it therefore happens that occasionally some annoying errors are sneaking in.

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

**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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