

## AFC VIETNAM FUND UPDATE

<b>Fund Category</b>	Vietnam Public Equities
<b>Country Focus</b>	Vietnam
<b>Subscriptions</b>	Monthly at NAV (five business days before month end)
<b>Redemptions</b>	Monthly at NAV 60 days notice
<b>Benchmark</b>	VN Index
<b>Fund Manager</b>	Vicente Nguyen
<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

The stock market correction exacerbated in the first two weeks of August and in contrast to the international trend, Vietnam gave back a good part of the gains of recent weeks. Both indices lost around 8% since the peak in early July until the bottom on August 8, driven by rumours and special situations as so often seen in Vietnam. At the first half of August, both indices were almost unchanged; HCMC gained 0.5% while Hanoi lost 0.7%. According to internal calculations, our NAV declined by 0.9% and stands now at USD 1,662.

Sharp corrections can generally be considered as positive and necessary, especially in a period of a long upward cycle. Thus, the previously technically oversold situation quickly turned around over the past few days.



Source: VietCapital Securities; stockbiz.vn

Only the HCMC index managed to break out in July and we now hope for a broader market increase during the next advance. The coming weeks will however be dominated by large rebalancing's of the two big Vietnam ETF's. With the abolishment of the foreign ownership limit of the heaviest weighted index stock, Vinamilk, both ETF's will have to buy a considerable amount of this company (an estimated USD 80m!) and sell against it all other stocks. How this will actually affect the relative index performance is depending on the pre-positioning of local speculators and is quite difficult to forecast. Our investment strategy won't be influenced by this, but we will probably see little movements in our portfolio – either way, up or down - similar to all index names besides the blue chips.

### Contact Information

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A recovery is now of particular importance for the broader market, which recently went through a strong correction. Recent days have already shown an improvement and we are seeing a renewed interest in some of our investments. With other words, not a lot has changed in the long term outlook, as can be clearly seen when looking at the Hanoi index.



Source: VietCapital Securities; stockbiz.vn

In line with the weakening global trade, the growth (!) in Vietnamese exports slowed down, while the trade balance improved to a surplus of USD 1.8 billion in July, compared to a deficit of USD 300 million same period last year. Exports increased by 2.8% in July to USD 14.7 billion. The July inflation with 2.39% yoy was virtually unchanged from the June figure of 2.40%. With an expected inflation of about 3% for the full year, the government will probably not be able to continue its loose monetary policy at the same rate, after the credit growth stands already at 8% in the first 7 months of this year.

As inflows into emerging markets continue, the outlook for the second half of 2016 remains positive. We can now already speak of a trend which could go on for a couple of years if emerging market economies are able to stabilize further.



iShares MSCI Emerging Markets ETF; Source: Yahoo Finance

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The subscription deadline for this month will be on the 25<sup>th</sup> August 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 15<sup>th</sup> Aug 2016

NAV	USD 1,662*
Since Inception	+66.2%*
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%	+3.17%	+1.40%	+4.97%	+3.0%	-0.9%*					+17.1%*

\*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. The fund is authorized for distribution to professional investors in Hong Kong, Japan, Singapore and the UK.*

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