

## 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 30 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>	Ernst & Young, Hong Kong
<b>Administrator</b>	Custom House, Singapore
<b>Legal Advisor</b>	Ogier, Hong Kong
<b>ISIN</b>	KYG0133A1673

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The market continued to be volatile during the first half of June, driven by the usual suspects again. The HCMC Index having gained 13% two weeks after reaching a low on 29<sup>th</sup> May, this rally was followed by a correction, leading the index to be up 4.7% for the first half of the month, while the Hanoi index is up +0.9%. With the majority of stocks relatively unchanged, our NAV is approximately USD 1,811 (+0.5%), according to internal calculations.

### Market Developments

Despite the unchanged, volatile trading pattern of the index, we saw some encouraging signs in the universe of small- and mid-caps. While there was continued selling pressure in many stocks, due to some investors 'throwing in the towel', other stocks showed strong reversals.

One example is Vietnam Container Shipping JSC (VSC), a port operator and logistics company, which was an investor's darling only two years ago. This stock had a market cap of more than USD 100m and foreigners were paying premiums since the foreign ownership limit was reached. Despite continuing top line growth and a net margin of nearly 20%, shares dropped more than 50% over the past two years. We began buying last year and increased our holdings substantially when the price dropped in the first few months of 2018. With an expected valuation of less than 7x earnings and 1x shareholders equity, the company is the type of value play we are looking for. VSC is one of the most effective port operators in Hai Phong City, besides Gemadep and Hai Phong Port. The new port of VSC, VIP Green Port, is currently operating at 50% of its full capacity and is expected to reach 100% within the next 3 years. Given that this company has a strong and experienced management team and a good market position, we are confident that they will benefit nicely from the strong growth in the economy.



Vietnam Container Shipping JSC, 3 months; Source: VietCapital Securities

As investors are normally trend followers, it is hard for major investors to exit stocks already under selling pressure, even when they are trading at steep discounts. However, once this forced selling comes to an end, those undervalued stocks usually bounce strongly like in the case of VSC. We expect more rebounds like this in the future!

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Despite the weaker environment in the small-cap universe we were able to exit two positions which we have owned since the start of the fund at around current market prices – and we were able to divest these positions in a single day, even though the average daily volume is only a fraction of our position. We have already exited many similar companies in the past, since they were too small in relation to our growing fund size. This enables us to take advantage of some attractive investment opportunities in the higher mid cap segment, which compare very favorably to most of the index heavyweights.

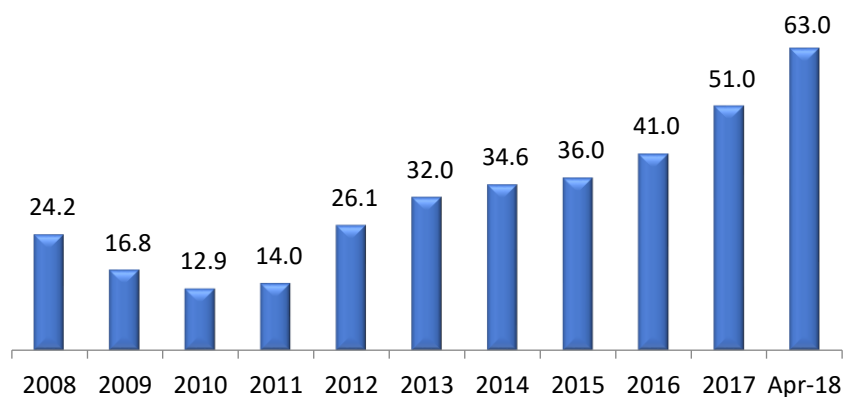
### Economy

Despite the significant upside surprise to Vietnam's GDP growth rate in first quarter of 7.4% YoY, a pull-back in terms of GDP growth towards a more sustainable rate of around 6.8% for 2018 is likely.

### Rising foreign reserves

The recent low in Vietnam's foreign reserves was in 2010 with USD 12.9 billion, but they have since risen strongly to USD 63 billion in April 2018, mainly driven by strong export growth and foreign capital inflows.

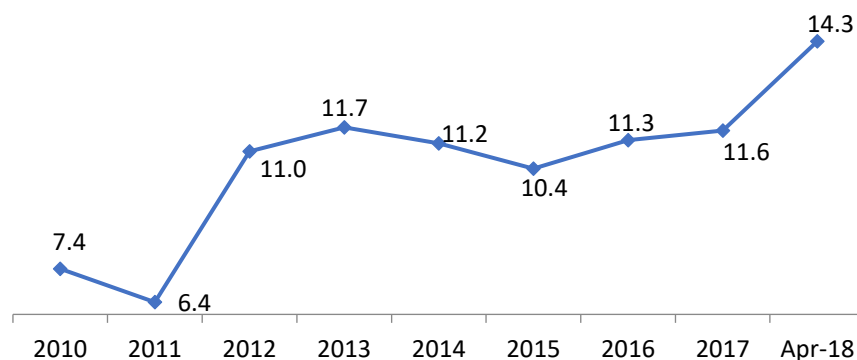
Foreign reserves in USD billion



Source: ADB, SBV, GSO, AFC Research

In 2011, total Vietnamese foreign reserves were only 6 weeks' worth of imports, much below the international average. At the end of 2017 the picture improved substantially to more than 14 weeks' worth of imports.

Foreign reserves in weeks of imports

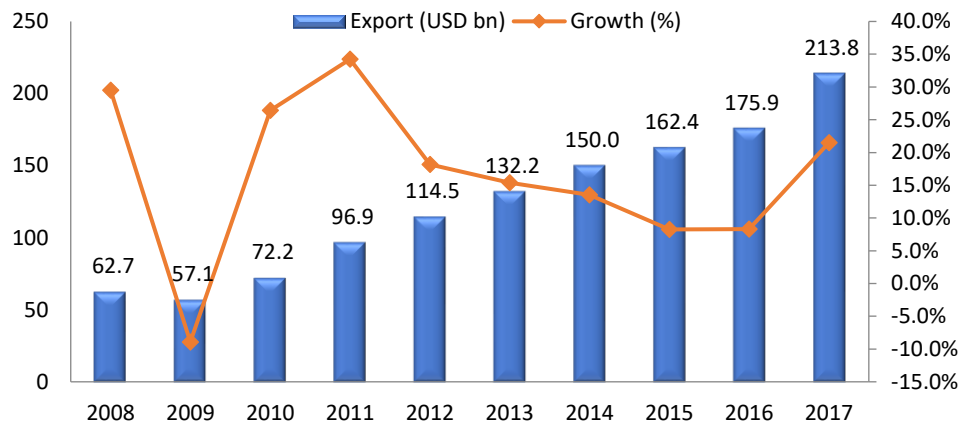


Source: ADB, GSO, AFC Research

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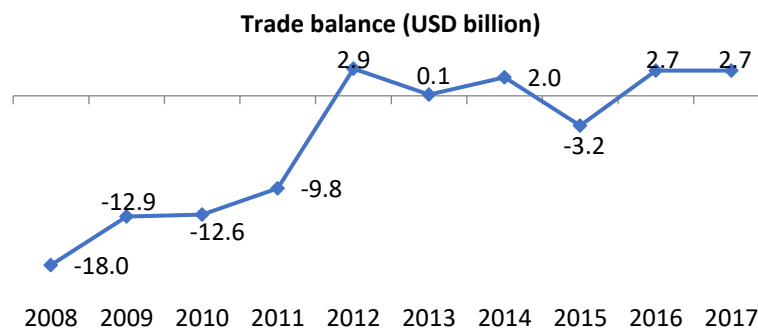
### Strong export growth

Vietnam has one of the world's fastest growing export markets with a CAGR of 16.0% over the last ten years. Total exports jumped from USD48.4 billion in 2007 to USD 213.8 billion in 2017.



Source: GSO, AFC Research

With strong growth in exports, Vietnam managed to improve its trade balance from a trade deficit of USD 18 billion in 2008 to trade surplus of USD 2.7 billion in 2017.



Source: GSO, AFC Research

Macroeconomic Indicators					
	2014	2015	2016	2017	May-18
GDP	5.98%	6.68%	6.21%	6.81%	7.38%
Industrial production (YoY)	7.60%	9.80%	7.50%	9.40%	9.70%
FDI disbursement (USD bn)	12.4	14.5	15.8	17.5	6.8
Exports (USD bn)	150	162.4	176.6	213.8	93.1
Imports (USD bn)	148	165.6	174.1	211.1	89.7
Trade balance (USD bn)	2	-3.2	2.52	2.67	3.39
Retail sales (YoY)	10.60%	9.50%	10.20%	10.7%	10.4%
CPI (YoY)	1.86%	1.34%	4.74%	2.62%	3.86%
VND	21,405	22,540	22,600	22,755	22,850
Credit growth (YoY)	14.00%	17.30%	16.50%	16.96%	3.50%
Foreign reserves (USD bn)	36	36	41	51	63

Source: GSO, AFC Research

# AFC VIETNAM FUND UPDATE

## Subscription

The next subscription deadline will be 25<sup>th</sup> June and if you would like any assistance with the investment process please be in touch with Andreas Vogelsanger.

Best regards,

AFC Vietnam Fund

### Estimated NAV as of 15<sup>th</sup> June 2018

NAV	1,811*
Since Inception	+81.1%*
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%	<b>+2.37%</b>
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%	<b>+32.50%</b>
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%	<b>+4.62%</b>
2016	USD	-0.10%	+3.30%	+1.28%	+3.17%	+1.40%	+4.97%	+3.0%	+0.13%	+0.11%	-1.83%	+0.88%	-1.76%	<b>+15.29%</b>
2017	USD	+1.90%	+1.10%	+1.94%	+1.03%	+2.96%	+4.52%	+1.94%	-4.38%	+1.09%	-0.75%	+1.47%	+0.01%	<b>+13.33%</b>
2018	USD	+0.41%	+0.42%	+0.58%	-0.93%	-3.24%	+0.5%*							<b>-2.3%*</b>

\*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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