

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 30 days' notice
Benchmark	VN Index
Fund Manager	Vicente Nguyen
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	Ernst & Young, Hong Kong
Administrator	Custom House, Singapore
Legal Advisor	Ogier, Hong Kong
ISIN	KYG0133A1673

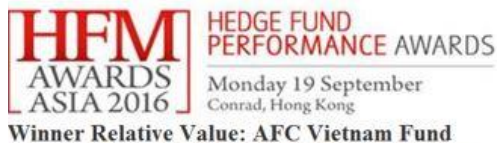
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As expected, volatility continued to fall in the first half of the month as the market was relatively quiet. The market breadth was almost unchanged and blue chips were up slightly, while mid and small caps retreated. The indices in HCMC and Hanoi are currently up +0.5% and +1.8%, respectively. In line with stocks outside the big cap universe our portfolio was down, with our NAV losing approximately -1.0% to USD 1,760, according to internal calculations.

Market Developments

At the start of the month the Chinese Yuan and other currencies stabilized and it seemed that the consolidation of Asian markets was slowly but surely coming to an end. At a time when US authorities were getting increasingly nervous about a stronger USD and its impact on the US economy, US president Donald Trump found another target for his blacklist - Turkey - after China, Europe and Iran. Not many people would have the idea to double tariffs on exports because the currency of a troubled country (let's leave aside the reason for that) has been weakening massively and their products therefore are getting cheaper. The immediate reaction was a daily loss of 15% in the Turkish Lira which might end in an IMF bailout for the country if they do not ask their special friend Qatar for help. And let us not forget - USA is one of the main contributors of capital for the IMF – with borrowed money from countries like China.

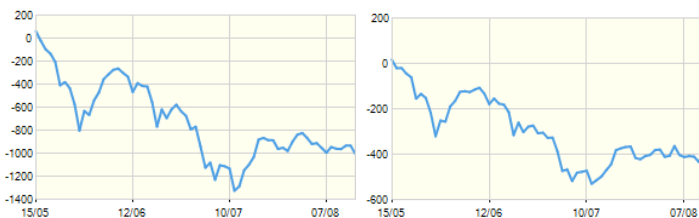
In such a negative environment, it would be a very positive sign if Vietnam were gain further relative strength after having reached its low a few weeks ago. Also, the recent “weakness” of the Dong is not significant as the Vietnamese currency is unchanged year to date against the Swiss Franc for example, and even up 3% against the Euro!

After months of weakness and a two year sideways move, we are finally beginning to see some strength in the third market, UPCOM, which is continuously gaining importance with many new listings. Over the past three years the average daily volume increased around 5x.



UPCOM Index 2015-2018; Source: VietCapital Securities

On the negative side, some foreigners are still sellers of smaller, undervalued companies - most of them are likely to be “forced sellers” – regardless of valuation. Other similar stocks (where selling is already completed) are being well supported with strong buying interest from locals and foreigners, while the broader market is still trading water with many stocks having limited movements.



HSX and HNX market breadth 3months; Source: stockbiz.com

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The Giant Golden Hand Bridge Creates much Attention

Vietnam has become one of the region's most attractive travel destinations in recent years. In 2017, Vietnam attracted more than 12.9 million international tourists. The country increased its focus on marketing, improved services in tourism and built many tourist attractions. For example, at the end of July 2018, Sun Group, the owner of the Ba Na Hills Mountain Resort near Da Nang City, opened the Golden Hand Bridge. Even the architects of the bridge were caught by surprise as to how extensively the opening was covered in the international media. Among the growing number of tourists, most of them coming from North Asian countries, this has become one of the hottest selfie-spots in Asia at present.

Golden Hand Bridge on Ba Na Hills, Da Nang City



Source: Flycam 4K (www.facebook.com/flycam4k/)

Suspended at 1,500m above sea level and just 25km away from Vietnam's third largest city, Da Nang, the bridge combines eight sections and is 150m long. The hands appear weathered as if constructed centuries ago. Visitors can stroll through rows of purple chrysanthemums for uninterrupted views of the rolling Truong Son Mountains.



Ba Na Hills; Source: tourism.danang.vn

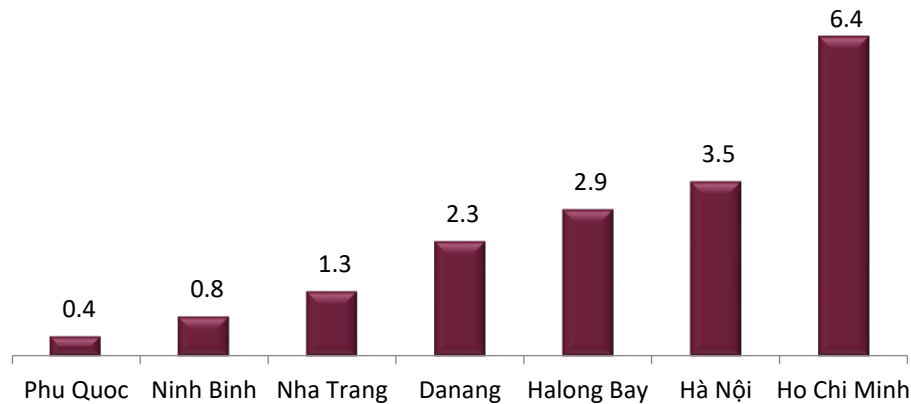
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Ba Na Hills was explored and discovered by French Colonists during the 19th century. France attacked Vietnam in 1858 in Hue and controlled the country thereafter. During colonization, the French army started to find places for leisure for their senior soldiers around Vietnam. Because Vietnam is a tropical country with high humidity and high temperatures, the French tried to find mountainous areas with lower temperatures, similar to their own climate. They found them in Ba Na Hills, Bach Ma Mountain, Dalat and Sapa. One of the first discovered places was Ba Na Hills, 100 km from Hue City, the ancient capital of Vietnam. While it is close to Da Nang, at the time Da Nang was nothing more than a village. After the liberation, Ba Na Hills had been a deserted place with just one 100-year-old hotel, Ba Na Hills Morin Hotel - until the first Vietnamese Ukrainian entrepreneur, Mr. Le Viet Lam, decided to develop Ba Na Hills. Sun Group, whose chairman is Mr. Le Viet Lam, invested more than USD 2 billion to develop Ba Na Hills. The group built a new road to the top of the mountain to carry construction materials and other essential items, renovated Morin Hotel, created a theme park and built a spectacular cable car system to the mountain. It was the longest non-stop cable car in the world at 5,801 meters until six months ago, when Sun Group announced the opening of the almost 8km long cable car on the Island of Phu Quoc in Southern Vietnam, both built by Austrian firm Doppelmayr.

Ba Na Hills became a symbol and major attraction of Da Nang which helped the city to attract more than 5.5 million visitors in 2016, with more than 2 million visiting Ba Na Hills. With its recently expanded international airport and more airlines adding routes to Da Nang, it is now one of the most attractive destination in Vietnam.

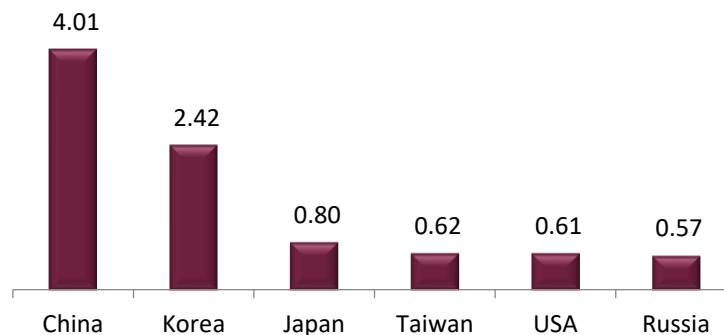
Overall, China is the largest market of Vietnam inbound tourism with 31.1% of total visitors to Vietnam, equivalent to 4 million tourists.

Destinations by International visitors in 2017 (millions)



(Source: Vietnam Tourism Department, AFC Research)

Visitors to Vietnam by country in 2017 (millions)



(Source: GSO, AFC Research)

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The number of domestic travelers also increased sharply with a fast-growing middle class. In 2017, total domestic travelers reached 73 million, growing by 18.1% compared to 2016 and are up almost 300% over the past 10 years.



(Source: Vietnam Tourism Department, AFC Research)

The Golden Hand Bridge doesn't lead to anywhere, but it is a symbol that Vietnam has left the stage some time ago where visitors came to see the country's colonial architecture amid a broader aura of poverty and remnants of war. Vietnam has to continue to create new tourist offerings if it wants to compete with other tourist destinations in Asia and around the world. The Vietnamese government is continuing to encourage national and international companies to invest in tourism as the country offers many opportunities with its 2,000 km coast line and mountainous areas.

Subscription

The next subscription deadline will be 27th August and if you would like any assistance with the investment process please be in touch with Andreas Vogelsanger.

Best regards,

AFC Vietnam Fund

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Estimated NAV as of 15th August 2018

NAV	1,760*
Since Inception	+76%*
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%	+0.13%	+0.11%	-1.83%	+0.88%	-1.76%	+15.29%
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%	+13.33%
2018	USD	+0.41%	+0.42%	+0.58%	-0.93%	-3.24%	-0.12%	-1.28%	-1.0%*					-5.1%*

*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. By accessing information contained herein, users are deemed to be representing and warranting that they are either a Hong Kong Professional Investor or are observing the applicable laws and regulations of their relevant jurisdictions.*

DISCLAIMER

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