

## 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) Limited, Cayman Islands
<b>Investment Advisor</b>	Asia Frontier Investments Limited, 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

### Contact Information

**Asia Frontier Capital Ltd.**  
www.asiafrontiercapital.com

Mr. Andreas Vogelsanger, CEO  
Asia Frontier Capital (Vietnam) Limited  
Tel: +66 84435 7472, Fax: +852 3904 1017  
av@asiafrontiercapital.com

Registered Office:  
c/o Intertrust Corporate Services (Cayman) Limited  
190 Elgin Avenue, George Town,  
Grand Cayman KY1-9005,  
Cayman Islands

Hong Kong Office:  
Asia Frontier Investments Limited  
905, 9th Floor, Loon Kee Building  
267-275 Des Voeux Road Central  
Hong Kong

Once again, the largest companies showed the highest volatility over the past month. Some of the highest weighted stocks surged 8-10% early in the month but gave everything back in the second half, before moving up slightly again in the last few days. The indices managed to gain 1.6% in HCMC and 1.5% in Hanoi. With rising volumes in small-caps we exited one of our initial investments, but overall the performance of small- and mid-cap stocks was mixed. Our NAV increased to USD 1,827 (+1.6%), according to internal calculations.

### Market Developments

With the continued volatility in blue chips we are asking ourselves what kind of return the average non-institutional investor is looking for? Sure, everybody would like to earn 20% in a 0%-interest rate environment which would translate into around 1.6% a month without much fluctuation/volatility. The reality, as we know, is quite different. Just a few months ago, back in November 2018, the end seemed to be near and people were scared to death to lose their shirts. But after a big Christmas feast and a fancy New Year's celebration investors seemed to have forgotten their worries and jumped right back into the stock market. After some gains they even became excited and bullish again.

Over the past few days a correction set in which was triggered by fears of a slowing global economy (again!) and after interest rate expectations for the USA slowly reversed. In late fall, investors feared that the FED would continue raising interest rates with at least two increases in 2019 (which would have been negative for Emerging Markets). Now people are scared of the idea that the FED could even have to lower interest rates because of the same fears investors had a few months ago – a slowing global economy.



(Vietnam Index Jan 2018 – March 2019; Source: Viet Capital Securities)

With a slowing economy in the USA and a systemically weak economy in Europe, we also see a weakening of many Asian economies. How can it be that Vietnam is still able to show good growth and other macro numbers in this environment? While Vietnam would certainly not be immune to a massive economic shock as we saw 10 years ago, current and future growth is based on two strong factors which shield the country mostly from a regular cyclical slowdown in global economic activities: First is the manufacturing shift from other countries into Vietnam and second and not less important, the growing domestic demand from a vastly increasing consumer base of nearly 100 mln people who care little about consumer concerns around the world.

## AFC VIETNAM FUND UPDATE

In Vietnam we see earnings growth of 12-14% for each 2018 and 2019, while in the US, markets fear that there will be zero earnings growth this year while the relative valuation to other markets is higher than at any time over the past several decades. US investors are therefore looking again for companies with technology-like growth and for stocks paying high dividends (average dividend yield of the Dow Jones Industrial Average is around 2.3%) which they think would lower their risk. Well, we have it all here in Vietnam – growth plus dividend yields, reaching around 7-8% on average in our portfolio.

### Relative Strength of Small Cap Index vs. Vietnam Index



(Source: HSX, VCSC, AFC Research)

Since the introduction of the Small Cap Index in Vietnam we saw one major underperformance of this index versus the Vietnam Index, which is dominated by a handful of large caps. That is exactly the same time frame where our fund also underperformed. Now we can see a bottoming process of the relative performance of small caps which should help the broader market and also our fund portfolio.

### Formula 1 breaks ground in Hanoi ahead of 2020 Vietnam Grand Prix

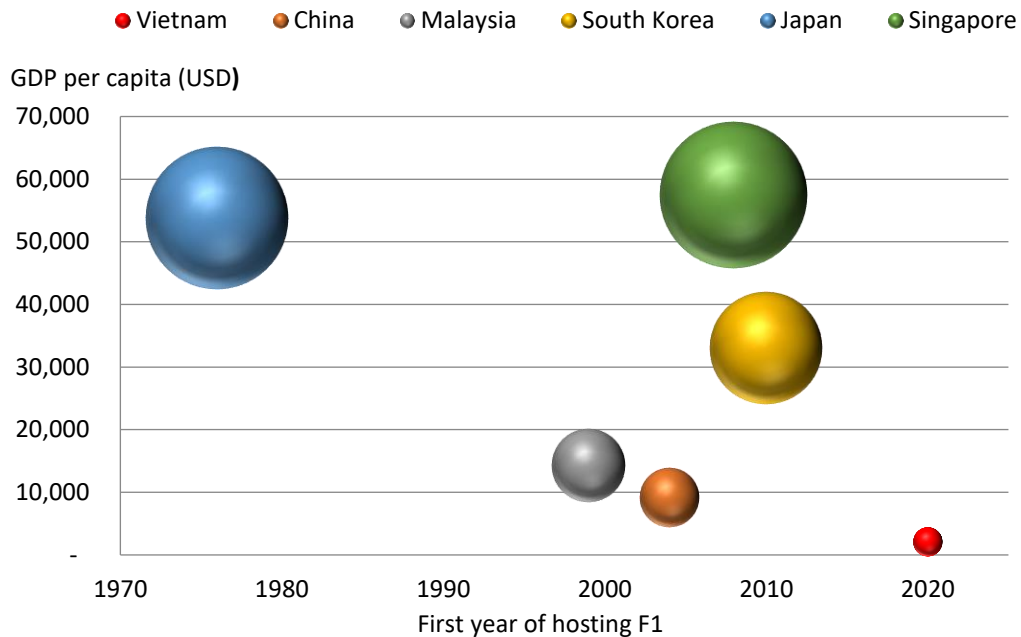
Formula 1 witnessed a ground-breaking event – literally – on 21<sup>st</sup> March as construction work officially commenced on the Hanoi Motor Sport Circuit, the track that will host the 2020 Vietnam Grand Prix, the country's first ever F1 race.

Set to become the fourth proper street race on the F1 calendar next year, alongside Monaco, Singapore and Azerbaijan, the Hanoi track will run to 5.57km and feature 22 corners, some of them borrowing heavily from iconic tracks like Suzuka and the Nuerburgring.

Vietnam is a rather low GDP per capita country compared to other F1 host nations, such as for example Singapore, Japan, South Korea, Malaysia or China. This shows again that Vietnam is becoming a trustworthy partner when it comes to megaprojects – be it in large industrial investment projects, or now in one of the most prestigious sporting event worldwide like Formula 1.

# AFC VIETNAM FUND UPDATE

## GDP per capita at first year of hosting F1



(Source: F1, AFC Research, IMF)

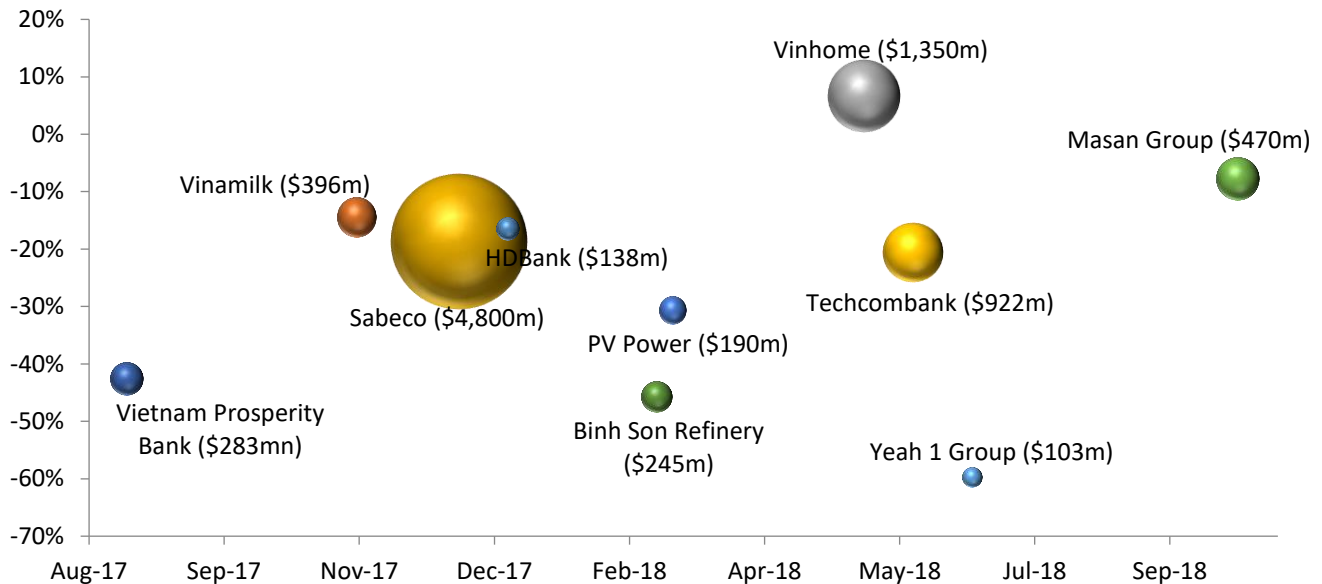
With a yearly cumulative TV audience of around 1.8 billion people, Formula 1 has 506 million global fans and an average race attendance of around 200,000 people, creating multiple layers of cultural and economic benefits for a host city. Similarly, a recent study by Price Waterhouse Coopers found that the Azerbaijan Grand Prix in Baku created USD 277.3m of increased economic value in 2016 and 2017. Singapore for example benefits every year when the nation hosts more than 450,000 international visitors, who contribute around \$1.4 bln in incremental tourism revenues. Also, several thousands of jobs are created every year during these races.

### Vietnamese IPO's are not always as hot as people think

In the last eighteen months Vietnam's stock market saw a big increase in terms of market cap, especially due to a number of companies which went public. Often the pricing of large cap IPOs was very expensive, but investors rushed to buy these stocks anyway as soon as they were listed on the exchange and hence pushed up prices sharply. This also contributed to the rise of the Vietnam index in the period of November 2017 to April 2018 before it dramatically corrected during the remainder of 2018. If you look at our bubble chart below you can see that most IPOs during the last 18 months have shown a negative performance. A lot of investors, including foreigners, were lured into this "IPO fever" and hence suffered losses in due course. We have been asked many times in the past by investors why we never participated in IPO's. Due to cumbersome processes to subscribe and trade these stocks (although, this has been improved over the past years), unattractive pricing and the lack of sufficient information beforehand (which if available is often only in Vietnamese) restrained us from getting involved since it wouldn't fit our investment philosophy.

## AFC VIETNAM FUND UPDATE

IPO performance (relative performance vs VN-Index)



(Source: Bloomberg, AFC Research)

### Economy

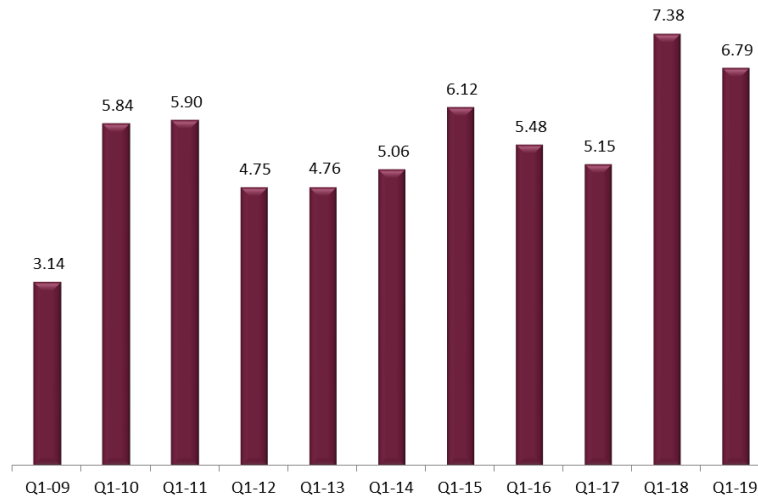
Macroeconomic Indicators					
	2014	2016	2017	2018	Mar-19
GDP	5.98%	6.21%	6.81%	7.08%	6.79%
Industrial production (YoY)	7.60%	7.5%	9.4%	10.2%	9.2%
FDI disbursement (USD bn)	12.4	15.8	17.5	19.1	4.1
Exports (USD bn)	150	176.6	213.8	244.7	58.5
Imports (USD bn)	148	174.1	211.1	237.5	58.0
Trade balance (USD bn)	2	2.5	2.7	7.2	0.5
Retail sales (YoY)	10.60%	10.2%	10.7%	11.7%	12.0%
CPI (YoY)	1.86%	4.74%	2.62%	2.98%	2.70%
VND	21,405	22,600	22,755	23,175	23,250
Credit growth (YoY)	14.00%	16.5%	17.0%	13.9%	1.9%
Foreign reserves (USD bn)	36	41	51	60	61

(Source: GSO, VCB, SBV, AFC Research)

GDP growth in Q1-2019 reached 6.79%, versus estimates of 6.50%. Vietnam continues to be one of the fastest growing economies in the region.

# AFC VIETNAM FUND UPDATE

GDP growth in 1<sup>st</sup> quarter by year (%)



(Source: GSO, AFC Research)

## Subscription

The next subscription deadline will be 24<sup>th</sup> April 2019. If you would like any assistance with the subscription process please be in touch with Andreas Vogelsanger.

Best regards,

AFC Vietnam Fund

# AFC VIETNAM FUND UPDATE

## Estimated NAV as of 31<sup>st</sup> March 2019

NAV	1,827*
Since Inception	+82.7%*
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%	-0.12%	-1.28%	+0.79%	+3.02	-2.14%	+0.45%	-2.05%	<b>-4.17%</b>
2019	USD	-1.63%	+2.90%	+1.6%*										<b>+2.8%*</b>

\*According to internal calculations

*\*The Fund has appointed Hugo Fund Services SA, 6 Cours de Rive, 1204 Geneva, Switzerland, as its Swiss Representative. NPB Neue Privat Bank AG, Limmatquai 1, 8024 Zürich, Switzerland is the Swiss Paying Agent. In Switzerland shares shall be distributed exclusively to qualified investors. The fund offering documents, articles of association and audited financial statements can be obtained free of charge from the Representative. The place of performance with respect to [shares distributed in or from Switzerland is 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

Investments in equities in Vietnam are subject to market risk, idiosyncratic risk, liquidity risk, and currency exchange rate risk. The fund may use financial derivative instruments as a part of the investment process. This document does not constitute an offer to sell, or a solicitation of an offer to buy shares in AFC Vietnam Fund. We will not make such offer or solicitation prior to the delivery of an offering memorandum, the operating agreement or articles of association, a subscription booklet, and other materials relating to the matters herein. Before making an investment decision, we advise potential investors to read these materials carefully and to consult with their tax, legal, and financial advisors. The materials have not been reviewed by the regulatory authority of any jurisdiction. Investment is open only to accredited investors as defined by the relevant legal jurisdiction of residence and/or nationality. We have compiled this information from sources we believe to be reliable, but we cannot guarantee its accuracy. We present our opinions without warranty. Past performance is no guarantee of future results. © 2019 Asia Frontier Capital Limited. All rights reserved.