29th February 2016

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

Asia Frontier Capital Ltd.
www.asiafrontiercapital.com

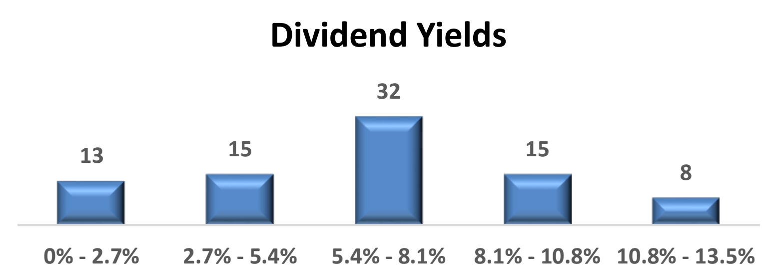
Mr. Andreas Vogelsanger, CEO
Asia Frontier Capital (Vietnam) Ltd.
Tel: +66 84435 7472, Fax: +852 3904 1017
av@asiafrontiercapital.com

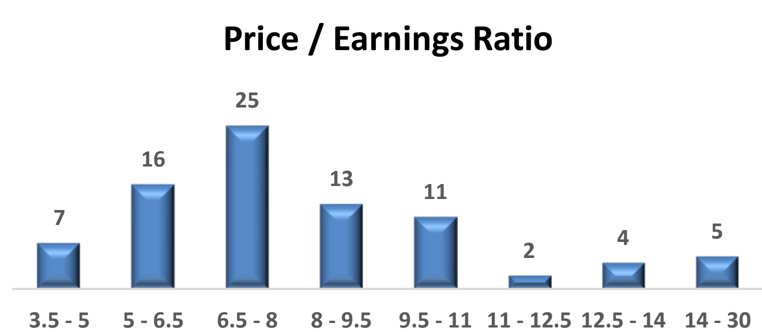
Registered Office:
c/o Elian Fiduciary Services (Cayman) Limited,
89 Nexus Way, Camana Bay, Grand Cayman,
KY1-9007, Cayman Islands

Hong Kong Office:
Asia Frontier Investments Limited
1208, 12th Floor, Loon Kee Building
267-275 Des Voeux Road Central
Hong Kong

Most fund managers in other countries might have a different view – but February was for us a rather quiet month. Contrary to general expectations, emerging markets performed much better than the so called "safe markets" in the developed world and Vietnam in turn managed to outperform within the emerging/frontier markets segment. Thanks to the heavily weighted banking stocks, Vietnam managed to make up some of the losses of the previous month, with Ho Chi Minh City +2.6% and Hanoi +2.4%. Although we don't hold any of the highly volatile banking stocks, our portfolio delivered a fairly impressive return of 3.4% in February. The Vietnamese Dong gave up part of the gains we saw in January, and hence our NAV stands now at approximately USD 1,460 (+3%), according to our internal calculation.

For us, in the long run much more important than the nervous market movements of the Dow Jones and its even more volatile European counterparts like the DAX, were the provisional year-end results of our holdings, which were published last month. Overall we were very satisfied, given that our internal forecasts were broadly correct. Compared to our forecasts after the 3rd quarter results, the average deviation for sales and profits were just +2.5% and -0.4% respectively. With the exception of one out of the 83 companies we invested in, all were operationally profitable in 2015. Only one company had a net loss because of its heavy financial investments in oil related listed stocks. Average earnings of our holdings grew at a very respectable rate of 16.5% p.a. (exclusive of extraordinary items, unweighted) and are thus well above the overall market average. As mentioned last month, the continuation of the revaluation process of our portfolio will be one of the most important performance drivers in the future. After all, thanks to this earnings growth, the average price earnings ratio of our holdings has declined to its lowest level since the launch of fund and is currently at 6.8 x (median, unweighted).

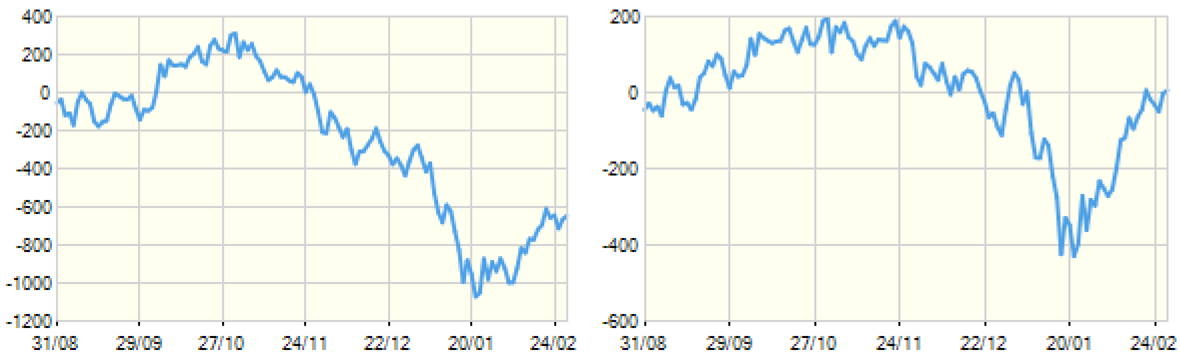




Portfolio: Dividend yields and P/E's; source: AFC

The very wide diversification, the high average very dividend yield and the favourable valuation of our portfolio are resulting in an extremely low volatility of only 10.4% since inception and hence the Sharp ratio over this period is at about 1.4.

Of great positive significance is also the improved sentiment among domestic investors. A generally more positive consumer confidence will eventually also be reflected in higher investments in the stock market in the future. It is important to mention again that around 90% of the stock market volume is transacted by domestic, mainly retail investors, but domestic institutional funds will certainly grow and gain importance in the coming years. Regardless of the global trend, there is now finally a broad recovery in the market taking place, especially in for us the so important small- and mid-cap segment. In addition to M&A fantasies in the banking sector, also increased announcements by companies about raising their foreign ownership limits are probably the reasons for this improved market sentiment.



Advance-Decline Ratio: Ho Chi Minh and Hanoi (6 months), source: Stockbiz.vn

After two years of strong recovery of the stock market from the recent low in 2011 (Ho Chi Minh City) and 2012 (Hanoi) was followed by a relatively disappointing performance since spring 2014, despite a significant recovery of the economy at the same time. As the Hungarian stock market guru André Kostolany (1906-1999) used to say, the stock market and the economy are behaving like a dog and his master. Sometimes the dog is running behind, then he is running in front again - but they will both go in the same direction. That is exactly how we currently see the stock market in Vietnam. The only problem is - we do not have any clue how long the leash is! During my 30 years of market experience, my single biggest mistake was to sell my positions too early because of external events and/or fears and hence was not able to capture the biggest opportunities.

As the past two months, but also the first two years since launch of our fund have shown, Vietnam is in a very favourite and privileged economic situation and provided that no serious economic policy mistakes are made, it should nicely benefit from this over many years to come. All 2016 macroeconomic data which has been released so far, also emphasize this - as inflation, trade balance or consumer confidence. There are more and more signs that the 5-year bear market in the emerging markets is coming to an end, which would be extremely positive for the Vietnamese stock market.

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