

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	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

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 Intertrust Cayman Islands
190 Elgin Avenue, George Town
KY1-9007, Cayman Islands

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



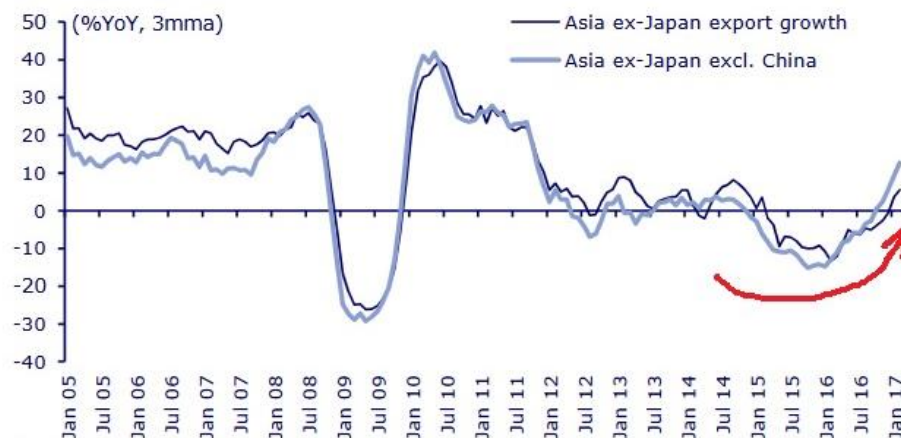
The broader market was slightly lower in the first two weeks of April. Awaiting first quarter 2017 company results, stocks consolidated across the board with both indices being down slightly in local currency terms. HCMC was down -0.5% while Hanoi retreated -1.3%. According to internal calculations the NAV of our fund was down -1.1% at approximately USD 1,700.

Market developments

Vietnam is slowly getting the long overdue attention of international investors it very much deserves. The country's high economic growth was only slightly interrupted in the first quarter of 2017 because of reduced oil output as described further below, but the general outlook for the Vietnamese economy remains very positive. Therefore, it is not a surprise that after strong outflows of USD 360 million in 2016, the first quarter of 2017 saw inflows of USD 165 million into the local stock markets.

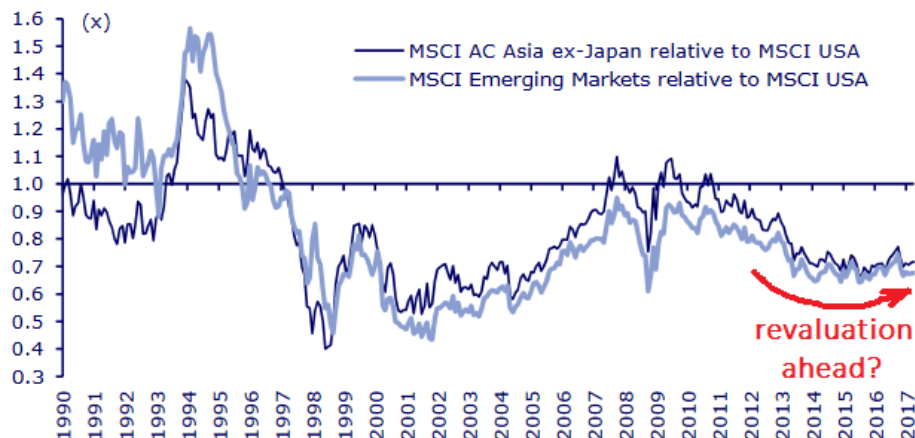
With increasing signs of a more synchronized global growth trend, especially so in Asia, this would certainly help to shift investment flows from overpriced developed stock markets into the more attractively valued emerging markets.

Asia ex-Japan export growth in US dollar terms



Source: CEIC Data, CLSA

MSCI Asia ex-Japan and EM 12-month-forward PE premium/discount to the US



Source: I/B/E/S, Datastream, CLSA

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In fact, we could well see a relative outperformance of Asian emerging markets which could last for several years. With a current discount of 30%, emerging markets would have to rally about 50% relative to the US market in order to merely trade on par to its 10-year average.

MSCI Emerging Markets relative to MSCI AC World



Source: Datastream, CLSA

With its increasing market share of the global export pie, coupled with rapid domestic consumption and a well-educated population, we see Vietnam as being a key growth driver of ASEAN over the coming years.

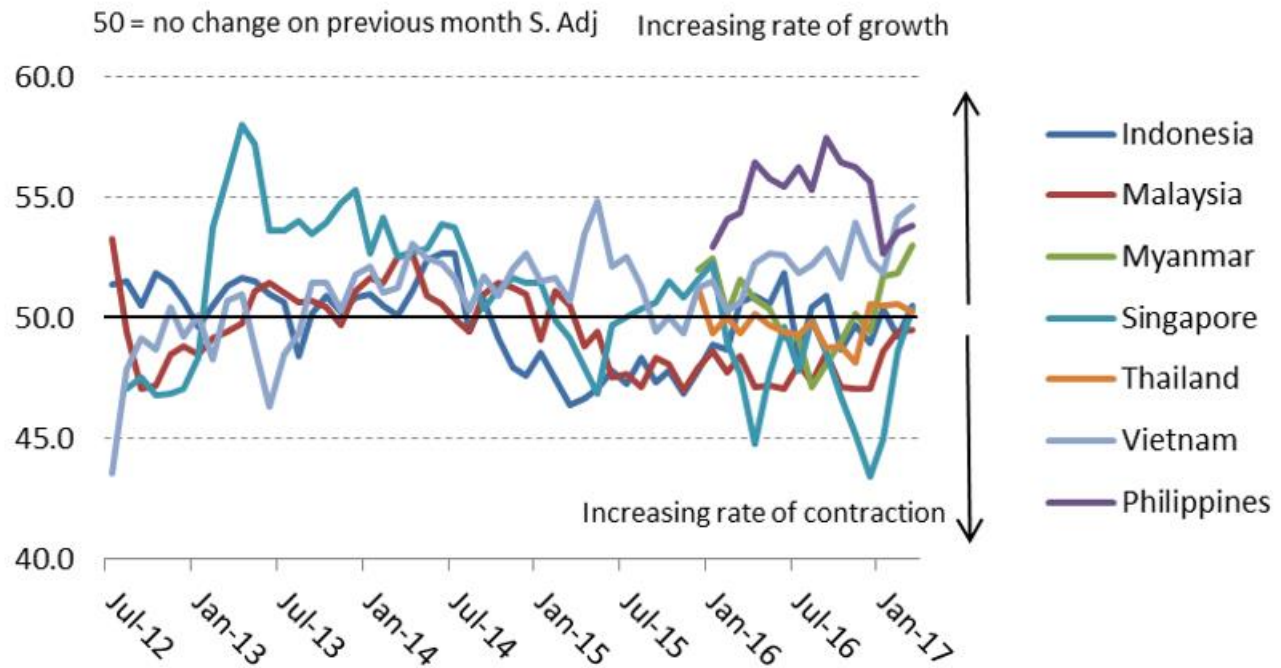
Economy

PMI surges up in 1Q to lead ASEAN countries

The Vietnamese manufacturing sector ended the first quarter of the year on a positive note, with sharper growth from manufacturing output recorded in March amid another strong increase in new orders. Rising workloads led to a marked expansion of purchasing activity and the fastest gain in employment since September last year. Meanwhile, input cost inflation rose to its highest level in almost six years amid higher raw material prices

The headline Nikkei Vietnam Manufacturing Purchasing Managers' Index (PMI) – a composite single-figure indicator of manufacturing performance – posted 54.6 in March, up from 54.2 in February, signaling a solid monthly improvement in the health of the sector. Vietnamese PMI ranks first among its ASEAN peers and is followed by the Philippines (53.8), Myanmar (53.1), Indonesia (50.5), Singapore (50.4), Thailand (50.2) and Malaysia (49.5) accordingly.

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Sources: Nikkei, IHS Markit

Q1 GDP growth impacted due to low oil production

The Vietnamese Ministry of Planning and Investment said that the Q1 GDP 2017 growth rate stood at 5.1%, which is significantly lower than Q1 2016, mainly due to lower production of crude oil. Due to the low oil price Vietnam decided to cut total production from 15 million tons to 12.8 million tons which reduced economic growth substantially. Without this production cut, the Q1 2017 GDP growth rate would have been 5.95%, substantially higher than Q1 2016. The Vietnamese Ministry of Planning and Investment is therefore unconcerned about the growth rate for 2017 and is confident that it will be higher than last year as FDI continues to grow strongly coupled with continued government commitments to support the economy with loose monetary policy and keep inflation under control.

Other economic indicators are also pointing to sustainable economic growth for the foreseeable future.

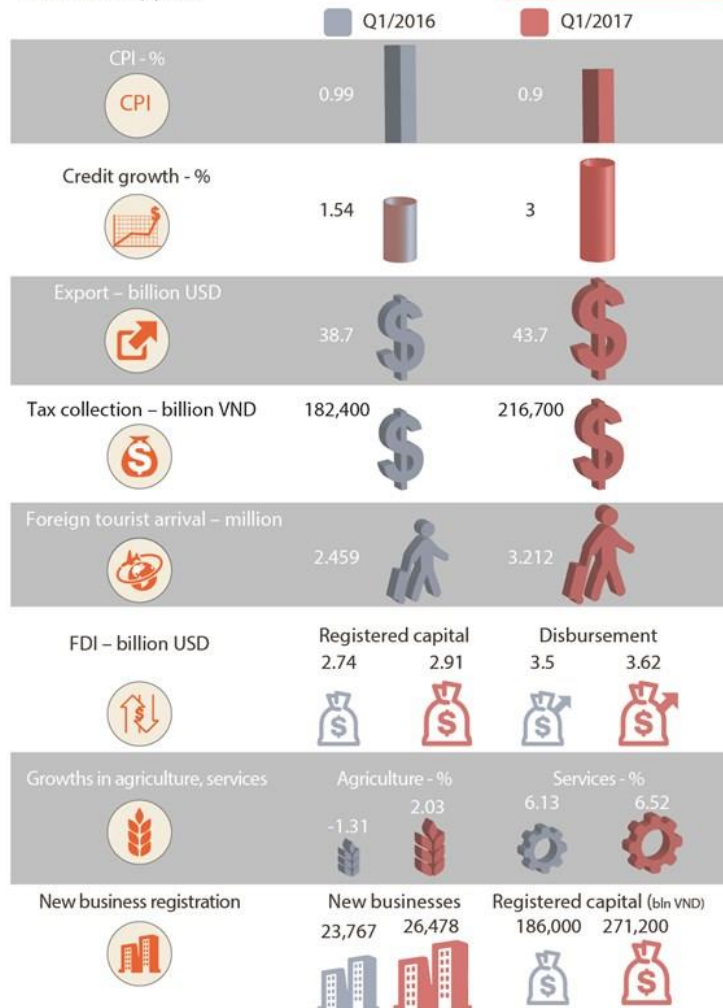
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10 positive signs of Vietnam's economy

Vietnam saw macro-economic stability and growths in export, agriculture, service and more in Q1, 2017



Macro-economic stability



Business climate continues to be improved.

<http://infographics.vn>

Source: The Government, General Statistics Office of Vietnam



Credit growth in Q1 2017

The State Bank of Vietnam announced that credit growth accelerated to 4.03% in Q1 2017, the highest growth rate of the past three years. This was mainly due to commercial banks being more flexible and open to lend, as well as enterprises being able to expand their businesses.

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Vietnam's economy seems to be on track given the encouraging Purchasing Manufacturing Index in March and the high number of newly established enterprises in the first quarter of 2017.

Subscription

The subscription deadline for this month will be the 24th April 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 15th April 2017

NAV	USD 1,700*
Since Inception	+70%*
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%	-1.1%*									+3.9%*

*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.*

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