



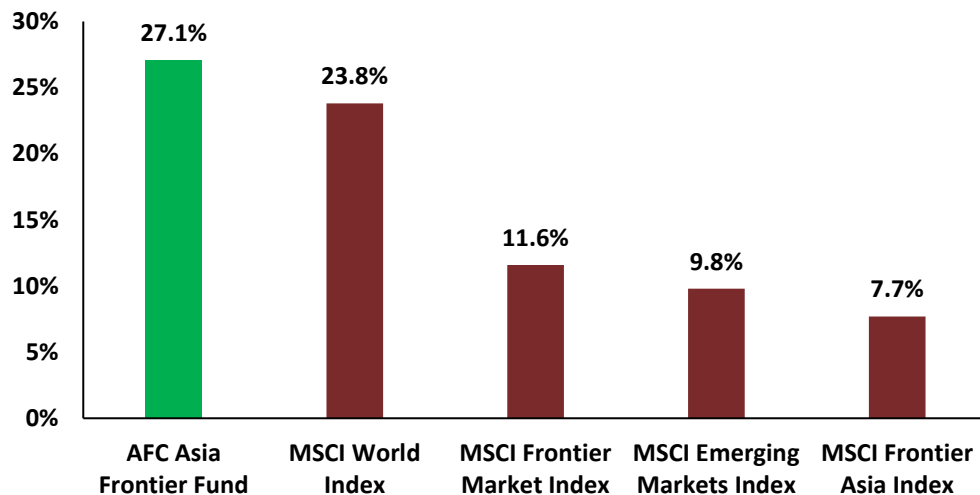
AFC Quarterly Webinar
January 2024

AFC Quarterly Webinar – January 2024

AFC Asia Frontier Fund

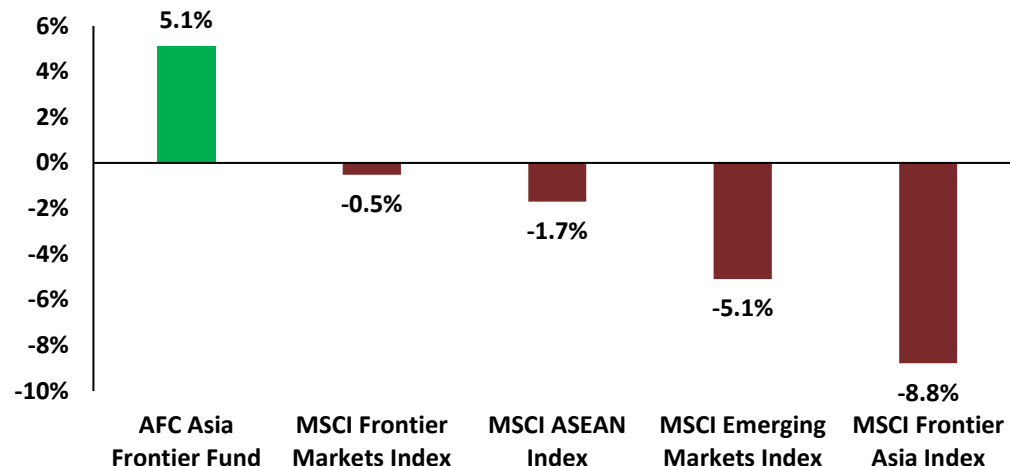
AFC Asia Frontier Fund Reported its Best Annual Performance

AFC Asia Frontier Fund Outperformed Global Markets in 2023 (Total Returns in USD)



Source: Bloomberg, total USD returns between 30th December 2022 – 29th December 2023

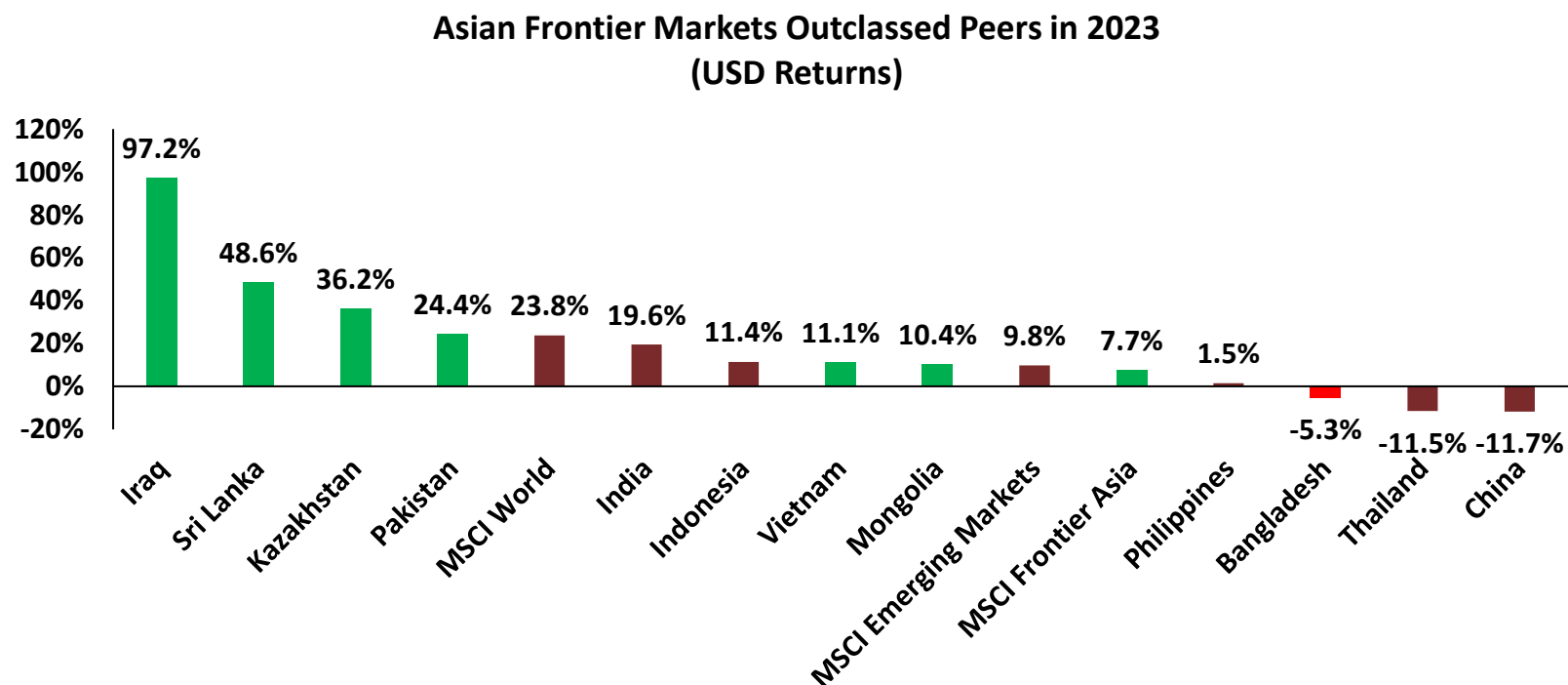
AFC Asia Frontier Fund has also Outperformed Key Asian Benchmarks in the last 3 Years (Annualised Total Returns in USD)



Source: Bloomberg, total USD returns between 31st December 2020 – 29th December 2023

- Key positive contributors to performance: Iraq, Kazakhstan, Sri Lanka, Pakistan, Vietnam, Georgia, and Cambodia.
- AFC Asia Frontier Fund is outperforming the region.
- Asian frontier markets are still overlooked despite performing.
- [Read more in our AFC Asia Frontier Fund – 2023 Review and Outlook for 2024.](#)

Asian Frontier Markets Significantly Outperformed Peers in 2023

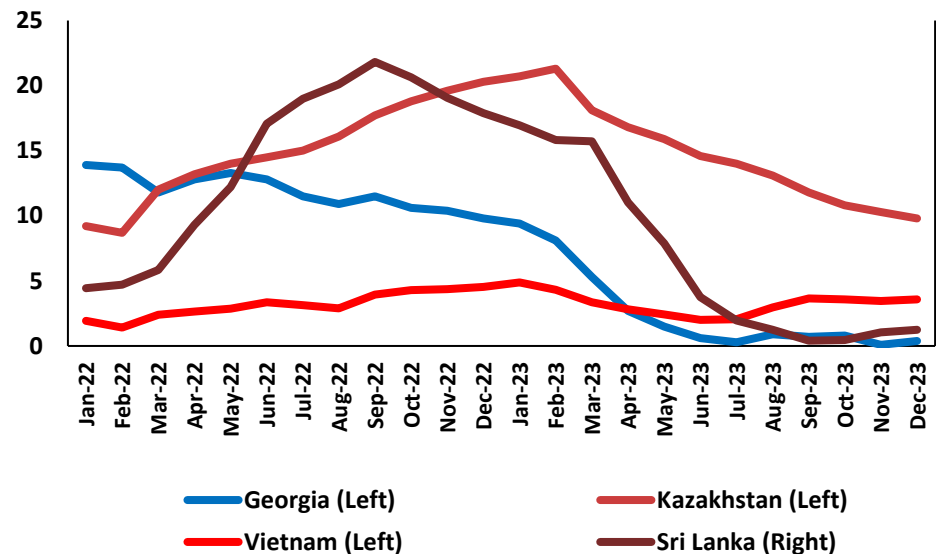


Source: Bloomberg, USD returns between 30th December 2022 – 29th December 2023

- Asian frontier markets significantly outperformed the region in 2023.
- We were positive on Asian frontier markets since the end of 2022 – the rally does not surprise us.

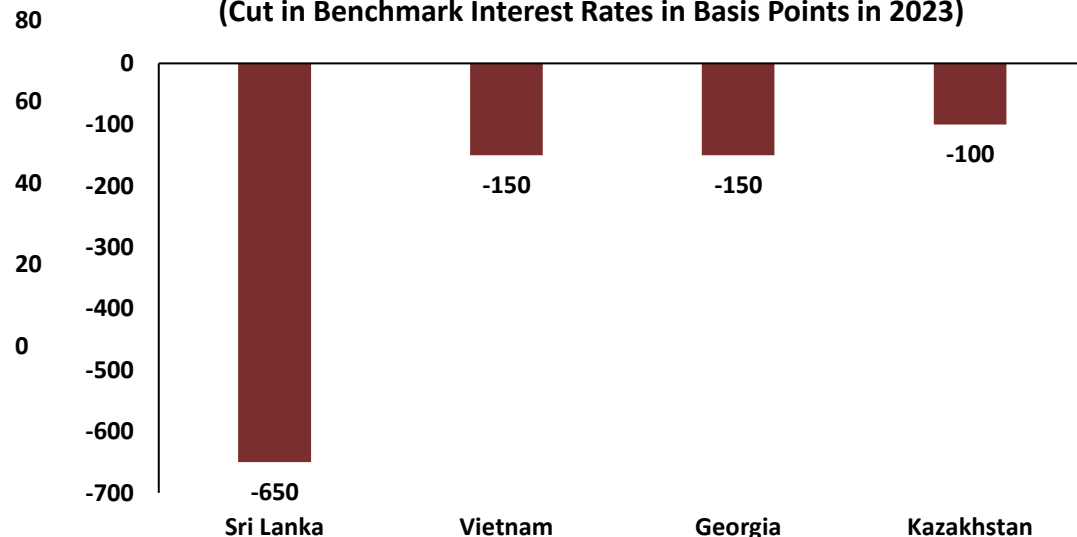
Macro Headwinds in 2022 Turned into Tailwinds in 2023

Falling Inflation was a Key Driver of Improving Macro Stability in Asian Frontier Markets



Source: Bloomberg

Asian Frontier Central Banks Cutting Interest Rates was Positive for Investor Sentiment
(Cut in Benchmark Interest Rates in Basis Points in 2023)

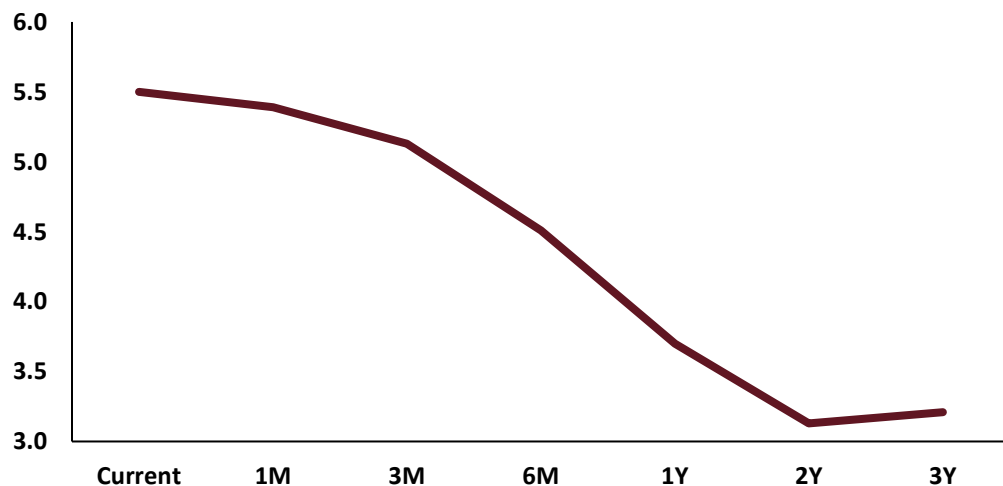


Source: Bloomberg

- Falling inflation and lower interest was one of the key triggers for the rally in Asian frontier markets.
- We expect monetary easing to continue in our universe.
- Discounted valuations also supported the on-going re-rating.

2024 Outlook – Monetary Easing by Global Central Banks

The Start of an Easing Cycle by the U.S. Fed will be Very Positive for Asian Frontier Markets (U.S. Fed Fund Futures in %)



Source: Bloomberg

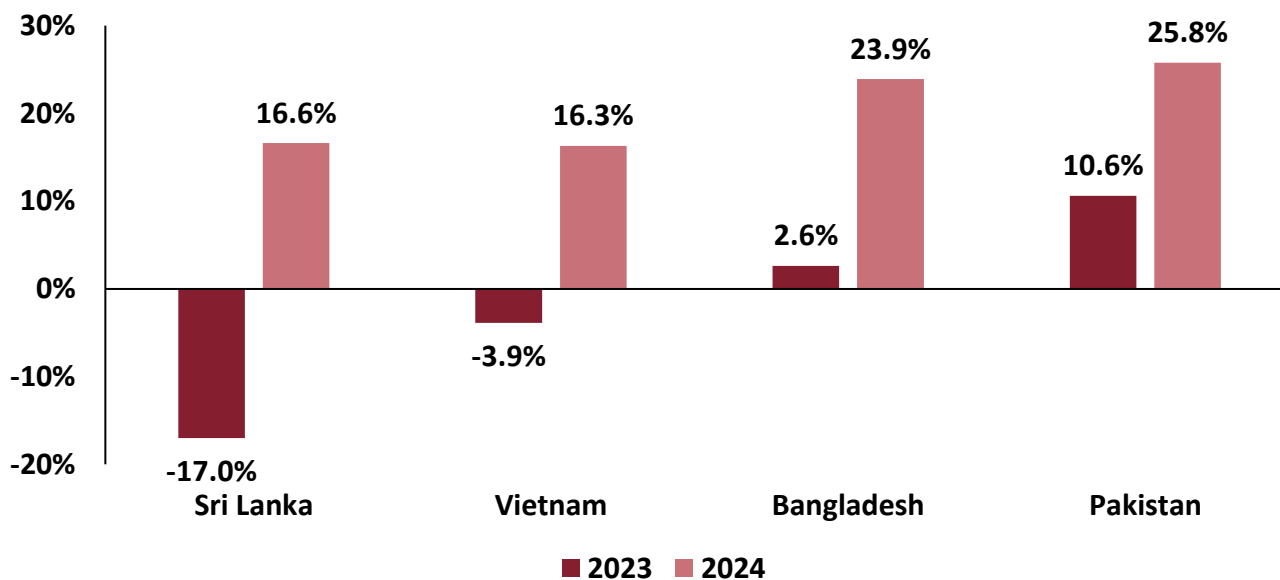
Benchmark Interest Rates at All Time High in Pakistan – 2024 Can Potentially See Aggressive Interest Rate Cuts



Source: Bloomberg

- Markets expect the U.S. Fed to begin cutting interest rates in 2024.
- The big picture is a dovish Fed will be positive for frontier and emerging markets.
- We expect the State Bank of Pakistan to reduce interest rates aggressively in 2024.

A Strong Earnings Recovery will Support the Ongoing Re-rating in Asian Frontier Markets

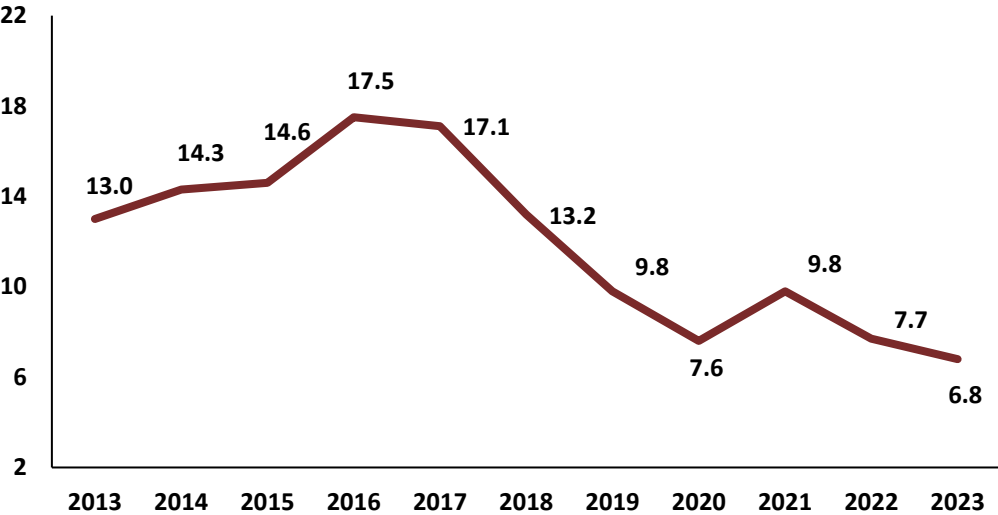


Source: CT CLSA Securities, EFG Hermes, IMS Securities, SSI Securities

- Earnings will see a recovery in 2024 from a low base which will also be positive for investor sentiment.
- Bangladesh, Pakistan, Sri Lanka, and Vietnam should lead the earnings recovery in our universe.

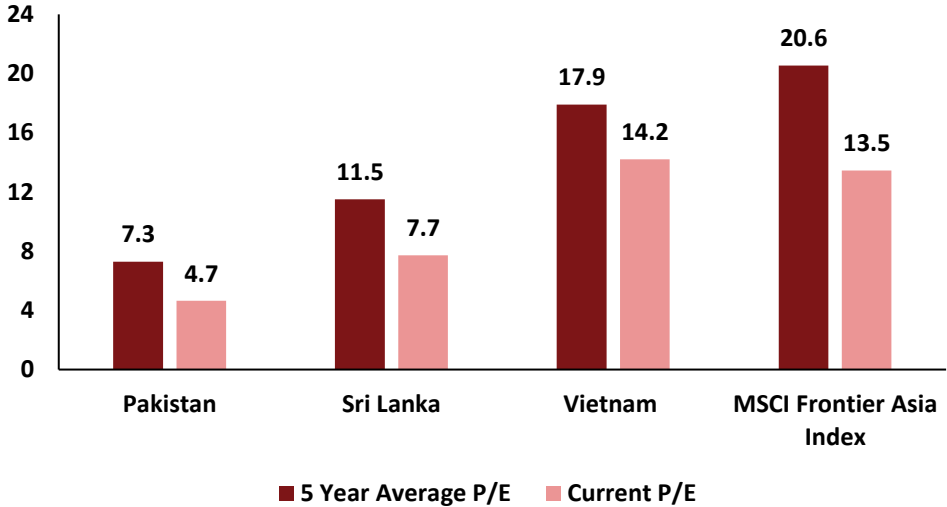
2024 Outlook – Discounted Valuations

The AFC Asia Frontier Fund Trades at a Very Low P/E ratio Despite a Strong 2023 Performance



Source: Bloomberg

Valuations at a Big Discount to History in Asian Frontier Markets



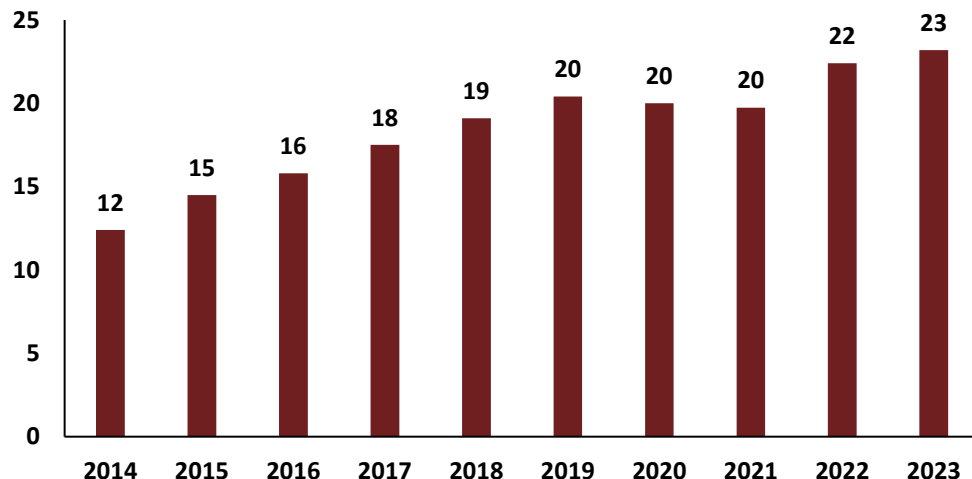
Source: Bloomberg

- Two very important tailwinds in place to re-rate valuations upwards
 - (1) Lower interest rates.
 - (2) Earnings recovery.

- 2023 was only the start of the rally in Asian frontier markets.

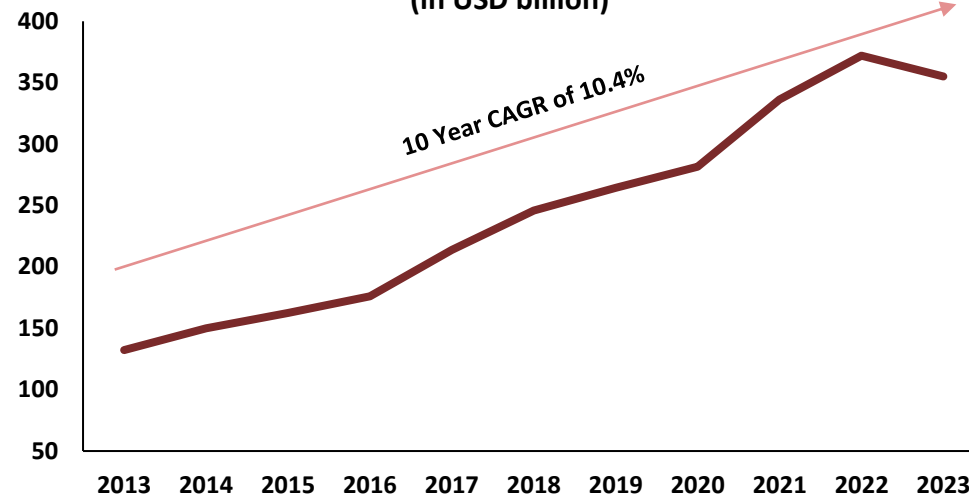
Vietnam is the Prime Beneficiary in Asia of the Supply Chain Shift

Foreign Direct Investments Continues to Pour into Vietnam
(in USD billion)



Source: Vietcap Securities

Long Term Trend for Vietnam Exports Still Positive
(in USD billion)

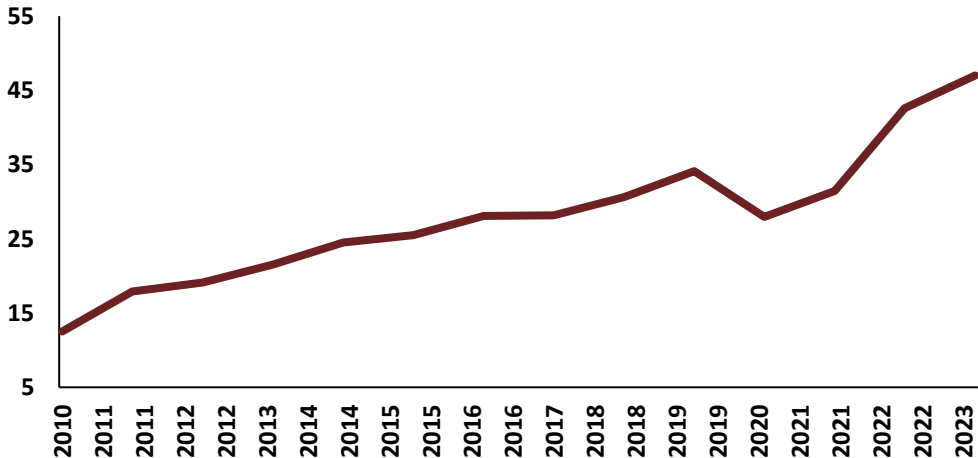


Source: SSI Securities

- Comprehensive Strategic Partnership with the U.S. will strengthen Vietnam's trade flows.
- Foreign direct investments into Vietnam still solid despite slower global growth.
- Vietnam's access to free trade agreements will support future export growth.

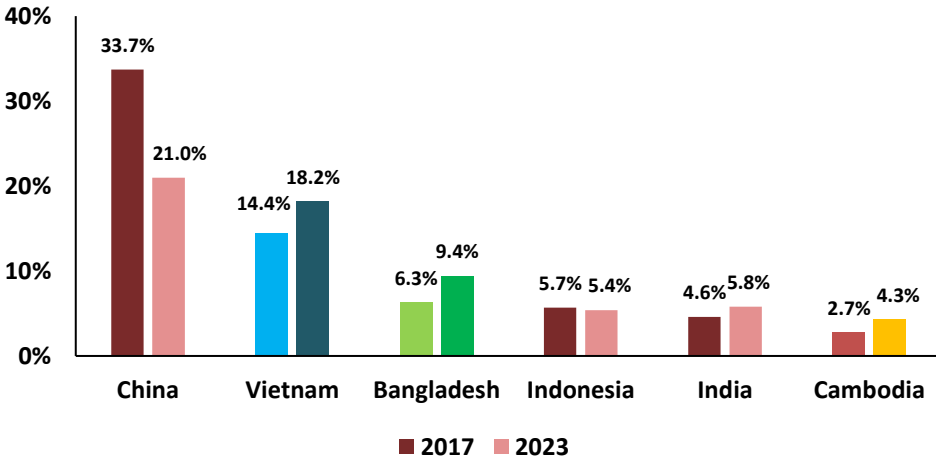
Bangladesh also Benefitting from Shifting Supply Chains

Bangladesh Garment Exports have been Resilient (in USD billion)



Source: Bangladesh Garment Manufacturers & Exporters Association, financial year ending June

Post the trade war, Asian frontier countries have increased market share in U.S. apparel imports

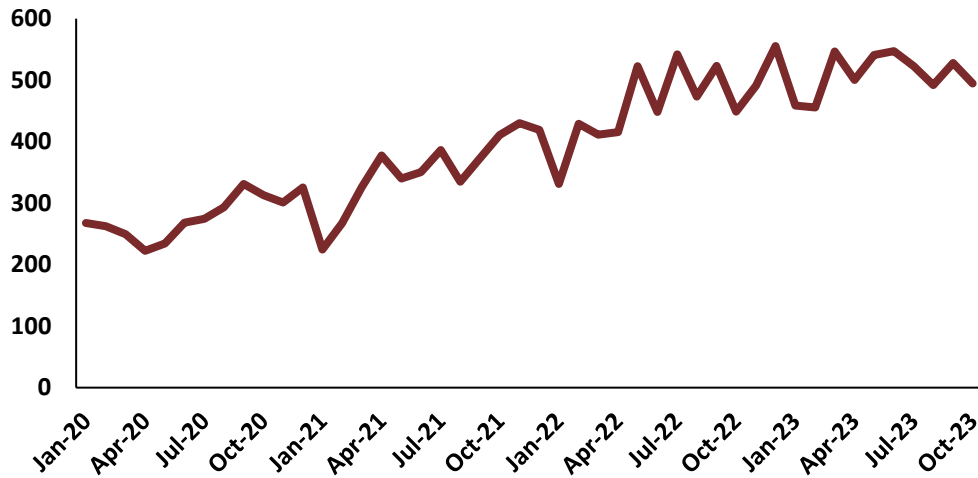


Source: U.S. Office of Textiles and Apparel Trade Data

- Bangladesh garment exports have been resilient and grew by 10.3% in FY23.
- Asian frontier countries have gained market share in garment exports post the U.S-China trade tensions.

Supply Chain Diversification in Central Asia – Georgia the Key Beneficiary

Georgia exports have gained momentum from shifting supply chains
(monthly exports in USD million)



Source: Galt & Taggart

Trans-Caspian International Transport Route (TITR)



Source: www.middlecorridor.com

- Georgia is the key beneficiary of the supply chain shift in Central Asia. 11M 2023 GDP growth of 6.9% till after 2022 GDP growth of 10.1%.
- The Trans-Caspian International Transport Route is seeing an increase in volumes.

AFC Asia Frontier Fund Top Picks Valued Very Attractively with Strong Earnings Growth in 2024

Ticker	Company	Country	Sector	Marketcap (USD mn)	2024 P/E	2024 EPS Growth	RoE (%)
HSBK LI Equity	Halyk Bank	Kazakhstan	Financials	4,052	3.1	14%	33
LUCK PK Equity	Lucky Cement	Pakistan	Diversified	824	3.9	67%	32
TBCG LN Equity	TBC Bank Group	Georgia	Financials	2,018	4.1	14%	25
SUN SL Equity	Sunshine Holdings	Sri Lanka	Consumer Staples/Healthcare	81	4.9	8%	17
KSPI LI Equity	Kaspi	Kazakhstan	Fintech	18,592	8.2	24%	89
SQUARE BD Equity	Square Pharmaceuticals	Bangladesh	Healthcare	1,706	9.0	10%	17
INDU PK Equity	Indus Motor	Pakistan	Consumer Discretionary	395	9.5	20%	20
KAP LI Equity	Kazatomprom	Kazakhstan	Materials	12,073	10.6	44%	26
BXPBAR BD Equity	Beximco Pharma	Bangladesh	Healthcare	595	11.2	31%	11
VCB VN Equity	Vietcom Bank	Vietnam	Financials	20,545	13.5	23%	18
PNJ VN Equity	Phu Nhuan Jewelry	Vietnam	Consumer Discretionary	1,163	13.8	16%	20
GMD VN Equity	Gemadept	Vietnam	Industrials	870	15.6	21%	29
FPT VN Equity	FPT Corp.	Vietnam	Technology	4,938	15.9	23%	28

Source: AFC Research, Bloomberg

- The fund's top picks are well placed with respect to fundamentals.
- Top picks well leveraged to earnings recovery in 2024.

Key Message – Remain Positive in 2024

AFC Asia Frontier Fund Portfolio Fundamentals Well Placed to Re-Rate

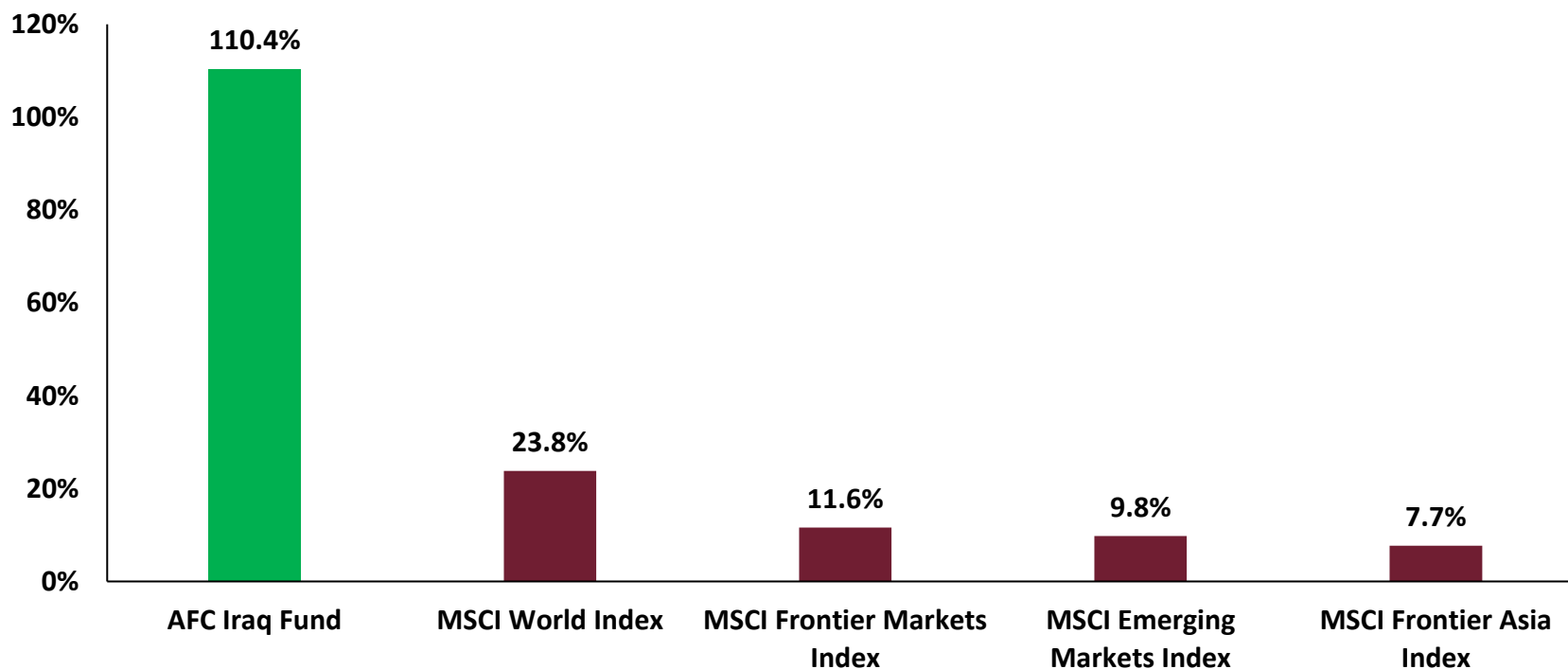
P/E	P/B	P/Cash Flow	Dividend Yield	Return on Equity	Debt/Equity ratio	Historical 3 Year Earnings CAGR
6.8	1.4	8.1	3.3%	28.9%	0.5	17.6%

Source: AFC Research, Bloomberg, P/E is trailing 12 months, as of 31st December 2023

- The AFC Asia Frontier Fund and Asian frontier markets witnessed a strong rally in 2023 – in line with our call at the start of 2023.
- Expect the positive momentum to continue in 2024 – key triggers of monetary easing and earnings recovery are in place. This is backed by still discounted valuations.
- Risk related noise will remain (Middle East, U.S. election, etc.) but central banks getting less hawkish is a huge positive.
- We are positive on recovery story in Bangladesh, Pakistan, and Sri Lanka.
- Central Asian countries like Georgia, Kazakhstan, and Uzbekistan remain solid investment cases.
- Vietnam is the key beneficiary in Asia from the global supply chain shift.
- 2024 should be a good year for Asian frontier markets.

AFC Iraq Fund

The AFC Iraq Fund is the Best Performing Long-Only Fund Globally in 2023 – Staying Invested in Asian Frontier Markets is Important (Total Returns in USD)

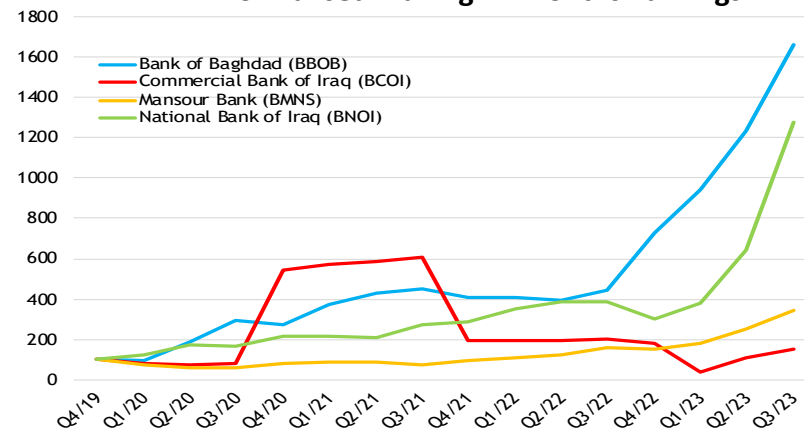


Source: Bloomberg, total USD returns between 30th December 2022 – 29th December 2023

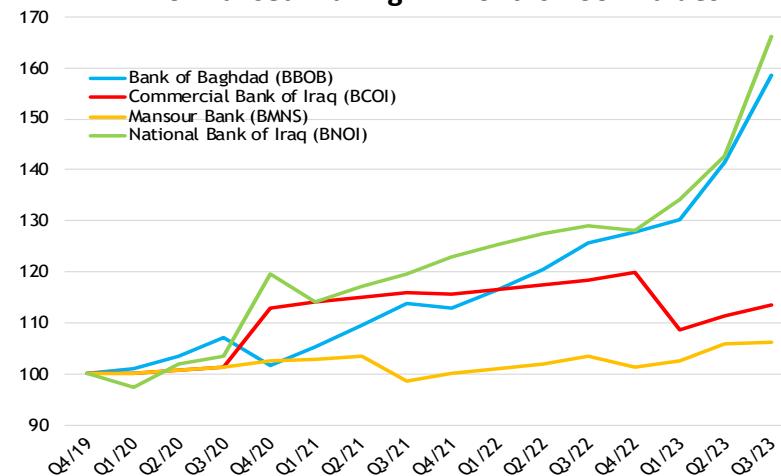
Accelerating the Adoption of Banking

- The catalyst for this development was the Central Bank of Iraq's (CBI) new procedural requirements for its provisioning of U.S. dollars for cross-border transfers in mid-November 2022. Part of an ongoing process of encouraging the economy's increased adoption of banking.
- Created the economic incentives for informal companies to transfer to formality and to access the banking sector for the first time .
- Disproportionally benefited the top-quality banks, who experienced fast growth in 2023 as seen by trailing 12-month earnings, and book values in Q4/19 - Q3/23.

Normalised Trailing 12 months Earnings



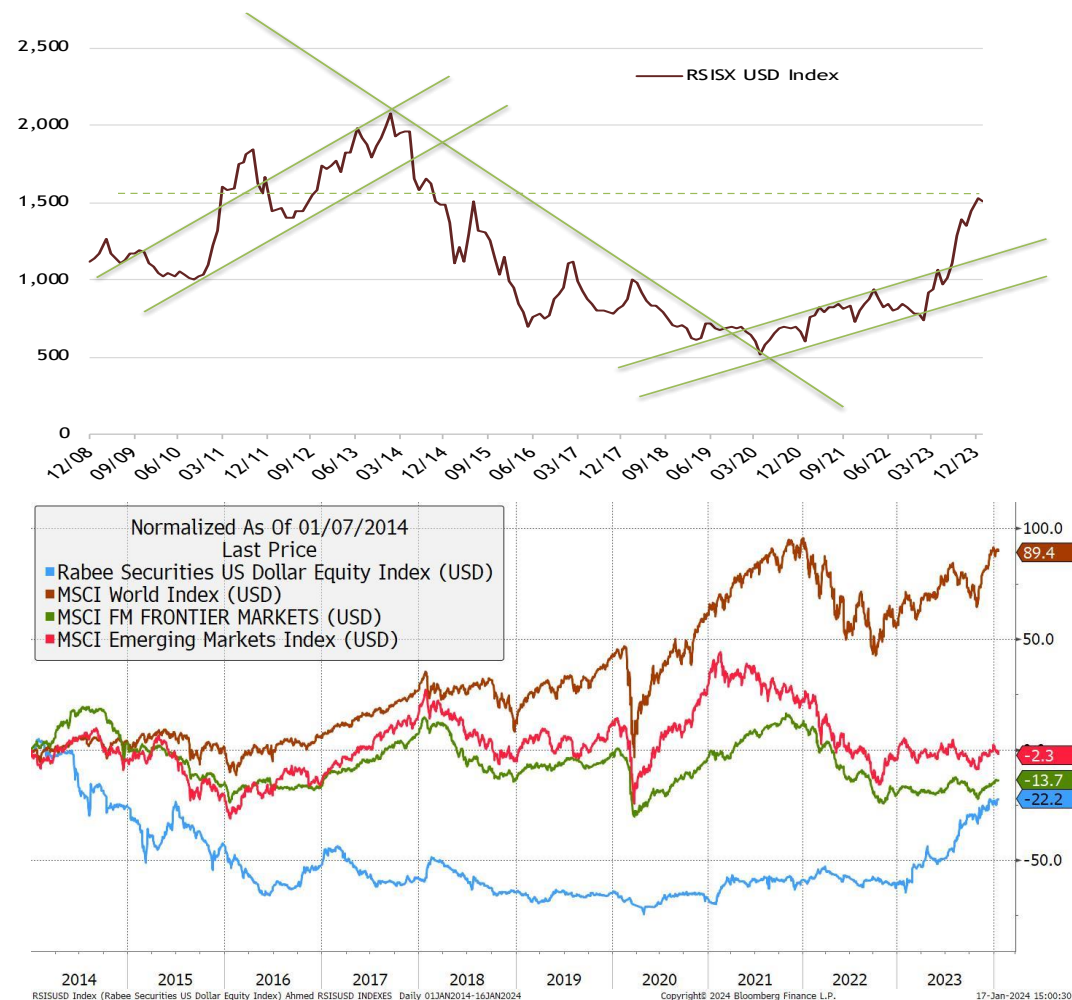
Normalised Trailing 12 months Book Values



Source: Company reports, Rabee Securities, AFC Research. data of Q3/2023

Iraq is in the early stages of emerging from a brutal multi-year bear market

- In the early phases of emerging from a brutal seven-year bear market in which the RSISX USD Index was down 25.4% in 2014, 22.7% in 2015, 17.4% in 2016, 11.8% in 2017, 15% in 2018, 1.3% in 2019, and -5.4% in 2020 – for a cumulative decline of 66.6%.
- The index even after the 97.2% increase in 2023, it is still 26.2% below the all-time high achieved in early 2014 before the onset of the bear market. The fund was up 110.4 in 2023 but its risk-reward proposition still attractive versus other markets. The Index is up 0.6% and the fund an estimated up 2.8% as of 18th January.
- Attractive risk-reward profile versus other global markets.



Source: Iraq Stock Exchange, Rabee Securities, Bloomberg, AFC Research. Top chart data as of 9th January, Bottom chart data as of 16th January

AFC Uzbekistan Fund



State-owned IPOs Commenced in December 2023

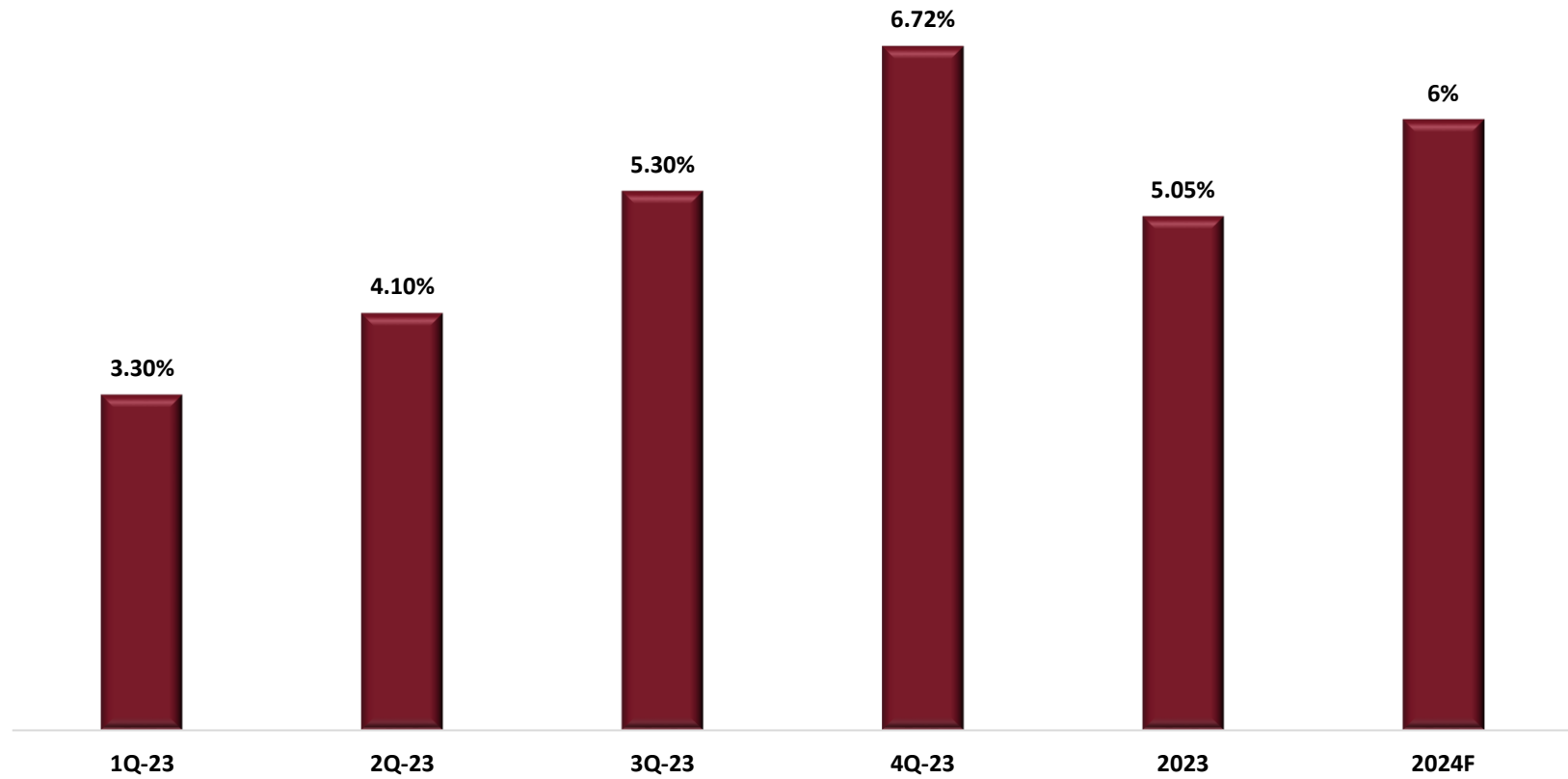
- 15th December 2% of Uzbek Telecom and UzbekInvest privatized.
- Uzbek Telecom: 83% market share in broadband and 24% in mobile, 131% oversubscribed.
- UzbekInvest: 15% market share, 128% oversubscribed.
- 11,100 investors participated.
- On the horizon Uzmetskombinat secondary offering planned this year



- Starting in 2024 employees can invest the equivalent of one month of salary in an employee stock ownership plan to purchase securities on the Tashkent Stock Exchange to offset taxable income.
- Minimum holding period of one-year.
- Focus on corporate and government bonds & equities.
- Marketing of this program will be essential for its success.

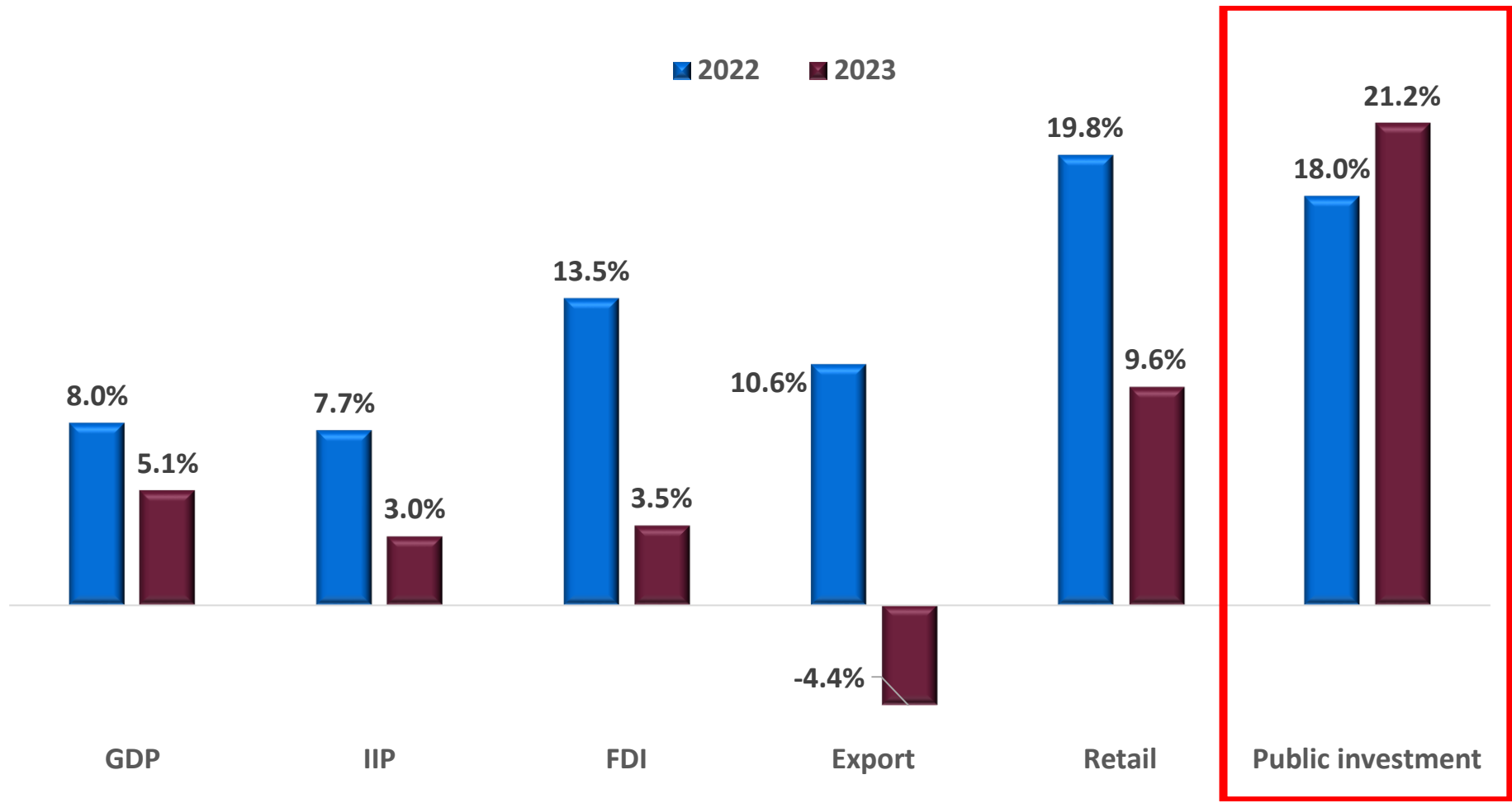
AFC Vietnam Fund

The Worst is Over



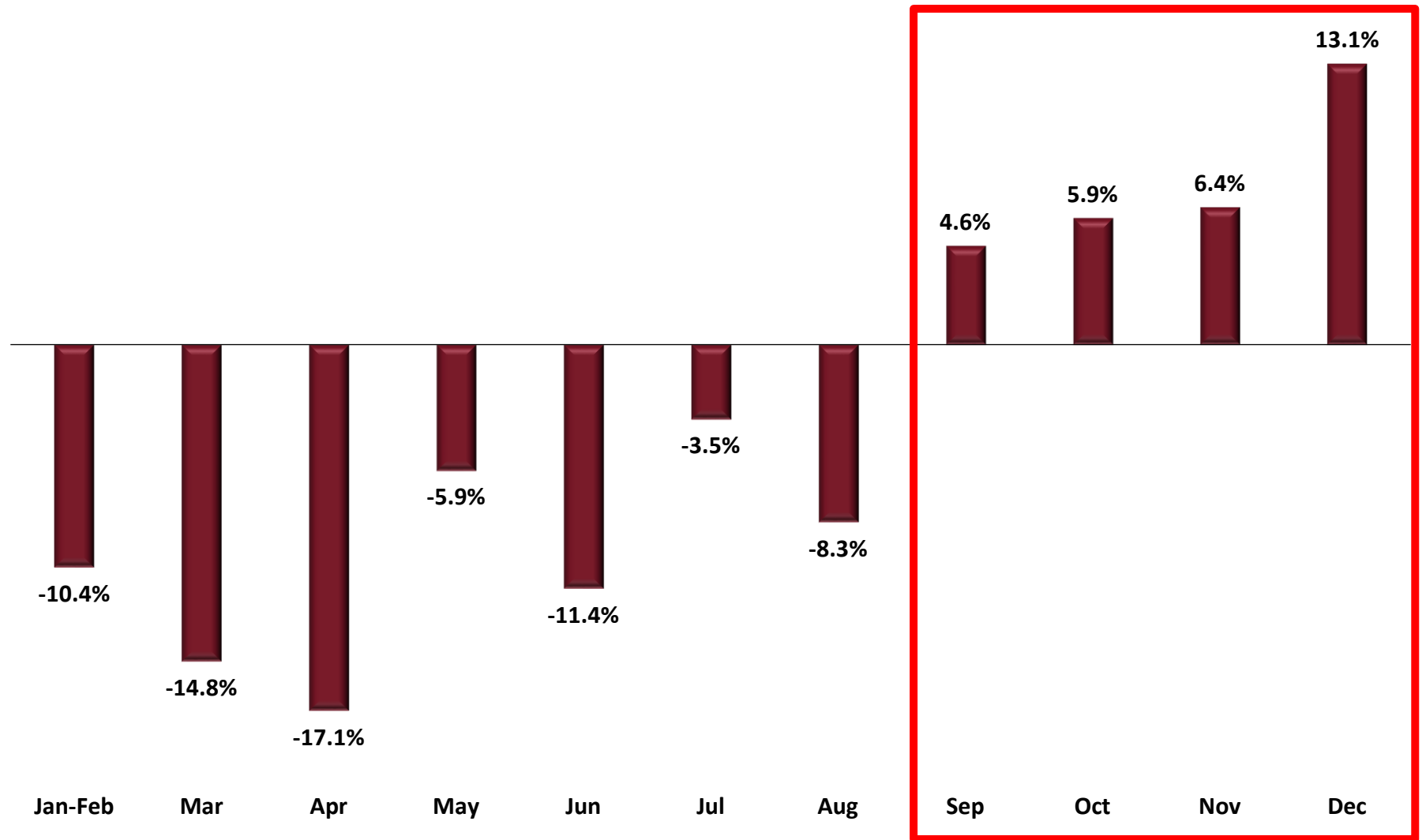
Source: GSO, AFC Research

Government is Spending to Push Economy



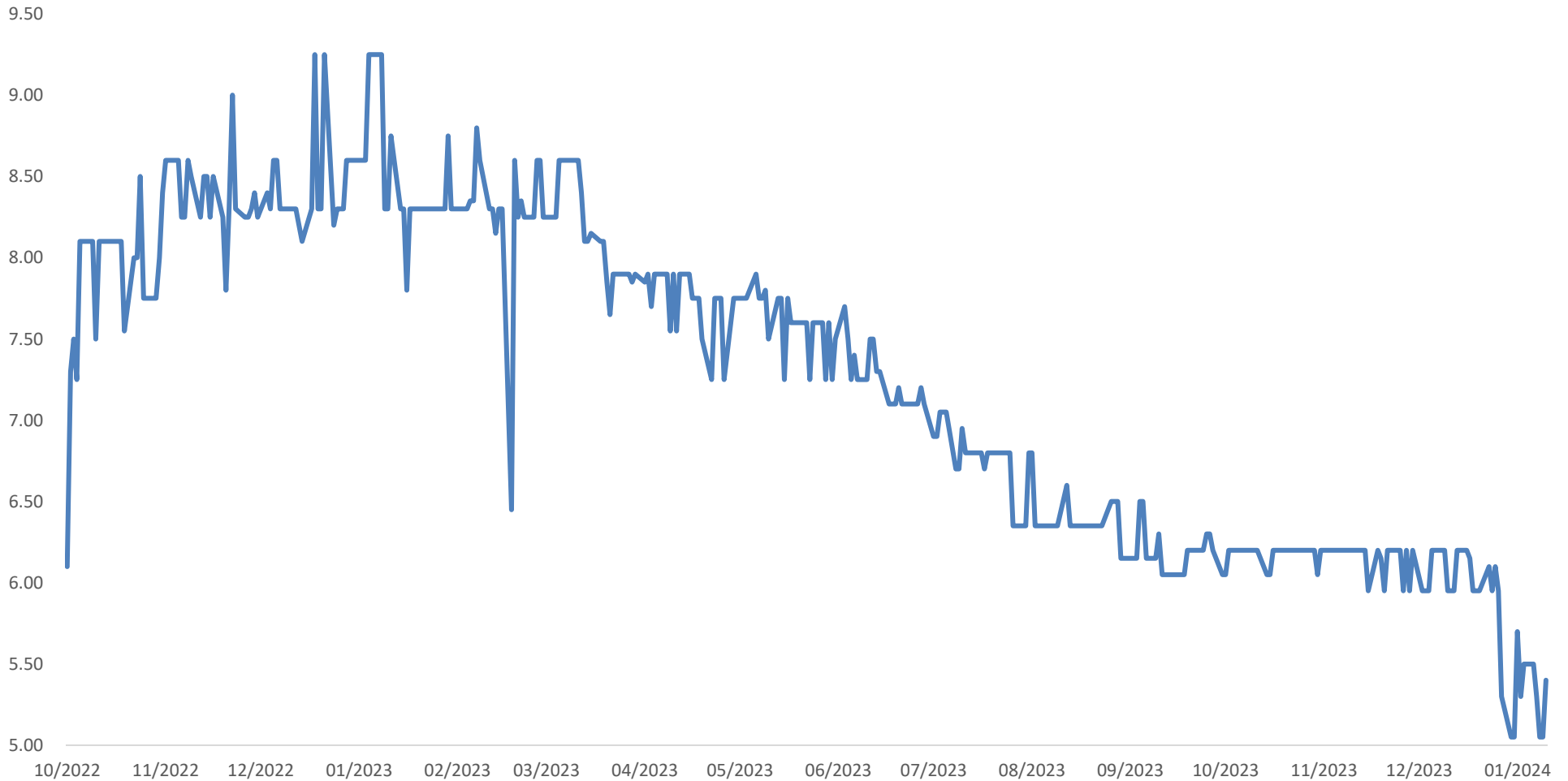
Source: GSO, AFC Research

Export Strongly Recovers

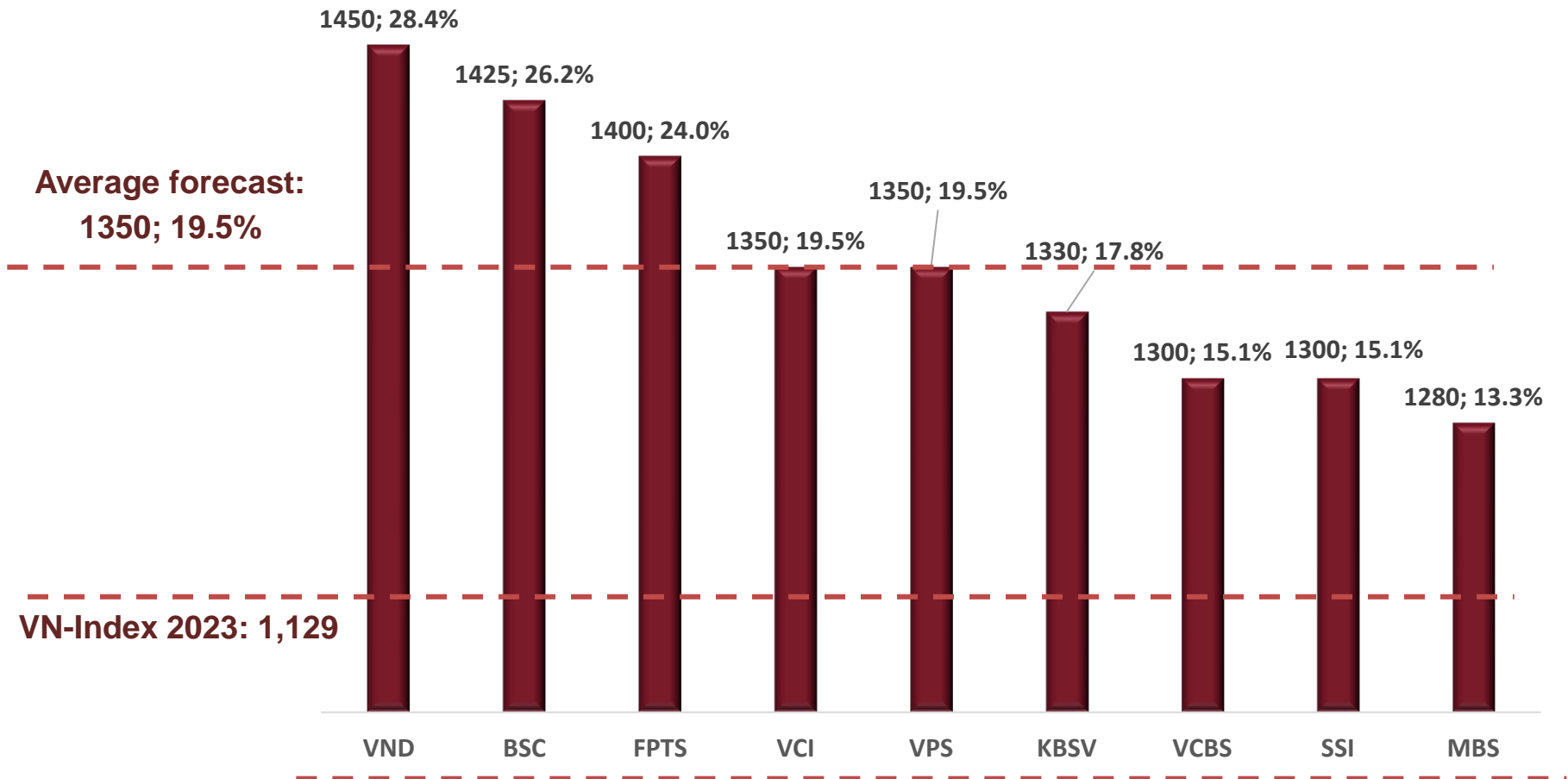


Source: GSO, AFC Research

Deposit Interest Rate is Declining



2024 Forecast



Source: AFC Research

Why Asia Frontier Capital?

For further information on how to subscribe to our funds please contact our Marketing Director Peter de Vries at pdv@asiafrontiercapital.com

- The only investment firm which can offer pure listed equity exposure to Asian frontier markets.
- Focussed approach only on Asian frontier markets – not getting distracted by potential opportunities in other regional markets.
- Proven track record across all funds and all four funds have outperformed their benchmarks.
- No turnover in investment team has led to large and deep knowledge pool on Asian frontier companies and economies as well as on the ground connections.
- Conduct on the ground research and have AFC investment staff on the ground in Iraq, Uzbekistan, and Vietnam.
- Within the global frontier markets universe, Asian frontier markets offer the most attractive growth rates, demographics as well as liquidity.
- Structural shift of supply chains is expected to benefit Asian frontier markets more because of their close proximity to Asian supply links, free trade agreements and large young workforce.
- Benchmark agnostic approach which gives importance to on the ground research.

Recent Media Appearances

[18th January 2024 - Peter Lewis' Money Talk: Ruchir Desai, Co-Fund Manager of the AFC Asia Frontier Fund discusses why Less Hawkish Central Banks, Strong Earnings Recovery, and Discounted Valuations will continue to be Positive for Asian Frontier Markets in 2024 \(from 36:20\)](#)

[17th January 2024 - RTHK Money Talk – Ruchir Desai, Co-Fund Manager of the AFC Asia Frontier Fund discusses the Strong Outperformance by Asian Frontier Markets with Megha Chaddah](#)

[12th December 2023 - Bloomberg TV: Asia Frontier Capital's Desai on Vietnam Picks](#)

[22nd November 2023 - RTHK Money Talk – Ruchir Desai, Co-Fund Manager of the AFC Asia Frontier Fund, expects Asian Frontier Markets to maintain their Momentum into 2024 in a discussion with Steven Filby](#)

[3rd October 2023 - RTHK Money Talk – Ruchir Desai discusses the Strong Outperformance of Asian Frontier Markets so far in 2023 with Nitin Daldas](#)

[20th September 2023 - Peter Lewis' Money Talk: Ruchir Desai, Co-Fund Manager of the AFC Asia Frontier Fund discusses the positive impact of closer U.S. – Vietnam relations as both countries upgrade their relationship to a Comprehensive Strategic Partnership \(from 37:22\)](#)

[22nd June 2023 - Bloomberg TV: Asia Frontier Capital's Desai on Frontier Markets](#)

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