



AFC
ASIA FRONTIER CAPITAL

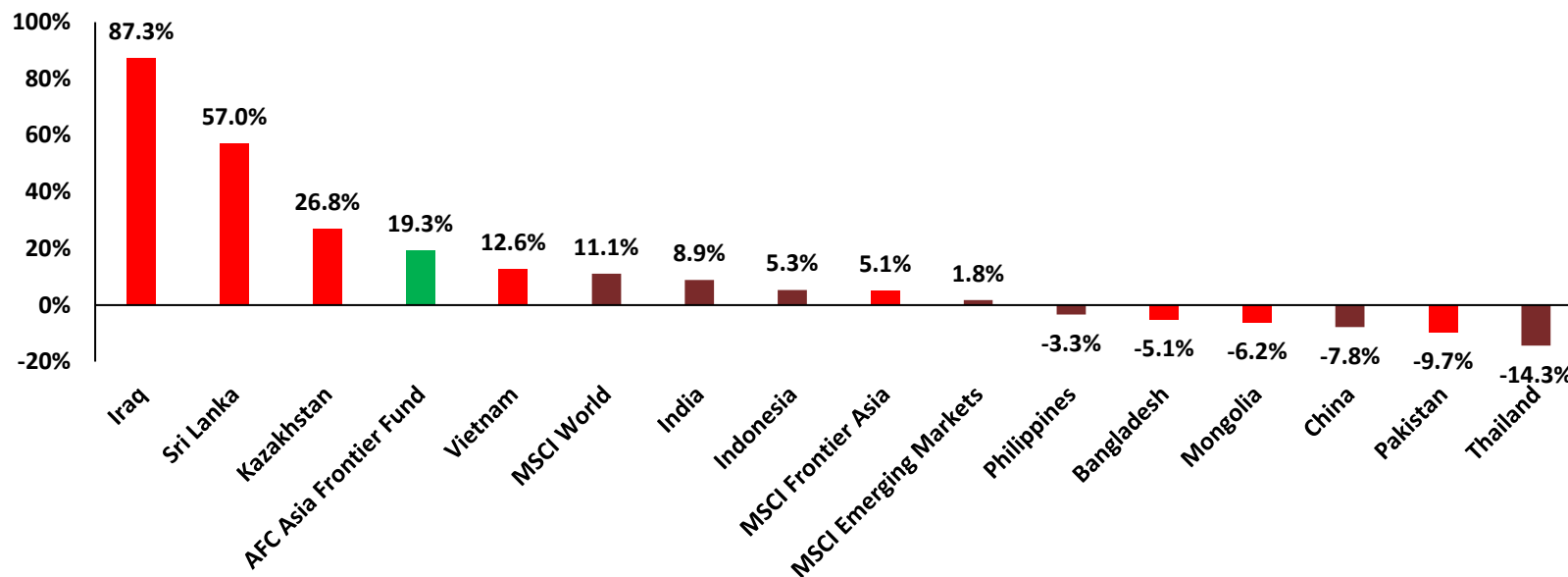
AFC Quarterly Webinar
October 2023

AFC Quarterly Webinar – October 2023

AFC Asia Frontier Fund

AFC Asia Frontier Fund and Asian Frontier Markets have Outperformed

Asian Frontier Markets have Outperformed in 2023 (Total USD returns year to date)

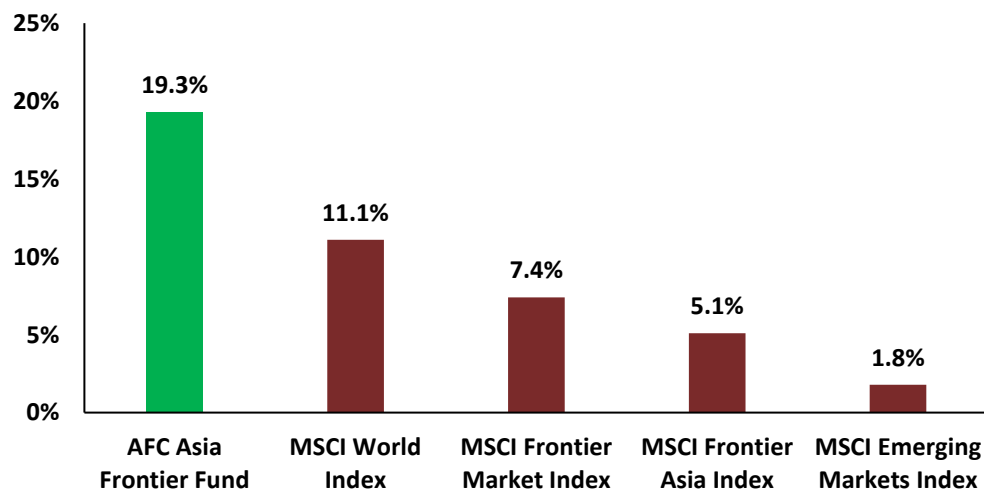


Source: Bloomberg, total USD returns between 30th December 2022 -30th September 2023

- Asian frontier markets have significantly outperformed the region.
- Iraq, Sri Lanka, and Kazakhstan are among the Top 10 performing markets globally in 2023.
- Rally in Asian frontier markets is in-line with our call made at the start of 2023.

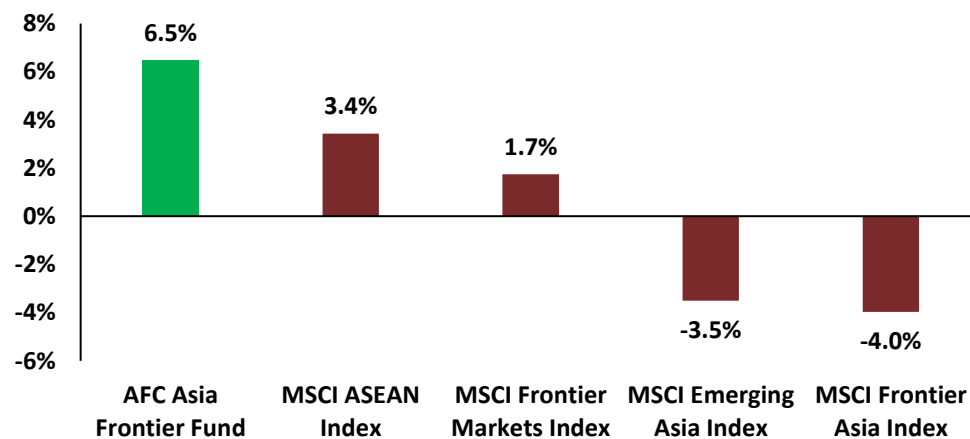
AFC Asia Frontier Fund and Asian Frontier Markets have Outperformed

AFC Asia Frontier Fund has Outperformed Global Markets in 2023 (Year to date Total Returns in USD)



Source: Bloomberg, total USD returns between 30th December 2022 - 30th September 2023

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

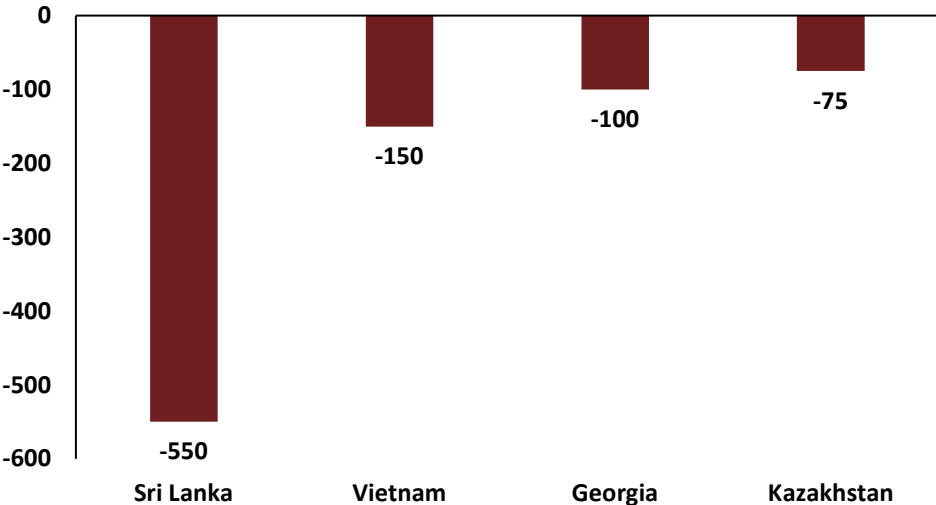


Source: Bloomberg, total USD returns between 30th December 2022 - 30th September 2023

- AFC Asia Frontier Fund has outperformed global markets in 2023.
- All round performance in AFC Asia Frontier Fund in 2023 – gains led by Iraq, Kazakhstan, Sri Lanka, Vietnam, Cambodia, and Georgia.
- AFC Asia Frontier Fund has outperformed the MSCI Emerging Asia Index and MSCI ASEAN Index in last 3 years.

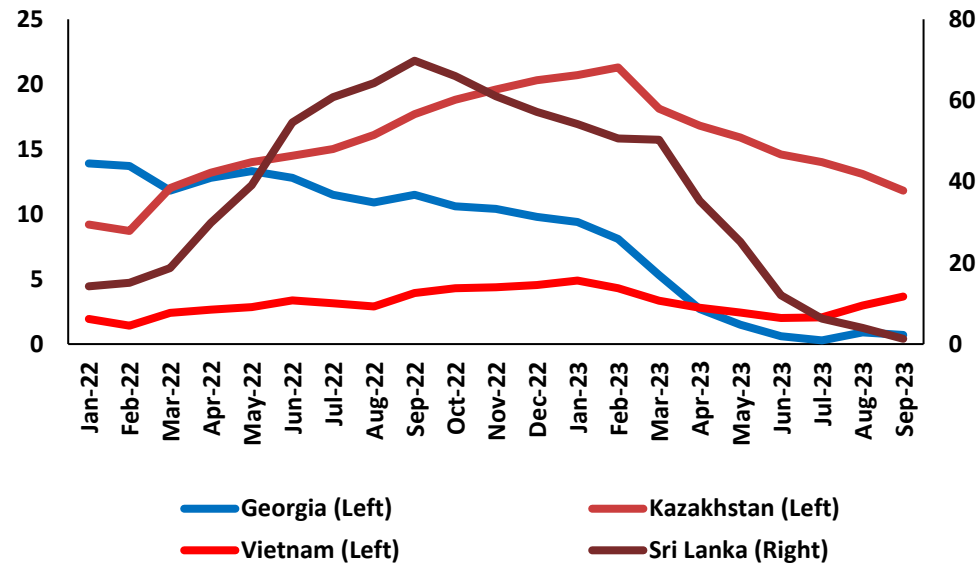
Lower Interest Rates have been a Key Differentiator for Asian Frontier Markets in 2023

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



Source: Bloomberg

Inflation has Fallen Significantly in many Asian Frontier Countries (in %)

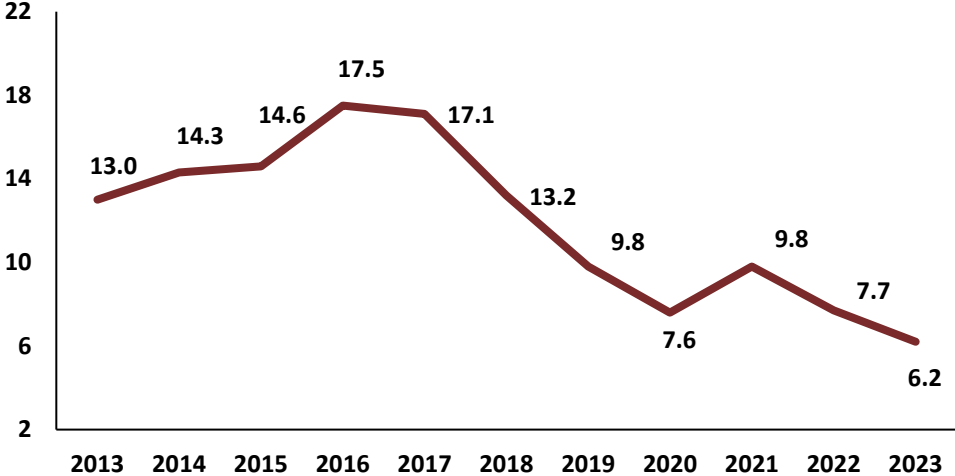


Source: Bloomberg

- Key trigger has been falling inflation and lower interest rates.
- Asian frontier central banks should remain neutral/dovish in 2024 as interest rates were raised very aggressively in 2022.

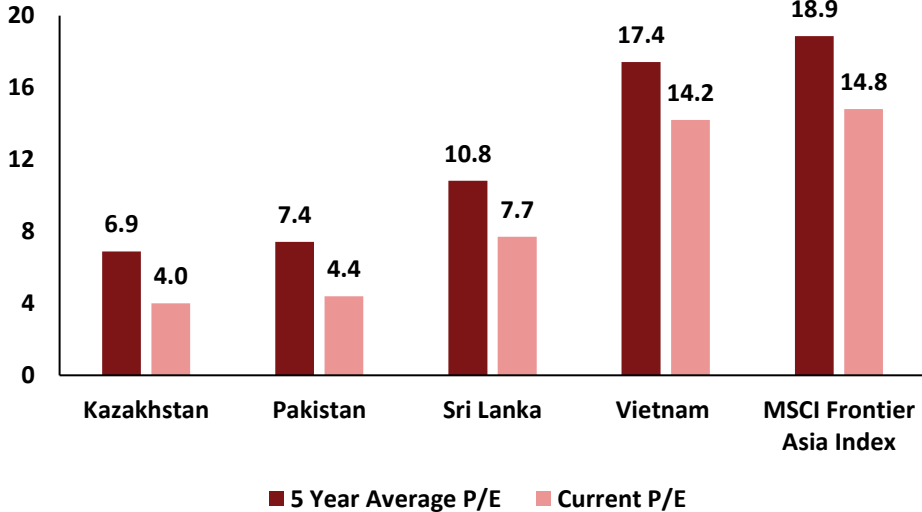
Discounted Valuations have also been a Key Trigger for the Rally

The AFC Asia Frontier Fund Trades at an All-time Low P/E ratio - Positioned for a Strong Re-Rating as Interest Rates Ease and Earnings Recover



Source: Bloomberg

Valuations at a Big Discount to History in Asian Frontier Markets



Source: Bloomberg

- AFC Asia Frontier Fund trading at all time low P/E ratio.
- Asian frontier markets continued to be well positioned for a re-rating.

Kaspi – A Highly Profitable Fintech Play (5% weight in the fund)

Kaspi is the Most Profitable Fintech Company in Frontier and Emerging Markets

Ticker	Company	Country/Region	2024 P/E	Market Cap (USD mn)	2024 Estimated Net Profit (USD mn)
KSPI LI Equity	Kaspi	Kazakhstan	8.6	17,548	2,063
ALE PW Equity	Allegro	Poland	21.1	7,196	334
SE US Equity	Sea Ltd.	South East Asia	24.4	25,283	1,048
MELI US Equity	Mercado Libre	Latin America	40.6	58,592	1,442
PAYTM IN Equity	Paytm	India	NA	7,534	33
GOTO IJ Equity	GoTo Gojek	South East Asia	NA	4,538	-380
GRAB US Equity	Grab	South East Asia	NA	12,766	-161

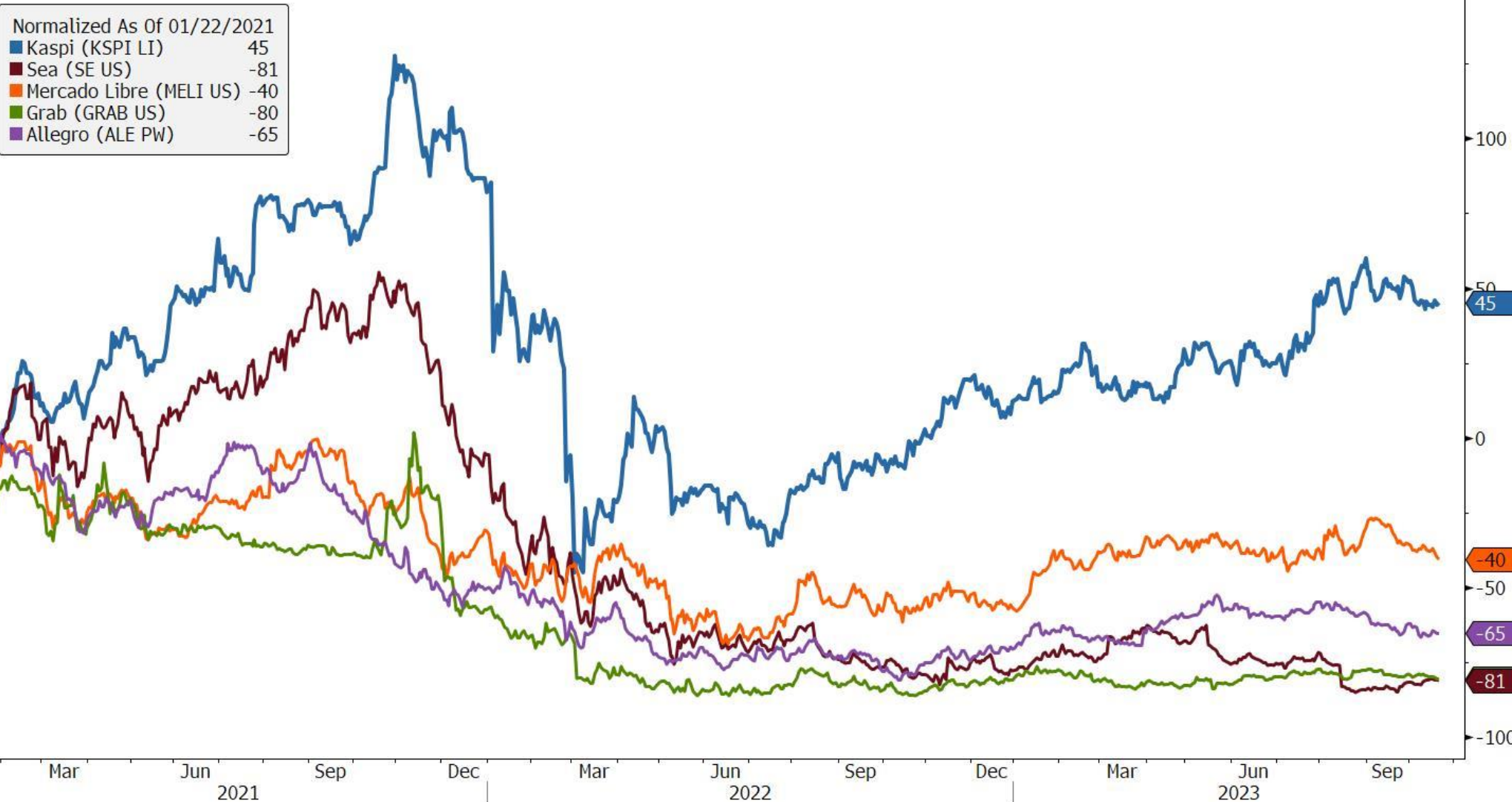
Source: Bloomberg

Some Big Bang Fintech IPOs are Under Water

Ticker	Company	Country/Region	IPO Price	Current Price
KSPI LI Equity	Kaspi	Kazakhstan	USD 33.75	USD 92
PAYTM IN Equity	Paytm	India	INR 2150	INR 988
GOTO IJ Equity	GoTo Gojek	South East Asia	IDR 338	IDR 60

Source: Bloomberg

Kaspi – A Highly Profitable Fintech Play (5% weight in the fund)

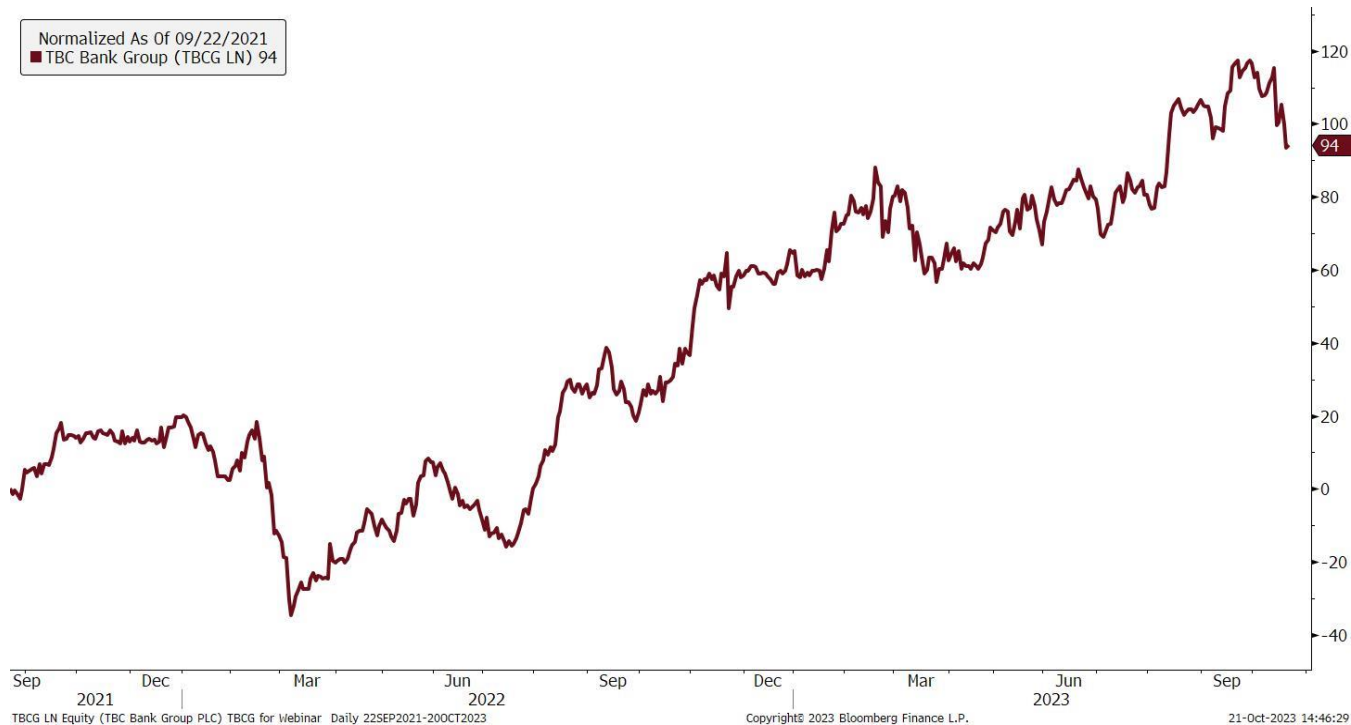


KSPI LI Equity (Kaspi.KZ JSC) KSPI Daily 22JAN2021-20OCT2023
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 Source: Bloomberg, % change in prices between 22nd January 2021 – 20th October 2023
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TBC Bank - High Growth Bank in Georgia with Exposure to Uzbekistan (4% weight in the fund)

- Market cap USD 1.8 billion.
- 2024 estimated net profit of USD 539 million.
- Trades at 2024 P/E of only 3.8x.
- RoE of 26%.
- 5 Year EPS CAGR 22%.

TBC Stock Price has Almost Doubled for the Fund since Initial Purchase



Source: Bloomberg, % change in prices between 22nd September 2021 – 20th October 2023

FPT Corp – A Key Beneficiary of the U.S. Tech Supply Chain Shift (2% weight in the fund)

Ticker	Company	Market Cap (USD mn)	2024		2024 Software	RoE (%)
			2024 P/E	Earnings Growth	Outsourcing Revenues (USD mn)	
FPT VN Equity	FPT CORP	4,808	15.3	23%	1,200	28.1
ZENT IN Equity	ZENSAR TECH LTD	1,393	18.4	4%	666	11.6
MPHL IN Equity	MPHASIS LTD	4,920	21.1	17%	1,873	22.0
BSOFT IN Equity	BIRLASOFT LTD	1,816	23.0	18%	699	13.2
SSOF IN Equity	SONATA SOFTWARE	1,874	23.2	25%	1,303	37.7
COFORGE IN Equity	COFORGE LTD	3,700	26.0	27%	1,287	22.4
PSYS IN Equity	PERSISTENT SYSTEMS	5,464	32.1	25%	1,361	25.1

Source: AFC Research, Bloomberg

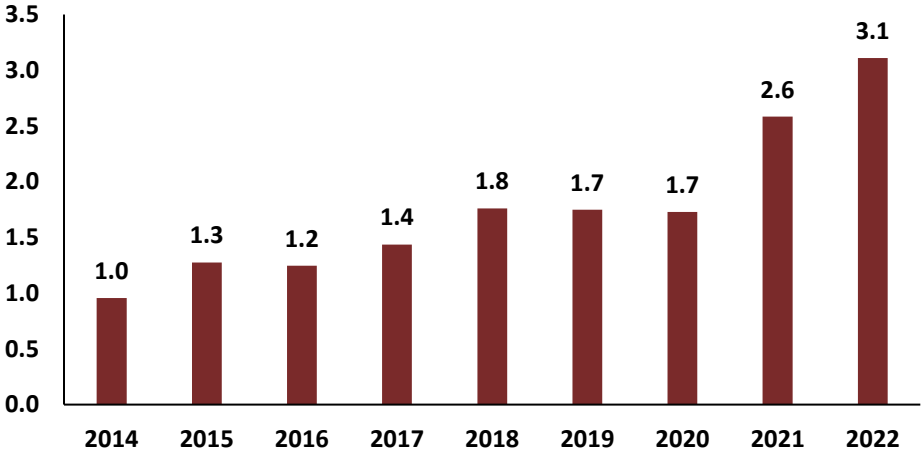
- FPT software outsourcing business has made big inroads into global markets.
- FPT software outsourcing business has similar revenue now to Indian mid-sized IT companies.
- FPT education business well leveraged to future technology supply chain shift trends.

FPT Corp – A Key Beneficiary of the U.S. Tech Supply Chain Shift (2% weight in the fund)



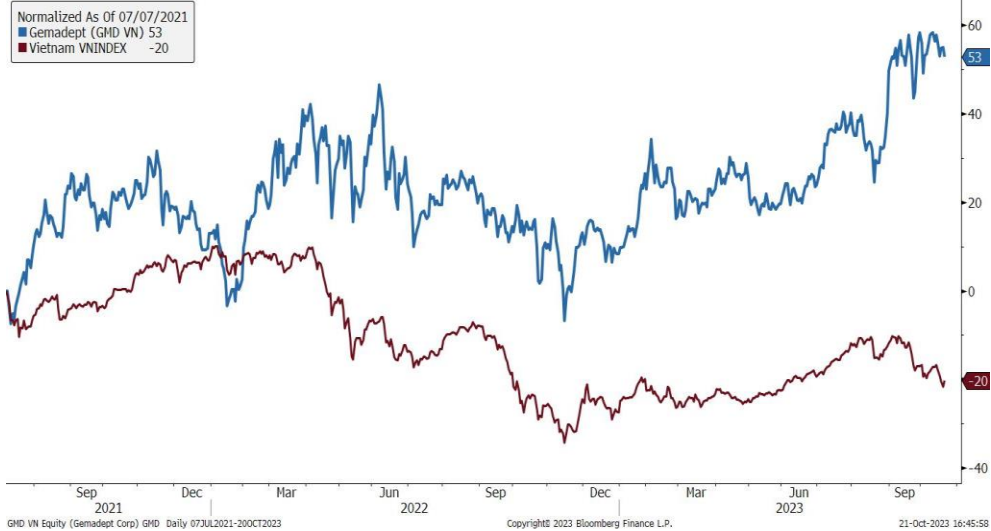
Gemadep – The Best Trade Proxy Play in Vietnam (2% weight in the fund)

Gemadep Volumes have Increased Significantly as New Capacity has Come Online (in million TEUs)



Source: SSI Securities

Gemadep is an Outperformer

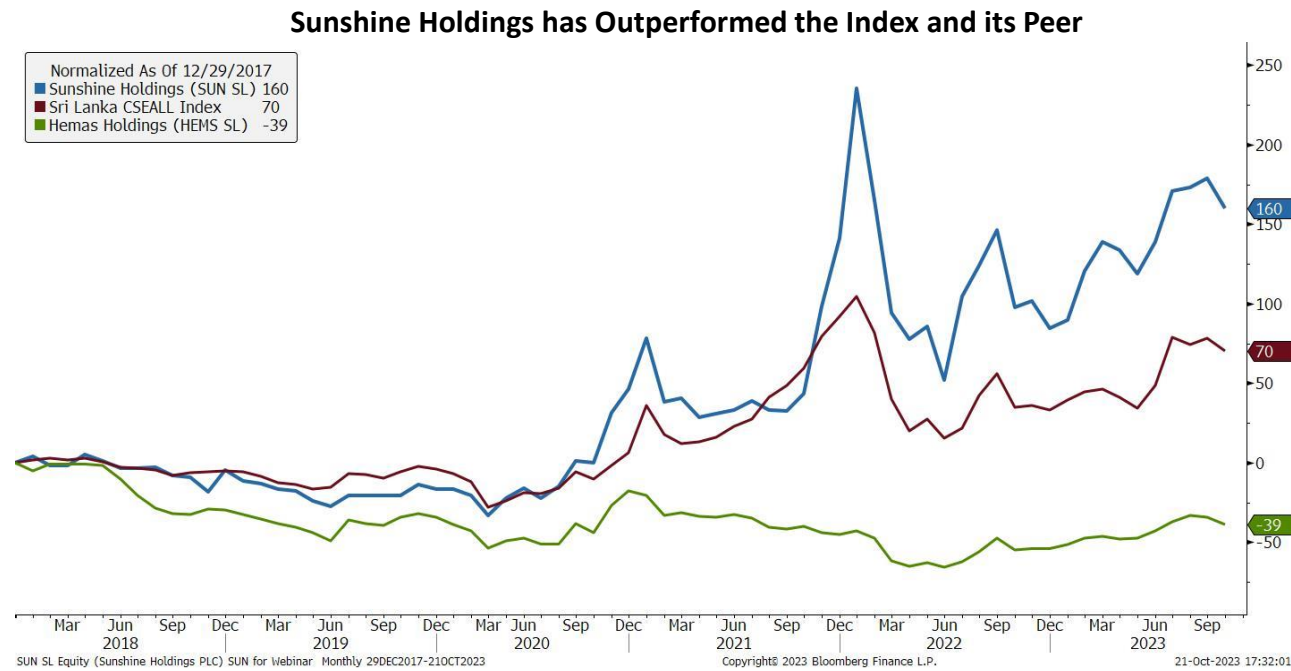


Source: Bloomberg, % change in prices between 7th July 2021 – 20th October 2023

- Gemadep is the largest private port operator in Vietnam.
- It has ports in strategic locations in the north and south of Vietnam.
- A clear beneficiary for Vietnam’s trade story.

Sunshine Holdings – Undiscovered Consumption Play in Sri Lanka (1% weight in the fund)

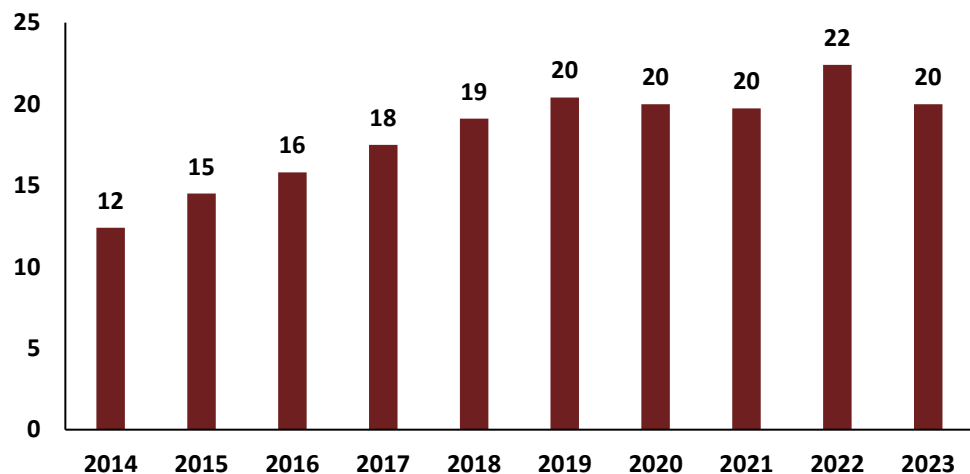
- Market cap USD 74 million.
- No. 1 market share in Sri Lanka retail tea market.
- No. 2 player in pharmaceutical distribution in Sri Lanka.
- 2024 P/E of 6.9x.
- 5 Year EPS CAGR 26%.



Source: Bloomberg, % change in prices between 29th December 2017 – 20^h October 2023

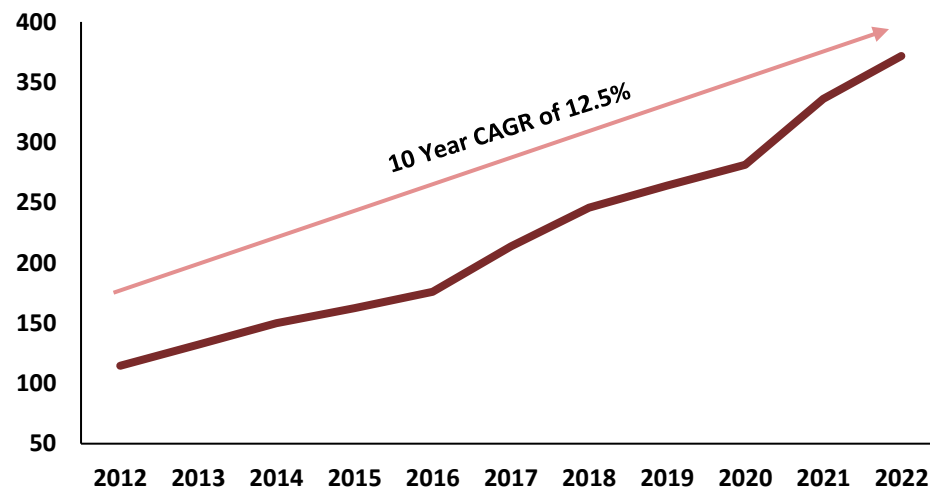
Vietnam is the Prime Beneficiary in Asia of the Supply Chain Shift

Foreign Direct Investments into Vietnam have been consistent (in USD billion)



Source: Vietcap Securities, *estimate for 2023

Vietnam Exports Will Weaken in 2023 but Long Term Trend in its Favour (in USD bn)

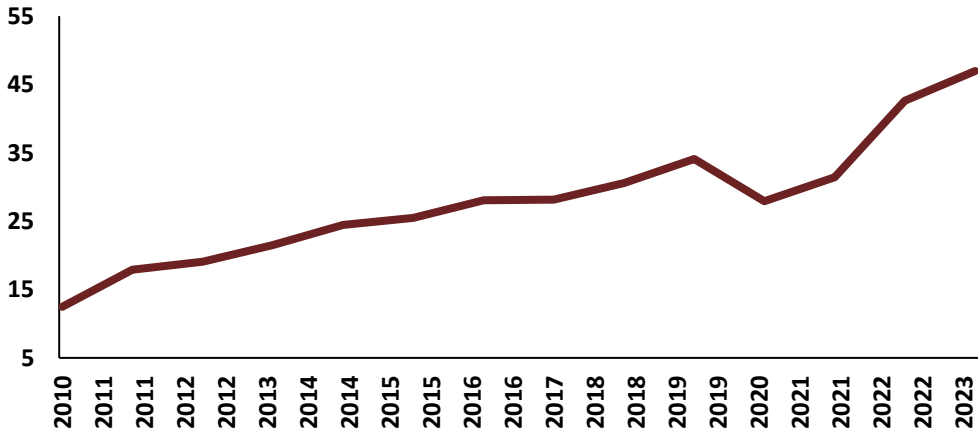


Source: SSI Securities

- 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.

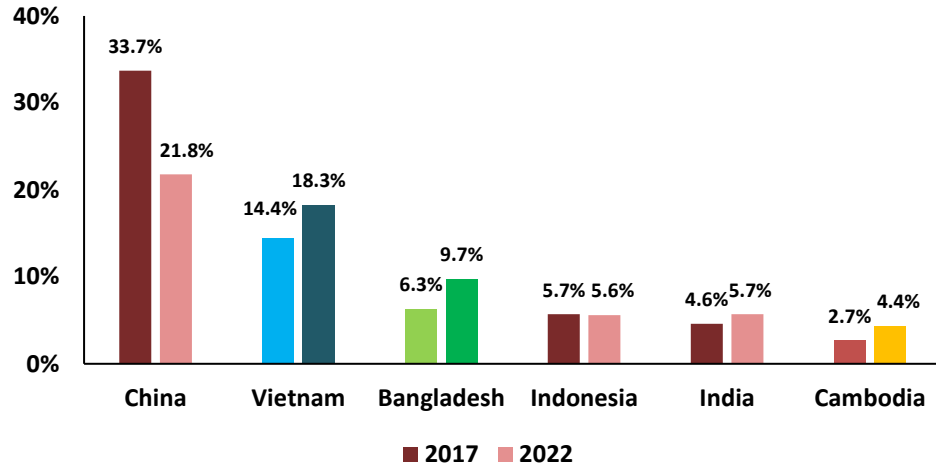
Bangladesh also Benefitting from Shifting Supply Chains

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

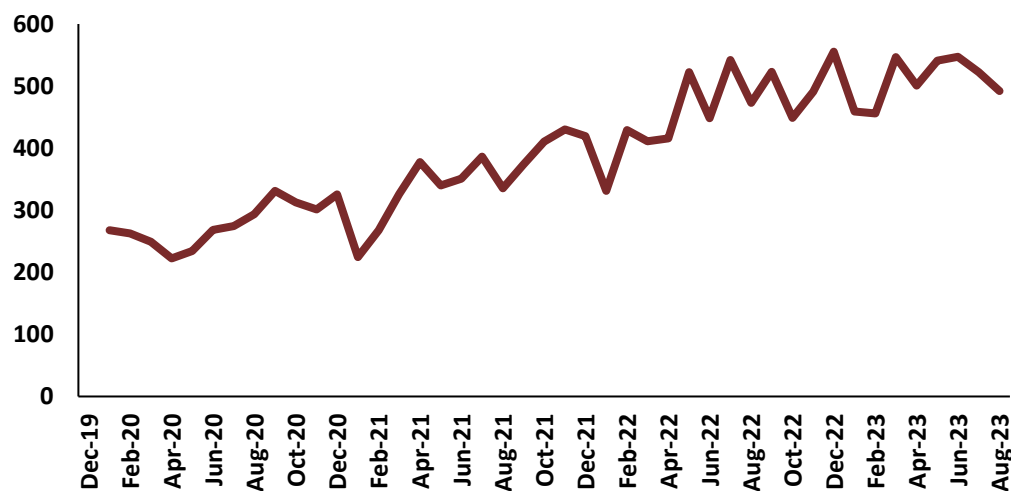


Source: U.S. Office of Textiles and Apparel Trade Data

- Bangladesh garment exports have been resilient in the last twelve months 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. Year to date GDP growth of 7.0% after 2022 GDP growth of 10.1%.
- The Trans-Caspian International Transport Route is seeing an increase in volumes.

Key Message – Buy Asian Frontier Markets in case of a Global Correction

AFC Asia Frontier Fund Portfolio Fundamentals are Solid

P/E	P/B	P/Cash Flow	Dividend Yield	Return on Equity	Debt/Equity ratio	Historical 3 Year Earnings CAGR
6.2	1.0	8.5	3.5%	29.6%	0.5	24.3%

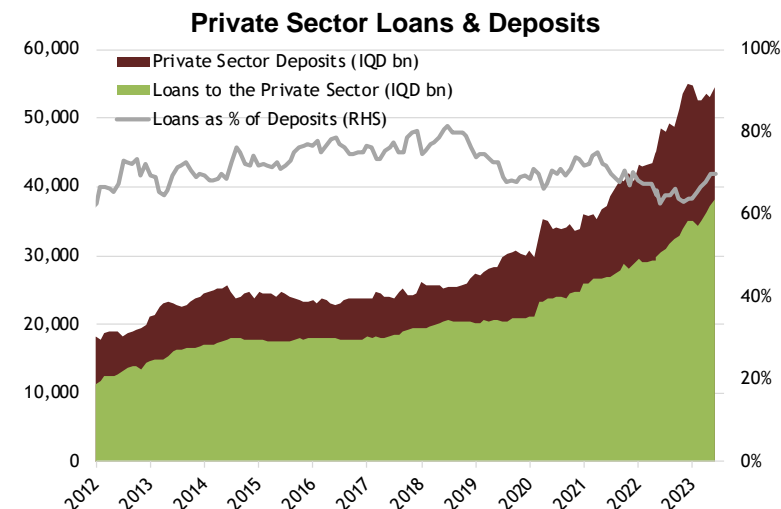
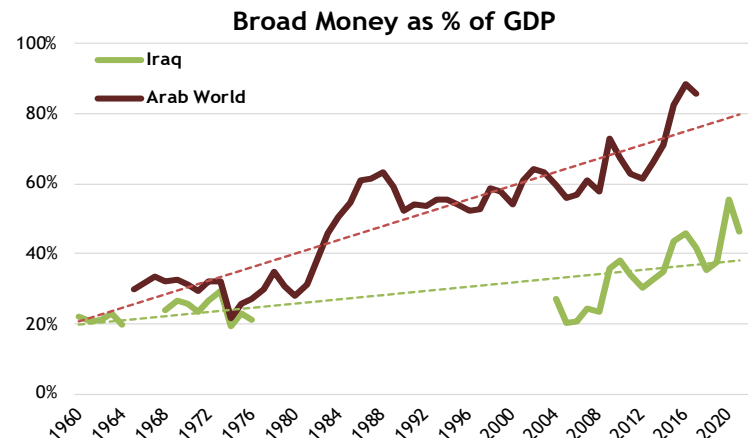
Source: AFC Research, Bloomberg, P/E is trailing 12 months, as of 30th September 2023

- Asian frontier markets have rallied strongly so far in 2023 in-line with our calls. Pakistan and Sri Lanka have rallied as discussed in July 2023.
- Monetary policies in most Asian frontier countries expected to remain less hawkish which is positive for investor sentiment.
- Higher for longer talk from the U.S. Fed + Middle East tensions – markets will be volatile.
- Geopolitics is a near term risk – though Asian frontier countries now better placed to handle an oil price shock (Bangladesh, Pakistan and Sri Lanka now all in an IMF program).
- Maybe some softness now after strong run but momentum in Asian frontier markets should continue into 2024: lower interest rates, discounted valuations, recovery in earnings, and political clarity.

AFC Iraq Fund

Stability and Investment Spending

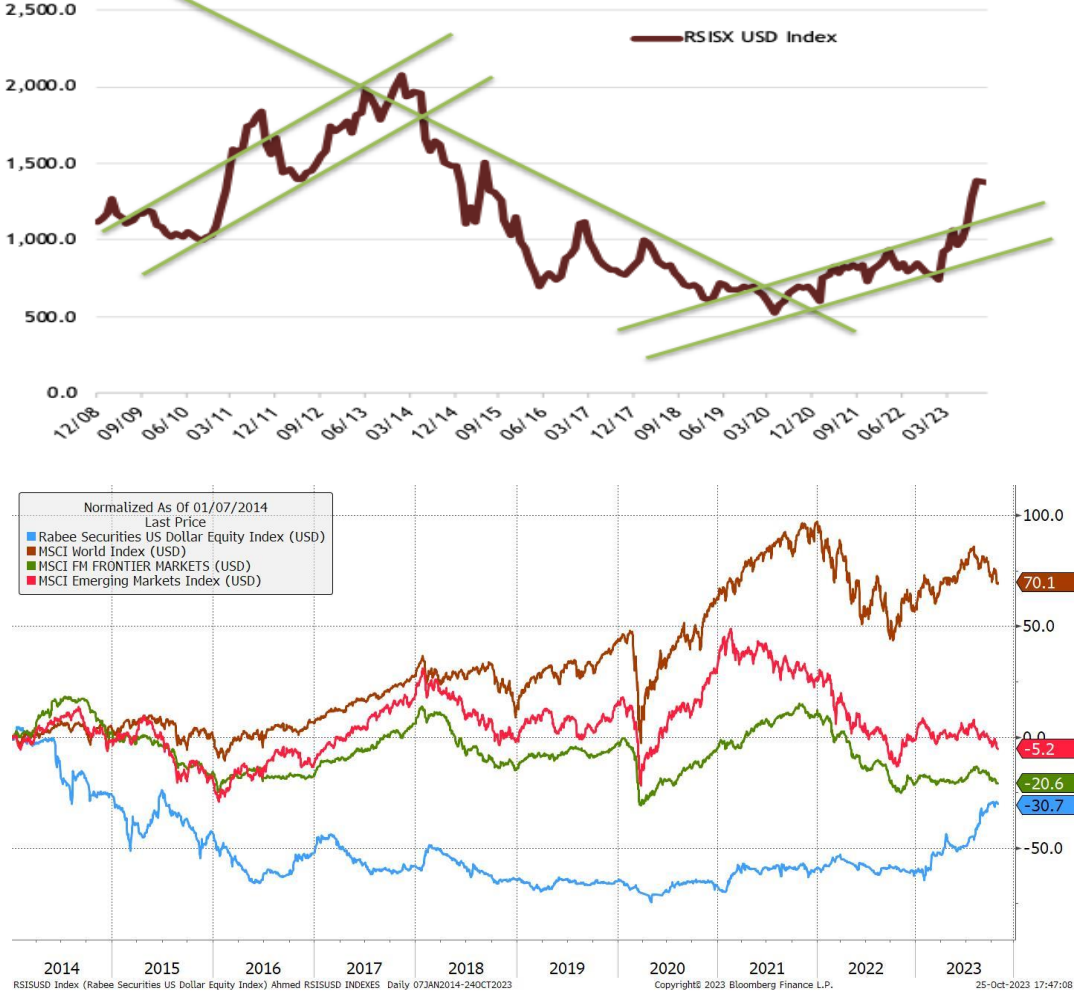
- Last webinar, discussed stability and investment spending by looking at construction and supermarkets.
- AFC Investment thesis for banks : opportunity for the group to grow earnings multiple times from current levels as the country moves towards a full adoption of banking and away from cash.
- Thesis in action over the last few years of relative stability, and positive macro environment.
 - Lending to the private sector increased by 11% for the year by July 2023, following increases of 18%, 14%, 23%, and 4% respectively in 2022, 2021, 2020, and 2019.
 - Private sector deposits increased by 3% for the year by July, following increases of 27%, 20%, 17%, and 12% in 2022, 2021, 2020, and 2019 respectively.



Top chart: Source, World Bank. Arab World data as of 2017, Iraq data as of 2021. Dotted lines are trendlines.
Bottom chart: Source CBI, data as of July 2023.

Iraq is Just Emerging from a Brutal Multi-Year Bear Market

- The equity market is in the process of emerging from a multi-year bear market that saw the RSISX USD Index at the end of 2020 down by 68% from its 2014 all-time high.
- The index is up 78.3% YTD, but it is still 33.3% below the 2014 high. The fund is up and estimated 89.7% YTD, but its risk-reward proposition still attractive versus other markets.
- (data and estimates as of 24th October).
- Attractive risk-reward profile versus other global markets.



Source: Iraq Stock Exchange, Rabee Securities, Bloomberg, AFC Research. Top chart data as of 19th October, Bottom chart data as of 24th October

AFC Uzbekistan Fund



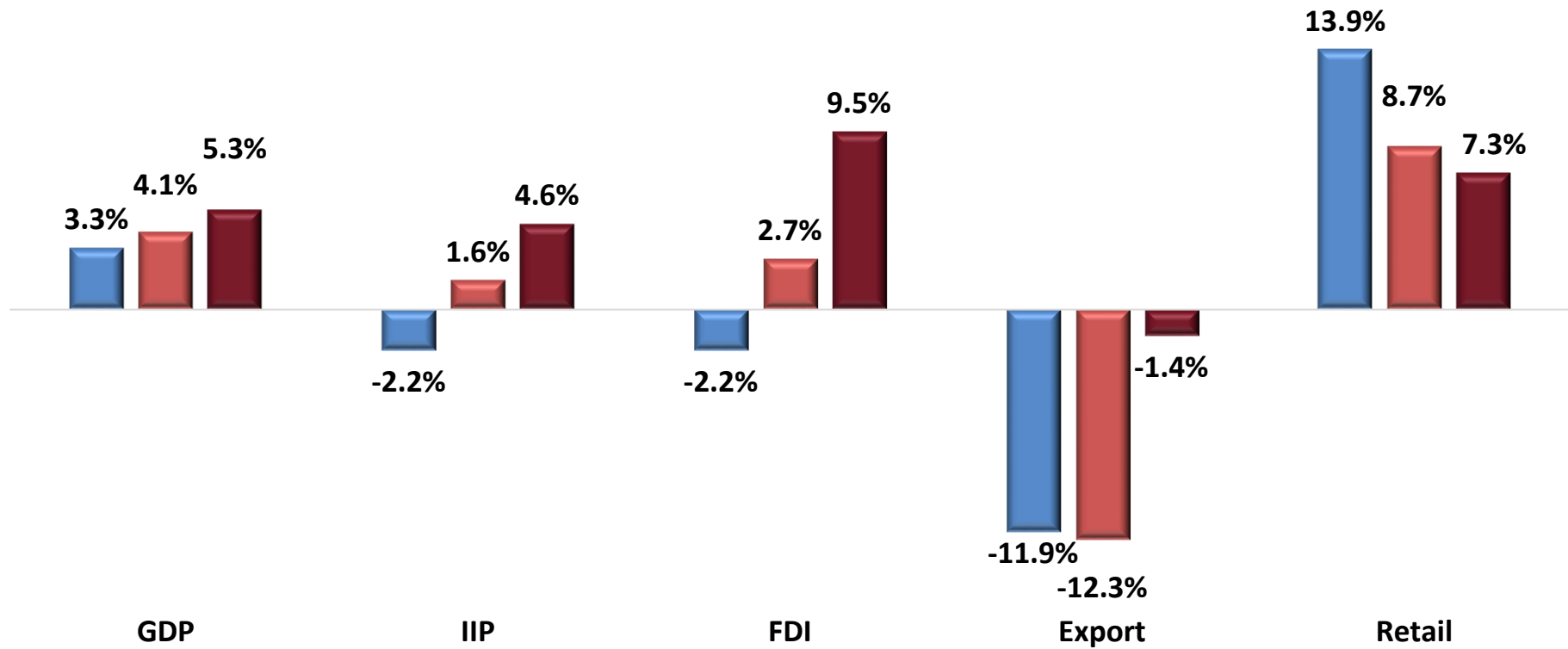
- 2 Eurobonds 3x oversubscribed:
 - 3-year UZS denominated ~USD: 348 mln @ 16.25%.
 - 5-year USD-denominated USD 660 mln @ 8.12%.
- Inflation: reached 9.2% in September.
- GDP: IMF forecasts 5.5% GDP growth (2023-2024).
- 4.3 million tourists visit in first 8 months of 2023 vs 5.2 million in 2022.

- 4th September Presidential decree #291 signed “on additional measures of development of Uzbekistan’s capital markets”.
- Commencing from Q2 2024 under National Agency of Prospective Projects (new independent financial regulator).
- Tax breaks for investors extended to 2028.
- Regulator to work with CB on legislation enabling foreign brokers to partner and operate sub-accounts for clients.
- Connect to Clearstream by mid-2025.
- Tax incentives for Uzbek nationals to invest into capital markets

AFC Vietnam Fund

The Worst is Over

■ 1Q ■ 2Q ■ 3Q

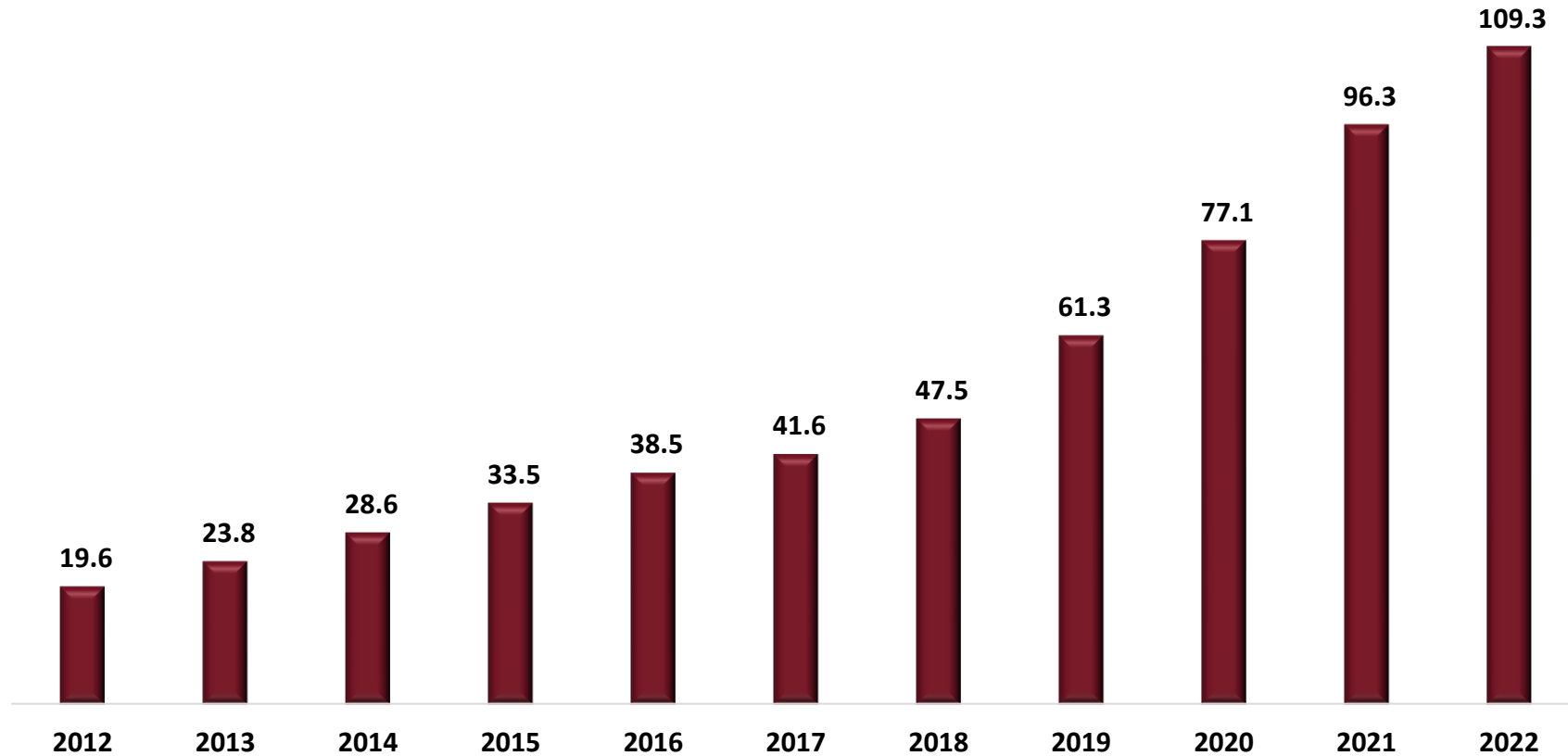


Source: GSO, AFC Research



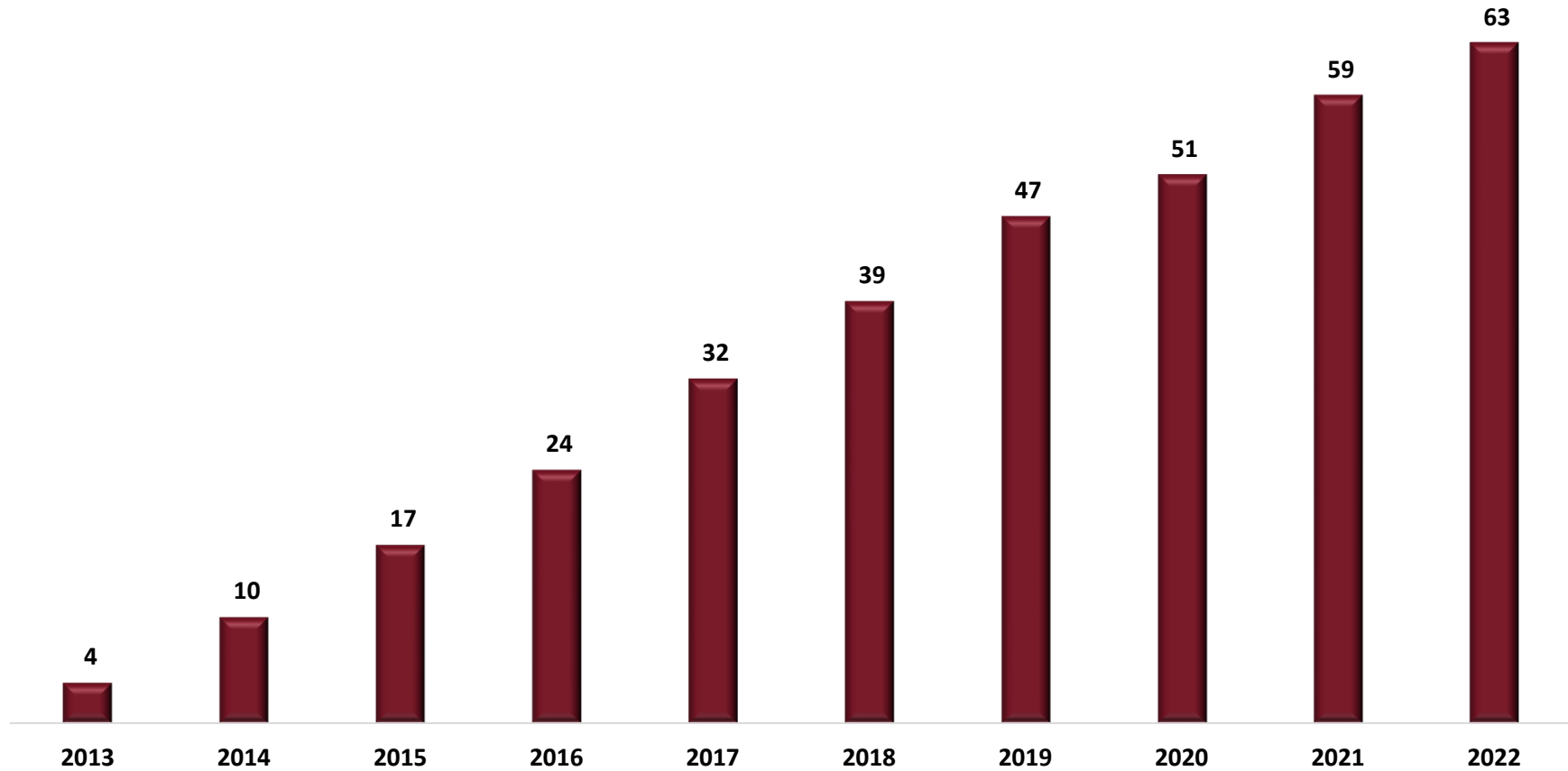
U.S. and Vietnam Announce 'Comprehensive Strategic Partnership'

Exports to U.S. Accelerated (USD bn)



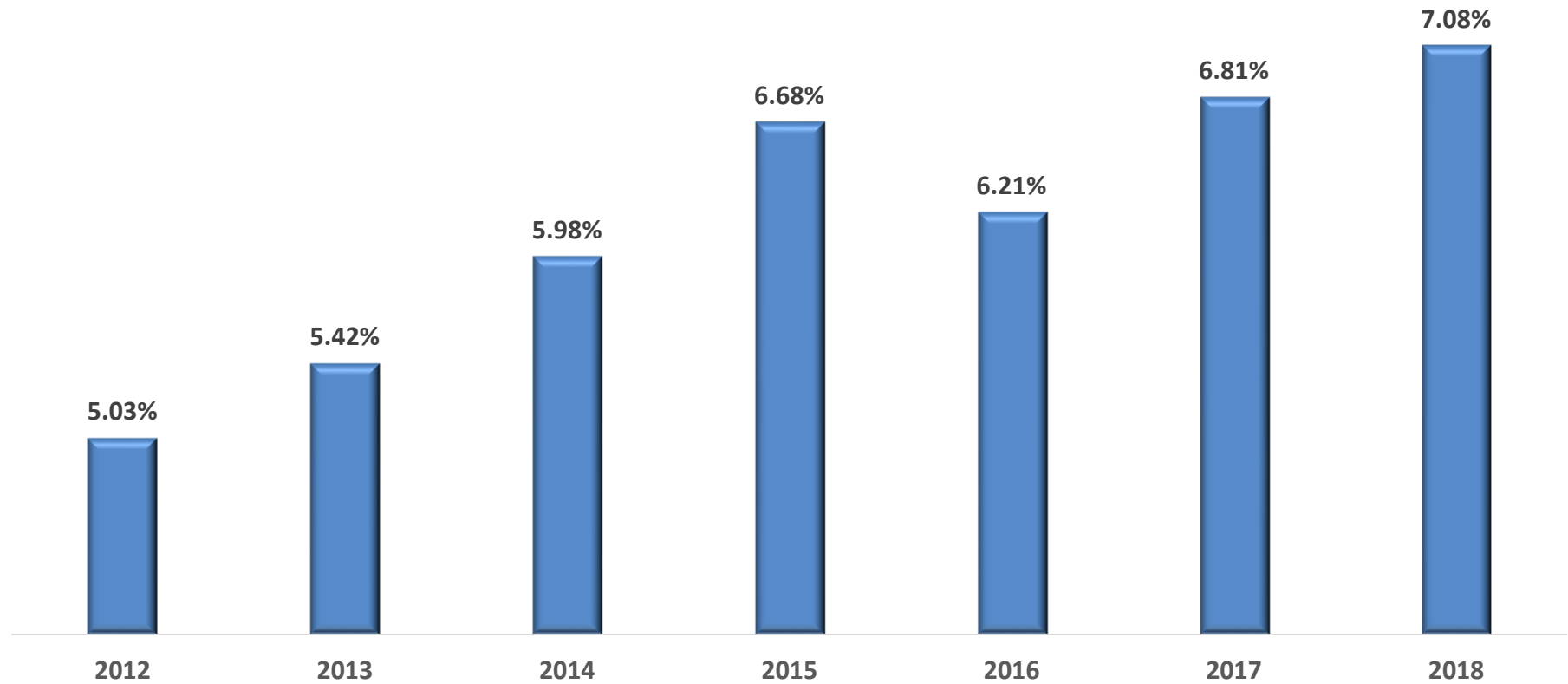
Source: GSO, AFC Research

FDI from South Korea to Vietnam Skyrocketed (USD bn, accumulated)



Source: AFC Research

Strong GDP Growth (%)



Source: Bloomberg, as of 24th July 2023

Opportunities are Back



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

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

[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](#)

[12th January 2023 - Frontier Markets News Podcast - Sri Lanka's on the brink again ... but this time it's a good thing – Ruchir Desai discusses Sri Lanka with Dan Keeler](#)

[12th April 2022 - Podcast with AFC Uzbekistan Fund's CIO Scott Osheroff, Doug Casey, and Matthew Smith](#)

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