

AFC VIETNAM FUND UPDATE

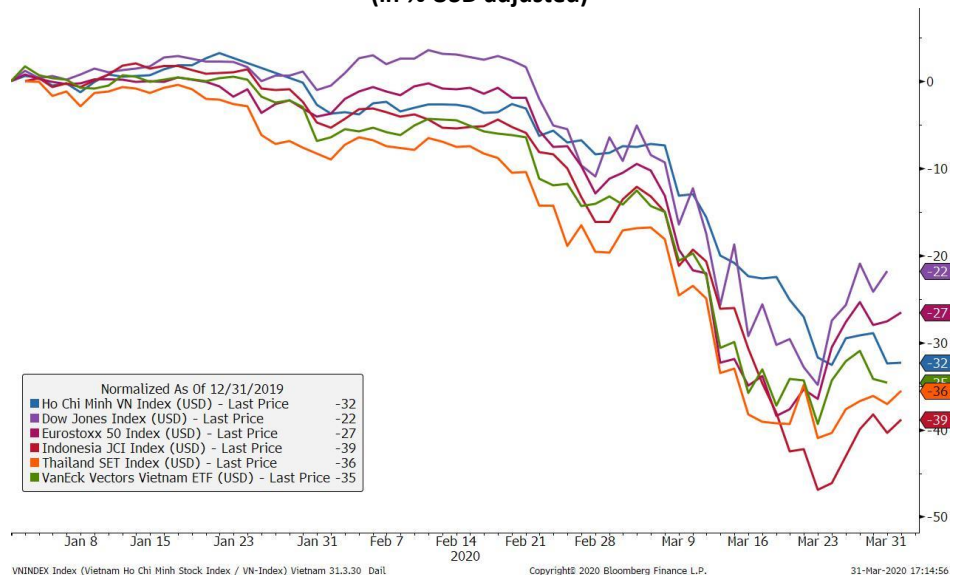
Fund Category	Vietnam Public Equities
Country Focus	Vietnam
Subscriptions	Monthly at NAV (five business days before month end)
Redemptions	Monthly at NAV 30 days' notice
Benchmark	VN Index
Fund Manager	Vicente Nguyen
Investment Manager	Asia Frontier Capital (Vietnam) Limited, Cayman Islands
Investment Advisor	Asia Frontier Investments Limited, 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 NAV 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	Trident Fund Services, Hong Kong
Legal Advisor	Ogier, Hong Kong
ISIN	KYG0133A1673

Historic losses and record-breaking volatility around the world in almost every asset class from stocks to commodities, accompanied by hard hit currencies, led to a disastrous performance in global financial markets in March. Vietnam was no exception with the Vietnamese Dong losing around 2% last month (against 2-10% for many other emerging market currencies). The stock index in HCMC lost -26.1% in USD terms. Other indices followed closely with the exception of the index in Hanoi which fared better with a loss of -16.9% in USD terms, mostly because of fundamentally unwarranted speculation in one heavy weighted bank which almost doubled since the end of January. With panic selling across the board our portfolio was hit hard as well. Together with the lower Dong against the USD our NAV lost approximately -18.7% to USD 1,378, according to internal calculations.

Market Developments

To nobody's surprise, Vietnam joined other markets around the world in the biggest sell-off in recent decades and one of the biggest ever in history. Some of the world leaders are speaking of a "war against an invisible enemy", and in fact the losses we see even in the biggest financial market, the US, are comparable to 1929, 1940 and the more recent global financial crisis of 2008. The biggest question has always been, how will Vietnam and other already beaten down Frontier and Emerging Markets react when the comparably expensive US markets correct, but nobody expected anything like what we have seen in recent weeks.

**Vietnam performed as poorly as other markets
(in % USD adjusted)**



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

There is 24/7 reporting about the underlying reasons for this flash bear market and all the panic selling, but we think that the majority of the decline has already happened and it is now more of a question of if and how the bottom-building process will be shaped in the coming weeks and months.

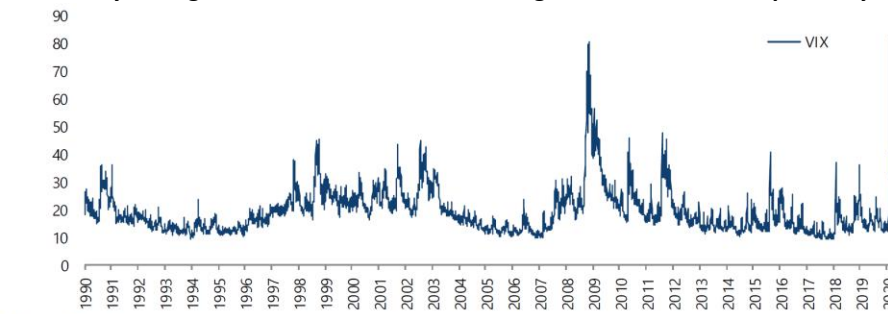
AFC VIETNAM FUND UPDATE

Dow Jones already close to financial crisis retreat



(Source: Yahoo Finance, Verizon Media)

Volatility hit high from financial crisis and is higher than ever in the past 30 years



(Source: Bloomberg)

Vietnam Index lost almost 50% over the past 2 years



(Source: Bloomberg)

AFC VIETNAM FUND UPDATE

Extreme stock price swings in both directions are still to be expected for the foreseeable future until uncertainties over the future path of the infection rate of COVID-19 and implemented measures by governments around the world are reduced and more visibility sets in. The deadly risk for millions of lives is now combated in completely unprecedented ways by most countries around the globe. But it is not the virus itself which brought down capital markets and the world economy to an almost standstill, but the measures taken to combat this virus. When China locked down its province of Hubei, with around 60 mln people and with it its capital Wuhan with 19 mln, such measures were seen as totally impossible to be copied in the Western world. Against all expectations, travel restrictions in Hubei were mostly lifted in late March, while 2.3 bln people in dozens of countries have to live now with very similar restrictions of movement. This brought tourism and international travel effectively to its knees. Industrial production in China would be now almost back to normal but is instead facing a secular slowdown in demand as the rest of the world is still in shock and uncertainties over the path of recovery prevails - and as we all know, uncertainty is the biggest enemy of financial markets.

With approximately USD 5 trillion worth of bailout packages among the G-20 alone (with currently a lot of uncertainties on how these measurements will be implemented in practice), economists and analysts are left completely in the dark and don't have the slightest idea how to make a useful forecast about the impacts of this crisis. As an example we are reading that Germany's GDP will decline -6% this year and in the Eurozone GDP will decline -20% for the first quarter of 2020, while we still have to listen to officials telling us that the economy should recover later this year and a recession would be mild if there is one at all. But similar to the financial crisis, where over time more measures were implemented in the real economy, we will see more clarity over coming weeks and months. As important, this time central banks are going "all in" immediately instead of taking very small steps over several months, as occurred during the global financial crisis 11 years ago.

The big question is what will happen after the number of infections stabilizes and eventually decreases? Although too early to say, we already see positive developments in many countries in that respect – but it will be very crucial to see how governments will bring businesses and people back to work, and what the time frame will be. Depending on the re-activation of business activity we will have either a test of recent lows - or make another low before we recover later. Nevertheless, when a market like the US has already dropped from 30,000 to 18,000, the risk of another decline to 14-15,000 (that would be the same percentage decline as during the global financial crisis) is bearable for investors without leverage and offers great long term value opportunities for the first time in many years; and of course nobody knows if we really see those lower prices again. A typical recovery from a bear market has two phases, where phase 1 is characterized by panic selling with broad based stock price crashes which we have just experienced. In phase 2, after extreme volatility and sharp rebounds we usually see another selling wave where strong distinctions are usually to be seen between different markets, sectors and individual stocks. Markets, sectors and stocks with better prospects usually clearly outperform in this phase and many investors are missing out on the best entry points for long term gains as many of them do not return to the lows of phase 1.

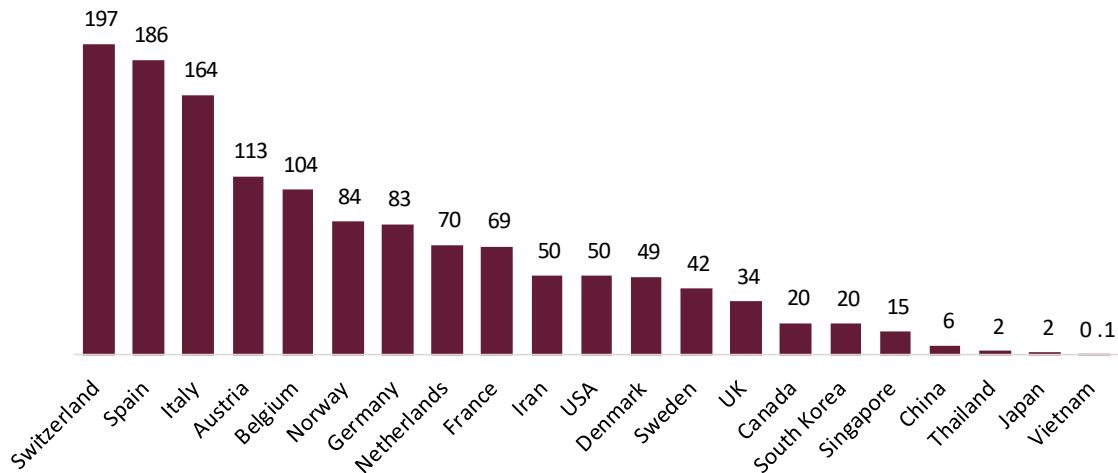
Vietnam is ready for recovery

Despite having a land border in the north with China, which is one of the main entrances for interaction between the two countries in terms of trade and traffic, Vietnam was able to shield itself from the high risk of infections during the first phase of the pandemic in China. Although China is Vietnam's biggest trade partner (which should serve as a big plus now with both countries having very few active cases and functioning businesses!), the government acted fast and even quarantined in mid-February a village in the north of Vietnam with 10,000 people for weeks – something Europe and now the USA had to learn the hard way, many weeks later. A reader's comment on this measure in February in one of the US media was: *"Countries like China and Vietnam can quarantine entire cities. If this takes hold in the Western world, we cannot shut a city down."*

AFC VIETNAM FUND UPDATE

With these early and tough measures Vietnam's industry did not shut down yet, although several companies stopped production and of course is also facing a disaster in the tourism sector, which is responsible for 12% of total GDP. As of today (31st March), Vietnam is still able to identify infection clusters as the country has reported only 204 cases of Covid-19 and the majority of its 90+ mln population are still able to follow their daily routine of life, work and leisure - although with some cutbacks and limitations. Entertainment spots are closed, many tourist spots and restaurants are closed and people are asked to avoid big crowds, but so far "personal freedom" in communist Vietnam is currently still higher than in most other countries.

Infection rates per 100,000 inhabitants by 31st Mar 2020



(Source: IMF, WHO, vnexpress.net, AFC Research)

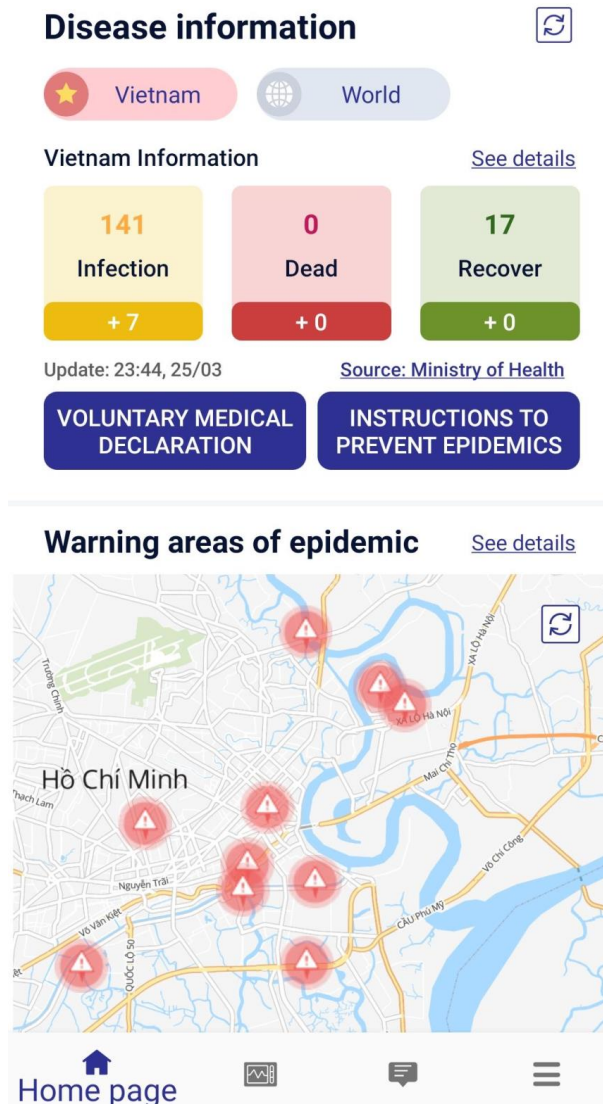
We acknowledge the suspiciousness against numbers published by the Chinese government and therefore also against other countries in the region, but Vietnam was very transparent from the start of the outbreak as you can see at the end of this report which shows an example of one case last week; all other cases are described in a similar way.

Immediately after the government finds a new case, an investigation is conducted. The authorities will find out whom the patient had met over the past few days and which places he/she had gone to. This information will then be disclosed to all citizens by media or an app which was released to the public 3-4 weeks ago. Just a few hours after a new case is detected, police will visit the homes of the suspected carriers to persuade them to isolate and check in to one of the public centers the government had recently set up all over the country.

Currently there around 45,000 people in these isolation centers where government authorities will provide them with free food and other essential stuff for 14 days. There is now a general isolation requirement for all recent arrivals by plane into Vietnam. The Vietnamese Government announced today a 15 days period of social distancing nationwide as of 1st April in order to combat the spread of Covid-19.

AFC VIETNAM FUND UPDATE

NCOVI app by Vietnamese government



(Complete street address and sometimes even names are found; Source: VNPT Group)

So far, we have seen only a few severe business interruptions, except for the mentioned tourist and aviation sector as well as companies in the textile industry which are experiencing a reduced number of orders for export. There were quite a few Vietnamese companies which had issues with their supply chains, mainly from imported goods from China. This situation seems to be less of a problem going forward with the recent production restart in China. Given the decline in stock prices across the board of 30% on average in 2020, the already attractive valuations have just gotten cheaper. Hopefully over the next few quarters the current crisis will be solved in most parts of the world, in one way or the other.

Many of our stocks were sold heavily down over the past few weeks and while we have consistently written about cheap valuations in our portfolio in past communications, one more important component in the investment world has now become very crucial - healthy balance sheets – one of our top investment criteria when choosing a company to invest in. Nobody knows the duration of this crisis, but it will make a huge difference for the survival of many businesses over the next few quarters. We own many companies with net cash able to survive even if their business operations have to close for even several quarters, although the outlook does not look that grim which hopefully will be reflected in the first quarter business results which will be published next month.

AFC VIETNAM FUND UPDATE

The outlook is probably not that gloomy, because many companies and also consumer behavior adjusted quite rapidly to the new situation. Container volume for example, jumped 14% over the first two months of this year, as trade with China was re-routed through ports when the borders were closed (we own several listed port companies). The plunge in oil prices is certainly a burden for many listed oil and gas companies, but luckily, we are not invested in them. But we recently used the opportunity to build a position in a big oil transportation company as the shipment of oil should not change a lot and the cost of fuel – as for many other companies – dropped dramatically which reduces the cost of transport. These lower costs are favorable for many companies we own, and not to forget for consumers as well.

We believe that in the next rebound the hardest hit stocks will probably see the biggest short-term gains, but often these companies also have some of the weakest balance sheets and we will be very selective in choosing our investments in such a short-term rally. Historically, small and mid-caps outperform in the first 1-2 years of a new cyclical bull market and we hope this will also be valid for Vietnam this time. For now, we are evaluating our investments after the massive market turbulence and are taking advantage of switching opportunities into a few attractively valued stocks with a promising long-term outlook.

Ticker	Cash balance (VND bln)	Bank loan (VND bln)	Total assets (VND bln)	Cash/Total assets (%)	Bank loan/Total asset (%)
ABI	1,986	0	2,569	77.3%	0.0%
DVP	785	0	1278	61.4%	0.0%
NCT	282	0	585	48.2%	0.0%
PMC	169	0	384	44.0%	0.0%
SZL	498	0	1637	30.4%	0.0%
BMP	790	55	2849	27.7%	1.9%
TCL	256	39	999	25.6%	3.9%
CTD	4,041	0	16,198	24.9%	0.0%
VGG	926	10	4965	18.7%	0.2%
VSC	300	75	2393	12.5%	3.1%

(Source: Vietstock, companies' audited reports, AFC Research)

On average (simple arithmetic) the companies in our portfolio have an equity ratio (shareholders equity divided by total assets) of 60%, which is around double the value we find in most markets on average. Even world class companies like Siemens, Unilever or Nestle for example have ratios of 32%, 20% and 41%. Almost 30% of our companies even have real net cash (Cash and short-term investments minus all liabilities).

The massive outflow of foreign funds in the past few months also resulted in new opportunities in bigger names. We now see good entry points in some larger companies which lost 40%-70% in recent months and offer cheap valuations (a few of them well below 10x earnings and 30-50% discount to book value!). At current prices there are certainly huge opportunities as long as one is able to look beyond the current crisis and assess the long-term risks – which is admittedly not easy when most people are scared and forced to abruptly change their lifestyles they used to have.

With the heavy selling pressure brought on mainly by foreign investors in recent weeks, management of many companies are astonished about how hard their share prices have been hit and as a result we see many companies and insiders announcing share buybacks, which is always a very positive sign.

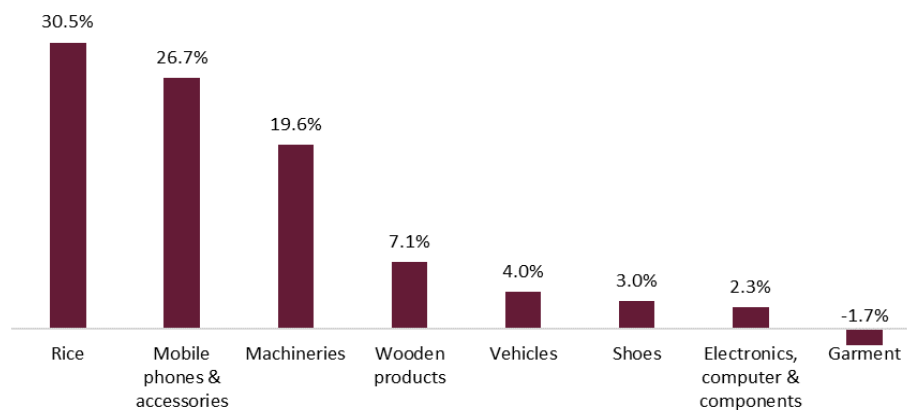
AFC VIETNAM FUND UPDATE

Rice exports jump strongly

The first 2 months of 2020 saw Vietnam's rice exports jump 30.5% in volume and 38% in value, reaching 929,000 tones and USD 430 mln respectively. This is quite surprising, given that commodity prices in general have declined over the same period.

The Philippines is still the largest rice customer of Vietnam and they bought 357,000 tons, equivalent to USD 154.7 mln. Iraq is the second largest rice customer with 90,000 tons, equivalent to USD 48 mln. Particularly, orders from China surged +595% in volume to 66,000 tons, equivalent to USD 37 mln. This increase in demand is mainly due to the Covid-19 crises, where the "staying at home" movement made people consume more rice.

Export growth of key products in the first 2 months 2020 (%)



(Source: GSO, Vietnam Custom, AFC Research)

The Vietnam Food Association predicts that rice prices are expected to increase in 2020, mainly due to decreasing production. The current serious drought in the Mekong Delta, the largest rice production area of Vietnam, has a damaging effect on rice production. Vietnam is currently the third largest rice exporter in the world with an annual volume of 6.2 mln tons, behind Thailand (10 mln tons) and India (12 mln tons). Meanwhile Thailand is also facing the worst drought in 40 years which pulls its rice production down dramatically.

Drought Thailand



AFC VIETNAM FUND UPDATE

(Source: Bangkok Post, AFC Research)

Drought in Mekong Delta of Vietnam



(Source: vnexpress.net, AFC Research)

Higher demand and expected lower production may create a rice shortage and push prices up sharply. The Vietnamese Government is worried that the nation's food safety is affected and this is why the Vietnamese Prime Minister decided to suspend rice exports as of 24th March 2020 in order to recalculate the country's rice reserves. This decision made rice export revenue in March to drop by 25% to reach USD 68.9 mln. Finally, in the first quarter, rice export revenue increased 7.9% to USD 653 mln. Most likely, Vietnam will start soon its rice export again after checking inventories and we expect that the situation will be back to normal soon again.

Example of a Covid-19 case publication in one of the local newspapers

25th March 2020

Da Nang has confirmed one new positive case of the novel coronavirus, bringing the total number of infected patients in the city to 6, the municipal Department of Health announced on Wednesday.

The latest case was confirmed in a 27-year-old Vietnamese woman returning from Sweden. She has become the 135th case to be diagnosed with coronavirus in Viet Nam till date.

The city's 6th patient worked for a restaurant in Lund City, Sweden.

On 19th March, she travelled to Denmark by train. Then, she left Denmark for Viet Nam and transited via Doha, Qatar and Bangkok, Thailand. She arrived at Da Nang International Airport on flight PG947 (seat number 16A) at 12.40pm on 21st March.

After implementing entry procedures and making health declaration with local health officials at the city's airport, the woman was sent to the Centre for Training National Defense and Security Knowledge, located at 86 Nguyen Chanh in Lien Chieu District, for 14-day quarantine at 3.00pm on 21st March.

From 21st – 24th March, the woman was placed in isolation in the room No 14 with 19 others.

AFC VIETNAM FUND UPDATE

On 23rd March, the staff of the city's Centre for Disease Control took throat swabs and blood serum samples of the woman to test for the new virus. As a result, her tests came back positive at 9.30pm on 24th March.

Currently, the infected patient is receiving treatment at the Da Nang General Hospital, and her health conditions are stable. After the woman tested positive for the virus on Tuesday, local health officials have identified a total of 130 passengers who shared the plane with her from Thailand to Da Nang on 21st March. All of the air passengers were Vietnamese citizens and they are quarantined now at the same place with the patient. They then tested negative for the virus on 24th March.

Also, the Da Nang CDC reported the confirmed case to the municipal Department of Health. The department worked with the Centre for Training National Defense and Security Knowledge to isolate the patient for control of infection purposes. Contact tracing were conducted to identify close contacts of the confirmed case. Medical staff also sprayed disinfectant at a room where the patient had stayed, and around her quarantine site.

The municipal Department of Health has traced 41 close contacts of the infected patient. Among the close contacts are 19 women who shared a room with the patient, and 22 people who sat near her on a flight from Thailand to Da Nang. All the close contacts are quarantined at a designated area in the Centre for Training National Defense and Security Knowledge to monitor their health.

Economy

Macroeconomic Indicators				
	2017	2018	2019	Feb-20
GDP	6.81%	7.08%	7.02%	7.02%
Industrial production (YoY)	9.4%	10.2%	8.9%	6.2%
FDI disbursement (USD bln)	17.5	19.1	20.4	2.5
Exports (USD bln)	213.8	244.7	264.2	36.9
Imports (USD bln)	211.1	237.5	253.1	37.1
Trade balance (USD bln)	2.7	7.2	11.1	-0.2
Retail sales (YoY)	10.7%	11.7%	11.8%	8.3%
CPI (YoY)	3.53%	3.54%	2.79%	5.91%
VND	22,755	23,175	23,230	23,310
Credit growth (YoY)	17.0%	13.9%	12.1%	0.3%
Foreign reserves (USD bln)	51	60	73	79

(Source: GSO, VCB, State Bank, AFC Research)

Subscription

The next subscription deadline will be 24th April 2020. 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 31st March 2020

NAV	1,378*
Since Inception	+37.8%*
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%	+1.03%	+2.96%	+4.52%	+1.94%	-4.38%	+1.09%	-0.75%	+1.47%	+0.01%	+13.33%
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%	-4.17%
2019	USD	-1.63%	+2.90%	+1.58%	+0.82%	-3.35%	+1.98%	+1.18%	+1.63%	-1.89%	-2.34%	-1.59%	+2.31%	+0.70%
2020	USD	-1.41%	-3.93%	-18.7%*										-23%*

*According to internal calculations

**The Fund has appointed ACOLIN Fund Services AG, succursale Genève, 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. © 2020 Asia Frontier Capital Limited. All rights reserved.