

## AFC VIETNAM FUND UPDATE

<b>Fund Category</b>	Vietnam Public Equities
<b>Country Focus</b>	Vietnam
<b>Subscriptions</b>	Monthly at NAV (five business days before month end)
<b>Redemptions</b>	Monthly at NAV 30 days notice
<b>Benchmark</b>	VN Index
<b>Fund Manager</b>	Vicente Nguyen
<b>Investment Manager</b>	Asia Frontier Capital (Vietnam) Limited, Cayman Islands
<b>Investment Advisor</b>	Asia Frontier Investments Limited, Hong Kong
<b>Fund Base Currency</b>	USD
<b>Minimum Investment</b>	USD 10,000
<b>Subsequent Investments</b>	USD 1,000
<b>Management Fee</b>	1.8% p.a. of NAV
<b>Performance Fee</b>	12.5% p.a. of NAV appreciation with high watermark
<b>Fund Domicile</b>	Cayman Islands
<b>Launch Date</b>	23 December 2013
<b>Custodian Bank</b>	Viet Capital Securities, Ho Chi Minh City
<b>Auditor</b>	Ernst & Young, Hong Kong
<b>Administrator</b>	Trident Fund Services, Hong Kong
<b>Legal Advisor</b>	Ogier, Hong Kong
<b>ISIN</b>	KYG0133A1673

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The broader market consolidated in April, while index heavy weight Vingroup led blue chips to another record high before the index retreated towards the month end. A combination of a COVID-19 outbreak in Southeast Asia and a long holiday prompted traders to take some profits after strong gains since January. Vingroup, with an index weight of around 10%, was up 25% earlier in the month, and contributed strongly to the index gains. The index therefore ended up +4%, while our fund portfolio continued to gain as well, and according to internal estimates our NAV reached USD 2,640 (+1.7%).

### Market Developments

April saw a complete change of market patterns relative to what we have witnessed in recent months. Foreign investors' strong selling diminished, but local investors took profits in smaller names and focused instead on a few big-cap stocks which underperformed in recent months and where rumors or news emerged.

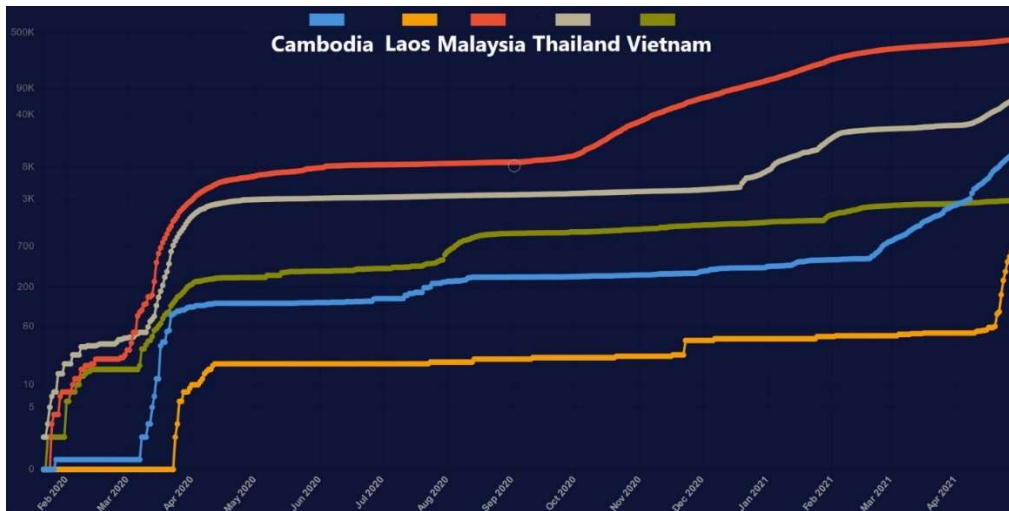
A new Vietnam ETF - Fubon FTSE Vietnam ETF - was issued in Taiwan and will focus on 30 Ho Chi Minh Stock Exchange (HOSE) listed blue chips, still available to foreigners. Completing its IPO on 24<sup>th</sup> March 2021, the ETF raised around USD 200 mln in total capital and has probably finished investing its capital by now. Overall, with foreign selling in recent months and increased local trading, the market share of foreign investors has been reduced from approximately 20% to just around 10%.

The main reason for the huge outperformance of HOSE was its largest index component, Vingroup, which lagged the market since last year, jumped 25% since the end of March before retreating. Rumors of a planned IPO in New York of its subsidiary, VinFast, made headlines locally and internationally and brought a bit of "Tesla fantasy" to investors in Vietnam. The huge gains in technology stocks in the US, fueled by easy money and speculation on new technologies like back in the good old days of the internet bull market of the late 90's, has been lackluster in emerging economies like Vietnam so far. That has just changed somewhat with the interesting story unfolding as can be read further below which shows once again why we like the spirit of Vietnam's business leaders.

### COVID-19 update

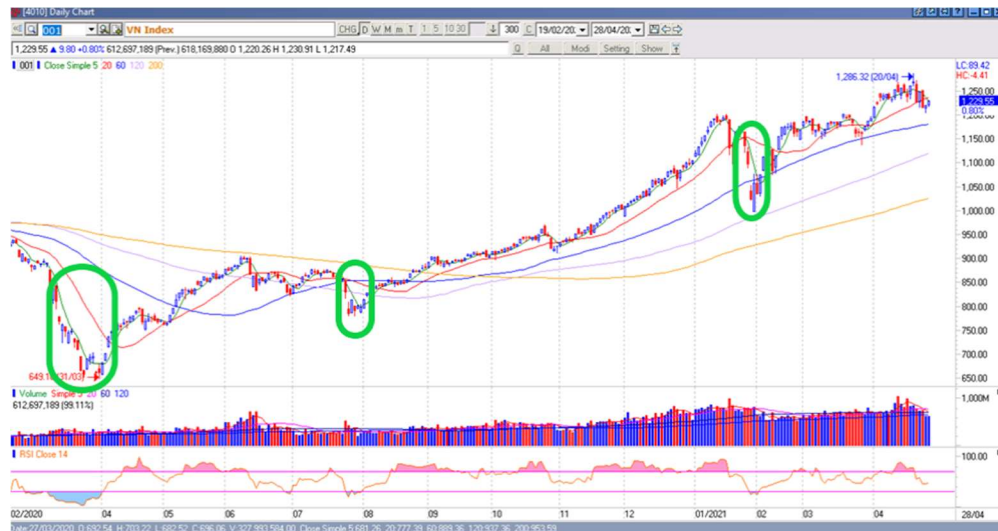
The COVID-19 outlook for the Western world slowly improves by securing enough vaccines – even with some initial delivery hick-ups in Europe – to vaccinate a good part of their population by end of summer in order to finally see a reopening of the economy. This should allow people to resume their regular lives more or less, but the situation in other parts of the world looks quite different. Besides the disastrous news from countries like Brazil or India, we are also seeing another wave of infections, bigger than ever before, in countries close to Vietnam, including Thailand, Cambodia and Laos.

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(Source: Alex Dumitru / corona.help)

With much lower vaccine purchases in these countries, we can only hope that they will be successful again in controlling the outbreaks by taking immediate actions as they had taken in the past, and it will not lead to many cases in Vietnam which experienced the first few infections in more than a month.



(Source: Viet Capital Securities)

But as we can see from the three other “waves” – Vietnam registered fewer than 3,000 cases throughout the pandemic so far – any correction has been a good buying opportunity in the past as Vietnam has some of the most rigorous measures in place worldwide, along with countries such as Australia, China or New Zealand.

### Don't trust the headlines for economic numbers!

Published economic numbers currently have to be taken with a grain of salt, as headline figures hardly represent the real economic recovery (or not) from the effects of COVID-19. The reason for that are the base effects from strict lockdowns around the world early last year. Everybody remembers the shocking pictures from the lockdown last year in Wuhan, China

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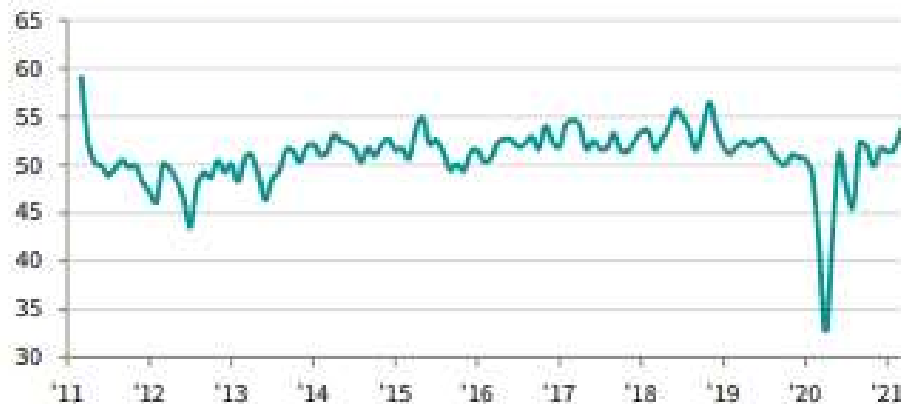
during the first quarter, but various lockdowns in different countries differed very much and most of them happened in second quarter 2020. Together with different reporting routines where in some countries year over year comparisons are reported while other headline news shows quarter over quarter comparisons. Therefore, we saw very impressive economic headlines reported from China with an astonishing GDP growth rate of 18.3% in Q1/2021, not to mention that this was below expectations and compared to the lockdown quarter of 2020 (which was -6.8%, the weakest in decades!). The subsequent growth from the last quarter (Q4/2020) was a much less impressive 0.6%. Nevertheless, when we compare the current economic numbers to their pre-COVID-19 levels, both China and Vietnam fare much better than most other countries around the globe.

The recovery in Vietnam is not only visible by its strong GDP and export numbers, but also underlined by robust domestic growth as we can see from retail sales, which expanded by 9.2% in March compared to last year; the foreign tourism shutdown and lockdown happened only at the end of March 2020 in Vietnam.

With inflation still very much under control (only +1.3% y/y), growing foreign reserves (+30% since the end of 2019), and the highest Purchasing Manager Index in two years, we feel very confident with the positive economic forecast of close to +7% GDP growth for the current year. The fact that the US has just taken Vietnam off its list of currency manipulators, which is a big relief for Vietnam's export sector, but will not break the trend of the slight upward pressure to the currency which even appreciated since the start of the first COVID-19 wave in 2020.

### Vietnam Manufacturing PMI

sa, >50 = improvement since previous month

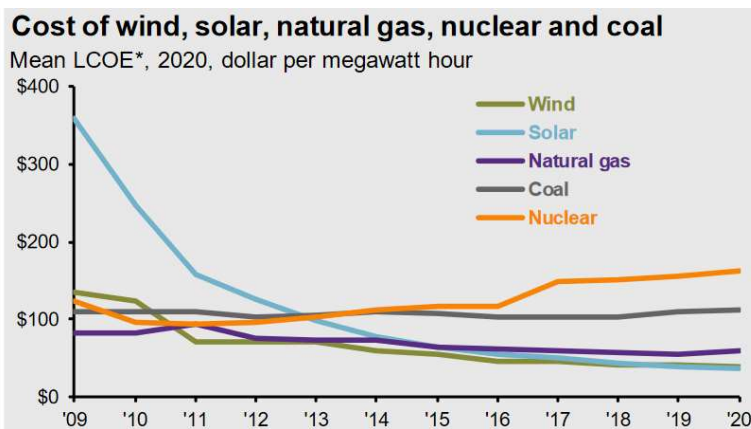


(Source: HIS Markit)

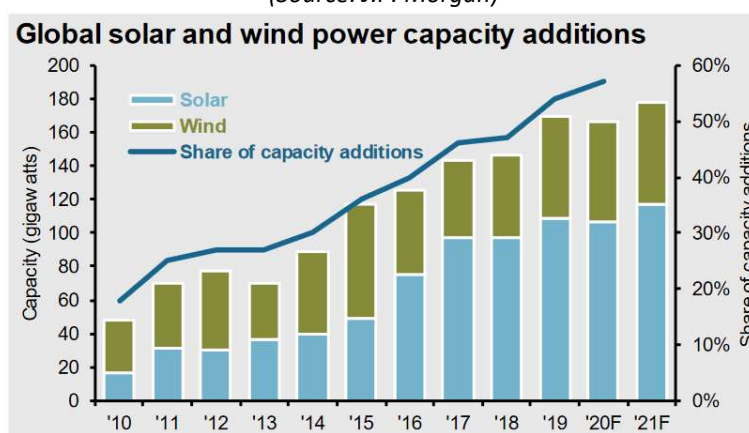
### From motorbikes to electric cars?

In our report last month, we have shown the strong commitment by Vietnam to be one of the leading emerging country and to become more "climate friendly". Vietnam's president Nguyen Xuan Phuc, is very committed to combat climate change by reducing greenhouse gas emissions and to promote sustainable energy development projects. Vietnam, a country which is severely impacted by climate change, has decided to reduce its total greenhouse gas emissions by 9% by 2030, and continue to reduce them up to 27% if it receives international support through bilateral and multilateral co-operation and the Paris Agreement mechanisms on climate change. The global commitment from many countries to combat climate change is certainly a very positive development which is supported by an increasing competitiveness of alternative energy sources in recent years.

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(Source: J.P. Morgan)



(Source: J.P. Morgan)

Lower costs for alternative energy sources had a positive impact on solar installations in Vietnam, which increased dramatically over the past few years, followed by wind power installations. Trungnam Group, a HCMC-based energy firm, has started operating its wind power plant - the country's largest to date - in central Ninh Thuan Province just this month. The plant, which spans over 900 hectares in Thuan Bac District, has 45 turbines with a total capacity of 152 MW, and is combined with a 204 MW solar power plant to form the solar-wind farm complex considered the largest in Southeast Asia. This complex will feed a total of 950 mln kWh per year into the country's grid.



(Source: vnexpress)

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It's not only the government that is involved in green energy investments; the private sector is also strongly encouraged to invest in renewable energy projects.

VinFast, founded by billionaire Pham Nhat Vuong, who is also founder and chairman of its parent group Vingroup, began producing petrol-powered cars using the latest BMW technology, designed by the Italian firm Pininfarina, to Vietnamese consumers in 2019. The carmaker plans a Vietnam roll-out of electric cars later this year. The startup aims to deliver its first electric vehicles to the US, Canada and Europe next year and is looking to open a factory in the US, and is now even exploring the possibility of an IPO in the US. The company could raise as much as USD 3 bln in its IPO, making it the biggest-ever listing by a Vietnamese company which could value the company in the range of USD 50-60 bln. Vingroup, which so far declined to comment on those rumors, would land with its perfectly timed listing not only a milestone for the company, but would also show the world how fast one of the formerly poorest countries can transform its economy, if all necessary economic puzzle pieces from politics, education and motivation are brought correctly together – similar to what we have witnessed in Japan, South Korea and China decades before.

Vingroup already has the largest market capitalization of any company in Vietnam at almost USD 20 bln. The company was established in 2002 with an initial charter capital of VND 196 bln (USD 8.5 mln). The company initially focused on real estate through its subsidiary Vinhomes Corp., before expanding into tourism, education, healthcare, retail, big data, smartphone production and, most recently, aviation. In 2017, Vingroup decided to become the first domestic car manufacturer and hence setup VinFast. They invested a staggering USD 2 bln to build the third-largest automobile manufacturing complex in the world on an island off Hai Phong, in the north of Vietnam. At the time their ambitious plan was met with a lot of skepticism, but in October 2018, VinFast launched its first car at the Paris Motor Show.

While Vietnam has become a manufacturing powerhouse in sectors such as electronics and textiles, at this time it clearly lags far behind regional competitors in the auto industry. The Vietnamese government has made changing this reality a prominent goal in the ongoing modernization of the country's economy, and VinFast has therefore received substantial high-level support.

In March 2021, VinFast launched its first electric car, VFe34, which was priced very competitively at VND 690 mln (USD 30,000). In order to buy this model, customers need to pay a deposit of VND 10 mln (USD 440) and will receive their car 6 months later. After only 12 hours, VinFast received more than 4,000 deposits/orders, which far exceeded expectations. It has shown that Vietnamese consumers are very proud of VinFast, the first Vietnamese auto manufacturer which seems to be on track to establish itself successfully as an international brand in the auto market.

### VinFast electric car model VFe34

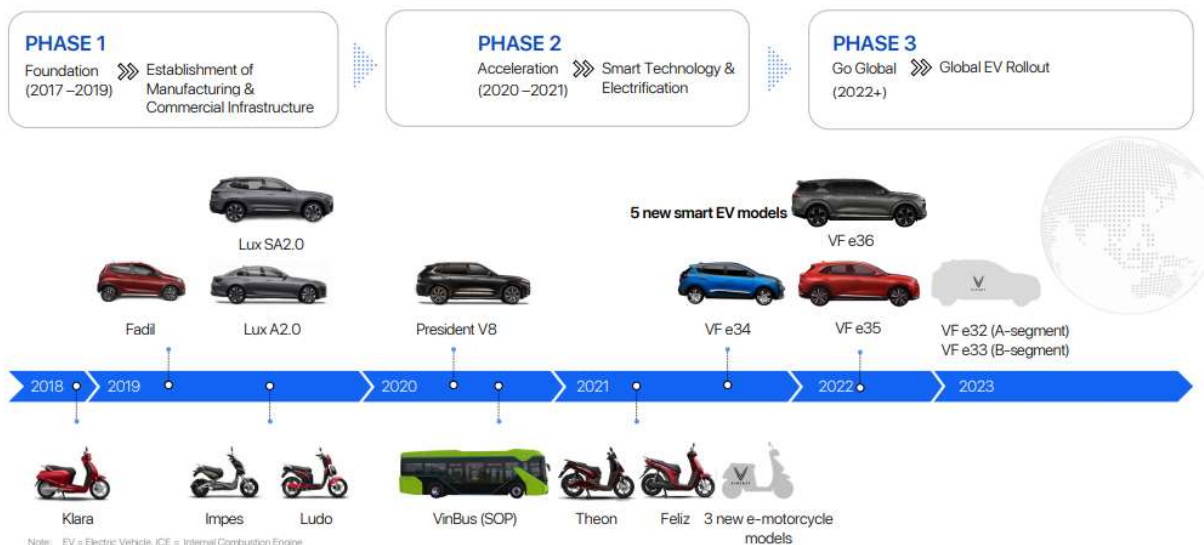


(Source: VinFast)

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In 2020, Vietnam's homegrown auto brand VinFast sold 29,485 cars to become the country's fifth best-selling marque. Ahead of VinFast were Hyundai, Toyota, Kia and Mazda.

## VinFast milestones



## VinFast electric cars

**VF e35**


**Advanced autonomous driving**

**Range**  
Up to 500km (310 miles)


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**Safety<sup>1</sup>**  
5-star NHTSA / 5-star EURO N-CAP

**Maximum power / torque**  
300kW / 640Nm (Premium)



Taking orders from Q3 2021 and hitting roads globally in summer 2022



**VF e36**

**Advanced autonomous driving**

**Range**  
Up to 550km (340 miles)

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**Safety<sup>1</sup>**  
5-star NHTSA / 5-star EURO N-CAP

**Maximum power / torque**  
300kW / 640Nm

Note: Features of VF e35 and VF e36 are designed features targeted at launch. 1. Targeted safety levels

(Source: VinFast)

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### Economy

Macroeconomic Indicators				
	2018	2019	2020	Apr-21
GDP	7.08%	7.02%	2.91%	4.48%
Industrial production (YoY)	10.2%	8.9%	3.4%	10.0%
FDI disbursement (USD bln)	19.1	20.4	20.0	5.5
Exports (USD bln)	244.7	264.2	281.5	103.9
Imports (USD bln)	237.5	253.1	262.4	102.6
Trade balance (USD bln)	7.2	11.1	19.1	1.3
Retail sales (YoY)	11.70%	11.80%	2.60%	10.00%
CPI (YoY)	3.54%	2.79%	3.23%	0.74%
VND	23,175	23,230	23,108	23,053
Credit growth (YoY)	13.9%	12.1%	10.5%	2.9%
Foreign reserves (USD bln)	60	73	92	94.8

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

### Subscription

The next subscription deadline will be 25<sup>th</sup> May 2021. If you would like any assistance with the subscription process please be in touch with Andreas Vogelsanger.

Best regards,

AFC Vietnam Fund

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## Estimated NAV as of 30<sup>th</sup> April 2021

NAV	2,640*
Since Inception	+164%*
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%	-18.44%	+12.72%	+4.28%	-0.28%	+0.78%	+8.65%	+6.02%	+0.72%	+6.91%	+12.77%	+27.66%
2021	USD	-1.89%	+9.49%	+5.84%	+1.7%*									+15.6%*

\*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.*

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