

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
CIO	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

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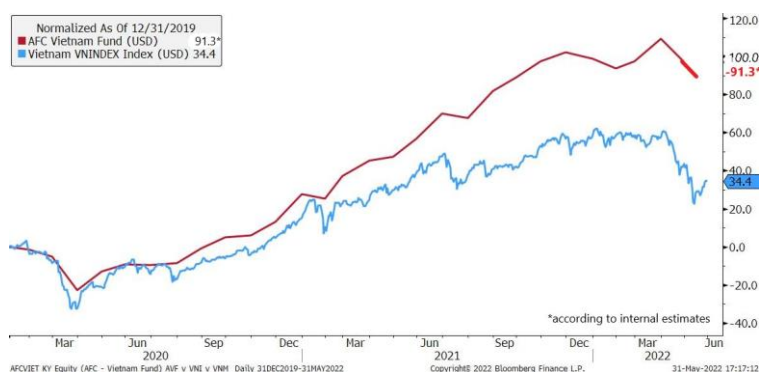
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The market correction continued until the middle of May, but then the market started its recovery from oversold territory. The VN Index lost -14.2% in the first 2 weeks of May, but then bounced back +10.3% from its low and closed the month with a loss of -5.4%. Our portfolio also suffered in this correction and declined by -5.9% to an NAV of USD 3,317, according to internal estimates.

Market Developments

Despite the sharp fall in May, it might actually be an interesting buying opportunity to either increase one's Vietnam exposure or to enter a new investment in Vietnam. The VN-Index reached a 12-month low in the middle of the month, but has since bounced back a little. The reasons for the current market correction are still margin calls from overleveraged domestic retail investors, tightening credit conditions for asset speculations and a few high-level arrests of stock market and real estate manipulators and involved government officials.

VN-Index versus AFC Vietnam Fund since Jan 2020 (pre COVID-19) to May 2022



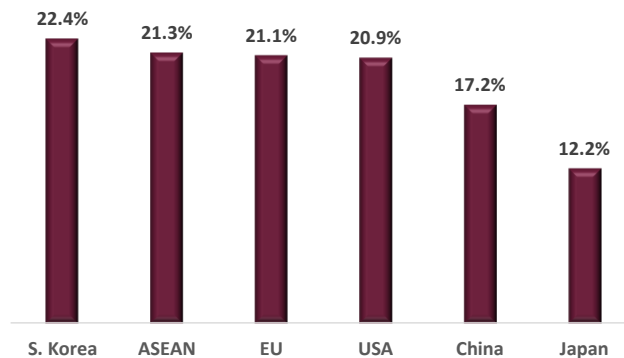
(Source: Bloomberg, AFC Research)

The reasons why we think that the current correction could offer an interesting buying opportunity is mainly because the fundamental growth story for Vietnam's economy remains intact, with the GDP growth forecast for this year at around +6% and strong Q1/2022 earnings growth of listed companies of 31%. Also, the current stock market valuation with the VN-Index's forward 2022 P/E of 12.3x looks very attractive and is much lower than its 5-year historical P/E of 16.5x.

We further believe that current rate hikes by central banks in Europe and the US won't have a significant negative impact on Vietnam's growth forecast, given that real interest rates are positive in Vietnam (nominal interest rates have always been kept higher than inflation rates), unlike in Europe and the US. As we mentioned in our previous reports, the conflict in the Ukraine has so far had a very small impact on Vietnam's economy and this will probably remain the case going forward. There are currently many discussions about a possible recession in the US and Europe and it is difficult to forecast the possible impact on Vietnam's economy, should this recession fear become true and hence impact consumption negatively. But for example, with the current tension between China and the US, and the Chinese "Zero-COVID" policy, Vietnam will most likely be one of the beneficiaries, given that only a small production shift from China to Vietnam has a huge positive impact on Vietnam's economy. Already now, when looking at Vietnam's export statistics for the first 4 months of 2022, exports to the US have increased by 20.9% yoy, and to Europe by 21.1% yoy! Especially food exports such as catfish, shrimps, and rice, but also textile exports to Europe have increased significantly.

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Export growth by market



(Source: GSO, AFC Research)

Indo-Pacific Economic Framework for Prosperity (IPEF)

Vietnam is of course benefitting from all the various FTA's (free trade agreements) which are in place, with e.g. Europe, ASEAN, CPTPP, etc. Only a few days ago, when President Biden visited Japan, he launched the Indo-Pacific Economic Framework for Prosperity (IPEF) with a dozen initial partners: Australia, Brunei, India, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, and Vietnam. This is another important milestone for Vietnam, given that these 13 countries together represent 40% of global GDP.

Hanoi - Southeast Asian Games

The most important ASEAN sports event, SEA Games 31, was held in Vietnam during 12th -23rd May 2022. Vietnam's athletes showed a remarkable performance, winning 205 gold medals, including in men's football, which was the highlight of the game!



Hanoi 2021 Southeast Asian Games

Multi-sport event

Medals by team >

Country	Gold	Silver	Bronze	Total
Vietnam	205	125	116	446
Thailand	92	103	136	331
Indonesia	69	91	81	241
Philippines	52	70	105	227
Singapore	47	46	71	164

(Source: seagames2021)

This event plays an important role, not only in sport, but also for the economy. SEA Games 31 was the first major sports event at the time when finally, many countries around the world started to loosen up COVID-19 restrictions and therefore created a much-needed boost to the tourism industry. Before the start of the SEA Games 31, Vietnam relaxed its COVID-19 policy even further and ATK tests were no longer required to enter the country. It was therefore no surprise that more than 170,000 international visitors travelled to Vietnam to visit the largest ASEAN sports tournament. Stadiums were full and most visitors didn't wear a face mask anymore, and it almost felt like COVID-19 never existed.

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A full audience stadium during SEA Games 31



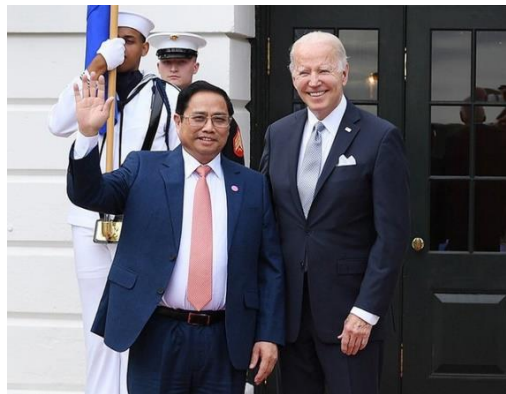
(Source: vnexpress)

Vietnamese Prime Minister visits USA

Prime Minister Pham Minh Chinh visited the US from 11th-17th May, in order to attend the ASEAN-US summit and the United Nations, at the invitation of US President Joe Biden.

This is the first foreign tour of Prime Minister Pham Minh Chinh since the outbreak of the COVID-19 pandemic in March 2020. His visit was aimed to foster bilateral ties with the US. in a more practical and effective manner. Both sides committed to accelerating cooperation in dealing with traditional challenges such as freedom of aviation and navigation in seas and oceans, as well as non-traditional issues like pandemics, supply chain stabilisation and climate change. During his visit he met with many top executives of companies such as for example Apple, Google, and Microsoft to discuss how to further strengthen economic, trade and investment ties. The Vietnamese delegation also visited the NYSE (New York Stock Exchange) and the Vietnam's State Securities Commission. The NYSE have inked a cooperation agreement to facilitate Vietnam's forthcoming market upgrade and provide a mechanism for investors to engage in both stock markets.

PM Pham Minh Chinh and US President Joe Biden



(Source: chinhphu)

Li Ka-shing to invest USD 80 bn in Vietnam's infrastructure

Li Ka-Shing, the Hong Kong tycoon, announced that he will be investing USD 80 bn into Vietnam's infrastructure. Li Ka-shing, nicknamed "Superman" has gained a reputation as one of the most influential businessmen in Asia. His choice to invest in Vietnam after retreating from Europe seems to show that Vietnam's economic development potential is huge.

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A recent report by the Vietnamese media "The Saigon Times" seems to further corroborate this conjecture. Recently, Cheung Kong Group and Japan's ORIX Group, through their local partner Van Thinh Phat, held a meeting with Phan Van Mai, Mayor of the People's Government of Ho Chi Minh City, Vietnam to discuss investing in Ho Chi Minh City.



(Source: Saigon Times)

Li Ka-Shing already started investing in Vietnam a long time ago. CK Hutchison, one of the companies of billionaire Li Ka Shing, is the second largest shareholder of Vietnamobile, a local telecommunications company in Vietnam. He also owns SITV, a port in Vietnam in Ba Ria Vung Tau province and several real estate assets across the country.

The world's longest glass-bottom bridge just opened in Vietnam

A glass-bottomed walkway in Vietnam opened in April and has been declared the world's longest bridge of its kind by Guinness World Records. Located in the rural highland region of Son La province in northwestern Vietnam, the Bach Long bridge connects visitors to a popular mountain resort and offers impressive panoramic views of lush mountain rainforest.



(Source: yahoo)

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Economy

Macroeconomic Indicators				
	2019	2020	2021	May-22
GDP	7.02%	2.91%	2.58%	5.03%
Industrial production (YoY)	8.9%	3.4%	4.8%	8.3%
FDI disbursement (USD bln)	20.4	20.0	19.7	7.7
Exports (USD bln)	264.2	281.5	336.3	152.8
Imports (USD bln)	253.1	262.4	332.3	152.3
Trade balance (USD bln)	11.1	19.1	4.0	0.5
Retail sales (YoY)	11.80%	2.60%	-3.80%	9.70%
CPI (YoY)	2.79%	3.23%	1.89%	2.25%
VND	23,230	23,108	22,782	23,191
Credit growth (YoY)	12.1%	10.5%	13.0%	7.7%
Foreign reserves (USD bln)	73	92	105	110

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

The Vietnamese economy continued to show solid growth in May 2022 with impressive numbers for industrial production, exports and retail sales. In the first 5 months, industrial production increased by 8.3% yoy which was supported by retail sales which increased by 9.7% yoy, and strong export growth of 16.3% yoy.

Subscription

The next subscription deadline will be 24th June 2022. 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 31st May 2022

NAV	3,317*
Since Inception	+231.7%*
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%	+1.58%	+6.37%	+8.37%	-1.30%	+8.47%	+3.80%	+4.47%	+2.42%	-1.69%	+55.61%
2022	USD	-2.51%	+1.92%	+5.99%	-5.82%	-5.9%*								-6.7%*

*According to internal estimates

**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

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