

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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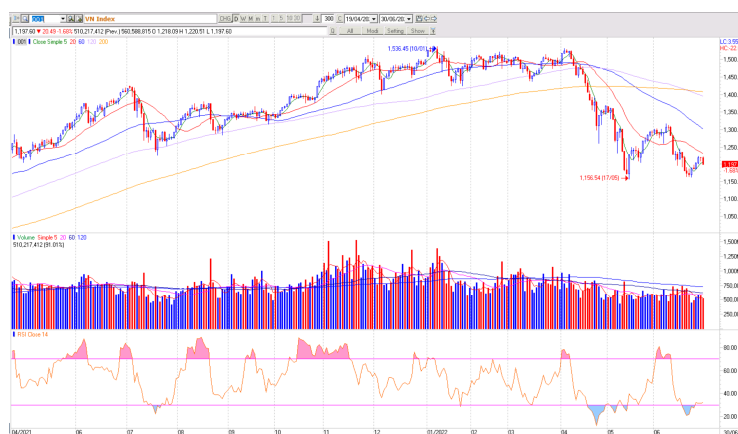
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Investors were taken by surprise about the faster than expected Fed fund rate rise in June, and hence global markets weakened again. Also, the VN Index lost -7.3% in June and our portfolio declined by -3.9% to an NAV of USD 3,190, according to internal estimates.

Market Developments

The VN-Index started to recover mid of May, but in June it again tested the 12-month low and seems to have formed a bottom for now.

VN-Index from April 2021 to June 2022

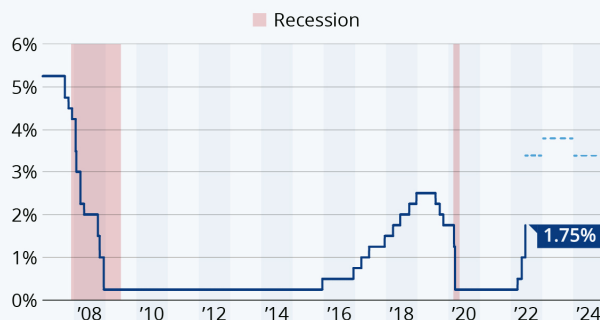


(Source: Viet Capital Securities)

The reason for June's correction has mainly to do with the nervousness of investors about the faster than expected Fed funds rate increase in June of 75 basis points. The US is faced with the highest inflation in more than 40 years, and the Federal Reserve has once again turned up the heat, taking its most aggressive stance since 1994 in an attempt to curb inflation.

Fed Issues Most Aggressive Rate Hike Since 1994

Upper limit of the U.S. federal funds target rate range*



* dotted lines indicate median projections of the midpoint of the appropriate target range for the federal funds rate at the end of the specified calendar year
Source: U.S. Federal Reserve



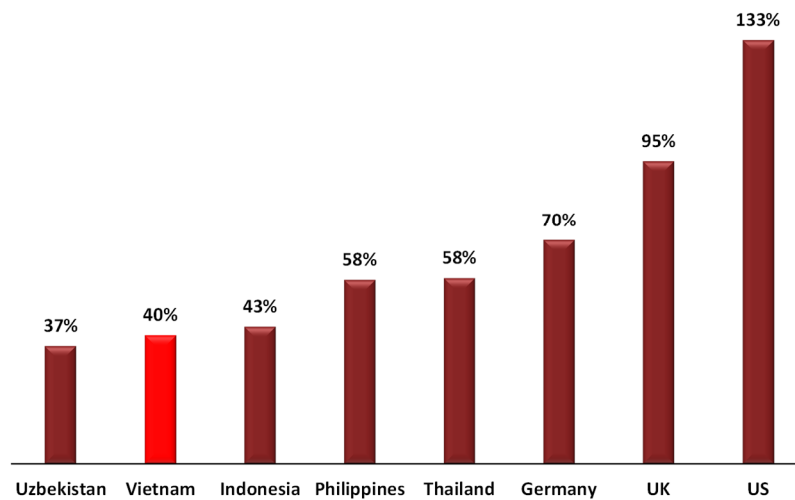
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As we mentioned in our previous report, the compelling macroeconomic picture and long-term uptrend for Vietnam remains attractive.

Low Debt Level

Vietnam fares very well when compared to other countries in terms of public debt levels. According to the IMF, Vietnam's government debt-to-GDP ratio was 40.2% at the end of last year, well below the government's cap of 60%.

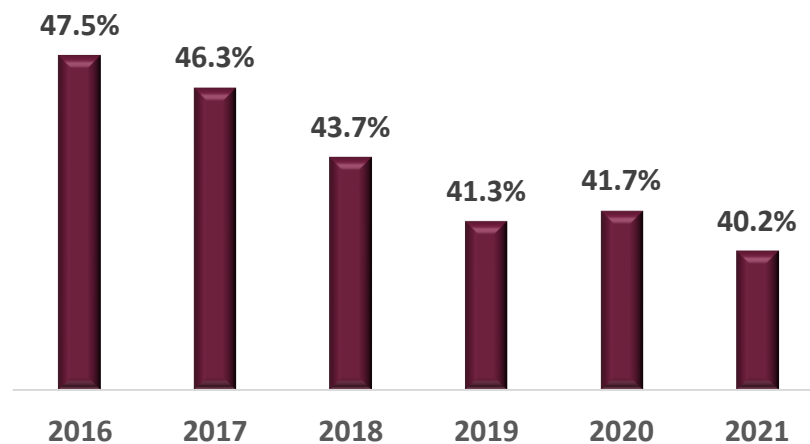
Government Debt to GDP 2021



(Source: IMF)

In the 6-year period between 2016 and 2021, Vietnam's public debt has decreased significantly. This sound fiscal policy - together with prudent monetary policy - makes Vietnam fit for the post-COVID-19 crisis era. This paves the way for the country's powerful repositioning.

Vietnam Government debt to GDP

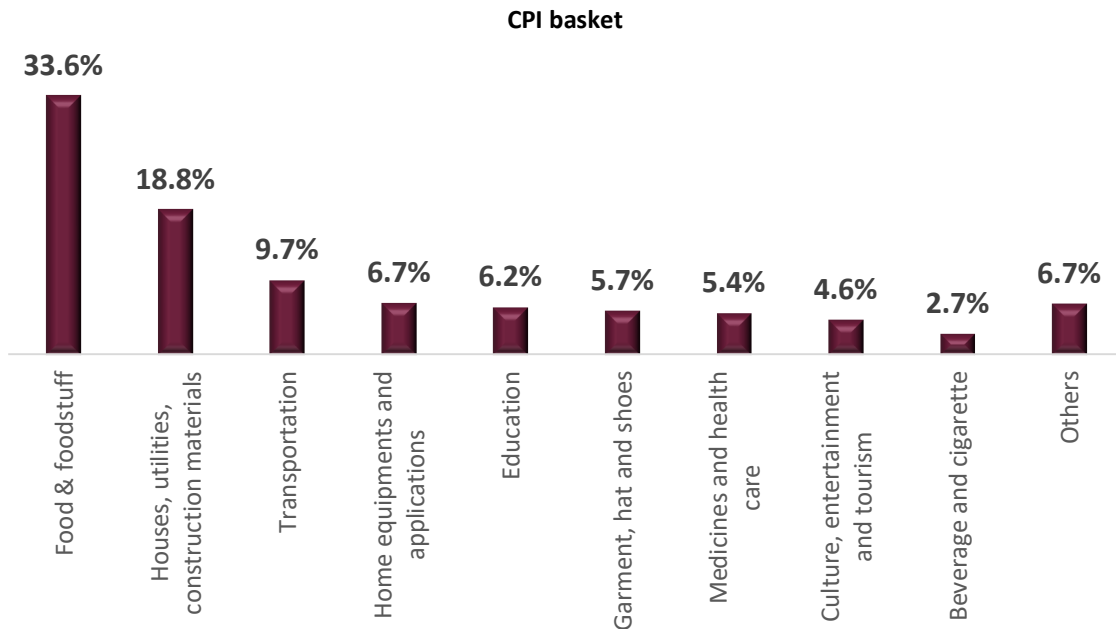


(Source: IMF)

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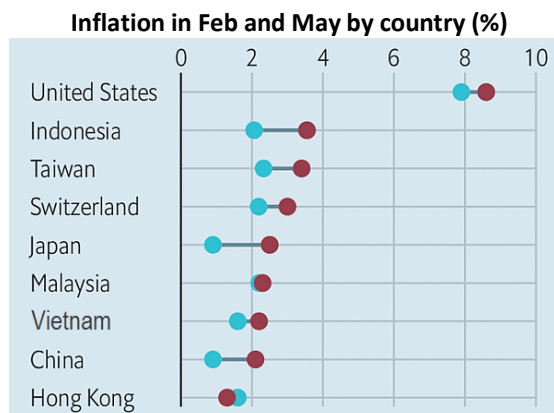
Inflation is under control

Inflation might be the concern that global investors pay the most attention to. Inflation certainly rose dramatically over the past few months in Europe and the US, however in Vietnam it is still well under control. CPI reached 2.4% in June 2022, still far below the government ceiling of 4% this year.



(Source: General Statistics Office Vietnam)

Food and foodstuffs play the most important part in the CPI basket with a weighting of 33.6%, meanwhile oil and petroleum contribute only 4% in the basket. Vietnam has a large and important agricultural sector, producing rice, seafood, meat and other foodstuff and is self-sustainable in terms of domestic food demand. Vietnam is also able to export a lot of agricultural products and is the second largest rice exporter in the world. Food prices in Vietnam only increased by 0.89% YoY in the first half of 2022. At the same time, fuel (oil and petroleum) with a 3.6% weighting in the CPI basket already increased by 57% YoY which is the main reason why it pushed inflation up by 2.1% in the last 12 months. But, also other Asian countries such as China, Malaysia, Taiwan or Indonesia seem to withstand the rising inflation trend.



(Source: The Economist)

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Vietnam is a net importer of oil, even though it explores for its own oil in the South China Sea. The ADB and HSBC both have a 2022 inflation forecast for Vietnam inflation of 3.5% in 2022, given its low weighting of oil and petroleum in the CPI basket. The price of rice is the most important item in the CPI basket, and hence rising prices would create a lot of pressure on inflation, but fortunately the situation is well under control and Vietnam produces enough rice for domestic consumption and is actually an exporter of rice. Vietnam produces enough fertilizers (urea) for domestic consumption, which also helps to contain rising rice prices. We therefore believe that inflation will be well under control and manageable in Vietnam.

Irrational reaction creates wonderful opportunities

The daily trading volume in Vietnam is driven by local retail investors who are responsible for around 90% of the trading volume. In the last two years, there were more than 3.3 mln new brokerage accounts opened, now totaling almost 5 mln in all. This equates to around 5% of Vietnam's population and it is widely expected that Vietnam will follow the path of other "Asian Tigers" over the years to come, such as for example Taiwan, which has a penetration rate of over 90%.

The problem however is, that most individual investors do not have enough knowledge about fundamental valuations and dynamics of stock markets. They often trade stocks based on rumors and trends without looking at company valuations or economic data. This behavior was the main reason why the market declined over the past 3 months, in a period where Vietnam published impressive economic numbers, such as for example much stronger Q2 GDP growth numbers of 7.7% than Q1 GDP Growth of 5%. Also, export numbers increased by about 21% yoy in the first 6 months of 2022. Vietnam's listed companies showed impressive earnings growth of around 31% in Q2 of 2022 and are now trading at a very attractive valuation with a 2022 forward PE of 11.7x!

LPB from March 2019 to June 2022



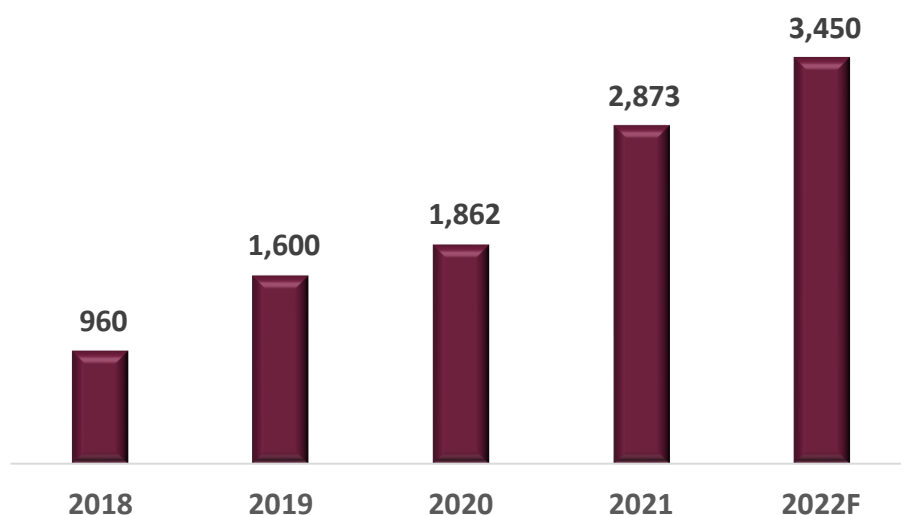
(Source: Viet Capital Securities)

Lien Viet Post Bank (LPB) was one of our largest positions in June 2021 before we decided to exit it at around VND 29,000. The bank's profit increased aggressively in 2020 and 2021 which pushed the stock price from around VND 7,000 to a peak of VND 29,750. We were holding this position since 2017 and took profit in June 2021 in order to switch into the insurance sector. In the first quarter of 2022, the net profit of LPB grew at 62% from VND 876bn to VND 1,420bn but the stock price didn't reflect the bank's strong business performance and LPB's share price declined by around 59% from the peak to

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VND13,050 at the end of June 2022. LPB, at its current valuation, is now one of the cheapest banks in the market with a P/E of 6.3x and P/B of 1.0. This demonstrates quite well some of the irrational behavior of domestic retail investors, which create great buying opportunities for fundamental long-term investors. We don't know when the stock market will rebound or how retail investors will react on new market developments but we are convinced that the Vietnamese economy with its impressive numbers and the listed Vietnamese companies with very strong earnings growth in 2022 are flourishing at the moment and will probably continue to do so for a considerable time in the future.

LPB net profit (VND bn)



(Source: LPB, HOSE, AFC Research)

Economy

Macroeconomic Indicators				
	2019	2020	2021	Jun-22
GDP	7.02%	2.91%	2.58%	6.42%
Industrial production (YoY)	8.9%	3.4%	4.8%	8.5%
FDI disbursement (USD bln)	20.4	20.0	19.7	10.1
Exports (USD bln)	264.2	281.5	336.3	185.9
Imports (USD bln)	253.1	262.4	332.3	185.2
Trade balance (USD bln)	11.1	19.1	4.0	0.7
Retail sales (YoY)	11.80%	2.60%	-3.80%	11.70%
CPI (YoY)	2.79%	3.23%	1.89%	2.44%
VND	23,230	23,108	22,782	23,281
Credit growth (YoY)	12.1%	10.5%	13.0%	8.5%
Foreign reserves (USD bln)	73	92	105	110

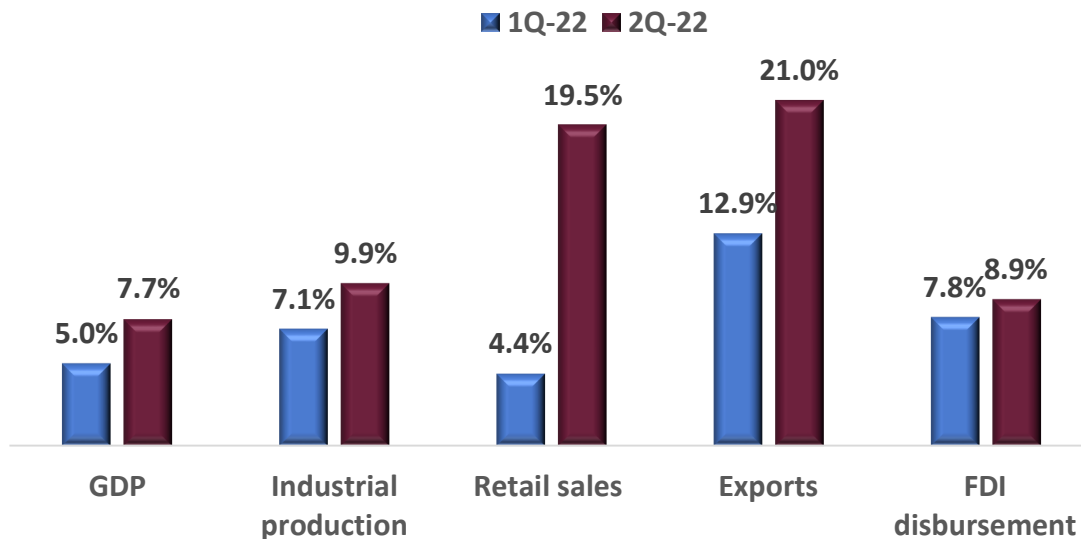
(Source: GSO, VCB, State Bank, AFC Research)

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Q2 2022 GDP growth hits highest level in more than a decade

Vietnam's GDP growth was 7.72% in Q2 2022 — the highest Q2 growth during 2011 - 2022 — lifting GDP growth in H1 2022 to a three-year high of 6.42% YoY (vs 5.74% in H1 2021 and 2.04% YoY in H1 2020)

Vietnam's economy - strong improvement (% YoY)



(Source: GSO, AFC Research)

Subscription

The next subscription deadline will be 25th July 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 30th June 2022

NAV	3,190*
Since Inception	+219%*
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%	-5.85%	-3.9%*							-10.3%*

*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.

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