

AFC VIETNAM FUND UPDATE

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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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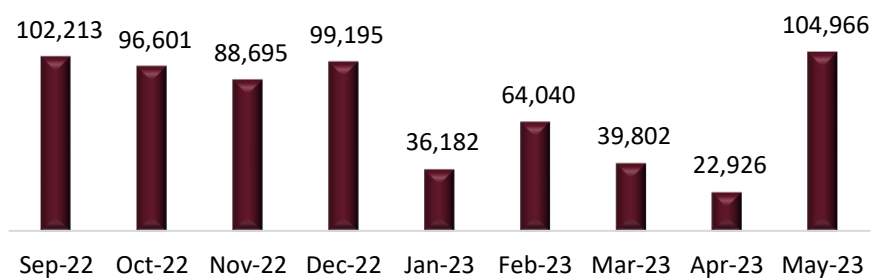
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In June, the VN-Index showed a robust increase of 3.87% in USD terms to reach 1,120.2 points, accompanied by a significant improvement in market liquidity. However, our fund slightly underperformed against the index, gaining 2.6% to reach a NAV of USD 3,205, according to internal estimates.

Market Developments

The month of June brought several positive developments that supported the market. Key factors contributing to this positive sentiment were the rate cut and the increasing number of new stock trading accounts. Especially in May, we saw a notable surge in new trading accounts, with over 104,000 opened, marking the highest number in over 9 months.

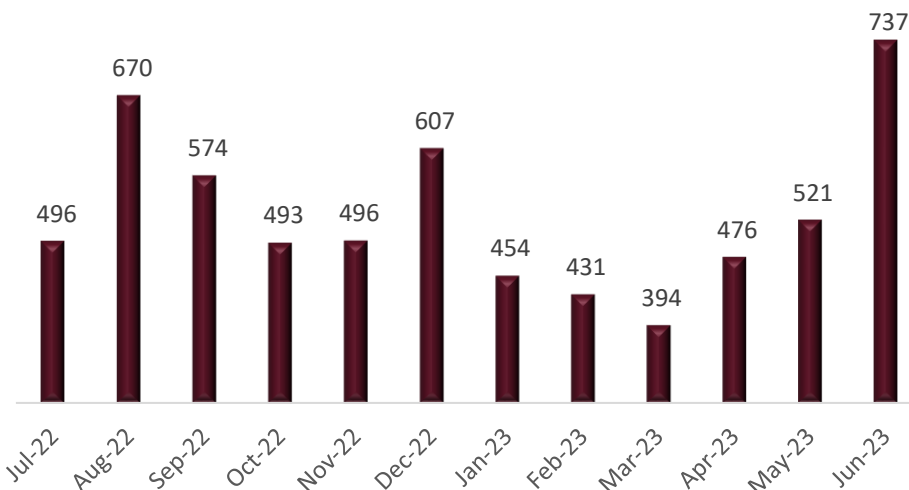
New opened stock trading accounts



(Source: VSD, AFC Research)

This influx of new investors, particularly local individuals, signifies a return of confidence to the market after a prolonged period of uncertainty. The increased inflow of capital from these new investors bolstered market liquidity, resulting in a significant rise in daily trading value from USD 521 million in May to USD 737 million in June, reaching the highest level in 12 months. Notably, on 8th June 2023, the daily trading value surpassed USD 1.1 billion, the highest in a year.

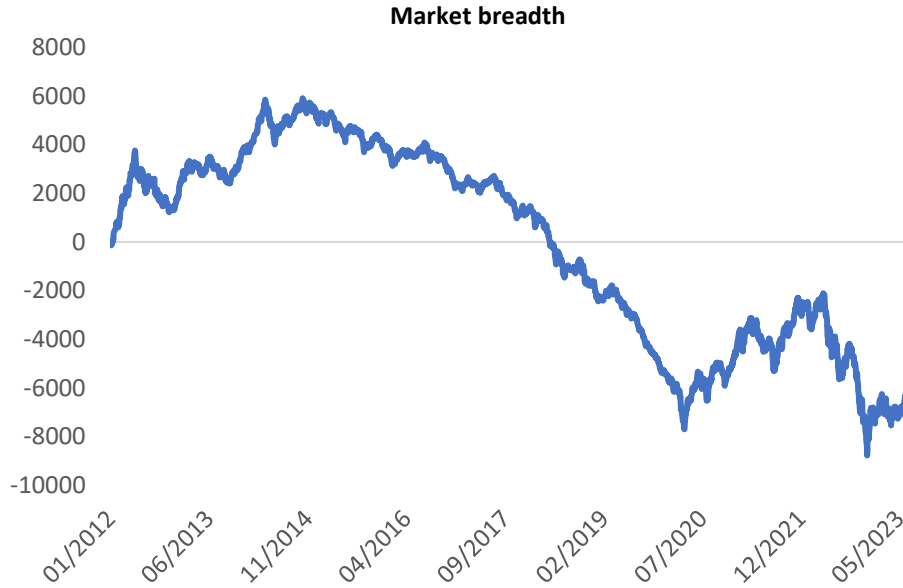
Market daily trading value (USD mn)



(Source: HOSE, AFC Research)

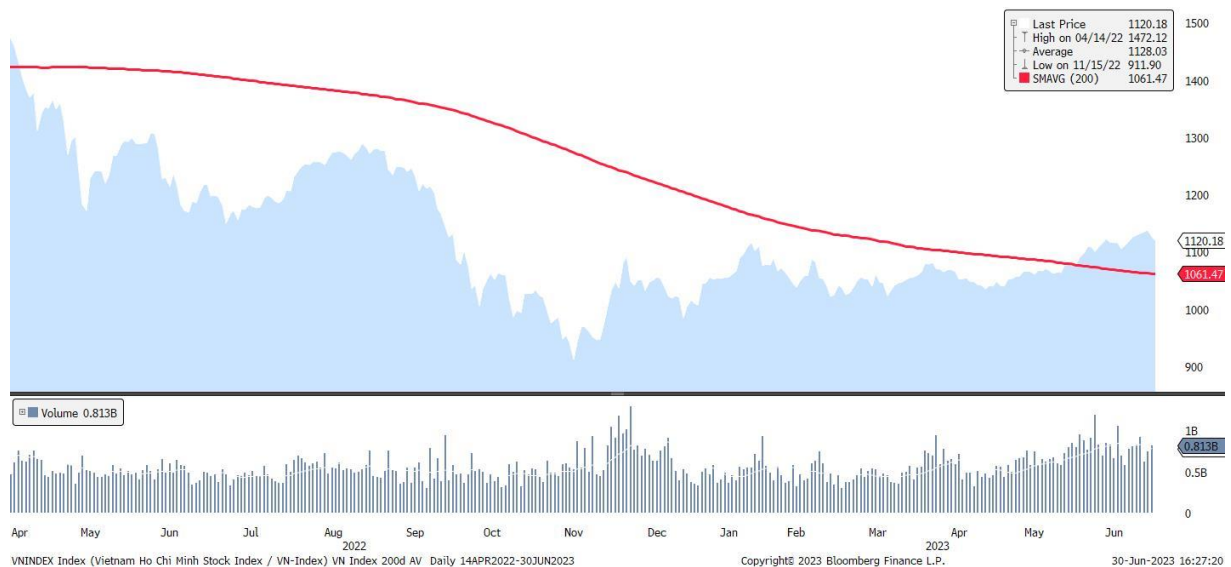
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The resurgence of local individual investors played a vital role in the market's improvement. In June, the number of gainers outweighed the number of losers, signaling a positive market breadth. This trend indicates a potential long-term growth trajectory.



Furthermore, there were positive technical indicators as the VN-Index finally surpassed the 200-day moving average line, breaking free from the downtrend and establishing a long-term uptrend, which is a favorable sign for the market.

After more than a year, the VN-Index has finally surpassed its 200-day moving average line

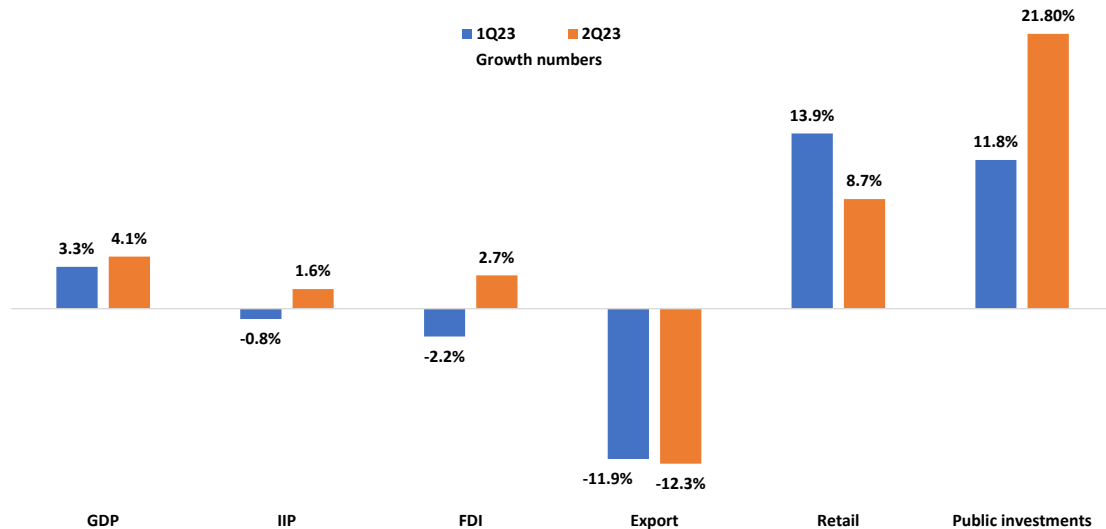


(VN Index April 2022 to June 2023; Source: Bloomberg)

Looking at the broader economic landscape, the second quarter of 2023 exhibited a slight recovery compared to the weaker performance in the first quarter.

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Q2 showed an overall slight improvement



(Source: GSO, AFC Research)

Various aspects of the Vietnamese economy, including industrial production, exports, and investment, showed signs of improvement. Despite the global economy experiencing weak demand and inflationary pressures in the first quarter of 2023, Vietnam managed to achieve a modest GDP growth rate of 3.2%. Due to effective measures taken by the Federal Reserve in the US, the subsequent decrease in inflation, from 9.1% in June 2022 to 4.0% in May 2023, further supported the recovery. This trend helped stimulate demand and reignite growth in Vietnam's second quarter of 2023.

GDP growth started to recover from 3.3% of the first quarter to 4.1% in the second quarter. Vietnamese exports experienced a significant decline of 11.9% in the first quarter of 2023, and it continued to decrease 12.3% in the second quarter. In this situation, the Vietnamese Government's issuance of stimulus policies, such as rate cuts, tax cuts, and a substantial public investment package, also contributed to the economic recovery. Industrial production showed a marked improvement, with an increase of 1.6% in the second quarter, compared to a slight fall in the first quarter of -0.8%. Foreign direct investments (FDI) also exhibited a recovery, from -2.2% in the first quarter to 2.7% in the second quarter. Looking at the chart, we can see strong growth from the public investment package which plays an important role toward economic growth in the situation of weak global consumption. Although the improvement in Q2 is pretty small, it is a turning point for the economy and we strongly believe that the economy will keep growing and accelerating for the remainder of the year.

The second quarter of 2023 marked a positive turning point for the Vietnamese economy, with GDP growth showing signs of recovery. After a modest growth rate of 3.3% in the first quarter, the second quarter witnessed a notable improvement, reaching 4.1%.

One sector that showed positive growth during the quarter was industrial production. After a slight decline of -0.8% in the first quarter, industrial production rebounded impressively, growing 1.6% in the second quarter. This positive momentum indicates the resilience and adaptability of the Vietnamese manufacturing industry.

Foreign direct investments (FDI) also showed signs of recovery, with an improvement from -2.2% in the first quarter to 2.7% in the second quarter. This indicates renewed investor confidence in the Vietnamese market and highlights the attractiveness of the country as a destination for foreign capital.

The Vietnam-EU Free Trade Agreement (EVFTA), signed in 2020, has significantly benefitted Vietnam's export market. According to a study conducted by the Ministry of Planning and Investment, the EVFTA is projected to contribute to a substantial increase in Vietnam's export turnover to the EU. By 2025, export turnover is expected to rise by 42.7%, and by

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2030, the increase is forecasted to reach 44.3% compared to the scenario without an agreement. Conversely, the import turnover from the EU will also experience growth, albeit at a lower rate than exports, with an estimated increase of 33% by 2025 and 36.7% by 2030.

In addition to the positive impact of the EVFTA, the ongoing conflict between Ukraine and Russia has further heightened the interest of European enterprises in diversifying their suppliers. This situation has made Vietnam an attractive destination for these companies, seeking to reduce their reliance on a single market, such as e.g. China. Our visit to Vietnam in June provided us with the opportunity to witness firsthand the construction progress of the impressive USD 1 billion LEGO factory in Binh Duong Province. This serves as a clear testament to the growing interest and confidence of European companies in the Vietnamese market.

The combination of the EVFTA's trade advantages and the strategic positioning of Vietnam as a reliable alternative supplier has created a favorable environment for increased economic collaboration between Vietnam and the European Union. This presents a promising outlook for Vietnamese businesses seeking to expand their export markets and solidify their presence in the global supply chain.

AFC visit LEGO's USD 1 bn factory construction sight



(Source: AFC Research)

Our visit also included a stop at Transimex, the largest logistics company in Ho Chi Minh City, and Cat Lai Port, the largest port in Vietnam. The bustling business activity observed during the visit indicated a strong recovery in the economy. While the short-term outlook may still seem gloomy, we believe that the worst is over, and numerous positive outcomes are on the horizon. As the economy stabilizes, this presents a prime opportunity for investors to buy at the bottom and benefit from the expected strong growth during the period of 2024-2028, driven by the global economic recovery and the Vietnamese Government's aggressive stimulus policies.

Vietnam's long-term success story is just beginning

The development of the highway network is a testament to the nation's commitment to infrastructure investment. With the planned expansion of the highway network from 89 km in 2010 to 1,150 km in 2023 and a target of over 9,000 km by 2050, Vietnam is following a similar path as China did in the 2000s. These infrastructure projects will play a crucial role in supporting the country's long-term economic growth.

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Dau Giay – Phan Thiet Highway with a maximum speed of 120 km/h



(Source: vnexpress, AFC Research)

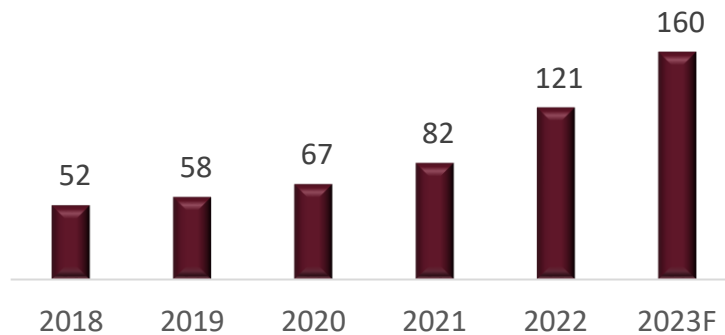
Vietnam’s highway network master plan



(Source: Ministry of Transportation, vnexpress)

Amidst this trend, companies in the public investment sector, such as construction firms, infrastructure contractors, and construction material suppliers, stand to benefit the most. Lam Dong Mineral (LBM), one of the largest positions in our portfolio, is well-positioned to capitalize on this trend. As a key contractor for major highway projects, LBM expects substantial profits in the next five years. The company's net profit has already demonstrated strong growth, increasing nearly 50% yoy in 2022 and more than 300% in 1Q2023 compared to 1Q2022.

Net profit of LBM (VND bn)



(Source: LBM, HOSE, AFC Research)

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Overall, the economic recovery in the second quarter, combined with positive market indicators and the ongoing infrastructure development, paint a bright and promising long-term outlook for the Vietnamese economy and stock market. Vietnam's success story is just beginning, and we are confident in the future growth opportunities that lie ahead.

Economy

Macroeconomic Indicators				
	2020	2021	2022	2Q-23
GDP	2.91%	2.58%	8.02%	3.72%
Industrial production (YoY)	3.4%	4.8%	7.7%	0.4%
FDI disbursement (USD bln)	20	19.7	22.4	10.0
Exports (USD bln)	281.5	336.3	371.9	164.5
Imports (USD bln)	262.4	332.3	360.7	152.2
Trade balance (USD bln)	19.1	4.0	11.2	12.3
Retail sales (YoY)	2.60%	-3.80%	19.80%	10.90%
CPI (YoY)	3.23%	1.89%	3.15%	3.55%
VND	23,108	22,782	23,663	23,580
Credit growth (YoY)	10.5%	13.0%	12.9%	3.1%
Foreign reserves (USD bln)	92	105	90	96

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

Subscription

The next subscription deadline will be 25th July 2023. 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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NAV as of 30th June 2023

NAV	3,205*
Since Inception	+220.5%*
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%	-3.73%	+2.50%	+1.76%	-10.01%	-10.53%	+1.35%	+6.09%	-18.84%
2023	USD	+4.70%	-5.71%	+3.80%	+2.17%	+3.42%	+2.6%*							+11.1%*

*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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