

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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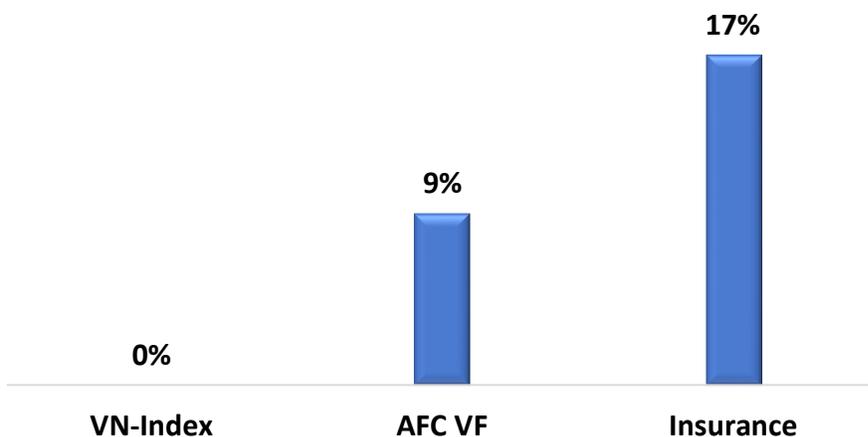
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In April the stock market trended mostly sideways with little change in the benchmark index, while market liquidity improved significantly. The VN-index slightly decreased by -1.5%, while the AFC Vietnam Fund managed to increase by +2.3% to an NAV of USD 3,025, according to internal estimates.

Market Developments

In the first month of the second quarter, around 60% of all listed companies released their first-quarter financial reports. According to our calculations, the earnings growth of the companies in the VN Index is almost flat, compared to the same period last year. But the earnings of the portfolio holdings of the AFC Vietnam Fund grew at a much higher rate of around 9% in the first quarter, mainly due to the insurance sector, which is doing well in the high-interest-rate environment. All four of our insurance positions showed impressive earnings growth in Q1/2023, with ABI growing by 26.8%, BIC by 20%, PVI by 19.2%, and MIG by 1%. Though, most other sectors of the economy are facing some challenges, with an economic slowdown in Europe and the US.

Earning growth of insurance sector in Q1/2023 (%) against VN-Index



(Source: AFC Research)

In a recent research report from VNDirect Securities, the largest retail broker in Vietnam, pointed out how cash rich many insurance companies in Vietnam are and how they are benefitting from a higher interest income in the current environment. VNDirect therefore upgraded the insurance sector from "HOLD" to "BUY".

Strong government support of the economy

Due to the weak consumption in Europe and the US, the Vietnamese economy faced some challenges in the first quarter of this year, with export numbers and IIP (Index of industrial production) reporting negative growth. As a result, the Q1/2023 GDP growth in Vietnam came in quite low, at 3.3%. The Vietnamese government therefore worked out a plan on how to intervene and stimulate the economy:

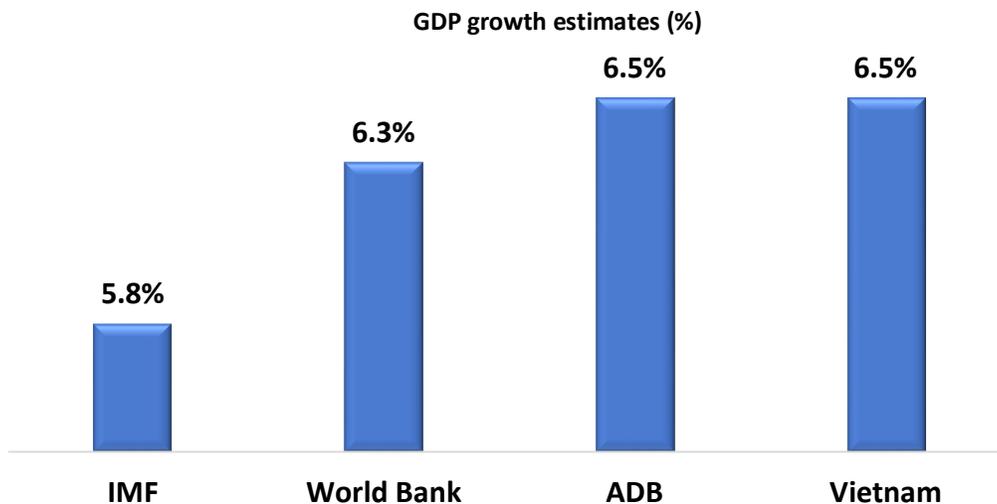
- **Rate Cuts**

In March and April, the State Bank of Vietnam cut the lending and discount rates by 1% and the refinancing rate by 0.5%. These policies led to an immediate positive impact, and the stock market liquidity increased sharply in April.

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- Tax deferrals**
 On 14th April 2023, the Deputy Prime Minister signed a decree extending payment deadlines for several types of taxes, including value-added tax (VAT), corporate income tax, personal income tax, and land rental. Taxpayers now have between 3 to 8 months to pay these taxes, until 31st December 2023. According to the Ministry of Finance (MoF), the total amount of tax deferrals in 2023 is estimated to be around USD 4.8bn.
- Tax cuts**
 In addition, the MoF has proposed a temporary cut in the VAT rate from 10% to 8%, which is expected to be approved by the parliament in May 2023. The proposed VAT cut would apply to all goods and services subject to the 10% VAT rate, starting from 1st July 2023, pending approval from the National Assembly. The estimated impact on state budget revenue is around USD 1.5bn. However, a temporary reduction in the VAT rate does not necessarily mean a decrease in tax revenue collected by the government. Similar measures have had a stimulative effect on business activity in the past, while generating additional tax revenues for the government.
- Economic stimulus package**
 Additionally, Vietnam's Prime Minister committed to deploying at least 95% of the giant public investment package (VND 770trn, ~USD 32.8bn) in 2023, and a series of key infrastructure projects are being built at an impressive speed.

These policies are key elements for Vietnam's economic growth in 2023. Together with the strong recovery of the tourism sector, we are confident that Vietnam can reach a GDP growth of around 5.5% to 6.0% this year, which would still be one of the highest growth rates this year in ASEAN. The 2023 GDP growth estimates from international institutions such as the IMF, World Bank, and ADB range between 5.8% to 6.5%.



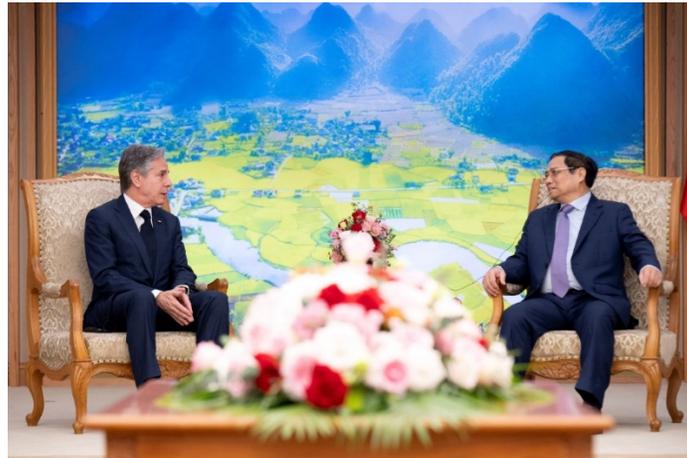
(Source: WB, ADB, AFC Research)

Potential strategic partnership between US and Vietnam

In March, the General Secretary of the Vietnamese Communist Party, Mr. Nguyen Phu Trong, had an official call with US President Joe Biden. This month, US Secretary of State Antony Blinken made an official visit to Vietnam to meet with the General Secretary Mr. Nguyen Phu Trong and Prime Minister Mr. Pham Minh.

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US Secretary of State Antony Blinken and PM Pham Minh Chinh



(Source: vnexpress)

United States Secretary of State Antony Blinken's visit to Vietnam in mid-April, served several key purposes. It marked the 10th anniversary of the two countries' comprehensive partnership and was such as for which preceded by high-level bilateral contacts, has led many to expect a formal upgrade of bilateral ties to a "strategic partnership". But Antony Blinken also attended the ground-breaking event of the largest US embassy in the world, located in Hanoi with an investment capital of USD 1.2bn. His visit also was intended to prepare for a possible official meeting between US President Joe Biden and the Vietnamese Government in May, when the US President joins the G7 meeting in Japan.

Antony Blinken attended the groundbreaking ceremony of the US embassy in Hanoi

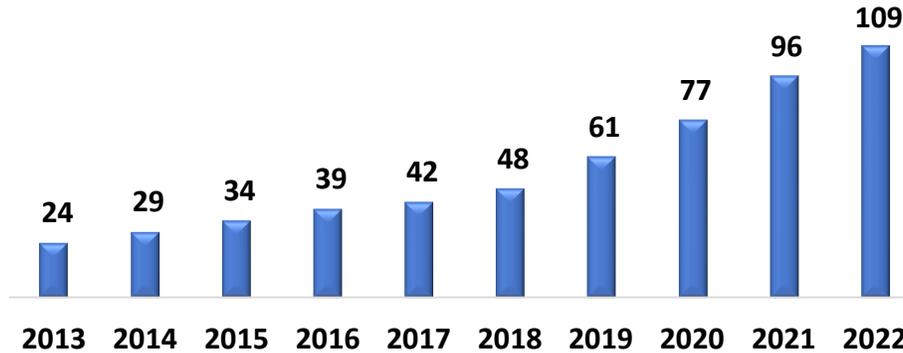


(Source: vnexpress.net)

The US is currently Vietnam's largest export market, accounting for 29.3% of the country's total exports and ranks eighth in foreign investment. Export volumes to the US have seen a remarkable increase over the past decade from USD 24 bn to USD 109 bn, and the trade value between the two countries has jumped from USD 29 bn in 2013 to USD 124 bn in 2022.

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Export volume to the US (USD bn)



(Source: GSO, AFC Research)

Regardless of the outcome of the potential partnership upgrade, it is clear that Vietnam is playing an increasingly important role in the global economic and political landscape.

Economy

Macroeconomic Indicators				
	2020	2021	2022	1Q-23
GDP	2.91%	2.58%	8.02%	3.32%
Industrial production (YoY)	3.4%	4.8%	7.7%	-2.2%
FDI disbursement (USD bln)	20	19.7	22.4	4.3
Exports (USD bln)	281.5	336.3	371.9	79.2
Imports (USD bln)	262.4	332.3	360.7	75.1
Trade balance (USD bln)	19.1	4.0	11.2	4.1
Retail sales (YoY)	2.60%	-3.80%	19.80%	13.90%
CPI (YoY)	3.23%	1.89%	3.15%	4.18%
VND	23,108	22,782	23,663	22,475
Credit growth (YoY)	10.5%	13.0%	12.9%	1.6%
Foreign reserves (USD bln)	92	105	90	93

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

*According to internal estimates

Subscription

The next subscription deadline will be 24th May 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 April 2023

NAV	3,025*
Since Inception	+202.5%*
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%	+2.3%*									+4.9%*

*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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