

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

Contact Information

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In July, the Vietnamese stock market received robust backing from local retail investors who were enthused by the positive macro-economic indicators, leading to an upswing in investment sentiment. As a result, the VN-Index surged by an impressive 9.11%, reaching 1,222.9 points and surpassing the critical 1,200 level. This marked a significant milestone for the market.

In tandem with the favorable market conditions, our fund showcased remarkable performance in July, advancing by 5.7% to a Net Asset Value (NAV) of USD 3,400, according to internal estimates

Market Developments

The improved GDP growth in the second quarter, rising from 3.3% to 4.1%, was accompanied by other favorable support measures such as rate cuts, credit line expansion, tax incentives, a reduction of the VAT, infrastructure projects, etc. These developments boosted the confidence of local individual investors, leading to the opening of more than 100,000 new stock trading accounts in June alone. Additionally, the State Bank of Vietnam's continuous reduction of key interest rates provided solid momentum to the stock market, with 12-month deposit interest rates at commercial banks dropping from 12% to around 7.5-8.0% p.a. All of these events significantly bolstered the stock market, and liquidity continued to improve, with the average daily trading value rising to USD 722 m in July from USD 712 m in June. Also, from a chart technical perspective, the VN-Index appears to be in an attractive position, indicating potential further upside in the long term.



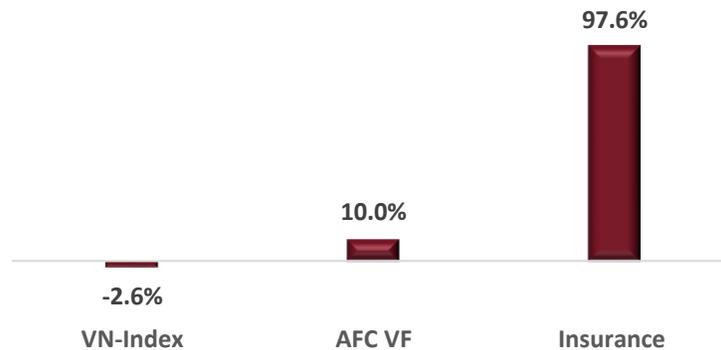
(Source: Vietcapital Securities)

The insurance sector leads earning growth in Q2/2023

During July, many listed companies reported their quarterly results, and according to our calculations, the earnings growth of listed companies in the second quarter reached -2.6% year-on-year. Notably, the earnings growth of the AFC Vietnam Fund exceeded 10.0%, far outperforming the index. The impressive earnings growth was primarily driven by the insurance sector, which contributes around 25% to our portfolio. By the end of July, our insurance positions, PVI, ABI, BIC, and MIG, reported remarkable earnings growth in the second quarter with 61%, 97%, 189%, and 273%, respectively.

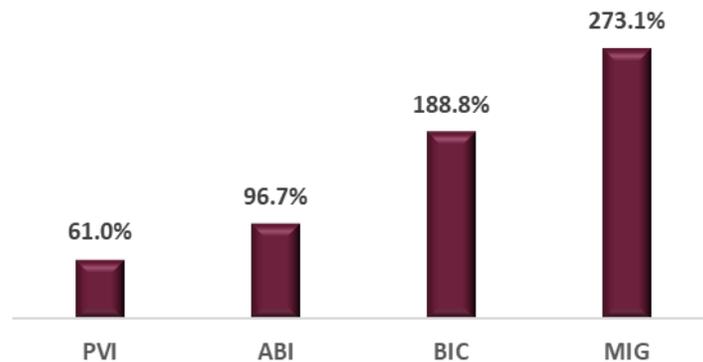
AFC VIETNAM FUND UPDATE

Earnings growth of the insurance sector in Q2/2023



(Source: companies' reports, AFC Research)

Earnings growth of insurance companies in Q2/2023



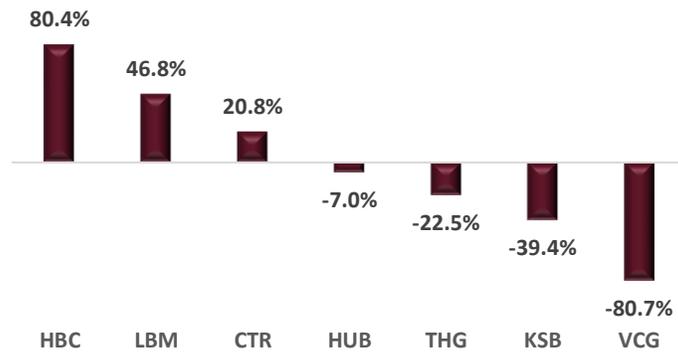
(Source: companies' reports, AFC Research)

The positive performance of these insurance positions also translated into substantial stock price increases in July, with PVI, ABI, BIC, and MIG rising by 10.6%, 18.5%, 9.8% and 6.9%, respectively. As we have emphasized in previous reports, the insurance sector significantly benefits from the high-interest rate environment and the overall recovery of the economy and society post-pandemic. Furthermore, the sector remains resilient during economic challenges, such as the credit crunch during the real estate crisis, as it has substantial cash in the banking system.

Apart from the insurance sector, construction companies operating in the public investment sector are also beneficiaries of the government's deployment of large-scale public projects, particularly in highway construction, airports, and power infrastructure. A prominent position in our portfolio, LBM, a concrete producer, exemplifies this trend. LBM's net profit in the first six months of 2023 surged by 46.8% to VND 91 bn, achieving 90% of its annual target. This is a record-high 1H profit in the company's history. Operating in the public investment sector gives LBM a competitive edge, as most other construction companies focus on the struggling real estate industry. With Vietnam's "highway era" in progress, construction companies like LBM are poised to capitalize on the significant opportunities in the next five years.

AFC VIETNAM FUND UPDATE

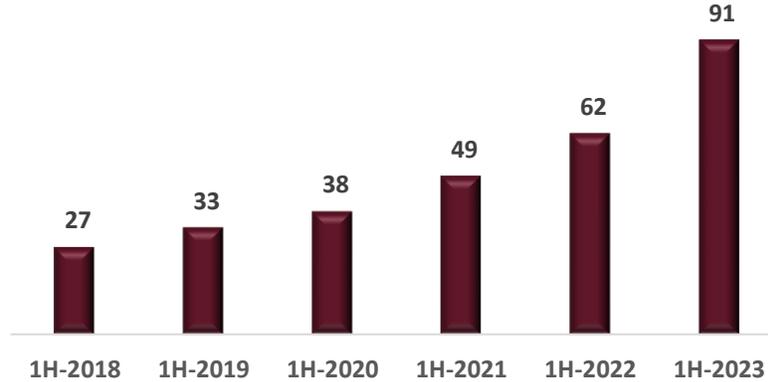
Earnings growth of construction companies in 1H2023



(Source: companies' reports, AFC Research)

(*) HBC reported high earnings growth due to extraordinary profit.

1H profit of LBM (VND bn)



(Source: LBM, AFC Research)

Export is expected to bottom out

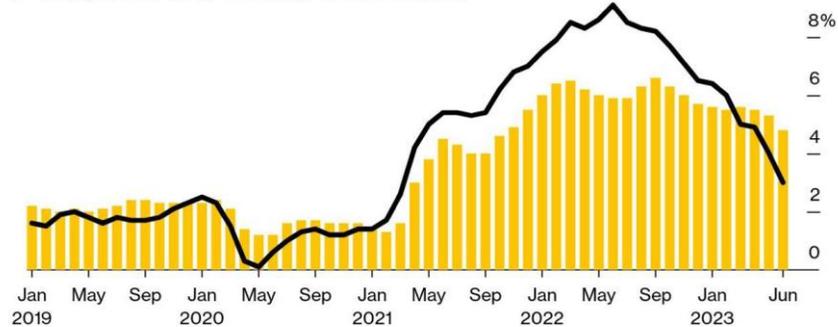
While exports experienced a decline of -12% growth in the second quarter, we anticipate a gradual recovery in the coming months. Key markets such as the USA, EU, and China faced weak demand due to high inflation in the first half of 2023, leading to reduced consumption. However, as inflation rates in these regions ease, we expect a recovery in consumption that will bolster Vietnamese exports. Additionally, China's economic reopening supports Vietnamese agricultural products, particularly rice, amidst the ongoing El Nino phenomenon that has damaged rice production in key rice-producing countries.

AFC VIETNAM FUND UPDATE

Inflation in US Decelerated by More Than Forecast

Consumer price index and core gauge posted smallest gains since 2021

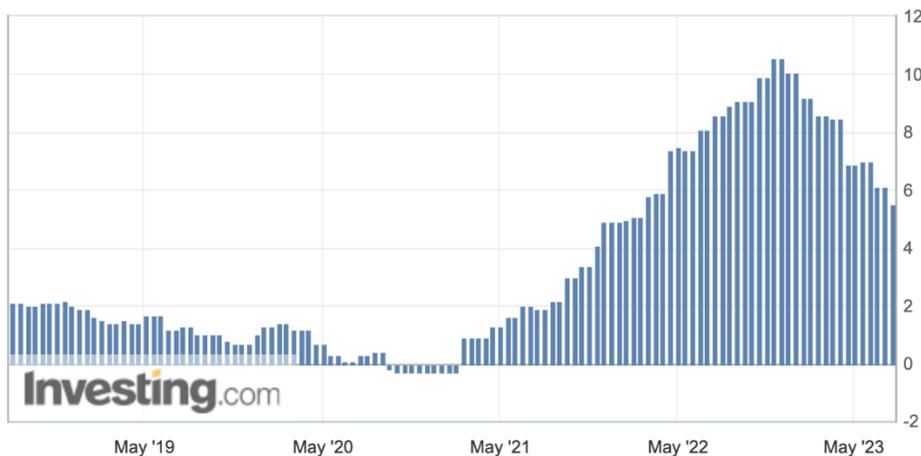
Change in CPI (YoY) Change in core CPI (YoY)



Source: Bureau of Labor Statistics

Bloomberg

Inflation in Europe is declining gradually



(Source: Investing)

The occurrence of the serious El Nino phenomenon worldwide has led to detrimental effects on rice production in key rice-producing countries such as India, China, Thailand, and Vietnam.

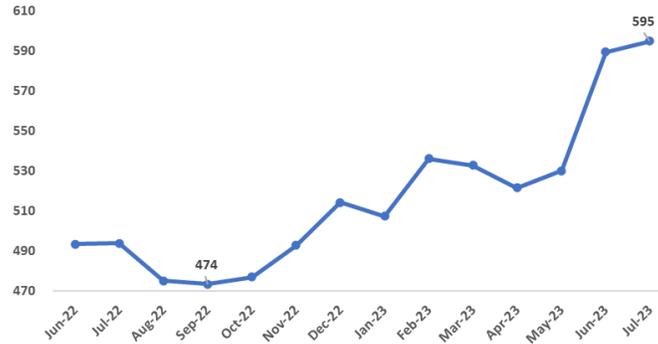
In addition to these climate-related challenges, the cancellation of the Ukraine-Russia Grain Export Deal and India's decision to abandon rice exporting policies have further impacted the global rice market. These combined factors have resulted in a substantial surge in rice prices, benefitting Vietnam as the second-largest rice exporter in the world.

The Vietnamese rice export price has experienced a significant increase, jumping from nearly USD 470 per ton in September 2022 to almost USD 600 per ton recently. Furthermore, the first half of 2023 has witnessed a remarkable acceleration in rice export value, reaching USD 2.3 bn, which represents an impressive 33% growth compared to the same period in 2022. This achievement is a record high for Vietnamese rice exports.

With these favorable market conditions and growing global demand for rice, Vietnam is well-positioned to capitalize on its status as a major rice exporter, contributing positively to the country's economic growth and trade prospects.

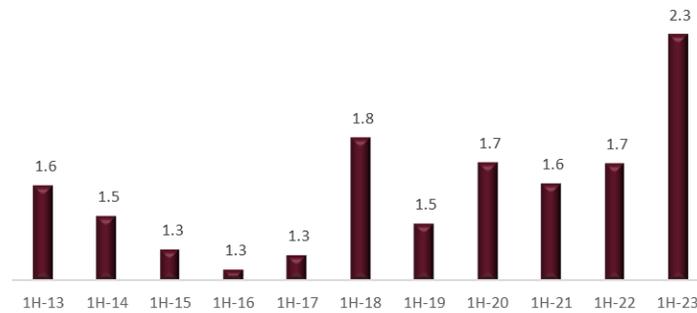
AFC VIETNAM FUND UPDATE

Vietnamese rice export price (USD/ton)



(Source: GSO, AFC Research)

The rice export value of Vietnam in 1H2023 hits a record high (USD bn)



(Source: GSO, AFC Research)

With these positive trends, listed rice exporters witnessed significant stock price increases in July. Loc Troi Group (LTG), one of the largest rice exporters in Vietnam and a key position in our portfolio, had a remarkable performance, with its stock price surging by 30.3% from VND 30,300 per share to VND 39,500 per share.

LTG from May 2022 to July 2023



(Source: Vietcapital Securities)

AFC VIETNAM FUND UPDATE

Overall, we observed a slight recovery in the global economy, signaling that the worst situation has passed. We firmly believe that Vietnamese exports have already bottomed out and will continue to recover in the forthcoming months. Coupled with the substantial public investment package, the Vietnamese economy is expected to witness further improvement in the second half of the year.

Economy

Macroeconomic Indicators				
	2020	2021	2022	Jul-23
GDP	2.91%	2.58%	8.02%	3.32%
Industrial production (YoY)	3.4%	4.8%	7.7%	-0.7%
FDI disbursement (USD bln)	20	19.7	22.4	11.6
Exports (USD bln)	281.5	336.3	371.9	194.7
Imports (USD bln)	262.4	332.3	360.7	179.5
Trade balance (USD bln)	19.1	4.0	11.2	15.2
Retail sales (YoY)	2.60%	-3.80%	19.80%	10.40%
CPI (YoY)	3.23%	1.89%	3.15%	2.39%
VND	23,108	22,782	23,663	23,683
Credit growth (YoY)	10.5%	13.0%	12.9%	4.7%
Foreign reserves (USD bln)	92	105	90	96

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

Subscription

The next subscription deadline will be 25th August 2023. If you would like any assistance with the subscription process please be in touch with Andreas Vogelsanger.

Best regards,

AFC Vietnam Fund

AFC VIETNAM FUND UPDATE

NAV as of 31st July 2023

NAV	3,400*
Since Inception	+240.0%*
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%	+3.01%	+5.7%*						+17.9%*

*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.

DISCLAIMER

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