

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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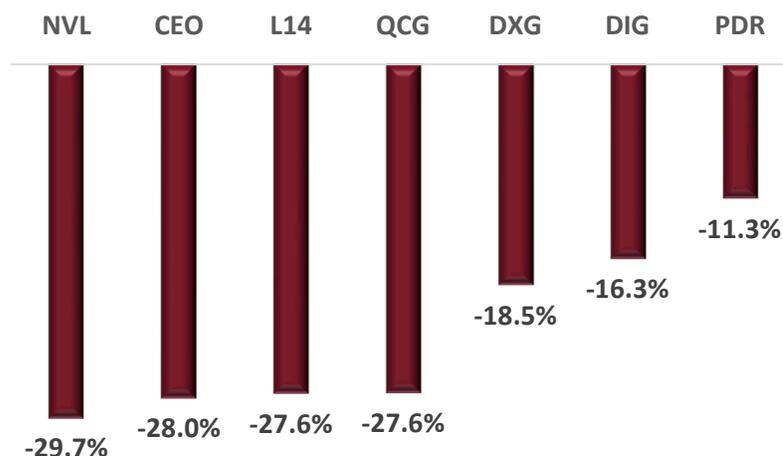
September presented another set of challenges in the Vietnamese stock market, with the VN-Index experiencing a decrease of 6.6% in USD terms. This decline was mainly due to the weak performance of banking and real estate stocks. Despite our strategic positioning, which involved being underweight in both these sectors and overweight in export-related stocks, the AFC Vietnam Fund lost a little bit of ground this month. As a result, the fund concluded the month of September with a 2.9% decrease, closing at an NAV of USD 3,199, according to internal estimates.

Market Developments

As we navigate the changing market environment, it is essential to acknowledge the notable shifts in market dynamics that occurred during the month of September.

In August, the market was substantially bolstered by the remarkable performance of real estate stocks and the influence of VIC, a major index constituent. These factors propelled the market to impressive heights. However, in September, we witnessed a substantial correction in these very stocks, which in turn exerted a negative impact on the benchmark index.

Real estate stocks decline from the peak



(Source: Viet Capital Securities)

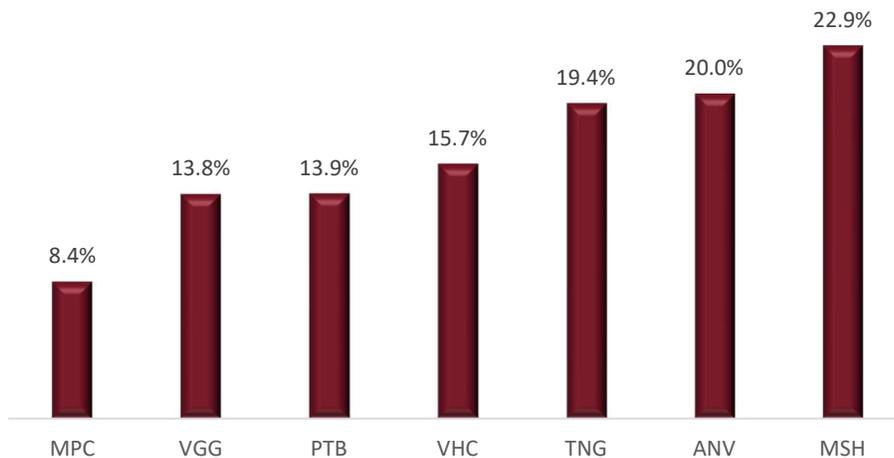
As previously highlighted in our reports, speculative capital had been flooding into the real estate sector, boosting stock prices and driving the broader index higher. However, we remained steadfast in our commitment to value investing principles rather than chasing momentum in this sector. This prudent approach served us well this month, allowing us to outperform the VN-Index by 370 basis points.

On the flip side, our focus on manufacturing, export, and public investment sectors, proved advantageous, with a number of key holdings contributing to our outperformance over the index.

For instance, TNG, a garment manufacturer, made a commendable recovery in September, witnessing a 19.4% increase of its stock price from the August lows. Another substantial holding, MPC, the largest shrimp exporter in Vietnam, exhibited similar resilience, gaining 8.4% from the August lows. Other holdings like VGG and PTB also delivered positive results.

AFC VIETNAM FUND UPDATE

Export stocks had an impressive recovery from the lows in August



(Source: Viet Capital Securities)

The standout event of September was undoubtedly the official visit of U.S. President Joe Biden to Vietnam, following the G20 Summit in New Delhi. The primary objective of this visit was to elevate the partnership between the United States and Vietnam to the highest level, a Comprehensive Strategic Partnership. This move places the United States among Vietnam's top-tier partners, alongside China, Russia, India, and South Korea.

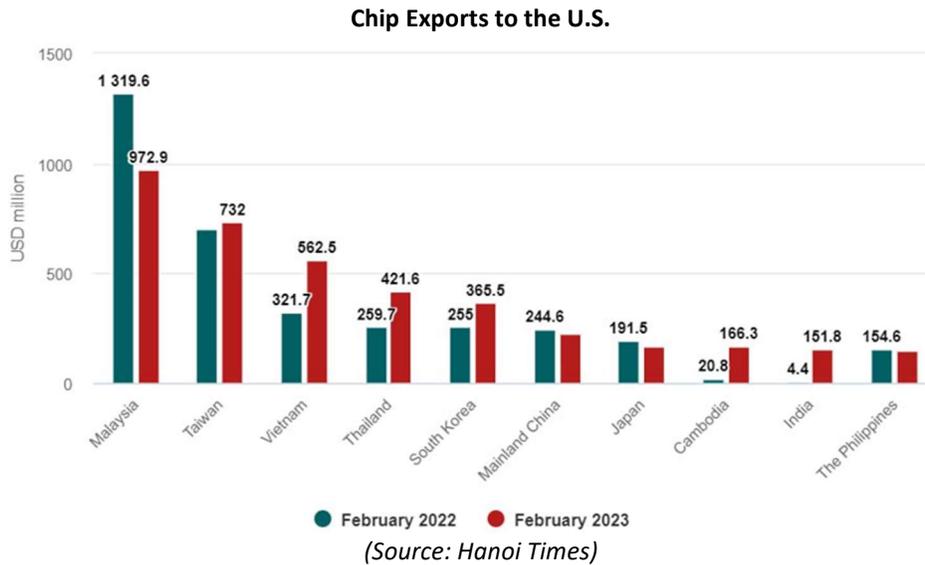
President Joe Biden meets General Secretary Mr. Nguyen Phu Trong



(Source: Vnexpress)

The significance of this partnership lies in its potential to further expand economic and investment opportunities. One notable sector that stands to gain substantially is semiconductors. During President Biden's visit, leaders of prominent U.S. chip manufacturers, including Amkor Technology, Marvell, and Synopsis, also explored investment prospects in Vietnam. Amkor Technology, for instance, plans to invest USD 1.6 bn in chip production in Bac Ninh Province from today until 2035. Marvell announced the establishment of an R&D Chip Design Center in Ho Chi Minh City, further underscoring the growing interest in Vietnam's semiconductor landscape. Intel, already an established player in Vietnam's chip production sector, also revealed plans to increase its investments.

AFC VIETNAM FUND UPDATE



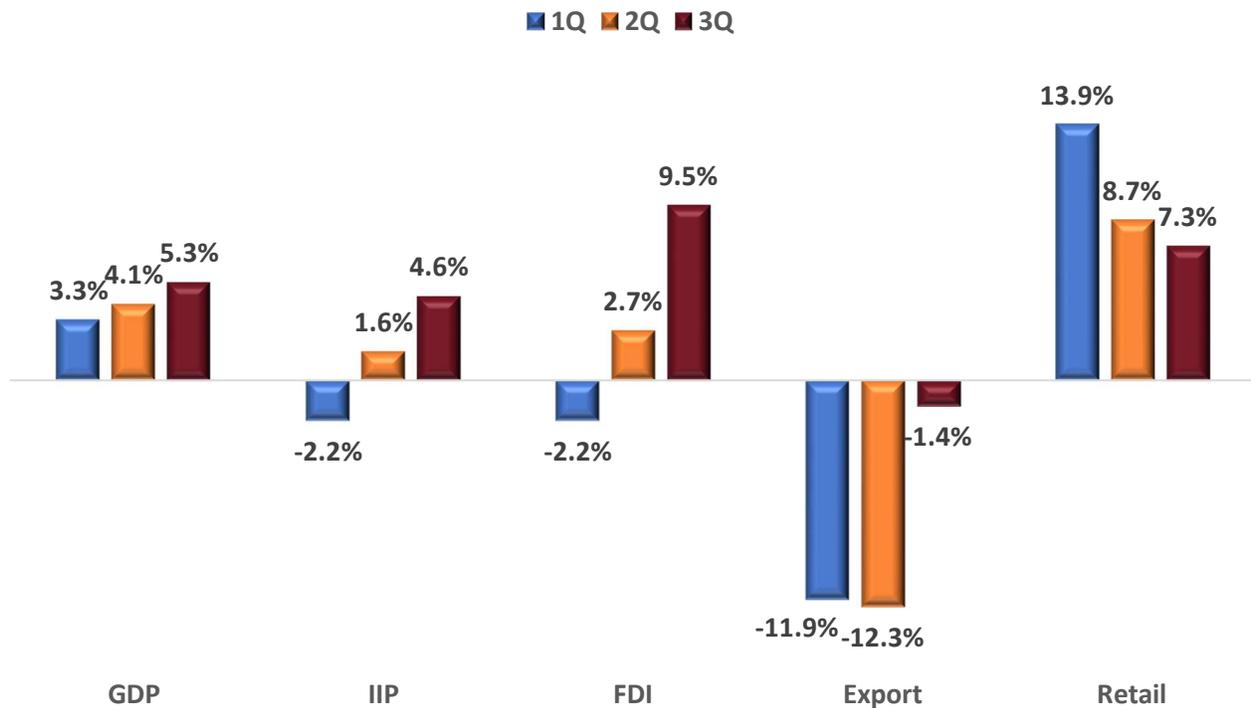
This strategic influx of investments from major players reflects the United States' commitment to strengthen its presence in the semiconductor sector in Vietnam, already a top Asian chip exporter to the U.S. and a key pillar in the latter's efforts to further diversify its global supply chain.

The Vietnamese economy continues to improve

We maintain our confidence in Vietnam's long-term economic prospects, especially given the favorable market backdrop. As we have previously emphasized, the Vietnamese stock market is currently trading at historically low valuations, akin to the period following the real estate crisis of 2012-2013. During that time, Vietnam faced a significant economic challenge, yet competent government intervention and key partnerships, such as the Comprehensive Partnership agreement signed with the United States in 2013, revitalized the nation's growth trajectory. The result was a remarkable recovery in GDP growth and a staggering 175% increase in the market index from 2012 to 2018.

AFC VIETNAM FUND UPDATE

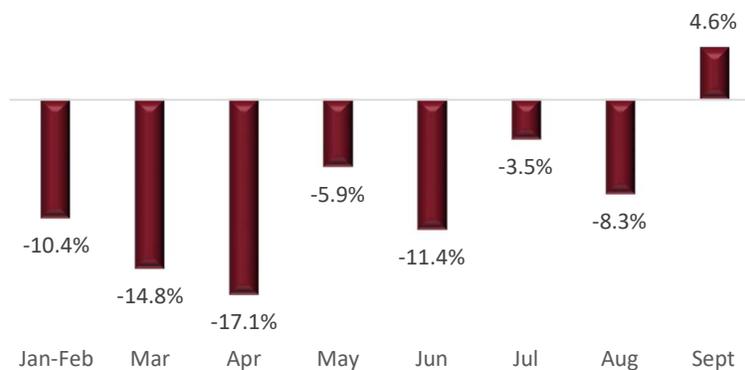
GDP growth bottomed out in Q1/2023



(Source: GSO, AFC Research)

September brought some encouraging developments, most notably in the realm of exports. The negative growth in exports saw a significant improvement, narrowing considerably compared to the first half of 2023 when it experienced an increase of 4.6% year-on-year. August, in particular, stood out as it marked an all-time record high for exports, reaching an impressive USD 32.4bn. September is the first month we see positive export growth. It shows that exports seem to have bottomed out. We expect a slightly positive growth in 4Q 2023 and a strong growth in 2024.

Export growth is coming back

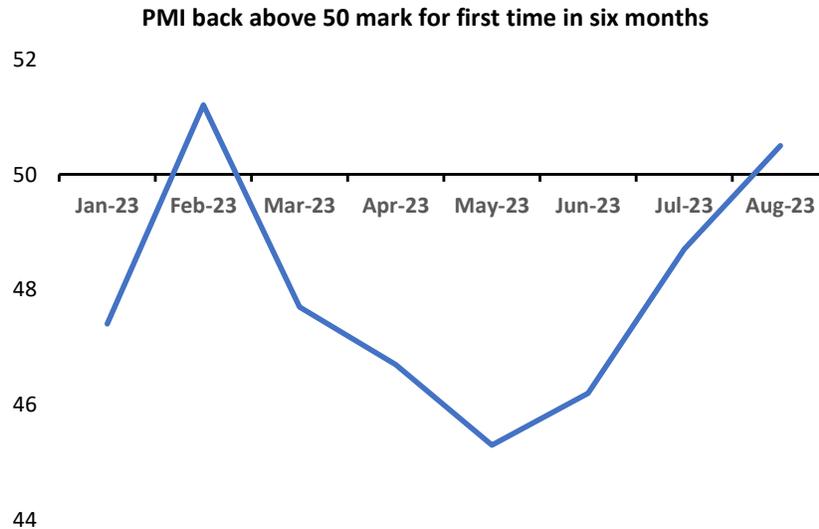


(Source: GSO)

AFC VIETNAM FUND UPDATE

One key driver behind this positive export trend has been the increased confidence among local enterprises. This newfound optimism can be attributed to the State Bank of Vietnam's consistent efforts to lower interest rates, reducing them from approximately 10% to the current range of 5.5-6.0%. This has facilitated easier access to low-cost financing for businesses, enabling them to expand their operations and invest in growth opportunities.

These favorable conditions have contributed to the noteworthy rise in the Purchasing Managers' Index (PMI) for August. After a prolonged period below the 50 level, signifying contraction, the PMI saw a substantial increase and closed at 50.5. This uptick in the PMI reflects improving economic sentiment and suggests a more positive outlook for Vietnam's industrial and manufacturing sectors.



(Source: GSO, AFC Research)

While the real estate sector's struggles have dampened GDP growth, substantial public investments and economic stimulus measures have provided critical support. The upgraded partnership with the United States now brings added promise. This presents a unique opportunity for investors to partake in Vietnam's long-term growth story at valuation levels comparable to those of a decade ago.

We encourage you to consider the implications of this favorable environment as you make your investment decisions. The future looks promising, and we are excited to be on this journey with you.

Economy

AFC VIETNAM FUND UPDATE

Macroeconomic Indicators				
	2020	2021	2022	Sep-23
GDP	2.91%	2.58%	8.02%	4.24%
Industrial production (YoY)	3.4%	4.8%	7.7%	1.7%
FDI disbursement (USD bln)	20	19.7	22.4	15.9
Exports (USD bln)	281.5	336.3	371.9	259.7
Imports (USD bln)	262.4	332.3	360.7	238.0
Trade balance (USD bln)	19.1	4.0	11.2	21.7
Retail sales (YoY)	2.60%	-3.80%	19.80%	9.70%
CPI (YoY)	3.23%	1.89%	3.15%	3.16%
VND	23,108	22,782	23,663	24,303
Credit growth (YoY)	10.5%	13.0%	12.9%	5.7%
Foreign reserves (USD bln)	92	105	90	96

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

Subscription

The next subscription deadline will be 25th October 2023. If you would like any assistance with the subscription process please email Andreas Vogelsanger at av@asiafrontiercapital.com.

Best regards,

AFC Vietnam Fund

AFC VIETNAM FUND UPDATE

NAV as of 30th September 2023

NAV	3,199*
Since Inception	+219.9%*
Annualised Return	+12.6%*
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%	+6.09%	-3.53%	-2.9%*				+10.9%*

*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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