

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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In October the Vietnamese stock market extended its correction, marking the third consecutive month of declines in 2023 after an impressive first half of the year. The VN-Index underwent a notable decrease of 12% in USD terms this month, bringing the year-to-date performance to -1.8%. The October decline was primarily driven by a substantial selloff in several key index heavyweights, particularly Vinhomes, which witnessed its index weighting drop from around 5.7% the previous month to the current 4%. This sharp descent exacerbated the existing weak market sentiment in Vietnam. Additionally, heightened geopolitical tensions and concerns among domestic retail investors led to nervous profit-taking and margin calls, contributing to the overall selling pressure.

Amidst this challenging environment, the healthcare sector was a relative bright spot, with a modest decline of approximately 2.2%, while all other sectors faced declines ranging from 9% to 20%. Regrettably, our fund also experienced a 8.2% decline, closing the month with a net asset value (NAV) of USD 2,935, and bringing the year-to-date performance to +1.7%, according to our internal estimates. Despite recent setbacks, we view this correction as a positive development, potentially paving the way for gains in the last two months of 2023 and in the year ahead.

The VN-Index broke below its 200-day moving average



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investors often have limited knowledge and are susceptible to media influence. Vietnamese media outlets amplified the potential impact of this conflict on the global economy, even portraying it as a protracted crisis. This, in turn, led to a degree of pessimism among Vietnamese investors. Market liquidity saw a sharp reduction to around a daily trading volume of USD 400 million, compared to the USD 1 billion seen a few months ago. However, drawing on our decade-long experience with this market, we maintain confidence that the media's perspective will evolve, eventually restoring investor confidence and prompting them to return to the market as usual. Thus, the reaction of local retail investors, which typically accounts for approximately 90% of daily trading volume, is expected to be a short-term phenomenon.

Another factor contributing to the benchmark's negative performance was the recent foreign exchange rate weakness. The exchange rate between the USD and the VND reached a record high of around 24,800, causing the VND to depreciate approximately 4% year-to-date against the USD. The increase in the USD's value in the global market, coupled with the US Federal Reserve's decision to maintain high-interest rates to control inflation, while the State Bank of Vietnam continues to reduce key rates to support economic growth, has created a substantial interest rate differential between the USD and VND. This situation has led to a surge in the USD/VND exchange rate.

VND is amongst the most stable currencies against the USD



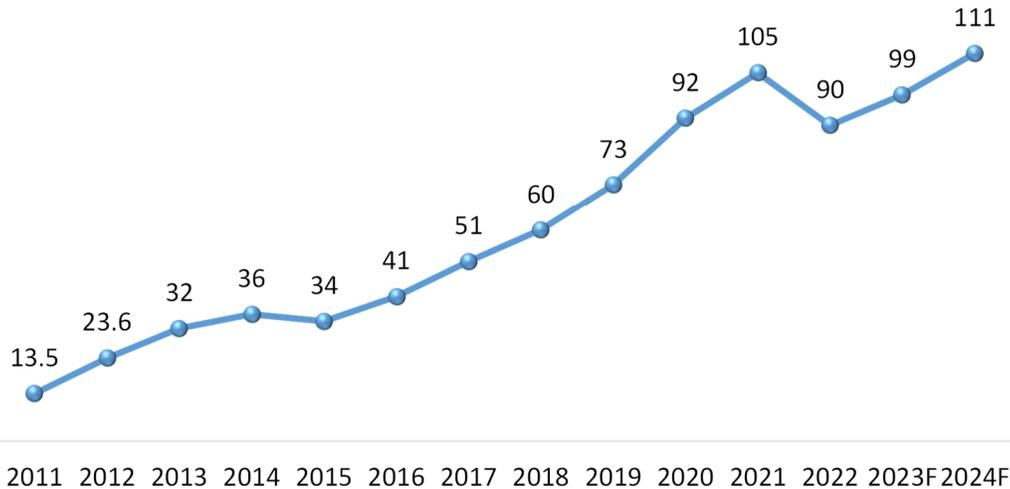
(Source: Bloomberg)

Given the strengthening of the USD, we regard the VND's depreciation of around 4% against the USD in 2023 as not a catastrophic development, especially when compared to other currencies. In a year marked by weak global consumption, the Vietnamese government may opt for a flexible FX policy to bolster the nation's exports, rather than strengthen the local currency. When comparing the VND to most other developed market currencies, such as EUR, JPY, KRW, CNY, AUD, CAD, and other G20 currencies, a 2-4% depreciation of the VND in 2023 is quite reasonable.

As a result, we hold a strong belief that foreign exchange dynamics are not a significant long-term concern for Vietnam. Instead, the current situation is best understood as a unique set of circumstances arising from the persistent increase in the value of the USD and the broader issue of weak global consumption. In response, a flexible VND policy can serve as an advantageous tool for the Vietnamese government to support the export sector while concurrently augmenting its foreign reserves.

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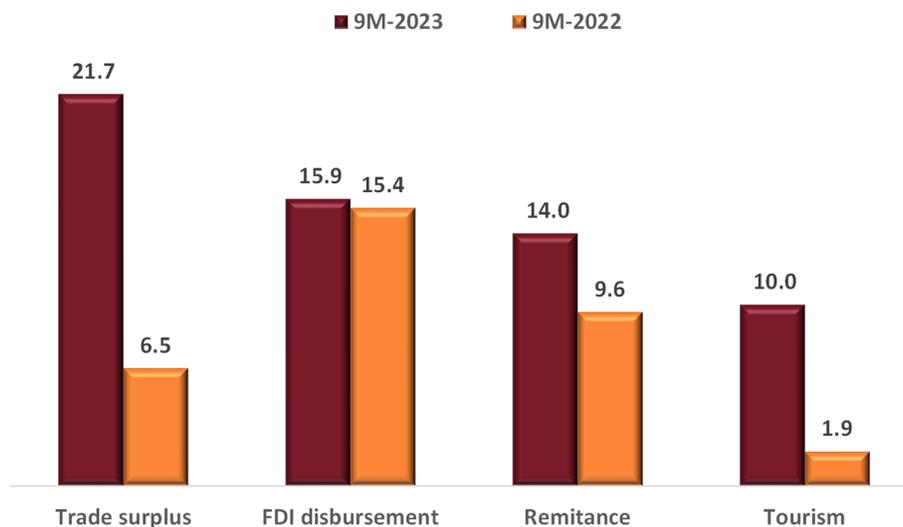
Vietnam foreign reserves (USD bn)



(Source: GSO, IMF, AFC Research)

In line with our perspective, estimates by the International Monetary Fund (IMF) suggest that Vietnam's foreign reserves are on a positive trajectory. These estimates indicate that by the end of 2023, Vietnam's foreign reserves are projected to reach USD 98.8 billion, with further growth anticipated to USD 110.5 billion in 2024. These forecasts underscore the nation's commitment to maintaining financial stability and resilience, enhancing its capacity to navigate through economic challenges, and fostering an environment conducive to sustained growth and development.

Vietnam's strong macro-economic numbers in 2023



(Source: GSO, AFC Research)

It's worth noting that we view the VND's depreciation as an active policy choice driven by various factors. When considering the fundamental aspects of Vietnam's economy in 2023, there are more positive signals than negative ones. The country achieved a record-high trade surplus of USD 21.7 bn in the first 9 months of 2023. Additionally, foreign direct investment

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(FDI) disbursements also reached an all-time high at USD 15.9 bn. Remittances to Vietnam in 2023 exhibited substantial growth, reaching USD 14 bn. Notably, tourism has made a remarkable recovery, contributing approximately USD 10 bn to the country. Although tourism has not yet fully returned to its pre-COVID-19 levels, its significant rebound has been a valuable support to the nation's economy. According to estimates by the Vietnam Tourism Department, the number of international visitors is expected to reach an all-time high of 18 million visitors by 2025, further contributing to the nation's revenue.



(Source: GSO, Vietnam Tourism Department, AFC Research)

Economy

Macroeconomic Indicators				
	2020	2021	2022	Oct-23
GDP	2.91%	2.58%	8.02%	4.24%
Industrial production (YoY)	3.4%	4.8%	7.7%	0.5%
FDI disbursement (USD bln)	20	19.7	22.4	18.0
Exports (USD bln)	281.5	336.3	371.9	291.3
Imports (USD bln)	262.4	332.3	360.7	266.7
Trade balance (USD bln)	19.1	4.0	11.2	24.6
Retail sales (YoY)	2.60%	-3.80%	19.80%	9.40%
CPI (YoY)	3.23%	1.89%	3.15%	3.20%
VND	23,108	22,782	23,663	24,565
Credit growth (YoY)	10.5%	13.0%	12.9%	6.9%
Foreign reserves (USD bln)	92	105	90	96

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

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Subscription

The next subscription deadline will be 24th November 2023. If you would like any assistance with the subscription process please email Andreas Vogelsanger at av@asiafrontiercapital.com.

Best regards,

AFC Vietnam Fund

NAV as of 31st October 2023

NAV	2,935*
Since Inception	+193.5%*
Annualised Return	+11.5%*
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%	+3.01%	+6.09%	-3.53%	-2.91%	-8.2%*			+1.7%*

*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.

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