

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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After three consecutive months of significant decline from the short-term peak of 1,250, the benchmark index rebounded in November, surging by 6.41% to close at 1,094.13 points. The AFC Vietnam Fund also experienced a noteworthy jump of 4.5% to an NAV of USD 3,069, bringing the year-to-date performance to +6.4%, according to our internal estimates.

Market Developments

It's essential to recognize that the October market downturn, which saw a drop of over 10%, lacked clear fundamental triggers related to macroeconomics or corporate earnings. Similarly, the November market recovery occurred without any specific positive news. This phenomenon underscores the inherent volatility of a frontier market like Vietnam, where the stock market can exhibit substantial fluctuations in short periods without specific catalysts. In the Vietnamese stock market, over 90% of daily trading volume is attributed to local individual investors, many of whom utilize high leverage ratios. As a fund, we don't engage in excessive buying or selling like these individual investors, but we capitalize on market volatility to acquire quality stocks at favorable prices. For those with a long-term investment horizon, market downturns present favorable buying opportunities. Our CIO, Vicente Nguyen for example has been investing personally in the AFC Vietnam Fund each quarter since 2016, weathering both high and low market phases, resulting in a satisfactory average price over time. Overall, a regular investment approach could be a prudent option, particularly for those who share our confidence in the long-term prospects of the Vietnamese economy and stock market over the next 10-20 years.

Panda diplomacy – a potential normalization between U.S. and China relationship

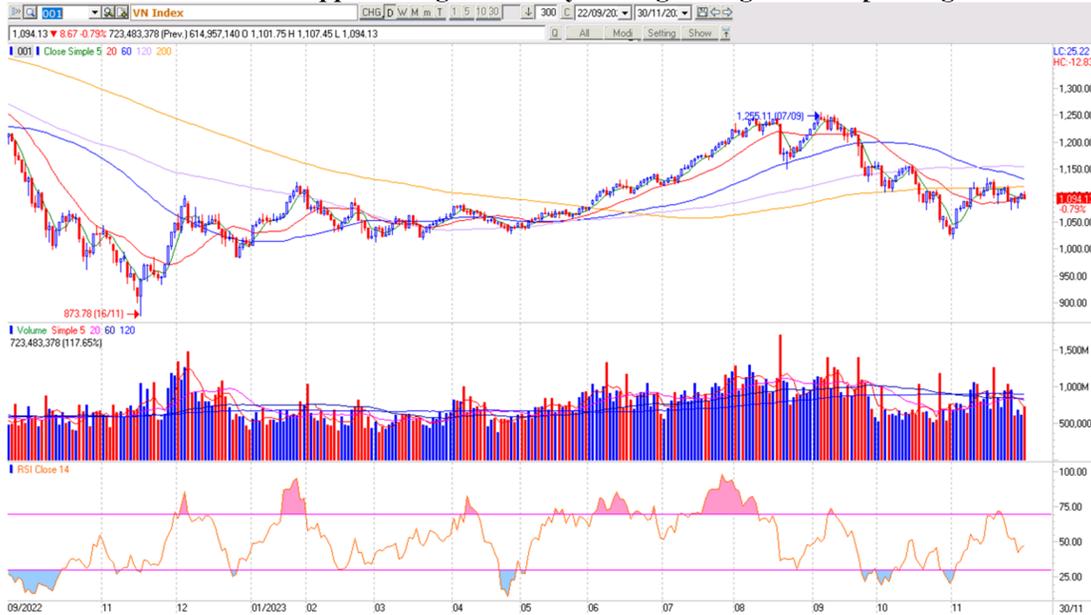
One of the recent positive developments is China's decision to resume lending Pandas to the United States after a hiatus is a noteworthy signal of potential normalisation between the two nations. The interruption in Panda lending, occurring just before President Xi's visit to the U.S., underscored the growing divergence between the two economic giants. However, the renewed gesture, announced post Xi's visit suggests a thawing in relations. This diplomatic move is an initial indicator of a potential improvement in ties between the U.S. and China. Given China's crucial role as an economic engine in the region, any positive shift in its relationship with the U.S. could bode well for Asia, particularly in light of China's recent economic challenges exacerbated by its isolation from the U.S. Panda diplomacy, while seemingly symbolic, carries broader implications for regional economic dynamics.



(Source: The Washington Post)

AFC VIETNAM FUND UPDATE

The VN-Index is approaching its 200-day moving average on the upside again



(Source: Viet Capital Securities)

U.S. interest rates seem to have reached the peak

In terms of the economic environment, it appears that the high-interest-rate scenario in the U.S. is approaching its peak. In November, the Federal Reserve opted not to raise interest rates, considering that U.S. inflation was better than anticipated, closing at 3.2% YoY, in proximity to the Fed's 2.0% target. Over a year has passed since inflation reached its zenith at 9.1% in July 2022, with the Fed maintaining the interest rate at 5.5%. While there are debates regarding another rate hike, the consensus suggests that the Fed might halt increases and potentially initiate cuts by late 2024. Although economic forecasts vary, there's a reasonable certainty that the pinnacle of the interest rate cycle has been reached or is in close proximity. Historically, when interest rates peak, the stock market tends to be at its lowest, with the potential for a subsequent surge when the Fed begins to lower rates.

U.S. inflation is on a downtrend

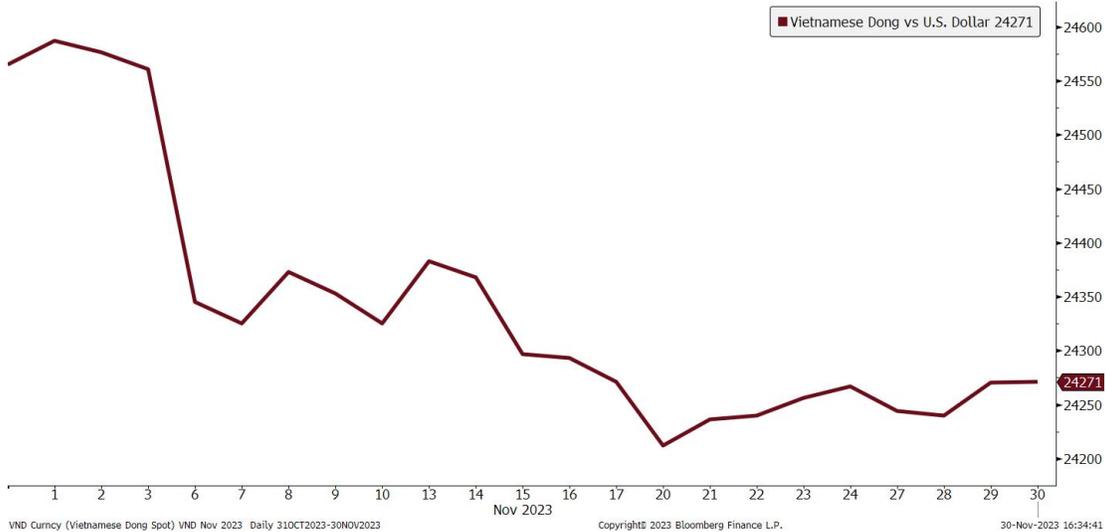


(Source: Investing)

AFC VIETNAM FUND UPDATE

Furthermore, the U.S. dollar weakened in November after the Fed's decision not to raise rates, contributing to a decline in the USD index from 106.7 to 103.6 by month-end. This weakening of the U.S. dollar also influenced the exchange rate between USD and VND, resulting in a 1.2% decrease in November from USD/VND 24,565 to USD/VND 24,271. The interconnectedness of these factors adds to our optimism regarding the gradual improvement of economic conditions.

USD/VND from Oct. 2023 to Nov. 2023

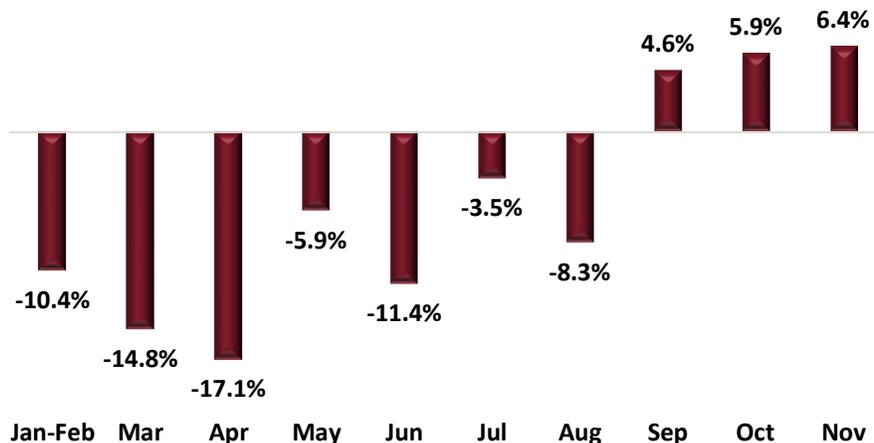


(Source: Bloomberg)

Export recovery continues

We are particularly optimistic about the recovery of Vietnam's export sector which appears to have bottomed in the first half of 2023. The aggressive increase in inflation in 2022 prompted U.S. and European consumers to reduce spending, causing a significant drop in Vietnamese exports. However, as inflation subsides and signals suggest the Fed may cease rate hikes or even reduce rates in 2024, consumer confidence is expected to rebound, positively impacting Vietnamese exports. November marked the third consecutive month of positive export growth in 2023, reinforcing our belief that exports will continue to recover, returning to consistent positive growth in 2024 and beyond. Accordingly, we maintain a comfortable position by strategically investing in export stocks, which currently constitute around 20% of our portfolio, making it the largest sector allocation.

Vietnam's exports had the third positive growth month in a row



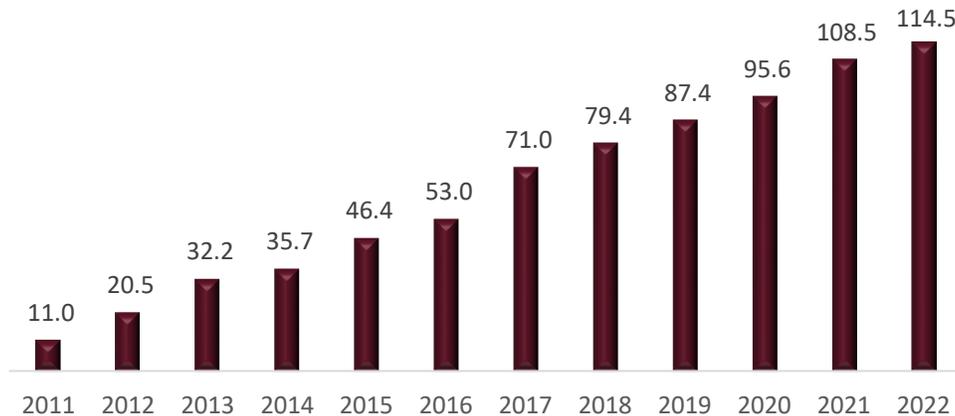
(Source: GSO, AFC Research)

AFC VIETNAM FUND UPDATE

Vietnam to join the global semiconductor value chain

Vietnam's strategic positioning in Southeast Asia, its extensive global integration through numerous free-trade agreements (FTAs), government support through tax incentives, low-cost labor, and abundant rare earth reserves positions it favorably to further contribute to the global semiconductor value chain. In 2022, Vietnam's semiconductor exports reached USD 6.5 billion, growing by 83% YoY and representing 3.8% of global exports for this product. The country ranks among the top three Asian nations exporting semiconductors to the U.S., indicating its emergence as an outsourced semiconductor assembly and test (OSAT) player. Global semiconductor companies have increasingly invested in Vietnam, mainly in OSAT facilities in the northern region and R&D centers in the south.

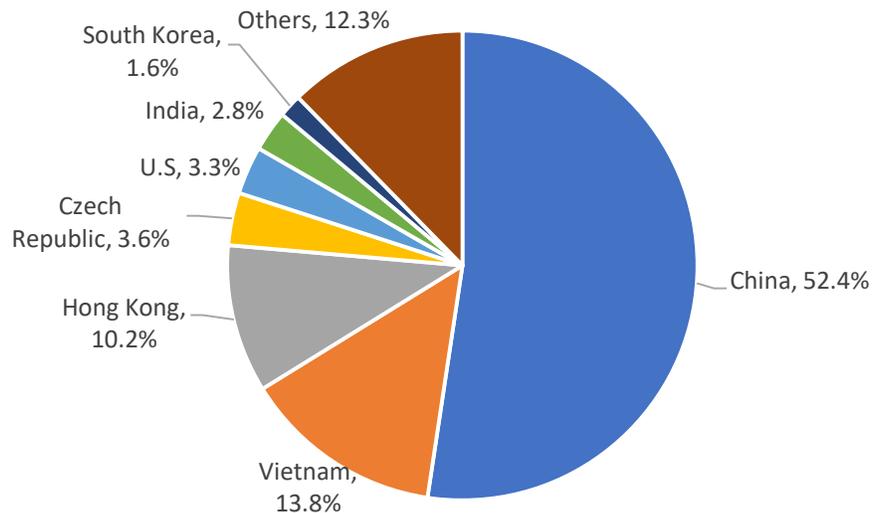
Computer and cellphone export value of Vietnam (USD bn)



(Source: GSO, AFC Research)

Drawing parallels with Vietnam's transformation in the past decade—from an agricultural exporter to the world's second-largest cellphone exporter—we anticipate a similar trajectory in the semiconductor industry. With China and Taiwan experiencing conflicts and uncertainties, the need for diversification in semiconductor manufacturing is paramount. Vietnam, with its proactive investment environment and significant potential, may become a key player in the global semiconductor market over the next 10-15 years.

Cellphone export by country (% market share in 2022)



(Source: worldtopexports)

AFC VIETNAM FUND UPDATE

Economy

Macroeconomic Indicators				
	2020	2021	2022	Nov-23
GDP	2.91%	2.58%	8.02%	4.24%
Industrial production (YoY)	3.4%	4.8%	7.7%	1.0%
FDI disbursement (USD bln)	20	19.7	22.4	20.3
Exports (USD bln)	281.5	336.3	371.9	306.1
Imports (USD bln)	262.4	332.3	360.7	281.6
Trade balance (USD bln)	19.1	4.0	11.2	24.4
Retail sales (YoY)	2.60%	-3.80%	19.80%	9.60%
CPI (YoY)	3.23%	1.89%	3.15%	3.22%
VND	23,108	22,782	23,663	24,271
Credit growth (YoY)	10.5%	13.0%	12.9%	8.2%
Foreign reserves (USD bln)	92	105	90	96

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

Subscription

The next subscription deadline will be 21st December 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 November 2023

NAV	3,069*
Since Inception	+206.9%*
Annualised Return	+11.9%*
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%	-8.13%	+4.5%*		+6.4%*

*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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