

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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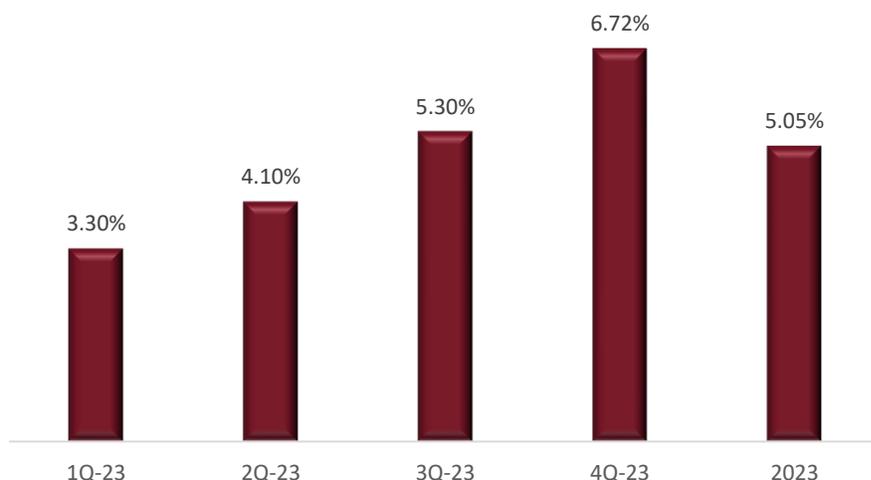
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In December, the VN-Index continued its robust recovery, surging by 3.4% to 1,129.93 points, ending the year on a positive note with a 14.1% increase in local currency and a 9.6% increase in USD terms. The AFC Vietnam Fund also experienced a notable rise of 2.3%, achieving a year-end NAV of USD 3,144, bringing the year-to-date performance to +9%, according to our internal estimates.

Market Developments

While 2023 presented challenges for the Vietnamese economy and its stock market, marked by global economic uncertainties and political concerns, the nation exhibited resilience. Following remarkable GDP growth of over 8% in 2022, 2023 faced various difficulties, resulting in low GDP growth of 5.05%. Despite the challenges, the economy demonstrated encouraging signs, hitting a low point with a 3.30% GDP growth in the 1st quarter before gradually improving to 4.10% in the 2nd quarter, 5.30% in the 3rd quarter, and 6.72% in the last quarter. The consensus is that the economy has bottomed out and is poised for solid growth in 2024 and beyond.

Vietnamese GDP growth bottomed out in the 1st quarter of 2023



(Source: GSO, AFC Research)

Similarly, the Vietnamese stock market experienced volatility in 2023 despite a positive performance with a recovery of 9.58% in USD terms. From the low point in November 2022, the benchmark rebounded aggressively by more than 43% to reach a high of 1,255.11 in early September 2023. Subsequently, the index corrected by 18.7% over two consecutive months before witnessing a 9.77% jump in November and December.

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VN-Index had a challenging year in 2023



(Source: Viet Capital Securities)

Although the VN-Index faced challenges in 2023, it remained one of the best performers in the region, securing a yearly performance of slightly over 9% in USD. Among ASEAN countries, Vietnam holds a prominent position.

Vietnam was still one of the best markets in the region in 2023



(Source: Bloomberg)

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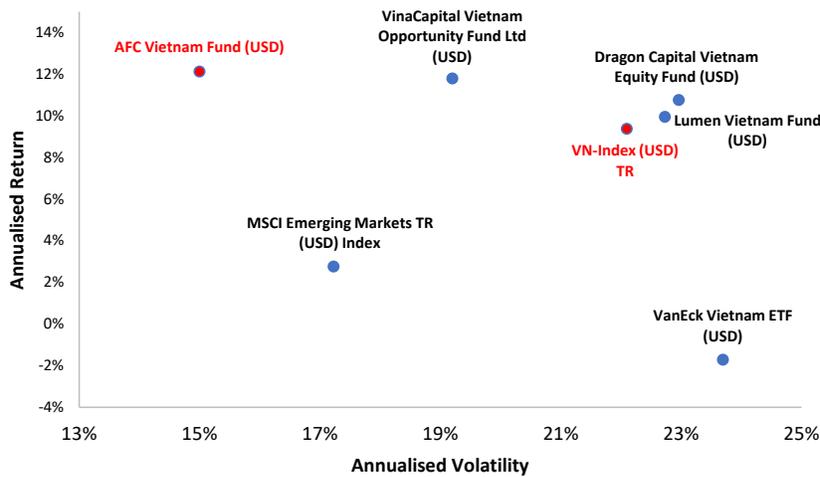
While the 9% performance in 2023 falls below our initial internal target of 15%, we are pleased with this result, especially considering our past three years of outperformance against the index. In 2023, we strategically restructured our portfolio, exiting several high dividend yield stocks to enter growth stocks, aligning with our long-term growth strategy outlined in previous reports. We also reduced exposure to the insurance and tourism sectors, which proved beneficial in avoiding the sharp declines in 2022. As a result, we have successfully restructured 85-90% of our portfolio, balancing the transition from defensive to growth while closely tracking index performance.

AFC Vietnam Fund versus peers and index performance



(Source: Bloomberg)

Peers & index performance/volatility comparison



(Source: Bloomberg, AFC Research)

10-year anniversary – AFC Vietnam Fund

Celebrating our 10th anniversary since the launch on 23rd December 2013, the AFC Vietnam Fund has grown substantially from an initial fund size of USD 3.6 m to a sharp increase in AUM to approximately USD 68 m. With an annualized return of

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around 12.1% and low volatility of around 15%, our fund has delivered an attractive risk/return profile. As an example, for investors who invested USD 10,000 a decade ago, the value is now around USD 31,446.

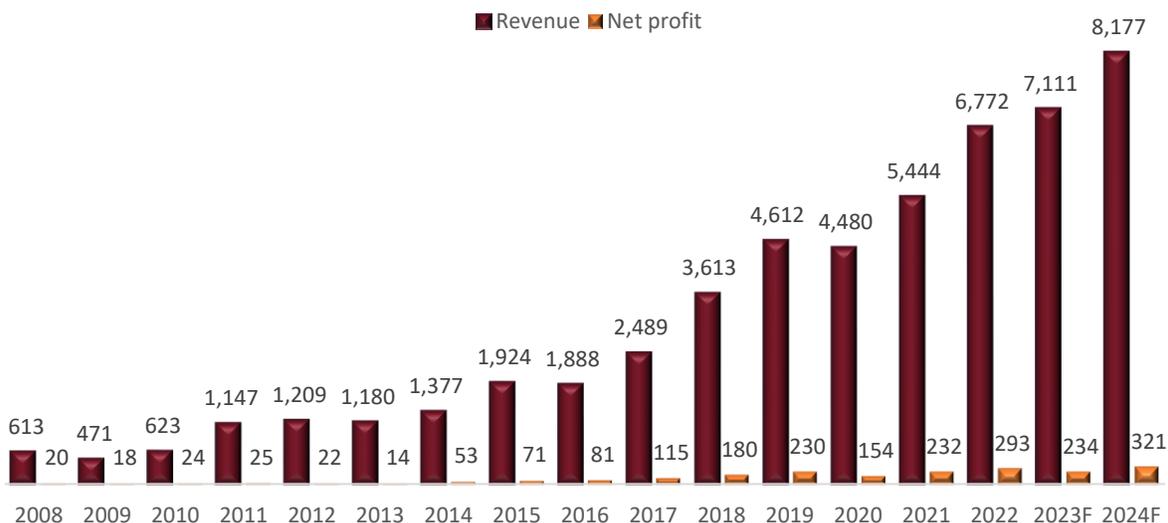


Currently, the manufacturing, especially the export and construction material sectors comprise the largest portion of our portfolio, accounting for 42%. This allocation is based on our belief that export companies, having hit bottom due to aggressive drops in consumption in the EU and the U.S. caused by high inflation, will rebound as inflation is controlled. Additionally, the Vietnamese Government's substantial investment in public infrastructure projects, particularly in roads, express highways, bridges, power, and airports, will benefit companies in this sector in the mid-term.

Looking forward to 2024, we anticipate the VN-Index to continue its growth trajectory albeit with continued volatility. Global uncertainties such as the Russia-Ukraine conflict, Middle East conflicts, prolonged high-interest rate environment by the FED, or the unpredictable situation between China and Taiwan remain concerns. Regardless of global events, we maintain confidence in the Vietnamese Government's efforts to restore national economic growth to normal levels. We expect earnings growth in 2024 to reach around 10%, with several sectors poised for a strong recovery, especially exports.

Within our portfolio, one significant position is TNG Investment Joint Stock Company (TNG), the second-largest textile and garment exporter in Vietnam. At the end of 2023, TNG's weight was 8.7% of our portfolio, boasting attractive valuation metrics with a P/E ratio of 9.2x, P/B ratio of 1.3x, and a dividend yield of 4.0%. Although TNG reported a 25% fall in net profit in 2023 due to weak consumption in the U.S. and EU, its revenue showed a strong recovery in the second half with a slight growth of 3.5%. We anticipate a robust revenue and net profit jump in 2024 and 2025 as consumption rebounds in the U.S. and EU. TNG's story, from privatization in 2013 to becoming a leading textile exporter, exemplifies its successful transformation.

Revenue and net profit of TNG in the last 15 years (VND bn)



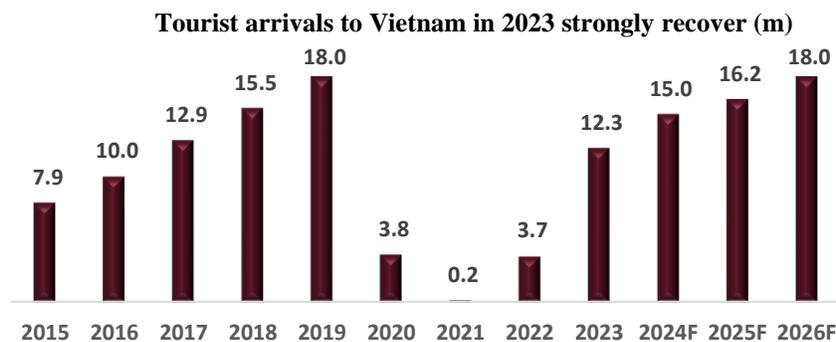
(Source: TNG, AFC Research)

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TNG's transition to green manufacturing, showcased by its eco-friendly facilities and renewable energy adoption, has reduced its carbon footprint and positioned it as a trusted supplier to esteemed clients like, for example, Decathlon. Committed to social responsibility, TNG allocates 2.0-2.5% of its net profit annually to charities and community projects, contributing to diverse and inclusive leadership with over 54% of top management positions held by women. Additionally, TNG prioritizes employee welfare, as evident in the 12% increase in net income for employees in 2022. This holistic approach underscores TNG's commitment to sustainability, community engagement, gender equality, and employee well-being.

Vietnam earns almost USD 26bn from tourism in the first 11 months of 2023

The Vietnamese tourism industry showcased a remarkable recovery in 2023, with total earnings from tourists exceeding VND 628.3 trillion (over USD 25.8 billion) during January-November. This surpassed the entire figure for the previous year. Despite challenges in 2021, the tourism downturn presented golden investment opportunities. Investments in local tourism companies like TCT and DSN proved fruitful as net profits strongly recovered in 2022. In a similar vein, we believe that the negative growth in export revenue in 2023 is a short-term correction, and export companies, purchased at favorable valuations, will rebound as other sectors have, including tourism.

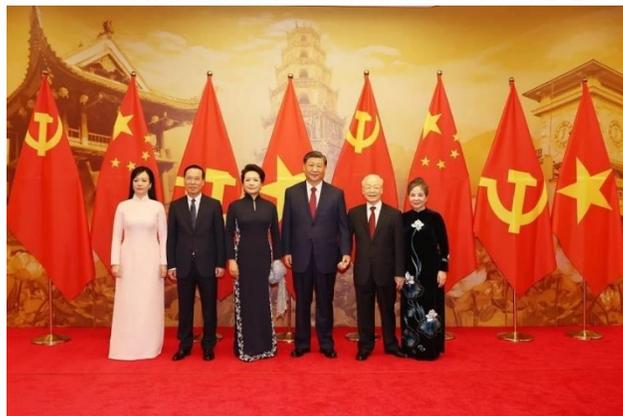


(Source: GSO)

Chinese President Xi Jinping visits Vietnam in December 2023

China's Party General Secretary and President Xi Jinping's December visit to Vietnam underlines the warmth in bilateral relations. Vietnam's adept handling of its ties with China and the U.S., its largest trade partner and export market, respectively, is evident in the strengthening of strategic exchanges during this visit. In 2023, Vietnam achieved diplomatic milestones, upgrading its relationship with the U.S. to a strategic partnership and reaching similar agreements with Australia, Indonesia, Singapore, and Japan, contributing to its sustained FDI inflow over the past decade.

Vietnam welcomes President Xi in December 2023



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(Source: Nhandan)

The warm relations between Vietnam and China were manifested in President Xi's gesture toward General Secretary Trong, showcasing the success of Vietnam's diplomatic strategy. The nation effectively navigates its relationships with the U.S. and China, emphasizing cooperation. Marking 15 years of partnership, the two countries committed to a shared future, envisioning a harmonious Vietnam-China community. This commitment is reflected in numerous cooperation documents exchanged between ministries, agencies, and localities of both nations, underscoring their collaborative spirit for global peace and prosperity.

President Joe Biden visits Vietnam in September 2023



(Source: Vnexpress)

Positive outlook for the Vietnamese economy

The World Bank and ADB offer positive assessments of Vietnam's economy for 2024. Despite a global economic slowdown, Vietnam is praised for its resilience and sustained growth, outperforming many other countries. They believe Vietnam is an appealing destination for international investors because of its economic and political stability and its capacity to integrate with the global economy. The recovery in late 2023 is attributed to external demand, increased public investment, and robust private consumption. Both institutions highlight the need for Vietnam to strengthen its business environment, accelerate infrastructure investment, and proactively support enterprises to navigate global challenges. The ADB projects a 6% GDP growth rate in 2024, driven by public investment, domestic consumption, and export recovery, with Vietnam's economic resilience commended in the face of global uncertainties.

Economy

Macroeconomic Indicators				
	2020	2021	2022	2023
GDP	2.91%	2.58%	8.02%	5.05%
Industrial production (YoY)	3.4%	4.8%	7.7%	3.0%
FDI disbursement (USD bln)	20	19.7	22.4	23.2
Exports (USD bln)	281.5	336.3	371.9	355.5
Imports (USD bln)	262.4	332.3	360.7	327.5
Trade balance (USD bln)	19.1	4.0	11.2	28.0
Retail sales (YoY)	2.60%	-3.80%	19.80%	9.60%
CPI (YoY)	3.23%	1.89%	3.15%	3.25%
VND	23,108	22,782	23,663	24,261
Credit growth (YoY)	10.5%	13.0%	12.9%	11.1%
Foreign reserves (USD bln)	92	105	90	96

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

Subscription

The next subscription deadline will be 24th January 2024. If you would like any assistance with the subscription process please email Andreas Vogelsanger at av@asiafrontiercapital.com.

We want to express our sincere gratitude for your unwavering trust and loyalty. Being part of your journey has been a privilege, and we truly appreciate the meaningful collaborations we've shared. Wishing you and your loved ones a joyful and prosperous New Year! Thank you for your continued trust and collaboration.

Best regards,

AFC Vietnam Fund

NAV as of 31st December 2023

NAV	3,144*
Since Inception	+214.4%*
Annualised Return	+12.1%*
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%	+4.58%	+2.3%*	+9.0%*

*According to internal estimates

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** The fund is authorized for distribution to professional investors in Hong Kong, Japan, Singapore, and the UK.*

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