

AFC VIETNAM FUND UPDATE

CC

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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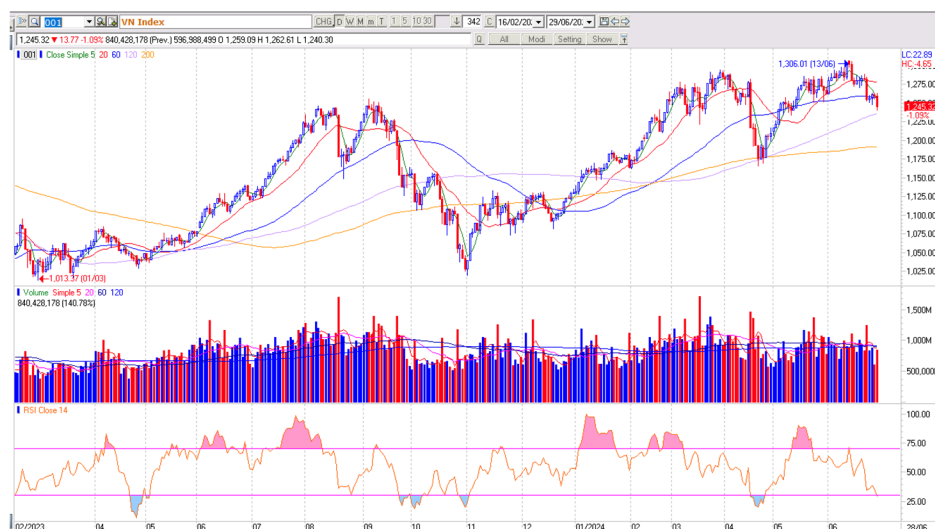
Hong Kong Office:
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In June, the Vietnamese benchmark index slightly corrected from the strong recovery in May. The VN-Index dropped 1.3% in USD terms. This drop was primarily affected by strong selling from foreign investors. The AFC Vietnam Fund had a positive month, with its NAV increasing by 1.5% to USD 3,321, according to our internal estimates.

Market Developments

June has been an interesting month for the Vietnamese stock market, with the VN-Index surpassing the 1,300 level on 12th June 2024 for the first time in over two years. This milestone indicates a strong recovery following the market crash from its peak in March 2022. Although the index stayed above the 1,300 threshold for only two days, there is optimism that the VN-Index will soon overcome this important resistance, bolstered by supportive macroeconomic data and positive enterprise earnings.

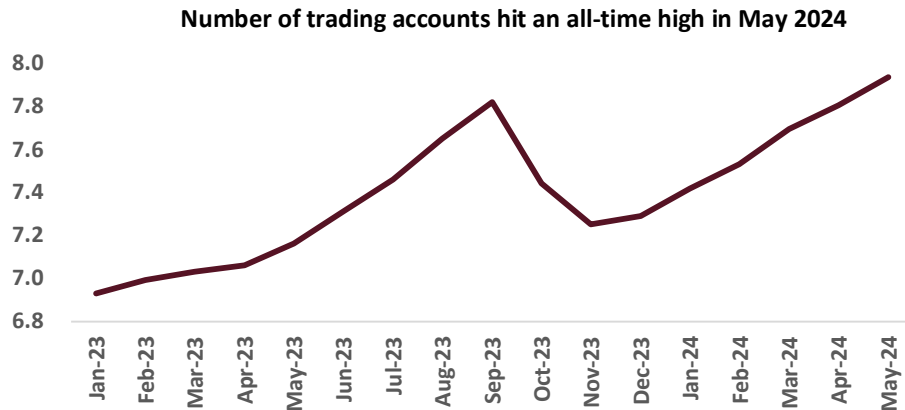
VN-Index surpassed the 1,300 level again on 12th June 2024



(Source: Vietcap)

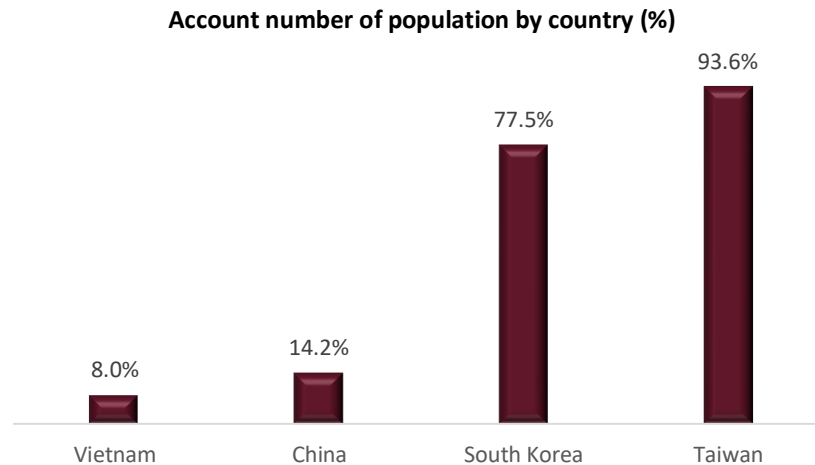
Local individual investors are rapidly returning to the market, driving its momentum. May saw another increase in the number of stock trading accounts, reaching a record high of 7.9m, equivalent to around 8% of the country's population. According to the Vietnam Securities Depository (VSD), more than 133,000 new accounts were opened in May alone.

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(Source: VSD, AFC Research)

Although local individual investor participation in the Vietnamese market has increased significantly over the last four years, it remains relatively small compared to other regional markets such as South Korea, Taiwan, or Thailand. According to our research, individual investor participation is 93.6% in Taiwan, 77.5% in South Korea, and 14.2% in China. This indicates that Vietnam still has enormous potential for growth in the coming decades.

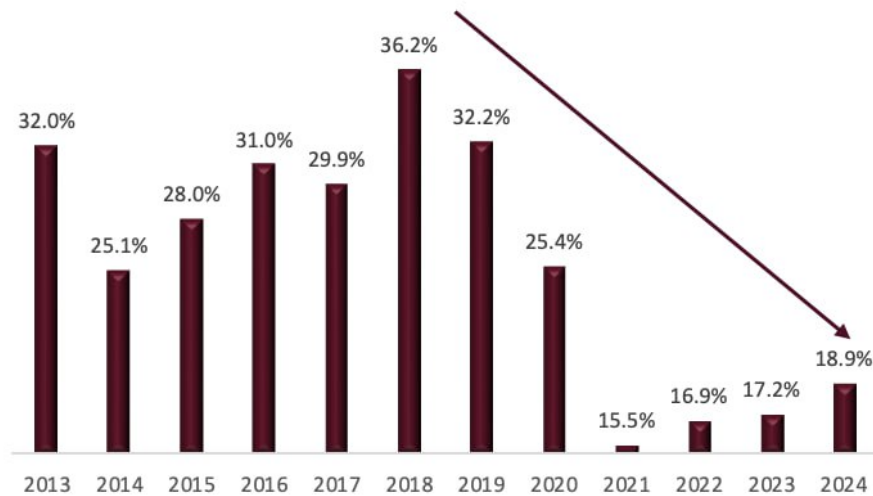


(Source: AFC Research)

As we mentioned in our previous reports, local individual investors were the key factor supporting the market's rise above the 1,300 threshold in June. In recent months, foreign investors have been net sellers with ever-increasing volume. In June, foreign investors sold more than USD 760m, reaching USD 1.9 bn over the last 12 months. Without solid buying by local individual investors, the benchmark would have likely fallen significantly. The low-interest rate policy and the rise in stock trading accounts have considerably supported the market. Looking back at the data from the last 10 years, it is clear that local individual investors have already taken over the key role from foreign investors. While foreign investor participation in daily trading volume was 36% in 2018, it gradually dropped to around 19% in 2024.

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Foreign investors share in daily trading volume



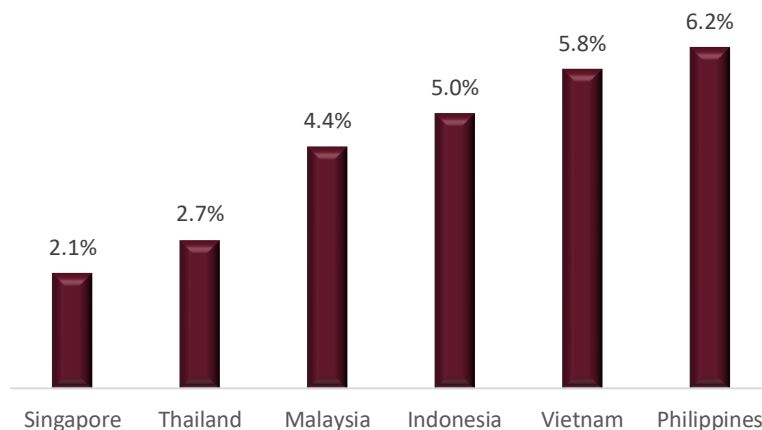
(Source: HSX, AFC Research)

From 2013 to 2019, local investors and the index were negatively impacted whenever foreign investors sold aggressively. However, this trend started to change during 2020-2024. The impact began to diminish gradually year by year, and in the first half of 2024, even though foreign investors net sold more than USD 1.9 bn, the benchmark still increased by 5.6% (USD term), closing the month at 1,245.32 points. Therefore, we don't see any significant risk from the net selling movement of foreign investors in the last 12 months.

Strong economic growth

Vietnam's economy showed a bullish performance in the first half of 2024 with many records in exports, state budget, FDI, and more. In the second quarter of 2024, GDP growth reached 6.93% compared to one year ago, showing an impressive recovery trend for the country after a slowdown in 2023. This economic growth is driven by a recovery in consumption, strong export growth, and stable FDI growth. According to IMF estimates, Vietnam will be the second fastest-growing country in ASEAN in 2024, with a GDP growth rate estimated at 5.8%.

GDP growth forecast by IMF in 2024 (%)

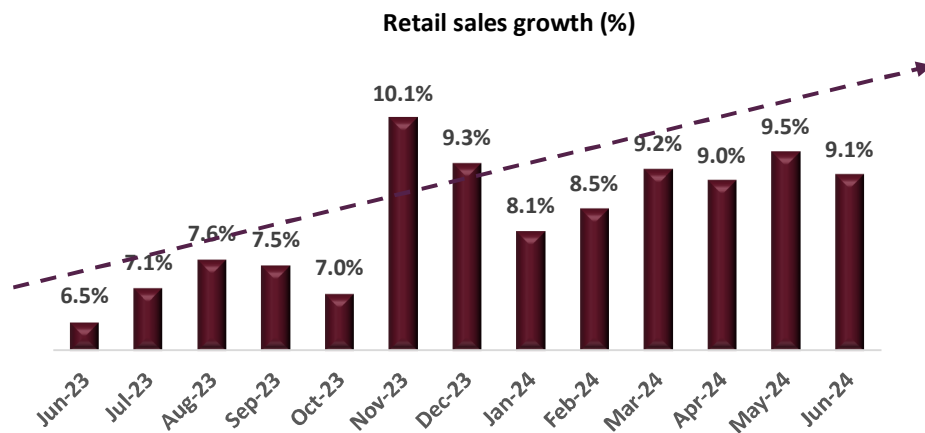


(Source: IMF, AFC Research)

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Consumption recovery

The real estate crisis in 2022 led to a slowdown in consumption in 2023, negatively impacting key consumption companies in Vietnam such as Mobile World Group (MWG), the largest electronics and mobile phones store chain, and Haxaco (HAX), the largest Mercedes dealer. However, the low interest rate policy in 2024 has helped consumption to bottom out and start to recover. In June 2024, retail sales in Vietnam showed an impressive growth of 9.1%. With consumption accounting for around 64.3% of GDP components, its recovery plays a crucial role in driving economic growth.

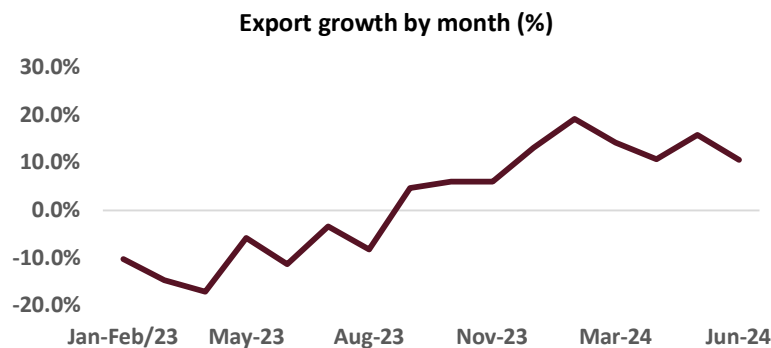


(Source: GSO, AFC Research)

Strong export growth

If you are already an AFC Vietnam Fund investor, you already know our strong focus on the export sector since 2023. Believing that Vietnamese export turnover would recover and grow robustly, we allocated more than 20% of our portfolio to export enterprises, anticipating a strong rebound. In 2023, there was a sharp fall in Vietnamese export turnover, causing widespread concern among investors and experts. However, our investment philosophy has been validated. Since September 2023, export turnover has bottomed out and continued to increase strongly each month. In June 2024, exports grew by 10.5%, bringing total turnover to USD 190.1 bn for the first six months of 2024. This already surpasses the export turnover for the same period in 2022, when Vietnam reached its peak in total export revenue. Therefore, we strongly believe that 2024 could hit an all-time high in exports.

We follow this trend closely not only because of our heavy investment in the export sector, but also due to its significant role in the economy. Initially, we observed a rapid recovery among local enterprises, and now, FDI enterprises are rebounding too. This has led to increased imports of materials for manufacturing exports, resulting in a recent trade deficit, which is actually a positive signal for the overall economy.



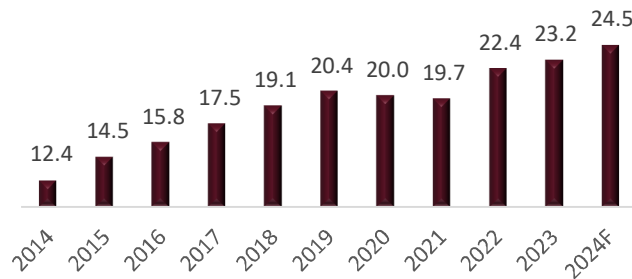
(Source: GSO, AFC Research)

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FDI disbursement

The stock market is one of the most volatile aspects of the economy, fluctuating constantly with even minor changes. Observing the net sold value of foreign investors might lead to pessimism or concern about hidden economic risks. However, it is important to remember that the stock market represents short-term money flows, or "hot money," whereas Foreign Direct Investment (FDI) reflects a long-term trend. The steady growth of FDI in Vietnam indicates strong confidence from international investors. In June, accumulated FDI disbursement grew by 8.2% to USD 10.8 bn which is a record high in history, while FDI registration also jumped by 13.1% to USD 19.2 bn, proving the long-term growth potential for Vietnam.

FDI disbursement by year (USD bn)



(Source: GSO, AFC Research)

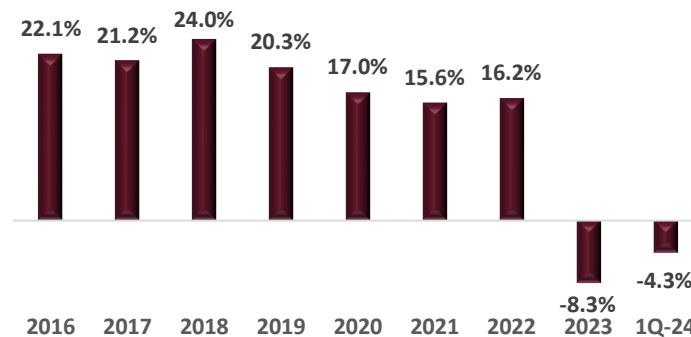
State budget

Since the Doi Moi period (a period of sweeping economic reforms) in 1986, Vietnam has achieved its first budget surplus in history. In the first six months of 2024, total state budget income hit a record high of VND 1.02 trn (USD 40 bn), an outstanding increase of 15.7%, compared to state budget expenses of VND 803 trn (USD 31.5 bn). Consequently, the state budget surplus reached VND 217 trn (USD 8.5 bn). This improvement allows Vietnam to allocate more funds to public investment master plans to build up national infrastructure, promoting long-term economic growth. Furthermore, the improved state budget also helps lower the country's public debt ratio, generating a healthier balance sheet for the nation.

Non-life Insurance is attractive

In 2022, our strategic heavy weighting of the insurance sector (around 25%) helped to reduce the AFC Vietnam Fund drop to only 18.8%, about half of the VN-Index's 37% fall. However, the insurance sector, particularly life insurance, faced a significant public relations issue when a famous actor sued a life insurance company. The company opted for a soft solution by compensating the actor, which led to a sharp decline in public trust for life insurance and resulted in negative growth for the entire sector in 2023. The non-life insurance segment was also affected, though to a lesser extent.

Insurance growth tumbled in 2023 (%)

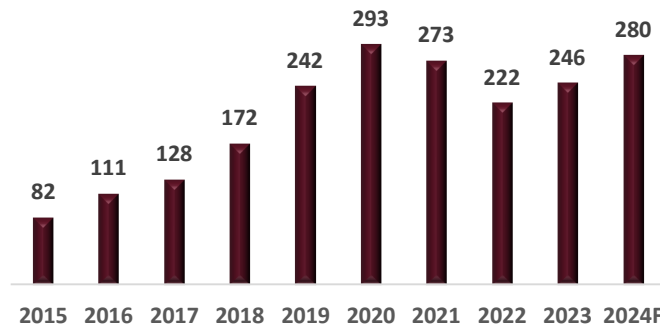


(Source: GSO, AFC Research)

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In the first quarter of 2024, the insurance sector's growth remained negative, although the decline was less severe than in the previous four quarters. Insurance turnover fell by 4.3% compared to the sharp fall of 11.9% in Q4 2023. Life insurance revenue continued to tumble at 10.9%, while non-life insurance experienced impressive growth of 9.8%. Despite challenges, non-life insurance is attracting foreign investors, with prominent global strategic investors becoming key shareholders in leading companies. For instance, HDI Global SE, Funderburk Lighthouse, and the International Finance Corporation (IFC) are notable shareholders in PVI, while AXA Insurance Finance Group and Firstland Company Limited hold over 20% of Bao Minh Insurance's capital. Additionally, Hyundai Marine & Fire Insurance holds currently 25% of VBI's charter capital, and Bangkok Insurance and PICC P&C have partnered with Bao Viet since 2018. Companies like BIC, VBI, and PJICO have shown notable growth, with BIC increasing its market share from 3.8% in 2019 to 6.4% in 2023 and PJICO achieving 4,000 bn VND in original insurance revenue in 2023. Vietnam's non-life insurance market, currently valued at approximately USD 2.8 bn, is projected to grow to USD 28 bn by 2030. According to Decision 149/QD-TTg, the goal is to achieve an average insurance premium revenue of 3.5% of GDP by 2025, with plans to grow even more until 2030. Although ambitious, this target is not impossible, considering the projected GDP of Vietnam by 2030. The weighting of non-life insurance is expected to hit 4.0% by 2030, still low compared to developed countries. To achieve this growth, many non-life insurance companies have deployed investment and business expansion plans. For example, Agricultural Bank Insurance JSC (ABI), one of our initial positions since inception, opened seven new branches nationwide to expand its business. During the June AGM, ABI also decided to switch its share listing from UPCOM to the Ho Chi Minh Stock Exchange or Hanoi Stock Exchange in 2025, which will support the stock performance and business growth. Currently, ABI trades at a very low valuation with a P/E of 6.7 times and a P/B of 1.25 times, despite being one of the most profitable insurance companies with an ROE of 17%. Notably, ABI's market capitalization is below its cash level, with a market cap of USD 79 mn compared to a cash balance of USD 123 mn. We strongly believe that when ABI lists on HSX or HNX, its stock price will further increase.

Net profit of ABI in the last 10 years (VND bn)



(Source: ABI, AFC Research)

ABI from Feb 2023 to June 2024



(Source: Vietcap)

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Economy

Macroeconomic Indicators				
	2021	2022	2023	Jun-24
GDP	2.58%	8.02%	5.05%	6.42%
Industrial production (YoY)	4.8%	7.7%	3.0%	7.5%
FDI disbursement (USD bln)	19.74	22.4	23.2	10.8
Exports (USD bln)	336.3	371.9	355.5	190.1
Imports (USD bln)	332.3	360.7	327.5	178.5
Trade balance (USD bln)	4.0	11.2	28.0	11.6
Retail sales (YoY)	-3.80%	19.80%	9.60%	8.20%
CPI (YoY)	1.89%	3.15%	3.25%	4.08%
VND	22,782	23,663	24,261	25,452
Credit growth (YoY)	13.0%	12.9%	13.5%	4.5%
Foreign reserves (USD bln)	105	90	96	96

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

Subscription

The next subscription deadline is 25th July 2024. If you need assistance with the subscription process, please email Andreas Vogelsanger at av@asiafrontiercapital.com.

Best regards,

AFC Vietnam Fund

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NAV as of 30th June 2024

NAV	3,321*
Since Inception	+232.1%*
Annualised Return	+12.0%*
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%	+6.09%	-3.53%	-2.91%	-8.13%	+4.58%	+2.38%	+9.02%
2024	USD	-2.24%	+0.49%	+2.47%	-3.72%	+7.35%	+1.5%*							+5.6%*

*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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