

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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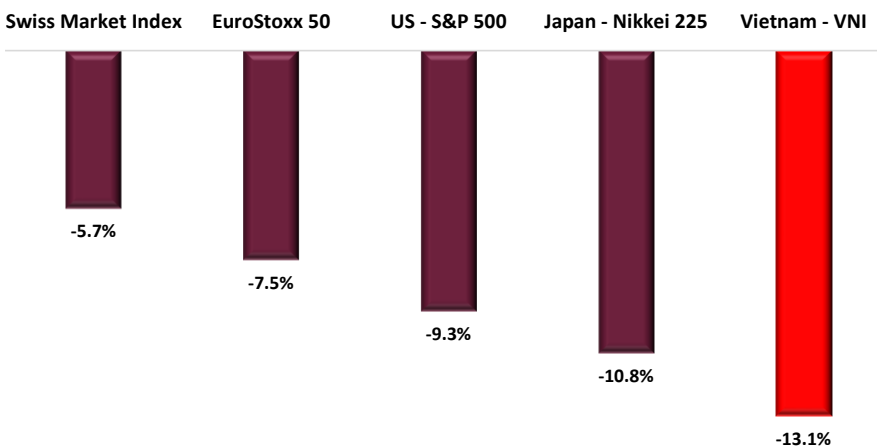
Increased geopolitical tensions and interest rate hikes around the globe pushed US and European equity markets lower. Also, the Vietnamese stock market declined sharply in September and the VN-Index lost -13.1% (in USD terms) and the NAV of our AFC Vietnam Fund closed the month -9.9% lower at an NAV of USD 3,001, according to internal estimates.

Market Developments

One of the main topics for global investors in September was the renewed worry about recession in the US and Europe, after central banks aggressively hiked interest rates. This triggered a sharp selloff in many stock markets around the globe this month.

With higher than expected interest rate increases, the markets seem to go through a crisis of confidence, wondering how far the Fed and ECB will need to hike rates in order to bring inflation back under control.

September stock market performance (in USD terms)



(Source: Bloomberg)

Also, Vietnam's central bank decided to increase its policy rate by 100 basis points a little bit more than a week ago in an attempt to keep inflation under 4% this year. This rare monetary tightening move by the State Bank of Vietnam followed shortly after rate hikes by the US Federal Reserve, the ECB (European Central Bank), the Bank of England and other central banks around the region as inflation rose across the world.

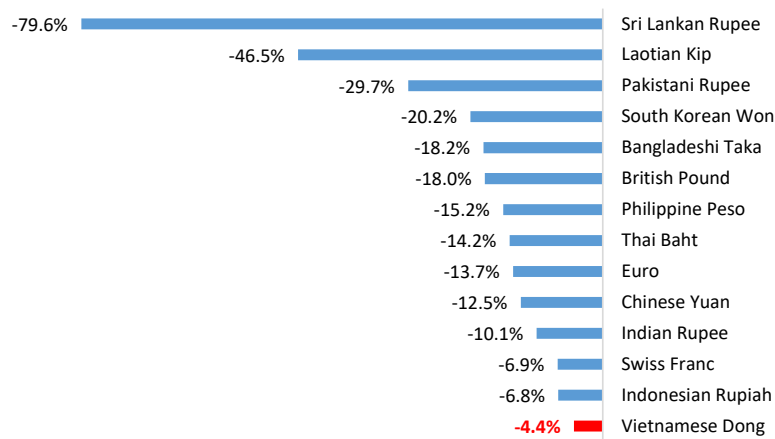
The strong US Dollar

The reason for the USD strength is that in times of elevated geopolitical risk and macro-economic uncertainties around the world, the US dollar benefits from its perceived safe haven status. Also, the Fed has been much more aggressive in hiking rates than its peers.

But the situation in Vietnam doesn't look as bad, given its strong macro-economic numbers. The 4.4% weakening of the Vietnamese Dong versus the USD since the beginning of the year compares relatively favorably to most other Asian countries.

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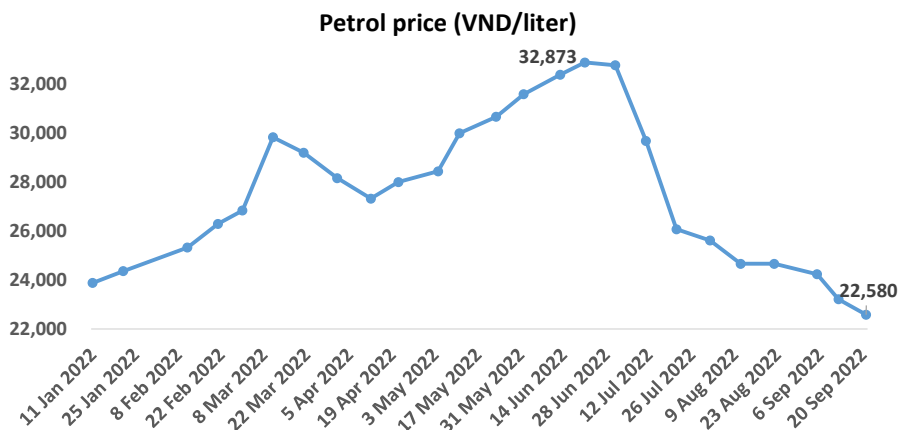
Depreciation versus the USD in 2022



(Source: Bloomberg, AFC Research)

Vietnam's inflation seems to be under control

In order to carefully control inflation, the Vietnamese government, through its petrol and oil price stabilisation fund, intervened in the market to bring the petrol price from its recent peak of VND 32,873 per liter down to VND 22,580 per liter (around -31%). The government reduced for example taxes and fees on petrol prices and improved policies to increase production of local oil refineries. The latest CPI numbers from end of September showed an inflation number of 2.73% yoy which seems to be very manageable.

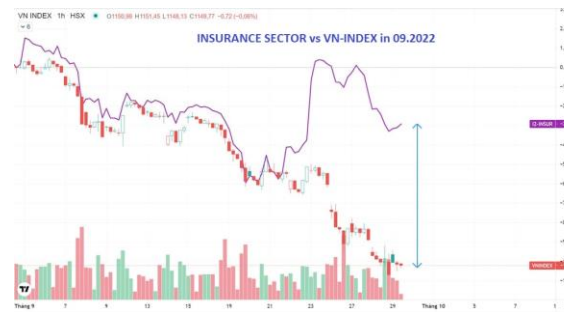


(Source: Petrolimex, AFC Research)

Even though inflation is not a concern at the moment in Vietnam, the latest 100 basis point rate hike by the State Bank of Vietnam, showed that it is determined to keep inflation below its 4% target this year. This latest monetary tightening increased the discount rate from 2.5% to 3.5% and the refinancing rate from 4% to 5% per year. Also, interest rates of Vietnamese dong-denominated deposits will increase by 0.3% to 1%, depending on maturities. The Vietnamese stock market dropped by a moderate -0.94% after the interest hike announcement, but as expected insurance stocks jumped strongly the same day. As mentioned in our previous reports, higher deposit interest rates have a positive impact on insurance companies profitability, since the large bank deposits generates higher interest income which is contributing more than 80% of insurance companies net profit. This is also the reason why our fund was able to perform slightly better than the VN Index in September, given that around 20% of our portfolio is invested in insurance stocks.

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Insurance sector outperformed against the VN Index in September

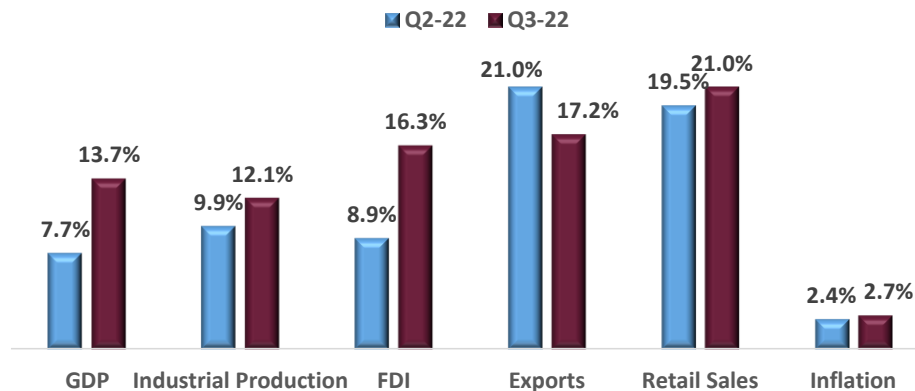


(Source: HSX, AFC Research)

Vietnam's economic growth story on track

The Vietnamese Government just released its third quarter macro-economic numbers with an impressive Q3/2022 GDP growth of 13.67%, the highest in more than 2 decades, but also partly due to the comparison period being a period of weak growth during the COVID-19 pandemic (low base effect). The economy has improved in all aspects including manufacturing (+12.1%), exports (+17.2%), FDI (+12.1%), and retail sales (+21%). These numbers compare very favorably with Western economies and other big Asian countries such as South Korea, Japan, China, and India.

Q3/2022 Macro-economic numbers



(Source: GSO, AFC Research)

After successfully combatting COVID-19, Vietnam is considered to be one of the fastest growing countries in the world. According to Nikkei Asia Research, Vietnam ranks number 2 in terms of speed of recovery from the latest pandemic.

Nikkei COVID-19 Recovery Index as of August 31st

Rank	Country/region	Total score	Rank	Country/region	Total score
1	Rwanda	81.0	6	Argentina	75.0
2	Vietnam	79.0	6	Ecuador	75.0
3	Bahrain	78.0	6	Malta	75.0
3	Cambodia	78.0	9	Costa Rica	74.0
5	Qatar	77.0	9	Uruguay	74.0

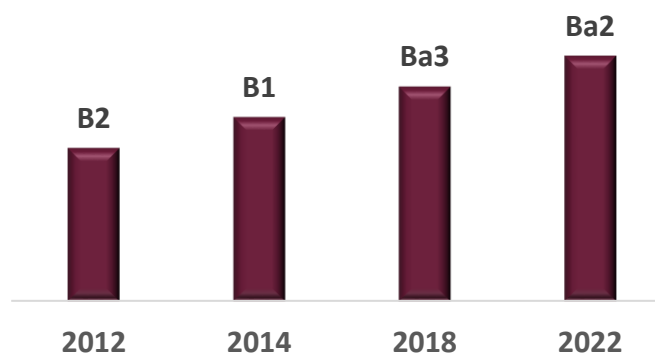
(Source: Nikkei Asia Research)

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Vietnam the only country in Asia-Pacific to be upgraded by Moody's in 2022

In September 2022, Moody's Investors Service upgraded Vietnam's long-term issuer and senior unsecured ratings to Ba2 from Ba3 and changed the outlook to stable from positive. Vietnam is the only country in the Asia-Pacific and one of four countries globally to have ratings upgraded by Moody's since the beginning of this year! This shows Vietnam's economy strengths and greater resilience to external macroeconomic shocks that are indicative of improved policy effectiveness. Moody's expects the situation should continue as the economy benefits from supply chain reconfiguration, export diversification and continued inbound investment in manufacturing. Over the past 10 years, Vietnam kept improving its economic fundamentals such as for example current account, trade balance, foreign reserves, and hence Moody's had upgraded Vietnam's credit rating since 2012 from B2 to now Ba2 in September 2022.

Vietnam credit rating by Moody's



(Source: Moody's, MoF, AFC Research)

Economy

Macroeconomic Indicators				
	2019	2020	2021	Sep-22
GDP	7.02%	2.91%	2.58%	8.83%
Industrial production (YoY)	8.9%	3.4%	4.8%	9.6%
FDI disbursement (USD bln)	20.4	20.0	19.7	15.4
Exports (USD bln)	264.2	281.5	336.3	282.5
Imports (USD bln)	253.1	262.4	332.3	276.0
Trade balance (USD bln)	11.1	19.1	4.0	6.5
Retail sales (YoY)	11.80%	2.60%	-3.80%	21.00%
CPI (YoY)	2.79%	3.23%	1.89%	2.73%
VND	23,230	23,108	22,782	23,870
Credit growth (YoY)	12.1%	10.5%	13.0%	10.5%
Foreign reserves (USD bln)	73	92	105	110

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

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Subscription

The next subscription deadline will be 25th October 2022. If you would like any assistance with the subscription process please be in touch with Andreas Vogelsanger.

Best regards,

AFC Vietnam Fund

Estimated NAV as of 30th September 2022

NAV	3,001*
Since Inception	+200%*
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%	-9.9%*				-15.6%*

*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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