

## AFC VIETNAM FUND UPDATE

C

<b>Fund Category</b>	Vietnam Public Equities
<b>Country Focus</b>	Vietnam
<b>Subscriptions</b>	Monthly at NAV (five business days before month end)
<b>Redemptions</b>	Monthly at NAV 30 days notice
<b>Benchmark</b>	VN Index
<b>CIO</b>	Vicente Nguyen
<b>Investment Manager</b>	Asia Frontier Capital (Vietnam) Limited, Cayman Islands
<b>Investment Advisor</b>	Asia Frontier Investments Limited, Hong Kong
<b>Fund Base Currency</b>	USD
<b>Minimum Investment</b>	USD 10,000
<b>Subsequent Investments</b>	USD 1,000
<b>Management Fee</b>	1.8% p.a. of NAV
<b>Performance Fee</b>	12.5% p.a. of NAV appreciation with high watermark
<b>Fund Domicile</b>	Cayman Islands
<b>Launch Date</b>	23 December 2013
<b>Custodian Bank</b>	Viet Capital Securities, Ho Chi Minh City
<b>Auditor</b>	Ernst & Young, Hong Kong
<b>Administrator</b>	Trident Fund Services, Hong Kong
<b>Legal Advisor</b>	Ogier, Hong Kong
<b>ISIN</b>	KYG0133A1673

### Contact Information

**Asia Frontier Capital Ltd.**  
www.asiafrontiercapital.com

Mr. Andreas Vogelsanger, CEO  
Asia Frontier Capital (Vietnam) Limited  
Tel: +66 84435 7472, Fax: +852 3904 1017  
av@asiafrontiercapital.com

Registered Office:  
c/o Intertrust Corporate Services (Cayman) Limited  
One Nexus Way, Camana Bay  
Grand Cayman KY1-9005,  
Cayman Islands

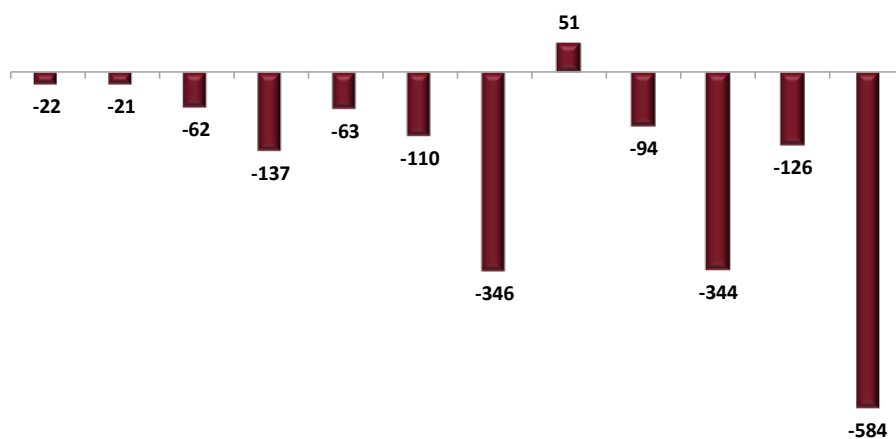
Hong Kong Office:  
Asia Frontier Investments Limited  
1805, 18/Floor, Hing Yip Commercial Centre  
272-284 Des Voeux Road Central, Sheung Wan  
Hong Kong

In May, the Vietnamese benchmark index significantly recovered from the sharp correction in April. The VN-Index surged by 3.8% in USD terms to 1,261.72 points. This notable recovery was primarily attributed to a strong performance in the midcap sector. Concurrently, the AFC Vietnam Fund also had a positive month, with its NAV increasing by 6.9% to USD 3,259, according to our internal estimates.

### Market Developments

Vietnam is grappling with a deepening leadership crisis as high-ranking officials resign amidst corruption investigations, fueling uncertainty within the Communist Party of Vietnam (CPV). The struggle to fill key positions based on political loyalty rather than capability exacerbates the instability, compounded by a shrinking Politburo and impending retirements, posing some political and economic challenges. However, the CPV's robust anti-corruption stance offers a potential silver lining, suggesting improvements in the business environment. Despite these challenges, investors can anticipate relative political stability in the near term as the CPV focuses on preparations for its 14<sup>th</sup> National Congress in 2026. The resignation of the Vietnamese President and National Assembly Chairman in April triggered concerns among foreign investors regarding Vietnam's political stability, resulting in significant sell-offs. Foreigners sold over USD 126m in April and intensified their selling in May to around USD 584m, or over USD 1.8 bn within the past 12 months.

Foreign net sold value by month (USD m)



Jun-23 Jul-23 Aug-23 Sep-23 Oct-23 Nov-23 Dec-23 Jan-24 Feb-24 Mar-24 Apr-24 May-24

(Source: HOSE, AFC Research)

Indeed, for foreign investors unfamiliar with Vietnamese politics, the abrupt resignations of top officials may prompt concerns and can lead to aggressive selling. However, for Vietnamese citizens, such transitions are perceived as normal and have less impact on the country as a whole. In fact, within the Vietnamese political structure, power is distributed among the "Politburo ministry," comprising 18 members, rather than relying on individual leaders. Therefore, changes in top positions like the presidency or chairmanship of the National Assembly do not typically result in policy shifts, especially concerning economic and foreign affairs. Following a month-long vacancy in the presidency, Mr. To Lam, the former Minister of Public Security, was elected as the new President on 22<sup>nd</sup> May 2024. Similarly, Mr. Tran Thanh Man assumed the role of Chairman of the Vietnam National Assembly.

# AFC VIETNAM FUND UPDATE

**General To Lam is sworn in as Vietnam's state President**



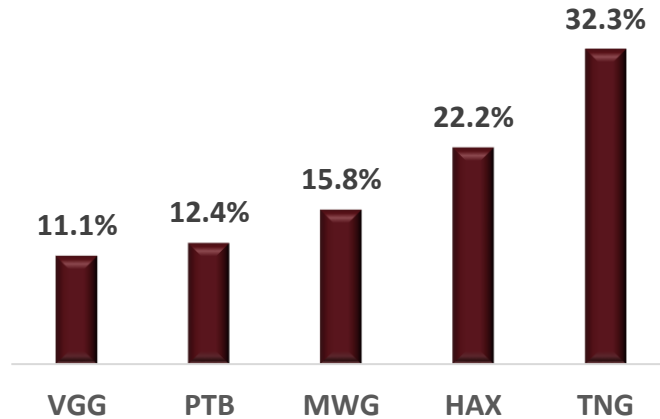
*(Source: VN Express)*

## **Export and consumer stocks continue to perform well**

As analyzed in our previous report, the healthy correction witnessed in April presented an opportune moment for buying, given the continued improvement in the Vietnamese economy since the first quarter of 2023. The low-interest rate environment and supportive government policies have notably bolstered consumption and exports. May saw exports continue their robust growth trajectory, expanding by 15.8% to reach an accumulated turnover of USD 156.8 bn in the first five months of 2024. Key sectors such as textiles and garments have shown a remarkable recovery, with total export turnover reaching USD 13.1 bn, a 3.3% slight increase compared to a sharp decrease of 17.8% last year. Notably, companies like Viettien Garment Group (VGG) and TNG experienced exceptional performance, with VGG's net profit soaring by 95% year-on-year in the first quarter of 2024, driving its stock price up by 11.1%. Similarly, TNG, another garment exporter, witnessed a remarkable 32.3% surge in its stock price. In our portfolio, we maintain a significant weighting of around 40% in consumption related companies which we anticipate will continue to recover strongly in 2024 and beyond. Haxaco (HAX), a Mercedes dealer in Vietnam, and Mobile World Group (MWG) are among our key positions. HAX, which we purchased in the third quarter of 2023 amid its profit downturn, saw its net profit skyrocket more than 40 times in the first quarter of 2024, leading to a 22.2% increase in its stock price in May. MWG, which we acquired during a period of aggressive foreign selling in the last quarter of 2023, witnessed a remarkable recovery, with its net profit surging by 41.9 times in the first quarter of 2024 and its stock price increasing by 15.8% in May.

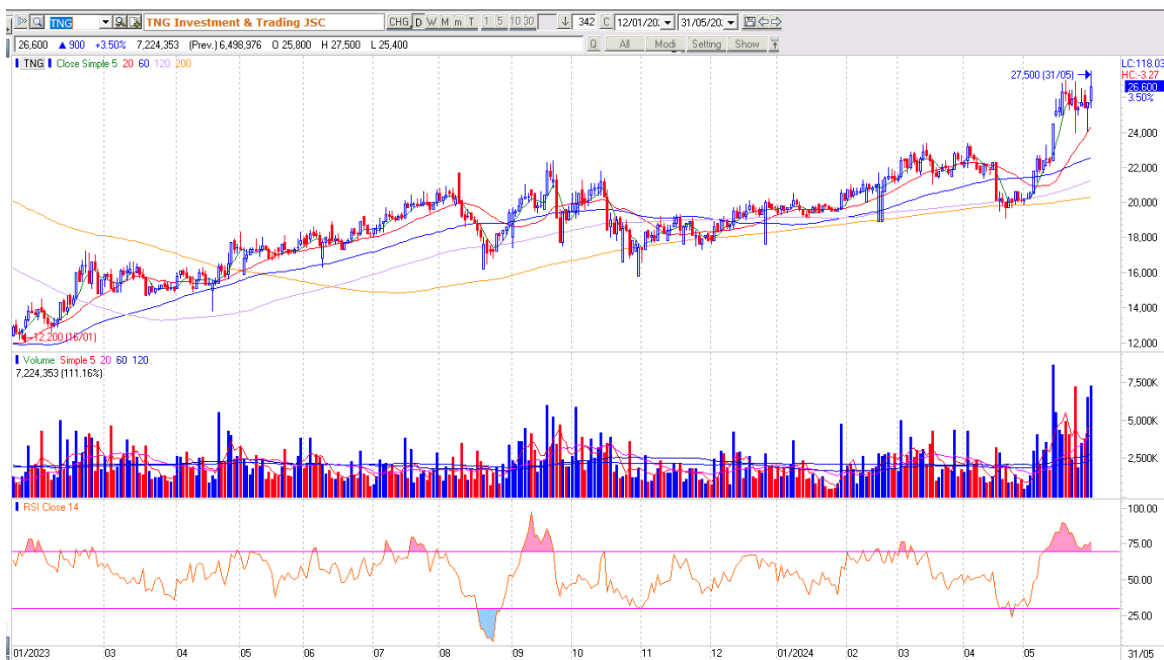
# AFC VIETNAM FUND UPDATE

Export and consumer stock performance in May 2024



(Source: Vietcapital, AFC Research)

TNG from Jan 2023 to May 2024



(Source: Vietcap)

## U.S. is considering upgrading Vietnam to “market economy” status

This month, export stocks have been bolstered by news that the U.S. is considering upgrading Vietnam to "market economy" status, a move that could benefit sectors like shrimp exports. This potential change stems from improved U.S.-Vietnam relations following President Biden's visit in November 2023. At a recent hearing, the upgrade faced opposition from U.S. steelmakers and shrimp farmers but found support from retailers, as it would lower anti-dumping duties on Vietnamese imports. The decision, due on 26<sup>th</sup> July 2024, hinges on debates over Vietnam's economic reforms and its ties to China, with supporters highlighting Vietnam's market-driven progress and critics pointing to ongoing labor issues and Chinese influence.

## AFC VIETNAM FUND UPDATE

### Potential lower duties on shrimps

Goods from non-market economies face higher tariffs in anti-dumping investigations, using third-country proxy prices to determine fair market value. This year, the U.S. International Trade Commission renewed anti-dumping duties of 25.76% on frozen farmed shrimp from Vietnam, compared to just 5.34% on shrimp from Thailand. If Vietnam's tariff is reduced to Thailand's level, the shrimp export sector will benefit significantly. Minh Phu Group (MPC), Vietnam's largest shrimp exporter and our portfolio's second largest position, will be positively impacted as the U.S. is MPC's second largest market. Although MPC's stock has underperformed in the first five months, we anticipate a strong rebound and positive contributions to our portfolio if the tariff review is favorable.

### Vietnam's rapidly improving infrastructure

In the first five months of 2024, Vietnam completed several major highway projects, bringing the total highway network to a new high of 1,892 km. In response to the slow economic growth in 2023, the Vietnamese government initiated a series of infrastructure projects, including airports, ports, power, and especially highways. The significant North-South highway project is nearing completion, with only a few hundred kilometers remaining.

#### North – South highway network



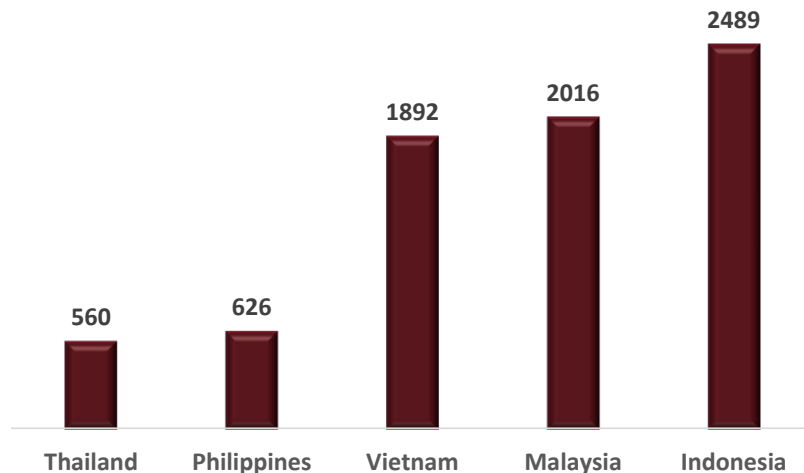
(Source: Vietnam.vn)

## AFC VIETNAM FUND UPDATE

The North-South Highway network, spanning 2,063 km from Lang Son Province near the Chinese border to Ca Mau in southern Vietnam, is one of the country's most critical infrastructure projects. Expected to reduce transportation time by 30-40% upon its completion in 2025, this project will significantly boost economic growth from 2026 onwards. Additionally, Vietnam is undertaking other major projects such as the Long Thanh International Airport (USD 4.7 bn), Cai Mep Deep Water Port (USD 6.7 bn), Can Gio International Port (USD 4.5 bn), and the O Mon Gas Pipeline (USD 7 bn).

About seven years ago, during our first Vietnam tour for clients, the country had a limited highway network and was considered underdeveloped compared to Thailand. While Thailand has a relatively low highway network length compared to Vietnam, Malaysia, and Indonesia, its well-built dual-carriageway network enhances its connectivity and infrastructure quality. Nevertheless, Vietnam has caught up impressively, rapidly expanding its highway network to nearly 2,000 km in the last decade, surpassing Thailand in total highway length and ranking third in ASEAN behind Indonesia and Malaysia. Vietnam's ambitious goal is to reach 9,000 km by 2030.

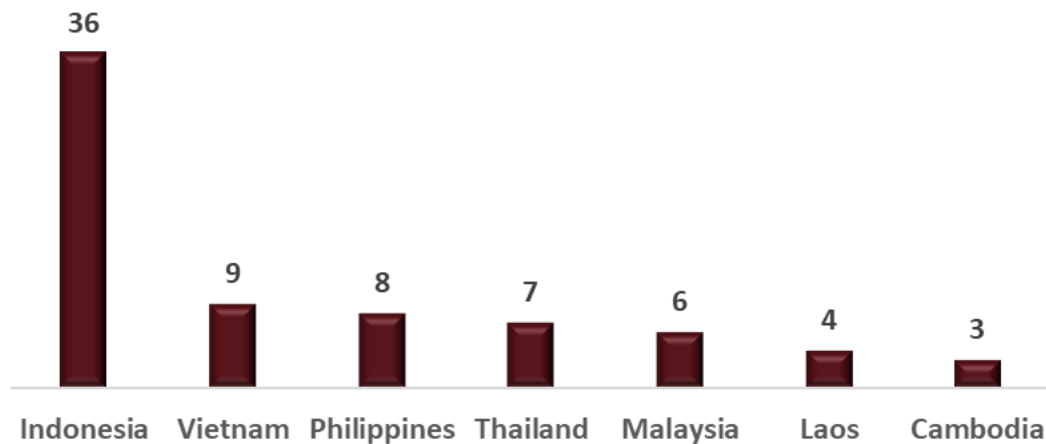
Highway network length by country (km)



(Source: SEASTATS)

But Vietnam is also rapidly expanding other infrastructure, such as ports, airports, and railways. Currently, Vietnam operates nine international airports, compared to 36 in Indonesia, 8 in the Philippines, 7 in Thailand, and 6 in Malaysia.

International airports by 2022

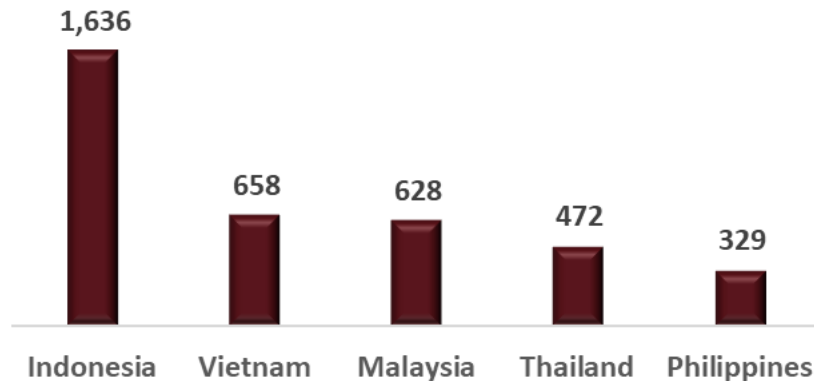


(Source: SEASTATS)

## AFC VIETNAM FUND UPDATE

As a fast-growing export country, Vietnam is focusing on expanding its international port capacity. Currently, Vietnam's total cargo port capacity reaches 658m tons per year, compared to 1,636m tons for Indonesia, 628m tons for Malaysia, and 472m tons for Thailand.

Cargo port capacity by country (mn tons)



(Source: World Bank)

Infrastructure development has been a key driver of Vietnam's economic growth over the past two years, particularly as growth slowed. Attracting significant foreign direct investment (FDI) in recent decades, Vietnam recognizes the necessity of investing in infrastructure to ensure long-term growth. With aggressive infrastructure investments akin to China's strategy in the 2000s, Vietnam is well-positioned to capture substantial economic growth in the coming years.

### Economy

Macroeconomic Indicators				
	2021	2022	2023	May-25
GDP	2.58%	8.02%	5.05%	5.66%
Industrial production (YoY)	4.8%	7.7%	3.0%	6.8%
FDI disbursement (USD bln)	19.74	22.4	23.2	8.3
Exports (USD bln)	336.3	371.9	355.5	156.8
Imports (USD bln)	332.3	360.7	327.5	148.8
Trade balance (USD bln)	4.0	11.2	28.0	8.0
Retail sales (YoY)	-3.80%	19.80%	9.60%	8.70%
CPI (YoY)	1.89%	3.15%	3.25%	4.03%
VND	22,782	23,663	24,261	25,452
Credit growth (YoY)	13.0%	12.9%	13.5%	2.0%
Foreign reserves (USD bln)	105	90	96	96

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

# AFC VIETNAM FUND UPDATE

## Subscription

The next subscription deadline is 24<sup>th</sup> June 2024. If you need assistance with the subscription process, please email Andreas Vogelsanger at [av@asiafrontiercapital.com](mailto:av@asiafrontiercapital.com).

Best regards,

AFC Vietnam Fund

### NAV as of 31<sup>st</sup> May 2024

NAV	3,259*
Since Inception	+225.9%*
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%	+6.9%*								+3.6%*

\*According to internal estimates

\* 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.

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

\* For Switzerland only: This is an advertising document. The state of the origin of the fund is the Cayman Islands. This document may only be provided to qualified investors within the meaning of art. 10 para. 3 and 3ter CISA. In Switzerland, the representative is Acolin Fund Services AG, Leutschenbachstrasse 50, 8050 Zurich, Switzerland, whilst the paying agent is NPB Neue Privat Bank AG, Limmatquai 1 / am Bellevue, 8024 Zurich, Switzerland. The basic documents of the fund report may be obtained free of charge from the representative. Past performance is no indication of current or future performance. The performance data do not take account of the commissions, if any, and fund transfer costs incurred on the issue and redemption of units.

## DISCLAIMER

Investments in equities in Vietnam are subject to market risk, idiosyncratic risk, liquidity risk, and currency exchange rate risk. The fund may use financial derivative instruments as a part of the investment process. This document does not constitute an offer to sell, or a solicitation of an offer to buy shares in AFC Vietnam Fund. We will not make such offer or solicitation prior to the delivery of an offering memorandum, the operating agreement or articles of association, a subscription booklet, and other materials relating to the matters herein. Before making an investment decision, we advise potential investors to read these materials carefully and to consult with their tax, legal, and financial advisors. The materials have not been reviewed by the regulatory authority of any jurisdiction. Investment is open only to accredited investors as defined by the relevant legal jurisdiction of residence and/or nationality. We have compiled this information from sources we believe to be reliable, but we cannot guarantee its accuracy. We present our opinions without warranty. Past performance is no guarantee of future results. © 2024 Asia Frontier Capital Limited. All rights reserved.