

## AFC VIETNAM FUND UPDATE

<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

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September was a relatively quiet month in terms of liquidity and performance, with the VN Index increasing slightly by 1.54%. Meanwhile, the AFC Vietnam Fund was impacted by the insurance sector, with its NAV dropping by -0.7% to USD 3,430, according to our internal estimates.

### Market Developments

In September 2024, the Vietnamese stock market was notably impacted by Typhoon Yagi, one of the most severe natural disasters to hit northern Vietnam. The Typhoon, which struck during the first week, caused widespread devastation—claiming more than 300 lives, with floodings and landslides impacting over 70,000 homes, particularly in the northern mountainous regions. Major areas like Hanoi, Quang Ninh (home to the UNESCO heritage site Ha Long Bay), and Hai Phong, Vietnam's largest seaport, were impacted by the typhoon. The devastation prompted the nation to shift its efforts toward providing aid and relief to the affected storm victims. In alignment with this national response, the AFC Vietnam Fund also donated to support the victims of the disaster, reinforcing its commitment to both the community and the country during this challenging time. As a result of this typhoon, the stock market dropped by over 2% in the first half of the month but managed to recover and close at 1352.56 points, marking a gain of 1.54% in USD terms.

While the broader market rebounded in the latter half of the month, the insurance sector did not recover as quickly. The sector was significantly affected by the typhoon, with BVH, the largest insurer, dropping 5.8%, PVI sliding 6.1%, MIG losing over 10%, BIC tumbling 4%, and ABI, one of our largest positions, plunging by 6.2%. Given that the insurance sector accounts for around 7% of the AFC Vietnam Fund's portfolio, the storm's impact weighed heavily on our fund's performance.

### PVI Holdings from Feb 2024 – Sep 2024



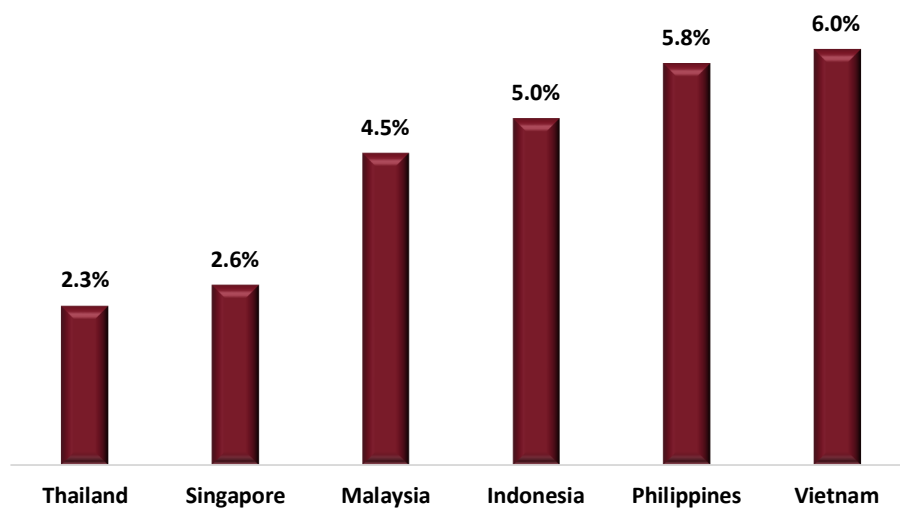
(Source: Vietcap)

# AFC VIETNAM FUND UPDATE

## Typhoon Yagi

According to Deputy Minister of Agriculture and Rural Development Nguyen Hoang Hiep, the total economic damage from Typhoon Yagi could reach USD 2.5 bn, a figure five times higher than the total damage caused by natural disasters in 2023 and exceeding the combined toll of the past three years. The losses are expected to reduce GDP growth by 0.15%, bringing it below the prior forecast of 6.8-7%. Localities such as Hai Phong, Quang Ninh, Thai Nguyen, and Lao Cai could see their growth rates drop by more than 0.5%. Despite this, the Vietnamese government remains committed to its initial GDP growth target of 6.8-7%, which surpasses the 6.0-6.5% forecast from the National Assembly and predictions from international institutions such as the IMF, World Bank, and ADB. Given this confidence, we believe that Vietnam can still achieve an impressive GDP growth in 2024, despite the significant impact of Typhoon Yagi.

2024 GDP growth forecasts by ADB



(Source: ADB)

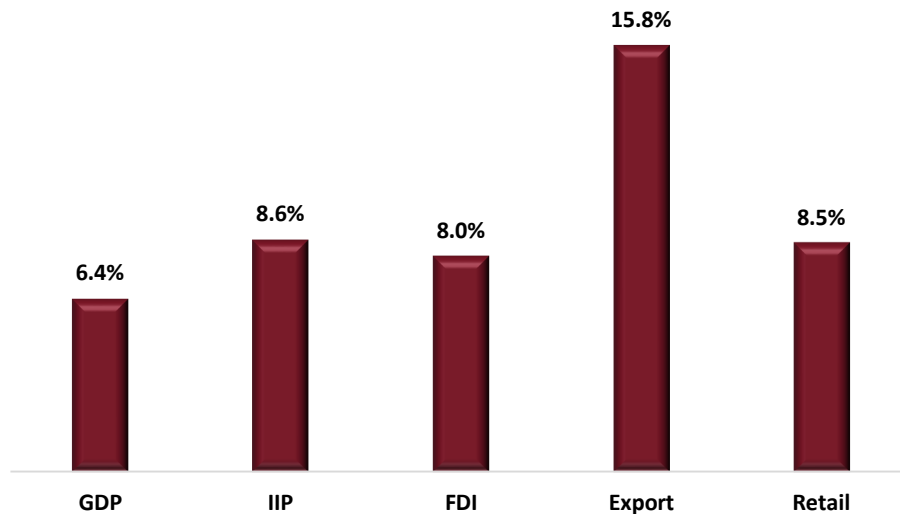
## Compelling macro-economic numbers

In September, the General Statistics Office of Vietnam released the official economic data for August, confirming Vietnam's strong growth trajectory. According to the report, Vietnam's economy demonstrated solid performance, with Industrial Production Index (IIP) growth reaching 9.5% in August. While the IIP is expected to face some setbacks due to the damage from Typhoon Yagi in September, it is still likely to maintain a good performance. GDP growth in Q3 is expected to be robust, supporting the full-year target.

Also, other key economic indicators continued to show impressive improvement in August. FDI disbursement soared to USD 14.15 bn, marking an 8.0% year-on-year increase, hitting a new high. Meanwhile, exports surged by 15.1% to USD 265.09 bn, leading to a record trade surplus of USD 19.1 bn in the first eight months of 2024. Vietnam's transition from a trade deficit to a trade surplus country, starting in 2020, mirrors China's economic transformation in previous decades. In addition to strong export performance, consumption and tourism also outperformed expectations. Retail sales grew by 8.5% year-on-year, while international tourists reached 11.4 m, contributing around USD 12 bn to the economy. With these strong fundamentals, we are confident that Vietnam's economy will grow at an impressive rate in 2024.

# AFC VIETNAM FUND UPDATE

Impressive economic performance in August 2024 (yoy)



(Source: GSO, AFC Research)

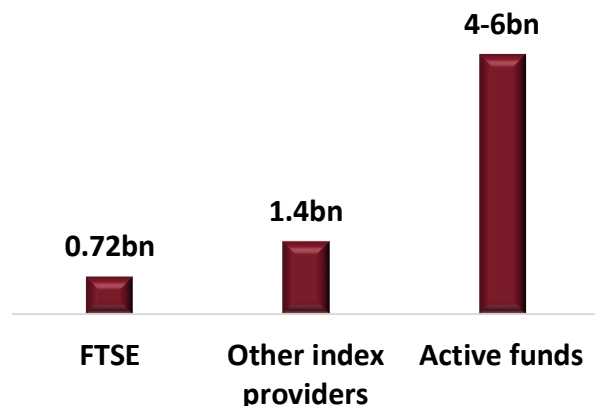
## Optimistic market outlook for Vietnam

In the second half of September, two significant developments positively influenced the Vietnamese stock market, creating strong momentum for long-term performance over the next 2-3 years: the introduction of the Non-Pre-funding Circular and the anticipated FED rate cut. These factors are expected to be key drivers for sustained market growth.

## Emerging Market status - Non-Pre-funding Circular

On 18<sup>th</sup> September 2024, the Ministry of Finance issued a circular providing pre-funding solutions guidelines for securities brokers, custodian banks, and investors. This regulation, set to take effect on 2<sup>nd</sup> November 2024, represents a significant step toward improving the efficiency of Vietnam's securities market. Once implemented, FTSE will allow its clients 3-6 months to test the system and offer feedback. Based on this timeline, we anticipate FTSE could announce Vietnam's upgrade to Emerging Market status during either its March 2025 or September 2025 semi-annual market review. According to estimates from Morgan Stanley, Vietnam's upgrade to Emerging Market status could result in billions of US dollars flowing into the market, creating a substantial positive impact on the stock market.

## Expected passive and active money inflow into Vietnam



(Source: Morgan Stanley, FTSE, AFC Research)

# AFC VIETNAM FUND UPDATE

## FED Rate Cut

What many had anticipated finally happened on 18<sup>th</sup> September 2024, when the Federal Reserve (FED) announced a 50-basis point rate cut—the first since 2020. FED Chairman Jerome Powell also signalled potential further reductions, with another 50 basis points expected at the end of 2024, followed by 100 bps in 2025 and an additional 50 bps in 2026, bringing the key rate to 2.75-3.00% by 2026. This decision is a positive catalyst for emerging markets like Vietnam, with wide-reaching benefits across both the stock market and the broader economy. Here are some of the key impacts:

### - **Support for Global Consumption and Investment**

Over the past two years, the high-interest-rate environment has dampened global consumption and investment, especially in the U.S.—Vietnam's largest export market, accounting for over 33% of total export turnover. Vietnam's exports to the U.S. were particularly affected by the rate hikes in 2022 and 2023 but began to recover in September 2023. With the FED rate cut, we expect a stronger resurgence in Vietnamese exports to the U.S., alongside more stable growth in the coming years. Lower interest rates will also encourage global firms to increase investment in Vietnam, boosting foreign direct investment (FDI) inflows.

### - **Easing of Monetary Policies**

Many countries have been reluctant to loosen monetary policy due to the U.S.'s high interest rates. In Vietnam, the State Bank of Vietnam (SBV) attempted to reduce rates to a four-year low, but the widening interest rate gap between the USD and VND drove the exchange rate to an all-time high in July 2024, limiting further cuts. With the FED rate cut, central banks around the world, including the SBV, can now feel more confident about easing their monetary policies to stimulate growth without worrying about excessive pressure on exchange rates.

### - **Reduction in FX Stress**

The FED's previous high-interest-rate policy strengthened the USD, leading to a surge in the USD's value against most currencies, including the VND. This caused significant pressure on foreign exchange rates globally. With the FED now cutting rates, this stress is expected to ease, allowing central banks to apply more accommodative monetary policy without the same level of currency devaluation concerns.

### - **Decreased Sovereign Debt Burden**

Higher interest rates increase borrowing costs, putting a strain on countries with significant sovereign debt. For Vietnam, the FED's rate cut will alleviate some of this burden, making it easier for the government to borrow at more favourable terms and manage its debt more effectively.

### - **Boost to Investment Sentiment**

Rising FED rates over the past few years led to significant outflows from the Vietnamese stock market, with foreign investors withdrawing over USD 2 bn during the first eight months of 2024. This exodus negatively impacted local investor sentiment, causing the benchmark VN-Index to fluctuate between 1,200-1,300 points without a breakout. We believe the recent FED rate cut will restore positive investment sentiment, spurring foreign inflows and encouraging local investors. Vietnam's strong economic growth could propel the VN-Index to new heights in the coming years.

# AFC VIETNAM FUND UPDATE

## Economy

Macroeconomic Indicators				
	2021	2022	2023	Aug-24
GDP	2.58%	8.02%	5.05%	6.42%
Industrial production (YoY)	4.8%	7.7%	3.0%	8.5%
FDI disbursement (USD bln)	19.74	22.4	23.2	12.6
Exports (USD bln)	336.3	371.9	355.5	227.0
Imports (USD bln)	332.3	360.7	327.5	212.9
Trade balance (USD bln)	4.0	11.2	28.0	14.1
Retail sales (YoY)	-3.80%	19.80%	9.60%	8.70%
CPI (YoY)	1.89%	3.15%	3.25%	4.12%
VND	22,782	23,663	24,261	24,870
Credit growth (YoY)	13.0%	12.9%	13.5%	6.0%
Foreign reserves (USD bln)	105	90	96	96

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

## Subscription

The next subscription deadline is 25<sup>th</sup> October 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

# AFC VIETNAM FUND UPDATE

## NAV as of 30<sup>th</sup> September 2024

NAV	3,430*
Since Inception	+243.0%*
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%	+2.38%	+9.02%
2024	USD	-2.24%	+0.49%	+2.47%	-3.72%	+7.35%	+1.73%	+1.67%	+2.05%	-0.7%*				+9.1%*

\*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.

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