

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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In November, the Vietnamese benchmark index fell by 1.3% in USD terms, partly due to a slight depreciation of the VND against the USD following Trump's election victory, which strengthened the USD against most other currencies as investors anticipated robust U.S. economic growth under his leadership. Despite the broader market decline, the AFC Vietnam Fund outperformed the VN Index, with its NAV rising marginally by 0.1% to USD 3,321, according to our internal estimates.

USD Index – 30th October to 29th November 2024

US Dollar Index ♦ 105.89 -0.25 (-0.23%)



1 Day 1 Week 1 Month 3 Months 6 Months 1 Year 5 years Max

(Source: Investing.com)

Market Developments

Another factor contributing to the decline of the VN-Index in November was the speech by Mrs. Hong, Governor of the State Bank of Vietnam, during the Congress Meeting on 11th November 2024. She mentioned that the State Bank had submitted documents to the government to support borrowers affected by Typhoon Yagi. Although she did not reference Circular 02—which allows commercial banks to maintain current levels of non-performing loans (NPL)—rumors quickly spread on social media that the State Bank would not extend Circular 02. This misinformation alarmed local individual investors, leading to a sell-off in bank stocks that significantly dragged down the market in the days following her speech.

However, there is no indication that the State Bank plans to discontinue Circular 02. From our perspective, this was merely a short-term overreaction by local investors. We expect the market to recover soon.

VN Index vs Banking sector – November 2024



(Source: Fingroup)

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Trump Presidency Impacts on Vietnam

The victory of Donald Trump in November 2024 to become the 47th U.S. President is expected to bring both opportunities and challenges to Vietnam. Trump's presidency 2.0, much like his first term, will significantly impact the global economy, and Vietnam has started preparing strategies to adapt to this new environment. Below are key points regarding the potential impacts:

Positive Impacts

- **Production Shift to Vietnam**

During Trump's first term, higher tariffs on Chinese goods drove many companies to relocate production to Vietnam. This trend resulted in substantial foreign direct investment (FDI) inflows, particularly in sectors like furniture, which saw Vietnam surpass China as the largest furniture exporter to the U.S. in 2019.

This production shift is likely to continue, as not all capacity moving out of China can return to the U.S., and Vietnam remains a key alternative manufacturing hub. Even if Vietnamese goods face moderate tariffs of 20%, this rate is still far more favorable than the "possible" 60% tariffs imposed on Chinese products.

- **Strong Export Growth**

Vietnam's exports to the U.S. surged during Trump's first presidency, supported by his favorable relations with the country and the tariffs imposed on China. Vietnam captured a significant share of U.S. imports, benefiting from near-shoring trends and its ability to integrate seamlessly into global supply chains.

The recently upgraded Comprehensive Strategic Partnership (September 2023) reinforces Vietnam's strong trade relations with the U.S. Even if tariffs are increased, they are expected to function as a negotiation tool rather than a punitive measure. Furthermore, Vietnam's extensive network of free trade agreements, including its deal with the EU, has enabled it to gain import market share not just with the U.S. but also with other major global markets.

- **Boost in FDI, Particularly in AI, Technology and R&D**

The wave of FDI into Vietnam has been transformative, with major global players like Foxconn, LG, Lego, and BYD not only setting up manufacturing operations but also establishing R&D centres. This highlights one of Vietnam's underappreciated advantages: its affordable yet high-quality engineering talents.

Additionally, Vietnam's growing prominence in global supply chains has attracted cutting-edge investments:

- SpaceX recently announced a \$1.5 billion investment in Vietnam for its Starlink satellite service.
- Samsung is expanding its semiconductor R&D efforts in Ho Chi Minh City.
- The Trump Organization has also committed to a \$1.5 billion investment, reflecting the strong alignment of U.S. interests with Vietnam's growing economy.

Vietnam's well-established deep-sea ports, including three of the world's 50 busiest ports, have further increased its competitiveness. These ports and new investments, such as Maersk's bonded warehouse near Hanoi, enable more extensive global shipping routes to operate directly from Vietnam, reducing dependency on reloading in ports like Singapore or Shanghai.

Such developments mark a potential "golden era" for Vietnam in technology, AI, and advanced manufacturing, contributing to long-term economic growth and higher export revenues.

Negative Impacts

- **Higher Tariffs on Vietnamese Goods**

If Trump's campaign promises are implemented, tariffs of up to 20% on Vietnamese goods could slow export growth to the U.S., negatively impacting Vietnam's overall economic performance. While these tariffs are unlikely to be as severe as those imposed on China, they could still pose challenges for Vietnamese exporters.

- **Protectionist Policies**

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Trump's protectionist agenda, including higher global tariffs, could disrupt supply chains and increase costs for Vietnamese exporters. This poses risks to Vietnam's competitive edge in key export sectors such as textiles, electronics, and furniture.

- **Pressure to Purchase U.S. Products**

Vietnam may face increased pressure to buy U.S. goods, such as energy products and defense equipment. This could lead to higher trade costs and strain Vietnam's fiscal budget.

Conclusion

Despite potential challenges, such as higher tariffs and protectionist demands, Vietnam is uniquely positioned to thrive under Trump's second presidency. The combination of near-shoring trends, Vietnam's expanding free trade network, and increased investments in high-tech sectors solidifies its status as a critical player in the realignment of global supply chains. With major investments in technology and infrastructure, Vietnam is poised to emerge as a key hub for trade, innovation, and economic growth.

Vietnam's USD 67 bn North-South High-Speed Railway Project

On Wednesday, 20th November 2024, the National Assembly deputies were presented with reports detailing the investment policy for Vietnam's ambitious North-South high-speed railway project, valued at approximately VND 1.7 quadrillion (USD 67.34 bn). This landmark infrastructure endeavor will feature a dual-track railway with a gauge of 1,435 mm, a load capacity of 22.5 tons per axle, electrification, and a design speed of 350 km/h. The mainline will span approximately 1,541 km and include five key stations.

Timeline and Execution Plan

According to the Minister of Transport, preparation and approval of the feasibility study and front-end engineering design will be completed between 2025 and 2026. Key activities such as land clearance, contractor bidding, and project groundbreaking are scheduled for 2027, with the ambitious goal of completing the entire railway by 2035.

Economic Impact and Strategic Significance

The project is massive in scale, representing 16.5% of Vietnam's GDP and requiring an annual public investment of approximately 2% over the next eight years. As highlighted in our previous reports, Vietnam's aggressive public investment strategy will play a critical role in driving the country's long-term economic growth.

Opportunities for Growth

This high-speed railway project, along with other large-scale infrastructure investments are expected to create strong momentum for economic development across various sectors. Several companies are well-positioned to benefit from this trend, particularly those involved in construction, engineering, material supply, and technology.

Vietnam's commitment to infrastructure expansion underlines its strategic focus on building a modern and efficient transportation system to support sustainable growth, enhance connectivity, and strengthen its regional competitiveness.

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(Source: VietnamPlus - illustrative image of Vietnam's future high-speed railway using Chat GPT application)

Economy

Vietnam's economy displayed resilience and strong recovery momentum in October 2024, achieving significant milestones across key sectors:

- **Record High Exports:** Export value reached USD 299.6 bn, the highest in 10 months, driven by robust demand for electronics, textiles, and agricultural products.
- **FDI Disbursement Peak:** Foreign direct investment disbursement reached USD 17.3 bn, reflecting Vietnam's sustained appeal as a global manufacturing and business hub.
- **Tourism Surge:** As of October 2024, Vietnam welcomed 14.1m international visitors year-to-date, led by arrivals from China, South Korea, and Europe. Remarkably, the first 10 months of 2024 exceeded pre-COVID levels recorded during the same period in 2019.

These achievements underscore Vietnam's robust economic performance amid global uncertainties.

Macroeconomic Indicators				
	2021	2022	2023	Oct-24
GDP	2.58%	8.02%	5.05%	6.82%
Industrial production (YoY)	4.8%	7.7%	3.0%	8.3%
FDI disbursement (USD bln)	19.74	22.4	23.2	17.3
Exports (USD bln)	336.3	371.9	355.5	299.6
Imports (USD bln)	332.3	360.7	327.5	278.8
Trade balance (USD bln)	4.0	11.2	28.0	20.8
Retail sales (YoY)	-3.80%	19.80%	9.60%	8.80%
CPI (YoY)	1.89%	3.15%	3.25%	3.88%
VND	22,782	23,663	24,261	25,343
Credit growth (YoY)	13.0%	12.9%	13.5%	8.5%
Foreign reserves (USD bln)	105	90	96	96

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

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Subscription

The next subscription deadline is 23rd December 2024. If you need assistance with the subscription process, please email Andreas Vogelsanger at av@asiafrontiercapital.com.

Best regards,

AFC Vietnam Fund

NAV as of 30th November 2024

NAV	3,321*
Since Inception	+232.1%*
Annualised Return	+11.7%*
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%	-0.56%	-3.34%	+0.1%*		+5.6%*

*According to internal estimates

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