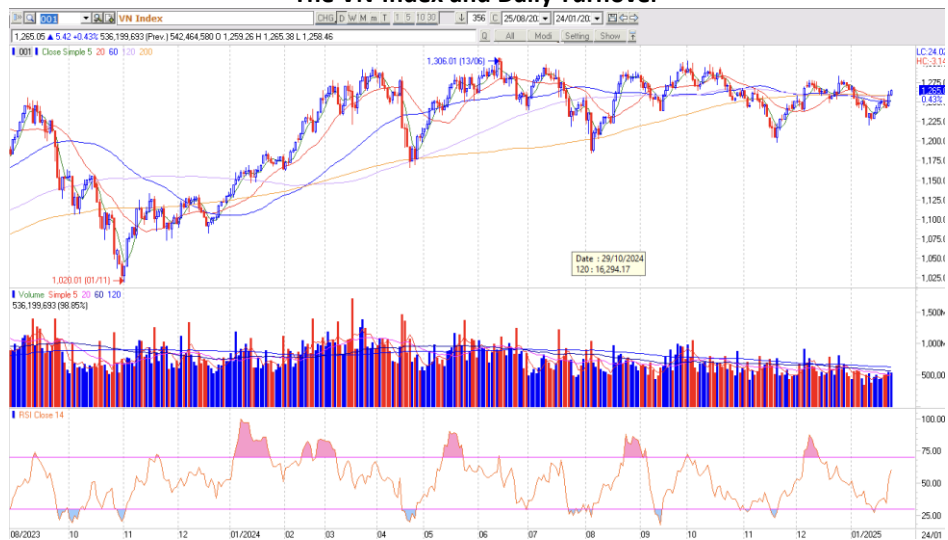


AFC VIETNAM FUND UPDATE

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

In January, thanks to VND appreciation, the VN-Index increased by 1.5% in USD terms, but at the same time marked the lowest liquidity in over two years. The AFC Vietnam Fund declined by 1.2%, with its NAV reaching USD 3,425 per share, according to internal estimates. The Vietnamese stock market was driven by investor nervousness ahead of Trump's official presidency on 20th January 2025. Concerns over potentially hostile tax policies impacting Vietnam's economic growth made investors, especially local individuals, adopt a cautious approach. As a result, the daily trading value dropped to just around USD 300 m (VND 7,500 bn), the lowest in two years. This low liquidity prompted many local technical traders to sell and cut losses, further pressuring the market.

The VN-Index and Daily Turnover



(VN Index and daily turnover from Aug 2023 to Jan 2025; Source: Vietcap)

Market Developments

Another emotional factor affecting the stock market in January is the upcoming Tet holiday, the most significant event for the Vietnamese people. Investors tend to sell stocks before the long Tet holiday (this year lasting 9 days, from 25th January to 2nd February) to free up cash and reduce trading activity to focus on family traditions. Preparations for Tet include house cleaning, cooking Chung cakes, decorating homes, and purchasing food and essential items.

Tet is a cultural celebration comparable to Christmas and New Year in Europe. During this time, Vietnam becomes vibrant with flowers, red flags, and colorful decorations. In the South, it's a popular tradition to visit flower farms for photography, an entertaining activity enjoyed by locals and even foreign tourists. These festive traditions often shift focus away from the market, contributing to lower liquidity during the period.

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AFC VIETNAM FUND UPDATE

Sadec Flower Village



(Source: VnExpress)

Potential Implications of Trump's Trade Policy on Vietnam

On 20th January 2025, Donald Trump was sworn in as the 47th president of the United States. Known for his affinity for tariffs, famously calling them “the most beautiful word in the dictionary,” Trump has thus far refrained from imposing hefty tariffs on China, as previously threatened. At the recent World Economic Forum in Davos, he struck a more conciliatory tone, suggesting the potential for a “very good relationship” with China and expressing interest in visiting Beijing in the months ahead. This signals that the returning president may be more open to dialogue and deal-making than his campaign rhetoric suggested—at least for now.

Naturally, this has raised questions about the implications for Vietnam, given that the United States is Vietnam's largest export market. While tariffs may eventually be introduced, they will likely be less severe than initially feared. In line with Moody's Analytics' base case scenario, our analysis suggests that tariffs on Chinese goods could be set as low as 20% and Vietnamese goods around 10%. If this materializes, Vietnam could retain its competitive advantage in global trade. Furthermore, Vietnam is expected to continue attracting strong FDI inflows, which would help offset the potential economic impact of any moderate tariffs. Interestingly, a recent study from Harvard Business School and Duke University challenges the notion that Vietnam benefits significantly from trans-shipments of Chinese goods to bypass tariffs, revealing that only about 2% of Vietnam's exports to the US fall into this category. This reinforces the credibility of Vietnam's export growth as a legitimate manufacturing hub and positions the country favourably in the global trade landscape.

Overall, we remain confident that Vietnam's strong fundamentals, combined with its rising role as a global manufacturing hub, will sustain its growth momentum despite potential U.S. trade policy challenges. The country's ability to attract FDI and maintain competitive advantages ensures resilience and provides optimism for the years ahead.

TLG - Thien Long Group Corporation - a Ballpoint Pen Manufacturer

In January, the AFC Vietnam Fund underperformed the VN-Index partly due to a healthy correction in some of its top-weighted positions, which had previously experienced significant gains. For example, TLG, our second-largest position, declined more than 12% from the peak in December after surging more than 54% in the last 2 months of 2024. In our view, this is purely a technical and healthy correction, and there is no cause for concern.

TLG remains a fundamentally strong and profitable company, achieving earnings growth of over 20% in 2024. It is attractively valued with a P/E of 10x, a dividend yield of 3%, and a debt-to-asset ratio of 27%, which is relatively low compared to its peers. We remain confident in TLG's long-term potential and view this correction as an opportunity for further value creation.

AFC VIETNAM FUND UPDATE

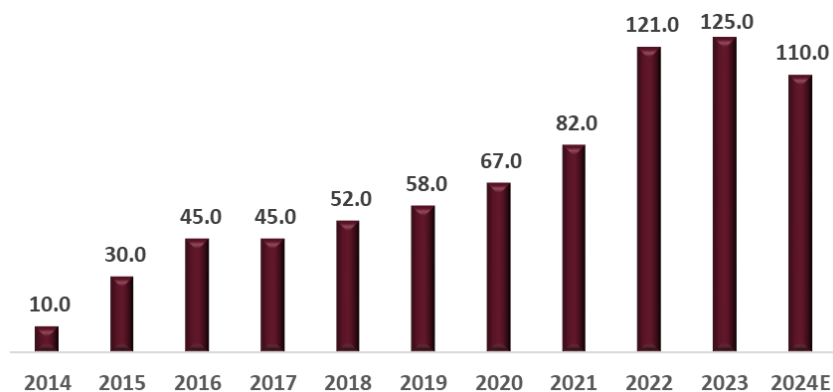


Huge Economic Stimulus Package

While the National Assembly of Vietnam set a GDP growth target of 7.0% for 2025, the Government has ambitiously set its own goal at 8-10%, signalling an extraordinary commitment to economic expansion. To achieve this, the Government has announced a substantial public investment plan for 2025, with a budget of approximately USD 31 bn (VND 790 trn), marking a nearly 20% increase from 2024. This investment will focus on key infrastructure projects such as the North-South High-Speed Railway, the North-South Expressway Network, deepwater seaports, and Long Thanh International Airport, all of which are critical to Vietnam's long-term growth trajectory.

Public investment activities were delayed in 2024 due to political uncertainties surrounding the appointment of Mr. To Lam as General Secretary. With leadership now stabilized, the Government is poised to accelerate its infrastructure initiatives to drive economic growth. The AFC Vietnam Fund anticipated this shift and strategically invested in companies positioned to benefit from the infrastructure push. For instance, Lam Dong Minerals and Construction Materials (LBM), a key holding in the Fund's portfolio, is a leading concrete provider for large-scale projects like the Dau Giay-Lien Khuong Expressway. With a solid balance sheet, attractive valuation metrics, and a projected profit growth of at least 20% annually for the next five years, LBM exemplifies the opportunities emerging from Vietnam's ambitious public investment strategy.

Net Profit of LBM Over the Last 10 Years (VND bn)



(Source: LBM)

AFC VIETNAM FUND UPDATE

Conclusion

We view the January market correction of the AFC Vietnam Fund as a favorable opportunity for investors to enter or increase their investments. This moment presents a chance to position for the robust economic and public investment-driven growth anticipated in 2025. With Vietnam's strong macroeconomic foundation and a portfolio strategically aligned with key growth sectors, we remain optimistic about delivering a solid performance for our investors in the year ahead.

Ho Chi Minh City's First Metro Line Begins Operation

After over a decade of construction, Vietnam's largest city officially inaugurated its first mass rapid transit system. The Metro Line 1 project (Ben Thanh – Suoi Tien), spanning nearly 20 km with an investment of over VND 43,700 bn, marks a significant milestone in modernizing Ho Chi Minh City's public transport infrastructure.

Metro Line 1 is part of a broader urban rail network planned for the city, comprising of 8 lines with a total length of 169 km. Construction of Metro Line 1 began in 2012 and took 13 years to complete. The project faced numerous delays due to anti-corruption investigations and other challenges, but its eventual completion represents a triumph of persistence and planning.

This metro line connects the city center with the eastern gateway, alleviates traffic congestion, shortens travel times, and creates an essential transport axis. The 19.7-km route includes underground (3 stations) and elevated sections (11 stations) linking the central hub with inner-city districts and suburban areas.

The Ben Thanh - Suoi Tien line runs from the city center to Long Binh Depot in Thu Duc City. It is equipped with 17 modern trains, each capable of carrying 930 passengers, with a mix of 147 seats and 783 standing positions. Operating at up to 110 km/h on elevated sections and 80 km/h in tunnels, this metro line promises fast, efficient, and comfortable travel for commuters and tourists alike.

The city authority is ambitious to complete the entire metro system in the next 10 years. The Vietnamese Politburo has set a challenging target for Ho Chi Minh City to finish the 8-line network by 2035. Acknowledging the scale of the task, the City Chairman confidently stated, "Nothing is impossible if the Politburo has already assigned (the mission)."

The completion of Metro Line 1 heralds a new era of public transportation for Ho Chi Minh City, paving the way for further urban modernization and integration. With this determination and commitment, Ho Chi Minh City is positioning itself as a model of rapid urban development in Southeast Asia.

Metro Line 1 (Ben Thanh – Suoi Tien)



(Source: CNN)

AFC VIETNAM FUND UPDATE

Map of 8 Metro lines in Ho Chi Minh City



Economy

Macroeconomic Indicators				
	2021	2022	2023	2024
GDP	2.58%	8.02%	5.05%	7.09%
Industrial production (YoY)	4.8%	7.7%	3.0%	8.4%
FDI disbursement (USD bln)	19.74	22.4	23.2	25.4
Exports (USD bln)	336.3	371.9	355.5	405.5
Imports (USD bln)	332.3	360.7	327.5	380.8
Trade balance (USD bln)	4.0	11.2	28.0	24.8
Retail sales (YoY)	-3.80%	19.80%	9.60%	9.00%
CPI (YoY)	1.89%	3.15%	3.25%	3.63%
VND	22,782	23,663	24,261	25,488
Credit growth (YoY)	13.0%	12.9%	13.5%	13.8%
Foreign reserves (USD bln)	105	90	96	96

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

Subscription

The next subscription deadline is 24th February 2025. If you need assistance with the subscription process, please email Andreas Vogelsanger at av@asiafrontiercapital.com.

We wish you all a Happy New Year and a healthy and prosperous Year of the Snake!

Best regards,

AFC Vietnam Fund

AFC VIETNAM FUND UPDATE

NAV as of 31st January 2025

NAV	3,425*
Since Inception	+242.5%*
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%	+0.35%	+4.09%	+10.25%
2025	USD	-1.2%*												-1.2%*

*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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