

## 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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In July 2025, the VN-Index surged by 8.8% in USD terms, decisively surpassing the critical 1,500-point threshold, a key milestone that underscores the market's strong momentum. This rally was primarily driven by the outperformance of real estate stocks, particularly Vingroup's flagship holdings VIC (Vingroup JSC) and VHM (Vinhomes JSC), which played a significant role in lifting the benchmark despite appearing significantly overvalued. Due to the AFC Vietnam Fund's value-oriented investment approach, such stocks are excluded from our portfolio. As a result, the AFC Vietnam Fund recorded a more modest gain of 5.1%, bringing its NAV to USD 3,600 per share, according to internal estimates.

**VN-Index from June 2024 to July 2025**



(Source: Vietcap Securities)

### Market Developments

Vingroup stocks, particularly VIC, soared by 10.3% to close at 105,500 VND/share, contributing 1% to the VN-Index's overall gain. This surge was largely fueled by speculative enthusiasm among local retail investors amid circulating rumors that Vingroup may be awarded the USD 67 bn North-South High-Speed Railway project. The speculation intensified following the creation of Vinspeed—a newly established Vingroup subsidiary capitalized at VND 15 trn (USD 570 m)—financed through the transfer of 135 m VIC shares by Chairman Pham Nhat Vuong. This move reinforced VIC's central role in funding the potential railway venture and magnified its influence on the market.

Government-endorsed environmental initiatives, including proposed bans on petrol-powered motorbikes in central Hanoi and similar plans under consideration in Ho Chi Minh City, further buoyed investor sentiment around Vingroup. These policies have significantly brightened the long-term outlook for VinFast. Meanwhile, VHM, Vietnam's largest real estate company, rose by 17.3%, contributing an additional 0.9% to the VN-Index's rise, supported by Vinhomes' announcement of a major 277-hectare urban development project in northwest Bac Ninh, set to begin on 19<sup>th</sup> August 2025, with a total investment of VND 41.27 trn (USD 1.57 bn).

Despite these tailwinds and visible government support, we continue to view Vingroup stocks as significantly overvalued—a position we have consistently outlined in prior reports—and therefore maintain our decision to exclude them from the AFC Vietnam Fund portfolio.

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Another significant driver of the market in July was the real estate sector, which climbed by 14.4%, fueled by Prime Minister Pham Minh Chinh's commitment to resolving legal bottlenecks affecting more than 3,000 property projects. The move aims to reduce housing inventory and revive market activity. This policy shift sparked aggressive buying among local retail investors, leading to sharp rallies even in distressed stocks. A notable example was LDG, which surged over 83% following the release from jail of its former chairman in July 2025, despite the company having declared bankruptcy in 2024. This underscores the speculative fever currently gripping the market.

**Real Estate Sector from June 2024 to July 2025**



(Source: Vietcap Securities)

In our assessment, only a select group of fundamentally strong real estate companies stand to benefit meaningfully from the proposed policies, provided they are implemented effectively. Meanwhile, weaker firms are likely to continue facing significant challenges to their survival. Despite this, speculative enthusiasm has fueled a broad-based rally, indiscriminately inflating stock prices across the sector. This trend underscores the market's irrational exuberance and investors' heightened susceptibility to hype.

**LDG from May 2024 to July 2025**



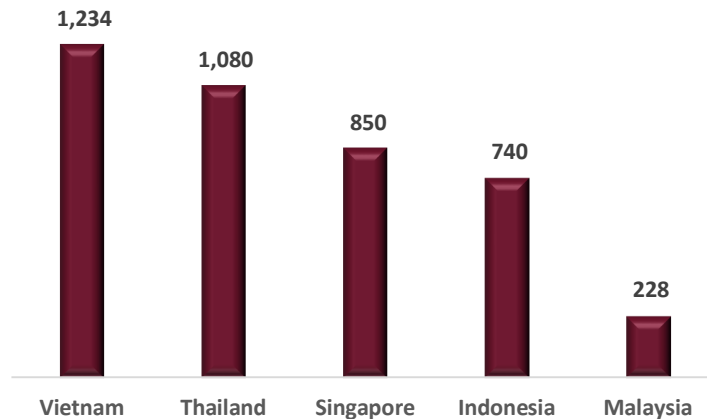
(Source: Vietcap Securities)

A key positive development is the Vietnamese government's accommodative monetary policy, with credit growth accelerating to 9.9% in the first half of 2025, up from just 6% in 2024, injecting over USD 57 bn (equivalent to 13% of GDP) into the economy. Combined with an upward revision of the inflation target from 4.5% to 5.0%, this reflects a deliberate

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policy shift favoring growth. As a result, Vietnam is well-positioned to surpass its ambitious GDP growth target of 8.0% for 2025. This liquidity surge has first manifested in asset markets, especially equities, pushing the VN-Index decisively above the key 1,500-point threshold. Daily trading value jumped to USD 1.23 bn in July, up from USD 680 m in June, outpacing regional peers such as Singapore USD 850 m, Thailand USD 1,080 m, and Indonesia USD 740 m, according to Bloomberg data.

**Average Daily Market Liquidity in July (USD m per day)**



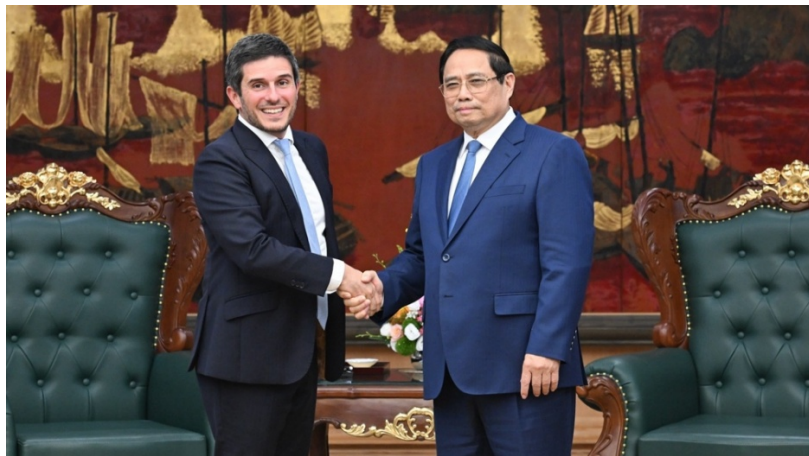
(Source: AFC Research, Bloomberg)

In addition to the relaxed monetary policy, the Vietnamese stock market has been energized by a wave of new local individual investors. The number of trading accounts surged from 6 m at the end of 2022 to over 10 m by the end of July 2025, an influx of more than 4 m new participants. This sharp increase contrasts with the previous three years (2022–2024), when even modest gains of 10–15% in the VN-Index often led to immediate corrections, mainly due to limited liquidity. In contrast, the current rally appears to represent a true breakout, supported by a confluence of positive macroeconomic and structural factors. If this momentum continues, we believe the VN-Index could reach 1,800 points in the near future.

### Emerging Market Upgrade - Update

On 17<sup>th</sup> July 2025, Prime Minister Pham Minh Chinh held a landmark meeting with Mr. Gerald Toledano, Director of FTSE Russell, at the Government Head Office in Hanoi to discuss the potential upgrade of Vietnam's stock market to emerging market status. This was the first official engagement between a Vietnamese head of government and a senior FTSE Russell representative, underscoring a strong mutual commitment to accelerate Vietnam's stock market development.

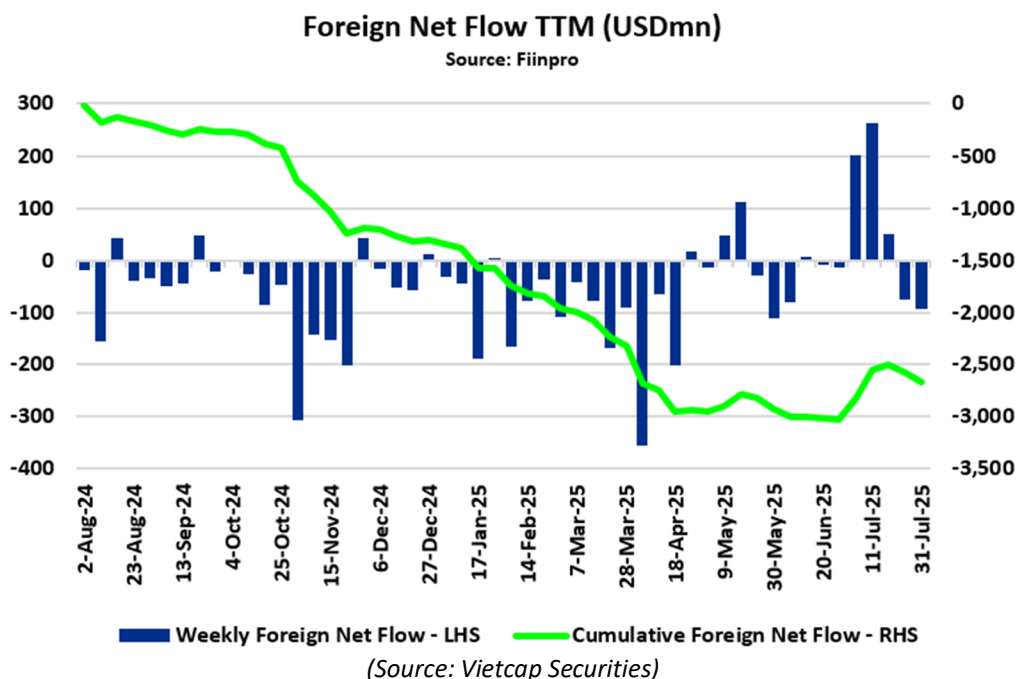
**PM Pham Minh Chinh meets FTSE Russel Director**



(Source: Nhan Dan News)

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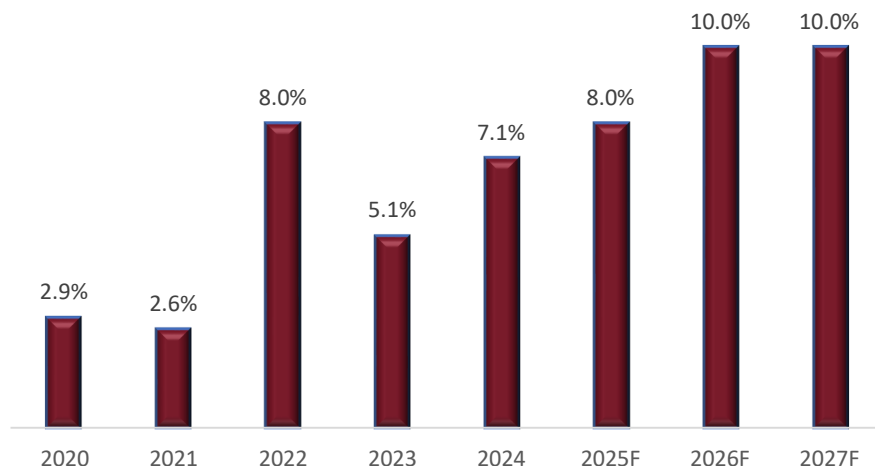
While no official timeline has been announced, speculation among local investors suggests Vietnam's stock market could be upgraded to emerging market status as early as September 2025 or March 2026. This optimism has been fueled by a notable return of foreign investors, who shifted from net selling USD 1.5 bn in the first six months of 2025 to net buying USD 312 m in July. The renewed foreign interest has strengthened local confidence in an imminent upgrade, with potential capital inflows of USD 6-8 bn expected to provide meaningful support to the market if the reclassification materializes.



As long-term investors, we believe it is essential to anchor our outlook in Vietnam's underlying fundamentals rather than rely solely on technical factors. In Q2 2025, the country's GDP grew by a robust 7.96% year-on-year, the fastest in the region, underscoring Vietnam's ability to meet or surpass its full-year growth target of 8.0%. Looking ahead, the government has set even more ambitious goals, aiming for 10% GDP growth in both 2026 and 2027. This bold vision reflects confidence in the country's transformative trajectory despite ongoing uncertainty around U.S. tariff policy. As noted in our June report, Resolution 68 remains a key structural driver, unlocking Vietnam's vast domestic economic potential.

### Vietnam GDP Growth

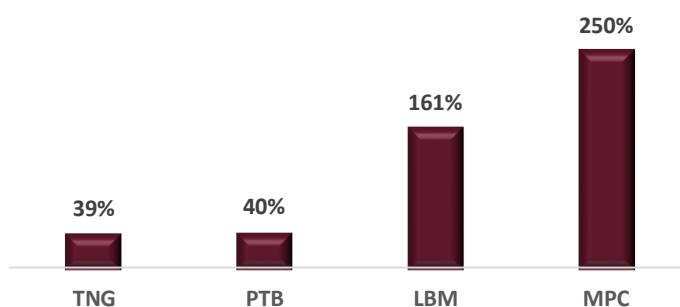
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(Source: AFC Research, Vietnam Government, GSO, Vietcapital)

In addition to strong macroeconomic momentum, corporate earnings have also impressed. According to SSI and FiinGroup, listed companies in Vietnam recorded profit growth of 20–25% year-on-year in Q2 2025, led by banking, export, and public investment sectors. Our portfolio outperformed this trend, with earnings rising over 25%, driven by exceptional contributions from key holdings. Notably, Lam Dong Construction Materials and Minerals (LBM), our largest position, posted a record quarterly profit with a 160% year-on-year increase. We estimate LBM's net profit could double in 2025. Export-oriented holdings such as TNG (+39%) and PTB (+40%) also reported robust growth, while Minh Phu Seafood (MPC), Vietnam's largest shrimp exporter, delivered a remarkable 250% surge in net profit. With such strong performance across our holdings and a sharply rising market nearing all-time highs, we are confident the AFC Vietnam Fund is on track to surpass its previous NAV peak established in 2022.

### Profit Growth Q2 2025 yoy



(Source: AFC Research, HOSE)

### Economy

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Macroeconomic Indicators				
	2022	2023	2024	Jun-25
GDP	8.02%	5.05%	7.00%	7.52%
Industrial production (YoY)	7.7%	3.0%	8.4%	9.2%
FDI disbursement (USD bln)	22.4	23.2	24.8	11.7
Exports (USD bln)	371.9	355.5	404.0	219.8
Imports (USD bln)	360.7	327.5	377.0	212.2
Trade balance (USD bln)	11.2	28.0	27.0	7.6
Retail sales (YoY)	19.80%	9.60%	8.80%	9.30%
CPI (YoY)	3.15%	3.25%	3.78%	3.31%
VND	23,663	24,261	25,488	26,199
Credit growth (YoY)	12.9%	13.5%	12.0%	8.3%
Foreign reserves (USD bln)	90	96	96	96

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

### Subscription

The next subscription deadline is 25<sup>th</sup> August 2025. 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> July 2025

NAV	3,600*
Since Inception	+260%*
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%	<b>+2.37%</b>
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%	<b>+32.50%</b>
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%	<b>+4.62%</b>

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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%	<b>+15.29%</b>
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%	<b>+13.33%</b>
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%	<b>-4.17%</b>
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%	<b>+0.70%</b>
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%	<b>+27.66%</b>
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%	<b>+55.61%</b>
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%	<b>-18.84%</b>
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%	<b>+9.02%</b>
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%	<b>+10.25%</b>
2025	USD	-0.88%	+2.02%	-3.64%	-9.12%	+4.73%	+6.55%	+5.1%*						<b>+3.8%*</b>

\*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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