

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	KYGO133A1673

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In December, the VN-Index remained volatile, with Vingroup (VIC) again driving performance and contributing over 3% to the index's gain. The VN-Index rose 5.8% during the month, bringing its 2025 return to 37.7% in USD terms. The AFC Vietnam Fund declined by 1.1% in December but finished 2025 up 2.4%, with an estimated NAV of USD 3,550 per share, according to our internal estimates.

Overall, 2025 was a very challenging year for most active mutual funds in Vietnam. Only ETFs matched the index's performance, mainly due to their heavy exposure to Vingroup-related stocks (VIC, VHM, VRE, and VPL).

Market Developments

Vietnam Stock Market Summary 2025

2025 marked a defining turning point for Vietnam's economy and equity market, transforming what initially appeared to be a significant external shock into a powerful growth catalyst. Following President Trump's "Liberation Day" tariff announcement in April, initially threatening tariffs of up to 46% on Vietnamese goods, markets sold off sharply. However, Vietnam's swift and skillful diplomacy reversed the narrative. Intensive negotiations led by Prime Minister Pham Minh Chinh resulted in landmark trade breakthroughs: an October framework agreement reducing tariffs to 0% on select exports, while tariffs on most other Vietnamese products were set at around 20%, broadly in line with regional peers such as Indonesia, the Philippines, Thailand, and Malaysia.

Crucially, Vietnam emerged as one of the biggest relative winners of the global tariff regime. While China and India faced tariffs of up to 50% and Indonesia suffered export bans, Vietnam retained a clear cost advantage of roughly 6%. This edge was further amplified by a controlled 4% depreciation of the Vietnamese Dong, boosting exporters' profits by an estimated 15–20%. What markets feared as a crisis proved instead to be a structural tailwind.

The economic and corporate results were exceptional. Exports to the U.S. surged approximately 27% year-on-year to around USD 140 bn, driven by electronics (+62.8%) and machinery (+26.1%). Total exports reached roughly USD 440 bn (+16% YoY), pushing GDP growth to about 8%, the highest in more than a decade and the strongest in ASEAN. Corporate earnings rose by more than 20%, led by export champions such as MPC (profits tripled), TNG (record revenues), and PTB (double-digit growth), underscoring Vietnam's competitiveness in global supply chains.

The VN-Index climbed to new all-time highs above 1,800 points, supported by record FDI inflows exceeding USD 21 bn, an unprecedented USD 48 bn infrastructure program across 250 projects, and an accommodative monetary stance that injected more than USD 60 bn into the economy. A major structural catalyst arrived in October when FTSE Russell officially upgraded Vietnam to Secondary Emerging Market status (effective September 2026), paving the way for USD 3.5–5.0 bn in passive inflows from global ETFs.

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Despite a sharp tariff-driven correction in April, the market rebounded decisively, breaking above 1,500 points and peaking at 1,805.9 in December before a healthy consolidation. While index gains were concentrated in mega-caps, many high-quality export and domestic growth stocks remain attractively valued, setting the stage for the next leg of the cycle. Against this backdrop, the AFC Vietnam Fund remained resilient, rising approximately 2.4% year-to-date.

Looking ahead, Vietnam's investment case is stronger than ever. With Resolution 68 firmly positioning the private sector as the economy's growth engine, a 10% GDP growth target for 2026, transformative infrastructure projects such as the USD 67 bn North-South High-Speed Railway, and the upcoming FTSE passive inflow wave, Vietnam stands out as one of the most compelling long-term growth opportunities in global emerging markets. For investors seeking structural growth, improving market depth, and accelerating earnings momentum, Vietnam is no longer just resilient; it is entering a powerful new upcycle.

2025 Indices Comparison – VN-Index / VN Mid Cap Index / VN Small Cap Index



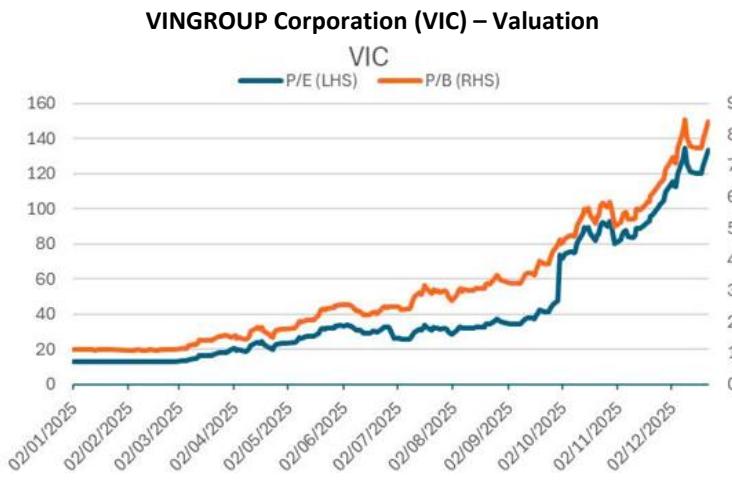
Market decliners continued to outnumber gainers, keeping market breadth negative for most of 2025; however, the broader uptrend remains firmly intact.

Advance / Decline Ratio



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The VN-Index gained only around 14% in 2025, excluding the Vingroup stocks (VIC, VPL, VRE, and VHM), according to SSI, Vietnam's largest brokerage. VIC has become the single largest constituent of the VN-Index, with a weighting of approximately 16%, and its market capitalization now exceeds that of the four largest banks combined (VCB, BID, CTG, and TCB). Its valuation has reached an extraordinary level, trading at more than 130x earnings, far above the benchmark's average P/E of 14x. Excluding Vingroup stocks, the VN-Index valuation appears far more reasonable at around 14 times earnings.



Vietnamese Stock Market Outlook for 2026

Vietnam's stock market is well-positioned for substantial upside in 2026. Vietcap Research forecasts the VN-Index to reach 2,033 points, implying a 14% gain from 2025 and a new all-time high. This outlook is supported by robust earnings momentum, with EPS expected to grow 19% year-on-year, following another strong earnings year in 2025. At a forward P/E of around 14x, the market remains attractively valued versus historical levels, leaving ample room for multiple expansion as economic growth accelerates.

By comparison, the average P/E of AFC Vietnam Fund's top 10 holdings is approximately 7.5x, highlighting a significant valuation discount and underscoring the portfolio's continued undervaluation relative to both the broader market and Vietnam's long-term growth potential.

P/E Comparison: Valuation Disconnect

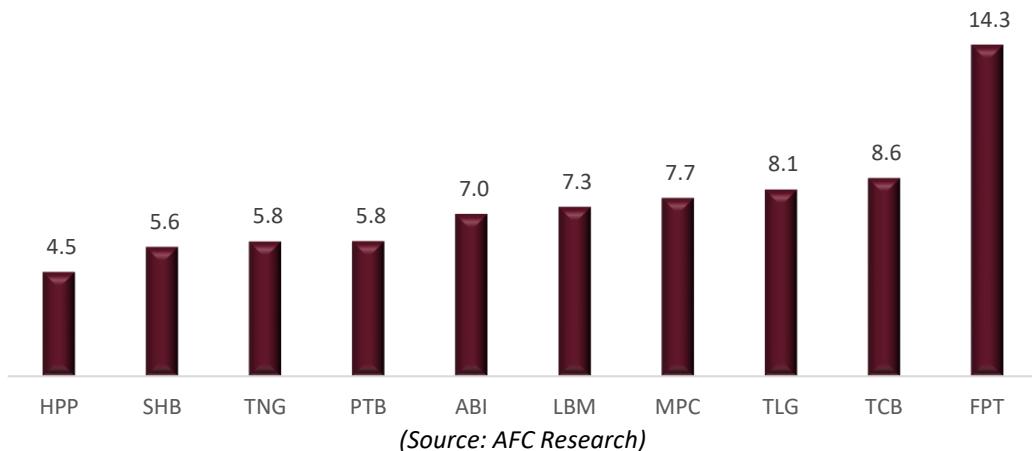
Vietnam Index P/E and AFC Vietnam Fund P/E Ratios



Source: Bloomberg

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Forward PER of AFC Vietnam Fund Top 10 Positions



Despite strong earnings momentum and a supportive macroeconomic backdrop, the AFC Vietnam Fund's core holdings trade at a 50–60% discount to the broader VN-Index and at an extreme valuation gap relative to VIC, which now dominates index performance. This highlights a rare opportunity to gain exposure to Vietnam's growth at deeply undervalued multiples, positioning the portfolio for meaningful upside as market breadth normalizes and earnings-driven re-rating resumes.

A key catalyst in 2026 will be Vietnam's upgrade to FTSE Russell Secondary Emerging Market status, effective 21st September 2026. This long-awaited reclassification is expected to unlock USD 3.5–5 bn of passive inflows from global ETFs, supporting higher market liquidity and driving valuation uplift across the market. The upgrade reflects years of structural improvements, including the successful launch of the KRX trading system, enhanced foreign-investor access, and ongoing modernization of market infrastructure.

Macroeconomic fundamentals remain highly supportive, with GDP growth forecast at over 8%, exports expected to rise 12%, FDI growth projected at 7%, and inflation well controlled at around 3.5%. While risks remain, such as potential changes in U.S. trade policy or a slower-than-expected global recovery, the upside scenario remains compelling. If Vietnam approaches its 10% GDP growth target and public investment accelerates further, equity market returns could significantly exceed current forecasts.

With strong earnings growth, attractive valuations, structural inflows from the FTSE upgrade, and powerful domestic growth drivers, Vietnam's equity market is well positioned to deliver another year of outperformance in 2026 and to build a foundation for sustained long-term returns.

Which Sectors Will Lead Performance in 2026?

Vietnam's strong macro momentum and powerful structural catalysts point to four sectors positioned to drive market outperformance in 2026, offering highly attractive risk-reward profiles.

• Public Investment

Public investment remains a central growth engine. After record disbursement in 2025, government spending is set to exceed VND 800 trn in 2026. This provides direct, visible earnings support for infrastructure, transportation, energy, and urban development companies, making the sector one of the most policy-backed and resilient plays.

• Materials

Rising public investment and a recovery in private construction are driving a strong upcycle in the building materials sector. Demand for cement, steel, stone, and construction inputs is accelerating, with Vietcap forecasting 33% sector earnings growth in 2026. Companies located near highways, industrial parks, and large infrastructure projects are likely to benefit most as execution accelerates.

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• Exporters

Despite record revenues and profits in 2025, export stocks remain deeply undervalued at just 6–7x forward earnings due to lingering tariff concerns. As trade fears fade and global demand stabilizes, we expect a powerful earnings-led re-rating. Electronics, textiles, seafood, and machinery exporters are well-positioned to become 2026's standout performers.

• Financials

The FTSE Emerging Market upgrade and accelerating capital flows create a strong tailwind for banks and brokerages. Credit growth is expected to reach 15–20% in 2026, supporting margin expansion and fee income. Brokerages will benefit from rising liquidity and passive inflows, making financials a high-conviction sector for both growth and income.

Bottom line:

These sectors align perfectly with Vietnam's dual growth engines, public investment and export competitiveness, and provide diversified exposure to the country's ambitious 10% GDP growth target. We remain overweight these themes, confident they will lead the market higher as earnings momentum and valuation rerating converge in 2026.

Political Stability Reinforces Vietnam's Long-Term Investment Case (2026–2031)

Vietnam's political outlook remains highly stable heading into the 2026–2031 leadership term. On 23rd December 2025, the Politburo reached an early consensus on key leadership nominations, well ahead of official announcements, highlighting Vietnam's structured and predictable succession process. This carefully managed transition reflects the Communist Party's long-standing commitment to continuity, consensus, and policy stability.

For investors, this minimizes political risk and reduces the likelihood of disruptive policy shifts. Past leadership transitions have been smooth and market-friendly, reinforcing confidence in Vietnam's institutional strength. Looking ahead, this political stability provides a solid foundation for sustained economic expansion, supporting the government's ambition of around 10% annual GDP growth through 2030 and strengthening Vietnam's appeal as a long-term investment destination.

Mr To Lam, General Secretary



(Source: VnExpress)

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Economy

Macroeconomic Indicators				
	2022	2023	2024	Nov-25
GDP	8.02%	5.05%	7.00%	7.52%
Industrial production (YoY)	7.7%	3.0%	8.4%	9.3%
FDI disbursement (USD bln)	22.4	23.2	24.8	23.6
Exports (USD bln)	371.9	355.5	404.0	430.1
Imports (USD bln)	360.7	327.5	377.0	409.6
Trade balance (USD bln)	11.2	28.0	27.0	20.5
Retail sales (YoY)	19.80%	9.60%	8.80%	9.10%
CPI (YoY)	3.15%	3.25%	3.78%	3.29%
VND	23,663	24,261	25,488	26,293
Credit growth (YoY)	12.9%	13.5%	12.0%	15.0%
Foreign reserves (USD bln)	90	96	96	96

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

Subscription

The next subscription deadline is 26th January 2026. If you need assistance with the subscription process, please email Andreas Vogelsanger at av@asiafrontiercapital.com.

We wish you all a Healthy, Prosperous, and Happy New Year!

Best regards,

AFC Vietnam Fund

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NAV as of 31st December 2025

NAV	3,550*
Since Inception	+255%*
Annualised Return	+11.1%*
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%	-0.56%	-3.34%	+0.35%	+4.09%	+10.25%
2025	USD	-0.88%	+2.02%	-3.64%	-9.12%	+4.73%	+6.55%	+5.33%	+3.88%	-1.10%	-1.96%	-1.26%	-1.1%*	+2.4%*

*According to internal estimates

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

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