

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 February, the Vietnamese stock market was closed from the 14th to the 23rd of February for the traditional Tet holiday. Trading resumed in the final week of the month with strong momentum, allowing the VN-Index to close February up 2.1% in USD terms. Meanwhile, the AFC Vietnam Fund advanced by 2.6%, reaching a new record high NAV of USD 3,800 per share, according to internal estimates.



Market Developments

The benchmark index was strongly supported by large-cap oil and gas stocks such as GAS, PLX, and BSR, following supportive government policy developments. According to Vietcap, the sector's rally was largely driven by domestic retail investors reacting to anticipated regulatory changes.

Key catalysts include:

- The expected issuance of a new petroleum trading decree in February 2026, effective from April 2026, is approximately eight months earlier than previously anticipated.
- Structural reforms allowing petroleum distributors greater flexibility in setting retail prices, while enhancing supply stability.

These measures form part of Resolution 79, which aims to improve the efficiency and performance of state-owned enterprises, as highlighted in our previous report. While the policy changes are fundamentally positive for the long-term outlook of the oil and gas sector, Vietcap notes that the positive earnings impact will likely materialize gradually.

Nonetheless, investor sentiment toward the sector remains strong, supported by reform momentum and expectations of improved operating dynamics.

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(Source: Vietcap Securities)

U.S. Supreme Court Strikes Down Trump’s Global Tariffs – Positive Implications for Vietnam

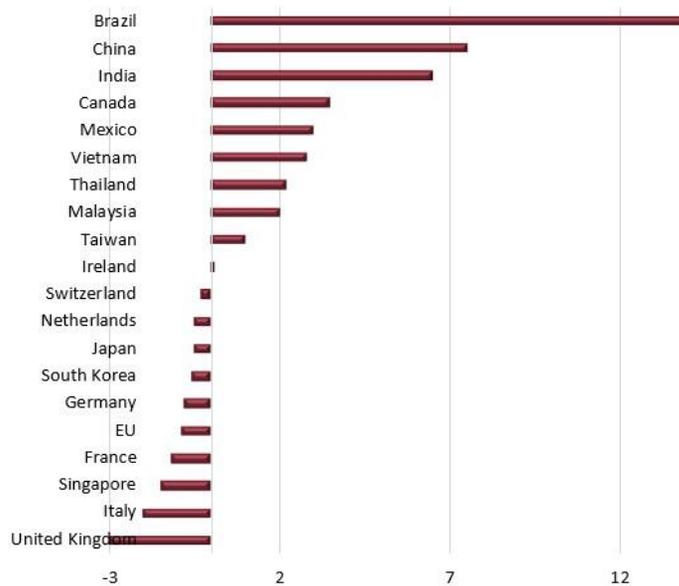
The recent U.S. Supreme Court ruling overturning the White House’s broad reciprocal tariff policy has led President Donald Trump to introduce a temporary 150-day tariff framework. Under this revised arrangement, tariffs on Vietnamese exports to the U.S. have been reduced from 20% to 15%, a meaningful 5 percentage point cut that significantly eases pressure on Vietnam’s export sector.

This adjustment is particularly favorable for Vietnam. As highlighted by the Financial Times, Vietnam benefits from one of the more substantial reductions in trade-weighted average tariff rates among major U.S. trading partners. The lower duties enhance the price competitiveness of Vietnamese goods in the U.S. market, especially in key export categories such as electronics, textiles, footwear, and machinery.

The tariff reduction not only improves near-term earnings visibility for exporters but also reinforces Vietnam’s position as a strategic manufacturing hub amid ongoing global supply-chain diversification.

Vietnam is Among the Winners of the New Tariff Policy

Reduction in trade-weighted average tariff rate (percentage points)



(Source: Financial Times, Johannes Fritz, Global Trade Alert)

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The tariff adjustment helps stabilize bilateral trade flows, supports continued export strength, and reduces near-term downside risks to Vietnam’s growth outlook. Combined with Vietnam’s upgraded Comprehensive Strategic Partnership with the EU and the ongoing benefits of the EVFTA, this relief further enhances the country’s ability to diversify export markets and sustain momentum.

The impact is already visible. According to Vietnam’s General Statistics Office, exports to the U.S. surged 30% year-on-year in January 2026 to USD 13.9 bn, underscoring resilient demand and strong competitiveness. Among ASEAN peers, Vietnam remains a clear beneficiary of the evolving global trade landscape.

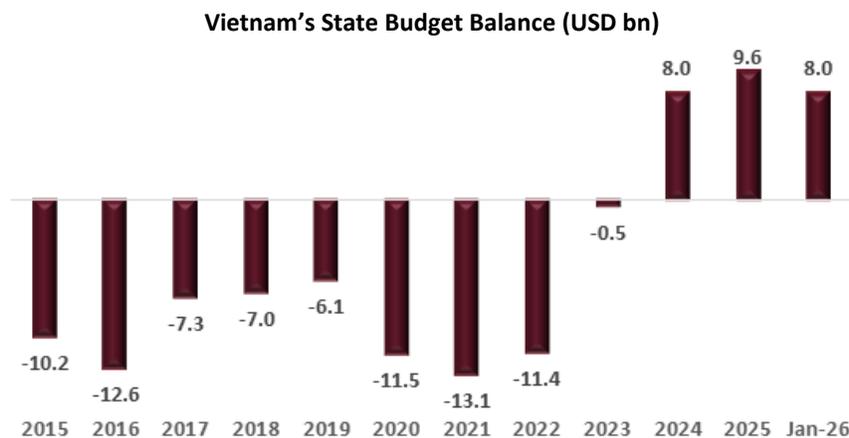
Overall, the 15% tariff rate provides meaningful breathing space, reinforcing Vietnam’s position as a resilient, adaptable, and increasingly strategic export hub amid persistent global trade uncertainty.

Vietnam’s State Budget Surplus – A Structural Fiscal Breakthrough

Vietnam has achieved a historic fiscal milestone, recording budget surpluses in 2024 and 2025, with the positive momentum continuing into January 2026. The state budget posted a surplus of VND 206.7 trn in 2024, rising further to approximately VND 249 trn in 2025. In January 2026 alone, the surplus reached approximately VND 207 trn (USD 7.9 bn).

This marks a significant structural turnaround after decades of persistent fiscal deficits, reflecting stronger revenue collection, disciplined public spending, and improved fiscal governance. The sustained surplus enhances Vietnam’s macroeconomic stability, strengthens sovereign credit fundamentals, and provides greater flexibility to support public investment and long-term growth initiatives.

For investors, this fiscal improvement reinforces Vietnam’s resilience and policy credibility, further underpinning confidence in the country’s medium- to long-term economic trajectory.



(Source: General Statistic Office)

Fiscal Discipline and Revenue Breakthrough Under Strong Leadership

Vietnam’s historic budget surpluses in 2024–2025 and early 2026 reflect not only strong economic growth but also a decisive shift in fiscal governance under the leadership of General Secretary To Lam. His administration has emphasized discipline, efficiency, and enforcement, resulting in a structural improvement in the state budget balance.

Two key drivers stand out:

1. Effective Expenditure Rationalization

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Regular expenditures have been tightened through stricter controls on administrative spending, including limits on conferences, official travel, vehicle procurement, and other non-essential costs. At the same time, the anti-corruption campaign has been intensified, targeting misuse of public funds and reinforcing accountability across government agencies.

This stronger fiscal discipline has significantly improved budget utilization efficiency and reduced leakages that historically weighed on public finances.

2. Revenue Enhancement Through Stronger Enforcement

While Vietnam's exceptional 8.02% GDP growth in 2025, record exports (approximately USD 480–500 bn), and robust FDI disbursement naturally expanded the tax base, stricter tax enforcement has played a crucial role.

Authorities have stepped up oversight of tax compliance, particularly in areas historically prone to underreporting, such as real estate transactions and small-scale business activities, including e-commerce. Enhanced monitoring, audits, and enforcement actions have improved compliance and reduced tax leakage without introducing new tax burdens.

The combination of strong macroeconomic performance and improved tax administration has led to a substantial, structural increase in budget revenues.

Structural Turning Point for Vietnam

The consecutive budget surpluses mark a historic turning point after decades of fiscal deficits. For investors, this development strengthens Vietnam's sovereign balance sheet, enhances macro stability, supports currency resilience, and provides greater fiscal space for infrastructure and strategic investment.

Together, disciplined spending and improved revenue collection lay a solid foundation for sustainable long-term growth and reinforce confidence in Vietnam's economic management.

Economy

Macroeconomic Indicators				
	2023	2024	2025	Jan-26
GDP	5.05%	7.00%	8.02%	8.02%
Industrial production (YoY)	3.0%	8.4%	9.2%	21.5%
FDI disbursement (USD bln)	23.2	24.8	27.6	1.7
Exports (USD bln)	355.5	404.0	475.0	43.2
Imports (USD bln)	327.5	377.0	455.0	45.0
Trade balance (USD bln)	28.0	27.0	20.0	-1.8
Retail sales (YoY)	9.60%	8.80%	9.20%	9.30%
CPI (YoY)	3.25%	3.78%	3.44%	3.19%
VND	24,261	25,488	26,293	26,045
Credit growth (YoY)	13.5%	12.0%	17.7%	1.0%
Foreign reserves (USD bln)	96	96	96	96

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

Subscription

The next subscription deadline is 25th March 2026. If you need assistance with the subscription process, please email Andreas Vogelsanger at av@asiafrontiercapital.com.

Best regards,

AFC Vietnam Fund

NAV as of 28th February 2026

NAV	3,800*
Since Inception	+280%*
Annualised Return	+11.6%*
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%	-1.07%	+2.40%
2026	USD	+4.32%	+2.6%*											+7.0%*

*According to internal estimates

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