

## 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 March, the Vietnamese stock market declined sharply by 11.9% in USD term, as global risk sentiment deteriorated amid the escalating conflict between the United States, Israel, and Iran. The war, which began in late February 2026, has intensified across the Middle East, disrupting energy markets and increasing global geopolitical uncertainty. The AFC Vietnam Fund was also negatively impacted, declining by 9.1% to an NAV of USD 3,458 per share, according to internal estimates.

### Market Developments

The conflict between the United States, Israel, and Iran escalated sharply in late February 2026, when Israel, supported by the U.S., launched large-scale strikes on Iranian military and nuclear facilities. Iran's retaliation against Israeli and U.S. targets has led to a direct confrontation, severely disrupting the Strait of Hormuz, the world's most critical oil transit route. As a result, oil shipments through the Strait have reportedly fallen by nearly 70%, pushing crude prices to around USD 120 per barrel in early March.

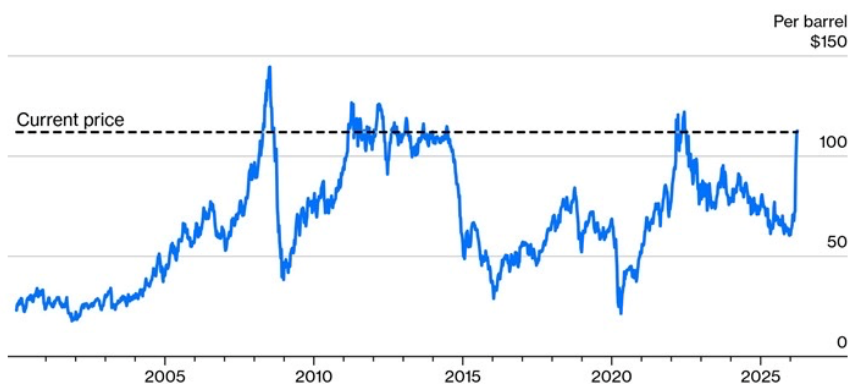
The spike in energy prices has triggered broad inflationary pressures globally, weighing on transportation, manufacturing, and consumer sectors. Europe has been particularly affected by its reliance on energy imports, while major Asian economies, including China, India, Japan, and South Korea, are facing rising input costs and margin pressures.

Vietnam has also felt indirect effects through higher fuel prices and increased costs for imported raw materials. While diversified supply sources have helped cushion the immediate impact, ongoing Middle East tensions continue to drive global volatility.

Overall, the situation highlights the sensitivity of global growth and financial markets to energy shocks, reinforcing the importance of external risks for emerging markets such as Vietnam.

### High But Not Record High

Brent, the global oil benchmark, remains below the price peaks set in 2008, during the commodities super-cycle and 2022, after Russia invaded Ukraine



Source: ICE Europe Ltd.

Bloomberg Opinion

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Investor concerns over Vietnam's energy security have intensified amid escalating tensions in the Middle East. A potential disruption of the Strait of Hormuz poses a meaningful risk, as much of Asia, including Vietnam, relies on oil and LNG imports from this region.

Vietnam's two main refineries, Nghi Sơn and Dung Quat, supply around 80% of domestic gasoline and diesel demand. While Dung Quat primarily processes domestic crude from the Bach Ho field, Nghi Sơn depends heavily on imported crude, particularly from Kuwait. In addition, despite having domestic gas production, Vietnam still relies significantly on LNG imports, much of which originates from the Middle East.

As a result, any prolonged disruption to energy flows could tighten supply, increase input costs, and weigh on industrial activity, transportation, and overall economic stability. These concerns have led to a sharp deterioration in investor sentiment, triggering broad-based selling and contributing to the VN-Index's decline of -11.9% in March.



(Source: Vietcap Securities)

However, Vietnam has demonstrated effective and proactive diplomatic management in navigating these challenges. Despite rising tensions in the Middle East and concerns over the Strait of Hormuz, the government moved swiftly to secure energy supply and maintain stability.

Following direct negotiations with key partners, multiple oil and LNG shipments successfully transited the Strait and arrived safely at Vietnamese ports in March 2026, ensuring uninterrupted supply to key facilities, including the Nghi Sơn and Dung Quat refineries and the Thi Vai LNG terminal.

At the same time, Vietnam has accelerated efforts to diversify its energy sources. During Prime Minister Pham Minh Chinh's official visit to Russia in late March 2026, both countries signed strategic energy agreements. Russia committed not only to providing stable crude oil and LNG supplies and technical support for upstream development, but also to cooperating with Vietnam on the construction of nuclear power plants, marking a significant step toward strengthening the country's long-term energy security.

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Overall, these actions have effectively stabilized Vietnam’s energy supply in the near term, mitigating risks from the Middle East conflict. For investors, this reinforces confidence that recent market volatility is driven primarily by short-term sentiment rather than any structural deterioration, while highlighting Vietnam’s strong policy responsiveness and resilience in supporting sustainable economic growth.

### Vietnam Positioned for Strong Growth Despite Elevated Oil Prices

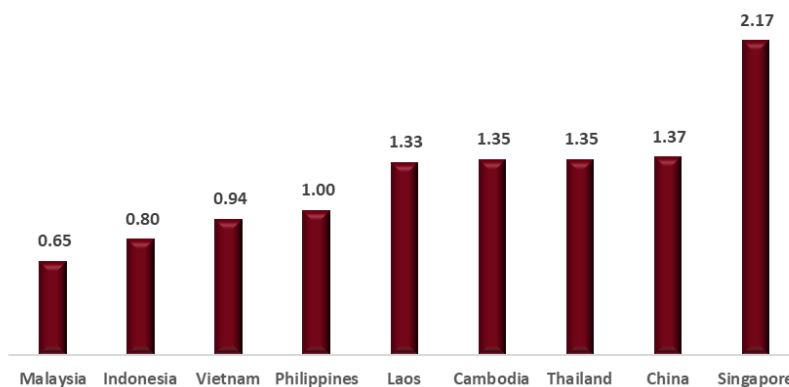
Vietnam’s economy has consistently demonstrated resilience to external shocks. In 2022, despite oil prices peaking at around USD 140 per barrel during the Russia–Ukraine conflict (with an annual average of USD 110), Vietnam still delivered robust GDP growth of 8.02%. This highlights the country’s ability to withstand significant energy-related pressures.

In the current environment, although oil prices around USD 120 per barrel pose a headwind, Vietnam remains well-positioned to achieve solid growth in 2026, similar to 2025. Strong macro fundamentals, ongoing structural reforms, and proactive policy responses continue to support this outlook.

Importantly, Vietnam’s sensitivity to oil price increases is relatively moderate. According to MUFG Research, a 10% rise in crude oil prices is estimated to reduce GDP growth by around 0.2–0.4%, lower than in several regional peers such as Singapore (0.4–0.7%), Thailand (0.3–0.5%), and the Philippines (0.3–0.5%), and broadly comparable to Malaysia and Indonesia (0.1–0.3%). This reflects Vietnam’s balanced energy structure and policy flexibility.

At the same time, retail fuel prices in Vietnam remain relatively competitive within ASEAN, helping cushion the impact on consumers and businesses.

### RON95 Gasoline Retail Price (USD/liter)



(Source: AFC Research)

### Inflation Remains Well Under Control

Despite elevated oil prices, inflationary pressure in Vietnam is expected to remain contained. Nearly 40% of the CPI basket is driven by food and foodstuffs rather than energy, providing a natural buffer against oil price shocks.

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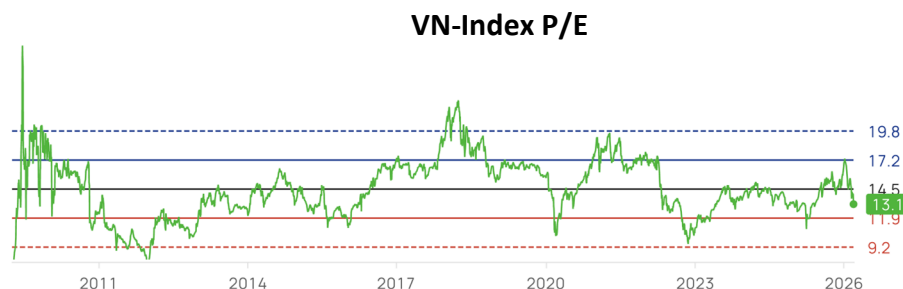
Key food components are also stable. Rice prices are more sensitive to fertilizer costs, particularly urea, but Vietnam is largely self-sufficient in urea production, with major plants even exporting surplus, helping shield domestic prices from global energy-driven input costs. Meanwhile, pork prices are easing, supported by improved supply and imports, reducing pressure on another major CPI component.

In addition, the government has taken proactive measures to cushion energy costs. From 26<sup>th</sup> March to 15<sup>th</sup> April 2026, environmental tax on petrol, diesel, and aviation fuel has been reduced to 0%, with these products also exempt from VAT declaration and payment (while still allowing input VAT deductions). The special consumption tax on petrol has likewise been cut to 0%. These temporary measures help directly offset the impact of higher global oil prices on domestic inflation.

This resilience has been demonstrated before: even when oil prices surged to around USD 150 per barrel in 2022, Vietnam's CPI remained moderate at just 3.15%. For 2026, inflation is projected at approximately 4–4.5%, still within the National Assembly's target range.

Overall, strong domestic supply dynamics and timely policy support significantly limit the pass-through from higher oil prices to headline inflation, reinforcing Vietnam's macro stability.

Meanwhile, recent market volatility has created attractive valuation opportunities, with the VN-Index trading at around 13x forward P/E, well below its 10-year average of 14.5x.



*(Source: Vietcap Securities)*

Overall, the combination of resilient growth, moderate energy sensitivity, and discounted valuations suggests that the recent correction may offer a compelling entry point for long-term investors.

### Impact of Higher Oil Prices on AFC Vietnam Fund

While higher oil prices have increased transportation and logistics costs globally and contributed to short-term market volatility, the impact on the AFC Vietnam Fund portfolio has been primarily indirect and sentiment-driven.

The portfolio is well-positioned due to its composition. Approximately 35% is allocated to financials, primarily banks and insurance companies, which are predominantly domestically driven and only marginally exposed to oil price fluctuations beyond broader macro effects. Another 18% is invested in

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export-oriented companies. Although these businesses face some increase in freight costs, their key markets, the U.S., EU, Japan, Australia, South Korea, and China, are not directly affected by disruptions in the Strait of Hormuz. Freight expenses account for only around 5% of their total cost base, limiting the overall impact.

Importantly, industry dynamics remain favorable. Recent discussions with Mr. Quang, CEO of Minh Phu, indicate that while shipping costs have risen, order volumes are increasing as competitors in other countries face greater disruptions. As a result, the company still expects profit growth of at least 20% this year.

In addition, around 15% of the portfolio is allocated to consumer companies, which are relatively insulated from direct energy shocks, while approximately 10% is invested in infrastructure and public investment beneficiaries that continue to benefit from strong government spending.

Overall, the rise in oil prices affects the portfolio mainly through modest cost pressures rather than structural disruptions. This diversified allocation, combined with strong underlying business fundamentals, reinforces the fund's resilience amid ongoing geopolitical volatility.

### Economy

Macroeconomic Indicators				
	2023	2024	2025	Feb-26
GDP	5.05%	7.00%	8.02%	8.02%
Industrial production (YoY)	3.0%	8.4%	9.2%	10.4%
FDI disbursement (USD bln)	23.2	24.8	27.6	3.2
Exports (USD bln)	355.5	404.0	475.0	76.4
Imports (USD bln)	327.5	377.0	455.0	79.3
Trade balance (USD bln)	28.0	27.0	20.0	-3.0
Retail sales (YoY)	9.60%	8.80%	9.20%	7.90%
CPI (YoY)	3.25%	3.78%	3.44%	2.94%
VND	24,261	25,488	26,293	26,343
Credit growth (YoY)	13.5%	12.0%	17.7%	1.9%
Foreign reserves (USD bln)	96	96	96	96

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

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## Subscription

The next subscription deadline is 24<sup>th</sup> April 2026. 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> March 2026

NAV	3,458*
Since Inception	+245.8%*
Annualised Return	+10.6%*
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%	+2.69%	-9.1%*										-2.6%*

\*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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