

## 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 May, the Vietnamese stock market reached a new record high of 1,933 points despite relatively low market liquidity. The rally was once again driven primarily by Vingroup-related stocks, including VIC, VHM, and VRE, while the broader market remained weak, with most stocks declining during the month and market breadth staying negative. By month-end, the VN-Index gained 0.52% in USD terms, while the AFC Vietnam Fund declined slightly by 0.8%, bringing its estimated NAV to USD 3,403 per share, according to internal estimates.

### VN-Index from May 2025 to May 2026



(Source: Vietcap Securities)

### Market Developments

#### Strong Fundamentals Behind Market Distortion

Recent months have seen rising investor concerns about potential oil shortages and the economic impact of heightened tensions in the Middle East. However, actual economic activity and domestic energy trends suggest that Vietnam has managed the situation far more effectively than many initially feared.

In April 2026, the Vietnamese government confirmed that domestic fuel supply had been secured through at least July 2026. Since then, Vietnam has continued importing crude oil and refined products from the Middle East despite ongoing geopolitical volatility, with several large shipments successfully passing through the Strait of Hormuz and arriving safely at Vietnamese ports. At the same time, geopolitical tensions have recently shown early signs of stabilization, as negotiations and ceasefire discussions between the United States and Iran increasingly support expectations of gradual de-escalation.

Perhaps more importantly, domestic gasoline prices have remained relatively stable even as global crude oil prices were quite volatile. In our view, the combination of a stable energy supply, resilient domestic pricing, easing geopolitical concerns, and continued strong economic activity demonstrates Vietnam's effective policy management and reinforces the economy's underlying strength despite heightened global uncertainty.

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## Crude oil price (USD/b)



(Source: oilprice.com)

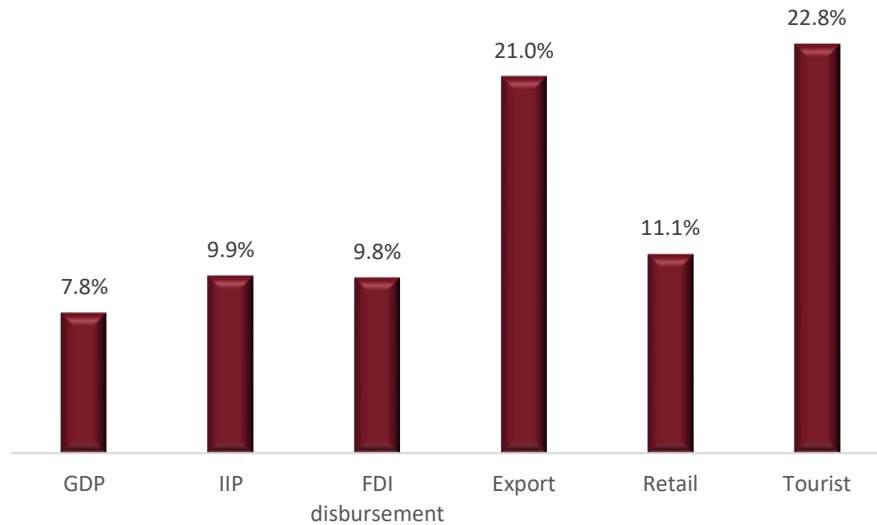
### Vietnamese Economy Maintains Strong Momentum with Bright Long-Term Outlook

Despite elevated energy prices and ongoing geopolitical uncertainty, Vietnam's economy continued to demonstrate impressive resilience and broad-based growth during the first four months of 2026. Newly registered FDI rose 32% year-on-year to USD 18.2 bn, while realized FDI increased 9.8% to USD 7.4 bn, highlighting continued confidence from foreign investors.

At the same time, total exports surged 19.7% year-on-year to USD 168.5 bn, supported by strong global demand and Vietnam's competitive manufacturing position. Domestic consumption also remained robust, with retail sales rising 11.1%, marking one of the strongest growth periods since the post-COVID reopening. Meanwhile, international tourism continued to recover strongly, with visitor arrivals reaching a record 8.8 m, up 14.6% year-on-year. Together, these indicators reinforce Vietnam's strong structural growth story and positive long-term economic outlook.

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## Strong Fundamental Growth (% yoy)



(Source: GSO, AFC Research)

The strength of Vietnam's economy has remained broad-based across electronics, industrial manufacturing, seafood, logistics, and supporting industries, further reinforcing the country's position as one of Asia's most attractive manufacturing hubs outside China. At the same time, Vietnam is entering one of the largest infrastructure expansion cycles in its modern history, creating an additional long-term growth driver for the economy.

One notable example is Hanoi's ambitious Red River Boulevard project, a large-scale urban redevelopment and infrastructure initiative with estimated investment capital of approximately USD 30 bn. Spanning more than 11,000 hectares along the Red River, the project includes major transportation infrastructure, metro connectivity, urban expansion, and riverside redevelopment. Beyond direct construction activity, the project is expected to improve logistics efficiency, labor productivity, tourism development, and land utilization across the greater Hanoi metropolitan area.

## The Red River Boulevard Megaproject

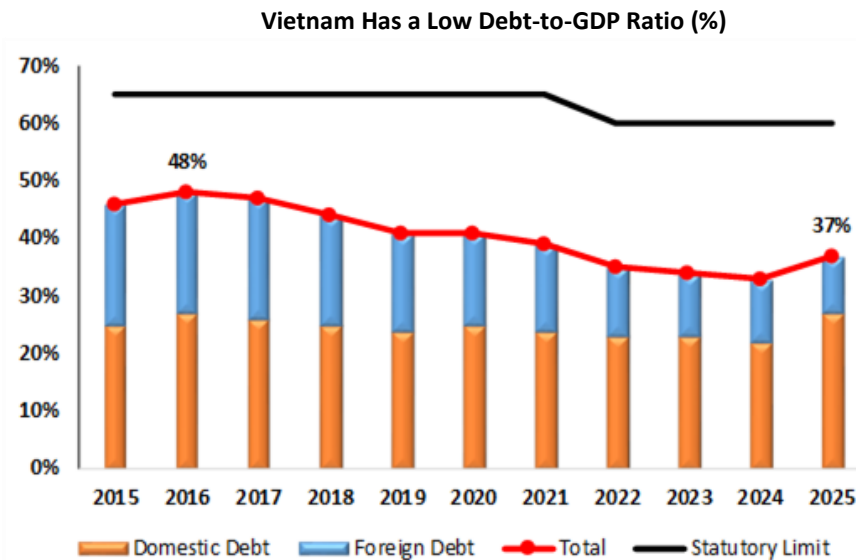


(Source: Hanoi, AFC Research)

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In our view, projects such as the Red River Boulevard highlight Vietnam’s transition from a low-cost manufacturing economy toward a more advanced, infrastructure-led, and productivity-driven growth model. These large-scale investments are expected to strengthen long-term competitiveness, improve urban efficiency, and support higher sustainable growth over the coming decade.

Importantly, Vietnam is pursuing this ambitious infrastructure expansion while maintaining relatively conservative public finances. Government debt remains low at around 37% of GDP, well below many emerging-market peers, while the country recorded a fiscal surplus of approximately USD 17.1 bn during the first four months of 2026 alone. This combination of strong growth and prudent fiscal management provides Vietnam with substantial flexibility to continue supporting economic development in the years ahead.



(Source: IMF, World Bank, AFC Research)

At the same time, Vietnam is entering one of the largest infrastructure expansion cycles in its modern history. In addition to Hanoi’s USD 30 bn Red River Boulevard project, the country is simultaneously accelerating multiple strategic developments, including Long Thanh International Airport, the North–South Expressway network, metro systems in Hanoi and Ho Chi Minh City, deep-sea ports, and major energy infrastructure projects nationwide.

In our view, these multi-billion-dollar investments are not only supporting short-term economic activity but, more importantly, laying the foundation for a long-term productivity expansion cycle through improved logistics efficiency, urban connectivity, manufacturing capacity, and labor productivity. We believe this infrastructure wave will play a critical role in supporting Vietnam’s ambitious target of achieving approximately 10% annual GDP growth during 2026–2030, reinforcing what we view as one of the strongest and most sustainable long-term growth stories in emerging markets today.

### Vietnam Stock Market Has Yet to Fully Reflect Earnings Growth

Although the VN-Index reached a record high in May, underlying market conditions remained much weaker than the headline performance suggested. Market breadth remained negative, with a large portion of listed companies trading at depressed valuations despite strong operating results.

Aggregate first-quarter earnings across HOSE-listed companies increased approximately 30% year-on-year, while AFC Vietnam Fund’s portfolio companies delivered even stronger earnings growth of around 40% during the same period. Despite

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these robust fundamentals, valuations across many high-quality businesses remain deeply discounted, largely due to narrow index concentration and historically weak market breadth.

In our view, the broader market has yet to fully price in the strong earnings recovery emerging across many Vietnamese companies, particularly export-oriented businesses benefiting from Vietnam's accelerating export growth cycle.

**VN-Index vs Market Breadth**



(Source: Stockbiz, AFC Research)

### Portfolio Highlights

#### MPC – Minh Phu Seafood Corporation

MPC, currently the largest holding in the AFC Vietnam Fund, delivered exceptionally strong first-quarter results. Revenue increased approximately 100% year-on-year, while net profit surged more than 12-fold compared to the same period last year. The recovery has been supported by improving global shrimp demand, accelerating export orders, operational restructuring, and strengthening international market conditions.

These results reinforce our view that Vietnam's export sector remains highly competitive globally despite ongoing external uncertainty. Yet, despite this strong earnings acceleration, MPC continues to trade at highly attractive valuation levels, with a trailing P/E of approximately 8.6x and an estimated 2026 forward P/E of approximately 6.1x. This valuation does not adequately reflect the company's earnings growth potential and long-term industry positioning.

#### SHB – Saigon Hanoi Commercial Joint Stock Bank

Another clear example of the market failing to fully reflect underlying fundamentals is SHB, one of Vietnam's largest private-sector banks. SHB reported approximately 8% profit growth in Q1 2026, alongside continued balance sheet expansion and improving operational performance.

Despite these positive fundamentals, the stock remains deeply undervalued, trading at approximately 0.9x P/B and 3.4x P/E, while offering a dividend yield of around 4%. The bank also maintains an ROE of approximately 20%, among the strongest within Vietnam's banking sector. These valuation levels significantly underestimate SHB's long-term earnings power, scale, and strategic positioning within Vietnam's rapidly expanding private banking industry.

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## AFC Vietnam Fund: A Historic Valuation Disconnect

The current market environment reflects one of the widest disconnects in recent years between underlying corporate earnings growth and actual market pricing outside a narrow group of index-heavy stocks.

Today, strong corporate earnings growth, accelerating export recovery, and improving macroeconomic conditions stand in sharp contrast to weak market breadth, narrow index concentration, and deeply discounted valuations across many fundamentally strong businesses. In our view, this divergence may represent one of the most attractive long-term entry opportunities Vietnam has offered in recent years.

While this market distortion has negatively impacted the AFC Vietnam Fund's short-term relative performance, we believe it also creates a compelling opportunity for fundamentally driven investors. Currently, the VN-Index trades at approximately 14x earnings, while AFC Vietnam Fund's portfolio trades at only around 8.8x earnings despite delivering stronger earnings growth than the broader market.

In our view, the valuation gap between underlying business fundamentals and current market pricing has become unusually wide and is unlikely to remain sustainable over the long term.

## Economy

Macroeconomic Indicators				
	2023	2024	2025	Apr-26
GDP	5.05%	7.00%	8.02%	7.83%
Industrial production (YoY)	3.0%	8.4%	9.2%	9.2%
FDI disbursement (USD bln)	23.2	24.8	27.6	7.4
Exports (USD bln)	355.5	404.0	475.0	168.5
Imports (USD bln)	327.5	377.0	455.0	175.6
Trade balance (USD bln)	28.0	27.0	20.0	-7.1
Retail sales (YoY)	9.60%	8.80%	9.20%	11.10%
CPI (YoY)	3.25%	3.78%	3.44%	3.99%
VND	24,261	25,488	26,293	26,308
Credit growth (YoY)	13.5%	12.0%	17.7%	3.0%
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> June 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> May 2026

NAV	3,403*
Since Inception	+240.3%*
Annualised Return	+10.3%*
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>
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%	+5.33%	+3.88%	-1.10%	-1.96%	-1.26%	-1.07%	<b>+2.40%</b>
2026	USD	+4.32%	+2.69%	-8.65%	-1.25%	-0.8%*								<b>-4.2%*</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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