31st August 2026

# 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<br>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 |

## Contact Information

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August marked a welcome recovery for Vietnamese equities following the weakness of previous months. The VN-Index gained 5.7% in USD terms during the month, while market liquidity remained subdued. AFC Vietnam Fund also rebounded, increasing by 3.2% to end the month at USD 3,228 per share, according to internal estimates.

**VN-Index from Aug 2022 to Aug 2026**


*(Source: Vietcap Securities)*

## Market Developments

The market had simply fallen too far in recent months relative to the underlying fundamentals, and began to recover in August. The weakness had been driven largely by tighter liquidity, higher interest rates and deteriorating investor sentiment, rather than any meaningful deterioration in Vietnam's economy or corporate earnings. With economic growth remaining strong, exports reaching record levels and corporate earnings continuing to expand, valuations had become increasingly difficult to ignore.

Sentiment also received a significant boost from positive developments surrounding FTSE Russell's prospective upgrade of Vietnam. FTSE increased Vietnam's prospective weight in the FTSE Emerging All Cap Index from 0.329% to 0.49%, an increase of almost 50%, while expanding the number of eligible Vietnamese stocks from 23 to 27. Following these changes, Vietcap Securities raised its estimate of potential passive index inflows from approximately USD 2 bn to USD 3 bn.

These expected inflows are likely to be implemented gradually between September 2026 and September 2027, potentially providing a meaningful and more structural source of demand for Vietnamese equities over the coming year. Vietnam's transition into the emerging-market universe should also increase its visibility among global institutional investors, extending the potential impact beyond passive index flows.

The development is particularly relevant to AFC Vietnam Fund, with seven of our portfolio companies among the 27 Vietnamese stocks included in the FTSE Global All Cap eligibility list. We therefore believe the August recovery reflects not only a rebound from depressed valuations, but also the beginning of a potentially important structural shift in the international investor base for Vietnamese equities.

# AFC VIETNAM FUND UPDATE

**Vietnam's Economy Remains Strong**

Vietnam's macroeconomic fundamentals remain remarkably resilient, with strong economic growth, rising industrial production and continued corporate earnings growth despite persistent global uncertainty.

Exports provide perhaps the clearest evidence. Vietnam achieved a record USD 53.1 bn of exports in July, up 25.0% year-on-year, bringing exports for the first seven months of 2026 to USD 319.5 bn, an increase of 21.7%.

Growth has been broad-based across major trading partners and increasingly driven by higher-value manufacturing. Exports of electronics, computers and components, in particular, increased by more than 50% year-on-year.

This result is particularly impressive given geopolitical tensions, higher energy costs and new tariff barriers. In our view, this demonstrates that Vietnam's export competitiveness is becoming increasingly structural, supported by continued FDI, a more sophisticated manufacturing base and deeper integration into global supply chains. The World Bank now ranks Vietnam among the world's 15 largest trading economies.

**Phu Tai – When Fear and Fundamentals Diverge**

Despite Vietnam's strong export performance, concerns over tariffs, energy costs and geopolitical uncertainty continue to weigh on investor sentiment toward export-oriented companies. Phu Tai JSC (PTB), provides a clear example of the disconnect between market sentiment and underlying fundamentals.

PTB, one of AFC Vietnam Fund's ten largest holdings, delivered another strong performance in the first half of 2026. Revenue increased 18.5% year-on-year to a record VND 4,179 bn, while net profit rose 16.5% to VND 286.8 bn. Yet despite these results, PTB's share price declined by nearly 20% during the second quarter.

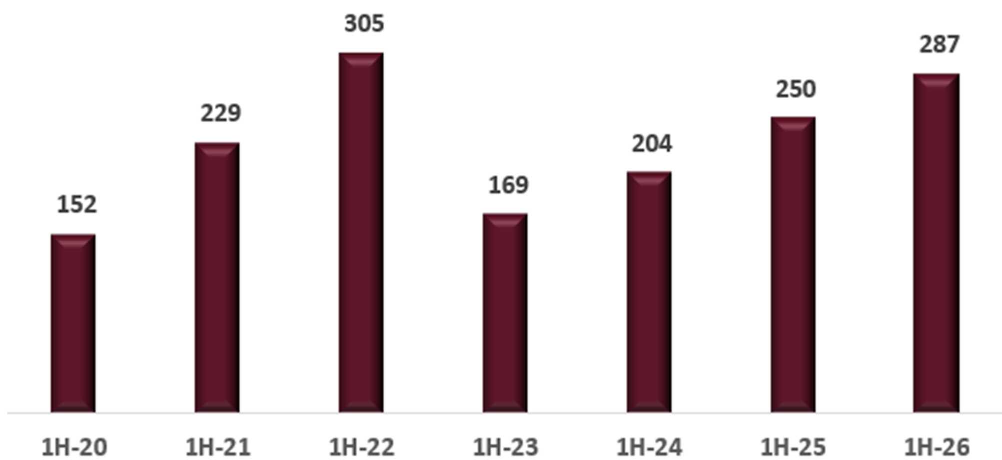
More importantly, PTB's first-half net profit has recovered from VND 169 bn in 2023 to almost VND 287 bn today, an increase of approximately 70% in just three years and close to its previous historical peak. Yet rather than being rewarded for this recovery, the stock has been significantly de-rated. PTB currently trades at approximately 4.3x earnings and 0.9x book value, while offering a dividend yield of around 5%.

We do not dismiss the risks facing exporters. Tariffs, energy costs and geopolitical developments are real variables that could affect future earnings. But there is an important distinction between risk and outcome. So far, neither Vietnam's export data nor PTB's operating performance provides evidence of the deterioration priced into the stock.

At 4.3x earnings, we do not need an optimistic scenario to generate an attractive return. If PTB continues to deliver solid earnings and the feared deterioration fails to materialise to the extent currently implied by its share price, even a partial recovery in its valuation could provide meaningful upside.

# AFC VIETNAM FUND UPDATE

**PTB 1H Net Profit 2020–2026**




*(Source: PTB, Vietstock, AFC Research)*

**The Main Headwind: Interest Rates**

This raises an obvious question: if Vietnam's economy is growing strongly and corporate earnings continue to expand, why has the stock market failed to reflect these fundamentals more meaningfully?

In our view, the main explanation is a short-term factor: interest rates. The conflict in the Middle East has pushed energy prices higher, adding to inflationary pressures and contributing to tighter domestic monetary conditions. Deposit rates, which previously stood at around 6–7%, have risen toward 8–9%, while lending rates have increased from approximately 8–9% to 11–13%.

The impact on equities is significant. Higher deposit rates make bank savings more attractive to domestic investors, while higher borrowing costs reduce leverage and liquidity available to the stock market. We therefore see interest rates as the most important near-term headwind for Vietnamese equities.

Importantly, however, we do not view this as a structural deterioration in Vietnam's economy. The current pressure on rates is largely driven by external factors, particularly higher energy prices and geopolitical tensions. While these pressures may persist, we believe they are unlikely to fundamentally alter Vietnam's long-term growth trajectory or the earnings potential of its companies.

Moreover, even in a higher-rate environment, several companies in the AFC Vietnam Fund portfolio are well positioned to benefit from these conditions.

**ABI – When Higher Interest Rates Become a Tailwind**

Agriculture Bank Insurance JSC (ABI) provides a good example of how a macroeconomic headwind can become a tailwind for individual companies. As an insurer, ABI maintains substantial financial assets in bank deposits and other interest-bearing instruments. Higher interest rates can therefore translate directly into higher investment income.

ABI currently trades at approximately 6x earnings and 1x book value, with a market capitalization of around VND 1,895 bn. Remarkably, the company holds approximately VND 3,860 bn in cash and bank deposits, more than twice its entire market capitalisation.

# AFC VIETNAM FUND UPDATE

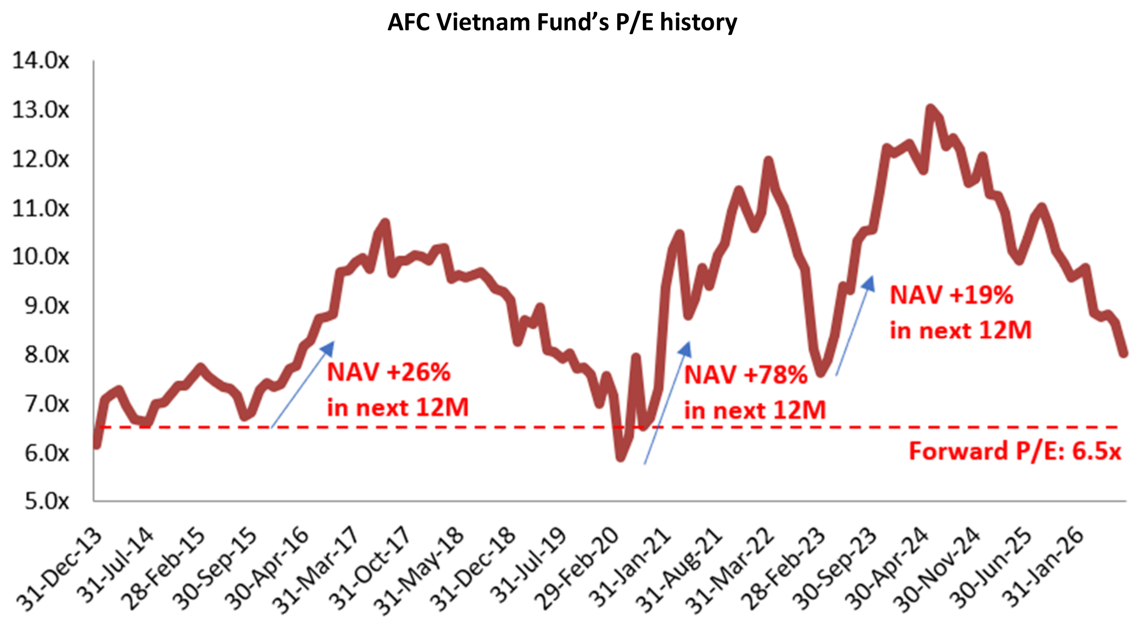
These assets are not simply surplus cash, as they support insurance liabilities and regulatory capital requirements. Nevertheless, the valuation is striking. Moreover, the same higher interest rates that are weighing on the broader equity market could support ABI's earnings as its substantial deposit portfolio is gradually reinvested at higher yields.

ABI illustrates an important characteristic of our portfolio: we do not need every macroeconomic variable to move in our favour. What represents a headwind for the broader market can, in some cases, become a tailwind for the companies we own.

**One of the Lowest Valuations in the Fund's History**

ABI and PTB are far from isolated cases. Across the portfolio, we continue to find exceptionally low valuations despite solid underlying fundamentals. Saigon-Hanoi Commmercial Bank, SHB, Vietnam's fifth-largest bank, trades at just 2.8x earnings, while TNG, the country's second-largest listed garment exporter, trades at approximately 4.8x earnings.

With earnings continuing to grow while share prices have declined, the valuation of AFC Vietnam Fund has fallen to a trailing P/E of approximately 8x. Based on our current earnings estimates, the Fund is trading at just 6.5x forward earnings by year-end, among the lowest valuation levels in the Fund's history.




*(Source: AFC Research)*

The Fund's historical P/E chart reveals an interesting pattern: periods of exceptionally depressed valuations have historically been followed by strong recoveries. In August 2015, AFC Vietnam Fund gained approximately 26% over the following 12 months. When the Fund's P/E reached another low in March 2020, it subsequently gained approximately 78% over the next 12 months. More recently, following the valuation trough in October 2022, the Fund rose approximately 19% over the subsequent 12 months.

Today, the portfolio is once again approaching these historical valuation extremes. The Fund currently trades at a forward P/E of approximately 6.5x, meaning that the companies in our portfolio are expected to generate earnings equivalent to approximately 15.4% of their current market value. In other words, investors are paying only 6.5 times the earnings these businesses are expected to generate over the coming year. This combination of exceptionally low valuations and continued earnings growth across many of our portfolio companies makes the current opportunity particularly compelling.

# AFC VIETNAM FUND UPDATE

While no one can predict the exact market bottom, we believe the combination of historically low valuations, continued earnings growth and improving market conditions provides strong evidence that the Fund is approaching, or may already have reached, a bottoming phase.

**Economy**

| Macroeconomic Indicators | | | | |
|---|---|---|---|---|
| | **2023** | **2024** | **2025** | **Jul-26** |
| GDP | 5.05% | 7.00% | 8.02% | 8.18% |
| Industrial production (YoY) | 3.0% | 8.4% | 9.2% | 11.4% |
| FDI disbursement (USD bln) | 23.2 | 24.8 | 27.6 | 15.2 |
| Exports (USD bln) | 355.5 | 404.0 | 475.0 | 319.5 |
| Imports (USD bln) | 327.5 | 377.0 | 455.0 | 340.1 |
| Trade balance (USD bln) | 28.0 | 27.0 | 20.0 | -20.5 |
| Retail sales (YoY) | 9.60% | 8.80% | 9.20% | 13.10% |
| CPI (YoY) | 3.25% | 3.78% | 3.44% | 4.39% |
| VND | 24,261 | 25,488 | 26,293 | 26,089 |
| Credit growth (YoY) | 13.5% | 12.0% | 17.7% | 8.0% |
| Foreign reserves (USD bln) | 96 | 96 | 96 | 96 |

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

**Subscription**

The next subscription deadline is 24th September 2026. If you need assistance with the subscription process, please email Andreas Vogelsanger at av@asiafrontiercapital.com.

Best regards,

AFC Vietnam Fund

31st August 2026

# AFC VIETNAM FUND UPDATE

## NAV as of 31st August 2026

| | |
|---|---|
| NAV | 3,228* |
| Since Inception | +222.8%* |
| Annualised Return | +9.7%* |
| 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% | **+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% | -8.65% | -1.25% | -0.53% | -0.88% | -7.50% | +3.2%* | | | | | **-9.1%*** |

***According to internal estimates**

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