

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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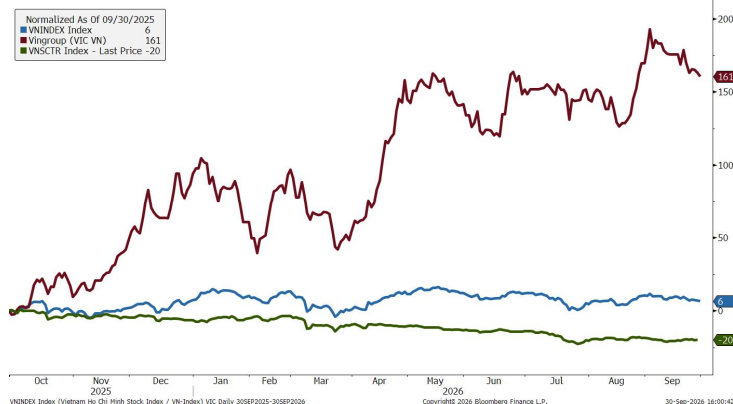
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September was a particularly challenging month for global financial markets. Renewed escalation in the conflict between the United States and Iran pushed oil prices sharply higher, with Brent crude briefly rising above USD 100 per barrel for the first time in six weeks. The escalation and disruptions to Middle Eastern energy infrastructure renewed concerns over global energy supplies, inflation and economic growth. Against this backdrop, the VN-Index declined by 3.1% in USD terms this month, while the AFC Vietnam Fund declined by about 3.7%, ending September at around USD 3,112 per share, according to internal estimates.

The renewed pressure on Vietnamese equities reflected the broader global risk-off environment, as concerns over higher energy prices and the potential impact on inflation and interest rates outweighed the improving domestic fundamentals.

VN-Index / VN Small Cap Total Return Index / Vingroup from Sep 2025 to Sep 2026



(Source: Vietcap Securities)

Looking Beneath the Surface

The chart above illustrates a feature of the Vietnamese market that is easy to miss when looking only at the headline VN-Index. Since 29th September 2025, the VN-Index has gained just 6%, while Vingroup's VIC has risen by approximately 161%. Given VIC's outsized index weighting, this single stock has had a disproportionate impact on the headline number — masking much weaker performance across the rest of the market, where many companies with strong earnings growth have nonetheless seen their share prices decline.

The divergence becomes even clearer once VIC is stripped out. Over the same period, the VN Small Cap Total Return Index (VNSCTR) has actually fallen by around 20%, even as the headline VN-Index posted a modest gain. In other words, small- and mid-cap Vietnamese equities, the segment of the market where the AFC Vietnam Fund is predominantly invested, have been in outright decline for a full year, a picture entirely obscured by the index-level performance.

VIC's valuation also carries an unusual feature rooted in market perception rather than fundamentals. It is widely regarded as one of the most politically influenced stocks in Vietnam, and despite being the largest company on the exchange by both market cap and index weight, Bloomberg currently shows only two active analysts are rating this stock, versus the 15–20 analysts typically covering companies of comparable size. This scarcity of coverage underscores how difficult and politically exposed VIC is to assess through conventional fundamental analysis.

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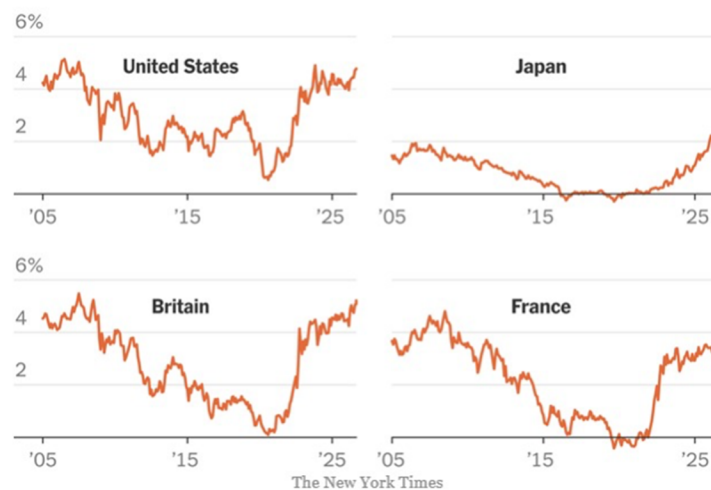
Together, these facts explain why the VN-Index can give a misleading impression of the broader market: a rising index does not necessarily mean Vietnamese equities as a whole are performing well. Beneath the headline number, small- and mid-cap companies outside the Vingroup ecosystem have seen meaningful share-price declines despite continued earnings growth. For a fundamental, bottom-up investor like the AFC Vietnam Fund, this distinction matters: the performance of one heavily weighted index component can obscure both the severity of the small-cap drawdown and the increasingly attractive valuations building up across the broader market.

Market Developments

At the same time, global monetary conditions became less supportive. On 16th September 2026, the U.S. Federal Reserve raised the federal funds target range by 25 basis points to 3.75–4.00%, its first rate increase since July 2023. The decision reflected the Fed's assessment that inflation remained elevated, while economic activity continued to expand at a solid pace.

The combination of higher energy prices, renewed inflation concerns and tighter monetary policy pushed government bond yields higher and created a more challenging environment for global equities. Together, these factors reinforced the broader risk-off sentiment that weighed on markets during September.

10-year Government Bond Yield



(Source: The New York Times)

Vietnam was not immune to these external pressures. Despite one of the most important structural developments in the history of its capital market, the VN-Index declined during the month. Yet beneath the short-term market volatility, Vietnam's underlying economic and corporate fundamentals remained remarkably resilient.

Vietnam Enters the Emerging Market Universe

September marked a historic milestone for Vietnam's capital market as the country officially entered FTSE Russell's Secondary Emerging Market universe. Vietnam became the 24th market represented in the FTSE Emerging Index and the 49th country represented in the FTSE All-World Index. The inclusion will be implemented in four stages through September 2027, with FTSE estimating that the transition could ultimately attract up to USD 6 bn of capital into Vietnamese equities.

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More importantly, the reclassification reflects years of structural reforms aimed at improving the accessibility and infrastructure of Vietnam's capital market. FTSE Russell highlighted several important improvements, including the removal of pre-funding requirements for foreign institutional investors, the introduction of a non-prefunding model, improved procedures for failed trades and better access through global brokers. These changes enabled Vietnam to meet the requirements for Secondary Emerging Market status.

Vietnamese equities are now eligible for inclusion in major global benchmarks, including the FTSE Emerging, FTSE Global All Cap and FTSE All-World indices, significantly increasing the market's visibility among international institutional investors. While the VN-Index declined amid September's challenging global environment, the reclassification represents a meaningful structural improvement that should support broader foreign participation, deeper market liquidity and Vietnam's continued integration into global capital markets.

Strong Growth, Attractive Valuations

Despite the difficult global environment, the Vietnamese equity market continues to offer an attractive combination of earnings growth and reasonable valuations. The market currently trades at approximately 12.7x 2026 forward earnings, while consensus estimates point to 2026 EPS growth of around 15% and an ROE of approximately 15%.

For the AFC Vietnam Fund, the valuation picture is considerably more attractive. The portfolio currently trades at a trailing P/E of just 8.2x and a 2026 forward P/E of only 6.5x, representing a substantial discount to the broader Vietnamese market.

At 6.5x forward earnings, the portfolio has an earnings yield of approximately 15.4%. In other words, the companies in the portfolio are expected to generate earnings equivalent to roughly 15.4% of their current market value over the coming year. This is particularly noteworthy given that many of our portfolio companies continue to deliver solid earnings growth.

In our view, the combination of strong earnings growth, high returns on equity and exceptionally low valuations suggests that share prices do not yet fully reflect the underlying fundamentals of many of our portfolio companies or Vietnam's longer-term economic growth potential.

FDI Continues to Accelerate

Foreign direct investment (FDI) remains another important pillar of Vietnam's growth story. Total registered FDI reached USD 40.6 bn in the first eight months of 2026, a new record high and an increase of 55.4% year-on-year, while disbursed FDI rose 12% to USD 17.3 bn.

The importance of foreign investment is also evident in Vietnam's trade structure. Foreign-invested companies generated USD 300.4 bn of exports during the first eight months, up 26.9% year-on-year and accounting for more than 80% of Vietnam's total exports. This highlights the increasingly deep integration of Vietnam's manufacturing sector into global supply chains.

The economic benefits extend well beyond the initial investment. New manufacturing capacity creates demand across industrial parks, construction, logistics, banking, utilities and domestic suppliers, while supporting employment and household incomes. Together with strong export growth and accelerating public investment, with State-budget investment disbursement rising 18.5% year-on-year in the first eight months, continued FDI inflows provide a strong foundation for Vietnam's medium-term economic growth.

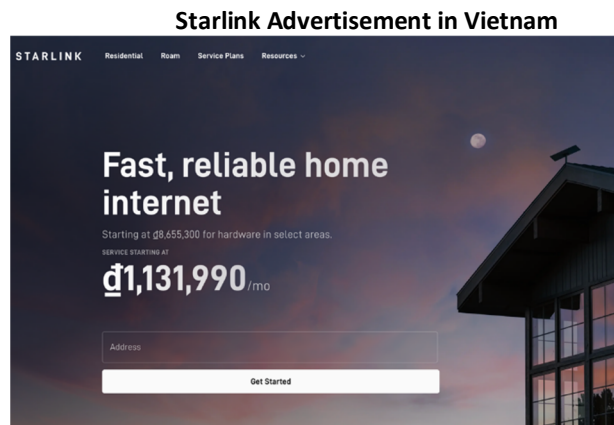
Vietnam-U.S. Trade and Investment Continue to Strengthen

Despite the challenging global environment, Vietnam's trade relationship with the United States continues to strengthen. Total exports reached USD 374.8 bn in the first eight months of 2026, a new all-time high and an increase of 22.4% year-on-year. The United States remained Vietnam's largest export market, with exports reaching approximately USD 122 bn, up 23.2%, despite ongoing concerns surrounding tariffs, rules of origin and transshipment.

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Economic ties are also expanding beyond traditional trade. Starlink, SpaceX's satellite internet service, officially launched in Vietnam in August, with residential plans starting at approximately VND 1.13 m per month. Tesla has established a local entity, Tesla Motors Vietnam LLC, while Amazon has received regulatory approval for a private satellite network. Meanwhile, Wistron, a major electronics manufacturer and supplier to the global technology sector, continues to expand its presence in Vietnam.

Taken together, these developments highlight the increasingly broad nature of Vietnam-U.S. economic relations. The relationship is no longer limited to trade in manufactured goods, but is increasingly extending into technology, telecommunications, advanced manufacturing and digital infrastructure. This further reinforces Vietnam's position as an increasingly important part of global supply chains and a growing destination for U.S.-linked investment.



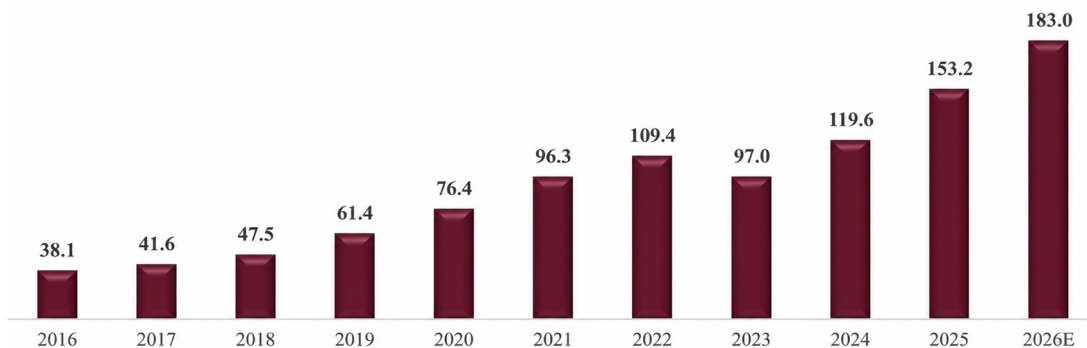
(Source: Starlink Vietnam)

Together, these developments highlight a broader evolution in the Vietnam-U.S. economic relationship, from one historically dominated by trade and exports toward a more diversified partnership encompassing technology, manufacturing, investment and global supply chains.

Importantly, investment is increasingly becoming a two-way process. Phu Tai (PTB), one of our portfolio companies, recently established PHU TAI HOME USA, INC. in Houston to strengthen its distribution of stone and furniture products in the U.S. This represents another example of Vietnamese companies expanding internationally and moving further up the value chain.

PTB also delivered strong first-half 2026 results, with revenue increasing 18.5% year-on-year and net profit rising 16.5%. Despite this continued earnings growth and its expanding international presence, PTB trades at an attractive valuation of approximately 5x forward earnings.

Exports from Vietnam to U.S. (USD bn)



(Source: AFC Research, GSO)

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Looking Beyond September

Despite September's global volatility, Vietnam's long-term fundamentals remain resilient, supported by strong economic and export growth, its FTSE Emerging Market upgrade and continued international investment.

The AFC Vietnam Fund remains attractively valued at just 8.2x trailing earnings and 6.5x 2026 forward earnings. While geopolitical tensions, higher oil prices, and tighter global financial conditions remain important risks, the current divergence between strong underlying fundamentals and depressed valuations continues to create an attractive opportunity for long-term investors.

In our view, the combination of continued earnings growth, structural improvements in Vietnam's capital market and exceptionally low portfolio valuations provides a compelling foundation for the Fund's long-term investment case.

Economy

Macroeconomic Indicators				
	2023	2024	2025	Aug-26
GDP	5.05%	7.00%	8.02%	8.18%
Industrial production (YoY)	3.0%	8.4%	9.2%	11.9%
FDI disbursement (USD bln)	23.2	24.8	27.6	17.3
Exports (USD bln)	355.5	404.0	475.0	374.8
Imports (USD bln)	327.5	377.0	455.0	395.3
Trade balance (USD bln)	28.0	27.0	20.0	-20.5
Retail sales (YoY)	9.60%	8.80%	9.20%	13.30%
CPI (YoY)	3.25%	3.78%	3.44%	4.45%
VND	24,261	25,488	26,293	25,974
Credit growth (YoY)	13.5%	12.0%	17.7%	9.0%
Foreign reserves (USD bln)	96	96	96	96

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

Subscription

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

Best regards,

AFC Vietnam Fund

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NAV as of 30th September 2026

NAV	3,112*
Since Inception	+211.2%*
Annualised Return	+9.3%*
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%	+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%	+3.29%	-3.7%*				-12.4%*

*According to internal estimates

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