

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 April, the Vietnamese stock market underwent a significant correction of 8% in USD terms, mirrored by the AFC Vietnam Fund's performance, which experienced a smaller decline of 4% to reach a Net Asset Value (NAV) of USD 3,038, according to our internal estimates. This notable setback was primarily attributed to several factors, including heightened geopolitical tensions surrounding the Israel-Iran conflict, a strengthening USD against most currencies, outflows of foreign investor capital, ongoing anti-corruption campaign and unsettling rumours in the domestic market.

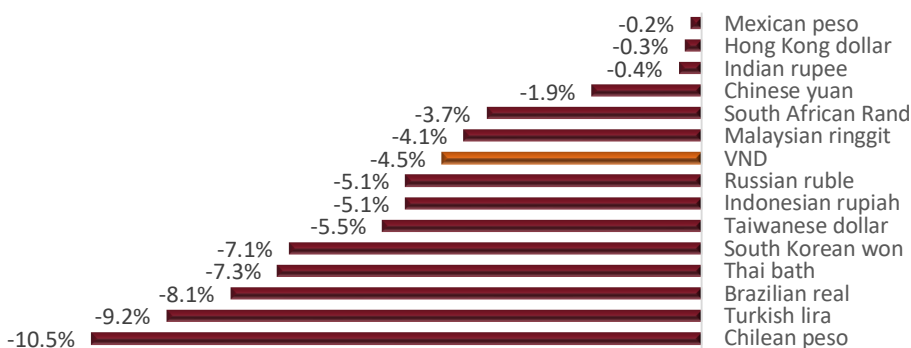
Market Developments

Global financial markets experienced a widespread sell-off in April 2024, driven by escalating geopolitical tensions between Israel and Iran, fears of supply chain disruptions increasing commodity prices, and firmer-than-expected U.S. inflation data forcing the Federal Reserve to delay interest rate cuts. This confluence of geopolitical risks, inflationary pressures, and a strengthening U.S. dollar against major currencies fueled investor risk aversion, prompting a flight to safety that exacerbated volatility across asset classes, with emerging markets bearing the brunt of the global retreat from risk assets.

The strong USD

In April, the Vietnamese Dong (VND) experienced a depreciation of around 2% against the USD, reaching a record high of VND 25,333 per USD. This depreciation was primarily driven by the strength of the USD, which surged due to continued inflationary pressures in the U.S. during April. The Federal Reserve's decision to postpone interest rate cuts further bolstered the USD, causing it to strengthen against most global currencies, including the Vietnamese Dong. According to Bloomberg data, many emerging market currencies saw sharp declines in April, with the Vietnamese Dong still outperforming many of its counterparts.

Performance to USD, year to date (%)

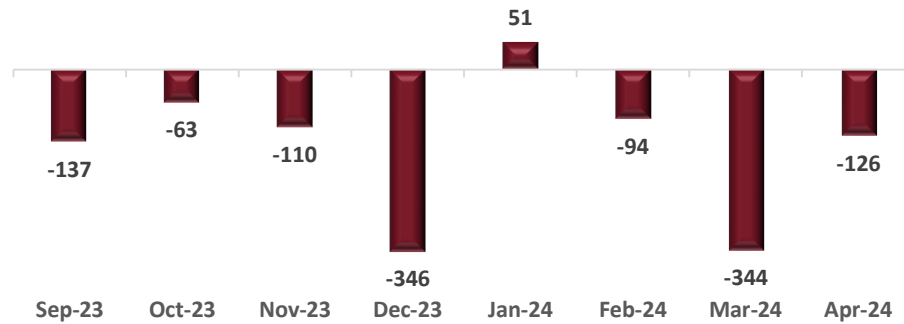


(Source: Bloomberg)

Amidst the USD's strength and the weakened VND, foreign investors aggressively sold stocks in the Vietnamese market. In April alone, the net value of stocks sold by foreign investors amounted to USD 126 m, contributing to a total year-to-date net sold value of USD 0.51 bn. This substantial selling pressure from foreign investors weakened the market benchmark and caused frustration among local individual investors.

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Net value sold by foreign investors from Sept. 2023 to April 2024 (USD m)



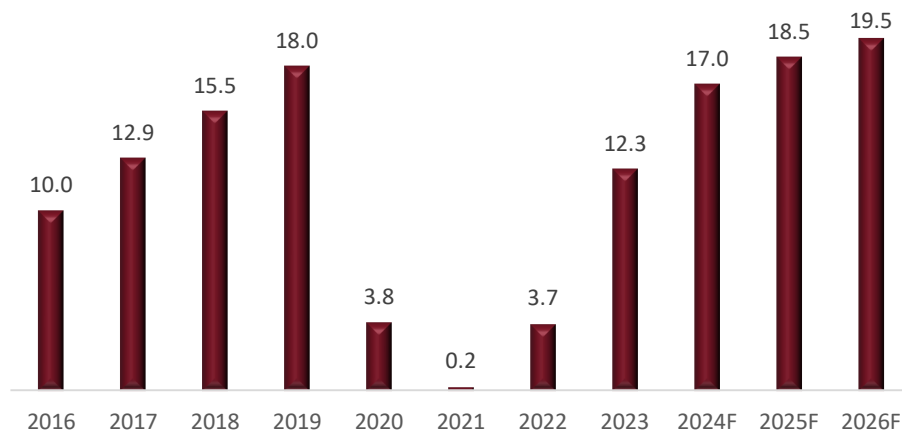
(Source: HOSE)

In our assessment, aside from the strength of the USD, VND currently exhibits robust fundamentals. Over the first four months of 2024, Vietnam achieved a solid trade surplus, totaling USD 8.4 bn, marking one of the highest levels in its history. This surplus was propelled by the vigorous recovery of Vietnamese exports, which has enabled the country to accumulate substantial foreign reserves.

Furthermore, Vietnam continued to attract a significant influx of foreign direct investment (FDI), with total registered FDI reaching USD 9.27 bn and disbursements amounting to USD 6.28 bn, representing a 7.4% increase over the first four months of the year. This trend underscores the stability and growth trajectory of FDI into Vietnam, which has remained resilient despite the challenges posed by the COVID-19 pandemic.

Another contributing factor to the strength of the VND is the remarkable turnaround in the tourism industry. During the first four months of the year, Vietnam welcomed 6.2m international visitors, generating approximately USD 6 bn in revenue, reflecting a 68.3% year-on-year increase. According to the Vietnamese Tourism Department, the total number of international visitors to Vietnam is projected to reach 18.5m by 2025, surpassing the pre-pandemic levels seen in 2019.

International tourist arrivals to Vietnam (m)



(Source: GSO, AFC Research)

Anti-corruption campaign and market rumours

The sharp decline in April was influenced by the ongoing anti-corruption campaign and the spread of rumors, notably impacting local individual investors who dominate a significant portion of the daily trading volume. Mid-April saw rumors circulating about the potential resignation of a high-ranking political party member, coinciding with the resignation of Vietnam's parliament chairman, Vuong Dinh Hue, on 26th April 2024, citing unspecified "violations and shortcomings." Hue's

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resignation came days after his assistant, Pham Thai Ha, was arrested on charges of abusing his position and power for personal gain on 21st April 2024, according to state media outlet VN Express.

In response to these challenges, we increased our cash position from 3% to approximately 16% by the end of April, aiming to leverage opportunities presented by undervalued growth stocks during market corrections. Although April did not witness a market rebound, we remain optimistic about a strong recovery in May and June, positioning ourselves to benefit from potential opportunities as market conditions improve.

The VN-Index

The VN-Index briefly retreated to its 200-day moving average intra-month but rebounded swiftly, now trading above it again. This movement signals a positive technical outlook, suggesting strength and resilience in the current market conditions.

The VN-Index is trading above its 200-day moving average



(VN Index from Jan 2019 to April 2024; Source: Bloomberg)

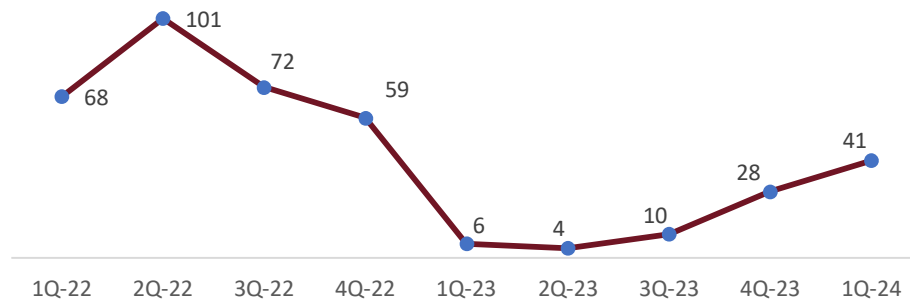
Export and consumer sectors

As highlighted in our previous reports, the AFC Vietnam Fund has maintained a strategic focus on investing in export companies and consumer stocks, particularly those with compelling turnaround stories. April saw several consumer companies reporting remarkable recoveries, reaffirming our confidence in this sector.

One such success story is Hang Xanh Corporation (HAX), a leading luxury car dealer in Vietnam, boasting a 40% market share in Mercedes vehicles. Despite facing significant challenges in 2023, when the company's profits plummeted by 85% to VND 35 bn from a previous high of VND 239 bn, we are anticipating an aggressive recovery in 2024 and beyond, particularly after we met with the CEO back in August 2023. HAX's April performance showcased remarkable growth, with before-tax profits reaching VND 41 bn, up 583% year-on-year, marking three consecutive quarters of profit growth since the second quarter of 2023. As a result, HAX's stock price increased slightly, versus an 8% backdrop of the VN-Index in April, reflecting its impressive profit performance and reinforcing our investment thesis.

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HAX quarterly before tax profit (VND bn)



(Source: HAX, AFC Research)

In addition to HAX, other export and consumer companies such as PTB (furniture exporter), VGG (clothing exporter), and MWG (Vietnam's largest retail store chain) also showcased notable turnarounds in the first quarter. These companies reported impressive pre-tax profit recoveries, with PTB +42%, VGG +95%, VNM +17%, and MWG published a remarkable turnaround result, increasing its pre-tax profit by 41.9 times! Their performance stands out against the market's growth of around 18%. Given that 2023 marked the only negative growth year for the export sector since 2009 and the consumer sector experienced only one year of negative growth due to the COVID-19 pandemic in 2021 over the past 15 years, we maintain our patience and conviction in the export and consumer sectors and anticipate these sectors to rebound and flourish soon.

Economy

Macroeconomic Indicators

	2021	2022	2023	Apr-24
GDP	2.58%	8.02%	5.05%	5.66%
Industrial production (YoY)	4.8%	7.7%	3.0%	6.0%
FDI disbursement (USD bln)	19.74	22.4	23.2	6.3
Exports (USD bln)	336.3	371.9	355.5	123.6
Imports (USD bln)	332.3	360.7	327.5	115.2
Trade balance (USD bln)	4.0	11.2	28.0	8.4
Retail sales (YoY)	-3.80%	19.80%	9.60%	8.50%
CPI (YoY)	1.89%	3.15%	3.25%	3.93%
VND	22,782	23,663	24,261	25,333
Credit growth (YoY)	13.0%	12.9%	13.5%	0.3%
Foreign reserves (USD bln)	105	90	96	96

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

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Subscription

The next subscription deadline is 27th May 2024. If you need assistance with the subscription process, please email Andreas Vogelsanger at av@asiafrontiercapital.com.

Best regards,

AFC Vietnam Fund

NAV as of 30th April 2024

NAV	3,038*
Since Inception	+203.8%*
Annualised Return	+11.3%*
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%	-4.0%*									-3.4%*

*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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