

## 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>Fund Manager</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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After January's brief correction, the stock market reverted back to its previously bullish mode, both before and after the long Tet holiday. Foreigners continued to be sellers while domestic investors easily compensated for those sales. The VN-Index rose +10.6% in February and ended just slightly below the recent high which was reached in early January 2021. Our portfolio also rose strongly and reached a new record with an estimated NAV of USD 2,450 (+ 9.3%), according to internal estimates.

### Market Developments

2021 is the Chinese Year of the Ox, which in Asia is usually seen as a positive year for stock markets. A recovery in global economic growth from the second quarter of 2021 on strong consumer growth in China and a Biden presidency heralding an era of international co-operation and investments in green infrastructure to combat climate change, could underline the positive mood.

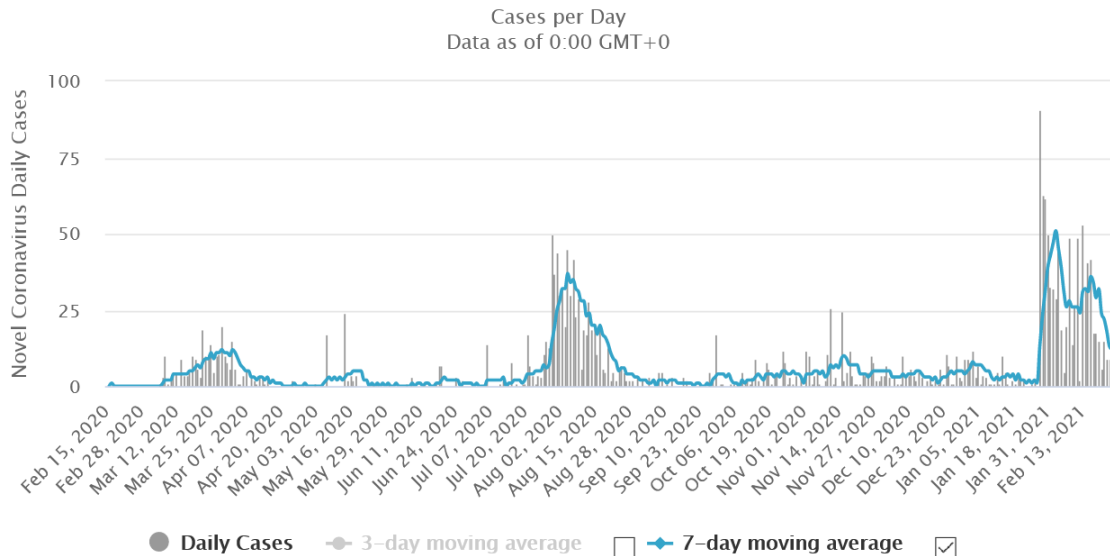


(Source: CGTN, Beijing)

Despite February being a short month with just 16 trading days because of the week-long Tet-holiday, investors appeared to be optimistic about the future outlook for Vietnam's economy and stock market. In fact, it seems that Vietnam once again has been able to contain its latest COVID-19 outbreak which unnerved politicians and investors just before the most important holiday period of the year. To keep the numbers in perspective, we speak about a country of almost 100 mln people where "outbreaks" reached a daily number of around 50 cases per day and fell to zero twice in the past, with other cases being returnees from abroad and quarantined on arrival.

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## Daily New Cases

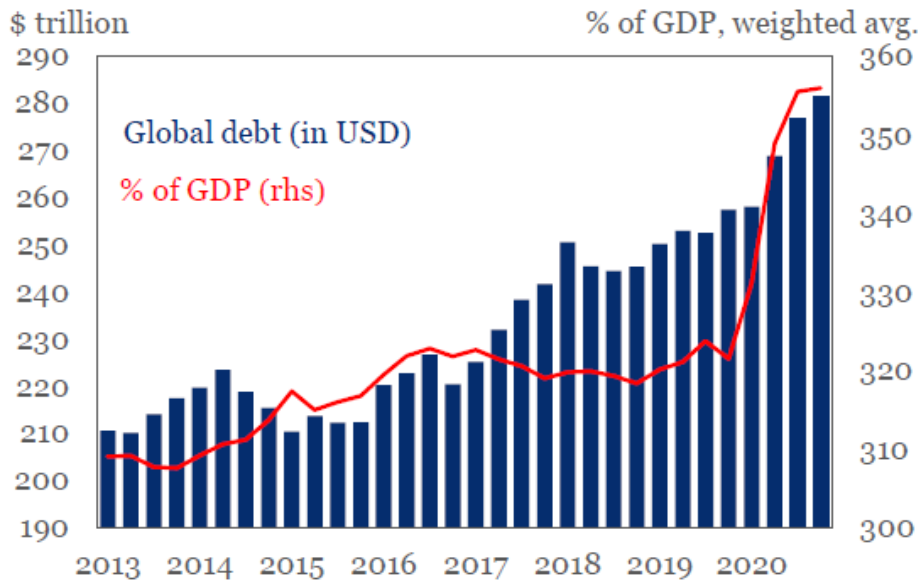


(Source: Worldometer)

This successful combatting of the pandemic also limited the negative economic impact and subsequent needed measures to support affected companies and individuals. Unlike the government spending spree of most other countries, Vietnam was even able to keep its debt level at 55.3% of GDP in 2020, compared to 63.7% in 2016.

On a global basis, the COVID-19 pandemic has added USD 24 trn to the global debt mountain over the last year, reaching a record USD 281 trn and the worldwide debt-to-GDP ratio at over 355%.

**Chart 1: Global debt hits a fresh record high in 2020**



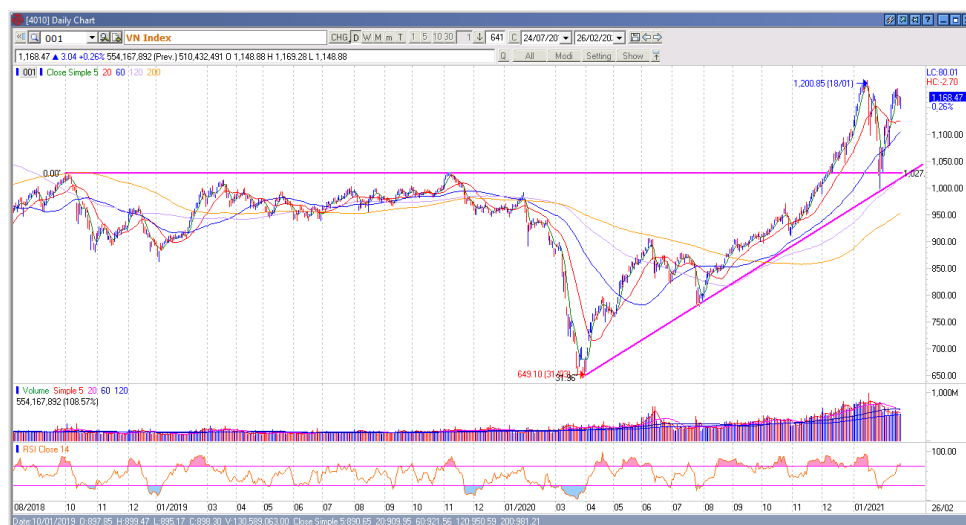
Source: IIF, BIS, IMF, National sources

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The Institute of International Finance's global debt monitor estimated government support programs had accounted for half of the rise, while global firms, banks and households added USD 5.4 trn, USD 3.9 trn and USD 2.6 trn respectively. This is a jump of 35% in the level of debt and far bigger when compared to the global financial crisis in 2008 and 2009 when debt levels increased by 10 and 15 percentage points. Going forward, Vietnam is therefore in a better position than many other countries in the region to adjust its economic policy as needed.

While there are many mid-term obstacles, such as a shortage of highly skilled workers, a need of better infrastructure, and inefficient state-owned firms, the recently re-elected party general secretary Nguyen Phu Trong reiterated the long-term goals for the country. One of the goals in its five-year economic development plan is to double the gross domestic product (GDP) by 2025 from last year's baseline. Vietnam is also looking to become a high-income country by 2045 from its current lower middle-income status. Part of the plan is more privatizations of its state-owned enterprises which will facilitate an increase in the share of private companies in the economy from the current 42% to more than 50%. Vietnam also wants to move up the value chain by attracting higher-quality foreign direct investments (FDI), focusing on FDI projects that use advanced and environmentally friendly technologies, and the use natural resources in a sustainable way. It will also target projects with competitive products that could be part of the global production network and value chain.

Despite outstanding macroeconomic data and the positive consensus about Vietnam's economic outlook from experts around the world, foreign investors are still not back in the stock market and continue to have very minimal investment exposure to Vietnam. The monthly average net selling of foreigners amounted to around USD 100 mln, which represents only around 1-2% of trading volume, but of course is not of any help for the market. Foreign institutional investors use Vietnam's not being part of any large ETF-benchmark as an "excuse" for why they are not part of this rally in such an attractive market, while domestic investors and a comparable small group of foreign funds, like us, are enjoying the ride. It remains to be seen when foreigners will return to the stock market and what the trigger will be.



(VN-Index, Aug 2018 - Feb 2021; Source: Viet Capital Securities)

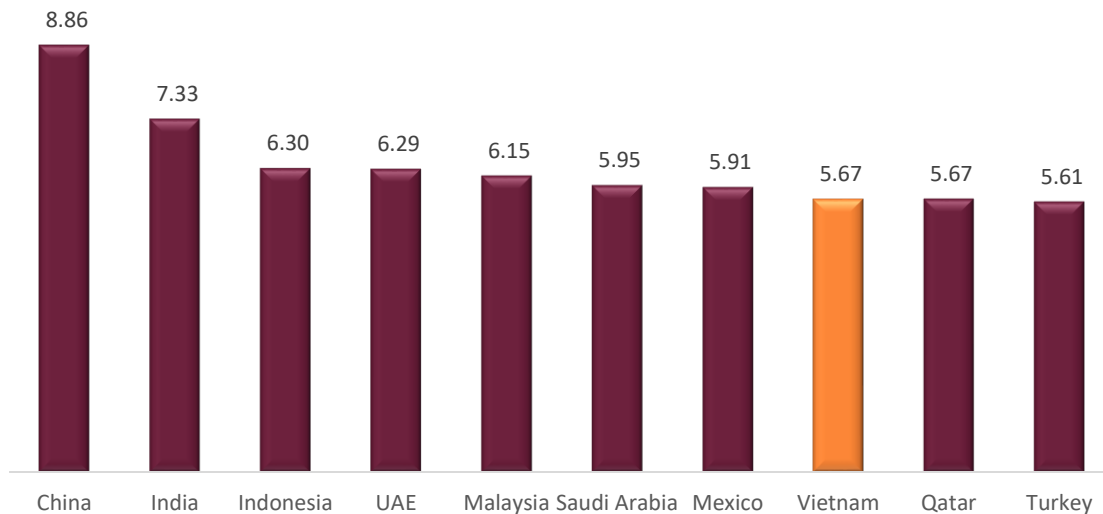
Despite global headwinds in trade, Vietnam exported USD 38.5 bln worth of goods year to date, representing a sharp increase of approximately 36.9% (USD 10 bln) YoY. Also year to date imports rose +25.3% (USD 7 bln) to USD 35.7 on a YoY basis.

### Vietnam ranked among world's top 10 emerging logistics markets

Vietnam has jumped three spots to eighth place in this year's global index of emerging logistics markets after rapidly becoming a popular and important manufacturing hub. The country had an overall score of 5.67 out of 10 in the 2021 Emerging Markets Logistics Index released by Agility, one of the world's leading logistics companies.

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Top 10 emerging logistics markets in 2021

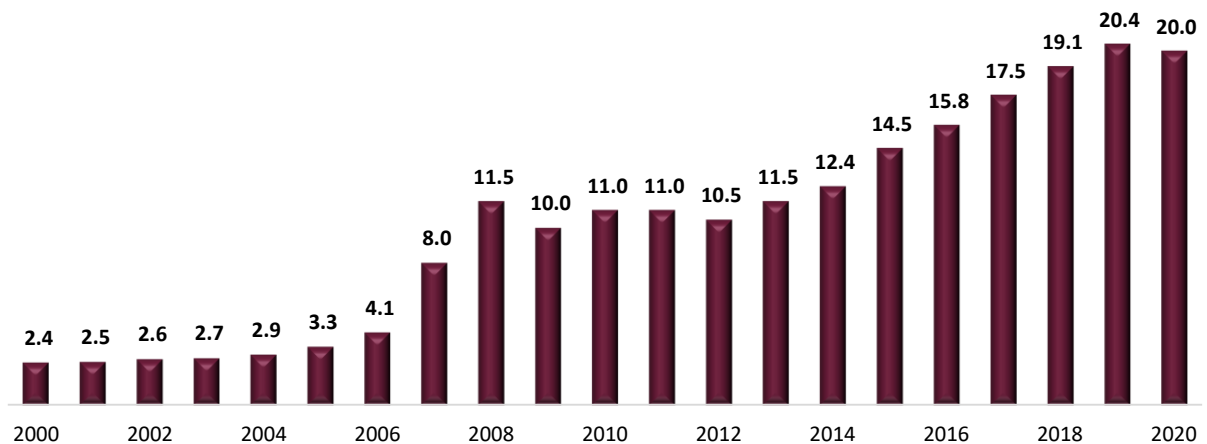


(Source: Agility)

The high rank of the Vietnamese logistics sector is a consequence of many factors such as for example:

- Geographic advantage**  
 Vietnam has more than 3,000 km of coastline with many ports. It also borders China, the world's largest manufacturing hub. Over the last few decades, the Vietnamese government focused on building and improving its infrastructure and hence built 2 important deep-water sea ports, one in Cai Mep (in the South of Vietnam) and the other one in Lach Huyen (in the North of Vietnam).
- Surging FDI over the past 20 years**  
 Vietnam successfully managed to attract substantial investments from foreign companies such as for example Samsung, LG Electronics, Apple, Microsoft, Intel, to just name a few. Often the supply chains of these global conglomerates followed them to Vietnam, which further increased the attractiveness for other companies to also establish a presence in Vietnam.

Accumulated FDI disbursement (USD bln)



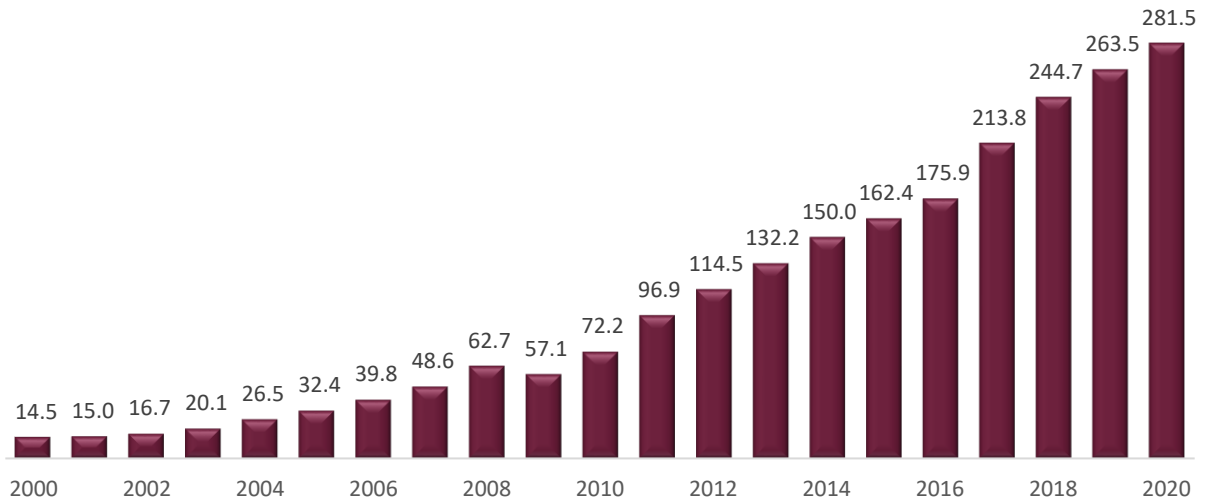
(Source: GSO, Vietstock, AFC Research)

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- Strong export growth

The strong FDI inflow supported the country's export growth over the last few decades, transforming the country's economy from one which was small and isolated into a manufacturing-based, export-oriented economy.

Export revenues (USD bln)



(Source: GSO, AFC Research)

- Free trade agreements (FTA)

Vietnam successfully positioned itself as a global manufacturing hub, and signed various FTA's over the past few years.

Vietnam Free Trade Agreements



(Source: WTO)

Often, international logistics companies try to find a local partner with a good understanding of the Vietnamese business culture and connections in order to improve domestic procedures and processes. Such an example of a successful cooperation is that of Transimex Vietnam and Ryobi Group from Japan. Ryobi Group, a Japanese conglomerate, bought, through its subsidiary in Vietnam, 20% of the shares of Transimex, which made them the largest shareholder. They then set up together one of the largest and most successful logistics centers in Ho Chi Minh City at High Tech Park in District 9.

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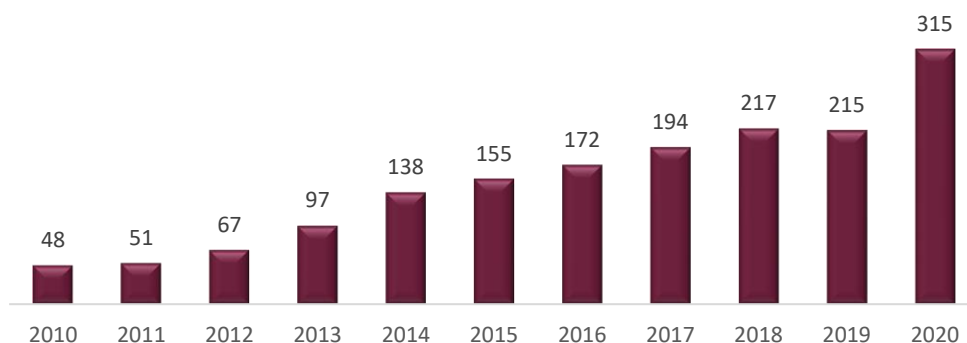
TMS logistic center at High Tech Park



(Source: AFC Research, TMS)

Over the past ten years Transimex was one of the fastest growing logistics companies in Vietnam. The revenue increased 1,340% from VND 240 bln in 2010 to VND 3,462 bln in 2020 and net profits surged from VND 48 bln in 2010 to VND 315 bln in 2020 (+556%).

TMS net profit (VND bln)



(Source: TMS, AFC Research, HOSE)

This achievement is also reflected in the stock price and we have been a happy investor in the company for many years. Given the continued positive outlook for both the sector and the company, we believe the current valuation is still very attractive and we will continue to hold our shares.

## TMS valuation

Net profit	VND 315 bln
EPS	VND 4,694
Price	VND 38,800
PER	8.3x
PB	1.1x
ROE	14.4%
ROA	8.7%

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(Transimex, 08/2017-02/2021; Source: Viet Capital Securities)

## Economy

Macroeconomic Indicators				
	2018	2019	2020	Feb-21
GDP	7.08%	7.02%	2.91%	2.91%
Industrial production (YoY)	10.2%	8.9%	3.4%	7.4%
FDI disbursement (USD bln)	19.1	20.4	20.0	2.5
Exports (USD bln)	244.7	264.2	281.5	48.6
Imports (USD bln)	237.5	253.1	262.4	47.3
Trade balance (USD bln)	7.2	11.1	19.1	1.3
Retail sales (YoY)	11.70%	11.80%	2.60%	5.49%
CPI (YoY)	3.54%	2.79%	3.23%	-0.14%
VND	23,175	23,230	23,108	23,018
Credit growth (YoY)	13.9%	12.1%	10.5%	1.1%
Foreign reserves (USD bln)	60	73	92	92

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

## Subscription

The next subscription deadline will be 25<sup>th</sup> March 2021. If you would like any assistance with the subscription process please be in touch with Andreas Vogelsanger.

Best regards,

AFC Vietnam Fund

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## Estimated NAV as of 28<sup>th</sup> February 2021

NAV	2,450*
Since Inception	+145%*
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%	+9.3%*											+7.3%*

\*According to internal calculations

*\*The Fund has appointed ACOLIN Fund Services AG, succursale Genève, 6 Cours de Rive, 1204 Geneva, Switzerland, as its Swiss Representative. NPB Neue Privat Bank AG, Limmatquai 1, 8024 Zürich, Switzerland is the Swiss Paying Agent. In Switzerland shares shall be distributed exclusively to qualified investors. The fund offering documents, articles of association and audited financial statements can be obtained free of charge from the Representative. The place of performance with respect to [shares distributed in or from Switzerland is the registered office of the Representative.*

*The fund is authorized for distribution to professional investors in Hong Kong, Japan, Singapore and the UK.*

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