

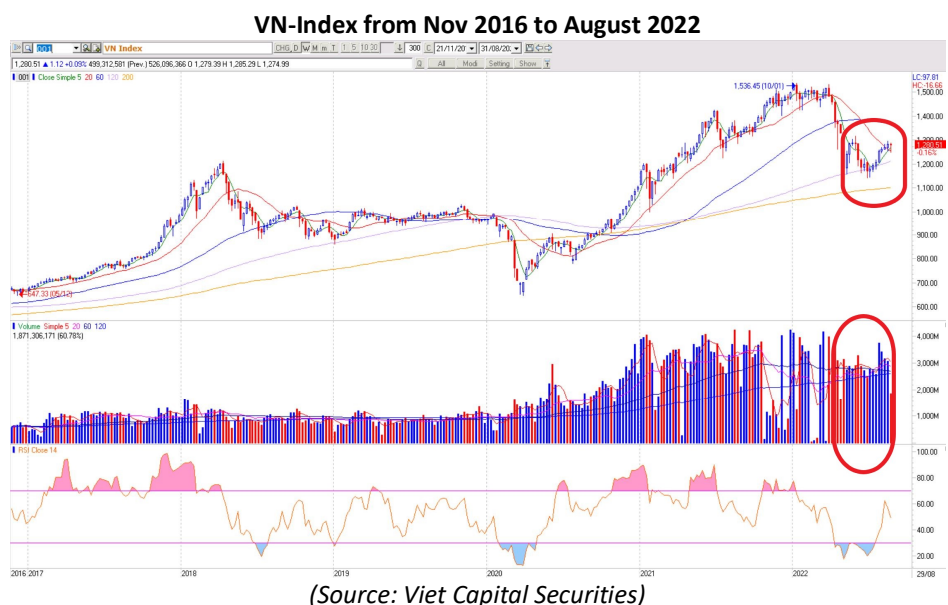
# AFC VIETNAM FUND UPDATE

<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

The Vietnamese stock market finally started to gain some momentum in August and the VN-Index increase by +6.1% on healthy volume. This positive performance was mainly driven by the still undervalued banking sector and stock brokers. Unfortunately, our portfolio couldn't keep pace with the market this month and advanced by +1.6% to an NAV of USD 3,328, according to internal estimates.

## Market Developments

As we mentioned in our last report, we believe that the VN-Index formed a bottom at the 1,200 level in July 2022 and we are very pleased to see that the market clearly is now on an uptrend on healthy volumes. The benchmark index closed the month at 1,280.51 points, +6.1% and it looks like it will continue this trend, given all the positive news, attractive valuations, and sound macro-economic numbers.



## Contact Information

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## Upwards revisions of Vietnam's economic growth forecasts

In mid-August the World Bank announced that it increased its 2022 GDP growth forecast for Vietnam to 7.5%, due to an accelerated economic recovery over the last six months on the back of resilient manufacturing and a robust rebound in services.

Only a few days later, Moody's Analytics announced that the only Asia-Pacific economy to experience a significant upward revision in 2022 is Vietnam and they increased their 2022 GDP growth forecast to an impressive 8.5%! Moody's Analytics is positive on the country's prospects as it remains a beneficiary of investment inflows redirected from policy uncertainties in China.

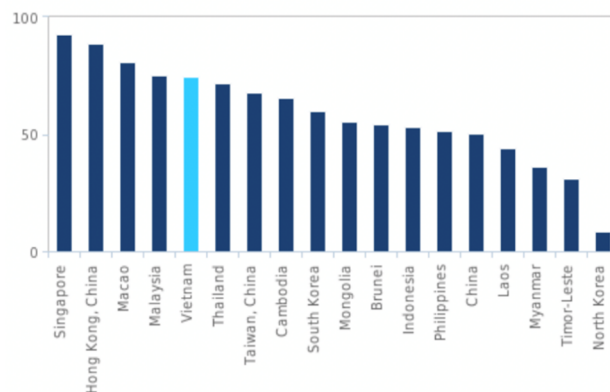
Compared to the difficult times key economies such as the US, EU, and China are facing this year, Vietnam seems to be in a very privileged situation. The Vietnamese government successfully managed to control the recent pandemic and was able to bring back the country's economic activities to pre-COVID-19 levels. Despite the current uncertainties in the global economy, Vietnam continues to be a rare beneficiary. The ongoing conflict between Russia and Ukraine and the current tensions between China and the US over Taiwan, helped to significantly increase Vietnam's exports to the US and EU.

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These tensions were also the reason why Samsung, the South Korean technology giant, decided to invest another USD 3.3bn in Vietnam to start producing semiconductor components by July 2023. But besides Samsung, U.S. chip tool maker Synopsys has also announced plans to expand in Vietnam and Apple announced plans to manufacture iPad parts in Vietnam and that its suppliers are in talks to produce the Apple Watch and MacBook in the country for the first time.

### Vietnam is fifth most open economy in Asia

In a recent report by Fitch Solutions about “economic openness”, Vietnam ranks as the fifth most open economy in Asia out of 37 nations. Economic openness assesses the risks posed to businesses and investors looking to enter the market, assessing its overall openness to foreign direct investment and its attractiveness as an investment destination compared with its regional and global peers. The Vietnamese economy was assigned a score of 74.6 out of 100, surpassing both the Asian and world averages of 49.5 and 46, respectively. Fitch Solutions wrote that Vietnam is emerging as a key manufacturing hub in the East and South East Asia region, supported by government-led economic liberalisation efforts and integration into global supply chains, through trade agreements and membership to regional and international blocs.

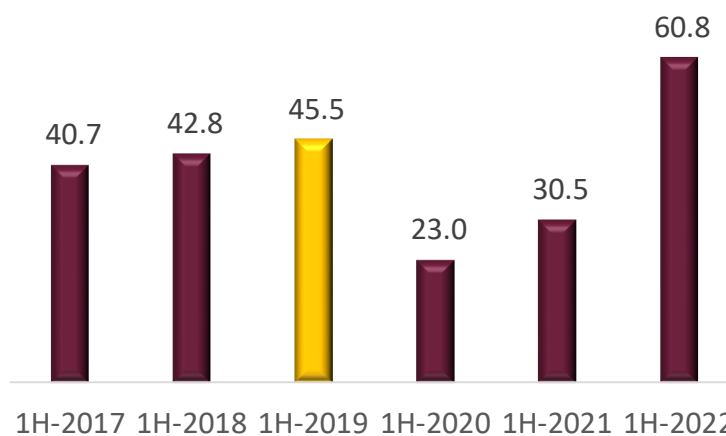


*(Fitch Solutions' economic openness scores of East and Southeast Asian markets; Source: Fitch Solutions)*

### Tourism sector is on the rebound

Tourism is an important component of Vietnam’s economic growth. International tourism is only recovering very slowly so far, but domestic tourism is booming. According to the government, the number of domestic tourists reached 60.8 million, which is 40% higher than pre-COVID-19 level (1H-2019). Even though domestic tourism doesn’t bring any USD from foreigners to the country, it nevertheless provides important support to local businesses and the economy overall.

#### Domestic tourist surpasses pre-COVID19 period (mn tourists)



*(Source: Vietnam Tourism Department, AFC Research)*

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Tourists at Sam Son Beach during Liberation Holiday 30<sup>th</sup> April 2022



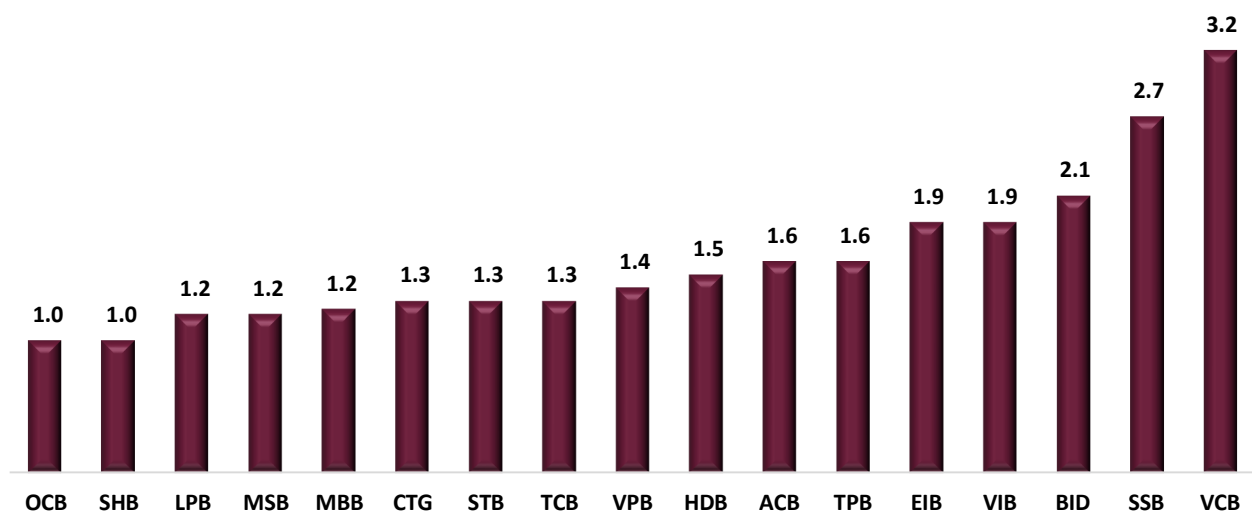
(Source: zing)

But also, international tourism is on the path of recovery and a recent report from Fitch Solutions forecasts that foreign visitors should reach around 22 million by 2026, generating revenues of around USD 13.2 billion, which would be 25% higher than pre-pandemic levels.

### Banking sector becomes attractive again

As we mentioned before, the banking sector went through a correction phase and offers now a great investment opportunity. Many banks are currently trading at around book value and forward P/E ratios of 4-5 times on 2022 earnings, which certainly looks very attractive in our view.

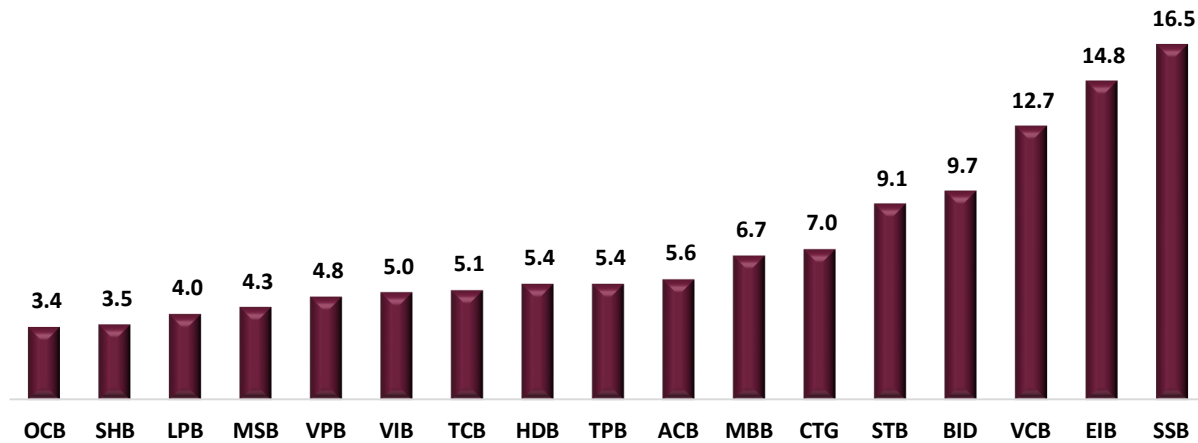
Price / Book Ratios of Vietnamese Banks



(Source: Vietstock, AFC Research)

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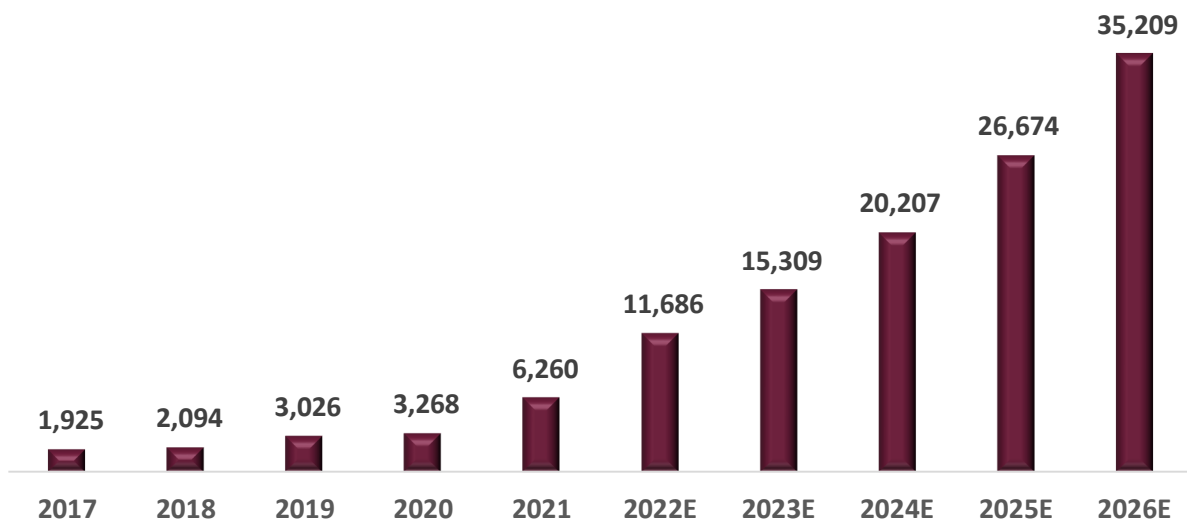
### Forward Price / Earnings Ratios of Vietnamese Banks



(Source: Vietstock, AFC Research)

Saigon Hanoi Commercial Bank (SHB) particularly stands out, given its growth potential and attractive valuation with a forward P/E ratio of 3.5x and a P/B ratio of just 1x. When we recently visited SHB in August, we were impressed by the management and its business outlook. SHB is one of the four large commercial private banks in Vietnam, with more than 500 branch offices around the country. Unlike its competitors, SHB focuses mainly on wholesale clients which contribute more than 50% of its profits. SHB offers a wide range of services, such as fund management, securities trading, retail refinance and insurance products. In the first half of 2022 the bank reported an impressive 83.6% increase in net profit but the stock price didn't reflect this great result and declined further along with the sector.

### SHB profit before tax (VND bn)



(Source: SHB 5y plan, Vietstock, AFC Research)

Although the Vietnamese banking sector has its fair share of challenges in the short term, they are certainly playing an important role in the long-term economic growth story of Vietnam and will perform accordingly. Given that a lot of these challenges seem to be priced in at current levels, we feel quite comfortable increasing our exposure to this sector.

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## Economy

Macroeconomic Indicators				
	2019	2020	2021	Aug-22
GDP	7.02%	2.91%	2.58%	6.42%
Industrial production (YoY)	8.9%	3.4%	4.8%	9.4%
FDI disbursement (USD bln)	20.4	20.0	19.7	12.8
Exports (USD bln)	264.2	281.5	336.3	250.8
Imports (USD bln)	253.1	262.4	332.3	246.8
Trade balance (USD bln)	11.1	19.1	4.0	4.0
Retail sales (YoY)	11.80%	2.60%	-3.80%	19.30%
CPI (YoY)	2.79%	3.23%	1.89%	2.58%
VND	23,230	23,108	22,782	23,460
Credit growth (YoY)	12.1%	10.5%	13.0%	9.6%
Foreign reserves (USD bln)	73	92	105	110

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

## Subscription

The next subscription deadline will be 26<sup>th</sup> September 2022. If you would like any assistance with the subscription process please be in touch with Andreas Vogelsanger.

Best regards,

AFC Vietnam Fund

# AFC VIETNAM FUND UPDATE

## Estimated NAV as of 31<sup>st</sup> August 2022

NAV	3,228*
Since Inception	+223%*
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%	+1.6%*					-6.4%*

\*According to internal estimates

*\*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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