

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
Fund Manager	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

Asia Frontier Capital Ltd.
www.asiafrontiercapital.com

Mr. Andreas Vogelsanger, CEO
Asia Frontier Capital (Vietnam) Limited
Tel: +66 84435 7472, Fax: +852 3904 1017
av@asiafrontiercapital.com

Registered Office:
c/o Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue, George Town,
Grand Cayman KY1-9005,
Cayman Islands

Hong Kong Office:
Asia Frontier Investments Limited
905, 9th Floor, Loon Kee Building
267-275 Des Voeux Road Central
Hong Kong

Markets in Vietnam were finally able to show strong gains after the government successfully contained the virus outbreak of July. While the lockdown in the epidemic hotspot Danang is still in place, new community infections are trending back to zero. Optimism about the overall economy led to a rise in the indices in Ho Chi Minh City and Hanoi of +10.4% and +16.1% respectively, with small- and mid-cap stocks recovering strongly as well. Our holdings were also mostly up strongly for the month, resulting in a gain of +8.6% (NAV USD 1,773), according to internal calculations, which is the highest value since January 2020.

Market Developments

As it was the case in the past two months, the first two weeks of August saw reasonable index gains. But unlike in June and July, the stock market finally continued its positive trend, finishing the month with healthy gains. Banks were the driving force behind the gains with some rising more than 20%, but the upward move was also supported by other sectors, although volume picked up only in the last week. So far, the market has not been able to climb back to its January 2020 level, but we are back where we were 6 months ago – we have to remember that this was just before global financial markets collapsed in response to COVID-19, at a time when just 90,000 cases were registered worldwide (currently more than 25 mln). Once again, locals dominated the market while foreigners remained net sellers.



(VN-Index 6 months; Source: Viet Capital Securities)

Market breadth turning positive



(Market breadth 6 months; Source: Stockbiz)

AFC VIETNAM FUND UPDATE

COVID-19 update

The arrival of a second wave of infections in Vietnam just before the end of July caused understandable anxiety among investors. But the immediate and decisive government actions, which have been seen in the epicenter of the outbreak, Danang and its neighboring province, Quang Nam, including a full lockdown for the whole city of Danang until now, delivered confidence to Vietnamese and foreign investors that the government will once again be able to control the pandemic successfully. Testing and contact tracing have intensified, with 57,000 people being medically monitored and quarantined, including 1,100 at hospitals, 16,000 in centralized quarantine camps, and the rest at their places of residence. As a result of the new wave of community driven infections in the Danang region, the country registered in total 1,040 infections and 32 deaths up to the morning of 31th August 2020.

Vietnam among the most attractive risk/reward profiles in the world

Whenever people (especially men) see bars with “all you can drink” campaigns, they get excited and want to participate. The same can be said right now about central banks announcing the equivalent of “free money for all” since the outbreak of the pandemic. The result from this is best seen in the US stock markets and particularly in a smaller number of US tech stocks. Western Central Bank’s debasement of their currencies has certainly helped other markets as well, but so far only to a lesser extent in Asian emerging markets. Limited financial resources of their governments and a completely different approach to opening (or more accurate “not opening”) their countries again to the world might best explain why this part of the world was an economic victim of its own success, fighting the pandemic. Interestingly enough, the majority of the Asian population supports the closure of their countries in what seems to almost be a COVID-19 paranoia, while at the same time the rest of the world tried to restart their economies by opening up - with mixed success and a resurgence of infection rates, albeit with a much lower death toll than in the first wave.

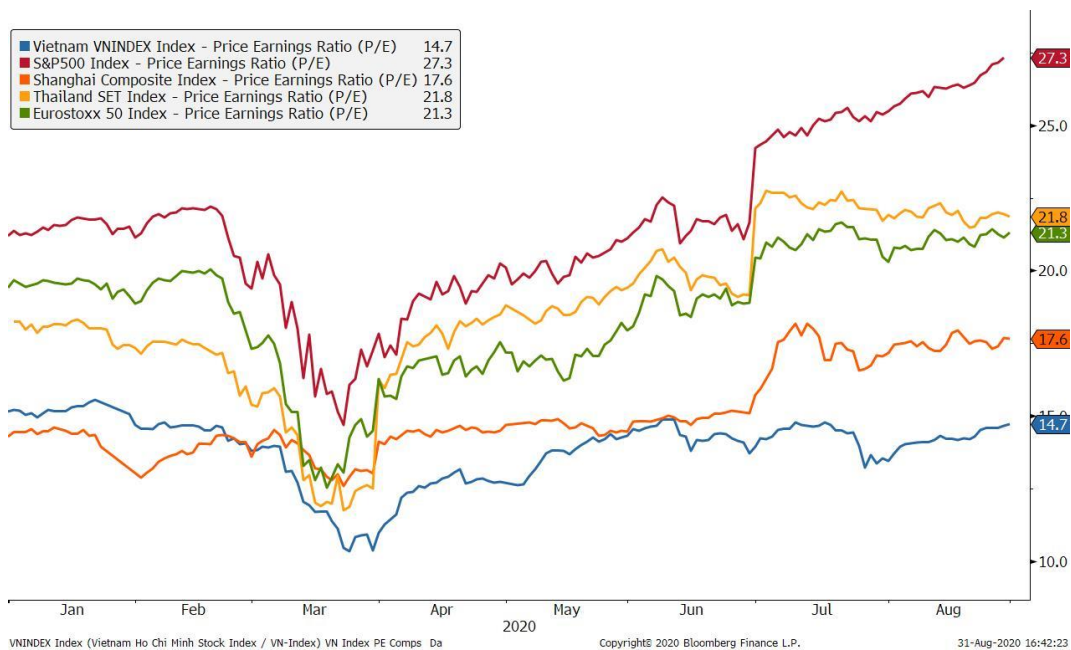
Index performance since the start of the year for China/USA/Europe/Vietnam/Thailand



(Source: Bloomberg)

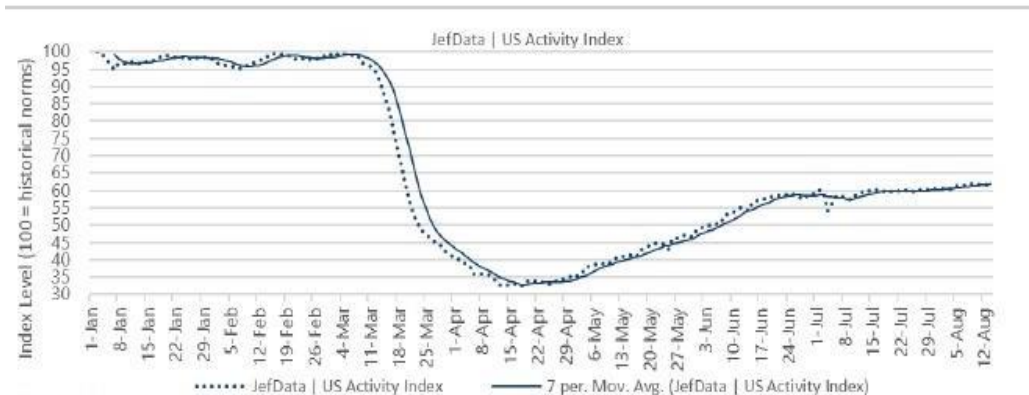
AFC VIETNAM FUND UPDATE

Index P/E's since the start of the year for China/USA/Europe/Vietnam/Thailand



(Source: Bloomberg)

As a consequence of the resurgence of greed in financial markets, US stock market valuations for example are currently far away from tracking the real economy. In Europe investors were also expecting - or hoping - for a “V”-shaped recovery, but with the momentum of economic activity running out of steam this seems to be challenging. Jefferies Financial Group has developed a weekly activity indicator based on common social and business behaviors where the current “activity” in the US is still way below the old levels from the beginning of 2020.



Source: Jefferies

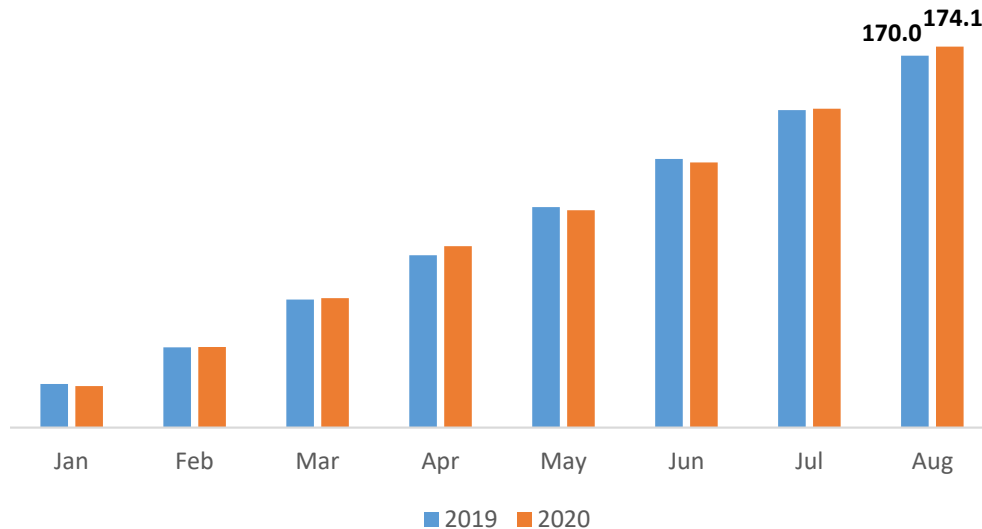
On the other hand, the economy in Vietnam is doing much better than many other nations, with main economic drivers such as the export sector already showing growth again, while most other countries are facing sharply lower trade figures. In its latest meeting in July, the government also considered public investment disbursement as a key solution to an economic recovery amid the COVID-19 pandemic. The government established seven delegations led by the prime minister, deputy prime minister and various other ministers to conduct workshops with local business and political leaders over the past five

AFC VIETNAM FUND UPDATE

weeks. The government reiterated its aim to disburse around USD 27 bln through economic support packages for infrastructure projects this year, such as the North-South Expressway, Long Thành International Airport, and Mỹ Thuận-Cần Thơ Expressway.

Vietnam looks markedly undervalued relative to other markets – both in terms of relative and absolute valuation – especially when taking into consideration its stable currency versus the USD, an expected positive 2020 GDP growth number and continued inflow of foreign direct investments into various sectors.

2019/2020 Export Numbers (USD bln)



(Source: GSO, AFC Research)

Vietnamese real estate market after the pandemic

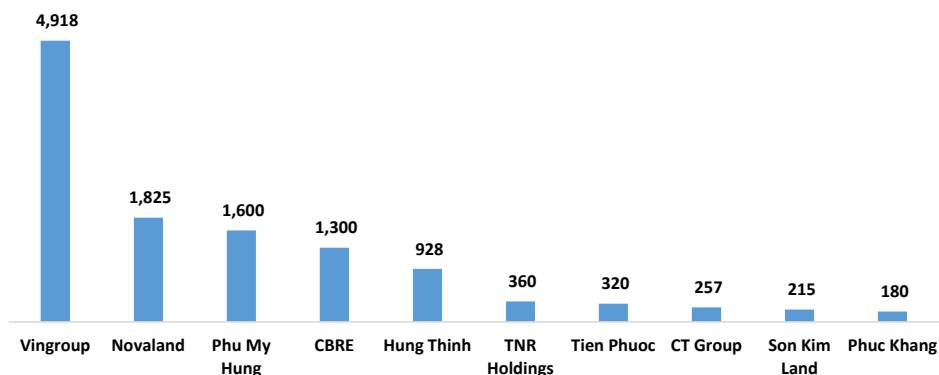
As with many other sectors, the Vietnamese real estate market was impacted by the pandemic. In April, the Vietnamese government introduced a social distancing policy in order to limit the spread of COVID-19. This had an impact on the number of traded properties in Vietnam, which declined sharply, since most people stayed at home. However, after Vietnam managed to successfully control the first wave of COVID-19 infections, the real estate market started to recover strongly. According to one of the largest real estate brokers in Ho Chi Minh City, Danh Khoi Real Estate JSC, the number of transactions for apartments in Ho Chi Minh City in 2Q 2020 jumped 54% to 2,430 units, compared to Q1 2020. Also, the Q2 2020 number of transacted houses/villas in HCMC increased by 42% compared to 1Q 2020. But despite this strong recovery, if we compare these Q2 2020 numbers to the same period one year ago, then we clearly see that we are still far away from previous levels, with transaction numbers down around 64%. This mainly has to do with the impact of COVID-19, such as social distancing rules, but also the lack of supply of new apartments and houses, since the pandemic slowed the construction progress of many projects in the city. Furthermore, the impact of Vietnam's anti-corruption campaign on the real estate sector has delayed the licensing process for many property projects.

Similar to the stock market, foreigners play only a minor role in the real estate market. Currently they own just around 16,000 apartments in Vietnam, or 2 percent of the total housing supply, which has not affected local people's opportunity to buy houses. Given the population of nearly 100 mln 16,000 apartments is a negligible number in a market like Vietnam.

From 2015 to 2020, 17 major real estate developers which include popular names like Vingroup, Novaland and Phu My Hung have sold around 12,000 property units to foreigners, 81 percent of them in Ho Chi Minh City, according to a report by the Ho Chi Minh City Real Estate Association.

AFC VIETNAM FUND UPDATE

Property units sold to foreigners 2015-2010



(Source: Ho Chi Minh City Real Estate Association, VnExpress)

Outlook and consumer behavior

We are now seeing real estate developers actively market their new projects and it seems that investors are starting to show interest again. It is interesting to note, that despite COVID-19, apartment prices are stable or even slightly higher and land prices in certain areas near HCMC have nearly doubled compared to one year ago. For example, land prices in Dong Tang Long area in District 9, Ho Chi Minh City, increased from around USD 1,000 - USD 1,200 per square meter at the end of 2019 to USD 1,800 - USD 2,000 per square meter! When we talked to a senior real estate broker with more than 15 years of experience, he explained to us this sharp price increase is due to the following:

- Vincom Group, the largest and most influential real estate developer in Vietnam, is pricing the land at their Vinhomes Grand Park project near Dong Tang Long (around 25km from the city center of HCMC) at USD 3,500 to USD 4,000/sqm.
- Land supply for residential real estate projects near HCMC is very limited. Most developers therefore rush to secure as much land reserves as they can get and hence push prices up sharply, even in suburban areas such as District 9, District Thu Duc, or Nhon Trach District in Dong Nai Province are feeling this impact.
- Due to the pandemic, the consumer behavior of high net worth buyers has changed and they are now looking to buy larger land plots to build their own villas, rather than buying luxury apartments, where population density is high.
- The average bank lending interest rate became much more attractive with current rates around 8-9% from 11-12% last year.

Vinhomes Grand Park Project

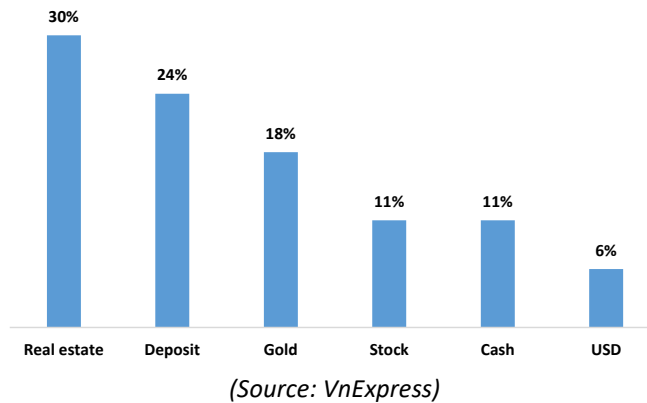


(Source: Vinhomes)

AFC VIETNAM FUND UPDATE

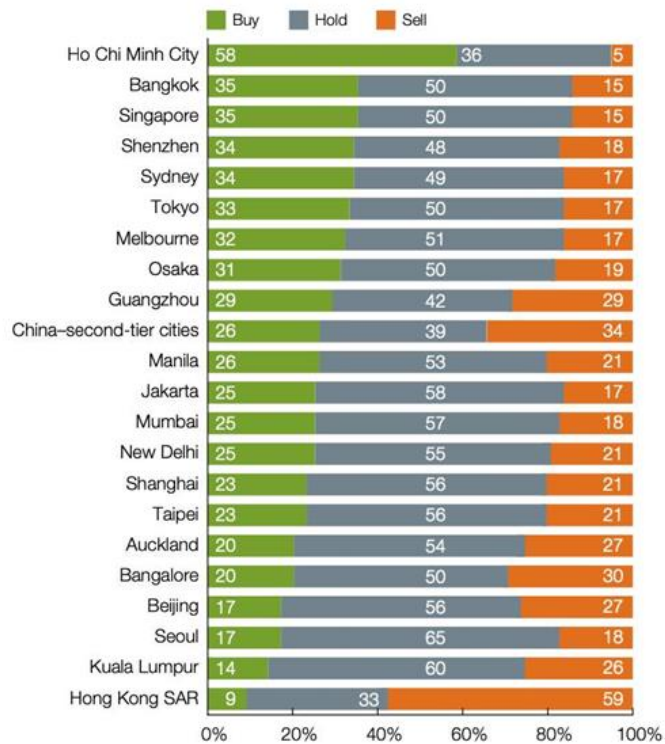
According to a recent survey by one of the most popular websites in Vietnam, Vnexpress.net, real estate is the first choice of investors in Vietnam, followed by bank deposits, gold, stocks and local VND-cash as well as USD. Experiencing waves of very high inflation in the past, USD has always been seen as an investment class on its own for Vietnamese for parking money in the short term. It therefore seems that the demand for real estate is bound to increase over the foreseeable future.

Survey by vnexpress.net (what will you invest in during COVID?)



A lot of Vietnamese people believe that “land prices never fall”, they just go up over time! Therefore, many people in the emerging middle class have a mission which is to buy some land or an apartment as soon as they can afford it. But also, the demand of foreign buyers for apartments in Ho Chi Minh City has increased sharply over the past few years. According to a survey of PwC, Ho Chi Minh City ranks number 1 among Asian Cities in terms of buying residential assets.

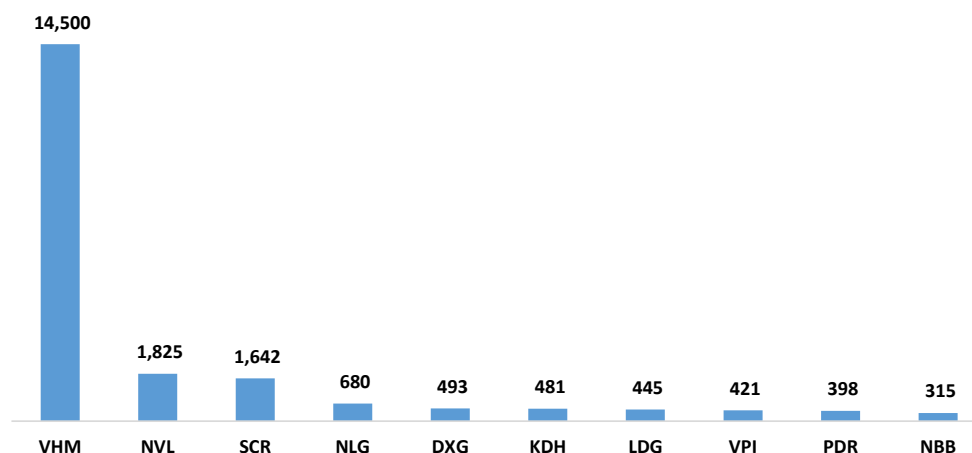
Residential assets Buy – Hold – Sell Recommendations for 2020 by City



AFC VIETNAM FUND UPDATE

We believe that the real estate sector looks attractive, especially key real estate developers with large land banks and strong financial power which will benefit the most in a booming economy over the years to come.

Land reserves in 2019 by listed real estate company (hectares)



(Source: cafef, AFC research, companies' annual reports)

Economy

Macroeconomic Indicators				
	2017	2018	2019	Aug-20
GDP	6.81%	7.08%	7.02%	1.81%
Industrial production (YoY)	9.4%	10.2%	8.9%	2.2%
FDI disbursement (USD bln)	17.5	19.1	20.4	11.4
Exports (USD bln)	213.8	244.7	264.2	174.1
Imports (USD bln)	211.1	237.5	253.1	162.2
Trade balance (USD bln)	2.7	7.2	11.1	11.9
Retail sales (YoY)	10.70%	11.70%	11.80%	-0.02%
CPI (YoY)	3.53%	3.54%	2.79%	3.96%
VND	22,755	23,175	23,230	23,175
Credit growth (YoY)	17.0%	13.9%	12.1%	3.5%
Foreign reserves (USD bln)	51	60	73	84

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

Subscription

The next subscription deadline will be 24th September 2020. 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 31st August 2020

NAV	1,773*
Since Inception	+77.3%*
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%	+8.6%*					-0.9%*

*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.

By accessing information contained herein, users are deemed to be representing and warranting that they are either a Hong Kong Professional Investor or are observing the applicable laws and regulations of their relevant jurisdictions.

DISCLAIMER

Investments in equities in Vietnam are subject to market risk, idiosyncratic risk, liquidity risk, and currency exchange rate risk. The fund may use financial derivative instruments as a part of the investment process. This document does not constitute an offer to sell, or a solicitation of an offer to buy shares in AFC Vietnam Fund. We will not make such offer or solicitation prior to the delivery of an offering memorandum, the operating agreement or articles of association, a subscription booklet, and other materials relating to the matters herein. Before making an investment decision, we advise potential investors to read these materials carefully and to consult with their tax, legal, and financial advisors. The materials have not been reviewed by the regulatory authority of any jurisdiction. Investment is open only to accredited investors as defined by the relevant legal jurisdiction of residence and/or nationality. We have compiled this information from sources we believe to be reliable, but we cannot guarantee its accuracy. We present our opinions without warranty. Past performance is no guarantee of future results. © 2020 Asia Frontier Capital Limited. All rights reserved.