

## 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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The month of August was anything but boring, having many highlights - a full lockdown in HCMC which erased all previous gains for the month in the stock market, a visit from the US Vice President to Hanoi, and a very volatile stock market which ended up +1.6% for the month. The real highlight for our investors is certainly the tremendous outperformance of the fund this month and for the whole year in an already positive year for the market. Almost all sectors we invested in saw strong interest and according to internal estimates, the NAV reached USD 3,256 which is up +8.5% from the previous month. For 2021, the NAV is so far up +42.5% versus +20.6% for the index, according to internal estimates.

### Market Developments

Continued problems containing the latest COVID-19 wave, especially in HCMC, led to a volatile month in the stock market. Early into the month sentiment was very positive despite surging cases until the government announced a strict stay-at-home order on 23<sup>rd</sup> August for HCMC; this led the index to plunge 3.3% on a single day with a record volume of USD 1.7 bln. 100,000 soldiers were deployed to ensure the logistics of giving out free food to the city's inhabitants and controlling the lockdown. Other provinces were already more successful in fighting the spread of the virus and relaxed previous stringent measures recently. Currently, the government seems to play for time in order to overcome the difficult next few months as multiple solutions to the vaccine shortage lie around the corner. Not only are increasing deliveries of vaccines from various sources arriving, but also approval for mass production of Vietnam's own developed vaccines could be imminent as well.

On the recent trip of US Vice President Kamala Harris, she talked about rising tensions in the South China Sea, with China's excessive maritime claims. But she also discussed an array of new partnerships and support for Vietnam in areas including climate change, trade and the coronavirus pandemic.



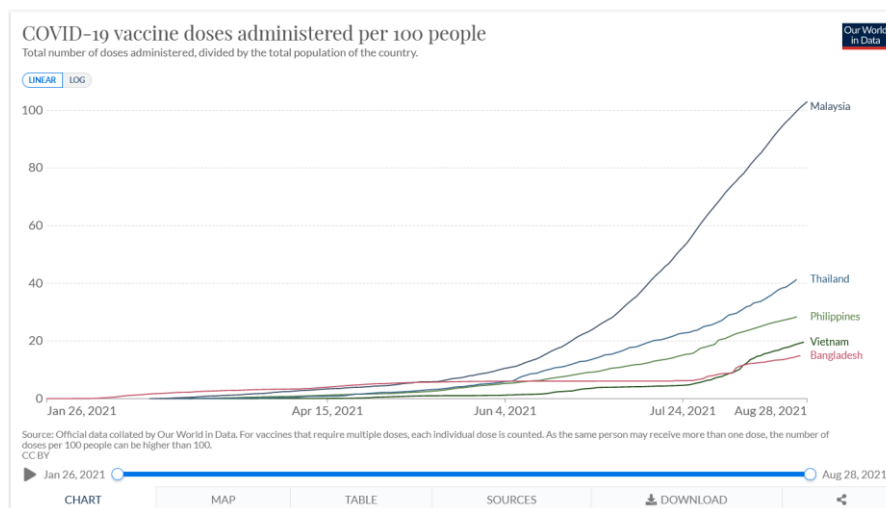
(Source: Evelyn Hockstein / Pool Photo via AP News)

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Her first trip to Asia brought her to Singapore and Vietnam only, although the trip was overshadowed by the political chaos in Afghanistan. After Singapore, a close US ally and key base for the American Navy in Southeast Asia, her visit to Vietnam shows the growing importance of Vietnam for the U.S., both politically as a strong geopolitical counterpoint to China and economically, which was also shown with her signing an agreement to lease land in Hanoi to build a new US Embassy for USD 1.2 bln.

On the same day of her arrival in Hanoi, Pfizer and BioNTech entered into an agreement with the Ministry of Health of Vietnam to provide an additional 20 mln doses of their vaccines to the country. This brings the total number of doses to 51 mln, which should be delivered this year. Additionally, 1 mln doses of the Pfizer/BioNTech vaccine arrived the next day as a gift to the country.

While Vietnam is still behind the curve for providing vaccines to its citizens at the moment, it is just six weeks behind Thailand and two months behind Malaysia. It is strongly believed that with the government's efforts and execution skills, the trajectory in the coming months will follow more the Malaysian curve than the one from Thailand. This is why one should not focus too much on the current disruptions in the economy, but rather look behind that into a strong economic recovery in 2022 with tailwinds for listed companies reported earnings.



(Source: ourworldindata.org)

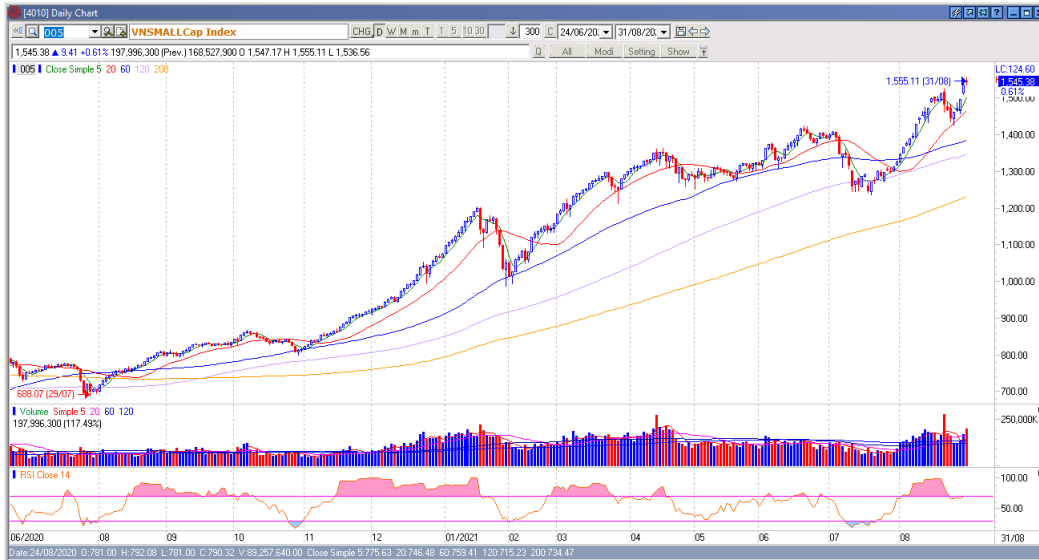
A surprising 0.8% upward move of the Vietnamese currency brings the Dong now to the small group of currencies outperforming the US Dollar this year and back to the level it was trading at in 2017.



(USD against VND, 10/2016-8/2021; Source: Financial Times)

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Other positive news came from the broader market where small caps were making a new all-time high, whereas the main index is trading water. With our portfolio concentrating on undervalued stocks in all categories from small- to mid- and large caps, we are proud of the tremendous outperformance we have achieved this year. Despite all current COVID-19 related problems and lower than possible economic and earnings growth, the market's trailing P/E is only 16x and our estimates based on next year's growth are an undemanding 14x. Even lower is the valuation of our portfolio which is currently trading on 11x trailing earnings and 9x 12 month forward estimated earnings.

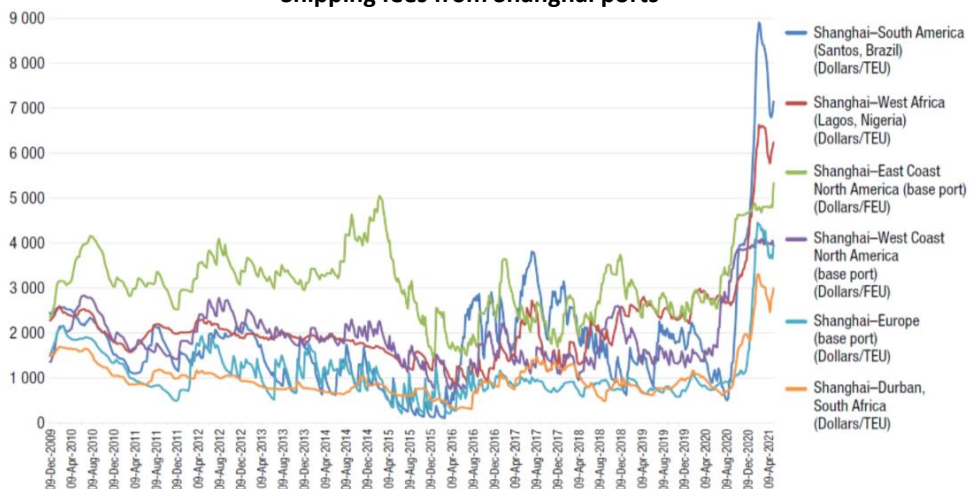


(Small Cap Index June 2020-August 2021; Source: Viet Capital Securities)

### Port stocks boom

After the boom of shipping stocks at a time when shipping fees skyrocketed, port stocks also jumped aggressively. We have mentioned the story about port stocks many times in previous reports as we see them as a main beneficiary of the Vietnamese export boom in a controlled competitive environment. Port businesses in Vietnam will also continue to benefit in the second half of 2021 with a strong increase in demand in many developed countries such as USA, Europe and UK. Meanwhile, the virus outbreak in Asian countries continued to have a negative impact on sea freight cargo handling efficiency, which created a supply and demand imbalance and therefore led to dramatic increases in shipping fees.

### Shipping fees from Shanghai ports



(Source: UNCTAD)

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In Vietnam, shipping fees also increased sharply but port fees remained almost unchanged in the first half of 2021. Since July 2021, most of the ports in Vietnam started to increase their fees due to strong demand and limited capacity. The COVID-19 outbreak in Vietnam has lengthened loading and unloading times from an average of 5 to 8 days at most of the ports. This forced many ships to line up for a long time to load and unload their cargo. Since shipping companies already benefitted from increasing shipping fees, they are willing to pay higher fees to the ports to get priority handling of their containers and many ports had already increased their fees with shipping companies for the second half of 2021 and 2022. We therefore expect their profits to increase strongly in the second half of 2021 and 2022. One of our positions, Dinh Vu Port (DVP) also benefited from this trend. DVP's stock price jumped 27% since the end of May 2021.

### DVP stock price (VND/share)



(Source: Viet Capital Securities)

Even after the recent surge in the stock price, its valuation still looks very attractive. The stock is trading at P/E of 9.5x and P/B of 1.8x. DVP is one of the most undervalued port stocks in Vietnam, with a cash balance of around USD 44 mln, which is equivalent to around 45% of its market cap and taking this cash balance into account, the P/E is only at around 6.1x.

### DVP stock information

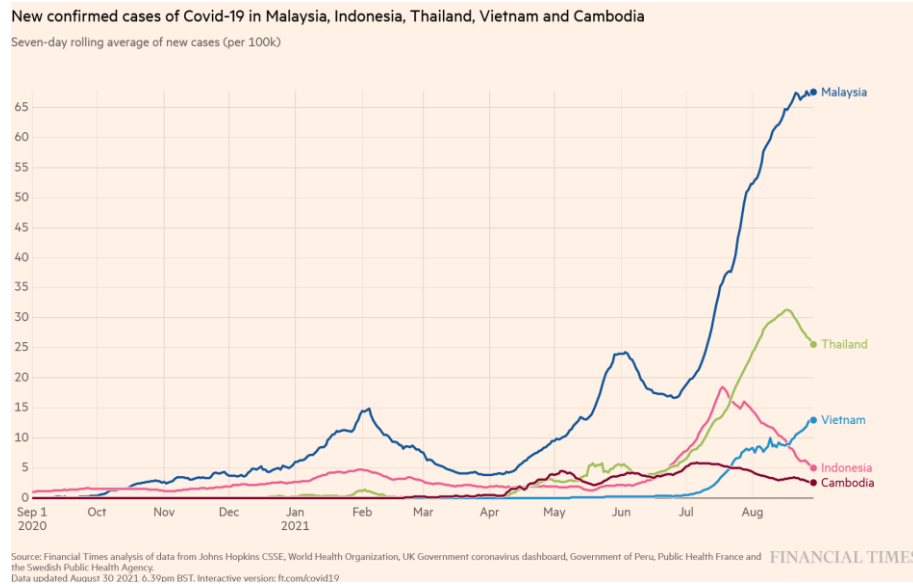
Market cap	USD mln	99
P/E	X	9.5
P/B	X	1.8
Dividend yield	%	7.2
ROE	%	18.5
Total assets	USD mln	63
Cash balance	USD mln	44
Total liabilities	USD mln	9

(Source: DVP 2Q audited financial report)

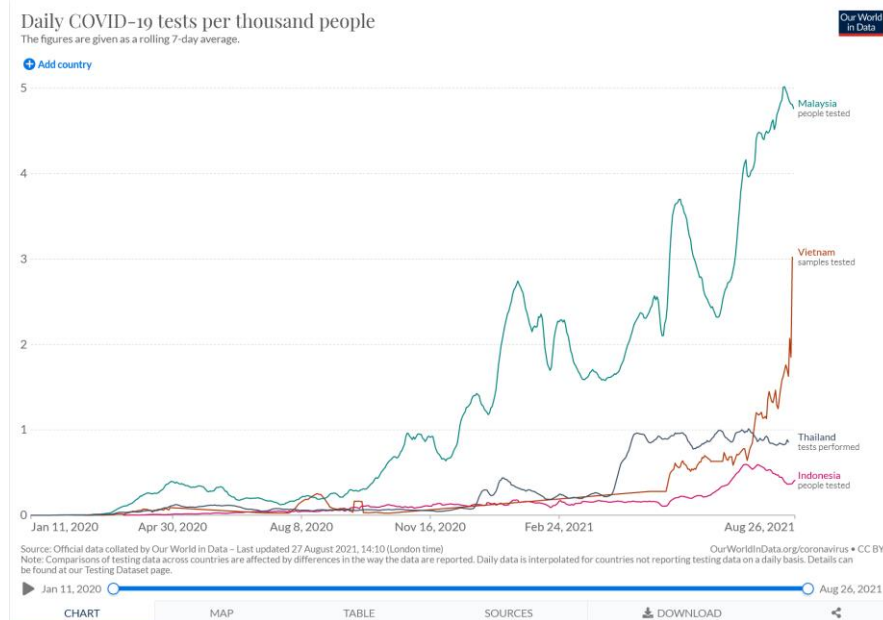
### Vietnam is close to a breakthrough with sufficient production of its own vaccines until early 2022

The COVID-19 outbreak in Vietnam is still very serious, particularly in Ho Chi Minh City and its neighboring provinces Binh Duong, Dong Nai and Long An. The total number of infections reached more than 449,000 and more than 11,000 deaths.

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But as we know from the experience in the West, the number of cases detected and getting the wave under control is strongly related to the number of tests done. While this was the weak point in Vietnam previously, they are now doing a much better job than for example Thailand. More tests also mean fewer undetected cases, and therefore the peak of the current wave is likely within reach.



The country is speeding up its vaccination program, and according to Ministry of Health, around 17% of the total population already got at least 1 dose and only 2.4% got a second dose. The reason for this slow progress is the lack of vaccine supply, but Vietnam already ordered more than 100 mln doses from many suppliers including Pfizer, Astra Zeneca, Moderna, Sinopharm, Sputnik V. However, the nation also has to line up behind other countries. Very early into the pandemic, Vietnam was developing its own vaccine candidates and it seems that this should bear fruit in the coming months. Currently, Vietnam is testing three vaccines: Nanocovax, Arct-154 and Covivac, with Nanocovax being the most promising in late Phase 3 clinical trials.

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Three kinds of vaccine are under testing in Vietnam.



(Source: Ministry of Health)

According to Nanogen Pharmaceutical Biotechnology, the producer of Nanocovax, and Ministry of Health, the phase 3A was tested on 1,000 volunteers and the result was very positive with 99.2% effectiveness. Nanocovax is a subunit vaccine (SARS-CoV-2 recombinant spike protein with aluminum adjuvant) and should cost a maximum of VND 120,000, or around USD 5. Together with a Korean partner, the vaccine should also be sold in other countries, if successful. The phase 3B is still underway with 12,000 volunteers and results should be available shortly. If phase 3B is successful, Nanocovax will be tested for a final phase 3C on up to 1 mln volunteers. After that, a successful phase 3C, Nanocovax should be approved immediately by the Ministry of Health of Vietnam. According to the company, the current production capacity is around 12 mln doses per month, but will be increased to 30-50 mln doses per month as early as September. **Mr. Tran Van Tuan, Vice Minister of Health of Vietnam, said that “We expect that Vietnam can produce enough vaccines for the whole country by the end of 2021 or beginning of 2022”.** If Vietnam can really achieve this goal, domestic demand should recover strongly in 2022, with local and probably also international tourism seeing a tremendous recovery.

### Nanocovax



(Source: vnexpress.net)

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## Economy

Macroeconomic Indicators				
	2018	2019	2020	Aug-21
GDP	7.08%	7.02%	7.30%	5.60%
Industrial production (YoY)	10.2%	8.9%	3.4%	7.9%
FDI disbursement (USD bln)	19.1	20.4	20.0	11.6
Exports (USD bln)	244.7	264.2	281.5	212.6
Imports (USD bln)	237.5	253.1	262.4	216.3
Trade balance (USD bln)	7.2	11.1	19.1	-3.7
Retail sales (YoY)	11.70%	11.80%	2.60%	-4.70%
CPI (YoY)	3.54%	2.79%	3.23%	1.79%
VND	23,175	23,230	23,108	22,782
Credit growth (YoY)	13.9%	12.1%	10.5%	6.4%
Foreign reserves (USD bln)	60	73	92	94.8

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

## Subscription

The next subscription deadline will be 24<sup>th</sup> September 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 31<sup>st</sup> August 2021

NAV	3,256*
Since Inception	+225.6%*
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%	<b>+2.37%</b>
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%	<b>+32.50%</b>
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%	<b>+4.62%</b>
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%	<b>+15.29%</b>
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%	<b>+13.33%</b>
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%	<b>-4.17%</b>
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%	<b>+0.70%</b>
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%	<b>+27.66%</b>
2021	USD	-1.89%	+9.49%	+5.84%	+1.58%	+6.37%	+8.37%	-1.30%	+8.5%*					<b>+42.5%*</b>

\*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.*

*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.*

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