

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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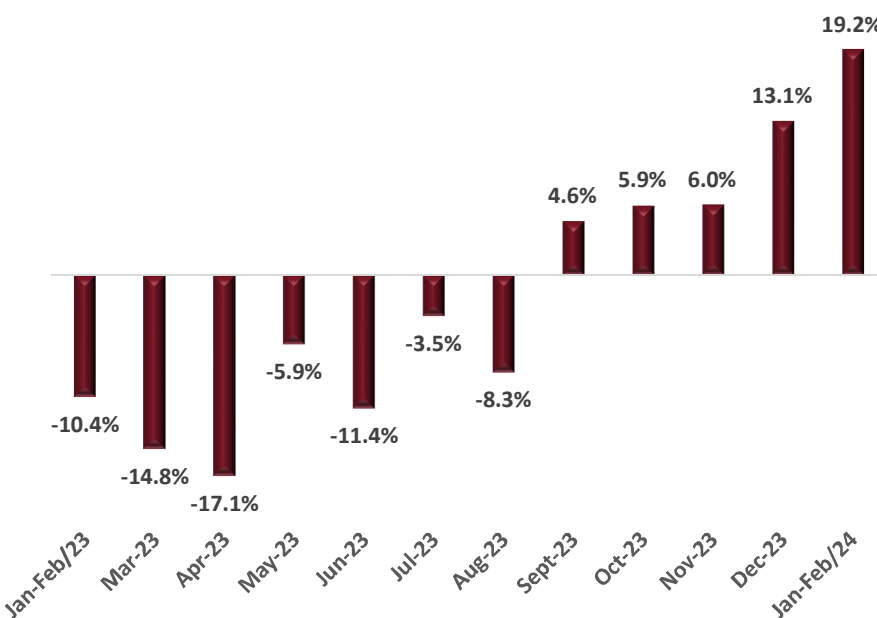
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In February, the VN-Index saw a 6.8% increase in USD terms, reaching 1,252.73 points, primarily bolstered by the impressive performance of stocks within the Vingroup family, including VIC, VHM, and VRE, as well as the banking sector. However, the AFC Vietnam Fund closed the month at +0.5%, with an estimated Net Asset Value (NAV) of USD 3,091, (according to our internal estimates), marking a period of underperformance largely attributed to its strategic choice to abstain from investing in bank stocks, as highlighted in last month's newsletter. Instead, the fund opted to allocate around 25% towards export-oriented companies, anticipating a strong recovery in 2024.

Market Developments

Our allocation in export stocks was supported by promising data from the General Statistics Office (GSO), which indicated Vietnam's export revenue experienced its fifth consecutive month of growth. During the first two months of 2024, exports reached USD 59.3 bn, a 19.2% increase compared to the same period last year. Notably, various industries, including furniture, textiles, garments, seafood, mobile phones, computers, and shoes witnessed positive growth in the first two months of the year.

Export revenue showed the fifth positive growth month

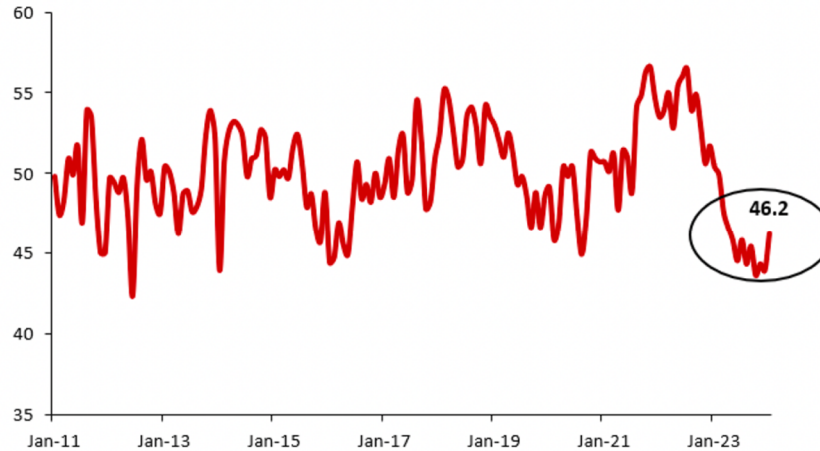


(Source: GSO)

The rationale behind the fund's confidence in export-driven companies stems from expectations of a significant surge in exports this year, buoyed by lower inflation and a robust U.S. economy, coupled with increased demand from China for Vietnamese products. Already in January we witnessed USD 4.55 bn in Vietnamese exports to China, an increase of 17.3% year on year. Additionally, the uptick in the U.S. inventory index, following its bottoming out in 2023, further reinforces optimism as consumption strengthens.

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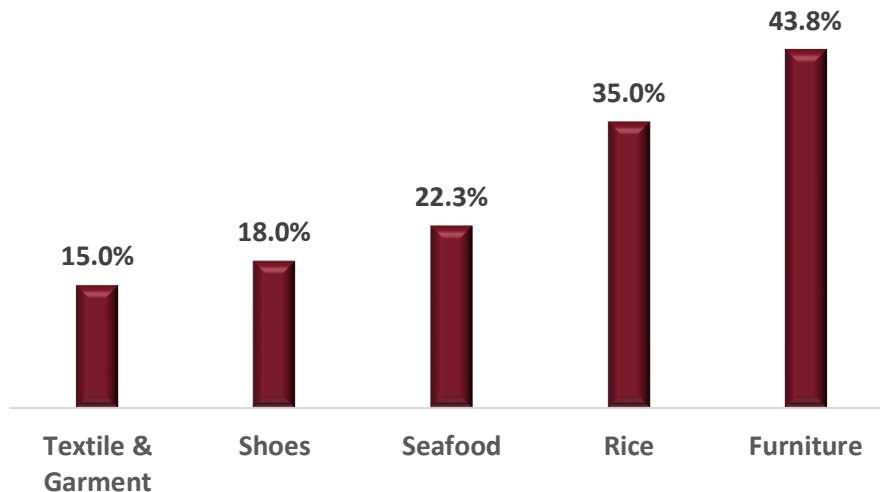
US ISM Manufacturing Inventories Index



(Source: Bloomberg)

In January, the export sector exhibited notable growth, spanning the seafood, garment, and furniture industries. Despite this positive trend, stock prices of export companies have yet to fully reflect the improved fundamentals we anticipate. However, there were standout performers among export companies, with notable revenue growth reported for the month. For instance, VHC recorded an impressive 100% increase, while TNG saw a remarkable 64% growth, and FCM also delivered a strong performance. These outstanding results across different sectors highlight the favorable conditions and growth potential within Vietnam's export market.

Export revenue growth by sector in the first 2 months of 2024



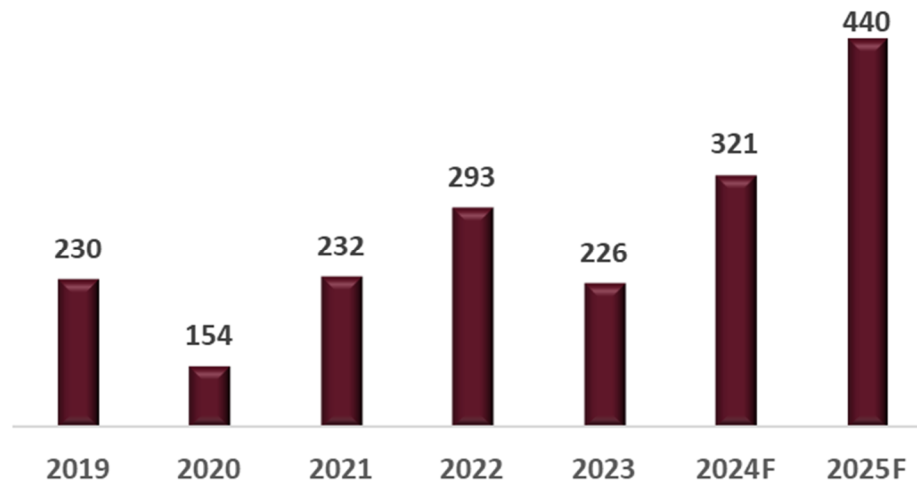
(Source: GSO, AFC Research)

TNG, Thai Nguyen Investment and Trading, is a garment producer and holds a significant position in our portfolio. The company faced challenges in 2023 due to a sharp decline in demand from the US and EU markets. Throughout the first nine months of the year, TNG experienced a continuous decrease in revenue, with signs of recovery only emerging in October 2023. Remarkably, by the end of 2023, TNG achieved record-high revenues, with a growth of 4.7% year on year. The positive momentum continued into January, with TNG's revenue soaring by over 64% compared to the previous year, marking another record high for the company in terms of January revenue.

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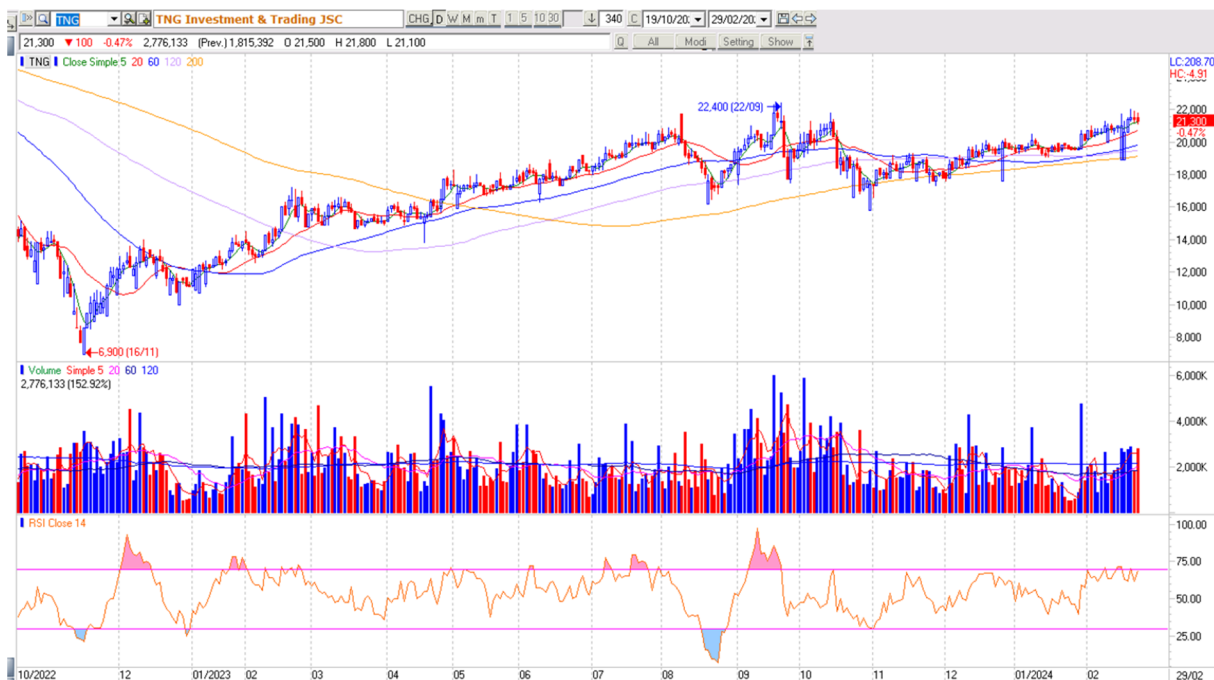
The robust recovery of TNG has been reflected in its stock price performance in the market, which increased by 6% in February, climbing from VND 20,100 to VND 21,300. Looking ahead, TNG is poised for solid growth in net profit throughout 2024 and 2025, particularly with the inauguration of its new factory. According to BIDV Securities' projections, TNG's net profit is anticipated to experience significant growth, with an expected increase of 42% to VND 321 bn in 2024, followed by a further uptick to VND 404 bn in 2025, representing a substantial growth rate of 37%. These promising forecasts underscore the positive outlook for TNG's future performance and its potential as a lucrative investment opportunity.

Net profit of TNG (VND bn)



(Source: TNG, BIDV Securities)

TNG stock price Oct. 2022 – Feb. 2024



(Source: Vietcap)

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The Year of the Dragon

Chinese zodiac fortune predictions for stock markets may offer some entertainment value, but it's important to recognize that the market's dynamics are complex and multifaceted. While there might be occasional alignments between feng shui forecasts and financial science, relying solely on feng shui for market predictions overlooks the comprehensive analysis required for successful investing. The market is constantly evolving, influenced by a myriad of factors that demand careful examination from various perspectives. While feng shui adds an interesting dimension to forecasting, seasoned investors understand the necessity of employing diverse tools and methodologies to navigate market complexities effectively. Regardless of one's belief in feng shui or traditional financial analysis, 2024 holds promising opportunities for investors in the stock market.

The Year of the Dragon, particularly a Wood Dragon year like 2024, historically holds significance for stock markets, as observed in past cycles. Associated with strength, power, good fortune, and success, the dragon symbolizes optimism for market performance. However, investors should also acknowledge the potential for increased volatility, considering the dragon's association with chaos if untamed. The stock market outlook for 2024 remains cautiously optimistic, contingent upon factors such as the US economy's trajectory, Federal Reserve policy, and global political developments. Additionally, favorable conditions in the Vietnamese market, including loose monetary policy, macroeconomic stability, and growth in real economic activity suggest a promising year for investors, particularly in the stock market. With these factors in mind, 2024 presents opportunities for investors to navigate market dynamics and capitalize on potential growth prospects.

Economy

PMI surpassed the 50 level again

January's uptick in the Purchasing Managers' Index (PMI) to above 50 (from 48.9 the previous month), signals a positive turn in Vietnam's manufacturing sector. This improvement was driven by an increase in new orders, bolstering entrepreneurs' confidence to ramp up production. The surge in demand, both domestically and from export markets, has spurred enterprises to import more materials and rehire employees. These efforts have also been buoyed by a conducive low-interest-rate environment. With lending rates down by 50% from a year ago, currently hovering around 7.5-8.0%, businesses are experiencing reduced debt burdens, fostering greater confidence to expand operations. As we progress through the Dragon year, this trend is expected to continue its upward trajectory, further bolstering economic growth and stability in Vietnam.

Vietnam's PMI surpassed 50



(Source: S&P Global PMI)

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Macroeconomic Indicators				
	2021	2022	2023	Feb-24
GDP	2.58%	8.02%	5.05%	5.05%
Industrial production (YoY)	4.8%	7.7%	3.0%	5.7%
FDI disbursement (USD bln)	19.74	22.4	23.2	2.8
Exports (USD bln)	336.3	371.9	355.5	59.3
Imports (USD bln)	332.3	360.7	327.5	54.6
Trade balance (USD bln)	4.0	11.2	28.0	4.7
Retail sales (YoY)	-3.80%	19.80%	9.60%	8.10%
CPI (YoY)	1.89%	3.15%	3.25%	3.67%
VND	22,782	23,663	24,261	24,649
Credit growth (YoY)	13.0%	12.9%	13.5%	-1.6%
Foreign reserves (USD bln)	105	90	96	96

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

Subscription

The next subscription deadline will be 25th March 2024. If you would like any assistance with the subscription process, please email Andreas Vogelsanger at av@asiafrontiercapital.com.

Best regards,

AFC Vietnam Fund

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NAV as of 29th February 2024

NAV	3,091*
Since Inception	+209.1%*
Annualised Return	+11.7%*
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%	+0.5%*											-1.7%*

*According to internal estimates

* 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.

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

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