



# VinaCapital Vietnam Opportunity Fund (VOF)

Numis Emerging Markets / Asia  
Conference 2021

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# Vietnam's unique opportunity

**97 MILLION**

POPULATION YOUNG,  
UPWARDLY MOBILE,  
SPENDING

**6.5% GDP**

2021 FORECAST,  
FASTEST GROWING IN  
REGION

**#1 FDI**

NEXT WAVE OF FDI,  
FACTORY RELOCATIONS  
OUT OF CHINA

**STABILITY**

STABLE, PRUDENT  
GOVERNMENT, ANTI-  
CORRUPTION EFFORTS

## Investment Objective

VOF's objective is to achieve **medium to long-term returns** through investment in assets either in Vietnam or in companies with a majority of their assets, operations, revenues or income in, or derived from, Vietnam.

## About VinaCapital

- Founded in 2003, today is one of Vietnam's largest independent asset managers.
- USD3.4 billion under management, across alternative and traditional assets.
- Team of 70+ investment professionals, with 70+ support and middle office staff.
- Single-country focus, invested in over 200 business in Vietnam since inception.

## Investment Philosophy

- Provides a **diversified strategy investing into public and private** equities in Vietnam.
- Delivers **superior risk-adjusted return in the medium to longer term.**
- VinaCapital is uniquely positioned thanks to:
  - **Experienced local team**
  - **Scalable operations**
  - **Leading financial brand**

# Vietnam Long-Term Growth Story Improved in 2020 !

**South China Morning Post**  
Business  
**Vietnam set to thrive on China's misery again as US, Japan goad companies to relocate manufacturing bases**

**NIKKEI ASIAN REVIEW**  
**Vietnam must turn coronavirus success into economic growth**  
Country has acquired financial and political capital in US-China trade war too

**ASIA TIMES** EST 1995  
China | Northeast Asia | Southeast Asia | South Asia | Middle East | World | Opinion | Newsletters  
**Vietnam poised to be big post-pandemic winner**  
Vietnam's 'coronavirus diplomacy'

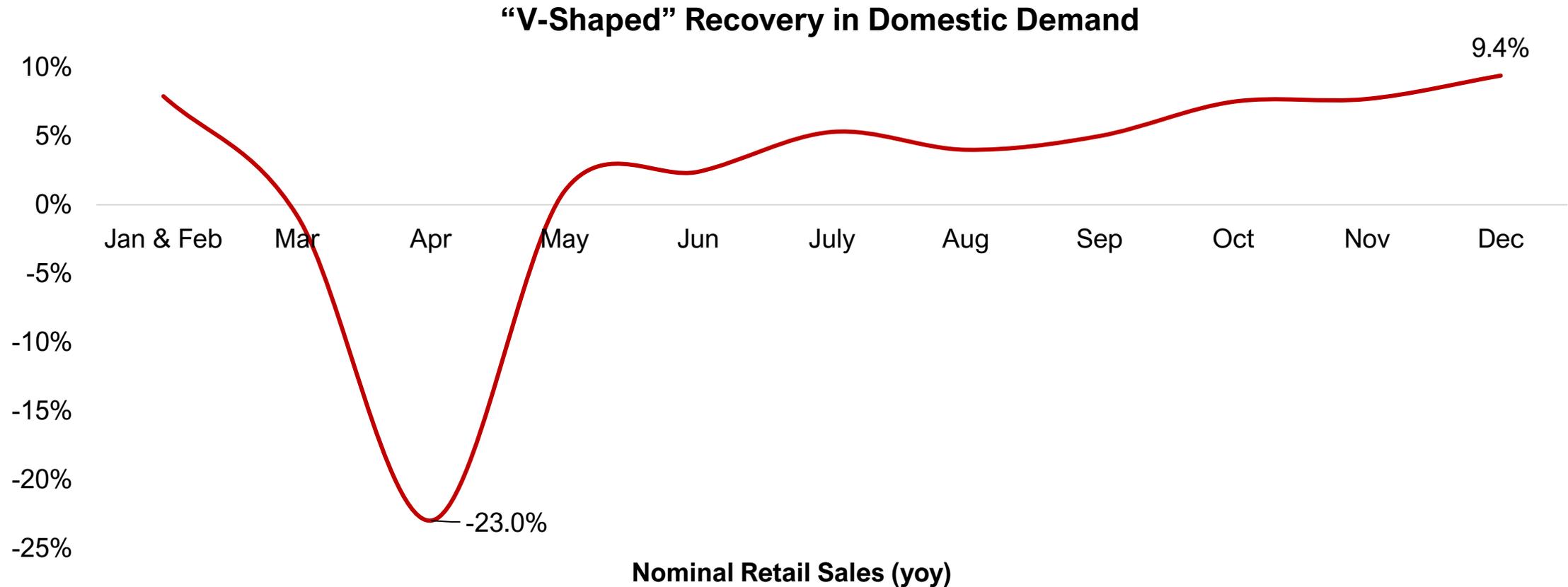
Tuesday, June 2, 2020 - 10:13:48  
**Vietnam+**  
TOPICS: Party Building | UNSC Non-Permanent Membership | Vietnam ASEAN Chairmanship Year 2020 | COVID-19 | East Sea | Climate Change | Party Building  
Languages: Tiếng Việt | English | Français | Español | 中文 | Русский  
**Vietnam to benefit from Japanese firms shifting away from China: JETRO official**  
Vietnam is a strong candidate among the alternative investment destinations as Japanese enterprises are moving away from China due to the COVID-19 pandemic, according to Hiral Shinji, Chief Representative of the Japan Trade Promotion Office in Hanoi.

**NIKKEI ASIAN REVIEW**  
**Apple to produce millions of AirPods in Vietnam amid pandemic**  
US tech giant hastens shift away from China

**REUTERS**  
**Samsung to shift some smartphone production to Vietnam due to coronavirus**

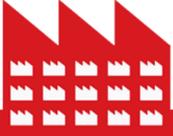
**CNBC** MARKETS BUSINESS INVESTING TECH POLITICS CNBC TV  
**Amid virus crisis and trade war, companies are increasingly looking to Vietnam, says CIO**

# Confident consumers drive domestic demand



- Vietnam Consumer Confidence, #2 in the World after India (Nielsen)
- Confidence in the Government’s handling of COVID, #1 in the World (IPSOS)

# Vietnam's next FDI wave will significantly boost GDP growth



- ▶ FDI companies will help build Vietnam's local suppliers by:
  - ✓ Second executives to Vietnamese firms
  - ✓ Transfer knowledge & Best practices
  - ✓ Long-term procurement contracts

- ▶ In the past, FDI companies built up local suppliers in:  
*Singapore, Thailand, Mexico, etc.*

- ▶ In the 1980's, 80-90% of local companies in Singapore could not meet FDI companies' procurement quality standards !



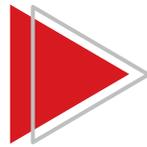
So FDI firms helped Singaporean companies improve !



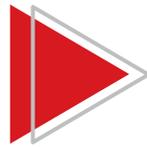
# Apple starts building a local supply chain in Vietnam



Apple will manufacture its \$350, AirPods Studio Earphone product in Vietnam



For the first time, Apple will manufacture in Vietnam before perfecting production in China

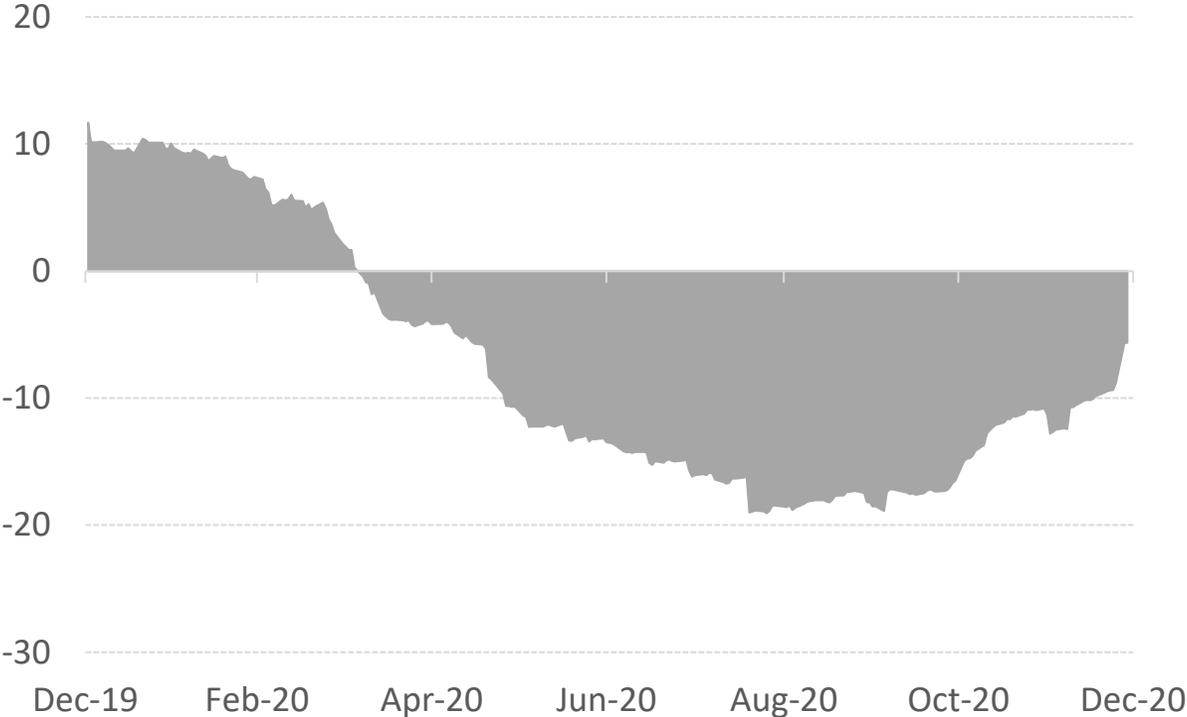


Apple is embarking on a “Multi-Year Process” to “**Create a New Cluster of Component Providers**” in Vietnam (WSJ)



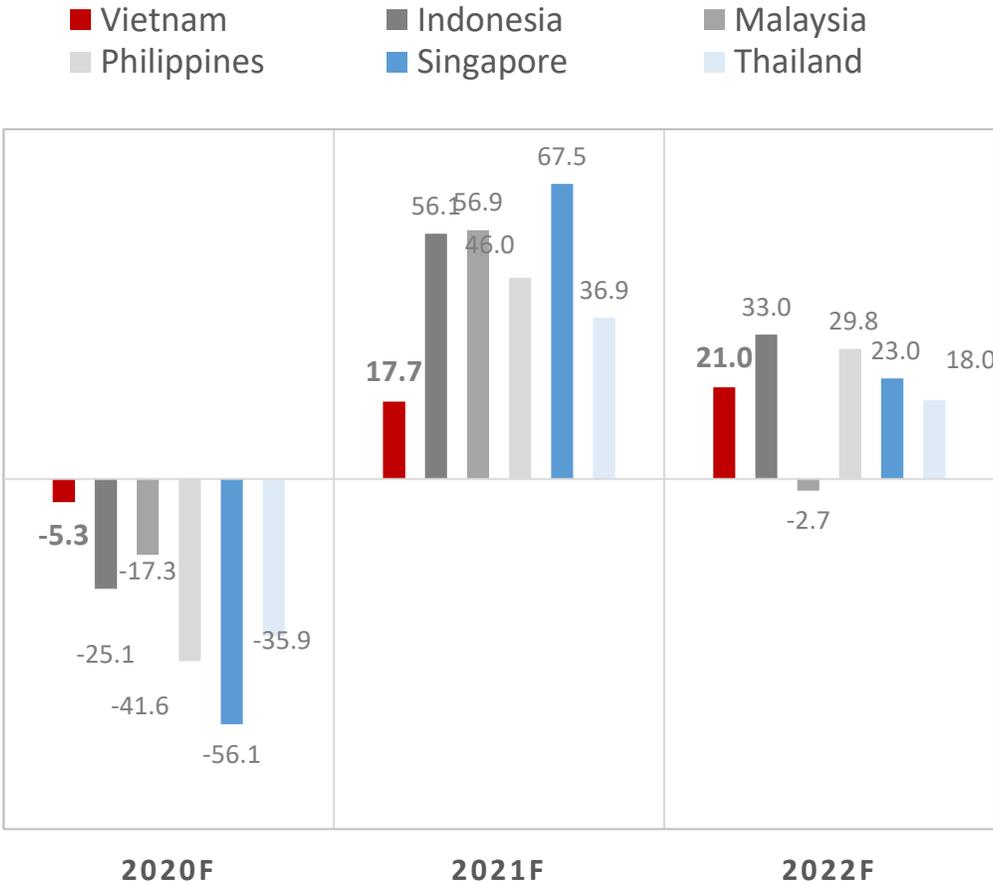
# Corporate Net Profit Growth

## Consensus net profit growth estimates for 2020



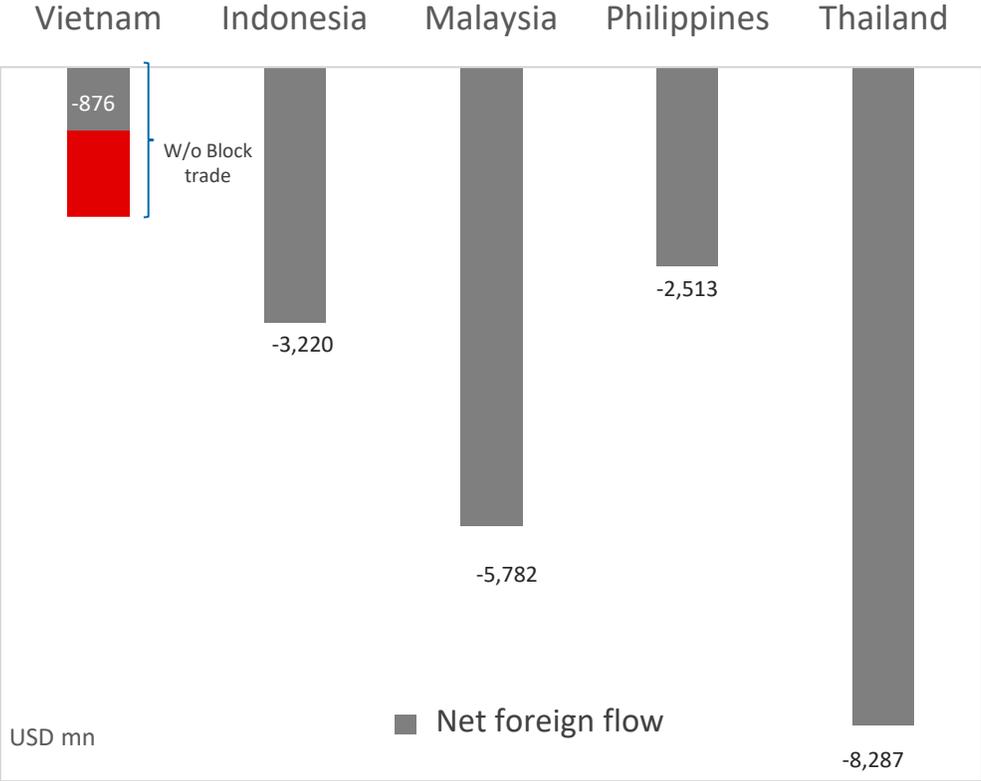
Consensus estimates has been improving from Aug 2020

## Consensus Net Profit Growth Estimates

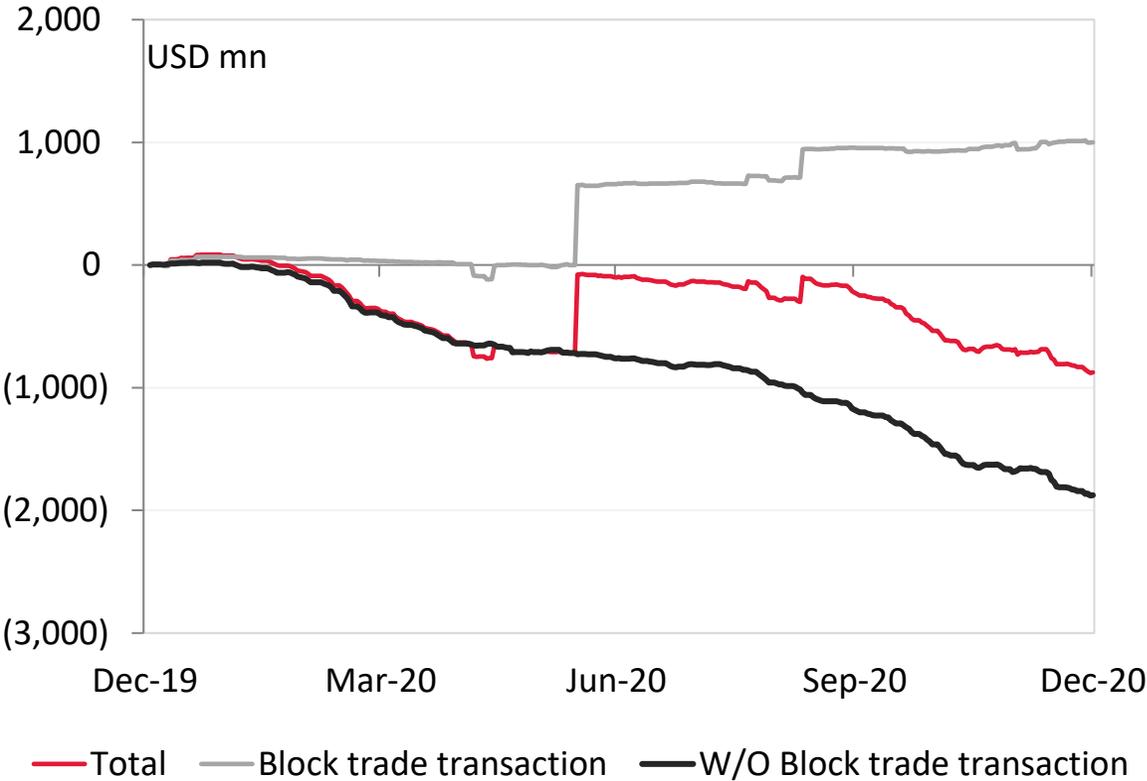


# Foreign Investor Flow

Net foreign flow in 2020

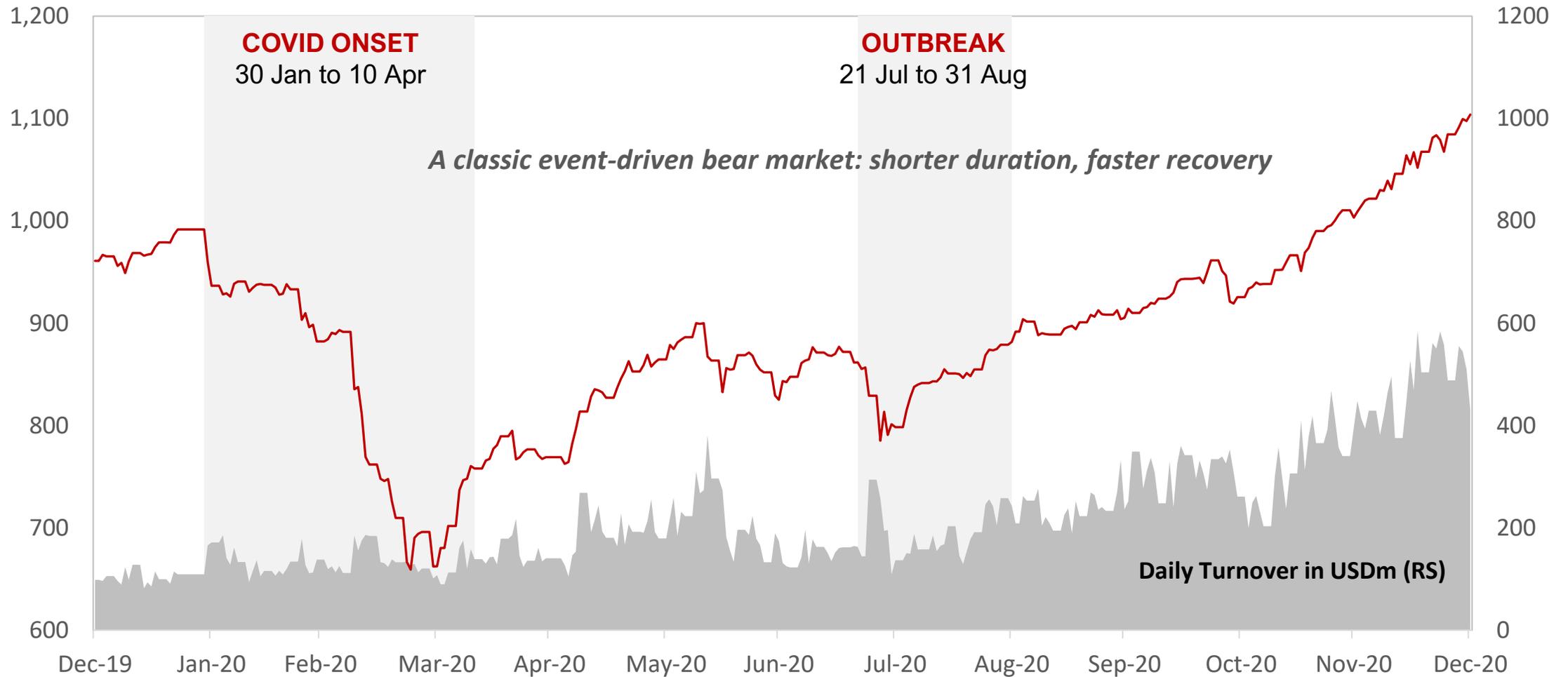


Accumulative net foreign flow into Vietnam



# VNI in 2020

## Performance of VN Index and Daily Turnover 2020

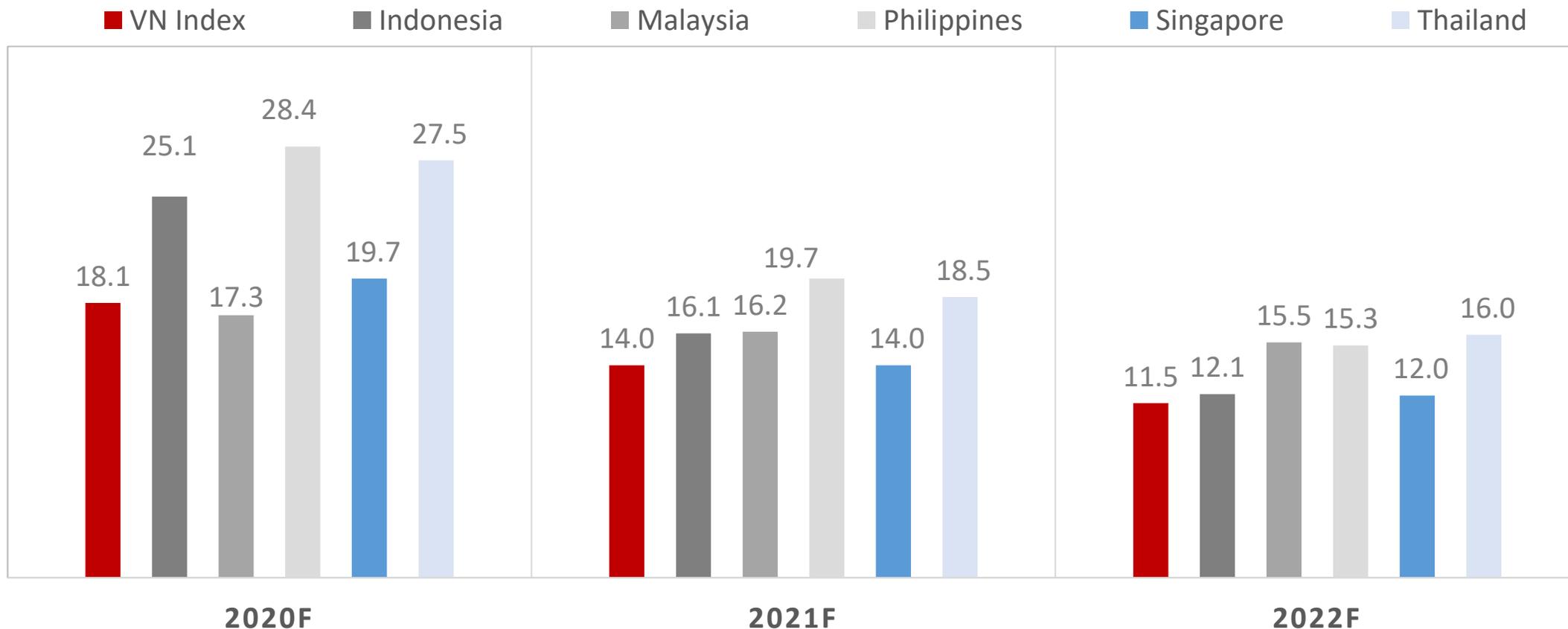


# Vietnam Market Outlook

- **For 2021: a higher VNI at year-end**
- **Key draws:**
  - Economic resiliency
  - Greater earnings certainty
  - A cheaper market
  - Low foreign investor positioning
  - MSCI upgrade watch
  - Risk-on sentiment
  - Support measures to remain
  - USD weakness

# A Cheaper Market

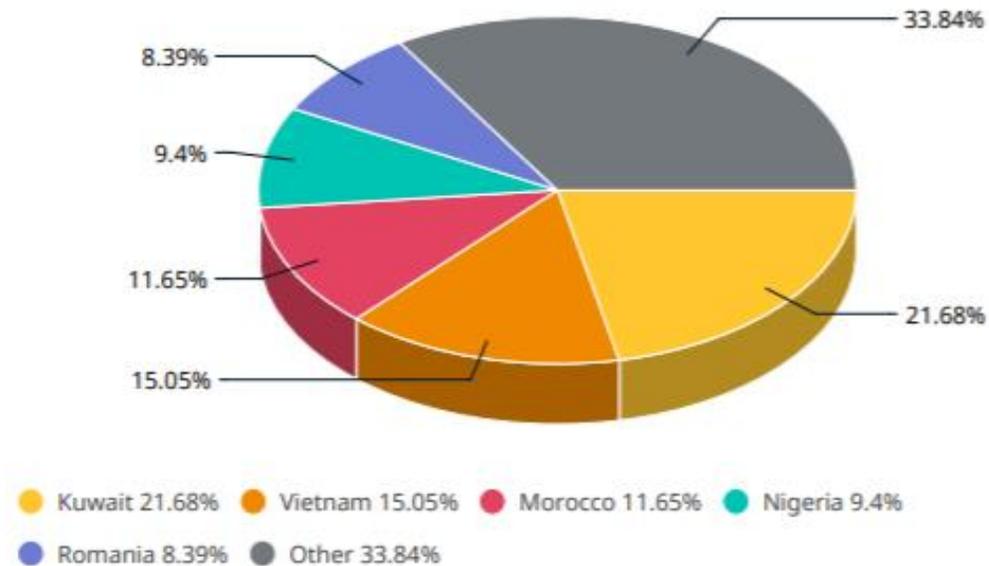
## ASEAN MARKET P/E (x)



# MSCI Upgrade Watch

## MSCI FRONTIER MARKET: Pre-Kuwait's upgrade to EM

COUNTRY WEIGHTS



- Vietnam's MSCI FM 100 weight would increase to ~29%.
- Vietnam upgrade to EM? Possibly 1H22...

# 2020: VOF Performance Highlights

**\$1.1 BILLION**

NAV 31 DEC 2020  
\$6.29 PER SHARE<sup>1</sup>

**+27%**

NAV TOTAL RETURN  
(VN INDEX +17.5%)<sup>2</sup>

**\$50 MILLION**

SHARE BUYBACK<sup>3</sup>  
DISCOUNT <8%

**11CENTS**

DIVIDEND PAID  
ANNUAL YIELD 2%<sup>4</sup>

1. Total NAV and NAV per share, USD terms

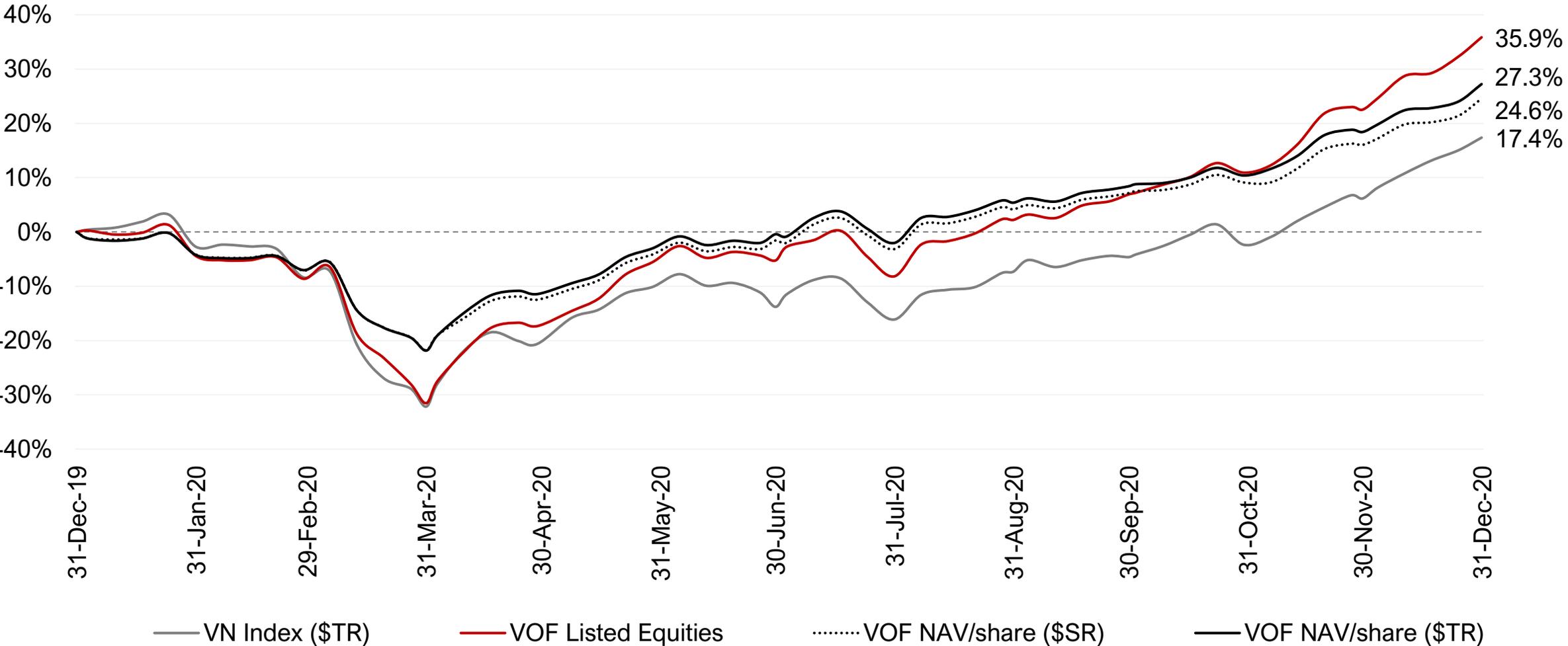
2. Source: Bloomberg. VN Index total returns, NAV per share total return, USD terms.

3. Total amount spent on share buybacks for FY2020, to acquire 8.7 million shares

4. Annual dividend paid 11 US cents (5.5 US cents paid semi-annually). Annual dividend yield represents 2.0% on share price at 31 December 2020.

# VOF delivers long term outperformance

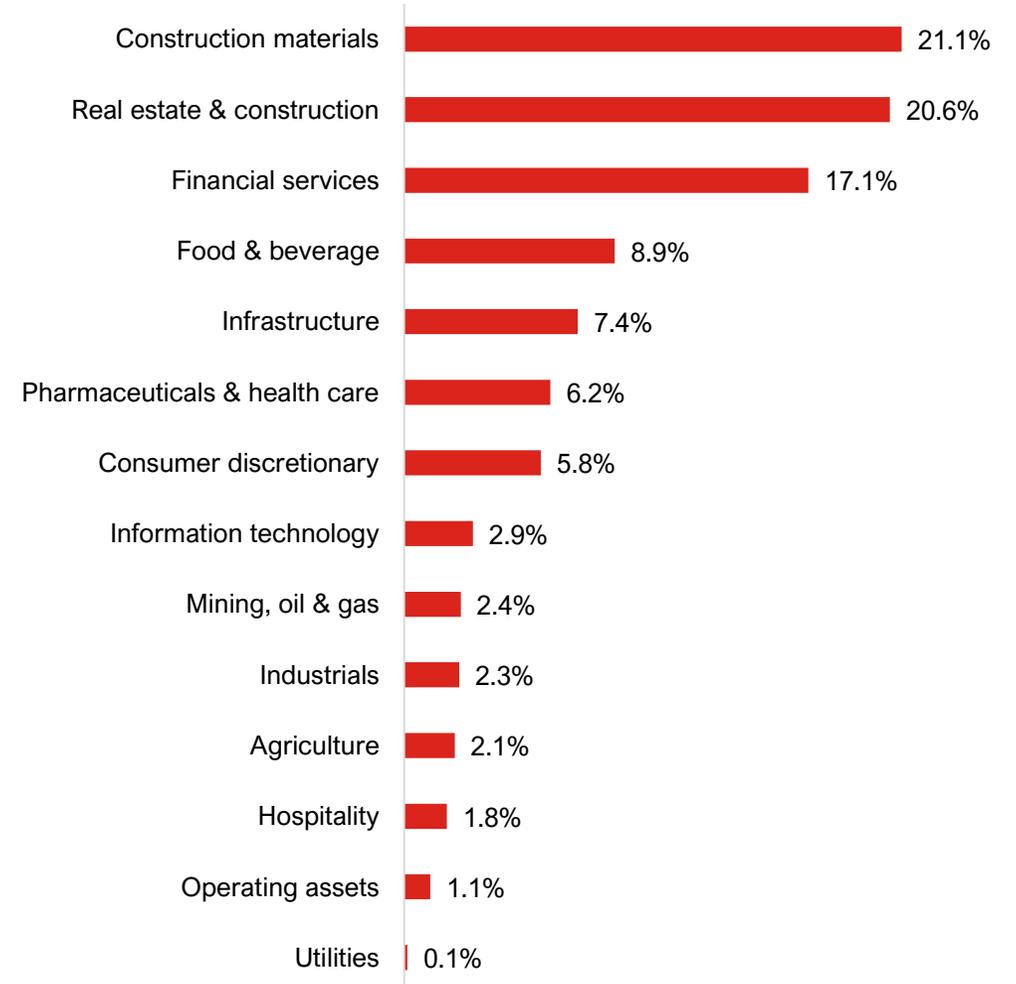
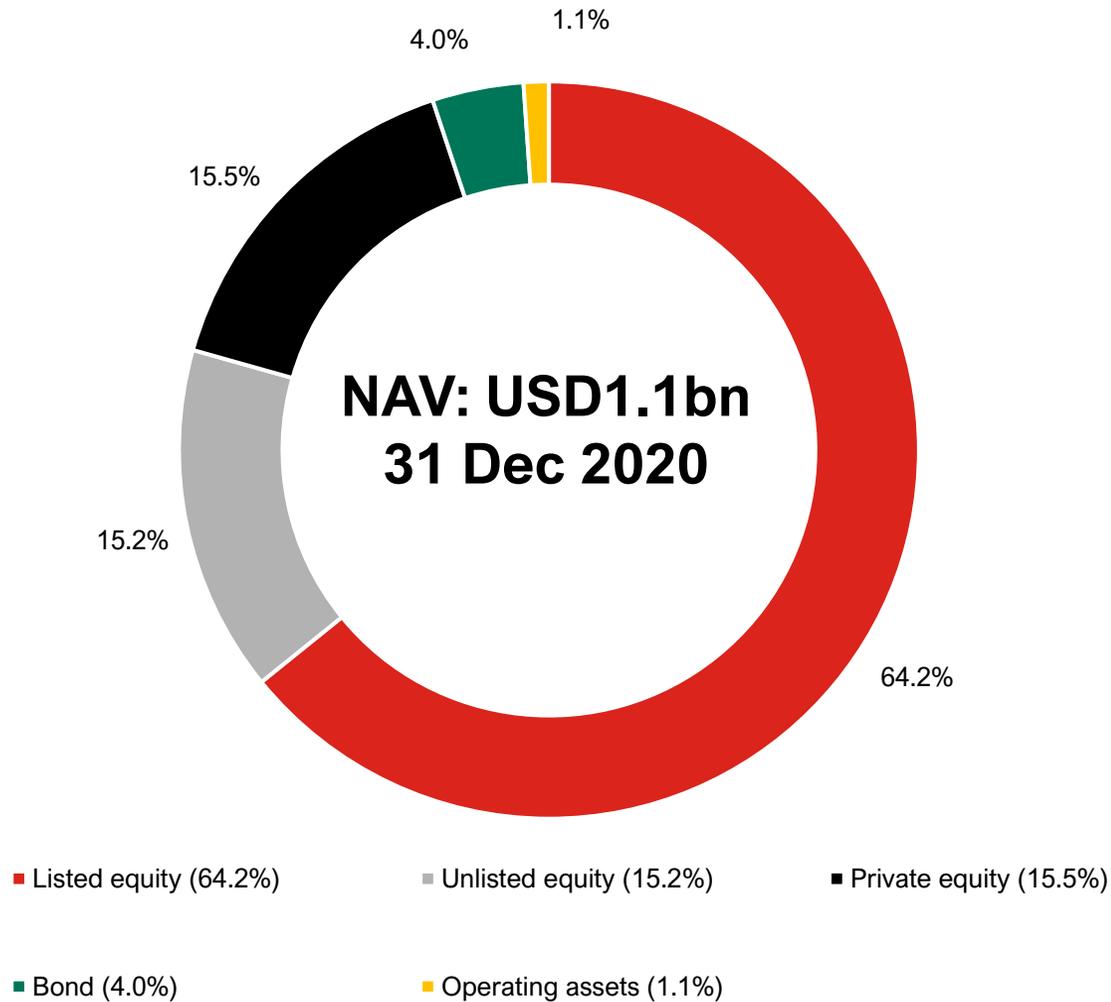
2020 VOF performance vs. VN Index (%)



1. Source: Bloomberg, VinaCapital, USD terms, total return basis (%), to 31 December 2020.



# VOF portfolio and Sector Allocation



# Private Equity: significant transactions during FY2020

**PE: Ngoc Nghia USD21.4m**



**PE: Thu Cuc International General Hospital USD26.2m**



**PE: Petrolimex Aviation USD8.5m**



**PE: IN Holdings USD25.4m**



# Public Equity: A concentrated portfolio of high-quality companies

New names initiated...



Vietcombank



...while others sold



# Top holdings: Public Equity

Top 10 Public Equity Holdings		Sector	NAV USDm	%NAV
1	Hoa Phat Group (HPG)	Construction Materials	194.9	18.2%
2	Khang Dien House (KDH)	Real Estate and Construction	96.9	9.0%
3	Airports Corporation of Vietnam (ACV)	Infrastructure	76.9	7.2%
4	Phu Nhuan Jewelry (PNJ)	Consumer Discretionary	54.2	5.1%
5	Asia Commercial Bank (ACB)	Financials Services	54.1	5.0%
6	Eximbank (EIB)	Financials Services	50.9	4.8%
7	Orient Commercial Bank (OCB)	Financial Services	40.8	3.8%
8	Vinamilk (VNM)	Food and Beverage	40.3	3.8%
9	Quang Ngai Sugar (QNS)	Food and Beverage	39.8	3.7%
10	Vinhomes (VHM)	Real Estate and Construction	37.7	3.5%
<b>Total</b>			<b>686.4</b>	<b>64.0%</b>

# Recap: VOF's investment strategy

## 01 Growth Capital

- Capital to support expansion and growth
- Sectors benefitting from the growing domestic economy
- Long term investment horizon, excess returns to market

## 02 Minority Protections

- Volatility and weak corporate governance is pervasive
- Downside protections coupled with clear exit mechanisms
- Due diligence rights (on listed equities too), performance commitments, minority protections

## 03 Active Investing

- Actively engage, provide access to expertise
- Participate at the board and/or managerial level to enhance growth and shareholder value.

## 04 Sell Discipline

- Large stakes in companies to command an exit premium
- International buyers: strategic or financial investors, bankers
- Exit when below minimum targeted return or dilute the performance of the underlying portfolio

# VOF's Private Equity approach to investing



# Environmental, Social and Governance factors into our investment process

13% of Asia-Pacific investors incorporate ESG factors into their decisions or take concrete actions to improve their portfolio's ESG performance



VinaCapital is a signatory to the UN's Principles for Responsible Investing



Private investments follow the ESG evaluation and assessment framework set by the IFC / World Bank



We focus on 2 areas of sustainability:  
1. Water management  
2. Clean energy



# Risks, opportunities and resiliency

## Exogenous Risks:

- COVID-related issues (global 2<sup>nd</sup> wave; virus mutation; vaccine rollout)
- Geopolitical tensions
- Leadership or political transition

## Endogenous Risks:

- Access to vaccines, or a new COVID outbreak
- Sector-specific risks
- Slow progress on key economic decisions & policies
- Slower domestic economic growth

## Opportunities:

- Investing into future leaders
- Access to a deep pipeline of deals
- Strong domestic economy and consumer

## Resiliency:

- Local economy and businesses
- Quality of VOF's portfolio
- Earnings forecast higher than market

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