

VVF is an actively managed UCITS-compliant fund that invests in equities and equity-related securities of companies that are based in Vietnam, with an objective to deliver long-term capital growth, through bottom up stock picking and disciplined risk management.

PERFORMANCE SUMMARY

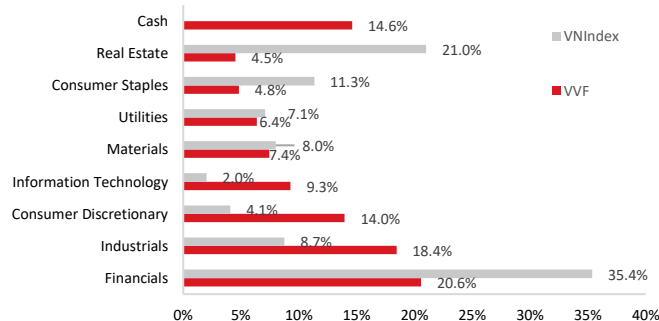
	Fund*	VN-Index
August 2022 (m-o-m)	5.8%	5.7%
YTD	-6.0%	-16.8%
3-year annualized	18.4%	8.8%
5-year annualized	12.3%	9.6%
Annualized since inception	12.9%	9.1%
Accumulated since inception	138.2%	86.5%
Sharpe ratio (annualized since inception)	0.53	0.35
Annualized standard deviation	20.2%	21.5%
Tracking error	8.1%	

* Fund information calculated from Class A shares

PERFORMANCE CHART



SECTOR ALLOCATION



TOP HOLDINGS

Ticker	Market Cap (USDmn)	Sector	% of NAV	2022F PE	2022F ROE
FPT	4,050	Information Technology	9.3%	17.4	23.7%
MWG	4,617	Consumer Discretionary	7.2%	20.8	22.8%
GMD	653	Industrials	5.8%	15.5	13.5%
VCB	16,945	Financials	5.1%	13.8	23.1%
MBB	4,590	Financials	5.0%	5.0	25.3%
REE	1,304	Industrials	3.8%	12.2	14.2%
GAS	9,553	Utilities	3.7%	16.2	24.6%
PNJ	1,186	Consumer Discretionary	3.6%	14.7	27.5%
DGC	1,575	Materials	3.3%	5.3	72.1%
TCB	5,829	Financials	3.2%	6.1	21.5%
VVF Port.				10.4	24.5%
VN-Index				11.3	19.1%

Source: Bloomberg, VinaCapital's estimates

MANAGER'S MONTHLY COMMENTARY

The VN-Index had its best month since November 2021, gaining 5.7% in USD terms to close at 1,280 points. In the last two weeks of the month, despite a correction in global markets due to the hawkish stance announced by the US Fed at the Jackson Hole meeting, the Vietnamese equity market remained resilient. After the panic sell-off in 2Q22, a number of stocks were deemed to be oversold, which triggered bargain-hunting activities. Furthermore, from 29 August, the Vietnam Securities Depository (VSD) shortened the stock settlement cycle from T+2 to T+1.5 days, a move that is expected to enhance market liquidity. In August, market liquidity improved, with average daily trading value reaching USD787 million on the combined three bourses, a 33% m-o-m increase.

The Fund's Class A NAV per share rebounded 5.8% in the month, supported by strong performances from holdings in the consumer discretionary and banking sectors, which posted average gains of 13% and 6.7%, respectively. For the year-to-date period, the Fund declined 6% (USD terms) compared with the 16.8% negative return of VN-Index, the local benchmark.

Consumer discretionary stocks (led by retailers like MWG, FRT) rebounded strongly in August after a correction in July, which was prompted by concerns of the impact of elevated inflation on consumer spending power. In particular, MWG, one of the fund's top holdings, saw its share price gain 21%, with the company expecting accelerating sales at their mobile phone chain (The Gioi Di Dong) in the third and fourth quarters thanks to the contribution from TopZone (their Apple Premium Reseller format) on the awaited launch of the iPhone 14 in September. Another factor contributing to the share price rally was that MWG was said to be in motion the sale of up to 20% stake in their grocery store chain, which the street expects would value the subsidiary company at minimum USD1.5 billion. The company recently announced positive progress in the ongoing revamp of their grocery chain Bach Hoa Xanh (BHX), as monthly revenue per store has increased from VND0.9 billion in Q1 to VND1.3 billion, approaching the target break-even level of VND1.5 billion. We expect to see further improvements in growth and profitability for BHX in the second half of the year.

That said, on a 2H22 versus 1H22 basis, we anticipate seeing a clearer impact from high inflation on discretionary spending in 2H22, especially in products that have high exposure to mass consumers (e.g., consumer electronics and mass-segment smartphones). As a result, the outlook for MWG's consumer electronics chain (Dien May Xanh) remained conservative due to constrained consumer spending power. According to German market research company GfK, the value growth of Vietnam's consumer electronics market in H1 2022 was low-single-digit and primarily driven by a high-double-digit growth rate in prices while volumes slumped. For retailers like MWG and FRT, 2023 growth is expected to be primarily driven by their staple segments (grocery and pharmacy) and we expect the discretionary segment to post profit growth at a low teens rate on the gradual rebound in consumer spending and market share gain of the leaders over smaller players.

The financials sector also outperformed the market, gaining 6.7% in August. Several banks, namely VCB (+12%) and MBB (+11%), were expected to be granted with higher credit quotas than average, leading to the stocks' outperformance. In the first week of September, the long-awaited credit limit extension for the banking industry was finally granted by the State Bank of Vietnam, estimated at around 1.9% of total credit, keeping the full-year target for system credit growth unchanged at 14%. This trailed market expectation and reflected a conservative stance from the central bank, given that the extra credit growth allocation was said to range from 0.7% to 4% to individual banks. The lessons learned from the bubble period (2007-08) have meant the authorities have been much more mindful of the second-round effects from higher inflation and a Fed tightening cycle.

Looking ahead, we expect Vietnam's economic growth to continue to be strong in 2H22, as the successful management of Covid has allowed the economy to rebound far faster than its peers, although we do see some headwinds for the stock market in the short term as the US Fed's hawkish policy may place further pressure on interest rates and the USD/VND exchange rate. At its current valuation (2022F P/E of 11.3x on 2022F and 2023F EPS growth of 27% and 15%, according to Bloomberg consensus), Vietnam's stock market offers good value for long-term investment. It continues to be business as usual for our long-term-driven process, though, and the Fund's cash position – on account of recent subscriptions – positions us well to capitalise on further volatility. More broadly, we continue to take a balanced view of the current economic backdrop and remain focused on finding and backing businesses that we believe have the potential to thrive amidst market challenges.

MACRO COMMENTARY

Vietnam's General Statistics Office (GSO) announced another set of stellar economic data for August. While most of the world is grappling with stagflation, Vietnam's CPI inflation rate was below 3% yoy for the month, and GDP growth continues to accelerate to higher-than-expected heights, prompting the IMF, World Bank and others to upgrade their forecasts.

The growth of real retail sales (i.e., excluding the impact of inflation), which is a close proxy for domestic consumption, rebounded from a drop of 5.1% yoy in 8M21 to a 15.1% surge in 8M22.

Further to that last point, Vietnam's manufacturing output grew 16% yoy in August, and that jump in production was reflected in an increase in the country's manufacturing PMI from 51.2 in July to 52.7 in August. The launch of Samsung's new foldable smartphone helped drive the increase in manufacturing activity and explains why Vietnam's mobile phone exports recovered from a decline of 1% month-on-month in July to a 31% m-o-m rise in August.

The resulting USD2.4 billion trade surplus in August in-turn accelerated the recovery in Vietnam's trade balance to a USD4 billion surplus in 8M22. Export growth of 17% yoy (to USD250.8 billion) outpaced the circa 14% import growth (to USD246.8 billion) in 8M22.

The rebound of Vietnam's trade balance is another factor boosting the country's GDP growth this year. Consequently, some prominent economists/forecasters are now lifting their GDP growth forecasts for 2022 - in some cases higher than our own 7.5% forecast. During the month, the IMF lifted its GDP growth forecast from 6% to 7%, the World Bank increased its forecast from 5.8% to 7.5%, and both Jefferies and Moody's published reports that asserted that Vietnam's GDP growth would likely exceed 8% this year.

Despite the very strong growth picture, Vietnam's CPI inflation remains modest and ticked down from 3.1% yoy in July to 2.9% in August, partly because retail petrol prices fell by 15% on average during the month. The average of Vietnam's CPI over the first eight months of the year increased 2.6%, and the State Bank of Vietnam (SBV) aims to keep this figure below 4% for 2022.

In the meantime, the value of the VN Dong has remained resilient, despite the ongoing rise in the value of the US Dollar. Specifically, the USD-VND exchange rate depreciated by just 0.5% in August in contrast to the circa 3% surge in the value of the US Dollar/DXY index during the month, and the VN Dong depreciated by less than 3% YTD (as of end-August), in contrast to the circa 8% YTD average depreciation in the value of the currencies of Vietnam's regional peers.

Vietnam's modest level of inflation, coupled with the above-mentioned rebound in the country's trade balance, are supporting the value of the VN Dong, as is an 11% yoy increase in Vietnam's FDI disbursements (to USD13 billion). These FDI inflows will also support the country's GDP growth going forward, as most of these investments are earmarked for manufacturing and power generation projects.

MACRO INDICATORS

	2021	August 2022	YTD 2022	y-o-y
GDP growth ¹ (%)	2.6			
Inflation ² (%)	1.8	2.9	2.6	
FDI commitments (USDbn)	24.3	0.9	13.9	-15.0%
FDI disbursements (USDbn)	19.7	1.2	12.8	10.5%
Imports (USDbn)	332.2	31.0	246.8	13.6%
Exports (USDbn)	336.3	33.4	250.8	17.3%
Trade surplus/(deficit) (USDbn)	4.1	2.4	4.0	
Exchange rate (USD/VND) ³	22,796	23,451		

Sources: GSO, Vietnam Customs, SBV, MPI, Bloomberg

1. Annualized rate, updated quarterly | 2. Inflation: year-on-year change | 3. BBG-USDVND Spot Exchange Rate

KEY TERMS

	Class A ¹	Class B	Class C	Class D	Class G
Currency	USD	USD	EUR	EUR	JPY
Min. Investment	500,000 ²	5,000	500,000 ²	5,000	10,000,000 ²
Management Fee	1.25%	2.00%	1.25%	2.00%	2.00%
Bloomberg	FOVCPVA LX	FOVIEBU LX	FOVIECE LX	FOVIEDE LX	FOVCPVG LX
ISIN	LU1163030197	LU1163027052	LU1214542463	LU1214545136	LU1286783011

¹ As from 29 August 2022, shares of Classes E and F liquidated on 29 August 2022 are automatically redeemed and converted into Class A shares that are no longer restricted.

² The minimum initial subscription amount may be waived at the discretion of the Investment Manager.

VVF FUND INFORMATION

Launch Date	14 July 2015
Legal Entity Identifier (LEI)	5493003GR1U7LK7K6767
Trading Period	Daily Subscriptions/Redemptions
Fund Size	USD48.5m
Incorporation	Luxembourg
Registered	UK, The Netherlands, Germany, Singapore, Austria, Switzerland, Sweden
Management Company	Edmond de Rothschild Asset Management (Luxembourg)
Fund Manager	VinaCapital Fund Management JSC
Depository Bank	Edmond de Rothschild (Europe)
Auditor	PwC Societe Cooperative Luxembourg
Swiss Representative	First Independent Fund Services Ltd, Klausstrasse 33, CH-8008 Zurich, Switzerland
Swiss Paying Agent	NPB Neue Privat Bank AG, Limmatquai 1/am Bellevue, P.O. Box, CH-8022 Zurich, Switzerland

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Disclaimer

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