

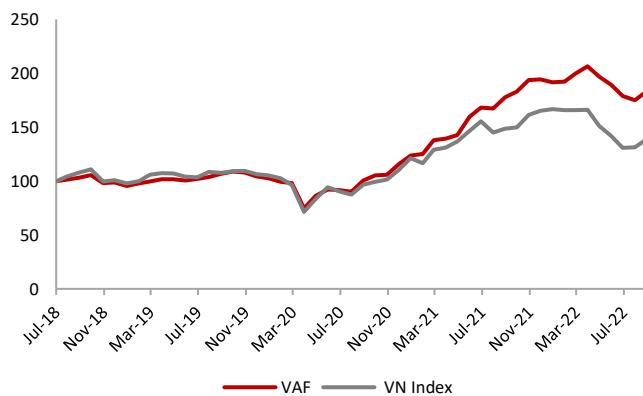
VAF is a Cayman Islands open-ended fund that invests in the Vietnam Equity Special Access Fund (VESAF), a Vietnam-regulated open-ended fund, with the flexibility to participate in IPOs as well as make direct investment in Vietnamese listed and unlisted securities.

## PERFORMANCE SUMMARY

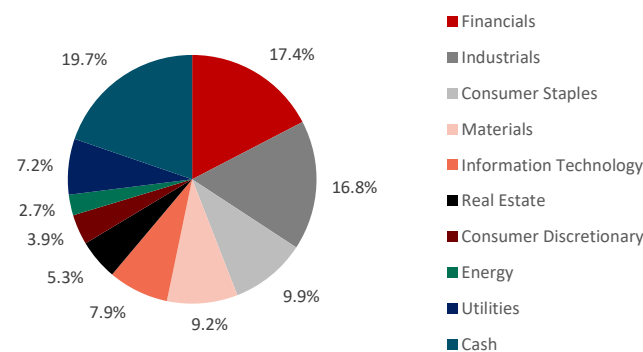
	Fund	VN Index
August 2022 (m-o-m)	4.8%	5.7%
YTD	-4.2%	-16.8%
3-year annualized	19.8%	8.8%
Annualized since inception*	15.7%	8.2%
Accumulated since inception*	83.5%	38.8%
Annualized standard deviation	20.3%	23.6%

\* Inception date: 03 July 2018

## PERFORMANCE CHART



## SECTOR ALLOCATION



## TOP HOLDINGS

Ticker	Market Cap (USDm)	Sector	% of NAV	2022 PE	2022 ROE
MBB	4,592	Financials	9.9%	5.0	25.3%
FPT	4,051	Information Technology	7.9%	17.4	23.7%
BWE	414	Utilities	7.2%	12.9	17.9%
QNS	731	Consumer Staples	4.8%	12.6	18.8%
DPR	139	Materials	4.0%	9.1	12.4%
MWG	4,619	Consumer Discretionary	3.9%	20.8	22.8%
SZC	230	Industrials	3.9%	15.6	21.5%
KDH	1,131	Real Estate	3.2%	18.5	13.1%
ACG	391	Industrials	2.8%	16.5	13.9%
VPB	6,069	Financials	2.7%	7.6	19.4%

Source: Bloomberg, VinaCapital's estimates

## MANAGER'S MONTHLY COMMENTARY

Vietnam's stock market rebounded 5.7% in August, stronger than the ASEAN EM average return of 3.0% and the continued heavy corrections experienced in developed markets. Investor sentiment turned more positive. Trading liquidity slightly improved, buoyed by attractive valuations after the market correction in previous months, coupled with the expectation on easing inflation pressure in global markets as the prices of oil and other major commodities showed signs of weakening. In the domestic market, investors also eyed the additional credit quotas granted to banks, while amendments to corporate bond regulations are under final discussion. Select banks which benefited the most from those developments advanced further in the month. Tourism-related stocks performed well as domestic travel demand has recovered strongly, far surpassing pre-Covid volumes. The fisheries, chemicals and retailing sectors also advanced after some selling pressure in the previous month, as their business outlooks remained solid despite some inflationary pressure. VAF's portfolio increased 4.8% in August, as top holdings recovered strongly.

### The long-awaited credit limit extension for banks

The first tranche of additional credit quota was granted to banks at the beginning of September. The additional quota was estimated at 2%, which will bring this year's total system credit growth limit to 13%, compared to the initial target of 14%. After strong credit growth of 5.04% YTD in 1Q22, and 9.4% YTD in 2Q22, loan growth slowed with little incremental growth in July and August. Property developers faced difficulties in funding their new projects since the second quarter, because of limited credit quota for the banking system and restriction on corporate bond issuance.

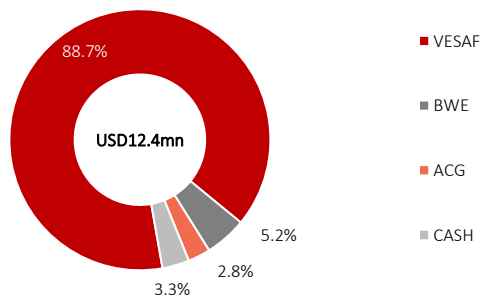
The SBV's conservative additional credit quota was granted as a way to discourage capital flows to the real estate sector and redirect these flows to support manufacturing activities via the interest subsidy package, a part of the socioeconomic stimulus package target for 2022-23. Therefore, state-owned commercial banks received essentially the same credit growth compared to last year, whereas most of the joint stock commercial banks (JSCBs) had lower limits. MB Bank (MBB, +11.1% in August) was among the JSCBs that received the highest credit quotas for this year (18.2% compared to sector average of 13%), as the bank exhibited a combination of (i) prudent risk management via a high loan loss coverage ratio, (ii) a diversified loan book structure with moderate exposure to real estate developers, and (iii) lending support to a weak bank. Given these considerations, we expect MBB will receive a final tranche of credit quota in the last quarter that will make its full-year credit growth limit approach the 23% level it enjoyed last year.

Amendments to the corporate bond regulations were in their final stages of development after several months of delay. We expect that there will be more restrictions on the participation of retail investors and a requirement for issuers to disclose how the proceeds from a bond issuance will be used. Together with a strict credit quota system for the banks, this regulatory change aims to further develop and improve the corporate bond market as well as encourage the development of the mortgage market in Vietnam, which currently accounts for only 11% of GDP (compared to 25% in Thailand), or 13% of total bank credit exposure (compared to 20% in China). In the shorter term, these regulatory changes should partially help to ease the pressure on the large amount of real estate bonds (estimated at USD11 billion) that will mature in the next two years, although high pressure will remain for the private and unlisted real estate developers, which depend heavily on corporate bonds for funding and are highly leveraged. We remain guarded on the real estate sector and only like financially-sound companies with prudent management and a moderate risk appetite so that their projects' funding and sales are less impacted by rising interest rates and regulation changes.

### Our prudent play on real estate

The share price of Khang Dien House (KDH), the only residential real estate holding in the portfolio, was affected by the general sentiment toward the real estate market this year. For the medium and longer term, we believe the company is well-positioned to capture the high demand and limited land bank in Ho Chi Minh City. The company has a strong brand name and reputation in the mid- and high-end real estate segment, a good record of on-time delivery given the solid legal status of its projects, and a prudent financial policy. KDH's debt-to-equity ratio and corporate bond exposure ranks lowest in the listed property

## PORTFOLIO ALLOCATION



Small- & mid-cap	54.9%
Stocks traded on UPCoM	10.1%
Stocks at full Foreign Ownership Limit	32.6%

- *Small- & mid- cap: stocks with market capitalization below USD2 billion*
- *UPCoM: Unlisted Public Company Market*

developer universe. Recently, while other developers faced difficulties in funding and launching their projects, KDH stood out with important positive developments.

First, the company was able to complete the construction of a major high-end project and launch it during 3Q when no other significant project launches occurred amid the limitation of new bank loans. The launch was successful as the absorption was high, mostly due to its higher-end targeted customer segment compared to other developers. Another key factor was the company's strong financial capability since construction was completed before customers made their first payment, in contrast to the standard practice in Vietnam where payments are required to be made in tranches aligned with construction progress.

Second, the company successfully issued a USD34 million corporate bond in a private placement during August (45% of total real estate bond issuance) at a time of limited real estate bond issuance activities (only 3.4% of bond value issued in 1H22). The proceeds will be used to acquire a piece of land in a prime location in Ho Chi Minh City to develop a low-rise project in the coming years. KDH's funding capability should strengthen the company's project pipeline and contribute to a more positive outlook than its property developer peers in the coming years.

## VAF FUND INFORMATION

Launch date	03 July 2018
Fund size	USD12.4mn
Domicile	Cayman Islands
Fund manager	VinaCapital Investment Management Ltd.
Auditor	Grant Thornton Cayman Islands
Administrator	Vistra Alternative Investments (Singapore) Pte. Ltd.
Management fee	None
Performance fee	15% over 8% hurdle rate, with high watermark
Subscription frequency	Monthly, the Subscription Day is the first business day of each calendar month
Redemption frequency	Monthly, the Redemption Day is the first business day of each calendar month
Minimum subscription amount	USD100,000

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