



# 2022 INVESTOR CONFERENCE

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# VinaCapital Vietnam Opportunity Fund (VOF)

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2022 Investor Conference


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VOF invests with a medium to long-term view, providing investors unique access to Vietnam's privately negotiated opportunities





# VinaCapital Vietnam Opportunity Fund

**\$1.2BN**

ASSETS UNDER  
MANAGEMENT

**200+**

INVESTMENTS SINCE  
2003

**20% IRR**

AVG PE RETURNS  
SINCE INCEPTION

**RETURN\***

1YR: -8.3%  
3YR: 49.3%  
5YR: 71.5%

**VOF's differentiated investment approach focuses on private equity and privately negotiated deals.**

\* Total return as of 30 June 2022.

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Over 200+ investments...



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What we got right,  
What we didn't expect

## What We Got Right

- 1** **Strong GDP growth**  
2022 GDP forecast 7% - 8%
- 2** **Stable macroeconomic fundamentals**  
Manageable level of inflation c.4%
- 3** **Recovery in domestic consumption**  
+50% yoy growth in Jul and Aug
- 4** **Higher volatility amidst heightened geopolitical risks**

## What We Didn't Expect

- 5** **Russia – Ukraine conflict**
- 6** **Aggressive US Fed interest rate hikes**  
Recent VN rate hikes, weaker currency
- 7** **China lockdown persisting**  
Supply chain disruptions
- 8** **Investigations into regulatory breaches and bond issuances**



# Vietnam Macroeconomic Review

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Resilient GDP growth:  
7% to 8% for 2022

## Foreign Direct Investment



- FDI disbursements \$15bn (+16% yoy) YTD 9M22.
- Top 5 countries: Singapore 25%, S.Korea 22%, Japan 12%, China 9%, Denmark 9% (registered FDI)

## Manufacturing and Exports



- Exports +17% yoy.
- PMI consistently above 50 pts.
- Hi-tech 30% total exports: Electronics, PCs, mobile.

## Consumer Spending



- Domestic consumption is booming.
- 43% yoy growth in July, and 50% in August.

**Relatively  
Stable Currency**

**Moderately  
Low Inflation**

**Low Interest  
Rates**

	FX Rate Depreciation (YTD)	Inflation-Adjusted Policy Rate
<b>Vietnam</b>	<b>-4.3%</b>	<b>+1.1%</b>
<b>Indonesia*</b>	<b>-6.2%</b>	<b>-1.3%</b>
<b>Malaysia</b>	<b>-10.3%</b>	<b>-2.2%</b>
<b>Thailand</b>	<b>-12.8%</b>	<b>-7.1%</b>
<b>Philippines</b>	<b>-13.3%</b>	<b>-2.0%</b>

\* Based on expected 6.5% CPI.



# Market Review

## Regulatory breaches

### Bond Issuance

- Investigations into bond issuances by small-cap real estate companies (e.g., Tan Hoang Minh).
- Draft Decree 65 tightened bond issuance and distribution activities.

### Market Manipulation

- Investigations and arrests relating to stock price manipulation (e.g., FLC).

## Weak stock market

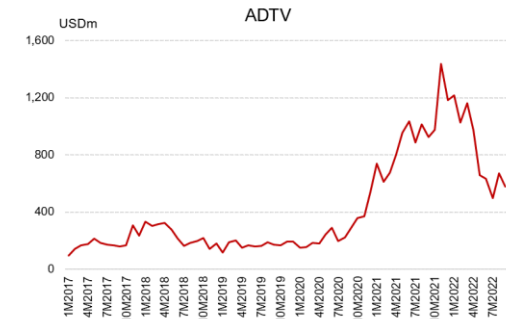
	Jan 2022	Sep 2022
VN Index YTD 9M22	1,498	1,132 -27%
PER 22F	14.2x	10.8x
PBV 22F	2.4x	1.8x

### Meanwhile...

	Jan 2022	Current
EPS 22F growth	25%	15 - 20%
GDP 22F	+6%	+8%

## Liquidity contraction

Jan 2020	Nov 2021 (Peak)	Sep 2022
\$150m	\$1.4b	\$580m





# Risk and Challenges

## Rising rate environment

US Fed Rate: +3.25%

EU Central Bank: +1.25%

VN Interest Rate: +1.0%

### Hiking peak

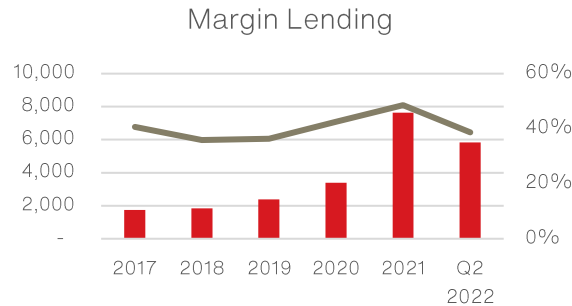
The number of central banks hiking interest rates has increased dramatically in recent months as inflation rose to fresh highs.  
(number of central banks, absolute value)



Sources: Bloomberg, and IMF staff calculations  
Note: The AE sample consists of Australia, Canada, Czech Republic, Japan, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, the United States, and the countries in the European Union (under ECB jurisdiction). The EM sample consists of Brazil, Chile, Colombia, Mexico, Peru, India, Indonesia, Malaysia, Philippines, Thailand, Hungary, Poland, Romania, South Africa, Turkey, Pakistan, Croatia, Russia, Ukraine, Egypt, and Ghana.

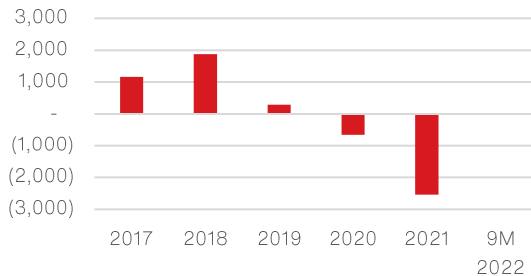
IMF

## Weak investor confidence



■ Margin Loans ■ Margin Loans/ Total Assets (%)  
(USDmn)

### Net Foreign Flow (USDmn)



## Global growth slowdown

2022F GDP Growth:

US: 1.6%

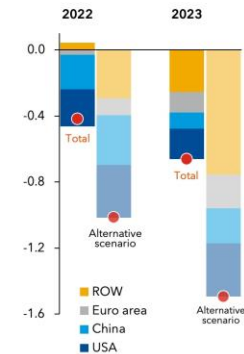
EU: 3.1%

VN: 7 – 8%

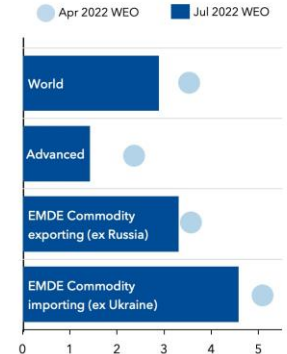
### Slowing growth

Growth is forecast to slow to 3.2 percent this year and 2.9 percent next year, downgrades of 0.4 and 0.7 percentage points

Growth revisions  
(percentage points; year over year)



2023 Real GDP growth  
(percent; year over year)




Sources: IMF, World Economic Outlook (WEO); and IMF staff calculations.  
Note: ROW = Rest of the World; EMDE = Emerging Market and Developing Economies.

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# Portfolio Strategy

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VOF invests growth equity in privately negotiated opportunities across listed and private companies.

We are long-term, active investors who negotiate significant minority stakes in leading companies in Vietnam.

## Downside Protections



- Negotiated terms of investment include profit commitments, put-call options, collateral coverage.
- Board seats and governance.

## Due Diligence Rights



- Financial, legal, operational, ESG, and management due diligence rights.
- Rigorous investment review and risk management process.

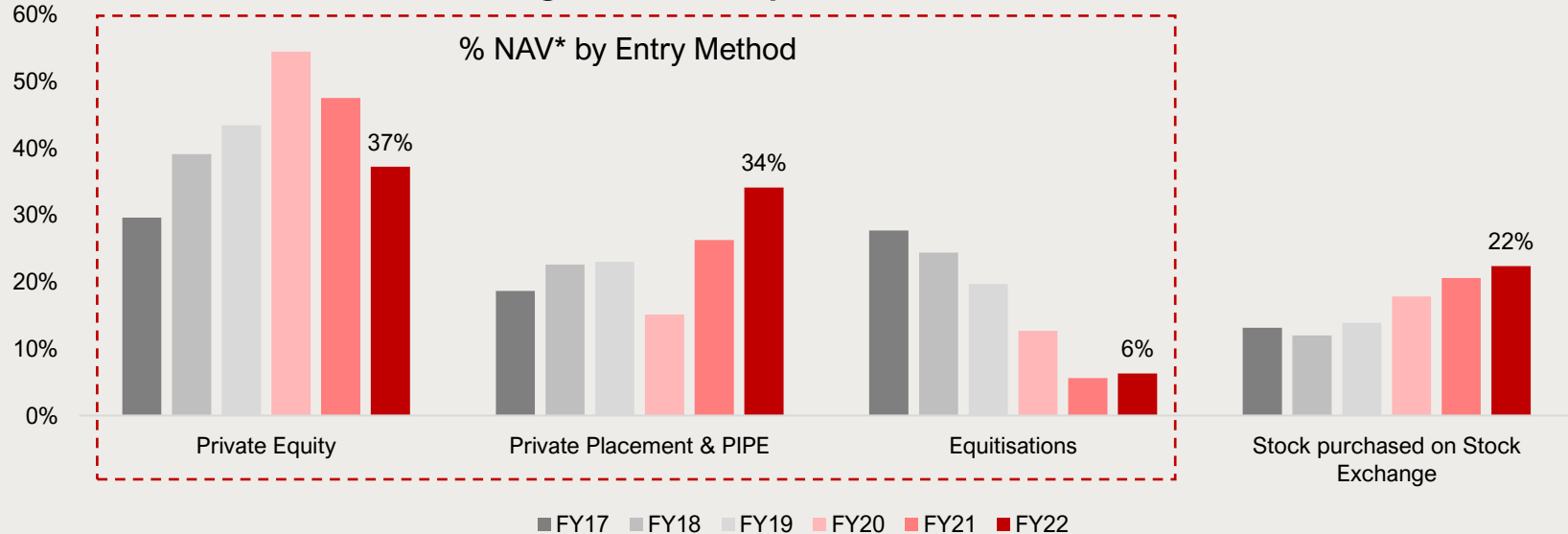
## Risk-Adjusted Returns



- Sector analysis: 9 risk metrics including volatility.
- Portfolio allocation and rebalancing based on 3yr EPS growth and sector outlook.

# We focus on Privately Negotiated investments

## Private Negotiated Entry Method



80%

NAV by Entry Method via Private Negotiation

PIPEs

Transactions increasingly important

<15%

Historical portfolio turnover

IRR 20%

Historical IRR of PE investments

VOF Quickbase Deal Pipeline Dashboard as at 30 June 2022.

As at June 2022, almost 80% of the portfolio by entry method is made up of private equity, equitizations, private placements and pre-IPO investments. The historical 6-year average is 81%.

\* Excludes cash and others.

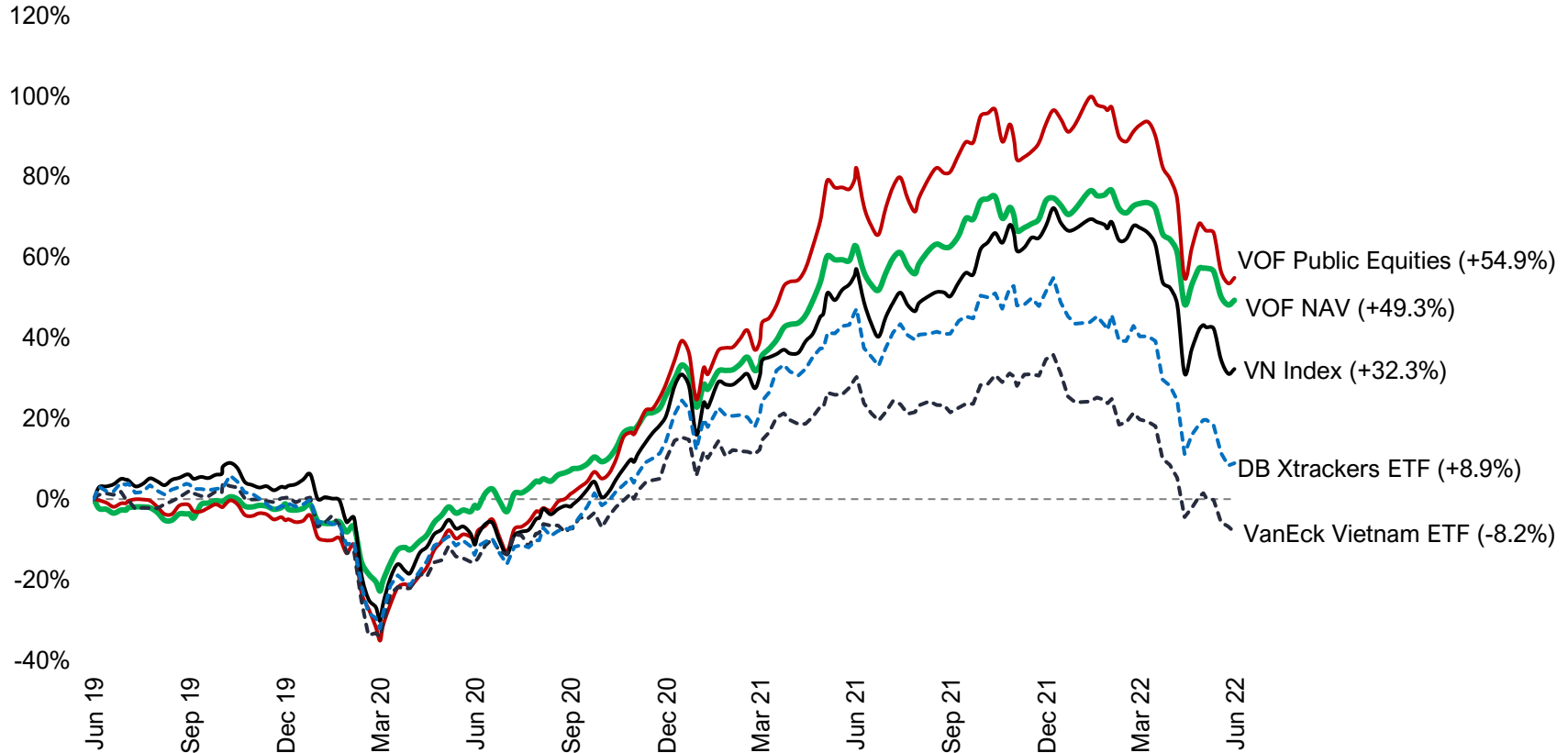




# Performance

# 3yr relative performance: +49% (\$TR)

3 years performance comparison (Total return, USD)

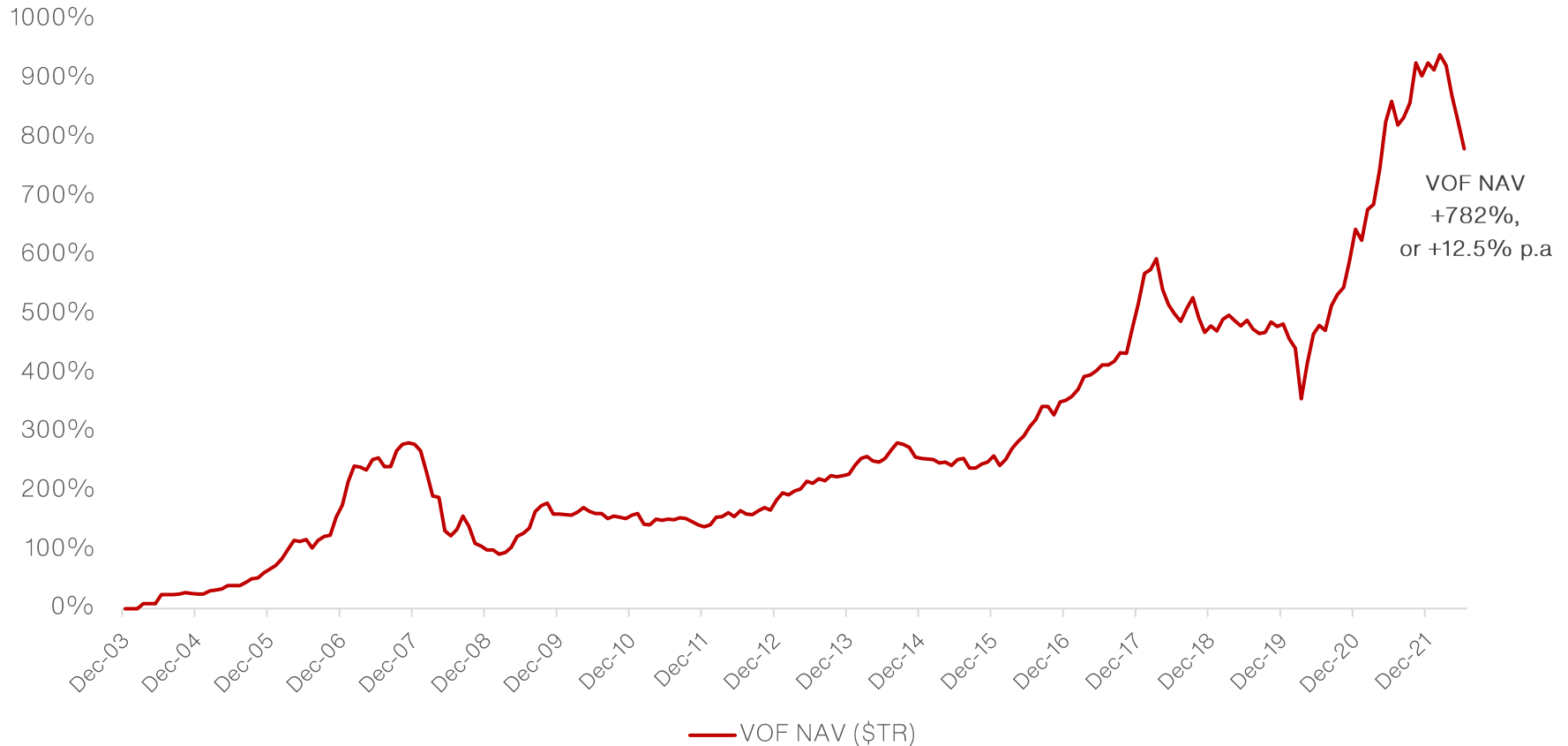


Source: Bloomberg, VinaCapital. Annualized returns up to 30 June 2022. USD terms.

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# Steady, Long-term Performance Over 19 Years

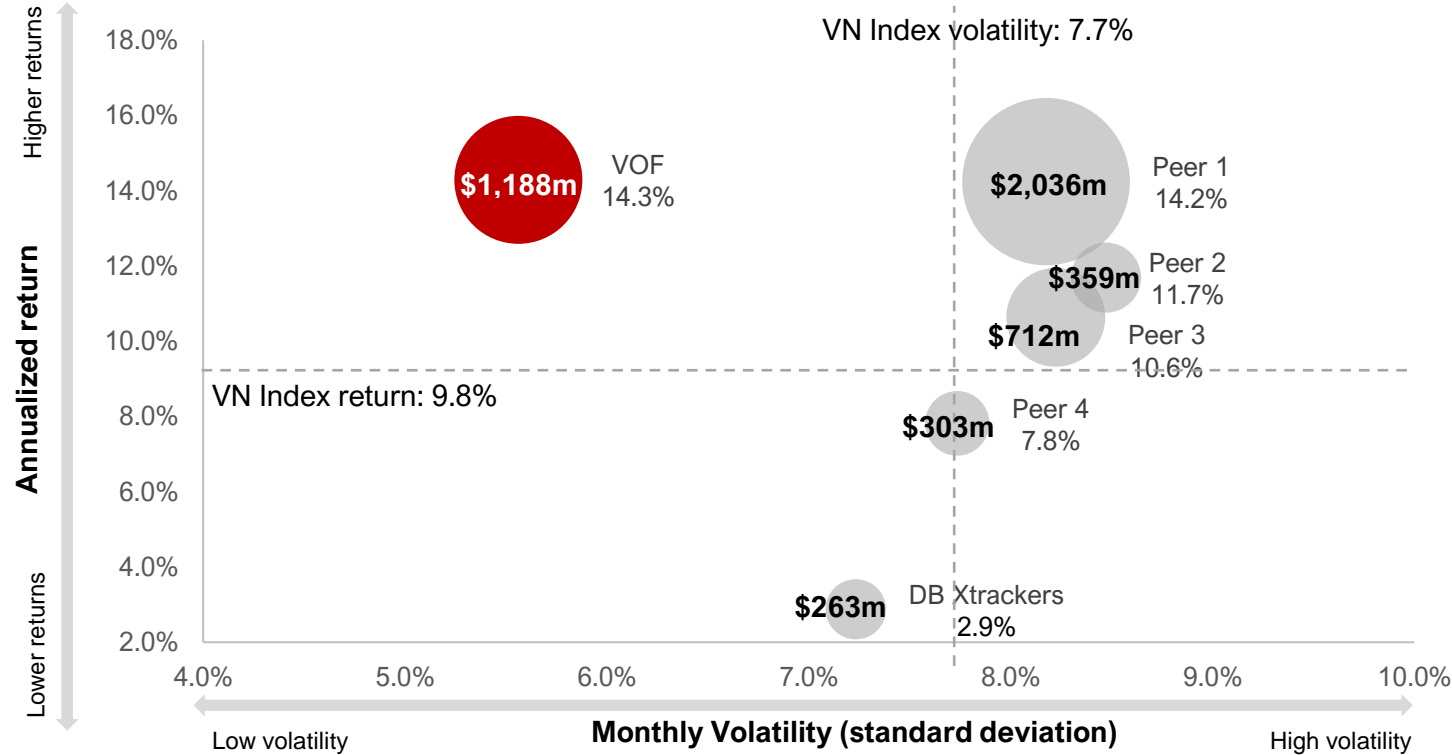


Source: Bloomberg, VinaCapital. Annualized returns up to 30 June 2022. USD terms.

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# Differentiated Risk – Return Profile

## VOF delivers returns with lower levels of volatility



- Bubble size is the fund size (USDm) as of 30 June 2022.
- Annualized returned is measured based on monthly NAV performance, in total return, USD terms in 3 years up to 30 June 2022
- Volatility is measured as the standard deviation of the monthly NAV performance over 36 months up to 30 June 2022

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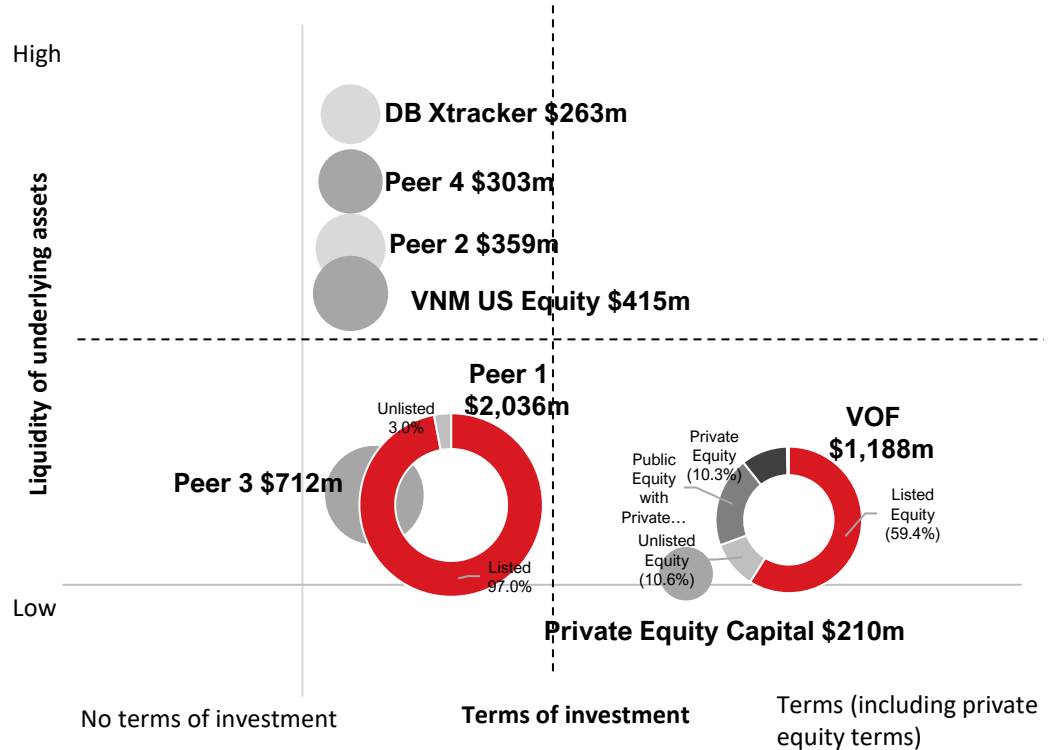


# Liquidity of Underlying Assets & Terms of Investment

## Measuring Liquidity vs Terms

VOF, although is the second largest fund among peer comparisons, it has similar liquidity in its underlying portfolio as much smaller funds, while having better protections through the negotiated terms sought for investments.

Having investment terms are vital when it comes to investing in less liquid assets. Listed equity are typically considered liquid but our experience indicates that liquidity is only available with smaller investment. At larger deployments, liquidity is much harder to come by.



- Bubble size is the fund size (USDm) as of 30 June 2022.
- Liquidity is determined based on % of NAV that a fund can divest through its top 10 listed investment within 5 trading days – calculated using last 6M ADTV as up to 31 August 2022, adjusted for the private portion.
- Terms is determined based on public information on fund deals structuring (listed/unlisted/PIPE/Pre-IPO)



# Portfolio Review – Investments and Divestments

## Monitoring: Hoa Phat Group (HOSE: HPG)

\$5.2bn

Market Cap 30 Sep

8.4x

Value appreciation since investment (2007)

+2%

EPS Growth 2023E

5x

PER 2023E



Current NAV:	\$101m
PE investment since:	2007
IRR (realised + unrealised):	20%

### Investment thesis

- HPG benefits from the strong growth of the domestic economy, where demand for construction materials remain high.

### Why did we trim?

- Reduced our position in HPG in 2020-2021 into market strength. Sold \$144m at average valuation of \$7.3b.
- Weak outlook due to peak capacity and impact from commodity input prices.

## Divestment: Ngoc Nghia Industry (UPCoM: NNG)

\$90m

Market Cap 30 Sep

30%

Market Share

18%

IRR 2019 - 2022

1.5x

Multiple On Invested Capital



**INDORAMA**  
VENTURES



Exit Proceeds: \$26m  
Invested period: 2019 - 2022  
IRR (realised): 18%

### Investment thesis

- NNG was a PE investment into the leading privately-owned PET producer in VN.

### Why did we exit?

- Operational, capital and governance improvements made during investment.
- Opportunity to divest to Indorama Ventures, global-leader from TH.
- Exit was VN's first Public Tender Offer to a foreign-investor.

# Investment: Project Norfolk II (Public Equity with Private Terms)

\$6.9bn

Market Cap 30 Sep

-7%

Share price YTD (+148% 2021)

+105%

EPS Growth 2022E (+83% 2023E)

3.4x

PBR 2022E (2.7x 2023E)



Current NAV: \$57.1m  
 Invested since: 2020 (2yr)  
 IRR (expected): 20% to 25%

## Investment thesis

- Norfolk is a leading residential developer.
- Follow-on investment after successful investment in 2018-2020 IRR 16%.

## Why did we invest?

- Private credit structure provides downside protection and equity upside (via warrants). Full security package including 1.5x collateral coverage.
- Bond structure protects against volatility, put option provides minimum return.

# New Investment: Project Venice (Public Equity with Private Terms)

\$2.5bn

Market Cap 30 Sep

43%

Market Share

+2%

EPS Growth 2023

5x

PER 2023



Investment: \$100m total  
\$55m VOF (2yr)  
Investment type: Public Equity with Private Terms  
Expected IRR: 17% - 25%

## Investment thesis

- Public Equity with Private Terms investment into leading VN industrial logistics company, with downside protections.
- Strong recovery in domestic consumption.

## Why will we invest?

- Private equity structure with downside protection
- Structure protects against volatility.

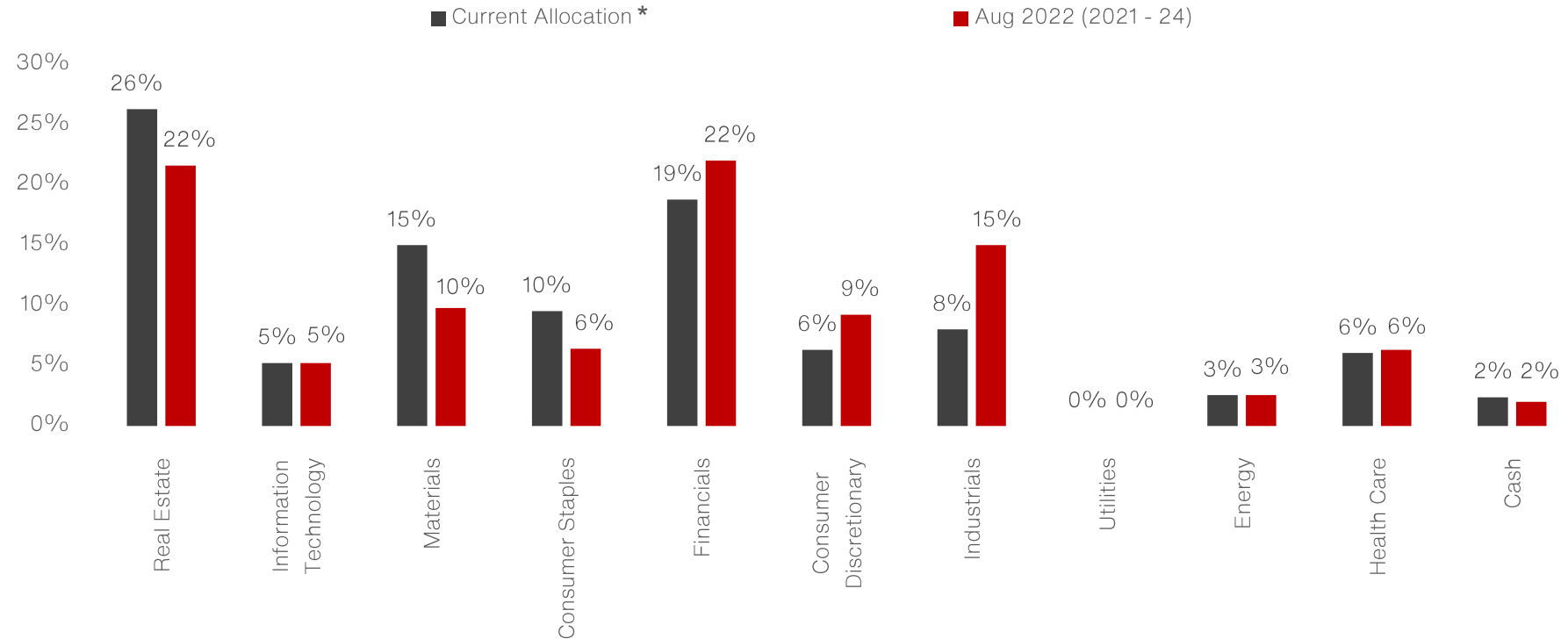




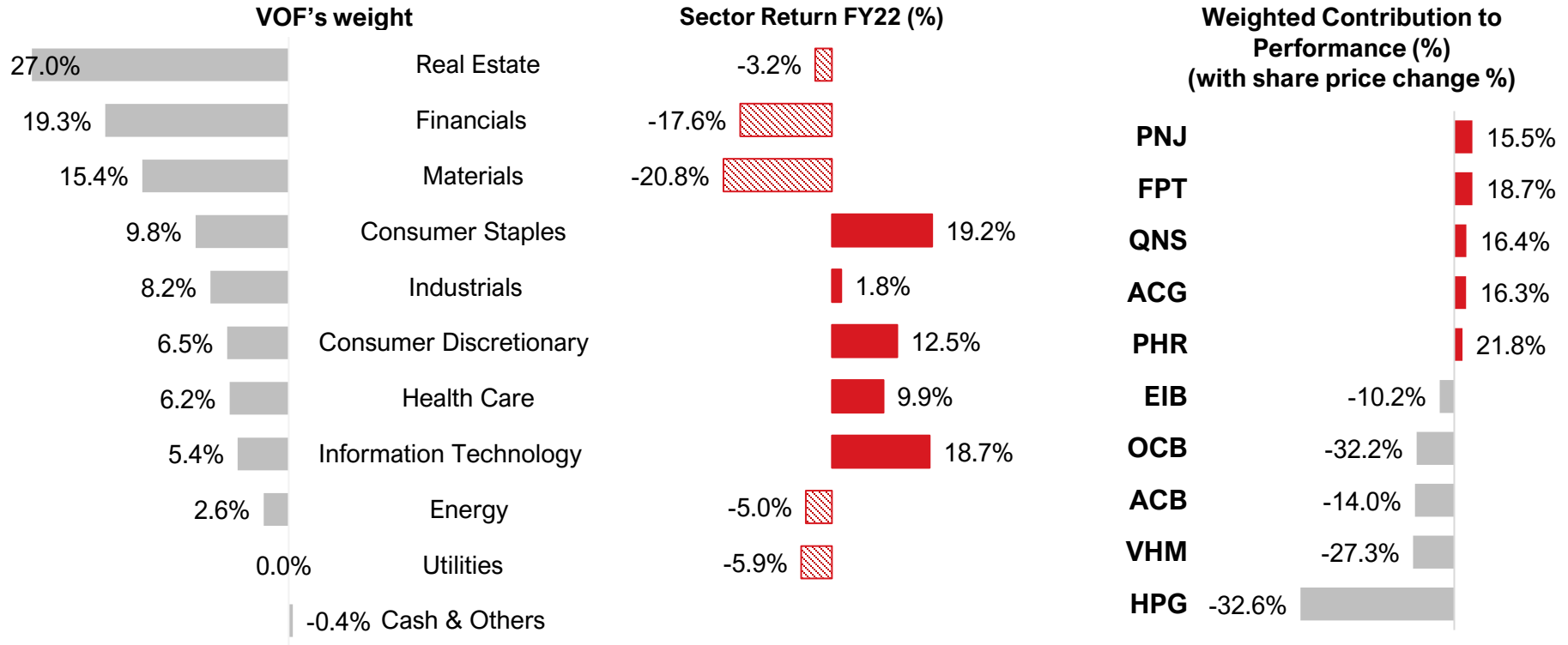
# Portfolio Sectors and Top Holdings



# Sectors: Rebalancing key sectors based on Risk-Returns



# Sectors: Weights, Returns and Contribution to Performance



# Top Public Equities and Private Equity holdings as of 30 June 2022

Top 10 Public Equities Investments <sup>1</sup>		NAV USDm	Unaudited %NAV
1	Asia Commercial Bank (ACB)	136.4	11.5%
2	Khang Dien House (KDH)	126.6	10.7%
3	Hoa Phat Group (HPG)	109.3	9.2%
4	Airports Corporation of Vietnam (ACV)	74.7	6.3%
5	FPT Corporation (FPT)	63.6	5.4%
6	Vinhomes (VHM)	59.0	5.0%
7	Phu Nhuan Jewelry (PNJ)	56.5	4.8%
8	Quang Ngai Sugar (QNS)	45.4	3.8%
9	Orient Commercial Bank (OCB)	44.7	3.8%
10	Vietcombank (VCB)	27.1	2.3%
Total of top 10		743.4	62.6%



Private Equity cross -  
over to Public Equity



Privately Negotiated  
Purchase

Top 10 Private Equities and Public Equities with Private Terms <sup>2</sup>		NAV USDm	Unaudited %NAV
1	Norfolk II (NVL)	58.0	4.9%
2	An Cuong Wood Working (ACG)	45.9	3.9%
3	Kuala Lumpur II (KDC)	45.6	3.8%
4	Dat Xanh Services (DXS)	39.2	3.3%
5	Thu Cuc International	34.1	2.9%
6	Nova Consumer	25.2	2.1%
7	Hung Thinh Land	25.2	2.1%
8	Tam Tri Medical	22.0	1.9%
9	IN Holdings	20.2	1.7%
10	Thai Hoa International Hospital	17.6	1.5%
Total of top 10		333.1	28.1%



Public Equity with  
Private Terms

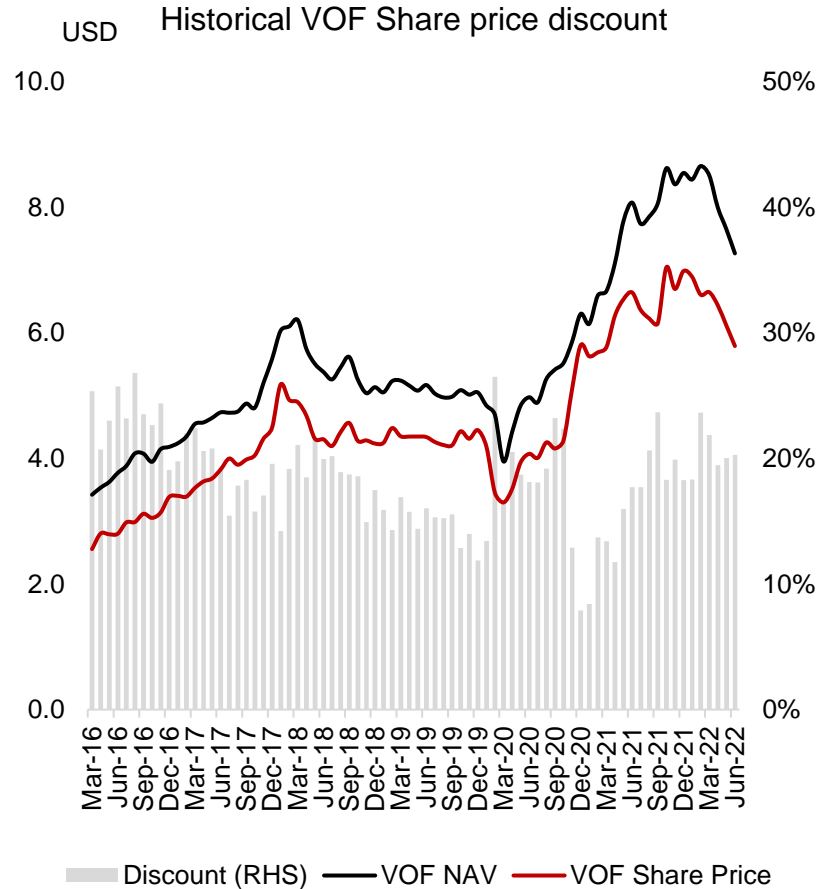


Private Equity



# Dividends and Discount Management

# Discount has widened, but share buybacks and dividends continue



Record date	Dividend per share (US cents)	Dividend amount (USDm)
25 August 2017	4.8	9.6
3 November 2017	4.8	9.5
6 April 2018	5.5	10.8
2 November 2018	5.5	10.4
5 April 2019	5.5	10.2
1 November 2019	5.5	10.1
14 April 2020	5.5	9.8
6 November 2020	5.5	9.4
9 April 2021	6.0	10.2
5 November 2021	8.0	13.3
8 April 2022	8.0	13.1

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# Outlook: How We Invest in a Challenging World

## Volatility in markets



## Negotiated terms



## Quality & growth





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