

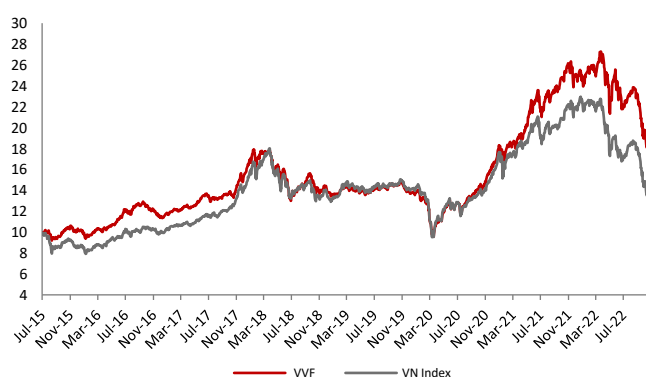
VVF is an actively managed UCITS-compliant fund that invests in equities and equity-related securities of companies that are based in Vietnam, with an objective to deliver long-term capital growth, through bottom up stock picking and disciplined risk management.

## PERFORMANCE SUMMARY

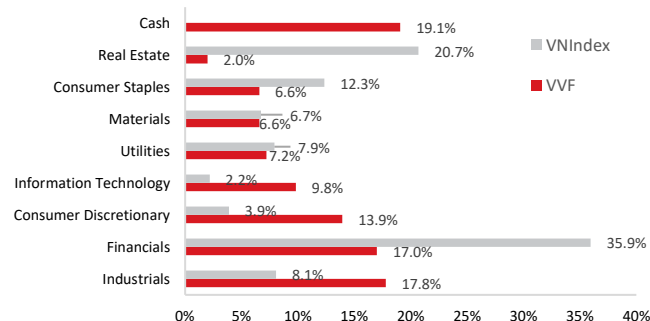
	Fund*	VN-Index
October 2022 (m-o-m)	-9.8%	-12.8%
YTD	-25.4%	-36.9%
3-year annualized	9.1%	-1.3%
5-year annualized	7.0%	2.3%
Annualized since inception	9.1%	4.8%
Accumulated since inception	88.9%	41.3%
Sharpe ratio (annualized since inception)	0.35	0.17
Annualized standard deviation	21.0%	22.4%
Tracking 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	3,337	Information Technology	9.8%	15.2	23.7%
GMD	557	Industrials	6.9%	14.2	13.3%
VCB	13,996	Financials	6.2%	12.4	22.7%
MWG	3,039	Consumer Discretionary	6.0%	14.5	22.8%
PNJ	1,023	Consumer Discretionary	5.0%	13.4	27.5%
MBB	3,229	Financials	4.6%	4.4	25.3%
GAS	8,556	Utilities	4.3%	16.0	23.8%
QNS	628	Consumer Staples	4.2%	12.0	18.0%
REE	1,130	Industrials	3.4%	9.3	17.0%
ACB	3,044	Financials	3.3%	5.5	26.6%
VVF Port.				9.3	24.4%
VN-Index				9.9	18.5%

Source: Bloomberg, VinaCapital's estimates

## MANAGER'S MONTHLY COMMENTARY

October was marked by a cascade of bad news that unnerved investors in Vietnam's equity market, with the VN Index slumping 12.8% (USD terms). The sharp correction came mainly from margin call pressures from brokers and reflected investors' fears about several external global risks as well as a flow of negative news at home, including a further 1 percentage point interest rate hike by the State Bank of Vietnam, the depreciation of the Vietnam Dong (VND), and the arrest of the chairperson of Van Thinh Phat Group, one of the largest real estate developers in Vietnam. On a year-to-date (YTD) basis, the VN Index has declined 36.9% in USD terms.

Market sentiment was weak during the month, with the average daily trading value on the combined three bourses dropping 17% m-o-m to USD522 million, the lowest level since December 2020. A broad-based retreat was seen across most of the market's sectors, with real estate the hardest hit, plunging 14.6%. The Van Thinh Phat case further raised concerns about the corporate bond market as the amount of corporate bonds to be matured in 2023 is estimated at over USD12 billion, of which the real estate sector accounts for approximately 45%. While interest rates are increasing, issuing new bonds or rolling over the debts would be more difficult, negatively affecting the real estate sector.

The 3Q22 business results of listed companies painted a mixed picture. The aggregate net profit of listed companies on HOSE and HNX advanced by 15.9% y-o-y in 3Q22 and 16.3% y-o-y in 9M22 while q-o-q, it declined 5.8%. However, if excluding banks, the profit of which grew by 40.5% YoY in 3Q22 and 30.8% YoY in 9M22, net profit of the non-financials sectors would decline 3.2% y-o-y in 3Q22 and increased only 4.0% y-o-y in 9M22, obviously affected by higher input costs, rising interest rates, and slowing demand.

The fund's Class A NAV per share declined 9.8% (USD terms), versus a decrease of 12.8% of the VN-Index in October 2022, as most of our top holdings outperformed their peers and the VN-Index, with top performers including GMD (-5.7%), VCB (-3.5%), PNJ (-6.5%), FPT (-9.8%). Year-to-date, the fund has declined 25.4%, outperforming the local benchmark by a large 11.5 percentage point margin.

A particular highlight continues to be FPT. The leading IT company in Vietnam posted robust results in Q3, with revenue and NPAT growing 27.8% and 29.2% y-o-y, respectively. The strong growth was led by the software business, of which digital transformation continued to play a pivotal role, posting growth of 34% y-o-y in 9M2022. The value of newly signed orders continued its strong momentum with 42.6% y-o-y growth in YTD2022, while the number of large global deals (value size > USD 5 mil) jumped by 45.2%, implying that FPT is penetrating up the ICT global value chain with more sophisticated consulting engagements rather than simply offering software outsourcing services.

At the end of October, the VN Index was trading at a 2022F P/E of only 9.9x, which is 2 standard deviations below the 10-year mean and a 32% discount from the average of ASEAN stock markets. While the ability to forecast the outlook for listed Vietnam companies has become more challenging, this valuation level offers a rare bargain for long-term investors. As such, we believe that focusing on individual company fundamentals is more important than ever. In general, we expect companies with leading market share, strong pricing power, and healthy balance sheets will have a more robust ability to sustain earnings growth in this weaker environment. We are also focused on secular trends such as domestic consumption and digitalization. We view low valuation multiples and strong business fundamentals of our investee companies as the determining factors for the portfolio's performance in the long term.

## MACRO COMMENTARY

Vietnam's economic growth remained strong in October, with inflation remaining at approximately 4% and the country's trade surplus swelling by an additional USD2.6 billion to nearly USD10 billion (or 3% of GDP) in 10M22. Despite this excellent economic performance, the value of the VN Dong depreciated by more than 4% during the month, and by nearly 9% YTD as of end-October.

During the month, the depreciation of the VN Dong caught up to its peers, driven by increased pressures on EM Asia currencies and by idiosyncratic domestic issues - some of which are discussed [in this report](#). We do not expect these idiosyncratic developments to have a major impact on the country's economic growth, and we are very encouraged that the State Bank of Vietnam (SBV) took concrete actions to stabilize the USD-VND exchange rate.

Specifically, the SBV raised policy interest rates twice, by 100 bps in late September and by an additional 100 bps on October 25th, bringing the refinancing rate up to 6%. Local banks were encouraged to increase the deposit rates to encourage savers to hold onto their VN Dong; by the end of October, it was possible for savers to earn interest rates well above 6% on short-term time deposits at leading banks.

## MACRO INDICATORS

	2021	Oct 2022	YTD 2022	Y-o-Y
GDP growth <sup>1</sup> (%)	2.6			
Inflation <sup>2</sup> (%)	1.8	4.3	2.9	
FDI commitments (USDbn)	24.3	3.2	18.7	-7.2%
FDI disbursements (USDbn)	19.7	2.0	17.5	15.2%
Imports (USDbn)	332.8	27.9	303.4	12.2%
Exports (USDbn)	336.2	30.5	312.9	16.0%
Trade surplus/(deficit) (USDbn)	3.3	2.6	9.6	
Exchange rate (USD/VND) <sup>3</sup>	22,796	24,838		

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

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

Vietnam's consumption growth reflects resilient consumer confidence and healthy household balance sheets. It is also increasingly being driven by the nascent rebound in foreign tourism, which accounted for about 10% of Vietnam's GDP, pre-COVID.

We expect tourist arrivals to reach 20% of pre-COVID levels this year. The number of foreign tourists that visited Vietnam in 10M22 equated to 16% of 10M19 tourist arrivals, while the number of tourist arrivals in October 2022 equated to 30% of October 2019 arrivals. Note that Chinese tourists accounted for approximately one-third of Vietnam's total tourist arrivals, pre-COVID.

Given all of the above, we expect Vietnam's tourist arrivals to reach two-thirds of pre-COVID levels in 2023, which will help support the economy next year if-and-when the demand for "made in Vietnam" products in the US and other developed countries falls. Further to that last point, Vietnam's manufacturing PMI decelerated from 52.5 in September to 50.6 in October as the growth of new orders fell to its lowest level in over one year.

That said, export growth was also surprisingly strong, at 16% yoy in 10M22 to USD312.9 billion. One reason for the resilience of both Vietnam's manufacturing activity and exports is that companies continue to relocate their production capacity from China to Vietnam. This phenomenon helps explain why Vietnam's exports grew by more than 5% yoy in October, while China's exports actually dropped last month, and it is also reflected in Vietnam's resilient FDI inflows, which grew 15% yoy in 10M22 to USD17.5 billion or about 6% of GDP. That said, FDI manufacturers have slowed their import of production materials in anticipation of the global economic slowdown in 2023, which helps explain why Vietnam's imports only grew by 12% yoy in 10M22 to USD303.4 billion, versus the 16% export growth mentioned above.

Finally, Vietnam's inflation rate ticked up from 3.9% yoy in September to 4.3% in October, driven by an increase in food price inflation from below 4% yoy in September to above 5% in October. Food prices are rising across Asia, and in Vietnam's case the increase in food price inflation in October was primarily attributable to pork prices.

## KEY TERMS

	Class A <sup>1</sup>	Class B	Class C	Class D	Class G
Currency	USD	USD	EUR	EUR	JPY
Min. Investment	500,000 <sup>2</sup>	5,000	500,000 <sup>2</sup>	5,000	10,000,000 <sup>2</sup>
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

<sup>1</sup> 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.

<sup>2</sup> 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	USD37.5m
Incorporation	Luxembourg
Registered	UK, The Netherlands, Germany, Singapore, Austria, Switzerland, Sweden, France
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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