

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
December 2022 (m-o-m)	3.1%	0.2%
YTD	-23.5%	-35.1%
3-year annualized	12.0%	0.9%
5-year annualized	3.8%	-0.3%
Annualized since inception	9.3%	5.2%
Accumulated since inception	93.9%	45.5%
Sharpe ratio (annualized since inception)	0.36	0.18
Annualized standard deviation	20.8%	22.2%
Tracking error	8.2%	

* Fund information calculated from Class A shares

PERFORMANCE CHART



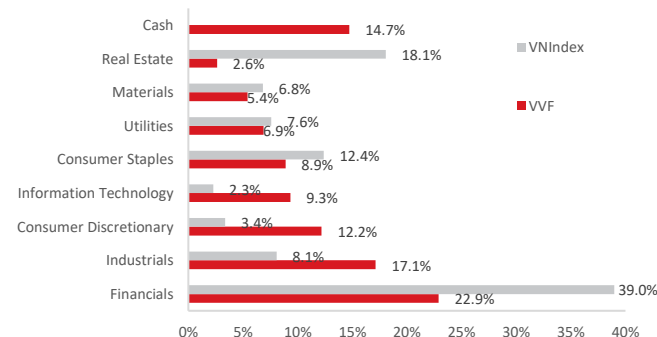
MANAGER'S MONTHLY COMMENTARY

2022 turned out to be a difficult and extremely volatile year for Vietnam's stock market, resulting from a range of factors including rising inflation, higher interest rates and geopolitical conflicts externally as well as a liquidity crunch from the crackdown on wrongdoings in the corporate bond market domestically. While the VN-Index recovered nearly 16% in USD terms from its bottom in mid-November, it still closed the year down 35%, which is its steepest annual decline since 2008, ending a three-year winning streak. The negative return in 2022 was led by a sizable multiple contraction and a VND depreciation of 3.5% versus the USD. Average daily trading value on the three bourses combined declined 24.9% y-o-y to USD792 million for the full year 2022. The silver lining is that foreign investors net bought USD1.2bn in Vietnam's stock market, mostly in November and December, on a multi-year low valuation compared to a net outflow of USD2.7bn in 2021.

For the full year 2022, the Fund's Class A NAV per share decreased 23.5% (USD terms), outperforming the VN-Index by a large margin of 11.6 percentage points. Amid the overall market correction, certain of the Fund's holdings in the mid- and small-cap space still managed to generate positive returns in 2022, including PNJ (+22.6%), REE (+16.3%), and BWE (+11.4%). Meanwhile, core holdings in large cap stocks such as FPT (-2%), VCB (-1.9%) and GAS (+4.3%) proved resilient, holding up relatively against their peers thanks to their quality characteristics and strong financial performance in 2022.

Looking ahead to 2023, we are faced with two key questions: What is the outlook for earnings? Will valuations contract further? While risks around downward earnings revisions are elevated for 2023, we believe they are also much better reflected in current equity valuations. As a result, "less bad" news may be enough to fuel a powerful rebound once the worst is priced into earnings expectations, as investors normally begin to look to the coming cycle well in advance of improvement in economic data.

SECTOR ALLOCATION



TOP HOLDINGS

Ticker	Market Cap (USDmn)	Sector	% of NAV	2023F PE	2023F ROE
FPT	3,578	Information Technology	9.3%	12.7	24.7%
VCB	16,059	Financials	7.8%	11.3	22.0%
GMD	580	Industrials	6.5%	11.3	15.2%
PNJ	1,251	Consumer Discretionary	5.6%	12.6	26.9%
MWG	2,663	Consumer Discretionary	4.8%	10.3	22.1%
MBB	3,289	Financials	4.3%	3.5	24.1%
GAS	8,240	Utilities	3.8%	12.6	23.5%
STB	1,799	Financials	3.3%	7.9	13.0%
QNS	542	Consumer Staples	3.3%	10.3	17.0%
ACB	3,137	Financials	3.1%	4.7	23.5%
VVF Port.				8.7	21.0%
VN-Index				10.5	15.9%

Source: Bloomberg, VinaCapital's estimates

Similarly, the market bottom may well be behind us, with much of it hinging on the US Fed's policy and specific issues in Vietnam. Although economic growth may be sluggish for the next 1-2 quarters and whether a global recession will materialize remains a big question, we see several factors that are becoming more positive for the stock market, as we mentioned in our report last month. Global inflation has cooled down, which will prompt the Fed to be less hawkish. Interest rate hikes and the Vietnamese Dong's depreciation may no longer be the major risks for the stock market in 2023. The boost in public investment and the effects of China's reopening should positively contribute to GDP growth. Bottom or not, investors with a long-term mindset have a decent entry point today as the valuation of Vietnam's stock market remains at a multi-year low (2023F P/E of approximately 10x).

We see an opportunity to capture value in stocks unduly punished during the downturn as well as those with quality characteristics that can offer greater resilience through an economic slow-down. One thing we realize is in this environment of uncertainties, dispersion in stock returns is rising. One upshot is that it presents an opportunity for active stock pickers like us to apply our own research and analysis to identify fundamentally strong companies that may be positioned to deliver earnings growth above consensus expectations. Overall, we believe an active and nimble approach rooted in fundamentals should add value in 2023. As such, in December we initiated new positions and increased exposure to quality companies in Consumer Staples, Financials, and Materials which demonstrated signs of earnings improvement and resiliency. Any market recovery is likely to be uneven, in our view, with individual company fundamentals increasing in importance and driving the speed and magnitude of any share price rebound.

MACRO COMMENTARY

Vietnam's GDP growth surged from 2.6% in 2021 to 8% in 2022, driven by the country's post-COVID reopening boom during which domestic consumption rose sharply and foreign tourists started returning to the country. Regarding the former, real retail sales (i.e., excluding the impact of inflation), which is a proxy for household consumption, rebounded from a 6% drop in 2021 to a near 16% increase in 2022. Regarding the latter, the number of foreign tourist arrivals reached 20% of the pre-COVID level in 2022, up from essentially no foreign tourist arrivals in 2021.

We estimate that this nascent recovery in foreign tourist arrivals boosted Vietnam's GDP growth by about 2%pts last year. We expect foreign tourist arrivals to reach one-half of pre-COVID levels this year, which would boost Vietnam's 2023 GDP growth by more than 2%pts.

Vietnam's manufacturing sector remained remarkably resilient in 2022, despite our concerns that a plunge in the demand for "Made in Vietnam" products by US consumers would drag on Vietnam's manufacturing and GDP growth. Manufacturing output growth accelerated from 6.4% in 2021 to 8.1% in 2022, contributing about 0.5%pts of the above-mentioned rise in Vietnam's GDP growth last year. That said, the US and global economy slowed precipitously in late-2022. The business media widely reported that inventory levels at leading US retailers rose by about 20% in 2022, and that US imports of consumer products fell by a record-high 12.6% m-o-m in November

2022, the latest date for which that data is available. Not surprisingly, new export orders for factories in Vietnam dropped in late-2022, which drove a further decline in Vietnam's PMI index from 47.4 in November to 46.4 in December. This leads us to believe that a slowdown in Vietnam's manufacturing sector will subtract 2%pts off the country's GDP growth rate in 2023.

Next, Vietnam's exports to the US still increased 13% in 2022, though slowing down from 24% in 2021, leading to an 11% increase in the country's total exports to USD372 billion last year, according to the Vietnam General Statistics Office. Vietnam's imports grew by 8% last year to USD361 billion, resulting in the country's trade surplus widening from 1%/GDP in 2021 to 3%/GDP (or USD11.2 billion) in 2022. Vietnam's trade surplus with the US widened further, from 22%/GDP in 2021 to 23% in 2022.

The unexpected resilience of Vietnam's exports to the US - and consequent resilience of Vietnam's manufacturing sector - stems from the ongoing relocation of manufacturing from China to Vietnam (or to the launch of new factories in Vietnam instead of in China). This dynamic was reflected by a 14% increase in disbursed FDI inflows to USD22.4 billion in 2022.

Those FDI inflows equated to 6%/GDP in 2022 and this, coupled with the above-mentioned 3%/GDP trade surplus, helped support the value of the VN Dong last year. The VN Dong depreciated by 3.5% in 2022, after having depreciated by as much as 9% YTD in early November, driven by a near 20% surge in the value of the US Dollar/DXY Index at that time. The VND subsequently appreciated by over 4% month-on-month in December, driven by an increase in the value of the Chinese Yuan in the wake of the country dropping its Zero COVID policy (which we discussed in this report) as well as by a retreat in the above-mentioned DXY Index, which ended the year up 8%.

Earlier in 2022 the State Bank of Vietnam (SBV) took steps to protect the value of the VN Dong, including spending about USD20 billion of its FX reserves and hiking policy rates by 100bps in both September and October, which raised Vietnam's policy interest rate from 4% to 6%. Finally, Vietnam's CPI inflation rate was 4.6% yoy in December (and averaged 3.2% in 2022), but savers can earn interest rates of over 8% by parking their VN Dong in a 6-month bank deposit at leading local commercial banks - which is another factor that helped prompt a partial rebound in the value of the VN Dong in December.

MACRO INDICATORS

	2021	Dec 2022	YTD 2022	y-o-y
GDP growth ¹ (%)	2.6	5.9	8.0	
Inflation ² (%)	1.8	4.6	3.2	
FDI commitments (USDbn)	24.3	1.5	22.6	-7.0%
FDI disbursements (USDbn)	19.7	2.7	22.4	13.5%
Imports (USDbn)	332.8	29.2	360.7	8.4%
Exports (USDbn)	336.2	29.7	371.9	10.6%
Trade surplus/(deficit) (USDbn)	3.3	0.5	11.2	
Exchange rate (USD/VND) ³	22,826	23,633		

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	Class H	Class I
Currency	USD	USD	EUR	EUR	JPY	USD	USD
Min. Investment	500,000 ²	5,000	500,000 ²	5,000	10,000,000 ²	5,000,000 ²	10,000,000 ²
Management Fee	1.25%	2.00%	1.25%	2.00%	2.00%	1.25%	1.00%
Bloomberg	FOVCPVA LX	FOVIEBU LX	FOVIECE LX	FOVIEDE LX	FOVCPVG LX		
ISIN	LU1163030197	LU1163027052	LU1214542463	LU1214545136	LU1286783011	LU2552457918	LU2560055225

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	USD40.9m
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

CONTACT DETAILS

VinaCapital
 17th Floor, SunWah Tower
 115 Nguyen Hue Street
 District 1, Ho Chi Minh City, Vietnam
 office: +84 (0) 28 3821 9930
 email: ir@vinacapital.com
www.vinacapital.com

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