VinaCapital Vietnam Access Fund Limited (VAF)

31 December 2022

NAV/share: USD144.143

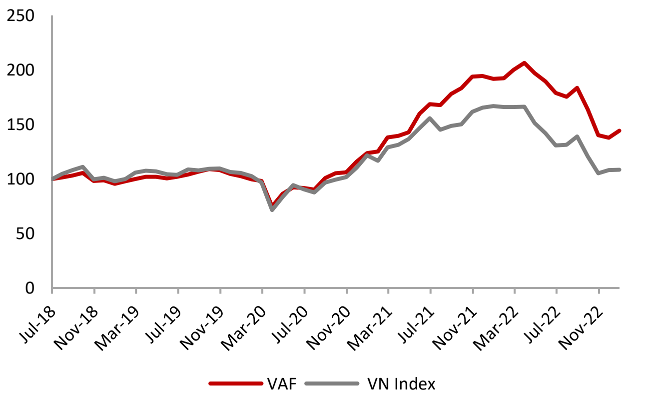
VAF is a Cayman Islands open-ended fund that invests in the Vietnam Equity Special Access Fund (VESAF), a Vietnam-regulated open-ended fund, with the flexibility to participate in IPOs as well as make direct investment in Vietnamese listed and unlisted securities.

PERFORMANCE SUMMARY

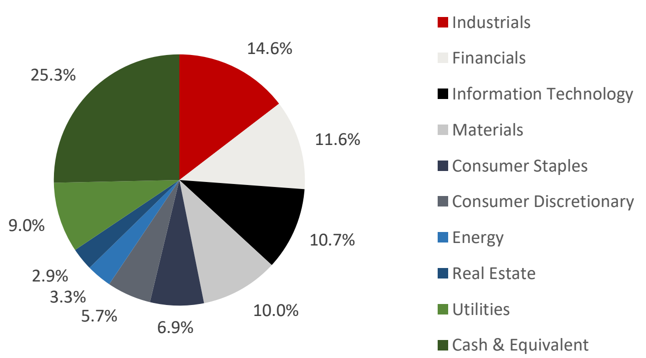
	Fund	VN Index
December 2022 (m-o-m)	4.7%	0.2%
YTD	-24.8%	-35.1%
3-year annualized	12.0%	0.9%
Annualized since inception*	8.5%	1.8%
Accumulated since inception*	44.1%	8.3%
Annualized standard deviation	21.7%	24.5%

** Inception date: 03 July 2018*

PERFORMANCE CHART



SECTOR ALLOCATION



TOP HOLDINGS

Ticker	Market Cap (USDm)	Sector	% of NAV	2023 PE	2023 ROE
FPT	3,570	Information Technology	10.7%	12.7	24.9%
BWE	404	Utilities	9.0%	12.1	16.9%
MWG	2,657	Consumer Discretionary	5.7%	10.3	22.1%
MBB	3,281	Financials	5.6%	3.5	24.1%
QNS	541	Consumer Staples	4.5%	10.3	17.0%
DPR	96	Materials	3.9%	5.7	12.8%
STB	1,795	Financials	3.2%	7.9	13.0%
SZC	111	Industrials	2.9%	7.5	19.6%
KDH	804	Real Estate	2.9%	13.5	11.4%
PVS	433	Energy	2.6%	7.3	10.7%

Source: Bloomberg, VinaCapital's estimates

MANAGER'S MONTHLY COMMENTARY

Vietnam's stock market remained volatile in the last month of the year. The VN-Index surged during the first few days of December building off November's positive momentum but ended the month with a 3.9% m-o-m decline in VND terms (+0.2% in USD terms). Despite the month's decline, overall market sentiment improved significantly as shown in the recovery of daily trading volumes by 25% m-o-m, buoyed by the banking system's easing liquidity, strong interest from foreign investors, and investors' expectations about China's reopening plan, as well as aggressive public spending. We expect these will all be catalysts for Vietnam's stock market in 2023 as well.

Liquidity in the banking system improved after the tight conditions seen in the last two months. Overnight interbank rates declined sharply from a peak of 7.6% at the beginning of October to 4.75% at the end of December. The abundant liquidity in December enabled the SBV to net withdraw liquidity out of the system via open market operations, after net injections in October and November. One of the supportive policy signals from the Government included the extension of tenures for reverse repo transactions to 91 days (instead of the regular 7 and 14 days) to prepare for the medium-term liquidity needed for the holiday period. In December, banks reached an agreement with the SBV to cap all-in deposit rates at maximum 9.5% after some small banks raised rates to 11-12% in recent months. While all of the aforementioned factors, coupled with less pressure on the currency, helped to cool down interest rates, we do not expect a significant downward adjustment; rather, we expect a stabilized-rate condition which creates a differentiation among banks depending on their LDR status and corporate bond exposure.

Foreign investors were back, with a net purchase of USD1.1 billion in the last two months and an accumulated USD1.3 billion for the full-year 2022 following huge net selling of approximately USD3 billion in 2020-21. 2022 also saw historic high ETF inflows into Vietnam's stock market, mostly in the last quarter when the currency was more stable, supportive policies were introduced, and the attractive valuations largely reflected macro risks. Foreign inflows (net flows of USD497 million in December and USD1 billion in 4Q), coupled with resilient FDI disbursement, a trade surplus, and increasing remittances at year-end in a period of a weakening US dollar (from the peak in 3Q) contributed to the 4.0% appreciation of the Vietnam Dong and reduced the depreciation for full-year 2022 to just 3.4%. We expect less pressure on the Vietnam Dong in 2023 due to the narrowing interest rate gap between the US and other countries and the stabilized liquidity of the banking system.

China's reopening has become a favourite investment theme for 2023 as the return of Chinese tourists after almost three years is expected to prop up tourism and tourism-related consumption to partially offset the slowdown in domestic consumption. Chinese tourists accounted for one-third of total arrivals in 2019. The gradual recovery in tourism revenues also supports the currency, as we expect a surplus in services trade in the coming years (to recall Vietnam recorded a USD5.4 billion surplus in travel services trade in 2019 while it ran a USD3.8 billion deficit in 2021). Vietnam's trade with China, which accounted for approximately 25% of Vietnam's total international trade, is also expected to improve on the back of revived agricultural product exports, ease in materials and spare-parts imports, and lower risk of supply chain disruption.

Infrastructure spending has long been expected by investors, given the bottleneck in logistics and the aim to reduce logistics costs, although the completion rate (versus Government's targets) in the recent years was just around 70%-75%. This year, the Government set the most aggressive target ever for an investment plan of USD30 billion, 25% above the 2022 target and an increase of 60% compared to actual spending in 2022. In addition to an aggressive aggregate number, the Government also recently approved key infrastructure projects with an initial estimated investment of USD16 billion, including 12 sub-projects along the North-South Expressway, Bien Hoa – Vung Tau Expressway (South East region), the Khanh Hoa – Buon Ma Thuot Highway (Central and highland), Chau Doc – Can Tho – Soc Trang Highway (Mekong Delta), Ring road No. 4 connecting Hanoi with surrounding provinces, and Ring road No. 3 connecting Ho Chi Minh City with South East cities and provinces.

Portfolio Highlights and Strategy

The fund strongly outperformed the broader market in December. While the stock market turbulence continued, small and mid-cap stocks no longer faced cross-margin call pressure as seen in the last two months and started to show dispersion in performances throughout the recovery pathway. The fund's holdings that are beneficiaries of the expected acceleration of infrastructure spending, including Petrolimex Chemical (PLC +18.0%) and Hoa An JSC (DHA +19.8%), have attractive asset value (Power Construction No.1 - PC1 +9.2%), and operational resiliency (Binh Duong Water - BWE +15.4%) all outperformed during the month. We have been gradually increasing equity exposure, as we see low downside risk from the current valuation levels. At the same time, the initial supportive policies from the Government started to release some stress on the financial sector, so we also actively increased exposure to selected banks and brokerage companies. At the time of writing, the portfolio had

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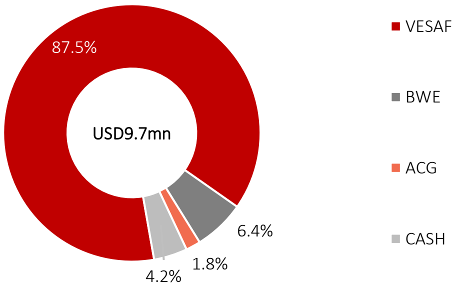

Small- & mid-cap	51.0%
Stocks traded on UPCoM	7.4%
Stocks at full Foreign Ownership Limit	22.7%

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

approximately 20% in cash and equivalents and is in the process of further reducing this to 10%.

Although China's reopening and public spending are attractive themes at a macro level, the selection of companies that truly benefit from these stories is quite challenging, given our selection approach based on fundamentals. Our top-picks as beneficiaries from public spending, PLC and DHA, are based on their strong balance sheets, business models and competitive advantages that help them benefit from the vast majority of the approved infrastructure projects. For China reopening theme picks, indirect beneficiaries appeared more attractive to us than direct beneficiaries such as airlines, which have low earnings visibility, slow turnaround, and unattractive valuations. We added Dong Hai Ben Tre (DHC), a packaging paper manufacturer whose earnings were largely impacted by China's low paper consumption during the lockdown. The resumption of production and consumption activities in China, coupled with its import restriction of old corrugated cardboard boxes for use in paper production, means that Vietnam's paper industry will benefit from the surging import demand from China. The company is trading at a 2023 P/E of 6.2x, P/B of 1.2x, ROE of 20% and has a dividend yield of 4.1% and is a good pick for the China reopening theme. Additionally, Sao Ta Foods (FMC, shrimp exporters), our pick in the fishery industry, will continue to grow during a challenging environment because its active and strong position in the high-margin Japan market helps offset a slowdown in US market demand in 2023. China's reopening will also help to absorb supply from rivals including India and Ecuador. FMC is trading at a 2023 P/E of 5.5x, P/B of 0.8x, ROE of 16% and pays a dividend yield of 4.7%.

Following the sharp decline in share prices of retailing stocks, which reflected the headwinds of declining consumption and expected downward earnings revisions, we are now more comfortable with some of these names on valuations ground. We will monitor the sector closely for potential weight increase.

The portfolio as a whole is trading at an aggregated P/E of 7.3x on forecasted EPS growth of 27% for 2023.

VAF FUND INFORMATION

Launch date	03 July 2018
Fund size	USD9.7mn
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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