

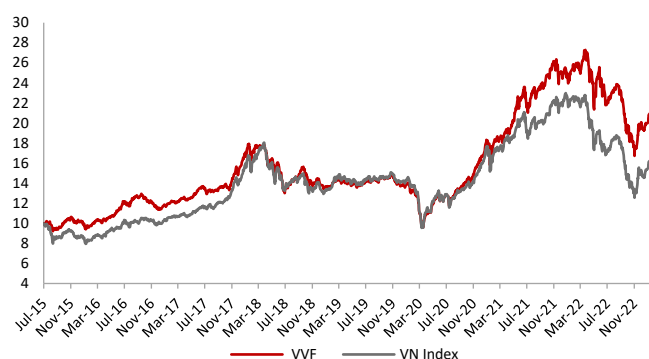
VVF is an actively managed UCITS-compliant fund that invests in equities and equity-related securities of companies that are based in Vietnam, with an objective to deliver long-term capital growth, through bottom up stock picking and disciplined risk management.

PERFORMANCE SUMMARY

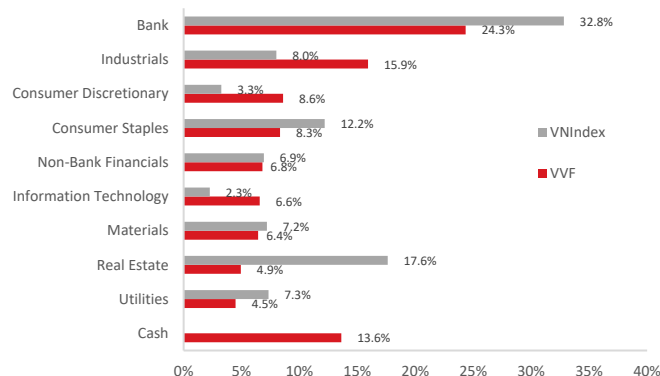
	Fund*	VN-Index
January 2023 (m-o-m)	8.8%	11.2%
YTD	8.8%	11.2%
3-year annualized	16.8%	5.5%
5-year annualized	3.5%	-0.6%
Annualized since inception	10.4%	6.6%
Accumulated since inception	110.9%	61.8%
Sharpe ratio (annualized since inception)	0.41	0.24
Annualized standard deviation	20.8%	22.4%
Tracking error	8.2%	

* Fund information calculated from Class A shares

PERFORMANCE CHART



SECTOR ALLOCATION



TOP HOLDINGS

Ticker	Market Cap (USDm)	Sector	% of NAV	2023F PE	2023F ROE
VCB	18,549	Financials	8.5%	12.1	28.7%
FPT	3,907	Information Technology	6.6%	13.8	27.2%
STB	2,179	Financials	5.4%	6.4	18.5%
GMD	681	Industrials	5.0%	13.1	16.3%
CTG	6,251	Financials	4.9%	7.0	19.2%
PNJ	1,262	Consumer Discretionary	3.7%	13.8	28.7%
MWG	2,902	Consumer Discretionary	3.5%	12.3	22.0%
HPG	5,481	Materials	3.4%	10.8	11.5%
MBB	3,780	Financials	3.2%	3.8	29.7%
VRE	2,878	Real Estate	3.0%	21.1	9.4%
VVF Port.				9.5	22.4%
VN-Index				10.2	15.7%

Source: Bloomberg, VinaCapital's estimates

MANAGER'S MONTHLY COMMENTARY

Vietnam's stock market had a strong start to the year as the VN-Index rose 11.2% in USD terms in January. Foreign investors continued to be active, net buying USD178mn and focusing on large cap stocks in Financials and Materials. In particular, banking stocks increased 14.6% in the month, with the biggest outperformances coming from state-owned commercial banks or private banks with limited exposure to the real estate sector. Meanwhile, investors piled into the Materials sector (+18.6%), in particular steel companies, with the expectation that the worst is over for the industry after a tough year in 2022. This is the third consecutive month of foreign net buying, following purchases of USD685mn in November and USD565mn in December 2022, which could be attributed to expectations of a more stable currency and long-term attractive valuations.

Average daily trading value across all three bourses was lower than in December 2022, at USD517mn, down 25% m-o-m due to limited trading activities before the Lunar New Year Holiday. The positive sentiment could also be attributed to supportive measures from the State Bank of Vietnam (SBV), as the interest rate environment has become less tight for stock market investors, with deposit rates at commercial banks declining approximately 100bps in January, following an agreement between the SBV and banks on a deposit rate cap of 9.5% for 6-month term deposits. Additionally, the SBV has accumulated more dollar amount in January to strengthen its foreign exchange reserves.

The Fund's Class A NAV per share increased 8.8% in USD terms during the month. The fund's performance trailed the VN-Index during January as a result of underweight in the Financial and Materials sector. Top performing stocks in the month included VCB (+14.9%), STB (+21.4%), and GMD (+17.7%). Meanwhile, PNJ (+1.8%) and BWE (-1.1%), were among the laggards after strong return in 2022.

With Q4 financial reporting concluding, the aggregate net profit of listed companies on Vietnam's stock market took a hit in that quarter, declining 24% q-o-q and 30% y-o-y, respectively. This brought earnings growth for the full year 2022 to a mere 7.6% y-o-y at the time of writing, with the biggest drop seen in cyclical sectors such as Materials, Real Estate and Brokerage sectors while retail, F&B companies could not escape the downward trend in Q4. This was primarily due to: (1) high base set in Q4 2021 for certain sectors; and (2) impact of economic headwinds on businesses. Banking was among a few sectors that recorded positive y-o-y profit growth in Q4 last year, though growth slowed to 18.3% y-o-y (versus 54.7% y-o-y in 3Q and 37.6% y-o-y in 9M22). In Q4, the banking sector saw slightly better than expected net interest margin (NIM, -7bps q-o-q) but higher than expected credit costs (+4bps q-o-q). Banks with high asset quality and reasonable loan to deposit ratio (LDR) such as VCB and ACB saw stable NIM and credit costs during Q4. For FY2022 profit before tax increased 32.3% y-o-y with VCB, STB, ACB, BID and CTG beating forecasts. FY22 new non-performing loan (NPL) formation was 1.30% (+31bps y-o-y), slightly higher than our forecast, while the reported NPL ratio inched up to 1.38% amid a decline in reserve coverage to 150%. The sector's credit growth picked up to 3.0% q-o-q in Q4 2022, leading to total credit growth of 15.7% y-o-y. Corporate bond balances declined 7% q-o-q, with the sector's exposure to corporate bonds falling to 2.6% from 2.9% in the third quarter. We maintained our stance to be selective in the sector, preferring banks with good asset quality and limited exposure to real estate or corporate bonds.

Although January was a short trading month due to long Lunar New Year Holiday, we have been quite busy working to deploy cash into quality companies while prudently monitoring the market for potential downgrade risks. Although risks remain, including slowing growth or downgrades as well as liquidity and policy risks domestically, we are of the view that the bear market in 2022 has created an attractive entry point for investors with a long-term perspective. Our Fund does not "own the market", but rather 28-30 companies and the fundamentals of these companies remain solid. At the time of writing, the 2023 blended EPS growth for the Fund's portfolio remains in double-digit territory, contrary to the VN-Index's aggregated single-digit EPS growth estimate by Bloomberg consensus. The market rebound will not be linear, especially after a strong January, and we expect volatility ahead. We continue to focus on bottom-up stock picking and plan to continue deploying capital to stocks we believe will buck the trends and gain market share in a challenging economic environment.

MACRO COMMENTARY

Vietnam's January economic statistics exhibited two dynamics likely to impact the country's economy throughout 2023: 1) slower demand for "Made in Vietnam" products by consumers in the US/EU will weigh on GDP growth, and 2) a rebound in foreign tourist arrivals (especially from China) will offset #1 somewhat.

Before delving into the details of those dynamics, note that the Tet Lunar New Year holiday occurred in January this year versus in February last year, which will distort the statistics discussed below. Consequently, we will need to wait until the Government releases 2M23 statistics to get the full picture of Vietnam's economic performance in early-2023.

In late-2022, the demand for "Made in Vietnam" products was already declining, with manufacturing output growing by just 1% y-o-y in December. Vietnam's General Statistics Office (GSO) reported that manufacturing output fell 9% y-o-y in January, which was clearly attributable to both the timing of the Tet holiday and to slowing demand for products.

MACRO INDICATORS

	2022	Jan 2023	YTD 2023	y-o-y
GDP growth ¹ (%)	8.0			
Inflation ² (%)	3.1	4.9	4.9	
FDI commitments (USDbn)	22.6	1.5	1.5	-9.0%
FDI disbursements (USDbn)	22.4	1.4	1.4	-16.3%
Imports (USDbn)	360.7	21.5	21.5	-28.9%
Exports (USDbn)	371.9	25.1	25.1	-21.3%
Trade surplus/(deficit) (USDbn)	11.2	3.6	3.6	
Exchange rate (USD/VND) ³	23,633	23,450		

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

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

In contrast to the weakening picture in the manufacturing sector, foreign tourism's rebound is off to a very good start, making us even more confident that it will be one of the main factors that supports Vietnam's economic growth this year. The number of foreign tourists visiting Vietnam reached nearly 60% of pre-COVID levels in January (i.e., January 2023 versus January 2019), up from 40% in December.

We estimate that foreign tourists previously accounted for about 10% of Vietnam's retail sales (pre-COVID), so the increase of tourists in January – which was highly evident/visible "on the ground" – helped drive a 15.8% y-o-y increase in real retail sales (i.e., excluding the impact of inflation) in January 2023 versus a small drop in January 2022.

Next, the above-mentioned slowing demand for "Made in Vietnam" goods drove a 21% y-o-y drop in exports in January to USD25.1 billion, according to the GSO. In December, exports fell by 16% y-o-y, which was comparable to the declines experienced by other major Asian exporters (China/Korea/etc.), although Vietnam was disproportionately impacted by a near-20% y-o-y drop in global smartphone sales in Q4 (Samsung's Vietnam exports were flat in 2022 and are likely to decline this year).

Despite the drop in exports, Vietnam achieved a USD3.6 billion trade surplus in January, according to the GSO, because imports dropped 29% y-o-y to USD21.5 billion versus the above-mentioned 21% drop in exports. In short, we expect Vietnam's trade surplus to widen from 3% of GDP in 2022 to 5% in 2023 because FDI companies are slashing their imports of production materials and are instead depleting their inventories of production inputs (note the FDI companies account for most of Vietnam's imports).

Finally, note that inflation ticked up from 4.6% y-o-y in December to 4.9% in January, driven by a 1% month-on-month increase in food prices in the lead up to the Tet New Year holiday. We expect inflation will average 4% this year; the Government aims to contain inflation to below 4.5%, on average in 2023.

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	USD63.4m
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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Disclaimer

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