

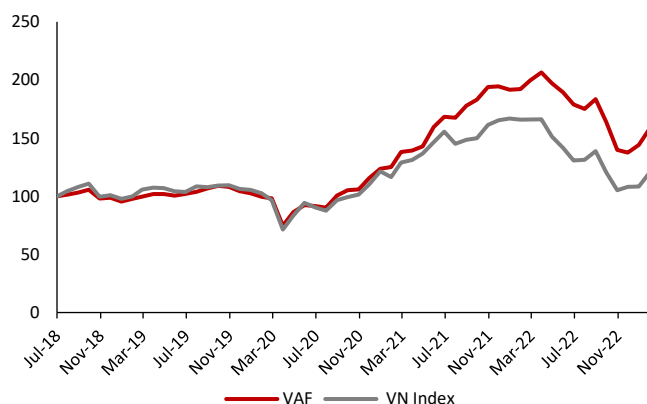
VAF is a Cayman Islands open-ended fund that invests in the Vietnam Equity Special Access Fund (VESAF), a Vietnam-regulated open-ended fund, with the flexibility to participate in IPOs as well as make direct investment in Vietnamese listed and unlisted securities.

PERFORMANCE SUMMARY

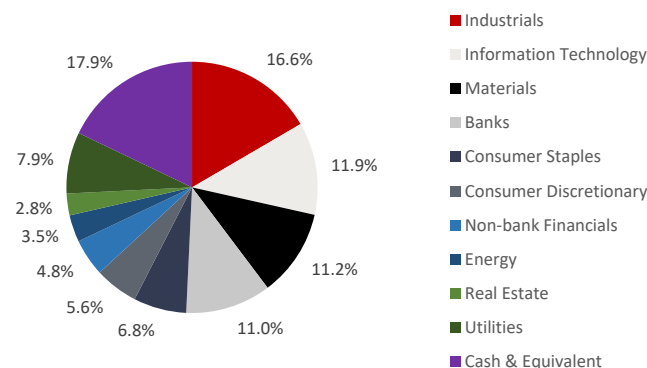
	Fund	VN Index
January 2023 (m-o-m)	9.8%	11.2%
YTD	9.8%	11.2%
3-year annualized	16.7%	5.5%
Annualized since inception*	10.5%	4.1%
Accumulated since inception*	58.3%	20.5%
Annualized standard deviation	21.9%	24.8%

* Inception date: 03 July 2018

PERFORMANCE CHART



SECTOR ALLOCATION



TOP HOLDINGS

Ticker	Market Cap (USDm)	Sector	% of NAV	2023 PE	2023 ROE
FPT	3,906	Information Technology	11.9%	13.8	28.0%
BWE	389	Utilities	7.9%	11.5	18.8%
MBB	3,780	Financials	7.4%	4.1	29.7%
MWG	2,902	Consumer Discretionary	5.6%	12.3	24.1%
QNS	548	Consumer Staples	4.1%	10.3	17.4%
DPR	103	Materials	3.8%	6.1	13.6%
STB	2,179	Financials	3.6%	5.6	23.4%
SZC	136	Industrials	3.3%	12.0	17.1%
ILB	34	Industrials	3.3%	5.6	27.3%
PVS	522	Energy	2.9%	13.2	7.3%

Source: Bloomberg, VinaCapital's estimates

MANAGER'S MONTHLY COMMENTARY

Vietnam's stock market started 2023 with a nice rebound of 11.2% in January, overcoming the negative sentiment seen in the previous month. Investors' concerns about uncertainty regarding the currency and interest rates subsided in the recent weeks, as the Vietnam Dong continued to appreciate by 0.8% while the interest rate environment stabilized as a result of abundant banking liquidity. Vietcombank, the proxy for Vietnam's banks, offered to lower its lending rate by 50bps for a four-month period starting at the beginning of 2023. Following Vietcombank, other state-owned commercial banks and several private banks also offered preferential-rate loans to SMEs and households, with applied interest rates ranging from 7.0% – 10.5% to support the manufacturing segment, while at the same time gaining market share in these client segments. Average deposit rates have also declined slightly, although the decline seen in smaller banks was more significant by around 50bps-80bps, following implementation of an agreed upon cap of 9.5% and improved liquidity.

Banking stocks, which were down 21.6% in 2022, led January's recovery on the expectation of easing monetary conditions and 4Q22 reported earnings that were much more positive compared to the non-financials group. While the aggregate net profit of all listed companies disappointed the market at the Y-o-Y decline of 30.3% in 4Q22 and a mild growth rate of only 7.6% for the FY2022, the banking sector delivered Y-o-Y growth of 23.4% in 4Q22 and 34.0% in FY2022. For the year 2022, banks under our coverage delivered strong credit growth of 15.7% on the back of robust demand and additional credit quota given in the last quarter, as well as resilient fee incomes (+18.2%).

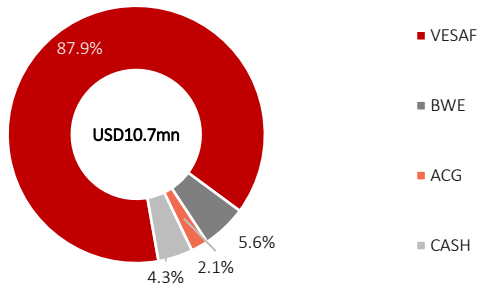
Overall, Vietnamese banks continued to see NIM expansion in 2022 (+26bps) due to an increase in asset yields (+58bps) under strong credit demand era while credit quota was rather limited. However, we started to see NIM contraction in the last quarter at some of the banks that had greater reliance on interbank borrowings, more stressed LDR ratios and also higher exposure to riskier loans. Banks that saw meaningful NIM expansion in 2022 included Sacombank (3.6% weight in VAF as of end-January 2023), MB Bank (7.4% weight in VAF as of end-January 2023), Asia Commercial Bank, and Vietcombank, which was attributable to adequate LDRs and diversified loan and funding structures.

Asset quality has been the focal point when it comes to assessing the banking sector for 2023. Overall, the NPL ratio went up slightly to 1.4% while the reserve cover ratio also declined slightly to 150% at the end of 2022, both at a decent level. However, we paid more attention to the higher-than expected new NPL formation of 2.1%, credit cost of 1.7% in 4Q22 and a surge in special-mentioned (Group-2) loans at the expiry of covid restructuring period, all of which gave some indication about the considerable risks regarding the asset quality outlook of various banks in the context of a less favorable macro outlook and a quiet real estate market. Having said that, there is a great deal of dispersion among banks, and an overall assessment based on the aforementioned ratios and the current reserve cover level suggests the highest risks at VP Bank and Techcombank (neither owned by the fund), and lower risks in Asia Commercial Bank, Vietcombank, and MB Bank, which have moderate NPLs, Group-2 loans, and high reserve cover ratios.

Portfolio Highlights

The fund returned 9.8% in January after a resilient performance the previous month, thanks to the strong performances of selective positions in logistics, utilities, materials, and financials. Power Construction No.1 (PC1, utilities and industrials) maintained its uptrend momentum of the last three months, with a return of 29.2% in January, buoyed by solid earnings growth of 33% YoY in 4Q22. The company reported good profit in the power construction segment from a wind power project, while a reversal of FX loss was also recorded following the VN Dong's appreciation in the last quarter. New business segments, including industrial parks and nickel mining, are key growth drivers for the coming year, while asset valuation is currently at an attractive level. Tan Cang Long Binh (ILB, logistics) was another star holding, returning 32.3% in the month with full-year earnings growth of 26.4% driven by new warehouses leased during the year. The company's business outlook remains bright within the sector, partially attributable to the opening of its fully licensed Inland Container Depot in January, which will enable an increase in goods flows in the coming years.

PORTFOLIO ALLOCATION



Small- & mid-cap	52.1%
Stocks traded on UPCoM	6.9%
Stocks at full Foreign Ownership Limit	25.6%

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

Top holding FPT maintained its resilience, returning 8.6% in January, making it the top contributor to the fund's return. The company fulfilled its profit target for the full year on reported earnings growth of 22.1% in 2022. Global software outsourcing revenue achieved top-line growth of 30.2%, of which the Japan market posted accelerated growth in 2H22 for a full-year growth of 30% in JPY terms. The company saw significant growth in other metrics as well, including signed contracts reaching USD1 billion in 2022 and the number of clients with revenue from USD5 million increasing 28.6% during the year.

Overall, the fund maintained its underweight position in banks, mainly because of the headwinds in the real estate market and asset quality pressure in the coming period. Our major pick continues to be MB Bank, which has exhibited strong earnings quality, a balanced loan and funding structure, and a continued strong balance sheet with a high reserve ratio. At the same time, we are assessing risks associated with its property loans on an ongoing basis. The fund maintained a cash level of 18% at the end of January but plans to reduce that to around 10% during market corrections that provide opportunities to buy good quality stocks.

VAF FUND INFORMATION

Launch date	03 July 2018
Fund size	USD10.7mn
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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