

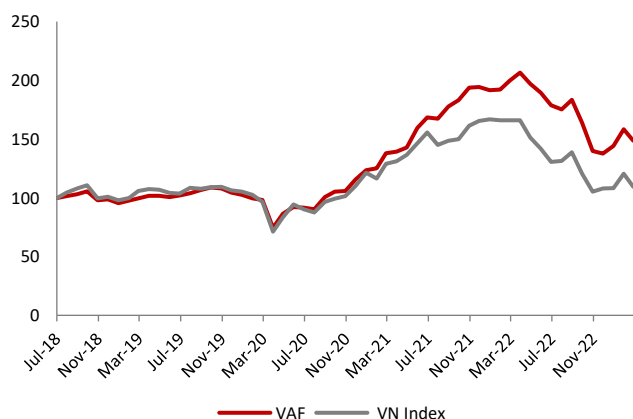
VAF is a Cayman Islands open-ended fund that invests in the Vietnam Equity Special Access Fund (VESAF), a Vietnam-regulated open-ended fund, with the flexibility to participate in IPOs as well as make direct investment in Vietnamese listed and unlisted securities.

## PERFORMANCE SUMMARY

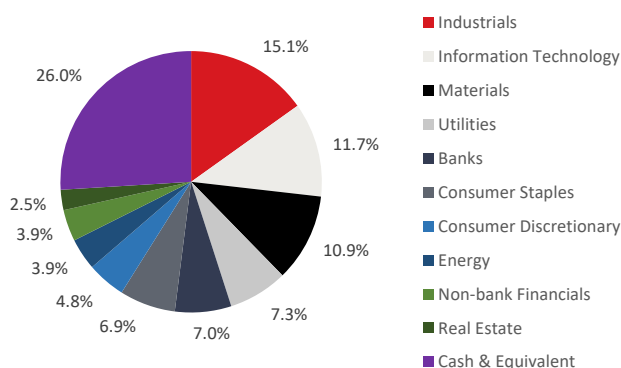
|                               | Fund  | VN Index |
|-------------------------------|-------|----------|
| February 2023 (m-o-m)         | -6.1% | -9.1%    |
| YTD                           | 3.1%  | 1.1%     |
| 3-year annualized             | 14.8% | 4.3%     |
| Annualized since inception*   | 8.9%  | 2.0%     |
| Accumulated since inception*  | 48.6% | 9.5%     |
| Annualized standard deviation | 22.0% | 25.0%    |

\* Inception date: 03 July 2018

## PERFORMANCE CHART



## SECTOR ALLOCATION



## TOP HOLDINGS

| Ticker | Market Cap (USDm) | Sector                 | % of NAV | 2023 PE | 2023 ROE |
|--------|-------------------|------------------------|----------|---------|----------|
| FPT    | 3,712             | Information Technology | 11.7%    | 13.6    | 23.7%    |
| BWE    | 362               | Utilities              | 7.3%     | 10.9    | 16.4%    |
| MWG    | 2,460             | Consumer Discretionary | 4.8%     | 10.6    | 21.1%    |
| QNS    | 585               | Consumer Staples       | 4.4%     | 11.2    | 16.3%    |
| MBB    | 3,288             | Financials             | 3.9%     | 3.6     | 24.1%    |
| DPR    | 92                | Materials              | 3.4%     | 5.5     | 12.9%    |
| PVS    | 522               | Energy                 | 3.3%     | 13.4    | 7.1%     |
| ILB    | 33                | Industrials            | 3.1%     | 7.5     | 18.3%    |
| STB    | 1,882             | Financials             | 3.1%     | 4.9     | 21.0%    |
| PC1    | 309               | Industrials            | 3.0%     | 7.5     | 13.0%    |

Source: Bloomberg, VinaCapital's estimates

## MANAGER'S MONTHLY COMMENTARY

2023 certainly appears to be a volatile year for global stock markets. The VN Index retreated 9.1% (USD terms) in February due to investors' caution regarding the US Fed's recent hawkish messaging in advance of a rate hike decision in March. In the local market, concerns revolved around the real estate corporate bond market, which continued to be battered by major headwinds with several real estate developers disclosing their inability to service their obligations on interest and principal repayments. The total value of real estate bonds that missed payments at the end of February was estimated at USD1.2 billion, which accounted for 5% of total outstanding real estate bonds, and 18% of the total value that will mature in 2023, according to our in-house data. On the positive side, February recorded new bond issuances by non-bank companies with a total value of USD80 million, the largest amount in the last five months. Moreover, a listed conglomerate secured a 5-year syndicated offshore loan of USD650 million during the month.

Finally, the long-awaited Decree 08 on corporate bond regulation was issued in early March. The new decree reduces payment pressure for real estate developers by giving them options to either extend the principal payment to a maximum of two years, or exchange bonds for real estate assets, upon successful negotiations with their bond holders. Though this is just an initial step, we look forward to other supportive regulatory measures to gradually solve the sector's liquidity challenges. We have already observed bondholders of a few large developers agree to swap significant bond value for real estate assets, which has helped to reduce the liquidity stress.

In a surprise move at the beginning of March, the State Bank of Vietnam (SBV) lowered the discount rate from 4.5% to 3.5% and the short-term lending rate to several priority sectors from 5.5% to 5.0%, while maintaining the cap rate for below-6-month deposits at 6.0%. These rate cuts were just initial moves of an expected easing of monetary policy over the course of this year. While this will likely have limited impact on the economy, it provided room to partially bring down funding costs of banks to support credit growth, which was weak at only 0.8% in the first two months. It also has helped to boost investor sentiment regarding an expected cut in deposit rates, especially in the context of weaker external demand, weaker domestic consumption, and the previously mentioned real estate liquidity issues.

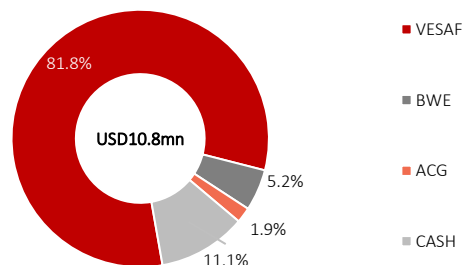
During early March, we paid a visit to several companies in the north, which won the bids for large construction projects for the North-South highway, which is a key part of the Government's infrastructure spending plan this year. Overall, we have seen an acceleration in investment progress for these big projects to support economic growth this year. In the first two months, the disbursement for infrastructure projects increased 20.4% YoY and achieved 7% of the full-year target. These projects are 100% funded by the State budget, since the framework for Public - Private Partnership (PPP) has not been completed, limiting the participation of private investors. We believe the upcoming PPP regulations will help to further expand the list of projects to be implemented in 2024-25.

## Portfolio Highlights

VAF declined 6.1% (USD terms) in February but still achieved a positive return of 3.1% for the first two months of the year, outperforming the VN Index, which returned 1.1% YTD. The fund's outperformance was attributable to both stock selection and risk management during this period of mixed outlook.

Notably, our exposure to companies that benefited both directly and indirectly from the accelerated public investment and China's reopening, which accounted for 30% of total portfolio, contributed to the positive performance during the first two months. The holdings that benefit from public spending activities including PetroChemical Corp (PLC, +31.6% in

## PORTFOLIO ALLOCATION



2M23), Tan Cang Long Binh (ILB, +27.3%), Hoa An Company (DHA, +7.7%) and Power Construction 1 (PC1, +34.7%) were all resilient despite market turbulence. Holdings that are beneficiaries of China's reopening included Dong Hai Ben Tre (DHC, +13.1%), Sao Ta Foods (FMC, +11.8), and PetroVietnam Chemical Services (PVS, +21.5%).

Given the current volatile market, a portion of the portfolio (over 25%) has been allocated to defensive stocks such as FPT Corp (FPT, +4.7% in 2M23), Quang Ngai Sugar (QNS, +12.1%) and Bao Minh Insurance (BMI, +20.0%). At the same time, we have also added selective high-beta stocks in the brokerage and banking sectors (over 10% of portfolio) as we believe interest rates are near their peak.

|  |       |
|--|-------|
| Small- & mid-cap                       | 52.3% |
| Stocks traded on UPCoM                 | 7.0%  |
| Stocks at full Foreign Ownership Limit | 24.1% |

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

## VAF FUND INFORMATION

|                             |  |
|-----------------------------|--|
| Launch date                 | 03 July 2018   |
| Fund size                   | USD10.8mn  |
| 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   |

## CONTACT DETAILS

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