

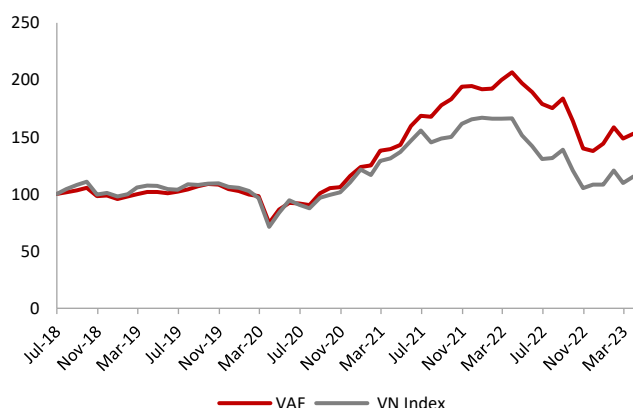
VAF is a Cayman Islands open-ended fund that invests in the Vietnam Equity Special Access Fund (VESAF), a Vietnam-regulated open-ended fund, with the flexibility to participate in IPOs as well as make direct investment in Vietnamese listed and unlisted securities.

PERFORMANCE SUMMARY

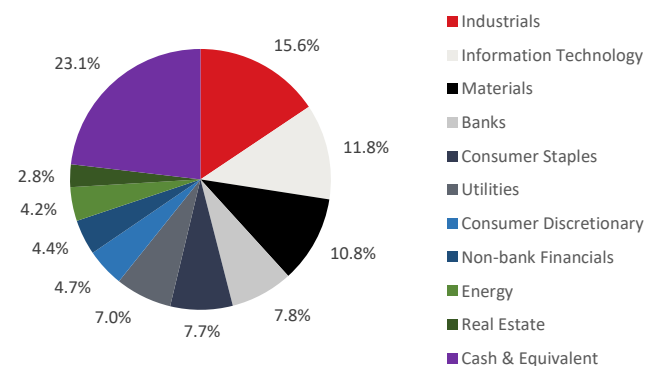
	Fund	VN Index
March 2023 (m-o-m)	2.7%	5.3%
YTD	6.0%	6.4%
3-year annualized	26.9%	17.4%
Annualized since inception*	9.3%	3.1%
Accumulated since inception*	52.7%	15.3%
Annualized standard deviation	21.8%	24.8%

* Inception date: 03 July 2018

PERFORMANCE CHART



SECTOR ALLOCATION



TOP HOLDINGS

Ticker	Market Cap (USDm)	Sector	% of NAV	2023 PE	2023 ROE
FPT	3,697	Information Technology	11.8%	13.3	23.7%
BWE	351	Utilities	7.0%	10.9	15.8%
QNS	611	Consumer Staples	4.9%	9.3	19.8%
MWG	2,404	Consumer Discretionary	4.7%	13.4	15.0%
MBB	3,525	Banks	4.2%	3.8	24.1%
PVS	517	Energy	3.5%	13.1	7.1%
STB	2,104	Banks	3.5%	5.4	21.2%
DPR	94	Materials	3.5%	8.7	8.4%
PLC	115	Materials	3.2%	13.5	15.8%
ILB	32	Industrials	3.1%	7.3	18.3%

Source: Bloomberg, VinaCapital's estimates

MANAGER'S MONTHLY COMMENTARY

Vietnam's economy had a difficult first quarter of 2023 as expected, with growth hindered by both domestic and global issues. GDP growth decelerated to only 3.3% in the first quarter, the lowest quarterly growth in the last 12 years. Notably, trade remained at a low level for three consecutive months, as shown in the declines of exports and imports of 11.9% and 14.7% YoY, respectively. Slower exports were shown in all major product categories, including mobile phones (-15.0% YoY), electronics (-10.9%), textiles (-17.4%), wooden furniture (-28.3%), and fisheries (-29.0%). Exports to the US market declined 20.9% in the first quarter, to China by 13.8%, and to the EU by 10.8%. Domestic consumption appeared weak as well, despite the reported growth of 10.3% YoY in real retail sales figure, much of which was attributable to the strong recovery in tourism during the Tet holiday and the return of foreign tourists at 60% of the pre-Covid level.

In the first quarter, the fund returned 6.0% in USD terms. The top contributors to the fund included companies that have much brighter earnings outlooks despite the challenging macro condition, such as FMC (+20.2% YTD), STB (+16.4%), QNS (+15.6%), and ILB (+24.3%), as well as those that expect earnings to recover strongly as macro conditions improve, including PLC (+48%), DHC (+22.3%), VCI (+27.4%), and PVS (+18.7%).

Retail players coped with weak consumption

Despite the solid retail sales in 1Q23, consumer spending power deteriorated as shown in the estimated sales of consumer companies, as well as their business plans for the whole year presented during their annual general meetings. Phu Nhuan Jewelry (PNJ), a proxy for luxury goods, had a good year in 2022 when jewelry consumption surged as part of the revenge shopping that occurred after the lockdown period. However, the company experienced lower-than-expected sales in 1Q23, estimated at only low single-digit growth, observing that this year, customers were tending to purchase lower-ticket sized items. The company set a conservative earnings growth target of 7% for the full year, implying weak jewelry consumption that might last until year-end. FPT Retail estimated a first quarter revenue decline of nearly 30% for its mobile phone and laptop retail chain, pressured by declines in both sales volume and selling prices due to high inventory levels.

Mobile World (MWG, 4.7% of VAF's NAV) experienced the same as other players, seeing sluggish demand lasting until the end of 2Q23, mostly in the instalment sales that accounted for 30%-40% of its total ICT revenue in the previous year amid the surge in interest rates. To cope with the high inventory level while foreseeing demand slowdown, the company launched sales promotions to clear high-priced products starting in 4Q22, and that partially hurt its profit margin in 1Q23, although it expects the situation to improve in upcoming quarters while its competitors still have pressure to clear out their inventories. For the first time in its history (apart from during the pandemic in 2020), MWG's management has set only slight revenue and profit growth targets (+1% and +2% respectively) for 2023, expecting a trough in sales in 1H23 before recovering in 2H23. Besides the sluggish ICT business, its loss-making grocery chain also disappointed investors. We are of the opinion that both business segments are at their troughs and given management's new store approach to continue to increase traffic and optimize logistic expenses in the grocery business, MWG's valuation appears attractive at a 2023 P/E of 13.4x and 2024 P/E of 8.2x. We are forecasting EPS growth of 3% for 2023 and 60% for 2024, expecting both business segments to strongly recover in the next year.

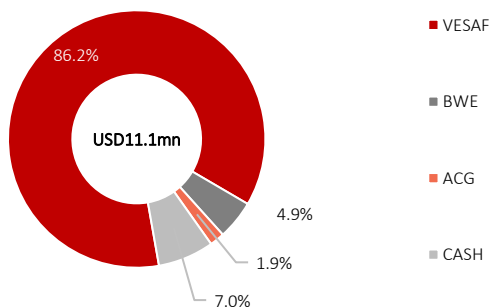
After this difficult cycle, we expect large players will continue to gain market share, as recently seen at PNJ, which saw increasing traffic in its Ho Chi Minh City stores, and at MWG, where traffic increased 40%-50% in the first two months in its grocery stores. Retail stocks, therefore, are on our watchlist as potential longer-term investments.

Other consumer holdings showed resilient performances

In such a challenging macro environment, not all consumer companies were losers. Sao Ta Foods (FMC, 2.9% of VAF's NAV) saw its exports sales decline 26% YoY in 1Q23 while Vietnam's shrimp exports declined by 40% in the same period. Being more resilient than the industry, the company managed to switch large orders from the US market to Japan where its high value-added products can be sold at much higher prices. The Japan market accounted for nearly 45% of FMC's total exports in 1Q23 (compared with 34% in 2022), which supported earnings growth of 11% despite the decline in export sales. Management has set an aggressive profit growth target of 22% for 2023 (in previous years, the company's actual results often exceeded its targets), in the context of having new production and farming capacity as well as expecting a recovery in export sales in coming quarters. We are forecasting earnings growth of 15% for 2023 and 2024, implying 2023 and 2024 P/E of 7.2x and 6.2x, respectively.

Quang Ngai Sugar (QNS, 4.9% of VAF's NAV) is another consumer play that saw strong earnings performance despite weak soymilk sales. The company estimated a soymilk sales decline of 8% YoY in 1Q23 but maintained flat earnings upon an improvement in profit margin. Furthermore, its sugar revenue doubled YoY on a rise in sales volume, while its earnings also surged by 287% on better cost optimization. Overall, the company's earnings increased 72.2% in 1Q23, and we forecast earnings growth of 20%

PORTFOLIO ALLOCATION



Small- & mid-cap	51.1%
Stocks traded on UPCoM	7.5%
Stocks at full Foreign Ownership Limit	21.5%

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

the major headwinds brought by the weak global economy are still expected to weigh on business performance in the coming quarters. This will require a careful assessment of the resiliency and recovery of each sector as well of companies. Stock selection, rather than sector allocation, remains the key driver of the fund's performance as in previous months.

We continue to disburse cash and invest in companies based on a bottom-up analysis, with increasing exposure to companies that we believe will truly benefit from declining interest rates.

VAF FUND INFORMATION

Launch date	03 July 2018
Fund size	USD11.1mn
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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for 2023, implying a forward P/E of 9.3x. While soymilk sales are expected to deliver moderate growth in the coming years, its sugar sales from a new refined sugar factory could also see upside on accelerating sales to F&B customers who previously favoured imported sugar, while the Government's control of smuggled sugar and tariffs on imports from ASEAN countries should support sugar prices in the longer term.

Government's supportive policies lifted investor confidence

In March, the Government announced a series of supportive measures for the real estate and bond markets. Besides the long-awaited amended Decree 08 on corporate bond regulation that allows the extension of payment timelines for up to two years upon negotiation, the draft Circular 16 which regulates the corporate bond trading of banks, was also unveiled. Draft Circular 16 allows banks to (i) purchase bonds previously sold within 12 months (until the end of 2023), and (ii) buy corporate bonds issued for the purpose of working capital needs. These regulatory changes offer headroom for banks to support the liquidity of high-quality issuers.

More importantly, the State Bank of Vietnam (SBV) reduced the discount rate from 4.5% to 3.5% and lowered the ceiling interest rate for less than 6-month term deposits to 5.5% from 6%. We expect the lower deposit rate cap will have a material impact on companies and consumers in the months ahead. This surprise move triggered positive sentiment toward the laggard stocks in sectors that are highly sensitive to interest rate movements, such as banks, real estate, and brokerage, leading to the 5.3% increase in VN-Index in March.

Portfolio Strategy

Although the recent developments have provided tailwinds for the stock market and all the negative macro and earnings data seem to be already reflected in share prices,