

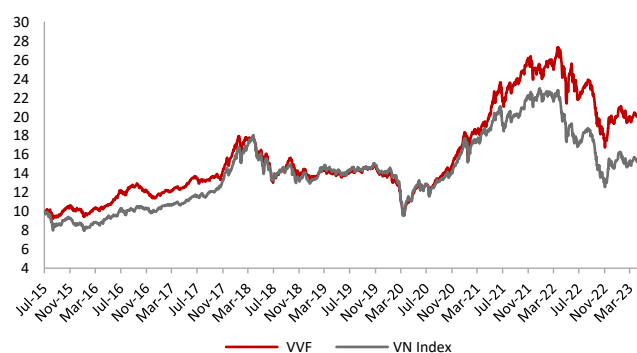
VVF is an actively managed UCITS-compliant fund that invests in equities and equity-related securities of companies that are based in Vietnam, with an objective to deliver long-term capital growth, through bottom up stock picking and disciplined risk management.

PERFORMANCE SUMMARY

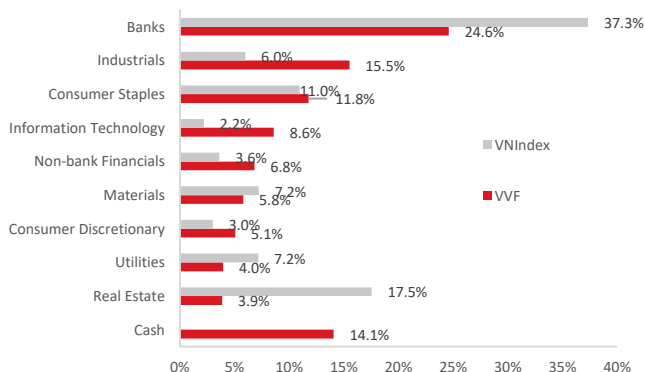
	Fund*	VN-Index
April 2023 (m-o-m)	-0.1%	-1.4%
YTD	3.4%	4.9%
3-year annualized	21.5%	10.9%
5-year annualized	4.6%	-0.6%
Annualized since inception	9.3%	5.6%
Accumulated since inception	100.5%	52.7%
Sharpe ratio (annualized since inception)	0.37	0.20
Annualized standard deviation	20.8%	22.4%
Tracking error	8.1%	

* Fund information calculated from Class A shares

PERFORMANCE CHART



SECTOR ALLOCATION



TOP HOLDINGS

Ticker	Market Cap (USDmn)	Sector	% of NAV	2023F PE	2023F ROE
FPT	3,624	Information Technology	8.6%	13.3	23.3%
VCB	18,256	Banks	8.5%	11.9	23.3%
STB	2,033	Banks	6.2%	5.9	18.9%
GMD	676	Industrials	4.9%	6.8	26.3%
CTG	5,910	Banks	4.7%	7.0	17.1%
QNS	647	Consumer Staples	4.5%	10.5	18.7%
HPG	5,366	Materials	3.6%	14.6	8.7%
SAB	4,702	Consumer Staples	3.3%	19.4	21.7%
PNJ	1,077	Consumer Discretionary	3.3%	12.6	21.6%
MBB	3,566	Banks	2.6%	4.0	23.0%
VVF Port.				9.7	19.1%
VN-Index				10.2	15.1%

Source: Bloomberg, VinaCapital's estimates

MANAGER'S MONTHLY COMMENTARY

The stock market entered April with positive sentiment thanks to the Government's policies to support the economy and the real estate and corporate bond markets. The VN Index reached its monthly high at 1,081 points on 5 April, but then came under profit-taking pressure towards the end of the month as the long national holiday approached. Additionally, weak economic data and the negative Q1 results of many listed companies also made investors cautious. As a result, the VN Index fell 1.4% (USD terms) in April to close at 1,049. On a year-to-date basis, Vietnam's stock market has advanced by 4.9% in USD terms. After being net buyers of USD231 million in Q1, foreign investors net sold USD63 million in April. On a positive note, market liquidity improved from the previous month, with average daily trading value rising to USD565 million in April, up 32% MoM.

Following the announcement of supportive policies from the Government, on 23 April the State Bank of Vietnam (SBV) the SBV issued revised circulars on the bond trading activities of commercial banks (Circular 03) and on debt restructuring (Circular 02). In general, banks now have the necessary tools to manage the issues related to corporate bonds and loans to customers who are struggling in their businesses. Meanwhile, borrowers may have more time to prepare for their upcoming repayments.

The Q1 results of listed companies showed that they are experiencing challenges as the global economic slowdown continues to weigh on Vietnam's manufacturing and export sectors, coupled with weakening domestic demand. As of 8 May 2023, most companies have announced Q1 earnings results, with the aggregate net profit of these enterprises decreasing by 18.1% y-o-y. The sectors with the sharpest drops included Materials, Consumer Discretionary, Consumer Staples, and Real Estate (except VHM), with Q1 profit declining by 81.6%, 66.3%, 51.4% and 45.8% y-o-y, respectively. The Energy, Healthcare, and Information Technology sectors saw Q1 profits increase by 79.1%, 34.9% and 5.6% YoY, respectively. Of note, 1Q23 NPAT-MI of banks under our research coverage declined slightly 3.2% y-o-y on the back of a 13bp y-o-y net interest margin (NIM) contraction (to 3.74%) while credit cost was flat compared to the same period last year (at 1.5%). On a q-o-q basis, the sector's NPAT-MI showed moderate growth of 11.9%. We observed that new NPL formation remained at a high level at 2.3% with more stress in Tier 2 banks, leading to the NPL ratio ticking up to 1.6%. Corporate bond balances declined 5% YTD (-30% y-o-y), lowering the share of corporate bonds in total credit to 2.4% from 2.6% as of year-end 2022.

The Fund's Class A NAV per share inched down 0.1% in USD terms during the month, outperforming the -1.4% return of VN-Index. Top alpha contributors were QNS (+9.6%), GMD (+2.1%), HPG (+4.1%), and other small and mid-cap holdings such as NLG (+24.7%) and SZC (10.4%). Meanwhile, detractors included FPT (-2%) and STB (-3.4%).

Companies in the Fund's portfolio saw an aggregate 1Q23 EPS growth of about 11% y-o-y, on a share-weighted basis, faring better than the overall market. This was helped by the post-COVID recovery (e.g ACV +86% and VRE +171%), cyclical growth (QNS, NLG), IT and bank holdings. Of note, the Fund's bank holdings recorded an average earnings growth of 20% in the first quarter, with STB and ACB posting the highest growth rate at 49% and 26% respectively. QNS, the largest soy milk producer in Vietnam, released upbeat Q1 2023 results with revenue of USD91 million (+17% y-o-y) and NPAT-MI of USD13 million, up 80% y-o-y. We attribute the revenue growth in Q1 2023 to the recovery of QNS's sugar business resulting from the positive impact of protective tariffs against the evasion of trade remedies for imported sugar and the Government's stricter efforts to control smuggled sugar. QNS's sugar gross profit soared 257% y-o-y in Q1 2023 as the gross margin from the sugar segment widened 11.2 percentage points following a stronger sugarcane yield and higher average selling prices domestically. In Q1 2023, soy milk revenue declined 8% y-o-y due to weak demand, with volume sliding 9% y-o-y. However, the company was able to maintain soy milk gross profit margin at 40.1% in Q1 2023. Less positively, the earnings of other holdings in the portfolio were dragged by weakening demand and contracting margin such as steel and retail companies.

As mentioned in the previous monthly report, we expect volatility to continue on the back of weaker earnings and subdued economic growth, which will also bring opportunities in finding resilient companies at more attractive valuations. We remain selective in picking stocks with strong cash flow generation, earning power or at inflection points. Meanwhile, Vietnam's stock market remains attractive for long-term investment at the VN Index's 2023F P/E of just over 10x, which is a 26% discount to ASEAN peers. We believe the market needs more time to absorb the supportive policies from the Government to overcome the short-term challenges and return the economy to higher growth.

As of the end of April, our cash weight was 14.1%, which is still higher than our normal rate of <5%. We expect to bring the cash weight down to approximately 10% by the end of May, though depending on market volatility, we could reach the 10% target before or after month end. We will deploy the cash primarily into our existing high conviction names that continue to show resiliency in earnings.

MACRO COMMENTARY

The three key themes that have affected Vietnam's economic growth this year continued to sway the country's economy in April: 1) slowing demand for "Made in Vietnam" products from consumers in the US and other developed countries, 2) the ongoing rebound in foreign tourist arrivals that is offsetting some of the hit to Vietnam's GDP growth from slower manufacturing and exports, and 3) the Government's increasing efforts to counter the slowdown in Vietnam's GDP growth this year, which we discussed in [this report](#).

First, manufacturing output contracted by 2% in 4M23 versus growth of 8% in 4M22 and versus long-term average annual growth of over 10%. Concurrently, exports shrank at a 13% pace in the first four months of the year, driven by a 21% decline in exports to the US, which is Vietnam's largest export market (at over one-quarter of total exports), versus 22% growth in 4M22.

Manufacturing accounts for about one-quarter of Vietnam's economy and the prognosis for the sector for the rest of 2023 is not favourable. Vietnam's Manufacturing PMI fell from 47.7 in March, to a new YTD low of 46.7 in April, driven by an acceleration in the decline of new orders at Vietnamese factories.

That said, we believe that the light at the end of the tunnel for Vietnam's manufacturing sector is approaching and that orders at factories in Vietnam will start recovering from end-2023. The ongoing depletion of inventories in the US and around the world is accelerating and likely to bottom out by the end of this year. Inventory surveys by S&P Global and others point to a similar rapid depletion of inventories in developed countries

MACRO INDICATORS

	2022	Apr 2023	YTD 2023	Y-o-Y
GDP growth ¹ (%)	8.0		3.3	
Inflation ² (%)	3.1	2.8	3.8	
FDI commitments (USDbn)	22.6	1.5	5.8	-35.8%
FDI disbursements (USDbn)	22.4	1.5	5.9	-1.2%
Imports (USDbn)	360.7	25.2	99.6	-17.7%
Exports (USDbn)	371.9	27.9	107.2	-13.0%
Trade surplus/(deficit) (USDbn)	11.2	2.7	7.6	
Exchange rate (USD/VND) ³	23,633	23,459		

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

1. Latest quarterly GDP performance | 2. Inflation: year-on-year change | 3. BBG-USDVND Spot Exchange Rate

around the world, which we view as a positive leading indicator for the sector's recovery next year. Another benign leading indicator for a likely 2024 recovery in the manufacturing sector is the continued resilience of FDI inflows, as most of that investment is earmarked for projects that will grow industrial production in Vietnam; disbursed FDI inflows fell 1% yoy to USD5.9 billion.

Next, Vietnam is experiencing a reasonably strong rebound in foreign tourist arrivals, which is helping counter some of the hit to GDP from the slowdown in the manufacturing sector, so we expect Vietnam's economy to grow 5.25% this year, despite slower demand for "Made in Vietnam" products.

Foreign tourism accounted for about 10% of Vietnam's GDP, pre-COVID, and in 4M23, the number of foreign tourists visiting Vietnam was over 60% of pre-COVID levels. Furthermore, foreign tourist arrivals nearly reached 70% of pre-COVID levels in April, with the acceleration driven by the fact that Chinese tourist arrivals are finally starting to rebound and reached over one-quarter of pre-COVID levels during the month.

In addition to supporting Vietnam's GDP growth, foreign tourism is also a source of US Dollar inflows, so the ongoing rebound in tourist arrivals is one factor that enabled the country's central bank to reportedly buy USD6 billion of FX reserves year-to-date, lifting the country's total FX reserves to an estimated USD91 billion. Note that the USD-VND exchange rate was unchanged in April at 23,459 VND to USD and the Dong appreciated by 0.7% YTD at end-April.

The other major sources of US Dollar inflows this year are continued, strong remittances from overseas Vietnamese, the above-mentioned resilience of Vietnam's FDI inflows, and a counter-intuitive widening of Vietnam's trade surplus from about 2% of GDP in 4M22 to 4%/GDP in 4M23. Year-to-date, Vietnam's trade surplus was USD7.6 billion, including a USD2.7 billion trade surplus in April, according to Vietnam's General Statistics Office.

The improvement in the country's trade surplus is somewhat surprising, given that one of the main drags on the economy this year is a drop in Vietnam's manufactured exports. But FDI factories, which account for nearly two-thirds of Vietnam's imports, are slashing their purchases of production inputs due to weak order books. Consequently, while Vietnam's total exports fell 13% in 4M23 (to USD107 billion), imports fell 18% (to USD100 billion).

Finally, inflation remains modest, and fell from 3.4% yoy in March to 2.8% in April, driven by a drop in food price inflation from 4% to 3.6%. Falling food price inflation across Asia, as well as falling global oil prices, also lowered CPI inflation rates in the region 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	FORMVIN LX	FOVCPUI 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	USD67.9m
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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