VinaCapital Vietnam Access Fund Limited (VAF)

30 April 2023

VinaCapital

NAV/share: USD155.267

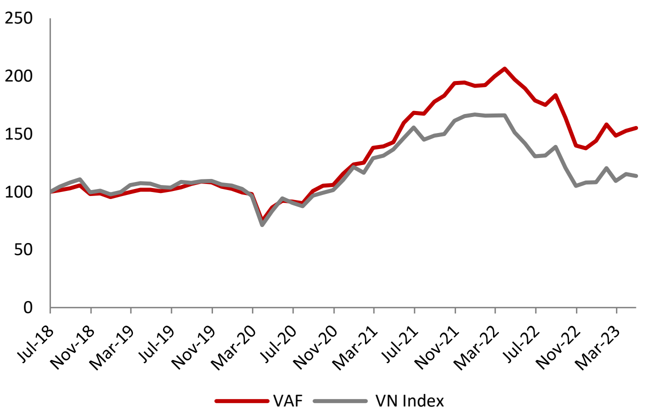
VAF is a Cayman Islands open-ended fund that invests in the Vietnam Equity Special Access Fund (VESAF), a Vietnam-regulated open-ended fund, with the flexibility to participate in IPOs as well as make direct investment in Vietnamese listed and unlisted securities.

PERFORMANCE SUMMARY

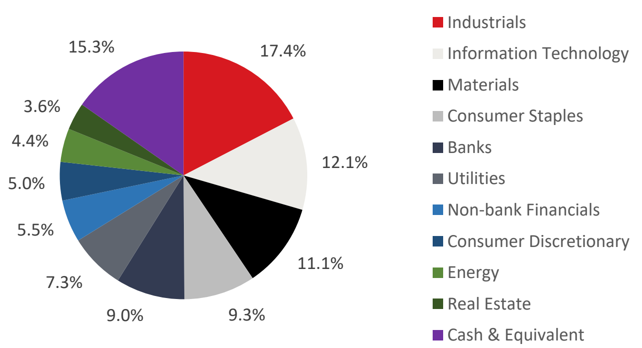
	Fund	VN Index
April 2023 (m-o-m)	1.7%	-1.4%
YTD	7.7%	4.9%
3-year annualized	21.6%	10.9%
Annualized since inception*	9.5%	2.7%
Accumulated since inception*	55.3%	13.7%
Annualized standard deviation	21.6%	24.6%

** Inception date: 03 July 2018*

PERFORMANCE CHART



SECTOR ALLOCATION



TOP HOLDINGS

Ticker	Market Cap (USDm)	Sector	% of NAV	2023 PE	2023 ROE
FPT	3,624	Information Technology	12.1%	13.3	23.3%
BWE	354	Utilities	7.3%	11.0	15.8%
QNS	647	Consumer Staples	5.9%	10.5	18.7%
MWG	2,445	Consumer Discretionary	5.0%	13.5	16.5%
STB	2,033	Banks	4.5%	5.9	18.9%
MBB	3,566	Banks	4.5%	4.0	23.0%
DPR	95	Materials	3.7%	8.8	8.4%
ILB	37	Industrials	3.7%	8.3	18.3%
PVS	515	Energy	3.6%	12.4	7.1%
SZC	139	Industrials	3.5%	15.1	13.7%

Source: Bloomberg, VinaCapital's estimates

MANAGER'S MONTHLY COMMENTARY

Vietnam's stock market retreated in April, declining 1.4%. After the strong performance of real estate and banking stocks in March, which was driven by the surprise cut in interest rates, these stocks stabilized at the current level in April. Moreover, lacklustre 1Q23 earnings reports and low full-year earnings targets presented at annual shareholders' meetings were major headwinds for the stock market.

The fund returned 1.7% in April and 7.7% in the first four months of 2023. We continued to reduce the cash level by increasing weight in selected companies in Financials, Industrial Parks, and Consumers.

The first earnings season of the year revealed some resilient companies

April was the first earnings season of the year, and many companies held their annual shareholders' meetings. Listed companies' 1Q23 earnings results reflected a challenging business environment, as aggregate NPATMI declined 18% YoY (or 31% YoY if banks were excluded). Sectors with the sharpest drops included Materials, Consumer Discretionary, Consumer Staples, and Real Estate (Vinhomes excluded), whose 1Q profits declined by 81.6%, 66.3%, 51.4% and 45.8% YoY, respectively. On the bright side, the Energy, Healthcare, and Information Technology sectors saw 1Q profits increase by 79.1%, 34.9% and 5.6% YoY, respectively. With that context, the VAF portfolio's aggregate earnings declined by 8.4% YoY in 1Q, compared to a decline of 18.1% for the broader market.

Quang Ngai Sugar (QNS, 5.9% of NAV), Tan Cang Long Binh (ILB, 3.7% of NAV), and Sao Ta Foods (FMC, 3.4% of NAV) were notable outperformers in terms of both share performance and business results year-to-date (YTD) when compared with their respective sector peers. QNS (Consumers) reported NPATMI growth of 80% YoY in 1Q23 with a robust sugar segment even as soymilk growth was flat. To compare its business results to peers, profit declined 51.4% in Consumer Staples and 66.3% in Consumer Discretionary. QNS's share price increased 26.6% YTD while Consumer Staples and Discretionary peers increased by only 3.8% and 2.1%, respectively. ILB (Logistics) reported nearly flat earnings in 1Q23 while its logistics peers were hit hard by the reduction in throughput volume, with aggregate earnings declining 33% YoY. ILB's share price has advanced 40.3% YTD, compared to 10.5% increase in average peers. Finally, FMC (Fishery) recorded growth of 7.3% YoY in 1Q, an outstanding result compared to a large loss at its direct competitor Minh Phu Seafood Corp (MPC, shrimp exporters) and a 73% decline YoY in earnings of fishery peers. FMC shares returned 30.4% while fishery peers' shares only returned 10% YTD.

Further supportive regulations eased the burden on banks

The month also saw the introduction of additional regulatory amendments aimed at covering a broader scope of issues that banks, real estate developers, mortgagors and retail bond holders have recently faced. Specifically, Circular 02 gives banks options to extend existing both corporate and retail loans by an additional 12-month period, while keeping the same loan group and amortizing provision expenses over a two-year period. Together with Decree 08 on the extension of corporate bond payments, both loans and corporate bonds with possible late payments may be extended, although approval will be made on a case-by-case basis depending on each bank's risk appetite. Banks with higher exposure to real estate loans, bonds, and mortgages, such as Techcombank (TCB), VP Bank (VPB), and MB Bank (MBB, 4.5% of NAV), will now find less pressure on their NPL formation and provisioning expenses. These banks' proportion of loans to real estate developers, real estate bonds, and mortgages are estimated at 70%, 36%, and 30% respectively, compared to a sector average of 26% (VAF only owns MB Bank.)

Circular 03 was also issued, allowing banks to repurchase unlisted bonds that have been distributed by them, while maintaining an earlier regulation with strict criteria on capital usage, with refinancing, capital contribution, and working capital all off limits. To clarify, banks are allowed to buy new bonds or buy back bonds that are issued for the implementation of specific projects. We believe this circular aims to help banks in the process of buying back corporate bonds sold to individual bondholders (which account for nearly 70% of total bond issuances in the previous years) as these bonds were often sold with a fixed buy-back time window. This regulation has limited impact on the whole bond market, however, as they apply only to a portion of bonds that meet the criteria.

Although these new regulations helped to ease the liquidity pressure on real estate developers and lifted investor sentiment, they have not yet solved the core problems that most of the real estate developers face, namely weak mortgage demand in high interest rates environment leading to low pre-sales (-67% YoY in 1Q23) and the project approval paralysis causing new housing supply to plunge, while demand for these units, especially the affordable ones, remains strong. Both

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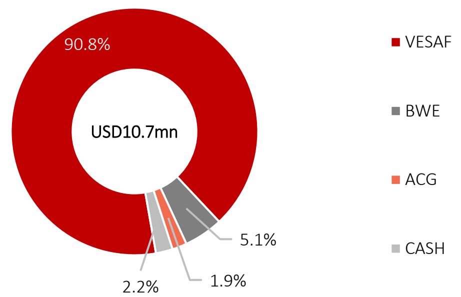
PORTFOLIO ALLOCATION



Small- & mid-cap	57.2%
Stocks traded on UPCoM	8.6%
Stocks at full Foreign Ownership Limit	22.3%

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

these issues have exacerbated the liquidity crunch experienced by property developers in the recent months. The Government continues to work on several regulatory amendments and the revised real estate law, which are expected to provide more practical solutions.

Banks experiencing declining NIMs and worsening asset quality

Banks under our coverage reported normalized earnings growth of 6.7% YoY in 1Q23, with moderate credit growth of 4.2% YTD, slight NIM contraction (13bps YoY), less robust fee incomes (+10% YoY), and flat credit costs. Notably, we saw credit growth diverge among banks, and appear to be strongest in banks that had highest exposure to real estate developers in their ecosystem (TCB as an example). The low credit growth in other banks was due to low demand in the mortgage segment, which was partially offset by growth from the corporates and SME segment.

Although the NPL ratio remained at benign levels at 1.6%, the pressure on asset quality was pronounced as shown in the continued surge of special-mentioned loans (Group 2) from various segments, including credit cards, consumer finance, and mortgages. New NPL formation remained high at 2.3% (vs. 2.1% in 4Q22). Banks lowered their loan loss coverage ratio to 132% (vs. 150% at year-end 2022), resulting in credit cost being flat YoY at 1.5%. Although economic headwinds were clearly presented through the banks' earnings results in 1Q23, we anticipate a more moderate impact in later quarters, given the banks' expectations on recovering asset quality as the macro backdrop improves (supported by a declining lending rate and thus accelerating credit growth), and recent supportive regulations on bond extensions and debt restructurings.

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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