

A nighttime aerial photograph of Ho Chi Minh City, Vietnam. The Bitexco Financial Tower is the central focus, illuminated with blue and white lights. Other skyscrapers and city lights are visible in the background, with the Saigon River on the right. Red and grey diagonal graphic elements are present on the left and right sides of the slide.

# VinaCapital Vietnam Opportunity Fund

LSE: VOF.LN

Investor Update May 2023

The slide features decorative geometric elements: a red and grey triangle in the top-left corner and a grey triangle in the bottom-right corner.

# VinaCapital

Vietnam's Most Diversified Investment Manager



**Our mission: To enable our investors to prosper by capitalising on Vietnam's rich opportunities.**

**\$3.9BN**

ASSETS UNDER  
MANAGEMENT

**20 YRS**

INVESTING  
IN VIETNAM

**200+**

PROFESSIONALS, GLOBAL  
EXPERIENCE  
LOCAL EXPERTISE

**MULTI-ASSET**

EQUITY, FIXED INCOME,  
PRIVATE EQUITY,  
VENTURE CAPITAL,  
REAL ESTATE, AND  
CLEAN ENERGY &  
INFRASTRUCTURE

# VinaCapital: Partner Of Choice For Global Alternative Investors

## Real Estate / Hospitality



WARBURG PINCUS

## Energy Infrastructure







## Venture Capital



NAVER

# Responsible Investing & ESG Integration

**Responsible Investing is at the core of what we do**

-  Screening and Research
-  Investment Decision
-  Stewardship
-  Exit

**Collaborate**



**We support Climate Change, Environment and Sustainability initiatives**



**Corporate Social Responsibility**



# Since 2006, Empowering Our Community Through the VinaCapital Foundation

Find out more at: <https://vinacapitalfoundation.org>



## OUR ACHIEVEMENTS

**We touch the lives of thousands of Vietnamese every year.**

Since 2006, VinaCapital Foundation has proudly transformed people's lives:



**9,601**

children receive free heart surgeries



**296,959**

children receive free health examination



**412**

pieces of emergency and neonatal care equipment donated



**6,315,445**

beneficiaries from healthcare capacity building



**1,382**

ethnic minority students receive scholarships



**91**

clean water systems installed

The slide features decorative geometric elements: a red and grey triangle in the top-left corner and a grey triangle in the bottom-right corner. The main title is centered in the lower half of the slide.

# Why Vietnam?

Invest in one of the world's most dynamic and potentially most rewarding markets

# Vietnam's Growth Drivers – Unchanged by Covid-19



Strong GDP growth with stable macro backdrop

Rising manufacturing hub with strong FDI inflows

Strong exports thanks to several Free Trade Agreements

Government's commitment to infrastructure development

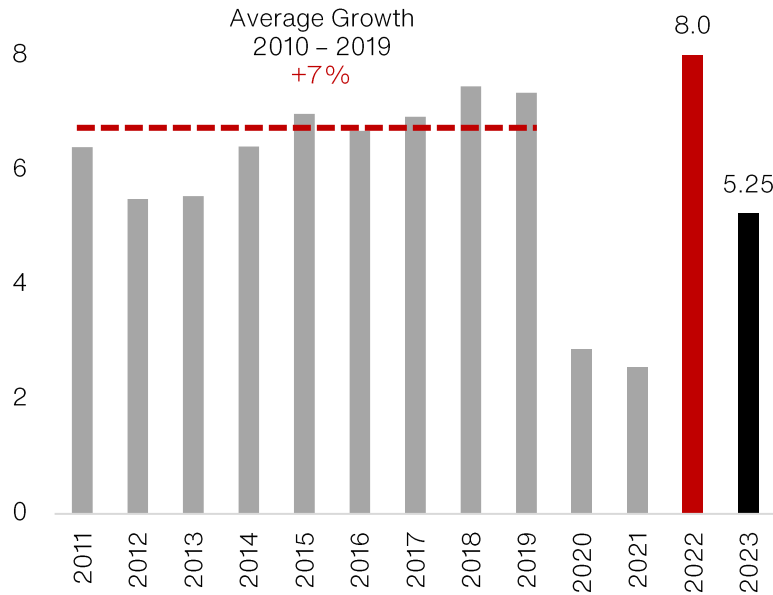
Rapid urbanization and a robust real estate market

Emerging middle class driving domestic consumption

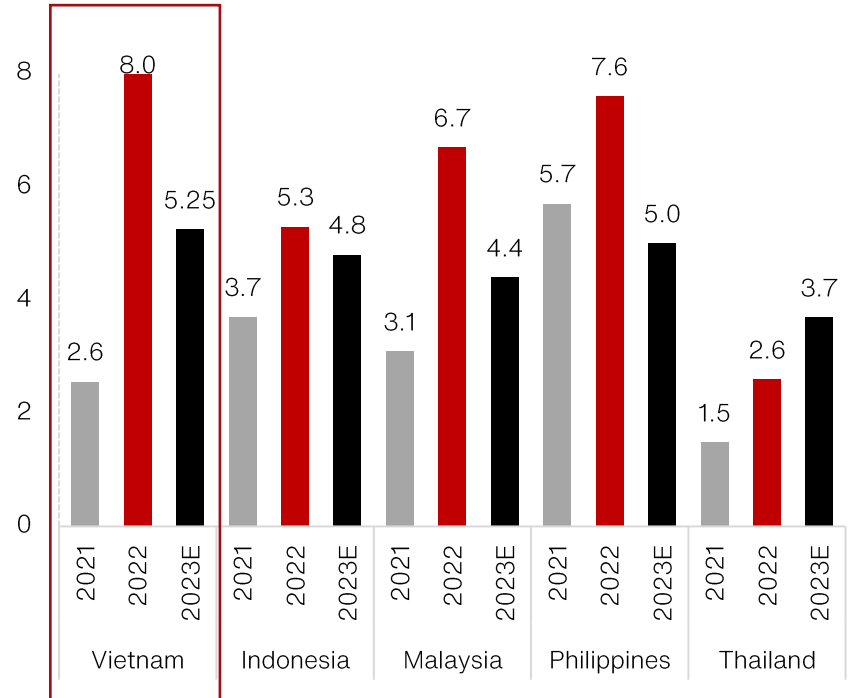
High literacy rate (97%) and high Human Capital Index

# One of the World's Fastest Growing Economies

Strong GDP YoY Growth (%)



Vietnam vs. Regional Peers – Real GDP YoY Growth (%)



Sources: General Statistics Office, Bloomberg, VinaCapital research & analysis

# Updated 2023 Forecasts: GDP revised to 5.25%

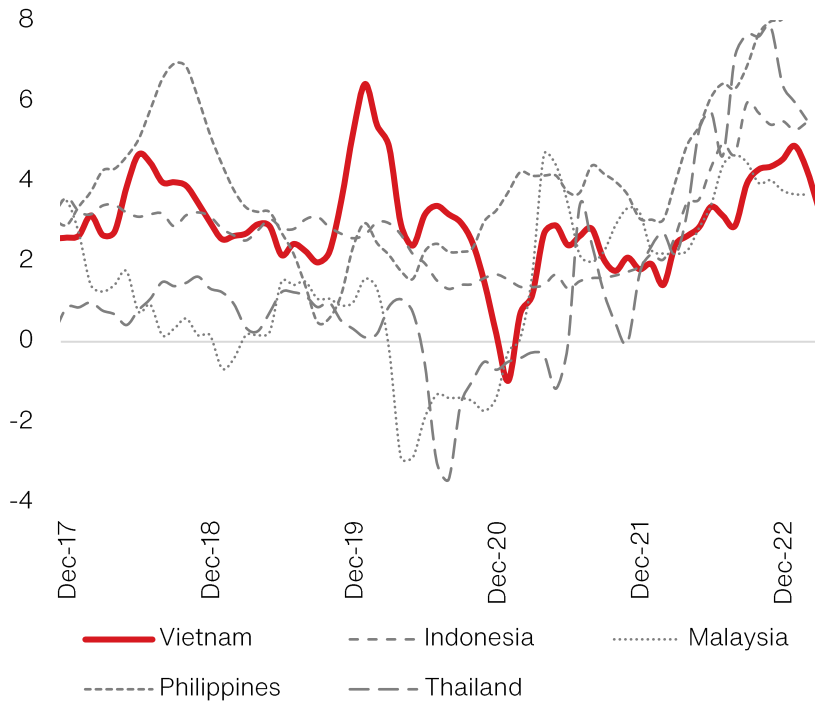
## Vietnam's GDP Growth: 8.0% in 2022, 5.25% in 2023F

	2022	1Q23 (yoy)	2023F	Pre-COVID Average*
<b>GDP</b>	+8.0%	+3.3%	+5.25%	+7.0%
<b>Retail Sales</b>	+15.6%	+10.3%	+9.0%	+9.0%
<b>Manufacturing</b>	+8.1%	-0.4%	-2.0%	+12.0%
<b>Infrastructure Spending</b>	4%/GDP	4%/GDP	5%/GDP	3%/GDP
<b>Tourist Arrivals</b>	~20%/Pre-COVID	~60%/Pre-COVID	60%/Pre-COVID	

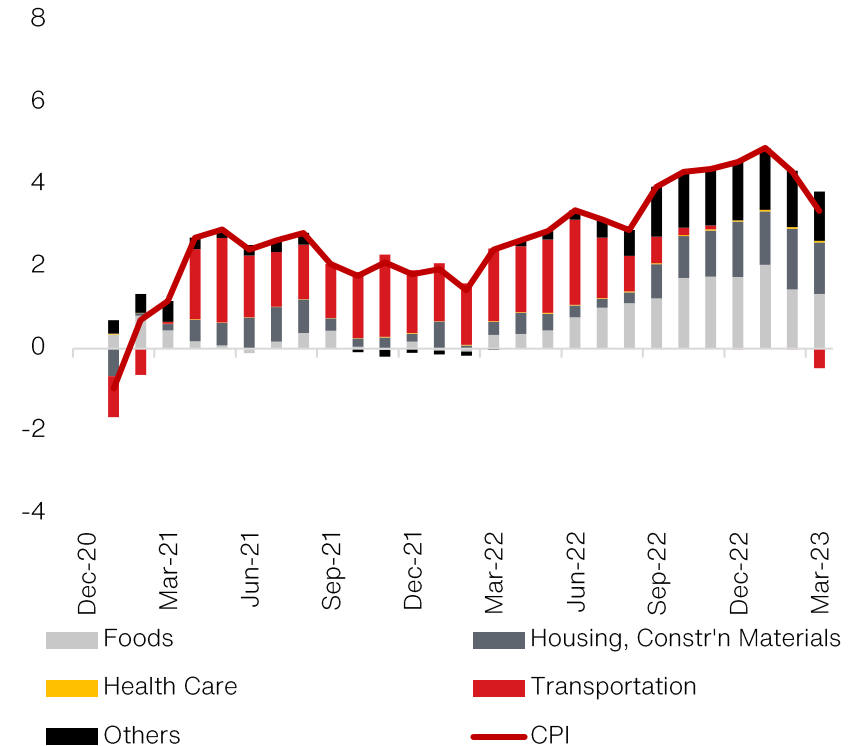
\*Average Over 2015 - 2019

# Stable Macro Environment Supporting Stable Prices

Manageable Inflation – ASEAN CPI (y-o-y, %)

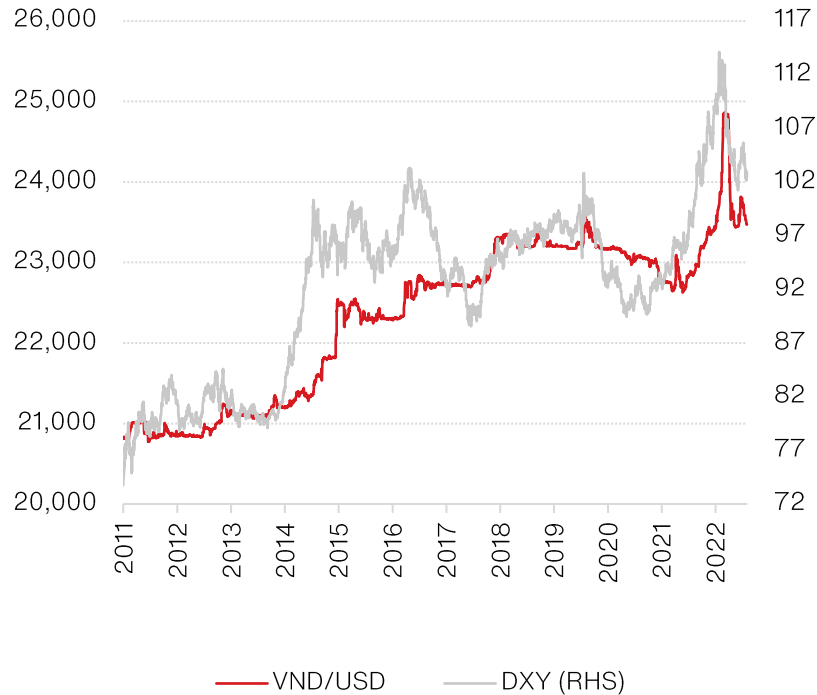


Vietnam Key CPI Categories (m-o-m, %)

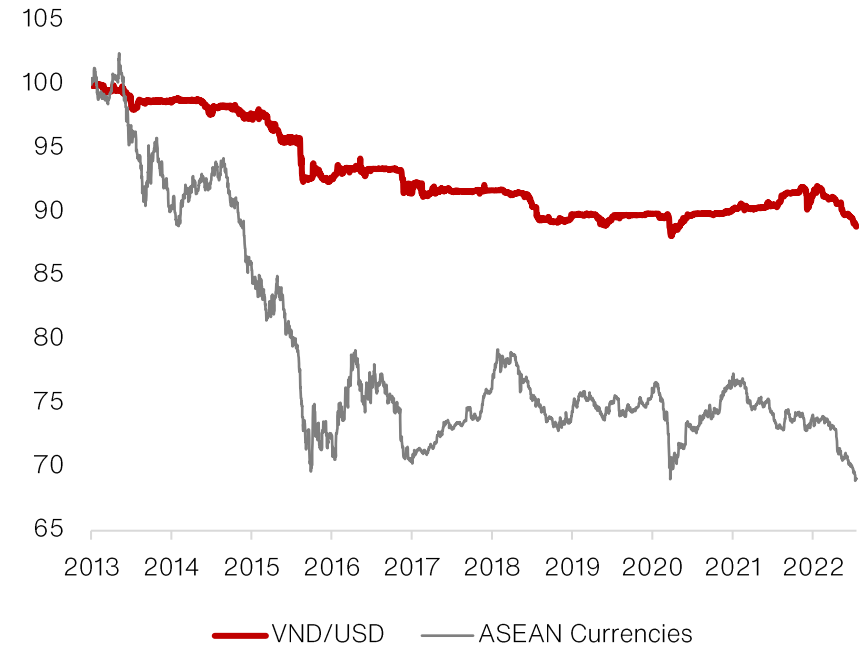


# Stable Currency with Potential for Short-term Appreciation

VND Exchange Rate (LHS) vs DXY Index (RHS)

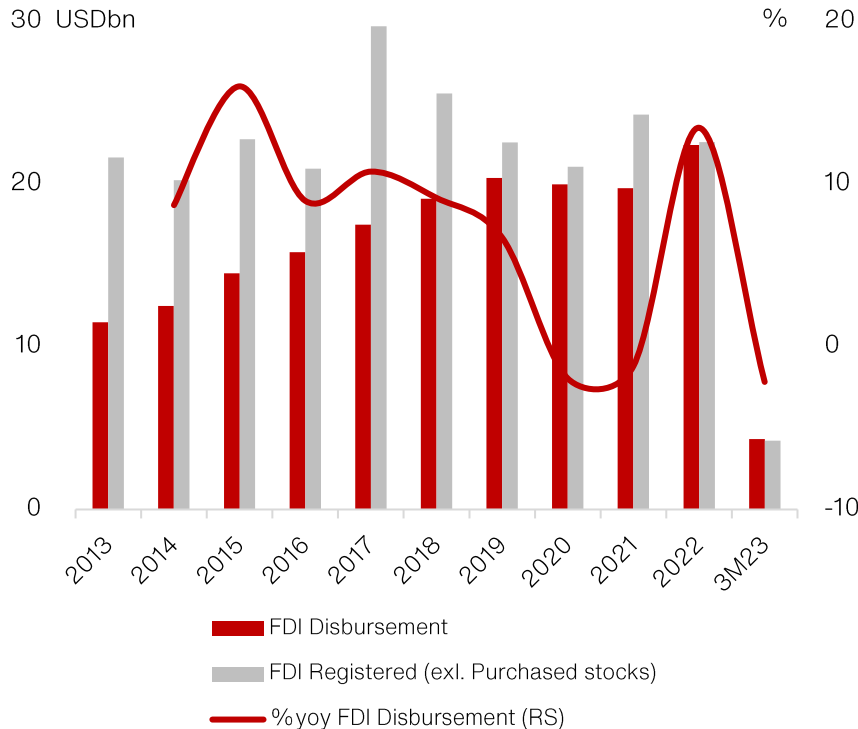


Stable Currency (VND) with Potential Short-term Appreciation

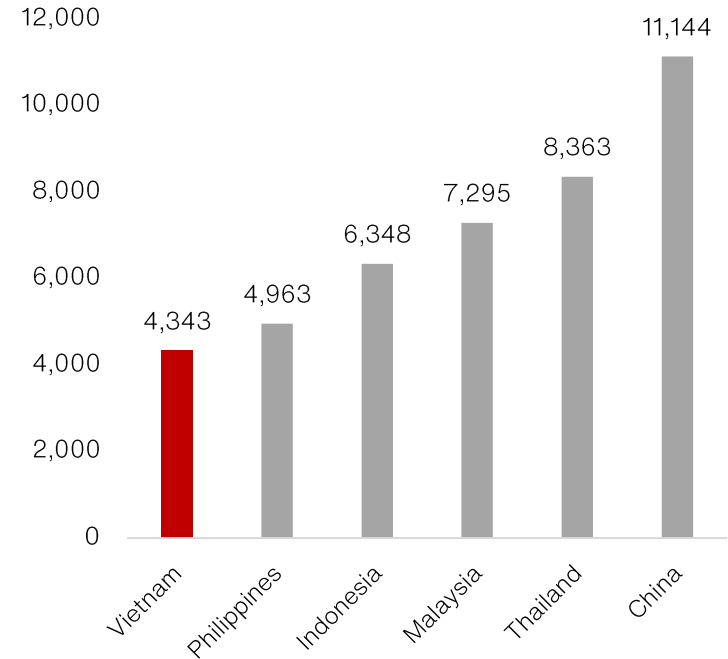


# Strong FDI Inflows Attracted to Skilled, Low-cost Labour

Registered & Disbursed FDI by Year (USD bn)



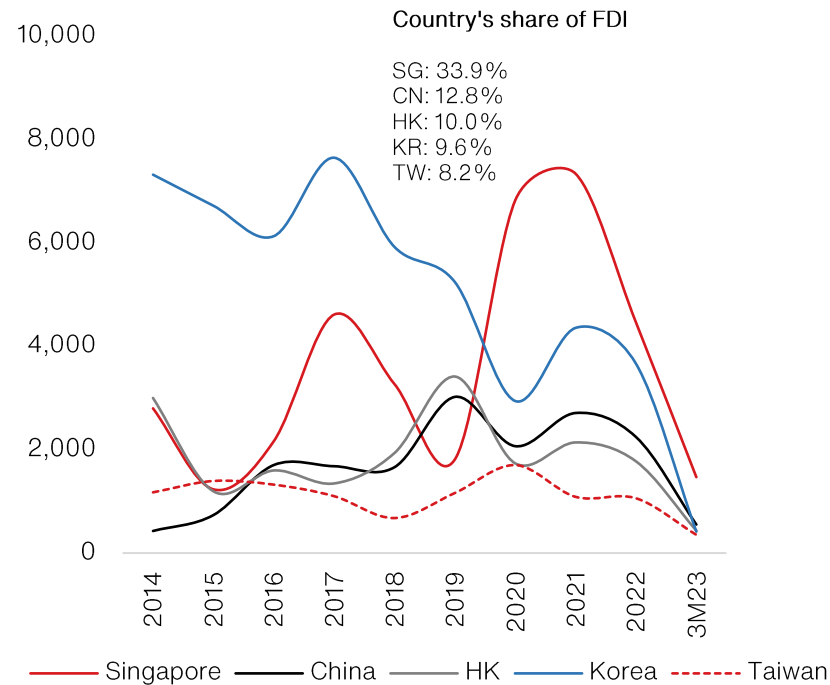
Annual Salary of Manufacturing Workers in 2021 (USD)



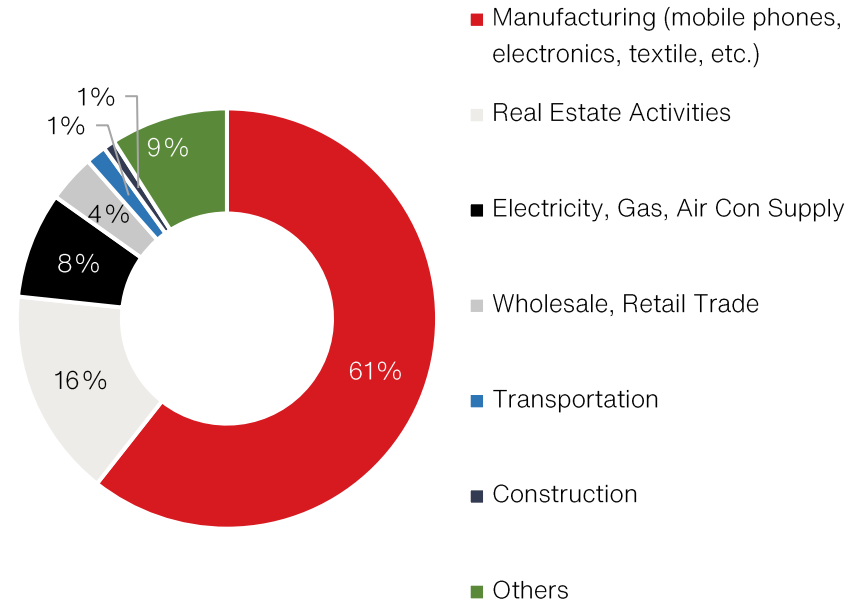
Sources: MPI, General Statistics Office, JETRO, VinaCapital research & analysis

# Rising Manufacturing Hub with Strong FDI Inflows

Vietnam's Top FDI Countries (USD bn)



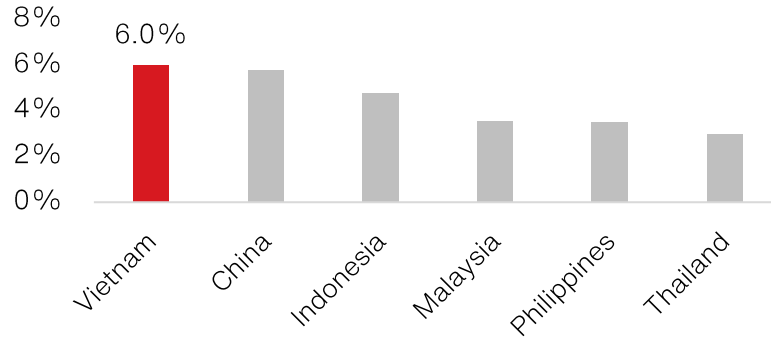
Registered FDI Breakdown in 2022



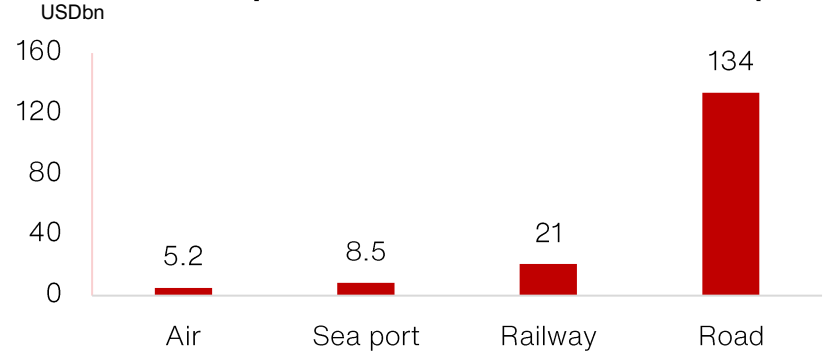
Sources: MPI, General Statistics Office, JETRO, VinaCapital research & analysis

# Government's Commitment to Infrastructure Development

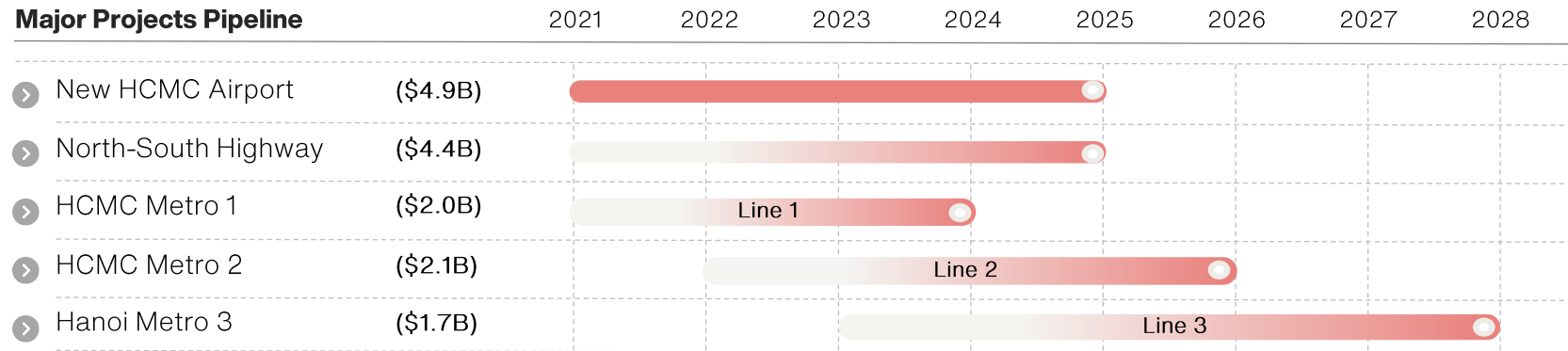
Infrastructure Investment Estimate in 2021 (% of GDP)



Vietnam's Transport Infrastructure Investment Needs (2016-2040F)



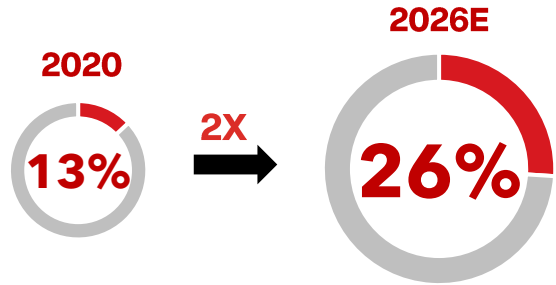
Major Projects Pipeline



Sources: GiHub, The World Bank, MPI, General Statistics Office

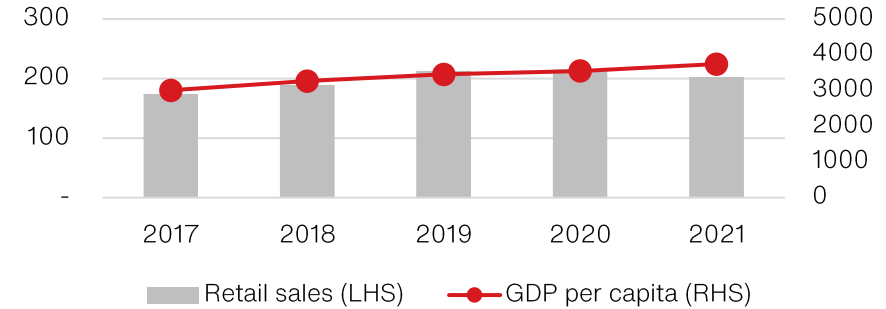
# Emerging Middle Class Fueling Domestic Consumption

## Share of Middle Class\* Population to Double by 2026



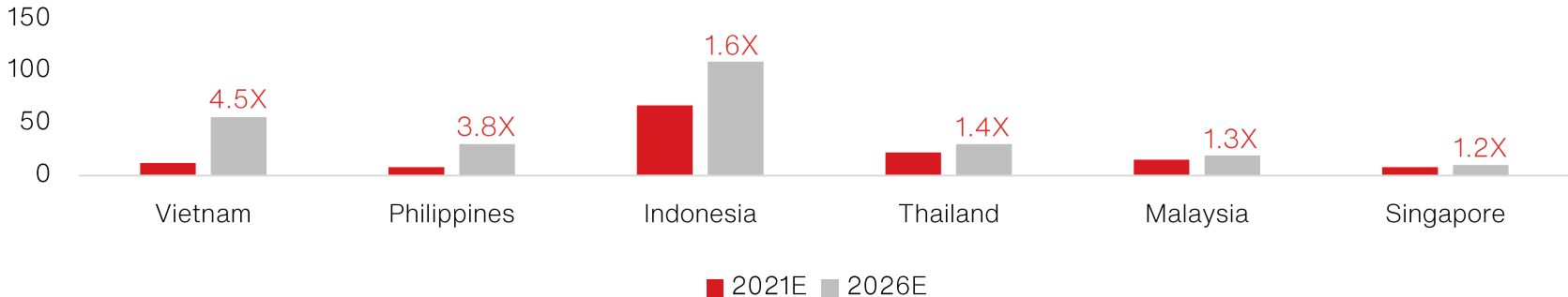
## Increasing Wealth Is Driving Consumption

Retail sales (USD billion) & GDP per capita (USD)



## Highest Expected Growth in Ecommerce Sales Compared to Peers

Online retail Gross merchandise value (USD bn)



(\*) Middle class is defined by the World Bank as having a daily per capita consumption of at least 2011 PPP \$15.

Sources: The World Bank, Bain & Company, Bloomberg, CEIC, Viet Capital

# However, There are Risks to Growth

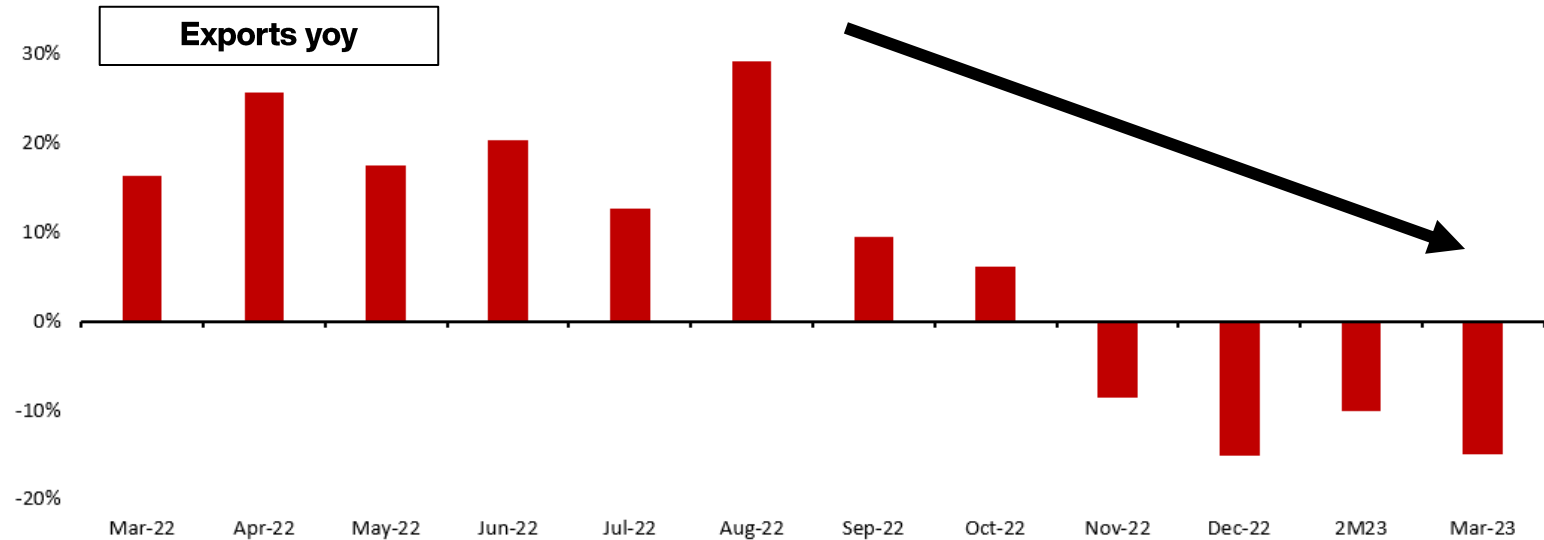
- Vietnam's GDP Grew Only 3.3% in 1Q23
- Strengths:
  - Foreign Tourism Rebound
  - Resilient Domestic Spending
- Weaknesses:
  - Declining Demand for “Made in Vietnam” Products
  - Frozen Real Estate Market

## How Will The Government Address Slow Growth?

- Looser Monetary Policy
- Infrastructure Spending
- Policy Reforms



# Declining Demand for “Made in Vietnam” Products



- Vietnam Exports to The US:

1Q 2022 +13%

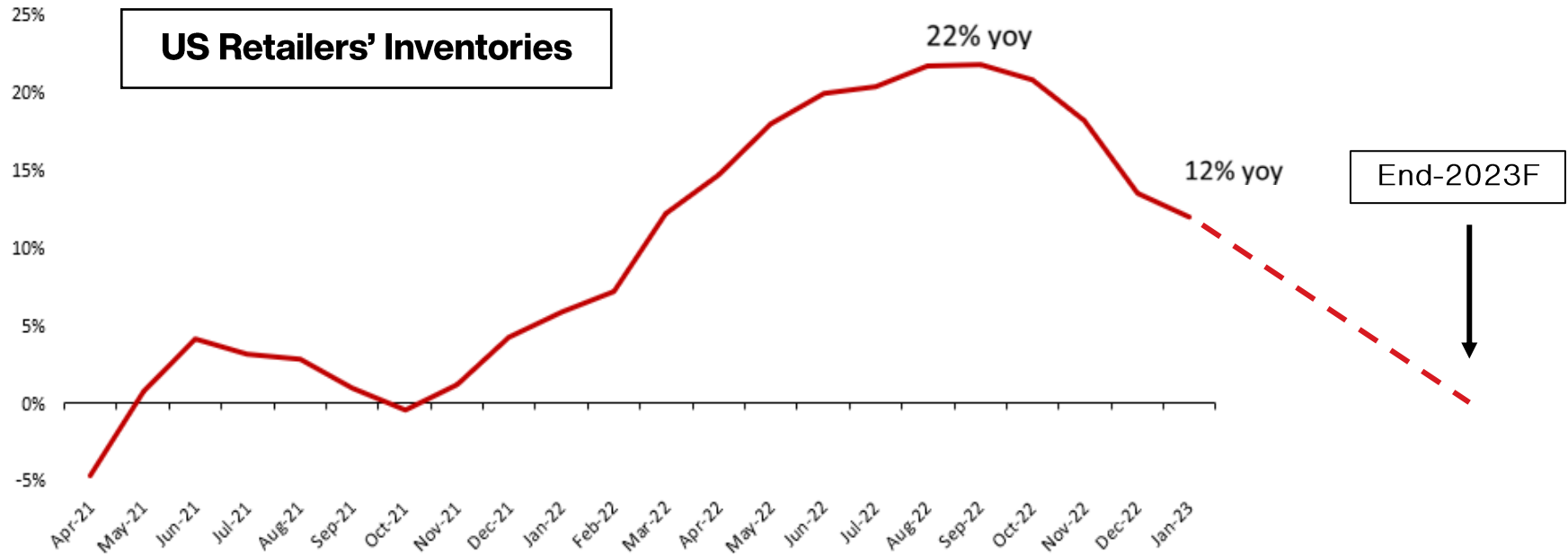
1Q 2023 -22%

- Slowing Exports in Asia:

- Exports in Taiwan/Korea circa -20%

- Japan Export Grw ~2-Year Low

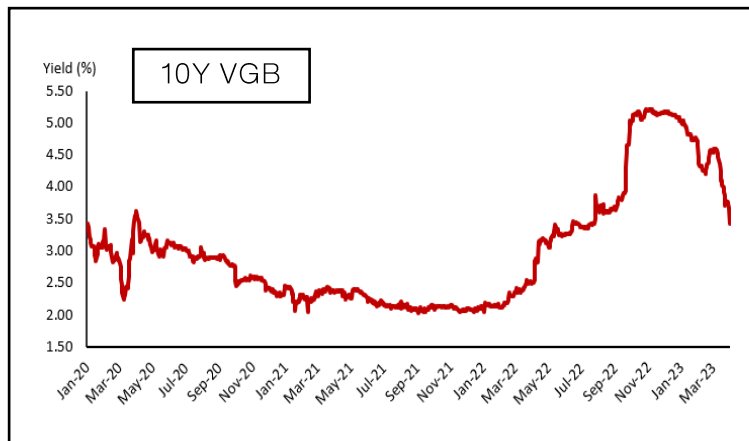
# Excess Inventories in the US = Falling VN Exports / Mfg.



Source: US Census Bureau

# Vietnam's Central Bank Cut Policy Interest Rates in March 2023

- Vietnam Cut Policy Interest Rates by -50bp, to 5.5%
- Policy Rate Cut Enabled by:
  - VN Dong Appreciation, over 1% YTD
  - Modest CPI Inflation (~3-4% yoy)
- Bond Yields Plunged...But 1Y Bank Deposit Rates only Fell 50bp YTD to ~8%



Bank	End of Mar 23	ΔYTD (bp)
MBB	7.4%	-60
OCB	8.4%	-50
ABB	8.4%	-50
BVB	8.3%	-50
MSB	8.1%	-50
VIB	8.2%	-40
EIB	7.1%	-30
ACB	7.1%	-30
VCB	7.2%	-20
BID	7.2%	-20
Industry Average		circa -50bp

# How to Boost Growth in 2023

- 1 Bank Deposit Rates ↓ circa-200bp
  - Would Help Revive the Real Estate Market
- 2 Infrastructure Spending / Fiscal Stimulus
  - Up Circa 20% YoY in Q1
  - Vietnam has Ample Fiscal Capacity to Boost Spending
    - Over \$30b of Unspent Funds for Infrastructure Development
    - Government Debt-to-GDP Ratio ~40% vs. ~60% for Regional Peers
- 3 The Government is Relaxing Restrictions on Corporate Bond Issuance
  - Faster Real Estate Approvals Could be Next...



# VinaCapital Vietnam Opportunity Fund (VOF)

FTSE250 Investment Company with 20 years experience in Private Equity opportunities

## VOF's differentiated investment approach focuses on private investments and privately negotiated deals in quoted businesses

**\$1.0BN**

ASSETS UNDER  
MANAGEMENT

**200+**

INVESTMENTS SINCE  
INCEPTION 2003

**20% IRR**

PE INVESTMENTS  
OVER 20 YRS

**FOCUS**

PRIVATE AND  
PUBLIC EQUITY,  
PRIVATE CREDIT



# VOF's Investment Strategy

## What we do?

VOF invests **growth equity** in **privately negotiated opportunities** across listed, private equity and SOE assets.

We look for **value** and **invest on fundamentals**.

We do not take small positions or invest with a short-term view.

We are an **active investor** and engage with companies to enhance growth and add shareholder value.

## How we do this?

Vietnam is still a frontier market with low liquidity and weak governance.

VOF makes **concentrated, high-conviction investments** supported by **due diligence rights, performance commitments and minority protections**, wherever possible.

VOF applies private-equity terms on investments, in order to **seek market premiums on exit**, and **ensuring liquidity** by negotiating **various exit options** such as a commitment to IPO, drag and tag along rights, and put-call options with the seller/sponsor.

# Investment Criteria. What we look for in businesses

## Scale



Focusing on sectors and industries that present **considerable headroom for growth**, be it in manufacturing scale or market share growth.

## Brand



Focus on domestic consumption-related businesses that have **brands that consumers recognize**. Branded market leaders have the best chance for exit to an offshore strategic investor in future.

## Distribution



In the **fragmented and disorganized Vietnam market**, a distribution network and customer reach is what separates the winners from the losers.

## Management Alignment



**Capability and integrity of sponsors, and alignment of interest are key**. Trusted management is one that can set a reasonable business plan and deliver against that plan and be trusted to not impair the assets of the business.

## Competitive Advantage



The moat. Seek businesses that have sustainable competitive advantages that can **preserve value over our investment horizon**:

- (i) High barriers to entry;
- (ii) Lower cost structures;
- (iii) Exclusivity with suppliers/vendors.

## Sustainability



As a responsible investor, we invest in businesses that are **safe for the environment and supportive of their people and local communities**.

ESG is built into our investment process.

# What do our typical investments look like?

**\$25 - \$75 million**

**TICKET SIZE**

Fewer investments, larger in ticket size, accretive to NAV.

**5% – 40%**

**EQUITY STAKE**

Minority stake significant enough to exert influence and board representation with downside protections.

**4 – 7 years**

**INVESTMENT HORIZON**

Long enough to grow and impact change, catalyst events include IPO or strategic sale.

**12% - 25%**

**EXPECTED (MODEL) IRR**

Individual investments are priced to yield at least this much. However, the portfolio as a whole, is expected to yield over 12% IRR.

**< 15%**

**OF FUND NAV**

Exposure limit to any one company. Furthermore, the exposure limit to any one sector is 25% of NAV.

**3 – 6 months**

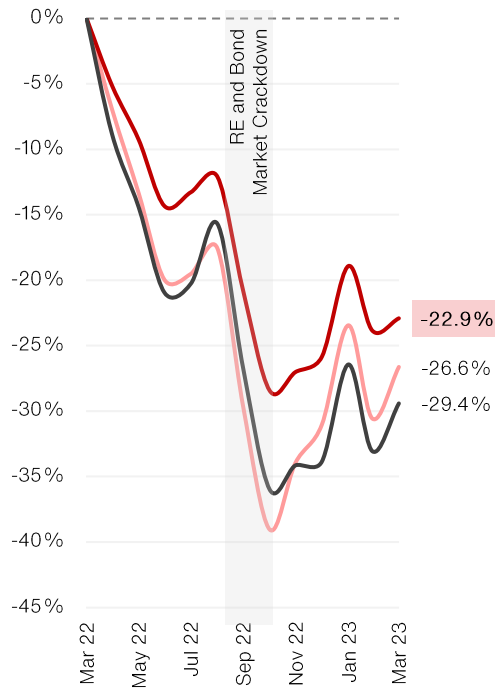
**FROM NDA TO CLOSING**

Our rigorous and exhaustive due diligence leveraging internal and external expertise requires this much to close an investment.

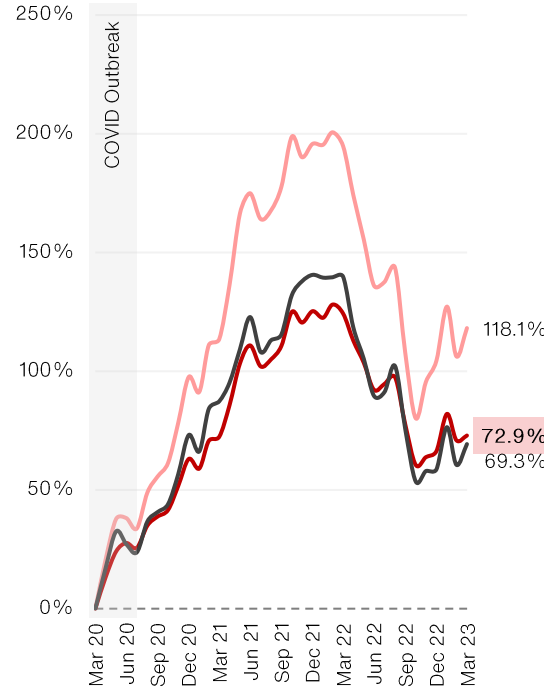
# Performance and Market Update

# VOF seeks to deliver long-term performance, particularly during periods of volatility, through our strategy and portfolio holdings

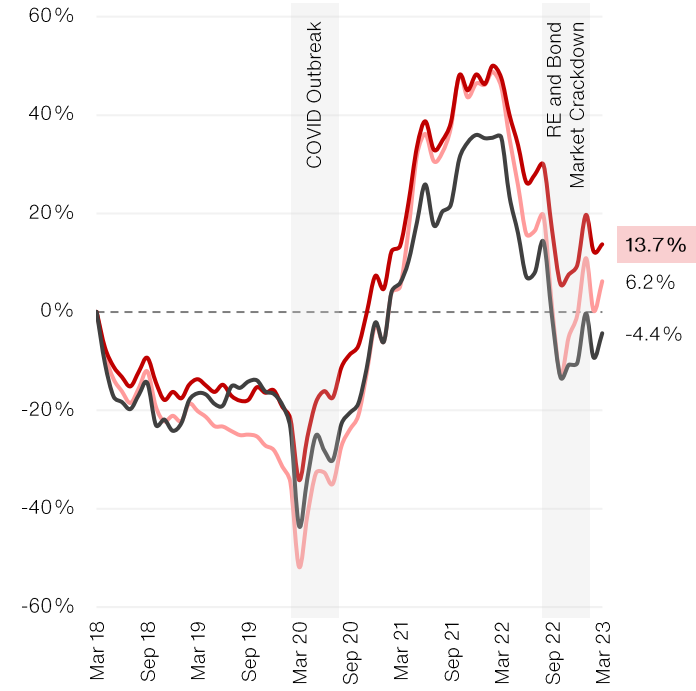
## 1-year performance



## 3-year performance



## 5-year performance



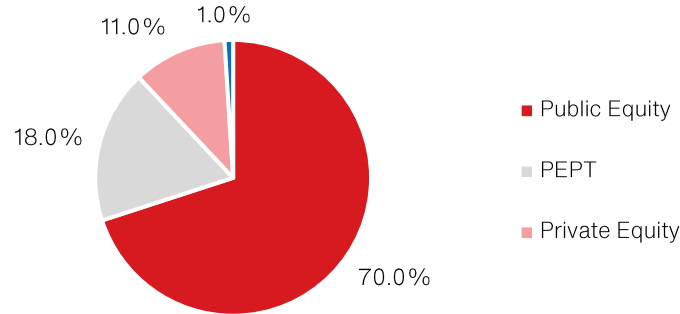
Source: VinaCapital, Bloomberg

\* Assuming the TER of approximately 1.3% per annum

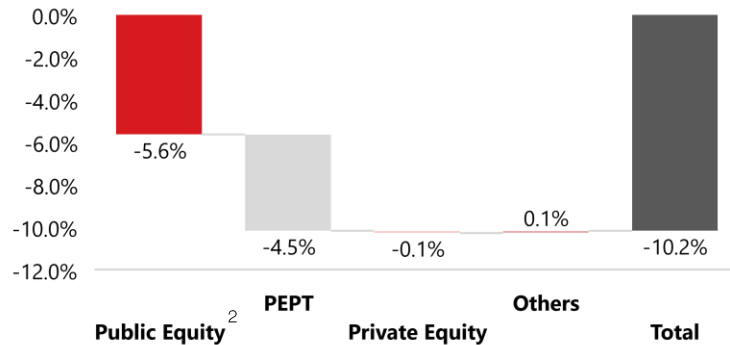
Classified: Internal

# Performance Contribution FYTD 2023: Asset Class and Sector

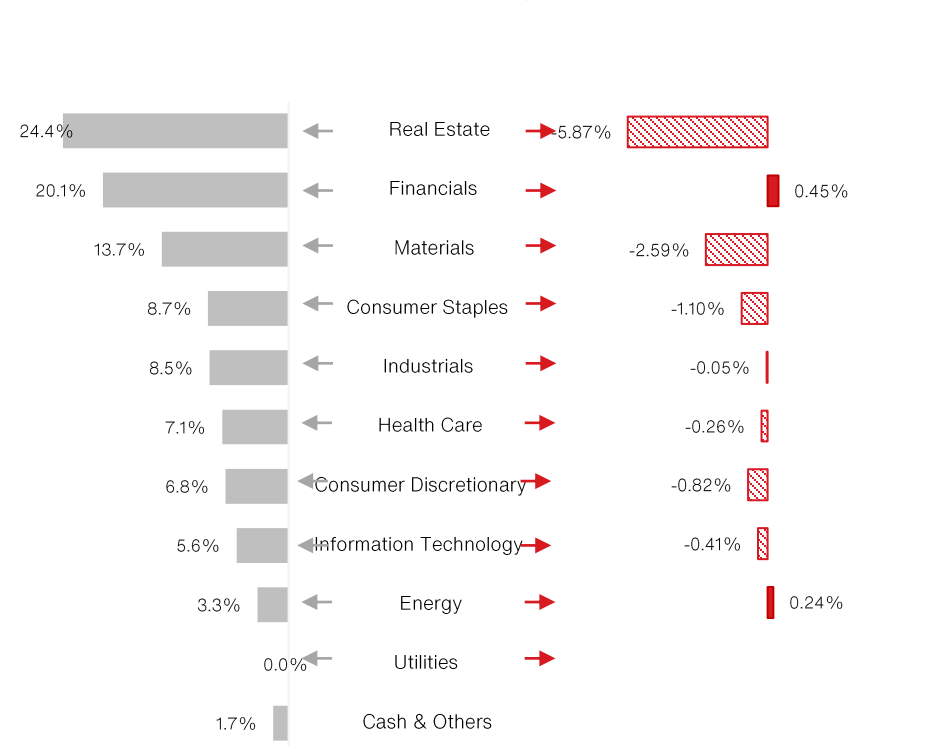
Portfolio Average Weight by Asset Class (%)



Weighted Contribution to Performance by Asset Class<sup>1</sup> (%)



VOF NAV by Sector (%)



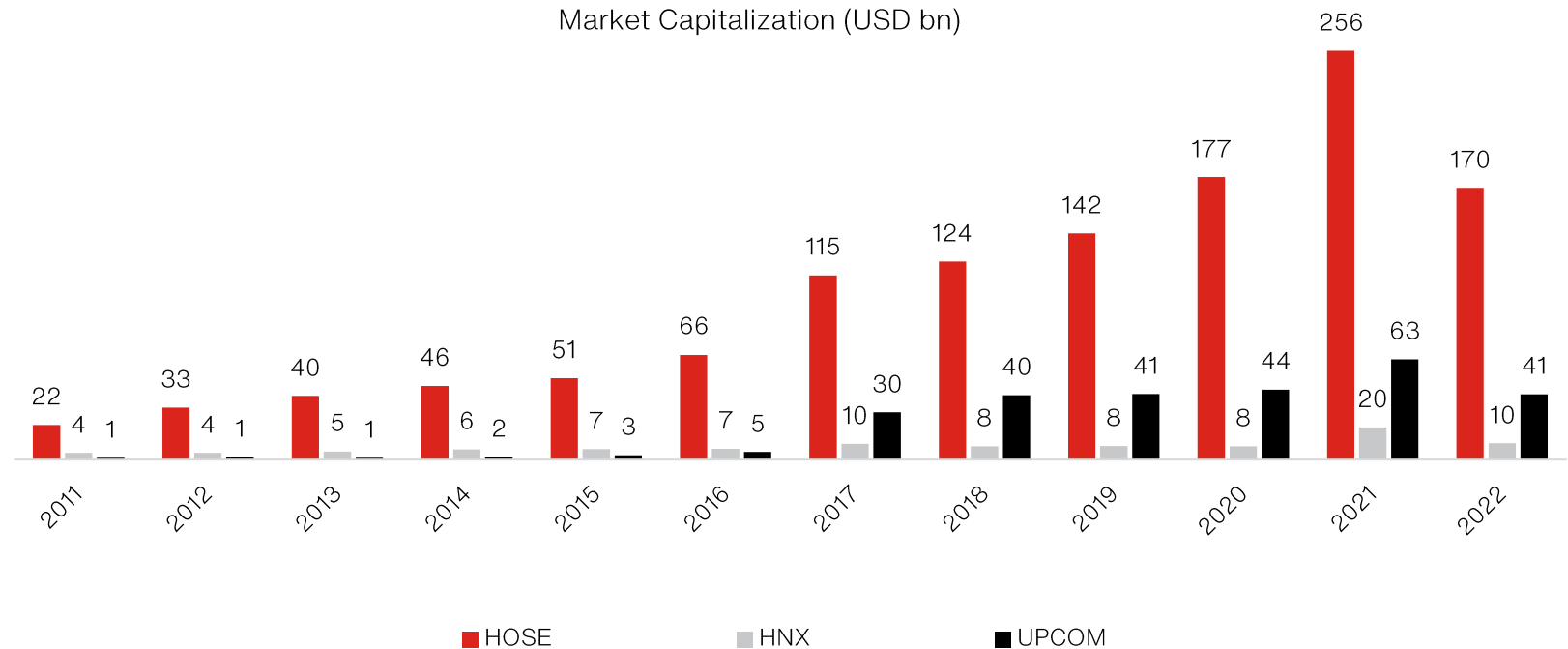
Source: VinaCapital, Bloomberg, up to 31 Mar 2023.

1. The average weight over the FYTD of the portfolio asset class is used rather than the weight as of 31 Mar 2023.

2. VN Index performance over same period, -10.7% FYTD2023 (9 months) (\$TR).

# Fast Growing Financial Market, With Attractive Valuation

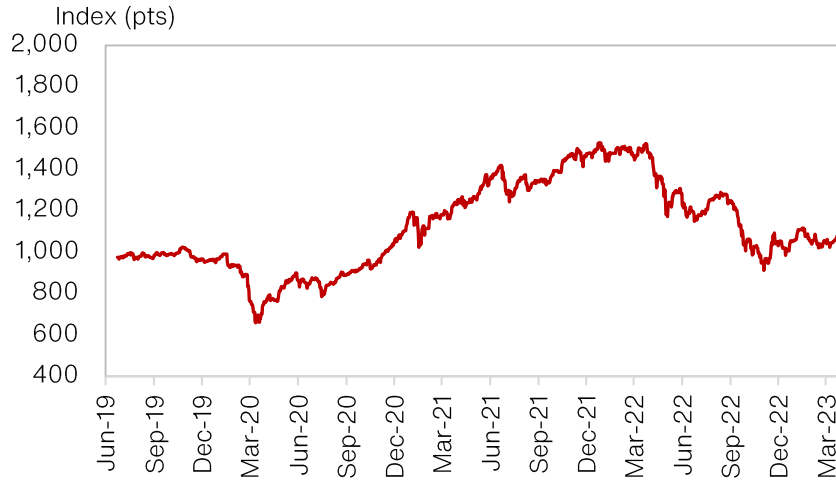
## Market Size Has Grown 10x over 10 Years



Sources: Bloomberg, SSC, VinaCapital research & analysis

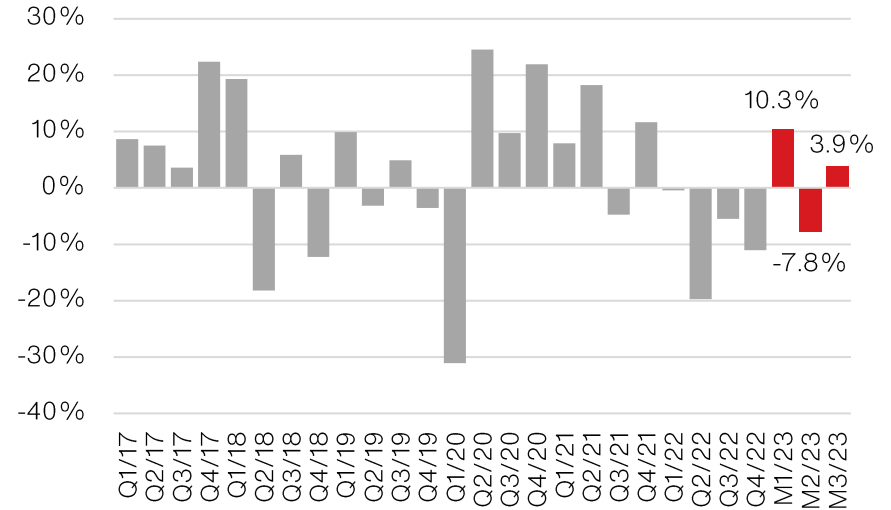
# Vietnam Stock Market Performance

VN Index Performance



Source: Bloomberg

VN Index – Quarterly (& monthly YTD23) performance (%)

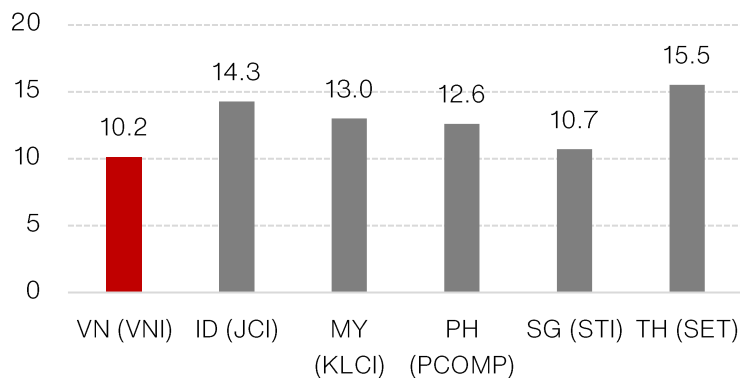


Source: Bloomberg

VNI was the best performing market in Southeast Asia with a 1Q23 rise of 5.7% in VND (6.4% in USD).

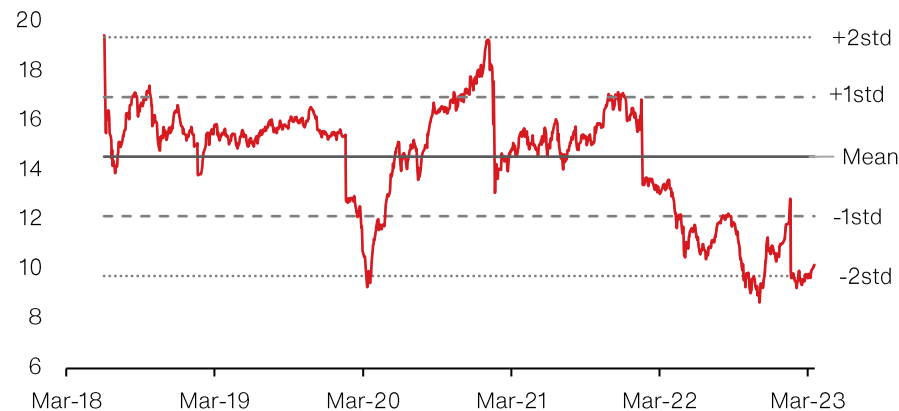
# Vietnam Stock Market: Value On Offer

ASEAN Stock Markets: FY23E PE (x)

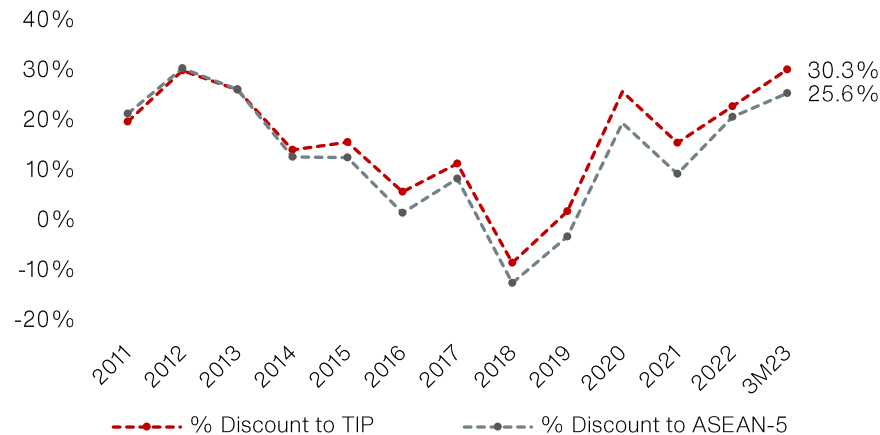


- VNI remains attractively valued relative to its historical average and to regional peers.

VNI Valuation Band: Forward PE (x)

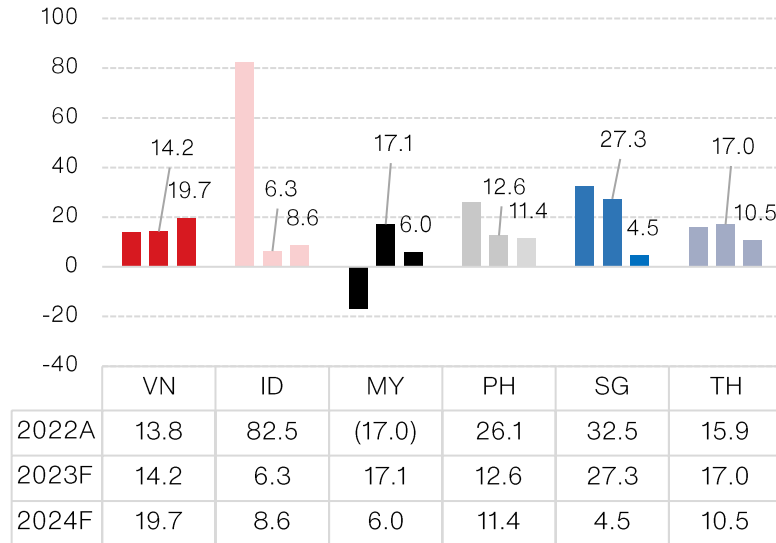


VN's PE discount to ASEAN



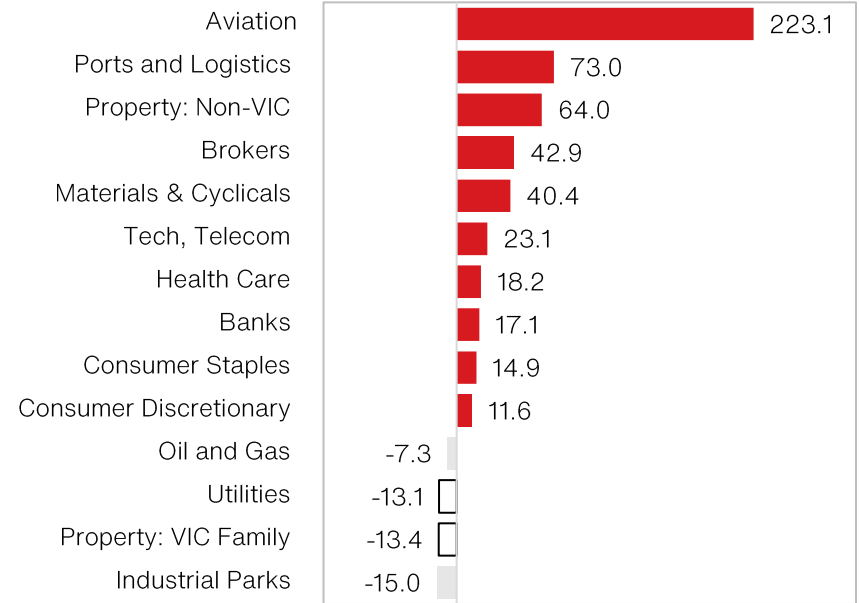
# Strong Earnings Growth Outlook

## ASEAN – Net profit growth



Source: Bloomberg

## Sector – FY23E Net profit growth (%)



Source: Bloomberg

- Net profit growth for Vietnam has remained steady and resilient over various years.
- Sectors posting the strongest growth in 2023 are coming off a low 2022 base.

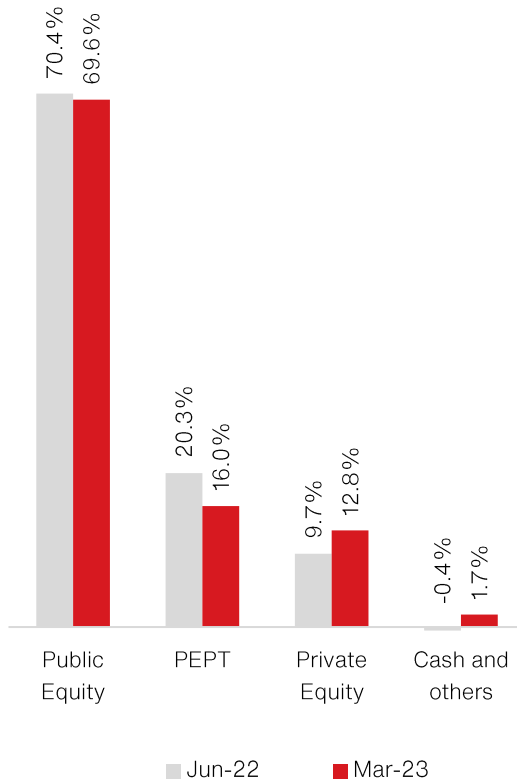
## 2023 Stock Market Outlook

- VNI will finish higher than 2022's 1,007 level. We think the **bear market in Vietnam will end in 2023**, notwithstanding slower global economic and domestic growth
- Instilling confidence back into the stock market is a process that requires:
  - **Globally:** Moderating inflation, the Fed (& global central banks) taking a less aggressive stance, and avoiding a (deep) recession – factors facilitating a risk-on mode that would benefit Vietnam
  - **Domestically:** A sense of calm settling in as the real estate sector improves, aided by a decline in interest rates, approvals of development projects, and infrastructure spending
- Positive foreign investor inflow coupled with improvement in domestic liquidity
- ADTV to remain healthy, albeit lower than peak levels

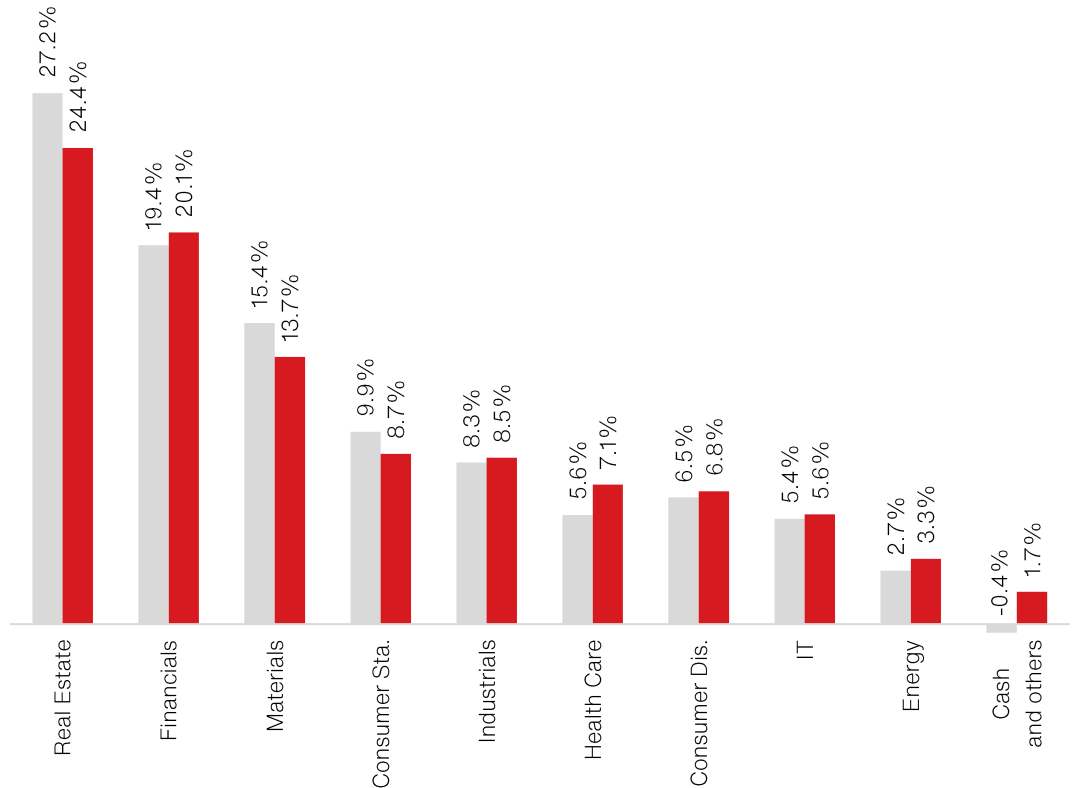
# Investment holdings update

# Asset Class and Sector changes FYTD2023

VOF NAV by Asset Class



VOF NAV by Sector



# Portfolio: Top Public Equity and Private Equity holdings 31 Mar 2023 (includes valuation adjustments)

Top 10 Public Equity Investments <sup>1</sup>			NAV USDm	%NAV	Top 10 Private Equity including Public Equity with Private Terms <sup>2</sup>			NAV USDm	%NAV
1	Asia Commercial Bank (ACB)		141.2	13.7%	1	Tam Tri Medical JSC		37.9	3.7%
2	Khang Dien House (KDH)		103.3	10.0%	2	Norfolk II & III (NVL)		36.7	3.6%
3	Hoa Phat Group (HPG)		101.3	9.8%	3	Thu Cuc Medical		35.8	3.5%
4	Airports Corporation of Vietnam (ACV)		68.1	6.6%	4	Kuala Lumpur II (KDC)		31.9	3.1%
5	FPT Corporation (FPT)		58.0	5.6%	5	An Cuong Wood Working (ACG)		27.7	2.7%
6	Vinhomes (VHM)		48.6	4.7%	6	Dat Xanh Services (DXS)		25.7	2.5%
7	Orient Commercial Bank (OCB)		43.9	4.3%	7	Hung Thinh Land (HTL)		25.2	2.4%
8	Phu Nhuan Jewelry (PNJ)		40.6	3.9%	8	IN Holdings (Twins)		20.7	2.0%
9	Quang Ngai Sugar (QNS)		40.2	3.9%	9	Nova Consumer Group (NCG)		17.8	1.7%
10	Vietnam Prosperity Bank (VPB)		22.0	2.1%	10	Petrolimex Aviation (PAV)		14.2	1.4%
Total			667.2	64.7%	Total			273.5	26.5%



Initially invested pre-IPO,  
with Private Equity terms



Privately Negotiated  
Purchase



Privatisation



Public Equity with Private  
Terms (incl. pre-IPO and  
debt-like structures)



Private Equity

<sup>1</sup> Public Equities holdings include Listed Equities (58.5% of total NAV) and Unlisted Equities (11.1%).

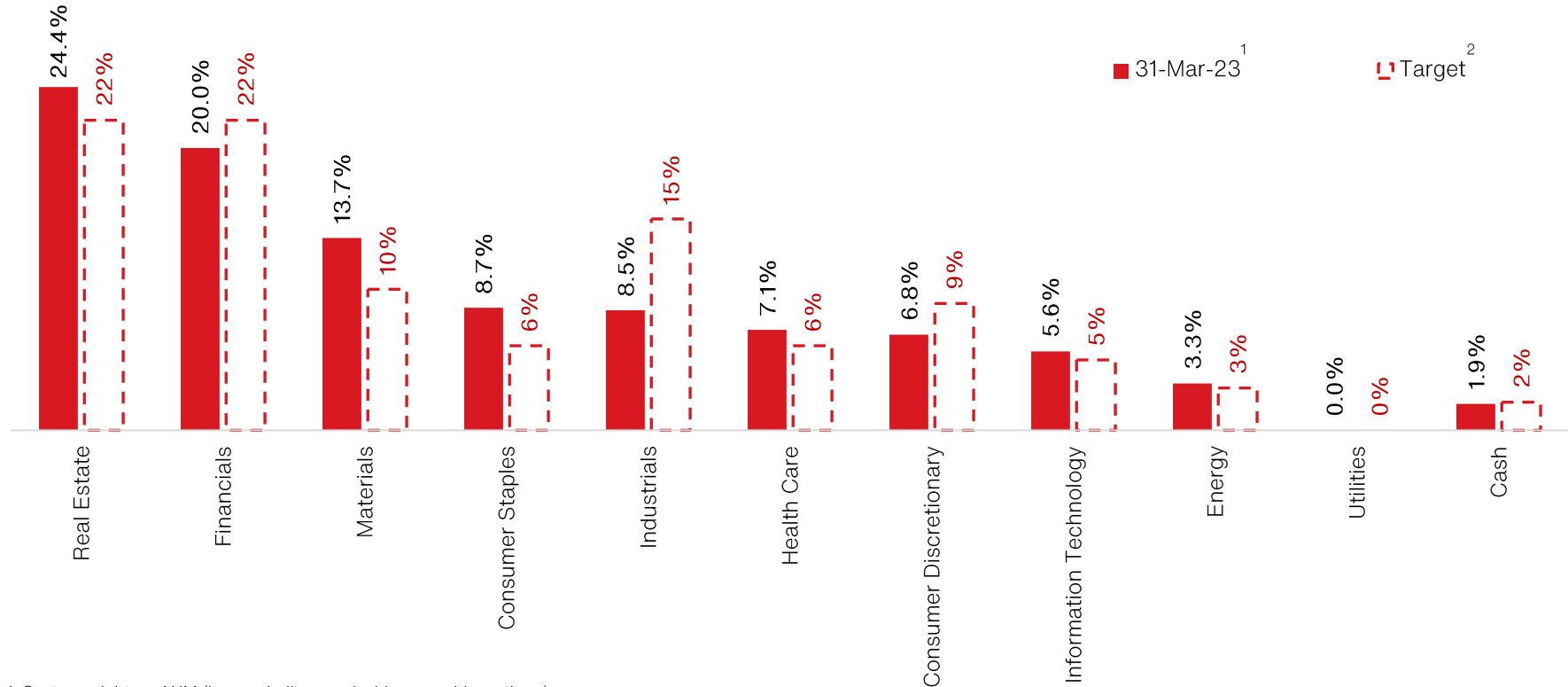
<sup>2</sup> Private Equities (12.8%) and Public Equities with Private terms, including Pre-IPO Investments (16.0%)

# Indicative Private Equity Investment Pipeline

Projects	Sector	Implied Equity Value (post-money)	Deal Size	Stake	Instrument/ Classification	Current Status
1 Houston	Financials	\$2.1b	\$50m	2.3%	Equity / Privately negotiated	Preliminary deal terms
2 Toronto	Industrials	TBC	TBC	TBC	Pre-IPO	Preliminary discussions
3 Calgary	Consumer Discretionary	\$100m+	\$35m+	35%+	Private Equity / Mgmt Buyout	Preliminary discussions
4 Beta	Healthcare	\$150m	\$30m	20%	Private Equity	Received IM and meeting with Beta's Founders and management team
TOTAL			\$115m+			

# Sector Allocation based on Risk-Adjusted Returns

## Medium-to-long term view on target sector weight



1. Sector weight on AUM (i.e., excluding receivables, payables, others)

2. Long-term target weight based on Sector Allocation model.

# Governance and Fee Reduction

# Governance, Buybacks and Dividends

## VOF is the only Vietnam fund that pays a regular dividend



Huw Evans  
Chairman



Julian Healy  
Audit Chair



Kathryn Matthews



Peter Hames



Hai Trinh

# Reduction in Overall Fees effective 1 July 2023 – Highlights

Fee Item	Previous	Effective 1 July 2023
Management Fee	Tiered, 1.5% for first USD500m (Effectively 1.37% for first USD1bn)	Tiered, 1.3% for first USD1bn
Incentive Fee	12.5%	10.0%
Annual Hurdle Rate	8.0%	10.0%
Minimum holding period for new shares purchased <sup>1</sup>	1 year	5 years

1. Minimum period for shares held by the Investment Manager as part of the fee arrangement in which 25% of any incentive fee paid to the Investment Manager is used to buy VOF shares via open market purchases.

Other key features remains, such as: (i) an annual cap of 1.5% on incentive fees paid; (ii) a claw-back mechanism on incentive fees carried forward; and (iii) 25% of any incentive fee paid must be used to buy shares in the fund to ensure management alignment.



**ANDY HO**  
**Managing Director and**  
**Chief Investment Officer**

**andy.ho@vinacapital.com**



**KHANH VU**  
**Deputy Managing Director**  
**Investments**

**khanh.vu@vinacapital.com**

17th Floor, Sun Wah Tower  
115 Nguyen Hue, District 1, Ho Chi Minh City, Vietnam

Tel: +84 (0) 28 3821 9930

Email: [ir@vinacapital.com](mailto:ir@vinacapital.com)

Website: [www.vinacapital.com](http://www.vinacapital.com)

**Ho Chi Minh City**

**Hanoi**

**Singapore**

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