Forum One - VinaCapital Vietnam Fund (VVF)

30 June 2023

Class A NAV/share: USD21.17

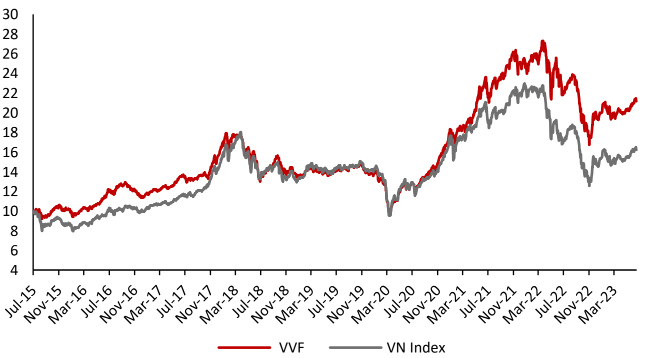
VVF is an actively managed UCITS-compliant fund that invests in equities and equity-related securities of companies that are based in Vietnam, with an objective to deliver long-term capital growth, through bottom up stock picking and disciplined risk management.

PERFORMANCE SUMMARY

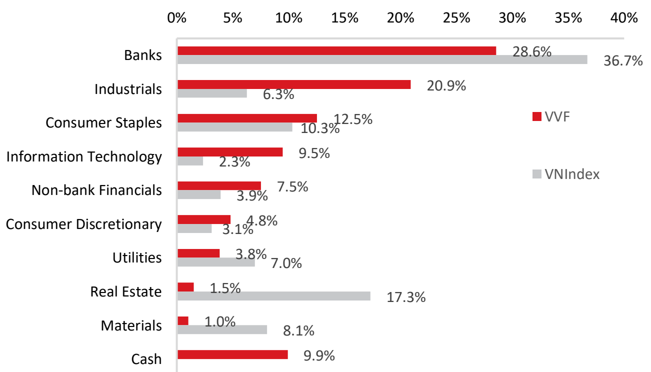
	Fund*	VN-Index
June 2023 (m-o-m)	3.8%	3.8%
YTD	9.2%	11.5%
3-year annualized	20.2%	10.1%
5-year annualized	8.1%	2.6%
Annualized since inception	9.9%	6.3%
Accumulated since inception	111.7%	62.2%
Sharpe ratio (annualized since inception)	0.39	0.23
Annualized standard deviation	20.6%	22.2%
Tracking error	8.0%	

** 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	4,027	Information Technology	9.5%	14.6	23.7%
STB	2,382	Banks	9.2%	6.6	19.9%
VCB	20,067	Banks	8.4%	12.8	23.8%
GMD	663	Industrials	7.9%	6.8	26.1%
QNS	725	Consumer Staples	4.9%	11.1	19.8%
CTG	6,011	Banks	4.6%	7.2	16.9%
MBB	3,883	Banks	3.9%	4.5	22.6%
MWG	2,686	Consumer Discretionary	3.7%	19.5	12.9%
VNM	6,292	Consumer Staples	3.2%	16.3	27.3%
SSI	1,640	Non-bank Financials	2.6%	20.4	8.3%
VVF Port.				9.8	19.8%
VN-Index				11.5	14.4%

Source: Bloomberg, VinaCapital's estimates

MONTHLY COMMENTARY

MANAGER'S COMMENTARY

The market had a strong performance in June 2023, across the board from large caps to small caps. However, on a year-to-date basis, there has been a divergence of performance based on market cap: the VN-Small Cap, VN-Mid Cap, and VN30 (large cap) increased 24.9%, 12.9%, and 12.0%, respectively. Liquidity continued to improve, with average daily trading value reaching USD645mn in June versus USD454mn for the first five months of the year.

The macroeconomic numbers for 2Q23 were released at the end of the month, and the data were weak but not surprising (see the macro commentary later in this report for more information). Nevertheless, investors seem to have already taken that into account and are looking forward to positive developments from the various stimulus policies introduced by the government in recent months.

The Fund's Class A NAV per share increased 3.8% in USD terms in June, slightly outperforming the index, despite our high cash position. We were prudent on capital disbursement and selectively added to our existing positions when prices were at reasonable levels. Top performing stocks in the month included SSI (+15.3% MoM), MBB (+10.9%), and QNS (+10.7%). On a monthly sector attribution basis, our stock selections in Financials (STB +7.2% MoM, SSI +15.3%) and Consumer Staples (VNM +7.0%, VHC +10.5%), coupled with our underweight position in Real Estate, were the main contributors to the Fund's positive results for the month. On the other hand, major laggards were in the Industrials (PC1 -11.7%) and Materials (PHR -2.7%) sectors, while our high cash position also affected results.

Regarding FDI-themed investments, we have direct and indirect exposure to this long-term trend through a combination of approaches, from industrial parks developers to plantations (which convert land into industrial parks) to port operators. Many positions have done notably well in the first half of 2023 (industrial parks SZC +38.3%; plantation PHR +18.0%, port GMD +14.6% YTD). During the last five years, we have seen the average rental price for land owned by SZC and IDC (a new position initiated in June) increasing +18% and +12% CAGR, respectively.

Although the economy's near-term difficulties have already been partially priced into stocks, we expect volatility to continue on the back of weak corporate earnings and subdued economic growth. Nevertheless, given the current attractive valuations, we see a number of opportunities in companies we monitor, especially those at their full foreign ownership limit, in which it has traditionally been difficult to accumulate sizable positions, or which have traded at high premiums. We remain selective in picking stocks with strong cash flow generation, earning power, or at inflection points. The valuation of the overall stock market continues to be attractive for long-term investment, with a 2023E PER of just ~11x, which is at discount to ASEAN peers and other emerging markets.

MACRO COMMENTARY

Vietnam's GDP growth for the first six months of 2023 was 3.7% yoy, a sharp decline from the 6.1% yoy growth recorded in 1H22. Weak demand for "Made in Vietnam" products continued to weigh on the economy in Q2 just as it did in Q1, although a surge in foreign tourist arrivals continues to partly offset that weakness.

Real retail sales (i.e., stripping out the impact of inflation) ticked up from 7.9% yoy in 1H22 to 8.4% in 1H23, but more than half of that 8.4% growth was attributable to a surge of foreign tourist arrivals, which reached nearly 70% of pre-COVID levels in 1H23, up from essentially zero in the first half of last year. Stripping that out, we estimate that the consumption of local Vietnamese consumers only grew by about

MACRO INDICATORS

	2022	June 2023	YTD 2023	y-o-y
GDP growth[1] (%)	8.0	4.1	3.7	
Inflation[2] (%)	3.1	2.0	3.3	
FDI commitments (USDbn)	22.6	1.9	9.4	-19.9%
FDI disbursements (USDbn)	22.4	2.4	10.0	0.5%
Imports (USDbn)	360.7	26.7	152.2	-18.2%
Exports (USDbn)	371.9	29.3	164.5	-12.1%
Trade surplus/(deficit) (USDbn)	11.2	2.6	12.3	
Exchange rate (USD/VND)[3]	23,633	23,583		

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

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

VVF FUND INFORMATION

Launch Date	14 July 2015
Legal Entity Identifier (LEI)	5493003GR1U7LK7K6767
Trading Period	Daily Subscriptions/Redemptions
Fund Size	USD71.0m
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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MONTHLY COMMENTARY (cont'd)

3-4% yoy in 1H23, which is much slower than the typical 8-10% growth rates seen in the past few years.

The Government responded to weakness in Vietnam's economy by ramping up infrastructure spending, which increased 25% month-on-month in May and a further 25% m-o-m increase in June. Infrastructure spending is the most powerful lever the Government can use to immediately support the economy, but a series of other policy actions to support growth have also been introduced, including reducing the country's VAT rate from 10% to 8%, and easing tourist visa restrictions starting from the middle of August.

Senior Vietnamese Government officials have recently guided that more aggressive policy actions are needed to support the economy, including in this Financial Times interview with the country's finance minister. The most concrete action the Government has taken so far is cutting policy interest rates at a time that the world's major central banks are still hiking rates. In June, the SBV cut the refinancing rate by a further 50bps to 4.5% (or by -150bps YTD) and cut the cap on short term deposits by an additional 25bps to 4.75% (or by -125bps YTD).

The SBV was able to cut policy interest rates because the USD-VND exchange rate has remained quite stable this year, despite a 5% YTD depreciation in China's currency, and because inflation in Vietnam fell from nearly 5% yoy at the beginning of the year to 2% in June. The depreciation of China's currency was driven by its slower-than-expected post-COVID re-opening boom, which resulted in China's CPI inflation rate declining to just 0.2% yoy in May, and in-turn helped reduce inflation in Vietnam (China's 1% yoy food price inflation helped keep a lid on food prices in Vietnam, which rose by 3.3% yoy in May).

The biggest factor that supported the value of the VND was the fact that Vietnam's trade surplus swelled from about 0% of GDP in 1H22 to 6% of GDP in 1H23, or to USD12 billion in H1, according to the General Statistics Office (GSO). The resulting surge in Vietnam's trade surplus helps explain why the VN Dong has been relatively stable. Resilient FDI inflows also helped support the value of the VN Dong, with disbursed FDI increasing by 1% yoy to USD10 billion in 1H23, or to 5% of GDP. On newly registered basis, FDI outlook also seems very strong (only -0.4% yoy 6M2023). There were two important state visits between Vietnamese government and Chinese/South Korean governments over the past month, with attendance of leading business groups from all sides. These high-level meetings signal solid FDI commitment from those China/South Korea into Vietnam for the near future. South Korea has been traditionally the largest FDI investor in Vietnam, while China emerged as the leading FDI investor in Vietnam for the first six months of 2023.

KEY TERMS

	Class A	Class B	Class C	Class D	Class G	Class H	Class I
Currency	USD	USD	EUR	EUR	JPY	USD	USD
Min. Investment	500,000[1]	5,000	500,000[1]	5,000	10,000,000[1]	5,000,000[1]	10,000,000[1]
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	FOVCPIU LX
ISIN	LU1163030197	LU1163027052	LU1214542463	LU1214545136	LU1286783011	LU2552457918	LU2560055225

[1] The minimum initial subscription amount may be waived at the discretion of the Investment Manager.