

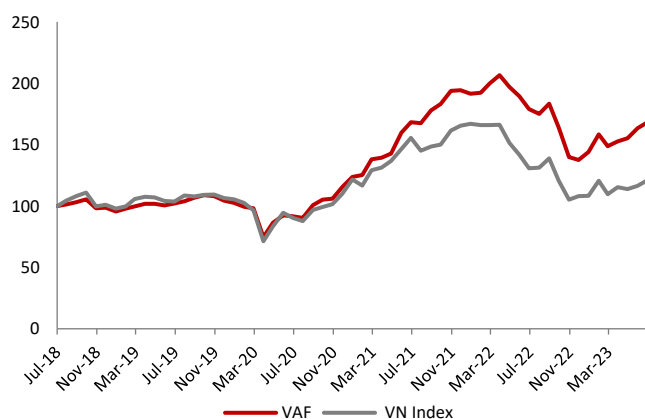
VAF is a Cayman Islands open-ended fund that invests in the Vietnam Equity Special Access Fund (VESAF), a Vietnam-regulated open-ended fund, with the flexibility to participate in IPOs as well as make direct investment in Vietnamese listed and unlisted securities.

PERFORMANCE SUMMARY

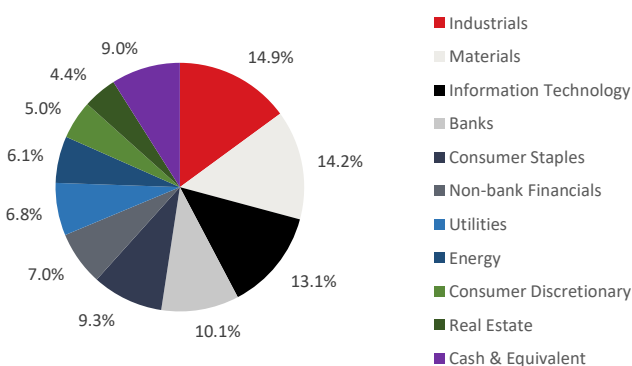
	Fund	VN Index
June 2023 (m-o-m)	2.9%	3.8%
YTD	16.7%	11.5%
3-year annualized	22.4%	10.1%
Annualized since inception*	10.9%	3.9%
Accumulated since inception*	68.0%	20.8%
Annualized standard deviation	21.3%	24.3%

* Inception date: 03 July 2018

PERFORMANCE CHART



SECTOR ALLOCATION



TOP HOLDINGS

Ticker	Market Cap (USDm)	Sector	% of NAV	2023 PE	2023 ROE
FPT	4,027	Information Technology	13.1%	14.6	23.7%
BWE	360	Utilities	6.8%	11.2	15.8%
QNS	725	Consumer Staples	6.0%	11.1	19.8%
MBB	3,884	Banks	5.1%	4.5	22.6%
STB	2,382	Banks	5.0%	6.6	19.9%
MWG	2,686	Consumer Discretionary	5.0%	19.5	12.9%
PVS	657	Energy	4.2%	18.2	6.5%
DPR	107	Materials	3.7%	9.9	8.4%
VCI	679	Non-bank Financials	3.6%	22.6	10.3%
SZC	153	Industrials	3.5%	16.8	13.7%

Source: Bloomberg, VinaCapital's estimates

MANAGER'S MONTHLY COMMENTARY

June saw the VN Index continue its momentum, rising 3.8% on the back of 42% MoM increase in average daily trading value (ADTV), reflecting optimism about the economic recovery and corporate earnings amid lower interest rates. Vietnam is one of the few Asian countries that has adopted an expansionary monetary policy, with policy rates cut by 150bps since the beginning of the year. As a result, Vietnam's stock market outperformed its regional peers in the first half of the year, delivering an 11.5% return, while ASEAN markets declined 4.8% on average, all in USD terms.

VAF returned 2.9% in June and 16.7% year-to-date, due to our stock selection focusing on businesses that see more tailwinds despite challenging macro conditions. For the second half of the year, we believe our portfolio will benefit from a gradual recovery in exports and domestic consumption, but we expect a dispersion in corporate earnings, making our disciplined stock selection process all the more important.

Infrastructure spending surged amid slow economic growth

In the first half of 2023, infrastructure spending rose 40% YoY, with a 25% MoM increase in the disbursement rate in both May and June. The ground-breaking of several major projects in June, following an unprecedented land clearance and compensation process in recent months, signalled more spending in the coming months, as most of the disbursement usually happens in the second half of the year. Key projects include:

- Bien Hoa – Vung Tau highway (54km, USD773 million), which connects the industrial hub in the southeast region and the future Long Thanh International Airport with the Cai Mep deep-sea port system. This project will enhance road transport efficiency, which is more costly than waterway transport.
- HCMC Ring Road 3 (76km, USD815 million), the “silk path” that links Ho Chi Minh City with the southern economic triangle of Binh Duong – Dong Nai – Long An. This project will reduce congestion and logistics costs.
- Chau Doc – Can Tho – Soc Trang highway (188km, USD1.9 billion), which connects three major provinces in the Mekong Delta region. This project will facilitate transportation among the cities and to the upcoming international seaport in the Mekong Delta.

In addition, the managers of Long Thanh International Airport have invited bids for the first phase of USD1.5 billion construction work, following a lengthy period of inactivity.

These projects reflect the development vision for the southern region in the years ahead, with the aim of fully leveraging its economic strengths and potential. In the long run, the completion of this infrastructure will lower logistics costs, boost the attractiveness of industrial zones and the deep-sea port system, and ultimately increase Vietnam's competitiveness to attract FDI enterprises.

The rapid progress of these major projects has already boosted the performance of companies in the construction and materials sector that operate mainly in the south. One example is Hoa An JSC (DHA, 1.4% of VAF's NAV), which owns construction stone mines in Dong Nai province. DHA rose 17.1% in June, driven by the anticipation of strong earnings in the next two years due to the proximity of its stone mines to these major infrastructure projects, in addition to its high average dividend yield of 8.5% of the past three years.

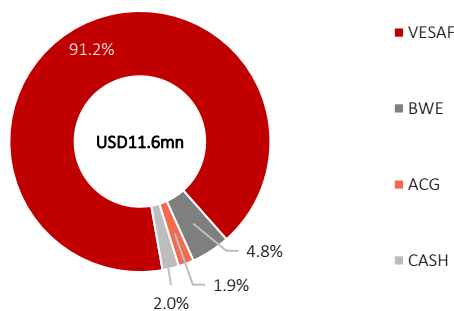
Might exports experience a resurgence in the latter half?

Vietnam's economy grew by 3.7% YoY in the first half of 2023, a sharp contraction from the 6.1% YoY growth in the same period a year ago. We have adjusted our 2023 GDP growth forecast downward to 4.75% due to this lacklustre performance. The economy continued to face weak demand for its exports in Q2 as it did in Q1, but a rebound in foreign tourist arrivals to 70% of pre-Covid levels has partly cushioned that impact.

Export activities stayed weak in the first half of 2023, but we anticipate trade figures to improve gradually in late 2023, as the US market has been depleting its inventories faster as 2023 goes on. The ISM Inventory Index dropped to a new nine-year low of 44 in June, and S&P Global reported that “inventories declined sharply” in June, based on its PMI surveys. The inventory cycle of consumer electronics is near the bottom, as shown by 5.0% MoM growth in Vietnam's exports of laptop computers and other electronics, after a 12% MoM rebound in May. Vietnam's PMI rose from 45.3 in May to 46.2 in June.

Our recent company visits confirm that exports have hit rock bottom, but the recovery will be more uneven and bumpy than what many investors envisage. Textile exports dropped by 18% YoY in 5M23 and 15% YoY in 6M23, with order value slowly picking up month after month. Although the big fashion brands have reduced their inventories, new orders are still weak and uneven and export orders

PORTFOLIO ALLOCATION



Small- & mid-cap	72.8%
Stocks traded on UPCoM	7.7%
Stocks at full Foreign Ownership Limit	25.1%

- *Small- & mid- cap: stocks with market capitalization below USD3 billion*
- *UPCoM: Unlisted Public Company Market*

for Vietnamese products are mostly small-scale, resulting in low bargaining power and low export prices. Fisheries exports fell by 28.1% YoY in 5M23 and 27.4% in 6M23. A leading pangasius exporter reported a 25% YoY and 34% MoM decline in exports to the US market in June but is expecting a seasonal boost for year-end festivities.

Sao Ta Foods (FMC, 3.3% of VAF's NAV) also estimated a 20% YoY drop in earnings in 2Q23, citing the fall in shrimp export volumes due to weak global demand. That said, FMC's export prices to Japan, the main market for its value-added products, held up better despite the sharp decline in transportation costs, resulting in good profit margins. The company also expanded sales to its existing and new Japanese customers who switched orders from Thailand, so it expects to secure strong orders for the coming months. June's exports rose 65% YoY and 40% compared to the average monthly exports in 5M23. The company's new factory, which started operations in 1Q23 and is now at 30% capacity, impressed us with its modern facilities, higher automation, and some AI applications. We think FMC's business performance will continue to lead its peers, driven by its strong product portfolio, active customer acquisition, and the recent recovery in exports volume.

This month we invested in a new position in Phu Tai JSC (PTB, 3.0% of VAF's NAV), which exports wooden furniture and stone slabs, and sells construction stone to government projects. The company reported a 55% YoY drop in earnings in 1Q23, but its earnings have reached their low point as 2Q23 earnings increased by 40% QoQ. According to PTB management, the wooden furniture inventory that US importers stored at PTB's warehouse last year has been sold out, allowing new orders to come in. Although the full-year's earnings are expected to fall 25%, we have found a turning point to enter at very attractive valuations, at a 2023 P/B of 1.1x (compared to its historical average of 2.3x) and EV/EBITDA of 5.0x (compared to historical average of 6.1x). We like the company for its high efficiency, as measured by the high average ROCE of 28.7% in the past five years, while it has grown its total asset base by 11.4% on a 5Y CAGR basis. We also anticipate 2024 earnings will bounce back by an impressive 46% YoY.

VAF FUND INFORMATION

Launch date	03 July 2018
Fund size	USD11.6mn
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

CONTACT DETAILS

VinaCapital
 17th Floor, SunWah Tower
 115 Nguyen Hue Street
 District 1, Ho Chi Minh City, Vietnam
 office: +84 (0) 28 3821 9930
 fax: +84 (0) 28 3821 9931
www.vinacapital.com

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