

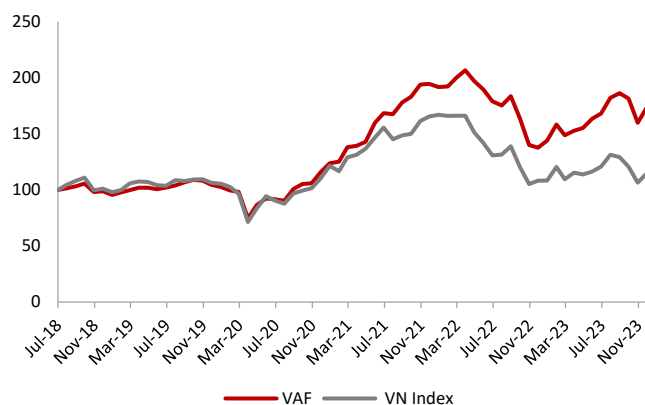
VAF is a Cayman Islands open-ended fund that invests in the Vietnam Equity Special Access Fund (VESAF), a Vietnam-regulated open-ended fund, with the flexibility to participate in IPOs as well as make direct investment in Vietnamese listed and unlisted securities.

## PERFORMANCE SUMMARY

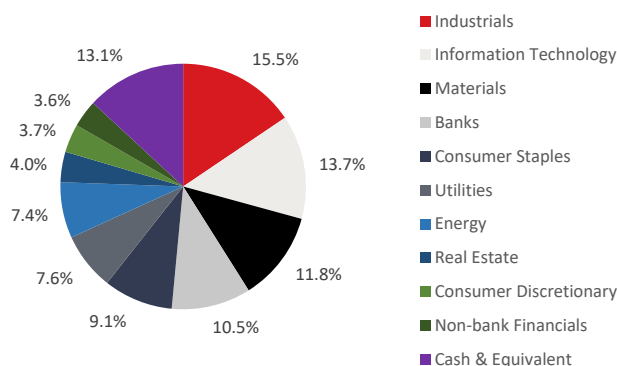
	Fund	VN Index
November 2023 (m-o-m)	8.5%	7.7%
YTD	20.4%	5.8%
3-year annualized	14.4%	1.3%
5-year annualized	11.9%	2.6%
Annualized since inception*	10.7%	2.6%
Accumulated since inception*	73.4%	14.7%
Annualized standard deviation	21.8%	24.6%

\* Inception date: 03 July 2018

## PERFORMANCE CHART



## SECTOR ALLOCATION



## TOP HOLDINGS

Ticker	Market Cap (USDm)	Sector	% of NAV	2024 PE	2024 ROE
FPT	4,811	Information Technology	13.7%	14.8	21.4%
BWE	336	Utilities	7.6%	9.6	14.4%
MBB	3,826	Banks	6.6%	3.8	21.7%
QNS	680	Consumer Staples	4.8%	7.6	22.4%
FMC	122	Consumer Staples	4.3%	7.3	15.6%
SZC	213	Industrials	4.2%	18.1	14.2%
PVS	760	Energy	4.1%	15.5	8.9%
STB	2,137	Banks	3.8%	3.6	24.2%
PTB	159	Materials	3.5%	6.8	16.9%
DPR	106	Materials	3.2%	8.1	10.3%

Source: Bloomberg, VinaCapital's estimates

## MANAGER'S MONTHLY COMMENTARY

Vietnam's stock market rebounded by 7.7% in November thanks to the improved macro environment and attractive stock prices following the recent market correction. The brokerage sector led the rally (+25.4% MoM) as investors anticipate robust stock market performance and the launch of the new KRX trading system next year. The market is also expecting a strong earnings recovery in 4Q23, with 37.2% YoY and 19.5% QoQ growth, and an EPS growth of 19.0% for 2024. Global stock markets also did well, with the MSCI Global index and the MSCI Emerging Market index rising by 8.7% and 7.4% respectively in the month.

### Pressure on Vietnam Dong has subsided.

The Vietnam Dong strengthened by 1.2% MoM in November, cutting the YTD depreciation to 2.7%. The DXY Index, which measures US dollar strength, dropped 3.3% MoM due to lower inflation and slower economic activity in the US market. Investors have been increasingly expecting the end of the monetary tightening cycle as the Fed signalled a less hawkish stance, which led to a decline in the 10-year US Treasury yield from 5.0% in October to 4.3% in November. Vietnam's currency also benefited from the record high trade surplus of USD25.8 billion and the resilient FDI inflows of USD20.3 billion in 11M23.

### Interest rates on the down trend.

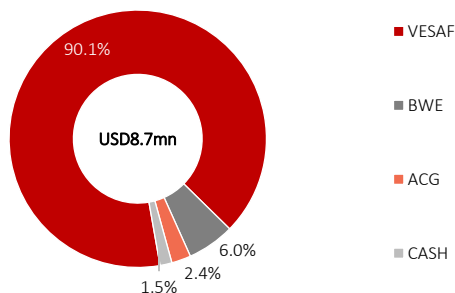
As the foreign exchange pressure eased, the State Bank of Vietnam (SBV) stopped issuing treasury bills in November. Abundant liquidity pushed the VND interbank rate down to the low level seen in 3Q23, at 0.15% at the end of the month. The banking system's credit growth was modest at 7.4% YTD in 10M23 and 9.1% YTD in 11M23, due to the slow economic activity. This prompted the banks, especially the state-owned commercial banks (SOCBs), to lower their deposit rates for both individuals and corporations. Deposit rates averaged 4.3% and 5.5% p.a. for the 12-month tenure for SOCBs and private banks respectively, the lowest levels since 2020. Lending rates were adjusted accordingly, as we saw mortgage rates for the first 12 months offered for certain projects at 7%-8% and lower for businesses' working capital needs.

The credit growth of the whole system was weak, but there was wide dispersion amongst banks. Private banks with large exposure to property developers have increased their lending since mid-year to help restructure corporate bonds. These banks reported 14%-18% credit growth in 9M23, much higher than the 4.0%-8.0% growth at the state-owned commercial banks (SOCBs) for the same period. Banks also competed to lend to creditworthy borrowers amid the weak credit demand. As this year's credit growth was far below the Government's target of 14%-15%, the SBV announced that it would grant additional credit quota to banks that have used up 80% of their 2023 quota, based on (i) CAMELS ratings, (ii) large lending to SMEs (20% of total loans) and (iii) larger lending rate reduction than the sector average. However, this move may not have a significant impact on the economy, as the credit quota will be allocated to higher-risk banks mentioned above. We have been closely monitoring credit demand as an indicator of economic recovery.

### Portfolio Updates

The portfolio returned 8.5% in November, mostly attributable to the strong rebound of holdings in the industrials sector, notably SZC (+31.1%), PC1 (+28.4%), and HAH (+26.0%), as well as the robust performance from large holdings FPT (+9.5%) and PVS (+15.8%). These companies have shown operational resilience despite a challenging macro environment, with positive near-term catalysts and industry tailwinds that have boosted their share prices. These stocks were also the top performers among all holdings as well as the top return attributors to the fund in 11M23.

Our recent visits to the above companies reconfirmed our optimism on their outlooks. Sonadezi Chau Duc (SZC, industrial parks) has a large and clear industrial land bank ready for lease, as well as nearly fully compensated residential land next to its industrial zone, which will enable it to accelerate pre-sales when market conditions improve. The company

**PORTFOLIO ALLOCATION**


Small- & mid-cap	66.6%
Stocks traded on UPCoM	7.2%
Stocks at full Foreign Ownership Limit	25.3%

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

has been in the process of issuing additional shares, the proceeds of which will be used to lower the gearing ratio and finance the new project. Although 2024 EPS growth will be partially diluted, the issuance helps to balance the company's capital structure and facilitate future expansion. Power Construction No.1 (PC1, energy) expects growth in the power construction segment, driven by the pipeline for transmission lines and better-than-expected nickel sales volume. Earnings are expected to improve significantly in 2024 from a low base in 2023. Hai An Transport and Stevedoring (HAH, logistics) expects weak throughput volumes due to the slow recovery in total exports although it saw initial signs of recovery in trade with China. As charter freight rates have reached their trough and lease contract periods have been much shorter than before, we expect earnings to recover in the next 12 months. PetroVietnam Technical Services (PVS, energy) was supported by positive sentiment regarding the first two EPCI contracts for Block B awarded in the past two months, with construction expected to start in 2024, as well as the company's optimism regarding the progress of Block B.

During November, we repositioned some parts of the portfolio to reflect our view for 2024. As the recent market correction opened up opportunities to accumulate shares in our existing holdings at good prices, we increased exposure to FPT Corp (FPT), MB Bank (MBB), PetroVietnam Transportation Corp (PVT), and Saigon Securities (SSI). New holdings in the consumer (Phu Nhuan Jewelry, PNJ) and materials (Bien Hoa Building Materials, VLB) sectors were added after an assessment of the companies' competitive advantages and ability to gain market share. We expect the recovery in domestic consumption will be rather gradual, while accelerated infrastructure disbursement will only benefit certain companies in the industry. At the same time, some positions were fully exited due to limited upside and capability constraints.

**VAF FUND INFORMATION**

Launch date	03 July 2018
Fund size	USD8.7mn
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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