Forum One - VinaCapital Vietnam Fund (VVF)

VinaCapital

31 January 2024

Class A NAV/share: USD22.95

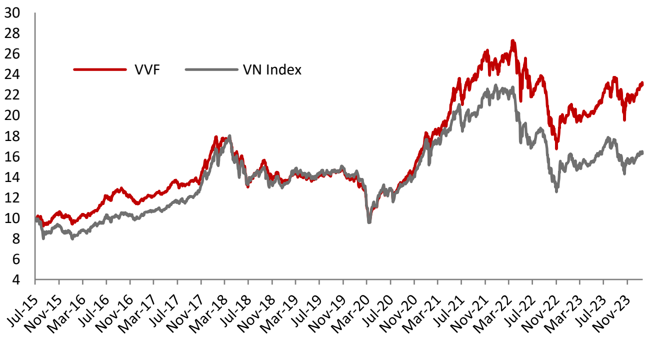
VVF is an actively managed UCITS-compliant fund that invests in equities and equity-related securities of companies that are based in Vietnam, with an objective to deliver long-term capital growth, through bottom up stock picking and disciplined risk management. This UCITS is a product pursuant to Article 8 SFDR.

PERFORMANCE SUMMARY

	Fund*	VN-Index
January 2024 (m-o-m)	3.7%	2.4%
YTD	3.7%	2.4%
3-year annualized	11.6%	1.3%
5-year annualized	10.9%	4.0%
Annualized since inception	10.2%	5.9%
Accumulated since inception	129.5%	62.8%
Sharpe ratio (annualized since inception)	0.40	0.21
Annualized standard deviation	20.9%	22.3%
Tracking error	7.9%	

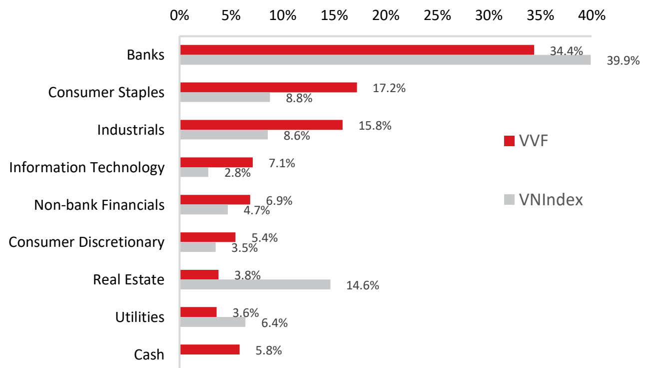
** Fund information calculated from Class A shares, on a net basis*

PERFORMANCE CHART



Past performance is not necessarily guidance to the future.

SECTOR ALLOCATION



TOP HOLDINGS

Ticker	Market Cap (USDmn)	Sector	% of NAV	2024F PE	2024F ROE
STB	2,307	Banks	9.0%	5.4	19.2%
GMD	853	Industrials	9.0%	16.3	13.6%
QNS	672	Consumer Staples	7.2%	7.3	22.4%
FPT	4,974	Information Technology	7.1%	15.3	21.4%
MWG	2,693	Consumer Discretionary	5.4%	21.7	12.1%
MBB	4,641	Banks	4.7%	4.5	22.1%
CTG	6,945	Banks	4.3%	7.5	16.7%
VNM	5,731	Consumer Staples	4.2%	13.9	31.0%
ACB	4,093	Banks	4.2%	5.4	21.7%
TCB	4,981	Banks	4.1%	5.4	15.3%
VVF Port.				9.0	17.7%
VN-Index				10.0	14.9%

Source: Bloomberg, VinaCapital's estimates

MONTHLY COMMENTARY

MANAGER'S COMMENTARY

The market's strong momentum continued into 2024 ahead of the long Lunar New Year holiday, with the VN-Index returning 2.4% in January. The gain was led by an 8.2% MoM increase of the Banking sector, which accounts for 39.5% of VN-Index, making it the largest. Liquidity remained high, with HOSE's average daily trading value reaching USD 681.2 million, up 2.5% MoM. Several other sectors recorded strong gains, including Consumer Discretionary (+4.3%) and Brokerage (+3.3%). Lagging sectors included Consumer Staples (-3.3%) and Real Estate (-3.0%).

The fund generated a strong 3.7% return (USD terms) in January, outperforming the market by 1.3%. Our alpha this month was mainly driven by sector allocation, with overweight positions in the Consumer Discretionary and Brokerage sectors, and underweight positions in the Real Estate and Consumer Staples sectors. For the Banking sector, where we have close to market-weight, we generated alpha from stock selection, which confirmed our high conviction in the fund's bank holdings, with five out of the fund's top ten holdings being banks. We saw strong credit growth across the sector in the 4Q23 and non-performing-loans have been tapering off since 3Q23. On valuations, the sector trades at a PBR of 1.4x and ROE of 16.5%, while our banking holdings are trading at a PBR of 1.4x and ROE of 17.2% on a weighted average basis. The sharp decline in interest rates in 2023 should have a positive impact on real estate prices (which is the most popular form of collateral) and stimulate borrowing, which in turn will benefit the Banking sector.

One bright spot for the economy in January was the recovery of exports, marking the fifth consecutive month of positive YoY growth. Within the export space, although overall export growth was weak in 2023, we noticed one area that did particularly well: agriculture commodities. Vietnam is the leading exporter of many soft commodities, with the top four products achieving strong growth in export value and volume, including: vegetables (USD5.6bn/+67% YoY in value), rice (USD4.7bn/+35% YoY in value/+14% in volume), coffee (USD4.2bn/ +4.6% YoY in value) and cashew nuts (USD3.6bn/ +18% YoY in value/+24% in volume). With the prices of key products such as vegetables, rice, and coffee remaining at high levels, we expect strong profitability for farmers and companies in the agriculture sector to continue. From a macroeconomic perspective, this is important because: 1) agriculture is the most labor-intensive industry in the economy and its success benefits a large population base; 2) as the wealth of a large rural population force improves, the consumption power for necessities should be strong as well. Our portfolio's direct exposure to the agriculture theme is modest at around 6% of NAV at end-January. But more importantly, as we expect consumption of consumer staples would increase due to higher income from farmers, there should be an indirect positive impact on our consumer-related holdings, which account for a larger share of the fund's NAV (18%) at end-January.

Although our portfolio's performance has been strong over the last three months, the valuations of our holdings remain at attractive levels. Our portfolio is currently trading at a 2024E PER of 9.0x on YoY earnings growth of 30.6%, which is at discount to the broad market's 2024E PER of 10.0x on YoY earnings growth of 18.4%.

MACRO COMMENTARY

Vietnam's economic statistics for January were affected by the timing of the Tet New Year holiday (which was on January 21-27 in 2023 versus in February this year). Hence, investors will need the full set of 2M24 data to get an accurate read on the health of the economy. That said, according to our economics team, the January statistics were fairly weak, with the exception of the ongoing recovery in exports.

Manufacturing output surged 18.3% YoY in 1M24. Although this appears high, if we adjust for the fact that factories in Vietnam were closed for more than a week in January 2023, output should have surged even higher, by more than 25% per our estimates, as factories operated for more days in January 2024 than in January 2023. Vietnam's manufacturing PMI increased from 48.9 in December to 50.3 in January, above the '50' expansion-contraction level for the first time in five months. According to the January PMI survey, production

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MACRO INDICATORS

	2023	Jan 2024	YTD 2024	y-o-y
GDP growth[1] (%)	5.1			
Inflation[2] (%)	3.3	3.4	3.4	
FDI commitments[3] (USDbn)	28.1	2.3	2.3	48.7%
FDI disbursements (USDbn)	23.2	1.5	1.5	9.6%
Imports (USDbn)	326.4	30.7	30.7	33.3%
Exports (USDbn)	354.7	33.6	33.6	42.0%
Trade surplus/(deficit) (USDbn)	28.3	2.9	2.9	
Exchange rate (USD/VND)[4]	24,265	24,425		

Sources: GSO, Vietnam Customs, SBV, MPI, Bloomberg
1. Latest quarterly GDP performance | 2. Inflation: year-on-year change | 3. Excluding Share Cap Contribution
4. 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	USD77.2m
Incorporation	Luxembourg
SFDR Classification	Article 8
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
Fund Platform Availability	Allfunds, Clearstream, Fundsettle, MFEX, Attrax, FIL Fondsbank (FFB)

CONTACT DETAILS

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MONTHLY COMMENTARY (cont'd)

volumes of factories expanded after having contracted for four months in a row, but the increase in production was very modest. Employment fell slightly in January (although manufacturing employment was nearly unchanged from January 2023 after having contracted by as much as ~5% during last year). Inventories of finished goods fell in January, which was essentially because export growth far outstripped manufacturing output growth.

Disbursed FDI grew 9.6% YoY in 1M23 to USD1.5b while total registered FDI grew 40.2% YoY to USD2.4b. This will support the continued growth of Vietnam's manufacturing output going forward since most of those investment inflows are earmarked for projects to expand industrial production capacity (e.g., manufacturing, electricity generation, etc.).

Vietnam's trade balance surged from USD0.7b in 1M23 to USD2.9b in 1M24, driven by a 42% YoY jump in exports in January. Meanwhile, imports increased by 33% YoY in the month. The large differential between export and import growth means that manufacturers in Vietnam continued to reduce their inventories of production input materials in January, which was also confirmed by the PMI survey.

Vietnam's factories were closed for over one week in January 2023 due to the Tet New Year Holiday. The resulting low base that was set helps explains some of the increase in exports in January 2024, but even after adjusting for the low base effect, export performance in January 2024 was impressive and reflects the fact that US firms are starting to restock some "Made in Vietnam" products, especially laptop computers (exports of Electronics & Computers jumped nearly 60% YoY in January 2024).

Real retail sales growth fell from 9.1% YoY in 1M23 to 5.8% in 1M24, although the January 2024 figure was probably somewhat dampened by the fact that some spending in the lead-up to the Tet holiday was likely to happen in February this year.

Foreign tourist arrivals have now fully recovered to pre-COVID levels and in January were actually slightly higher. That said, the number of Chinese tourists that visited Vietnam in January was about 65% of pre-COVID levels, a figure we understand to be fairly comparable to Chinese arrivals in the rest of ASEAN.

Inflation dropped from 3.6% YoY in December to 3.4% in January, with lower food price inflation and retail petrol prices somewhat offset by higher electricity prices. Retail petrol prices fell by about 3% m-o-m while electricity prices increased 1.3% m-o-m; we expect another circa 5% of electricity price hikes this year.

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.