

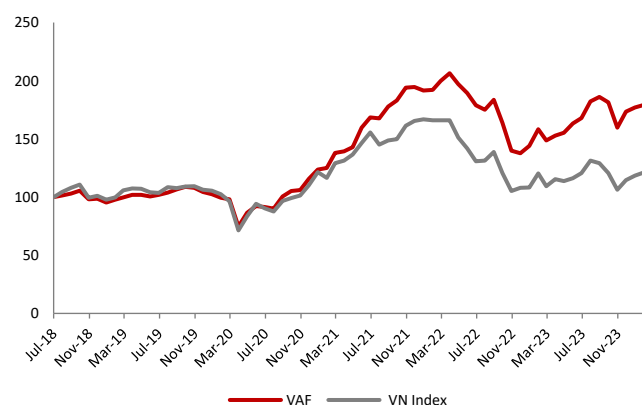
VAF is a Cayman Islands open-ended fund that invests in the Vietnam Equity Special Access Fund (VESAF), a Vietnam-regulated open-ended fund, with the flexibility to participate in IPOs as well as make direct investment in Vietnamese listed and unlisted securities.

## PERFORMANCE SUMMARY

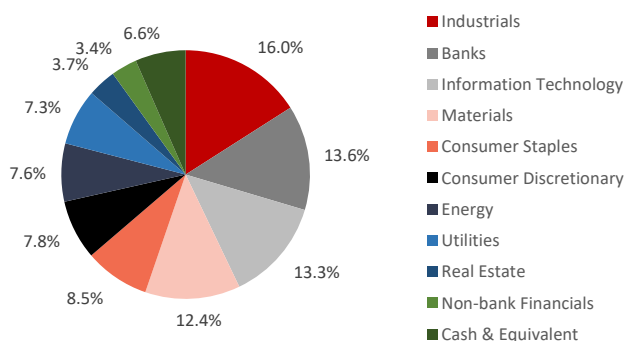
	Fund	VN Index
January 2024 (m-o-m)	1.3%	2.4%
YTD	1.3%	2.4%
3-year annualized	12.7%	1.3%
5-year annualized	12.9%	4.0%
Annualized since inception*	11.0%	3.5%
Accumulated since inception*	79.3%	21.2%
Annualized standard deviation	21.5%	24.3%

\* Inception date: 03 July 2018

## PERFORMANCE CHART



## SECTOR ALLOCATION



## TOP HOLDINGS

Ticker	Market Cap (USDm)	Sector	% of NAV	2024 PE	2024 ROE
FPT	4,976	Information Technology	13.3%	15.3	21.4%
MBB	4,643	Banks	8.5%	4.5	22.1%
BWE	337	Utilities	7.3%	11.0	13.1%
STB	2,308	Banks	5.2%	5.4	19.2%
QNS	672	Consumer Staples	4.4%	7.3	22.4%
SZC	287	Industrials	4.4%	16.4	14.2%
PNJ	1,253	Consumer Discretionary	4.2%	13.1	19.9%
FMC	119	Consumer Staples	4.0%	8.5	13.9%
PVS	718	Energy	3.7%	14.8	8.9%
MWG	2,695	Consumer Discretionary	3.5%	21.7	12.1%

Source: Bloomberg, VinaCapital's estimates

## MANAGER'S MONTHLY COMMENTARY

### Market Updates

**Vietnam's stock market began the year positively, rising 2.4% in USD terms.** January's data confirmed the continued recovery of the economy, which started at the end of 3Q23. A robust recovery in exports, employment, and PMI boosted confidence for the projected 2024 corporate earnings growth of 18.0% after a drop of 4.6% for 2023 (based on the official numbers of all listed companies).

**Export value grew by 42% YoY and 7.0% MoM in January, driven by a 32.0% jump in high-tech products.** The high growth data partly reflected fewer business days in January last year, but the recovery was still impressive after adjusting for the Tet Lunar New Year holiday. Leading indicators such as PMI (50.3) and declining inventories of finished goods suggested improved manufacturing growth in the coming months after moderate YoY manufacturing growth of 19.3% in January. The number of foreign tourist arrivals to Vietnam increased significantly in January, surging 73.6% YoY and reaching the pre-Covid level in 2019. This strong tourism rebound supported retail sales growth in 2023 and January 2024. We expect the recovery momentum of retail sales will continue, driven by higher employment in the industrial sector, stable low interest rates, and the budding revival of the real estate market. Greater clarity on economic recovery will come from 2M24's economic data, which strips out the effect of the Tet holiday.

**Banking stocks were the major contributor to the Index's return in January, buoyed by appealing valuations and easing economic challenges.** The Banking sector traded at a 2024 P/B of 1.5x, lower than the 5-year average P/B of 1.9x, with SOCBs and private banks at a 2024 P/B of 1.9x and 1.0x respectively. The lower valuations partly reflect credit risks from possible bad debts in the current cycle.

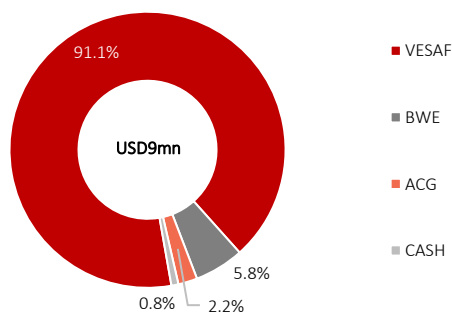
By the end of 2023, reported NPLs rose to 1.64% (from 1.36% at the end of 2022), but this figure showed signs of easing as NPLs had spiked to 1.97% at the end of 3Q23, while the Special Mentioned Loan ratio (Group 2) also eased to 2.0% from the peak of 2.6% in 2Q23 and new NPL formation rate declined quarter-by-quarter (1Q23: 2.51%, 2Q23: 1.99%, 3Q23: 1.78% and 4Q23: 0.89%). Apart from the better financial conditions of SMEs and retail customers (which were the contributors to the NPL peak in 3Q23), various supportive policies from the Government helped ease the burden on real estate developers. In 2023, credit to real estate developers grew by 22.0% (outperforming overall system credit growth of 13.7% and flat mortgage loans), mostly for refinancing purposes. We expect property developer loans to grow sharply in 2024 as banks continue to assist with refinancing while the capital needs for project development also recover as real estate market improves. Therefore, we believe NPLs peaked in 2023 and banks' asset quality will be less stressed. By the end of 2023, problematic loans were estimated at 5.1%, including reported NPLs of 1.64%, G2 loans of 2.03%, and restructured loans (under government and SBV consideration for extension) of 1.4%.

We also expect a mild recovery in NIMs and fee incomes, together with less pressure on asset quality, will drive the sector earnings growth of 18.1% for 2024 (from low growth of 5.9% in 2023).

### Portfolio Updates

VAF's portfolio returned 1.3% in January, mainly contributed by the fund's increased exposure to MB Bank (MBB), which had one of the

## PORTFOLIO ALLOCATION



Small- & mid-cap	71.7%
Stocks traded on UPCoM	8.1%
Stocks at full Foreign Ownership Limit	31.0%

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

highest returns among banking stocks during the month (+16.6%). The bank is our top position in the sector, and it delivered earnings growth of 18.3% for 2023, with projected earnings growth of 15.7% for 2024 and a forward P/B of 1.0x. Banking exposure was increased to 15.0% at the end of January.

The other positive contributors included Sacombank (STB, +7.0%) and Phu Nhuan Jewelry (PNJ, +6.4%). We continue disbursing to companies that we believe will benefit from the recovery in exports, domestic consumption, and real estate.

## VAF FUND INFORMATION

Launch date	03 July 2018
Fund size	USD9.0mn
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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