Forum One - VinaCapital Vietnam Fund (VVF)

29 February 2024

Class A NAV/share: USD24.67

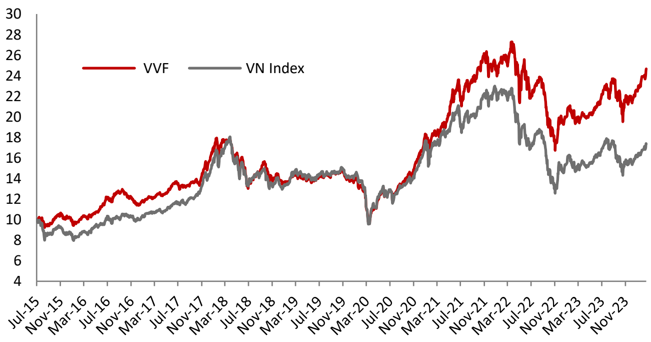
VVF is an actively managed UCITS-compliant fund that invests in equities and equity-related securities of companies that are based in Vietnam, with an objective to deliver long-term capital growth, through bottom up stock picking and disciplined risk management. This UCITS is a product pursuant to Article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

PERFORMANCE SUMMARY

	Fund*	VN-Index
February 2024 (m-o-m)	7.5%	6.6%
YTD	11.5%	9.2%
3-year annualized	10.3%	0.0%
5-year annualized	11.7%	4.1%
Annualized since inception	11.0%	6.6%
Accumulated since inception	146.7%	73.6%
Sharpe ratio (annualized since inception)	0.44	0.24
Annualized standard deviation	20.9%	22.3%
Tracking error	7.9%	

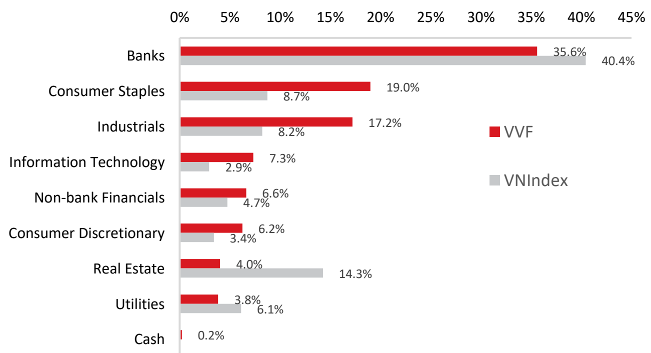
** Fund information calculated from Class A shares, on a net basis*

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
GMD	943	Industrials	9.5%	17.5	16.2%
STB	2,414	Banks	8.6%	5.7	19.2%
FPT	5,617	Information Technology	7.3%	17.6	21.6%
QNS	701	Consumer Staples	7.2%	7.7	23.6%
MWG	2,742	Consumer Discretionary	6.2%	25.6	10.5%
VHC	669	Consumer Staples	5.2%	11.9	14.2%
TCB	6,032	Banks	5.0%	6.6	15.3%
MBB	5,110	Banks	4.7%	5.0	22.1%
VNM	6,106	Consumer Staples	4.4%	15.4	27.8%
CTG	7,747	Banks	4.4%	8.4	16.7%
VVF Port.				9.8	17.7%
VN-Index				11.8	14.5%

Source: Bloomberg, VinaCapital's estimates

MONTHLY COMMENTARY

MANAGER'S COMMENTARY

The stock market's strong momentum continued into February 2024, with the VN Index increasing 6.6% MoM and 9.2% YTD. The positive market sentiment spilled over to nearly all sectors, most notably Materials (+13.5% MoM), IT (+11.3% MoM), and Banks (+8.1% MoM). Liquidity stayed at a high level, reaching USD 847.7mn on average daily trading value on HOSE in February 2024, compared to USD 681.2mn in January and USD 751.3mn for full-year 2023.

The fund generated a strong 7.5% return (USD terms) in February, outperforming the market by 0.9% and increasing our YTD outperformance versus the market to 2.3%. Our alpha for the month was driven by our stock picks in the Industrials and Consumer Staples sectors, which have increased 10.4% and 12.4%, respectively on a MoM basis. For Industrials, our stock picks were mainly in port operators and industrial park developers, while for Consumer Staples, we expect a recovery in domestic consumption and normalization of margins for certain consumer products to drive earnings growth. One sector that strongly outperformed the market in February, which we do not own, was Materials. This sector comprises mostly steel producers, whose business correlates with that of the property sector. Despite our positive view on the long-term outlook of Real Estate due to the severe undersupply of housing in major cities, we believe the pace of project development will be slow as developers await regulatory guidance on implementing the new land laws, under which capital requirements for developers are markedly raised, hence our underweight in real estate and zero weight in steel currently.

One topic that has been attracting investors' interest over the past few years is Vietnam's potential upgrade to emerging market (EM) status. There were several developments in this area in the second half of 2023, and it is clear that the upgrade is a government priority. During the last week of February 2024, the Prime Minister conducted a meeting with key regulators and market participants on the development plan for the stock market in 2024, with the target of an EM upgrade by 2025. As part of this plan, HOSE, along with securities companies, are conducting a series of tests during the first half of March 2024 to help ensure the new KRX trading system is operating smoothly before FTSE Russell conducts its interim review for market classification shortly thereafter. The FTSE representatives have had multiple meetings with local authorities, brokers, and institutional investors in Vietnam (including VinaCapital) in February and March. We expect the market to react positively ahead of a potential upgrade in 2025.

The fund continues to focus on four key sectors: 1) Financials (banks and brokers), 2) Consumer Staples and Discretionary, 3) Industrials (port operators and industrial park developers), 4) IT. In the first two months of 2024, we have fully deployed cash (from 8.9% to 0.2%) with the bulk of it going toward Consumers (from 20.0% to 25.2%), and some toward Financials (41.9% to 42.2%) and Industrials (16.0% to 17.2%). Our portfolio is trading at a 2024E PER of 9.8x on YoY earnings growth of 30.6%, which is at a discount to the broader market's 2024E PER of 11.8x on YoY earnings growth of 16.8%.

MACRO COMMENTARY

The recovery of exports that started late last year continued to gain momentum in the first two months of 2024. Exports grew 19% year-on-year in 2M24, according to Vietnam's General Statistics Office (GSO), driven by a 34% yoy surge in computer and electronics exports, and by a 34% jump in Vietnam's exports to the US (versus a 21% plunge in US exports in 2M23).

The surge in computer and electronics exports is a phenomenon that we have discussed repeatedly in recent months (including in this report), and which is also happening in Taiwan and South Korea. Also, Vietnam's 19% export growth (to USD59.3b in 2M24) outpaced the 18% growth in imports (to USD54.3b), resulting in the country's trade surplus widening from USD3.5b in 2M23 to USD4.7b in 2M24 (or from 5%/GDP to 6%/GDP).

Export growth also far outstripped the 5.9% yoy increase in the country's manufacturing output during 2M24. This resulted in manufacturers' inventories of finished products falling in both January and February according to Vietnam's PMI survey - which essentially reflects the fact that those companies exported more products than they produced in the first two months of this year. The resulting inventory depletion is a positive leading indicator for manufacturing because it points to a likely production pick up in the months ahead.

Forum One - VinaCapital Vietnam Fund (VVF)

29 February 2024

VinaCapital

Class A NAV/share: USD24.67

MACRO INDICATORS

	2023	Feb 2024	YTD 2024	y-o-y
GDP growth[1] (%)	5.1			
Inflation[2] (%)	3.3	4.0	3.7	
FDI commitments[3] (USDbn)	28.1	1.8	4.0	75.6%
FDI disbursements (USDbn)	23.2	1.3	2.8	9.8%
Imports (USDbn)	326.4	23.7	54.6	18.0%
Exports (USDbn)	354.7	24.8	59.3	19.2%
Trade surplus/(deficit) (USDbn)	28.3	1.1	4.7	
Exchange rate (USD/VND)[4]	24,265	24,648		

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	USD84.7m
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

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

MONTHLY COMMENTARY (cont'd)

Another positive leading indicator is that factories in Vietnam resumed hiring workers in February, after having laid off workers for several months in 2023. The expansion of manufacturing employment is a lagging indicator, because companies typically wait until they have an ample order book to hire workers. New orders did continue to expand in February, which together with the resumption of employment expansion, helped lift Vietnam's PMI index from 50.3 in January to 50.4 in February.

Yet another positive leading indicator is the fact that disbursed FDI grew by 10% yoy in 2M24 to USD2.8b, which was the highest beginning-of-the-year inflow over the last five years. Furthermore, the pipeline of registered FDI projects (which includes both new factories and expansions of existing factories) rose by nearly 40% to USD4.3b in 2M24.

The net result of all the above is that we continue to expect a partial recovery in Vietnam's manufacturing growth to 8% this year (versus 12% average growth, pre-COVID), which is the basis for our expectation that GDP will grow by 6-6.5% this year. Factory employment has now fully recovered from the layoffs seen in early-2023, which should help support consumption, although real retail sales (i.e., excluding inflation) only grew by 5% in 2M24.

Further to that last point, we continue to expect 7.5% growth in real retail sales this year (versus 9% average growth, pre-COVID), but there is some downside risk to that forecast given anecdotal evidence of tepid consumer sentiment among Vietnamese consumers during the recent Tet Lunar New Year holiday in February. That said, we previously highlighted Vietnam's moribund real estate market as one source of weak consumer sentiment last year (together with the above-mentioned layoffs at FDI factories).

The good news is the Government recently introduced new regulations with the aim of helping to revive the real estate sector, and interest rates in Vietnam have continued to drift lower (one-year deposit rates at most banks are now below 5% after having peaked at above 8% on average at the end of 2022). These developments should aid recovery in both the property and the consumer markets.

Inflation ticked up from 3.4% yoy in January to 4% yoy in February driven by a 1.7% month-on-month increase in food prices in the lead-up to the Tet Lunar New Year holiday in February; food price inflation increased from 2.3% yoy in January to 4.2% yoy in February.

Finally, the USD-VND exchange rate depreciated by 0.9% during February, and by 1.6% YTD at end-February, driven in part by anecdotal reports that remittances from overseas Vietnamese were unexpectedly weak for this year's Tet holiday. In addition, the US Dollar has remained fairly firm, partly due to expectations about when the Fed will start cutting interest rates have essentially been pushed back from March to June 2024. The US Dollar/DXY index was up nearly 3% YTD at end-February.

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.