

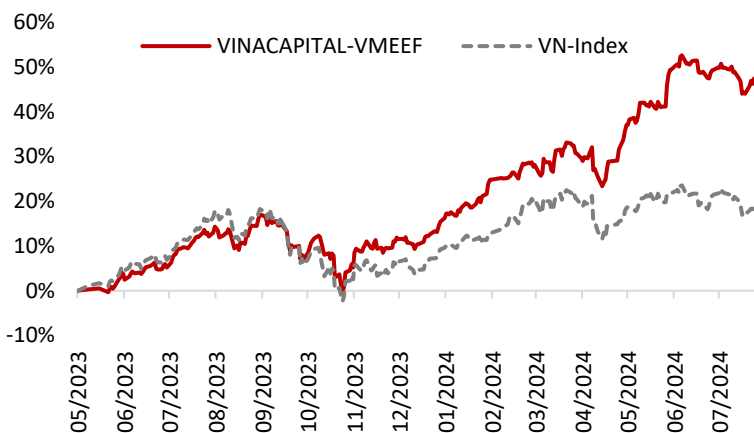
VINACAPITAL-VMEEF Investment approach

The fund's strategy is to construct a portfolio of companies that benefits from Vietnam's long-term economic growth drivers, to be accumulated at reasonable prices.

Because Vietnam's long-term economic growth goes hand in hand with its modernization, the fund prioritizes investments in companies that directly provide products and services to the modern living and working needs of customers.

These companies include, but are not limited to, banks with modern mobile banking products, retailers/distributors of modern household appliances and electronics, urban real estate developers serving the middle/upper class, businesses supporting the e-commerce industry, software solution providers, and companies applying technology to improve production processes.

NAV growth since inception



The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your fund units. Current performance may be higher or lower than the performance data quoted.

Fund performance

	VINACAPITAL-VMEEF	VN-Index
Total AUM (VND billion)	830.9	
NAV/Share (VND)	14,740.8	
Jul 2024 return (%)	(0.0)	0.5
YTD 2024 return (%)	30.2	10.8
3-year annualized return (% P.A.)	-	-
5-year annualized return (% P.A.)	-	-
Cumulative return since inception (%)	47.5	18.8

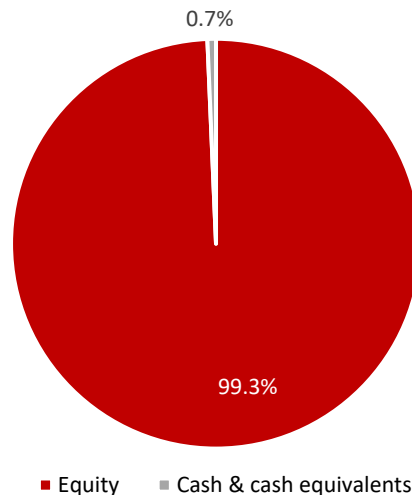
(The NAV is net of management fee and administrative expenses)

Investor Relations: irwm@vinacapital.com

Tel: +84 28 38 27 85 35

Investment allocation

% Total NAV



Fund information

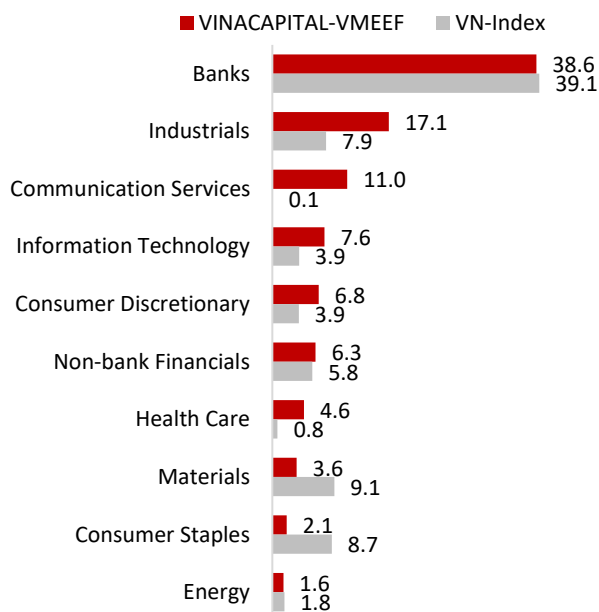
Inception	04/05/2023
Management fee	1.75% per annum
Subscription fee	0.0%
	2.0% < 12 months
Redemption fee	1.5% >= 12 months
	0.5% >= 24 months
Custodian and Supervisory Bank	Standard Chartered Bank Ltd. (Viet Nam)
Auditor	PwC Vietnam
Trading frequency	Daily, from Monday to Friday
Benchmark	VN-Index

Portfolio statistics

	VINACAPITAL-VMEEF	VN-Index
2024 P/E (x)	11.4	11.8
2024 P/B (x)	2.7	1.6
2024 ROE (%)	23.3	13.5
Dividend yield (%)	2.5	2.7
Portfolio turnover (%)	71.4	-
Sharpe ratio	1.6	0.6
No. of equities	24	403

Sector allocation

% Total NAV



Top holdings

Equity	Sector	% NAV
FOX	Communication Services	11.0
VCB	Banks	9.1
ACB	Banks	8.0
FPT	Information Technology	7.6
BVH	Non-bank Financials	4.8
IDC	Industrials	4.7
CTG	Banks	4.7
MBB	Banks	4.6
REE	Industrials	4.6
IMP	Health Care	4.6

Comments from fund manager

MARKET UPDATE

In July 2024, the VN Index increased by 0.5% to 1,251.5, bringing its year-to-date (YTD) return to 10.8%. Market liquidity fell to a six-month low, with average daily trading value reaching VND 19.4 trillion, down 27% MoM. Foreign investors continued to net sell VND 8.3 trillion across the combined three bourses, bringing the 7M24 net sell value to VND 60.9 trillion.

Amidst low liquidity and global macro uncertainties, July was a volatile month for stock markets around the world. US, Japanese, and European stock indices all fell sharply during the month as the Bank of Japan (BOJ) unexpectedly raised interest rates, causing the unwinding of carry trade positions. At the same time, the US July job report disappointed, with weaker-than-expected data.

A positive highlight for Vietnam’s stock market last month was the announcement of listed companies’ Q2/2024 business results, which confirmed the economy’s recovery trend. Aggregate Q2 net profit of companies listed on the combined three bourses advanced by 21% YoY. The three sectors with the strongest Q2 profit growth included Materials (+76% YoY, mainly from steel and fertilizer companies), Consumer Discretionary (+73% YoY, mainly from retail companies), and Industrials (+47% YoY, mainly from aviation companies), on the back of the low base in Q2/2023. The Banking sector also achieved 20% YoY profit growth in Q2. On the other hand, the Real Estate sector recorded a Q2 profit decrease of 18% YoY.

Macroeconomic data in July continued to indicate a positive growth trend. The production index of the processing and manufacturing industry increased by 13.3% YoY, bringing the 7M24 growth to 9.5%. The Purchasing Managers’ Index (PMI) remained above 50, reaching 54.7 in July, with production output and new orders continuing to grow strongly. Exchange rate pressure has eased thanks to expectations that the US Federal Reserve (Fed) will cut interest rates soon. The USD/VND exchange rate decreased by 0.8% in July to 25,250 VND/USD.

FUND UPDATE AND INVESTMENT OUTLOOK

Despite the volatility seen during July, the NAV per share of VINACAPITAL-VMEEF ended the month flat, as selling pressure was followed by a fairly strong rebound. Nevertheless, the profit-taking pressure on FPT Telecom (FOX) (which doubled in 1H24) mainly led to the portfolio’s underperformance (+0.0%) against the VN-Index (+0.5%) during July. On a YTD basis, VINACAPITAL-VMEEF rose 30.2% vs VN-Index’s 10.8%, as at end-July.

Even though FOX’s PBT was up 20% y/y in June and 18% in Q2/2024, profit-taking pressure caused its share price to decline (-11.2%) and become cheaper during the month. The market appears to view FOX as expensive, given that its trailing P/E now stands at 18x. We disagree with this view, as we think FOX’s P/E ratio is misleading for two reasons: (1) the numerator disregards FOX’s net cash position of about VND7,500/share, which is not tied up in working capital requirements; (2) the denominator disregards FOX’s conservative depreciation schedule, which is two to three times faster than regional peers, as we noted in our May report. Per our estimates, FOX’s free cash flow yield is currently >5%, which is attractive even compared with the current prevailing 12M deposit rates. Furthermore, we believe FOX’s long-term earnings growth will be in double-digit territory, driven by: (1) fee growth, operational cost optimization, and market share gains in the core broadband Internet/payTV segment; (2) profit from data centers (<5% of total profit in 2023).

At the time of writing, short-term market volatility has continued into August, and we continue to take advantage of the short-term selling pressure to accumulate high-quality stocks (including FOX) at attractive prices. We expect to continue deploying cash as and when we are presented with such opportunities, and we look forward to maintaining VINACAPITAL-VMEEF’s strong performance in the remainder of 2024.

Monthly returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	-	-	-	-	0.4%	4.3%	8.5%	0.8%	-4.1%	-9.0%	9.5%	3.5%	13.2%
2024	5.7%	7.1%	3.7%	-2.9%	9.4%	4.5%	0.0%						30.2%

Important information

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