

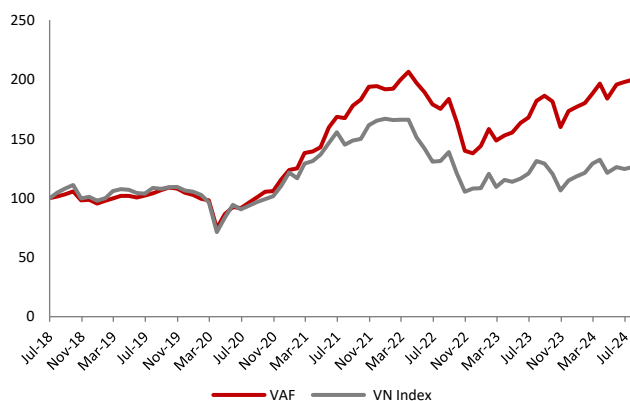
VAF is a Cayman Islands open-ended fund that invests in the Vietnam Equity Special Access Fund (VESAF), a Vietnam-regulated open-ended fund, with the flexibility to participate in IPOs as well as make direct investment in Vietnamese listed and unlisted securities.

PERFORMANCE SUMMARY

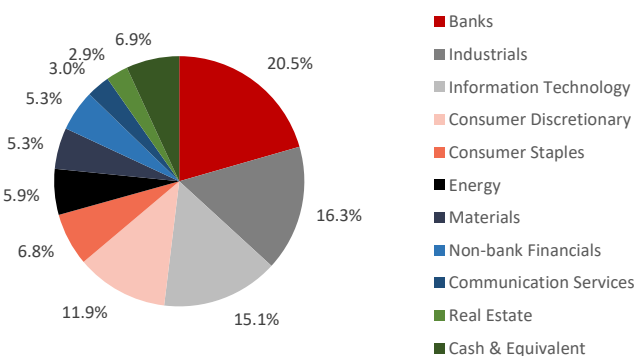
	Fund	VN Index
July 2024 (m-o-m)	0.9%	1.3%
YTD	12.9%	6.5%
3-year annualized	6.0%	-4.6%
5-year annualized	14.0%	3.0%
Annualized since inception*	12.1%	3.9%
Accumulated since inception*	99.8%	26.0%
Annualized standard deviation	21.0%	23.7%

* Inception date: 03 July 2018

PERFORMANCE CHART



SECTOR ALLOCATION



TOP HOLDINGS

Ticker	Market Cap (USDm)	Sector	% of NAV	2024 PE	2024 ROE
FPT	7,439	Information Technology	15.1%	23.9	25.0%
MBB	5,128	Banks	9.5%	5.6	20.5%
ACB	4,343	Banks	4.5%	6.1	21.3%
MWG	3,694	Consumer Discretionary	4.4%	26.9	12.5%
PTB	181	Consumer Discretionary	4.1%	12.1	13.1%
PVS	769	Energy	3.6%	15.1	9.5%
FMC	127	Consumer Staples	3.5%	9.6	12.8%
PNJ	1,287	Consumer Discretionary	3.4%	15.1	19.4%
DPR	140	Materials	3.3%	15.2	9.2%
QNS	690	Consumer Staples	3.3%	6.5	23.3%

Source: Bloomberg, VinaCapital's estimates

MONTHLY COMMENTARY

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.

In Vietnam, trading activity tumbled across the three stock exchanges during the month, with the average daily trading value (ADTV) decreasing to USD 763.2 million, representing a 26.3% decline month-over-month (MoM) and a 15.2% drop year-over-year (YoY). The Ho Chi Minh Stock Exchange (HOSE) reported an ADTV of USD 668.8 million, down 26.5% MoM and down 13.8% YoY.

Foreign investors continued their net selling trend across the three exchanges for the sixth consecutive month, offloading USD 326 million worth of stocks, following June's net sales of USD 658 million. Year-to-date, net sales by foreign entities reached USD 2.4 billion, in sharp contrast to the USD3.5 billion net inflow recorded during the same period last year.

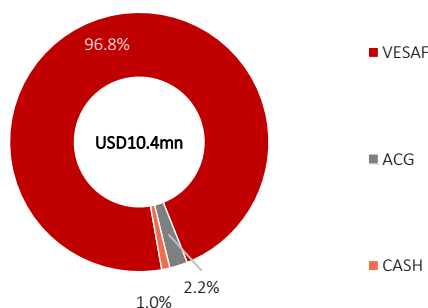
Despite the volatility seen during July, the VN-Index ended the month up 1.3% and VAF ended the month up 0.9%. The profit-taking pressure on our top holding FPT (-1.5%), which previously registered a total return of 49% during 1H24, led to the underperformance of the portfolio against the VN-Index in July. On a year-to-date (YTD) basis, the fund returned 12.9%, doubling the 6.5% return from the VN-Index.

As noted in our report last month, we are turning more positive on banks, in line with the expected recovery of the economy in 2H24. However, we remain selective. We have added Asia Commercial Bank (ACB) to our portfolio, which is now our third-largest position. We also note that ACB's foreign ownership has almost always remained at its limit (30%), and foreign-owned shares usually change hands at a 7% premium.

ACB has always been known for its conservative focus on maintaining strong asset quality compared with peers, but lately we have also been encouraged by their growth and digitalization initiatives. Despite challenges in the banking sector in 1H24, ACB managed to achieve strong credit growth of 12.8% YTD, far exceeding the 6% of the overall banking system. Furthermore, the growth was well balanced between retailing lending (+12% YTD) and business lending (+12% YTD), the latter driven by loans to industry-leading corporates. This is backed by competitive lending rates (as reflected by its reasonable asset yields), while its liquidity profile (as reflected by its loan-to-deposit ratio) is well managed compared with peers.

Having set a budget of about USD40mn per year for digital transformation, ACB has been investing in data infrastructure, information security, and RPA - Robotic Process Automation (using robot technology to support the automation of repetitive tasks). In addition, the bank has chosen FPT's akaBot solution to integrate technologies such as artificial intelligence (AI) and intelligent data processing (IDP) to adapt to continuous changes required by customers.

We also initiated a position on FPT Telecom (FOX). Profit-taking pressure caused FOX (-11.2%) to become cheaper during the month, even though the company's PBT was up 20% y/y in June and 18% in Q2/2024. Though FOX's trailing P/E is 18x, we do not view it as being expensive, as we think FOX's P/E ratio does not reflect its underlying value for two reasons: 1) the numerator disregards FOX's net cash position of nearly USD150m, 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. Per our estimates, FOX's free cash flow yield is currently >5%, which is attractive even compared with the 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; and (2) profit from data centers (<5% of total profit in 2023).

PORTFOLIO ALLOCATION


Small- & mid-cap	56.5%
Stocks traded on UPCoM	10.8%
Stocks at full Foreign Ownership Limit	35.0%

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

MACRO COMMENTARY

Vietnam's manufacturing-driven economic recovery has accelerated throughout 2024. Output recorded growth of 10% YoY in July 2024. Vietnam's Manufacturing PMI remained steady at 54.7 in July, signaling a further strengthening of business conditions in the sector.

Exports grew by 16% YoY in 7M2024, while imports increased by 18.5%, resulting in Vietnam's trade surplus reaching USD14.1 billion (nearly 6% of GDP). Export growth outpaced manufacturing growth, leading to a continued decline in factory inventories in July. This trend suggests that manufacturing output is likely to continue accelerating for the remainder of the year. The recovery in Vietnam's exports is being driven by a significant surge in computer and electronics exports, which have increased by 30% YoY.

Real retail sales growth in Vietnam declined from 10% YoY in 7M2023 to 5% YoY in the same period of 2024. This decline is partly attributable to the fact that consumer sentiment has not fully recovered from last year's plunge. Chinese tourist arrivals recovered to above 70% of pre-COVID levels in the period, although there was a noticeable slowdown in the last two months, reflecting slower overall consumption growth in China.

Disbursed FDI grew by 8% YoY to USD12.6 billion in 7M2024, representing 5% of GDP. Planned FDI surged by 30% YoY to USD15.7 billion, driven by a nearly 40% YoY increase to USD10.8 billion (4.5% of GDP) worth of new projects, most of which are related to manufacturing.

Inflation ticked up from 4.3% YoY in June to 4.4% in July, despite a roughly 4% YoY increase in retail petrol prices. This was due to food price inflation decreasing from 4.7% YoY in June to 4.3% in July.

The USD-VND exchange rate depreciated by 4% YTD, following an appreciation of nearly 1% in July. This depreciation was influenced by a 1.6% MoM drop in the US Dollar/DXY Index.

VAF FUND INFORMATION

Launch date	03 July 2018
Fund size	USD10.4mn
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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