Forum One - VinaCapital Vietnam Fund (VVF)

30 September 2024

Class A NAV/share: USD26.82

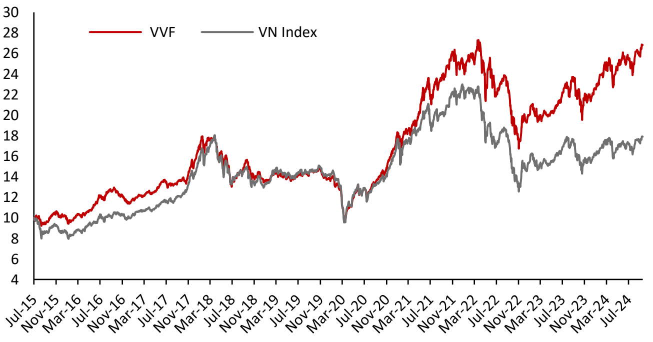
VVF is an actively managed UCITS-compliant fund that invests in equities and equity-related securities of companies that are based in Vietnam, with an objective to deliver long-term capital growth, through bottom-up stock picking and disciplined risk management. This UCITS is a product pursuant to Article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

PERFORMANCE SUMMARY

	Fund[1]	VN-Index
September 2024 (m-o-m)	1.8%	1.6%
YTD	21.2%	12.6%
3-year annualized	4.0%	-3.8%
5-year annualized	12.8%	4.1%
Annualized since inception[2]	11.3%	6.5%
Accumulated since inception[2]	168.2%	79.0%
Sharpe ratio (annualized since inception[2])	0.5	0.2
Standard deviation (annualized since inception[2])	20.5%	21.8%
Tracking error	7.6%	

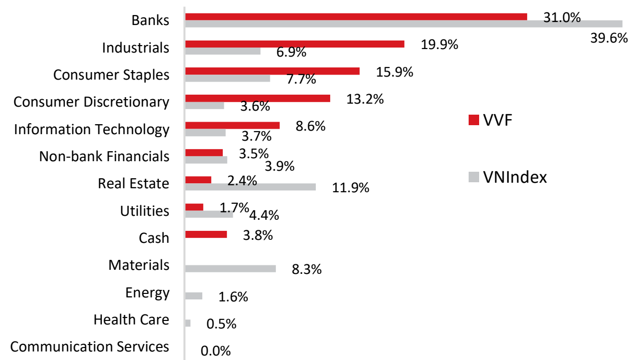
1. *Fund information calculated from Class A shares, on a net basis*
2. *Class A inception date: 14 July 2015*

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
MWG	4,052	Consumer Discretionary	9.3%	21.9	15.8%
GMD	986	Industrials	8.8%	19.6	13.3%
FPT	7,994	Information Technology	8.6%	27.4	25.0%
QNS	561	Consumer Staples	6.3%	6.6	23.3%
ACB	4,681	Banks	4.8%	6.6	21.3%
TCB	6,939	Banks	4.8%	7.7	15.1%
CTG	8,075	Banks	4.8%	8.8	15.7%
VPB	6,490	Banks	4.8%	10.4	11.0%
MBB	5,550	Banks	4.8%	5.9	20.5%
VHC	660	Consumer Staples	4.8%	12.7	13.5%
VVF Port.				11.2	16.7%
VNIndex				11.7	14.9%

Source: Bloomberg, VinaCapital's estimates

MONTHLY COMMENTARY

MARKET UPDATES

Vietnam's stock market demonstrated resilience in September 2024, bouncing back after a weak start to the month and closing with a 1.6% MoM gain in USD terms. Initially, the market was cautious due to negative sentiment from international markets. Additionally, typhoon Yagi brought heavy rain and flooding in the first half of the month, which negatively impacted market sentiment, especially in the insurance sector. However, as the month progressed, the VN-Index rebounded strongly. This recovery was driven by several factors, including a global market rally following the first Fed rate cut and China's stimulus measures. Investor confidence was further boosted by the Vietnamese government's approval of the removal of the "prefunding" bottleneck, a key criterion for a market upgrade by FTSE. Year-to-date (YTD), the VN-Index has increased by 12.6% in USD terms.

In September, foreign investors' outflows have come down sharply, to only USD 88mn, from USD 152mn in August and USD 326mn in July. YTD, foreign outflows totalled USD 2.7bn, but it was well-absorbed by local investors on the uptrend. With tapering foreign outflows and observing the reversal of foreign flows in regional countries, we have positive expectation on foreign capital in the coming months.

PORTFOLIO UPDATES

The portfolio increased 1.8% in September, slightly outperforming the VN-Index by 0.2% in USD terms. YTD, the portfolio has risen by 21.2% compared to the VN-Index's 12.6% increase as of the end of September 2024.

The standout performers in our portfolio were bank stocks, with VPB surging by 7.4% MoM, CTG rising by 6.7% MoM, ACB climbing by 5.1%, and TCB and MBB advancing by 4.9% MoM and 4.7% MoM, respectively. This was driven by positive sentiment in the banking sector, as YTD credit growth reached 8.5% by September 27, compared to 6.2% in the same period last year. Conversely, the primary underperformers were GMD and IDC, which decreased by 1.9% MoM and 3.8% MoM respectively.

Quang Ngai Sugar – A leading consumer play

Quang Ngai Sugar (QNS) is one of our top holdings in consumer staples sector. The company has three key businesses: 1) branded soya milk (40% revenue, 29% profit FY23) with 80% market share, 2) sugar (40 % revenue, 56% profit), the second largest processor in the country with ~14% market share, and 3) other F&B products including beer, mineral water, and confectionery (20% revenue, 15% profit). While the soya milk and other F&B products segments are stable and deliver high operating cash flow, the sugar segment is exposed to fluctuations in sugar commodity prices and the opportunity/risk in this segment should be assessed separately.

Historically, Vietnam relied heavily on imported sugar, in the amount of 1.5mtpa, exceeding 70% domestic demand of over 2mtpa. Local sugarcane production faced pricing pressure from sugar imports from Thailand due to both better productivity as well as agriculture subsidies from Thai government. However, there has been dramatic shift in industry dynamics over the past few years:

1) In June 2021, the Vietnamese Ministry of Industry and Trade imposed a high anti-dumping tax of 42.99% and anti-subsidy tax of 4.65% on sugar products imported from Thailand for a period of five years. Subsequently, the Ministry extended these tax duties to Thai cane sugar products imported through other AEAN countries. Consequently, imported sugar volumes decreased significantly by ~1mt in 2023.

2) The Vietnamese sugar industry has seen a drastic transformation in terms of productivity. On average, Vietnam's sugar yield for the 2023-2024 crop has increased to 6.8 tonnes per hectare, surpassing other key producers in the region including Indonesia, the Philippines, and even the market leader Thailand. The plantation supplying QNS was even slightly higher, reaching 6.9 tonnes per hectare in 2023. Realizing high profit from sugarcane, the company's contracted sugarcane plantation expanded by 50% between 2021 and 2024, reaching an extensive 30,000 hectares.

Besides the fundamental change in industry structure, QNS has also been benefiting from high sugar prices over 2023-2024. We noted that the company has invested USD 100mn in sugar refining facilities over 2014-2017 and the commercialization of this capacity was a critical driver for sugar segment's profitability in 2023.

The company is currently valued at a market cap of USD 561mn (after deducting the 15% shares outstanding held by a subsidiary that should be counted as treasury shares), with a FY24 PER of 6.6x and a robust dividend yield of 7.2% (payout ratio ~56%). The balance sheet is very solid with USD 156mn net cash as of the end of Q2 2024. The company has paid out dividends consistently since listed on the UPCOM stock exchange in 2017, and all projects are internally funded thanks to its robust cash-generating businesses.

MACRO INDICATORS

	2023	Sep 2024	YTD 2024	y-o-y (%)
GDP growth[1] (%)	5.1	7.4	6.8	
Inflation[2] (%)	3.3	2.6	3.9	
FDI commitments[3] (USDbn)	28.1	3.5	21.2	22.2
FDI disbursements (USDbn)	23.2	3.2	17.3	8.9
Imports (USDbn)	326.4	31.8	278.8	17.3
Exports (USDbn)	354.7	34.1	299.6	15.4
Trade surplus/(deficit) (USDbn)	28.3	2.3	20.8	
Exchange rate (USD/VND)[4]	24,265	24,568	24,568	

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

Fund Launch Date	14 July 2015
Legal Entity Identifier (LEI)	5493003GR1U7LK7K6767
Trading Period	Daily Subscriptions/Redemptions
Fund Size	USD93.46m
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)

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MONTHLY COMMENTARY (cont'd)

MACRO COMMENTARY

Vietnam's GDP growth recovered from 4.2% YoY in 9M23 to 6.8% in 9M24. This rebound was driven almost entirely by the recovery of the country's manufacturing sector from 2% YoY growth in 9M23 to nearly 10% in 9M24, which was in-turn driven by surging tech exports, especially to the US. Despite the rebound in manufacturing activity, consumption growth and sentiment among local consumers has remained modest throughout 2024.

Real retail sales growth (excluding the impact of inflation) dropped from 7.6% in 9M23 to 5.8% in 9M24. Consumer sentiment has remained below pre-COVID levels all year, and while it has ticked up slightly as the year has progressed, it remains weighed down by several factors, including ongoing issues in the real estate market.

Another factor weighing on the economy this year is a circa 12% drop in infrastructure construction to USD 13bn or 4%/GDP, according to data from the Ministry of Finance and in line with our forecast published at the start of the year. In 2023, the Government's infrastructure spending grew nearly 20% to USD 29bn or 7%/GDP. This year drop in infrastructure spending has been a bit larger than we expected, although the Government guided to expect accelerated progress on several major ongoing projects in the months ahead. Hopes are high that a surge in infrastructure spending next year could offset an impending slowdown in exports, but we do not believe that is realistic. Manufacturing accounts for one-quarter of the country's economy versus the circa 5-6% contribution from infrastructure spending; even if the Government was able to achieve another 20% ramp-up in infrastructure spending next year, this would add around 1% point to GDP growth at most.

A 26% surge in Vietnam's exports to the US (and 15% overall increase in exports) swelled Vietnam's trade surplus to USD 20.8bn (or over 6% of GDP) in 9M24. This surplus, coupled with the Fed's larger-than-expected 50 bps rate cut in September and a 9% YoY increase in FDI inflows to USD 17bn (or 5%/GDP) all helped drive a 1.2% MoM appreciation in the value of the VND last month. YTD, the VND depreciated 1.2% as of end-September.

The robust export growth Vietnam has enjoyed this year is likely to slow significantly in the months ahead. The "new export orders" component of Vietnam's Manufacturing PMI index fell from 52.4 in August to 49.7 in September, ending a five-month sequence of expansion, while the "output" sub-index fell from 56.4 in August to 45.2 in September because of the temporary business closures caused by typhoon Yagi. The net result of all of the above is that Vietnam's manufacturing PMI plunged from 52.4 in August to 47.3 in September.

Finally, inflation dropped from 3.5% YoY in August to 2.6% YoY in September driven by a circa 7% drop in retail petrol prices, and lower annual school fee hikes this year. School fees increased circa 9% MoM in September 2023 versus a circa 2% MoM hike in September 2024, resulting in education inflation dropping from 7% YoY in August 2024 to 1% YoY in September 2024.

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.