

Michael Kokalari, CFA


Chief Economist

VINACAPITAL'S 2024 ANNUAL INVESTOR CONFERENCE SUMMARY

Attendees of VinaCapital's annual investor conference earlier this month expressed encouragement that Vietnam's Government is prioritizing the country's economic growth after having the new General Secretary. VinaCapital's Founding Partner and CEO Don Lam and Khanh Tran, a former deputy minister at Vietnam's Ministry of Industry and Trade who also previously served as the country's Chief Trade Negotiator, reassured investors that Vietnam's Government will continue pursuing the same long-term economic growth strategies that have worked so well for the country over the last 20 years, including attracting foreign investment and increasing international trade.

Khanh Tran also opined that the Government will not let the anti-corruption campaign of recent years inhibit economic growth, and that he expects to see more technocrats in the Government going forward. That said, Vietnam is headed for a major short-term shift in its growth drivers next year. The country's economy is very closely linked to the US (which we discussed in [this report](#)), so a near 30% surge in its exports to the US this year has been the main factor supporting Vietnam's 2024 GDP growth (note that this surge is being driven by a near 50% surge in exports of electronics and other high-tech products, and that a continuation of the post-COVID tourism re-opening boom also supported growth somewhat this year).

We expect the extraordinary increase in Vietnam's exports to the US this year to moderate next year because the US economy is likely headed for a "soft landing" slowdown (but not collapse) in GDP growth. The resulting slowdown in Vietnam's exports to the US would in-turn lead to a drop in manufacturing output growth because most products that are made in Vietnam are sold to overseas customers and the US is Vietnam's biggest export market. However, we do not expect Vietnam's exports and/or manufacturing output to actually shrink next year, because a steady inflow of FDI insures that more-and-more factories begin producing (and exporting) products every year.



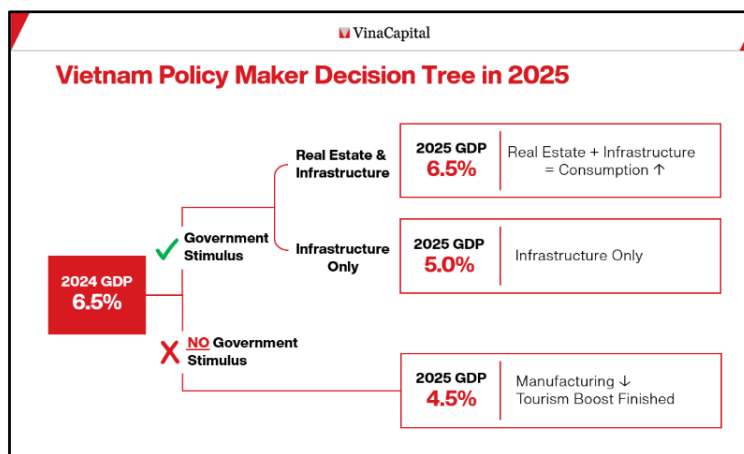
Vietnam's Economy in 2025

	2023	9M24	2024F	2025F
GDP	5.1%	6.8%	6.5%	6.5%
Real Retail Sales	7.1%	5.8%	5.5%	8.0%
Manufacturing	3.6%	9.8%	10.0%	6.0%
Construction	7.1%	7.5%	7.5%	15.0%

We expect Vietnam to achieve 6.5 % GDP growth in both 2024 and 2025 as can be seen above, although we expect the *composition* of the growth to change to more domestically driven factors next year. In 2024, consumer sentiment remained moribund, which weighed on the country's economic growth, although sentiment has improved somewhat as the year has progressed, which Richard Burrage, the founder and CEO of leading local market research firm Cimigo, discussed in his presentation about the current state of consumer confidence in Vietnam.

Consumption accounts for over 60% of Vietnam's economy (versus ~25% for manufacturing), so healthier consumption would easily compensate for the slower exports/manufacturing growth we expect next year. Vietnam's Government has indicated that it will significantly increase infrastructure spending in 2025, and hopes are high that such a surge would also make consumers feel more confident to increase their spending.

We expect Vietnam's Government to boost infrastructure spending and to take significant steps to unfreeze the real estate market in 2025. An increase in infrastructure spending, which accounts for 5-6 % of GDP, in-and-of itself would not be sufficient to boost Vietnam's economy or boost consumer confidence. However, the combination of faster progress on infrastructure projects like HCMC's new airport and Hanoi's new ring roads could make consumers feel more confident to spend money because of the "wealth effect" linked to the property that many (most?) middle-income consumers in Vietnam own.

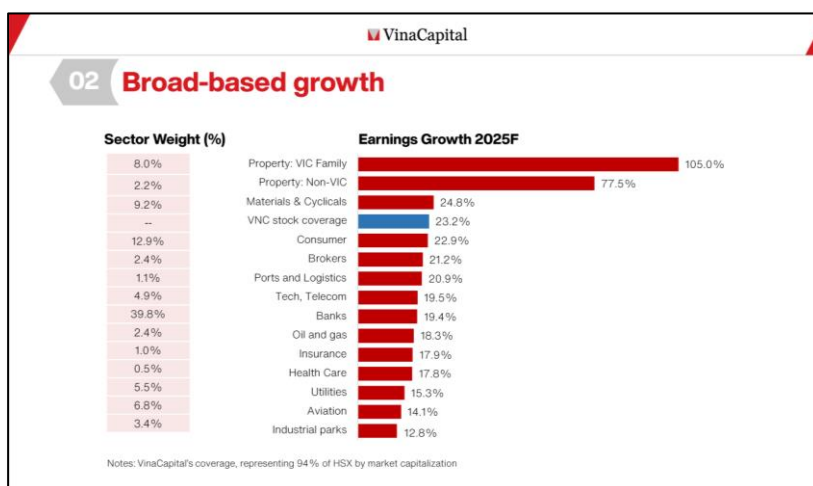


We have mapped out a tree diagram above of likely 2025 GDP growth in three cases: 1) if the Government does nothing to offset slower exports to the US next year, 2) if the Government only boosts infrastructure in response to slowing demand for “Made in Vietnam” products (which we do not believe would be sufficient to improve consumer sentiment), and 3) if the Government were to both boost real estate market and infrastructure spending, which we do believe would make local consumers more confident to spend their money.

All of the speakers in the morning of the first day of our conference who discussed Vietnam’s “big picture”, long-term growth reiterated that the likely drivers expected to drive Vietnam’s growth over the next decade include: demographics, urbanization, education, and the digital economy. Richard Burrage highlighted that digital economy spending in Vietnam (i.e. online shopping, ride-hailing, etc.) surged from about 1%/GDP in 2015 to 7% now. Vietnam’s digital future was discussed by the conference’s keynote speaker, Mr. Viet Le from Vietnam’s leading technology firm FPT, Don Lam, VinaCapital’s Founding Partner and CEO, also shared the firm’s intention to raise its involvement and influence in Vietnam’s technology sector, in his opening remarks to the conference.

What All of This Means for Vietnam’s Stock Market

The transition of Vietnam's GDP growth from being driven by external factors in 2024, to being driven by domestic factors in 2025 will be good for the stock market because the vast majority of Vietnam’s exports are produced by FDI companies that are not listed on the local stock market. For this and other reasons, we expect VN-Index (VNI) EPS growth to accelerate from 18% in 2024, to 23% in 2025. Ms. Thu Nguyen, who runs VinaCapital’s mutual fund/listed equity business, and Ms. Linh Vu, our Head of Research, highlighted the broad-based nature of the earnings growth we expect next year, in their 2025 Stock Market Outlook presentation.



The expected surge in real estate earnings seen in the chart above links closely with our expectation for an expected pickup in real estate development activity (real estate and banks account for over half of overall market capitalization and the earnings of both sectors are somewhat interdependent, which is discussed below). In addition, Thu and Linh highlighted that *earnings quality* in Vietnam is high, as evidenced by an expected ~16% market-wide Return on Equity (ROE) next year, despite the fact the Vietnam's net debt-to-equity is only around 24%. Both of these metrics compare favorably with Vietnam's EM ASEAN peer stock markets (Thailand, Malaysia, Indonesia, the Philippines). The aggregate ROEs of those markets range from circa 10-14% (in Asia, only India has a comparable level of ROE as Vietnam), while the net D/E ratios of these stock markets range from 50-100%.

Furthermore, Vietnam's circa 10x forward P/E valuation is about 25% cheaper than those of its regional peers and we expect 17% CAGR earnings growth over 2023-25 vs. circa 3-13% earnings growth for the four peers. The 10.1x P/E valuation of Vietnam's stock market is also very low compared to its own historic norm; the market has only traded at this low valuation level once in the last 10 years, during COVID.

Foreign Selling in 2024

Despite all of the positives for Vietnam's stock market mentioned above, foreign investors sold as much as USD 2.6b worth of Vietnamese stocks as of late-September, partly because of concerns about Vietnam's political transition and VN Dong depreciation. The latter has now essentially been resolved, and the Fed's rate cuts should put downward pressure on the value of the US Dollar, which is typically good for EMs. In addition, some progress has been made recently in upgrading

Vietnam's status from a Frontier market to a proper Emerging Market (EM) by FTSE thanks in part to new Government measures that align the functioning of financial markets more closely in line with international norms. All of these factors are likely to act as catalysts that will entice foreign investors back into the stock market next year.

Banks and Real Estate

Our investor conference had three expert sessions on banks and real estate, including: a discussion about Vietnam's banking sector with Mr. Hai Pham, CEO of OCB Bank (and previously CEO of HSBC Vietnam) together with VinaCapital's banking analyst Ms. Thuy Anh Nguyen; a session with the CEO of Vietnamese property developer Nam Long together with the head of Gamuda Vietnam; and a session with Mr. Hai Tran, a senior executive with VinaCapital's own property development division VinaLiving.

The prospects for Vietnam's Banking and Real Estate sectors are closely linked because so much new credit creation in flows into real estate development/mortgages and/or is collateralized by real estate assets. The key takeaway from the two sessions at our conference is that the demand for new housing units far outstrips the supply, with that demand driven by new household formation (i.e., young people getting married) and urbanization. Consequently, sales of new housing products are very brisk, although securing approvals for new projects remains difficult.

The expert panelists at both real estate sessions also discussed the impact of new real estate regulations that make the approvals process more transparent but are also likely to have a negative impact on smaller developers, which in-turn could prompt some consolidation in the sector going forward. Critically, the approvals process for new projects is getting quicker, and should support banks' 2025 earnings prospects. In short, the nascent real estate sector recovery is expected to be a key driver for loan demand (and earnings growth) next year.

Interest rates in Vietnam have continued to come down over the last year, which should also somewhat help support system-wide loan demand, although resolving the issues impeding new real estate projects will be a more important driver of real estate-related loan demand. Lower interest rates are also beneficial for the overall asset quality of the sector, and while lower rates typically depress banks' Net Interest Margins (NIM), VinaCapital's bank analyst Ms. Thuy Anh Nguyen expects stable NIMs next year because of improved loan mix (i.e., more mortgages and other retail lending, etc.)

Both experts on the banking sector panel highlighted two important long-term dynamics for investors in Vietnamese banks. First, Vietnamese banks' long-term prospects are supported by low

penetration rates for a wide range of banking products such as credit cards. And second, both experts expect strong banks in the sector to become even stronger over time.

Portfolio Updates and Observations

Our Investor Conference included two sessions with Senior PMs of our flagship, London-listed VinaCapital Vietnam Opportunity Fund (VOF) and our VVF UCITS and VAF Caymans-domiciled equity funds (in addition to the Stock Market Outlook 2025 session with Thu Nguyen, the head of VinaCapital's listed equity business). The operative word for both sessions was "active".

The listed and private equity markets are still very inefficient in Vietnam, which presents ample opportunities for dynamic investment managers to identify superior investments. Mr. Mike Nguyen, who manages VinaCapital's VVF UCITS fund, and Mr. Trung Thai, who manages our VAF fund, both highlighted the very high "active share" of their portfolios (i.e., how much the weighting of the stocks held by the fund differs from their weighting in the VN-Index). That high active share stems from the concentrated nature of the portfolios of both funds (both funds hold around 25 stocks out of the nearly 1,600 listed stocks on Vietnam's three stock exchanges).

VinaCapital			
TOP 10 PORTFOLIO HOLDINGS			
VVF Top Holdings	VVF Weight (%)	VAF Top Holdings	VAF Weight (%)
Mobile World Investment Corporation	9.3%	FPT Corporation	13.4%
Gemadep Corporation	8.8%	Military Commercial Joint Stock Bank	9.5%
FPT Corporation	8.6%	Mobile World Investment Corporation	5.9%
Quang Ngai Sugar JSC	6.3%	Gemadep Corporation	5.1%
Asia Commercial Bank	4.8%	Vietnam International Commercial Joint Stock Bank	4.6%
Vietnam Technological and Commercial Bank	4.8%	Asia Commercial Bank	4.6%
Vietnam Joint Stock Commercial Bank for Industry and Trade	4.8%	Vietnam Joint Stock Commercial Bank for Industry and Trade	4.3%
Vietnam Prosperity Joint Stock Commercial Bank	4.8%	Phu Tai Corporation	3.4%
Military Commercial Joint Stock Bank	4.8%	PetroVietnam Technical Services Corporation	3.4%
Vinh Hoan Corporation	4.8%	Dong Phu Rubber JSC	3.3%
Top 10 Weight	61.9%	Top 10 Weight	57.6%

As of 30 September 2024

The team is consistently able to identify listed stocks with much higher earnings growth than the broader market, often at lower P/E multiple valuations. This dynamic enables active managers in Vietnam to consistently outperform the VN-Index (VNI) in both bull and bear markets; VVF's portfolio has a 26% expected 2024 earnings growth vs. 11% for the VNI this year (ex-extraordinary gains), and an ~11x P/E valuation vs ~14x FY24 P/E for the VN-Index.

Both PMs gave examples of specific stocks that exemplify the team's investment approach and the active approach of VinaCapital's listed equity PMs. Mr. Trung Thai highlighted his fund's investment into Gemadept (GMD), Vietnam's leading seaport operator, which offers an excellent, albeit indirect, way to gain exposure to Vietnam's FDI and export story. The company, which is considered best-in-class in Vietnam, has an additional appeal, which is its ability to grow market share at the expense of its competitors, ensuring resilient revenue and earnings growth even in times of slower export growth.

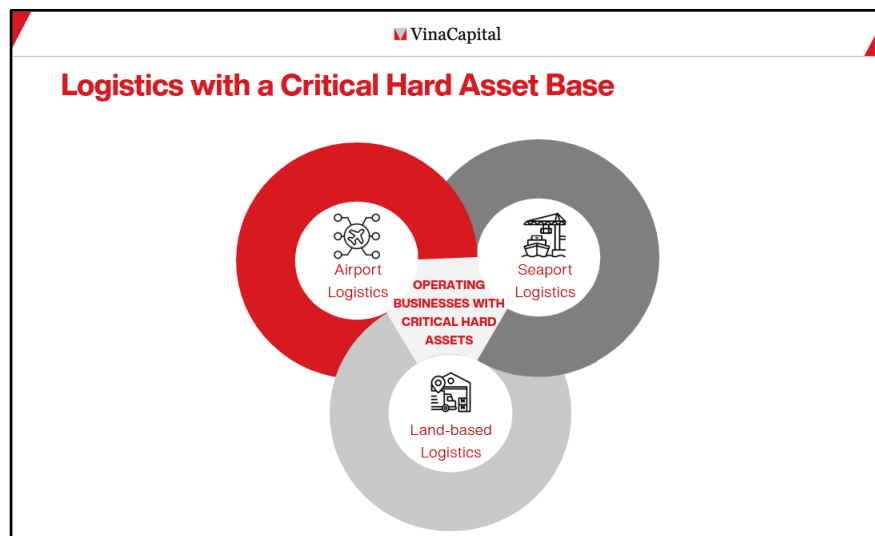
Mr. Mike Nguyen highlighted the active approach of his fund by discussing its investment in MobileWorld (MWG), Vietnam's largest retailer. Historically the company was widely owned by foreign investors and often traded at a premium. As the economy slowed in the end of 2022 and much of 2023, earnings struggled, and MWG's profits were nearly zero for calendar year 2023. The VVF team maintained its strong conviction in MWG's management team's ability to execute, and as the economy began to rebound, the fund began accumulating shares. The purchases began in the third quarter of 2023 and once it became clearer to the team that all of the businesses were on stronger footing, most notably the grocery business, which was expected to become profitable in the second half of 2024, the size of the purchases increased in Q4 2023 and early 2024, with MWG ultimately becoming the largest weight in the portfolio.

One topic that came up at the end of the listed equity presentation is the importance of doing channel checks on prospective investee companies, which segues nicely into the VOF/private equity discussion as this business is inherently active in nature. VOF co-head, Khanh Vu, commented that private equity is "the art of being active", while VinaCapital's new CIO Alex Hambly, who has deep PE investing experience, stressed the need to "panic early" when potentially problematic situations arise in investee companies. Alex also stressed his philosophy that although VOF is an "opportunity fund", it is critical for the team to go out and actively *create* investment opportunities.

Alternatives Update

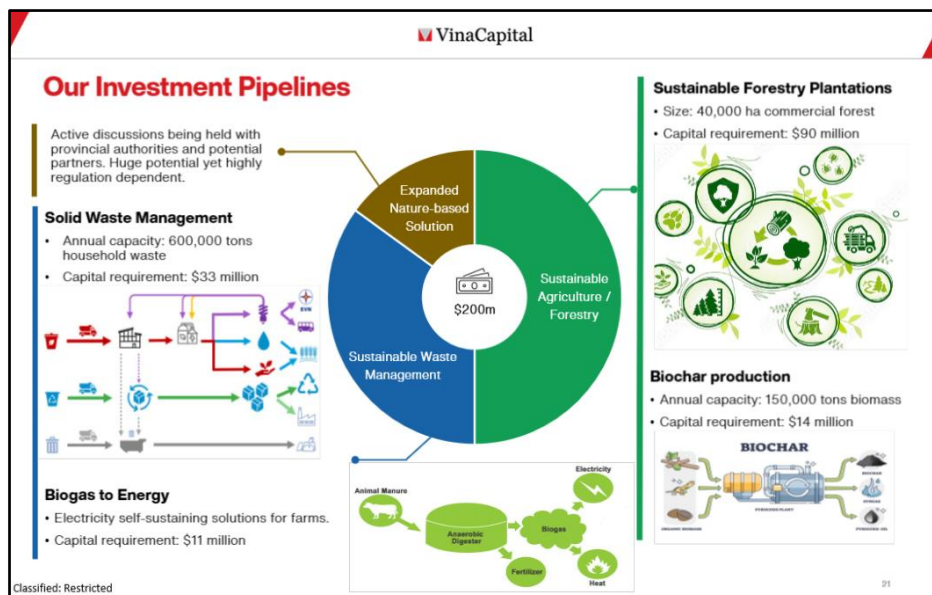
The key theme for VinaCapital's four alternative investments highlighted in this report is **partnership** with global leaders. Their ability to bring international best practices to Vietnam, coupled with our deep local knowledge and connections developed over 20 years of investing in Vietnam, make an effective combination. Our new logistics fund has partnered with A.P. Moller Capital, which is closely associated with the Danish shipping giant Maersk, while our new VinaCarbon fund has partnered with one of the world's largest sustainable forestry management funds. Meanwhile, our energy infrastructure investment platform has partnered with GS Energy and EDF and is currently negotiating with top tier firms on a new push into DPPA investments, which is discussed below.

The logistics team's presentation highlighted Vietnam's USD 10b infrastructure funding gap over the next six years, according to McKinsey (i.e., the amount of money the Government plans to spend on infrastructure investment versus the amount of investment the country needs), which presents ample opportunities for the private sector. VinaCapital's logistics investment team is focused on investing in operating businesses with critical hard assets and stable cash flows.



Examples could include investments into “adjacent logistics” that improve the connectivity to seaports and enable the provision of value-added services to cargo owners. The team also discussed investments into local land-based logistics firms with the aim of providing value-added warehousing/supply chain management to leading 3PLs (third-party logistics firms). Note that, the opportunity to sell services to international 3PLs in Vietnam stems in part from the complexities in setting up and operating businesses locally, which VinaCapital has experience in with its PE investing activities.

The VinaCarbon team is pursuing several impact investment opportunities in projects/companies that can improve Vietnam's air quality, waste management, and management of timber resources, and which have the potential to generate ancillary carbon credit revenues stemming from the need of multinational companies to mitigate their overall carbon footprints. The VinaCarbon team believes that the underlying revenues of the prospective investee projects could be boosted by around 10% from carbon credits.



For example, the team is working with a company that produces biochar, a substance that is produced by processing (instead of burning) forestry and agriculture byproducts, such as irregularly shaped pieces of timber that cannot be used as building material. Biochar is considered a “golden material” for use in organic fertilizers has other potential applications for use in filters and even in sustainable cement and the carbon credits spawned by its production are highly valued by foreign companies. Other prospective private equity investments the team is considering includes a company that collects and uses animal waste from farms to create “biogas”, which in-turn is used generate electricity that finally gets sold back to those farms at a discounted price.

Mr. Khoa Nguyen, who heads VinaCapital’s Energy Infrastructure investment platform, started his presentation by highlighting the urgency of Government policy makers to increase Vietnam’s “Electricity Security” in the wake of insufficient capacity in recent years and a recognition that the electricity demands required by FDI companies and AI/semiconductor companies are likely to increase in the future.

This increased urgency was reflected in new policy pronouncements, including the “DPPA Decree” and other actions, such as the designation of VinaCapital’s USD 3b Long An LNG project as one of a limited number of “National Strategic Importance Power Projects”, which should help expedite the progress of that project.

The Platform Introduction

VinaCapital has identified DPPA as a key investment pillar within the energy department. We have been advocating DPPA regulations with the Government for its necessary implementation over the past 3 years. The Platform comes with the following advantages:

- Early participation into an increasingly liberalized energy market**
The Platform provides an unprecedented participation into a more liberalized Vietnam's energy sector, not only on power generation but also on power wholesale/retail market.
- Diversified and high-quality off-takers**
The DPPA-dedicated Platform targets investment-grade FDI off-takers, with strong presence and commitment to Vietnam's economy.
- Flexible and more internationally bankable PPA**
The DPPA Decree enables GetCo to negotiate flexible PPA terms that are otherwise not available in the traditional PPA, enhancing GetCo's financial returns and sustainable scalability in the long term.
- Complete control on development and construction stages**
As the platform focuses on development greenfield projects, investors will have control over the development procedures, as well as the quality of construction works to be up to international ESG and technical standards.
- VinaCapital as a strong and well-connected local partner**
With 3.7USDbn AUM and 21+ years of experience investing in Vietnam across various asset classes, VinaCapital is a partner of choice for foreign investors to enter the Vietnam market.

Platform Vision and Strategy

Platform vision

- The Platform strives to become the largest DPPA Platform in Southeast Asia
- The Platform will be developed in three phases, phase 1 (2025-2027) and Phase 2 (2027-2030).
- The target capacity roll-out for phase 1 is 500MW, and phase 2 is an additional 1.5GW. By 2030, we target to have 2,000MW in operation and under-development.
- The estimated total equity capital requirement of USD500mn for both phases.

Greenfield development	2GW Target capacity	USD1.7bn Estimated CAPEX	Diversified Offtaker
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Platform strategy

Phase 1 (2025-2027)	Phase 2 (2028-2030)
<ul style="list-style-type: none"> Type of technology: Solar projects Capacity: 500MW Rationale: Focus on simple technology that can develop quickly and can match most off-takers' consumption profile 	<ul style="list-style-type: none"> Type of technology: Solar + BESS and wind project Capacity: 1.5GW Rationale: Increased renewable energy supply coverage, with wind power covering evening/night hours, and BESS to supply during peak hours

Platform Key Achievements

Partnership with Offtaker

Up to date, VinaCapital has been leading discussions with numerous prominent FDI players in Vietnam. These FDI corporations have an **aggregate electricity consumption surpassing 2GW**. We aim to finalize the DPPA Agreements for the first phase (500MW) by Q4/24-Q1/25.

- 1 binding DPPA Agreement
- Various MOUs / In-Principle Agreement signed with FDI in electronics, heavy industries, F&B sectors, with the DPPA Agreement undergoing discussion and term finalization expected to complete within Q4/2024

Project development

VinaCapital's strategy is to develop greenfield assets for the DPPA Platform. We have prepared a pipeline of viable greenfield projects for acquisition, that are appropriate with the Offtaker's demand and scale. We have secured a pipeline of projects for existing and potential off-takers.

Overview:	Overview:
<ul style="list-style-type: none"> Project type: Ground-mounted solar Location: South Vietnam Capacity: 60MWp Estimated annual production: 90,500,00kWh 	<ul style="list-style-type: none"> Project type: Onshore wind Location: Central Vietnam Capacity: 70MW Estimated annual production: 240,000,000kWh

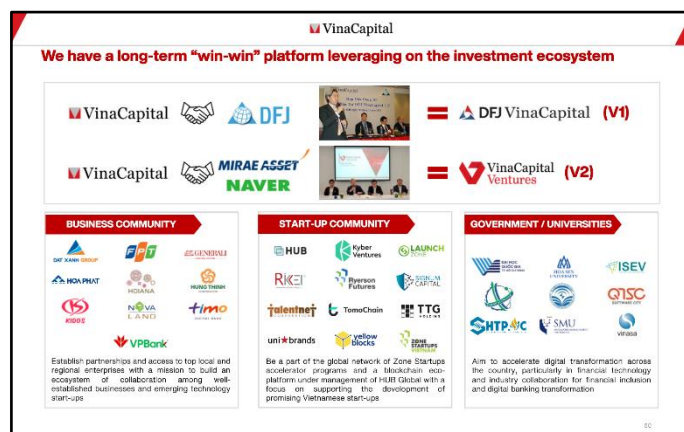
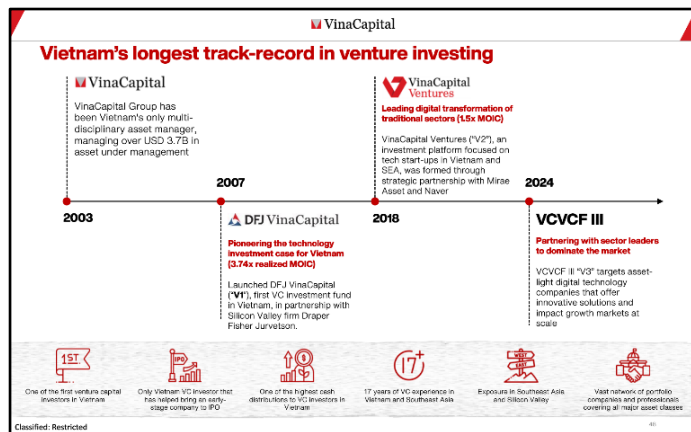
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Khoa also discussed the new Direct Power Purchase Agreement (DPPA) degree that enables independent power producers (IPP) to sell clean electricity directly to FDI buyers, and VinaCapital's ambitions to become a major player in the segment, initially in Vietnam and eventually in the rest of Southeast Asia. He expects DPPA investments to be the team's primary focus for the foreseeable future.

Finally, Mr. Trung Hoang, head of VinaCapital Ventures, discussed the firm's venture capital investing activity, which has Vietnam's longest track record in venture investing. Similar to all the alternative investment platforms above, Trung highlighted the team's longstanding strategy to partner with leading global VC funds and investors, as can be seen below.

ECONOMIST'S NOTE

October 30, 2024



The combined advantage of strong local knowledge coupled with global access provided by those partnerships has been a winning strategy for the team's investment activity from a few different perspectives. One example was VinaCapital's investment in GlobalCare, an insurance technology startup (insurtech), that the team exited by selling its stake in exchange for shares in Huize, a Chinese insurance company listed on NASDAQ.

Trung shared the team's approach to investing in start-up companies, which is less focused on valuation and more focused on alignment with the quality of the business and its founder. He also discussed VinaCapital's third venture capital fund, which the team is now fundraising, and which will focus on Vietnam's digital economy. Specifically, the fund will target 20%+ IRR by investing in asset-light digital technology companies that are providing scalable solutions to pain points and creating impact at scale across Vietnam's growing digital economy.

VinaCapital

Where Will We Invest?

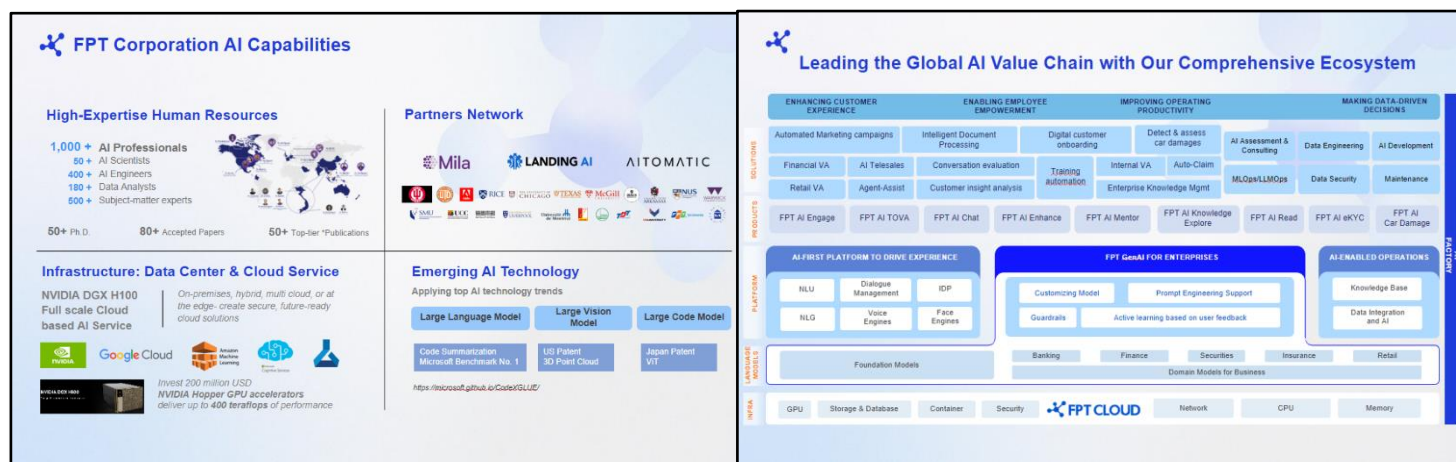
Potential Allocation of Capital

No	Sector	Company Description	Target Market	Stage	Total Round Size
1	Biotechnology	Genetic Healthcare Solution	Vietnam Southeast Asia	C	USD 70 million
2	Clean Tech	Plastic Waste Processing and Recycling Manufacturer	South Korea Vietnam	B	USD 15 million
3	Education	English & K-12 Education Platform	Vietnam	Pre-B	USD 10 million
4	Electric Vehicle	EV Manufacturer and Charging Operator	Southeast Asia	A	USD 5 million
5	FinTech	Point-of-Sale Payment Services	Vietnam Southeast Asia	Pre-IPO	USD 50+ million
6	FinTech	Voice-based Risk Assessment	Asia Pacific	A	USD 20 million
7	Gig Economy	On-demand Home Service Platform	Vietnam Southeast Asia	A	USD 10 million
8	Healthcare	B2B E-commerce Platform for Health Practitioners	Vietnam	B	USD 30 million
9	Life science	Precision Medicine Solution and In-vivo Model Provider	Asia Pacific Europe	A	USD 10 million
10	SaaS AI	Digital Twin for AI Data Centers	Southeast Asia	Pre-A	USD 5 million

Keynote Speech

The keynote speaker at this year's investor conference was Mr. Viet Le, a member of the senior management team of Vietnam's leading technology company FPT. Mr. Viet Le shared FPT's journey from its founding in 1988 to its current leadership of Vietnam's high-tech industry. FPT's businesses include software outsourcing, telecoms, IT training, and more. He highlighted several milestones on that journey including the firm's 1999 decision to venture abroad – the timing of which was terrible, right before the “Dot Com Bubble” burst. Thankfully, the move eventually worked out as FPT now has 290 offices in 30 countries around the world.

Mr. Viet Le also shared that FPT has grown its revenue and earnings by more than 20% annually over the last decade and that the company has gone “all in” on AI and semiconductors in recent years. Specifically, FPT aims to service 50% of Vietnam's population with its AI systems and sees itself as part of the nation's overall effort to transform Vietnam into an AI hub. FPT also intends to focus on semiconductor design and on training engineers, with an initial goal of training 10,000 semiconductor engineers in Vietnam.



Finally, Mr. Viet Le discussed four case studies of successful AI solutions FPT has produced for its customers, the first of which is an automated customer service system that handles 12 million calls a month for a leading, local financial services company, and which NVIDIA [highlighted](#) on its website.

The other case studies highlighted were: 1) a system to help ride hailing company Grab automate and expedite its on-boarding process, 2) the introduction of AI tools into FPT's own software outsourcing business, which boosted the productivity of its own programmers by as much as 50%,

and 3) a unique application of AI to enhance the training of pharmacists at Long Chau, Vietnam's largest pharmacy chain, that individualizes training by focusing on the weak areas of knowledge of those pharmacists, which in turn reduces training time.

Conclusion

VinaCapital's 2024 Investor Conference had sessions that discussed Vietnam's long-term digital future, the short-term transition in the economy from being driven by exports to the US this year to being driven by domestic factors next year, and the investment implications of all of the above. Our keynote speaker, Viet Le from FPT discussed his company's ambitions to help Vietnam become an AI hub and to train semiconductor engineers, while former government official Khanh Tran discussed the Government's continued focus on attracting foreign investment to Vietnam and on its continued focus economic growth.

Our listed equity portfolio managers shared their investment approaches to identifying high growth/low valuation companies, while the VOF team emphasized the need to actively engage with its public and private equity investee companies to create value. Finally, the common theme in the presentations of all four of VinaCapital's alternative investment platforms was partnerships with leading global companies which leverage VinaCapital's strong local connections and market knowledge./.

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