

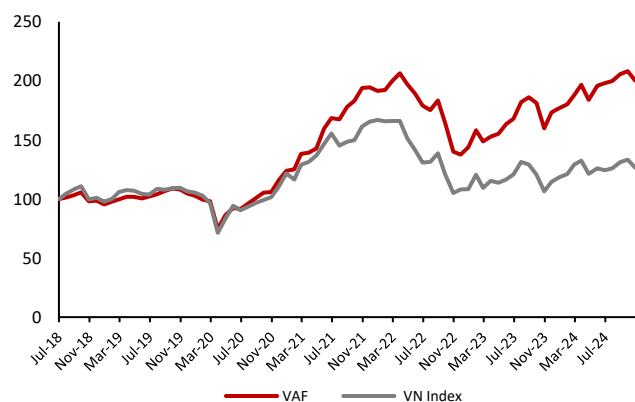
VAF is a Cayman Islands open-ended fund that invests in the Vietnam Equity Special Access Fund (VESAF), a Vietnam-regulated open-ended fund, with the flexibility to participate in IPOs as well as make direct investment in Vietnamese listed and unlisted securities.

PERFORMANCE SUMMARY

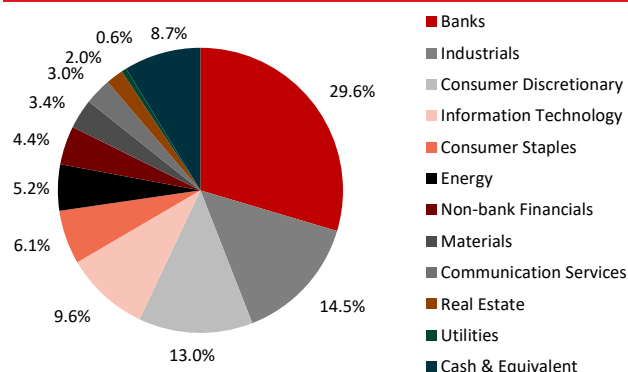
	Fund	VN Index
October 2024 (m-o-m)	-3.8%	-5.1%
YTD	13.1%	6.9%
3-year annualized	1.1%	-7.8%
5-year annualized	13.1%	2.9%
Annualized since inception*	11.6%	3.8%
Accumulated since inception*	100.2%	26.5%
Annualized standard deviation	20.7%	23.3%

Inception date: 03 July 2018
Data as of 30 October 2024

PERFORMANCE CHART



SECTOR ALLOCATION



TOP HOLDINGS

Ticker	Market Cap (USDm)	Sector	% of NAV	2024 PE	2024 ROE
FPT	7,903	Information Technology	9.6%	25.6	24.8%
MBB	5,255	Banks	9.1%	5.9	20.1%
ACB	4,485	Banks	6.8%	6.9	20.0%
MWG	3,843	Consumer Discretionary	6.1%	24.1	14.2%
GMD	1,069	Industrials	5.4%	21.9	13.3%
VIB	2,232	Banks	4.7%	7.3	18.5%
CTG	7,579	Banks	4.5%	8.4	15.7%
PTB	167	Consumer Discretionary	3.5%	11.6	12.6%
PNJ	1,266	Consumer Discretionary	3.4%	15.3	18.8%
PVS	714	Energy	3.1%	14.5	9.7%

Source: Bloomberg, VinaCapital's estimates

MONTHLY COMMENTARY

Vietnam's stock market ended October with a mild decline of 1.8% in VND terms but a 4.6% decrease in USD terms (as of 31 October 2024) due to the US Dollar's appreciation against the VND. The VN Index moved within a narrow range during the first three weeks of the month but retreated by 2.1% in USD terms in the final week when an unsuccessful attempt to surpass the 1,300-level triggered profit-taking activities. Additionally, global equity markets declined during the same period, with the S&P 500 down 2.7% and the NASDAQ down 2.1%, as the impending US election prompted many investors to adopt a more cautious stance.

There were two negative factors affecting Vietnam's stock market in October. First, the USD/VND exchange rate rose by 2.8% from ~VND 24,600/USD at end of September to ~VND 25,300/USD at end of October. Although this VND depreciation was largely in line with regional countries and not due to Vietnam's country risk, the fluctuation led to negative local investor sentiment. Second, the pace of foreign outflows suddenly accelerated during October after tapering in the previous month, with net sales of USD 436mn for the month, totaling USD 3.1bn year-to-date (YTD). There was high pressure from foreign outflows due to anticipated global market uncertainty post-US election.

In earnings news, Vietnamese companies recorded robust performances for 3Q24, with the aggregated net profit of listed companies across the three bourses increasing by 19.9% year-on-year (YoY). At sector level, only 2 out of 11 sectors experienced a YoY decline in 3Q24 profit, namely Energy and Healthcare. The remaining sectors all recorded profit growth, with Industrials and Consumer Discretionary seeing remarkable increases of 79.9% and 54.5%, respectively.

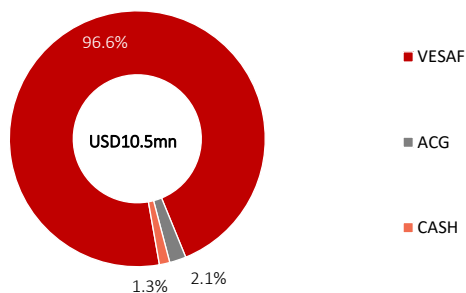
The NAV per unit of VAF declined by 3.8% in October, compared to the 5.1% decline of the VN-Index (as of 30 October 2024). While the banking sector (underweighted in our portfolio) underperformed during the month on the back of macro challenges, the small and mid-cap stocks (overweighted in our portfolio) proved to be more resilient.

In our review of the Q3 earnings results of the companies in our portfolio, we found that those providing the essential infrastructure to support Vietnam's economic growth (e.g., seaports, air cargo terminals, industrial parks, telecommunications, and utilities) delivered broadly solid earnings results, while companies in other sectors saw short-term challenges to their operating expenses, which hit bottom-line profits more than expected.

For companies mainly serving the domestic economy such as financials and consumer companies, operating cost pressures came from competition amidst soft consumer confidence (exacerbated by the Yagi Typhoon in early September) and, in some cases, supply-side bottlenecks. For companies mainly serving export markets, operating cost pressures came from elevated shipping costs (exacerbated by geopolitical tensions).

Nevertheless, our portfolio's aggregate top-line growth in 3Q24 and 9M24 was solid, at 17% and 16% YoY respectively, further reaffirming the portfolio's positioning for growth. We view the above cost pressures as short-term challenges that do not affect the long-term growth prospects of our SMID-cap stocks. The portfolio is projected to achieve a 14.9% EPS growth in 2024, while trading at a PE ratio of 10.9.

PORTFOLIO ALLOCATION



Small- & mid-cap	53.0%
Stocks traded on UPCoM	9.5%
Stocks at full Foreign Ownership Limit	32.7%

- *Small- & mid- cap: stocks with market capitalization below USD 3 billion*
- *UPCoM: Unlisted Public Company Market*

MACRO COMMENTARY

This year, Vietnam's economy has been supported by the recovery of the country's manufacturing sector, from essentially no growth in 10M23 to 9.6% YoY growth in 10M24. The sector's growth is being driven by surging tech exports, especially to the US. Computer and electronics exports to the US were up 42% YoY in 10M24 and total exports recovered from a 15% drop in 10M23 to a 25% surge in 10M24.

Consumption growth and sentiment among local consumers has remained modest throughout the year. Consequently, real retail sales growth (excluding the impact of inflation) dropped from 7.3% in 10M23 to 4.6% in 10M24, despite a 41% YoY jump in foreign tourist arrivals this year (which we estimate accounted for about 10% of Vietnam's retail sales, pre-COVID).

Although we have been predicting a strong recovery in manufacturing sector for 2024, we expect slight deceleration towards year end. Manufacturing output growth accelerated throughout 2024 to 9.9% in 9M24 but decreased slightly to 9.6% YoY in 10M24. New export orders have also slowed in recent months according to the PMI survey, although Vietnam's manufacturing PMI rebounded from 47.3 to 51.2 post-Typhoon Yagi, which depressed the September PMI.

The anticipated election of Donald Trump pushed the USD/DXY Index up by 3.3% in October, depressing the value of the VND by 2.8% during the month (and by 4.4% YTD as of end-October). The State Bank of Vietnam (SBV) was prompted to drain USD 5bn out the country's interbank market in October and offered to sell USD to the commercial banks. We think it is unlikely that the SBV would sell more of its USD FX reserves given that they already stand below three months' worth of imports.

Finally, we published this [report](#) on the likely impact of a Trump presidency on Vietnam. Some local economists believe Trump's tariffs could reduce Vietnam's GDP growth by as much as 4% pts, but we believe those concerns are significantly overblown. Vietnam will almost certainly continue to benefit from US-China trade tensions. FDI disbursement is up nearly 9% YoY, and the vast majority of those investments are into the manufacturing sector. However, Vietnam urgently needs to address its massive ~25%/GDP trade surplus with the US (nearly USD 90bn in 10M24) by increasing imports from the US.

VAF FUND INFORMATION

Launch date	03 July 2018
Fund size	USD 10.5mn
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	USD 100,000

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