Forum One - VinaCapital Vietnam Fund (VVF)

VinaCapital

29 November 2024

Class A NAV/share: USD25.39

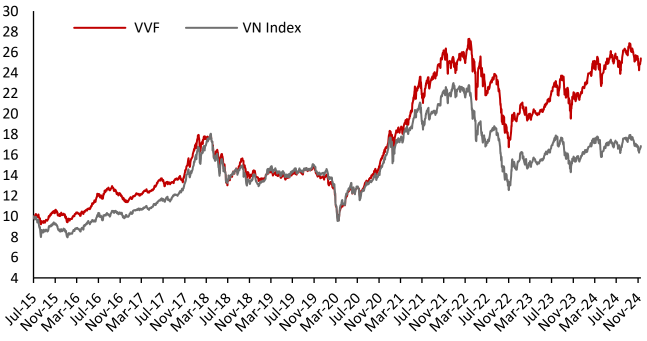
VVF is an actively managed UCITS-compliant fund that invests in equities and equity-related securities of companies that are based in Vietnam, with an objective to deliver long-term capital growth, through bottom-up stock picking and disciplined risk management. This UCITS is a product pursuant to Article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

PERFORMANCE SUMMARY

	Fund[1]	VN-Index
November 2024 (m-o-m)	-1.2%	-1.4%
YTD	14.7%	6.0%
3-year annualized	-0.5%	-8.8%
5-year annualized	12.5%	3.3%
Annualized since inception[2]	10.4%	5.7%
Accumulated since inception[2]	153.9%	68.5%
Sharpe ratio (annualized since inception[2])	0.4	0.2
Standard deviation (annualized since inception[2])	20.4%	21.7%
Tracking error	7.6%	

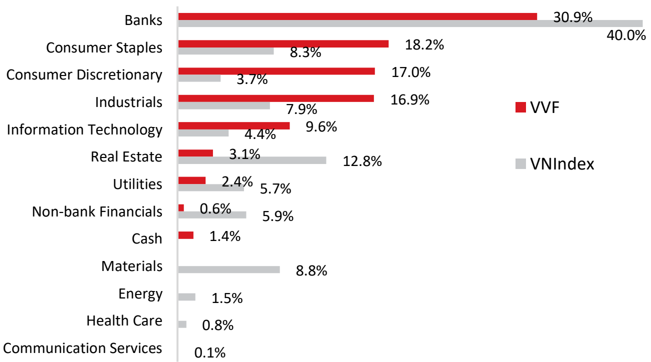
1. *Fund information calculated from Class A shares, on a net basis*
2. *Class A inception date: 14 July 2015*

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
GMD	1,057	Industrials	9.8%	20.8	12.7%
MWG	3,489	Consumer Discretionary	9.8%	21.9	14.2%
FPT	8,375	Information Technology	9.6%	27.0	24.8%
QNS	738	Consumer Staples	8.4%	7.1	23.0%
VHC	645	Consumer Staples	5.0%	13.7	12.7%
ACB	4,441	Banks	4.8%	6.8	20.0%
VPB	5,994	Banks	4.8%	10.5	10.4%
TCB	6,560	Banks	4.8%	7.5	15.1%
VNM	5,327	Consumer Staples	4.8%	14.0	30.5%
MBB	5,056	Banks	4.8%	5.7	20.0%
VVF Port.				11.1	16.3%
VNIndex				12.7	14.3%

Source: Bloomberg, VinaCapital's estimates

MONTHLY COMMENTARY

MARKET AND PORTFOLIO UPDATES

In November, Vietnam's stock market showed resilience, closing with a modest 1.4% month-on-month (MoM) decrease in USD terms, following a significant drop earlier in the month. Initially, the market was cautious due to negative sentiment from surging foreign outflows and a stronger USD. Following Trump's victory, the USD appreciated sharply due to global trade uncertainties and the relative strength of the US market. However, the VN-Index rebounded strongly during the final week of the month. This recovery was driven by robust bottom-fishing activities, especially when the VN-Index dipped below the 1200 level, creating opportunities to accumulate stocks at appealing valuations. Despite short-term challenges, Vietnam remains a compelling growth story heading into 2025, with EPS growth of 20% and 2025 P/E of 11.2x, underpinned by robust economic fundamentals. The government's high GDP growth target (6.5%), stable political environment, and potential inclusion in the FTSE Emerging Markets Index bolster the long-term investment case.

The portfolio decreased by 1.2% MoM in November, slightly outperforming the VN-Index by 0.2% in USD terms. Year-to-date (YTD), the portfolio has risen by 14.7% compared to the VN-Index's 6.0% increase as of the end of November 2024. The standout performer in our portfolio was FPT, which increased by 5.9% MoM thanks to the promising outlook of its AI factory which launched in mid-November and is discussed in further detail below. The primary detractor was MWG, which decreased by 9.3% MoM due to strong foreign selling pressure. FPT and MWG were among the best performers in the portfolio on a YTD basis, returning 66.4% and 36.4% in USD terms, respectively, and were the top major return contributors.

FPT's Initial Step in AI

FPT has consistently demonstrated robust performance in both its business operations and share prices. The company has been propelled by favourable industry trends and a promising outlook in its semiconductor and AI businesses. The narrative of global tech giant NVIDIA's expansion into Vietnam has gained momentum, with the two companies launching a joint venture for AI-integrated data centers (DCs) this year.

In mid-November, FPT announced the launch of the FPT AI Factory in both Vietnam and Japan, utilizing the full-stack NVIDIA accelerated computing platform with an initial investment of USD 100 million for Phase 1. The AI factory is set to begin operations in early 2025. Once operating at full capacity, the two factories in Phase 1 are projected to generate annual revenue of USD 100 million with an estimated EBITDA margin of over 50%. The internal rate of return (IRR) for the entire project is targeted at 25%. Although the contribution from the AI factory to FPT's consolidated revenue is expected to be only around 3%, the room for growth is significant, particularly in Japan. The market size of generative AI in Japan was below USD 1 billion in 2023 but is expected to reach USD 13 billion by 2030, representing a CAGR of 43%. FPT has also indicated plans for Phase 2, which would involve an additional USD 100 million investment in 2025 contingent upon Phase 1 reaching full capacity.

Additionally, FPT has established FPT Smart Cloud Japan in cooperation with SBI Holdings, one of Japan's leading financial services groups, in which SBI holds a 35% stake. This marks a significant milestone in FPT's expansion in Japan, as the company aims to leverage SBI's expertise and network to expand its client base and accelerate strategic initiatives in Japan's finance and technology sectors.

We are optimistic about FPT's new ventures and the broader semiconductor sector in Vietnam, despite the anticipated challenges of transitioning the existing workforce of one million software professionals. Given the dynamic landscape of the chip industry and Vietnam's strategic position amidst the ongoing US-China chip war, local tech giants are well-positioned to seize these opportunities.

MACRO COMMENTARY

Vietnam's economy has been supported by an extraordinary surge in exports to the US in 2024, which boosted the country's manufacturing sector. However, the growth of consumption by Vietnamese consumers has been fairly modest, which is reflected in modest revenue and earnings growth of consumer-facing companies in 2024.

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MACRO INDICATORS

	2023	Nov 2024	YTD 2024	y-o-y (%)
GDP growth[1] (%)	5.1		6.8	
Inflation[2] (%)	3.3	2.8	3.7	
FDI commitments[3] (USDbn)	28.1	6.1	27.3	12.2
FDI disbursements (USDbn)	23.2	4.4	21.7	20.4
Imports (USDbn)	326.4	32.7	345.6	16.4
Exports (USDbn)	354.7	33.7	369.9	14.4
Trade surplus/(deficit) (USDbn)	28.3	1.1	24.3	
Exchange rate (USD/VND)[4]	24,265	25,346	25,346	

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	USD69.5m
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)

CONTACT DETAILS

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MONTHLY COMMENTARY (cont'd)

We predict that Vietnam's export growth to the US will level off next year, from circa 25% growth in 2024 to 6-8% growth in 2025. That said, we predict that consumption growth in Vietnam will pick up from circa 6% this year to a more typical 8-9% growth rate next year. It is important to note that consumption growth was boosted by an 40% YoY surge in foreign tourist arrivals this year. With the post-COVID tourism boom now winding down, this figure is likely to taper off in 2025.

Vietnam's November economic statistics correlate with those views. Manufacturing output growth remained vigorous at 9.7% YoY in 11M24, but the "new export orders" sub-index of Vietnam's Manufacturing PMI plunged from 50.7 in October to 46.4 in November, which means that new export orders in Vietnam are now shrinking. Vietnam achieved an incredible USD 24bn trade surplus in 11M24 (similar to 11M23 and equivalent to 6%/GDP), including a USD 1.1bn surplus in November. However, falling new export orders are a reliable leading indicator that this robust performance will not be repeated next year.

That said, consumer sentiment and spending have gradually been gaining pace as the year progressed, where real retail sales (i.e., stripping out the impact of inflation) accelerated to 5.8% in 11M24. We expect that momentum to continue next year, especially given increasingly vocal commitments that the Government will take aggressive steps to boost Vietnam's GDP growth in 2025 and beyond (which should also help support consumer sentiment).

The value of the VN Dong was essentially unchanged in November (at 4.4% YTD depreciation), despite Trump's announcement that he intends to impose 25% tariffs on Mexico and Canada, plus an additional 10% tariff on China's exports to the US. Some investors have expressed concerns that Trump could target Vietnam next, but the fact that the USD-VND exchange rate did not move on that news shows that the market does not expect Vietnam to be targeted.

Tariffs put depreciation pressure on the targeted country's currency, which in-turn dampens the impact of those tariffs on the final selling prices of products to US consumers (Trump's China tariffs were largely offset by a depreciation in the Chinese Yuan). The value of the Mexican Peso has depreciated by more than 20% YTD, indicating that markets do expect major tariffs on Mexico's exports to the US, partly because of concerns regarding the "transshipment" of products from China to the US via Mexico in order to avoid US tariffs.

One reason markets do not expect Trump to impose major tariffs on Vietnam is that the scale of the transshipment problem is much less in Vietnam than in Mexico. According to recent research from Harvard University, less than 1% of Vietnam's total exports are of products that have been re-shipped from China to the US under the guise of having been produced in Vietnam.

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.