

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.

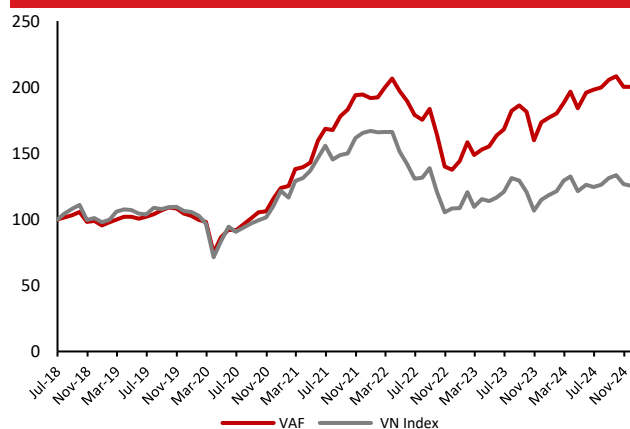
PERFORMANCE SUMMARY

	Fund	VN Index
November 2024 (m-o-m)*	0.0%	-0.8%
YTD	13.1%	6.0%
3-year annualized	1.0%	-8.8%
5-year annualized	13.9%	3.3%
Annualized since inception**	11.4%	3.6%
Accumulated since inception**	100.2%	25.4%
Annualized standard deviation	20.5%	23.2%

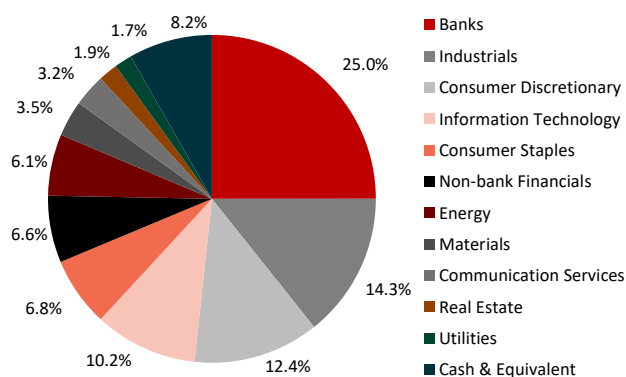
* Calculated based on Fund's October end-date of 30 October 2024

** Inception date: 03 July 2018

PERFORMANCE CHART



SECTOR ALLOCATION



TOP HOLDINGS

Ticker	Market Cap (USDm)	Sector	% of NAV	2024 PE	2024 ROE
FPT	8,375	Information Technology	10.2%	27.0	24.8%
ACB	4,441	Banks	6.8%	6.8	20.0%
MWG	3,490	Consumer Discretionary	6.1%	21.9	14.2%
GMD	1,057	Industrials	6.1%	17.4	12.7%
MBB	5,056	Banks	5.3%	5.7	20.0%
VIB	2,233	Banks	4.7%	7.3	18.5%
BVH	1,391	Non-bank Financials	4.5%	18.3	8.6%
CTG	7,574	Banks	4.4%	8.4	15.7%
VPB	5,994	Banks	3.8%	10.5	10.4%
FMC	124	Consumer Staples	3.6%	9.4	12.8%

Source: Bloomberg, VinaCapital's estimates

MONTHLY COMMENTARY

MARKET AND PORTFOLIO UPDATES

In November, Vietnam's stock market showed resilience, closing with a modest 0.8% 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 NAV per unit of VAF was almost flat (-0.01%) during November, compared to a 0.8% decline of the VN-Index. The outperformance in November can mostly be attributed to three stocks: FPT (+5.9%), FPT Telecom – FOX (+8.1%) and Bao Viet Holdings – BVH (+12.7%).

In recent analyst meetings, FPT shared that the company signed a USD 225mn agreement with a US client for Global IT services during 3Q24, which is expected to add nearly 3% to FY25E total revenue and profit before tax (PBT). FPT will also invest USD 100mn in AI facilities in Japan and Vietnam to provide GPUaaS (GPU-as-a-service) in 2025. Management expects GPUaaS revenue to reach USD 100mn in 2025 with a 90% utilization rate and 50% EBITDA margin, with a guided 25% IRR. This offsets the Education segment, which experienced a slowdown with flat revenue growth in 3Q24 and single-digit enrolment growth expected in 2024.

FOX, as inferred from the Telecom segment of FPT's 10M2024 report, also reported solid results in November. Its revenue and PBT, respectively, grew 16.6% YoY and 11.8% YoY in October, and 10.2% YoY and 15.5% YoY in 10M2024. Besides cost optimizations and operating leverage, we believe average revenue per user (ARPU) has seen solid growth this year.

BVH's share price performed well in November. Aside from solid 3Q24 results (with net profit after minority interest up 23.7% YoY), there are increasing expectations of a favourable macro environment for insurance stocks in 2025, with recovering domestic consumption benefiting premium growth and elevated interest rates benefiting investment income. For life insurers like BVH, rising bond yields on the back of government spending (which would necessitate higher government bond issuances and presumably higher yields) also serve as an added catalyst in lowering technical expenses related to future liabilities.

These three stocks provide good examples of our bottom-up stock picking, which helps us build a resilient portfolio that can deliver strong performance despite an environment with uncertain monetary policies and a volatile DXY.

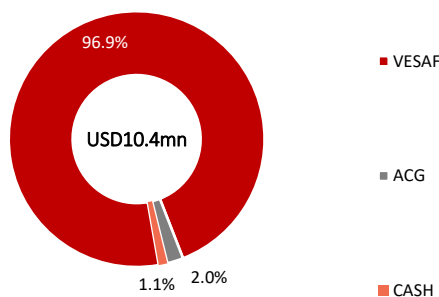
MACRO COMMENTARY

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.

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.

PORTFOLIO ALLOCATION



Small- & mid-cap	55.2%
Stocks traded on UPCoM	8.5%
Stocks at full Foreign Ownership Limit	28.2%

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

MACRO COMMENTARY

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.

VAF FUND INFORMATION

Launch date	03 July 2018
Fund size	USD 10.4mn
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	USD 100,000

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