

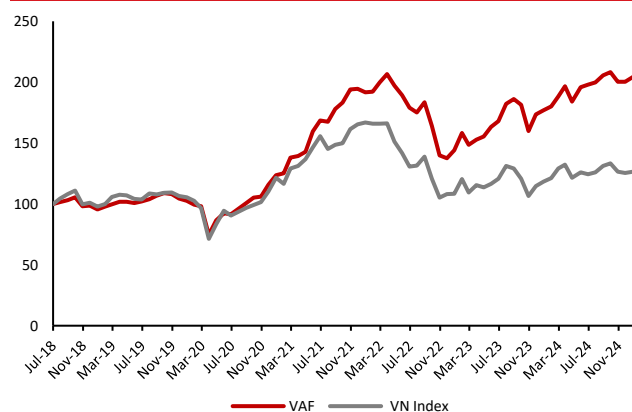
VAF is a Cayman Islands open-ended fund that invests in the Vietnam Equity Special Access Fund (VESAF), a Vietnam-regulated open-ended fund, with the flexibility to participate in IPOs as well as make direct investment in Vietnamese listed and unlisted securities.

PERFORMANCE SUMMARY

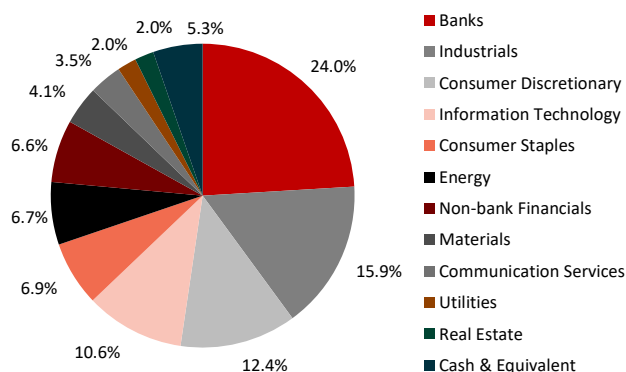
	Fund	VN Index
December 2024 (m-o-m)	2.1%	0.8%
YTD	15.5%	6.8%
3-year annualized	2.2%	-8.8%
5-year annualized	14.7%	3.7%
Annualized since inception*	11.6%	3.7%
Accumulated since inception*	104.3%	26.4%
Annualized standard deviation	20.4%	23.0%

*Inception date: 03 July 2018

PERFORMANCE CHART



SECTOR ALLOCATION



TOP HOLDINGS

Ticker	Market Cap (USDm)	Sector	% of NAV	2025 PE	2025 ROE
FPT	8,803	Information Technology	10.6%	23.8	25.4%
ACB	4,522	Banks	7.4%	6.0	19.9%
MWG	3,498	Consumer Discretionary	6.1%	15.0	18.2%
GMD	1,059	Industrials	6.0%	18.1	11.8%
VIB	2,303	Banks	4.8%	6.4	19.6%
BVH	1,477	Non-bank Financials	4.8%	15.8	9.9%
MBB	5,226	Banks	4.7%	5.9	19.4%
DGC	1,738	Materials	4.1%	10.5	25.2%
VPB	5,977	Banks	3.8%	8.8	11.9%
FMC	121	Consumer Staples	3.7%	7.9	13.6%

Source: Bloomberg, VinaCapital's estimates

MONTHLY COMMENTARY

MARKET AND PORTFOLIO UPDATES

The stock market had a bumpy 2024, but it ended on a positive note, increasing 6.8% YoY for the full year. Most of the the market's gain was achieved in the first half of the year, while the second half was almost flat.

The NAV per unit of the portfolio increased 2.1% in December, outperforming the VN-Index, which rose 0.8%. Similar to November, **FPT** (+5.1%) and Bao Viet Holdings – **BVH** (+6.2%) were key contributors to this outperformance. For the full year 2024, the portfolio delivered a 15.5% return, exceeding the VN-Index's 6.8%. The 15.5% return in 2024 is complemented by the fund's 5-year annualized return of 14.7%, exceeding the VN-Index's 3.7%.

After having performed well in November, **BVH** – Vietnam's only domestic life insurer – continued to be one of the top-performing mid-cap stocks in December. Still, we believe **BVH** remains under-appreciated. In addition to the near-term catalysts of economic growth and elevated bond yields (as discussed in our November report), **BVH** is well-positioned to benefit from the long-term growth potential of Vietnam's life insurance industry. According to a 2021 Ministry of Finance study, only 11% of Vietnam's population has life insurance, compared to 38% in the Philippines and 50% in Malaysia. As the first and only life insurer operating in all 63 provinces, **BVH** has maintained its #1 market share in both total premiums and new business premiums in life insurance as of 1H24.

BVH's sizeable asset base of USD 9 billion has grown at an annual rate of 17% over the past five years, outpacing the broader financial and regional insurance industries. However, its market cap-to-assets ratio remains at just 0.15, significantly below the ASEAN life insurance average of 0.43. This highlights the stock's potential for further re-rating.

Since inception, as a specialist in small and mid-cap (SMID-cap) stocks, VAF has typically maintained a relatively low allocation to large-cap stocks and has remained underweight in banks. SMID-cap stocks may not lead the market every year; in fact, their underperformance in 2024 reflects a market driven primarily by large caps. As noted in our September 2024 report, rising deposit rates and greater-than-expected VND depreciation created challenging liquidity conditions. Based on our analysis of past market cycles, these conditions typically weigh on SMID-cap performance.

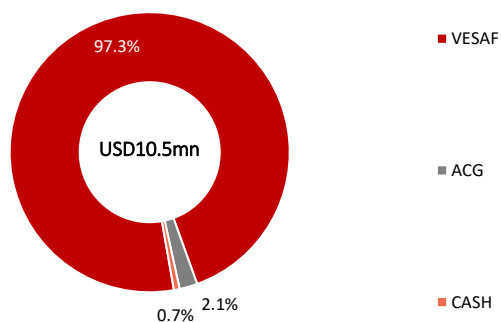
Nevertheless, we continue to focus on uncovering high-quality SMID-cap stocks. Given the lack of research in this space, we believe there are significant opportunities to capitalize on the unrecognized growth potential of well-managed, undervalued companies. Our portfolio's aggregate EV/EBITDA – a relevant valuation metric for non-financial companies – tends to be, and remains, relatively low. We see substantial potential for EV/EBITDA re-rating as our SMID-cap stocks unlock value.

MACRO COMMENTARY

Vietnam's 2024 GDP growth came in at 7.1%, a solid recovery from the 5.1% recorded for 2023. The expansion in 2024 was driven entirely by a surge in manufacturing output (from 3.6% in 2023 to 9.8% in 2024), which in-turn was propelled by a recovery in Vietnam's exports to the US from an 11% drop in 2023 to a 23% surge in 2024. The US is Vietnam's biggest export market, accounting for around 30% of total exports, so the recovery in exports to the US drove a rebound in Vietnam's total exports from a 4% drop in 2023 to a 14.3% increase in 2024, according to the General Statistics Office (GSO).

The jump in exports to the US was driven by a circa 40% increase in exports of electronics and computers, which is discussed in recent [research](#) from the Hinrich Foundation. The authors of that research analyzed granular trade data of several high-tech product categories, such as modems, switches and routers, which come under "category HS851762" in the international harmonized system.

PORTFOLIO ALLOCATION



Small- & mid-cap	59.1%
Stocks traded on UPCoM	9.1%
Stocks at full Foreign Ownership Limit	22.5%

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

MACRO COMMENTARY

From 2018 to 2023, the proportion of HS851762 products that the US imported from China fell by 35%pts, and that drop was entirely offset by an increase in the proportion of those products imported from Vietnam (+18%pts), Taiwan (+10%pts), and Thailand (+6%pts). There are similar surges across a wide range of other high-tech products, including PCs (Vietnam's PC exports to the US have jumped more than 10x since 2018, giving Vietnam a circa 18% share of US imports of PCs).

The net result is that Vietnam's trade surplus with the US reached USD 105bn last year (or 23% of GDP); Vietnam's trade deficit with the US is the third largest in the world. That said, Vietnam's total trade surplus of USD 25bn (or 5%/GDP) was not sufficient to defend the Dong, which depreciated by 5% in 2024, including 0.5% depreciation in December, driven by a variety of factors including concerns about Trump's tariffs on Vietnam, which we discussed in this [report](#).

The growth of Vietnam's retail sales (stripping out inflation) fell from 6.9% in 2023 to 5.9% in 2024, partly because consumer confidence remained weak in the first half of 2024, albeit improving as the year progressed. In addition, the growth of foreign tourist arrivals plunged from 240% in 2023 to 40% in 2024; foreign tourist arrivals increased from 20% of pre-COVID levels in 2022 to 70%/pre-COVID in 2023 and 98% of pre-COVID in 2024.

We estimate that foreign tourists accounted for about 10% of retail sales in Vietnam pre-COVID, so the drop in the growth rate of tourist arrivals last year, coupled with a modest recovery in consumer confidence, helps explain slower consumption growth in 2024.

Finally, Vietnam's CPI inflation rate remained subdued at 2.9% YoY in December because retail petrol prices in Vietnam were down approximately 6% YoY (comparable to the modest YoY drop in global oil prices), offsetting a circa 4% YoY increase in food prices.

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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