Forum One - VinaCapital Vietnam Fund (VVF)

31 January 2025

VinaCapital

Class A NAV/share: USD26.23

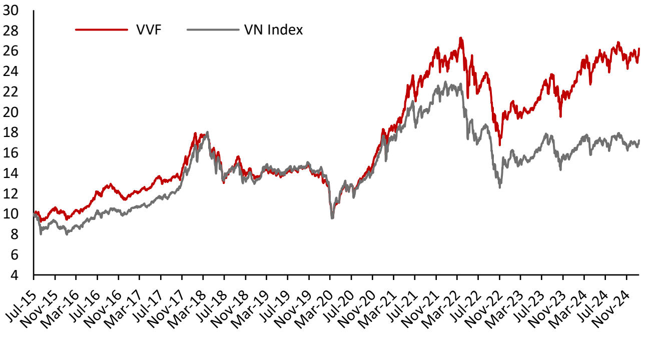
VVF is an actively managed UCITS-compliant fund that invests in equities and equity-related securities of companies that are based in Vietnam, with an objective to deliver long-term capital growth, through bottom-up stock picking and disciplined risk management. This UCITS is a product pursuant to Article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

PERFORMANCE SUMMARY

	Fund[1]	VN-Index
January 2025 (m-o-m)	1.6%	1.5%
YTD	1.6%	1.5%
3-year annualized	1.5%	-8.3%
5-year annualized	14.7%	4.6%
Annualized since inception[2]	10.6%	5.9%
Accumulated since inception[2]	162.3%	72.2%
Sharpe ratio (annualized since inception[2])	0.4	0.2
Standard deviation (annualized since inception[2])	20.2%	21.5%
Tracking error	7.5%	

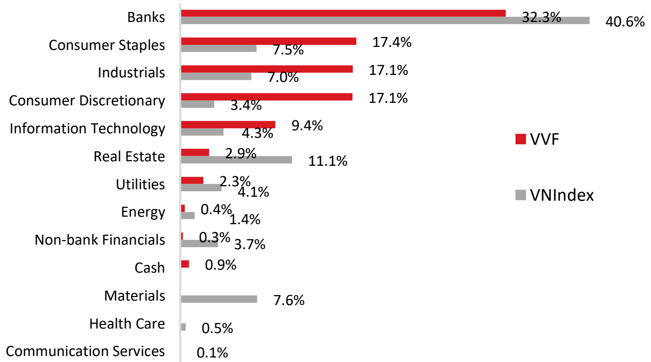
1. *Fund information calculated from Class A shares, on a net basis*
2. *Class A inception date: 14 July 2015*

PERFORMANCE CHART



Past performance is not necessarily guidance to the future.

SECTOR ALLOCATION



TOP HOLDINGS

Ticker	Market Cap (USDmn)	Sector	% of NAV	2025F PE	2025F ROE
FPT	8,971	Information Technology	9.4%	23.9	26.7%
MWG	3,492	Consumer Discretionary	9.4%	17.1	16.1%
GMD	1,052	Industrials	9.3%	15.4	12.8%
QNS	572	Consumer Staples	8.1%	6.0	23.1%
TCB	6,951	Banks	4.9%	6.7	15.7%
MBB	5,434	Banks	4.9%	5.3	19.6%
STB	2,773	Banks	4.8%	5.8	18.5%
VPB	5,961	Banks	4.8%	8.1	12.3%
ACB	4,501	Banks	4.8%	6.2	19.4%
CTG	8,112	Banks	4.8%	6.6	17.6%
VVF Port.				9.4	17.3%
VNIndex				11.4	14.1%

Source: Bloomberg, VinaCapital's estimates

MONTHLY COMMENTARY

MARKET AND PORTFOLIO UPDATES

In January, VVF's NAV per share increased by 1.6%, slightly outperforming the VN Index. Throughout the month, the market fluctuated, reflecting a mix of investor optimism due to a positive outlook for Vietnamese equity and caution in response to unpredictable policies from US President Donald Trump. January marked the twelfth consecutive month of net selling by foreign investors across all three stock exchanges. Additionally, market liquidity reached its lowest level since April 2023; the average daily trading value (ADTV) fell by 22% month-over-month (MoM) to USD 507mn and was down 33.9% compared to the same period last year. Despite this, several positive factors supported the market, including a 1.6% appreciation of the VND against the USD, higher-than-expected economic growth for Vietnam in 2024, and generally positive business results from listed companies in Q4 and throughout 2024. These factors helped balance the cautious market sentiment related to ongoing global uncertainties.

The fund's investee companies reported highly encouraging business results in Q4 and throughout 2024. Among our top three positions, FPT recorded net profit growth of 23% in 2024, slightly exceeding expectations set at the beginning of the year. The main growth driver for FPT came from IT services provided to international clients, with profits from this segment growing by 26% in 2024. GMD also recorded 30% growth in core profit by ramping up its port operations well past designed capacity. MWG experienced a significant business turnaround in 2024, with net profit increasing 22 times, thanks to a recovery in both the ICT and grocery segments.

2025 commenced amidst significant global economic and political noise. Nonetheless, with targeted governmental interventions aimed at fostering economic growth and sustainable performance of publicly traded companies, we expect the positive fundamentals to provide strong support for the stock market in navigating these short-term external uncertainties effectively. VinaCapital's forecast for the listed companies under our coverage, which constitute 94% of the stock market's capitalization, suggests that the stock market is trading at a 2025 PE ratio of approximately 11x, which is at the lower range of the 10-year average, presenting an appealing opportunity for long-term investment.

In terms of portfolio allocation, our primary focus remains on four key themes: (1) private banks with robust retail franchises, (2) consumer sector, (3) port operators, and (4) IT. We employ a bottom-up approach in constructing our portfolio, prioritizing companies that demonstrate high returns on capital and sustainable EPS growth rates. For 2025, the portfolio is expected to deliver an EPS growth of 22.7% and an ROE of 17.3%.

Banking sector update: Robust credit growth outlook continues to support earnings

Bank stocks, which comprise 40% of the VN-Index, had an impressive year in 2024, surging 16.9% in USD terms compared to the VN-Index's 6.8% rise. We anticipate strong performance from the sector to continue this year, with bank earnings growth expected to accelerate from 14% in 2024 to 17% in 2025, driven by higher credit growth, recovery in asset quality, and an improved lending mix.

In 2024, industry-wide credit growth was 15.1%. We expect Vietnam's system-wide loan growth to remain around 15-16% in 2025, in line with the new credit quota, led by credit to real estate developers, mortgages, and infrastructure. However, we still foresee SOCBs posting lower credit growth compared to private banks (15% vs. 20%) due to their capital constraints, scalability, and management dynamism.

Retail loan growth is set to accelerate in 2025 after modest growth of 12% in 2024, driven by mortgages and consumer loans. We anticipate the Government will take concrete steps to boost the real estate market this year, potentially doubling mortgage loan growth from around 10% in 2024 to 20% in 2025. A revival in the real estate market would also likely enhance consumer confidence and spur other high-margin consumer lending, such as auto loans and buy-now-pay-later purchases.

On the corporate lending side, we expect cooling demand from real estate developers, partly due to a shift in credit demand from the developers to mortgage borrowers, and partly due to the expected revitalization of the bond market. We foresee banks making more long-dated and lower-yield loans this year by lending to infrastructure projects, which typically have extended time horizons.

The banks in our portfolio achieved an average credit growth of 19% in 2024, significantly outpacing the industry average. We anticipate that these banks will continue to deliver relatively higher growth in 2025. We categorize the banks in our portfolio into two groups. The first group consists of banks with prudent lending practices, strong asset quality, and diversified loan portfolios, including ACB and STB. These banks had comparatively lower exposure to the real estate sector in 2024, allowing them to expand their lending to the real estate sector without being hindered by legacy issues or the necessity to support distressed clients. The second group comprises banks with relatively higher exposure to the real estate sector or those more aggressively positioned for a recovery in consumer borrowing, including TCB, VPB, and MBB. We expect that these banks will either benefit directly from increased lending to real estate developers or potentially resolve some of their legacy asset quality issues through a revival of the real estate market.

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MACRO INDICATORS

	2024	Jan-2025	YTD 2025	YoY (%)
GDP growth[1] (%)	7.1			
Inflation[2] (%)	3.6	3.6	3.6	
FDI commitments[3] (USDbn)	33.7	4.0	4.0	47.3
FDI disbursements (USDbn)	25.4	1.5	1.5	2.0
Imports (USDbn)	380.8	30.1	30.1	-2.6
Exports (USDbn)	405.5	33.1	33.1	-4.3
Trade surplus/(deficit) (USDbn)	24.8	3.0	3.0	
Exchange rate (USD/VND)[4]	25,485	25,082	25,082	

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	USD72.95m
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)

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MONTHLY COMMENTARY (cont'd)

MACRO COMMENTARY

Vietnam's economic statistics for January and February are always impacted by the timing of the Lunar New Year holiday. This year, the holiday was in January (versus February in 2024), resulting in four fewer working days during the month.

In January, industrial production growth in Vietnam was nearly flat year-on-year. There was also slowing export and manufacturing momentum, a topic we have discussed in several of our recent monthly economics commentaries. The S&P Global PMI fell from 49.8 in December 2024 to 48.9 in January 2025, driven by a contraction in new orders and by an aggressive depletion of finished goods inventories; the "Stocks of Finished Goods" sub-index of Vietnam Manufacturing PMI fell to a near record-low level of 44.5 in January.

In other words, factories are running down their inventories of finished products in response to both plunging orders from foreign clients and in anticipation of slower export growth this year following unusually strong growth in exports to the US last year. Exports to the US fell by 2% in January, after having surged by over 20% in 2024, according to Vietnam's General Statistics Office (GSO). Overall exports fell 4% in January, although this number is also distorted by the timing of the holiday.

Unlike several countries, Vietnam has not experienced a surge in exports to the US following the presidential election. In our view, this is a good sign that multinational companies are not overly concerned that Trump will impose high tariffs on "Made in Vietnam" products; in fact, Samsung Display registered an additional USD 1.2bn FDI investment in Vietnam in January. Furthermore, Trump has not mentioned Vietnam publicly since taking office, in sharp contrast to the numerous comments he has made about Mexico, Canada, the EU, and China. We continue to believe that Trump poses no major economic risk to Vietnam.

All of that said, concerns about Trump's tariffs pushed up the US Dollar/DXY Index by 7% in 2024, which in-turn drove a 5% depreciation in the value of the VN Dong. In January, the VND appreciated by 1.6%, supported by a surge of overseas remittances in the lead-up to the Tet holiday, a near USD 3bn trade surplus in the month, and by the State Bank of Vietnam's adept steps to stabilize the USD-VND exchange rate (including higher interbank interest rates).

The lead-up to the Tet holiday typically entails a flurry of household purchases as families prepare for the holidays, which contributed to real retail sales growing 6.6% YoY in January 2025 despite fewer working days during the month. Once the GSO publishes data for February, we will be able to compare 2M24 to 2M25 and get a clearer picture of the likely trajectory for the economy in the months ahead. Nevertheless, we continue to expect consumption growth will accelerate as 2025 progresses. Finally, inflation ticked up from 2.9% YoY in December to 3.6% YoY in January driven by a circa 10% month-on-month increase in medical prices, which in-turn reflected one-off Government price hikes for certain medicines.

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.