Forum One - VinaCapital Vietnam Fund (VVF)

28 February 2025

Class A NAV/share: USD25.73

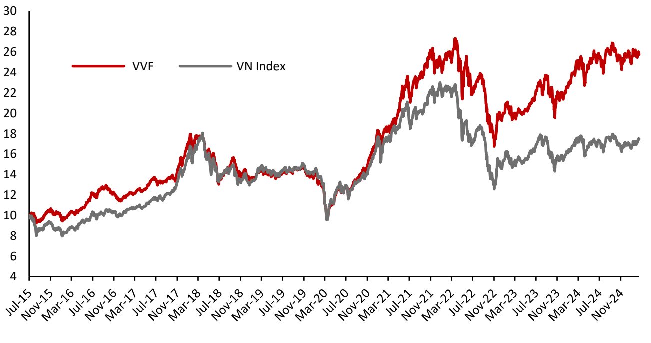
VVF is an actively managed UCITS-compliant fund that invests in equities and equity-related securities of companies that are based in Vietnam, with an objective to deliver long-term capital growth, through bottom-up stock picking and disciplined risk management. This UCITS is a product pursuant to Article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

PERFORMANCE SUMMARY

	Fund[1]	VN-Index
February 2025 (m-o-m)	-1.9%	1.3%
YTD	-0.3%	2.8%
3-year annualized	-0.1%	-7.9%
5-year annualized	15.1%	6.1%
Annualized since inception[2]	10.3%	5.9%
Accumulated since inception[2]	157.3%	74.4%
Sharpe ratio (annualized since inception[2])	0.4	0.2
Standard deviation (annualized since inception[2])	20.1%	21.4%
Tracking error	7.5%	

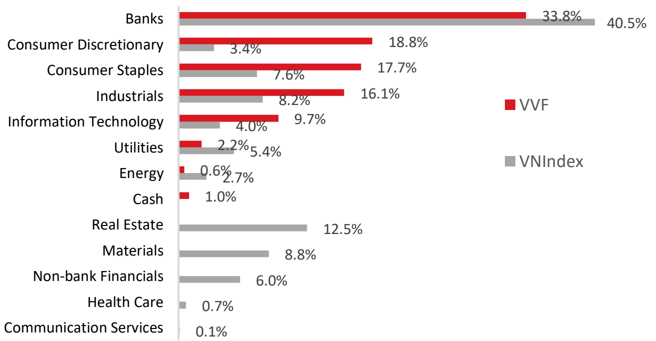
1. *Fund information calculated from Class A shares, on a net basis*
2. *Class A inception date: 14 July 2015*

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	8,073	Information Technology	9.7%	21.9	26.7%
MWG	3,333	Consumer Discretionary	9.6%	16.6	16.1%
GMD	983	Industrials	9.6%	14.7	12.8%
QNS	560	Consumer Staples	9.2%	6.0	23.1%
VHC	631	Consumer Staples	5.0%	12.0	13.2%
CTG	8,717	Banks	4.9%	7.2	17.6%
VPB	5,990	Banks	4.8%	8.2	12.3%
ACB	4,543	Banks	4.8%	6.3	19.4%
TCB	7,213	Banks	4.8%	7.0	15.7%
STB	2,821	Banks	4.8%	6.0	18.4%
VVF Port.				9.3	17.4%
VNIndex				10.8	2.2%

Source: Bloomberg, VinaCapital's estimates

MONTHLY COMMENTARY

MARKET AND PORTFOLIO UPDATES

February marked a notable recovery in Vietnam's stock market, driven by the initial impact of effective macroeconomic management policies, despite persistent net selling pressure from foreign investors. Negative sentiment surrounding technology stocks and concerns over U.S. tariffs lingered, yet the VN-Index maintained its upward trajectory throughout the month. This resilience was underpinned by favorable macroeconomic conditions, supported by the government's ambitious 2025 economic growth target of 8%, alongside a 16% credit growth target and policies promoting low interest rates. By the end of February, the VN-Index closed at 1,305, reflecting a 1.3% gain in USD terms. Liquidity also improved significantly, with the average daily trading value across all three exchanges exceeding USD 700 million—a nearly 40% month-on-month increase. Remarkably, Vietnam's stock market outperformed regional benchmarks, including Thailand's SET (-14.0%), Indonesia's JCI (-11.4%), and the Philippines' PCOMP (-8.1%), highlighting Vietnam's economic resilience and promising outlook.

Sector-wise, the market exhibited divergence in February. Domestically oriented sectors, such as Materials, Real Estate, and Banking, performed well, posting gains of 6.2%, 2.6%, and 1.2%, respectively. These advances were fueled by expectations of government measures aimed at boosting economic growth, enhancing infrastructure investment, accelerating legal processes for real estate projects, and introducing various policies to support business activities. In contrast, the Information Technology and Consumer Discretionary sectors declined by 9.5% and 4.4%, respectively. However, these declines were more technical in nature, reflecting profit-taking after strong performances in 2024, rather than any fundamental weaknesses.

Despite the positive market trends, our portfolio experienced a 1.9% decline in USD terms for February, compared to the VN-Index's 1.3% gain. Year-to-date, the fund lags the benchmark by 3.1%, which we attribute to short-term fluctuations rather than any fundamental issues with our holdings. Similar to trends across regional markets, Vietnam saw significant foreign investor sell-offs, totaling approximately USD 530 million in the first two months of 2025 (compared to USD 3.7 billion for the full year of 2024). Unfortunately, this selling pressure was concentrated in several stocks with good fundamentals, including our top holdings—FPT, GMD, and MWG. For these stocks, foreign net selling accounted for 30-50% of their daily trading volumes on a year-to-date basis.

We maintain high conviction in our holdings, supported by their robust recent financial performance and strong outlook for 2025. All major holdings reported double-digit bottom-line growth in 2024, coupled with high earnings quality. Even in the face of a more volatile external environment in 2025, we expect continued strong earnings momentum, driven by competitive advantages and specific near-term catalysts.

US tariffs open door for Vietnamese fishery products

Vinh Hoan Corporation (VHC), the leading exporter of pangasius, has been a standout performer in our portfolio since 2024. In that year, the stock delivered an impressive 14.7% return, more than doubling the VN Index's 6.9% return in USD terms. This strong price appreciation stemmed from operational improvements in both volume and pricing, with revenue increasing by 25% year-over-year in 2024, and net margins rising from 11.4% in 2023 to 11.9% in 2024.

The outlook for 2025 is further bolstered by favorable external factors. On February 4, 2025, the U.S. introduced an additional 10% tariff on all Chinese goods, raising the total tariff on Chinese tilapia exports—a direct competitor of Vietnam's pangasius exports—to 35%. This move has placed significant strain on China's fishery exports, creating new opportunities for alternative whitefish such as pangasius. As the most affordable whitefish option in the U.S. market, pangasius is well-positioned to meet this rising demand. Over time, pangasius has steadily gained market share in the U.S., overtaking tilapia in popularity. Between 2019 and 2024, tilapia's market share decreased from 15% to just under 12%, while pangasius expanded its share from 7% to nearly 14%, underscoring a clear shift in consumer preferences. With VHC supplying 44% of the U.S.'s pangasius imports, the company is perfectly poised to seize this growth opportunity.

VHC's position was further reinforced in January 2025, when it became the only Vietnamese exporter exempt from U.S. anti-dumping duties on fish fillets. This exemption, secured through a bilateral agreement between the U.S. and Vietnam, eliminates compliance costs and deposit requirements, offering VHC a significant competitive advantage in the U.S. market.

We remain confident that the likelihood of significant tariffs on Vietnam's exports to the U.S. is low. This confidence is based on several key factors: (1) imposing such tariffs would conflict with the U.S.'s economic interests; (2) targeting Vietnam is inconsistent with U.S. national security priorities; and (3) Vietnam has taken proactive and cooperative measures, engaging early and effectively with the Trump administration to address potential trade concerns. With Vietnam's fishery sector largely insulated from tariff risks and VHC's strategic strengths, the company is well-positioned for sustained growth and success.

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MACRO INDICATORS

	2024	Feb-2025	YTD 2025	YoY (%)
GDP growth[1] (%)	7.1			
Inflation[2] (%)	3.6	2.9	3.3	
FDI commitments[3] (USDbn)	33.7	2.4	6.4	57.7
FDI disbursements (USDbn)	25.4	1.4	3	5.4
Imports (USDbn)	380.8	32.7	62.8	15.9
Exports (USDbn)	405.5	31.1	64.3	8.4
Trade surplus/(deficit) (USDbn)	24.8	-1.6	1.5	
Exchange rate (USD/VND)[4]	25,485	25,557	25,557	

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	USD62.9m
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

February's macroeconomic statistics support our forecasts that Vietnam's GDP will grow at a comparable pace in 2025 as it did in 2024, although the drivers will be different. This year, a pickup in consumption and public spending will be two of the key drivers, which should offset to some extent slowing export growth to the US which would in-turn lead to slowing manufacturing activity.

Specifically, real retail sales (i.e., stripping out the impact of inflation) picked up from 5.9% in 2024 to 6.2% YoY in 2M25 and we expect further acceleration as 2025 progresses. Manufacturing output growth dipped from 9.6% in 2024 to 9.3% YoY in 2M25, but there were clear signs of a deeper impending slowdown in the sector.

First and foremost, the growth of Vietnam's exports to the US slowed from 23% in 2024 to 17% in 2M25 (China's exports to the US grew by just 2% in 2M25). That drop dragged the country's overall export growth from 14% in 2024 to just 8% in 2M25 and is a negative leading indicator for the manufacturing sector.

In addition, Vietnam's new export orders fell for the fourth month in-a-row; the "New Export Orders" sub-index of Vietnam's Manufacturing PMI, fell deeper into contraction to just 47.5 in February. More ominously, the "Backlogs of Work" sub-index of the PMI plunged from 50.4 at the end of December to just 45.1 in February, well below the '50' expansion-contraction threshold.

The net result of all of the above is that Vietnam's Manufacturing PMI remained in contractionary territory for the third month in-a-row at 49.2, which is in-line with our expectation for a slowdown in manufacturing output growth from 10% in 2024 to 7% in 2025.

While manufacturing faces likely headwinds, the Government is actively stimulating the economy and significantly increased its 2025 infrastructure spending target in February, aiming to achieve a near 40% increase in spending on the construction of roads, ports, and power infrastructure this year to USD 36 billion or 7% of GDP. This is in-line with our expectation that Vietnam's GDP growth will be supported by public spending this year.

In addition, the Government is encouraging banks to lend more aggressively into the economy, which has raised some concerns about the possibility that inflation could tick upward later in the year. However, CPI inflation in Vietnam actually fell from 3.6% YoY in January to 2.9% in February driven by a drop in food price inflation and slightly softer energy prices, and as such we are not currently concerned about inflation in Vietnam, especially given recent, weak global oil prices.

Another possibility is that the Government's aggressive growth targets (and the measures it encourages to achieve those targets) could add depreciation pressures on the VN Dong later in the year. The USD-VND exchange rate depreciated by just 0.3% YTD as of end-February, but Vietnam's exchange rate has been fairly volatile driven by wide swings in the US Dollar/DXY Index. One of the main factors driving the USD has of course been Trump's repeated threats -- followed by retractions -- of stiff tariffs on China/Mexico/Canada and possibly the EU.

Critically, the FX market appears to agree with our view, evidenced by the relative stability of the value of the VN Dong compared to the Canadian Dollar and the Mexican Peso in the time period starting from the lead-up to the US presidential election until present.

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.