VinaCapital Vietnam Access Fund Limited (VAF)

28 February 2025

NAV/share: USD201.81

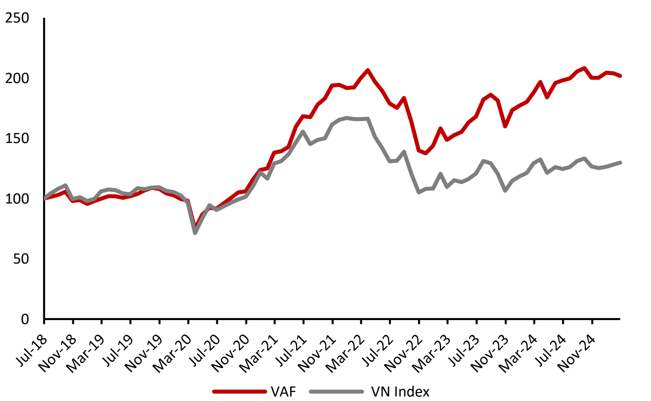
VAF is a Cayman Islands open-ended fund that invests in the Vietnam Equity Special Access Fund (VESAF), a Vietnam-regulated open-ended fund, with the flexibility to participate in IPOs as well as make direct investment in Vietnamese listed and unlisted securities.

PERFORMANCE SUMMARY

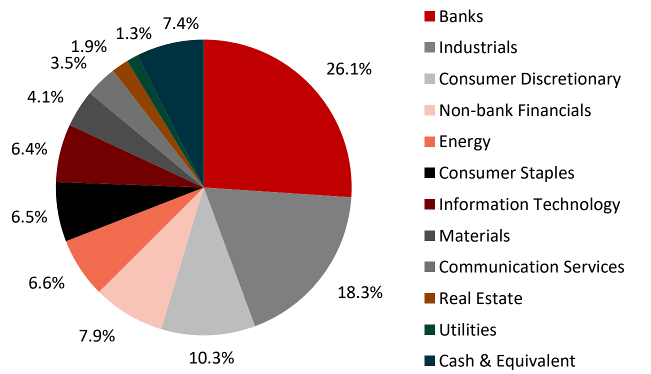
	Fund	VN Index
February 2025 (m-o-m)	-1.0%	1.3%
YTD	-1.2%	2.8%
3-year annualized	0.3%	-7.9%
5-year annualized	15.5%	6.1%
Annualized since inception*	11.1%	4.0%
Accumulated since inception*	101.8%	29.9%
Annualized standard deviation	20.2%	22.7%

**Inception date: 03 July 2018*

PERFORMANCE CHART



SECTOR ALLOCATION



TOP HOLDINGS

Ticker	Market Cap (USDm)	Sector	% of NAV	2025 PE	2025 ROE
ACB	4,544	Banks	8.0%	6.3	19.5%
BVH	1,644	Non-bank Financials	7.4%	11.3	13.5%
FPT	8,076	Information Technology	6.4%	21.9	26.7%
GMD	983	Industrials	5.9%	14.7	12.8%
MWG	3,334	Consumer Discretionary	5.5%	16.5	16.2%
MBB	5,492	Banks	4.7%	5.4	19.6%
DGC	1,657	Materials	4.1%	11.1	23.3%
VIB	2,419	Banks	4.0%	6.9	18.4%
VPB	5,991	Banks	3.9%	8.2	12.3%
FMC	122	Consumer Staples	3.6%	8.0	13.6%

Source: Bloomberg, VinaCapital's estimates

MONTHLY COMMENTARY

MARKET AND PORTFOLIO UPDATES

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.

The NAV per unit of VAF decreased by 1% in February, while the VN-Index rose by 1.3%. The benchmark was driven by Vietnam Rubber Group (GVR), large-cap banks, and the Vingroup families, where we are underweight. In contrast, the Information and Communications Technology (ICT) sector, where we are overweight, faced profit-taking pressures due to the rapidly changing AI competitive landscape. We have added a small-cap stock specializing in manufacturing traditional office and school supplies to our portfolio. We believe this stock has been overlooked by investors for many years, as domestic market expansion opportunities have become increasingly limited. Traditional products often face competition from digital products, while traditional distribution channels are gradually giving way to modern retail channels, including e-commerce.

However, we value the company's recent efforts to tap into Southeast Asian export markets. In the education segment, we see significant potential in the region, where many countries have large, young populations. These markets have customer groups who prefer traditional products that are affordable, reliable, and feature diverse, constantly refreshed designs. In the K-12 education segment, we believe these products face limited competition from tech due to limited screen exposure or from price rivalry. We expect the company to leverage its cost advantage, which has already driven its OEM revenue growth, and its expertise in building traditional distribution networks, which has helped it outperform larger competitors, to capture market share in Southeast Asia. This comes at a time when modern distribution channels, including e-commerce, have yet to fully penetrate the region due to infrastructure limitations. We believe that the company's stock valuation is currently undemanding, after adjusting for its net cash position and considering its potential for double-digit revenue growth in the coming years.

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.

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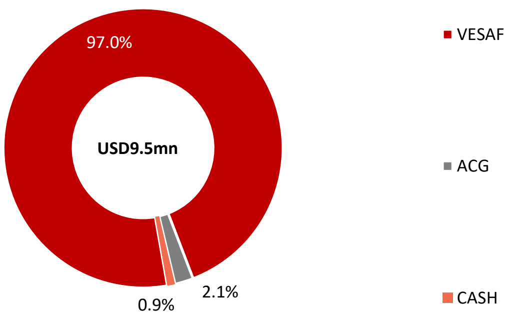

Small- & mid-cap	60.0%
Stocks traded on UPCoM	9.8%
Stocks at full Foreign Ownership Limit	26.3%

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

MACRO COMMENTARY

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.

VAF FUND INFORMATION

Launch date	03 July 2018
Fund size	USD 9.5mn
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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