Forum One - VinaCapital Vietnam Fund (VVF)

31 March 2025

Class A NAV/share: USD24.67

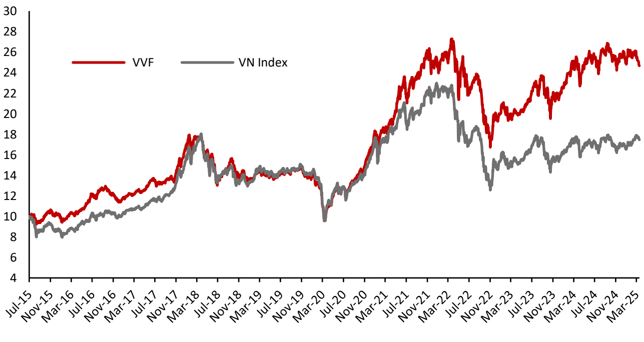
VVF is an actively managed UCITS-compliant fund that invests in equities and equity-related securities of companies that are based in Vietnam, with an objective to deliver long-term capital growth, through bottom-up stock picking and disciplined risk management. This UCITS is a product pursuant to Article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

PERFORMANCE SUMMARY

	Fund[1]	VN-Index
March 2025 (m-o-m)	-4.1%	0.1%
YTD (end-March)	-4.5%	2.8%
3-year annualized	-2.6%	-7.8%
5-year annualized	20.7%	12.7%
Annualized since inception[2]	9.7%	5.9%
Accumulated since inception[2]	146.7%	74.6%
Sharpe ratio (annualized since inception[2])	0.4	0.2
Standard deviation (annualized since inception[2])	20.1%	21.3%
Tracking error	7.7%	

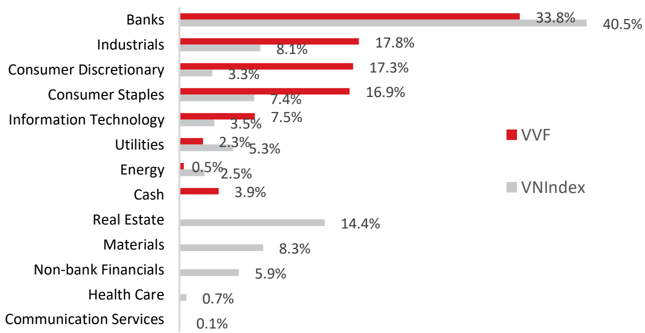
1. *Fund information calculated from Class A shares, on a net basis*
2. *Class A inception date: 14 July 2015*

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
GMD	945	Industrials	9.5%	13.9	12.8%
MWG	3,374	Consumer Discretionary	9.4%	16.7	16.2%
QNS	529	Consumer Staples	7.7%	5.6	23.1%
FPT	6,965	Information Technology	7.5%	18.9	26.7%
TCB	7,603	Banks	4.9%	7.5	15.7%
MBB	5,755	Banks	4.9%	5.6	19.6%
ACB	4,544	Banks	4.9%	6.3	19.5%
STB	2,825	Banks	4.8%	6.0	18.4%
VIB	2,314	Banks	4.8%	6.6	18.4%
VPB	5,899	Banks	4.8%	8.0	12.4%
VVF Port.				9.0	17.6%
VNIndex				10.7	15.1%

Source: Bloomberg, VinaCapital's estimates

MONTHLY COMMENTARY

MARKET AND PORTFOLIO UPDATES

The commentary below for VVF is for the month of March. As we know, the "Trump Tariffs" were announced on April 2nd, and with the 90 day pause, the world is still waiting to see what the solution will be. Here is a link to our report on the initial tariffs (pre-pause) and we will continue to share our insights as the situation becomes clearer.

In March 2025, the VN Index recorded a modest increase of 0.1%. A sectoral analysis reveals that only the Real Estate sector advanced, while the remaining 10 sectors suffered declines. The Real Estate sector's positive performance was exclusively driven by stocks of Vingroup companies, with VIC, VHM, and VRE appreciating by 40.8%, 24.5%, and 10.1%, respectively, on the back of the announcement of new real estate projects and the approval by the Ho Chi Minh City Stock Exchange (HOSE) of Vinpearl's listing application. During the first quarter of 2025, the VN Index advanced by 2.8%. Notably, Vingroup stocks accounted for approximately two-thirds of this increase.

The portfolio experienced a 4.1% decline in USD terms in March. Year to date, the fund has underperformed the benchmark by 7.3%. This was largely due to strong foreign selling pressure on the portfolio's top holdings and our zero exposure to the Vingroup family. The stock market has witnessed significant foreign investors' net sale on a year-to-date basis, exceeding USD 1.0 billion, after USD 3.7 billion outflow in 2024.

Gemadept (GMD) – Steering through the storm

GMD is among the fund's Top 3 holdings and was the largest detractor on the fund's performance. On YTD basis to end-March 2025, the stock price has declined by 11.8%. The stock has suffered from heavy selling, with net foreign selling of 28.7mn shares (6.8% of total shares outstanding), accounting for >40% of average daily trading for 3M25, and reducing foreign ownership from 41.3% end-2024 to 34.5% end-March 2025. In our opinion, the main concerns of investors are: 1) throughput volume at GMD's were at high level in 2024 and there is capacity constraint in 2025; 2) potential competition from new port capacity in both the North and South of Vietnam; 3) global trade slowdown. We are of different view.

On the ground, in 1Q25, the operational numbers at GMD's ports were very strong, with overall throughput volume up +24% YoY. The river-port cluster Nam Dinh Vu (NDV) in the North delivered volume of 355k TEU (+28% YoY, utilization ~100%) while the deep-sea port Gemalink (GML) in the South delivered 440k TEU (+25% YoY, utilization ~120%) (the port in the Central had slightly lower growth than the overall number). GMD is going to add new capacity for the river-port cluster in the North in 4Q25 to increase capacity to 2mn TEU, from 1.4mn TEU end-2024. In the South, phase-2 of GML is under way to double capacity to 3mn TEU in 2026, from the current 1.5mn TEU. The company is well-funded and capacity bottleneck is unlikely to be an issue, at least in the next 5 years. Direct goods transport to the US currently accounts for 10% at NDV and 20% at GML. Trade friction between US-Vietnam will have negative impact on the company's operation but its trade routes are well-diversified. Looking ahead in 2Q25, management expects strong momentum, thanks to new weekly services at GML and front-loading activities. According to management's preliminary estimates, 1Q25 profit-before-tax is expected to reach VND583bn (USD22.5mn), up +57% YoY in core earnings – ahead of our expectation.

On competition, we see new development both in the North and the South. However, threats of competition might be overrated. In the North, there are several deep-sea ports in Lach Huyen area (opposite GMD's NDV ports) commencing operation in 2025 & 2026. These are deep-sea ports acting as transhipment hub and for long-haul routes, different from NDV river-ports serving the shorter Intra-Asia routes. In addition, the floor price of terminal handling fee for river ports is 30-40% lower than that of deep-sea ports, separating the two segments. In the South, news of a giant deep-sea port in Can Gio (Ho Chi Minh City) of state-owned Vietnam Maritime Corporation (VIMC) and global-shipping operator Maersk poses a potential threat to GML in the long run. In our opinion, it would take a decade to start such a large-scale project, and VIMC needs to raise handling fee to accumulate enough capital to afford such a project.

The key threat is global trade slowdown and impact of US' tariff on Vietnam's trade. To mitigate this risk, GMD needs to diversify its routes by securing more shipping operators. Its strategic asset bases would be important, given the scale and more favourable location than peers. Management has been open to the idea of offering stake in GML to another strategic shipping operator to secure volume, besides the existing strategic investor CMA-CGM.

Additionally, there are several positive catalysts in the short term. The company expects the proposal to increase handling charges at GML will be approved in 2Q25 and the rubber plantation divestment will be done before AGM in June-2025, which should help improve the company's capital efficiency. The handling fee increase (expected at 10%) is meaningful to profit growth given the high operational leverage of the business. The fee in Vietnam is currently 40-50% below of that of regional peers.

Despite the crowd of foreign selling, we maintain our high conviction in the stock and expect fundamentals and stock price to converge in the long run.

MACRO INDICATORS

	2024	Mar-2025	YTD 2025	YoY (%)
GDP growth[1] (%)	7.1	6.9	6.9	
Inflation[2] (%)	3.6	3.1	3.2	
FDI commitments[3] (USDbn)	33.7	7.1	9.5	29.3
FDI disbursements (USDbn)	25.4	2.0	5.0	7.2
Imports (USDbn)	380.8	36.9	99.7	17.0
Exports (USDbn)	405.5	38.5	102.8	10.6
Trade surplus/(deficit) (USDbn)	24.8	1.6	3.2	
Exchange rate (USD/VND)[4]	25,485	25,565	25,565	

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	5493003GR1U7LK7K6767
Trading Period	Daily Subscriptions/Redemptions
Fund Size	USD70.2m
Incorporation	Luxembourg
SFDR Classification	Article 8
Registered	UK, The Netherlands, Germany, Singapore, Austria, Switzerland, Sweden, France, Spain, Italy
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)

MONTHLY COMMENTARY (cont'd)

Impact of US tariff on other top holdings

Besides GMD, the US tariff policy has had significant negative impact on several of our top holdings that have exposure to the US market, including FPT and VHC, whose stocks suffered indiscriminate selling from investors.

Regarding FPT, the company generated less than 15% of its revenue from IT outsourcing services to US companies. The US tariff scheme does not cover the services sector; however, after discussing with management, we understand that there might be a slowdown in demand from US market. Nevertheless, high backlogs from other markets (e.g. Japan) would offset the weakness from the US market and would help the company to deliver +20% yoy growth in bottom line for 2025. Other pillars of the group (51% of revenue from telecom and education) are purely domestic-driven and do not face the external headwinds.

For VHC, the US is the company's largest market, accounting for c.40% of VHC's revenue and c.20-25% of its operating profit. Management estimated that if the 46% blanket tariff on Vietnam exports to the US applies, its projected net profit could decline by 15-30% vs. its initial plan (which had 2025 net profit +22% yoy). This assumption is conservative, given: 1) pangasius is not farmed in the US, and the direct competitor of pangasius fish in the US is tilapia fish from China, which was penalized with even higher tariff; 2) the incremental cost to end users is fairly small, on a very basic product, so that the price hike may not impact demand; 3) we are seeing front-loading activities on the ground which will boost short-term results; 4) on the local supply side, VHC's competitiveness remains unchanged; 5) VHC has been diversifying away from low-margin fillet fish exports for years in favour of higher-margin products.

While it is early for companies to have a clear assessment on the impact of US tariff policy, through discussion with export-related companies on the ground, we do see certain level of front-loading activities in sectors like ports, furniture, and agriculture products, which should boost their short-term financial results in 2Q25. In the long-term, the impact on each company will depend on both the absolute and the differential tariff that Vietnam has vs. other countries, as well as the nature of the product that the company offers. We have lowered earnings forecasts of the companies with direct or indirect negative impact from the US tariff policy, although the situation remains fluid, and we will continue to monitor how trade negotiations and other events unfold in coming weeks for potential portfolio adjustments. Given the increased uncertainty in global trade, we plan to reduce the portfolio's exposure to the FDI/Export theme, in favour of domestic facing companies with strong balance sheets and business resilience.

MACRO COMMENTARY

Vietnam's GDP growth slowed to 6.9% for the first quarter of 2025 after ending 2024 with 7.1% growth. The first quarter's growth was affected by the slowdown in export growth we have been forecasting, although that was partly offset by a pick-up in consumption (which we also expected) and by an unforeseen increase in tourist arrivals, which added well over 1%pts to Q1 GDP growth.

Foreign tourism accounts for about 8% of Vietnam's GDP and tourist arrivals jumped by 30% in Q1 after having surged 40% in 2024. The number of tourists visiting Vietnam recovered to pre-COVID levels last year, so we expected tourist arrivals growth to normalize to a circa 15% rate this year, in-line with the pre-COVID average. Instead, Chinese tourist arrivals nearly doubled year-on-year in Q1 for reasons discussed in this CNBC article, which in-turn drove the 30% jump in overall arrivals in the quarter.

Vietnam's export growth slowed from 14% in 2024 to 11% in 1Q25, owing to a predictable pattern in the inventory destocking/restocking cycle of large retail customers in the US. The possibility that Trump would target Vietnam with onerous tariffs did not significantly boost Vietnam's exports to the US until the very last few weeks of Q1 when production and exports to the US both surged.

The actions of US companies suggest that they did not expect Trump to target Vietnam, and we also ascribed to that view because targeting Vietnam goes against the US economic interest as well as against the Trump family's own economic interest, which we discussed in this report. Exports from much of Asia to the US soared in the months leading up to the April 2nd tariff announcement, but Vietnam's export growth to the US ranged between ~15-20% for six months until February, when exports to the US suddenly surged by over 30% yoy in March.

Furthermore, the "Production" sub-index of Vietnam's PMI popped last month after having contracted (or nearly contracted) for the previous six consecutive months. That lifted Vietnam's headline PMI from 49.2 in February to 50.5 in March. In contrast, the New Export Orders sub-index of the PMI started rolling over in mid-2024 (which we highlighted in several presentations and reports) and plunged further into contractionary territory in the month of March.

The combination of falling new orders together with a surge in production last month further depleted the backlogs at factories in Vietnam. Specifically, the "Backlog of Work" sub-index fell further, from 45.1 in February to 43.4 in March, which is a very negative leading indicator for production activity in the months ahead.

This slowdown in factory activity was an inevitable consequence of the inventory destocking-restocking cycle mentioned above. That said, the mini-surge of production in the last few weeks of March, coupled with the extreme uncertainty surrounding Trump's 90-day pause of Vietnam's 46% reciprocal tariffs, will likely lead to layoffs at some factories.

Layoffs would dampen consumer sentiment just as they did in early 2023. Sentiment has been steadily improving since mid-2024 and gathering momentum in recent months as evidenced by an acceleration in real retail sales (i.e., excluding inflation), from 5.9% in 2024 to 7.5% in 1Q25. We had been forecasting a steady increase in consumer sentiment and spending this year, expecting real retail sales growth to reach 8% for the full year, but we are currently reassessing that forecast in light of all of the above.

Finally, the value of the VN Dong was nearly unchanged in March and depreciated by less than 0.5% YTD as of end-March (and by around 2% YTD after Trump's tariff announcement). The stability of the USD-VND exchange rate in the lead-up to Trump's April 2nd tariff announcement reflected market confidence that Trump would not target Vietnam, although continued modest inflation in Vietnam (CPI inflation was 3.2% in March) also engendered confidence in the currency.

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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.*