

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.

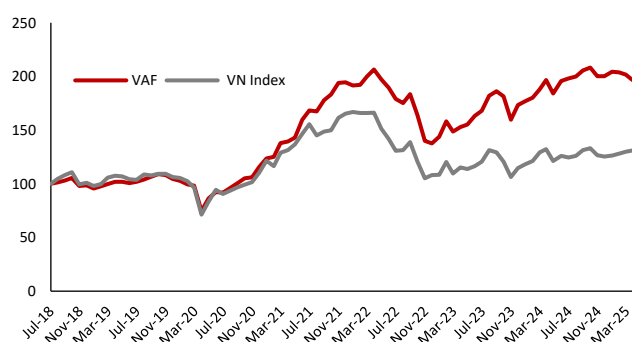
PERFORMANCE SUMMARY

As of 28 March 2025*	Fund	VN Index
March 2025 (m-o-m)	-2.6%	0.8%
YTD	-3.8%	3.6%
3-year annualized	-1.6%	-7.6%
5-year annualized	21.4%	12.9%
Annualized since inception**	10.5%	4.1%
Accumulated since inception**	96.6%	31.0%
Annualized standard deviation	20.1%	22.6%

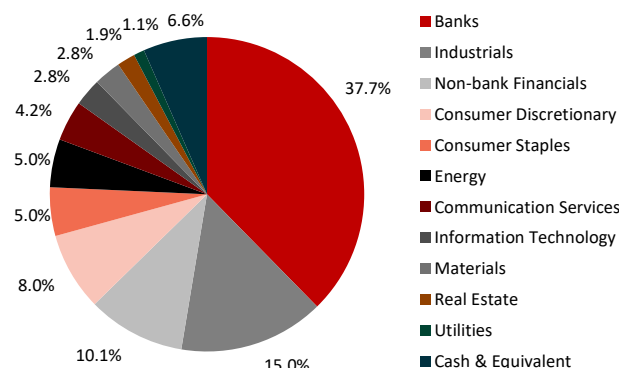
*Due to public holiday in Singapore on 31 March 2025, as-of date for both fund's NAV and VN Index in this performance table is 28 March 2025 (VAF's Fund Administrator is in Singapore)

**Inception date: 03 July 2018

PERFORMANCE CHART



SECTOR ALLOCATION



TOP HOLDINGS

Ticker	Market Cap (USDm)	Sector	% of NAV	2025 PE	2025 ROE
MBB	5,750	Banks	13.2%	5.6	19.6%
TCB	7,596	Banks	7.2%	7.5	15.7%
BVH	1,547	Non-bank Financials	7.1%	10.6	13.5%
ACB	4,541	Banks	5.3%	6.3	19.5%
MWG	3,371	Consumer Discretionary	4.6%	16.7	16.2%
GMD	945	Industrials	4.5%	13.9	12.8%
CTG	8,703	Banks	3.9%	7.1	17.7%
VIB	2,312	Banks	3.4%	6.6	18.4%
VPB	5,894	Banks	3.3%	8.0	12.4%
FOX	1,756	Communication Services	3.2%	14.4	25.2%

Source: Bloomberg, VinaCapital's estimates

MONTHLY COMMENTARY

MARKET UPDATE

The commentary below for VAF 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 our [report](#) on the initial tariffs (pre-pause) and we will continue to share our insights as the situation becomes clearer.

The VN Index recorded a modest increase of 0.1% in the review month (as of 31 March 2025). 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 40.7%, 24.2%, and 12.0%, 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.

FUND UPDATE

The NAV per unit of VAF declined 2.6% in March and 3.8% YTD, while the VN-Index was flat for the month and increased 2.8% YTD. This level of underperformance is unusual and is not consistent with our performance since inception.

First, the fund does not hold the Vingroup stocks, and this contributed the most to our portfolio's underperformance. While we acknowledge the scale of these blue-chip companies, at present we can find more attractive investment opportunities in many other businesses with more visible earnings, less aggressive leverage, and more reasonable valuations.

Next, our decision to be underweight financials and overweight information & communication technology (ICT) was also a notable cause of underperformance. We think the appearance of new entries such as DeepSeek could cause the economics of ICT incumbents to be negatively impacted, while a moderately loose monetary policy intended to support Vietnam's domestic economy could also benefit financials. We have adjusted our portfolio to reflect this view by increasing our financials weight and reducing our ICT weight during Q1 2025. However, we believe in some cases, the market may have over-reacted, based on speculation, in both sectors, contributing to our underperformance. We are confident that our thoughtful stock selection and position sizing for both sectors will gradually bear fruit.

Finally, we observe that our decision to be overweight in certain exporters/industrial park operators (all of which are SMID-caps) also hurt the fund's performance as investors derisked amidst uncertain global trade prospects. We acknowledge the uncertainties surrounding export growth/FDI inflows in the economy in 2025. However, we note that our carefully selected exporters and industrial park operators have compelling cost/location advantages, solid dividend track records, and undemanding valuations. We believe their ability to gain market share amidst challenging market conditions will gradually deliver shareholder returns.

We have good reasons to remain cautiously optimistic, despite a challenging environment where panic selling and speculative share price rallies seem to triumph over fundamentals. First, the fund did go through similarly challenging markets in the past (negative alphas in 2018 and 2019, or a negative return in 2022), but still managed overcome challenges and delivered an annualized alpha of 6.6% since inception. Second, we believe the heightened volatility will continue to present attractive buying opportunities. In April, we had the rare opportunity to aggressively buy two stocks, both with very large net cash positions relative to market capitalization and very compelling domestic growth prospects. We plan to continue identifying good bargains for the portfolio, especially domestic facing companies with strong balance sheets and business resilience, throughout the rest of the year amidst the high expected volatility. Third, we believe the VAF portfolio has very low valuation multiples (discount to the already cheap market), which leaves ample room for re-rating when the dust settles.

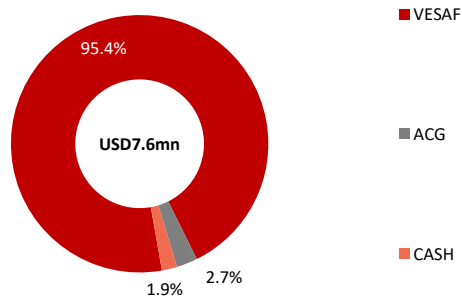
MACRO UPDATE

Vietnam's GDP growth dipped 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 accounted 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.

PORTFOLIO ALLOCATION



Small- & mid-cap	53.1%
Stocks traded on UPCoM	8.5%
Stocks at full Foreign Ownership Limit	33.2%

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

MONTHLY COMMENTARY

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 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.

VAF FUND INFORMATION

Launch date	03 July 2018
Fund size	USD 7.6mn
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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