VinaCapital Modern Economy Equity Fund (VINACAPITAL-VMEEF)

As of 30/04/2025

VINACAPITAL-VMEEF Investment approach

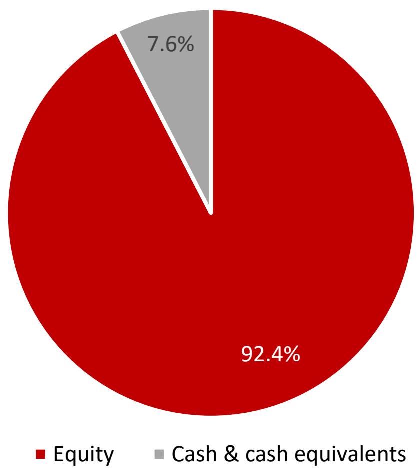
The fund's strategy is to construct a portfolio of companies that benefits from Vietnam's long-term economic growth drivers, to be accumulated at reasonable prices.

Because Vietnam's long-term economic growth goes hand in hand with its modernization, the fund prioritizes investments in companies that directly provide products and services catering to the modern living and working needs of customers.

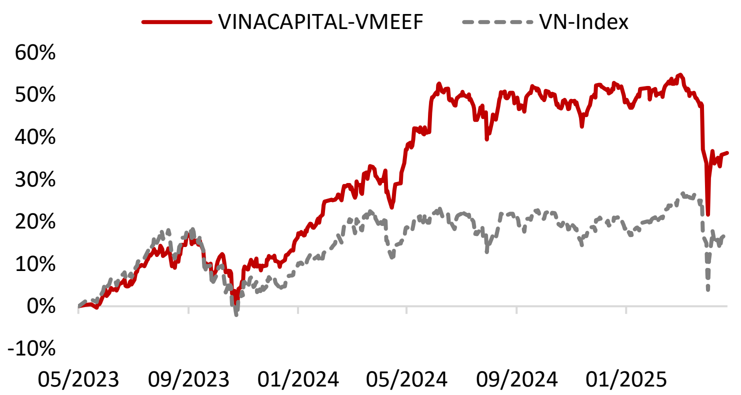
These companies include, but are not limited to, banks with modern mobile banking products, retailers/distributors of modern household appliances and electronics, urban real estate developers serving the middle/upper class, businesses supporting the e-commerce industry, software solution providers, and companies applying technology to improve production processes.

Investment allocation

% Total NAV



NAV growth since inception



The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your fund units. Current performance may be higher or lower than the performance data quoted.

Fund information

Inception	04 May 2023
Management fee	1.75% per annum
Subscription fee	0.0%
Redemption fee	2.0% < 12 months 1.5% >= 12 months 0.5% >= 24 months
PIT	0.1%
Custodian and Supervisory Bank	Standard Chartered Bank Ltd. (Viet Nam)
Auditor	PwC Vietnam
Trading frequency	Daily, from Monday to Friday
Benchmark	VN-Index

Fund performance

	VINACAPITAL-VMEEF	VN-Index
Total AUM (VND billion)	1,948.0	
NAV/Share (VND)	13,621.4	
Apr 2025 return (%)	(7.5)	(6.2)
YTD 2025 return (%)	(10.2)	(3.2)
3-year annualized return (% p.a.)	-	-
5-year annualized return (% p.a.)	-	-
Annualized return since inception (% p.a.)	16.9	8.0
Cumulative return since inception (%)	36.3	16.4

(The NAV is net of management fee and administrative expenses)

Portfolio statistics

	VINACAPITAL-VMEEF	VN-Index
2025 P/E (x)	9.4	10.0
2025 P/B (x)	1.5	1.5
2025 ROE (%)	16.4	15.0
Dividend yield (%)	2.8	2.1
Portfolio turnover (%)	51.8	-
Sharpe ratio	0.8	0.3
No. of equities	28	413

Source: VinaCapital's forecast

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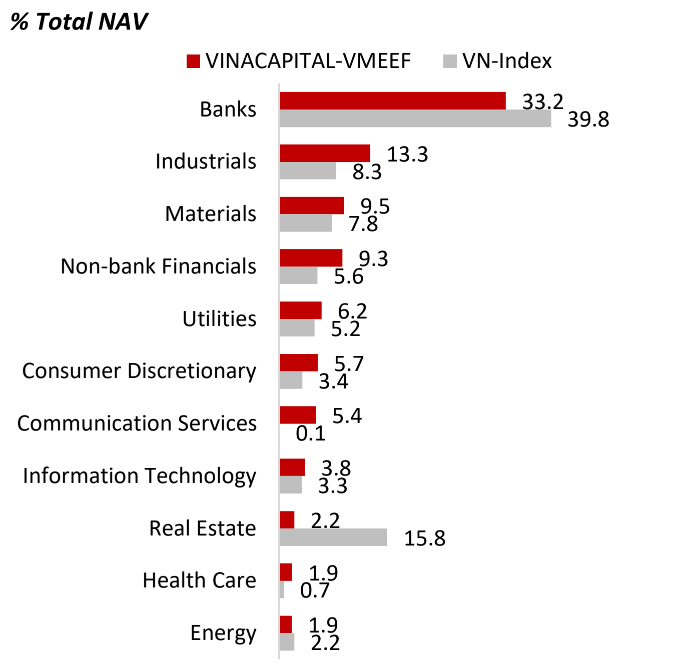
Sector allocation



Top holdings

Equity	Sector	% NAV
MBB	Banks	7.9
TCB	Banks	6.8
DGC	Materials	5.1
BVH	Non-bank Financials	4.9
FOX	Communication Services	4.4
VCI	Non-bank Financials	4.3
VCB	Banks	4.2
ACB	Banks	4.2
ACV	Industrials	4.1
GAS	Utilities	4.1

Comments from fund manager

MARKET UPDATE

The Vietnamese stock market faced significant pressure in April 2025, with the VN-Index declining 6.2% for the month and 3.2% over the first four months of the year. On April 2, U.S. President Donald Trump imposed unexpectedly high reciprocal tariffs, with Vietnam facing a steep 46% rate. Within just four trading days, the VN-Index dropped from 1,317.8 to 1,094.5, equivalent to a 16.9% decline. However, on April 9, the U.S. announced a 90-day suspension of the tariffs to facilitate negotiations with affected countries, which helped the market recover part of its earlier losses.

The stocks under the Vingroup conglomerate continued to move against the market's decline in the month, with VIC, VHM, and VRE rising by 17.2%, 13.8%, and 23.5%, respectively. Foreign investors net sold USD 562 million across all three exchanges in April, the highest level since June 2024, marking a 31% MoM increase. The average daily trading value across the three exchanges was VND 25.6 trillion, up 11% MoM, with the April 4 session seeing VND 45.2 trillion in trading, driven by panic selling in the market.

Vietnam's macroeconomic indicators in April remained stable. The Industrial Production Index (IIP) rose by 8.9% YoY in April and 8.4% over the first four months of the year, with the manufacturing sector surging by 10.1%. Exports grew by 19.8% YoY in April, notably with a 33% YoY increase in exports to the U.S., resulting in a trade surplus of USD 3.8 billion for the first four months of the year. Domestic consumption showed clear improvement, with total retail sales increasing by 11.1% YoY in April and 9.9% over the first four months. Public investment disbursement rose by 16.3% YoY in the first four months, amounting to VND 128.500 trillion, achieving 15.6% of the plan set by the Prime Minister.

The average Consumer Price Index (CPI) increased by 3.2% YoY in the first four months. Credit growth reached 4% compared to the end of 2024. However, the USD/VND exchange rate rose by 1.7% in April due to concerns over the impact of U.S. tariff policies, bringing the year-to-date increase to 2.1%.

The outlook for the second half of the year is harder to predict and largely depends on the outcome of tariff negotiations between Vietnam and the U.S. The Purchasing Managers' Index (PMI) dropped to 45.6 in April from 50.5 in March, as production output, new orders, employment, and purchasing activities all declined, reflecting concerns about the potential tariff impact.

On May 4, 2025, the Politburo issued Resolution No. 68-NQ/TW on the development of the private sector, emphasizing that the private economy is the most important driver of the national economy. This is a significant development, which we explore in more detail in this recent report.

Listed companies reported stable growth in Q1, with the total net profit of companies on HOSE rising by 12.5% YoY. Key sectors such as banking, real estate, consumer goods, materials, and technology all recorded double-digit growth.

FUND UPDATE AND INVESTMENT OUTLOOK

The NAV per unit of VINACAPITAL-VMEEF declined 7.5% while the VN-Index declined 6.2% in April. The fund's underperformance against the benchmark can be almost entirely attributed to the robust performance of the stocks under the Vingroup conglomerate, which we do not hold. While the current heightened volatility of the market has negatively impacted the fund's short-term performance, we note that it also presents us with rare opportunities to invest in companies with high returns on capital and high growth at attractive prices.

While we modestly reduced our banking exposure during April to mitigate against potential macroeconomic risks in 2025, we significantly added to our existing positions in Duc Giang Chemicals (DGC), together with Airports Corporation of Vietnam (ACV) and PetroVietnam GAS (GAS).

DGC faced panic selling during the month as investors derisked from export names, with 68% of DGC's 2024 revenue coming from export markets. In short, we think the market has overlooked the nature of DGC's export business as well as its ability to expand its business domestically.

Our analysis shows that the company's net cash position, which is not tied to its daily working capital needs and can be deployed flexibly, currently accounts for about one-third of its market capitalization. At the peak of the panic selling pressure, this level of free cash – a defensive type of asset with the potential to be deployed at high returns on capital – accounted for nearly 40% of its market capitalization. We are confident DGC will gradually deploy this free cash with high returns on capital, given its solid track record and the potential for chemicals to provide higher value-added products to Vietnam's domestic manufacturing sector (from its current low base compared with other countries such as China, India and Indonesia, based on World Bank data).

DGC's core operation – manufacturing phosphorus-based products – is a cash-generative business. Yellow phosphorus (P4) and downstream phosphate-based products have a tightly controlled global market, with limited input materials and a wide range of output applications, for both industrial and agricultural usage. Many of these applications are non-cyclical in nature. We estimate that even with the recently proposed increase in export taxes (from 5% to 15%), the net present value attributable to DGC's free cash flow from its phosphorus-based production could conservatively be worth more than two-thirds of the company's market capitalization.

This means the market is giving away DGC's real estate side business, its non-phosphorus businesses (such as ethanol), and its potential to invest in other long-term chemical manufacturing projects for free. We note that while the real estate side business is a one-off opportunity for the company to convert its old factory into an apartment building (and is not a priority business), its value could be significant. We also note that its current expansion project, Nghi Son Complex, specializing in caustic soda (NaOH), has secured much of its output from domestic clients, and is poised to deliver returns on capital far exceeding the company's cost of capital. DGC's current trailing return on invested capital (ROIC) exceeds 20%.

We believe the market will continue to be volatile over the balance of the year, as trade negotiations and their ramifications may not be straightforward. But any volatility may present further opportunities such as the one described above. We remain committed to our investment strategy and are confident we will be able to construct a portfolio of high-return companies purchased at attractive prices during this year.

Monthly returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	-	-	-	-	0.4%	4.3%	8.5%	0.8%	-4.1%	-9.0%	9.5%	3.5%	13.2%
2024	5.7%	7.1%	3.7%	-2.9%	9.4%	4.5%	0.0%	2.0%	0.4%	-1.5%	0.5%	1.6%	34.0%
2025	-0.1%	0.6%	-3.5%	-7.5%									-10.2%