Forum One - VinaCapital Vietnam Fund (VVF)

VinaCapital

29 April 2025

Class A NAV/share: USD22.37

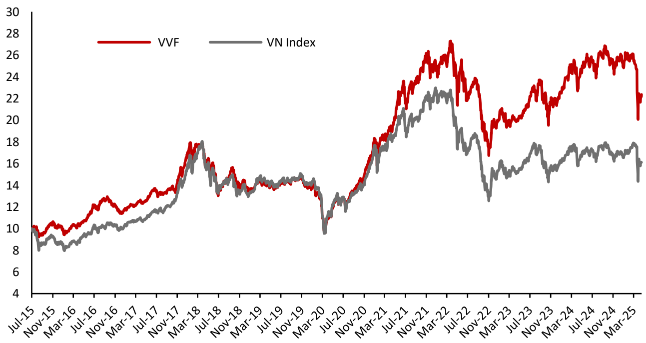
VVF is an actively managed UCITS-compliant fund that invests in equities and equity-related securities of companies that are based in Vietnam, with an objective to deliver long-term capital growth, through bottom-up stock picking and disciplined risk management. This UCITS is a product pursuant to Article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

PERFORMANCE SUMMARY

	Fund[1]	VN-Index
April 2025 (m-o-m)	-9.3%	-7.7%
YTD (end-April)	-13.4%	-5.1%
3-year annualized	-4.1%	-7.4%
5-year annualized	14.9%	7.5%
Annualized since inception[2]	8.6%	5.0%
Accumulated since inception[2]	123.7%	61.1%
Sharpe ratio (annualized since inception[2])	0.3	0.2
Standard deviation (annualized since inception[2])	20.3%	21.4%
Tracking error	7.6%	

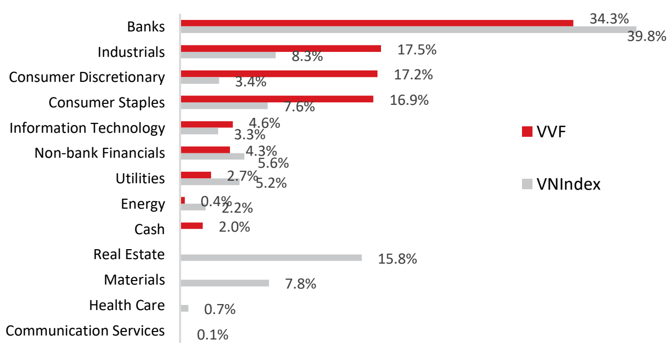
1. *Fund information calculated from Class A shares, on a net basis*
2. *Class A inception date: 14 July 2015*

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	857	Industrials	10.0%	14.8	11.3%
MWG	3,461	Consumer Discretionary	9.8%	16.5	16.8%
QNS	501	Consumer Staples	8.8%	6.8	21.7%
TCB	7,152	Banks	5.6%	7.6	14.7%
ACB	4,135	Banks	5.4%	6.0	18.3%
VHC	429	Consumer Staples	5.0%	8.6	14.0%
MBB	5,531	Banks	4.9%	5.6	19.2%
STB	2,837	Banks	4.7%	5.9	19.3%
CTG	7,689	Banks	4.7%	6.7	16.8%
FPT	6,195	Information Technology	4.6%	17.1	26.5%
VVF Port.				9.0	15.8%
VNIndex				10.0	15.0%

Source: Bloomberg, VinaCapital's estimates

MONTHLY COMMENTARY

MARKET AND PORTFOLIO UPDATES

The reciprocal tariff announced by US President Donald Trump on 2nd April did not cause a financial crisis but a trade crisis, one that is subject to negotiation, concessions and ultimately an agreement. This is a global issue, involving over 70 parties and tens of thousands of items to be negotiated between the US and various countries. The market's reaction to the 2nd April announcement was similar to one of a financial crisis, without regard for companies' business results or market positioning, or even whether companies are affected by the tariff or not. From 2nd April to 9th April 2025, the Vietnam equity market fell by 18% in USD terms, reaching a trough on 9th April, with stocks of nearly all companies trading at their limits down for consecutive days, reflecting investors' fears. We saw this phenomenon before, most recently when Covid first struck in Vietnam in February 2020, causing the stock market to plunge 33% before recovering some weeks later.

Will the market reverse course this time, as it did during the Covid period? By the latter half of April 2025, the market had quickly appreciated by 12% from its 9th April trough, ending the month down 7.7% MoM. There are some similarities between this trade crisis and Covid crisis, including trade friction, fragmented global markets, delays in fixed asset disbursement, and the government's willingness to intervene. Despite these qualitative factors, we have not tried to predict the tariff level of Vietnam's exports to the US, but rather focused on the strength of the balance sheets of the listed companies and the competitiveness and flexibility of their business models, which provide some level of protection to their growth strategies in the long-term. Trade negotiations, which are beyond companies' control, are unpredictable and could take some time, requiring companies to be agile, supported by the strong foundations of their balance sheets, to overcome this level of uncertainty. While we could not have predicted the level of tariffs the US initially proposed, we were well-prepared by investing in companies with conservative balance sheet and business competitive advantage.

At the trough on 9th April, the market's valuation looked particularly interesting. It was trading at a multi-year low P/B of 1.4x, with cash and cash equivalents accounting for 9.3% of total market capitalization. Our portfolio corrected more than the market during the first half of the month, due to the portfolio's higher exposure to trade-related sectors (port, industrial park, exporters, accounting for approximately 20% of the portfolio) which suffered from poor investor sentiment, but which quickly caught up with the market in the second half of the month, ending April at -9.3% MoM and slightly underperforming the market by 1.7%. Our underperformance YTD was largely due to our zero exposure to some of the largest stocks that do not meet our investment criteria. We are disciplined in our investment approach, selecting stocks based on fundamentals of the companies and avoid chasing momentum stocks.

The Traditional Business of Mobile World Corporation (MWG) – Information & Communications Technology and Consumer Electronics

Over the past decade, Vietnam's Information & Communications Technology ("ICT") and Consumer Electronics ("CE") market has experienced a robust growth, achieving a CAGR of 7% in USD term. Supported by Vietnam's large population and fast rising consumer spending power, the market size of ICT/CE segment had reached a sizable level of USD8bn in 2024. Starting as a small distributor in 2004 with 4 stores, MWG has become Vietnam's leading ICT retailer over the past 2 decades, boasting the highest revenue and largest store network, with current dominant market share of 50% in ICT and 40% in CE. This consolidation of market share has been brutal to competitors, when MWG accelerated its store opening in various formats, in both urban and rural areas, over the past decade. Large exodus happened in the early 2020s, when competitors such as Tran Anh, Vien Thong As, etc. were folded or acquired by larger players. The second largest player in ICT/CE is another listed company, FRT, who operates around 630 stores vs. MWG' of more than 3000 stores. ICT/CE is the most important sector for MWG, contributing 67% in revenue and 81% in profit for the company in FY24.

After an aggressive expansion phase from 2020 to 2022, the company encountered macroeconomic challenges in 2H22 through to 2024, prompting a strategic shift. The downturn in consumer spending on discretionary electronics rendered many newly opened stores unprofitable, leading MWG to adopt a "reduce quantity – increase quality" approach, emphasizing efficiency and profitability over store count. Starting in 2022, both MWG and its chief rival, FPT Retail (FRT), scaled back their store networks, though MWG's footprint remains considerably larger. Market leader MWG cut ~12% of its stores while FRT removed ~20% of its stores between end-2022 and 1Q25. The price war hit the industry, and all players suffered. Despite that, MWG stood out in terms of profitability, with net margin of ICT/CE business staying at high level, 1.6% in 2023 and 3.4% in 2024, compared to those of the next rival FRT of -3.0% in 2023 and -0.4% in 2024. The margin gap reflects MWG's superior operational efficiency.

The retail market started to pick up in 2024 with improvement in the local economy. Market consolidation has largely completed and thus price war was no longer called for. Profitability came back in 2024 & 1Q25, thanks to both volume growth and margin normalization. On ICE/CE segment alone, MWG delivered 1Q25 net sales of USD950mn (~61% of total sales), +14% yoy, and estimated net profit of USD50mn (~87% of total profit), +38%. The net margin of 5.2% is close to historically high level. By comparison, FRT delivered 1Q25 net sales of USD 140mn (+3% yoy), and estimated net loss of USD 740k on ICT/CE, reduced from the loss of USD 2mn in 1Q24. The moat has widened between the market leader and the rest.

Looking ahead, while most of investors' focus is on MWG's fast growing groceries retail business, we expect ICT/CE to still be the bread & butter contributor to the bottom-line for the group in the next 5 years. Increasing per capita income, recovery of the real estate market, and further consolidation of market share (management's ambition of achieving 70-80% ICT/CE market share by 2030) are critical factors. Besides improvement in same per store sales, there is initiative in leveraging its extensive store network to diversify into financial services, transforming over 3,000 TGDD/DMX locations into "convenient financial service points" in partnership with a bank, offering banking services such as deposits, withdrawals, and transfers.

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MACRO INDICATORS

	2024	Apr-2025	YTD 2025	YoY (%)
GDP growth[1] (%)	7.1		6.9	
Inflation[2] (%)	3.6	3.1	3.2	
FDI commitments[3] (USDbn)	33.7	2.5	12.0	33.2
FDI disbursements (USDbn)	25.4	1.8	6.7	7.3
Imports (USDbn)	380.8	36.9	136.6	18.6
Exports (USDbn)	405.5	37.4	140.3	13.0
Trade surplus/(deficit) (USDbn)	24.8	0.6	3.8	
Exchange rate (USD/VND)[4]	25,485	25,970	25,970	

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	USD57.8m
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)

Given its proven success formula in Vietnam, MWG expected to replicate the experience in other Southeast Asian markets. Its JV in Indonesia, EraBlue, has achieved scale of 95 stores in 1Q25 (revenue USD27mn), after 3 years of operation. Management had been cautious in store opening in this oversea experience for the first few years, much slower than execution pace in its familiar home market. But after honing the crafts, management was confident in rapid expansion for 2025, aiming to scale up to 150 stores by the end of 2025 and 500 stores by 2027 in Java Island alone. Indonesia, with population of 285mn, nearly 3 times that of Vietnam and is at about the same level of economic development like Vietnam, is a hugely promising market. We expect IPO of EraBlue at some point in the future.

We maintain our view that MWG is the best exposure to the burgeoning domestic consumption in Vietnam.

MACRO COMMENTARY

President Donald Trump's April 2nd announcement of unexpectedly severe 46% “reciprocal tariffs” on Vietnamese exports to the US, followed by a 90-day “pause” initiated a week later, triggered a significant surge in exports from Vietnam. This export rush, which we anticipated in our recent webinar, markedly influenced Vietnam’s economy during April.

Prior to these announcements, the consensus expectation of approximately 10% tariffs on Vietnamese goods meant there was no significant pre-emptive rush to import “Made in Vietnam” products into the US. This contrasted with other Asian economies, where US customers front-loaded purchases to avoid tariffs, causing export surges. Vietnam’s export growth to the US remained steady, ranging between 15-20% year-on-year (YoY) for six months, before accelerating to 32% YoY in March as news of the impending tariffs began to circulate.

This export momentum continued into April, with a 33% YoY increase, as US firms expedited purchases ahead of the 90-day pause expiry. Consequently, factory production accelerated from 9.5% YoY in the first three months of 2025 (3M25) to 10.1% YoY for the year-to-April (4M25). New export orders plunged, however, reflecting tariff uncertainty. The new export sub-index of Vietnam’s Purchasing Manager’s Index (PMI), which began its decline in mid-2024—a trend we have previously noted as initially driven by US retailers' inventory cycles—continued its downward trajectory.

The sustained fall in the new export orders sub-index (from 45.9 in March to 44.4 in April), alongside the persistently low “backlog of work” sub-index (43.5 in April), act as strong negative leading indicators for manufacturing performance later this year. These trends are now beginning to impact factory employment, which a lagging indicator, because companies typically delay workforce reductions for as long as possible.

The PMI's employment sub-index fell sharply from 48.4 in March to 44.3 in April, falling to a level essentially unseen post-COVID recovery. Cumulatively, these factors led to a plunge in the headline PMI from 50.5 in March to 45.6 in April. The anticipated slowdown in manufacturing later in 2025, combined with the indirect effects of weaker consumption due to a softening labor market outlook, underpins our forecast: we expect these tariff impacts to reduce Vietnam’s GDP growth by approximately one percentage point this year, resulting in estimated GDP growth of 6-6.5% Despite these headwinds, several mitigating factors are at play. Negotiations between Vietnamese and US trade officials are underway as of the publication of this report, positioning Vietnam among the first countries to engage in such discussions with the US. Furthermore, the Vietnamese Government is taking increasingly decisive steps to bolster the economy, including structural reforms and the recently announced “Resolution 68” measures regarding the private sector.

Importantly, the tariff-related uncertainties have not yet derailed the ongoing improvement in consumer sentiment and consumption that began in mid-2024. Real retail sales growth edged up from 7.5% YoY in 3M25 to 7.7% YoY in 4M25. Finally, concerns over a potential US/global economic slowdown, largely driven by trade uncertainty, have contributed to a 20% decline in global oil prices since mid-January. This, in turn, has helped contain inflationary pressures in Vietnam. CPI inflation was well managed at 3.1% YoY in April, with domestic retail petrol prices down over 20% YoY.

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.