Forum One - VinaCapital Vietnam Fund (VVF)

30 May 2025

VinaCapital

Class A NAV/share: USD23.92

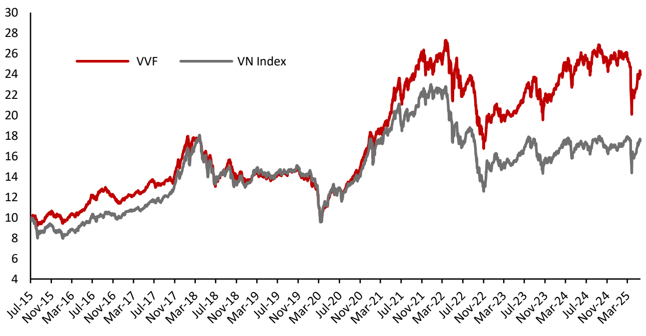
VVF is an actively managed UCITS-compliant fund that invests in equities and equity-related securities of companies that are based in Vietnam, with an objective to deliver long-term capital growth, through bottom-up stock picking and disciplined risk management. This UCITS is a product pursuant to Article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

PERFORMANCE SUMMARY

	Fund[1]	VN-Index
May 2025 (m-o-m)	6.9%	8.6%
YTD	-7.4%	3.0%
3-year annualized	-0.7%	-2.8%
5-year annualized	13.8%	6.6%
Annualized since inception[2]	9.2%	5.8%
Accumulated since inception[2]	139.2%	74.9%
Sharpe ratio (annualized since inception[2])	0.4	0.2
Standard deviation (annualized since inception[2])	20.3%	21.5%
Tracking error	7.6%	

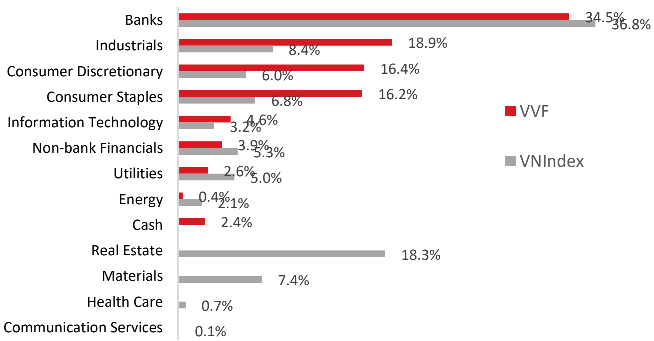
1. *Fund information calculated from Class A shares, on a net basis*
2. *Class A inception date: 14 July 2015*

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	967	Industrials	10.5%	16.7	11.3%
MWG	3,533	Consumer Discretionary	9.3%	16.9	16.8%
QNS	673	Consumer Staples	8.5%	7.1	21.7%
TCB	8,276	Banks	6.1%	8.8	14.7%
ACB	4,170	Banks	5.1%	6.0	18.3%
VHC	479	Consumer Staples	5.0%	9.6	14.0%
MBB	5,717	Banks	4.8%	5.8	19.2%
FPT	6,639	Information Technology	4.6%	18.3	26.5%
STB	2,952	Banks	4.6%	6.1	19.3%
VIB	2,052	Banks	4.6%	6.4	17.2%
VVF Port.				9.3	15.8%
VNIndex				11.0	15.1%

Source: Bloomberg, VinaCapital's estimates

MONTHLY COMMENTARY

MARKET AND PORTFOLIO UPDATES

After the sharp sell-off triggered by the announcement of "reciprocal tariffs" from the U.S. administration in April, the Vietnamese equity market rebounded strongly in May. The VN-Index rose 8.6% month-on-month, recovering much of the ground lost during the previous month's correction. A key driver of this rally was the Vingroup ecosystem, now comprising four listed entities following the debut of Vinpearl (VPL), which is 85.5% owned by Vingroup and currently has a market capitalization of approximately USD 6 billion. Collectively, the Vingroup-related stocks (VIC, VHM, VRE, VPL) contributed 3.9 percentage points of the 8.6% gain in the index for the month. Their combined weight in the VN-Index rose to 16.0% at end-May 2025, up from 6.9% at the beginning of the year (not adjusted for crossholdings). Year-to-date, these stocks have posted significant returns: VIC +137.7%, VHM +90.0%, VRE +57.0%, and VPL +3.8% since listing.

Our portfolio remains unexposed to the Vingroup group of companies, and this relative underweight continued to detract from our performance in May. Nonetheless, the fund delivered a solid 6.9% return for the month, recouping much of the April drawdown. This was primarily driven by strong recoveries in export-oriented sectors, including Exporters (+11.5%), Ports (+12.6%), and Industrial Parks (+18.7%). As highlighted in last month's report, we believed the April sell-off presented a buying opportunity and thus deployed the majority of our available capital, reducing our cash position to 2.4% by month-end.

While negotiations between Vietnam and the U.S. are ongoing and some easing in trade tensions has occurred, tariff risks remain unpredictable. Nevertheless, our investment discipline centers on valuation and balance sheet strength—factors that offer inherent downside protection. At the end of May, the VN-Index was trading near the lower end of its historical P/E range at 11.0x, while our portfolio was valued at a discounted forward P/E of 9.3x, underpinned by robust fundamentals. This valuation cushion gives us confidence in the resilience of our holdings amidst ongoing uncertainty.

Brokerage sector

During the April market correction, we increased our exposure to the Brokerage sector, bringing its weight to approximately 4%. While we have held positions in brokerage stocks in the past, they have typically been tactical in nature, with shorter holding periods and narrower trading ranges—reflecting our cautious stance toward the sector's structural dynamics.

Our historical reservations have mostly stemmed from the industry's low barriers to entry and aggressive competition, particularly in the retail segment. Vietnam currently has 87 operating brokerage firms, including 37 listed entities with a combined market capitalization of USD 9.4 billion—representing 4.2% of the VN-Index. To compete for market share, brokers have adopted highly expansionary strategies, raising substantial equity capital—USD 5.6 billion over the past decade—to scale their margin-lending businesses. In recent years, this trend has been amplified by commercial banks injecting capital into their affiliated brokerage arms. While these investments are relatively small in the context of the banks' balance sheets, they have significantly altered the competitive landscape for incumbent brokers.

This capital-intensive environment has weighed on sector profitability. From 2014 to 2024, the average return on equity (ROE) for listed brokers was just 3.6%, well below that of banks (16.1%) and insurers (9.2%). Leverage constraints have also been a limiting factor: as of Q1/2025, the brokerage sector's asset-to-equity ratio stood at 2.3x, compared to 11.4x for banks. On a return-on-asset basis, however, brokers have outperformed banks (1.8% vs. 1.4% over the past decade), reflecting a more conservative balance sheet structure.

Despite the industry's challenges, we identify a set of large brokers that have wide business moats and have been delivering consistently high return above the rest. Our preferred investees are brokers with dual growth engines: (1) a well-established domestic retail franchise and (2) a robust institutional client base.

Retail brokerage operates in an intensely competitive environment with razor-thin margins, where profitability largely depends on margin lending, which typically yields a net interest spread of 4–5%. While competition has escalated, our selected brokers have maintained a top five market share for the past decade. With a strong retail market share, a solid equity base, and a low leverage ratio - well below the regulatory margin/equity cap of 200% - our brokers are well-positioned to capitalize on the growing demand for margin lending. In Vietnam, trading accounts currently represent <9% of the total population (the number does not exclude multiple account ownership), a level comparable to Thailand but significantly lower than 14% in China and 56% in Taiwan. Over the long term, we anticipate Vietnam's market participation will rise to match the levels seen in China and Taiwan, driven by increasing investor engagement and market development.

Though retail brokerage remains vulnerable, institutional brokerage is far more resilient. To attract institutional investors, these firms have invested heavily in supporting functions such as research advisory and institutional sales. This process requires significant resources and time, but the credibility gained is difficult to replicate, with only a few companies successfully establishing dominance in this space. As a result, our investees have consistently achieved an average ROE of 16% over the past 10 years, surpassing both the sector average and the broader market. Their pricing power and resilience, particularly in institutional brokerage, have been key drivers of sustained profitability.

During the April correction, we observed that, while valuations across many sectors became attractive, brokerage firms stood out as potential beneficiaries of market volatility and surging trading volumes. Many of the brokers in our portfolio had proactively de-risked their proprietary books ahead of the downturn, allocating capital to fixed income instruments such as deposits, CDs, and bank bonds. This conservatism not only mitigated downside risk during the sell-off but also positioned them well to redeploy capital into undervalued opportunities.

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MACRO INDICATORS

	2024	May 2025	YTD 2025	YoY (%)
GDP growth[1] (%)	7.1		6.9	
Inflation[2] (%)	3.6	3.2	3.2	
FDI commitments[3] (USDbn)	33.7	3.6	15.5	46.6
FDI disbursements (USDbn)	25.4	2.2	8.9	7.9
Imports (USDbn)	380.8	39.0	175.6	17.5
Exports (USDbn)	405.5	39.6	180.2	14.0
Trade surplus/(deficit) (USDbn)	24.8	0.6	4.7	
Exchange rate (USD/VND)[4]	25,485	26,033	26,033	

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	USD61.1m
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)

CONTACT DETAILS

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MONTHLY COMMENTARY (cont'd)

Looking forward to Vietnam's imminent Emerging Market upgrade by FTSE (likely in 2026), besides the positive sentiment for the whole market, brokers with strong institutional franchises are likely the main beneficiaries of foreign inflows, as foreign institutions tend to keep the trading business among a few reputable brokers with strong support services.

We continue to believe that, over time, stock prices will converge with fundamental performance. The brokers we own are strategically positioned to benefit from both industry tailwinds (increased liquidity and market development) and their own competitive advantages (institutional credibility, and operational leverage) to drive long-term shareholder value.

MACRO COMMENTARY

The three outstanding features of Vietnam's economy in May (and 5M25) are: 1) a dramatic acceleration / surge in infrastructure spending as the year has progressed; 2) a surge in exports to the US during Trump's 90-day "pause" period on reciprocal tariffs; and 3) a near 50% year-on-year (YoY) surge in Chinese tourist arrivals in 5M25.

Regarding #1 above, Vietnam's Government guided earlier for a 40% increase in infrastructure spending this year, but the actual disbursements got off to a very slow start, with roughly flat growth YoY in Q1 and below 20% YoY growth in 4M25. However, infrastructure spending rocketed to 39% YoY in 5M25, according to the Ministry of Finance.

Further to #2 above, the growth of Vietnam's exports to the US was stable at around 15% YoY for months leading up to March, unlike in much of Asia where exports to the US surged in expectation of stiff tariffs by Trump. Most companies and most economists/analysts (including us) did not expect Trump to impose significant tariffs on Vietnam. As news of the impending imposition of tariffs on Vietnam leaked out, exports to the US surged 32% YoY in March. Exports to the US then surged 34% YoY in April and 37% in the month of May.

Obviously, this temporary phenomenon will reverse once the 90-day pause period ends in July and Trump's reciprocal tariffs take effect. While negotiations between the Vietnamese and US trade officials continue, we still expect circa 20% tariffs on Vietnam's exports to the US after the pause expires.

Next, the near 50% YoY surge in Chinese tourist arrivals in 5M25 was driven in part by issues discussed in this article. We estimate that foreign tourists account for about 10% of Vietnam's total retail sales, and real retail sales (i.e., excluding inflation) grew by over 7.4% YoY in 5M25, meaning it is likely that the surge in tourism contributed around 2%pts to that growth. Consequently, it is likely that real retail sales, excluding the boost from tourist arrivals, are growing at around a 5% pace.

That figure is a good proxy for how fast spending by domestic Vietnamese consumers is growing, which in-turn is consistent with the aggregate revenue growth of consumer staples companies in Vietnam.

The net result of all of the above is that we expect Vietnam's GDP growth to accelerate from 6.9% YoY in Q1 to about 7.5% in Q2, driven by the acceleration in exports to the US and infrastructure spending (tourist arrival growth was already very high in Q1). We then expect that GDP growth will dip back down to circa 7% in H2 after the temporary surge in exports to the US passes.

We have previously noted for a few consecutive months that Vietnam's new export orders started contracting in late 2024; they continued to contract for the seventh month in-a-row in May. Export orders started contracting well in advance of concerns about Trump's tariffs, owing to the inventory restocking destocking cycle of US retail companies, but concerns about Trump's tariffs exacerbated this issue.

Finally, Vietnam's macro economy remained stable in May, with both CPI inflation and the value of the USD-VND exchange rate essentially unchanged during the month. CPI inflation ticked up from 3.1% YoY in April to 3.2% in May while the depreciation of the VN Dong versus the USD ticked up from 1.9% YTD at end-April to 2.1% at end-May.

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.