# VinaCapital Liquidity Bond Fund (VINACAPITAL-VLBF)

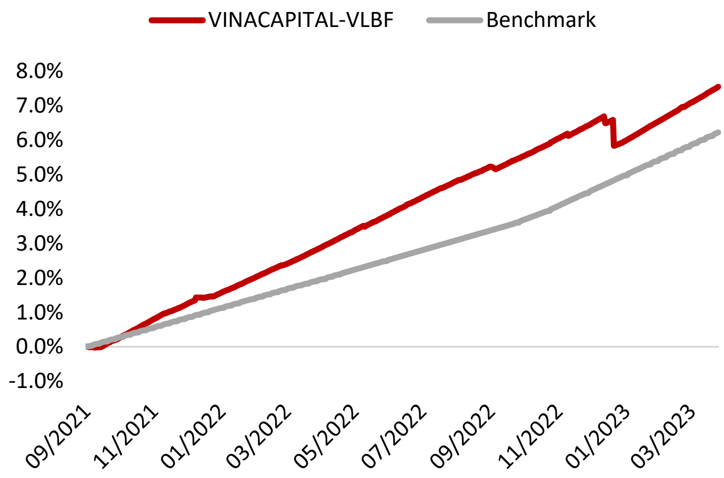
As of 31/03/2023

## VINACAPITAL-VLBF Investment approach

VINACAPITAL-VLBF mainly invests in short-term fixed income securities and money market instruments to generate very stable returns while maintaining daily liquidity.

VLBF is considered a low-risk fund suitable for investors who are looking for a safe, short and medium term investment with a higher return than short-term bank deposit rates. The target return for the fund is 4.5 – 5.0% per annum.

## NAV chart since inception

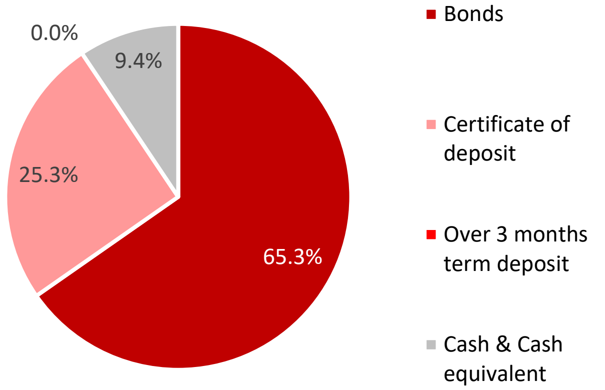



## Fund performance

| | VINACAPITAL-VLBF | BM |
|---|---|---|
| Total AUM (VND billion) | 59.1 | |
| NAV/Share | 10,755.0 | |
| Mar 2023 return (%) | 0.5 | 0.5 |
| YTD 2023 return (%) | 1.6 | 1.3 |

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

## Investment allocation




## Fund information

| | |
|---|---|
| **Inception** | 7/9/2021 |
| **Management fee** | 0.9% per annum |
| **Subscription fee** | 0.0% |
| **Redemption fee** | 0.0% |
| **Minimum subscription** | 0 VND |
| **Custodian and Supervisory Bank** | BIDV |
| **Auditor** | PwC Vietnam |
| **Trading frequency** | Daily, from Monday to Friday |
| **Benchmark (BM)** | Average 3-month VND denominated deposit rate of VietinBank, Agribank, BIDV, and Vietcombank. |

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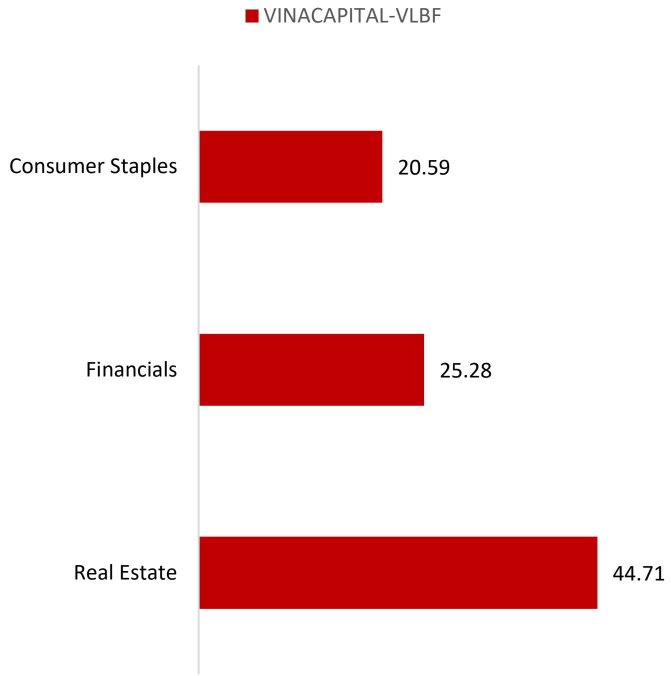
## Sector allocation




## Top holdings

| Issuer | Allocation (%) | Yield-to-maturity (%) | Duration (years) |
|---|---|---|---|
| KBC | 19.78 | 9.27 | 0.22 |
| BAF | 17.13 | 10.42 | 2.06 |
| VIET CREDIT | 16.40 | 5.15 | 0.15 |
| TN1 | 12.85 | 6.69 | 1.75 |
| FE CREDIT | 8.88 | 7.05 | 1.19 |

## Comments from Fund Manager

Vietnam's GDP growth plunged to just 3.3% yoy in 1Q23 from 8% in 2022, driven by a collapse in manufacturing output growth, although a surge in foreign tourist arrivals helped offset that to some extent.

The growth of real retail sales (i.e., stripping out the impact of inflation) increased from 2% yoy in 1Q22 to 10% in 1Q23, and we estimate that about half of that growth was attributable to the return of foreign tourists. In 1Q23, foreign tourist arrivals reached 60% of pre-COVID levels, up from essentially zero in the first quarter of last year.

Manufacturing output contracted 0.4% yoy in 1Q23 versus 7.8% growth in 1Q22, while Vietnam's manufacturing PMI also declined from 51.2 in February to 47.7 in March, driven by lower demand for "Made in Vietnam" products - especially as consumers in the US and around the world shifted their post-COVID spending from products to services. Inventories of US retailers such as Walmart and Target, and other consumer-facing companies such as Nike and Lululemon rose by over 20% yoy in late 2022, making it unlikely that orders at FDI factories will fully recover until late 2023.

Meanwhile, CPI inflation in Vietnam is currently only 3.4% yoy and the USD-VND exchange rate appreciated 1.4% in March and 0.5% YTD. These factors enabled the SBV to cut the rediscount rate from 4.5% to 3.5% on March 15th. On March 31st, the SBV reduced the refinancing rate from 6% to 5.5% and reduced the ceiling interest rate for term deposits from one-month to less than six-months from 6% to 5.5%. Average deposit interest rates fell by 10-50 bps. Some banks which had raise rates aggressively over the last few months reduced rates as much as 1-2% for 6-24-month bank deposits.

The corporate bond market saw significant improvements in bond issuances, with a total of 14 domestic bond issuances valued at VND26.8 trillion, down only 8.4% YoY but more than 13 times the value of bonds issued the previous month. Masan Group and Bac A Bank made public offerings valued at VND2 trillion. Private placements accounted for VND24.8 trillion, with the real estate sector making up the majority at VND23.8 trillion. Subsidiaries of Masterise and Vingroup accounted for VND14.3 trillion and VND9.4 trillion, respectively. As a result, the real estate sector accounted for 88.5% of new issuances, with the consumer staples sector accounting for 9.8%.

On March 5th, the Government issued Decree 08, which is designed to alleviate the challenges faced by businesses struggling to repay bonds. Decree 08 enables companies to (1) offer them the opportunity to extend the term on outstanding bonds for up to two years; (2) allow them to convert bond principal and interest payments into other assets; and (3) delay the implementation of the classification of professional securities investors by one year from the original deadline detailed in Decree 65, now to take effect on January 1, 2024. Decree 08 should reduce the significant pressures on bonds due to mature in the next three months.



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