VinaCapital Liquidity Bond Fund (VINACAPITAL-VLBF)

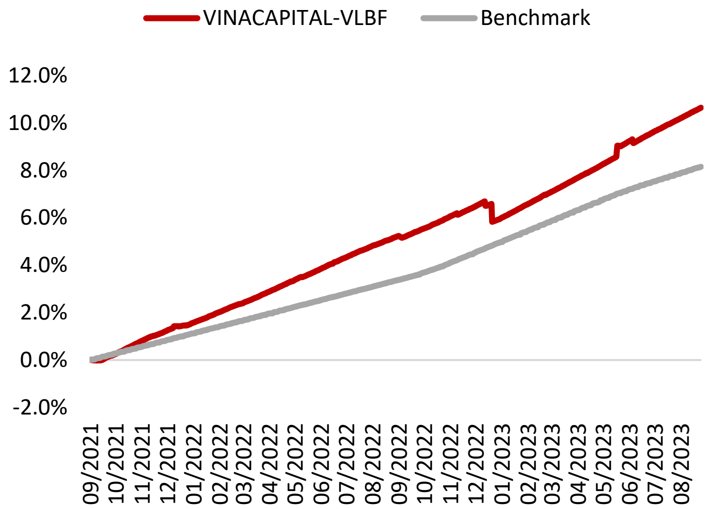
As of 31/08/2023

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.

VINACAPITAL-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

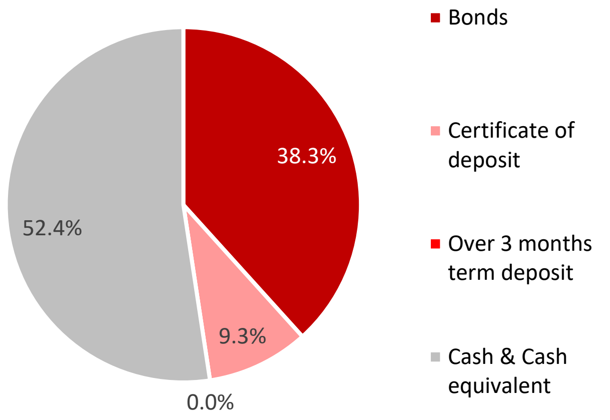


Fund performance

	VINACAPITAL-VLBF	BM
Total AUM (VND billion)	57.9	
NAV/Share	11,064.5	
Aug 2023 return (%)	0.5	0.3
YTD 2023 return (%)	4.5	3.3

(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
PIT	<=45 days: 0.1%; >45 days: 0%
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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VinaCapital Liquidity Bond Fund (VINACAPITAL-VLBF)

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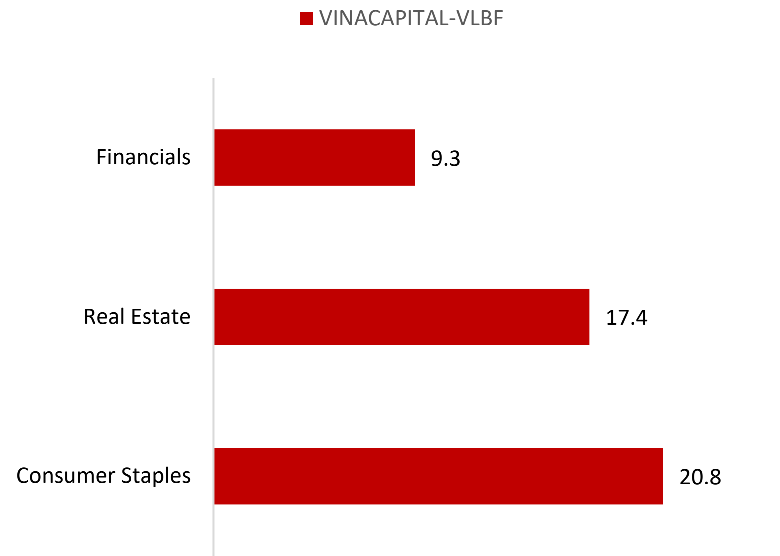
Sector allocation



Top holdings

Issuer	Name	Allocation (%)	Yield-to-maturity (%)	Duration (years)
BAF	BAF Vietnam Agriculture JSC	17.3	10.4	1.7
TN1	TNS Holdings Trading Service JSC	13.8	4.8	1.4
FE CREDIT	FE CREDIT	9.3	6.9	0.9
VIC	Vingroup JSC	3.6	8.1	0.5
SBT	Thanh Thanh Cong - Bien Hoa JSC	3.5	10.6	0.4

Comments from Fund Manager

The nascent recovery in Vietnam's manufacturing output and exports gathered momentum in August, with factory orders expanding for the first time in six months. Increasing factory orders also drove the biggest increase in purchases of production inputs in almost a year, helping lift Vietnam's PMI from 48.7 in July to 50.5 in August – the first time it has been above the '50' expansion-contraction threshold in six months. As discussed previously, we estimate that inventories of "Made in Vietnam" products in the US are now roughly flat year-on-year. In other words, the inventory destocking processes of some major US retailers such as Walmart and Target are now coming to an end according to a wide range of recent data; this helps explain the above-mentioned expansion in factory orders in August as well as a circa 8% month-on-month increase in Vietnam's exports for the month.

Those purchases also explain why imports expanded by nearly 6% month-on-month in August – most imports are of production materials used by FDI companies. Furthermore, imports grew on a month-on-month basis for the fourth month in-a-row, which is a strong leading indicator of a likely, continued pick-up in manufacturing activity. That said, Vietnam's imports had been falling at a much faster pace than exports for most of the year. Specifically, imports fell 16% yoy in 8M23 (to USD207.5 billion), versus the above-mentioned 10% yoy drop in exports, which explains why Vietnam's trade surplus surged from 2% of GDP in 8M22 to a whopping 7% of GDP in 8M23. Vietnam's trade surplus reached a record high of USD20 billion in 8M23. Together with a 1% yoy increase in FDI disbursements to USD13 billion in 8M23, these factors helped mitigate significant depreciation pressures on the VN Dong owing to a modest up-tick in the value of the US Dollar.

CPI inflation popped from 2% yoy in July to 3% yoy in August and appears to be headed to 4-5% by end-2023. The inflation in the month was driven by a 9% month-on-month hike in retail petrol prices, which more-or-less track global prices. However, even with that large increase, the price of petrol at the pump is still essentially flat year-on-year. Given recent developments such as the OPEC+ oil production cuts, we expect retail petrol prices to be up by about 10% yoy by end-2023, which would add another ~1%pts to the country's headline CPI inflation rate.

The corporate bond market showed strong improvement in August, with a 31.2% year-over-year growth in issuance value to VND29.9 trillion. There were 27 issuances during the month, with the banking and real estate sectors continuing to be the main drivers of growth. The banking sector accounted for 58.2% of the total issuance value, with VND17.4 trillion in bonds issued. The average term and interest rate for these bonds were 4.2 years and 7%, respectively. The real estate sector also saw a strong recovery, with total issuance value reaching VND10.8 trillion, more than twice the level of the same period last year (VND3.2 trillion). The average term of real estate bonds was 2.1 years, and the average interest rate was relatively high at 12%.