# Forum One - VCG Partners Vietnam Fund (VVF)

VinaWealth

30 November 2015

Class A NAV/share: USD10.07

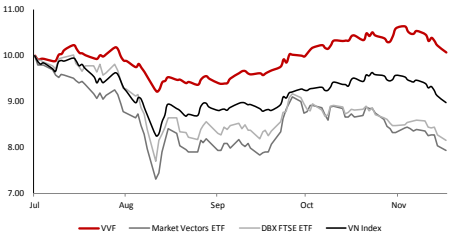
VVF is an actively managed UCITS-compliant fund that invests in equities and equity-related securities of companies that are based in Vietnam or that has substantial exposure to Vietnam, with an objective to outperform the Vietnamese benchmark index over the long term, through bottom up stock picking and disciplined risk management.

## Performance summary

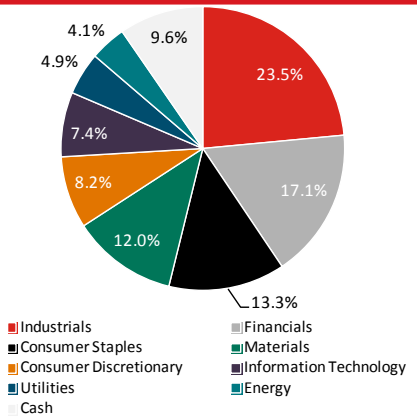
| | Fund[1] | VN Index |
|---|---|---|
| November 2015 (month-on-month) | (3.6%) | (6.4%) |
| Year-to-date | 0.7% | (13.0%) |
| Cumulative since inception | 0.7% | (13.0%) |
| % of Up months | 55.6% | 22.2% |
| Annualised standard deviation | 13.7% | 18.4% |
| Tracking error | 11.2% | |

[1]Fund information calculated from Class A shares

## Performance chart




## Sector allocation




## Calendar

| VVF Roadshow | January | 25 to 29 |
|---|---|---|

Thu Nguyen will be in Germany, Austria, Finland and the UK talking about Vietnam and VVF

Contact us if you would like to arrange a meeting

## Manager's monthly commentary

Vietnam's stock market experienced some volatility in November, ending the month at 573, a decline of 6.4% in USD terms despite reaching a 4-month high of 612 mid-month. The volatility was driven by two key forces: profit taking from retail investors with high margin levels, and foreign investor outflows ahead of the US Federal Reserve's meeting in December. While not being spared from the market's correction, VVF's NAV per share decreased only 3.6% in November, outperforming the VNIndex by 2.8% for the month. Since its inception, VVF has outperformed the index by 13.7%.

Vinamilk (VNM), VVF's biggest holding, continued its run, returning 5%, though the stock ended the month 11% below its mid-November peak. Banking and oil and gas stocks were the biggest drags on performance, with Vietcombank (VCB) and PetroVietnam Technical Services (PVS) both falling 9%.

**Construction continued to outperform**

VVF's performance was enhanced this month by its position in Coteccons (CTD). Added to VVF in August, CTD rose by 18% in November alone and 52% since its inclusion in the portfolio. CTD continues to demonstrate its credentials as Vietnam's leading construction contractor, posting robust year to date 2015 results with top and bottom line growth of 64% and 76%, respectively. The ability to win high-margin work through its design-and-build capabilities, the stability of its management and workforce, and a healthy balance sheet have been important catalysts for the company, combining with already strong growth in its order book.

**Retailer delivered bullish numbers**

Mobile World (MWG, +1.4%) reported strong ten month results with revenue of USD884mn (+61% Y-o-Y) and net profit of USD37.6mn (+56% Y-o-Y), achieving 95% of FY2015's profit target. They are seeing faster growth from electronics sales through their new Dien May Xanh franchise (+86% Y-o-Y) than mobile phone sales (+57% Y-o-Y), which is in line with our projection that MWG will switch its focus to Dien May Xanh for growth from 2016 onward.

**Banking sector outlook reaffirmed**

Moody's recently reassessed the banking system in Vietnam and identified that it is functioning well despite weak capitalization and inadequate provisioning for non-performing loans (NPLs) persisting. On balance the credit agency re-affirmed its stable outlook for Vietnam's banks based on 3 factors: good economic growth, stabilising asset quality, and ample liquidity. VVF is currently underweight in banking, which accounts for 11.3% of NAV vs. the VNIndex's weighting of 24.4%.

Overall, despite ongoing market volatility, we continue to see and take advantage of attractive buying opportunities, building up positions in market leaders, particularly within the construction materials sector.

## Top holdings

| Ticker | Market Cap (USDm) | Sector | % of NAV | 2015F PE | Div Yield |
|---|---|---|---|---|---|
| VNM | 6,612 | Consumer Staples | 10.6%[1] | 18.6 | 4.0% |
| VSC | 128 | Industrials | 9.6% | 10.3 | 2.2% |
| FPT | 853 | Information Technology | 7.4% | 10.1 | 5.2% |
| HPG | 993 | Materials | 6.5% | 6.6 | 6.6% |
| VCB | 5,080 | Financials | 5.5% | 22.0 | 2.3% |
| SJD | 52 | Utilities | 4.9% | 6.5 | 9.8% |
| CTD | 284 | Industrials | 4.3% | 12.8 | 3.4% |
| CII | 208 | Industrials | 4.2% | 6.7 | 6.5% |
| DRC | 182 | Consumer Discretionary | 4.1% | 10.5 | 6.7% |
| PVS | 389 | Energy | 4.1% | 5.4 | 6.1% |

Source: VinaCapital's estimates

[1]Passive breach of the UCITS rules due to strong share price appreciation, rectification in progress

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**Macroeconomic update**

In November, despite the Nikkei Purchasing Managers Index dropping below 50 (for the second time in 2015) to 49.4, the Index of Industrial Production (IIP) maintained strong growth of 9.7% for the year to date 2015. This is in line with the IIP performance of recent months. Encouraging for Vietnam is that manufacturing and electricity generation grew 10.1% and 11.5%, respectively. Both are positive signs for production in Vietnam. Domestic consumption remained vigorous, partly offsetting weaker external demand and keeping GDP growth on track for 6.5% in 2015. Consumer confidence was again up as reflected in the ANZ-Roy Morgan Consumer Confidence Index rising to 142.3 and nominal retail sales increasing 9.4% year to date (8.3% in real terms). Supported by the continued solid performance in these two key sectors, we think that GDP growth in the fourth quarter can maintain its upbeat tempo. The government has revised its growth target to 6.5% (from the original target of 6.2%). Most analysts consider this to be within reach and may even be exceeded.

Inflation was extremely subdued at 0.3% year on year and 0.6% year to date, making it the lowest 11-month CPI increase in 10 years. At this rate of inflation, the CPI would barely reach 1.0% for 2015, a remarkable difference from the high inflationary periods Vietnam experienced in recent memory.

## Macroeconomic indicators

| | 2014 | Nov-15 | 2015 YTD | Year-on-year |
|---|---|---|---|---|
| GDP growth[1] | 6.0% | | 6.5% | 6.8% |
| Inflation (%YOY) | 1.8% | 0.1% | 0.6% | 0.3% |
| FDI commitments (USDbn) | 20.2 | 0.9 | 20.2 | 16.7% |
| FDI disbursements (USDbn) | 12.4 | 1.4 | 13.2 | 17.9% |
| Imports (USDbn) | 148.0 | 14.5 | 152.5 | 13.5% |
| Exports (USDbn) | 150.0 | 14.3 | 148.7 | 8.6% |
| Trade surplus/(deficit) (USDbn) | 2.0 | (0.2) | (3.8) | |
| Exchange rate (USD/VND)[2] | 21,450 | 22,530 | (5.0%) | |
| Bank deposit rate (VND) | 6.0% | 5.0% | (100bps) | |

Sources: GSO, Vietnam Customs, SBV, VCB | 1. Annualized rate, updated quarterly 2. (-) Denotes a devaluation in the currency, Vietcombank ask rate

## Inflation: Year-on-year and Month-on-month

## Key terms

| | Class A | Class B | Class C | Class D | Class E | Class F | Class G |
|---|---|---|---|---|---|---|---|
| Currency | USD | USD | EUR | EUR | USD | GBP | JPY |
| Min. Investment | 500,000 | 5,000 | 500,000 | 5,000 | 500,000 | 3,000,000 | 10,000,000 |
| Management fee | 1.25% | 2.00% | 1.25% | 2.00% | 1.25% | 1.25% | 2.00% |
| Performance Fee | None | 15.00% | 15.00% | 15.00% | 15.00% | None | None |
| Bloomberg | FOVCPVA LX | FOVIEBU LX | FOVIECE LX | FOVIEDE LX | FOVIEEU LX | - | - |
| ISIN | LU1163030197 | LU1163027052 | LU1214542463 | LU1214545136 | LU1286782559 | LU1286782716 | LU1286783011 |

## Fund structure

| | |
|---|---|
| Launch date | 14 July 2015 |
| Trading Period | Daily Subscriptions/Redemptions |
| Fund Size | USD65.8m |
| Incorporation | Luxembourg |
| Registered | UK, Germany, Singapore |
| Management company | Edmond de Rothschild Asset Management (Luxembourg) |
| Investment manager | VinaWealth FM JSC |
| Depository Bank | Edmond de Rothschild (Europe) |
| Auditor | PwC Societe Cooperative Luxembourg |

## Contact details


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The current Sales Prospectus, the Key Investor Information Document (KIID), the Articles of Association as well as the annual reports of the Forum One – VCG Partners Vietnam Fund ("the Fund") are the sole binding basis for the purchase of fund shares. These documents can be obtained in English and free of charge from the Fund Manager's website (www.vinawealth.vn/en) and the Management Company's website (http://navcentre.edmond-de-rothschild.eu/). This document is prepared by VinaWealth Fund Management Joint Stock Company ("VinaWealth") for the information of shareholders in the Fund and other eligible recipients, on the basis of information obtained from sources VinaWealth considered to be reliable, but VinaWealth does not make any representation or warranty, express or implied, as to its accuracy, completeness, timeliness or correctness. The information contained in this document is for background purposes only and is subject to updating, revision and amendment, and no liability whatsoever is accepted by VinaWealth or any other person, in relation thereto. Please refer to the Fund's prospectus for more information on the Fund and its risks. This document is neither a prospectus nor an offer or invitation to apply for shares and neither this document nor anything contained herein shall form the basis of any contract of commitment whatsoever. Past performance is not necessarily guidance to the future. The value of shares in the Fund and the income derived there from may go down as well as up. You are advised to exercise caution in relation to this document. If you are in any doubt about this document or any information contained in this document, you should obtain independent professional advice. The information contained in this document is strictly confidential and is intended only for the use of the individual or entity to which VinaWealth has provided the report. No part of this report may be reproduced or distributed without the prior consent of VinaWealth.