

31 May 2020

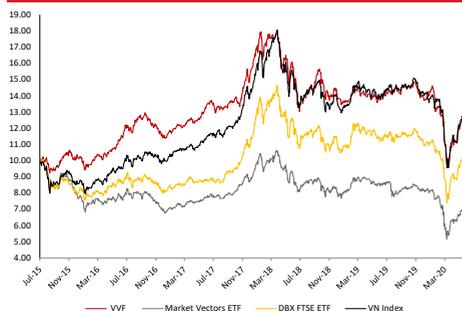
VVF is an actively managed UCITS-compliant fund that invests in equities and equity-related securities of companies that are based in Vietnam or that have substantial exposure to Vietnam, with an objective to outperform the Vietnamese benchmark index over the long term, through bottom up stock picking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

## Performance summary

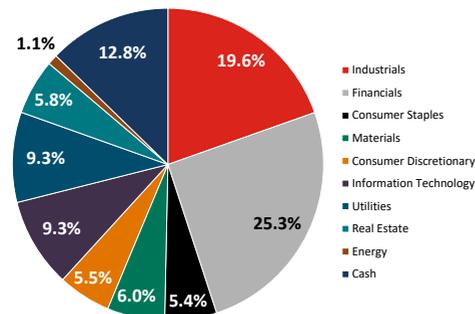
	Fund <sup>1</sup>	VN Index
May 2020 (month-on-month)	12.0%	13.1%
Year-to-date	-9.2%	-10.5%
Annualised return since inception	4.7%	5.0%
Sharpe ratio (annualised since inception)	0.01	0.01
Annualised standard deviation	20.8%	23.4%
Tracking error	6.6%	

<sup>1</sup>Fund information calculated from Class A shares

## Performance Chart



## Sector Allocation



## Top holdings

Ticker	Market Cap (USDm)	Sector	% of NAV	2020F PE	Div Yield
VCB	13,573	Financials	9.9%	16.3	0.0%
FPT	1,615	Information Technology	9.3%	10.6	4.2%
VTP	343	Industrials	6.5%	16.6	1.5%
MBB	1,782	Financials	6.4%	5.8	0.0%
HPG	3,250	Materials	5.4%	8.0	1.8%
VNM	8,602	Consumer Staples	4.8%	18.4	4.3%
PNJ	610	Consumer Discretionary	4.7%	15.8	3.2%
VHM	10,824	Real Estate	4.6%	9.7	1.3%
SCS	257	Industrials	4.0%	12.7	5.9%
VSC	67	Industrials	3.6%	7.1	7.0%
VVF Port.				11.8	3.5%
VNIndex				14.8	1.8%

Source: VinaCapital research

## Manager's monthly commentary

Vietnamese stocks soared for the second straight month in May, up 13.1% (USD terms) as investors looked past economic data and focused instead on the economy's re-opening and recovery post-COVID-19. The equity market's rebound has been extraordinary in both speed and scale, rallying 32.9% (in USD terms) from its 2020 low of 659.2 in March to narrow its YTD decline to 10.5%. Blue-chip stocks led the recovery while financials outperformed all other sectors, gaining 18.5% in the month. The real estate (+12%), consumer staples (+14%) and materials (+21%) sectors also performed well. Market liquidity reached a two-year high, given that turnover on the three bourses jumped 31% m-o-m to reach USD287.6 million in average daily trading value in May, the highest monthly level since June 2018. Foreign net outflows showed signs of slowing as net outflows across the three bourses declined sharply to USD38.4 million in May from USD296.3 million in April. For 5M 2020, foreign net outflows reached USD766.7 million versus net inflows of USD412.4 million in the same period of last year.

According to data from Bloomberg, Vietnam's stock market is one of the best performers in Asia in May. The Vietnamese government's effective outbreak containment efforts paved the way for the successful reopening of the domestic economy, reassuring investors, who are seemingly looking past the short term and forward to 2021. Nevertheless, we think there is considerable uncertainty remaining with respect to the growth trajectory for Vietnam as well as globally, especially when Q2 macro and corporate results are announced. Meanwhile, the sharp increases in the past two months lifted the VN-Index's trailing P/E to 14.3x as of the end of May, which is still relatively attractive compared to neighbouring markets such as the Thai SET at 18.5x and Malaysian KLCI at 17.8x.

The Fund's Class A NAV per share gained 12% during May, bolstered by strong performances from Vietcombank (VCB, +26%), Hoa Phat Group (HPG, +28%), and Vinhomes (VHM, +21%). For the first five months of 2020, the fund outperformed the local benchmark VN-Index by 1.3%. Several companies re-activated their Annual General Meeting (AGM) schedules as well as their guidance for the year 2020. Of note, VHM announced a better-than-consensus earnings growth target of 28%, driven by block sales and retail sales at three mega residential projects: Vinhomes Ocean Park, Vinhomes Smart City and Vinhomes Grand Park. The company also revealed its plan to invest into industrial parks, taking advantage of increasing manufacturing relocation to Vietnam. HPG also provided positive guidance for this year, with net profit expected to grow at 20% y-o-y. For the first five months of 2020, HPG sold nearly 1.3 million tonnes of construction steel product, up 8.7% y-o-y. In a recent analyst meeting, HPG's management indicated a cash dividend of USD 0.02 per share (equivalent to a 1.8% yield), pending approval at the upcoming AGM. This would mark the first time since 2016 that the company will pay a cash dividend after several years of heavy investment in a new factory. On the other hand, retailers unsurprisingly revised down their initial guidance, with MWG and PNJ targeting profit declines of 10% and 30%, respectively, for the year 2020, citing impact from social distancing and weaker demand.

During the month, we initiated a new position in a construction materials company and increased exposure to existing holdings in the material and transportation sectors. We continue to focus on identifying franchises exposed to accelerating profit cycles with reasonable valuations. We remain confident that our aversion to financial leverage, combined with our holdings having strong business models capable of generating high levels of free cashflow will deliver solid returns. These businesses should emerge from this crisis in a relatively strong position. The fund's portfolio is traded at a forward P/E 11.8x with 3.3% EPS growth compared to forward P/E 14.8x and negative 7% EPS growth of VN-Index (data source: Bloomberg).

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## Macroeconomic Commentary

Most of Vietnam's economy re-opened in late-April, resulting in a sharp rebound in domestic economic activity in May, which in turn boosted the sentiment among local businesses and consumers. The country's PMI reading leapt from 32.7 in April to 42.7 in May, despite the continued deterioration in Vietnam's manufacturing output growth in May, and nearly half of Vietnamese consumers expect Vietnam's economy to recover to pre-COVID levels within three months, according to McKinsey.

In contrast to that overly-optimistic sentiment, the on-going plunge in global demand for the products Vietnam exports, and the continued halt of foreign tourist arrivals are both weighing very heavily on the country's GDP growth, and nearly all of Vietnam's economic growth metrics continued to deteriorate on a year-to-date (YTD) basis in the month of May. One indicator we are following closely is electricity usage, which gives a broad view of the country's overall economic health; it worsened from 3% yoy growth in 4M20 to 2.6% in 5M20, versus 10.3% yoy growth in 5M19.

At a more granular level, note that growth of manufacturing output fell from 3% yoy in 4M20 to 2.2% growth in 5M20, versus 10.9% in 5M19, while oil production

volume deteriorated from -12% yoy in 4M20 to -13.7% in 5M20, versus -8% in 5M19. A comparable deterioration was seen in a range of Vietnam's other growth metrics, with the exception of real retail sales, which improved from a 9.6% yoy drop in 4M20 to an 8.6% drop in 5M20 (versus an increase of 8.5% in 5M19).

The deterioration of Vietnam's manufacturing activity was linked to a drop in demand for the products the country exports. Exports fell by 16% yoy in the month of May alone (and decreased by 2% in 5M20), driven by a 34% yoy plunge in garment exports in May (note that garment sales in the US plummeted 90% from pre-COVID levels in May, according to the most recently released US retail sales figures). Consequently, Vietnam suffered a USD900 million trade deficit in May, which reduced the YTD trade surplus to USD1.9 billion (or circa 2% of GDP) according to the General Statistics Office (GSO).

The weak global demand mentioned above doubly impacted some of Vietnam's manufacturers. China's manufacturers' output has reportedly returned to around 85% of pre-COVID levels, leading to an oversupply of some low value-added goods, which is in turn depressing the selling prices of those products for Chinese and Vietnamese producers alike.

Next, since the Vietnam's borders are still essentially closed, foreign tourist arrivals fell 49% in 5M20, and are now likely to drop 75% in 2020. This will weigh heavily on GDP growth this year, given our estimate that foreign tourists contributed nearly 10% of Vietnam's GDP last year. Furthermore, the border closure contributed to an 8% yoy drop in FDI inflows in 5M20 (to USD6.7 billion) as foreign executives have been unable to travel to the country. Nevertheless, we remain extremely optimistic about the likelihood of a new wave of FDI to Vietnam after the COVID-19 outbreak subsides.

Even with the decline in FDI and the country's trade deficit in the month of May, the official value of the VN Dong appreciated by about 0.5% during the month. This occurred despite the State Bank of Vietnam (SBV) cut of policy interest rates by 50bps, which in turn drove a 160bps collapse in interbank interest rates during the month to about 0.6% by month-end.

Next, the GSO reported that Vietnam's Consumer Price Index (CPI) inflation fell from 2.9% yoy in April to 2.4% in May. This decline was driven by falling oil prices, although food price inflation remained stubbornly high at double-digit levels, partly due to a 4% mom increase in retail pork prices to a new record high. A small number of new cases of African Swine Fever (ASF) were reported, driving pork prices to rise well over 100% yoy, leading the Government to permit the importation of live pigs to Vietnam for the first time.

Finally, our own analysis of inflation in Vietnam suggests that the GSO's official inflation statistics are slightly understated, so that the true rate of inflation in Vietnam is currently closer to 3%.

## Macroeconomic indicators

	2019	May-20	2020YTD	Y-O-Y
GDP growth <sup>1</sup>	7.0%			
Inflation (%)	5.2%	2.4%	2.4%	2.4%
FDI commitments (USDbn)	36.0	1.0	10.9	19.9%
FDI disbursements (USDbn)	20.4	1.6	6.7	-8.2%
Imports (USDbn)	253.1	19.4	97.5	10.5%
Exports (USDbn)	264.2	18.5	99.4	7.1%
Trade surplus/(deficit) (USDbn)	11.1	(0.9)	1.9	
Exchange rate (USD/VND) <sup>2</sup>	23,190	23,300	0.5%	

Sources: GSO's estimate, Vietnam Customs, SSB, VCB, MPI | 1. Annualized rate, updated quarterly | 2.1- Denotes a devaluation in the currency

## Key terms

	Class A <sup>1</sup>	Class B	Class C	Class D	Class E	Class F <sup>3</sup>	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% <sup>2</sup>	15% <sup>2</sup>	15% <sup>2</sup>	15% <sup>2</sup>	None	None
Bloomberg	FOVCPVA LX	FOVIEBU LX	FOVIECE LX	FOVIEDX LX	FOVIEU LX	-	FOVCPVG LX
ISIN	LU1163030197	LU1163027052	LU1214542463	LU1214545136	LU1286782559	LU1286782716	LU1286783011

<sup>1</sup> Class A Shares are restricted to former shareholders of VNI.

<sup>2</sup> 15% of the underperformance of the NAV per Share over the Adjusted Reference NAV as described in Section IX of the Forum One-VCG Partners Vietnam Fund Prospectus.

<sup>3</sup> UK investors should note that Class F Shares will comply with the restrictions on the payment of commissions or rebates as a result of the UK Financial Conduct Authority's Retail Distribution Review (RDR).

## Fund information

Launch date	14 July 2015
Legal Entity Identifier (LEI)	5493003GR1U7LK7K6767
Trading Period	Daily Subscriptions/Redemptions
Fund Size	USD34.5m
Incorporation	Luxembourg
Registered	UK, The Netherlands, Germany, Singapore, Austria, Switzerland, Sweden
Management company	Edmond de Rothschild Asset Management (Luxembourg)
Investment 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

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The current Sales Prospectus, the Key Investor Information Document (KIID), the Articles of Association as well as the semi-annual, 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 Investment Manager's website (<https://www.vina-capital.com/en/vcg-partners-vietnam-fund/>) and the Management Company's website (<http://www.edmond-de-rothschild.eu/>). This document is prepared by VinaCapital Fund Management Joint Stock Company ("VinaCapital") for the information of shareholders in the Fund and other eligible recipients, on the basis of information obtained from sources VinaCapital considered to be reliable, but VinaCapital 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 VinaCapital 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 therefrom 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 VinaCapital has provided the report. No part of this document may be reproduced or distributed without the prior consent of VinaCapital.