

VESAF is a fund that invests in all equity opportunities unencumbered by foreign restriction or size. The strategy of the fund is to take meaningful stakes in companies with a robust franchise that we believe can benefit from the domestic growth of the country.

## PERFORMANCE SUMMARY

	Fund	VN Index
Mar 2020	(24.7%)	(26.1%)
Year-to-date	(28.7%)	(32.3%)
Cumulative since inception	(12.8%)	(10.1%)

\* Performance figures are in USD (net off operating and management fees)

## PERFORMANCE CHART



TOP 5 HOLDINGS	SECTOR	NAV (%)	PE 2020 (x)	ROE (%)
FPT	Technology	11.7%	7.8	19.3
MBB	Financials	7.7%	4.2	17.9
ACB	Financials	5.2%	4.6	20.4
MWG	Consumer Discretionary	4.0%	7.6	26.1
REE	Utilities	4.0%	5.2	13.8
<b>Total</b>		<b>32.6%</b>		

## ALLOCATION

Small- & mid-cap	71.0%
Stocks traded on UPCoM	3.1%
Stocks at full Foreign Ownership Limit	50.0%

- Small- & mid- cap: stocks with market capitalization below USD2 billion
- UPCoM: Unlisted Public Company Market

## MANAGER'S COMMENTARY

The first quarter of 2020 has been challenging on many levels. With the global spread of COVID-19, our daily vocabulary now includes phrases like “social isolation” and “flattening the curve”. At the time of writing this report, Vietnam has recorded 255 infected cases, of which 129 cases are active and no deaths.

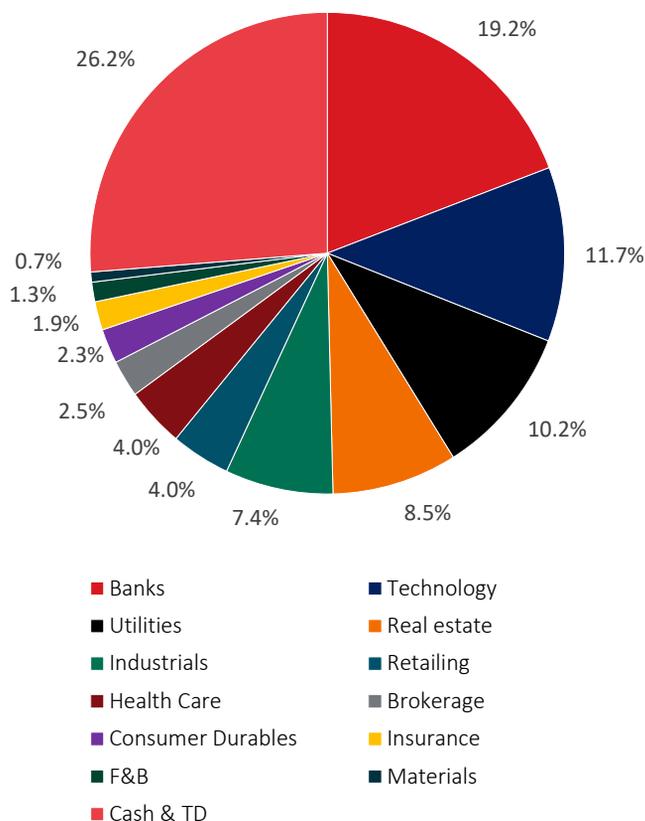
These drastic changes were reflected in Vietnam’s stock market, which saw unprecedented losses during the first quarter. The VN Index posted a 32.3% loss (in USD terms) for the quarter, the biggest quarterly decline since 2008. Retail was among the worst-hit sectors, declining by an average of 48%. The volatility we saw in March was gut wrenching, exacerbated by net foreign outflows of USD 424 million for the whole quarter, a higher level than we saw during the financial crisis in 2008 and the worst quarterly outflow ever in the young history of Vietnam’s stock market. It is worth mentioning that foreign investors pulled USD 83.3 billion out of emerging markets during March.

Vietnam's Government has intensified public health measures to combat the COVID-19 outbreak, and several areas of the economy such as restaurants, retail shops and travel services have ground to a halt. In terms of policy response, the Government has announced a proposal for 2.9% of GDP worth of fiscal stimulus aimed at helping to support the economy through this difficult time, including some minor tax cuts and the extension of two tax payments, as well as direct payments to some of the worst hit individuals and subsidized electricity prices. We expect the magnitude of Vietnam’s COVID-19 fiscal response to increase over the next two to three weeks as the scale of the economic emergency becomes more evident. However, there is no question that Vietnam’s economic growth going forward will be temporarily impaired by the current situation. Economists have started revising down GDP growth for Vietnam in 2020, including the recent forecast of World Bank at 4.9% from 6.5% at the beginning of the year.

The fund declined 24.7% in March and 28.7% in the first quarter. Though we still believe in the immense potential of the retail sector’s long-term growth, we saw significant negative short-term impacts of COVID-19 on consumption especially non-essential products, and we aggressively reduced our positions in Mobile World (MWG) and Phu Nhuan Jewelry (PNJ) by half in February before the sharp decline which averaged 44% in March. Additionally, we have been positioning the fund into a more defensive mode, raising the cash level to 26.2% at the end of March, building larger positions in utilities and healthcare stocks, as well as constantly assessing our investee companies’ balance sheet and cashflow strength. The portfolio’s average Operating Cashflow/Debt ratio of 0.8 and Debt/Equity ratio of 0.4 based on 2019 FS of non-financial stocks is considered healthy in this challenging market condition. It is our strong conviction that owning businesses that will do well emerging from this challenging period and staying invested is critical to achieving strong, long-term results. We are ready to deploy cash to accumulate stakes in decent but beaten down companies in retailing, logistics and industrials when opportunities arise.

The first quarter’s GDP growth of 3.8% started to reflect the outbreak’s impact on businesses and leads us to revise the market’s 2020 EPS growth to negative 3%. Some companies have released preliminary Q1 results and/or revised down their FY2020 targets and the picture is not optimistic. On the bright side, Vietnam’s market valuation has fallen to an attractive level after the sell-off, at a trailing PER of 10.3x – the lowest since 2012 and the cheapest amongst ASEAN-EM markets. VESAF’s portfolio is trading at even more compelling 2020 PER of 6.5x under a projected EPS growth of 5%.

## SECTORS ALLOCATION



## FUND INFORMATION

Structure	Open-ended fund
Launch date	25 April 2017
Fund size	VND206bn (USD8.7m)
Domicile	Vietnam
Valuation policy	NAV
NAV frequency	Weekly
Fund Manager	VinaCapital Fund Management JSC
Auditor	PwC (Vietnam) Ltd
Administrator & Custodian bank	Standard Chartered Bank (Vietnam) Ltd
Management fee	1.75%
Subscription/ Redemption frequency	Weekly on every Tuesday (T), requests must be submitted by 10:30am on T-1
Subscription charges	Subscription amount below VND2bn: 2% Subscription amount of VND2bn or above: 0%
Redemption charges	None
Currency	VND

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## Disclaimer

The current Prospectus, the Fund Charter as well as the semi-annual, annual reports of Vietnam Equity Special Access 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 ([wm.vinacapital.com](http://wm.vinacapital.com)). 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 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 VinaCapital has provided the report. No part of this report may be reproduced or distributed without the prior consent of VinaCapital.