

Vietnam Equity Special Access Fund (VESAF)

30 June 2018

VinaCapital

NAV/share: VND12,430 (USD0.5419)

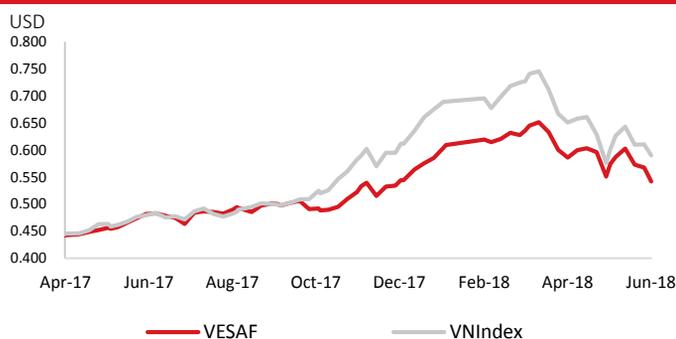
VESAF is a fund that invests in all equity opportunities unencumbered by foreign restriction or size. The strategy of the fund is to take meaningful stakes in companies with a robust franchise that we believe can benefit from the domestic growth of the country.

PERFORMANCE SUMMARY

	Fund	VN Index
June 2018	-5.6%	-1.8%
Year-to-date	-0.4%	-3.4%
Cumulative since inception	23.1%	34.1%

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

PERFORMANCE CHART



FUND INFORMATION

Structure	Open-ended fund
Launch date	25 April 2017
Fund size	VND123bn (USD5.4m)
Domicile	Vietnam
Valuation policy	NAV
NAV frequency	Weekly
Fund Manager	VinaCapital Fund Management JSC
Auditor	Ernst & Young (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

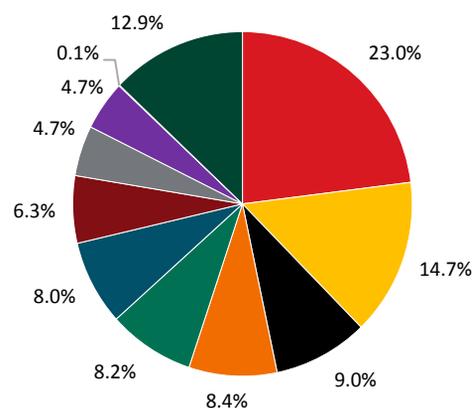
TOP 5 HOLDINGS

TOP 5 HOLDINGS	SECTOR	NAV (%)	PE 2018 (x)	ROE (%)
FPT	Technology	8.2%	10.2	17.3
MBB	Financials	7.5%	8.6	16.1
ACB	Financials	6.3%	8.1	23.6
SCS	Industrials	6.3%	21.9	35.8
FRT	Consumer Discretionary	5.6%	14.5	32.5
Total		34.0%		

EQUITY ALLOCATION

Small- & mid- cap	53%
Stocks traded on UpCom	13%
Stocks at full Foreign Ownership Limit	48%

SECTORS ALLOCATION



- Small- & mid- cap: stocks with market capitalization below US\$1 billion
- UpCom: Unlisted Public Company Market

See reverse side for important information

MANAGER'S QUARTERLY COMMENTARY

The second quarter was difficult for Vietnam's stock market as it got caught up in the massive emerging market sell-off sparked by a strong appreciation of the US dollar and trade tensions between US and China. The VN Index closed the quarter with a 3.4% decline (in USD terms) year-to-date, erasing all of the first quarter's strong gains.

The sell-off started in mid-April after the Index peaked; at that time the valuation of Vietnam's stock market was said to be rich at a 15% premium to regional markets. In late April, the strong appreciation of US dollar has created foreign outflows that hit all emerging markets. For Vietnam, we estimate that year-to-date net inflows are still about USD3.7 billion including pre-IPO and off-market trades, compared to net outflows from stock markets of Thailand (-USD5.6 billion), Indonesia (-USD3.6 billion) and Philippines (-USD1.2 billion). If excluding IPOs and off-market transactions, foreigners turned out to be net sellers of USD470 million on the stock market in the second quarter after being net buyers of USD430 million in the first quarter.

We believe Vietnamese stocks were overly affected by exogenous factors during the emerging market sell-off. The country's economy is strong and its outlook continues to be positive. Furthermore, Vietnam is not nearly as vulnerable to the risks facing other emerging markets. The Vietnam Dong (VND) depreciated by only 1.8% year-to-date. First, the VND's stability was supported by sufficient current account surplus which accounted for 2%-3% of GDP compared to current account deficits in India, Indonesia and a large trade deficit in the Philippines, all of which drove a 6%-8% currency depreciation year-to-date in those countries. Second, USD-denominated external debts owed by the Vietnamese Government or state-owned enterprises only account for 30% of GDP, much of which are ODA loans at low rates or on long tenors. Third, the current USD64 billion FX reserve, accounting for 30% of GDP, gives the Government some flexibility in managing the currency without the need to tighten monetary policy. Vietnam may also be one of the biggest beneficiaries of the trade war between US and China, with enormous potential displacement of production from China to Vietnam.

Macroeconomic conditions remained solid in the second quarter. GDP growth surged to 7.1% in 1H18 from 5.7% in 1H17, while the country recorded a trade surplus estimated at 2.2% of GDP, reversing a trade deficit in 1H17. Meanwhile, retail sales growth continued to be high at 8.6%. Growth prospects for the rest of the year look equally strong, with the Nielsen Consumer Confidence Index ranking Vietnam in the top four countries, with a score at a ten-year high. There were some concerns, however, of a sudden surge in inflation which rose from 2.8% y-o-y in April to 4.7% in June (the highest in ASEAN), as well as USD900 million trade deficit in May (and an approximate USD100 million deficit in June) after consecutive trade surpluses in the first four months. The low base effect of oil price in the first half of last year should be eliminated as 2018 progresses, bringing inflation back to under 4%, assuming oil prices remain around their current levels, which are only 20% higher than oil prices at the end of 2017. The trade balance is also expected to return to a surplus by the end of 2018, although month-to-month trade statistics can be quite volatile.

After the sharp correction, Vietnam's market valuation has become more attractive. We continue to have full confidence in companies that are catering to the country's strong domestic consumption story, driven by a large and young labor force, growing middle and affluent classes, and the greater demand for consumer goods, retail, mid-end property, banking and tourist-related services. At the end of June 2018, the stock market is trading at a forward P/E of 15.2x with a 0.8x PEG ratio, a discount to EM ASEAN with a P/E of 16.4x and PEG of 1.2x. Mid-cap stocks were even trading at a large discount to large-cap stocks (trailing P/E of 10x only). We believe that the current correction is a great opportunity for long-term investors who have been interested in Vietnam's compelling growth story to accumulate stocks in growing companies in a thriving economy.

MANAGER'S QUARTERLY COMMENTARY

For the fund, we remain committed to our strategy of buying undervalued and under-covered stocks which have good fundamentals and strong growth prospects. Our portfolio's forward P/E currently stands at 10.6x, a 30% discount to the VN Index's 15.2x forward P/E.

Obviously, the fund's performance was affected by the sell-off, especially in June and some of our portfolio's top holdings were heavily sold, for no rational reasons. FPT, Vietnam's leading tech company, now trades at a lower price than 12 months ago, and at just a 10x forward P/E (a 33% discount to the market average) despite an estimated 25% core earnings growth in 2018. Military Bank (MBB), one of Vietnam's top private banks, now trades at 1.3x P/B, equivalent to its P/B in 2016, despite an estimated earnings growth of over 50% in 2018.

Although we do not know what will be next for emerging markets or how far the US-China trade war will go, we do know that compared to other Asian emerging markets, Vietnam offers better value considering both fundamentals and valuations. As such, once investors refocus and the market regains some traction, we believe Vietnam's better value will again be noticed, and the stocks in our portfolio should catch up nicely over the last half of 2018.

VinaCapital

17th Floor, SunWah Tower
115 Nguyen Hue Street, District 1, Ho Chi Minh City, Vietnam
Office: +84 (0) 28 3821 9930
Fax: +84 (0) 28 3821 9931
<http://vinawealth.vn/en/vietnam-equity-special-access-fund-vesaf/>

Michael Truong

Investor Relations
Email : michael.truong@vinacapital.com
Office : +84 (0) 28 3821 9930

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 (www.vinawealth.vn/en). 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.