

Vietnam Equity Special Access Fund (VESAF)

30 March 2018

VinaCapital

NAV/share: VND14,504 (USD0.6363)

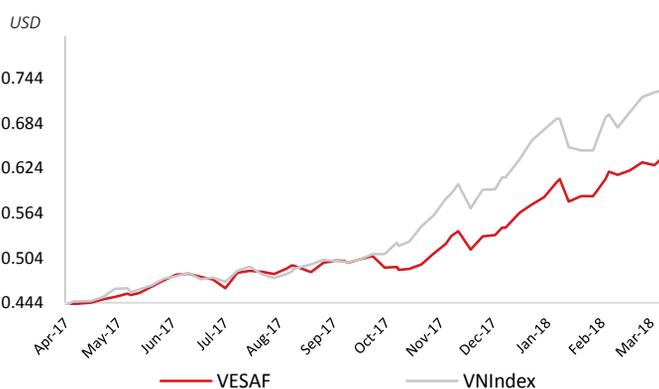
VESAF is a fund that invests in all equity opportunities unencumbered by foreign restriction or size. The strategy of the fund is to take meaningful stakes in companies with a robust franchise that we believe can benefit from the domestic growth of the country.

PERFORMANCE SUMMARY

| | Fund | VN Index |
|----------------------------|-------|----------|
| March 2018 | 2.8% | 4.6% |
| Year-to-date | 16.9% | 19.0% |
| Cumulative since inception | 44.6% | 65.3% |

* Performance figures are in USD

PERFORMANCE CHART



TOP 5 HOLDINGS

| TOP 5 HOLDINGS | SECTOR | NAV (%) | PE 2018 (x) | ROE (%) |
|----------------|------------------------|--------------|-------------|---------|
| FPT | Technology | 8.1% | 12.9 | 17.1 |
| MBB | Financials | 7.9% | 11.9 | 15.6 |
| ACB | Financials | 7.0% | 10.6 | 23.6 |
| PNJ | Consumer Discretionary | 6.8% | 24.3 | 25.9 |
| FRT | Consumer Discretionary | 5.1% | 15.6 | 32.5 |
| Total | | 34.9% | | |

EQUITY ALLOCATION

| | |
|--|-----|
| Small- & mid- cap stocks | 52% |
| Stocks traded on UPCoM | 17% |
| Pre-listing stocks | 5% |
| Stocks at full Foreign Ownership Limit | 49% |

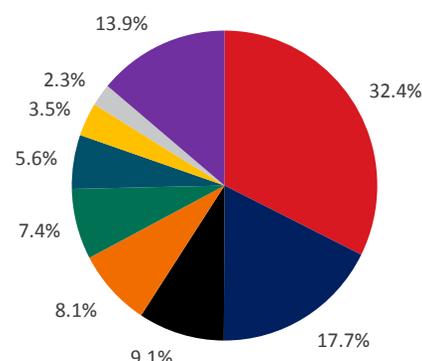
- Small- cap: stocks with market capitalization below US\$250 million
- Mid- cap: stocks with market capitalization from US\$250 million to US\$1 billion
- UPCoM: Unlisted Public Company Market
- Pre-listing: OTC stocks who have listing plan within 12 months

See reverse side for important information

FUND INFORMATION

| | |
|------------------------------------|--|
| Structure | Open-ended fund |
| Launch date | 25 April 2017 |
| Fund size | VND146bn (USD6.4m) |
| 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 10:30 am on T-1 |
| Subscription charges | Subscription amount below VND2bn: 2% Subscription amount of VND2bn or above: 0% |
| Redemption charges | None |
| Currency | VND |

SECTORS ALLOCATION



- Financials
- Consumer Discretionary
- Materials
- Information Technology
- Industrials
- Health Care
- Utilities
- Real estate
- Cash

MANAGER'S QUARTERLY COMMENTARY

The VN Index ended the first quarter of 2018 on a high note, increasing 19% to surpass its all-time high of 1170 on the back of robust earnings growth, continued strong economic data, and increasing interest from offshore investors in major IPOs and new listings. Large cap stocks in the financial, real estate, and oil and gas sectors were the key drivers of the Index's growth. Valuations widened between large cap (25x trailing P/E) and mid cap stocks (13.1x trailing P/E), which we believe offers some compelling buying opportunities in the months ahead. Despite the fund not having much exposure to large cap stocks, VESAF delivered a solid 16.9% return during the first quarter. We will continue to exploit the pricing gap as well as look for opportunities in pre-IPO and IPO deals. In fact, we have lined up a number of interesting pre-IPO stocks for the next quarter.

Air Transportation

The air travel sector has recently become one of Vietnam's notable investment themes given the strong growth of domestic and international tourism, the latter recording more than 13 million arrivals in 2017 – up 29% over the previous year – and growing 28% in the first three months of 2018. Airlines and airports are the most visible companies in the sector, with Vietjet Air (a low-cost carrier with more than 50% market share) and Airports Corporation of Vietnam (the sole operator of all of Vietnam's airports) attracting the most inflows.

But the sector's attractiveness goes beyond these two companies. Saigon Cargo Service Corporation (SCS), an air cargo terminal operator at HCMC's Tan Son Nhat International Airport, listed on UPCOM during the fourth quarter of 2017, but remained under the radar of most investors. SCS operates in a duopolistic market in which there is only one competitor, Tan Son Nhat Cargo Service JSC (TSC), a subsidiary of Vietnam Airlines. SCS held approximately 30% of total market share in terms of total volume cargo throughput and 34% market share in terms of tonnage of international goods. The Vietnamese air cargo industry is expected to grow by 12.6% per annum in 2016- 2020 and 15.5% in 2020-2030 in terms of tonnage of cargo through airports, mainly driven by rising income and robust export and import activities.

Although both companies are expected to benefit from these trends, we believe that SCS, despite entering the market later in 2010, is better positioned to capitalize on them. TCS has been in business since 1997, but SCS's competitive advantages include a modern, well-designed terminal, and better service and technology. SCS stands to benefit from rising air cargo demand, given its only competitor is at full capacity. The company has completed its heavy investment phase in building its terminal and is currently operating at 70% of its phase-1 capacity (200,000 tons of cargo/year), and can easily increase capacity to its maximum of 350,000 tons/year with minimal capital expenditure. SCS had an operating margin of 65.8% in 2017, with strong cashflow generation and a healthy balance sheet. The company has submitted documents to move to a listing on HOSE, which is expected to occur during the second quarter of 2018. We took the opportunity to add SCS to our portfolio and maintain meaningful exposure, a move that paid off well in the first quarter of 2018, contributing a healthy return to the fund's performance.

Retail

We have previously commented on FPT Retail, and we are happy to report that we continue to be excited about the company's growth prospects. During the first quarter, the company disclosed aggressive targets for 2018, calling for 22% growth in sales and 30% growth in net profit. It expects sales growth will be driven by both same store sale growth of 5% and the opening of 100 new stores, while the bottom line will be supported by both sales growth and margin improvement.

MANAGER'S QUARTERLY COMMENTARY

For the first quarter, FRT estimated sales growth at 19% y-o-y and profit before tax growth at around 32%. Shareholders approved a cash dividend of USD0.09 per share and a stock dividend at the ratio of 10:7 which will be paid in the third quarter of this year.

It is important to note that the above targets do not include FRT's newly acquired stake in Long Chau, a pharmacy retail chain with 10 stores. The deal was completed in FY2017, and results from the pharmacy retail segment will be consolidated into FRT's financial statements later in FY2018. In the meantime, FRT will expand the pharmacy chain, with plans to open around 20 stores this year, with the goal of having approximately 100 locations by the end of 2019. After 2020, FRT expects that the pharmacy segment will contribute 30% - 40% to the top line. FRT expects to list on HOSE in May 2018.

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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 (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.