

# Vietnam Equity Special Access Fund (VESAF)

30 September 2018

**VinaCapital**

NAV/share: VND12,790 (USD0.5486)

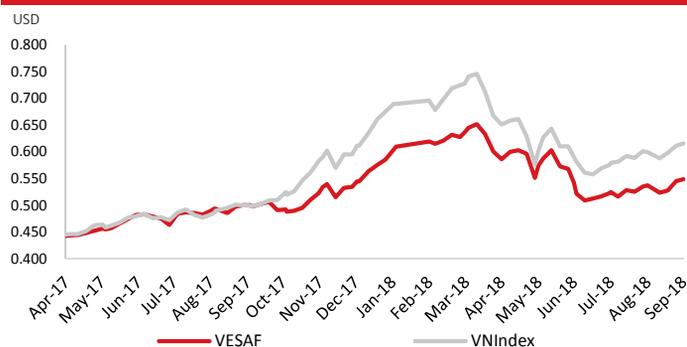
VESAF is a fund that invests in all equity opportunities unencumbered by foreign restriction or size. The strategy of the fund is to take meaningful stakes in companies with a robust franchise that we believe can benefit from the domestic growth of the country.

## PERFORMANCE SUMMARY

	Fund	VN Index
September 2018	2.1%	2.7%
Year-to-date	0.8%	0.6%
Cumulative since inception	24.6%	39.8%

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

## PERFORMANCE CHART



TOP 5 HOLDINGS	SECTOR	NAV (%)	PE 2018 (x)	ROE (%)
FPT	Technology	9.2%	11.4	17.3
MWG	Consumer Discretionary	7.8%	14.7	33.7
MBB	Financials	7.2%	9.1	16.2
ACB	Financials	6.5%	8.9	23.7
CTD	Industrials	4.8%	8.1	18.9
<b>Total</b>		<b>35.4%</b>		

## EQUITY ALLOCATION

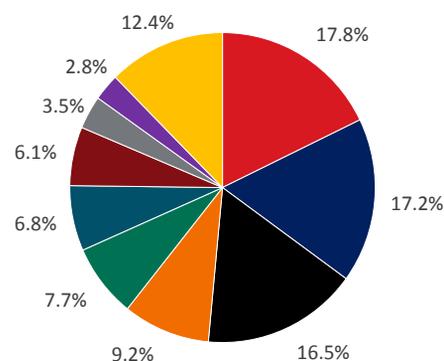
Small- & mid- cap	57%
Stocks traded on UpCom	6%
Stocks at full Foreign Ownership Limit	54%

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

## FUND INFORMATION

Structure	Open-ended fund
Launch date	25 April 2017
Fund size	VND211bn (USD9.0m)
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

## SECTORS ALLOCATION



- Banks
- Consumer Discretionary
- Industrials
- Information Technology
- Real estate
- Diversified Financials
- Materials
- Health Care
- Insurance
- Cash

See reverse side for important information

- Classified: Restricted

## MANAGER'S QUARTERLY COMMENTARY

***The fund***

VESAF rebounded in the third quarter of 2018, gaining 2.1% in September and 1.2% for the quarter (in USD terms). In July, we took advantage of the market correction to increase weight in our core holdings, especially the retail sector, as well as build up new positions in the logistics and utilities sectors at attractive valuations.

The largest contributors to the fund's performance in the third quarter included FPT Corporation (FPT, +7.6%) and Mobile World Group (MWG, +7%), both of which are long-time full foreign-ownership stocks, requiring foreigners who wish to own the stocks to typically pay a 15%-30% premium. Other mid-cap stocks in VESAF's portfolio also contributed positively, including a leading stock broker and a jewelry retailer. VESAF's portfolio companies are traded at a weighted average forward P/E of 11.1x with 33% core earnings growth in 2018, versus a 17.3x forward P/E of the VN Index (per Bloomberg).

For the nine months of 2018, GDP growth was estimated at 6.98%, the highest level since 2011. This should reflect positively in the Q3 earnings releases due in October, with solid advancement in sectors such as manufacturing, retail sales, and financial services.

***Retail sector update***

The retail sector remains one of our top picks, accounting for 15% of the total portfolio and ranking among the best performing sectors during the quarter. Retail sales continued to be strong at 8.8% in real growth for the first nine months, and retail companies are expected to deliver solid earnings in 2018. Vietnam's middle class continues to grow more affluent, and consumer confidence remains high. According to Nielsen, Vietnamese consumers were the world's fifth-most optimistic in the second quarter. Consumer behavior, especially in big cities, has also gradually changed, with increasing spending on leisure activities, discretionary products, and consumer technology.

The performance of three retail companies in our portfolio has demonstrated the attractiveness of the retail business in Vietnam. Phu Nhuan Jewelry (PNJ), the leading jewelry retailer, has seen stellar growth over the past few years on the back of an aggressive footprint expansion strategy which has fueled both topline growth as well as margin expansion with sale of high-margin jewelry increasing its revenue contribution. The company is forecast to deliver earnings growth of 37% in the first nine months of the year by on-going expansion of gold jewelry sales. We expect PNJ to continue to achieve strong growth in the coming year on the combined effect of market consolidation and store expansion.

Meanwhile, the two leading mobile phone and consumer electronics retailers, MWG and FRT, have found successful formulas for leveraging new retail segments as their existing mobile gadgets business showed signs of slower growth. Of note, MWG's grocery retail chain started to generate fruitful results after nearly two years of operation, with store count reaching 400, covering most of Ho Chi Minh City's districts. MWG reported a 36% increase in earnings in the first eight months of 2018. Meanwhile, FRT reported 30% earnings growth during the same period. The company recently announced it has taken a 75% ownership stake in Long Chau pharmacy retail chain. The pharmacy unit's financials are expected to be consolidated with FRT's from the fourth quarter and will become a new growth driver, contributing around 10% to the bottom line in 2019.

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## Enquiries

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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](http://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.