

31 October 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

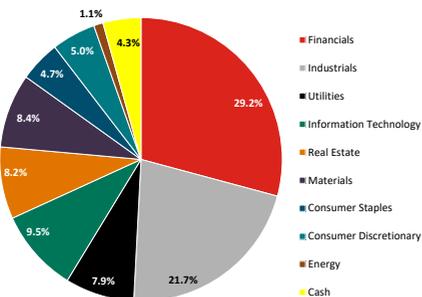
	Fund ¹	VN Index
October 2020 (month-on-month)	2.3%	2.3%
Year-to-date	2.6%	-3.7%
Annualised return since inception	6.8%	6.0%
Sharpe ratio (annualised since inception)	0.22	0.18
Annualised standard deviation	19.1%	21.1%
Tracking error	10.8%	

¹Fund information calculated from Class A shares

Performance Chart



Sector Allocation



Top holdings

Ticker	Market Cap (USDm)	Sector	% of NAV	2020F PE	Div Yield
FPT	1,741	Information Technology	9.5%	11.5	3.9%
VCB	13,278	Financials	8.7%	15.9	0.0%
HPG	4,366	Materials	7.8%	8.9	1.6%
MBB	2,129	Financials	7.3%	6.9	0.0%
VTP	387	Industrials	6.4%	19.5	1.9%
VSC	97	Industrials	4.8%	8.7	6.1%
VNM	9,734	Consumer Staples	4.5%	20.5	4.2%
VHM	10,783	Real Estate	4.2%	9.6	1.3%
PNJ	675	Consumer Discretionary	4.1%	17.8	2.9%
CTG	4,657	Financials	3.9%	10.2	0.0%
VVF Port.				12.2	3.2%
VNIndex				16.7	1.5%

Source: VinaCapital's estimates, Bloomberg

Manager's monthly commentary

Vietnam's stock market notched another month in positive territory, gaining 2.3% in October. Year-to-date, the index is down 3.7%, yet it still outperformed regional markets, including the Philippines's PCOMP (-19.1%), Indonesia's JCI (-18.6%), Thailand's SET (-24.4%) and Malaysia (-7.7%).

Materials, real estate, and consumer staples led gains in October. Of note, materials and real estate both increased 5.6%, led by HPG (+15.7%) and VIC (+16.4%), respectively. Meanwhile, consumer staples rose 5.5%, driven mainly by MSN (+54%). Trading value hit its highest level since the beginning of 2018, as the average daily trading value on the three bourses combined jumped 23.5% m-o-m to USD416 million in October. Meanwhile, foreign investors net sold USD321 million in the reported month, bringing total net outflows in the 10 months of 2020 to USD566 million.

The fund's Class A NAV per share increased 2.3% in the month. For YTD2020, the fund has returned 2.6% compared to a negative return of 3.7% of the VN-Index. The top contributors to the fund's October performance include Viconship (VSC, +16.7%), Hoa Phat Group (HPG, +15.7%), Phu Nhuan Jelwery (PNJ, +14.1%), Vietinbank (CTG, +9.2%), Military Bank (MBB, +3.6%), and FPT Group (FPT, +3.0%).

The recent market strength has been supported by resilient corporate earnings, improving October macro data as well as the positive sentiment following the MSCI's proposal to reclassify Kuwait as an emerging market, which should lift Vietnam's weight in the MSCI Frontier Markets Indexes. In fact, Q3's earnings season for listed companies in Vietnam is proving less downbeat than our previously forecast. At the time of writing this report, around 98% listed companies have released their Q3 earnings, and the results showed an encouraging recovery, with net profit increasing 9.3% q-o-q, though still declining 2.7% y-o-y.

In particular, banks saw their profits increase 7.6% y-o-y thanks to stronger net interest income on the back of accelerated credit growth and slightly improved margins in 3Q 2020. However, the sector's earnings power slowed down in the reported quarter, declining 6.3% versus Q2 this year, due to an up-trend in provision expenses in most of the banks. Private banks, however, witnessed stronger fee income growth and better operating expense control, and as such, net profit increased 17% y-o-y and outperformed the overall sector.

Materials posted their strongest quarterly results in recent years, up 74% y-o-y on good sales volume and improving margins. Of note, HPG released a record net profit of USD 162.5 million, an increase of 115% y-o-y and beating consensus estimates by a large margin. The stellar results were driven by an increase of 64% y-o-y in net revenue and a 2.6% percentage point improvement in net margin. On a cumulative basis, HPG recorded revenue of USD 1.9 billion and net profit of USD 381 million, an increase of 41% and 57% y-o-y, respectively. We reiterate our strong conviction for the company as a leader in the steel industry, its cost competitiveness, and its healthy financial position.

The retail sector demonstrated a rebound in Q3 2020, posting a strong q-o-q net profit growth of 36% (while y-o-y growth was more modest at 2.7%) as MWG and PNJ, the two largest retailers quoted in Vietnam's stock market, both topped market expectations. MWG delivered a solid performance in Q3 with revenue and net income growing 2% and 11% y-o-y respectively, driven by the recovery in discretionary spending and the continued improvement in profitability of the grocery segment. Meanwhile, PNJ recorded net profit inching down 2.8% y-o-y on flat sales, as the company's retail sales recovered in September (+18.2% y-o-y) after dropping 7% in August, possibly attributable to pent-up demand for wedding jewelry as well as the fact that PNJ's target customer group is middle income people, who have more secure disposable incomes.

In contrast, the industrials sector's profit in Q3 declined 99.5% y-o-y and 96.5% q-o-q, dragged down by the loss-making aviation companies such as Vietnam Airlines and Vietjet as international travel is still largely banned. Excluding these companies, net profit of the sector increased 6.9% y-o-y and 21% q-o-q. In certain segments in the sector such as logistics, there is evidence that demand is recovering, given the put-through volume in Q3 at Saigon Cargo Services (SCS), the air cargo operator in Tan Son Nhat Airport, improved 22% q-o-q, while declining only 5% y-o-y.

At the time of writing, it appears that former Vice President Joe Biden has been elected US president, notwithstanding any legal challenges that may be lodged by President Trump. Provided there are no surprises, we think this could bode well for the US and global stock markets, including Vietnam's. VinaCapital's Chief Economist has noted that a Biden presidency would likely bring little change to US policy towards Vietnam. Despite the short-term risks on the resurgence of Covid-19 pandemic globally, we believe Vietnam's economy is in good shape for recovery backed by domestic consumption, resilient trade activities and continued FDI inflows. We maintain a balanced perspective with a focus on quality stocks with the potential to perform well over the long-term, while leveraging our vast resources to gain insight into market dynamics as they evolve.

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Macroeconomic Commentary

Vietnam's economic recovery accelerated in October as the negative economic impact of modest social distancing measures in selected parts of the country during the month of August continued to abate. As at the end of October, Vietnam has gone nearly 60-days without recording any new locally transmitted COVID-19.

The improvement in the country's economic growth was reflected in sequential improvements across a range of Vietnam's economic indicators. With consumer price inflation falling from 3% y-o-y in September to 2.5% in October, "Goldilocks" economic conditions are gradually resuming in Vietnam.

The improvement in Vietnam's inflation rate was attributable to the plunge in pork price inflation which we had been predicting in recent months and which is now materializing. Pork accounts for about 3% of Vietnam's CPI basket, and the year-on-year price increase plunged from ~50% in September to ~25% in October. However, it should be noted that the drop was primarily attributable to the high base effect caused by the surge of pork prices in late 2019 when African Swine Fever first emerged.

Macroeconomic indicators

	2019	Oct-20	2020YTD	Y-O-Y
GDP growth ¹	7.0%			2.1
Inflation (%)	5.2%			2.5
FDI commitments (USDbn) ²	20.6	1.9	17.4	-5.1%
FDI disbursements (USDbn)	20.3	2	15.8	-2.5%
Imports (USDbn)	253.4	24.5	210.5	0.4%
Exports (USDbn)	264.3	26.7	229.3	4.7%
Trade surplus/(deficit) (USDbn)	10.9	2.2	18.7	
Exchange rate (USD/VND) ³	23,175	23,250	23,250	0.3%

Sources: GSO, Vietnam Customs, SBV, VCB, MPI | 1. Annualized rate, updated quarterly | 2. Excluding capital contribution | 3. Unofficial rate - mid rate

Key terms

	Class A ¹	Class B	Class C	Class D	Class E	Class F ²	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% ²	15% ²	15% ²	15% ²	None	None
Bloomberg	FOVCPVA LX	FOVIEBU LX	FOVIECE LX	FOVIEDE LX	FOVIEUE LX	-	FOVCPVG LX
ISIN	LU1163030197	LU1163027052	LU1214542463	LU1214545136	LU1286782559	LU1286782716	LU1286783011

¹ Class A Shares are restricted to former shareholders of VNI.

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

³ 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	USD36.4m
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
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The on-going improvement in Vietnam's economic growth continues to be driven by domestic consumption, and by the manufacture and export of "stay at home" goods to the US and to other countries around the world. Regarding the former, the year-on-year increases in Vietnam's retail sales accelerated from 4% in August to 5% in September and reaching 6% y-o-y in October.

A similar acceleration is unfolding in Vietnam's manufacturing sector, where the year-on-year increases in output accelerated from circa 0% y-o-y in August (owing to the "second wave" social distancing lockdown at that time), to nearly 5% in September, and to over 8% y-o-y growth in the month of October.

In 10M20, manufacturing output is only up 4.2% y-o-y versus 10.2% growth in 10M19, although the nascent recovery in Vietnam's manufacturing sector was confirmed by the fact that Vietnam's 51.8 PMI index reading in October was the second month in-a-row that the country's PMI was above the '50' expansion-contraction threshold. Also, the aggregate amount of electricity consumed in Vietnam has climbed back to a similar level as had been being consumed pre-COVID.

Next, the recovery in Vietnam's manufacturing output growth also coincided with continued, robust exports of "stay at home" products, which is reflected by 24% y-o-y surges in exports to the US as well as of electronics exports. That said, Vietnam's overall exports only grew by 4.7% y-o-y to USD229 billion in 10M20, because exports of garments and footwear exports (which account for about 17% of Vietnam's total exports) fell by about 10% y-o-y.

Resilient exports, coupled with 0.4% y-o-y import growth led to a surge in Vietnam's trade surplus from USD9.3 billion in 10M19, to USD18.7 billion in 10M20, or from about 5% of GDP to nearly 9% of GDP. To put that figure in context, China's trade surplus peaked at just over 8% of GDP.

Furthermore, FDI inflows have been very resilient, dropping just 3% y-o-y in 10M20 to USD16 billion (or over 7% of GDP). Some Government officials have also indicated that remittances from overseas Vietnamese have also been surprisingly resilient despite the world-wide COVID recession (the latest indications are that remittances from overseas Vietnamese are likely to fall by less than 10% this year, and should remain around 6% of GDP).

The net result of all the above is that the unofficial USD-VND rate was essentially unchanged in the month of October, depreciating by 0.1% mom to 23,250.

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/our-partners-vietnam-fund-cfi>) 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 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.