

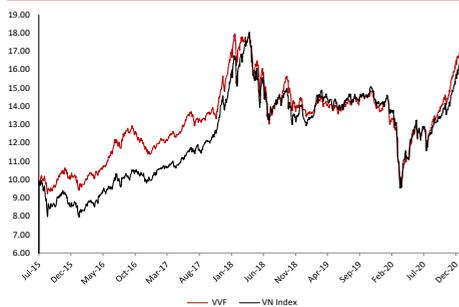
VVF is an actively managed UCITS-compliant fund that invests in equities and equity-related securities of companies that are based in Vietnam or that have substantial exposure to Vietnam, with an objective to outperform the Vietnamese benchmark index over the long term, through bottom up stock picking and disciplined risk management.

## Performance summary

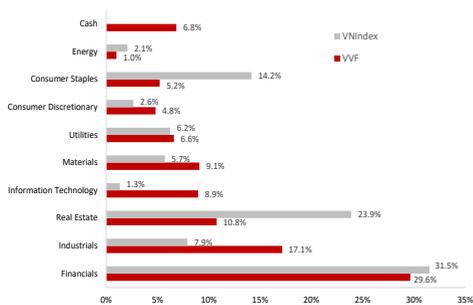
	Fund <sup>1</sup>	VNIndex
December 2020 (month-on-month)	8.3%	10.2%
2020	22.8%	15.2%
Annualised return since inception	10.1%	9.4%
Accumulated return since inception	69.4%	63.2%
Sharpe ratio (annualised since inception)	0.36	0.33
Annualised standard deviation	20.9%	22.3%
Tracking error	7.8%	

<sup>1</sup>Fund information calculated from Class A shares

## Performance Chart



## Sector Allocation



## Top holdings

Ticker	Market Cap (USDm)	Sector	% of NAV	2020F PE	Div Yield
HPG	5,950	Materials	9.1%	10.1	1.2%
FPT	2,007	Information Technology	8.9%	13.2	3.4%
VCB	15,731	Financials	8.5%	18.8	0.8%
MBB	2,763	Financials	7.7%	7.3	0.0%
VTP	390	Industrials	5.2%	19.8	1.4%
VHM	12,755	Real Estate	4.4%	9.9	1.1%
PNJ	798	Consumer Discretionary	3.9%	19.0	1.2%
CTG	5,573	Financials	3.9%	10.1	0.0%
VNM	9,850	Consumer Staples	3.7%	19.9	3.4%
SCS	281	Industrials	3.4%	14.8	6.3%
VVF Port.			16.1	2.1%	
VNIndex			18.2	1.3%	

Source: VinaCapital's estimates, Bloomberg

## Manager's monthly commentary

People around the world will have a lasting memory of 2020 as a year of unprecedented events, given the speed and scale at which the pandemic escalated, the severity of the lockdowns worldwide, and the development speed of vaccines. On the investment front, it has been a remarkable year for Vietnam's equity market, although it has certainly been a roller coaster. After plunging 32% from peak to trough in the first quarter of 2020, the market staged a fast rebound in subsequent months, recording a five-month winning streak in the second half of the year. A large part of this had to do with the fiscal and monetary policy response and the Vietnamese government's effectiveness in controlling the outbreak, but also a willingness on the part of investors to look beyond the pandemic and any short-term weaknesses it caused to the economy and to corporate profits. The VN-Index concluded 2020 up 15.2% in USD terms, significantly outperforming neighbouring markets such as Malaysia (+2.4%), Indonesia (-5.1%), Thailand (-8.3%), and the Philippines (-8.6%). Furthermore, Vietnam was among just a few economies with positive GDP growth in 2020.

Liquidity was at an all-time high, due to massive local inflows. Average daily trading value reached USD644 million in December (+48% m-o-m, +195% y-o-y) across three bourses, the highest level ever seen. Average daily trading value in 2020 totalled USD313 million, an increase of 56% y-o-y. Meanwhile, foreigners net sold USD805 million on Vietnam's stock market during the year.

Despite the challenges, the fund did well in 2020, with Class A's NAV per share increasing 22.8% in the year, far outperforming the local benchmark VN-Index. Hoa Phat Group was the fund's top contributor in 2020, increasing 17% in December to return a whopping 116% for the year. The company recently announced sales volume reached a record high of more than 5 million tonnes in 2020, of which construction steel accounted for 3.4 million tonnes (+22.5% y-o-y). HPG maintains its leading position in the steel industry with a 33% market share, an increase of 7 percentage points from the previous year.

Financial stocks continued to rally and were the lead contributors to the VN-Index's gain in December as well as the whole year of 2020. The fund's holdings in banking and brokerage stocks also saw good gains, with Vietinbank (CTG, +68%) and Military Bank (MBB, +28%) among the top contributors to our 2020 performance. CTG is one of four state-owned commercial banks in Vietnam with the largest branch network, the second largest asset base and lending book. We first bought the bank shares in early 2020 and increased its weight during the market correction. CTG posted preliminary parent profit before tax of USD714 million (+43% y-o-y) for 2020, which beat all forecasts. The impressive result was on the back of stronger credit growth, stronger non-interest income, and better operating costs control while asset quality improved, with reported NPL under 1% and loan loss reserve coverage at 130%. In December, CTG signed a 16-year exclusive bancassurance distribution contract with Manulife. The bank is traded at a P/B 2020 1.4x, a discount versus other state-owned banks like VCB or BID.

December was quite a busy month for us as we restructured our portfolio to transition into 2021. During the month, we exited our position in a port operating company, which returned more than double during 2020 and rotated into another logistics company which expects to see core business recovery and potential one-off profit in 2021. In recent months, we also increased the fund's exposure to high quality cyclical stocks in financials, retailing, and real estate, all of which are expected to benefit during the economic recovery.

Investors enter 2021 with a positive backdrop for equities. From an earnings perspective, a strong bounce seems likely. Consensus estimates for 2021 corporate earnings implied a 28% growth for the year, which in turn indicates a forward P/E 2021 of Vietnam stock market at 14x, a reasonable level compared with its historical trading range, and especially considering the extended period of low-inflation and low-interest rate. While we remain optimistic about Vietnam's market outlook, we continue to be selective and valuation-conscious in identifying the next winners, which we believe is crucial for sustainable returns.

Despite the challenges of the past 12 months, we are pleased that we have been able to deliver strong returns to our investors. We greatly appreciate the continued support of all of our investors, and we look forward to building on our strong momentum in the years ahead.

31 December 2020

## Macroeconomic Commentary

Vietnam's GDP growth plunged from 7% y-o-y in 2019 to 2.9% y-o-y in 2020, which was slightly above the consensus expectation for circa 2.5% growth.

The country's quarterly GDP growth accelerated from 0.4% y-o-y in Q2 and 2.6% in Q3, to 4.5% in Q4, and some leading indicators (discussed below) point to a continued acceleration in the quarters ahead, so we forecast 6.5% GDP growth in 2021.

Vietnam's manufacturing sector accounted for over one-third of the country's economic growth last year, while the biggest drag on Vietnam's economic growth came from a 79% y-o-y drop in international tourist arrivals, which reduced the country's GDP growth rate by about 4%pts.

The relatively robust performance of Vietnam's manufacturing sector, which grew by 5.8% last year, is being driven by solid demand for "stay at home" products such as laptop computers and furniture that are made in Vietnam and exported to the US.

US consumers' purchases of such products are now well above pre-COVID levels, resulting in Vietnam's exports to the US surging 25% in 2020 to USD76 billion, with electronics exports surging 24% to USD45 billion. Consequently, Vietnam's overall export growth saw a modest drop, from 8.4% in 2019 to 6.5% in 2020, reaching USD282 billion, or over 110% of GDP. Import growth slowed from 7% in 2019, to 3.6% in 2020 reaching USD262 billion, which accounted for Vietnam's trade surplus surging from

## Macroeconomic indicators

	2019	Dec-20	2020	Y-O-Y
GDP growth <sup>1</sup>	7.0		2.9	
Inflation (%)	5.2		0.2	
FDI commitments (USDbn) <sup>2</sup>	20.6	1.2	21.0	-6.6%
FDI disbursements (USDbn)	20.3	2.8	20.0	-2.0%
Imports (USDbn)	253.4	27.5	262.4	3.6%
Exports (USDbn)	264.3	26.5	281.5	6.5%
Trade surplus/(deficit)(USDbn)	10.9	-1.0	19.1	
Exchange rate (USD/VND) <sup>3</sup>	23,173	23,098	23,098	-0.3%

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

## Key terms

	Class A <sup>1</sup>	Class B	Class C	Class D	Class E	Class F <sup>2</sup>	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% <sup>3</sup>	15% <sup>3</sup>	15% <sup>3</sup>	15% <sup>3</sup>	None	None
Bloomberg	FOVCPVA LX	FOVIEBU LX	FOVIECE LX	FOVIEDE LX	FOVIEUE LX	-	FOVCPVG LX
ISIN	LU1163030197	LU1163027052	LU1214542463	LU1214545136	LU1286782559	LU1286782716	LU1286783011

<sup>1</sup> Class A Shares are restricted to former shareholders of VNI.

<sup>2</sup> 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.

<sup>3</sup> 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	USD44.4m
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
Swiss paying agent	NPB Neue Privat Bank AG, Limmatquai 1/am Bellevue, P.O. Box, CH-8022 Zurich, Switzerland

## Contact details

Investor Relations	
Phone:	+84-283821-9930
Email:	ir@vina-capital.com

USD10.9 billion in 2019 (or ~4% of GDP) to USD19.1 billion in 2020 (or 7% of GDP). Critically, we expect Vietnam's manufacturing output growth to bounce back to about 12% in 2021 (which is in-line with its five-year average) because we see clear signs that the booming manufacture and export of "stay at home goods" that benefited Vietnam in 2020 will continue in 2021. Numerous surveys of employees in the developed world indicate that people want to continue spending part of their work week at home, which should fuel the continued, robust demand for these products for at least another year (for example, over 70% of people in the US now prefer to work at home at least two days per week according to a recent survey by Price Waterhouse Coopers).

Also, FDI companies' order books for such products have swelled, as evidenced by the fact that Vietnam's PMI bounced back from 49.9 in November to 51.7 in December, as well as by the fact that companies are ramping up their imports of the components they need to manufacture consumer electronics and other stay at home products (imports of such components surged 50-60% y-o-y in the month of December).

Next, Vietnam's trade surplus with the US surged from USD47 billion in 2019 to USD63 billion in 2020, which was one of the factors that prompted the US Treasury Department to designate Vietnam (along with Switzerland) as a "currency manipulator" in December.

Although there is a risk that the Trump administration could impose stiff tariffs on Vietnam's exports to the US before leaving office, given the events in Washington in early January 2021, we believe that is unlikely. In any case, if those tariffs were imposed, the Biden administration would almost certainly undo any penalties that Trump imposes on Vietnam – albeit with a likely 4-6 month time lag before those "temporary tariffs" are removed (we published an article in Vietnam Investment Review that discusses this risk, which can be found [here](#)).

Finally, the enormous flow of money into Vietnam via the 7% of GDP trade surplus was augmented by FDI disbursement of USD20 billion, which fell by 2% in 2020 and equated to 8% of GDP, and by remittances from Overseas Vietnamese, which fell by about 5% and equated to about 6% of GDP.

Consequently, interbank rates remained around 0% and 10-year Vietnam Government Bond (VGB) yields remained 2.4% in December. It is very likely that some of this excess liquidity ultimately helped drive a 10% surge in the VN-Index during the month (and a 15% YTD increase at end-2020).

Finally, Vietnam's CPI inflation rate plunged from 1.5% y-o-y in November, to 0.2% in December, which was entirely attributable to the containment of African Swine Fever (ASF) in Vietnam. Pork prices fell 2% month-on-month in December, but the main factor that caused Vietnam's food price inflation to plunge from 6.6% in November to 2.7% in December was the high base effect caused by a surge of pork prices in late 2019.

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/vcg-partners-vietnam-fund-vcf>) 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 therefrom 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.