

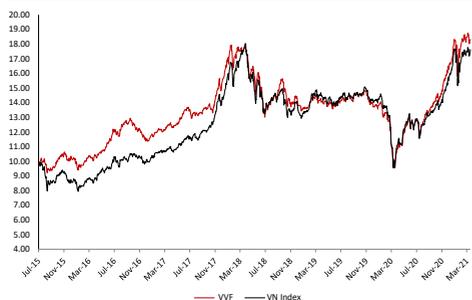
VVF is an actively managed UCITS-compliant fund that invests in equities and equity-related securities of companies that are based in Vietnam, with an objective to deliver long-term capital growth, through bottom up stock picking and disciplined risk management.

Performance summary

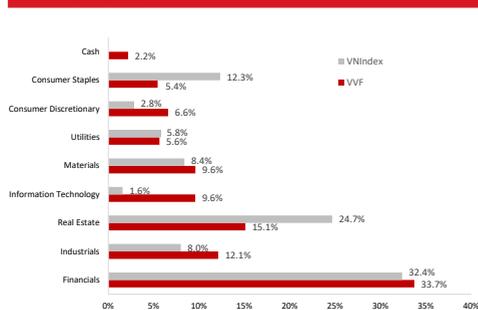
	Fund ¹	VNIndex
March 2021 (month-on-month)	-0.2%	1.7%
Year-to-date	8.2%	8.0%
Annualised return since inception	11.2%	10.4%
Accumulated return since inception	83.3%	76.3%
Sharpe ratio (annualised since inception)	0.42	0.38
Annualised standard deviation	21.0%	22.3%
Tracking error	7.7%	

¹Fund information calculated from Class A shares

Performance Chart



Sector Allocation



Top holdings

Ticker	Market Cap (USDm)	Sector	% of NAV	2021F PE	Div Yield
HPG	6,719	Materials	9.6%	7.6	1.1%
FPT	2,639	Information Technology	9.6%	13.8	2.6%
MBB	3,414	Financials	8.0%	7.6	0.0%
VCB	15,236	Financials	7.5%	14.4	0.8%
CTG	6,478	Financials	4.9%	8.0	0.0%
VHM	13,870	Real Estate	4.5%	9.3	1.0%
NLG	417	Real Estate	4.2%	7.6	2.9%
PNJ	833	Consumer Discretionary	3.9%	15.0	1.2%
VPB	4,750	Financials	3.6%	9.5	0.0%
HCM	408	Financials	3.5%	15.2	4.5%
VVF Port.				12.4	1.8%
VNIndex				15.0	1.3%

Source: VinaCapital's estimates, Bloomberg

Manager's monthly commentary

Vietnam's stock market has started 2021 off on a good note, increasing 8% in the first quarter. March 2021 also marked a year since the market plummeted during the Covid-19 crash, and in the 12 months since then, the VN-Index has gained 84% since the March 2020 low point. Nevertheless, March 2021 was not exactly a smooth ride. There was a fair amount of volatility in stock prices, driven by high retail investor activity, coupled with concerns about the potential for higher inflation and rising bond yields. Diversified financials (+5.3%) and banks (+4.5%) recorded the strongest increases in March, with VPB (+11.6%), CTG (+7.8%) and VIB (+21.9%) leading the gains. In contrast, energy and consumer staples were the only two sectors that recorded declines in the month, led by PLX (-5.3%) and VNM (-6.1%), respectively. Average daily trading volume (ADTV) for the three bourses combined rebounded 17.7% m-o-m to USD853 million in March. In Q1 2021, ADTV of the three bourses reached USD820 million, which is nearly four times the number of the same period last year.

The fund's class A NAV per share increased 8.2% in the first quarter of 2021, slightly outperforming VN-Index, the local benchmark.

Looking ahead to April, earnings and annual shareholder meeting (AGM) season—the multi-week period when public companies report their quarterly results—will dominate headlines, and market participants will want to see proof of a tangible economic recovery.

Thus far, several companies have provided some colour on their Q1 results. Several banks announced preliminary Q1 results which were better-than-expected on higher asset quality and provision relaxation as well as rising contributions from fee income. It was no surprise that banking stocks have performed strongly YTD2021, contributing the most to the VN Index's rally. Banks in our portfolio, namely Vietinbank (CTG), Military Bank (MBB), Asia Commercial Bank (ACB) and Vietcombank (VCB), reported strong first quarter profit growth at 152%, 114%, 61% and 34% respectively. Such positive results have made the consensus full-year profit growth of 25% for the sector seem conservative, not to mention possible one-offs such as divestment gains and bancassurance upfront fees. With such strong earnings momentum, we expect several banks will be revising their earnings forecasts going forward.

FPT Corporation (FPT) was the top contributor to the fund's performance in Q1 2021. Their business showed resilient earnings, with profit-before-tax growth of 22% y-o-y in the first quarter of 2021. For 2021, FPT set a target of 18% profit before tax growth while the cash dividend would be USD0.09 per share, equivalent to a 2.7% dividend yield. We believe FPT can surpass their guidance for this year, driven by increasing demand for digitalization globally. FPT is trading at a 13.8x 2021 P/E and a ROE of 26%.

Hoa Phat Group (HPG) released its FY21 guidance, forecasting net sales of USD5.2 billion (+33.2% y-o-y) and net profit of USD780 million (+33.9% y-o-y). The cash dividend for 2020 is proposed at USD0.02 per share (equivalent to a 1.1% dividend yield). HPG recently reported that solid long steel (construction steel and billet) sales volume for Q12021 rose 15.4% y-o-y while HRC sales volume was robust with 75% q-o-q growth, reinforcing our expectation that the company will report impressive earning for Q1.

Retailing companies are also expected to rebound this year. Phu Nhuan Jewelry (PNJ) released its 2021 AGM documents, in which it guides for revenue of USD913 million (+20% y-o-y) and net profit of USD53 million (+15% y-o-y), although analyst consensus indicates a higher growth of above 20%. That said, we note that PNJ has a history of beating its profit guidance. In addition, the company has proposed a FY2021 cash dividend of USD0.09 per share (equivalent to 2.4%), which is higher than expectation.

We maintain our positive view on Vietnam's stock market and would take volatility as opportunities to accumulate quality businesses with strong business models and earnings outlooks.

31 March 2021

Macroeconomic Commentary

Vietnam's GDP grew 4.5% year-on-year (y-o-y) in Q1, which was a remarkably strong performance given that: 1) Vietnam's third COVID outbreak prompted modest social distancing measures in February and March, and 2) Vietnam's foreign tourist arrivals collapsed to zero relative to 1Q20, which weighed heavily on the economy, although GDP still increased from 3.7% in 1Q20.

The strength in Vietnam's GDP growth in Q1 was attributable to strong household consumption, and to the manufacturing of "stay at home" goods that were exported to the US and other developed countries.

Regarding consumption, real retail sales growth (i.e., excluding inflation), which is a close proxy for household consumption in Vietnam, increased from 0% y-o-y in 1Q20 to 4.5% in 1Q21. However, we estimate that foreign tourists previously accounted for about 10% of Vietnam's retail sales, so the growth of real retail sales, excluding foreign tourists probably surged by about 9% y-o-y in Q1, which is in-line with its 5-year average (pre-COVID).

Regarding manufacturing, a recent Wall Street Journal article titled "The Vietnamese Recovery is Made in America" observed that "Vietnam's economy is returning to solid export-fueled growth that will likely continue thanks to US fiscal stimulus". We agree with that assessment and note that Vietnam's exports to the US soared 33% y-o-y in Q1 to USD21 billion, and that a surge in new export orders lifted Vietnam's manufacturing PMI from 51.6 in February to 53.6 in March – its highest level in over two years.

That surge in Vietnam's exports to the US, coupled with a 31% y-o-y surge in electronics exports (to USD12 billion) lifted Vietnam's total export growth from 8% in 1Q20 to 22% y-o-y in 1Q21. At the same time, import growth rocketed even more, from about 4% in 1Q20 to 26% y-o-y in 1Q21. This is actually positive because these imports are primarily production materials required to manufacture products for export, such as components for consumer electronics, cell phones, and other high-tech products. This surge in imports is a clear leading indicator that the production and export of these products will continue to grow in the months ahead. Vietnam achieved an estimated trade surplus of nearly USD2 billion in Q1, although the surplus shrank from 7% of GDP in 2020 to 2-3% of GDP in Q1.

Another positive leading indicator was the 6.5% increase in disbursed FDI inflows in Q1 (to USD4.1 billion) because most of these inflows fund new manufacturing and power generation projects (or expansions of existing projects). Furthermore, newly approved/registered FDI projects surged 41% y-o-y to USD9.3 billion in Q1, driven by a new 3,000MW LNG-to-power project from a joint venture led by Korea's GS Energy and VinaCapital.

Next, Vietnam's CPI inflation rate ticked up from 0.7% in February to 1.2% y-o-y in March, driven higher by a 4% month-on-month (m-o-m) increase in retail petrol prices, but dampened by a 4% m-o-m drop in pork prices (note that African Swine Fever is now under control in Vietnam and in China, where pork prices fell by about 10% m-o-m in March).

The VND's official exchange rate against the USD continued to be stable. Recent comments about Vietnam's currency practices from US Trade Representative Katherine Tai will surely put more pressure on the VND to appreciate against the USD as 2021 progresses.

Macroeconomic indicators

	2020	Mar-21	3M2021	YOY
GDP growth ¹	2.9			4.5%
Inflation ² (%)	3.2		1.2	
FDI commitments (USDbn)	21.0	4.4	9.3	41.4%
FDI disbursements (USDbn)	20.0	1.6	4.1	6.5%
Imports (USDbn)	262.4	28.2	75.3	26.3%
Exports (USDbn)	281.5	28.6	77.3	22.0%
Trade surplus/(deficit)(USDbn)	19.1	0.4	2.0	
Exchange rate ³ (USD/VND)	23,131	23,244		

Sources: GSQ, Vietnam Customs, SBV, MPI [1. Annualized rate, updated quarterly] 2. Inflation: Monthly year-on-year change; Annual is 12-month average change in CPI per GSO[3]. BGG-State Bank of VN Avg, USD/VND Interbank 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% ³	15% ³	15% ³	15% ³	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	USD47.5m
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
Depositary 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

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