

30 April 2021

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

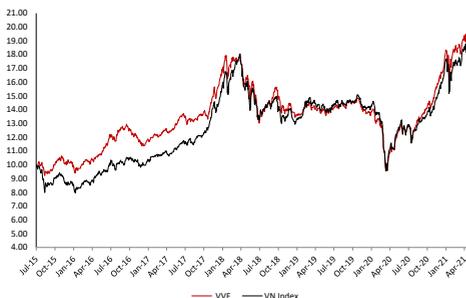
	Fund ¹	VNIndex
April 2021 (month-on-month)	5.7%	4.1%
Year-to-date	14.4%	12.5%
Annualised return since inception	12.1%	11.0%
Accumulated return since inception	93.8%	83.6%
Sharpe ratio (annualised since inception)	0.45	0.40
Annualised standard deviation	20.8%	22.2%
Tracking error	7.6%	

¹Data information calculated from Class A shares

Manager's monthly commentary

Vietnam's equity market had another strong month in April, with the VN-Index, the local benchmark, returning 4.1% (USD terms) to close at 1,239, an all-time high. On a year-to-date basis, the VN-Index has gained 12.5%, making Vietnam the best-performing stock market in the ASEAN region. Despite some volatility after reaching the all-time high level, market sentiment remained positive, with average daily trade value reaching a record level of USD976 million on the combined three bourses, an increase of 14.2% m-o-m.

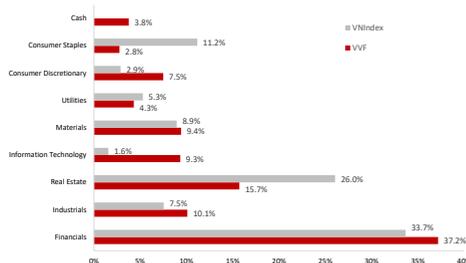
Performance Chart



Real estate (+12%), materials (+10%) and banking (+6.6%) led April's rally. The real estate leaders VinGroup (VIC) and Novaland (NVL) contributed almost 50% of the Index's return, while Hoa Phat Group (HPG, materials) continued to shine, increasing 24% on the back of its stellar growth in Q1 earnings (+205% y-o-y). VP Bank (VPB) stood out in the banking sector, returning 31% as the bank announced an agreement to let 49% of its stake in consumer finance arm FE Credit to Japan's Sumitomo Mitsui Finance Group in a transaction that values the non-bank lender at USD2.8 billion.

Q1 earnings season ended with upbeat results for Vietnam's listed companies. So far, listed companies on the Ho Chi Minh Stock Exchange, which represent 96% of its market capitalization, have announced aggregate earnings increasing 74% y-o-y, with impressive growth seen in sectors such as materials (+244%), banking (+76%) and real estate (+27%).

Sector Allocation



The fund's Class A NAV per share increased 5.7% in April, outperforming the VN-Index, helped by the strong performances of HPG (+24%), VPB (+31%), MBB (+7.9%), and PNJ (+16%).

During the month, we divested one holding in the transportation sector, which saw slowing growth due to rising competition, as well as a mature F&B stock. We initiated one new position in a banking stock which is expected to have a turnaround catalyst from restructuring activities, as well as increased weight in the real estate and consumer discretionary sectors.

While April showered us with a relatively fruitful earnings season, May could lack that springboard of strong fundamentals that propelled the stock market. However, with positive macro data recorded during April, and PMI rising to 54.7 in April -- the strongest improvement in the manufacturing sector since November 2018 -- there is a definite level of positivity about current business conditions as well as in the months ahead. Nevertheless, COVID-19 risks continue to be a factor, as vaccinations in the country remain limited. The recent flare-up of COVID-19, with virus community transmissions in several provinces, may create some short-term negative impacts on the stock market. Although we do expect a degree of volatility, we continue to be positive about the market's outlook, given that solid earnings growth is expected to continue. Any short-term market correction would be an opportunity to acquire good stocks at favourable prices.

Regarding the fund's positioning, we continue our focus on companies with improved post-pandemic competitiveness, as well as companies with accelerating fundamentals that can maintain high growth rates, improving margins, and valuations that we can characterize as "growth at a reasonable price." We are mindful that economic normalization and reopening of the post-pandemic economy has a finite duration. As we move further along in this process, we would expect a more balanced market environment that is tilted towards longer-term earnings power.

Top holdings

Ticker	Market Cap (USDm)	Sector	% of NAV	2021F PE	Div Yield
HPG	8,349	Materials	9.4%	6.5	0.9%
FPT	2,769	Information Technology	9.3%	14.4	2.5%
MBB	3,684	Financials	8.4%	8.2	0.0%
VCB	16,086	Financials	7.7%	15.2	0.8%
CTG	6,589	Financials	4.7%	8.1	0.0%
VHM	14,168	Real Estate	4.5%	9.5	1.0%
PNJ	966	Consumer Discretionary	4.4%	16.2	1.0%
NLG	449	Real Estate	4.2%	8.9	2.8%
VPB	6,228	Financials	3.9%	10.6	0.0%
ACB	3,249	Financials	3.4%	8.3	0.0%
VVF Port.			12.8		1.6%
VNIndex			15.0		1.3%

Source: VinaCapital's estimates, Bloomberg

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Macroeconomic Commentary

The “base effects” caused by very weak economic conditions in April 2020, (when Vietnam imposed a three week, nationwide “lockdown” to combat COVID), significantly boosted Vietnam’s year-on-year (y-o-y) inflation and growth in April 2021. Consequently, CPI inflation surged from 1.2% y-o-y in March to 2.7% in April, retail sales growth (excluding inflation) surged from 4.4% y-o-y in 3M21 to 9% in 4M21, and manufacturing output growth accelerated from 8% y-o-y in 3M21 to 12.7% in 4M21.

Transport price inflation surged from less than 1% in March to 18% y-o-y in April (retail petrol prices were up nearly 80% y-o-y in April), although that surge was partly offset by a modest drop in food price inflation to below 1%. We expect Vietnam’s food price inflation to continue falling as 2021 progresses because: 1) African Swine Fever (ASF) is fully under control and the country’s pig population is up more than 10% y-o-y, and 2) pork prices fell nearly 50% YTD in China but are still essentially unchanged in Vietnam; Chinese pork prices tend to lead pork prices in Vietnam.

Next, Vietnam’s economy continues to be supported by the manufacturing sector, with the growth in manufacturing output continuing to be driven by the production of high-tech and “stay-at-home” goods that are exported to the US and other developed countries. That strength lifted the country’s manufacturing PMI from 53.6 in March, to 54.7 in April thanks to a surge in new orders.

Macroeconomic indicators

	2020	Apr-21	4M2021	YOY
GDP growth ¹	2.9			4.5%
Inflation ² (%)	3.2		2.7	
FDI commitments (USDbn)	21.0	1.9	11.2	13.7%
FDI disbursements (USDbn)	20.0	1.4	5.5	6.8%
Imports (USDbn)	262.4	27.0	102.6	30.8%
Exports (USDbn)	281.5	25.5	103.9	28.3%
Trade surplus/(deficit)(USDbn)	19.1	-1.5	1.3	
Exchange rate ³ (USD/VND)	23,131	23,158		0.1%

Sources: GSO, 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. BBG-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	FOVIEU 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	USD49.0m
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

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Imports of the components and other production inputs required to manufacture high-tech products jumped from 26% y-o-y growth in Q1 to 40% y-o-y in April, which is also a positive short-term leading indicator for the manufacturing sector. Disbursed FDI inflows increased 7% y-o-y in 4M21 to USD5.5 billion, which is a positive long-term leading indicator because the majority of FDI investments are in manufacturing and/or energy projects.

Many of the products Vietnam manufactures are exported to the US (its largest export market), so Vietnam’s exports to the US surged by an astounding 50% y-o-y to USD30 billion in 4M21. Furthermore, US personal incomes increased by a record-high 21.1% month-on-month in March, so demand for “made in Vietnam” products from US consumers is likely to remain strong in the months ahead.

Vietnam’s total exports grew 28% y-o-y to USD104 billion in 4M21, according to the General Statistics Office (GSO). Imports rose by 31% y-o-y (to USD103 billion), driven by the above-mentioned increase in the import of production inputs needed to manufacture high tech products. Vietnam’s trade surplus shrank from USD2.5 billion in 4M20 to USD1.3 billion in 4M21 (the GSO estimates the Vietnam ran a USD1.5 billion trade deficit in the month of April).

In our previous reports, we discussed the US Treasury Department’s December 2020 labelling of Vietnam as a “currency manipulator” and mentioned that one of the criteria the US government uses to determine if a country is a currency manipulator is if that country has a USD20 billion annual trade surplus with the US. Vietnam’s trade surplus with the US ballooned from USD15 billion in 4M20 to USD25 billion in 4M21, exceeding the US Treasury Department’s annual trade surplus threshold in just four months.

For that reason, it is fortuitous that last month, the Biden administration is taking a less confrontational stance towards US trading partners and reversed the Trump administration’s labelling of Vietnam as a currency manipulator (note that Switzerland and Taiwan were also, unexpectedly not labelled currency manipulators by the US Treasury Department in its April report to the US Congress).

Finally, the official USD-VND reference rate was unchanged during the month.

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-partner-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 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.