

31 May 2021

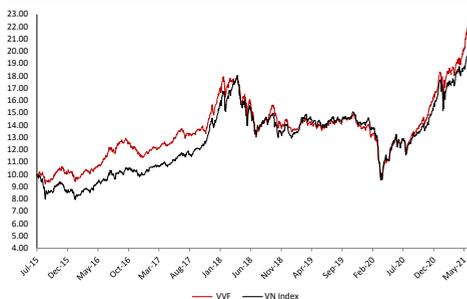
VVF is an actively managed UCITS-compliant fund that invests in equities and equity-related securities of companies that are based in Vietnam, with an objective to deliver long-term capital growth, through bottom up stock picking and disciplined risk management.

Performance summary

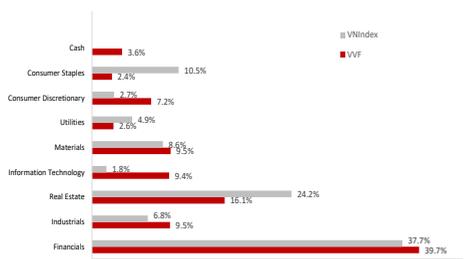
	Fund ¹	VNIndex
May 2021 (month-on-month)	13.2%	7.2%
Year-to-date	29.5%	20.6%
Annualised return since inception	14.3%	12.2%
Accumulated return since inception	119.4%	96.8%
Sharpe ratio (annualised since inception)	0.53	0.45
Annualised standard deviation	21.3%	22.1%
Tracking error	8.0%	

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	10,228	Materials	9.5%	8.0	0.9%
MBB	4,615	Financials	9.4%	10.3	0.0%
FPT	3,352	Information Technology	9.4%	17.5	2.0%
VCB	15,867	Financials	5.6%	15.0	0.8%
VPB	7,371	Financials	5.0%	14.8	0.0%
CTG	8,579	Financials	4.9%	10.5	0.0%
VHM	14,644	Real Estate	4.3%	9.8	1.0%
PNJ	995	Consumer Discretionary	4.1%	16.7	1.0%
STB	2,645	Financials	4.0%	17.8	0.0%
NLG	483	Real Estate	4.0%	9.6	2.6%
VVF Port.				13.8	1.3%
VNIndex				16.2	1.1%

Source: VinaCapital's estimates, Bloomberg

Manager's monthly commentary

Contrary to the popular saying "sell in May", the VN Index closed the month at an all-time high of 1,328.1, recording a 7.2% m-o-m return. On a YTD basis, Vietnam's market advanced 20.6%, far outperforming all ASEAN emerging markets.

The fourth wave of COVID-19, which started in late April, prompted several provinces across the country to implement social-distancing regulations. From 27 April to the end of May, more than 4,200 new COVID-19 cases were found in the community, nearly three times higher than the combined number of cases reported during the previous three waves. Nevertheless, the severe situation did not impact investor sentiment. Local retail investors opened 113,543 new securities accounts in May, a historic high. During the first five months of 2021, 479,857 new accounts were opened, 22% higher than in all of 2020. Average daily trading value on the combined three bourses also surged to a record high of USD1.14 billion in May.

Financials was among the best-performing sectors that contributed the most to the VN Index's gain. Financial stocks, including banks and securities companies advanced 20.6% in May and 48% YTD on outstanding first quarter earnings as well as expected strong growth in the full year 2021. The materials sector, mainly steel companies, increased 17% in May and 42.9% YTD, with a stellar earnings outlook driven by strong global and domestic demand. In contrast, real estate was the lagging sector during the month, declining 1.9% in May, with the largest company, Vingroup (VIC), declining 10.3%.

The VN Index was trading at a reasonable 2021F P/E of 16.2x at the end of May, a 6% discount to the average 2021F P/E of ASEAN emerging markets. While the bullish momentum may persist on the back of surging local inflows and upbeat investor sentiment around expected solid Q2 earnings, some short-term volatility should be anticipated as the stock market can be somewhat overheated at times.

The fund's Class A NAV per share increased 13.2% in the month and 29.5% year-to-date, significantly outperforming the VN Index, the local benchmark. Our large weighting in the financial sector was rewarded, contributing the largest part of the fund's return in May. Vietnamese banks have just wrapped their AGM season with positive guidance and operational performance that has been better than expected. Banks in our portfolio such as MBB (+25.2%) and CTG (+30.1%) also shared positive trends in their businesses, including expanding margins, increasing fee incomes, and lower provisions. Post-AGM, we are waiting for the dividend season, and MBB and CTG are among the banks that approved the highest stock dividend ratio at 35% and 29%, respectively, which has further buoyed sentiment. We continue to expect strong earnings momentum for these two banks in the coming quarters.

Our core holdings FPT (+21%) and HPG (+23.4%) both delivered strong returns in the month. FPT recorded solid 4M2021 results with revenue and profit before tax up 18% and 22%, respectively. Profit margin continued to expand to 18.4% from 17.8% in the previous quarter. Recently, FPT announced a strategic investment in Base.vn, a rising Software-as-a-Service (SaaS) startup, hoping to win the market of enterprise software for small and medium enterprises in Vietnam. During the first four months of 2021, the value of newly signed contracts increased 55% y-o-y, which will substantially support sales growth in the months ahead. In early June, the company paid the first tranche of its dividend, consisting of USD 0.04 per share in cash and a 15% stock dividend.

Overall, equities have had a strong start to the year, and while we wouldn't be surprised to see a few wobbles along the way, we believe the outlook for the economy and equity markets remains positive. We will take profit from strong performing stocks which reach our price targets and re-allocate to equities with strong growth potential but are reasonably or undervalued. Our investment discipline favors high quality growth businesses emphasizing long term operating stability over periodic market fads. Periods of market weakness will offer opportunities to accumulate more of good stocks already in our portfolio at attractive prices as well as take positions in new ones on our watchlist.

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Macroeconomic Commentary

Vietnam's 4th COVID outbreak emerged at the end of April, prompting the Government to temporarily shut down four industrial parks in the North of Vietnam for 10 days and to impose social distancing measures in both Hanoi and Ho Chi Minh City (HCMC), including restricting restaurants to takeaways and shutting non-essential businesses. HCMC imposed two weeks of fairly strict measures starting from May 31st.

Despite the temporary factory shutdowns, Vietnam's manufacturing output grew 2.6% m-o-m in May, and the country's manufacturing output growth only slowed from 12.7% y-o-y in 4M21 to 12.6% in 5M21. The manufacture of electronics products actually accelerated.

In contrast, the social distancing measures that the Government imposed in Hanoi and HCMC led to a 3% m-o-m decline in Vietnam's retail sales in May. Real retail sales growth (i.e., stripping out the impact of inflation) fell from 9% y-o-y in 4M21 to 6.3% in 5M21.

We expect retail sales to bounce back when the current COVID outbreak is brought under control, but we are even more confident that manufacturing growth will remain strong for the rest of this year, given a plethora of positive leading indicators for the sector. For example, Vietnam's manufacturing PMI only fell from 54.7 in April to 53.1 in May, despite the fact that the PMI survey was conducted around the time that the above-

mentioned outbreak in the two northern provinces was at its peak.

The resilience of Vietnam's PMI is partly attributable to the fact that Vietnamese companies' new orders grew for the 9th month in-a-row in May, which in-turn is driving companies to aggressively import the raw materials and other inputs required to produce their products.

Consequently, Vietnam's imports surged by an astounding 56% y-o-y in May and by 36.4% y-o-y in 5M21 to an estimated USD131.3 billion, driven by a 30% increase in imports of components required to manufacture high tech products (to about USD35 billion). In addition, the imports of other categories also surged, including machinery (+57% y-o-y), industrial plastics (+87% y-o-y), and textiles required to make garments (+73% y-o-y).

Vietnam's exports grew by 30.7% y-o-y in 5M21 to an estimated USD130.9 billion (and by 36% y-o-y in May), driven by 50% y-o-y growth in Vietnam's exports to the US. The significant difference between the country's export and import growth resulted in a USD2 billion trade deficit in May, according to Vietnam's General Statistics Office (GSO).

The large trade deficit in May reduced the country's trade balance from a USD3.9 billion surplus in 5M20 to a deficit of USD400 million in 5M21, but had virtually no impact on the official USD-VND exchange rate.

Next, about 75% of Vietnam's exports are produced by FDI companies, and disbursed FDI inflows grew by about 6.7% y-o-y to USD7.2 billion in 5M21. In addition, registrations of planned, future FDI projects increased 16.4% y-o-y to nearly USD12.7 billion, which is a very positive longer-term leading indicator for the manufacturing sector since the majority of FDI inflows are channelled into manufacturing or energy projects.

Finally, inflation in Vietnam ticked up from 2.7% y-o-y in April to 2.9% in May. A circa 1% m-o-m hike in retail petrol prices was somewhat offset by a circa 2% m-o-m drop in pork prices, reflecting the major impact African Swine Fever continues to have on Vietnam's inflation rate.

Standard Chartered estimates that Chinese pork prices fell by 14% m-o-m in May, which implies that Chinese pork prices have fallen by about 50% YTD as of the end of May, versus a 2% YTD drop in Vietnam. We believe the lagging drop in Vietnamese pork prices implies that Vietnam's food price inflation will continue to be constrained as 2021 progresses, which is one reason we expect Vietnam's inflation rate to remain in the 2.5-3% range in 2H21.

Macroeconomic indicators

	2020	May-21	5M2021	YOY
GDP growth ¹	2.9			4.5%
Inflation ² (%)	3.2	2.9	1.3	
FDI commitments (USDbn)	21.0	1.5	12.7	16.4%
FDI disbursements (USDbn)	20.0	1.7	7.2	6.7%
Imports (USDbn)	262.4	28.0	131.3	36.4%
Exports (USDbn)	281.5	26.0	130.9	30.7%
Trade surplus/(deficit)(USDbn)	19.1	-2.0	-0.4	
Exchange rate ³ (USD/VND)	23,131	23,135		0.0%

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	FOVIEEC LX	FOVIEDL LX	FOVIEUL 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	USD.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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