

30 June 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 <sup>1</sup>	VNIndex
June 2021 (month-on-month)	5.9%	6.2%
Year-to-date	37.2%	28.0%
3-year annualised return	17.4%	13.5%
Annualised return since inception	15.2%	13.1%
Accumulated return since inception	132.4%	109.0%
Sharpe ratio (annualised since inception)	0.57	0.49
Annualised standard deviation	21.2%	22.1%
Tracking error	7.9%	

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

## Manager's monthly commentary

Vietnam's stock market posted a stellar gain of 6.2% (USD terms) in June, breaking through the 1,400 resistance level to close the month at 1,409- a new, all-time high. Year-to-date, the VN-Index increased 28%, ranking the Vietnamese equity market amongst the top performers worldwide. Financials, real estate, and materials led the gains in the first half of 2021, contributing 93% to the return of VN-Index.

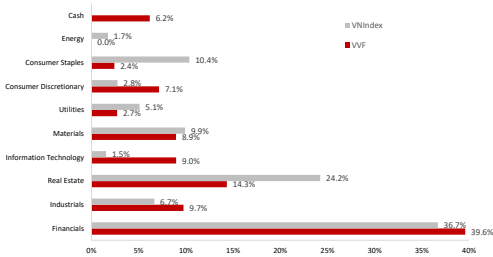
The serious and escalating COVID-19 situation across the country has not dampened local retail investor sentiment in the month. A record 140,000 new trading accounts were opened in June, a 23% m-o-m increase. Average daily trading value across the combined three bourses climbed 13% m-o-m to reach USD1.29 billion.

The recent and prolonged COVID-19 outbreak has prompted us to reassess its impact on economic growth. We therefore expect some short-term volatility in the stock market after the VN Index's strong rally to all-time high levels. However, we are cautiously optimistic that vaccination rollout will accelerate in the second half of the year, which should help Vietnam's economic growth to get back on track. We remain confident about the stock market in both near-term and long-term based on its strong fundamentals and growth prospects post-pandemic. Vietnamese listed companies have proved to be resilient and some are currently seeing earnings growth that is back to or higher than pre-Covid years.

## Performance Chart



## Sector Allocation



The fund's Class A NAV per share increased 5.9% in June, helped by our holdings in sectors such as banking (MBB, +14.1% and VCB, +18%), brokerage (HCM, +30%), and real estate (VHM, +15%). On the other hand, HPG (-2.3%) was the main detractor, taking a breather after good run over the past few months. On year-to-date basis, the fund returned 37.2%, significantly outperforming the local benchmark.

After a strong rally in first half of the year, stock selection will be key in the second half of this year, and a focus on quality and sustainable long-term growth will be critical. As such, June has been a busy month for the fund, with several trading and rebalancing activities taken to prepare for the second half of the year. Of note, we took profit from holdings in banks and real estate whose share prices have run well in 1H2021 and reached our target price. In the meantime, we increased our position in TCB, a leading private bank with the best digital banking platform among Vietnamese banks. TCB has better asset quality relative to its peers, improving margins due to its rich capital base, and the most diversified income stream from its bond fees and bancassurance.

In addition, we recently built a meaningful position in a leading retailer to prepare for the recovery theme in the latter half of this year. The valuation of the company is reasonable at 15x PE 2021 and 20-25% earnings growth next year.

Despite the potential for the usual bumps in the road, we believe our rigorous stock selection will lead us to outperformance in the long term, particularly as this unusual market and economic cycle powers on to its next phase.

## Top holdings

Ticker	Market Cap (USDm)	Sector	% of NAV	2021F PE	Div Yield
MBB	5,270	Financials	9.7%	11.7	0.0%
FPT	3,469	Information Technology	9.0%	18.1	2.3%
HPG	10,006	Materials	8.9%	6.7	1.0%
VCB	18,752	Financials	6.3%	17.7	0.7%
CTG	8,523	Financials	5.0%	10.5	0.0%
HCM	677	Financials	4.8%	14.1	2.7%
VHM	16,861	Real Estate	4.8%	11.3	0.8%
TCB	8,023	Financials	4.6%	11.8	0.0%
NLG	483	Real Estate	4.3%	9.6	2.6%
PNJ	989	Consumer Discretionary	3.9%	16.3	1.0%
VVF Port.			14.9	1.3%	
VNIndex			16.9	1.1%	

Source: VinaCapital's estimates, Bloomberg

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## Macroeconomic Commentary

Vietnam's GDP grew 5.6% y-o-y in the first half of this year, which was quite a strong performance given that the country's 4th COVID outbreak emerged at the end of April 2021, prompting fairly stringent social distancing measures – especially in HCMC.

Three factors supported GDP growth in the first half of this year: 1) resilient domestic consumption, 2) strong manufacturing growth, and 3) the base effects caused by the very weak economic conditions at the peak of Vietnam's COVID outbreak in April 2020, which led to an acceleration in the country's quarterly GDP growth rate from 4.7% y-o-y in Q1 to 6.6% in Q2 despite the above-mentioned 4th COVID outbreak during Q2.

Regarding consumption, real retail sales (i.e., stripping out inflation) improved from a plunge of 5.8% y-o-y in 1H20 to growth of 3.6% in 1H21. This rebound is partly attributable to the fact that many businesses which sell to consumers have figured out how to adapt to COVID, such as grocery stores in the major cities now delivering to consumers' homes.

Next, Vietnam's manufacturing output growth surged from 5% y-o-y in 1H20 to 11.4% in 1H21, which boosted GDP growth by nearly 2pts. In contrast to the drop in retail sales during the months of May and June, manufacturing output actually grew (m-o-m) in both May and June.

## Macroeconomic indicators

	2020	June-21	6M2021	YOY
GDP growth <sup>1</sup>	2.9			5.6%
Inflation <sup>2</sup> (%)	3.2	2.4	1.5	
FDI commitments (USDbn)	21.0	1.0	13.7	12.4%
FDI disbursements (USDbn)	20.0	2.1	9.2	6.8%
Imports (USDbn)	262.4	27.5	159.1	36.1%
Exports (USDbn)	281.5	26.5	157.6	28.4%
Trade surplus/(deficit)(USDbn)	19.1	-1.0	-1.5	
Exchange rate <sup>3</sup> (USD/VND)	23,131	23,178		0.2%

Sources: GSO, Vietnam Customs, SBV, MPI <sup>1</sup> Annualized rate, updated quarterly <sup>2</sup> Inflation: Monthly year-on-year change; Annual is 12-month average change in CPI per GSO <sup>3</sup> BBG-State Bank of VN Avg. USD/VND Interbank 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	FOVIEEU 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	USD57.4m
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

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In short, manufacturers have now instituted best practices that protect the health of their workers while enabling production to rebound quickly from occasional, localised COVID outbreaks. These measures include steps such as providing on-site living accommodations for workers, and the active procurement of vaccines for their employees.

All of that said, Vietnam's manufacturing PMI index dropped from 53.1 in May to 44.1 in June, which was the second-largest monthly drop. This was partly driven by a drop in new export orders, a trend also seen in China, which also posted a lower PMI in June.

Most products manufactured in Vietnam are exported to the US and China, so the manufacturing sector's strong performance in 1H21 to USD157.6 billion. However, imports grew by 36.1% y-o-y to USD159.1 billion in 1H21, so Vietnam ran a USD1.5 billion trade deficit in the first half of the year, according to the General Statistics Office.

The worsening of Vietnam's balance of trade from a USD5.9 billion surplus in 1H20 to a USD1.5 billion trade deficit in 1H21 did not significantly impact the USD/VND exchange rate, partly because of the large amount of foreign direct investment (FDI) and remittances from overseas Vietnamese that continues to flow into the country. FDI inflows grew by 6.8% y-o-y in 1H21 to USD9.2 billion, or about 5% of GDP, so the official USD-VND reference rate only depreciated by 0.2% in the month of June and has depreciated by 0.2% YTD.

Another reason the VN Dong may not have responded to the country's modest trade deficit in June is that the above-mentioned surge in imports, which drove the trade deficit, was itself driven by FDI companies aggressively importing the production inputs they need to produce their products that will later be exported. For that reason, most local economists expect Vietnam's trade balance to flip back to a surplus by the end of 2021.

Finally, Vietnam's consumer price inflation dropped from 2.9% y-o-y in May to 2.4% in June, driven by the on-going collapse in pork prices now that African Swine Fever is fully under control. Food prices actually fell 0.3% y-o-y in June, although that drop was somewhat offset by higher global oil prices, and higher local steel prices. Specifically, retail petrol prices were hiked nearly 4% in June, while steel prices increased by nearly 4% m-o-m (and by 15% y-o-y), which added about 0.2pts to the country's headline CPI inflation rate.

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.pdf>) 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.