

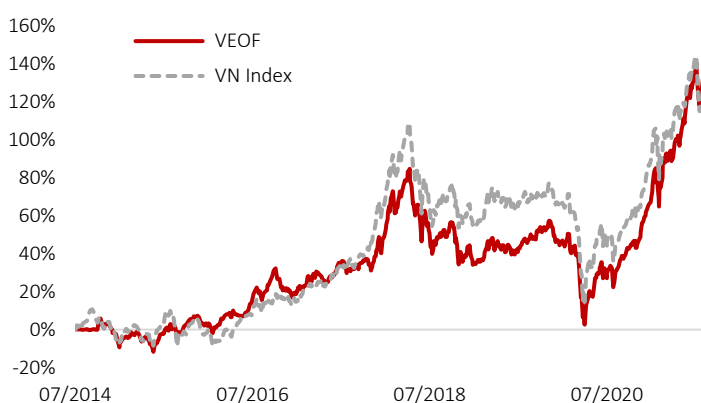
VEOF Investment approach

Maximize return in the medium to long-term by focusing on Vietnamese large and medium-cap stocks with growth potential and reasonable valuation.

Target to invest >90% into listed stocks on the Vietnamese stock exchanges.

Invest up to 10% into OTC securities that will be listed/registered within 12 months.

NAV Growth since inception



The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance data quoted.

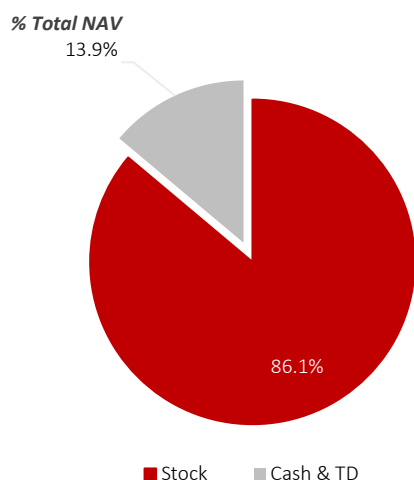
Performance vs. Benchmark

	VEOF	VN Index
Total AUM (VND billion)	383.6	-
NAV/Share	23,196.1	-
July 2021 return (%)	(1.8)	(7.0)
YTD 2021 return (%)	36.6	18.7
3-year annualized return (%)	16.0	11.1
Annualized return since inception (%)	12.6	12.2
Cumulative return since inception (%)	132.0	126.6

(The NAV is net of management fee and administrative expenses)

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Investment Allocation



Fund information

Inception	1 July 2014
Management fee	1.75% per annum
Subscription fee	0.0%
Redemption fee	<ul style="list-style-type: none"> • 2.0% < 12 months • 1.5% >= 12 months • 0.5% >= 24 months
Minimum subscription	VND2,000,000/ ~USD90
Custodian and Supervisory Bank	Standard Chartered Bank Ltd. (Viet Nam)
Auditor	PwC Vietnam
Trading frequency	Twice a week, on Tuesday and Thursday
Benchmark	VN Index

Portfolio statistics

	VEOF	VN INDEX
Trailing P/E (x) (*)	15.6	16.5
Trailing P/B (x) (*)	3.1	2.6
Trailing ROE (%) (*)	19.8	16.1
Dividend yield (%) (*)	1.3	1.3
EPS growth 2021 (%)	37.8	34.9
Portfolio turnover (%)	67.6	-
Sharpe ratio	0.41	0.34
No. of stocks	29	385

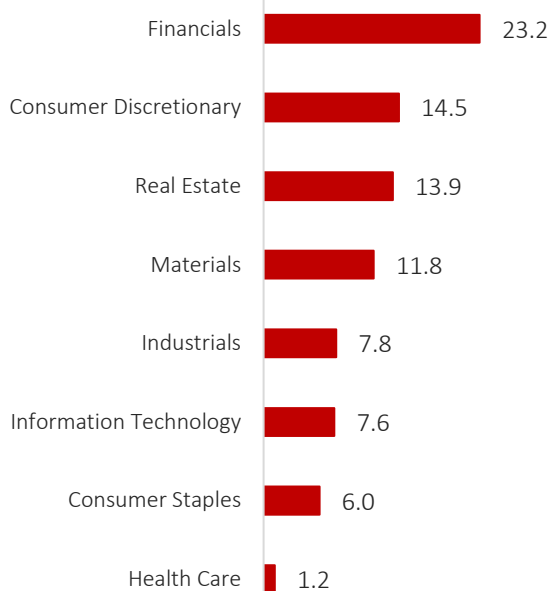
(*) Trailing 12 months data

Source: Bloomberg, VinaCapital's forecast

Comments from fund manager

Sector allocation

% Total NAV



MARKET COMMENTARY

After advancing for five months in a row and reaching a new historical high, the VN Index declined by 7.0% in July due to the surging COVID-19 cases in many provinces, especially Ho Chi Minh City. On a year-to-date (ytd) basis, the VN Index has still gained 18.7%.

The COVID-19 outbreak has prompted nearly half of Vietnam’s 63 provinces, including the two largest cities Hanoi and Ho Chi Minh City, to apply extremely strict social distancing regulations. Consequently, macro-economic figures deteriorated in July. Retail sales declined 8.3% mom and 19.8% yoy. The Index of Industrial Production only grew 2.2% yoy, dragging the ytd growth to 7.9%. The Purchasing Managers’ Index (PMI) slightly rose to 45.1 in July 2021 from a 13-month low of 44.1 in June, marking the second straight month of contraction in the manufacturing sector.

After strongly outperforming in H1 2021, most banks slumped in July, prompting the Financials sector to fall 9.9% mom. The Real Estate sector declined 9.1% mom, prompted by the Vingroup companies. In contrast, the Information Technology and Consumer Discretionary sectors outperformed, rising 7.6% and 2.8% mom, thanks to FPT and MWG, respectively.

We saw some positive signals at the end of July. The VN Index recovered in the last 10 days of the month, rising from 1,244 (on 19 July) to 1,310 (on 30 July), which we believe was due to encouraging developments about the success in controlling the outbreak and momentum in the vaccination campaign. Apart from that, encouraging Q2 earnings results brought positive sentiment to the market. The Q2 and H1 2021 net profit growth of HOSE-listed companies reached 57% and 63% yoy, respectively.

After continuously selling in many months, foreign investors turned to net buyers of VND5.4t in July, the highest monthly foreign inflow since June 2020, of which the Fubon FTSE Vietnam ETF contributed VND4.0t. Taiwanese investors seemed to have strong confidence in the long-term upside of the Vietnamese stock market.

FUND COMMENTARY

While the VN Index declined by 7.0% in July, net asset value per share of VEOF only declined by 1.8%. On a ytd basis, VEOF has delivered a return of 36.6%, an outperformance of 18% over the benchmark. In July, the best-outperforming stocks in VEOF’s portfolio were DGC (+17.0%), MWG (+8.0%), and FPT (+6.8%).

DGC produces phosphorus-related chemicals that are used in the semiconductor and fertilizer industries. Approximately 75% of DGC’s revenue comes from exports, and its products saw strong demand as the global economy recovered from the COVID-19 outbreak. DGC’s H1 net profit advanced by 36% yoy, reaching VND606b. Strong growth is expected to continue in H2 2021.

FPT and MWG were rather resilient during the COVID-19 outbreak. FPT’s H1 net profit advanced by 17%, reaching VND1.9t. MWG saw its net profit rising by 26% in H1, reaching VND2.6t, thanks to an increase in sales of mobile phone and consumer electronics, as well as an improvement in profit margin at its Bach Hoa Xanh grocery stores. In Q3, MWG has had to shut down most of its mobile phone and electronics stores, although sales at Bach Hoa Xanh will surge thanks to strong demand for daily necessities during the lockdown period.

Some other stocks in VEOF’s top holdings, however, did not increase in July, even though they recorded encouraging business results. HPG (-8.2% mom), TCB (-3.0% mom) and VHM (-8.2% mom) saw H1 net profits increasing by 232%, 73%, and 52%, respectively.

The 7% market correction in July has brought the stock market to a reasonable valuation. At the end of July, according to Bloomberg, the VN Index was trading at a 2021F P/E of 15.2x, which was approximately 1 standard deviation below its 5-year average. The vaccination progress has accelerated since mid-July, with the latest shots per day surpassing 500,000. As of 5 August, 6.4m and 0.8m people have got the first and second dose, equivalent to 6.5% and 0.8% population, respectively. As vaccinations accelerate, the economy will gradually re-open, and with the reasonable stock price valuation, we expect the stock market to continue its recovery, which commenced at the end of July.

Top 10 holdings

Stock	Sector	% NAV
HPG	Materials	7.9
FPT	Information Technology	7.6
MWG	Consumer Discretionary	7.0
TCB	Financials	6.0
VHM	Real Estate	4.5
VCB	Financials	4.4
MBB	Financials	4.0
STB	Financials	3.3
DGC	Consumer Staples	3.0
NLG	Real Estate	3.0

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