

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
July 2021 (month-on-month)	-3.4%	-6.7%
Year-to-date	32.5%	19.5%
3-year annualised return	17.1%	11.6%
Annualised return since inception	14.3%	11.7%
Accumulated return since inception	124.4%	95.0%
Sharpe ratio (annualised since inception)	0.54	0.44
Annualised standard deviation	21.2%	22.2%
Tracking error	8.0%	

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

## Manager's monthly commentary

Vietnam was the strongest Asian market in the first half of 2021, but in July, the VN-Index surrendered some of those gains, declining 6.7% as the fourth wave of the COVID-19 pandemic overtook large parts of the country and lockdowns were implemented in several large cities, including Ho Chi Minh City and Hanoi. Looking across sectors, July saw a heavy correction in banking (-10% m-o-m) and real estate (-9.4% m-o-m) after strong rallies in previous months. In contrast, information technology (+7.4% m-o-m) and consumer discretionary (+2.5% m-o-m) were the only two sectors that increased. Market turnover cooled from a record high level, with average daily trading value (ADTV) for the three bourses combined declining 18% m-o-m, though still at a high level of USD1 billion in July. On a year-to-date (ytd) basis, the VN-Index has still gained 19.5% in USD terms.

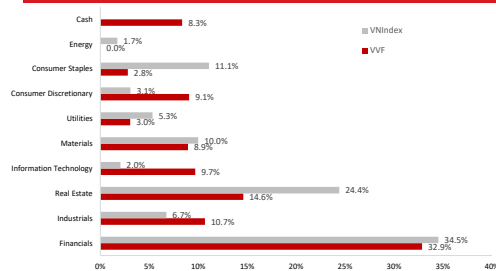
## Performance Chart



The fund's Class A NAV per share declined 3.4% in July, faring better than the overall market as several top holdings bucked the trend to deliver positive returns, including FPT (+7%), MWG (+8%), NLG (+12%), and ACB (+1%). For the first seven months of 2021, the fund returned 32.5%, topping the performance of the VN-Index, the local benchmark.

The earnings season has nearly concluded, with 89% of listed companies having announced their Q2 financial results so far. It has been a strong earnings season for companies listed on the Ho Chi Minh Stock Exchange, with aggregated reported Q2 profit accelerating 57% y-o-y, led by real estate and materials, which recorded impressive growth of 133% and 187%, respectively. Meanwhile, companies in the fund's portfolio were in better shape, reporting 72% earnings growth in the second quarter.

## Sector Allocation



For the real estate sector, VHM posted strong revenue growth of 75% y-o-y to USD1.25 billion, while net profit surged 172% y-o-y to USD445 million in Q2 thanks to the bulk sales and delivery of three mega projects. Presales were also strong, with total contracted value of USD1.2 billion as the company focused on bulk sales to secure profit and free up cash flow for future development.

Regarding materials, HPG released Q2 2021 results with revenue of USD1.5 billion (+72% y-o-y) and net profit of USD423 million (+254% y-o-y). We attribute these robust earnings to healthy sales volume growth and high selling prices, especially in the price of hot-rolled-coil amid strong demand from China.

MWG, the retailer with leading retail chains in mobile and electronics products as well as grocery stores, announced revenue of USD1.4 billion (+20% y-o-y) and net earnings of USD53 million (+36% y-o-y) in the second quarter of 2021, despite the disruptions that resulted from the escalation of COVID-19 in Vietnam. Improving efficiency, effective cost-control efforts as well as robust sales growth from its grocery stores were among the contributing factors to the positive results.

## Top holdings

Ticker	Market Cap (USDm)	Sector	% of NAV	2021F PE	Div Yield
FPT	3,716	Information Technology	9.7%	19.3	2.1%
HPG	9,217	Materials	8.9%	6.1	1.1%
MBB	4,757	Financials	8.1%	10.6	0.0%
TCB	7,803	Financials	5.6%	10.7	0.0%
MWG	3,398	Consumer Discretionary	5.5%	16.3	0.9%
NLG	543	Real Estate	4.9%	10.7	2.3%
VHM	15,520	Real Estate	4.7%	10.3	0.9%
VCB	15,835	Financials	4.4%	15.4	0.8%
HCM	636	Financials	4.3%	13.2	2.9%
ACB	4,255	Financials	4.2%	10.1	0.0%
VVF Port.			13.4		1.4%
VNIndex			15.3		1.2%

Source: VinaCapital's estimates, Bloomberg

Despite the ongoing fourth wave of COVID-19 and its possibility to wreak havoc in the short term, we believe the economy's fundamentals should be strong enough to provide a favorable backdrop for the kind of stocks we look for – those benefiting from structural growth themes, such as the expansion of the middle class and all that implies for technology, retailing, infrastructure spending and trade-related sectors. While we always ensure that our portfolio companies have the durability and strength to withstand unexpected shocks and crises, we also select those that can innovate and adapt in an ever-changing and unpredictable world. Meanwhile, the recent correction has brought the stock market to a more reasonable valuation, with the VN index trading at a 2021F P/E of 15.3x, which was approximately 1 standard deviation below its 5-year average. Recently, Vietnam's vaccination campaign has accelerated since mid-July, with the latest shots per day surpassing 500,000. As more Vietnamese are vaccinated, the economy will gradually re-open and resume its recovery path, underscoring our continued positive outlook on the stock market.

31 July 2021

## Macroeconomic Commentary

Vietnam reported over 133,000 new COVID cases in July, 65% of which were in Ho Chi Minh City. The country suffered 1,225 COVID deaths during the month, bringing Vietnam's total number of COVID deaths since the pandemic started to 1,306 (as of end-July).

As July progressed, the country's public health officials implemented stricter social distancing measures in response to the spread of the highly contagious "Delta variant" of COVID. By the end of July, these measures ranked as the strictest measures in South East Asia, including completely shutting almost all businesses in HCMC (aside from banks, supermarkets, and pharmacies) and imposing a 6pm-6am curfew in the city plus twelve other provinces in southern Vietnam (including the industrial suburbs around HCMC).

The geographic areas subject to the strictest social distancing measures account for about one-half of Vietnam's GDP, but social distancing measures in most other cities/provinces were also intensified during July, including in Hanoi, resulting in Vietnam's personal mobility dropping by 25% during the month, falling to levels not seen since the first wave of the COVID epidemic in March-April 2020, according to Google mobility index data.

Consequently, retail sales in Vietnam plunged 8% month-on-month (m-o-m) in July, driven by an estimated 28% m-o-m drop in HCMC's retail sales. We expect the social distancing measures discussed above to reduce Vietnam's domestic consumption by about 5% in 2021 (we previously expected Vietnam's domestic consumption growth to surge from 1% y-o-y in 2020 to 7% in 2021, but we now only expect 2% growth this year).

## Macroeconomic indicators

	2020	July-21	7M2021	YOY
GDP growth <sup>1</sup>	2.9			5.6%
Inflation <sup>2</sup> (%)	3.2	2.6	1.6	
FDI commitments (USDbn)	21.0	1.0	14.7	3.5%
FDI disbursements (USDbn)	20.0	1.3	10.5	3.8%
Imports (USDbn)	262.4	28.7	188.0	35.3%
Exports (USDbn)	281.5	27.0	185.3	25.5%
Trade surplus/(deficit)(USDbn)	19.1	-1.7	-2.7	
Exchange rate <sup>3</sup> (USD/VND)	23,131	23,180		0.2%

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 <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	FOVIEEC LX	FOVIEDE LX	FOVIEUE 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)	54930036R1U7LK7K6767
Trading Period	Daily Subscriptions/Redemptions
Fund Size	USD52.9m
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
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In contrast, Vietnam's manufacturing sector continues to demonstrate surprising resilience. The Government aims to minimise production disruptions while also minimising public health safety risks. Measures that have been mandated to achieve both of these objectives include the requirement that many factories provide on-site sleeping facilities for workers, and/or that companies implement "travel bubbles" between factories and certain hotels that are being used as designated isolation zones for workers.

The net result is that Vietnam's factory output has continued to grow every month since the country's 4th outbreak emerged at the end of April (manufacturing output grew by 1.9% m-o-m in July and at a similar pace over May-June 2021). Furthermore, the situation seems to be stabilising as manufacturing companies adapt to the Government's public safety health measures, evidenced by: 1) Vietnam's PMI ticked up from 44.1 in June to 45.1 in July, and 2) imports of the production materials that manufacturers require to produce their products continue to surge.

Further to that last point, Vietnam's machinery imports surged by 34% y-o-y and 37% y-o-y in July and 7M21, respectively, while imports of industrial plastics surged 56% and 54%. That said, the on-going flood of production materials imported by FDI factories drove a deterioration in the country's balance of trade from a USD8.7 billion surplus in 7M20 to a USD2.7 billion deficit in 7M21.

Exports grew by 25.5% y-o-y in 7M21, driven by 37% growth in exports to the US, but imports jumped 35.3% y-o-y, driven by production material imports (an estimated 80% of Vietnam's imports are of production materials required to manufacture exports). The official USD-VND exchange rate shrugged off Vietnam's estimated USD1.7 billion trade deficit in July and was unchanged during the month (the official value of the VN Dong has depreciated 0.2% YTD as of the end of July).

The continued strength in the value of the VN Dong was partly attributable to an agreement reached between the State Bank of Vietnam (SBV) and the US Treasury Department in July, in which the SBV essentially agreed to allow the value VND to appreciate going forward (we discussed this recent development in this [report](#)).

Two additional factors supporting the value of the VN Dong are: 1) Vietnam's disbursed FDI inflows grew by 3.8% y-o-y in 7M21 to USD10.5 billion (or over 5% GDP), and 2) CPI inflation remained modest at 2.6% y-o-y in July. Further to that last point, Vietnam's inflation rate ticked up from 2.4% in June to 2.6% in July, driven by a 1% m-o-m increase in building materials prices largely caused by higher steel prices. That said, global iron ore prices have collapsed 25% in recent weeks, so local steel prices are unlikely to increase further.

Finally, the current Delta variant COVID outbreak is having a major impact on consumption (circa 66%/GDP), and a modest impact on manufacturing (circa 20%/GDP), prompting foreign investment banks to revise down their 2021 GDP growth forecasts in recent weeks. We expect the Government to revise its previous guidance of 6.5% GDP growth in 2021, and note that Standard Chartered published a survey in July in which over half of its clients surveyed said that they expect COVID in Vietnam to be fully under control by late-2021 / early-2022.

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 Fund and its risks. 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-ckf>) 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.