

VAF is a Cayman Islands open-ended fund that invests in the Vietnam Equity Special Access Fund (VESAF), a Vietnam-regulated open-ended fund, with the flexibility to participate in IPOs as well as make direct investment in Vietnamese listed and unlisted securities.

MANAGER'S COMMENTARY

The VNIndex advanced in April and finally reached an all-time high level, closing the month at 1,239, a 4.1% m-o-m increase. On a year-to-date basis, the market has gained 12.5%, far exceeding the performance of ASEAN EM peers, which declined 2.9%.

The real estate, banks, and materials sectors all contributed to the performance of Vietnam's stock market in April. 283 companies on HoSE, representing 96% of the market's capitalization, have announced stellar growth of 74% y-o-y in 1Q21 earnings, beating investors' expectations. Materials companies led the y-o-y earnings growth at 244%, followed by the banks (+76% y-o-y) and real estate companies (+27% y-o-y). The exceptionally strong 1Q earnings figures were in line with the V-shape recovery of Vietnam's economy, and we expect even higher earnings growth for the upcoming quarter from a low base last year when the Covid impact was most severe. With a strong corporate earnings outlook estimated at 30% y-o-y growth for the full year 2021, Vietnam market's valuation remains attractive at a forward 2021 P/E of 15.0.

The fund returned 2.5% in April. During the month, we continued to increase exposure to financial and material sectors, given our positive view on their strong earnings outlook for the rest of the year. We expect these sectors will mostly benefit from both the recovery in domestic consumption and the government's infrastructure spending. Vietnam Prosperity Bank (a private bank with consumer finance unit FE Credit) and Hoa Phat Group (the largest steel manufacturer) were the major contributors to the portfolio's performance in April.

Some of the small-cap names in the portfolio faced profit-taking pressure. We took the opportunity to accumulate good names with strong earnings outlooks at more attractive valuations during the correction, mainly stocks in the industrials and logistics sectors. The portfolio looks attractive at a 2021 P/E of 9.9 and EPS growth of 54%.

The structural change in the financial sector

Covid-19 has rapidly changed the world and consumer behavior, and probably permanently. We previously mentioned the rapid shift to online shopping during the social lockdown periods, illustrated by the skyrocketing increase of 150% y-o-y in online shopping traffic in Vietnam in 2020. E-commerce revenue increased moderately by 16% y-o-y last year, given a reduction in purchasing power and spending on travel activities during the pandemic. However, we saw a sharp increase in online spending in both essential goods and non-essential services, ranging from a 46% y-o-y increase for food and personal care, 37% for fashion, and 33% for electronics and media.

Cashless payment took off accordingly. Online transactions paid using domestic debit cards surged 81% y-o-y in value in 2020, while transaction value via the leading e-wallet, Momo, tripled. Digital banking development has been accelerating, partially driven by the Government's ongoing push for technology adoption in financial sector in an effort to promote non-cash transaction as one of the top priorities for the industry in the next 5-year horizon.

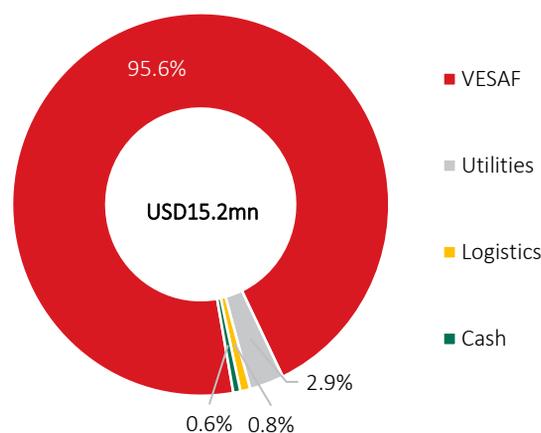
This digitalization initiatives have been embedded in the business model of the leading private bank, **Techcombank (TCB)**, a proxy for retail banking of Vietnam. The bank is well-known for pioneering digitalization over the past few years, and in exchange, sacrificing some fee income via the "zero-fee" transaction program to attract retail customers. As it turns out, its strategy proved to be appropriate and in line with the current trend toward a cashless society. In 2020, the number of the bank's retail e-banking customers increased 43% y-o-y, transaction volume doubled, and transaction value increased 84%. That digital success was the reason behind TCB having the highest

VAF - PERFORMANCE SUMMARY

	Fund	VN-Index
Apr 2021	2.5%	4.1%
YTD	15.0%	12.5%
Since inception*	42.9%	36.7%

* Inception date: 03 July 2018

PORTFOLIO ALLOCATION



- VESAF
- Utilities
- Logistics
- Cash

CASA ratio in Vietnam’s banking system, as high as 44% at the end of 1Q21, a 70% share of total sector. Notably, CASA per active retail customer increased 35% y-o-y in 2020 and 44% y-o-y in 1Q21.

TCB’s digitalization strategy has contributed to the bank’s outstanding performance. It reported earnings growth of 79% in the first quarter, supported by the above strategy. Specifically, NIM widened by 118 bps y-o-y and 26 bps q-o-q, the highest level in the banking system, as the funding cost was supported by the high CASA level and stronger retail customer base, in addition to the positive impact from a y-o-y decline in deposit rates also observed at other banks. Cost-to-income ratio continued to stay low compared to peers and trended down to 28.7% (from 34.9% in 2019 and 31.9% in 2020), given that the bank’s investment in digitalization in the past has borne fruit. We believe it is just the beginning of the journey, as the bank is on track to continue to build its strong digital ecosystem and fully prepared to capitalize on the trend toward a cashless society.

Another private bank in our portfolio, **Military Bank (MBB)**, shined brightly among peers in delivering stellar earnings growth of 108% in 1Q21. The bank is well-known for its strong military-related corporate customer base, but it is now more aggressively than ever taking market share in the retail banking segment via digitalization. In 2020, the bank launched a new version of its transaction platform, an integrated application with all of the functions of an e-wallet, which has attracted young and tech-savvy customers to the bank. The bank reported that transactions via this online channel tripled in 2020. Its CASA ratio increased to 34% at the end of 1Q21 (from 30% in 2019), in which CASA from retail customers increased 37% y-o-y and accounted for 40% of its total CASA at the end of 1Q21. Management confidently targets a high CASA of 36% to 40% over the next three years, with increasing retail accounts using its digital platform. We believe the synergy with its strategic shareholder, Viettel Group (the largest telecommunications group in Vietnam) strongly supports the bank’s digitalization pathway, as Viettel Group has already built its own e-wallet platform, Viettel Pay, with over 9 million users, as well as initial “mobile money” services for customers without bank accounts.

Clearly, these two banks’ digitalization adoption has been on the right track, building the foundation for future growth. In the short term, the benefits are obviously the acquisition and retention of customers for bigger market share and lower funding costs, leading to higher profitability for the banks’ lending business. In the longer term, it facilitates their cross-selling and enhances their non-interest income.

VAF’S PORTFOLIO SNAPSHOT

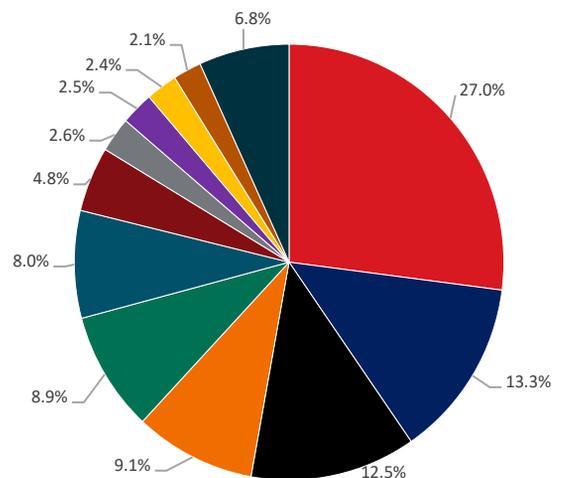
TOP 5 HOLDINGS	SECTOR	NAV (%)	PE 2021 (x)	ROE 2021 (%)
FPT	Technology	12.5	14.4	25.8
MBB	Banks	8.7	8.2	19.5
ACB	Banks	5.6	8.3	22.6
HPG	Materials	5.5	6.5	40.5
BWE	Utilities	5.0	8.1	17.4

ALLOCATION BY NET ASSET VALUE

Small- & mid-cap	43.3%
Stocks traded on UPCoM	3.9%
Stocks at full Foreign Ownership Limit	52.6%

- Small- & mid- cap: stocks with market capitalization below USD2 billion
- UPCoM: Unlisted Public Company Market

SECTOR ALLOCATION



- Banks
- Industrials
- Technology
- Utilities
- Real Estate
- Materials
- Retailing
- Energy
- Brokerage
- Insurance
- Consumer
- Cash

VAF FUND INFORMATION

Launch date	03 July 2018
Fund size	USD15.2mn
Domicile	Cayman Islands
Fund Manager	VinaCapital Investment Management Ltd.
Auditor	Grant Thornton Cayman Islands
Administrator	Vistra Alternative Investments (Singapore) Pte. Ltd.
Management fee	None
Performance fee	15% over 8% hurdle rate, with high watermark
Subscription frequency	Monthly, the Subscription Day is the first business day of each calendar month
Redemption frequency	Quarterly, the Redemption Day is the first business day of each calendar quarter
Minimum subscription amount	USD100,000

CONTACT DETAILS

VinaCapital
 17th Floor, SunWah Tower
 115 Nguyen Hue Street
 District 1, Ho Chi Minh City, Vietnam
 office: +84 (0) 28 3821 9930
 fax: +84 (0) 28 3821 9931
www.vinacapital.com

Disclaimer

The current Confidential Placement Memorandum as well as the annual reports of Vietnam Access Fund Limited ("the Fund") are the sole binding basis for the purchase of Fund shares. This document is prepared by VinaCapital Investment Management Ltd. ("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 Confidential Placement Memorandum 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.