

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

Vietnam's stock market quickly rebounded in February after January's large selloffs as local investors were cheered by the renewed prospects of strong economic recovery in both domestic and global markets. The encouraging macro data released for the first two months illustrated Vietnam's economic resilience despite a third COVID outbreak. Corporate earnings for 1Q21 are expected to be the focal point in the coming month, and we are forecasting positive growth for financials, materials, and energy companies.

Domestic demand has been resilient during the recent outbreak, as real retail sales growth in the first two months was 5.5% y-o-y, higher than last year's pre-pandemic level of 5.4%. This time investors also eyed the strong production and trade growth numbers resulting from a rapid rebound in global trade flows, which outpaced those in the aftermath of the 2008 financial crisis. Vietnam's manufacturing output growth increased to 10.4% y-o-y in the first two months, even stronger than the 7.4% growth in the same period last year. Trade was particularly strong, with exports and imports rising 23.7% and 25.9% y-o-y respectively, driven by strong exports to the US (+38%), electronics exports (+27%) and mobile phone exports (+23%). According to recent figures from UNCTAD, Vietnam ranked second in the world for the growth in share of global exports in 2020 after Taiwan.

Now that COVID vaccines are being widely distributed in global markets, Vietnam announced its own plans to acquire 150 million doses in 2021-22, aiming to cover more than 75% of Vietnam's population. The first small shipment of a COVID vaccines arrived in Ho Chi Minh City on 24 February, with the first vaccinations administered on 8 March. These moves have given investors some confidence around the expected recovery of sectors that have been particularly affected by the pandemic, including aviation, logistics, and retailing.

With a year-to-date return of 5.9%, Vietnam's stock market performance was the highest among ASEAN EM peers, the average return of which was negative 0.3% year-to-date. Vietnam's solid performance came about despite foreign net sales of USD121 million in the first two months of 2021. Apart from local investors, who have been consistently active participants in the market since the beginning of the COVID outbreak, foreign interest into full-FOL stocks has been particularly strong since December 2020. These flows partially supported the performance of full-FOL banking stocks, which returned an average of 19% in the first two months, while the three largest State-owned commercial banks' returns were minimal.

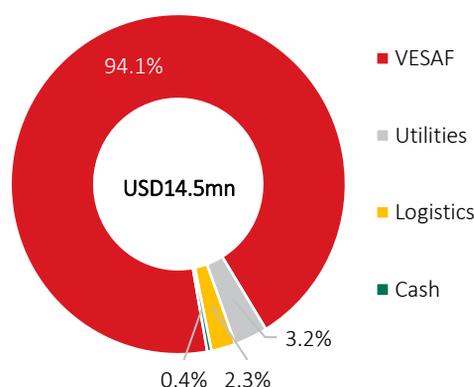
VAF's portfolio increased 10.3% in February and 11.1% year-to-date. The largest holding, FPT, was the top contributor to the fund's return, extending its January rally and rising 21.5% in February. Full-FOL banking stocks returned an average of 24.3% in February as their valuations turned to attractive levels after the market correction in January, while the economic recovery is expected to enhance earnings visibility of bank groups in general. Other small-cap positions continued to deliver strong returns to the portfolio, notably holdings with meaningful exposure to hydro and renewable power businesses, such as PC1 (+22.1%) and REE (+11.2%), as well as oil and gas company PVS (+35.5%), which benefited from the recent surge in global oil prices.

Vietnam's stock market could face challenges caused by rising global interest rates and concerns about inflation that have arisen in part due to the recent surges in commodity prices and logistics costs. Although we expect that this inflation headwind will subside in coming quarters when supply chain disruptions gradually dissipate and the growth in global consumption offsets any negative impact, we believe our disciplined stock-picking strategy will be even more effective this year in helping us weather the storm. We maintain our exposure to the financials, industrial, and technology sectors, while targeting to increase the weight in materials and real estate.

VAF - PERFORMANCE SUMMARY

	Fund	VN Index
Feb 2021	10.3%	10.7%
YTD	11.1%	6.2%
Since inception*	38.0%	29.1%

* Inception date: 03 July 2018

PORTFOLIO ALLOCATION


VAF'S PORTFOLIO SNAPSHOT

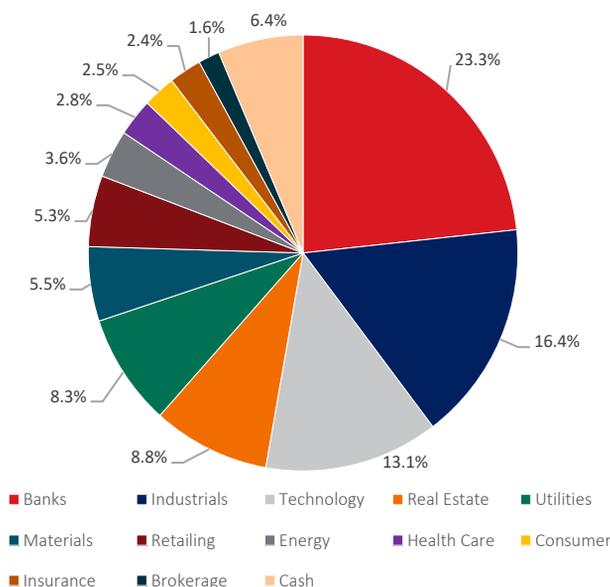
TOP 5 HOLDINGS	SECTOR	NAV (%)	PE 2021 (x)	ROE 2021 (%)
FPT	Technology	13.1	14.1	24.9
MBB	Banks	7.4	7.5	19.4
ACB	Banks	5.7	7.8	22.8
BWE	Utilities	5.6	8.7	17.4
MWG	Retailing	5.3	12.1	29.4

ALLOCATION BY NET ASSET VALUE

Small- & mid-cap	46.3%
Stocks traded on UPCoM	3.2%
Stocks at full Foreign Ownership Limit	58.5%

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

SECTOR ALLOCATION



VAF FUND INFORMATION

Launch date	03 July 2018
Fund size	USD14.5mn
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

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Disclaimer

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