

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 started the new year with positive momentum continuing from the previous quarter's rally. The VNIndex approached a peak level of 1,200 in mid-January. The full-year 2020 earnings results released during the month exceeded consensus expectations, with negative growth of 2% (compared to the previous forecast of negative 6%). Most of the surprise came from banking stocks, which reported strong Q4 earnings of 28% q-o-q and 28% y-o-y, driven by lower-than-expected new NPLs and loan restructuring rates, resulting in lower provision expenses.

The second half of the month saw unexpected volatility, however, triggered by the resurgence of Covid-19 in certain northern cities – an additional 232 new cases were reported as of the end of January. The VNIndex was already under sell-off pressure after its strong rally, which started in October, coupled with a high level of margin lending. To recall, the average daily trading value hit a fresh record high in January, skyrocketing by 37.3% over the previous month, to USD884 million for the three exchanges combined. Vietnam market declined 4.1% in January.

Vietnam market's valuation turned to attractive level after the recent selloffs, given the strong fundamental outlook and earnings performance. At the end of January, the Index level of 1,057 saw the market trading at a 2021 P/E of 13.6x based on the forecasted earnings growth of 20% for 2021. This indicates a significant upside if we target a 5-year historical P/E of 16.0x, not to mention a potential P/E rerating under substantially higher liquidity amid low interest rates. Even at the Index level of 1,200 in mid-January, Vietnam market's valuation appeared to be at a very attractive valuation compared to the same peak level in April 2018. At that time, the VNIndex reached a 2018 forward P/E of 18.3x based on 2018 earnings growth of 20%; meanwhile the 2021 P/E was only 16.3x in mid-January given the same expected earnings growth for the year. We expect a limited impact of the recent Covid-19 emergence on business performance and consumer sentiment, as the Government has proved its ability in containing the pandemic during previous outbreaks. The same strict and aggressive measures have once again been applied to quickly prevent the spread of infections.

VAF's NAV per share increased 0.7% in January, outperforming the VNIndex. Kinh Bac City Development (KBC), one of our holdings in the industrial park sector, returned 51% in January, despite the market's downtrend. We have been expecting a high upside from its large IP land bank in key northern cities, which have been attracting major FDI from key suppliers for Apple and Samsung. Recently, the legal issues of some of its large land bank holdings were resolved, lifting investors' confidence with respect to the company's earnings visibility for the next two years. The company was trading at a very attractive P/B of 0.8x at the time of our disbursement. Besides KBC, our top full-FOL holdings, namely FPT, MWG and KDH, returned 6.1%, 11.6% and 8.9%, respectively.

We continue to concentrate our portfolio in financials, technology, materials, and industrials holdings. VAF's portfolio is trading at a forecasted 2021 P/E valuation of 10.6x, given forecasted EPS growth of 32% and ROE of 21% for 2021.

#### TOP HOLDINGS CONTINUE TO SHINE IN 2021

**FPT Corporation (FPT, technology)** reported earnings growth of 12.8% in 2020. This was lower than expectation as well as the previous year's growth rate of 20%, as new orders for software outsourcing slowed down in the first half of 2020 under the negative impact of Covid-19. These challenges subsided in the second half of the year, with the value of new orders totalling USD470 million, a 42% y-o-y increase, setting high hopes for this segment's growth in 2021. FPT recently signed multiple USD100-million-contracts, demonstrating its capability to increase contract size.

Management is also proving to be more aggressive in pursuing a globalization and digitalization strategy. In 2020, FPT enhanced their global presence via the establishment of new offices in India and Costa Rica to better serve the US market and move up the value chain. The company also eyes M&A activities in coming years to continue strengthening its consulting capabilities, as well as taking advantage of the digital transformation trend in developed markets.

FPT Management is targeting minimum growth of 18% in 2021 net profit, backed by a strong software outsourcing backlog and rising digital transformation demand from both global and local enterprises.

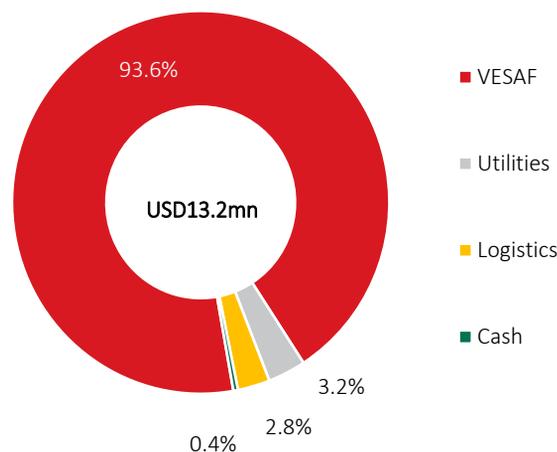
#### VAF - PERFORMANCE SUMMARY

	Fund	Open-ended funds*
Jan 2021	0.7%	-0.3%
YTD	0.7%	-0.3%
Since inception**	25.1%	26.6%

\* Group of Vietnam-focused UCITS funds

\*\* Inception date: 03 July 2018

#### PORTFOLIO ALLOCATION



**Military Bank (MBB, banks)** reported 5% y-o-y growth in 2020 net profit, which was lower than the sector's average growth. The bank's performance was impacted by the Covid-19 situation in early 2020, given a loan book that has significant exposure to SMEs. However, the bank demonstrated continuous improvement in later quarters. Overall, for full year 2020, NIM still improved to 4.97% (from 4.86% in 2019) due to its high CASA of 37% (from 34% in 2019), coupled with a strong individual loan mix. Credit growth was maintained at high level of 23%, and non-interest income growth was supported by strong net income from insurance fees, which increased 24% y-o-y. On the other hand, higher provision expenses were the major dragging factor, due to higher new NPL formation in Q4. Nevertheless, the bank demonstrated prudent business practices in bringing its loan loss reserve cover ratio to 134%, much higher than 110% in 2019 and the highest level historically.

We expect FY21 net profit to get back on track at 25% y-o-y growth behind a recovery in margins and lower provisions when business environment normalizes post COVID-19. The bank is trading at a forecasted 2021 P/B of 1.1x on 2021 ROE of 19.4%, a favourable valuation compared to the sector average.

## NEW HOLDING IN THE MATERIALS SECTOR

The materials sector is one of our top picks for 2021, given the Government's accelerated investment in infrastructure projects. In 2020, public investment spending totalled USD20.2 billion, a 34.5% y-o-y increase that was equivalent to 91% of the Government's plan. This was the highest achievement rate during the last five years. Going into the 2021-2025 period, the Government targets to spend 37.5% more on public investment using the State budget compared to the last five-year period to support the economic recovery post-pandemic. Key transportation projects, including the North-South expressway and other highways, as well as the Long Thanh International Airport are expected to be completed over the next five years. It is also expected that more transportation projects (one of the five prioritized sectors) will be implemented via the public-private partnership (PPP) mechanism now that the revised PPP law has become effective.

We added a new position in materials sector, a company that is a leader in asphalt production, with over 30% market share, and whose products are being used in highway and national highway construction projects in Vietnam. We believe the company largely benefits from the infrastructure investment trend, given its leading position, strategic warehouse locations across the country, and a strong network with State-owned customers. The company demonstrated its ability to win large contracts in 2014-2015, when infrastructure spending disbursement was also high.

The company's earnings were subdued between 2016-2019 but started to strongly recover starting in the third quarter of 2020. Its asphalt business achieved revenue growth of 26% while gross profits rose by 62% in 9M20 due to the strong public investment disbursement on transportation projects. The company is trading at a forecasted 2021 P/E of 7.7x on forecasted earnings growth of 68% and ROE of 18% for 2021.

## VAF'S PORTFOLIO SNAPSHOT

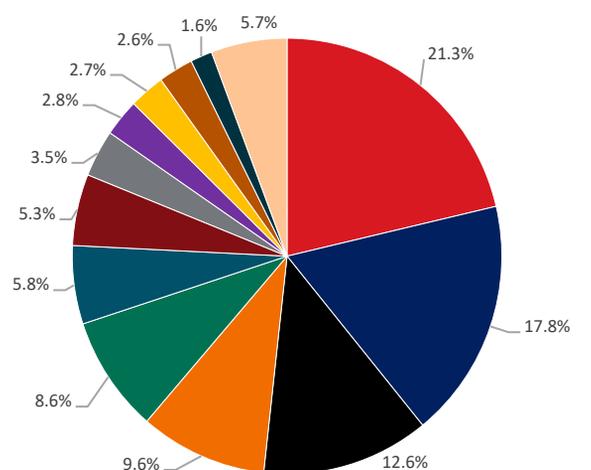
TOP 5 HOLDINGS	SECTOR	NAV (%)	PE 2021 (x)	ROE 2021 (%)
FPT	Technology	12.6	12.2	23.7
MBB	Banks	7.0	6.4	19.4
MWG	Retailing	5.8	11.9	29.4
BWE	Utilities	5.6	7.8	17.4
ACB	Banks	5.2	6.4	22.8

## ALLOCATION BY NET ASSET VALUE

Small- & mid-cap	49.0%
Stocks traded on UPCoM	3.8%
Stocks at full Foreign Ownership Limit	57.4%

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

## SECTOR ALLOCATION



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

**VAF FUND INFORMATION**

Launch date	03 July 2018
Fund size	USD13.2mn
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**  
 17<sup>th</sup> 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](http://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.