

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

VAF's NAV per share declined 0.5% in July, but that was a huge outperformance as Vietnam's stock market lost 6.7% in the same period. The market correction came after five consecutive months of advancing and amid the surge of COVID-19 cases in Ho Chi Minh City and southern provinces. The financials sector lost 9.9% during the month, due to headwinds related to expected lower NIM on lower lending rates to support borrowers affected by COVID-19, as well as pressure on provisioning. The property sector also declined 9.1%. The information technology and consumer discretionary sectors, however, were resilient with gains of 7.6% and 2.8%, respectively, thanks to the strong performances of FPT Corp and Mobile World. The correction in July has brought Vietnam's market valuation to a more attractive level. At the end of July, the VN Index was trading at a 2021F P/E of 15.2x, approximately 1 standard deviation below its 5-year average.

The further spread of the fourth wave of COVID-19 has prompted the highest level of social distancing measures in Ho Chi Minh City (9 July), the entire southern region (17 July) and Hanoi (24 July). All non-essential sectors were forced to close, night curfew was imposed, and factories were allowed to operate if they met mandates to provide on-site accommodations for workers. Mobility restrictions and manufacturing disruption were putting pressure on short-term economic figures, as retail sales declined 8.3% m-o-m and industrial production increased just 1.8% m-o-m.

Vietnam accelerated its vaccination campaign starting in mid-July, and as of 12 August, 10.9 million people have received their first dose, equivalent to 11.3% of the population. Ho Chi Minh City led with 47% of its population getting their first dose, with the target of 70% by the end of August. Moreover, over 85% of employees working in industrial parks located in Ho Chi Minh City got their first dose.

The fund's NAV per share was dragged down by some of our core holdings in banks, Military Bank and Vietinbank, which declined on weaker Q2 earnings compared to peers (mainly due to aggressive provision expenses to bring LLR to their high levels in Q2), and lower NIM for the 2H due to interest rates cut (same as other banks). We believe these near-term obstacles will be of little concern for these banks, which prioritize asset quality over earnings growth. Despite weak performances from banks, our top holdings FPT Corp (+7%), Khang Dien Housing (+8%) and Mobile World (+8%) were resilient. Small and mid-cap holdings in logistics (Gemadep, +7%) and materials (Petrolimex Petrochemical, +6%) were outstanding on strong earnings in Q2 and outlook for the remaining quarters. Our portfolio's aggregate earnings growth was 58% for Q2.

### Logistics and port services sector - Resilient through the pandemic

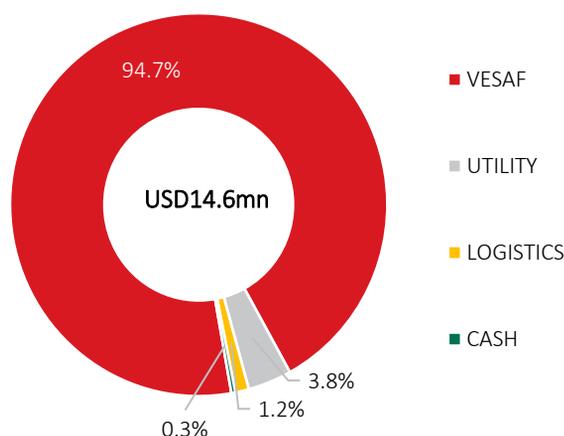
The sector achieved remarkable earnings growth of 55% y-o-y in Q2, contributed by the shipping segment (+85% y-o-y), logistics (+61%) and seaports (+28%). Throughput volume in container ports of all areas increased

### VAF - PERFORMANCE SUMMARY

	Fund	VN-Index
July 2021	-0.5%	-6.7%
YTD	35.5%	19.5%
3-year annualized	18.8%	13.2%
Accumulated since inception*	67.5%	45.2%

\* Inception date: 03 July 2018

### PORTFOLIO ALLOCATION



by 20% in the first 6 months of the year. Vietnam’s export and import activities, which recorded strong growth of 32% in 1H, were the major drivers for the outstanding performance of seaports, while the logistics and shipping segments have largely benefited during the outbreak. The surge in shipping freight rates in both the international and domestic markets in recent quarters supported shipping companies, while increasing demand for warehousing as a result of growing ecommerce delivery activities and a container shortage also boosted the earnings of logistics companies with large warehouses.

Gemadep, our core holding in the sector, delivered earnings growth of 31% in Q2 and 30% in 1H21. Its newly launched deep-sea port Gemalink (in the Cai Mep area in southern Vietnam) quickly achieved a high utilization of nearly 60% in just 6 months, recording a minor loss in Q2. The vessel upscaling trend in recent years has boosted the throughput of these deep-sea ports, especially as the number of long-haul liner service routes to Cai Mep increased significantly from 16 in 2020 to 23 in June 2021. We expect to see the utilization rate increase to 80% by year-end, at which time the company expects to start investing in the second phase to double its’ capacity.

Apart from Gemadep, we recently added a small cap company (market cap of USD37 million) which operates an inland clearance depot (ICD) in Dong Nai province to the portfolio. This ICD is an important link as a logistics hub to the supply chain for businesses in southeast Vietnam, connecting the major industrial parks in Dong Nai (2-20 km), the Cat Lai container terminal in Ho Chi Minh City (35 km) and the deep-sea port system in Cai Mep area (52 km). Given the increase in long-haul liner service routes at Cai Mep, as well as regular congestion in the major port of Cat Lai, we expect a sharp increase in cargo moving to this logistics hub in the coming period. The company is trading at a 2021 P/E of 7.8x on an expected earnings growth of 44% in 2021, ROE of 21% and dividend yield of 5%.

As Vietnam’s exports continue to grow quite impressively (12% 5-year CAGR and 25% YTD) while the trade volume pushes north of 200% of GDP, the logistics sector will remain exciting for us but similarly to other sectors in the market, stock picking is crucial as not all players are created equal.

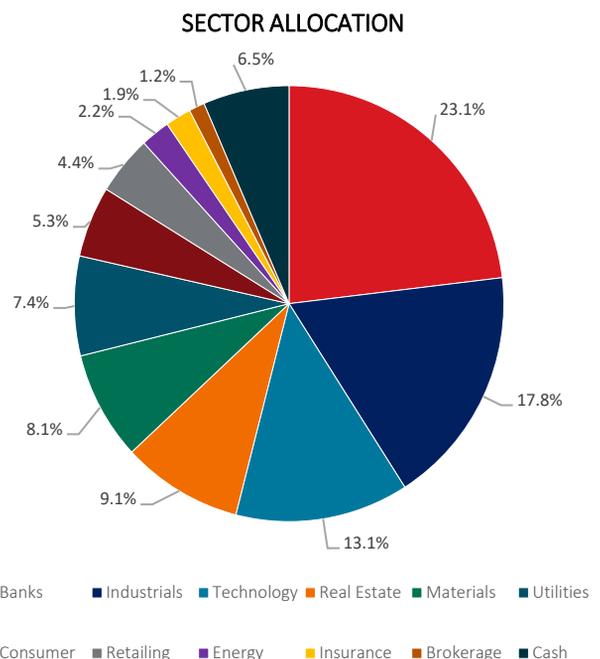
## VAF’S PORTFOLIO SNAPSHOT

TOP 5 HOLDINGS	SECTOR	NAV (%)	PE 2021 (x)	ROE 2021 (%)
FPT	Technology	13.1	19.3	25.9
MBB	Banks	8.8	10.6	19.5
BWE	Utilities	6.0	10.3	17.9
KDH	Real Estate	4.9	17.8	16.7
HPG	Materials	4.4	6.1	45.9

## ALLOCATION BY NET ASSET VALUE

Small- & mid-cap	46.4%
Stocks traded on UPCoM	2.7%
Stocks at full Foreign Ownership Limit	40.8%

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



**VAF FUND INFORMATION**

Launch date	03 July 2018
Fund size	USD14.6mn
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)

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