

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 reached a new all-time high level in June, despite the escalating COVID-19 situation across the country. For the first six months of 2021, the VN Index returned 28.0%, making it Asia's best performing market.

The second quarter saw the VN Index recording an outstanding performance with a return of 18.5%, beating the average return of 0.3% of ASEAN Emerging Markets. Following the stellar performance of private banks in the first quarter, state-owned commercial banks and brokerages caught up as investors expected strong earnings growth. Additionally, information technology (mainly FPT Corp) delivered a consistently high return in both quarters on its resilient business performance throughout the outbreak period. Meanwhile, retailing companies also improved in Q2 as domestic consumption rebounded strongly before the fourth wave returned, as well as due to their rapid adaptation to Covid by offering online sales and home delivery, among other measures.

Resilient economy driven by export growth

Vietnam's 1H21 GDP growth was resilient at 5.64%. Export activities recorded strong y-o-y growth of 29.0% in 1H21, making it an important driver of Vietnam's overall economic growth during the pandemic. Besides the key

export products of mobile phones and computers (which saw a slowdown in later months of 2Q21 due to the social distancing in various northern provinces), the other key traditional export products reported strong double-digit growth in Q2.

Textile exports increased 16% in 1H21 and 32% in 2Q21 alone. This was largely driven by the rebound of exports to the US market, which rose by 23% in 1H21 and 42% in 2Q21 and reaching levels higher than before Covid emerged in early 2020. Fishery exports were also in the spotlight, recording y-o-y growth of 14.6% and 21.3% in 1H21 and 2Q21, respectively. Fishery exports to the US increased 38.0% in 1H21. We believe the aggressive vaccine rollouts in major markets like the US and EU will enable them to reopen their economies, spurring further demand for Vietnamese exports in the coming quarters.

How we are playing the export recovery theme

During June, we took a stake in a small-cap company (market cap of USD85 million) that we have been monitoring for years. Located in the Mekong Delta, the company processes and exports shrimp to the US, EU, and Japan, and owns one of the largest shrimp farms in Vietnam. This company is attractive for its earnings stability and efficiency, despite the volatility export markets, and we favor it over the leading exporter in the sector, which tends to report very volatile earnings.

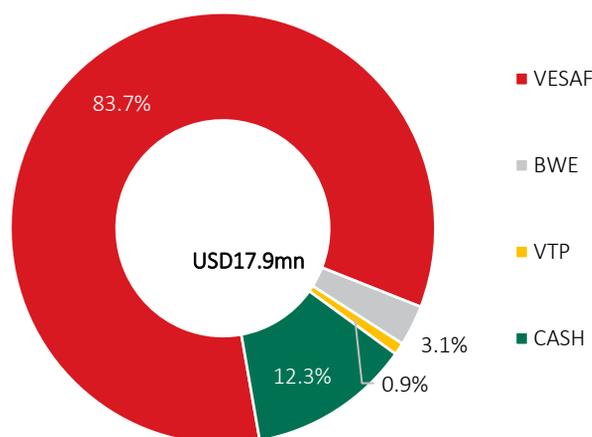
The company has a proven track record of growing production capacity while maintaining its efficiency and reporting steady earnings growth. Export revenues and earnings were 10% and 20%, respectively, in 2016-2020, while EPS growth was lower at 7% as the company increased its capital base to expand. Looking at the last three years, its CAGR earnings reached 17%, an encouraging level of growth compared to average growth of 2% for other fishery export peers in Vietnam. The 3-year average

VAF - PERFORMANCE SUMMARY

	Fund	VN-Index
June 2021	5.5%	6.2%
YTD	35.5%	28.0%
Since inception*	68.4%	55.6%

* Inception date: 03 July 2018

PORTFOLIO ALLOCATION



- VESAF
- BWE
- VTP
- CASH

return on assets of 13.5% was the third highest among its listed peers, although it was the most stable with the others experiencing many ups and downs over the years.

However, these numbers cannot fully describe what we like about the company. Their superior performance comes from their strength in value-added products, with the focus on quality, which made them a trustworthy partner to long-term key customers such as the large retail chains Tesco and Costco. In recent years, the company has gradually expanded its farming activities, which also contributed to their earnings growth.

The company reported strong export revenue of 29% in 1H21, doubling the industry growth of 15%. Though short-term headwinds relating to high logistics costs may persist, we expect this issue will gradually be resolved as the supply chain normalizes.

The fund's performance

Our high-conviction holdings in the banking (MBB, +14.2% in June) and brokerage (VCI, +31.2%) sectors continued to yield the highest returns to the fund, given their upbeat performances among peers during the month. GMD, our pick in the logistics sector, also delivered a strong return of 16.1% in June, given the strong prospects of its port business in both Haiphong and Cai Mep. During the month, other small and mid-cap holdings in our portfolio also advanced. ASP, an LPG retail distributor with an attractive valuation and growth potential, returned 17.5%. Other small-cap stocks including BWE (water supplier), KBC (industrial park), and VHC (pangasius exporter) returned 18.0%, 15.3% and 13.8%, respectively.

The recent and prolonged COVID-19 outbreak has prompted us to reassess its impact on economic growth as well as the earnings outlook of selected vulnerable sectors for the second half of 2021. Although we maintain a positive view of Vietnam's stock market based on its strong fundamentals and growth prospects post-pandemic, we are more cautious on the impact of the recent Covid wave. We reduced our exposure to the banking sector during the month but accumulated positions in more defensive sectors, including consumer and insurance.

VAF'S PORTFOLIO SNAPSHOT

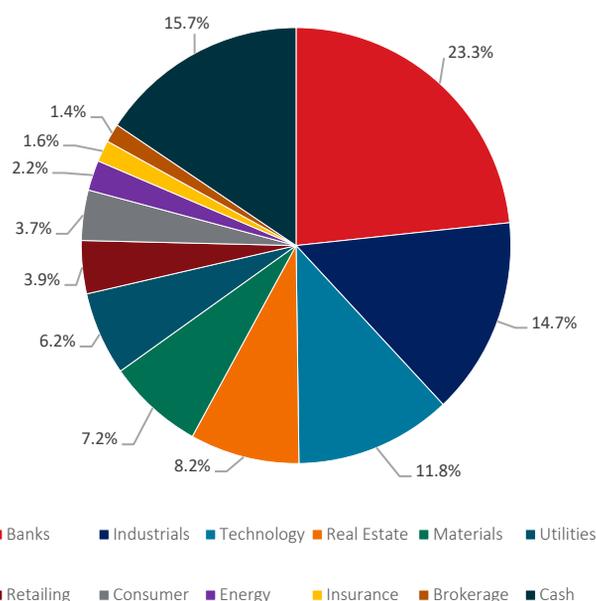
TOP 5 HOLDINGS	SECTOR	NAV (%)	PE 2021 (x)	ROE 2021 (%)
FPT	Technology	11.8	18.1	25.9
MBB	Banks	10.0	11.7	19.5
BWE	Utilities	5.0	10.3	17.4
CTG	Banks	4.4	10.5	19.8
HPG	Materials	4.3	6.7	45.9

ALLOCATION BY NET ASSET VALUE

Small- & mid-cap	38.9%
Stocks traded on UPCoM	2.5%
Stocks at full Foreign Ownership Limit	45.6%

- 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	USD17.9mn
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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