

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 moved in a narrow range in March, closing at 1,191 with a return of 1.7% in USD terms. The VN Index faced challenges of ongoing foreign selling coupled with the technical congestion issues with the HoSE trading system. The VN Index's performance, however, still ranked as one of the best among the regional ASEAN markets, and continued to reign as the market leader with a year-to-date return of 8.0% in USD terms, compared to an average decline of 3.8% for its regional peers.

Despite these challenges, trading activities were still strong, attributable to the strong buying activity of local investors. The concern about heavy foreign selling was somewhat alleviated towards month-end, with expected new inflows from the Fubon FTSE Vietnam ETF (Taiwan) in the next few months. That fund announced that it raised USD185 million during its IPO in March and expected to increase to over USD345 million by year-end.

The banking sector maintained its strong performance in March and year-to-date, thanks to the encouraging 1Q earnings growth of 76% y-o-y, largely resulting from much better asset quality that helped margin expansion and provision relaxation. The new government circular with changes in the loan restructuring regime allowed banks to gradually provision for their restructured loans in the next three years, estimated at 2% of the whole system's total loan book as of the end of 2020. This will result in further downward pressure in provision charges for the full year. Our in-house analyst forecasts 25%-30% growth in the full-year earnings for the banking sector.

Vietnam's economic recovery continued to be on track, with 1Q GDP growth reported at 4.5% y-o-y (1Q20: 3.7%), driven by a 9.5% increase in manufacturing and a 4.5% increase in domestic consumption. More importantly, inflation pressure eased, with March CPI decreasing by 0.3% m-o-m and 1Q's average CPI increasing only 0.3% y-o-y, showing a minimal impact of rising commodity prices.

The fund returned 0.9% during March. Banking stocks including VPB (+11.6%), CTG (+7.8%), TCB (+2.9%) and MBB (+1.8%) reported 1Q preliminary earnings growth of 37%, 152%, 92% and 109%, respectively. Pharmaceutical company IMP returned 15.6% on both a strong earnings performance (with 2M21 PBT growth of 39% y-o-y) and the accumulation of a larger stake by strategic shareholder SK Group. VCI returned 18.8% and was among the best performers in the brokerage sector during the month.

We expect the stock market to maintain its upward trajectory on the back of positive macro-economic indicators, as well as new capital inflows from foreign investors. The full-year strong earnings outlook (forecasted at a growth of 24%) will continue to support the market's valuation and investor sentiment. We will increase our exposure to the financial sector as well as small and mid-cap stocks with strong business models and earnings outlooks.

An undervalued gem has been discovered

As an active investor, we like to find the "hidden gems" in the small-cap universe. We found one such micro-cap stock (with market cap of USD12 million) that has been trading at a significant discount to its intrinsic value, uncovered by brokerage firms' research teams, and essentially overlooked in the liquidity driven market.

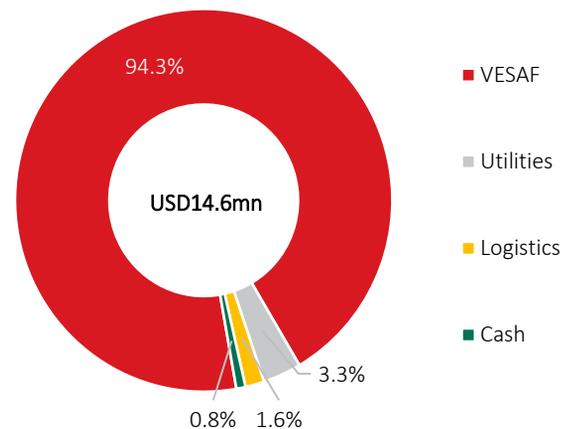
Established 20 years ago, the company continuously transformed its liquified petroleum gas (LPG) business from wholesale distribution to a higher-profit retailing model, via the acquisition and consolidation of popular LPG retailing brands nationwide. Part of the success of becoming the leading gas retailer with over 6% market share in direct retailing in such a highly fragmented industry came from the support

VAF - PERFORMANCE SUMMARY

	Fund	VN-Index
Mar 2021	0.9%	1.7%
YTD	12.1%	8.0%
Since inception*	39.3%	31.3%

* Inception date: 03 July 2018

PORTFOLIO ALLOCATION



of its strategic shareholder Saisan Group, one of Japan's pioneers in the sector and a major supplier of LPG products. The company currently owns a completed LPG production and distribution system, including 4 storage warehouses, 10 extraction stations and over 200 retail outlets, enabling it to further scale up and implement a digital management system into its day-to-day operations.

Despite having the largest scale in the LPG business for households, the company's valuation is very undemanding in comparison to its listed peers. If we look at asset-based valuation, it is trading at a P/B of only 0.6x while its average listed peers' P/B is 1.7x, albeit having a 2020 ROE of 7%, higher than the average peers' ROE of 5%. In terms of revenue, its P/Sales of only 0.1x was an 80% discount to the average peers' ratio of 0.5x, although the proportion of its retail business sales is much larger. Besides, the Company's market cap is only a third that of the third player in the LPG retail business, while having three times the store count of that player. Recently, there was a M&A transaction of a Japanese company acquiring a smaller LPG distributor (which mainly serves the central Vietnam market) called Petro Center Group (PMG, HoSE) at a P/Sales valuation of 1.3x and a P/B of 2.0x, implying a good rerating potential for the company when it gets more investor attention.

The M&A process that the company has pursued over the past five years has hindered the profit booking compared to its actual capabilities, due to the goodwill from the transactions. Despite that, the P/E valuation of 5x still looks reasonable and is expected to be much more attractive in coming years when the company fully integrates those acquirees into its system and is able to benefit from scale.

VAF'S PORTFOLIO SNAPSHOT

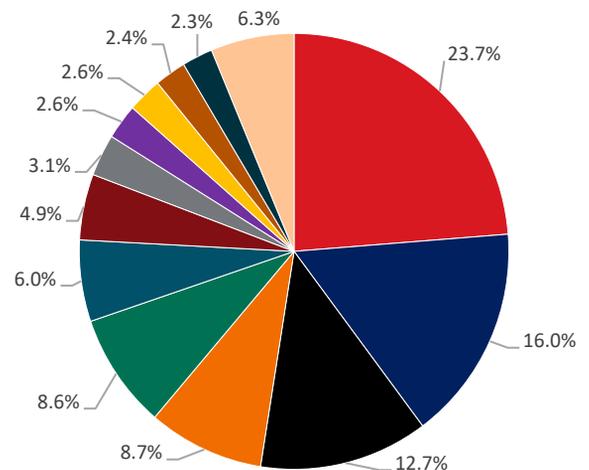
TOP 5 HOLDINGS	SECTOR	NAV (%)	PE 2021 (x)	ROE 2021 (%)
FPT	Technology	12.7	13.8	25.8
MBB	Banks	7.6	7.6	19.5
BWE	Utilities	5.6	8.9	17.4
ACB	Banks	5.5	8.0	22.6
MWG	Retailing	4.9	11.8	29.4

ALLOCATION BY NET ASSET VALUE

Small- & mid-cap	46.3%
Stocks traded on UPCoM	4.2%
Stocks at full Foreign Ownership Limit	54.5%

- 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
- Health Care
- Brokerage
- Energy
- Insurance
- Consumer
- Cash

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

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