

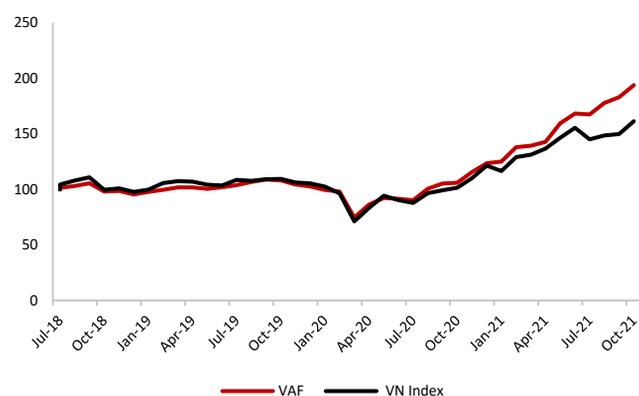
VAF is a Cayman Islands open-ended fund that invests in the Vietnam Equity Special Access Fund (VESAF), a Vietnam-regulated open-ended fund, with the flexibility to participate in IPOs as well as make direct investment in Vietnamese listed and unlisted securities.

PERFORMANCE SUMMARY

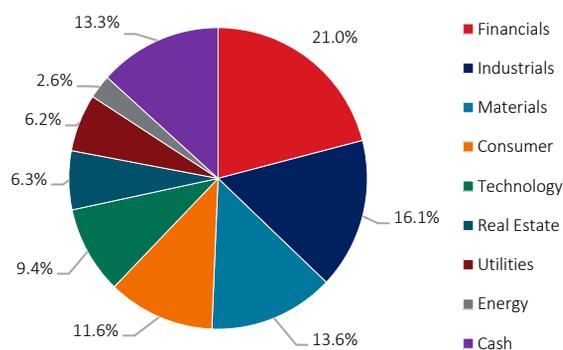
	Fund	VN-Index
October 2021 (m-o-m)	5.9%	7.7%
YTD	56.8%	32.8%
3-year annualized	25.5%	17.4%
Annualized since inception*	22.0%	15.5%
Accumulated since inception*	93.9%	61.4%
Annualized standard deviation	21.6%	24.9%

* Inception date: 03 July 2018

PERFORMANCE CHART



SECTOR ALLOCATION



TOP HOLDINGS

Ticker	Market Cap (USDm)	Sector	% of NAV	2022 PE	2022 ROE
FPT	3,865	Technology	9.4%	17.5	25.9%
MBB	4,733	Banks	7.1%	8.0	20.4%
HPG	11,226	Materials	6.4%	6.6	35.5%
BWE	376	Utilities	5.1%	11.2	19.0%
KDH	1,441	Real Estate	4.3%	17.4	20.3%
PLC	163	Materials	3.7%	11.9	21.0%
MWG	4,117	Retailing	3.7%	16.4	27.3%
SZC	273	Industrials	3.3%	16.8	23.4%
QNS	814	Consumer	3.3%	11.5	22.3%
FMC	128	Consumer	3.3%	9.7	23.8%

Source: Bloomberg, VinaCapital's estimates

MANAGER'S MONTHLY COMMENTARY

Vietnam's stock market continued its uptrend into October, returning 7.7% m-o-m to reach an all-time high of 1,444.3. Local investors maintained a positive view as the easing of lockdown measures allowed for the resumption of most economic activities and prompted a brighter economic outlook. Furthermore, the Government is considering a sizable fiscal package focused on tax cuts, infrastructure spending, lending rate support, social benefits, and job creation. If finalized, this stimulus package would be the largest ever in Vietnam and could help to accelerate the economic recovery post-Covid.

Most macro indicators were positive in October, despite a lower y-o-y comparison. Manufacturing IIP climbed 6.7% m-o-m and is expected to improve in the coming months as more enterprises resume production and more workers return. At the end of October, 95% of total enterprises in industrial zones located in Ho Chi Minh City had resumed operations. The PMI recovered strongly to 52.1 from 40.2 in September, ending four months below the 50-level. Retail sales also experienced a sharp recovery of 18.1% m-o-m, which were more obvious in discretionary categories due to pent-up demand. Mobile World (MWG) reported a 100% growth in sales of mobile phones and consumer electronics in October compared to monthly average revenue in Q3, while Phu Nhuan Jewelry's (PNJ) retail jewelry sales increased 10% y-o-y in October and have already recovered back to the average monthly revenue levels of Q1 this year. Passenger automobile sales were also strong from a trough, increasing 98% m-o-m, even surpassing the monthly average sales of 1H by 27%.

The fund returned 5.9% during October. The two property stocks in the portfolio, Khang Dien House (KDH, residential) and Sonadezi Chau Duc (SZC, industrial park), which returned 22.6% and 32.1%, respectively, were the fund's top performers. SZC reported outstanding Q3 earnings growth of 79% compared to the other industrial park operators, the earnings of which were mostly impacted by the Covid lockdown. KDH, on the other hand, announced a Q3 earnings decline of 12% y-o-y, but still an encouraging result driven by the delivery of one of its key apartment projects before the lockdown period. Other contributors to October's return were material stocks, Petrolimex Petrochemical (PLC, asphalt for roads, +15.7%) and Hoa An (DHA, construction stone, +15.3%), which performed well on the expectation of strong earnings growth in upcoming quarters given the aggressive infrastructure spending plan, despite some headwinds in Q3 results due to the lockdown. Our portfolio's aggregate earnings growth was 20% in Q3, in line with that of the broader market.

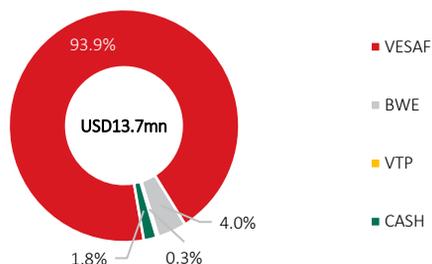
Materials sector outperformed on both earnings and stock prices

The materials sector posted the highest earnings growth, not only in Q3 (+125% y-o-y) but also in 9M21 (+155% y-o-y), with steel, chemical and fertilizer products being major contributors. This sector is among the very few sectors that are fully benefiting from the global supply chain disruption caused by Covid as well as China's policy on decarbonization.

The global supply chain disruption during the pandemic has created a surge in prices of inputs for steel (China's iron ore price increased 57% y-o-y in 10M21) and for fertilizer (global gas and coal prices increased 67% and 125%, respectively). Surging transportation fees and production disruptions have amplified the situation, leading to the significant increase in global prices of steel, chemical, and fertilizer products in 2021. Recently, China has been scaling down both the production and export of steel products and fertilizer, with an aim to reduce pollution. Steel production in China, for example, started to decline in July, with average daily outputs in July-October 12% lower compared to average outputs in the first six months. The strong rebound in world consumption upon the reopening of major economies further contributed to the supply-demand imbalance.

Vietnamese companies in the sector largely benefited, as manufacturing activities have been less impacted under better Covid control in the past year. Additionally, the self-supply of various input materials and electricity stability were also advantages for Vietnam in the difficult periods. Exports of steel products, chemicals and fertilizers increased 93%, 34% and 31% y-o-y, respectively, in 10M21, which ranked them among the strongest growers for the year.

PORTFOLIO ALLOCATION



Small- & mid-cap	49.3%
Stocks traded on UPCoM	4.7%
Stocks at full Foreign Ownership Limit	34.5%

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

Looking forward, although we believe that Vietnam will remain a beneficiary in those sectors, we are cautious about selecting commodity-related companies for the portfolio and emphasize the competitive advantages that help these companies stay strong even in a down cycle.

Hoa Phat Group (HPG, leading steel producer) has been our top pick within the materials sector, not only because of its dominant position in domestic construction steel, but also its complete production chain (via upstream investment) that creates the lowest-cost advantage in the industry. The company delivered all-time high quarterly earnings of USD450 million in Q3, +174% y-o-y. We expect the company will also benefit from the recovery of residential and industrial construction post-Covid.

In October, we added a top chemical producer that produces and exports yellow phosphorus and several phosphate-based products, including DAP fertilizers and thermal phosphoric acid. We are particularly excited by the strong future demand for thermal phosphoric acid, which is an important ingredient in the production of food, semiconductors, and electric vehicles, while supply from China, the largest producer, is expected to further decline. The company delivered earnings growth of 62% y-o-y in 9M21 and is trading at a 2022 PER of 9.0x, with forecasted 2020-2024 earnings CAGR of 50%.

VAF FUND INFORMATION

Launch date	03 July 2018
Fund size	USD13.7mn
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	Monthly, the Redemption Day is the first business day of each calendar month
Minimum subscription amount	USD100,000

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