

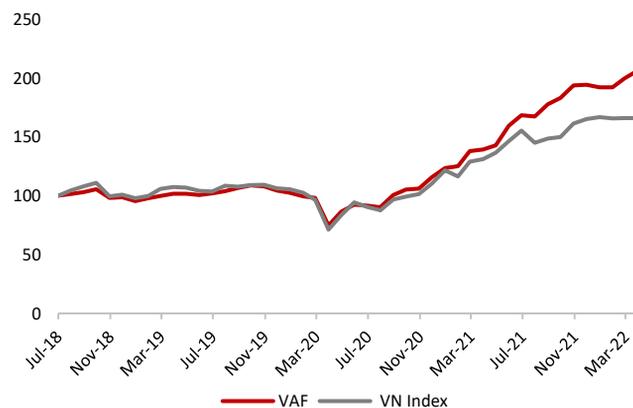
VAF is a Cayman Islands open-ended fund that invests in the Vietnam Equity Special Access Fund (VESAF), a Vietnam-regulated open-ended fund, with the flexibility to participate in IPOs as well as make direct investment in Vietnamese listed and unlisted securities.

## PERFORMANCE SUMMARY

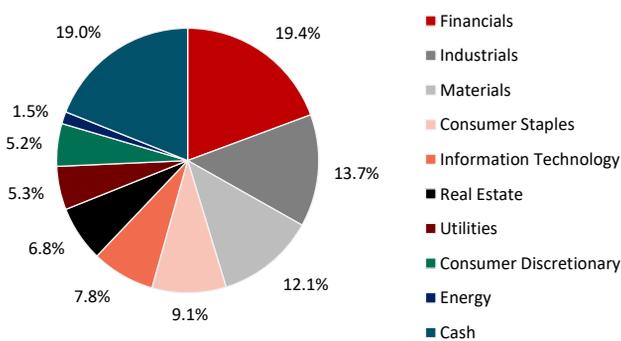
|                               | Fund   | VN Index |
|-------------------------------|--------|----------|
| March 2022 (m-o-m)            | 3.4%   | 0.1%     |
| YTD                           | 7.5%   | -0.5%    |
| 3-year annualized             | 26.6%  | 15.6%    |
| Annualized since inception*   | 21.4%  | 14.5%    |
| Accumulated since inception*  | 106.5% | 66.1%    |
| Annualized standard deviation | 20.4%  | 23.5%    |

\* Inception date: 03 July 2018

## PERFORMANCE CHART



## SECTOR ALLOCATION



## TOP HOLDINGS

| Ticker | Market Cap (USDm) | Sector           | % of NAV | 2022 PE | 2022 ROE |
|--------|-------------------|------------------|----------|---------|----------|
| MBB    | 5,451             | Financials       | 9.3%     | 7.2     | 24.3%    |
| FPT    | 4,252             | IT               | 7.8%     | 18.4    | 23.1%    |
| BWE    | 438               | Utilities        | 5.3%     | 12.1    | 19.6%    |
| MWG    | 4,674             | Consumer Disc.   | 5.2%     | 15.9    | 28.5%    |
| QNS    | 789               | Consumer Staples | 4.4%     | 12.3    | 20.1%    |
| KDH    | 1,486             | Real Estate      | 4.1%     | 16.8    | 18.0%    |
| VPB    | 7,241             | Financials       | 3.5%     | 11.7    | 15.1%    |
| PLC    | 171               | Materials        | 3.3%     | 18.5    | 14.6%    |
| SZC    | 335               | Industrials      | 3.0%     | 23.1    | 20.8%    |
| FMC    | 191               | Consumer Staples | 2.7%     | 13.1    | 15.9%    |

Source: Bloomberg, VinaCapital's estimates

## MANAGER'S MONTHLY COMMENTARY

March started with a great deal of caution from investors, prompted by the Russia – Ukraine conflict, rising inflation and the Fed's rate hike. Despite some volatility during the month, the VN Index managed to remain flat at the end of March, with a 0.1% m-o-m increase. In 1Q22, Vietnam's stock market slightly declined 0.5%, with stable trading liquidity maintained at a lower level than the peak seen in November 2021; as such, there was a good deal of dispersion in the performance of sectors and stocks as investors placed more emphasis on corporate earnings growth in the context of unstable market conditions. Exporters, especially fisheries (whose prices increased 45% m-o-m) and chemicals (+33%) stood out above the others, followed by logistics (+24%), technology (+15%) as well as the companies benefitting from pent-up demand as seen in the performance of retailing stocks (+15%).

The fund returned 3.4% in March, extending its outperformance against the VN Index by 7.9% in the first quarter. Despite the volatile market conditions, our holdings delivered resilient performances. Notably, holdings in the FDI and export themes stood out well against the others and played a leading role in the fund's performance as their earnings outlooks are expected to be among the best in 1H22. The selected stocks under this theme include DGC, FMC, GMD, DPR and VHC, which maintained robust returns in March and 1Q22. The fund currently has exposure of around 25% related to this theme.

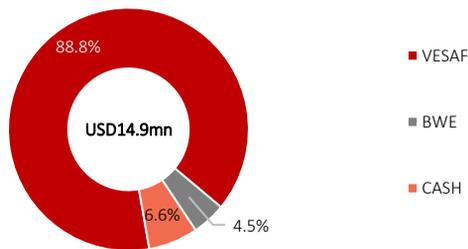
Early in April, the chairman of a company called Tan Hoang Minh Group was arrested as part of an investigation into a series of violations of law related to bond private placements for its real estate development. This event triggered a panic sell-off, starting from speculative penny stocks in the residential property sector, and later, the broader market. Investors were generally worried about the stressed liquidity of the secondary private bond market, as well as the margin lending capacity of brokerage companies, which were major buyers and distributors of these bonds. Banks, securities companies, and retail investors accounted for nearly 60% of total primary bond buyers in 2021.

Vietnam's corporate bond market has grown significantly in the last five years, from only 6% of GDP in 2017 to nearly 17% of GDP at the end of 2021, of which 96% of the bonds were private placement, lacking transparency and disclosure. Real estate developers (mostly residential) were the primary issuers, accounting for an average 41% of total issuance during 2019-21. In 2021, 45% of these real estate bonds were collateralized fully or partly by shares, while 25% were unsecured bonds. Apart from the Tan Hoang Minh issue, new regulations on bond issuance and the participation of both banks and retail investors also restrict new corporate bond issuance in the coming years, which will affect real estate developers' funding capability for their new projects and refinancing purposes. Banks and securities companies with large exposure to real estate bonds and loans would also be affected in terms of liquidity and growth.

VAF's portfolio has little exposure to the most vulnerable names. In the listed bank universe, TCB, MSB, VPB and TPB have the highest exposure to loans to and bonds of real estate developers, ranging from 23% to 42% of their total loan books, compared to the sector average of 14%. MBB, VAF's largest bank holding, has 12% exposure due to its more diversified strategy and its focus on renewable energy within the corporate bond segment. Within the residential real estate sector, VAF's portfolio has just one holding, KDH, which has one of the lowest corporate bond issuances in the sector and a low leverage ratio. Despite the negative short-term impact of the aforementioned event, we believe both the stock and corporate bond markets will grow in a more healthy and sustainable way in the longer term, as investors will target companies with high-quality management teams as well as sound fundamentals.

### Portfolio Highlights

FPT returned 14.7% in March and was one of the leading performers in 1Q22 among the FOL stock universe. We recently attended FPT's AGM, where management reaffirmed their upbeat outlook for the coming years. This optimistic outlook is being driven by (i) the proliferation of new technology applications with mega trends in artificial intelligence and cloud-based services for digital transformation objectives, and (ii) FPT's on-going enhancement in consulting and technology capabilities through an M&A strategy as well as its expanding education business segment. Apart from its 2021 acquisition of Base.vn (a cloud-based software company which was a perfect match for FPT's

**PORTFOLIO ALLOCATION**


|  |       |
|--|-------|
| Small- & mid-cap                       | 49.5% |
| Stocks traded on UPCoM                 | 6.3%  |
| Stocks at full Foreign Ownership Limit | 30.0% |

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

strategy to build comprehensive digital transformation platforms for Vietnamese SMEs), management will look for new M&A opportunities in global markets that could arise from the Russia - Ukraine conflict. Additionally, FPT AI Quy Nhon University plays an important role in developing FPT's future labour force. The introduction of a new BOD member who has 30 years of experience at InfoSys, one of the leading global IT groups, will also enhance FPT's capabilities. The company estimated preliminary pre-tax profit growth of 27% y-o-y for 1Q22.

QNS returned 12.2% in March after lagging the market in the first two months of the year. At its recent AGM, management forecast 1Q22 sales growth of 21% y-o-y in its soymilk segment, underpinned by the demand recovery and new products launched in the previous two years. Notably, the hike in soybean input prices was not expected to impact soymilk's earnings in 2022 as the company has already secured 50% of the inputs it needs this year while it raised the selling price of soymilk products by 5% in February. Besides the positive earnings from the existing products, we look forward to QNS's new growth opportunities in the coming years, as management indicated its aim of introducing the first plant-based drinking yogurt in Vietnam later this year, followed by a plant-based meat product. While it is premature to assess these new products, such initiatives are necessary to supplement the company's future growth given its current large market share in the soymilk business.

**VAF FUND INFORMATION**

|                             |  |
|-----------------------------|--|
| Launch date                 | 03 July 2018   |
| Fund size                   | USD14.9mn  |
| 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        | Monthly, the Redemption Day is the first business day of each calendar month   |
| Minimum subscription amount | USD100,000   |

**CONTACT DETAILS**

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