

Performance summary

31 May 2021

	USD	GBP
NAV per share:	7.78	5.47
Change (Month-on-month):	9.4%	6.4%
Total NAV (million):	1,321.9	930.5
Share price:	6.53	4.60
Market cap (million):	1,110.7	781.8
Premium/(discount):	-16.1%	-16.1%

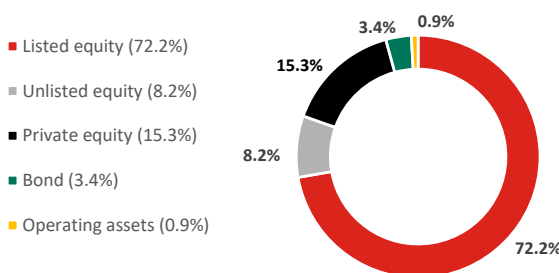
GBP/USD exchange rate as 30 April 2021: 1.3830
GBP/USD exchange rate as 31 May 2021: 1.4206
Source: Bloomberg

Cumulative change (% change, USD, total returns)*

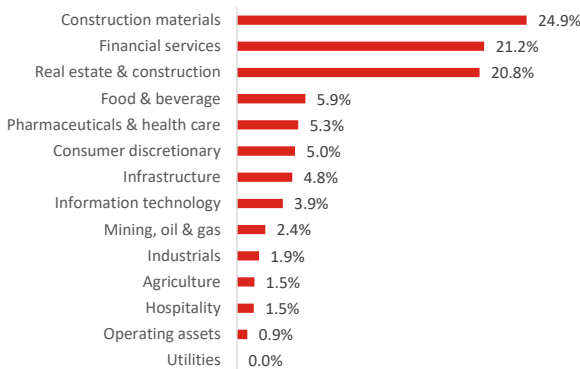
	1mth	3mths	FYTD	1yr	3yr	5yr
NAV per share	9.4	19.1	59.4	63.6	50.3	135.6
Share price	4.1	15.9	64.0	69.7	63.6	161.8
VN Index	7.3	13.7	64.6	57.9	42.8	133.3
MSCI Emerging market	2.3	3.3	41.0	51.5	33.2	95.2
MSCI Vietnam	3.3	11.7	52.6	45.9	31.7	98.0

* Inclusive of dividend distributions

Portfolio by asset class**



Portfolio allocation by sector**



Top ten holdings***

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	22.3%	Construction materials
Khang Dien House (KDH)	8.9%	Real estate & construction
Eximbank (EIB)	6.6%	Financial services
Asia Commercial Bank (ACB)	6.1%	Financial services
Phu Nhuan Jewelry (PNJ)	5.0%	Consumer discretionary
Airports Corporation of Vietnam (ACV)	4.8%	Infrastructure
Orient Commercial Bank (OCB)	4.7%	Financial services
Vinhomes (VHM)	4.4%	Real estate & construction
FPT Corporation (FPT)	4.0%	Information technology
Quang Ngai Sugar (QNS)	3.0%	Food & beverage
Total	69.8%	

** Excluding Cash & Others (-1.3% of NAV)
*** Public Equities

May, The Force...

Despite the resurgence of the fourth COVID-19 outbreak at the end of April, the Vietnam Index continued to post new highs in May, increasing 7.3% m-o-m (in total return, USD terms) to close at 1,328 points, and marking a fourth consecutive month of gains, to lead the region's stock bourses calendar year-to-date. Strong earnings reported by local companies and the surge of participation of retail investors helped the market shrug off concerns about the current outbreak, and from an economic standpoint, Vietnam has fared remarkably well over the past 18 months; at this point, we see no reason that this will change.

Nevertheless, we remain cautious given the social distancing and movement restrictions that are currently in place which, have now been extended to the end of June. There is a risk that a prolonged period of restrictions may have an impact on growth forecasts for 2021. Our in-house Macroeconomic Research team are currently re-assessing the impact a prolonged outbreak will have on growth and we expect to share our views soon.

Meanwhile, Vietnam's Ministry of Planning and Investment recently revised their forecast for GDP growth to 5.8% y-o-y for 1H2021, 0.4% lower than previous government estimates, as the impact of COVID-19 wears on. Nevertheless, the government is determined to carry out their dual goals of fighting the health pandemic and bolstering economic growth.

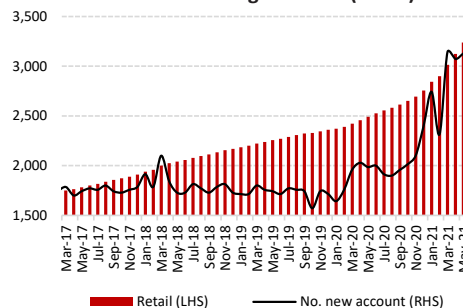
In view of the current situation, we would like to assure our investors that VinaCapital is operating business-as-usual. To comply with the government's recommendations on social distancing, some staff are working in our office and taking appropriate precautionary measures, while the rest are working from home.

Strong in the Force...

The record account openings and higher market turnover driven by local investors appears to continue, in our view. It is local investors who have been the driving force behind the market's ascent, even as foreign investors continue to be net sellers, as they have been in most emerging/frontier markets.

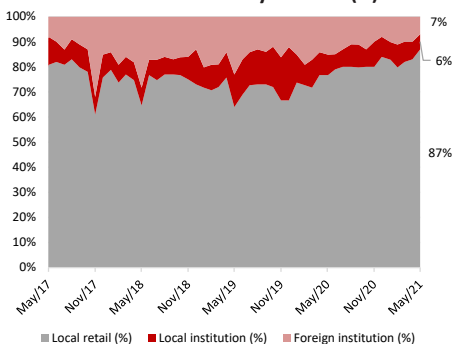
Local investors' enthusiasm could be due to a myriad of factors, including an upbeat sentiment from the country having low COVID-19 cases (and generally operating normally, save for international visitors) until the recent lockdowns, as well as scarce investment alternatives. Time deposit rates have fallen, property prices are subdued, gold prices have plateaued, and there are a limited number of other alternatives (e.g., no international equities) or other speculative outlets (i.e. sports betting) for local investors. The obvious risk is if this local tide reverses; that said, the precedent in other regional markets such as Taiwan, plus the ascent of local investors, suggests there is still a long runway for Vietnam's stock market.

Number of Trading Accounts ('000's)



Source: VinaCapital Research, Fiiipro, VSD, 31 May 2021

Market Turnover by Investor (%)



At a 16.4x forward PER (as of 11 June 2021), Vietnam trades below the ASEAN average of 17.2x and SE Asia's emerging market peer group (Thailand, Indonesia, Philippines) average of 18.8x. Peak forward PER was 21.6x (22 March 2018). Contingent on Vietnam's success in controlling the pandemic, a rise in EPS growth estimates should be sufficient to support the market rise and keep valuations in check. Market consensus estimates 2021F EPS growth of 30%, while we estimate the VOF public equity portfolio's 2021F EPS growth to top 81% at a 10.8x forward PER driven by estimated 2021 net profit growth of 157% for HPG, which is our largest holding (22.3% of NAV), and the financial services sector, for which consensus estimates the sector's average net profit to grow by 30% in 2021.

Turning to our portfolio, VOF outperformed the market, delivering a 9.4% total return for May, and calendar year-to-date, the NAV is up 24.8% (total return, USD terms). In terms of sectors, construction materials, dominated by the largest holding in the portfolio, leading steel company Hoa Phat Group (HOSE: HPG), increased 27.3% m-o-m. Meanwhile financial services, which makes up 21.2% of NAV, also provided a strong contribution to performance, with several commercial banks leading the rally, including VP Bank (HOSE: VPB, +43% m-o-m), Orient Commercial Bank (HOSE: OCB, +22.8% m-o-m), Eximbank (HOSE: EIB, +19.6% m-o-m), and Asia Commercial Bank (HOSE: ACB, +19.5% m-o-m).

It was a busy month in terms of investment activities. In early May, we were able to close on our latest private equity investment, a negotiated private placement into Dat Xanh Services (DXS), the number one real estate brokerage and services company in Vietnam. DXS is expected to list in late June or early July. VOF led a consortium that deployed USD40 million into this placement and we look forward to working with the company as it embarks on an exciting phase of expansion, including rolling out an innovative digital platform to boost real estate brokerage services.

In early June, we completed the full divestment of our stake in Imexpharm (HOSE: IMP), one of the leading

home-grown pharmaceutical manufacturers, to a strategic investor. With this exit, we were able to deliver an IRR of 16% after three years of investment.

Finally, in late May, we had the privilege of joining several leading investment managers to present at the Frostrow Capital Investment Conference, co-hosted with the London Stock Exchange. For those who were unable to attend the webinar, we have a [recording](#) hosted on our website.

Macroeconomic Commentary

Vietnam's fourth COVID-19 outbreak emerged at the end of April, prompting the Government to temporarily shut down four industrial parks in the North of Vietnam for 10 days and to impose social distancing measures in both Hanoi and Ho Chi Minh City (HCMC), including restricting restaurants to takeaways and shutting non-essential businesses. HCMC initially imposed two weeks of fairly strict measures starting from May 31st, which as of publishing this report, was extended to the end of June.

Despite the temporary factory shutdowns, Vietnam's manufacturing output grew 2.6% m-o-m in May, and the country's manufacturing output growth only slowed from 12.7% y-o-y in 4M21 to 12.6% in 5M21. The manufacture of electronics products actually accelerated.

In contrast, the social distancing measures that the Government imposed in Hanoi and HCMC led to a 3% m-o-m decline in Vietnam's retail sales in May. Real retail sales growth (i.e., stripping out the impact of inflation) fell from 9% y-o-y in 4M21 to 6.3% in 5M21.

We expect retail sales to bounce back when the current COVID outbreak is brought under control, but we are even more confident that manufacturing growth will remain strong for the rest of this year, given a plethora of positive leading indicators for the sector. For example, Vietnam's manufacturing PMI only fell from 54.7 in April to 53.1 in May, despite the fact that the PMI survey was conducted around the time that the above-mentioned outbreak in the two northern provinces was at its peak.

The resilience of Vietnam's PMI is partly attributable to the fact that Vietnamese companies' new orders grew for the 9th month in-a-row in May, which in-turn is driving companies to aggressively import the raw materials and other inputs required to produce their products.

Consequently, Vietnam's imports surged by an astounding 56% y-o-y in May and by 36.7% y-o-y in 5M21 to USD131.6 billion, driven by a 30% increase in imports of components required to manufacture high tech products (to about USD35 billion). In addition, the imports of other categories also surged, including machinery (+57% y-o-y), industrial plastics (+87% y-o-y), and textiles required to make garments (+73% y-o-y).

Vietnam's exports grew by 30.9% y-o-y in 5M21 to USD131.1 billion (and by 36% y-o-y in May), driven by 50% y-o-y growth in Vietnam's exports to the US. The significant difference between the country's export and import growth resulted in a USD2.1 billion trade deficit in May, according to the Department of Vietnam Customs.

The large trade deficit in May reduced the country's trade balance from a USD3.9 billion surplus in 5M20 to a deficit of USD500 million in 5M21, but had virtually no impact on the official USD-VND exchange rate.

Next, about 75% of Vietnam's exports are produced by FDI companies, and disbursed FDI inflows grew by about 6.7% y-o-y to USD7.2 billion in 5M21. In addition, registrations of planned, future FDI projects increased 16.4% y-o-y to nearly USD12.7 billion, which is a very positive longer-term leading indicator for the manufacturing sector since the majority of FDI inflows are channelled into manufacturing or energy projects.

Finally, inflation in Vietnam ticked up from 2.7% y-o-y in April to 2.9% in May. A circa 1% m-o-m hike in retail petrol prices was somewhat offset by a circa 2% m-o-m drop in pork prices, reflecting the major impact African Swine Fever continues to have on Vietnam's inflation rate.

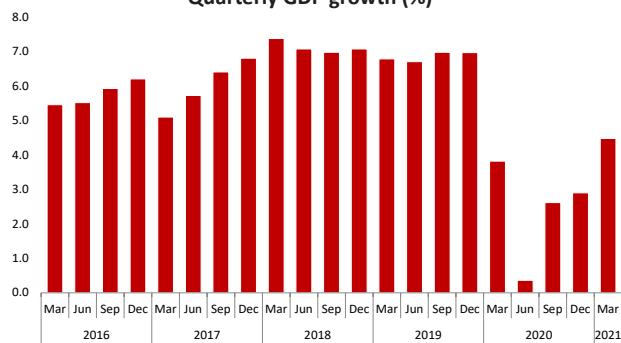
Standard Chartered estimates that Chinese pork prices fell by 14% m-o-m in May, which implies that Chinese pork prices have fallen by about 50% YTD as of the end of May, versus a 2% YTD drop in Vietnam. We believe the lagging drop in Vietnamese pork prices implies that Vietnam's food price inflation will continue to be constrained as 2021 progresses, which is one reason we expect Vietnam's inflation rate to remain in the 2.5-3% range in 2H21.

Macroeconomic indicators

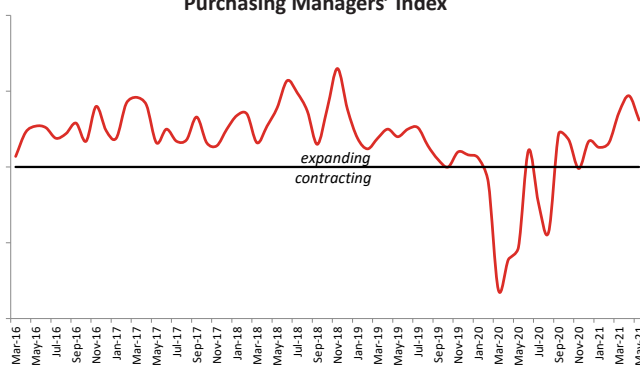
	2020	May-21	YTD	YOY ¹
GDP growth (%)	2.9			4.5
Inflation ² (%)	3.2	2.9	1.3	
FDI commitments (USDbn)	21.0	1.5	12.7	16.4%
FDI disbursements (USDbn)	20.0	1.7	7.2	6.7%
Imports (USDbn)	262.4	28.3	131.6	36.7%
Exports (USDbn)	281.5	26.2	131.1	30.9%
Trade surplus/(deficit) (USDbn)	19.1	-2.1	-0.5	
Exchange rate (USD/VND) ³	23,131	23,135		

Sources: GSO, Vietnam Customs, MPI, Bloomberg | 1. GDP is annualised rate, updated quarterly; FDI and trade data is YTD y-o-y | 2. Monthly y-o-y change; Annual is 12-month average change in CPI per GSO | 3. BBG-State Bank of Vietnam Avg. USD/VND Interbank rate

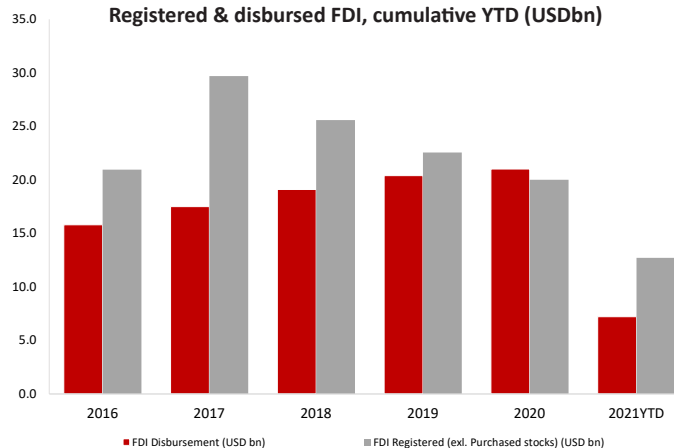
Quarterly GDP growth (%)



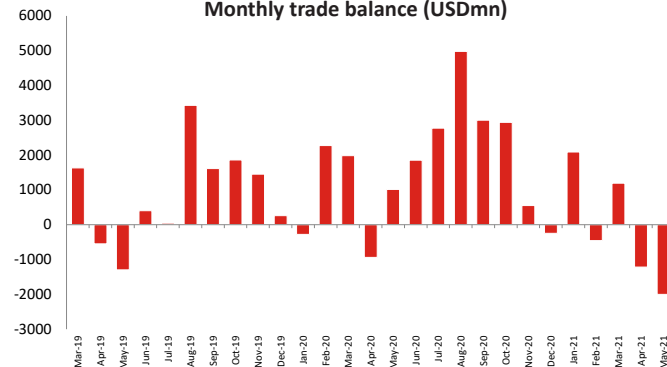
Purchasing Managers' Index



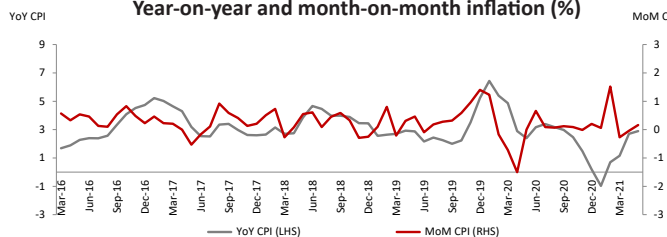
Registered & disbursed FDI, cumulative YTD (USDbn)



Monthly trade balance (USDmn)



Year-on-year and month-on-month inflation (%)



Source: GSO, Vietnam Customs, Bloomberg

Board of Directors		VinaCapital Investment Management Ltd	
VOF's Board of Directors is composed entirely of independent non-executive directors.			
Member	Role	Member	Role
Steve Bates	Non-executive Chairman	Don Lam	Group CEO
Thuy Dam	Non-executive Director	Brook Taylor	Group COO
Huw Evans	Non-executive Director	Andy Ho	Group CIO & Managing Director
Julian Healy	Non-executive Director	Khanh Vu	Deputy Managing Director
Kathryn Matthews	Non-executive Director	Dieu Phuong Nguyen	Deputy Managing Director
Fund information			
LEI	2138007UD8FBBVAX9469		
ISIN	GG00BYXVT888		
Bloomberg	VOF LN		
Reuters	VOF.L		
Fund summary			
Fund launch	30 September 2003		
Term of fund	Five years subject to shareholder vote for liquidation (next vote to be held by December 2023)		
Fund domicile	Guernsey		
Legal form	Exempted company limited by shares		
Investment manager	VinaCapital Investment Management Ltd, with sub-delegation to VinaCapital Fund Management JSC an entity regulated by the State Securities Commission of Vietnam		
Structure	Single class of ordinary shares trading on the Main Market of the London Stock Exchange plc		
Auditor	PricewaterhouseCoopers (Guernsey)		
Custodian	Standard Chartered Bank Vietnam		
Custodian and Administrator	Aztec Financial Services (Guernsey) Limited		
Registrar and Transfer Agency	Computershare Investor Services		
Brokers	Numis Securities (Bloomberg: NUMIS)		
Management and incentive fee	<p>Commencing July 1, 2018: a tiered management fee structure has been introduced, with the following annual rates applied to net assets:</p> <ul style="list-style-type: none"> - 1.50% of net assets, levied on the first USD500 million of net assets - 1.25% of net assets, levied on net assets between USD500 million and USD1,000 million - 1.00% of net assets, levied on net assets between USD1,000 million and USD1,500 million - 0.75% of net assets, levied on net assets between USD1,500 million and USD2,000 million - 0.50% of net assets, levied on net assets above USD2,000 million <p>The incentive fee is 12.5% of any increase in NAV above an 8% per annum hurdle rate, with the cap on incentive fees paid out in any year at 1.5% of weighted average of month-end net assets. Excess fees are still carried forward, but can be clawed back if NAV declines after the year end. The investment manager must use 25% of any incentive fee paid to buy VOF shares via open market purchases, subject to a minimum holding period.</p>		
Investment objective	Medium to long-term returns through investments either in Vietnam or in companies with a substantial majority of their assets, operations, revenues or income in, or derived from, Vietnam		
Investment objective by geography	Investments will be in Vietnam or in companies with at least 75 per cent of their assets, operations, revenues or income in, or derived from, Vietnam at the time of investment		

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