

Performance Summary 29 February 2024

	USD	GBP
NAV per share:	7.49	5.93
Change (month-on-month):	4.3%	5.1%
Total NAV (million):	1,153.5	914.2
Share price:	5.82	4.61
Market cap (million):	896.1	710.2
Premium/(discount):	-22.3%	-22.3%

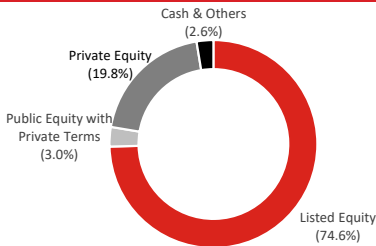
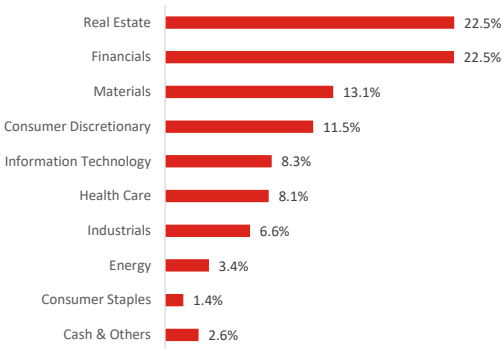
GBP/USD exchange rate as of 29 February 2024: 1.2618
 GBP/USD exchange rate as of 31 January 2024: 1.2718
 Source: Bloomberg

Cumulative Change (% change, USD, total returns)¹

	1M	3M	FYTD	CYTD	1YR	3YR	5YR
NAV per share	4.3	7.9	7.7	5.8	20.7	20.8	58.9
Share price	1.0	2.0	7.9	-0.1	9.8	10.0	47.7
VN Index	6.6	13.0	8.2	9.3	20.0	4.7	32.7
MSCI Emerging Market	4.8	3.9	4.8	-0.1	9.1	-16.9	11.7
MSCI Vietnam	6.1	9.0	3.1	5.2	13.3	-25.5	-14.2

VOF Key Metrics²

	VOF NAV	VN Index
Annualized Total Return (3YR)	6.5	1.5
Annualized Standard Deviation (3YR)	16.3	21.8
Beta	0.66	1.00
Sharpe Ratio	0.27	-0.02

Portfolio by Asset Class³

Portfolio Allocation by Sector⁴


Top 10 Listed Equity Holdings

Investee company	% of NAV	Sector
Asia Commercial Bank (ACB)	14.4%	Financials
Khang Dien House (KDH)	10.3%	Real Estate
Hoa Phat Group (HPG)	9.3%	Materials
FPT Corporation (FPT)	8.3%	Information Technology
Airports Corporation of Vietnam (ACV)	5.7%	Industrials
Vietnam Prosperity Bank (VPB)	4.6%	Financials
Phu Nhuan Jewelry (PNJ)	3.9%	Consumer Discretionary
Orient Commercial Bank (OCB)	3.5%	Financials
Vinhomes (VHM)	3.4%	Real Estate
Dat Xanh Services (DXS)	2.8%	Real Estate
Total	66.2%	

1. Inclusive of dividend distributions
 2. Based on monthly total return, USD terms in 3 years; Risk-free rate is the 5-year G-bond yield
 3. Refer to [Portfolio by Asset Class](#) reclassification note in the Fund Summary
 4. Based on Global Industry Classification Standards (GICS)

“The speculator’s primary interest lies in anticipating and profiting from market fluctuations. The investor’s primary interest lies in acquiring and holding suitable securities at suitable prices.”
 – Benjamin Graham, *The Intelligent Investor* (1949)

February was a short trading month with the Lunar New Year holidays (“Tet”) seeing the markets closed from 8 to 14 February. Over the remaining sixteen trading days of the month, the VN Index delivered a 6.6% month-on-month total return in USD terms (\$TR), with a broad-based recovery. Materials (+14.5% m-o-m), Information Technology (+12.4% m-o-m), and Banks (+9.1% m-o-m) were the top sector contributors to the index’s performance. Calendar year-to-date, the VN Index is up 9.3% (\$TR), a stand-out performance relative to ASEAN peers, including Malaysia (+3.2% YTD), while the others posted YTD declines, including Indonesia (-1.5% YTD), Singapore (-5.0%YTD), and Thailand (-7.7%YTD).

Performance was driven by a significant surge in domestic retail investor participation in the stock market, with trading liquidity reaching new highs and overshadowing foreign net selling. Across all three stock exchanges, the average daily trading value in February reached USD 949 million, up 24% m-o-m and the highest since September 2023. This trend is promising when viewed in the context of the typical pre-Lunar New Year holiday market activity slowdown. However, Vietnam saw a net outflow of foreign investments across all three exchanges of USD 59 million in February, offsetting the net inflow of USD 48 million in January. Domestic retail investors still accounted for the majority of market turnover at 84.2%, while local institutional investors accounted for just 6.8%, and foreign investors made up the remaining 9.0%.

Looking ahead, with market valuations still attractively priced at a 12.2x forward price-to-earnings ratio for 2024 (which remains at about 20% discount compared to regional peers), Vietnam continues to be attractively valued for investors confident in the market’s long-term growth potential. The outlook for earnings growth this year is expected to rebound from no growth in 2023 to 10-15% in 2024. However, we should approach this with some caution, as consensus estimates have been trending downward, and the local market’s growth outlook remains uncertain and very much based on the pace of the global economic recovery.

VOF’s February Performance

Overall, in USD total return terms (\$TR), the VOF portfolio delivered a 4.3% return in February, and for the eight-months of the 2024 financial year-to-date (July 2023 to February 2024), the NAV is up 7.7% (\$TR). The increase in VOF’s NAV owes much to the performance of quality companies in the portfolio and the strong performance of the public equities portfolio (+6.9% m-o-m, and +13.2% over the eight months of the FYTD), which continue to benefit from rising markets.

Airports Corporation of Vietnam a leading contributor to performance

Tourism experienced a strong pickup in 2023 and is continuing its trend into 2024. According to the General Statistics Office (GSO), Vietnam welcomed 3.04 million international passengers in the first two months of 2024, representing a 69% y-o-y increase and a return to pre-pandemic levels. In fact, the rebound in international demand has not only met, but exceeded market expectations. As a result, a key beneficiary of this increase in tourism has been the Airports Corporation of Vietnam (UPCoM: ACV, NAV: 5.7%): its share price has risen by 26% year-to-date.

ACV manages terminals at 22 out of 23 airports in Vietnam, including 9 international and 13 domestic airports. Earnings drivers for 2024 are expected to come from the recovery of international passenger traffic to Vietnam. According to our in-house Research team, we anticipate that ACV’s full-year 2024E net profit after tax and minority interests (NPAT-MI) will grow by 46% y-o-y. In the long term, ACV is expected to benefit from the structural growth in travel within Vietnam and the company’s near-monopoly position in managing the country’s airports. Furthermore, work is rapidly progressing at the Long Thanh International Airport, which will service international flights from Ho Chi Minh City, and is expected to open by FY26-end¹.



Recovering export demand, infrastructure spending, and residential construction continue to spur a recovery in earnings in the Materials sector.

Hoa Phat Group (HOSE: HPG, NAV: 9.3%) continued to see a rebound in sales during the first two months of 2024, with growth of 27% y-o-y. In 2M24, the sales volume for hot-rolled coil doubled y-o-y, driven by a recovery in steel exports. Reflecting these sector improvements, HPG’s share price has increased by 11% year-to-date. Looking forward to 2024, HPG’s sales volume and earnings growth should be boosted, driven by strong export demand, accelerated infrastructure spending (which saw a 22% y-o-y increase in the first two months of 2024), and a revival in residential construction activities.

HPG has recently released its FY24 guidance, setting a sales target of USD 5.7 billion with an 18% increase y-o-y, and projecting net profit to rise to USD 406 million, a significant increase of 46% y-o-y. We note that over the years, HPG has consistently been conservative in their forecasts, while being able to deliver stronger actual results. The steelmaker recently announced plans to issue stock dividends of 10% (10:1 ratio), slated for the second quarter of 2024.

Tam Tri Medical continues to navigate growth in a high-demand healthcare landscape.

Health care is an attractive sector for investors because of the increasing demand for private health care services from Vietnam’s growing middle class, the heightened awareness of health issues after the Covid-19 pandemic, and the persistent overcrowding of public hospitals. Recognising these trends, VOF has also focused on healthcare services, with investments in hospitals and medical clinics. Today, we have two main platforms: one in the north, Thu Cuc International Hospital, which is the largest private hospital network in Hanoi, the capital, and the other, Tam Tri Medical (TMMC), which ranks as one of the largest hospital chains in Vietnam in terms of asset network. TMMC currently operates eight hospitals located in Danang, Nha Trang, Dong Thap Province, and Ho Chi Minh City. TMMC has the potential for further expansion in the near term, including adding operating beds to existing facilities and constructing new buildings on existing land plots. In 2023, the revenue of TMMC’s six operating hospitals increased a commendable 15% y-o-y, especially considering the healthcare industry’s challenges, such as driving an overall improvement in services and raising the awareness of preventive services like health checks which have been in decline post-Covid.

1. <https://vietnamnet.vn/en/pm-sets-deadline-for-completion-of-long-thanh-airport-in-first-half-of-2026-2254904.html>
<https://vnextpress.net/news/news/finish-long-thanh-airport-six-months-early-pm-4711457.html>
<https://laodong.vn/photo/can-san-thi-cong-2-goi-thau-lon-nhat-du-an-san-bay-long-thanh-o-dong-nai-13151451do>

Despite these obstacles, the management team are conservatively estimating a 15-18% increase in revenue growth for 2024, with the anticipated operation of the recent bolt-on acquisitions of hospitals to the platform.

Vietnam's President resigns, but policies remain the same

The surprise resignation of Vietnam's President Vo Van Thuong on Wednesday, 20 March 2024 – after being in office for less than a year – has brought renewed attention to the country's leadership as well as speculation about how this could affect its continued development. While the position of President is considered largely ceremonial, it does make up one of the “four pillars” of Vietnam's leadership structure, along with General Secretary of the Party, Prime Minister, and Chairman of the National Assembly.

While this sort of news is unwelcome, we believe that it will have no effect whatsoever on Vietnam's economic development strategy and we maintain our views on the growth of the economy and market in 2024. The strategy for economic growth has remained remarkably consistent over the last two decades, irrespective of the individuals holding the key positions. The Government has consistently pursued pro-business, investor-friendly policies over the years, and we have every reason to believe that will continue. While developments of this nature can understandably raise some questions among foreign investors, we do not believe that this should warrant serious concern.

Macroeconomic Commentary

The recovery of exports that started late last year continued to gain momentum in the first two months of 2024. Exports grew 19% year-on-year in 2M24, according to Vietnam's General Statistics Office (GSO), driven by a 34% y-o-y surge in computer and electronics exports, and by a 34% jump in Vietnam's exports to the US (versus a 21% plunge in US exports in 2M23).

The surge in computer and electronics exports is a phenomenon that we have discussed repeatedly in recent months (including in [this report](#)), and which is also happening in Taiwan and South Korea. Also, Vietnam's 19% export growth (to USD 59 billion in 2M24) outpaced the 18% growth in imports (to USD 54 billion), resulting in the country's trade surplus widening from USD 3.5 billion in 2M23 to USD 4.7 billion in 2M24 (or from 5%/GDP to 6%/GDP).

Export growth has also far outstripped the 5.9% y-o-y increase in the country's manufacturing output during 2M24. This resulted in manufacturers' inventories of finished products falling in both January and February according to Vietnam's PMI survey – which essentially reflects the fact that those companies exported more products than they produced in the first two months of this year. The resulting inventory depletion is a positive leading indicator for manufacturing because it points to a likely production pick up in the months ahead.

Another positive leading indicator is the fact that factories in Vietnam resumed hiring workers in February after having laid off workers for several months in-a-row. The expansion of manufacturing employment is a lagging indicator because companies typically wait until they have an ample order book to hire workers. New orders did continue to expand in February, which together with the resumption of employment expansion, helped lift Vietnam's PMI index from 50.3 in January to 50.4 in February.

Yet another positive leading indicator is the fact that disbursed FDI grew by 10% y-o-y in 2M24 to USD 2.8 billion, which was the highest beginning-of-the-year inflow over the last five years. Furthermore, the pipeline of newly registered FDI projects (which includes both new factories and expansions of existing factories) rose by nearly 76% to USD 4.0 billion in 2M24.

The net result of all the above is that we continue to expect a partial recovery in Vietnam's manufacturing growth to 8% this year (versus 12% average growth, pre-COVID), which is the basis for our expectation that GDP will grow by 6.0-6.5% this year. Factory employment has now fully recovered from the layoffs seen in early-2023, which should help support consumption, although real retail sales (i.e., excluding inflation) only grew by 5% in 2M24.

Further to that last point, we continue to expect 7.5% growth in real retail sales this year (versus 9% average growth, pre-COVID), but there is some downside risk to that forecast given anecdotal evidence of tepid consumer sentiment among Vietnamese consumers during the recent Tet Lunar New Year holiday in February. That said, we previously highlighted Vietnam's moribund real estate market as one source of weak consumer sentiment last year (together with the above-mentioned layoffs at FDI factories) but assert our belief that a real estate rebound is in the making (including in [this report](#)).

After we published our report at the end of last year, real estate transaction activity continued to significantly increase (especially in the affordable segment of the market), the Government introduced new regulations with the aim of helping to revive the real estate sector, and interest rates in Vietnam have continued to drift lower (one-year deposit rates at most banks are now below 5% after having peaked at above 8% on average at the end of 2022).

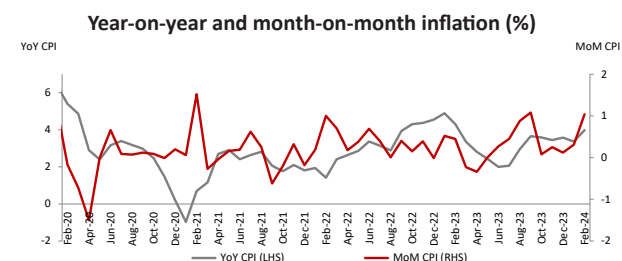
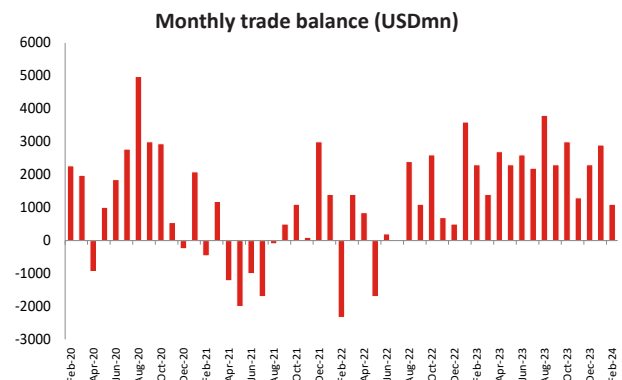
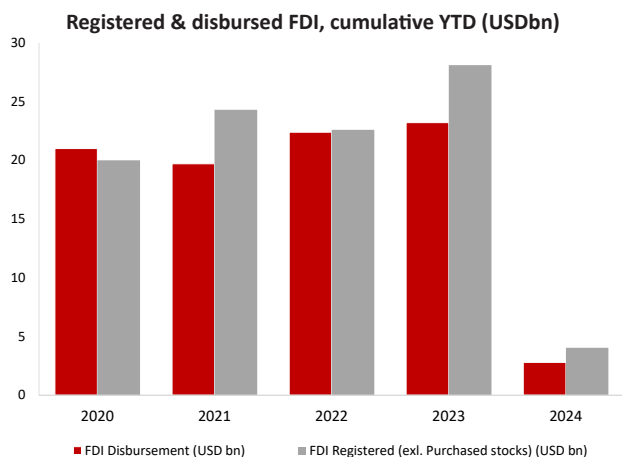
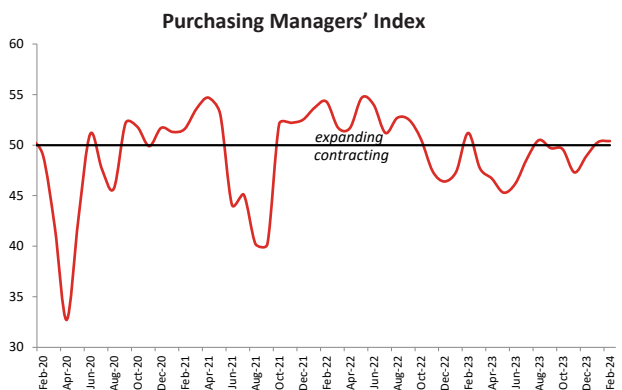
Inflation ticked up from 3.4% y-o-y in January to 4% y-o-y in February driven by a 1.7% m-o-m increase in food prices in the lead-up to the Tet Lunar New Year holiday in February; food price inflation increased from 2.3% y-o-y in January to 4.2% y-o-y in February.

Finally, the USD-VND exchange rate depreciated by 0.9% during February, and by 1.6% YTD at end-February, driven in part by anecdotal reports that remittances from overseas Vietnamese were unexpectedly weak for this year's Tet holiday. In addition, the US Dollar has remained fairly firm, partly due to expectations about when the Fed will start cutting interest rates have essentially been pushed back from March to June 2024. The US Dollar/DXY index was up nearly 3% YTD at end-February.

Macroeconomic Indicators

	2023	Feb-24	YTD	YOY ¹
GDP growth (%)	5.1			
Inflation ² (%)	3.3	4.0	3.7	
FDI commitments (USDbn)	28.1	1.8	4.0	75.6%
FDI disbursements (USDbn)	23.2	1.3	2.8	9.8%
Imports (USDbn)	326.4	23.7	54.6	18.0%
Exports (USDbn)	354.7	24.8	59.3	19.2%
Trade surplus/(deficit) (USDbn)	28.3	1.1	4.7	
Exchange rate (USD/VND) ³	24,265	24,648		

Sources: GSO, Vietnam Customs, MPI, Bloomberg | 1. FDI and trade data is YTD y-o-y; GDP growth data is latest quarter y-o-y | 2. Monthly y-o-y change; year-to-date is monthly average change in CPI per GSO | 3. BBG-USD/VND Spot Exchange rate



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
Huw Evans	Non-executive Chairman	Don Lam	Group CEO
Julian Healy	Non-executive Director	Brook Taylor	Group COO
Kathryn Matthews	Non-executive Director	Andy Ho	Group CIO & Managing Director
Peter Hames	Non-executive Director	Khanh Vu	Deputy Managing Director
Hai Trinh	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 2028)	
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	
Secretary and Administrator		Aztec Financial Services (Guernsey) Limited	
Registrar and Transfer Agency		Computershare Investor Services	
Joint Corporate Brokers		Deutsche Numis, Barclays Bank PLC	
Management and incentive fee (effective from 01 July 2023)		A tiered management fee structure has been introduced, with the following annual rates applied to net assets: - 1.30% of net assets, levied on the first USD1,000 million of net assets - 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 The incentive fee is 10% of any increase in NAV above an 10% 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 of 5 years.	
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	
Reclassification of Portfolio by Asset Class		To better reflect VOF’s investment strategy and highlight the negotiated terms of investments for several of our investments in the portfolio, we have reclassified the portfolio by asset class into the following buckets to help investors better understand the nature of our investments and terms: 1. Listed Equities : Investments in Companies listed on the Ho Chi Minh City Stock Exchange (HOSE), Hanoi Stock Exchange (HNX), the Unlisted Public Company Markets (UPCoM), or trade Over-The-Counter (OTC), where there is tradability, liquidity and a marked-to-market price available. Some of these holdings will have downside protections, for example a Put Option and/or minority protections such as a Drag Along right. For the most part however, investments in Listed Equities no longer have privately negotiated terms, or that these privately negotiated terms of investment have expired, aside from what is permitted under the relevant Securities Law. 2. Public Equity with Private Terms : Investments in publicly listed companies that await the redemption of proceeds as the Manager has exercised their downside protections such as Put Options. These investments have unique terms of investment, such as downside protections and profit commitments, that are not readily available to general market participants. During FY2023, the performance commitments of these businesses were not met and as a result, their publicly traded share prices demonstrated significant volatility. 3. Private Equity : Illiquid investments in private companies with terms of investments including downside protections and profit commitments, as well as Operating Assets that generate an ongoing yield.	

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