

# Forum One - VCG Partners Vietnam Fund (VVF)



31 March 2016

Class A NAV/share: USD10.12

VVF is an actively managed UCITS-compliant fund that invests in equities and equity-related securities of companies that are based in Vietnam or that has substantial exposure to Vietnam, with an objective to outperform the Vietnamese benchmark index over the long term, through bottom up stock picking and disciplined risk management.

## Performance summary

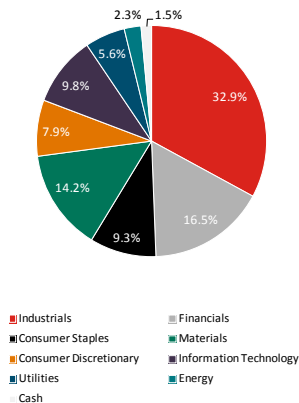
	Fund <sup>1</sup>	VN Index
March 2016 (month-on-month)	1.1%	0.4%
Year-to-date	(1.2%)	(2.3%)
Cumulative since inception	1.2%	(14.0%)
% of Up months	64.7%	47.0%
Annualised standard deviation	14.1%	18.3%
Tracking error	7.0%	

<sup>1</sup>Fund information calculated from Class A shares

## Performance Chart



## Sector Allocation



## Manager's monthly commentary

March started off positively for the VN Index, adding 24 points to reach an intra-day peak of 583 on March 17 and continuing February's positive upward trends. Technical resistance kicked in at the 580 level and with no additional supportive news, the VN Index retreated during the last two weeks of the month to close below 565, a paltry gain of 0.4% over the previous month. The fund outperformed the Index, with Class A NAV per share rising 1.1% month-on-month (m-o-m).

### Solid performance from top holdings

Cotec Construction (CTD) continued to rally, with the stock gaining 22.9% m-o-m. The company's earnings guidance for 2016 is revenue and net profit growth of 21%. For its upcoming Annual General Meeting (AGM), the company has proposed a cash dividend payout for 2015 at approximately USD0.25 per share, indicating a dividend yield of 2.9%.

Vinamilk (VNM) also continued its rise, with the stock up 4.7% m-o-m. The company sought shareholder approval to withdraw from several lines of business, a move seen by many as an important part of the process to raise its foreign ownership limit from its current 49%.

Hoa Phat Group (HPG) increased 5.7% m-o-m. At its AGM, the company announced anticipated revenue growth of 2% year-on-year, with an 8.7% decline in net income. We view these as very conservative targets, considering the market consensus is that the safeguard duty imposed on imported steel (23.3% for steel billet and 14.2% for long steel) will dampen competition from China, and that the price of domestic steel increased approximately 10% in March. During its AGM, management estimated that first quarter profit could reach approximately USD40mn, representing 38% year-on-year growth and 28% of the annual target. Also approved at the AGM was a 2015 cash dividend of approximately USD0.07 per share, implying a dividend yield of 5.1% in addition to a bonus share with a ratio of 20:3.

### Looking ahead

While market sentiment is currently weak, from our bottom-up perspective it continues to be promising as the fund's major holdings – including the three companies above as well as Mobile World (MWG), Vietcombank (VCB) and Ho Chi Minh City Infrastructure Investment (CII) – look set to report good first quarter earnings and positive guidance for the rest of the year. We are also building positions in several new small and mid-cap stocks with good fundamentals and exciting growth prospects.

## Calendar

### VVF Roadshows

Europe quarterly roadshow, May 9 - 13, to include London, Edinburgh, Amsterdam, Geneva, Vienna and Hamburg.

## Top holdings

Ticker	Market Cap (USDm)	Sector	% of NAV	2016F PE	Div Yield
FPT	840	Information Technology	9.8%	8.7	4.2%
VNM	7,215	Consumer Staples	9.3%	17.9	3.7%
VSC	111	Industrials	8.9%	10.4	2.5%
CTD	395	Industrials	6.9%	10.6	2.9%
SJD	51	Utilities	5.6%	6.3	10.1%
HPG	970	Materials	4.9%	6.4	5.1%
MWG	497	Consumer Discretionary	4.9%	8.5	1.3%
VCB	4,902	Financials	4.8%	17.9	2.4%
CII	266	Industrials	4.7%	7.4	5.9%
MBB	1,029	Financials	4.6%	8.2	3.5%
VVF Portfolio				9.9	4.4%
VNIndex				12.7	4.1%

Source: Bloomberg, VinaCapital's estimates

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## Macroeconomic update

GDP figures released by the Government Statistics Office showed slower-than-expected growth in the first quarter of 5.5%, compared to 6.1% for the same period in 2015. This was due largely to the agricultural sector being affected by drought in the south and unseasonably cool weather in the north, as well as lower crude oil production. The Ministry of Finance reported government debt at 50.3% of nominal GDP compared to its earlier estimate of 48.9%, and the deficit at 6.1% of nominal GDP versus the approved limit of 5.0%. These figures clearly hurt investor sentiment in the latter half of the month.

Nevertheless, there was a fair amount of positive news hidden by the negative. The services sector grew by 6.1%, while the property sector grew 3.4%, both their highest levels since 2012. The property market pulled along construction, which grew by 9.4%, its highest level since 2010. Retail sales were up 7.9%. The PMI in March was 50.7, up from 50.3 the previous month.

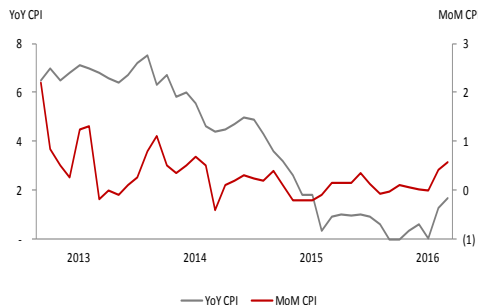
In March, inflation picked up to 1.7% year-on-year, with increases in medical fees and education outweighing decreases in gasoline prices. We expect inflation to remain low-to-moderate. The VND remained stable and even appreciated a bit during the quarter as a whole. We expect continued stability in the FX markets.

## Macroeconomic indicators

	2015	Mar-16	2016 YTD	Year-on-year
GDP growth <sup>1</sup>	6.7%	5.5%		
Inflation (%)	0.6%	0.6%	1.0%	1.7%
FDI commitments (USDbn)	22.8	1.2	4.0	87.7%
FDI disbursements (USDbn)	14.5	2.0	3.5	8.1%
Imports (USDbn)	165.6	14.1	37.1	6.0%
Exports (USDbn)	162.4	14.2	37.9	11.8%
Trade surplus/(deficit) (USDbn)	(3.2)	0.1	0.8	
Exchange rate (USD/VND) <sup>2</sup>	22,450	22,325	-0.6%	

Sources: GSO, Vietnam Customs, SBV, VCB | 1. Annualized rate, updated quarterly 2. (-) Denotes a devaluation in the currency, Vietcombank ask rate

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



## Key terms

	Class A	Class B	Class C	Class D	Class E	Class F	Class G
Currency	USD	USD	EUR	EUR	USD	GBP	JPY
Min. investment	500,000	5,000	500,000	5,000	500,000	3,000,000	10,000,000
Management fee	1.25%	2.00%	1.25%	2.00%	1.25%	1.25%	2.00%
Performance Fee	None	15.00%	15.00%	15.00%	15.00%	None	None
Bloomberg	FOVCPVA LX	FOVIEBU LX	FOVIECE LX	FOVIEDE LX	FOVIEEU LX	-	-
ISIN	LU1163030197	LU1163027052	LU1214542463	LU1214545136	LU1286782559	LU1286782716	LU1286783011

## Fund structure

Launch date	14 July 2015
Trading Period	Daily Subscriptions/Redemptions
Fund Size	USD45.3m
Incorporation	Luxembourg
Registered	UK, Germany, Singapore, Austria, Switzerland
Management company	Edmond de Rothschild Asset Management (Luxembourg)
Investment manager	VinaWealth FM JSC
Depository Bank	Edmond de Rothschild (Europe)
Auditor	PwC Societe Cooperative Luxembourg
Swiss representative	First Independent Fund Services Ltd, Klausstrasse 33, CH-8008 Zurich, Switzerland
Swiss paying agent	NPB Neue Privat Bank AG, Limmatquai 1/am Bellevue, P.O. Box, CH-8022 Zurich, Switzerland

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