

# Forum One - VCG Partners Vietnam Fund (VVF)



Class A NAV/share: USD11.96

31 January 2017

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 have 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

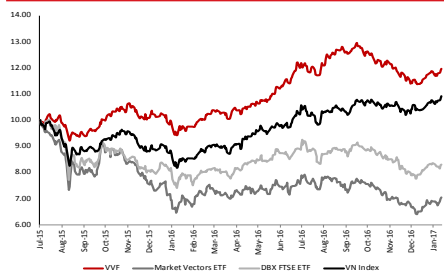
	Fund <sup>1</sup>	VN Index
January 2017 (month-on-month)	3.6%	5.7%
Year-to-date	3.6%	5.7%
Cumulative since inception	19.6%	5.4%
% of Up months	70.3%	59.5%
Annualised standard deviation	11.6%	12.3%
Tracking error	7.6%	

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

## Manager's monthly commentary

Vietnam's stock market started off 2017 on a strong note, with the VN Index increasing 5.7% in US dollar terms to end January at the 9-year high level of 697.3. The combined market capitalization of the Ho Chi Minh and Hanoi stock exchanges reached USD77.7 billion, up 6.7% month-on-month thanks in part to the listing of Hanoi Beer Alcohol and Beverage Corp (BHN) during the month. The banking sector was the market's bright spot, with bank shares increasing an average of 16% month-on-month on news that their foreign ownership limits may be expanded this year. The VN Index's market valuation reached 16.5x PE2016. Foreign investors were net buyers at the highest level in six months, net purchasing USD31 million, supported by a stable currency.

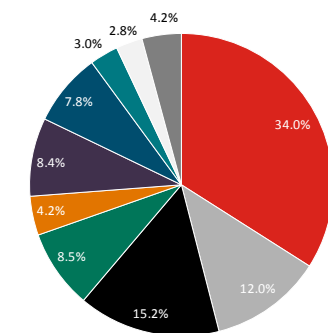
## Performance Chart



The net asset value (NAV) per share of the fund (Class A) increased 3.6% in USD terms, slightly underperforming the VN Index due to an underweight in the banking sector. The top contributors to the fund's performance this month are Cotecons (CTD, +6%), Viconship (VSC, +5.7%) Vietcombank (VCB, +10.9%) and Phu Nhuan Jewelry (PNJ, +3.8%).

During the month, most of our portfolio companies announced their fourth quarter earnings and the weighted average earnings-per-share (EPS) growth for 2016 was 27%. Construction material stocks, especially steel, recorded a very strong year, with average earnings growth of 150% during the year. This exceptional performance was driven by continued high growth in domestic demand for steel thanks to the thriving real estate market and steel companies' ability to stock up on raw materials at low prices. As an example, Hoa Phat Group (HPG), Vietnam's largest steel manufacturer, saw its revenue and net profit advance 21% and 89% to USD1.47b and USD292m, respectively, far exceeding consensus forecast. We believe steel companies will continue to see solid growth in 2017, albeit at a slower pace given the trend of raw material prices may not be as favorable as last year.

## Sector Allocation



- Industrials
- Consumer Staples
- Consumer Discretionary
- Utilities
- Health Care
- Financials
- Materials
- Information Technology
- Energy
- Cash

The beverage sector (notably dairy and beer) was another top performer in 2016, with core earnings growth of 16% on average. While the dairy segment may see lower earnings growth in 2017 as global powdered milk prices recover, beer companies like Saigon Brewery Company (SAB), are expected to continue strong bottom-line growth due to profit margin improvement from higher operational efficiencies that are likely to be achieved after the State's divestment.

Retailing was also a winning sector, with companies such as PNJ and MWG delivering stellar performance of 40% average core profit growth during 2016. The modern retail trade continues to grow rapidly on the back of higher disposable income and rising consumer demand for convenience and quality. Retailing companies are expected to continue double-digit bottom line growth in 2017.

Our forecasts point to a 2017 blended EPS growth of 14% for our portfolio based on our discussions with investee companies to date, and they are typically conservative with their own targets. While the upcoming annual general meetings will give us a clearer view on earnings, we are confident that most of the companies in our portfolio will be able to deliver 15-20% EPS growth in 2017.

## Top holdings

Ticker	Market Cap (USDm)	Sector	% of NAV	2017 PE	Div Yield
VNM	8,295	Consumer Staples	9.3%	18.5	3.9%
FPT	918	Information Technology	8.4%	9.2	4.4%
VSC	119	Industrials	6.9%	8.6	2.5%
BMP	389	Industrials	6.7%	12.5	2.1%
HPG	1,579	Materials	5.7%	5.1	3.5%
CTD	660	Industrials	5.1%	8.3	2.8%
SJD	50	Utilities	3.8%	6.0	10.1%
CII	328	Industrials	3.7%	6.9	4.6%
MBB	1,074	Financials	3.4%	7.2	3.5%
PNJ	300	Consumer Discretionary	3.4%	11.9	4.1%
VVF Portfolio				10.6	4.1%
VNIndex				14.4	2.8%

Source: VinaCapital's estimates, Bloomberg

## Calendar

### Roadshows

VVF roadshows are planned for Berlin, Frankfurt, Paris, Luxembourg, Cologne, Geneva and London.

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## Macroeconomic update

After the Vietnamese economy concluded 2016 with a total GDP growth rate of 6.2%, the economy continued to show stable and sustainable growth in January despite the Lunar New Year holiday, which slowed manufacturing growth during the month. With the continuing expansion of the manufacturing sector, a more stable currency situation and rising domestic consumption, we project that GDP growth in 2017 will be 6.5%.

**Manufacturing:** The Nikkei Purchasing Manager's Index for Vietnam slowed down to 51.9 in January, from a record high of 52.4 in December while the General Statistics Office's (GSO) Index of Industrial Production reported 0.7% growth year-over-year. The Lunar New Year typically slows manufacturing growth as many workers return to their hometowns during this period.

**Domestic consumption:** During January, retail sales increased 9.9% year-over-year in nominal terms and 6.7% in real terms.

**Inflation:** The Consumer Price Index rose 5.2% year-over-year, or 0.46% year-to-date, in January with transportation prices increasing 3.2%, healthcare prices increasing 1.1% and beverage & tobacco prices increasing 0.8%. Most inflation drivers are government controlled prices so we expect the government to be able to monitor and manage inflation. The government expects an inflation rate of 4% at the end of 2017.

**Vietnam Dong:** The Vietnamese economy showed a more stable currency situation during January. All reference, interbank and free market rates were stable during the last week of the month but then increased due to high demand for the Lunar New Year holiday. The USD/VND exchange rate reached 22,560 in January, a 0.7% increase year-to-date.

**Trade:** Vietnam reported a trade surplus of USD1.2 billion in January.

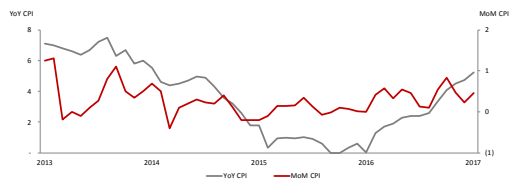
**Foreign Investment:** Actual disbursed foreign direct investment (FDI) reached USD850 million in January, a 6.3% increase from the previous year, whereas committed FDI reached USD1.6 billion, a 9.5% year-over-year increase.

## Macroeconomic indicators

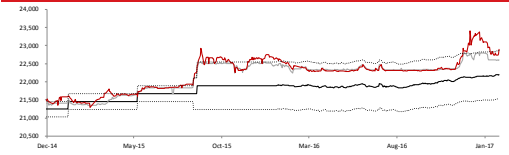
	2016	Jan-17	2017 YTD	Year-on-year
GDP growth <sup>1</sup>	6.2%			
Inflation (%)	0.5%	0.5%		5.2%
FDI commitments (USDbn)	24.4	1.6	1.6	9.5%
FDI disbursements (USDbn)	15.8	0.9	0.9	6.3%
Imports (USDbn)	174.1	13.2	13.2	3.9%
Exports (USDbn)	176.6	14.3	14.3	5.7%
Trade surplus/(deficit) (USDbn)	2.5	1.2	1.2	
Exchange rate (USD/VND) <sup>2</sup>	22,720	22,560	0.7%	

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 (%)



## Foreign exchange rates (USD/VND)



## Key terms

	Class A <sup>1</sup>	Class B	Class C	Class D	Class E	Class F <sup>3</sup>	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% <sup>2</sup>	15% <sup>2</sup>	15% <sup>2</sup>	15% <sup>2</sup>	None	None
Bloomberg	FOVCPVA LX	FOVIEBU LX	FOVIECX LX	FOVIEDE LX	FOVIEEU LX	-	-
ISIN	LU1163030197	LU1163027052	LU1214542463	LU1214545136	LU1286782559	LU1286782716	LU1286783011

<sup>1</sup> Class A Shares are restricted to existing holders of the Listed Portfolio Share class of Vietnam Infrastructure Limited.

<sup>2</sup> 15% of the outperformance of the NAV per Share over the Adjusted Reference NAV as described in Section IX of the Forum One-VCG Partners Vietnam Fund Prospectus (Updated September 2016).

<sup>3</sup> UK investors should note that Class F Shares will comply with the restrictions on the payment of commissions or rebates as a result of the UK Financial Conduct Authority's Retail Distribution Review (RDR).

## Fund structure

Launch date	14 July 2015
Trading Period	Daily Subscriptions/Redemptions
Fund Size	USD63.1m
Incorporation	Luxembourg
Registered	UK, Germany, Singapore, Austria, Switzerland, Sweden
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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The current Sales Prospectus, the Key Investor Information Document (KIID), the Articles of Association as well as the semi-annual, annual reports of the Forum One - VCG Partners Vietnam Fund ("the Fund") are the sole binding basis for the purchase of Fund shares. These documents can be obtained in English and free of charge from the Investment Manager's website ([www.vinawealth.vn/en](http://www.vinawealth.vn/en)) and the Management Company's website (<http://www.edmond-de-rothschild.lu/>). This document is prepared by VinaWealth Fund Management Joint Stock Company ("VinaWealth") for the information of shareholders in the Fund and other eligible recipients, on the basis of information obtained from sources VinaWealth considered to be reliable, but VinaWealth does not make any representation or warranty, express or implied, as to its accuracy, completeness, timeliness or correctness. The information contained in this document is for background purposes only and is subject to updating, revision and amendment, and no liability whatsoever is accepted by VinaWealth or any other person, in relation thereto. Please refer to the Fund's prospectus for more information on the Fund and its risks. This document is neither a prospectus nor an offer or invitation to apply for shares and neither this document nor anything contained herein shall form the basis of any contract of commitment whatsoever. Past performance is not necessarily guidance to the future. The value of shares in the Fund and the income derived therefrom may go down as well as up. You are advised to exercise caution in relation to this document. If you are in any doubt about this document or any information contained in this document, you should obtain independent professional advice. The information contained in this document is strictly confidential and is intended only for the use of the individual or entity to which VinaWealth has provided the report. No part of this report may be reproduced or distributed without the prior consent of VinaWealth.