



# VinaCapital Vietnam Opportunity Fund (VOF)

**Investor Update**

**Andy Ho**  
**Managing Director**  
**Chief Investment Officer**

**January 2021**



# Vietnam's unique opportunity

**97 MILLION**

POPULATION YOUNG,  
UPWARDLY MOBILE,  
SPENDING

**6.5% GDP**

2021 FORECAST,  
FASTEST GROWING IN  
REGION

**#1 FDI**

NEXT WAVE OF FDI,  
FACTORY RELOCATIONS  
OUT OF CHINA

**STABILITY**

STABLE, PRUDENT  
GOVERNMENT, ANTI-  
CORRUPTION EFFORTS

## VinaCapital's Mission

*To enable our investors to prosper by capitalising on Vietnam's rich opportunities.*

## About VinaCapital

- Founded in 2003, today is one of Vietnam's largest independent asset managers.
- USD3.3 billion under management, across alternative and traditional assets.
- Team of 70+ investment professionals, with 70+ support and middle office staff.
- Single-country focus, invested in over 200 business in Vietnam since inception.
- VinaCapital Vietnam Opportunity Fund (VOF), USD1.1 billion London Stock Exchange, FTSE 250 listed investment company.



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Chief Economist

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Head of Research

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Chief Investment Officer

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Khanh Vu  
Deputy Managing Director



# 01 | MACROECONOMIC OUTLOOK

**Michael Kokalari**

Chief Economist



# Vietnam Long-Term Growth Story Improved in 2020 !

**South China Morning Post**  
Business  
**Vietnam set to thrive on China's misery again as US, Japan goad companies to relocate manufacturing bases**

**NIKKEI ASIAN REVIEW**  
**Vietnam must turn coronavirus success into economic growth**  
Country has acquired financial and political capital in US-China trade war too

**ASIA TIMES** EST 1995  
China | Northeast Asia | Southeast Asia | South Asia | Middle East | World | Opinion | Newsletters  
**Vietnam poised to be big post-pandemic winner**  
Vietnam's 'coronavirus diplomacy'

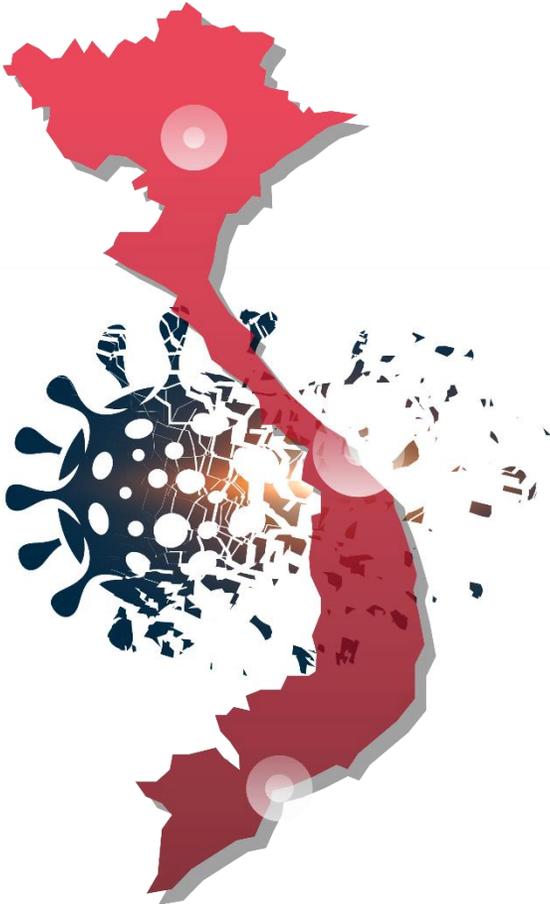
Tuesday, June 2, 2020 - 10:13:48  
**Vietnam+**  
TOPICS: Party Building | UNSC Non-Permanent Membership | Vietnam ASEAN Chairmanship Year 2020 | COVID-19 | East Sea | Climate Change | Party Building  
Languages: Tiếng Việt | English | Français | Español | 中文 | Русский  
**Vietnam to benefit from Japanese firms shifting away from China: JETRO official**  
Vietnam is a strong candidate among the alternative investment destinations as Japanese enterprises are moving away from China due to the COVID-19 pandemic, according to Hiral Shinji, Chief Representative of the Japan Trade Promotion Office in Hanoi.

**NIKKEI ASIAN REVIEW**  
**Apple to produce millions of AirPods in Vietnam amid pandemic**  
US tech giant hastens shift away from China

**REUTERS**  
Business | Markets | World | Politics  
**Samsung to shift some smartphone production to Vietnam due to coronavirus**

**CNBC** MARKETS | BUSINESS | INVESTING | TECH | POLITICS | CNBC TV  
**Amid virus crisis and trade war, companies are increasingly looking to Vietnam, says CIO**

# What investors need to know about COVID & Vietnam



## Short-Term: Resilience & Stability

- ✓ Positive GDP growth in 2020
- ✓ Stable macro economy (FX rate, interest rates, inflation)

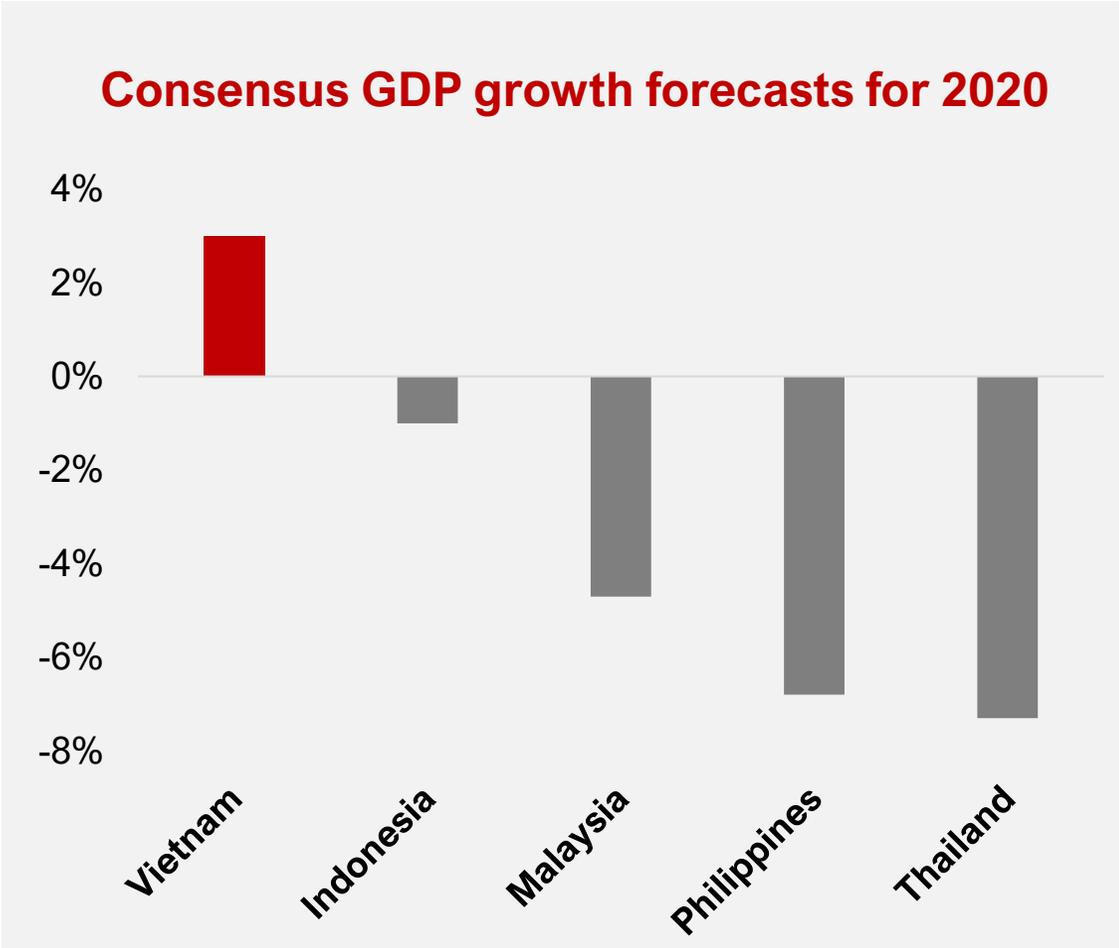


## Long-Term: Vietnam's Growth Story Improved in 2020

- ✓ COVID accelerates the re-location of manufacturing from China
- ✓ COVID demonstrates Vietnam's stable operating environment

***Vietnam's social & political stability helped it fight COVID and supports short-term & long-term growth***

# Vietnam's resilient GDP growth



Vietnam's GDP grew 2.9% in 2020 supported by:

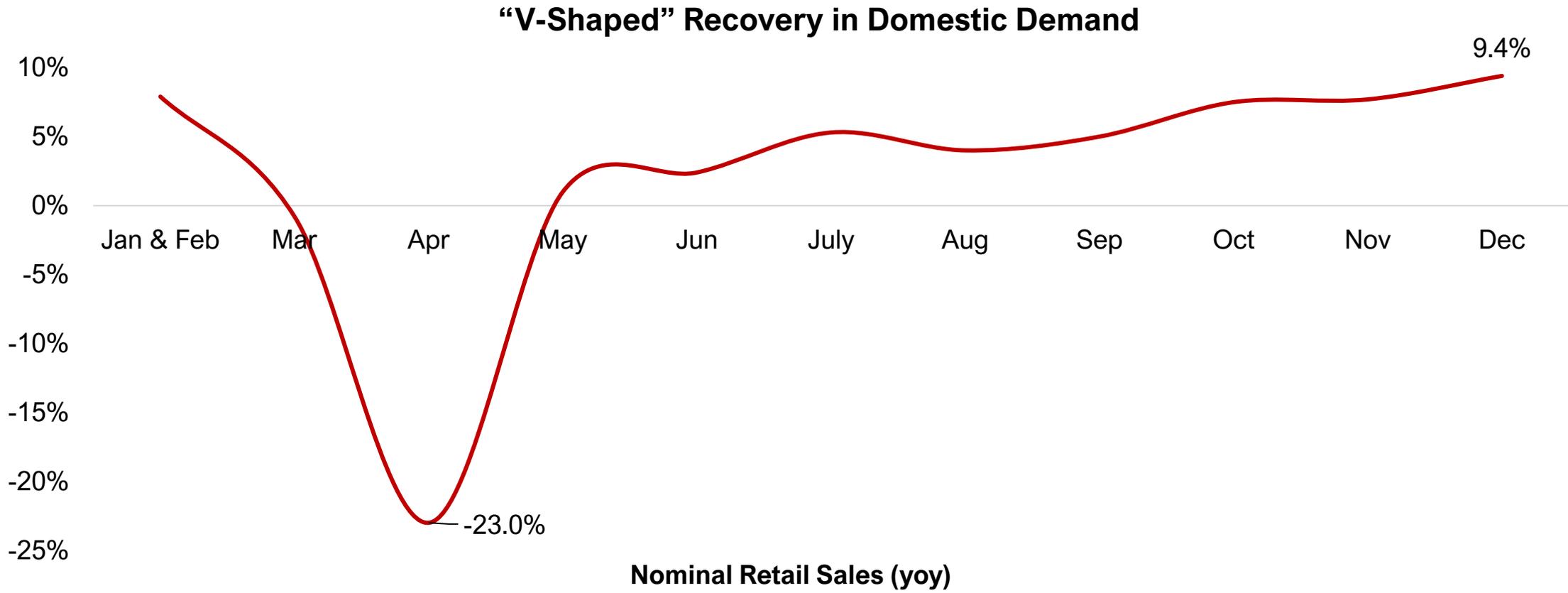
Rebound in **Consumption** (66%/GDP)



Resilient **Manufacturing** (~20%/GDP)



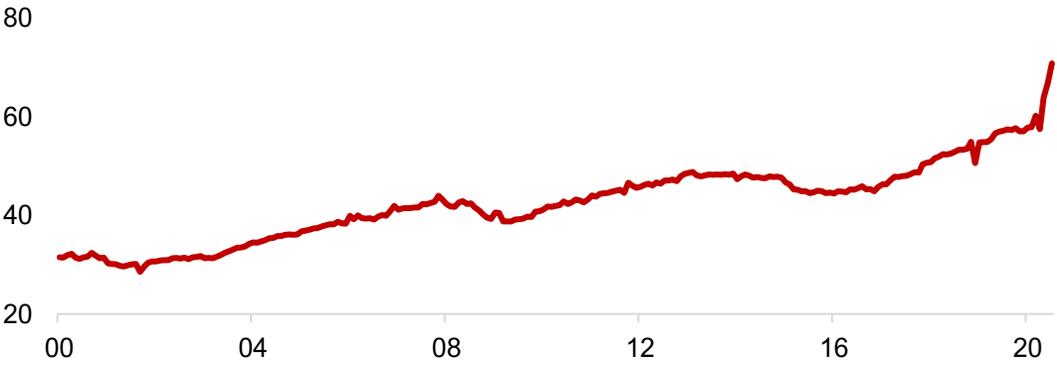
# Confident consumers drive domestic demand



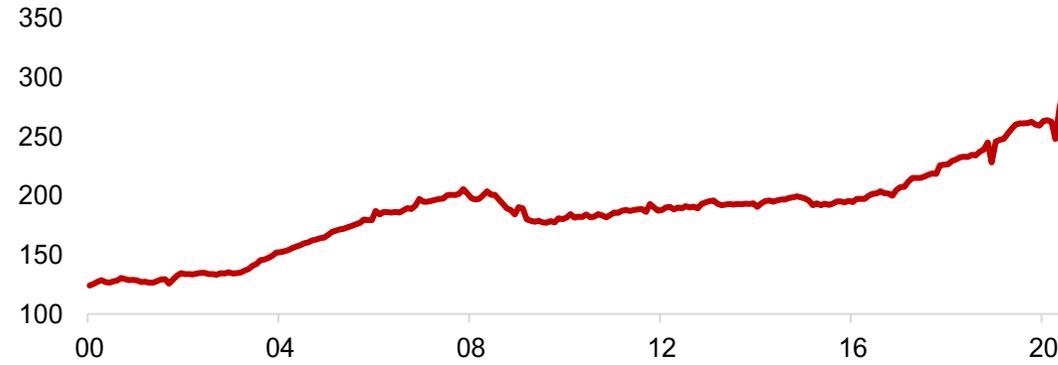
- Vietnam Consumer Confidence, #2 in the World after India (Nielsen)
- Confidence in the Government’s handling of COVID, #1 in the World (IPSOS)

# Vietnam makes Stay-At-Home and Work-At-Home products

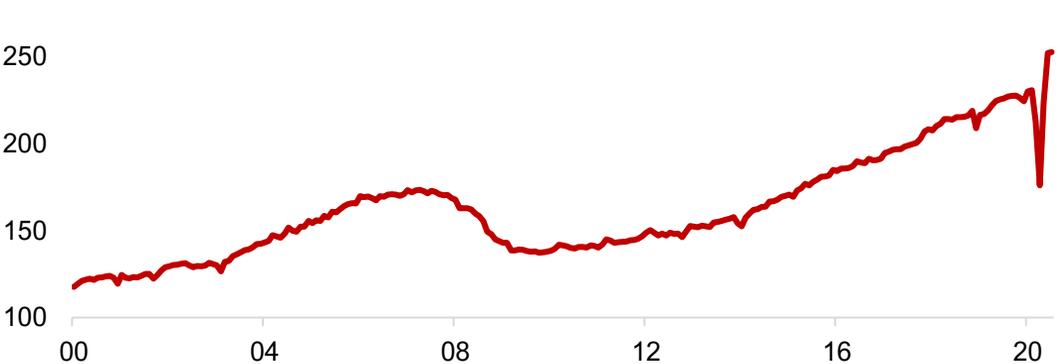
### US PC & IT Sales



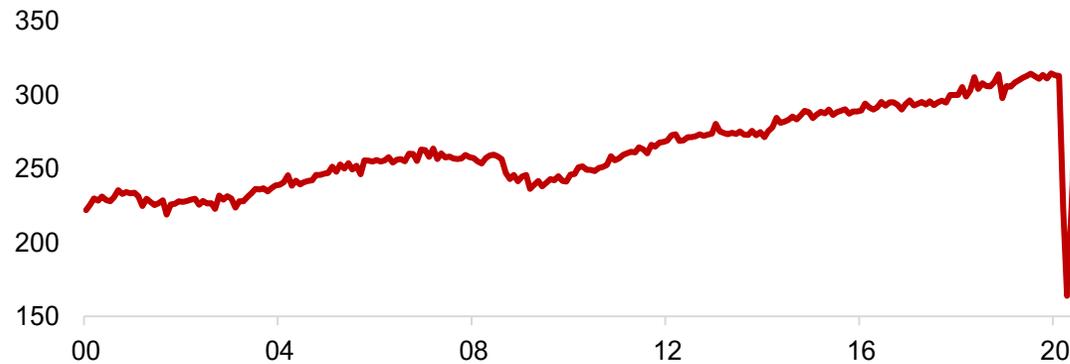
### US AV Equipment Sales



### US Furniture Sales



### US Garment Sales



# The next wave of FDI has started



Over **20%** of **China's Manufacturing** base to relocate in 5-10 years

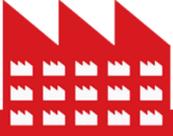
**80%** of **US Consumers** don't want to buy "Made in China" products

## **Vietnam is the #1 Preferred Re-Location Choice:**

- 1) *High quality, low wage workforce*
- 2) *Geographic proximity to Asia's supply chains*
- 3) *Vietnam's handling of COVID*

Sources: UBS, Standard Chartered, AmCham China, Bloomberg, JETRO, Economist Magazine, McKinsey

# Vietnam's next FDI wave will significantly boost GDP growth



- ▶ FDI companies will help build Vietnam's local suppliers by:
  - ✓ Second executives to Vietnamese firms
  - ✓ Transfer knowledge & Best practices
  - ✓ Long-term procurement contracts

- ▶ In the past, FDI companies built up local suppliers in:  
*Singapore, Thailand, Mexico, etc.*

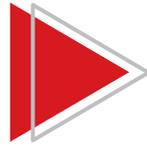
- ▶ In the 1980's, 80-90% of local companies in Singapore could not meet FDI companies' procurement quality standards !



So FDI firms helped Singaporean companies improve !



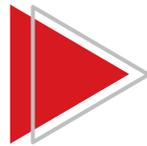
# Apple starts building a local supply chain in Vietnam



Apple will manufacture its \$350, AirPods Studio Earphone product in Vietnam



For the first time, Apple will manufacture in Vietnam before perfecting production in China



Apple is embarking on a “Multi-Year Process” to “**Create a New Cluster of Component Providers**” in Vietnam (WSJ)



# 02 | MARKET OUTLOOK

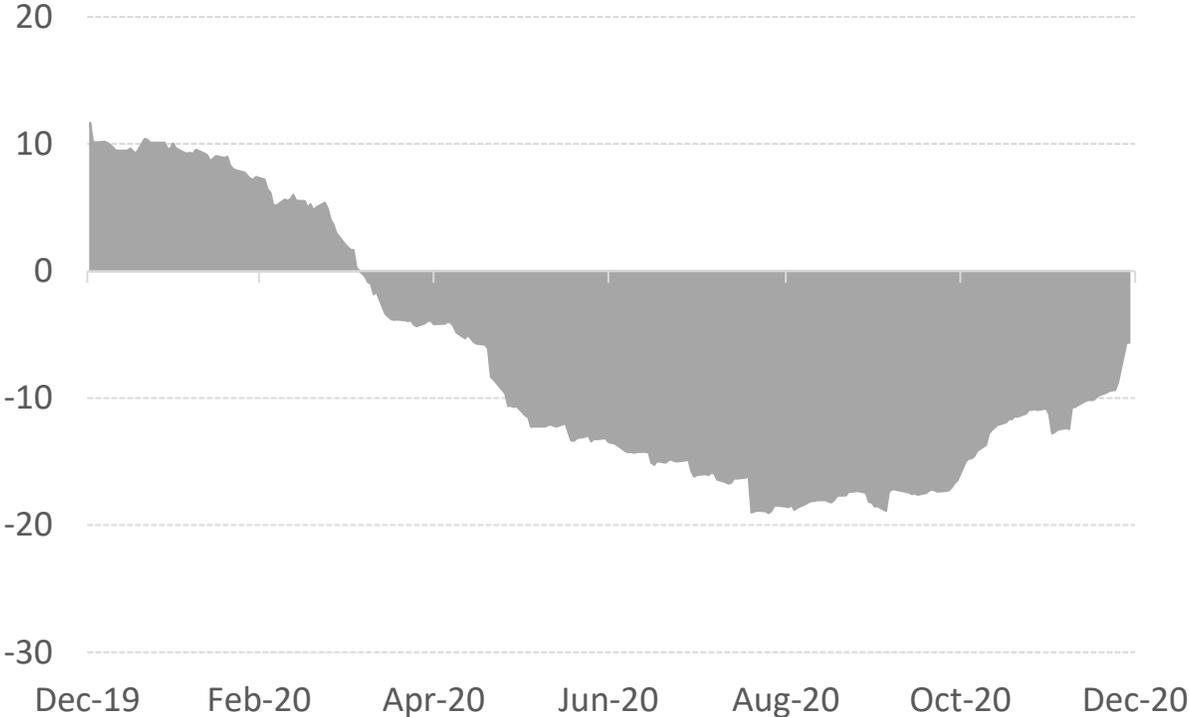
Ismael Pili

Head of Research



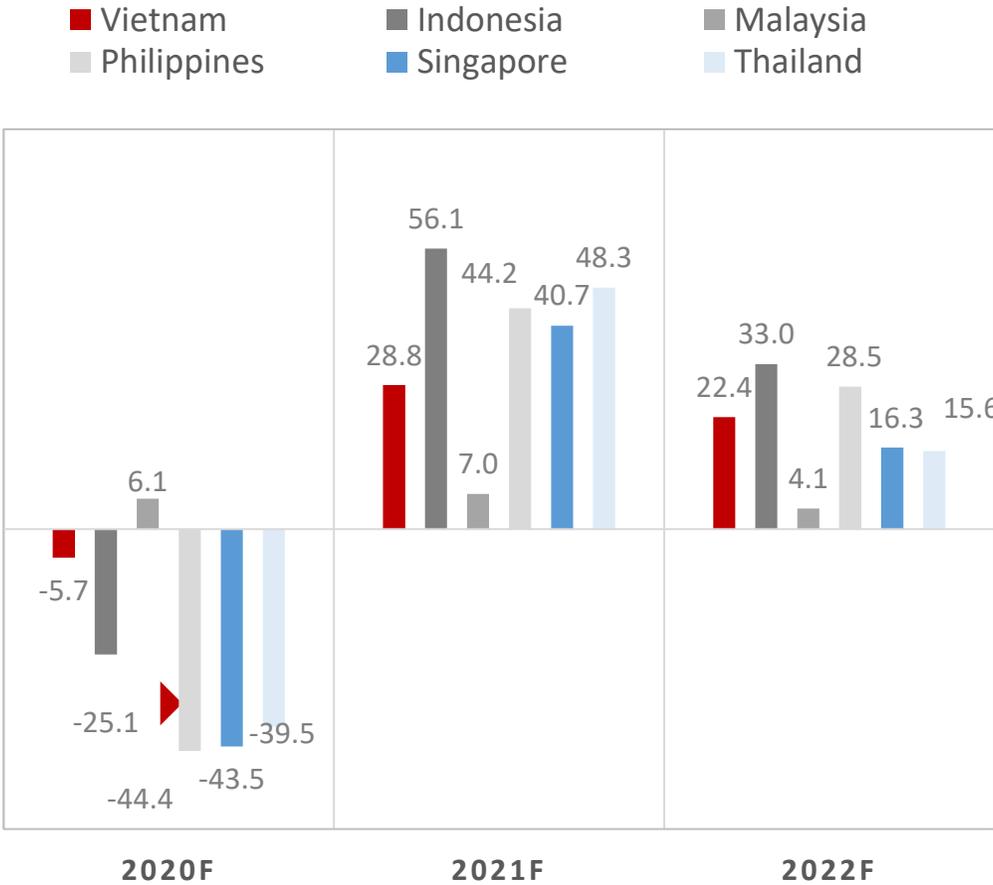
# Corporate Net Profit Growth

## Consensus net profit growth estimates for 2020



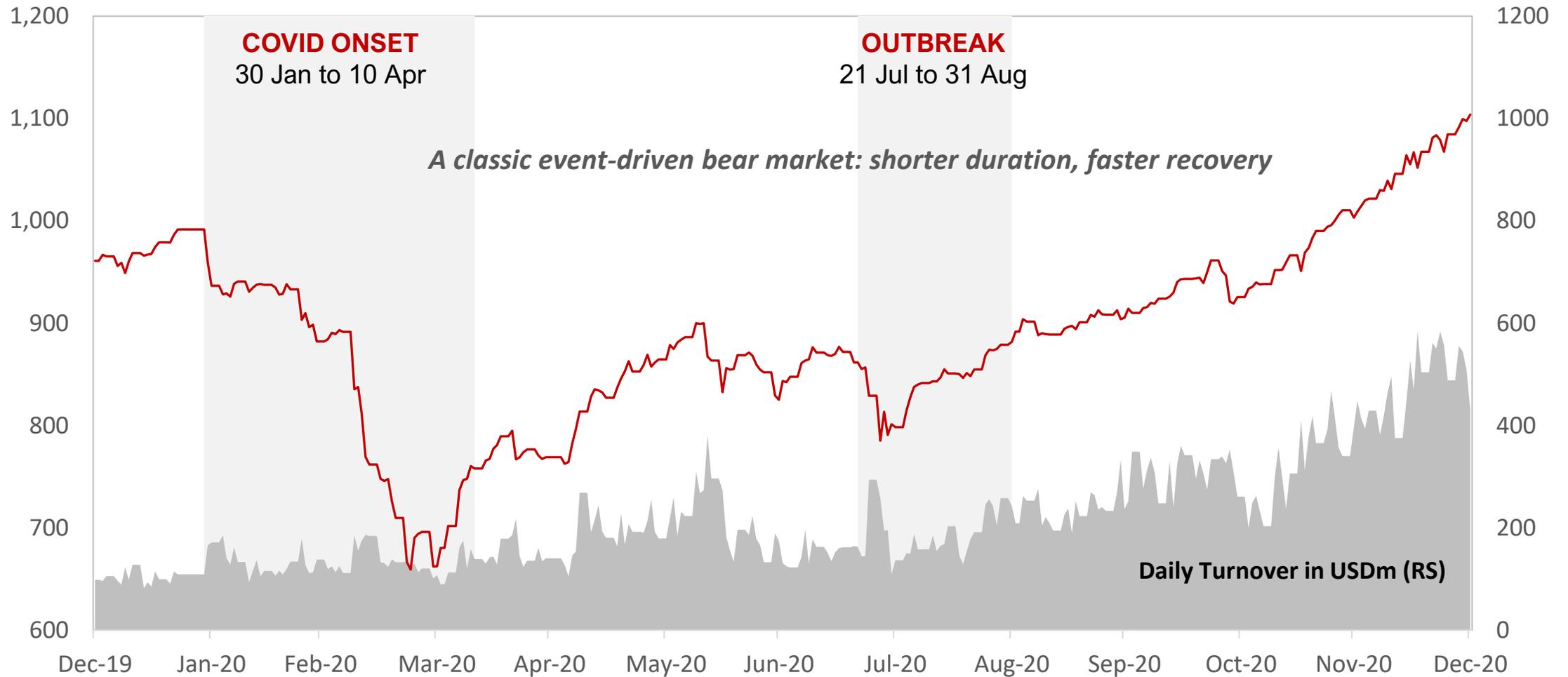
Consensus estimates has been improving from Aug 2020

## Consensus Net Profit Growth Estimates

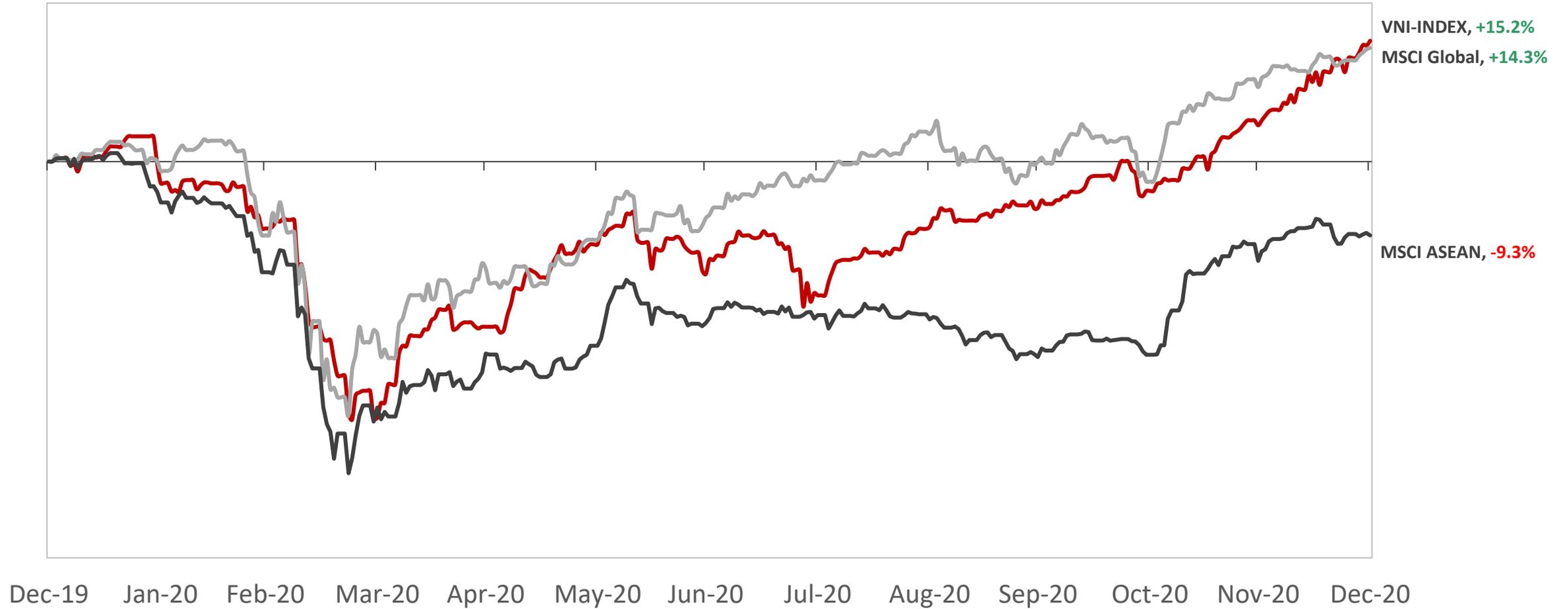


# VNI in 2020

## Performance of VN Index and Daily Turnover 2020

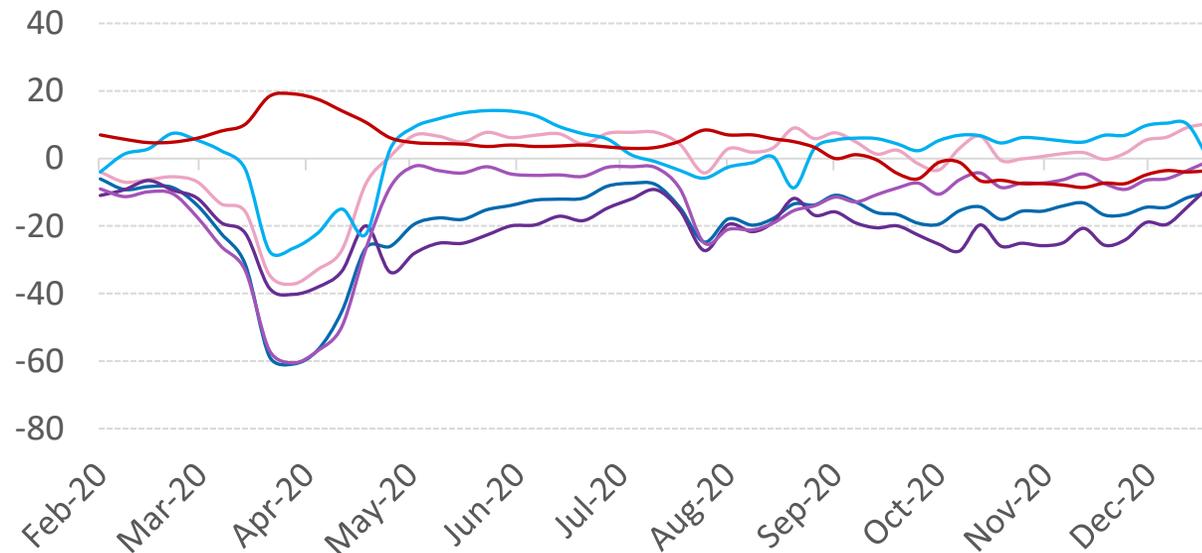


# VNI in 2020



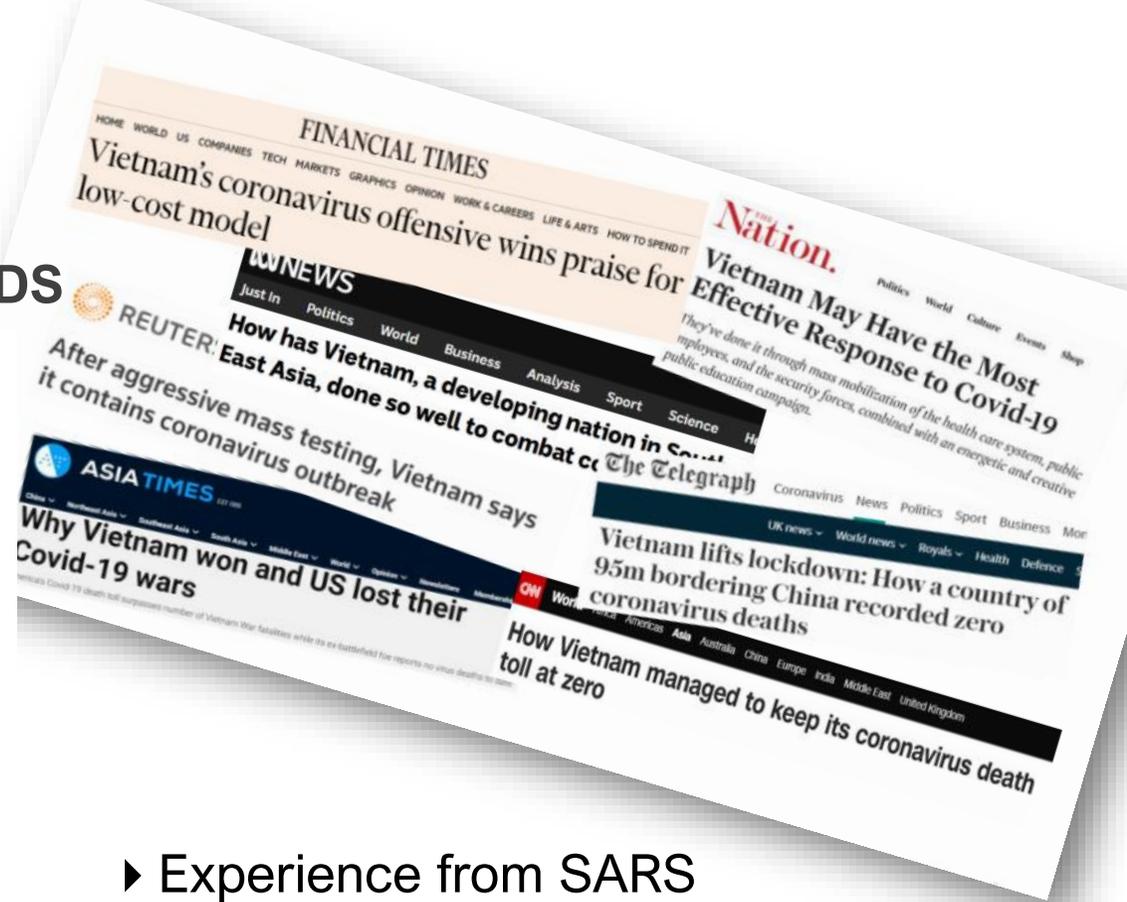
# Vietnam Fought COVID Well

## GOOGLE COVID-19 COMMUNITY MOBILITY TRENDS



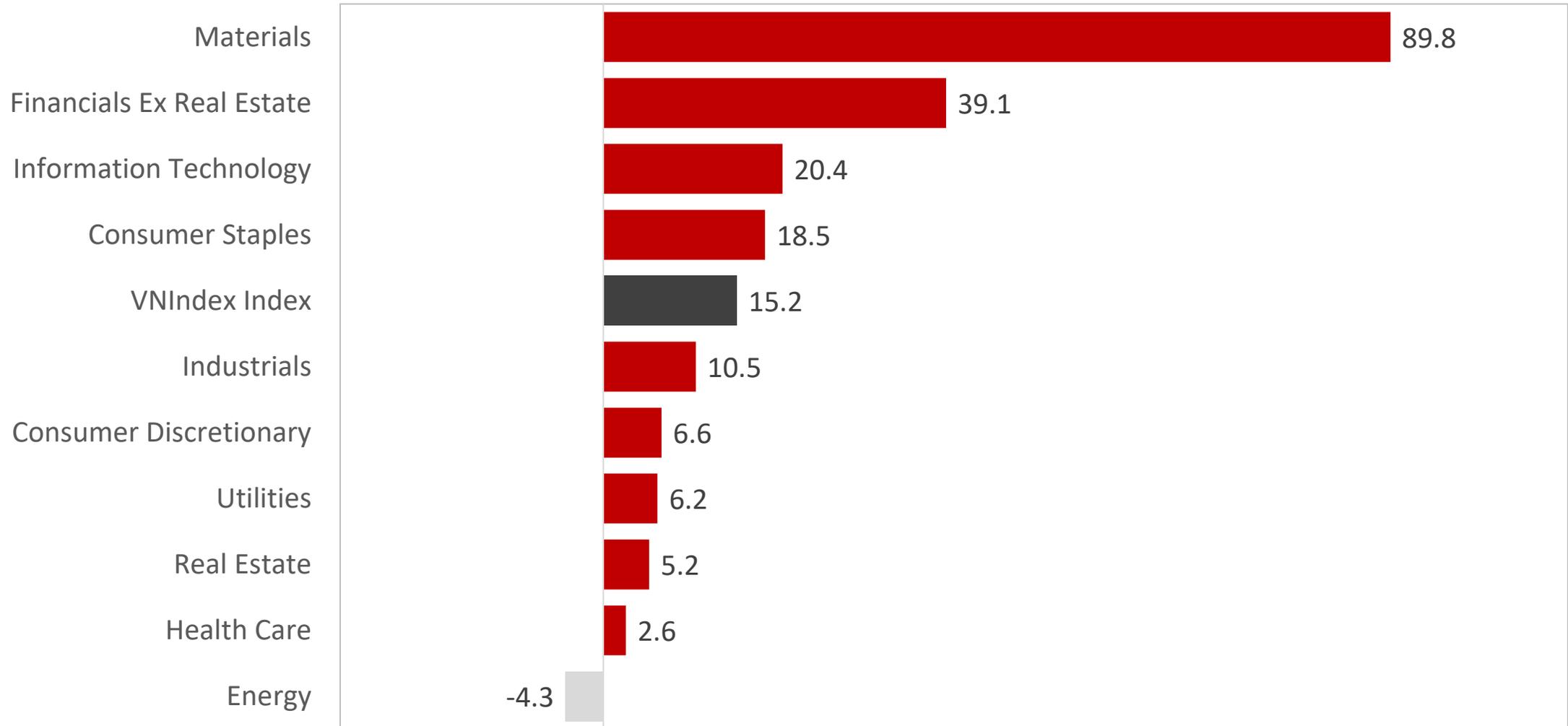
- Retail & Recreation
- Parks
- Workplaces
- Grocery & Pharmacy
- Transit stations
- Residential

- 7DMA data.



- ▶ Experience from SARS
- ▶ Efficient Communication
- ▶ Aggressive Contact Tracing
- ▶ Strict Quarantine & Lockdowns

# Sector Performance in 2020

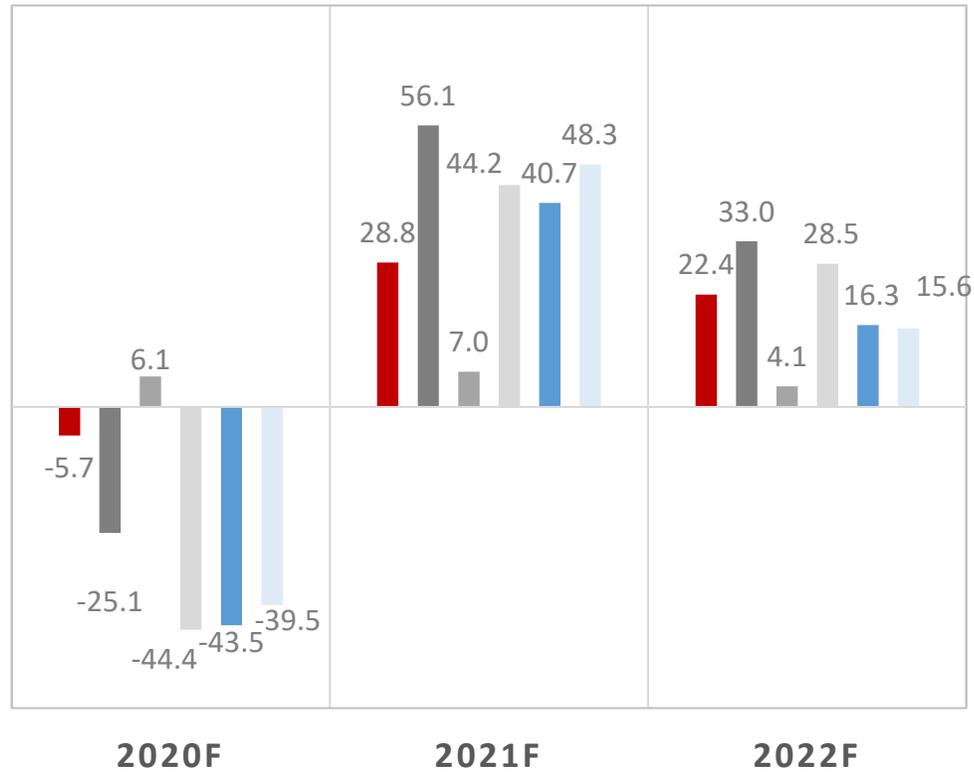


# Vietnam Market Outlook

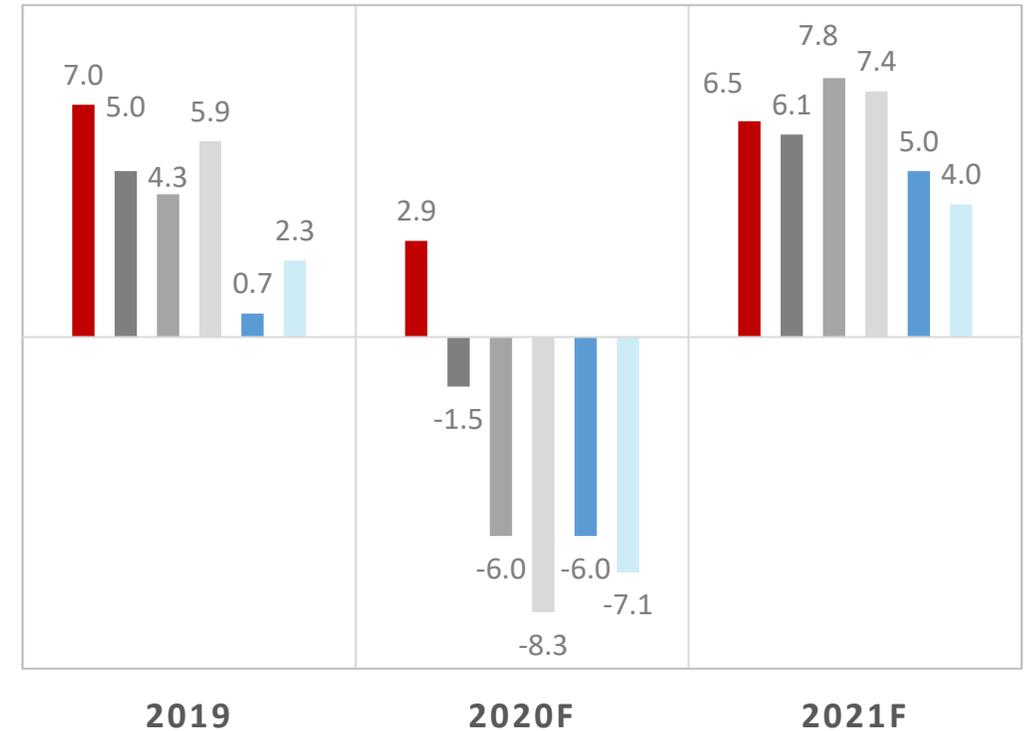
- **For 2021: a higher VNI at year-end**
- **Key draws:**
  - Economic resiliency
  - Greater earnings certainty
  - A cheaper market
  - Low foreign investor positioning
  - MSCI upgrade watch
  - Risk-on sentiment
  - Support measures to remain
  - USD weakness

# Greater Earnings Certainty

## CONSENSUS EARNINGS GROWTH ESTIMATES

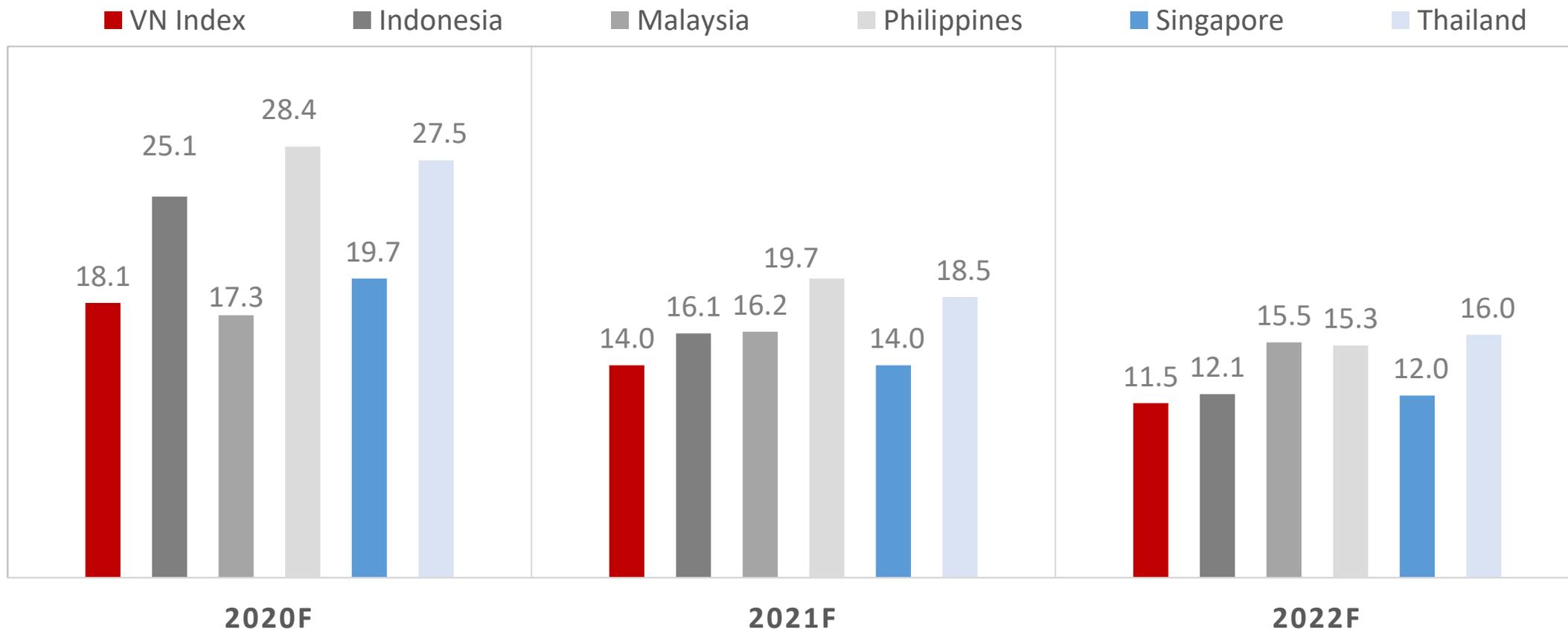


## GDP GROWTH



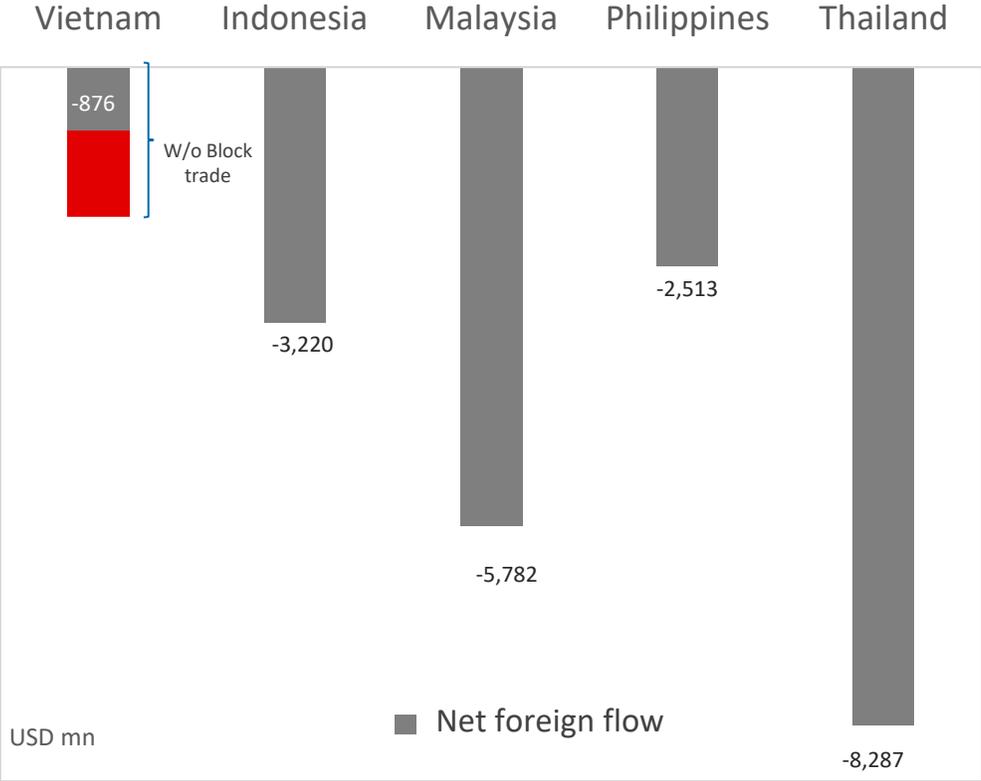
# A Cheaper Market

## ASEAN MARKET P/E (x)

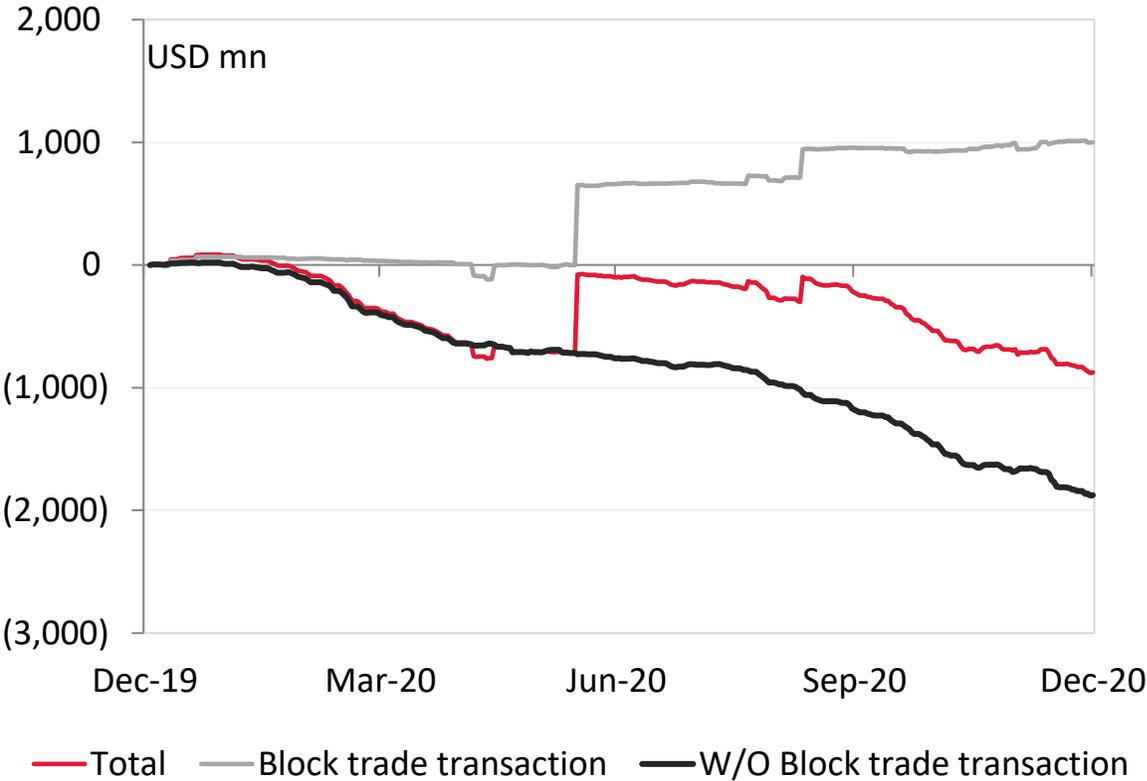


# Foreign Investor Flow

Net foreign flow in 2020



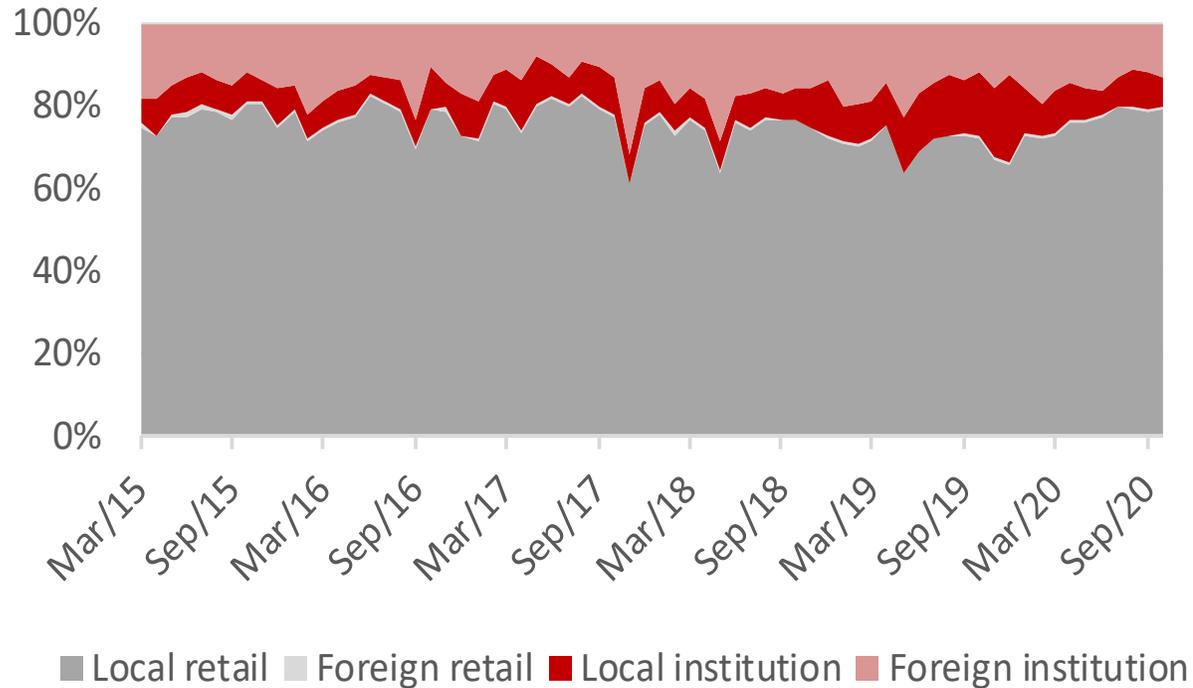
Accumulative net foreign flow into Vietnam



# Local Support

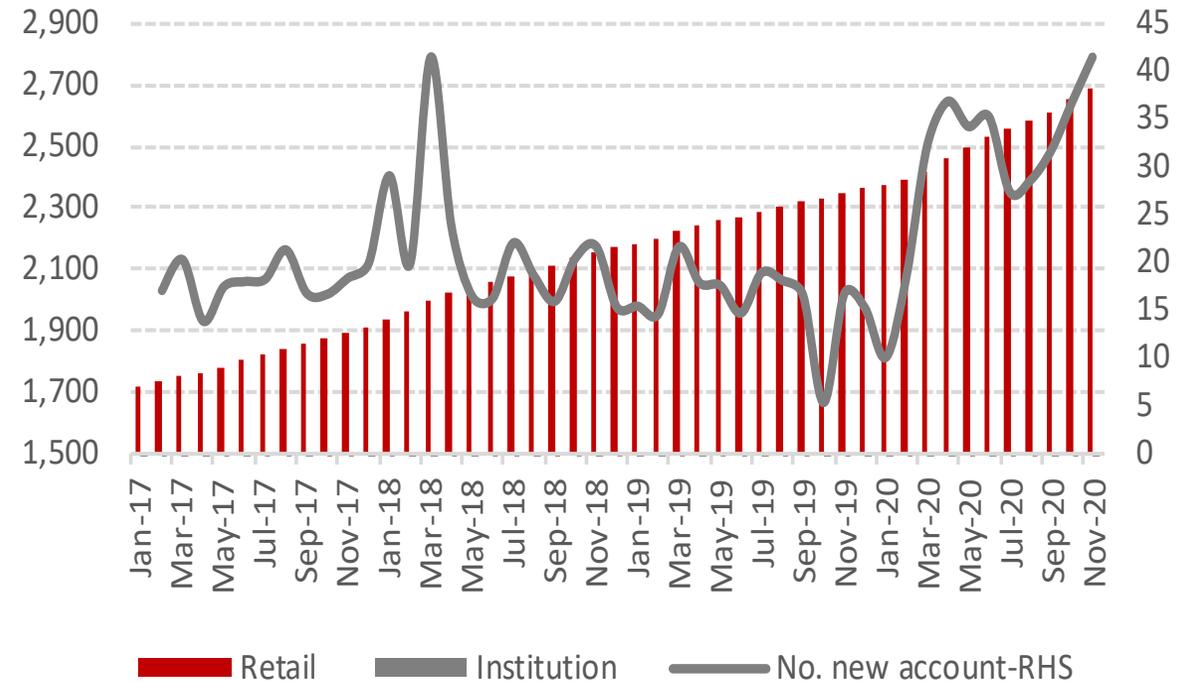
## Local Investors

Market turnover by Investors (VND trn)



Over 85% of the market are local investors

Number of trading accounts

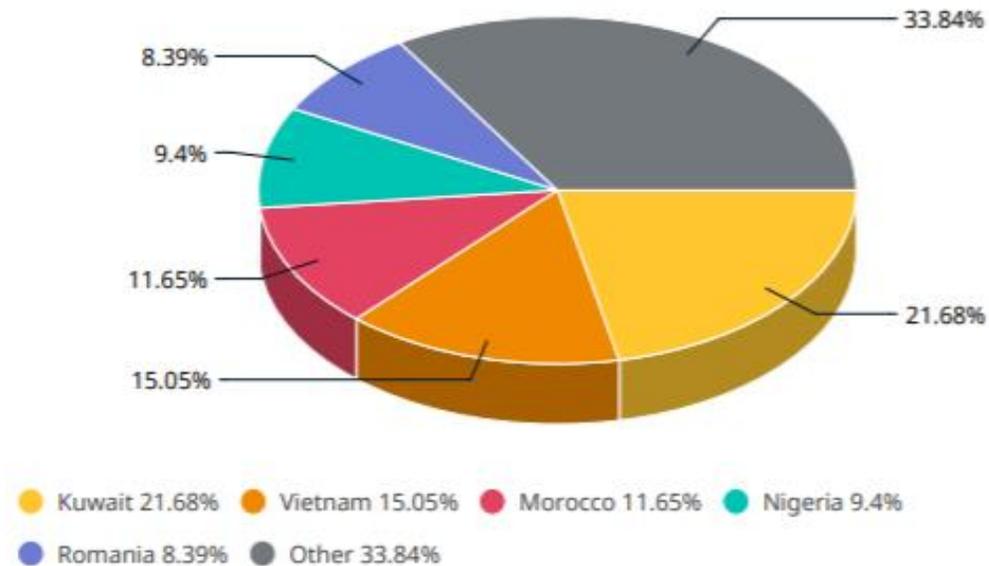


Record number of account openings in 2020, yet only ~300k active accounts

# MSCI Upgrade Watch

## MSCI FRONTIER MARKET: Pre-Kuwait's upgrade to EM

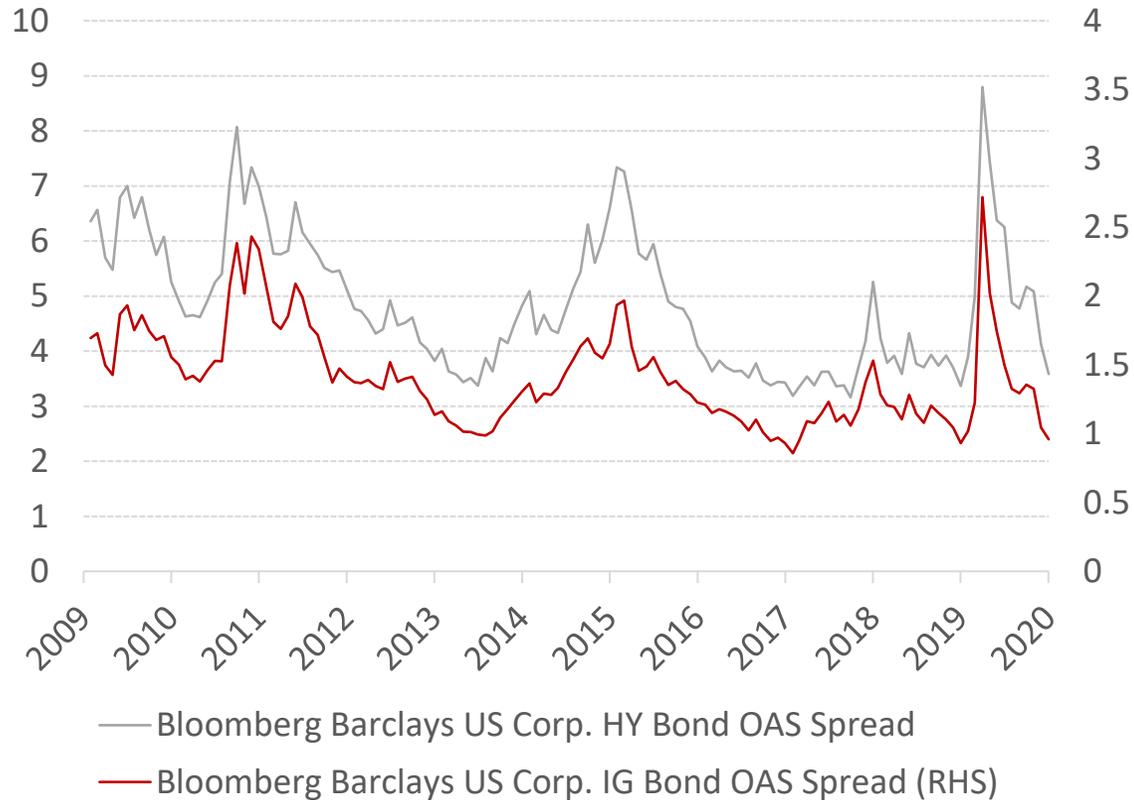
COUNTRY WEIGHTS



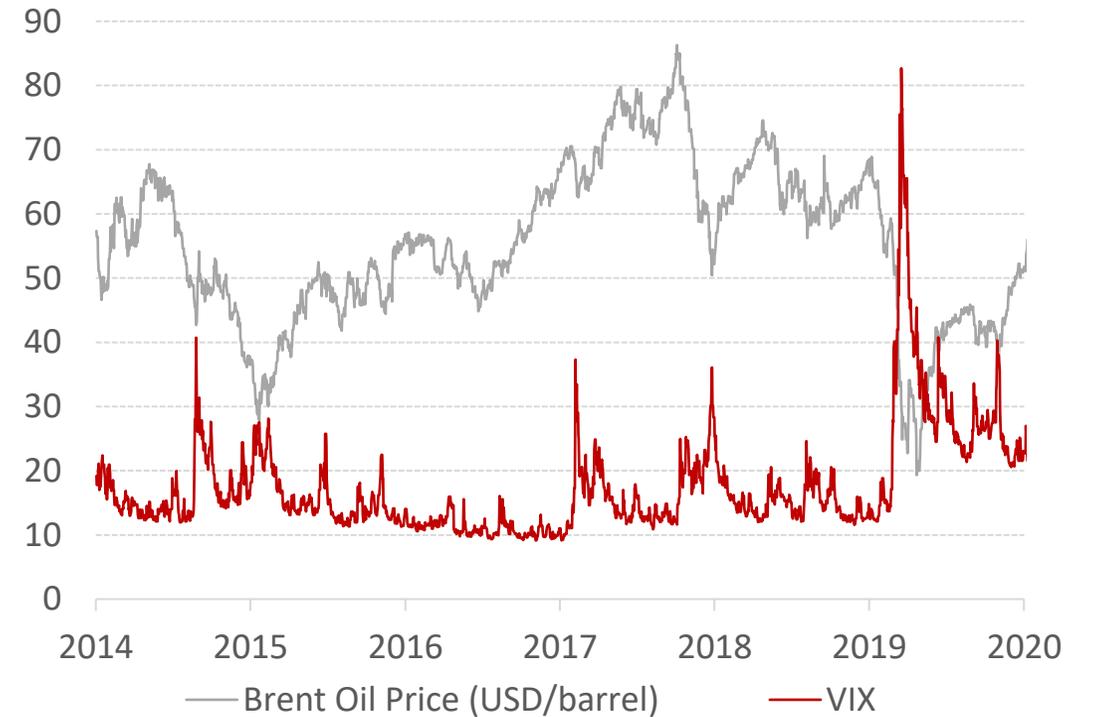
- Vietnam's MSCI FM 100 weight would increase to ~29%.
- Vietnam upgrade to EM? Possibly 1H22...

# Risk-On Sentiment

## Bloomberg Barclays US Corp. HY Bond & IG Bond OAS Spread



## Brent Oil Price vs. VIX Index



# Support Measures To Remain

## FED Balance Sheet vs SP500 PE



## M2 Growth 3M Trailing (annualized)



QE to continue (particularly in the US & EU), which should have a spillover effect to emerging/international markets

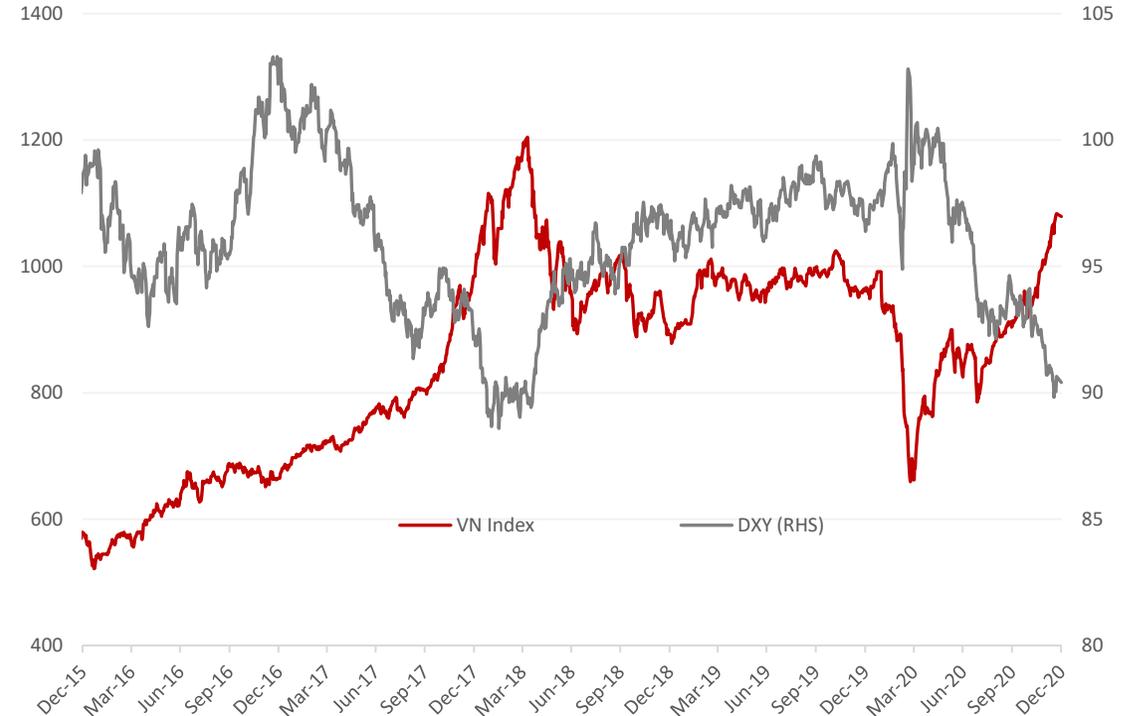
# USD Weakness

## DXY vs MSCI EM



DXY-MSCI EM: 0.61

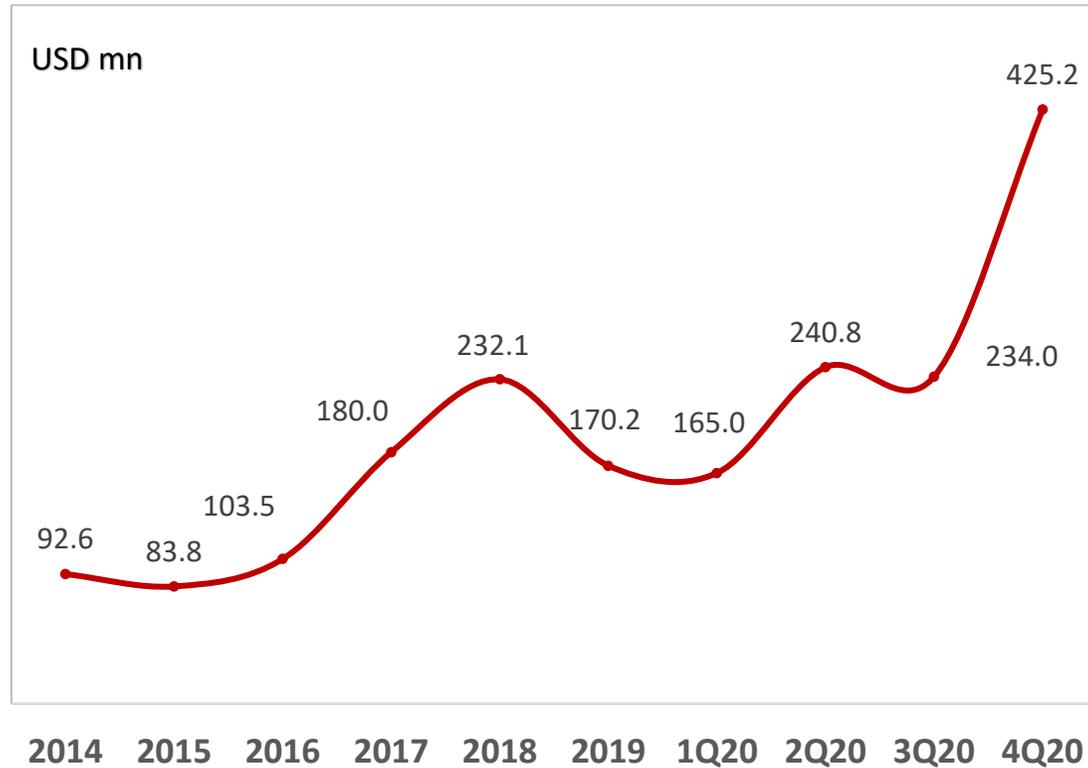
## DXY vs VNI



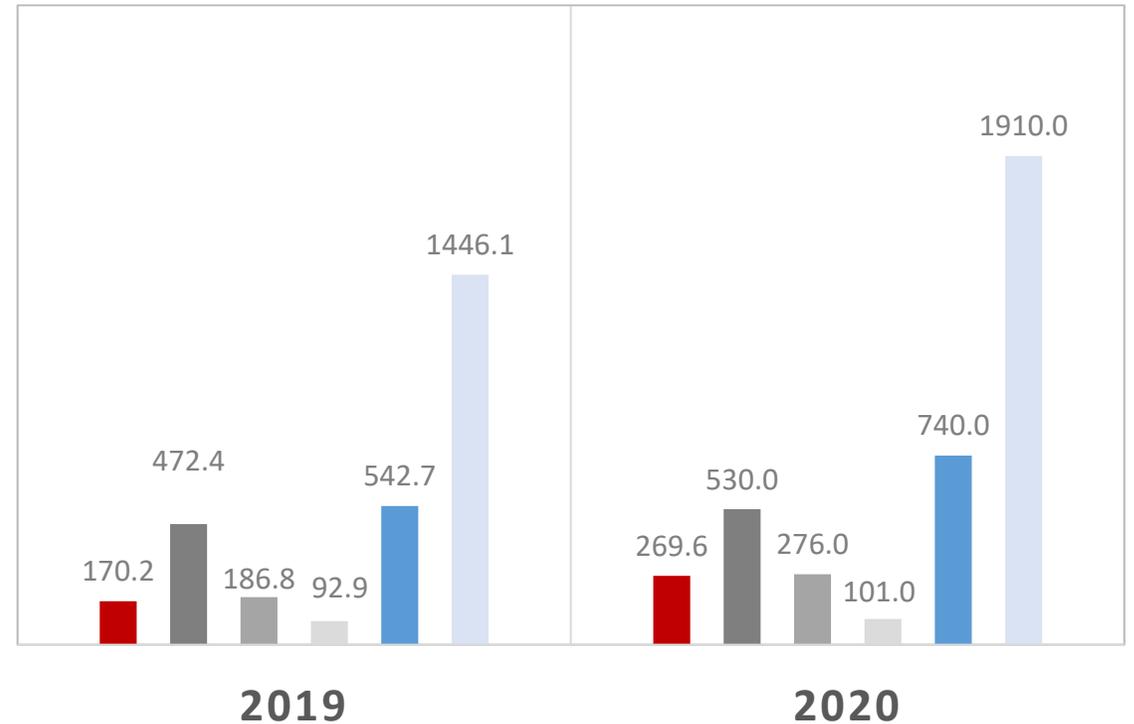
DXY-VNI: 0.43

# Value Turnover On The Rise

**2020 Average Daily Turnover Value increased 58.4% YoY**



■ Vietnam (VNI)     ■ Indonesia (JCI)     ■ Malaysia (FBMKLCI)  
■ Philippines (PCOMP)     ■ Singapore (STI)     ■ Thailand (SET)



# Themes

DOMESTIC RECOVERY	INFRASTRUCTURE	'DEFENSIBLES'	LOWER RATE BENEFICIARIES	FDI	CONSOLIDATION
<ul style="list-style-type: none"> <li>• <b>Banks</b> – generally less asset quality pressure on its borrowers.</li> <li>• <b>Property</b> – improved prospect for project launches. Hospitality properties.</li> <li>• <b>Consumer discretionary</b> – increased foot traffic.</li> <li>• <b>Brokers</b> – improved company prospects, deals.</li> <li>• <b>Aviation related</b> – more flights, passengers, cargo.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Airport</b></li> <li>• <b>Construction Materials</b></li> <li>• <b>Property</b></li> <li>• <b>Utilities</b></li> </ul> <p>Less direct or indirect plays could include:</p> <ul style="list-style-type: none"> <li>• <b>Industrial Parks</b></li> <li>• <b>State owned commercial banks</b></li> </ul>	<ul style="list-style-type: none"> <li>• Companies with <b>industry leading franchises</b> and businesses posting <b>good returns &amp;/or growth</b>.</li> </ul>	<p><b>Positive impact:</b></p> <ul style="list-style-type: none"> <li>• <b>Brokers</b> – Higher flow into the stock market and cheaper margin lending rates.</li> <li>• <b>Property</b> – lower funding cost for developers.</li> <li>• Companies in net debt position.</li> </ul> <p><b>Negative impact:</b></p> <ul style="list-style-type: none"> <li>• <b>Banks</b> – lower rates are not conducive to NIM.</li> <li>• Companies in net cash position.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Industrial Parks</b> – those with ample capacity &amp; ideal location</li> <li>• <b>Ports, Logistics, Transportation</b></li> <li>• <b>Consumer companies &amp; Residential RE developers</b> – from higher personal incomes</li> <li>• <b>Indirect Beneficiaries:</b> Materials, Banks, IPP, Infra developers</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Banks</b> – too many in the country.</li> <li>• <b>Consumers</b> – foreign interest potentially.</li> <li>• <b>Property</b> – on a project level, land banking.</li> </ul>



# 03 | INVESTMENT STRATEGY

**Andy Ho**

Chief Investment Officer

Managing Director



# VOF's investment philosophy

Provides a **diversified strategy investing into public and private** equities in Vietnam.

Delivers **superior risk-adjusted return in the medium to longer term.**

VinaCapital is uniquely positioned thanks to:

- **Experienced local team**
- **Scalable operations**
- **Leading financial brand**

# Privately negotiated investments – investing in brand, scale, and distribution

## Brand

USD38.4 million

**vietjet Air**

Vietjet Air

2016 - 2019

Fully Realized

IRR: 87.6%, MOIC: 2.1x

## Scale

USD 85.7 million



Hoa Phat Group

2007 - Present

Partially Realized

IRR: 16.8%, MOIC: 3.0x

## Distribution

USD62.9 million



Vinamilk

2003 - Present

Partially Realized

IRR: 51.2%, MOIC: 6.1x

USD10.1 million



Hoan My - Healthcare

2009 – 2013

Fully Realized

IRR: 47.6%, MOIC: 2.8x

USD22.2 million



Novaland

2015 - 2017

Fully Realized

IRR: 29.8%, MOIC: 1.7x

USD25.4 million



Phu Nhuan Jewelry

2007 - Present

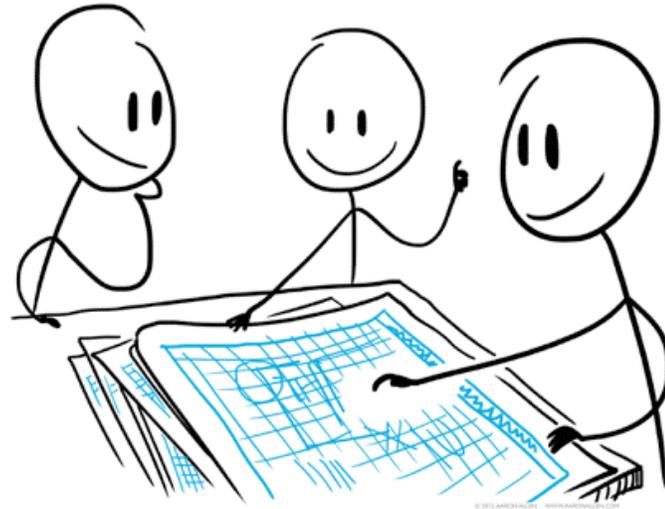
Partially Realized

IRR: 15.3%, MOIC: 3.9x

# VOF's Private Equity approach to investing



# Due diligence takes longer but allows us to negotiate stronger terms



Private equity deals with a longer due diligence period deliver **significantly higher** long term shareholder returns for the acquirer. Cass Business School Study, 2013

# Environmental, Social and Governance factors into our investment process

13% of Asia-Pacific investors incorporate ESG factors into their decisions or take concrete actions to improve their portfolio's ESG performance



VinaCapital is a signatory to the UN's Principles for Responsible Investing



Private investments follow the ESG evaluation and assessment framework set by the IFC / World Bank

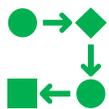


- We focus on 2 areas of sustainability:
- 1. Water management
  - 2. Clean energy



# Our focus and priorities

## Asset classes



### Structured Investments

*Minimum IRR, protections*

*Why? Clear exits*



### Private Equity

*Aggressively pursue*

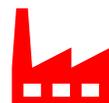
*Uncertain performance*



### Public Equity

*Sufficient capacity*

*Meaningful stakes*



### Equitisations

*Few interesting opportunities*

## Sectors



### Real Estate

### Financials / Banks



### Healthcare

### Materials

### Information Technology and Education



### Energy

### Consumer Staples

### Consumer Discretionary

# 04 | PORTFOLIO UPDATE

**Khanh Vu**

Deputy Managing Director



# 2020: VOF Performance Highlights

**\$1.1 BILLION**

NAV 31 DEC 2020  
\$6.29 PER SHARE<sup>1</sup>

**+27%**

NAV TOTAL RETURN  
(VN INDEX +17.5%)<sup>2</sup>

**\$50 MILLION**

SHARE BUYBACK<sup>3</sup>  
DISCOUNT <8%

**11CENTS**

DIVIDEND PAID  
ANNUAL YIELD 2%<sup>4</sup>

1. Total NAV and NAV per share, USD terms

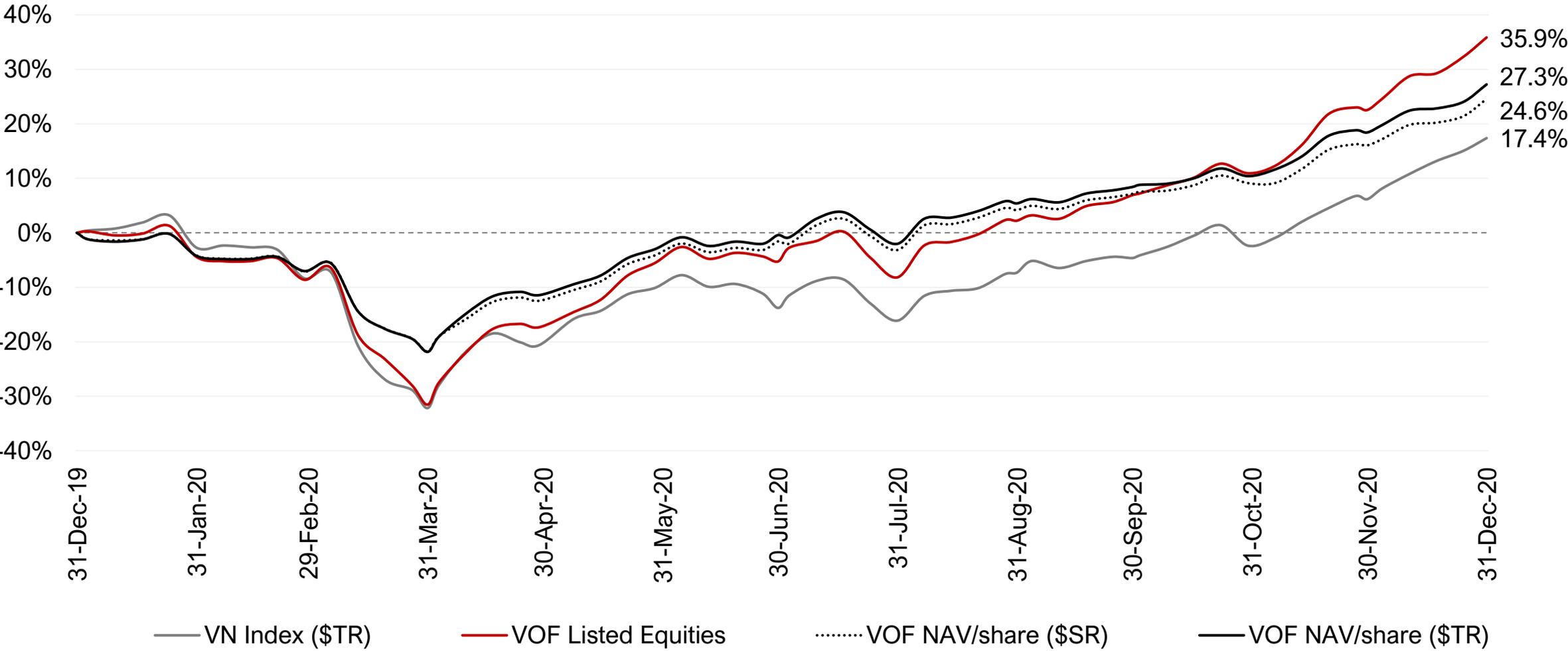
2. Source: Bloomberg. VN Index total returns, NAV per share total return, USD terms.

3. Total amount spent on share buybacks for FY2020, to acquire 8.7 million shares

4. Annual dividend paid 11 US cents (5.5 US cents paid semi-annually). Annual dividend yield represents 2.0% on share price at 31 December 2020.

# VOF delivers long term outperformance

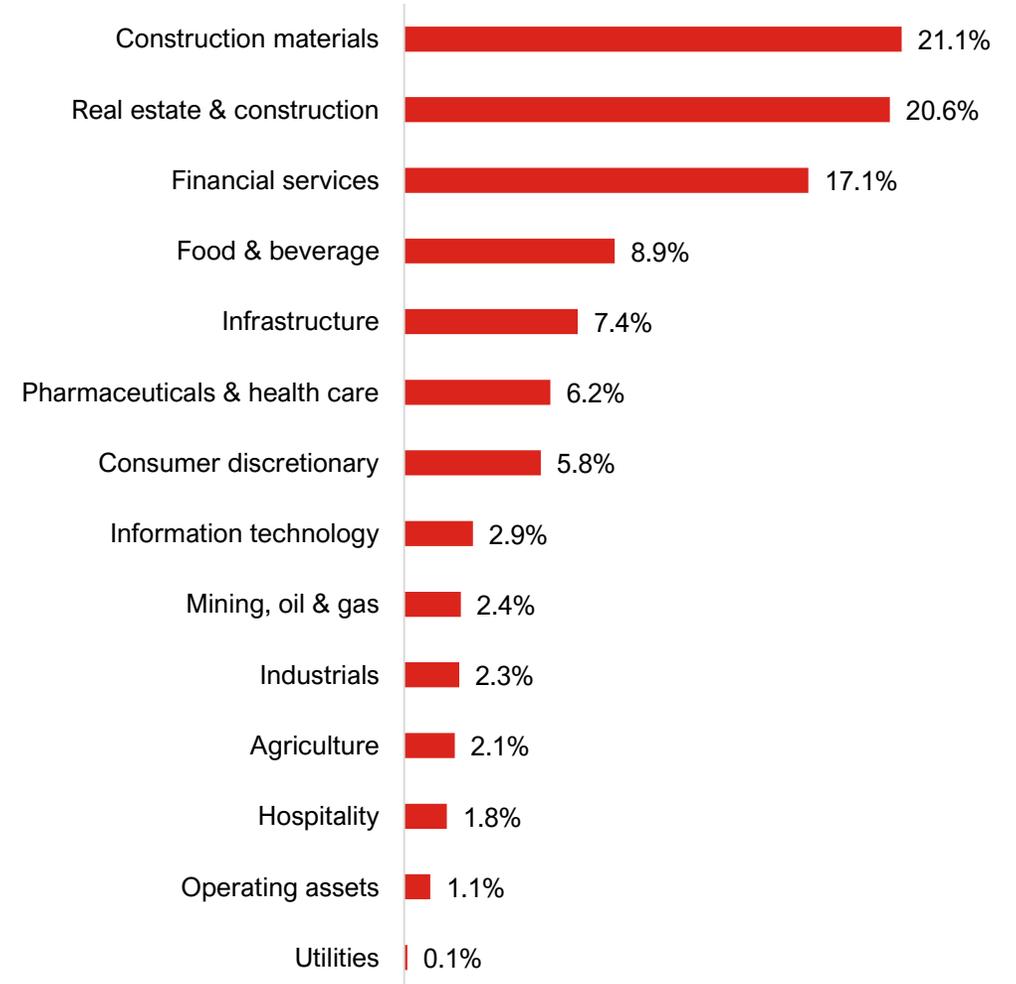
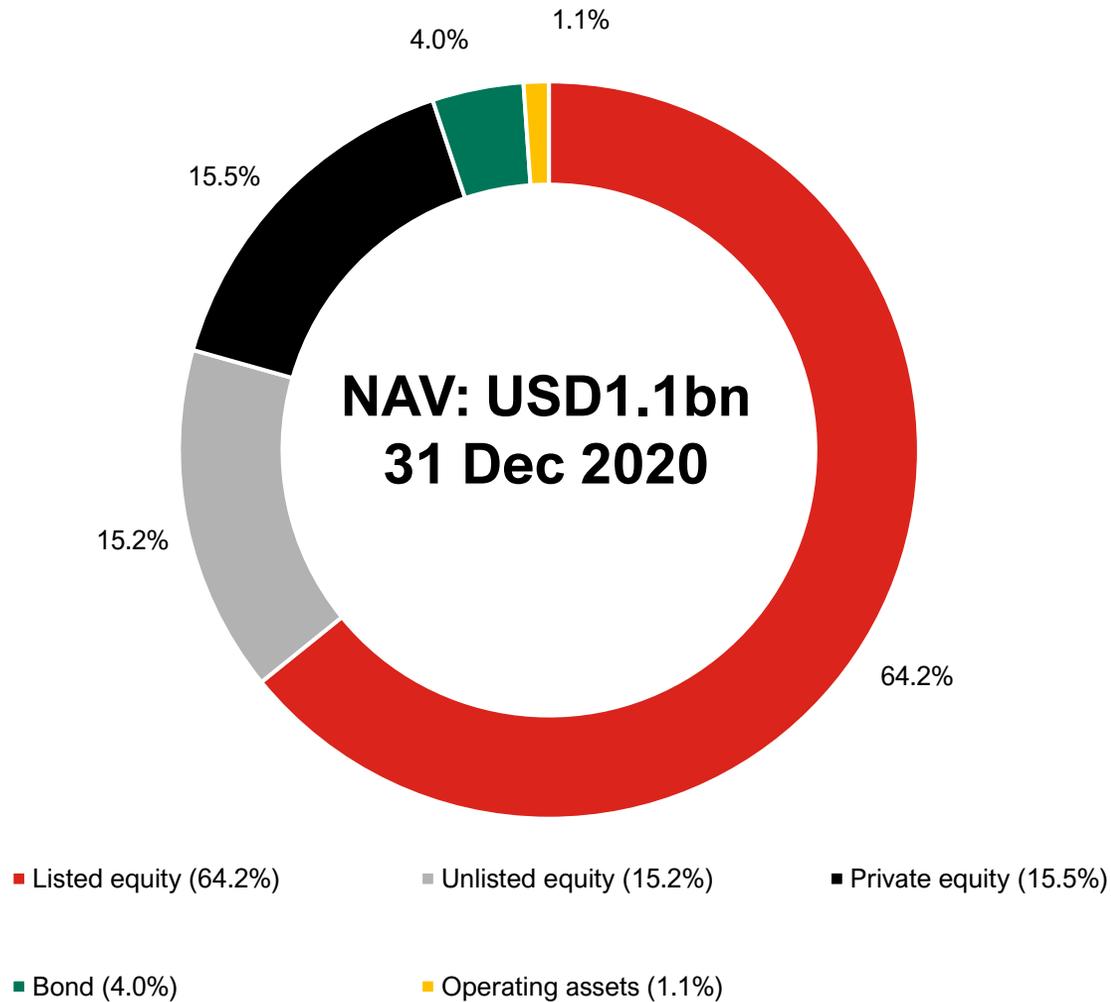
2020 VOF performance vs. VN Index (%)



1. Source: Bloomberg, VinaCapital, USD terms, total return basis (%), to 31 December 2020.



# VOF portfolio and Sector Allocation



# Private Equity: significant transactions during FY2020

PE: Ngoc Nghia USD21.4m



PE: Thu Cuc International General Hospital USD26.2m



PE: Petrolimex Aviation USD8.5m



PE: IN Holdings USD25.4m



# Public Equity: A concentrated portfolio of high-quality companies

New names initiated...



Vietcombank



...while others sold



# Top holdings: Public Equity

Top 10 Public Equity Holdings		Sector	NAV USDm	%NAV
1	Hoa Phat Group (HPG)	Construction Materials	194.9	18.2%
2	Khang Dien House (KDH)	Real Estate and Construction	96.9	9.0%
3	Airports Corporation of Vietnam (ACV)	Infrastructure	76.9	7.2%
4	Phu Nhuan Jewelry (PNJ)	Consumer Discretionary	54.2	5.1%
5	Asia Commercial Bank (ACB)	Financials Services	54.1	5.0%
6	Eximbank (EIB)	Financials Services	50.9	4.8%
7	Orient Commercial Bank (OCB)	Financial Services	40.8	3.8%
8	Vinamilk (VNM)	Food and Beverage	40.3	3.8%
9	Quang Ngai Sugar (QNS)	Food and Beverage	39.8	3.7%
10	Vinhomes (VHM)	Real Estate and Construction	37.7	3.5%
<b>Total</b>			<b>686.4</b>	<b>64.0%</b>

# Risks, opportunities and resiliency

## Exogenous Risks:

- COVID-related issues (global 2<sup>nd</sup> wave; virus mutation; vaccine rollout)
- Geopolitical tensions
- Leadership or political transition

## Endogenous Risks:

- Access to vaccines, or a new COVID outbreak
- Sector-specific risks
- Slow progress on key economic decisions & policies
- Slower domestic economic growth

## Opportunities:

- Investing into future leaders
- Access to a deep pipeline of deals
- Strong domestic economy and consumer

## Resiliency:

- Local economy and businesses
- Quality of VOF's portfolio
- Earnings forecast higher than market

# Recap: VOF's investment strategy

## 01 Growth Capital

- Capital to support expansion and growth
- Sectors benefitting from the growing domestic economy
- Long term investment horizon, excess returns to market

## 02 Minority Protections

- Volatility and weak corporate governance is pervasive
- Downside protections coupled with clear exit mechanisms
- Due diligence rights (on listed equities too), performance commitments, minority protections

## 03 Active Investing

- Actively engage, provide access to expertise
- Participate at the board and/or managerial level to enhance growth and shareholder value.

## 04 Sell Discipline

- Large stakes in companies to command an exit premium
- International buyers: strategic or financial investors, bankers
- Exit when below minimum targeted return or dilute the performance of the underlying portfolio

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Past performance is not a guarantee of future returns.



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