



# VinaCapital Vietnam Opportunity Fund

MARKET AND PORTFOLIO UPDATE

MAY 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

## About VinaCapital

- Founded in 2003, today is one of **Vietnam's largest independent asset managers**.
- **USD3.5 billion under management**, across alternative and traditional assets.
- Single-country focus, **invested in over 200 business** in Vietnam since inception.
- International standards in **ESG, ethics, transparency, compliance and management**
- Team of **70+ investment professionals**, with 70+ support and middle office staff.

## Our 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**

# VOF's Private Equity approach to investing





# 01 | Macroeconomic update

1. GDP forecast
2. Consumption driven growth
3. Manufacturing supports economic activity
4. “Stay-at-Home” products
5. Currency outlook

## Four Macro Themes for Q2 and Beyond

1. 6.5% GDP growth in 2021 looks certain
2. Consumption: Remarkably resilient
3. Manufacturing: Positive leading indicators
4. US Fiscal Stimulus & “Stay-At-Home” goods support exports

# Vietnam's Resilient Economic Performance in Q1

Vietnam's GDP grew 4.5% in Q1, despite:

## **1. A third COVID outbreak**

- GDP Growth: 4.5% in Q4 → 4.5% in Q1
- (Despite modest COVID restrictions, late-January to late-March!)

## **2. A collapse of Foreign Tourism**

- GDP Growth: 3.7% in Q1, 2020 → 4.5% in Q1, 2021
- (Despite 2 months of Tourists in 1Q20, and **None** in 1Q21!)

# Resilient Consumption, Despite COVID

VinaCapital's estimate of Personal Consumption growth\*

– 1Q20: +2%

– 1Q21: +9%

Vietnam's adept COVID handling supports Consumer Confidence

COVID Handling Rank	Country	Lowy Institute Score**
1	 New Zealand	94.4
 2	 <b>Vietnam</b>	<b>90.8</b>
3	 Taiwan	86.4
4	 Thailand	84.2
5	 Cyprus	83.3

# US Fiscal Stimulus Supports Vietnam's Exports

## \$600 Stimulus Checks at End-December

① US Retail Sales +7.4% month-on-month in **January**  
(~10-Year High Growth)



② Sales of most "**Made in Vietnam**" Products +15%  
(near Record-High Growth for Electronics, etc)



③ **Vietnam Exports to the US**, +72% yoy in January



④ **Total Exports**, +24% yoy in VN & Taiwan, in 2M21

## THE WALL STREET JOURNAL.

### The Vietnamese Recovery Is Made in America

March 30, 2021

Vietnam's economy is growing again, on the back of a strong rise in exports. The Southeast Asian nation looks to be one of the most clear-cut international beneficiaries of the U.S. stimulus package.

First-quarter gross domestic product was up 4.5% relative to last year's figure, according to an initial estimate released Monday. The recovery is being driven by a surge in goods and services sold abroad, which rose almost 20% year-over-year in March. Sales to the U.S. specifically are likely rising even faster, with no sign of a slowdown on the horizon.

Using Vietnamese export data and U.S. data for imports from Vietnam, it is clear that the American share of Vietnam's overseas sales has risen considerably. In the 12 months through January, U.S. imports from Vietnam were equivalent to about 29% of the Asian country's total exports, far higher than the roughly 20% average before 2019. Some caution is needed when data come from different organizations, but historically the two series tend to match up with figures published with a lag by the International Monetary Fund, which are considered the gold standard.

Vietnam emerged as a big winner from the China-U.S. trade spat. Some supply chains reoriented away from China, and the country also was a logical docking station for multistage "transshipments" to avoid American tariffs.

Some of those gains may not be repeatable, but given the fiscal splurge in Washington, it is likely that the U.S. share of Vietnam's exports will remain high for some time. Domestic economic growth in the order of 6.5% this year—as forecast by the Organization for Economic Cooperation and Development—will keep U.S. import demand strong and business brisk for export-focused Vietnamese companies.

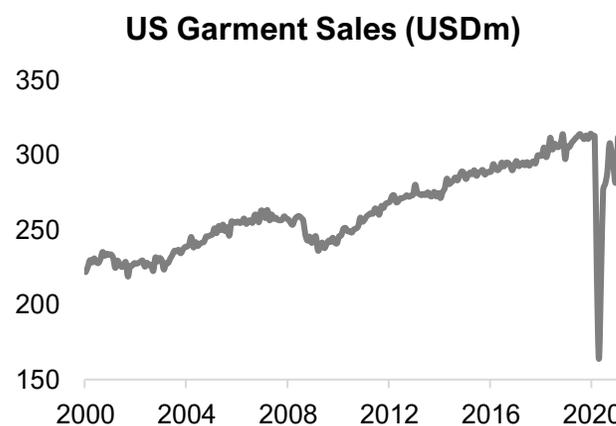
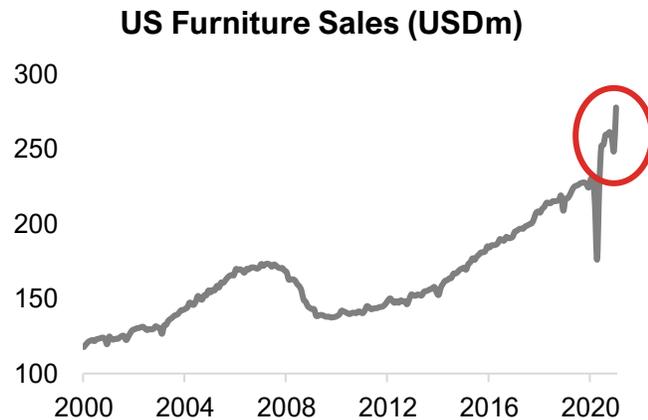
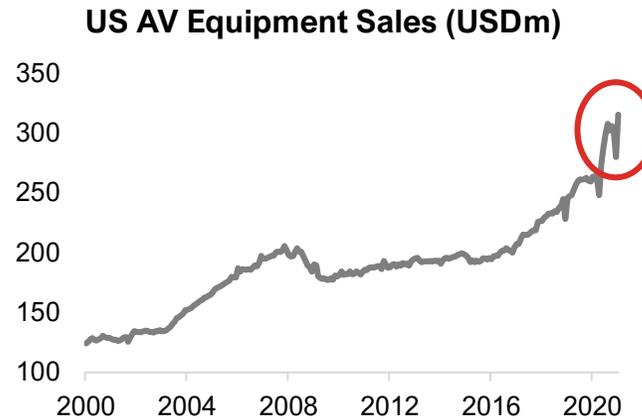
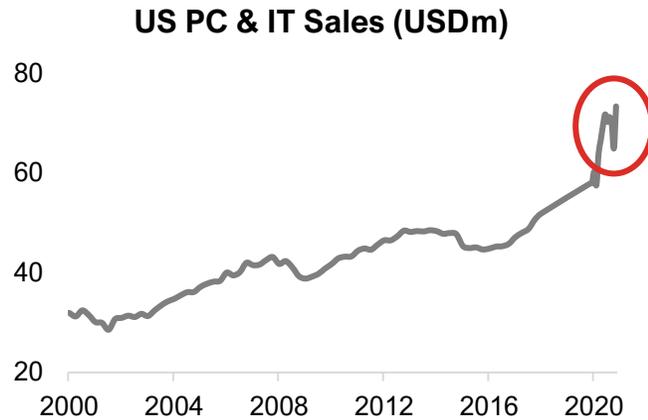
Vietnam's control of the Covid-19 pandemic is among the most impressive in the world, especially given the country's income bracket. But that hasn't been enough to protect a domestic economy with large exposure to tourism revenues during a year in which international travel all but ceased.

The country's merchandise trade—the import-export business—ran to almost 200% of GDP in 2019, among the highest in the world. Such huge exposure to international commerce would be damaging during a more normal recession, but in this one it has provided crucial economic ballast. Other countries in the region will likely have to wait far longer to fully recover economic losses incurred during the pandemic.

The Ho Chi Minh index of Vietnamese equities has now caught back up with the S&P 500 in price terms since the beginning of 2020. Each is up by a little over 20%. But investors need to be careful when seeking direct exposure to Vietnam: The sole exchange-traded

# US Consumers Are Still Buying “Stay-At-Home” Products

## Vietnam Makes Stay-At-Home and Work-At-Home Products



### ▶ Vietnam’s Exports to the US:

- ✓ Up 26% in 2020
- ✓ Up 33% in 1Q21

### ▶ Vietnam’s Electronics Exports:

- ✓ Up 24% in 2020
- ✓ Up 31% in 1Q21

# Strong Demand for “Stay-At-Home” Goods to Continue Into 2022

Workers in the US/Developed Countries Want to Work At Home



Employers Willing to Let Employees Work At Home ~2 Days/Week

## A Plethora of Surveys/Evidence:



- 72% of workers want to work at home 2+ days/week



- US Workers want to work at home ~1/2 week
- Employers expect workers to work at home 1-2 days/week



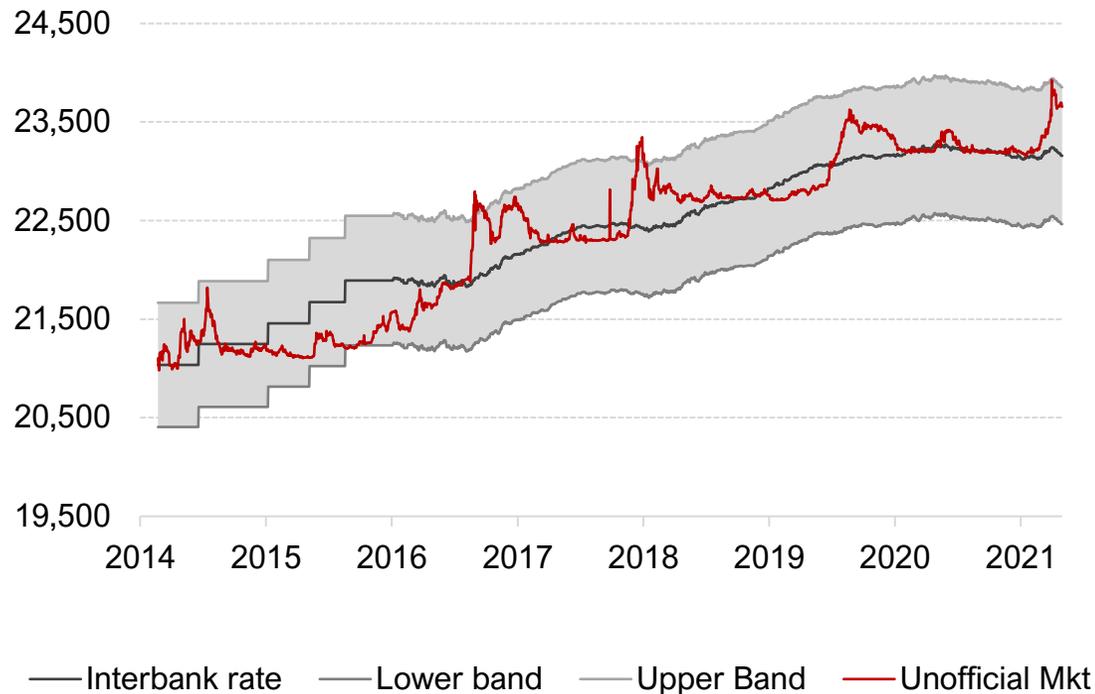
- Over 20% of employers to allow more work at home in the future



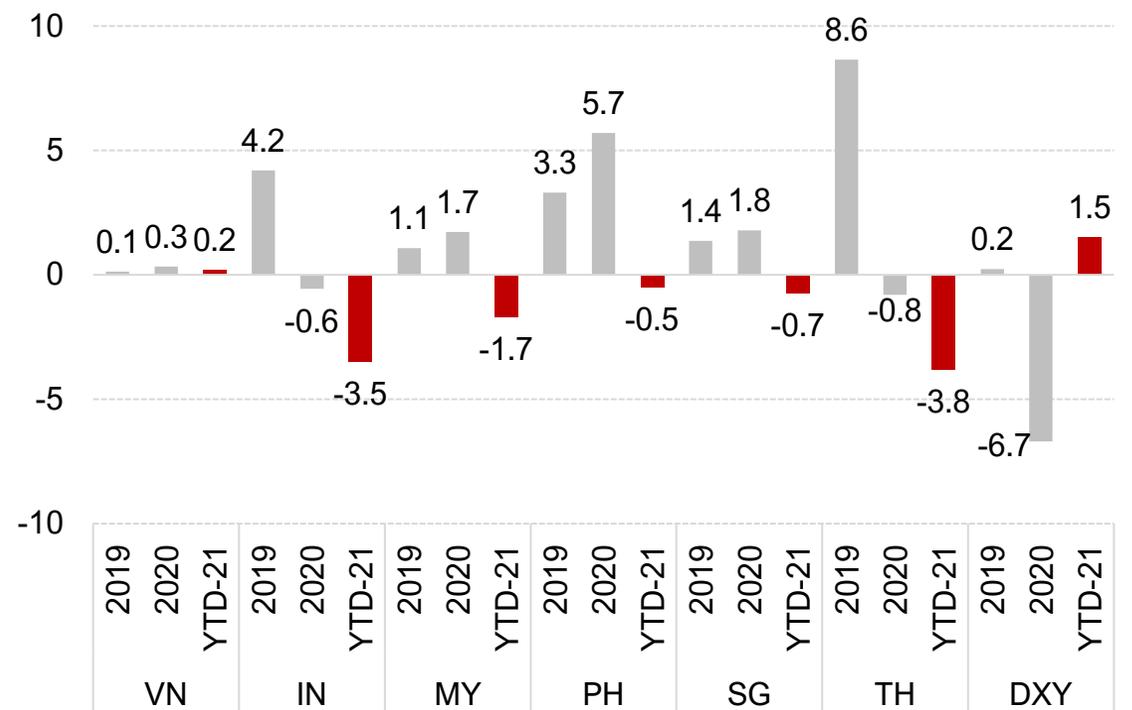
- 1/4 Employees could work at home 3-5 days/week

# Currency outlook: Stable with forecast 1-2% appreciation of VND

**VND Trading Bands – the spread between the official and unofficial rates recently widened**



**Regional Currency (% vs USD) the VND has slightly appreciated while others have devalued**

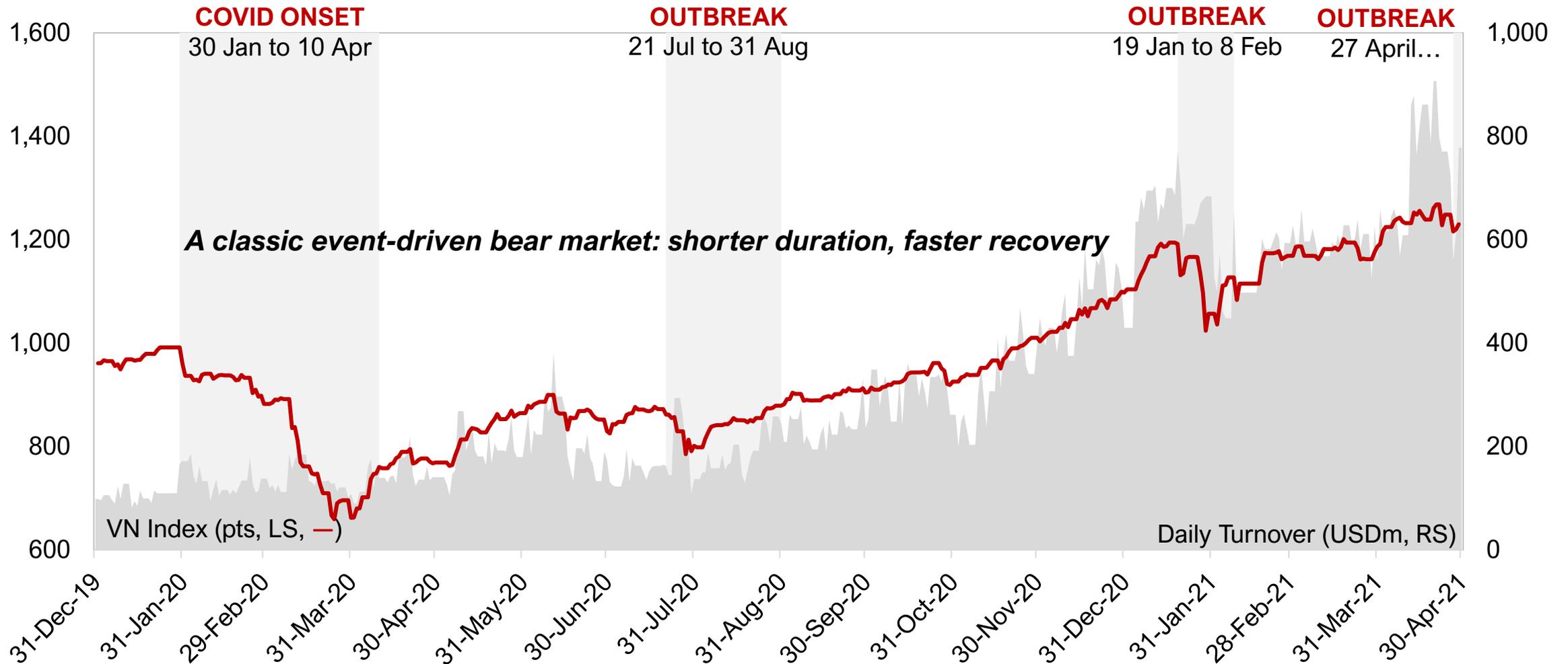


## 03 | MARKET

1. Market performance
2. Liquidity
3. Foreign investor flows
4. Local investor participation
5. Valuations

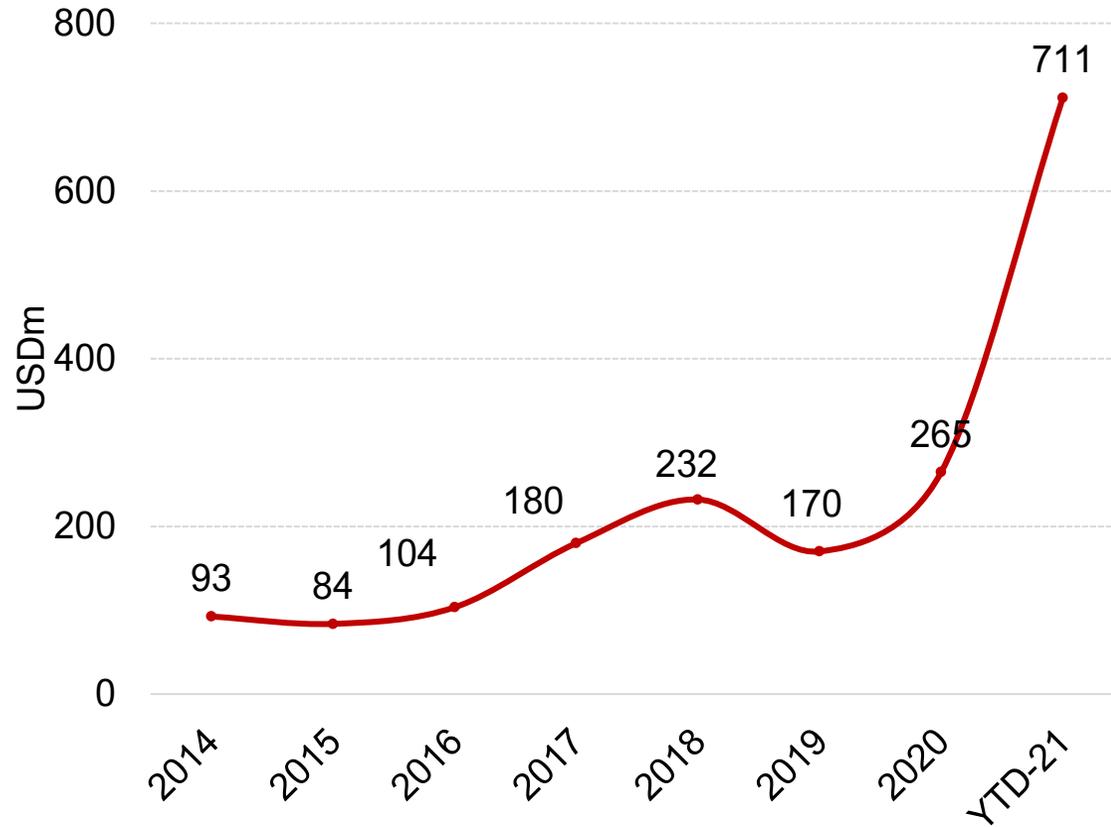


# VN Index: Subsequent COVID-19 outbreaks have little impact

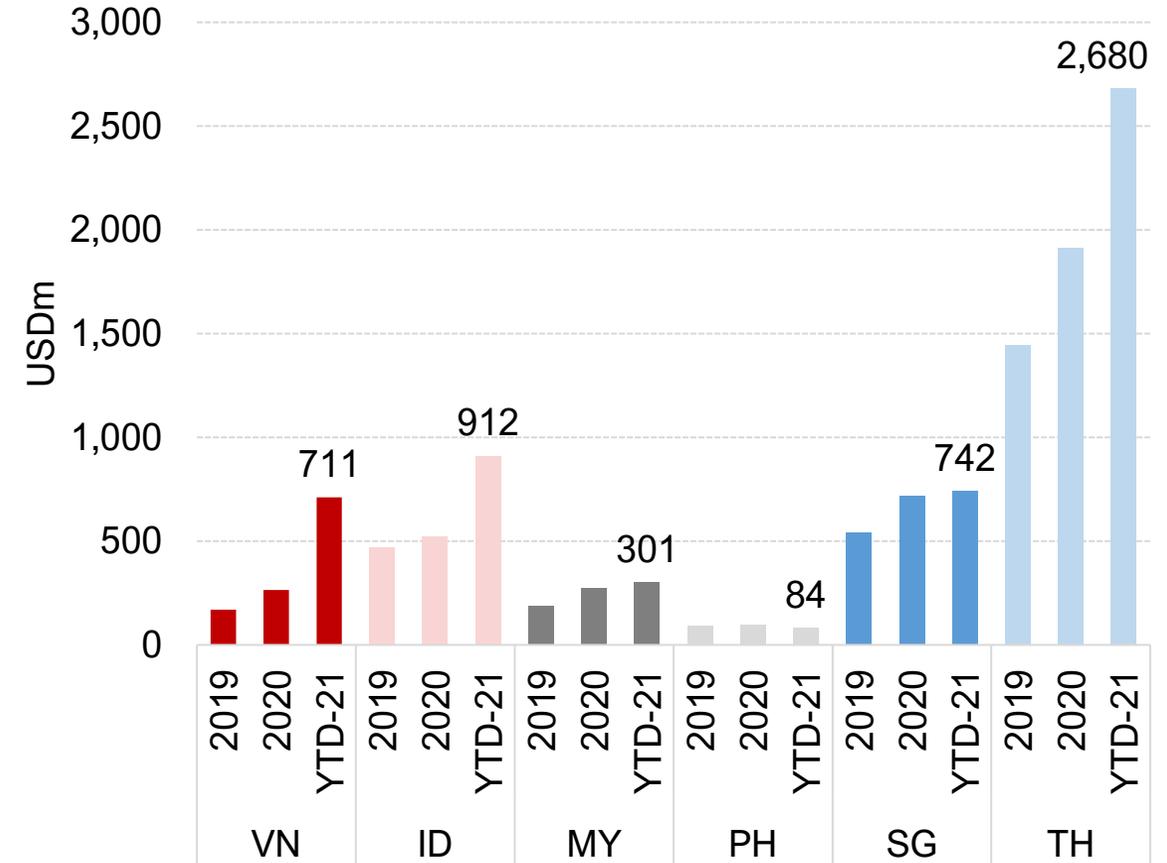


# Liquidity: Turnover value on the rise

VNI Avg Daily Turnover Value in excess of USD700m

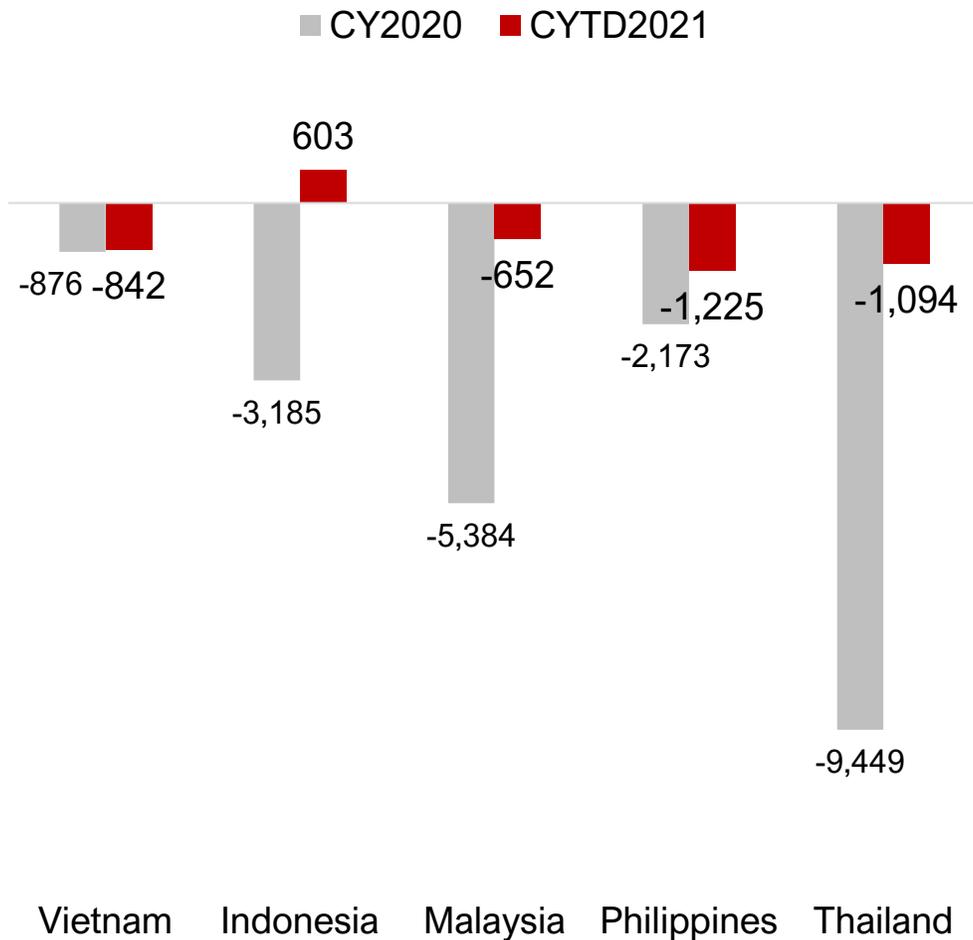


... and catching up rapidly with regional peers

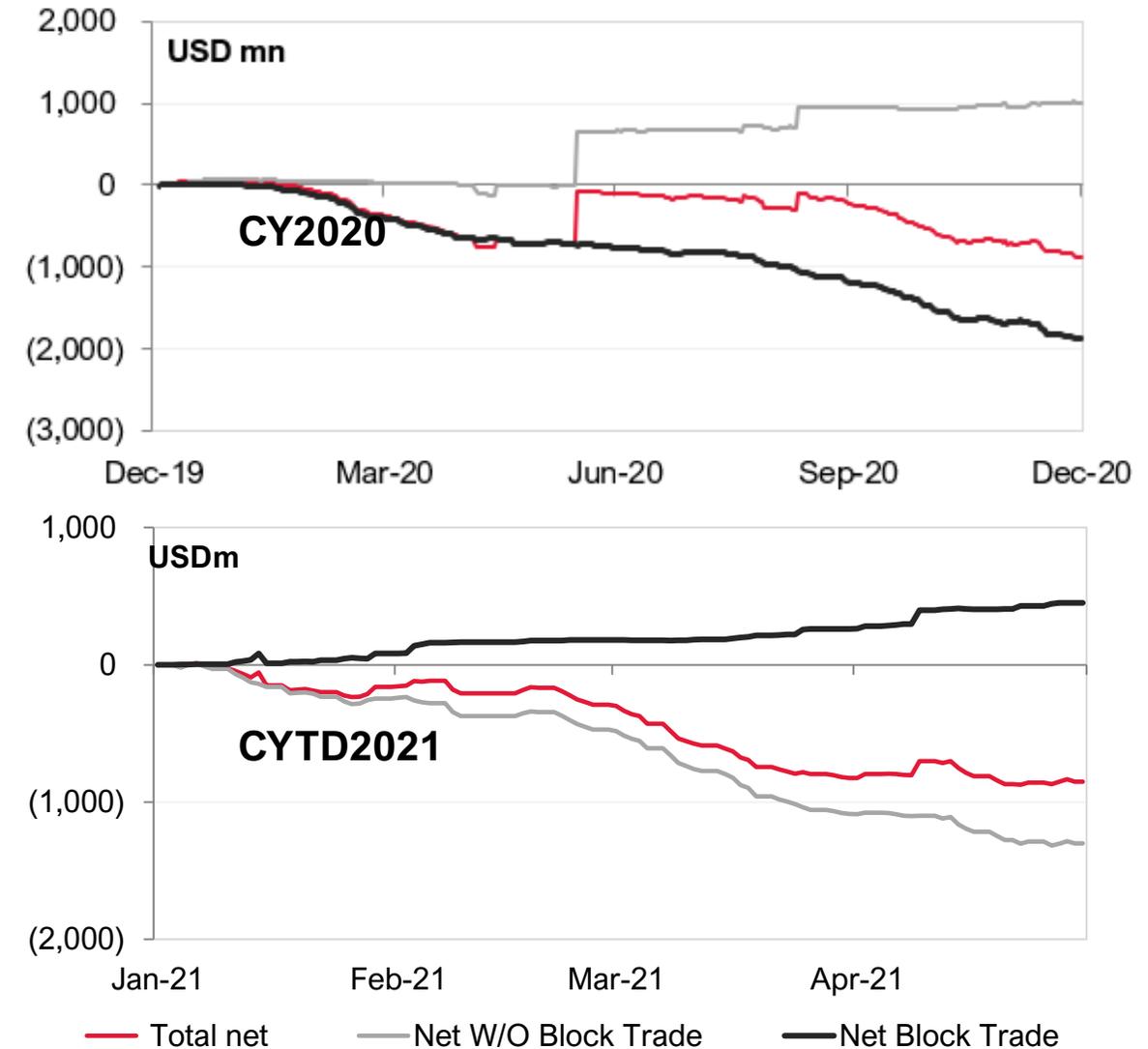


# Flows: Foreign investor net outflow

Net foreign flow CY2020 and CYTD2021

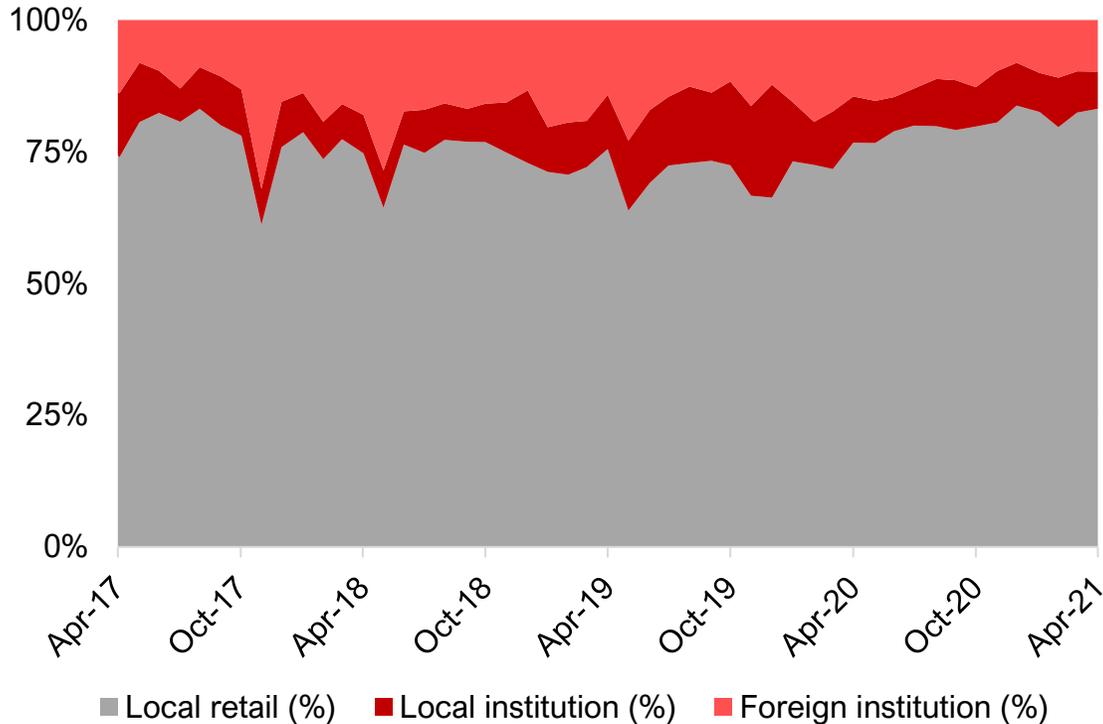


Accumulative net foreign flow into Vietnam with block trades returning to positive in 2021



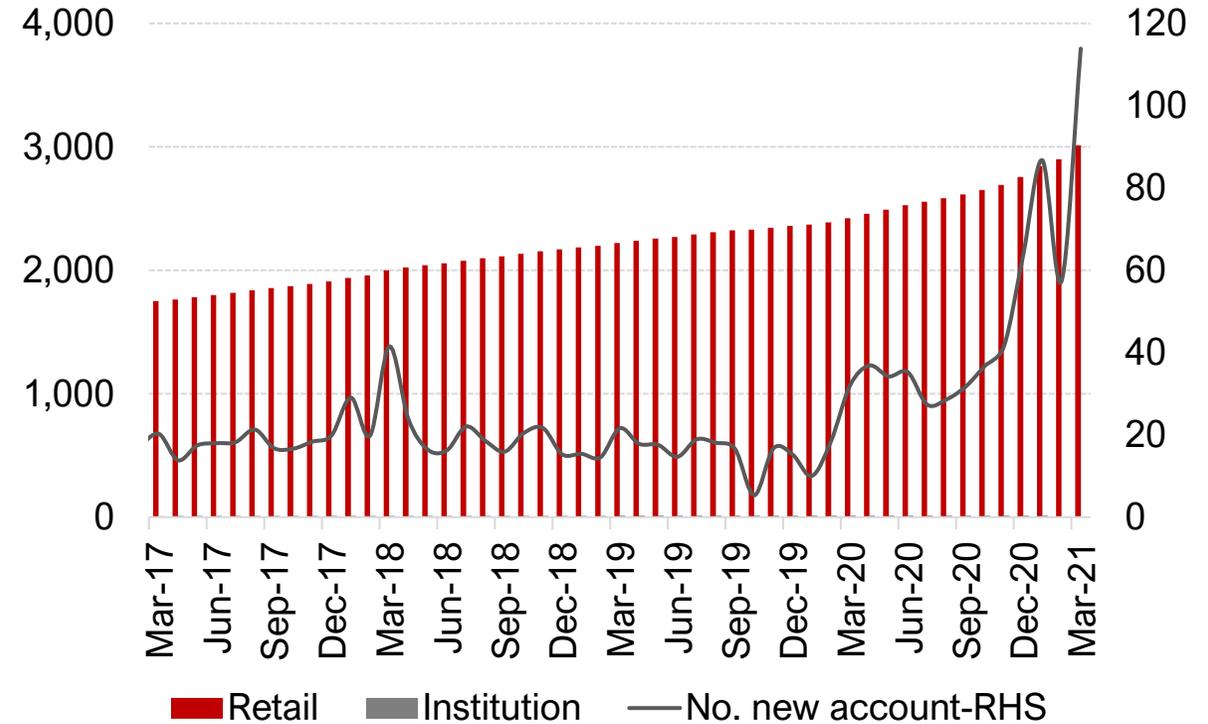
# Retail investors: Participation at record levels

## Market turnover by Investors



Over 85% of the market are local investors

## Number of trading accounts

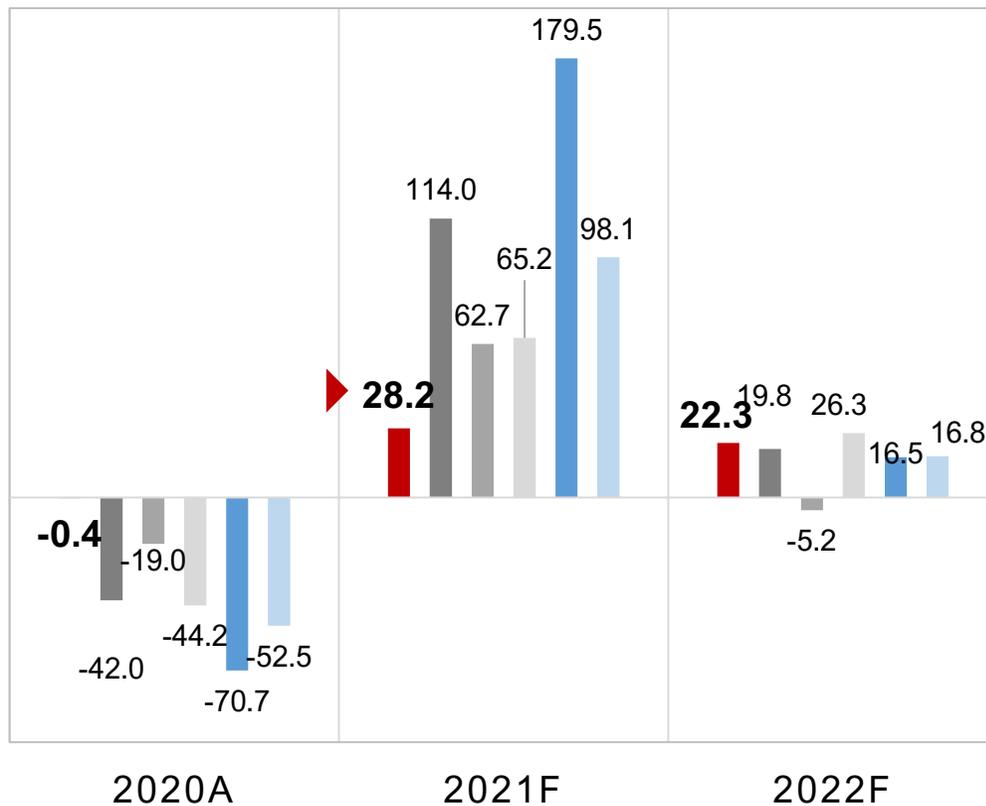


Record number of account openings, yet only ~300k active  
 Mar21: 114k (+98% m/m, +254% y/y); 1Q21: 258k (+325% y/y)

# Valuations: Cheaper market, supported by strong net profit growth

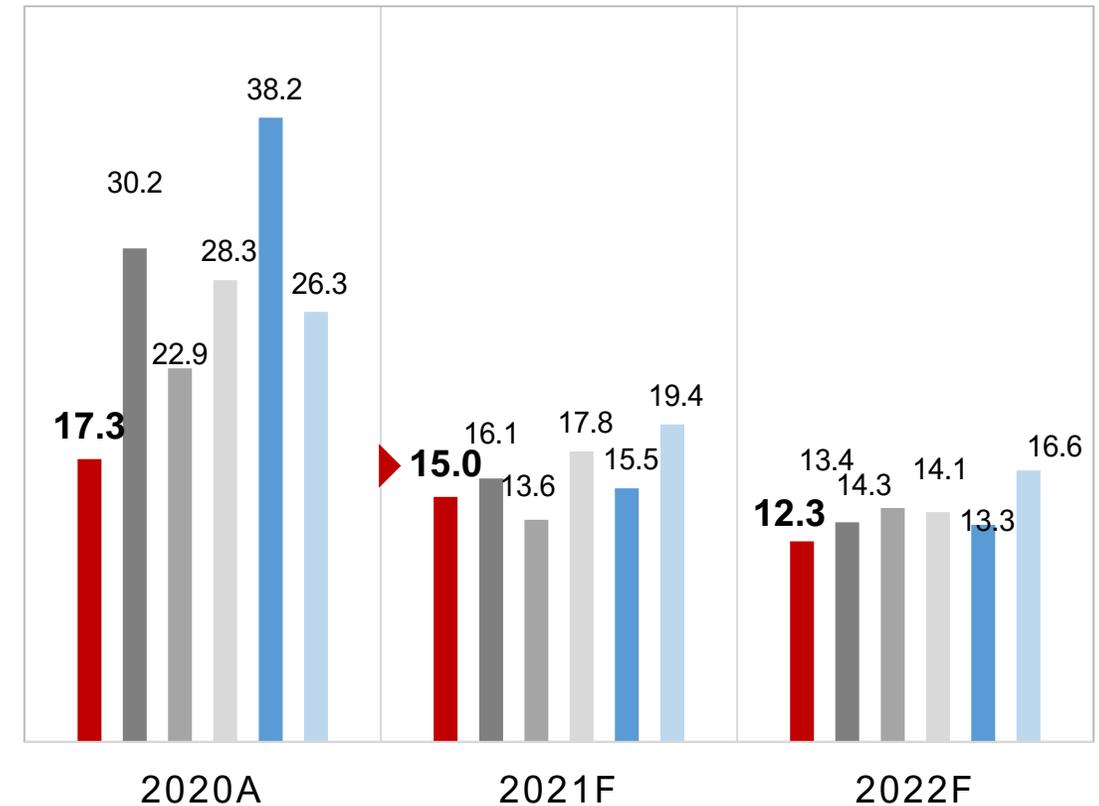
## CONSENSUS EPS GROWTH ESTIMATES

■ Vietnam    ■ Indonesia    ■ Malaysia  
■ Philippines    ■ Singapore    ■ Thailand



## PER (x)

■ Vietnam    ■ Indonesia    ■ Malaysia  
■ Philippines    ■ Singapore    ■ Thailand



## 04 | PORTFOLIO

1. Fund performance
2. Sector and asset class allocation
3. Portfolio activity: capital markets and private equity
4. Pipeline and areas of focus
5. ESG's role in investing



# 2021: VOF Performance Highlights

**\$1.2 BILLION**  
NAV 30 APRIL 2021  
\$7.11 PER SHARE<sup>1</sup>

**+47.5%**  
NAV TOTAL RETURN  
1 JULY TO 30 APRIL<sup>2</sup>

**\$25 MILLION**  
SHARE BUYBACK<sup>3</sup>  
DISCOUNT <12%

**6 CENTS**  
SEMI-ANNUAL  
DIVIDEND INCREASED<sup>4</sup>

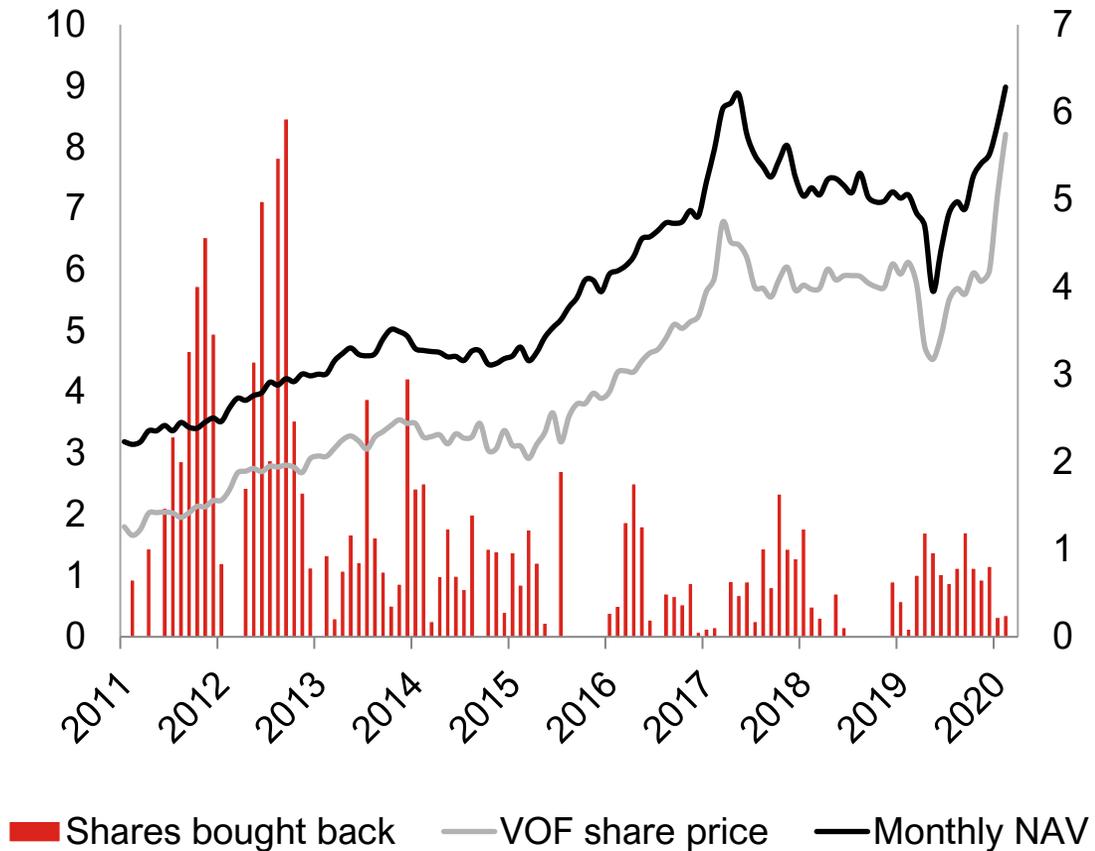
1. Total NAV and NAV per share, USD terms

2. Source: Bloomberg. VN Index total returns, NAV per share total return, USD terms, FY2021 year-to-date from 1 July 2020 to 30 April 2021.

3. Total amount spent on share buybacks for FY2021 year-to-date from 1 July 2020 to 30 April 2021.

4. Annual dividend paid 11.5 US cents (5.5 US cents paid November 2020 and 6.0 US cents paid May 2021). Annual dividend yield represents approximately 2.0% on NAV.

# Strong performance over financial year to date (FY2021 to April)

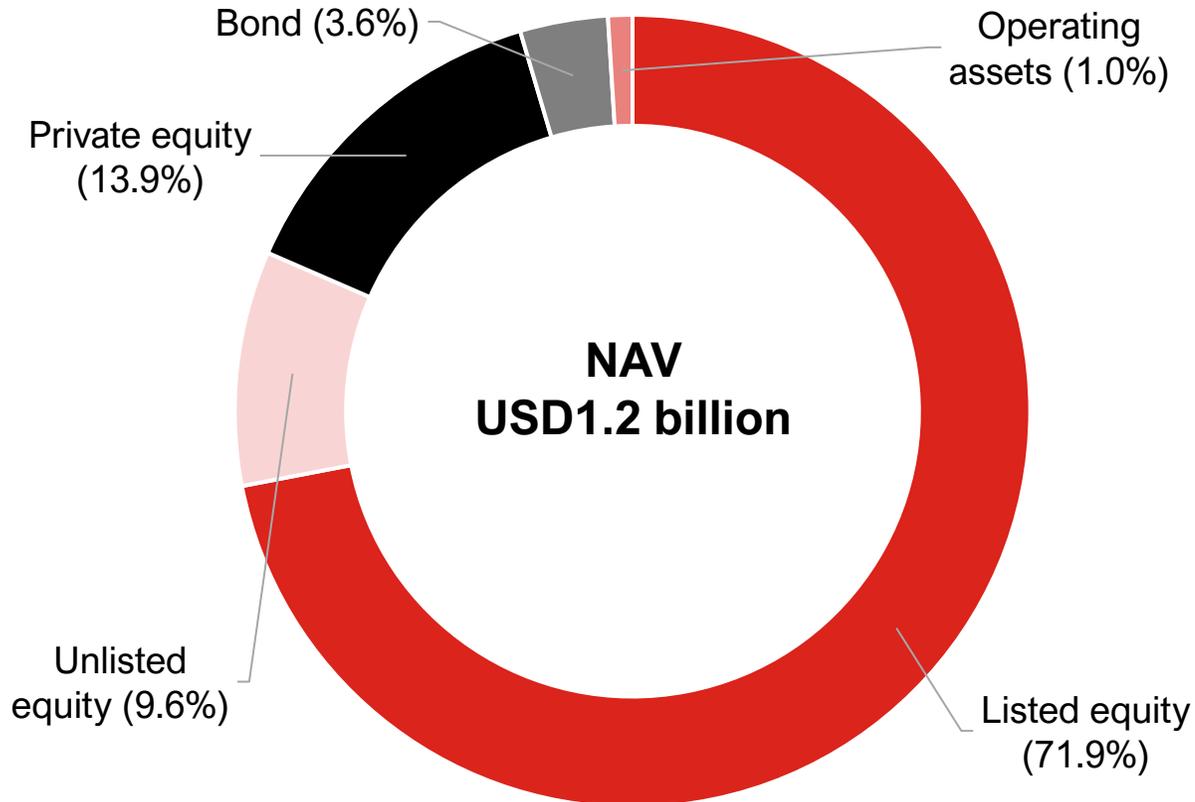


30 April 2021	USD	GBP
NAV per share:	7.11	5.14
Change (FY2021 YTD) <sup>1</sup>	45.7%	
Total NAV (million):	1,211.4	875.9
Share price:	6.31	4.56
Market cap (million):	1,074.9	777.2
Premium/(discount)	-11.8%	

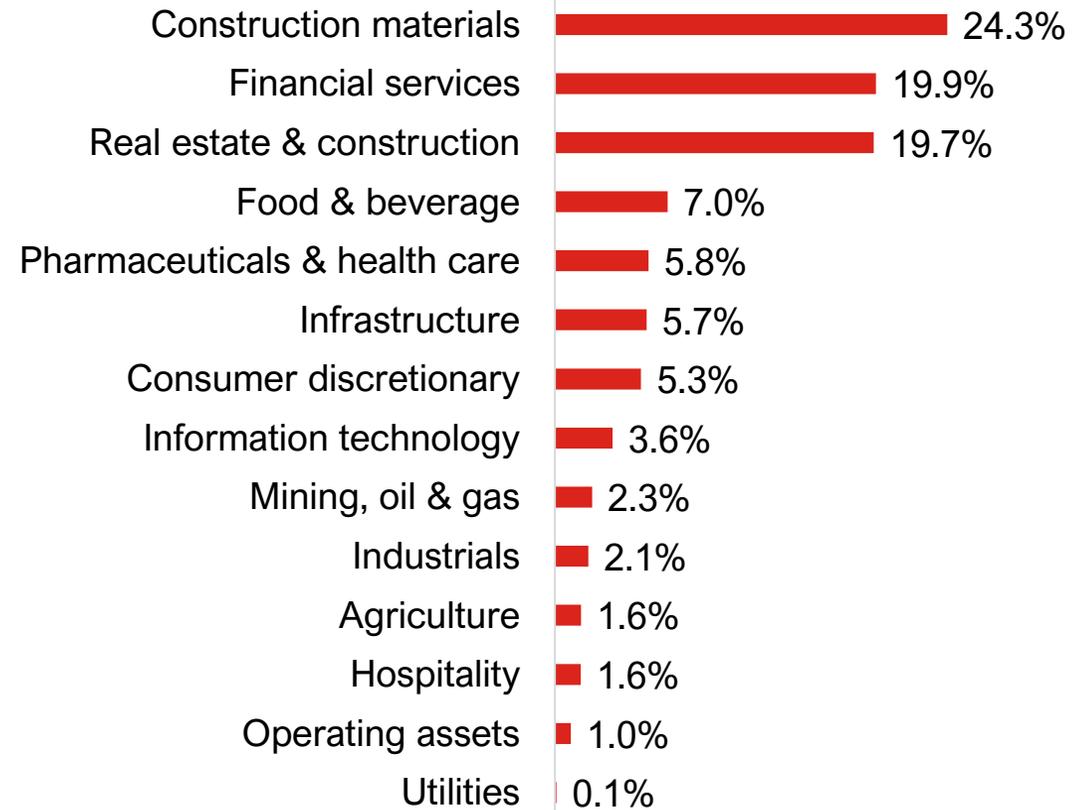
<sup>1</sup> Total return FY2021 YTD as of 30 April 2021. VN Index return over same FY2021 period is 53.5% (to 30 April).  
<sup>4</sup> Source: Bloomberg, VinaCapital, Total return basis (%), USD terms

# VOF asset class and sector allocation

**VOF Portfolio By Asset Class %  
30 April 2021<sup>1</sup>**



**VOF Portfolio By Sector %  
30 April 2021<sup>1</sup>**



# Top Portfolio Holdings as of 30 April 2021

Top 5 Public Equities Holdings 30 April 2021	%NAV <sup>2</sup>	Top 5 Private Equity Holdings 30 April 2021	%NAV <sup>2</sup>
1. Hoa Phat Group (HPG)	21.3	1. An Cuong Wood-Working	3.2
2. Khang Dien House (KDH)	9.6	2. Thu Cuc Medical	1.9
3. Airports Corporation of Vietnam (ACV)	6.0	3. Ngoc Nghia Industry Service Trading	1.7
4. Asia Commercial Bank (ACB)	5.7	4. IN Holdings (Twins)	1.6
5. Vinhomes (VHM)	5.5	5. Tam Tri Medical	1.6
<b>Top 5 Public Equities Holdings Total</b>	<b>48.1</b>	<b>Top 5 Private Equities Holdings Total</b>	<b>9.9</b>

# USD140m in Private Equity investments over past 18 months

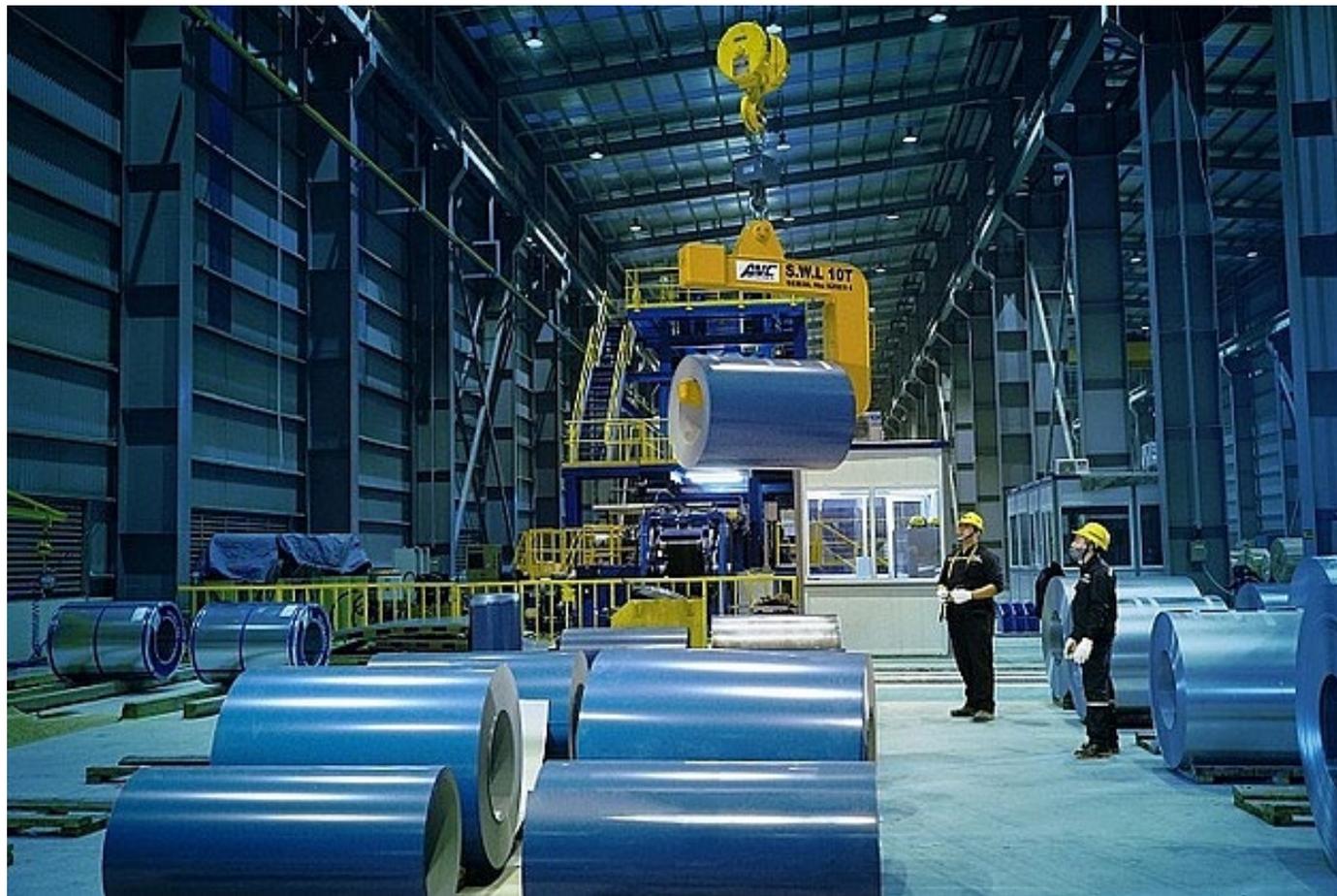
## Sectors include Healthcare and Real Estate



- Leading private hospital / clinic network in Hanoi
- Thu Cuc International General Hospital (TCI)
- 2<sup>nd</sup> clinic launched in 1Q21, expansion continues
- Invested: USD27m (VOF led consortium)

- Leading Real Estate brokerage and services
- Project “Davos”
- IPO expected in June 2021
- Invested: USD40m (VOF led consortium)

# Hoa Phat Group (HOSE: HPG)



- Vietnam's leading steel producer
- Market cap: USD9.5bn
- Profit 2021F: USD1.2bn (+22 y/y)
- NAV: USD257m (21.3% NAV)





# Phu Nhuan Jewelry (HOSE: PNJ)



- Vietnam's leading jewelry company
- Market cap: USD1.0bn
- Profit 2021F: USD60m (+22 y/y)
- NAV: USD65m (5.3% NAV)



# Pipeline: Private equity opportunities

## 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

# Environmental, Social and Governance factors into our investment

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



# 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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