

Newsletter

A Cayman-domiciled mutual fund with monthly liquidity. The investment objective of the Fund is to seek long-term capital appreciation of its assets by investing in a portfolio of the equity securities of smaller Vietnamese companies with a market capitalisation of US\$ 20 million to US\$ 250 million at time of initial investment.



Manager's Commentary

October was as ugly for Vietnam's markets as it was elsewhere and the strength of the economic outlook highlighted in some excellent third-quarter earnings reports was seemingly irrelevant. The NAV declined by 9.31% in the month to 31 October trumping the previous largest monthly drawdown of 9.16% in May this year. The VNMid Index fell by 11.79% in USD in October whilst the VNIndex declined by 9.60%, giving back September's gains. The outperformance of the Fund continues year-to-date with the NAV down 7.65% compared to the VNMid Index down 13.50% and the VNI down 9.60%, all in USD.

The encouraging macroeconomic picture continues to be driven by Foreign Direct Investment (+6.3% to US\$15.1 billion YTD 2018) into productive export capacity at the expense of regional competitors. Ten-month exports rose 14.2% with imports up 11.8% resulting in a US\$6.4 billion trade surplus year-to-date, its largest ever and a notable expansion in the scale of the surplus since the transition in 2012. Media reports abound on manufacturing moving from China into Vietnam, and we continue to see evidence of such. The October Nikkei Vietnam Manufacturing PMI (at 53.9 from ten-month low of 51.5 in September) noted "marked and accelerated upturn in factory orders" and "output growth at three-month high" on rising domestic and overseas demand, leading to a rise in industrial production of 10.4% y/y so far. CPI was again below the 4% target rising 3.89% y/y in October on higher fuel costs.

Financial results for portfolio companies were very good in the third-quarter and for nine-months to date in 2018 with overall net profit rising 45% y/y and 29% y/y respectively, and compared to 17.1% y/y and 8.6% y/y for the benchmark VNMid Index. Outperformance has come as a result of stock selection as a rising focus on fundamental research begins to prevail. The market dynamic is moving away from the simple quest for size and liquidity (IPOs) with a focus on quality of management and earnings.

Fast rising earnings combined with the sharp sell-off means that the NAV-weighted portfolio valuations are attractive; 2018–2020 price/earnings multiples are 9.6x, 8.7x, 7.7x and 2.0x price/book with a 4.9% dividend yield

Fund NAV

Launch Date	8 December 2015
Issue Price	US\$2.50
	At 31 October 2018
NAV per share	
Lead Series	US\$ 3.164
Series 12	US\$ 3.163
Series 13	US\$ 3.164
Series 14	US\$ 3.163
Series 15	US\$ 3.164
Series 16	US\$ 3.164
Fund Size	US\$16.4mn (31 Oct 2018)
ISIN (Lead Series)	KYG7307A1058
NAV Multi-series	

Top 10 Holdings

(As at 31 October 2018)	% of Assets
Vinh Hoan Corporation (VHC)	13.6
HCMC Securities (HCM)	9.8
Power Construction No.1 (PC1)	7.8
Dong Hai Corporation (DHC)	7.3
Nam Long Group (NLG)	5.4
Phu Tai Corporation (PTB)	4.8
Vietnam Container Shipping JSC (VSC)	3.9
Taseco Air Services (AST)	3.8
Petro VN Transportation Corp. (PVT)	3.7
Saigon Cargo Service Corporation (SCS)	3.6
Number of Listed Holdings	27

Vietnam Macro & Market Releases

	2017	YTD
GDP Growth y/y**	6.81%	6.98%
Trade surplus / (deficit)*	US\$2.9bn	US\$6.4bn
CPI y/y*	2.60%	3.89%

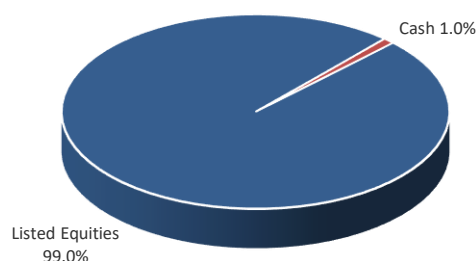
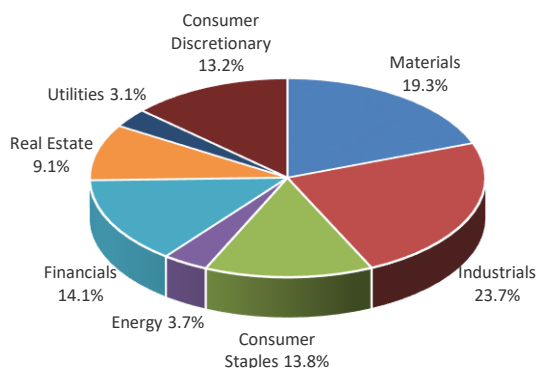
Latest

Vietnam Dong / USD *	23,347
Nikkei PMI *	53.9
Disbursed FDI y/y *	6.3%

HCMC Stock Exchange	Oct 17	Oct 18
Market Cap*	US\$ 94bn	US\$ 122bn
Daily Trade*	US\$ 178mn	US\$ 299mn
Foreign Buying YTD*	US\$ 607mn	US\$ 1,799mn

Source: GSO, Customs Office & Bloomberg
*Latest monthly data** Latest quarterly data

Portfolio Breakdown



NAV Performance: Rolling

	PXP VSCF *	VNMidcap Index**
Oct 2018	-9.31%	-11.79%
1 Year	+3.81%	-5.13%
2 Years	+7.99%	+5.93%
Inception	+29.56%	+24.34%

NAV Performance: Calendar

	PXP VSCF *	VNMidcap Index**
YTD	-7.65%	-13.50%
2017	+21.49%	+33.47%
2016	+13.44%	+6.89%
2015	-0.56%	+0.76%

* All figures are NET of fees ** Index performance in US\$
All performance data as at 31 October 2018

Fund Information

Legal Form: Cayman Islands Mutual Fund
Fund Manager: PXP Vietnam Asset Management
Inception: 8 December 2015
Issue Price: US \$2.50
Administrator: Apex Fund Services
Custodian: DBS Bank Ltd, Hong Kong
Auditor: Ernst & Young Ltd
Isin: KYG7307A1058
FATCA GIIN: CS5VS4.99999.SL.136
Bloomberg: PXPVSCF KY

Fund Directors

Mr. Christopher Vale
Non-Executive Director
Ms. Rachel Provost
Non-Executive Director

Portfolio Managers

Ms. Chi Nguyen
Mr. Lawrence Brader

Liquidity & Fees

Dealing Day : The 1st business day of each month
Subscriptions: 2 business days notice
Redemptions: 3 months notice
Management fee: 1.5% p.a
Performance fee: 15% over 8% per annum with high water mark
Redemption fee: 3% within first 12 months, 1% thereafter payable to the Fund

For further details please refer to the Fund's Prospectus via www.pxpvietnam.com