

Newsletter

A Cayman-domiciled mutual fund with twice-monthly liquidity. The primary 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 Vietnamese companies.



Manager's Commentary

A truly abysmal finish to the year saw a slight relative advantage over the index at the end of September 2018 not only eroded, but decimated in the final quarter of the year. As Shareholders are aware, we run a high conviction portfolio with a long-term view, highly concentrated in the top-4 positions, the top-3 of which fell prey to short-term negative sentiment over the quarter.

We commented on weakness in Hoa Phat Group in last month's missive and would extend the blame for that to encompass some pessimism as a result of the ongoing trade war. The theory being that essentially tariffs cause a slowdown in the Chinese economy leading to a reduction in its domestic demand for steel, resulting in the dumping of Chinese steel and therefore margin erosion for HPG. Fair enough, but the stock is a valuation outlier in the top-20 by market capitalisation and any resolution of Sino/US trade disputes (or economic stimulus in the former) should surely see a strong rebound for the stock price. At the very least the stock appears to be attempting to find a bottom close to VND 29,000 per Share.

Ho Chi Minh City Securities has obviously suffered with the market and there does seem to be evidence, given the further pronounced recent weakness across the sector, that the announcement of the removal of 15 basis point minimum commissions last week didn't come as a complete surprise to everyone in the market. Our view on that is a "didn't think that through properly", coming as it did in tandem with the imposition of a *maximum* 3 bps commission on state-owned enterprise IPOs. We doubt we would be alone in feeling somewhat peeved at having to pay at least *five times* the commission paid by the government on the other side of that trade, but we don't suppose that the possibility of harming brokers' overall revenue was a primary concern when facilitating rock-bottom fees for government asset sales.

Leaving aside whether such paltry fees are likely to have any positive impact on the moribund equitisation process - and we very much doubt it unless the single, market share light broker which reacted to the abolition of minimum commissions by cutting rates to zero for new accounts sees 3 basis points as generous - we would be surprised if the brokers don't come to an agreement to restrict the damage caused by such a seemingly ill-considered decision. That does pre-suppose that everyone honours any such agreement but they are brokers, after all, so how likely is that? Joking aside, we pay for execution and we are not going to sacrifice the quality and security of the service we currently get to save a couple of dollars, particularly given how little we pay brokers annually anyway. Pressure will come from retail (which still comprises over 75% of daily turnover), but the two brokers with which we mainly deal are going to be the main beneficiaries of increased foreign participation and turnover trumps rates, in our opinion.

Turning to Vinamilk; the stock has been recently unloved due to somewhat poor earnings in the four quarters beginning with the last of 2017. A decent rebound in Q4 of 2018, with net profit up 30.5% on the same period of 2017 seems to have confirmed the floor at just above VND 110,000 per Share in December, and the stock has already rebounded by 20% from the low closing price.

Overall since our long-term view is unchanged we do not intend to make excuses for sentiment having moved against our philosophy in the short-term. We expect a much better outcome in 2019 on both an absolute and relative basis, particularly given a couple of recent early indications that the freeze in risk appetite for both emerging and frontier markets is beginning to thaw. We have once again put our money where our mouths are, and we are now the second largest shareholder in the Fund at 13.6% of the total. We believe that that makes us the only truly aligned manager in the country, and hopefully demonstrates our continued faith both in this market and in our ability to deliver superior long-term performance.

Fund NAV

Launch Date	3 November 2005
Issue Price	US\$ 5.00
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NAV per share	At 28 December 2018
Series 1 (Lead Series)	US\$ 9.063
Series 1A, 1B	US\$ 9.937
Series 39, 40, 41, 42, 43 45, 46, 47, 48, 49, 50	US\$ 9.063
Series 44	US\$ 9.064
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Fund Size	US\$ 88.6mn (28 Dec 2018)

Top 10 Holdings

(As at 28 December 2018)	% of Assets
Hoa Phat Group (HPG)	19.0
HCMC Securities Corporation (HCM)	17.2
Vinamilk (VNM)	15.2
FPT Corporation (FPT)	13.5
CotecCons Construction (CTD)	6.7
Danang Rubber JSC (DRC)	5.0
Vietnam Container Shipping JSC (VSC)	4.1
PXP Vietnam Smaller Companies Fund*	3.8
Nui Nho Stone JSC (NNC)	2.4
Viet Capital Securities JSC (VCI)	2.3
	Listed 22
Number of Holdings	Unlisted 3

*all fees rebated by the Investment Manager

Vietnam Macro & Market Releases

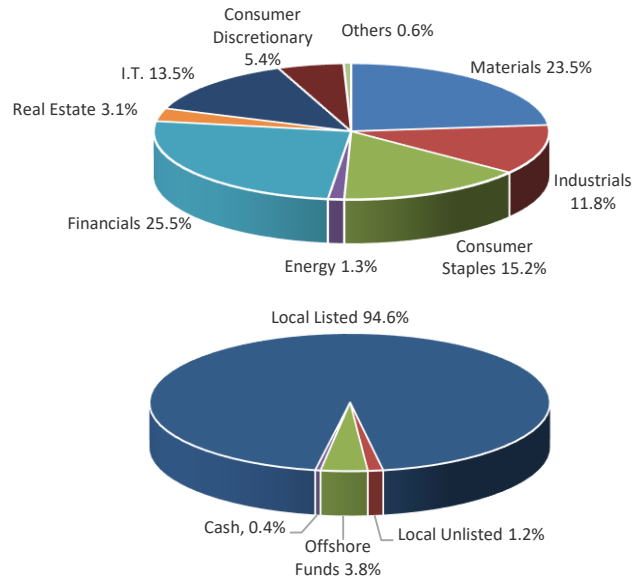
	2017	2018
GDP Growth y/y**	6.81%	7.08%
Trade surplus*	US\$ 2.9bn	US\$ 7.2bn
CPI y/y*	2.60%	2.98%

	Latest
Vietnam Dong / USD*	23,190
Nikkei PMI*	53.8
Disbursed FDI y/y*	9.1%

HCMC Stock Exchange	Dec 17	Dec 18
Market Cap*	US\$ 115bn	US\$ 124bn
Average Daily Trade*	US\$ 242mn	US\$ 191mn
Foreign Buying YTD*	US\$ 1.2bn	US\$ 1.9bn

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

Portfolio Breakdown



NAV Performance: Rolling

	PXP VEEF*	Viet Nam Index**
Dec 2018	-5.26%	-3.13%
1 Year	-18.05%	-11.20%
2 Years	+24.32%	+31.81%
3 Years	+38.77%	+49.46%
4 Years	+48.84%	+50.81%
5 Years	+67.77%	+60.78%
6 Years	+119.07%	+93.68%
7 Years	+173.64%	+130.27%
8 Years	+89.96%	+54.84%
9 Years	+60.41%	+43.75%
10 Years	+192.64%	+113.20%
11 Years	-22.70%	-33.50%
12 Years	-3.63%	-17.80%
13 Years	+80.57%	+99.24%
Inception	+81.26%	+89.70%

NAV Performance: Calendar

	PXP VEEF*	Viet Nam Index**
2018	-18.05%	-11.20%
2017	+51.70%	+48.43%
2016	+11.62%	+13.39%
2015	+7.26%	+0.91%
2014	+12.72%	+6.61%
2013	+30.58%	+20.47%
2012	+24.91%	+18.89%
2011	-30.58%	-32.76%
2010	-15.56%	-7.16%
2009	+82.43%	+48.31%
2008	-73.59%	-68.81%
2007	+24.68%	+23.61%
2006	+87.37%	+142.38%

*All figures are NET of fees **Index performance in US\$
All performance data as at 28 December 2018

Fund Information

Legal Form: Cayman Islands Mutual Fund
Fund Manager: PXP Vietnam Asset Management
Inception: 3 November 2005
Issue Price: US\$ 5.00
Administrator: Apex Fund Services
Custodian: DBS Bank Ltd, Hong Kong Branch
Auditor: Ernst & Young Ltd
ISIN: KYG7306V1005
FATCA GIIN: G11WDZ.99999.SL.136
Bloomberg: PXPVEEF KY

Fund Directors

Mr. Philip Smiley
Mr. Antony Jordan
Ms. Trinh Thanh Mai
Mr. Simon Raybould
Mr. Christopher Vale

Portfolio Manager

Mr. Kevin Snowball

Liquidity & Fees

Dealing Day: First business day and 15th calendar day of each month
Subscriptions: 2 business days notice
Redemptions: 10 business days notice
Management fee: 1.5% p.a
Performance fee: 15% over 8% per annum with high water mark
Redemption fee: 1% payable to the Fund

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