

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

In a turbulent and ultimately disappointing year on an absolute basis we closed 2018 by posting a decline in NAV in December of 2.70% compared to the VNMid Index decline of 1.23%. For the calendar year 2018 the NAV of the Fund declined by 8.55% in USD net of fees compared to the VNMid decline of 14.59% and the Viet Nam Index decline of 11.12%, both in USD.

The disconnect between companies that have had an operationally excellent 2018 and their market prices continued through December. External pressures persist in causing domestic volatility. In some cases market prices are reflecting a substantial loss of value which we are unable to square away with the long-term macroeconomic and stock-specific outlook. The fourth quarter of 2018 saw GDP rise 7.30% compared to the same quarter of 2017, and by 7.08% y/y for the full year in 2018, the fastest growth in 11 years, with consumer price inflation rising 2.98%. The economy is firing on all cylinders with Agriculture rising 3.8% y/y, Industry & Construction up 8.8% y/y and the Service sector increasing 7.0% y/y. Export growth continued apace rising 13.8% in December y/y and imports rising 11.5% y/y resulting in Vietnam posting the largest trade surplus in its history at US\$7.2 billion.

We constantly review the investment case of the companies that we own through primary research to see if the rationale still holds, and if the price has been very weak then to assess what we are missing or if the market continues pricing assets inefficiently. Domestic investors are placing excess weight on weaker activity in China equating to a weaker Vietnam, and ignoring the strength of the indicators evidencing rude-health across Vietnam's economic sectors. The resultant sell-off in the market, in line with the rest of the world, offers an entry point at levels not seen for more than 14 months; much of the froth built in the rally through fourth-quarter 2017 and first-quarter 2018 has been corrected. We're still a retail-investor dominated market, however, and a meaningful return of foreign capital will be needed to reignite enthusiasm.

Unfortunately the Viet Nam Index appears to be expensive on an aggregate basis, for example on 2018 – 2020 PE valuations of 25.0x – 21.6x – 19.0x but if you strip out the ludicrously expensive Vincom, Vinhomes and Vincom Retail threesome the overall valuations fall back to 14.8x – 13.3x – 11.8x. The Fund offers, in our opinion, a higher-quality portfolio of holdings with better standards of governance than on average in Vietnam.

Wishing you a prosperous 2019.

Fund NAV

Launch Date	8 December 2015
Issue Price	US\$2.50
NAV per share	At 28 December 2018
Lead Series	US\$ 3.133
Series 12	US\$ 3.133
Series 13	US\$ 3.133
Series 14	US\$ 3.133
Series 15	US\$ 3.133
Series 16	US\$ 3.133
Series 17	US\$ 3.134
Fund Size	US\$16.3mn (28 Dec 2018)
ISIN (Lead Series)	KYG7307A1058

Top 10 Holdings

(As at 28 December 2018)	% of Assets
Vinh Hoan Corporation (VHC)	14.0
HCMC Securities Corporation (HCM)	8.5
Power Construction JSC No.1 (PC1)	8.4
Dong Hai JSC of Ben Tre (DHC)	7.3
Vietnam Container Shipping (VSC)	5.4
Nam Long Group (NLG)	4.9
Phu Tai Corporation (PTB)	4.8
Phuoc Hoa Rubber (PHR)	4.0
Taseco Air Services (AST)	4.0
Ba Ria - Vung Tau House Development (HDC)	4.0
Number of Listed Holdings	26

Vietnam Macro & Market Releases

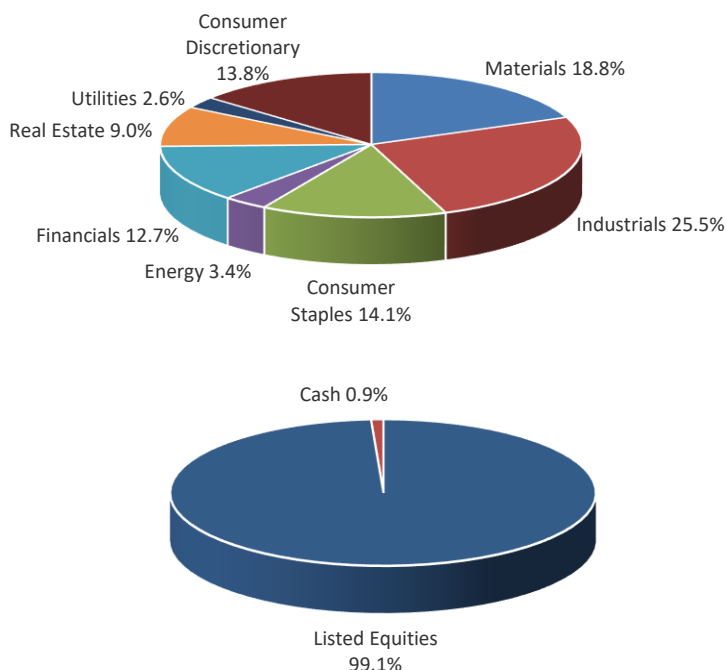
	2017	2018
GDP Growth y/y**	6.81%	7.08%
Trade surplus*	US\$ 2.9bn	US\$ 7.2bn
CPI y/y*	2.60%	2.98%

	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 VSCF*	VNMidcap Index**
Dec 2018	-2.70%	-1.23%
1 Year	-8.55%	-14.59%
2 Years	+11.10%	+14.00%
3 Years	+26.03%	+21.85%
Inception	+25.32%	+22.77%

NAV Performance: Calendar

	PXP VSCF*	VNMidcap Index**
2018	-8.55%	-14.59%
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 28 December 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: First business day of each month
Subscriptions: 2 business days notice
Redemptions: 3 months notice
Management fee: 1.5% per annum
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